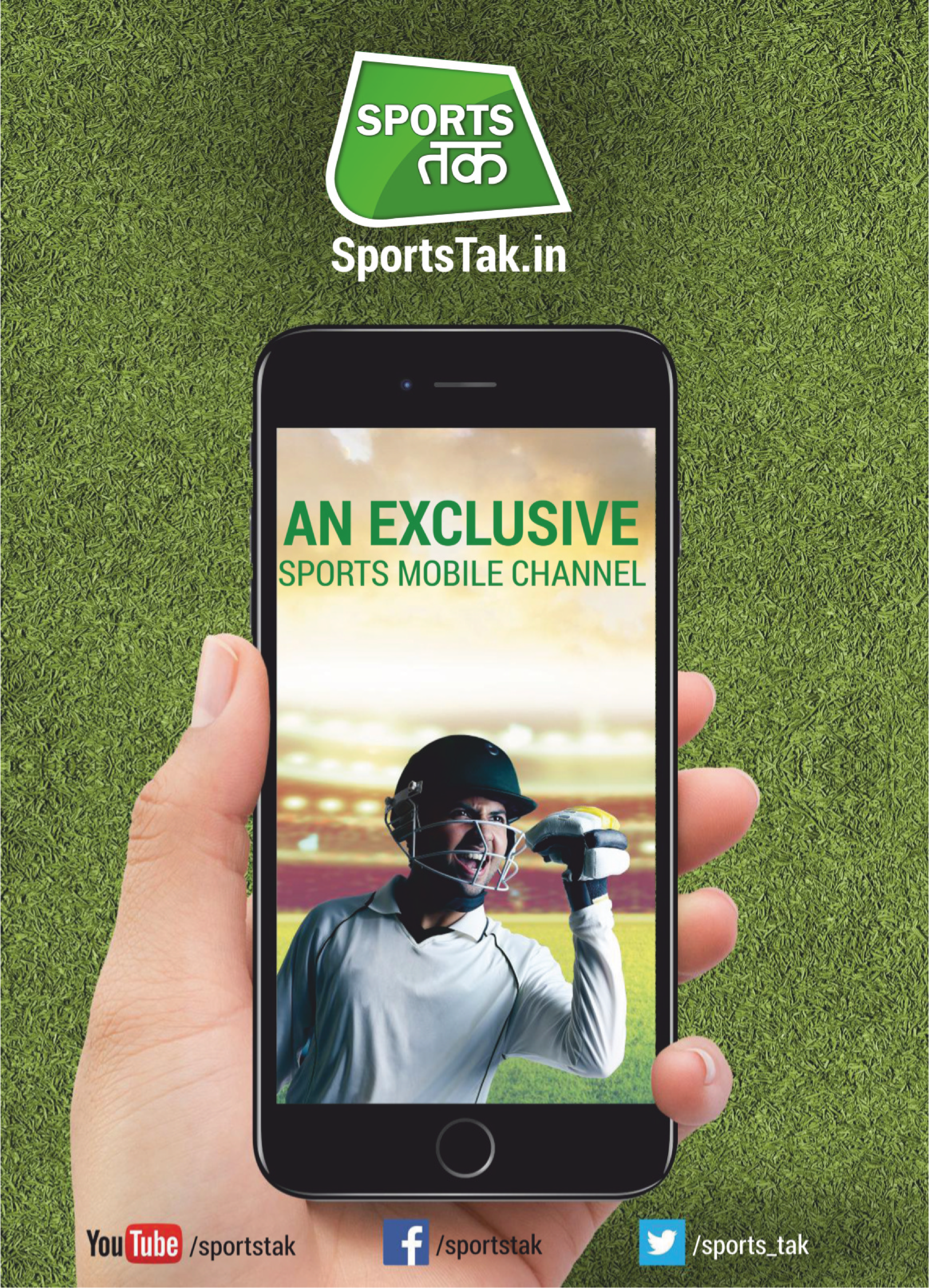
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Can the Modi government fund the bonanza of sops for voters without wrecking the country's financial stability?

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INDIA TODAY GROUP

Yogi's 'Bhav

Vision Makes KUMB

More than 8 crore devotees have taken

2019 runs into its third week with the

With the third shahi snan on Mauni Amavasya on Monday, Feb 4, 2019 attracting more than three crore devouts for a holy dip at Sangam during the Kumbh 2019, the 49-day event runs into its third week. Kumbh, the grand congregation of humanity, had started with the royal bath of saints and seers at the Triveni Sangam on Makar Sankranti, 15th January.

Sanatani devouts have for ages been assembling here and at three other places – Haridwar, Nashik and Ujjain – to have holy bath in sacred waters during auspicious planetary combinations. The belief is that bath during Kumbh relieves people of all worldly pains and pangs, absolves them of their known and unknown sins and leads to salvation after end of their lives as human beings in this material world. In other words, the devouts are relieved from the cycle of birth and death in different yonis (forms of life). Since time immemorial all this has been going on in a self-propelled manner. But, this time the government of Uttar Pradesh invited them from all nooks and corners of India and beyond. A large number of people from more than 100 countries of the world are scheduled to come here and experience the divine essence that keeps raining on the banks of pious Ganga and Yamuna during Kumbh days. The Kumbh started on 15th january shall continue till Mahashivaratri on March 4. During the period, there will be five very pious bathing occasions.

ya and Divya'

H 2019 Unprecedented

holy dip at Sangam, Prayagraj, as the 49-day Kumbh third Shahi Snan on Mauni Amavasya Monday, Feb 4.

In December 2017 the UNESCO recognized Kumbh as an "Intangible Cultural Heritage of Humanity." The decision to inscribe the event on the Representative List of the Intangible Cultural Heritage of Humanity represents the global recognition of Kumbh , Crores of pilgrims bathe or take holy dip in the sacred river.

> **The state government led by Yogi has completed development work of Rs 4200 crores for the Mela area and Prayagraj in view of the religious significance of Kumbh. Out of which 671 public welfare projects have been completed in the last one and a half years. It may be noted that for the Kumbh held in 2013, the then government had set a budget of only Rs.1300 crores. Many projects are permanent infrastructure developments. There will be no need to carry out various types of development works during the upcoming Kumbh Melas for the next 20 years.**

Keeping in mind the smooth traffic flow in Prayagraj city during the Mela period, nine road overbridges have been constructed in record time of less than 12 months with a budget allocation of Rs 43.5 crores, strengthening and widening of 140 roads in and around the Mela area is done with budget allocation of Rs 106.1 crore. Strengthening and widening of 34 roads in city, redesigning, refurbishing and beautification of 64 traffic junctions with budget allocation of Rs 298.3 crore has also been achieved.

For uninterrupted supply of electricity for pilgrims, upgradation and strengthening of existing power infrastructure and electricity system has been done with a budget allocation of Rs 81 crore. In Mela Area 42,000 LED lights, 1030 LT Line, 105 Km hypertension line 175 High Masts, 54 Temporary Substations and 2,80,000 Camp connections have been set up. Electrification of pontoon bridges, parking areas, Panchkoshi Parikrama Marg and Dwadash Madhav is being done for the first time. And this would ensure visually picturesque experience for the devotees and pilgrims.

The Yogi Government has also allocated a budget of Rs 101.2 crore for clean drinking water. Under this programme, five thousand water stand posts have been installed for pure drinking water, while at Prayagraj .The hospitals are being facilitated by new wards and are being equipped with modern medical equipments at a cost of Rs 73 crore.

> **Mobile toilets have also been installed at the entrance of the fair and at Sangam Noose during the Mela period. Robust ICT based system is being deployed to ensure timely cleaning of toilets and monitoring of street sweeping.**

To ensure the safety and security of gathering of around 12 Crore pilgrims in 3200 Acre area various security measures have been taken into account. 1135 CCTV cameras are installed in the meal area. The Integrated Control and Command Center has been developed so that there is no hurdle in the crowd management. This system will be very helpful in controlling the law and order system in Prayagraj as well as Mela area.

Three police lines, 40 police stations, 3 female police stations and 58 police outposts, will ensure the safety of pilgrims. With three tier security more than 20000 police personals, 20 company PAC, 54 company CAPF, commando teams and more than 20 checking teams have been deployed. For quick response 50 four wheelers and 200 two wheelers are also available from dial 100. For ICCC and monitoring two Command and Control Centres with four monitoring centres equipped with 1135 cameras at 268 locations have been ensured. As many as 40 fire-fighting centres, 15 fire-out posts and 40 watch towers and trolley mounted high pressure water mist fire extinguishers and fire fighting high pressure water mist bikes will ensure the fire safety of the Mela.

The mega Kumbh Mela, which began on January 15 and will continue till March 4, is expected to generate a revenue of Rs 1.2 lakh crore for Uttar Pradesh, says apex industry body Confederation of Indian Industry.

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Although the Kumbh Mela is spiritual and religious in nature, the economic activities associated with it generate employment for over six lakh workers across various sectors, CII said in a report.

The Uttar Pradesh government has allocated Rs 4,200 crore for the 50-day Kumbh Mela this time, which is over thrice the budget of the Maha Kumbh in 2013, making the mega pilgrimage perhaps the costliest ever.

The hospitality sector aims at employing 2,50,000 people, airlines and airports around 1,50,000 and tour operators around 45,000. The employment numbers in eco-tourism and medical tourism are being estimated at 85,000, says a CII study.

Apart from this there will be around 55,000 new jobs in the unorganized sector comprising of tour guides, taxi drivers, interpreters, volunteers etc.

This will lead to increase income levels for government agencies and individual traders.

Attracting a massive number of foreign tourists from various countries like Australia, UK, Canada, Malaysia, Singapore, South Africa, New Zealand, Mauritius, Zimbabwe and Sri Lanka, the Kumbh is a festival of the world.

"The 'mela' is expected to generate a revenue of Rs1,200 billion for Uttar Pradesh, the state where it is being held, while neighbouring states like Rajasthan, Uttarkhand, Punjab and Himachal Pradesh will also benefit from the enhanced revenue generation with a large number of national and foreign tourists expected to explore other destinations.

Ayushman Bharat : A Milestone

Ayushman Bharat is a very ambitious plan of the union government. Prime Minister Modi launched the scheme that covers more than 10 crore families – meaning more than 50 crore people – in the country. The scheme offers insurance cover of Rs. five lakh to every person living below the poverty line (BPL). Under the scheme, the government has got developed 1350 kinds of medical treatment packages that include treatment of serious ailments related to heart, kidneys and liver.

Investments open new pathways of development

Thanks to hard work of chief minister Yogi ji, Uttar Pradesh is now a popular investment destination. State's popularity among the indigenous and foreign investors is on the rise as investment proposals are flowing in after the investors' summit held earlier. Most of the investment proposals have started taking shape in reality. During the Investor's Summit on 21st -22nd February, 2018, Uttar Pradesh had achieved a milestone of attracting investment 1045 intents worth INR 4.68 lakh crores and in a ground breaking ceremony on 29thst July 2018 and 81 MoUs worth INR 60,000 cr were grounded.

'One District One Product': Creating the 'Brand UP'

The state government intends to provide jobs opportunities to 25 lac people across the state and will be providing help of Rs 25,000 crore to local craftsmen and entrepreneurs under the scheme in next five years. The scheme is expected to raise the GDP of Uttar Pradesh by 2% with the help of several industries working in the state, besides assigning to each district a product under 'One District One Product Scheme'. In August 2018, President Ram Nath Kovind inaugurated 'One District One Product' summit at Lucknow. He also launched the website and helpline number of the ODOP scheme and distributed ODOP loans of Rs 1,006.94 crore to 4,095 beneficiaries.The scheme focuses 75 districts of the state as those are uniquely famous for various products; like Varanasi for silk sarees, Lucknow for chikan work, Agra for leather footwear, Kanpur for leather goods, Aligarh for locks, Moradabad for brassware, Meerut for sports goods, Saharanpur for wooden products and Ferozabad for glass work etc.

Milestone Achieved in Saubhagya Scheme

Of these almost 94 lakh connections, 74 lakh free connections are given to BPL families and around 20 lakh have been given to the APL families which had so far not been able to take a connection. At the time of the launch of the scheme, there were around four crore un-electrified households in the country and they were targeted for providing electricity connections by December 2018. The state achieved the target by releasing 2,82,918 connections in the current month. Total cost incurred on the scheme was 12,000 crore.

Yogi ji dreams of 'House for Everyone'

> **In a recent evaluation done by the central government to assess the implementation of the scheme across the nation in different states, the UP government earned 85 marks out of 100. The results also show that 85% of the target to build houses for the poor has been achieved by March 2018 by finishing the construction of 7.71 lakh houses, whereas the national average is only 34%. UP, therefore, has emerged as number one state across India in making houses for the needy.**

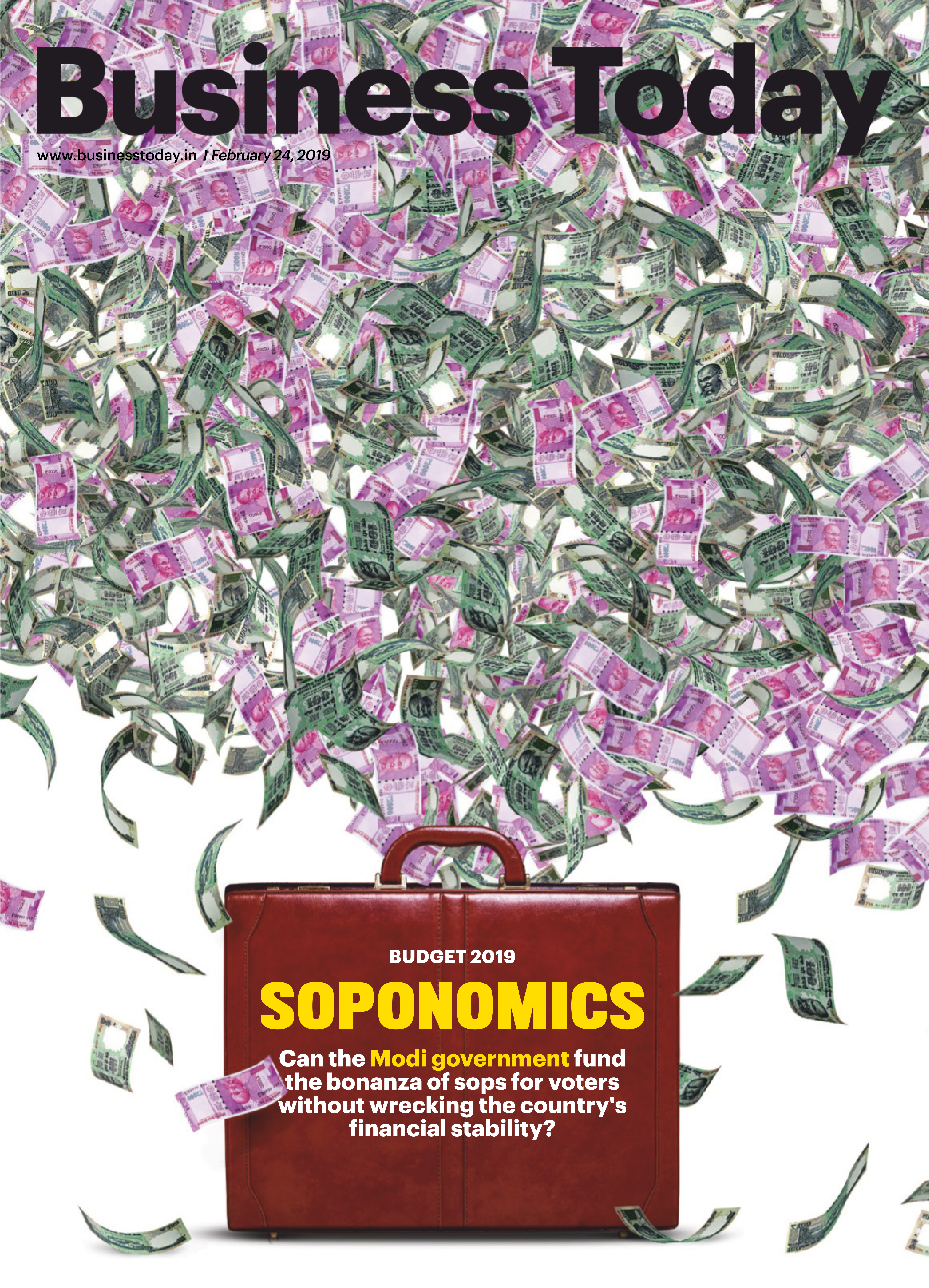
About 10,000 crore rupees have been spent on this scheme in the state. In rural areas, these houses will be transferred to the beneficiaries till March 2019.

Biggest Beneficiary of Ujjwala Yojana

In order to ensure grand success of the scheme in the state, Chief Minister Yogi Adityanath started Gram Swarajya campaign in two phases. In most of the meetings organized under this campaign, the Chief Minister himself was present. In the first phase, about 1.80 lakh LPG connections were given in 3,387 villages which is 100% of the target. In the next phase of this campaign conducted in Bahraich, Balrampur Chandauli, Chitrakoot, Fatehpur, Shravasti, Siddharthanagar and Sonebhadra districts, about 2.59 lakh LPG connections have been released against a target of 2.46 lakh connections.

Business Today

www.businesstoday.in / February 24, 2019



BUDGET 2019

SOPONOMICS

Can the Modi government fund the bonanza of sops for voters without wrecking the country's financial stability?

FROM THE EDITOR

The Last-ditch Effort

AS BUDGETS GO, this one has a perfect focus – alleviating rural distress. That is also one of the two biggest problems facing India's population. (The other one is jobs – but as the government has found out, high GDP growth is no longer leading to higher job creation.) In the run-up to the general elections, having recently lost three state elections because of farmer disenchantment, the government decided to try the last weapon in its armoury to woo them. It opted for a massive income support scheme – which would see each farmer with a landholding of less than two hectares get ₹6,000 in his account in a year. This is expected to benefit 12 crore small- and medium-farmer families. In fact, the government decided to bite the bullet, miss the fiscal deficit target by 10 basis points, and activate the income support scheme from December 2018 itself (thereby revising its estimates for the agricultural sector by ₹21,100 crore for the current fiscal).

There were two other big announcements – one on tax rebate for those with income up to ₹5 lakh (it would benefit those with income up to ₹6.5-7 lakh per annum after rebates, etc.) and a major pension scheme for labourers, which would be rolled out in the coming year.

The government tried to cover the largest number of voters through these three proposals. Moreover, it did so with only a minor slippage in the estimated fiscal deficit target. (It hopes to close the year with a mere 3.4 per cent fiscal deficit instead of the targeted 3.3 per cent, and hopes to maintain the next year's fiscal deficit at 3.4 per cent instead of the original target of 3 per cent.)

No government can hope to solve every problem through budgetary allocations or policy interventions. But any Budget document in India as well as the Budget speech in Parliament gives a very good understanding of what the government feels is very important and things it feels doesn't need to be addressed immediately. Sometimes it also shows where a government has not been able to find a solution, and this Budget is no exception.

Commentators have pointed out that the revenue targets seem overly ambitious and fiscal deficit numbers too optimistic. They have also pointed to education and other areas (including defence) where the increase in allocation has been minuscule – even lower than inflation figures. Equally, the money allocated for farmers shows how it has failed to solve the real problem for cultivators despite its efforts last year – an impressive hike in MSPs.

Will direct transfer of income fix the problem? I suspect not. One, it is merely a band-aid and does nothing to address the issue that farming is not remunerative in most cases and this cannot be fixed without structural reforms and long-term policies. More importantly, like reservation, a direct income support scheme of this sort will raise a clamour from more sections of the population, and governments of future will find it hard to stop themselves from increasing amounts and the populace covered in every Budget.

Finally, the big issue left unaddressed is how will the government improve its revenue collections to meet these demands. The projected number seems overoptimistic and one can only hope the finance minister has got his arithmetic right.

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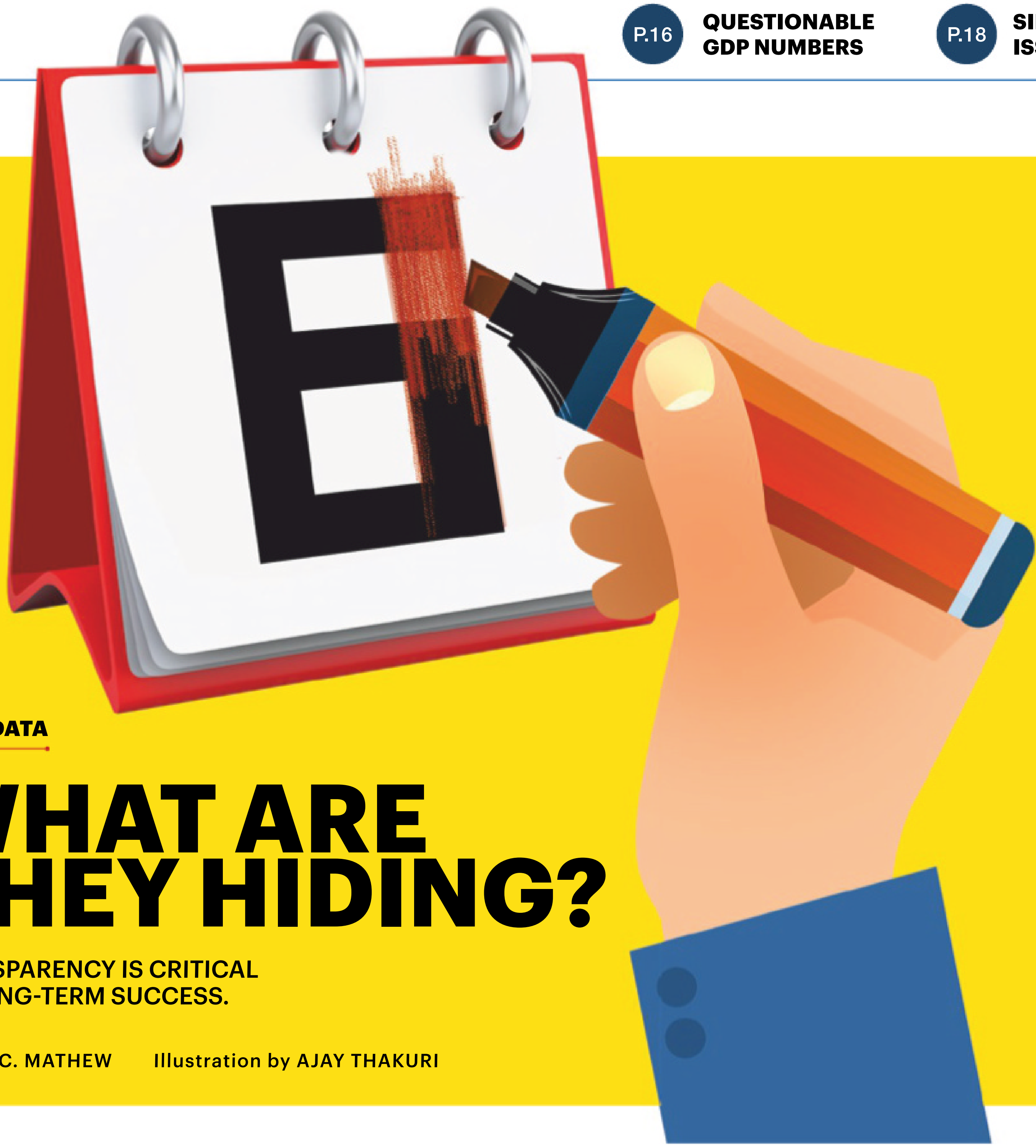

JOBS DATA

WHAT ARE THEY HIDING?

TRANSPARENCY IS CRITICAL TO LONG-TERM SUCCESS.

By JOE C. MATHEW   Illustration by AJAY THAKURI

WHEN HE PRESENTED the Interim Budget 2019/20, Piyush Goyal failed to list any specific job creation statistics. Unlike the previous Budget where Arun Jaitley claimed that the Modi government created seven million formal jobs, all of Goyal's job-related references were general – mostly about emerging opportunities.

The government's silence on the jobs front is no surprise. Accused of suppressing inconvenient data for long, the Modi government is yet to release the results of the Labour Ministry's annual Employment and Unemployment Survey 2016/17 that many believe would have endorsed the anecdotal evidence of job losses due to demonetisation.

The delayed publishing of the National Sample Survey Organisation's (NSSO) Periodic Labour Force Survey 2017/18 only strengthens that suspicion. Then, there's the resignation of two members of the National Statistics Commission – it oversees the NSSO's major surveys and programmes – protesting the government's approach towards data release.

The Interim Budget failed to provide any concrete evidence of job growth or concrete plans for job creation. Promises galore cannot match the assurance and credibility that accompany transparency in presenting a true, current picture of the economy and where it is headed. Transparency is key to long-term success. The earlier the government realises this, the better it would be for the nation. BT

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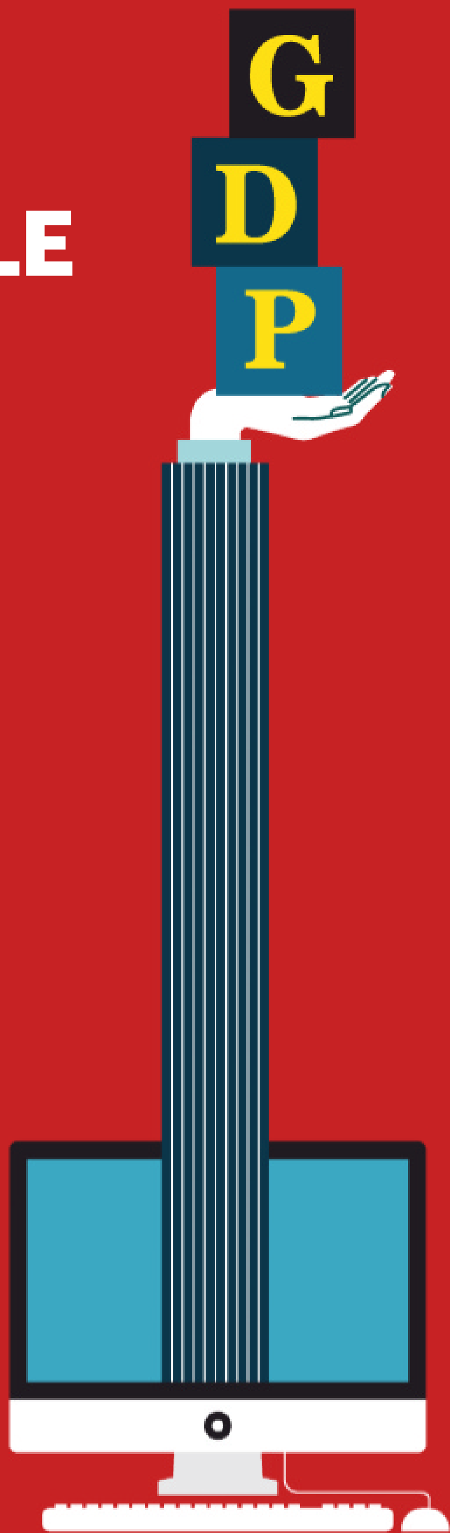
GDP

QUESTIONABLE NUMBERS



IS INDIAN GDP data going the Chinese way? A day before Interim Budget 2019/20, the Central Statistics Office released surprising GDP growth numbers - 8.2 per cent for 2016/17 and 7.2 per cent for 2017/18 – when the economy was hit by both demonetisation and GST. The earlier numbers were 7.1 per cent and 6.7 per cent, respectively. The revision is due to new agri and industrial production, government expenditure data. "We are slightly surprised by the extent of the revision in construction and real estate," says Kotak's research team. These sectors were hit by the note ban and GST. SBI's research department said, "A surge in consumption expenditure in 2016/17 is possibly because of people unlocking cash and converting it to purchases." The revised data scores a point that average growth under the BJP government at 7.6 per cent is higher than the 6.7 per cent average under UPA-II. Given the single-digit credit growth and delayed capex cycle, the number raises doubts. Recent farm loan waivers and a ₹ 75,000 crore for marginal farmers, as direct transfer in the Budget shows the true picture of the state of the economy.
-Anand Adhikari

DEFENCE SPENDING

TANKED OUTLAY

EXPENDITURE ON INDIA'S defence sector is expected to cross ₹3 lakh crore – for the first time ever – in 2019/20, interim finance minister Piyush Goyal announced in the last Budget speech of the current government. The minister also said that the government spent ₹35,000 crore on the One Rank One Pension scheme it introduced in 2015. But a closer look at defence expenditure numbers show that the government will end up spending more on pensions than bolstering India's defence capabilities. For instance, the government is planning to spend ₹1.08 lakh crore on pensions as compared to ₹93,982 crore on capital outlay (capital spent on new equipment, aircraft et al). This has been the trend in previous financial years as well – 2017/18 and 2016/17. Although defence expenditure as a percentage of total expenditure will go down in 2019/20 – from 11.61 per cent in 2018/19 to 10.96 per cent – the higher spending will not necessarily translate into better global defence competencies.
-Manu Kaushik

ENTERTAINMENT

NO *JOSH* HERE

THE INTERIM BUDGET announced single-window clearances for Indian filmmakers who shoot in India, a privilege extended to international studios since 2015. Foreign studios, however, don't view India as a filmmakers' haven since we lack the talent and infrastructure global entities seek for production, and post-production work.

The single window clearance will indeed make life easier for domestic filmmakers who currently need as many as 50-60 clearances from various authorities before they begin shooting for a film. The problem is India still doesn't offer tax incentives for shooting in India, unlike many European countries and Australia. No wonder the Indian film fraternity prefers to shoot abroad – getting not just a cost advantage, but also access to high quality infrastructure and production talent. The question therefore in this case is not "How's the *Josh*?" but "Where's the *Josh*?"
– Ajita Shashidhar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जम्मू-कश्मीर
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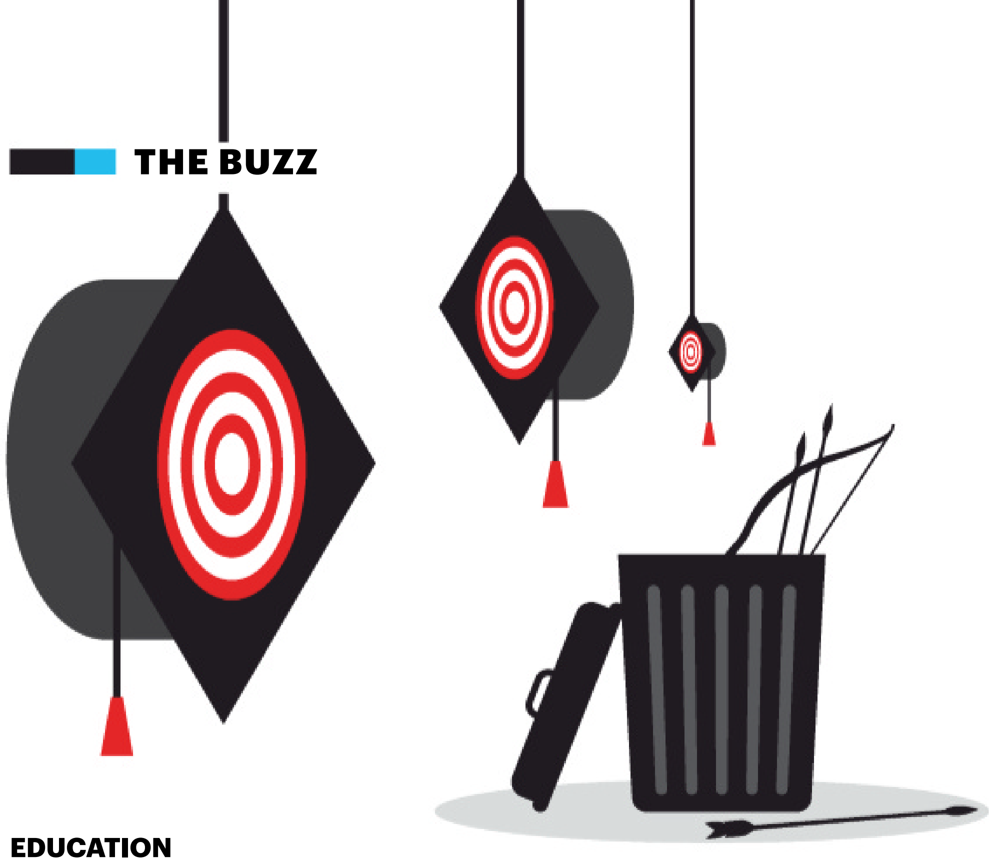
पिछले कुछ दिनों में घाटी में आतंकी हमलों में तेजी आई है. एक ओर आतंकी सेना को निशाना बना रहे हैं, तो वहीं सेना भी ऑपरेशन चला
बड़ी खबरें
लाइव टीवी



EDUCATION

NOT AIMING HIGH ENOUGH

HIGHER EDUCATION was almost entirely ignored in a Budget where even the broader subject of education found only a quick mention. And that too was just a passing reference that improving the quality of education was one of the 10 visions.

In 2019/20, there is a 19 per cent increase in allocation (to ₹38,572 crore) to the National Education Mission for disbursement to states and Union Territories for centrally sponsored schemes. The money is likely to be used to create smart classrooms and improve the quality of learning.

With the largest chunk of the young population in an ageing world, leveraging education to create tomorrow's workforce is imperative. And for that focus on higher education is crucial.

Especially when India's overall education expenditure has already reduced from 3.1 per cent of GDP in 2012/13 to 2.8 per cent in 2014/15, and then further dropped in FY16 to 2.4 per cent.

– Sonal Khetarpal

GENDER

No Country for Women

THE FACTS DON'T add up. While the government claims it's creating more women entrepreneurs, data from the Centre for Monitoring Indian Economy (CMIE) suggests the opposite.

The Interim Budget did its bit to encourage women entrepreneurs. Sourcing 3 per cent material from women owned SMEs is mandatory for the government now.

Like last year, women comprise 70 per cent of MUDRA Yojana beneficiaries getting loans for new ventures.

Data from the CMIE, however, says women's participation in the labour workforce fell dramatically after 2016. In rural India it was 14.4 per cent in end 2016, 12 per cent in 2017, and 11 per cent in 2018. The drop-outs were mostly women from the lowest end of the spectrum - informal rural workers. There's a clear contradiction in the numbers and the government needs to figure it out soon. – Sonal Khetarpal.

DEVELOPMENT

UNMANAGEABLE COMMITMENTS

MAKING MORE announcements for newer plans while ignoring its own previous initiatives is not a smart move. The Modi government's final Budget briefly touched on the Digital India initiative launched with much fanfare around three years ago. Interim FM Piyush Goyal said the government would digitalise 100,000 villages over the next five years. To bridge the digital divide these digital villages will be equipped with solar lighting systems, broadband connectivity, LED assembly units, etc. Making tall projections for setting up Digital Villages, a programme that took off in 2015 in Telangana, while conveniently ignoring other mega technology-driven programmes like Smart Cities and BharatNet only show that this government is constantly trying to bite off more than it can chew.

- Manu Kaushik

PHOTOGRAPH BY CHANDRADEEP KUMAR

ICICI BANK

BANK NOT ABOVE BOARD

IT CLEARED HER last March and then sacked Chanda Kochhar in end-January, even withdrawing future entitlements. But why did the ICICI Bank board wait 10 months to act against its erstwhile CEO?

Earlier, expressing full faith in Kochhar, it said there was no question of any quid pro quo, nepotism, or conflict of interest. On the Videocon scandal, ICICI functionaries went on record that the loans were sanctioned by a committee that included, the then ICICI Bank chairman (not Kochhar). No individual employee irrespective of position has the ability to influence credit decisions at the bank, was another much repeated statement then. Kochhar reacted to the dismissal saying none of her "credit decisions" were unilateral.

The question is was the ICICI Bank board under pressure to clear Kochhar then? And, why the hurry to damn her now? **- Anand Adhikari**

PHARMA

Side Effects

IT'S A CATCH-22 situation for both the government and the pharma sector. The former has to act in favour of the common man where drug pricing is concerned. But rising input costs and "the government's arbitrary" ceiling on prices has meant some drugs are fast vanishing from drug stores. Many brands of widely used medicines such as Telmisartan, Rabeprazole, Vitamin C, Furosemide are just not available. Smaller firms have been worse hit.

After China shut down bulk drug producing units citing environment concerns, the cost of Active Pharmaceutical Ingredients (APIs) – accounting for almost 60 per cent of a drug's price – shot up by almost 200 per cent. As a result, production is no longer viable for many smaller players though no exact figures are available on brands or firms thus affected.

Since China meets about 70 per cent of India API needs, industry sources say for economically viable production, drug prices will need a steep hike. The catch, however, is that most essential drugs are covered under the price control ceiling. **- P.B. Jayakumar**

AUTOMOTIVE

LOSING SHINE

IN HIS BUDGET speech, Piyush Goyal claimed India would lead the world in the transport revolution through electric vehicles. He could have hardly found a more inopportune time to say this. In the past, India had similar dreams of becoming the world's small car hub. That is already dying a slow death. Passenger vehicle exports are set to register the second straight annual decline in fiscal 2019 and so far this year, — nine months to December — passenger vehicle exports from India have declined by nearly 8.5 percent. Barring fiscal 2017, exports grew only in single digits the past three years, a far cry from 2007 - 2013 when export growth was 19 per cent per annum. Clearly, the momentum is lost. Reasons range from specific companies like Hyundai prioritising the domestic market to a slowdown in demand in major export markets in Europe, Africa, and Latin America. The fallout of this, however, is, it undermines India's Make In India programme. If Goyal is to realise his dream, more than lip service is needed.

– Sumant Banerji

BANKRUPTCY

RUING THEIR SITUATION

THE RUIAS MAY WELL end up as a benchmark of how business shouldn't be conducted by families desperate to retain control. The National Company Law Tribunal also appears to be making an example of them.

Efforts to regain control of their steel business by clearing debts to shake-off bankruptcy proceedings failed when the insolvency court rejected the promoters' offer. Earlier there was an unsuccessful backdoor entry attempt through Numetal that failed - Rewant Ruia's firm had a stake in the consortium.

The promoters offered to pay ₹54,389 crore to settle outside the Insolvency and Bankruptcy Code (IBC), when the creditors' committee preferred ArcelorMittal's ₹42,000 crore offer in October last year. The move was after Section 12A was introduced in the IBC to provide corporate debtors another chance to regain control even after the NCLT admits a petition.

But the Essar Steel case was admitted before this section was introduced. Though the Ruias are sure to appeal against the NCLT order, a comeback seems nearly impossible.

– Nevin John

AVIATION

CRASHING BOTTOM LINE

Whether the government's ambitious scheme to make flying affordable to the masses is contributing to passenger growth is debatable. The recently concluded third phase of Ude Desh Ka Aam Naagrik (UDAN) scheme awarded airlines 235 routes to create a seat capacity of 6.9 million, the biggest seat addition so far. In all 11.1 million seats were awarded under UDAN so far.

While the scheme may have contributed to stupendous passenger growth – 18.6 per cent – last year can it keep doing so? A significant number of routes in phase 3 were given to smaller airlines such as Ghodawat Enterprises, Turbo Aviation, Turbo Megha Airways, Andaman Airways, Heritage Aviation, and Zexus Air Services. Operating a profitable small airline in the long term remains a distant dream for several aviation entrepreneurs. The Airports Authority of India meanwhile is reported to have cancelled the operating licenses of Air Odisha and Air Deccan for failing to operate regular flights. This shows that even the government's subsidies are not keeping airlines afloat.– Manu Kaushik

RCOM

TURBULENT TIMES AHEAD

FAILURE TO secure approval from 40 lenders, legal challenges posed by the department of telecom (DoT), and continuous litigation by other parties have sent debt-crippled RCom to the National Company Law Tribunal (NCLT) for bankruptcy proceedings. "Despite the passage of over 18 months, lenders have received zero proceeds from the proposed asset monetisation plans, and the overall debt resolution process is yet to make any headway," RCom's statement said. The company had been trying to conclude its ₹25,000 crore 2017 deal with Reliance Jio (owned by Mukesh Ambani). So far, RCom has completed ₹5,000-crore worth of transactions for its nodes and fibre assets. The proceeds from the Jio deal and from its plans to sell prime real estate in Mumbai and Delhi would have contributed to paring down debt of about ₹46,000 crore. But now, with the NCLT in the picture, the Jio deal might hit a brick wall. There is after all the possibility of objections to transactions between companies owned by brothers when bankruptcy is the issue.

– Manu Kaushik

CORRIGENDUM
With reference to the story "Sugar goes Sour" in the edition dated February 10, 2019, the Indian Sugar Mills Association (ISMA) has clarified that it has revised the production estimate for sugar in 2018/19 downwards to 30.7 million tonnes in January 2019. ISMA had in July 2018 forecast a production of 35.5 million tonnes for 2018/19 and that was the figure that was carried in the story.

HIGH FLIERS

WHAT: Aero India Show

WHEN: Feb 20-24, Bengaluru

WHAT TO LOOK FOR: The event will showcase a major trade exhibition of aerospace and defence industries as well as public air shows, and attract global leaders, big investors and think tanks. Around 500 companies and 15 lakh visitors are expected to attend, giving a fillip to the Make-in-India initiative.

TRADE & TIE-UPS

WHAT: India-ASEAN Expo and Summit

WHEN: Feb 21-23, Delhi

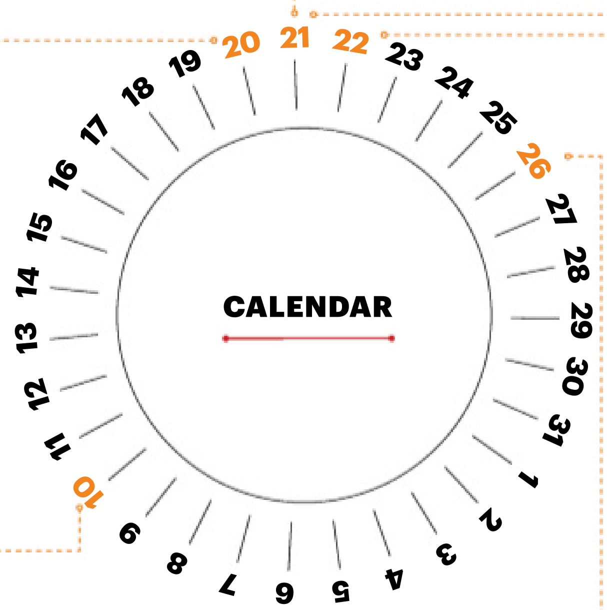
WHAT TO LOOK FOR: Organised by FICCI and supported by the Indian government, the summit will bring together ministers, government officials and business delegations from 10 ASEAN countries in a bid to promote trade and business partnerships.

WAY TO GOOD HEALTH

WHAT: Healthcare Summit

WHEN: Feb 22, Delhi

WHAT TO LOOK FOR: Organised by TiE Delhi-NCR Healthcare SIG, the summit will focus on affordable healthcare, regulatory challenges, healthtech and sectoral funding. The event will host key stakeholders from across the segment, including government officials, investors and entrepreneurs.



GENETICS

WHAT: India-EMBO Symposium

WHEN: March 10-13, Chennai

WHAT TO LOOK FOR: The platform will look at all aspects of genome-related regulatory networks and bring together global and Indian researchers from interdisciplinary backgrounds. Discussions will focus on key biological and methodological issues for better collaborations and innovations.

SOURCING/NETWORKING

WHAT: CAPINDIA

WHEN: March 26-28, Mumbai

WHAT TO LOOK FOR: The international event, under the aegis of the Department of Commerce, will be one of the biggest sourcing shows for chemicals, plastics, construction, mineral products and other allied products besides hosting a buyer-seller meet. It will also focus on strategic alliances and investments.

WATER OF INDIA

WHAT: SRW India Water Expo

WHEN: March 21-23, Chennai

WHAT TO LOOK FOR: A trade fair focussing on the water industry, including potable water, wastewater and innovative technologies. The platform will showcase water products, and bring together Indian manufacturers, distributors and dealers so that they can network and bolster growth.

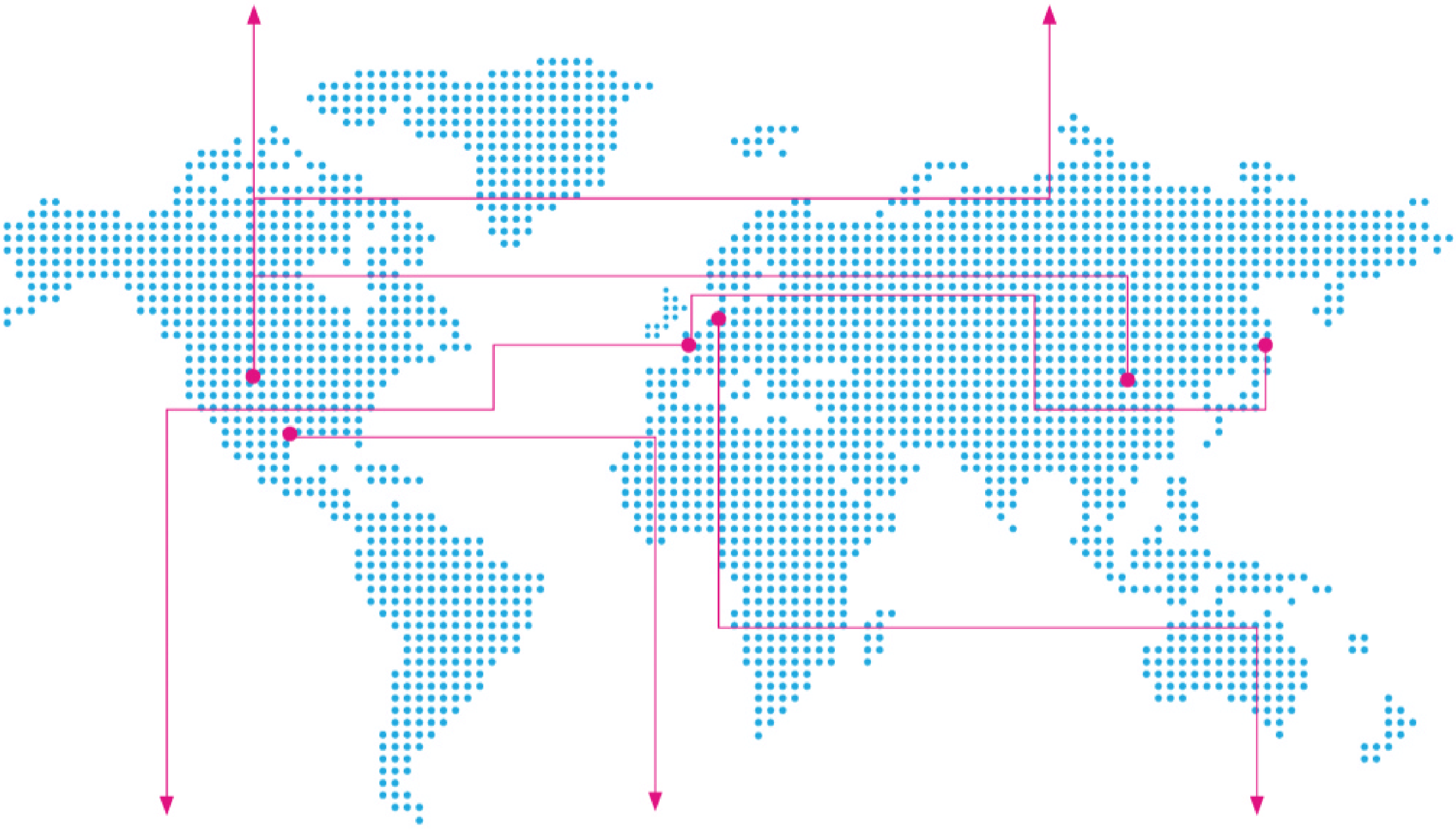
GLOBAL BUSINESS

HUAWEI IN DEEP TROUBLE

In a major development, the U.S. Justice Department has come up with 13 criminal charges against Chinese telecom firm Huawei and its CFO Meng Wanzhou. Huawei is accused of stealing trade secrets and violating economic sanctions on Iran. One indictment details its attempt to steal trade secrets from T-Mobile and offer bonuses to staff who stole confidential information from other companies. The US will also seek to have Wanzhou deported from Canada, where she was detained late last year as requested by the US. The charges came at a time when high-level talks between the two countries took place in Washington D.C. to reach a deal that could diffuse the US-China trade war after the temporary truce ends on March 1.

FB SOARS; APPLE, TESLA ON TRACK

In spite of data breach scandals, Facebook clocked a record profit of $6.88 billion in Oct-Dec 2018. Its revenue for the December quarter reached $16.91 billion while the company brought in nearly $56 billion in revenue for the year, a 37 per cent jump over 2017. The results came a day after it was found that FB had been using a data collector app through Apple's back door. Meanwhile, Apple reached its lowered first-quarter target, clocking $84.3 billion in revenue and $19.97 billion in profit although iPhone revenue was down 15 per cent compared to a year earlier. Tesla reported its second consecutive quarterly profit but its revenue of $7.23 fell short of analysts' expectations. It is also retiring CFO Deepak Ahuja who will be replaced by Zack Kirkhorn.



RENAULT NAMES GHOSN'S REPLACEMENTS

French automaker Renault has announced a new CEO and a chairman to replace industry veteran Carlos Ghosn, who is in custody in Japan over alleged financial misconduct. The Renault board chose Jean-Dominique Senard of tyre giant Michelin as chairman and Renault executive Thierry Bollore as CEO. Ghosn had held both positions since 2009 but decided to step down after he was denied bail a second time. He had led Nissan for two decades and also headed Mitsubishi but lost his positions after his arrest on November 19 last year.

US SHUTDOWN COST $11 BN

The 35-day government shutdown cost the US economy $11 billion, with about $3 billion permanently lost, a *New York Times* report says. Even now, it is only a three-week reprieve as the government could shut down again if Congress does not agree to President Trump's request for $5.7 billion to build a wall along the Mexico border. Meanwhile, the US Fed kept interest rates unchanged at 2.25-2.5 per cent, pledging that "future moves will be done patiently and with an eye toward how economic conditions unfold". Stocks rose, with the Dow logging a 450 point rise.

DEUTSCHE BANK, COMMERZBANK MAY MERGE

A banking overhaul is on the cards as Deutsche Bank and Commerzbank may be merged by the middle of this year, a *Bloomberg* report says. The German government has been looking at it for some time now as neither of the banks is doing well and the deal could ensure scale and cost-cutting for both. The country holds a significant stake in Commerzbank post a bailout and talks were held between Deutsche Bank and government officials. However, Deutsche's top management is still hoping for a turnaround based on its stabilising strategies and a new investment from Qatar. But a lot will depend on its first-quarter results.

Why RBI Gets It Wrong

THE BACKWARD-LOOKING HOUSEHOLD SURVEY DOES NOT CAPTURE THE FULL PICTURE, THUS LEADING TO ELEVATED INFLATION PROJECTIONS AND CONSEQUENT POLICY ERROR.

BY ABHISHEK GUPTA

The reserve bank of India frequently cites a survey of household inflation expectations in its monetary policy statements to support its inflation projections. The underlying assumption is that the survey is a useful indicator of future inflation. But that is not the case. Our analysis shows that the household survey on inflation is backward-looking. The central bank's reliance on these backward-looking inflation surveys is one of the key reasons why the RBI has been consistently failing to forecast the inflation downtrend over the past few years.

The target share of respondent groups in the RBI's inflation survey is heavily biased towards housewives. It is fairly reasonable to assume that housewives and even other respondent groups form their inflation expectations based on their experience. In our view, these inflation expectations are likely to be driven by the price levels of volatile items such as vegetables and gasoline, which have a sizeable and an immediate impact on household expenses. So, at best, these household expectations are likely to be only a weak measure of inflation for the generalised consumer basket as they are likely to be heavily biased by a few items.

Additionally, the household survey is restricted to cities, leaving out crucial input from rural areas. Even then, it is used as an indicative measure for combined urban and rural inflation. Over the past four months, rural inflation has slowed more sharply than urban inflation. November data shows rural inflation at 1.7 per cent year on year compared to urban inflation at 3.1 per cent. The household survey does not capture this full picture. The result: The survey has been overestimating inflation expectations in recent months.

We run a simple correlation analysis to find that the respondents in the household survey rely on the past experience of actual inflation when forming expectations about future inflation. We found that cross-correlations between inflation expectations

THE CENTRAL BANK'S RELIANCE ON THE INFLATION EXPECTATIONS SURVEY TO MEASURE THE ACTUAL INFLATION HAS BEEN A FACTOR BEHIND ITS UNDUE HAWKISH BIAS

and actual inflation increase when we lag the actual data and lead the expectations data. This result can also be observed in the data itself. For instance, a sharp drop in actual inflation in fiscal 2011 preceded a gradual and marginal easing of inflation expectations in the following periods. Again, a sharp drop in actual inflation in 2014 came ahead of a corresponding decline in inflation expectations a few quarters later.

Even the limited academic literature available on the subject supports our observation that inflation expectations in the RBI's survey of households are backward-looking and not reliable for use in predicting inflation. In a recent paper, a former employee of the RBI's monetary policy department has noted with co-authors that the quantitative expectations under the RBI's survey show a significant lag of more than two quarters in matching the turning points in actual inflation.

The RBI's reliance on the inflation expectations survey to measure the actual inflation has been a factor behind its undue hawkish bias, in our view. It has contributed to the RBI overestimating inflation consistently over the past few years, which has culminated in a policy error of keeping real interest rates too high.

As a case in point, minutes of the RBI's December policy review show that members expressed concerns regarding elevated year-ahead inflation expectations over the past one year. The monetary policy committee of the RBI essentially chose to overlook the hard data of a sharp correction in global crude oil prices, which was expected to ease input cost pressures and lower inflation ahead. Its reliance on elevated inflation expectations resulted in a policy error of sticking to its calibrated tightening stance. In our view, the RBI ought to pay less attention to the household survey to avoid future policy errors. BT

(This is an edited version of the research report first published on the Bloomberg Terminal on November 14, 2018)

The writer covers India for Bloomberg Economics in Mumbai.

FOOD
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FoodTak.in
AN EXCLUSIVE
FOOD MOBILE CHANNEL
YouTube / foodtakofficial
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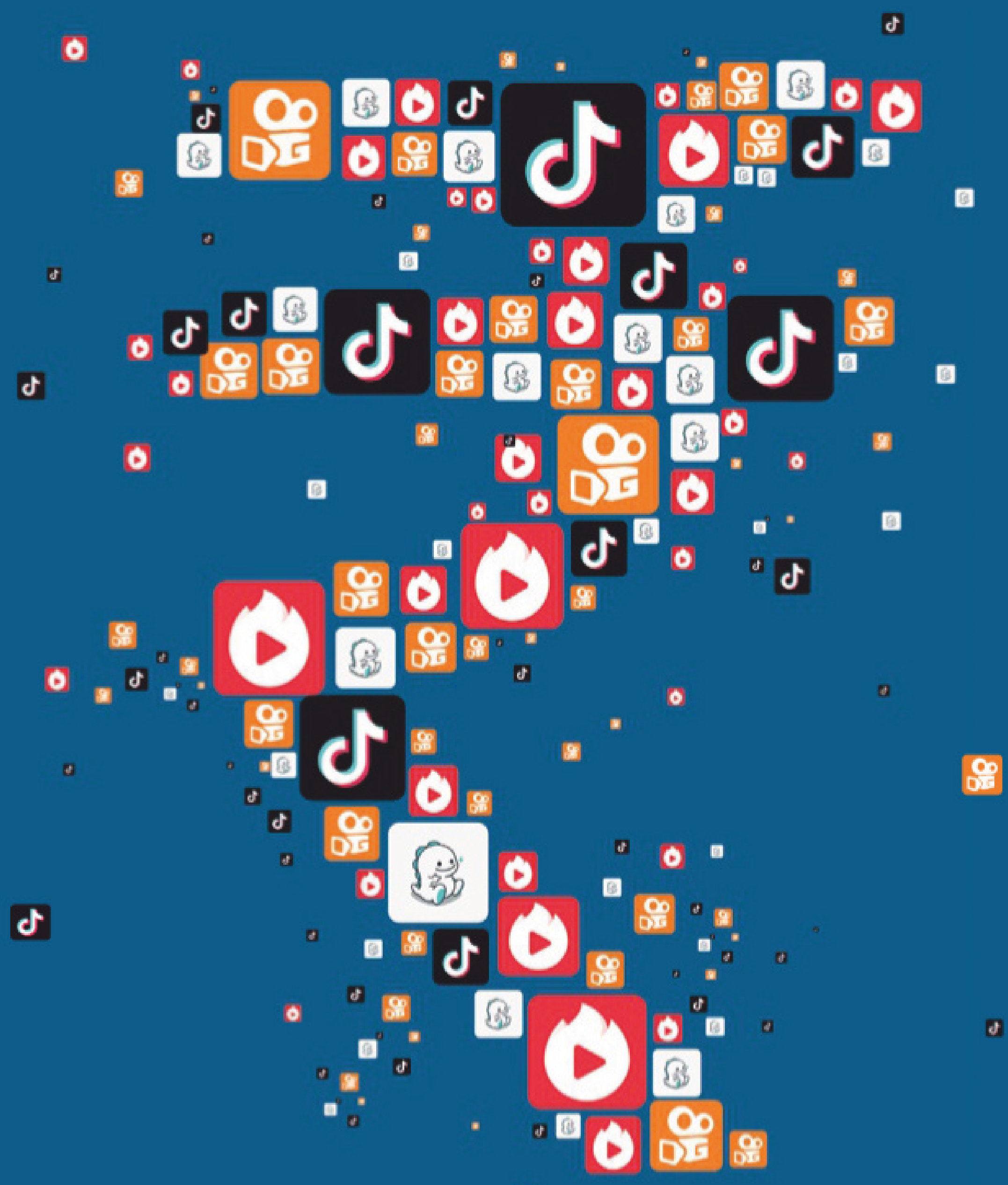


SOCIAL UNIVERSE

AT ANY COST

Chinese apps are going all out to capture small-town millennials from India.

By Devika Singh
Illustration by Raj Verma

WHEN RIDA JAVED, a student from Chandigarh, downloaded the Vigo Video app after watching it being promoted on a popular TV series, she had no idea that it would turn out to be a money-churner. After some thought, she started making short comic videos on the platform and they went viral. She has 1.8 million followers on the Chinese app, earned ₹6 lakh until now and plans to keep making the videos.

Of late, several Chinese apps such as Kwai, Vigo Video, Bigo Live and TikTok have started operating in India and they are going all out to attract young people from Tier-II cities and beyond. Most of them make sure that video creators earn some money on their platforms although it is unclear how these companies earn revenues in the first place. Users on these platforms can earn money for the time they spend there and also for liking or sharing the content. On Vigo Video, for instance, users get Flames for uploading videos, shares, likes and comments. These can be converted to hard cash if you transfer them to e-wallets such as Paytm and PayPal. Kwai offers a Koin for five-six video views, which is equal to $0.01 and transferable to e-wallets. Bigo Live, too, has a similar plan for its users.

YouTube also has a monetisation plan for its video creators – it shares ad revenues with them. As most of these Chinese platforms are not earning much in India, their user monetisation schemes are just a trigger to gain traction and populate their apps. In fact, several of these apps have been called out for featuring unregulated pornographic content or child pornography.

For Vigo, India is the fastest-growing market, but the app is not making money. "We have seen some remarkable growth in India. Short videos are now big and this is not happening in China alone. Most of our superstars are from smaller towns in India," says Tony Tang, Head of Vigo India. However, the company does not want to monetise the app right now, and Tang says their priority is to improve user experience.

Their push to build a large user base seems to have worked. According to SimilarWeb's ranking of top social media apps for Android in India, TikTok, Vigo Video and Helo came right after Facebook, Instagram and Facebook Lite (in that order). Interestingly, all three are owned by Chinese technology company ByteDance.

According to Pavel Naiya, Senior Analyst (Devices and Ecosystem) at research firm Counterpoint Technology Market Research, several of these platforms are seeing traction as the creator community is growing rapidly across the country, thanks to the Internet and smartphone penetration at a fast clip. "For creators, YouTube is the major platform. But to become a YouTuber and create content, you need to put in a lot of efforts," he adds. As these Chinese apps are easy to use and have better filters in place, users are increasingly tapping into them. BT

@DevikaSingh29

Now, Search by Skin Tone

Pinterest is rolling out a new tool that will enable users customise their make-up and beauty searches by using their skin tones. The tool is being tested since last year, and Pinterest will soon introduce Palettes to help users refine their searches. Interestingly, beauty is one of the most-searched categories on the platform.

JUST WATCHED

NETFLIX HAS SYNCED WITH INSTAGRAM STORIES SO THAT USERS CAN DIRECTLY SHARE ON THE SOCIAL NETWORKING SITE WHAT THEY ARE WATCHING ON THE OTT PLATFORM. YOU WILL NEED A NETFLIX ACCOUNT AND BOTH APPS TO USE THIS FEATURE AND CAN PERSONALISE IT FURTHER FOR THE BENEFIT OF YOUR FOLLOWERS ON INSTAGRAM. THE FEATURE COULD ALSO BE USEFUL FOR BRANDS AS THEY ARE NOW TAPPING INSTAGRAM STORIES FOR MARKETING.

ORIGINAL TWEETER

Twitter is testing a new tag that will help users trace the person who started a particular thread on the microblogging platform. In its current form, it adds a grey label called 'Original Tweeter' below the name of the person who started the trail. As of now, the feature is available to a small number of Android and iOS users across markets, but a full-fledged version may soon resolve issues like fake news and abuse by identifying people who are responsible.

165% GROWTH IN ANDROID AND IOS APP DOWNLOADS IN INDIA OVER THE PAST TWO YEARS, ACCORDING TO APP ANNIE. APPS WITH MAXIMUM MONTHLY ACTIVE USERS IN THE COUNTRY INCLUDE WHATSAPP, FACEBOOK, SHAREIT, MESSENGER, TRUECALLER, MX PLAYER, UC BROWSER, INSTAGRAM, AMAZON AND PAYTM, IN THAT ORDER. BT

A TALL PROMISE

A look at the key announcements of this government's last Budget and a brief snapshot of its spends and earnings.

Graphic by TANMOY CHAKRABORTY
Research by SHIVANI SHARMA

₹75,000

CRORE
PROPOSED EXPENDITURE FOR PRADHAN MANTRI KISAN SAMMAN NIDHI FOR FARMERS WITH CULTIVABLE LAND UP TO TWO HECTARES

₹750

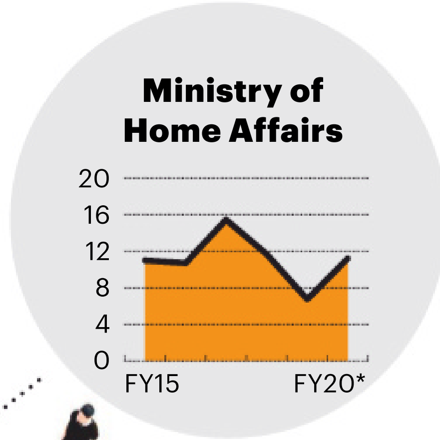
CRORE
ALLOCATION FOR RASHTRIYA GOKUL MISSION IN THE CURRENT YEAR

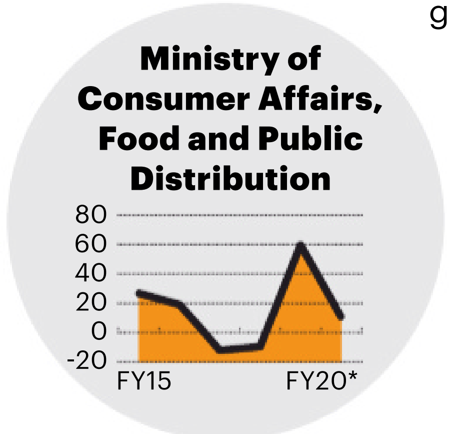
2%

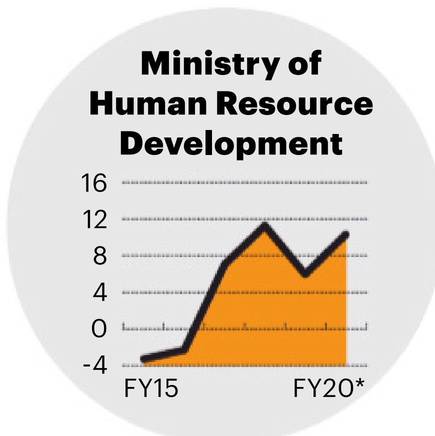
INTEREST SUBVENTION FOR FARMERS PURSUING ANIMAL HUSBANDRY AND FISHERIES

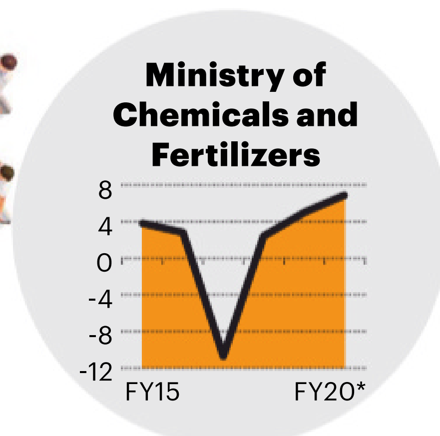
GAINED FOCUS

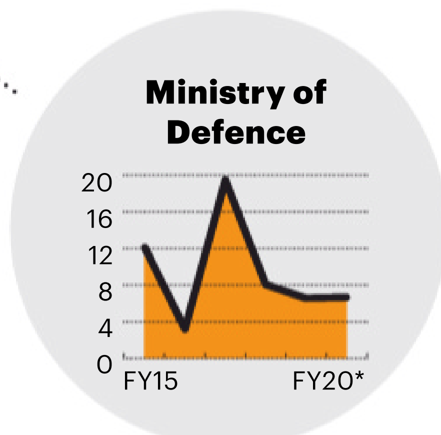
Top five ministries based on aggregate expenditure/ allocations since 2014/15 (year-on-year growth; %)









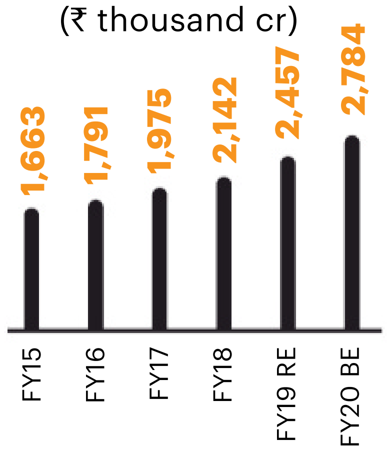


*Budget Estimates

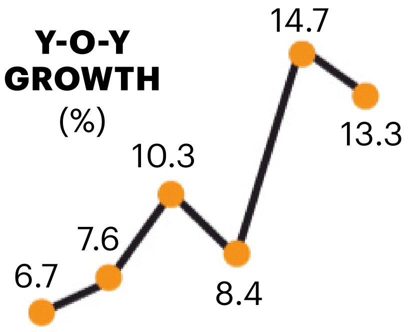
ROSE TINTED GLASSES

Revenue projections may be too optimistic

TOTAL REVENUE
(₹ thousand cr)



Y-O-Y GROWTH
(%)



RE: Revenue Estimates
BE: Budget Estimates

₹19,000

CRORE
ALLOCATION FOR PRADHAN MANTRI GRAM SADAK YOJANA IN 2019/20 AS AGAINST ₹15,500 CRORE IN 2018/19 (RE)

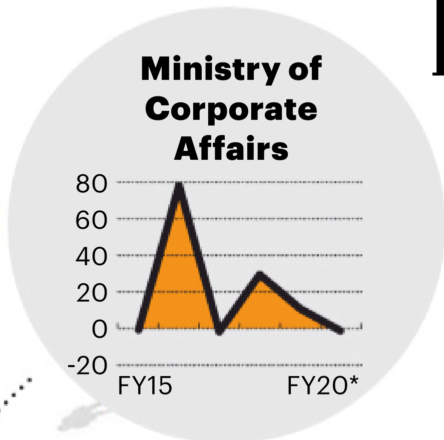
1,00,000

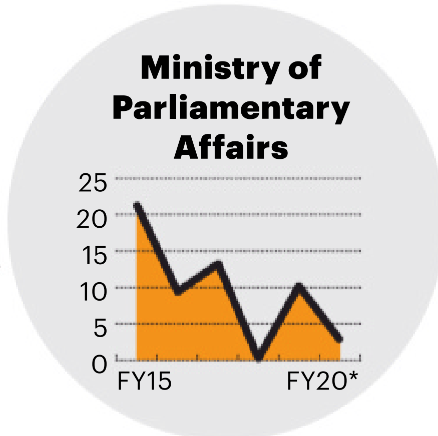
VILLAGES TARGETED FOR TRANSFORMATION INTO DIGITAL VILLAGES IN NEXT FIVE YEARS

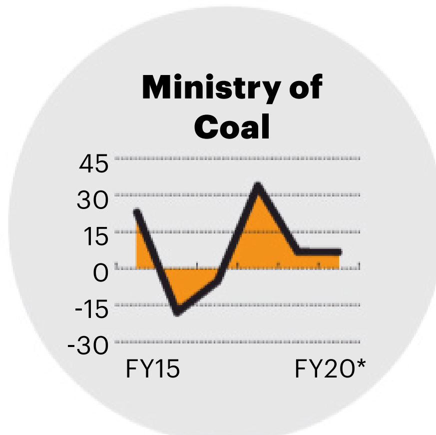
LEFT HIGH & DRY

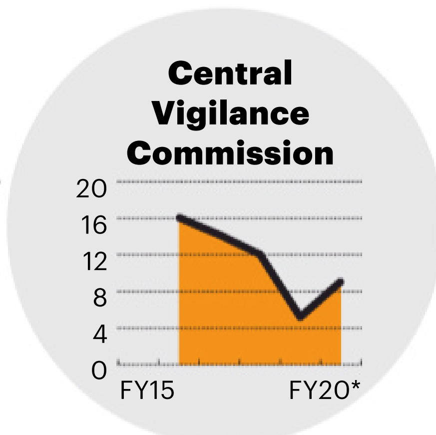
Five ministries/depts that received the least aggregate expenditure/ allocations since 2014/15 (year-on-year growth; %)

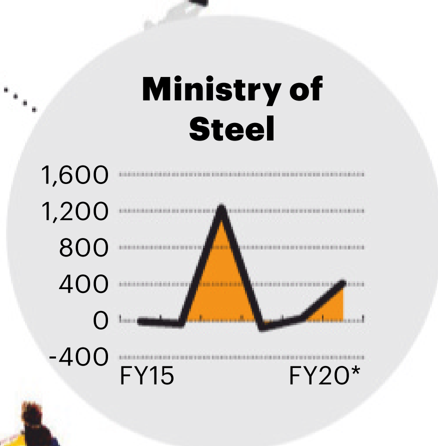
*Budget Estimates











₹60,000

CRORE

ALLOCATION FOR MGNREGA IN 2019/20

₹1 LAKH CRORE LIKELY GST COLLECTION SHORTFALL

₹1.3 LAKH CRORE BUDGET 2019 ALLOCATION FOR DEPT. OF AGRICULTURE

SOPONOMICS

Can the Modi government fund the bonanza of sops for voters without wrecking the country's financial stability?

By PROSENJIT DATTA
Illustration by Raj Verma

Budget speeches in India, since the 90s, have rarely been about a simple laying out of revenue and expenditure statements of the government for the coming year. They have been used to announce major policy shifts, signal the government's priorities for the coming year, and sometimes, to boast about the government's achievements and pitch for re-election.

Interim Finance Minister Piyush Goyal's maiden Budget speech was an unabashed pitch for bringing the Modi government to power, not just for one additional term of five years, but till 2030.

It was the longest interim Budget speech on record because a good part of it went into boasting about the government's achievements and also about laying out the vision for the next 10 years if the BJP under Modi were to be re-elected.

Unlike most Budget speeches of the decade, which have often digressed into banalities or tried to cover too wide a ground and appeal to too many people, this had a sharp focus – aimed at farmers and the poorer workers who have made their disenchantment felt strongly, and at the lower end of the tax payers, who have been vocal about bearing the burden without getting any reward. The rest of the speech essentially fell into two brackets. The first was a listing of the government's achievements (macro economic stability achieved by bringing down inflation and deficits, maintaining high growth, Swacch Bharat, various PM Yojanas and about the landmark laws passed – Goods and Services Tax and Insolvency and Bankruptcy Board. The second part was a listing out of the vision for the next 10 years, which was nothing more than a rewording of the BJP's 2014 pre-election manifesto with some minor tweaks.

There were some random points thrown in – artificial intelligence, which found a mention in the speech but no allocation in the Budget, or the 100,000 digital village goal in five years or data prices. But these were quick mentions without much substance or allocations.

Equally interesting were the things that the speech did not focus on – education, skilling or jobs. Others like Make in India found fleeting mention.

It is hard to argue with the focus on farmer distress. The government was acutely conscious that it had messed up on agriculture – despite hiking Minimum Support Prices for 22 crops and spending more on procurement than it had budgeted for, farmer distress had been rising and it had led to losses in three major state elections. The Congress under Rahul Gandhi seemed to be promising much to farmers if it were to be elected in 2019, even if it had no clue about where the money

GOING OVERBOARD

Budget 2019 has overshot last year's expenditure by about ₹3 lakh crore

Revised estimates (RE) of expenditure for 2018/19 show an increase of ₹15,022 crore over Budget estimates (BE) 2018/19

	BUDGET 2018/19	REVISED 2018/19	VARIATION
TOP 3 AREAS WHERE SPENDING WAS EXCESS			
Dept. of Agriculture, Co-operation and Farmers' Welfare	46,700	67,800	**(+) 21,100**
Interest Payment	5,75,795	5,87,570	**(+) 11,775**
Capital Outlay Excluding Defence	1,84,681	1,93,105	**(+) 8,424**
3 AREAS WHERE SPENDING WAS LOWER			
Pensions	1,68,466	1,66,618	**(-) 1,848**
Grants and Loans to States	4,20,133	3,91,128	**(-) 29,005**
Other Expenditure	3,29,739	3,17,345	**(-) 12,394**

BE of expenditure for 2019/20 shows an increase of ₹3,26,965 crore over RE 2018/19. No sector saw less expenditure

Data is in ₹ crore. Source: Expenditure Profile 2019/20

	REVISED 2018/19	BUDGET 2019/20	VARIATION
TOP 3 AREAS WHERE SPENDING WAS EXCESS			
Grants and Loans to States	3,91,128	4,72,643	**(+) 81,515**
Interest Payment	5,87,570	6,65,061	**(+) 77,491**
Dept. of Agriculture, Co-operation and Farmers' Welfare	67,800	1,29,585	**(+) 61,785**

would come from or what it would do to the government's finances. Goyal's speech (and Budget proposals) decided to trump whatever Rahul Gandhi would think of promising next, by offering a straight ₹6,000 per annum (of which ₹2,000 would be paid immediately) to farmers with land below 2 hectares as income support.

This was clearly a last minute thought – there were no announcements made on spending and additional ₹21,100 crore from the 2018/19 Budget till the speech – and a hasty ₹75,000 crore was budgeted for the coming FY for this in the Budget expenditure proposals.

The other two major proposals would come into effect from April 1 though – the relief for tax payers up to ₹5 lakh of income and the major announcement on a pension scheme for the poor.

The interesting part though was the fact that the government said it would be only a minor slippage from the fiscal target – going up from 3.3 per cent of GDP to 3.4 per cent of GDP in the current year, and talking about a 3.4 per cent increase in the coming year (original target was 3 per cent) despite the massive additional spends on the income support scheme and the shortfall in revenues collected – especially GST – so far. (This also shows that the government has given up on its goal of following the Fiscal Responsibility and Budget Management Act as it had promised.)

Data shows that the government is likely to miss the GST collection target by over ₹1 lakh crore for the current year. So how is it planning to miss the fiscal target by only 10 basis points? It has scrimped on Grants and Loans to States and it is possibly overestimating what it will collect through non-tax revenues. There are also things that have been kept off-balance sheet. But these still need to be paid – if not immediately, in the next financial year. Where is that money going to come from?

Next year, the income support for farmers has been budgeted at ₹75,000 crore – and it could well be an under estimate. The revenue projections seem even more ambitious – the interim FM projected a sharp increase in GST for the whole year, which seems a stretch given that further relief is being given to small businesses and some product rates are being revised downwards. In fact, many economists think that the fiscal target will be missed by a wide margin not only this year, but next year as well. And that could lead to a cascading effect on the economy. Not being able to meet the revenue targets will hit its ability to spend or make it resort to reckless borrowing to meet its promises. That in turn could squeeze the ability of the private sector to borrow easily. And it could lead to global investors losing faith in the government's intention to adhere to the path of fiscal discipline. In its effort to give sops to voters, the government might well end up creating the same sort of economic mess the UPA2 had created. But then, that is the problem for the FM who will make the next Budget speech – sometime in June-end or July. BT

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FISCAL PROFLIGACY

The spending involved in implementing Budget proposals will throw the fiscal position off track.

By DIPAK MONDAL
Illustration by AJAY THAKURI

When the government was drafting this year's Budget, it seems the only thing it had in mind was elections later this year. No wonder then that when the interim Finance Minister, Piyush Goyal, unpacked his customary Budget suitcase, it had many goodies for the common man, farmers and workers in unorganised sectors.

In what some of the critics called the cash-for-vote Budget, the government seems to have thrown fiscal prudence to the winds. In announcing a direct benefit transfer scheme for farmers — under which it plans to give ₹6,000 every year to 120 million farmers with landholding of less than 2 hectares — the government took an additional financial burden of ₹75,000 crore in the next financial year. Since the scheme has been made effective retrospectively, from January 1, 2019, a provision of ₹21,100 crore has been made in the current financial year as well.

In yet another 'popular' announcement, the government plans to exempt individuals with up to ₹5 lakh taxable income from income tax. This would benefit 30 million taxpayers, and by the finance minister's own admission, cost the exchequer around ₹18,500 crore.

Then there's another big announcement — the Pradhan Mantri Shram-Yogi Maandhan pension scheme for unorganised sector workers with monthly income up to ₹15,000. It aims to provide an assured monthly pension of ₹3,000 on monthly contribution of a small amount while they are working. While the full cost of the scheme is yet to be known, the government has allocated ₹500 crore, promising to contribute more as and when needed.

These three alone could account for an additional ₹1 lakh crore spending in the next financial year, not to forget that some of the promises the government made last year (like the Ayushman Bharat health insurance scheme) had not been fully provided for in the last Budget. Some costs of existing schemes are likely to be carried forward to next year.

Meanwhile, the total expenditure in 2019/20 is estimated to rise by ₹3.3 lakh crore, or 13.3 per cent, from the revised estimate this year.

With the fiscal deficit target of 3.4 per cent of the GDP, which in itself looks ambitious, for the next year, the question that is haunting economists and policy makers is if the government has enough resources to provide for all its ambitious social sector schemes as well as infrastructure projects.

Revenue Outlook

The government has set a rather ambitious revenue target for the next fiscal. The total revenue (tax, non-tax and non-debt capital receipts) has been estimated to grow 14.5 per cent to ₹19.77 lakh crore from the revised estimate of ₹17.29 lakh crore for the current year. This includes 15 per cent growth in tax revenue (₹17.05 lakh crore) and 11 per cent in non-tax revenue (₹2.72 lakh crore). The government also expects a 12.5 per cent rise in income from disinvestments to ₹90,000 crore. It looks like the government has over-estimated revenues from all the three sources. Though growth in revenue from taxes has been moderated to 15 per cent in 2019/20 from 19.5 per cent in the current financial year, even this looks like an uphill task.

Sunil Kumar Sinha, Principal Economist and Director (Public Finance), India Ratings, explains. "The GST collection growth in 2019/20 is estimated at 18.2 per cent while the 2018/19 (RE) number is 9.1 per cent. This is a tall order. A slippage of one percentage point will wipe off ₹3,700 crore from the budget estimate."

The government has revised downward the 2018/19 GST collection target by ₹1 lakh crore. The target was ₹7.43 lakh crore. It seems they are likely to garner only ₹6.43 lakh crore. In the next financial year, it expects to

PRESSURE POINTS

GST COLLECTION THIS YEAR IS ₹1 LAKH CRORE SHORT OF TARGET

THE ADDITIONAL EXPENSE FOR THE INCOME SUPPORT SCHEME THIS YEAR IS ₹21,100 CRORE, WHICH WAS NOT BUDGETED FOR

EVEN THE DISINVESTMENT IS SHORT OF TARGET SO FAR – THE GOVERNMENT HAS COLLECTED ONLY ₹36,000 CRORE COMPARED TO ₹80,000 CRORE IT AIMED FOR IN 2018/19 collect ₹7.6 lakh crore, 18 per cent rise from the revised estimate of 2018/19.

Direct tax revenues have been estimated to grow 15 per cent from ₹12 lakh crore to ₹13.8 lakh crore. The focus clearly is on income tax with the government looking to reap the benefits of increased compliance post GST and demonetisation.

The government hopes to see income tax collections rise 17 per cent to ₹6.2 lakh crore. Shubhada Rao, Chief Economist, Yes Bank, however, says moderation in income tax revenue growth in FY20 is expected due to relief for the middle income group.

Non-tax Revenues

Revenue projections from non-tax sources also look slightly ambitious and give a clear indication that the government will squeeze public sector units, banks and other institutions to exact its pound of flesh. Dividends from central public sector enterprises are estimated to grow 18 per cent to ₹53,000 crore from the revised estimate of ₹45,000 crore in 2018/19. This year the government is getting 14 per cent less from the Budget target.

But it seems the Reserve Bank of India (RBI) may come to its rescue, this year as well as next year. The government has revised upwards the likely dividends from the RBI by almost ₹20,000 crore, or 35 per cent, to ₹74,000 crore. Next year, it expects dividends from PSU banks and the RBI to go up by another ₹9,000 crore to ₹83,000 crore. Since most PSU banks are going through a bad time, almost the entire ₹83,000 crore dividend may come from the RBI.

While the government has not changed the estimate for disinvestment proceeds (₹80,000 crore) for the current year, it has increased it to ₹90,000 crore next year. This despite the fact that less than two months are left in the current financial year, and the government has only managed to receive ₹36,000 crore out of the ₹80,000 crore target. Atanu Chakraborty, Secretary, Department of Investment and Public Asset Management, says 45-55 per cent of disinvestments take place in the fourth quarter only.

Fiscal Gliding Path

Despite uncertainty over revenues, the government once again seems to be optimistic when it comes to fiscal deficit, which it put at 3.4 per cent both for current and next financial years. This is far from the fiscal gliding path that the government had outlined and the FRBM milestone of 3.1 per cent.

Rao of Yes Bank says the dispensation given through packages would be 0.4 per cent of the GDP, which will dilute the fiscal deficit. "The bearing it would have is in terms of higher borrowings," says Rao.

Gross borrowing in 2019/20 is estimated to grow 33.1 per cent compared to -9.3 per cent in the current year. The net market borrowing is estimated to grow 12 per cent in FY20 compared to a drop of 6.2 per cent in the current financial year. This should also impact the quality of government spending with capital expenditures taking a back seat. Sinha of India Ratings, says, "Revenue expenditure is budgeted to grow at 14.4 per cent in FY20 compared to 13.9 per cent in FY19 (RE). However, the capital expenditure is budgeted to grow at only 6.2 per cent in FY20 compared to 20.3 per cent in FY19 (RE)." BT

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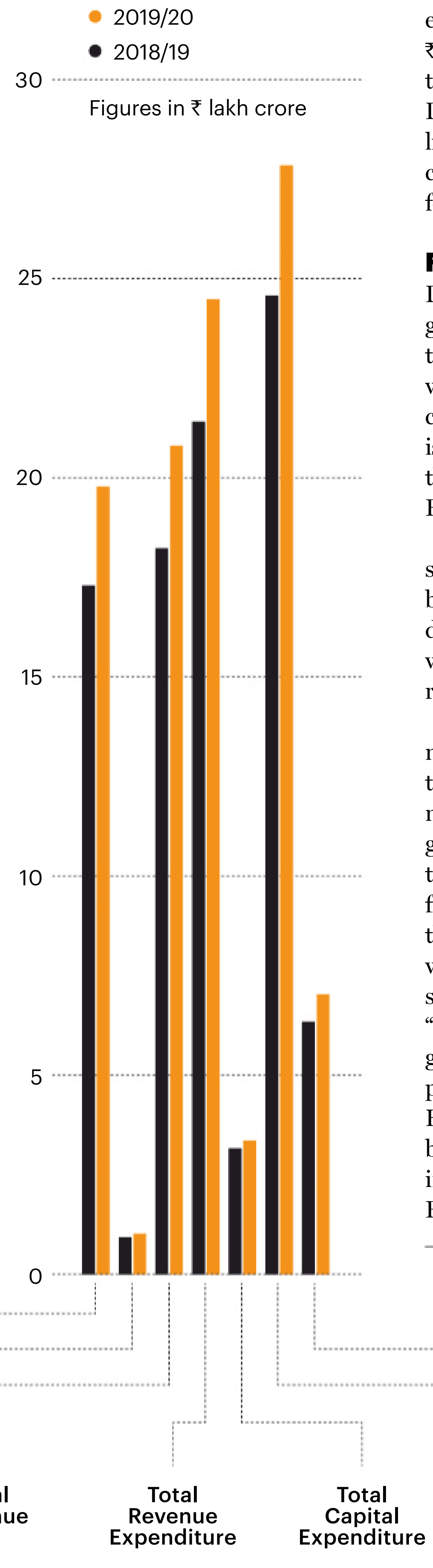
EXPENDITURE PROJECTED TO RISE 13%

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POOR MAN'S BUDGET

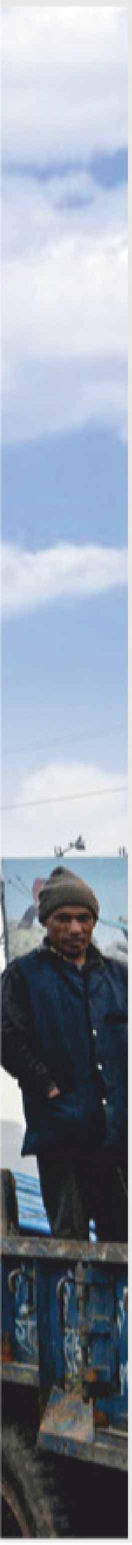
Rural development, agriculture and social pensions all found prominent mention in the Budget announcements

By JOE C. MATHEW
Photograph by SHEKHAR GHOSH

Response to the PM Kisan Samman Nidhi has not been encouraging

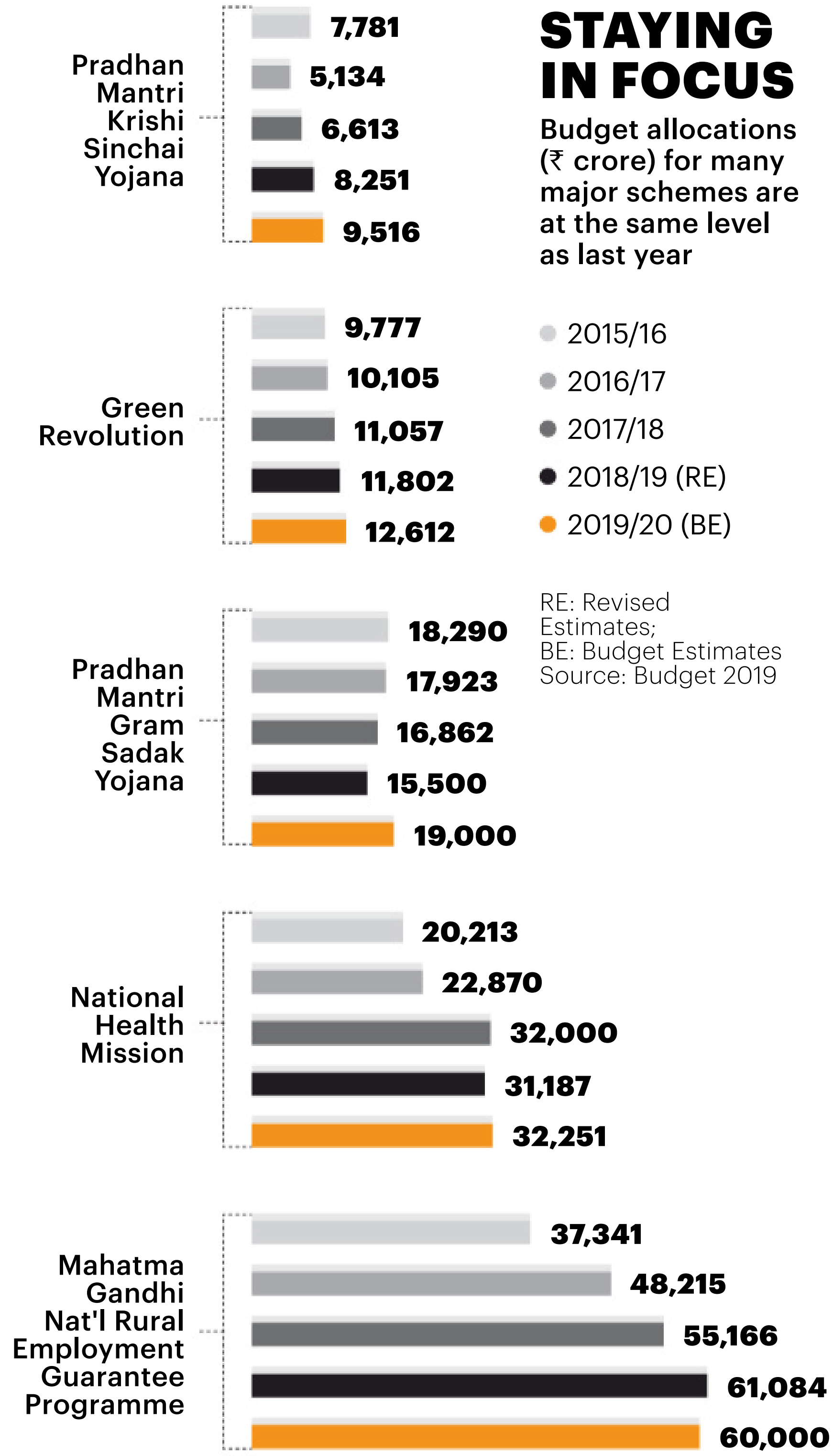
Should we be victims of mere populism or wasteful expenditure?" Arun Jaitley, Union Finance Minister, had asked while presenting the first Budget of the Narendra Modi-led National Democratic Alliance (NDA) government in July 2014. He was referring to the funds the previous United Progressive Alliance (UPA) government had earmarked for social security schemes like the Mahatma Gandhi National Employment Guarantee Act (MGNREGA), as BJP had dubbed these as mere populist schemes without any tangible benefits. Five years later, the same question stares at the stand-by finance minister Piyush Goyal who presented the last Budget of the NDA government, as he seems to have done exactly what Jaitley feared, be overly populist.

The Interim Budget 2019/20 is all about handouts and welfare plans for farmers, labourers, small businesses, and people at the lowest end of the taxpayer base. While the MGNREGA scheme continues to get a substantial budgetary support of ₹60,000 crore for 2019/20, there are a host of new schemes that can be termed more populist in size and scope. The direct income support scheme for 120 million farmers who owns two hectares or less will alone require the government to spend about ₹75,000 crore. In addition, there are plans to partly fund a senior citizens pension scheme that can help 100 million labourers in the unorganised sector. The government has also announced full rebate on the income tax liability of about 30 million people who have a taxable income of up to ₹5 lakh a year. While the ruling party has managed to connect with the majority of Indian voters through these schemes, are the sops good enough to make a difference? And does the government have the resources to fund these?



Inadequate Measures

PM Kisan Samman Nidhi (PM-Kisan), the biggest of all the new announcements made, envisages transfer of ₹6,000 per year as direct income support to 120 million farmers in three equal installments. Since the programme, fully funded by the central government, will be operational during the current year itself, farmers who qualify for the support will receive ₹2,000 as the first installment before the next general elections due in a couple of months now. However, the response from farmers is not encouraging. It's adding insult to the farmer's injury, says a group of farmers and farm activists who



had converged from nine states across the country in Shikohpur village in Haryana on the Budget day. "Disappointing and anti-farmer," says Chaudhary Rakesh Tikait , National Spokesperson, Bharatiya Kisan Union.

PM-Kisan as well as other sops – a 2 per cent interest subvention on loans availed by animal husbandry and fisheries farmers, and an additional 3 per cent on timely repayment – failed to enthuse farmers as these did not match their expectations. "The Rythu Bandhu scheme of Telangana government provides ₹10,000 per acre of support, which means that a 5-acre farmer would get ₹50,000 per year, giving at least partial support towards cultivation cost. It is a joke to declare that ₹6,000 per year will save farmers from moneylenders, when a typical small farmer requires an investment of at least ₹1 lakh in cost of cultivation," says Kiran Kumar Vissa from Rythu Swarajya Vedika, Telangana.

Farmer representatives feel the interest subvention announcement is minor, as the benefit would hardly go to 1 per cent of the farmers. "The government's support to dairy farming and animal husbandry has been very poor – out of the promised ₹10,881 crore for Dairy Infrastructure Development Fund in 2017/18, only ₹440 crore has been disbursed so far," says Avik Saha, Convener, Jai Kisan Andolan.

The critics might have a point, but the government has already stretched itself beyond fiscal limits to accommodate the funds for PM-Kisan. There is an outlay for ₹21,100 crore this fiscal, while ₹75,000 crore has been set aside for FY 2019/20.

"The arithmetic of the Budget is not there. Where are you going to get the money? Your farm related sops alone would add up to ₹100,000 crore", says Arun Kumar, an economist who teaches at the Jawaharlal Nehru University. Data gaps also exist. "In the case of Rythu Bandhu, KCR (Telangana's chief minister) spent a lot of time figuring out who all are eligible, and so on. Similar data on a countrywide scale is not available. Socio Economic and Caste Census (SECC) 2011 would have some data on land holding, but not mapped with Aadhaar numbers," Kumar says.

Drop in the Ocean

The second scheme for which enrolments and marketing campaigns will begin in the election year itself is the Pradhan Mantri Shram-Yogi Maandhan that assures a monthly pension of ₹3,000 to unorganised sector workers with monthly income up to ₹15,000 from the age of 60 years. The premium will be shared by the worker and the government. The government expects 100 million labourers to benefit from this scheme. It has also made a budgetary allocation of ₹500 crore for the current year. "It is good to give more money into rural hands, so that rural demand increases. It is good to make them save. But where is the money? If you have to pay even ₹50 into the account of each pension beneficiary monthly, you will need ₹6,000 crore. So the arithmetic is dicey at the moment," says Kumar.

"IF YOU HAVE TO PAY EVEN ₹50 INTO THE ACCOUNT OF EACH PENSION BENEFICIARY MONTHLY, YOU WILL NEED ₹6,000 CRORE"

ARUN KUMAR,
Economist

"THERE IS AN EYE ON THE ELECTION, THAT'S NOT A BAD THING AS THE FARM SECTOR IS GOING THROUGH A BAD PHASE. BUT WHERE'S THE REVENUE GOING TO COME FROM?"

RAJAT KATHURIA,
Director and Chief Executive, ICRIER

Gaps In Coverage

The third most disgruntled segment of the population that the government has tried to pacify are the small business and industries in the informal sector. They bore the brunt of GST implementation and demonetisation. The government has announced full rebate on income tax liability of about 30 million people with taxable income of up to ₹5 lakh a year. The government has also tried to ensure that MSMEs have easier access to funds. But it left out traders. The 8.5 million trading establishments that invested at least ₹10-12 lakh into their businesses have also been left high and dry, says K.E. Raghunathan, President, All India Manufacturers' Organisation. Goyal didn't address the bigger problems that MSMEs face either. "About 35 per cent of Indian MSMEs are ailing due to want of capital, NPAs (non-performing assets) or want of orders. The Budget offers no help to them," says Raghunathan.

What remained in focus was rural India. The Pradhan Mantri Gram Sadak Yojana (PMGSY) gets an allocation of ₹19,000 crore in 2019/20 (Budget estimate) as against ₹15,500 crore in 2018/19 (Revised estimate). Rajat Kathuria, Director and Chief Executive of Delhi-based think tank ICRIER, says it is natural to see governments targeting the rural sector and the middle class in an election year. "There is an eye on the election, but that's not necessarily a bad thing as the farm sector is going through a bad phase. The slippage in fiscal deficit is also not a big concern. However, where is the revenue going to come from? Is it the tax buoyancy in the GST, widening of tax base or growth? Or is it going to come at the expense of some cut on capital expenditure? I hope the latter is not the case," Kathuria says. BT

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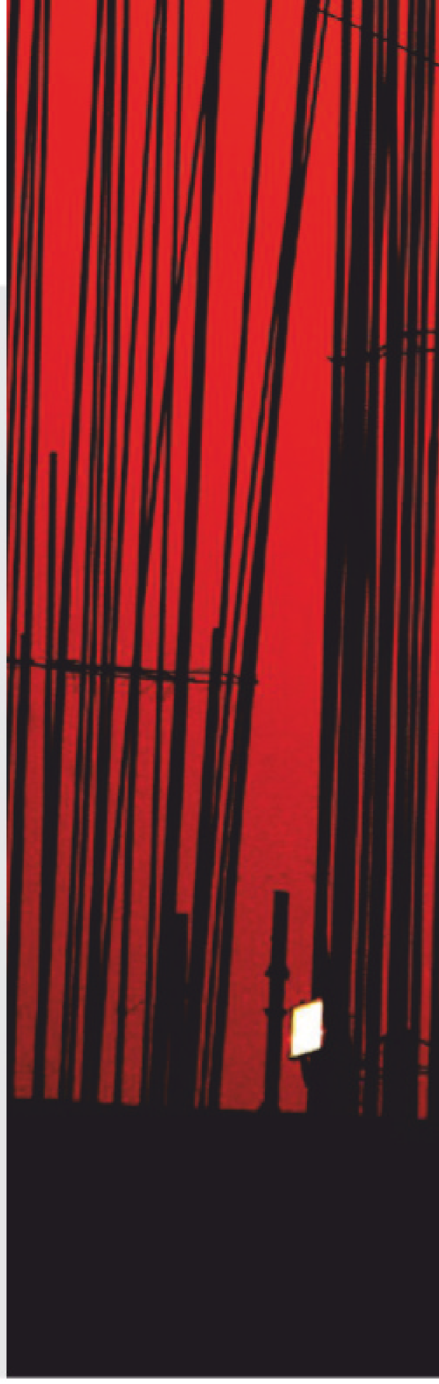
TOO LITTLE TOO LATE

The government has tried to apply balm on realty sector's wounds with sops ahead of the 2019 general elections. But that may not be enough.

By RASHMI PRATAP
Photograph by SHEKHAR GHOSH



There has been a spate in the number of suicides by builders and developers as the real estate sector is reeling under its worst slowdown since 2008. The ongoing liquidity crunch following the crisis in the non-banking finance company (NBFC) sector, combined with high levels of unsold inventory has made the going even tougher for developers.

The Narendra Modi government has tried to apply balm on the wounds through sops in the interim Budget ahead of the 2019 general elections. But it is unlikely that the measures will help heal the sector anytime soon.

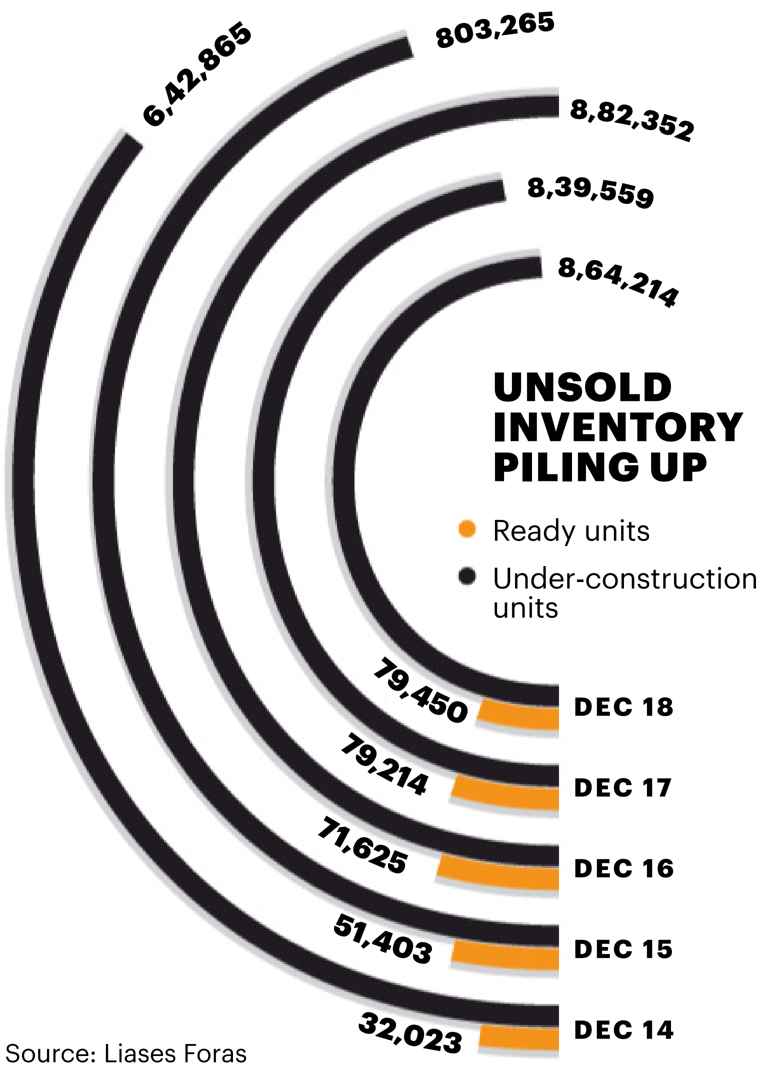
"There is a severe liquidity crisis and they have not addressed it at all. The liquidity crisis must be first accepted and then addressed. We need to handle the issue because otherwise Housing for All (by 2022) cannot be achieved," says Niranjan Hiranandani, Co-founder and MD, Hiranandani Group and President of industry body NAREDCO.

What began in mid-2018, with IL&FS failing to repay its commercial dues, has caused a liquidity crisis for the entire NBFC sector. The cost of borrowing for NBFCs has gone up, following which they have increased commercial lending rates by up to 400 basis points (4 per cent), besides freezing loans to builders and developers. This comes at a time when the excess leverage for land accumulation by developers has increased their debt levels to more than ₹4 lakh crore as of December-end 2017, just a little short of over ₹4.5 lakh crore debt of the telecom sector. Alongside, ready inventory between 2014 and 2018 has increased 2.5 times. "You cannot increase productivity without addressing liquidity concerns," says Hiranandani.

Battered and Bruised

Various measures announced by the current government to streamline the sector have also had a negative impact on developers. While demonetisation sucked out liquidity, the Real Estate (Regulation and Development Act), or RERA, further led to fiscal tightening. Under RERA, 70 per cent of a project's fund require-

The announcements may not help the real estate sector come out of the deep-rooted crisis in the next few quarters



Source: Liases Foras

ments are now put in an escrow account, restricting the developers' ability to manage liquidity.

Pankaj Kapoor, Founder and MD at real estate consultancy Liases Foras, says the government has finally acknowledged the slowdown in the sector. "It is an interesting Budget as the government has tried to help the industry come out of the slowdown by extending exemption for inventory tax on builders from one to two years."

Till now, unsold inventory over one year old was considered stock-in-trade and the builder had to pay notional rent on those units. With unsold inventory levels at over 943,000 across the top eight cities of India, the outgo from builders was huge. "Increasing the exemption on paying notional rent from one to two years will provide respite to builders," says Kapoor.

The steps are in the right direction. "The government is taking the right steps to minimise the risk associated with high levels of unsold residential inventory that could pose a risk to liquidity in the markets affecting both builders and banks," says Joe Verghese, Managing Director, Colliers International India.

The inventory tax meant that while developers were finding it difficult to find takers for under-construction properties, they had to comply with RERA norms and finish the project as per schedule.

But the two-year exemption may not suffice. "Prices come down only when you create surpluses, but here, builders are taxed on surplus inventory. The measure should be totally done away with," says Hiranandani.

Another pain point left unaddressed by the government is the 12 per cent GST on under-construction properties. "Sales in these properties have been declining in the past few years as no GST is charged on the ready ones. Additionally, delay in execution and delivery has kept buyers away. Our data shows contribution of sales in ready properties has gone up from 11 per cent to 27 per cent in the five year period," says Kapoor.

The GST Council is considering a revision in GST. Inventory issues assume significance because cash received from buyers of under-construction properties is a big source of funds for developers. And that source is drying up because buyers are preferring ready-to-move in properties that do not attract the 12 per cent GST.

Plugging Holes

The government's other booster to the sector is the extension of Section 80-IAB, which allows 100 per cent deduction on profits generated by a developer of affordable housing project, till March 2020. "These are important measures for the recovery and further expansion of residential real estate in the country," says Anshuman Magazine, Chairman and CEO, India, South East Asia, Middle East & Africa, CBRE.

To woo the middle class, the government has relaxed norms for genuine self-occupiers who already have a house and want to buy another one. For self-occupied second homes, where owner's family is living, consumers don't have to pay tax on notional rental income. This is a departure from the earlier practice of it being taxed. If the property is let out, tax deducted at source (TDS) will be up to ₹2.4 lakh. This limit was ₹1.8 lakh earlier. "This can attract more investors to buy second homes to earn rental income," says Anuj Puri, Chairman, Anarock Property Consultants.

"Along with capital gains exemption for up to two houses, this (the exemption) will allow people to have a diversified portfolio for real estate investment, which will spur demand across the country, including in Tier 2 and Tier 3 cities," says Verghese.

Moreover, capital gains of up to ₹2 crore generated after selling a property can now be invested to buy two properties. "It is an opportunity for people to upgrade or purchase more property. It will incentivise buyers while avoiding speculators, and give a push to demand," says Kapoor.

PHOTOGRAPH BY CHANDRADEEP KUMAR

HEAVY BURDEN

UNSOLD INVENTORY AT AN ALL-TIME HIGH OF 9,43,000 ACROSS TOP 8 CITIES

MORE THAN 40 MONTHS NEEDED TO CLEAR STOCK

SECTOR'S TOTAL DEBT OF OVER ₹4 LAKH CRORE (DECEMBER 2017), ALMOST EQUAL TO THAT OF TELECOM

GST ON UNDER-CONSTRUCTION PROPERTY AT 12% UNCHANGED

LIQUIDITY CRISIS UNRESOLVED; FREEZE ON LOAN SANCTIONS CONTINUES

Source: Liases Foras

Looking Ahead

While the government has announced measures to win over its voter base, it has not announced any clear roadmap for Housing for All by 2022. The housing deficit in urban areas alone was pegged at 18.76 million units in 2011 and the figure was revised downward to 10 million units by the government in 2017. The Budget sops, however, promote the purchase of second homes instead of incentivising first-time buyers.

According to a CRISIL report, only 1.2 million houses have been constructed out of the 6.3 million sanctioned since June 2015 under the Pradhan Mantri Awas Yojana - Urban. To meet its objective of building 10 million houses, the Centre needs to contribute ₹1.5 lakh crore till 2022 – a goal that seems impossible given the precarious fiscal scenario.

The announcements may not help the sector come out of the crisis in the next few quarters but they will help the government garner more votes. BT

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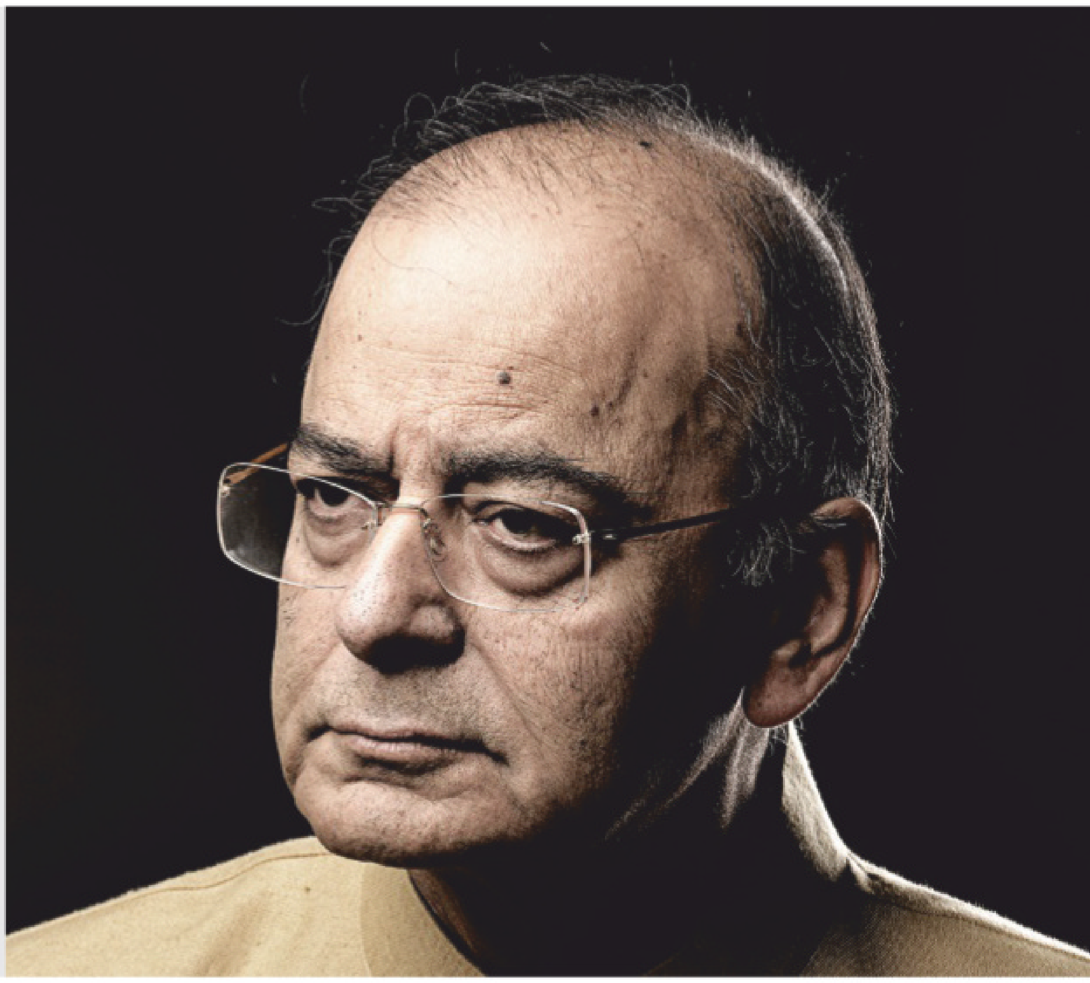
"YOU WILL SEE BETTER GST COLLECTIONS"

Finance Minister Arun Jaitley, in an interaction with journalists after the Budget, says income support can co-exist with subsidies



PHOTOGRAPH BY SHEKHAR GHOSH

Many critics say the direct tax tinkering has been done to reduce the impact of the reverses the BJP faced in recent polls. How would you react to those who say the Budget is Account for Vote and not Vote on Account?

Either are better than the money going into personal accounts. Budgets are a political reality in a parliamentary democracy. This is not a move which deviates from what the NDA government has been doing for the last five years.

How justified is the income support scheme along with continuation of subsidies?

Stopping the subsidy and handing over the cheque with sum-total of those benefits is a different scheme. It is an idea proposed by Arvind Subramanian in the 2015 Economic Survey where he said subsidies were not for the rich. In the subsequent year, he said give the beneficiary the cheque. But income support scheme can co-exist with subsides.

Will this quell rural stress?

On the one hand, we claim to be the fastest growing economy. The quality of life in urban India is improving, people are spending more, earning more. But on the other hand, rural India only got slogans in the past. In the last five years, we have seen huge transfer of resources to rural India. The MNREGA allocation has been doubled, more rural roads, houses, have been built. Most beneficiaries of Ayushman Bharat are from rural India. There is better infrastructure, better access to credit, and the MSP is 50 per cent of the input cost. Except for the products procured, the farmer doesn't get the appropriate price. So, as a first step, we have decided to give him income support. This is one of the many instruments to help him. Let state governments run by the critics top it up.

The direct benefit scheme doesn't accommodate tenant farmers, the landless and tillers ...

This is a concern. Unfortunately, the establishments have records of those who own the land, not those with whom they have done the contract with.

Budget numbers appear optimistic, even with the GST growth of 18 per cent.

When you switch over to a new taxation system, you are bound to face some implementation issues. In the initial year of GST, the average collection was ₹89,000 crore and now we are crossing ₹97,000 crore. In the second year, you are witnessing growth of 11-12 per cent; and in 3rd-4th year of GST you will have better compliance and obviously better collections. BT

PHOTOGRAPH BY BANDEEP SINGH

INDIA IN 2030

A lot of NDA's vision for the future is similar to BJP's 2014 manifesto

By GOUTAM DAS
Illustration by AJAY THAKURI

In the middle of his Budget speech, Piyush Goyal, the interim Finance Minister, stopped to talk about a vision of the future. What would the NDA government do if it were still around in 2030?

"We have resolved many problems which were coming in the way of realising our full potential as a society and an economy. We are poised to become a $5 trillion economy in the next five years and aspire to become a $10 trillion economy in the next eight years thereafter," he said.

He went on to present a "ten-dimensional vision" that would eventually "create an India where poverty, malnutrition, littering and illiteracy would be a matter of the past. India would be a modern, technology driven, high growth, equitable and transparent society".

Much of the vision statement reads like a jobs plan – sectors and programmes that could scale and employ truckloads of people. Or help people earn higher income. Even though they are set in 2030, a few of them appear to be an improved version of what the BJP stated in its manifesto of 2014. This is boring but true. Old wine in a new bottle.

One dimension is to make India self-sufficient in food: "Exporting to the world to meet their food needs and producing food in the most organic way. High farm production and productivity will be achieved through modern agricultural practices and value addition."

Circle back to 2014. The BJP manifesto promised setting up of an 'Organic Farming and Fertilizer Corporation of India' to promote organic farming and support marketing of organic produce. The manifesto also spoke of creating cluster-based storage systems, and of course, incentivising food processing. "Implement and incentivise the setting up of the food processing industry that has remained just a plain talk till now. This will lead to better income for farmers and create jobs," the manifesto read.

Yet another dimension pointed out in this year's Budget was about "expanding rural industrialisation using modern digital technologies to generate massive employment". This vision outlined that grass-roots level manufacturing clusters would be developed as also structures "encompassing the MSMEs, village industries and start-ups spread in every nook and corner of the country". In 2014, rural industrialisation had a services twist. The manifesto, nevertheless, also spoke of setting up of dedicated W-SME (Women Small and Medium Enterprises) clusters in every district. SMEs, BJP stated, are crucial for economic development: "Overall goal is to enhance the competitiveness of the SME sector leading to a larger contribution to our economic growth and employment generation". BT

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EXPERTSPEAK

This was supposed to be an Interim Budget, but the announcements made here seem more significant than those we come across in many regular budgets. The government seems to be banking on giving more money to farmers and middle-income groups to spur consumption. But will it bring enough feel-good factor to the average citizen? Will it spur growth by increasing consumption? More importantly, will the income support scheme – the Pradhan Mantri Kisan Samman Nidhi – work as planned or will it soon put pressure on the government to increase the coverage to those who do not own land? Finally, has the government given up on the original fiscal deficit targets it has set for itself? Our experts examine the fine print and give their analyses.

ASHU SUYASH
CEO AND MD, CRISIL

D.K. SRIVASTAVA
CHIEF POLICY ADVISOR, EY INDIA

SIRAJ HUSSAIN
FORMER UNION AGRICULTURE SECRETARY AND VISITING SENIOR FELLOW, ICRIER

SACHCHIDANAND SHUKLA
CHIEF ECONOMIST, MAHINDRA & MAHINDRA GROUP

SOCIALLY SENSIBLE AT THE CORE

The Interim Budget has tied up the final threads of a much-needed basic social security net.

By ASHU SUYASH

This is, literally, an interim budget for half a billion people.

At the core, it is socially sensible because it seeks to apply balm where the pain is. The steps taken to ensure social security through minimum income support for farmers, a rebate for salaried employees and a pension plan for informal workers are what people needed, and they have been a long time coming.

Overall, the emerging perspective is a pleasant one. While generations of lower-to-middle income folks now get a decent handle on basic income and support for their sunset years, the Ayushman Bharat insurance scheme would take care of their healthcare worries as well. Additionally, affordable housing has got a mild tax boost. The Interim Budget thus ties up the final threads of a much-needed basic social security net. The incipient relief on the faces of the multitude can only be imagined.

The pronouncements would give a near-term fillip to consumption, especially the consumption of small-ticket items because people in the lower-income brackets have a higher marginal propensity to consume.

To be sure, there is slippage in fiscal deficit by 10 basis points (bps) and bond markets reacted adversely to that. The government needs to push the pedal hard on tax collections and divestments to achieve the revised target.

For the next fiscal, that deviation is 30 bps to accommodate higher spending. Overall, the Budget is premised on realistic nominal growth assumption of 11.5 per cent. Nonetheless, given the spending numbers, it would be important for the government to pursue revenues aggressively.

On the sectoral side, fast-moving consumer goods, low-ticket consumer durables, two-wheeler manufacturers and organised retailers are expected to benefit from the income tax rebate given to assessees with a net taxable income of up to ₹5 lakh and direct income transfers to farmers owning less than two hectares of land.

Intended actions on the farm front also augur well. For example, with the implementation of Pradhan Mantri Kisan Samman Nidhi, cash in hand for farmers should increase by about 22 per cent, according to CRISIL estimates. The current annual profit per family having small and marginal landholding is estimated to be ₹26,500.

Other interventions on insurance, credit and relief during calamity will also provide support to farmers, while interest subvention to those pursuing animal husbandry and fisheries will encourage income diversification.

₹26,500

ESTIMATED ANNUAL PROFIT PER FAMILY HAVING SMALL AND MARGINAL LANDHOLDING

Overall, the tax sops by themselves are not significant, but the feel-good factor generated should set off a virtuous cycle, if followed by relentless implementation of reforms, efforts to raise the tax-to-GDP ratio and further ease of doing business.

Now that we see the beginning of a socially secure society, it is really important to take another critical step and iron out the kinks in India's interest rates structure. It can be done by nudging the regulated rates southwards and making the ecosystem fully market-driven. That will set off great structural changes on long-term interest rates and inflation. BT

The writer is CEO and MD, CRISIL

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FISCAL REFORMS HIT PAUSE BUTTON

The shift might be aimed at boosting disposable incomes of farmers, middle-income class and workers in the unorganised sector.

By D.K. SRIVASTAVA

With the availability of FY2018/19 revised estimate (RE), we now have an account of fiscal reforms under the NDA government from 2014/15 to 2018/19. A comparison between the final year of the previous regime (UPA II) and the corresponding year of the current government underlines the broad direction of fiscal reforms undertaken by the latter. Quite clearly, the Modi government focussed on augmenting the tax-GDP ratio throughout this period. With an expansion in the income tax base and the fall in global crude prices, especially in 2015/16 and 2016/17, it became possible to increase both direct and indirect tax revenues relative to GDP. From 2013/14 to 2018/19 RE, direct and indirect tax revenues increased by 0.7 per cent points and 1.1 per cent points of the GDP, respectively. Put together, the increase in the Centre's gross tax revenues-to-GDP ratio amounted to 1.8 per cent points of GDP in this period. However, the central government could access only 0.6 per cent points of this increase. This was mainly due to the increase in states' share in central taxes. A fall in the non-tax revenues-to-GDP ratio by a margin of 0.3 per cent points effectively reduced the gain in the Centre's revenue receipts-to-GDP ratio over this period to 0.2 per cent point. There was some gain in non-debt capital receipts as well through disinvestments.

However, achieving fiscal consolidation remained a high priority for the government. So, it complemented tax-side reforms with expenditure-side reforms. With the introduction of direct benefit transfers, the overall subsidy bill was reduced by a margin of 0.7 per cent of GDP. This enabled a reduction in the revenue expenditure-to-GDP ratio by 0.9 per cent points. Together with the marginal revenue-side gains, it became possible to reduce the fiscal deficit-to-GDP ratio from 4.5 per cent in 2013/14 to 3.4 per cent in 2018/19. Also, there was some improvement in the fiscal deficit quality as the share of revenue deficit in fiscal deficit fell from 71 per cent in 2013/14 to 64.8 per cent in 2018/19. And the direction of fiscal reforms was quite appropriate in almost all dimensions.

But in 2019/20 Budget Estimates (BE), these improvements appear to have been stalled. When we compare 2018/19 RE with 2019/20 BE, the reduction in fiscal deficit-to-GDP ratio is zero. The revenue expenditure-to-GDP ratio has increased by 0.3 per cent points, and the capital expenditure-to-GDP ratio has fallen by about 0.1 per cent points. The quality of fiscal deficit has also deteriorated by 2 per cent points. Given the pre-poll nature of the Interim Budget, this might be a temporary pause to boost disposable incomes of farmers, middle-income class and workers in the unorganised sector, and strengthen private consumption expenditure.

64.8%

SHARE OF REVENUE DEFICIT IN FISCAL DEFICIT DURING 2018/19 COMPARED TO 71% IN 2013/14

GDP growth numbers provide an anomalous picture if we use the revised CSO estimates released in January, in conjunction with the advanced estimates for 2018/19. These numbers indicate a steady and sharp fall in the real GDP growth, which was 8.2 per cent in 2016/17 (demonetisation year), 7.2 per cent in 2017/18 (GST year) and 5.9 per cent in 2018/19 in advanced estimates. Clearly, there are no objective indicators to indicate such steady year-by-year fall in the real GDP growth numbers. The Budget gives estimates of GDP at current prices for 2019/20 and 2018/19. The implicit nominal growth for 2019/20 is 11.5 per cent. The absolute magnitude of GDP in 2018/19 is the same as given in the advanced estimates. So, it can be assumed that the Budget is going with the GDP numbers of the advanced estimates. The key concern is whether fiscal consolidation will be restored in the regular Budget. By that time, we may have revised GDP numbers as well as revised numbers for fiscal aggregates to formulate a view on the prospects of fiscal consolidation. BT

The writer is Chief Policy Advisor, EY India (opinion is personal)


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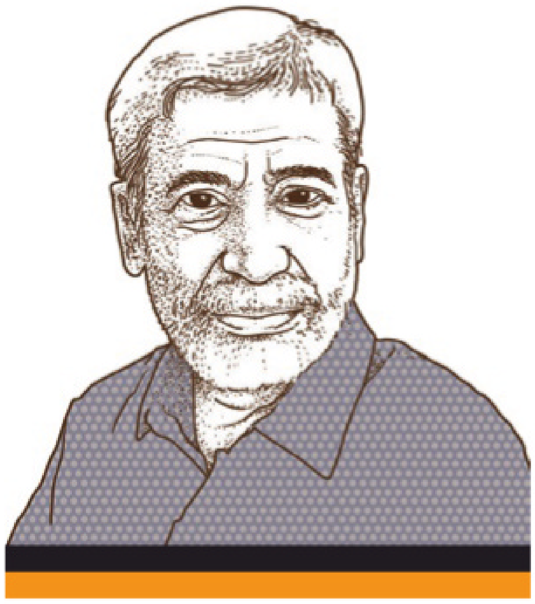


FOCUSSED ON RURAL, BENEFITS URBAN TOO

Assured cash transfers to small and marginal farmers might become more inclusive, leading to a new form of universal basic income.

By SIRAJ HUSSAIN

The government has finally decided to swim with the tide and accepted that the best way to help the agriculture sector is to reach farmers directly.

Ever since Telangana announced its Rythu Bandhu (RB) scheme, the debate has centred upon the most effective way to reach farmers. In fact, after the victory of Telangana Rashtriya Samithi (TRS) in assembly polls held in December 2018, the media has led politicians to believe that nothing short of direct support to farmers can win elections.

In this Budget, the Finance Minister has provided ₹21,100 crore from Pradhan Mantri Kisan Samman Nidhi for direct payment to small and marginal farmers at the rate of ₹6,000 per annum. Unlike most other schemes, including the flagship programmes of the government, the states do not have to share the cost from their respective budgets. However, the states will surely top up the amount so that farmers will finally get more than ₹6,000. As payments are to be made to landholders, it is unlikely that the entire allocation of ₹20,000 crore would be used by March this year. The government will require not only correct land records but also farmers' addresses and bank details to transfer the amount.

During the process of linking a landholder's title documents with bank details, the extent of absentee landlords leasing their land to tenants will also be discovered. That will only make the demand louder for extending the scheme to tenants. If tenants are covered, can agricultural labour and urban poor be left out? It means some kind of universal basic income is only some distance away. One can only hope that such transfers do not crowd out investments in agri infrastructure, required for sustainability of farming.

If the UPA takes credit for National Food Security Act, 2013, the Modi government will rightly claim recognition for PM Kisan Samman Nidhi. Regarding economic policies, both governments are on the same page.

As in several previous Budgets, the government has refused to pay major subsidy arrears. It is estimated that by March 2019, arrears of food and fertiliser subsidies may touch ₹1.2 lakh crore and ₹30,000 crore, respectively. With the rising MSP and the government's inability to raise issue prices of wheat and rice, the bill of food subsidy will only increase.

Recognition of fisheries as an important source of livelihood is praiseworthy. And the formation of a fisheries department will give a fillip to the sector that provides direct employment to 1.45 crore people. Extending the benefit of interest subvention to animal husbandry and fisheries is also praiseworthy as small and marginal farmers supplement their incomes by these activities.

In FY2017/18, seafood exports contributed $7 billion. There is an enormous scope of increasing fish production which will not only provide employment but also address protein malnutrition, rampant in northern states.

1.45 CRORE

PEOPLE WHO ARE DIRECTLY EMPLOYED IN THE FISHING INDUSTRY

Computerisation of co-operative societies and the issue of plastic cards to those holding Kisan Credit Cards have been going on under the supervision of Nabard for several years. But the Budget speech says nothing about it. There is no reason to delay it beyond 2020 as it is necessary to bring transparency to Kisan Credit Card loans for agriculture, livestock and fisheries.

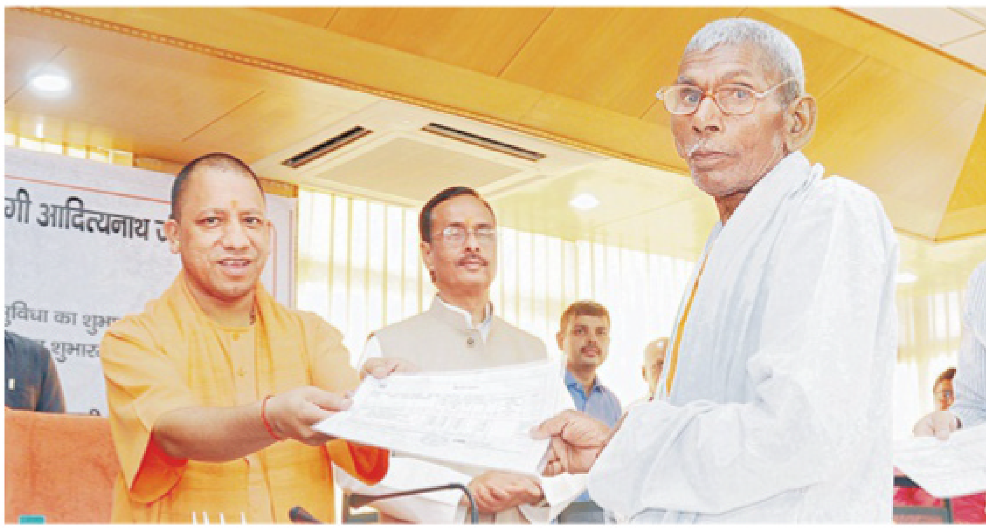
For an Interim Budget, this one has made substantial financial commitments, but should a government facing elections in the next three months make such announcements? With the Election Commission losing its prestige and influence, the Supreme Court may have to enact guidelines for interim budgets in the future. BT

The writer is former Union Agriculture Secretary and Visiting Senior Fellow, ICRIER

UP surging ahead with smiling sugarcane farmers and happy power consumers

By **Shrikant Asthana**

Under dynamic leadership of Chief Minister Adityanath Yogi, the Uttar Pradesh is progressing in leaps and bounds as the Government is committed to surround development of the state. People-centric schemes to change the life of the people of this most populous state in the country have ensured progress at unprecedented pace in past 22 months. During the period, the state has achieved a number of milestones and its performance on various parameters has earned it highly respectable ranks on various performance indicators.



Sugarcane Farmers benefitted

The government has taken special care to facilitate the sugarcane farmers in the state. It is committed to full and timely cane price payment to all farmers, to curb the malpractice of under-weighing by strictly enforcing the laws. It has also taken steps to ensure crushing of all sugarcane available for crushing.

Sugar Industry is an important agro based industry of the state and around 35 lakh sugarcane farmers of the State earn their livelihood from this cash crop. In the last crushing season 2017-18, the cane area was 23 lakh hectares and the total estimated sugarcane production was 1,820 lakh tonnes. In season 2017-18 the sugar mills of the state produced 121 lakh tonnes of sugar by crushing 1,112 lakh tonnes of sugar cane. The cane crushing and sugar production of last year was ever highest in the history of the state. Favourable policies of the Government have seen 22% increase in the cane area in comparison to last year. Now it is 28 lakh ha. Due to this, the total sugarcane production of this year is expected to be 2,131 lakh tonnes, which is 17% more than the last year. As a result, sugar production is expected to be 124 lakh tonnes from 1,150 lakh tonnes cane crushing in the crushing season 2018-19.

Hon'ble Chief Minister Yogi Adityanath is himself regularly monitoring the status of payments to the farmers through the Cane & Sugar Commissioner of the state. Ensuring payment of balance cane dues of crushing season 2017-18, resulted into historical achievement in cane price payment. Against the total due cane price of Rs.35,463 crore of crushing season 2017-18, Rs.34,253 crore has been paid. In addition to the above, in current crushing season Rs.5,500 crore have been paid against due cane prices Rs.10,900 crores. Apart from this, Rs.10,605 crore has also been paid of the earlier crushing seasons. This monumental achievement could be made as 92 sugar mills have cleared their 100% cane dues of crushing season 2017-18.

The State Government has also taken stringent action against defaulting sugar mills and recovery certificates have been issued against 10 defaulting sugar mills. Along with this, FIR has also been lodged under Section 3/7 of Essential Commodities Act against the occupiers of 13 sugar mills in the state.

Power for all

With a view to achieving the target of surround development of the state, special efforts have been made to improve availability of electricity across the state. Following Chief Minister Yogi Adityanath's instructions, uniform power supply schedule has been implemented and now district headquarters are getting power supply 24-hours while Tehsil headquarters are getting power for 20 hours a day. All villages in the state are getting 18 hours power supply.

During last 22 months, electrification of hamlets and un-electrified areas was taken up at hectic pace and the state has achieved 100 per cent of target under Saubhagya scheme. By December last year, more that 94 lakh connections were released to make the state fully electrified.

With expanded supply area and demand, the government ensured that electric supply infrastructure in the state was modernised and fortified to meet the additional pressure. In the course of ensuring uninterrupted power supply, 172 new 33/11 KV Power Sub-stations have been energised while 441 power sub-stations were upgraded. Also transmission capabilities have been upgraded in the state. Installed power transmission capability of 16348 MW in 2016-17 was fortified to 22000 MW in 2018-19. During the period, capacity to import power from outside the state has also been increased from 8700 MW in 2016-17 to 10700 MW in 2018-19.

During the period, many a policy changed were effected to benefit the consumers. The system of making estimates and seeking deposits before release of connections up to 05 KW has been changed to suit the consumers. Now, connection is immediately released with provision for payment of installation charges in instalments. The government also benefitted thousands of farmers by allowing tubewell installation even in the dark zones. In Bundelkhand region, even temporary connections were released to farmers to enable them irrigate their Rabi crops.

During the period, important policy changes were effected to benefit the industrial sector. Under the 'ease of doing business' policy of the government, tripping-free power supply to industrial units is being ensured through monitoring and installation of auto recyclers on industrial feeders. A system of quick release of industrial connections has also been put in place. In order to expedite the process of releasing connection for an industrial unit, an applicant is allowed to get electrification installations done by any notified 'A' class contractors after depositing only supervision charges. Meter and connection are released within three days of intimation of completion of installation works.

Another very important policy change was effected to release multi-point connections in multi-storied apartments where the apartment owners used to suffer at the hands of developers for single point connection in the building.

Chief Minister Yogi Adityanath's commitment reflected even in the improved performance of power generation units. The Pay Load Factor (PLF) of production facilities was 68.42 % in 2016-17 while it rose to 78.68 % in 2018-19. The cost of per unit production in the state was brought down to Rs. 3.09/ unit in 2018-19 from Rs. 4.09 in 2016-17.

A CREDIBLE BALANCING ACT

The Interim Budget has delivered pro-growth impetus without giving way to populism.

By SACHCHIDANAND SHUKLA

Although the term Interim Budget suggests it, this clearly is not a Budget meant to have a short shelf life. It has managed to deliver pro-growth impetus and still maintained fiscal prudence by eschewing overt populism despite pressures to the contrary.

The Budget has been able to provide a consumption stimulus for people who badly need it. Farmers will get it through a farm income package worth 0.26 per cent of the GDP stimulus and the middle class through income tax giveaways, accounting for 0.1 per cent of the GDP.

But how good is the agri income transfer scheme? Each farmer is likely to get ₹6,250 in FY2019/20, which will be about 8 per cent of his income if we assume an annual income of ₹78,000 per farmer (as established by Ashok Dalwai Committee). However, note that a farmer will get ₹1,666 before general elections. The number should also be seen in the context of farm loan waivers amounting to ₹1.8 lakh crore, announced so far by various states. Also, the scheme does not exclude farmers benefiting from the Rythu Bandhu scheme in Telangana and KALIA in Odisha.

The middle class is likely to get about ₹6,000 per person due to enhanced exemptions. Standard tax deduction for a salaried person has been raised from ₹40,000 to ₹50,000; the TDS threshold on interest on bank and post office deposits has gone up from ₹10,000 to ₹40,000, and housing benefits have come in. There is focus on income security for the unorganised sector that employs 42 crore Indians. Put together, discretionary expenditure is likely to get a boost.

Fiscal Marksmanship

Not slippage but a pause: There was fiscal slippage in 2017/18 due to GST and also a small slip in 2018/19. However, adjusted for the income support scheme for farmers, fiscal deficit in 2018/19 comes to less than the targeted 3.3 per cent of GDP and the eventual 10 bps slippage at 3.4 per cent for the financial year is not going to be seen as negative as some slippage was factored in and meets the FRBM norm of 0.1 per cent of GDP reduction.

What causes the pause: There is a biting domestic slowdown in H2FY19. Moreover, the 2019/20 target of 3.4 per cent should be viewed in the backdrop of projected global growth stress, with all forecasters revising growth estimates downwards.

Quality of fiscal consolidation: The revenue deficit-to-fiscal deficit ratio, which captures the quality of fiscal consolidation, is slightly worrisome. It stood at 72 per cent in 2014/15 but was brought down to 59 per cent in 2016/17 – a big achievement. But it slipped to 75 per cent in 2017/18 and seemed to improve in 2018/19 at 65 per cent. What it shows is that the government is borrowing less for current expenditure. Thus, a critical fiscal weakness is showing an improvement although it may go up a little to 67 per cent in 2019/20.

Deficit hinges on GDP: Overall expenditure is slated to grow at 13.3 per cent compared to 11.5 per cent in nominal GDP. The government seems to be betting on growth that rides on its consumption stimulus on the farm side, the middle class and a helping hand from inflation.

42

CRORE
INDIANS ARE WORKING IN THE UNORGANISED SECTOR AND NEED INCOME SECURITY

Borrowings and interest rates: Net borrowing for 2019/20 is estimated to be ₹4.5 lakh crore, which is flat, compared to ₹4.4 lakh crore in 2018/19. Gross borrowing stands at ₹7.1 lakh crore against ₹5.7 lakh crore in 2018/19. The government will be using robust deployment from small savings of ₹1.3 lakh crore and PF of ₹7,750 crore to keep market borrowing low. This will help contain G-Sec yields in a narrow range assuming other things will remain unchanged.

Thus, in view of expectations wherein there were fears of the worst, this is a credible balancing act with far-reaching measures thrown in. BT

The writer is Chief Economist, Mahindra & Mahindra Group (opinion is personal)

THE HUB

THE HUB **ECONOMY**

GOVERNMENT'S CASH COWS

Despite the call for large-scale disinvestment, PSUs continue to bail out the government.

By DIPAK MONDAL

Illustration by Ajay Thakuri

When reports of Hindustan Aeronautics Ltd, or HAL, using an overdraft of ₹926 crore to pay salaries to staff came out, all hell broke loose. The financial health of HAL — already under media glare due to the controversy over the alleged Rafale scam — became a new battleground between the government and the Opposition which, along with the employee unions, criticised the government for stripping the strategically important company of resources at a time its capability to make cutting-edge defence equipment was being questioned.

They were not far off the mark. In 2017/18, HAL had paid the government, which holds a 90 per cent stake in the company, a dividend of ₹1,165 crore and bought back shares worth ₹1,126 crore. The employee union was particularly critical of the government for making the company pay around ₹6,400 crore through share buybacks over two years (₹5,265 crore in 2016/17 and ₹1,128 crore in 2017/18), apart from the ₹9,000 crore dividend the company has paid the government since 2003/04. S. Chandrasekhar, the General Secretary of the HAL Employees Association, said while there was nothing wrong with buybacks, it should not have been done when the company's resources were under strain.

HAL is not an isolated case. The story is, in fact, playing out in almost all big PSUs — the government, far from selling stake as part of its economic reforms agenda, is depending more and more on these companies to meet its revenue targets. The Central Public Sector Enterprises (CPSEs), despite calls for strategic sale and divestment of government stake, have time and again bailed out the government in times of dire need.

Though experts say there is nothing wrong with the government, the largest shareholder in these companies, demanding some cash, they question the way it is treating these as cash cows. They point to the fact that while profits of CPSEs have grown at a paltry 2.2 per cent CAGR from 2011/12 to 2017/18 (from ₹1.15 lakh crore to ₹1.28 lakh crore), dividend payouts have grown at a 9 per cent CAGR (from ₹49,700 crore to ₹76,500 crore) over the period. Add to this the money from buybacks that the government has been directing some of these companies to do over the past couple of years. The government has shortlisted 11 CPSEs for buyback in 2018/19.

Chintan Haria, Head of Product Development, ICICI Prudential Mutual Fund, says: "In general, the push for dividend is only from profits which are unutilised. A dividend causing a cash flow crunch seems too far-fetched to me."

ICICI Prudential Mutual Fund manages Bharat 22 ETF — an exchange-traded fund comprising government-owned companies. HAL is not part of the ETF.

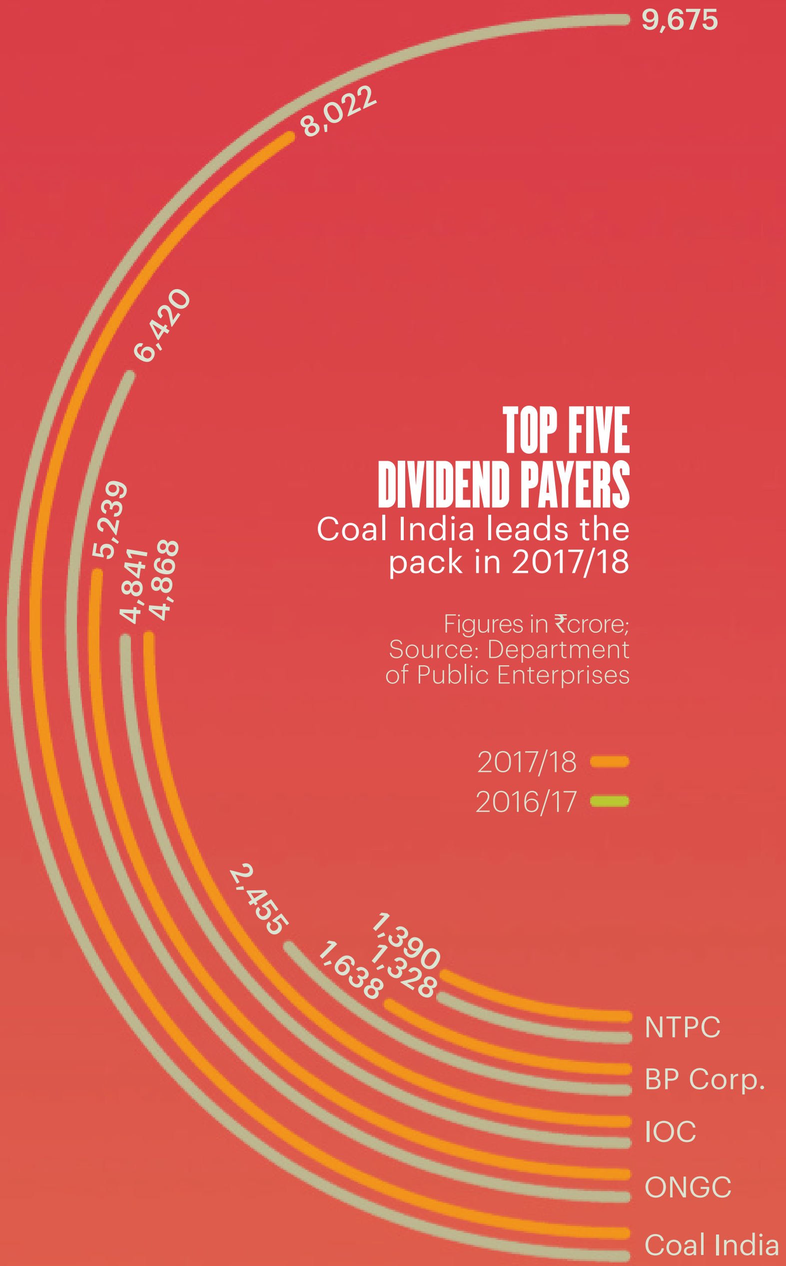
Cash on Tap

According to the Department of Public Enterprises, in 2017/18, there were 264 public sector enterprises, of which 184 were profit making and 71 loss making. Out of their ₹1.28 lakh crore profit, they paid ₹76,600 crore, or 60 per cent, as dividend. The government, the largest shareholder, received ₹55,000 crore (provisional data as per Budget 2018/19), almost 72 per cent of the dividend disbursed. In 2016/17, the government had received

TOP FIVE DIVIDEND PAYERS

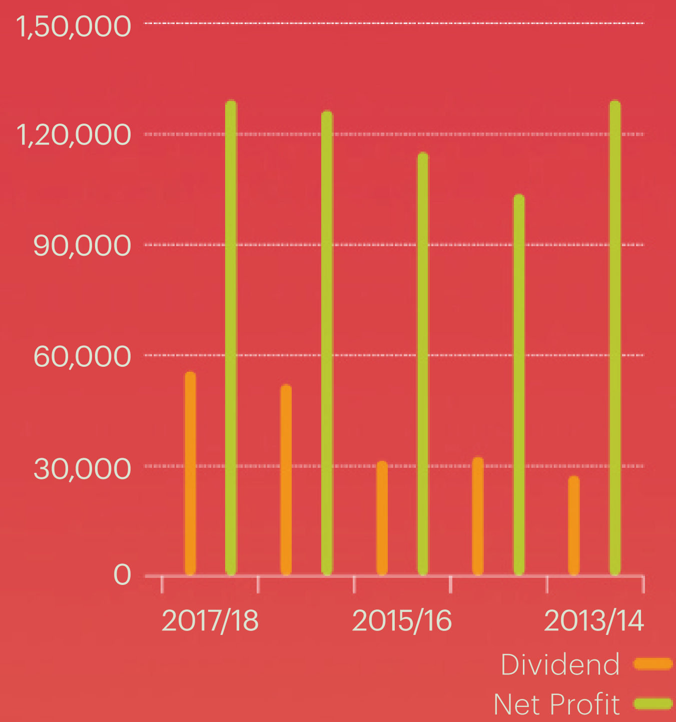
Coal India leads the pack in 2017/18

Figures in ₹crore; Source: Department of Public Enterprises



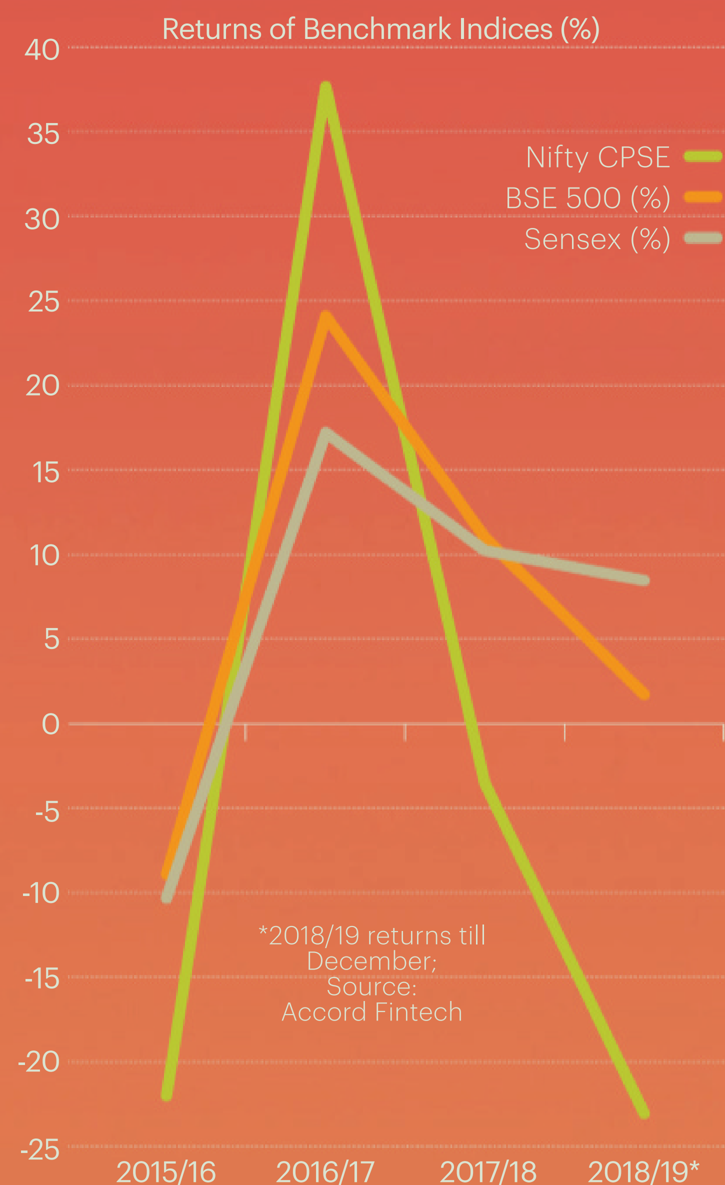
Milking PSUs

Dividends have grown much faster than profits...



Figures in ₹crore; Source: Dividend from Budget, net profit from Department of Public Enterprises

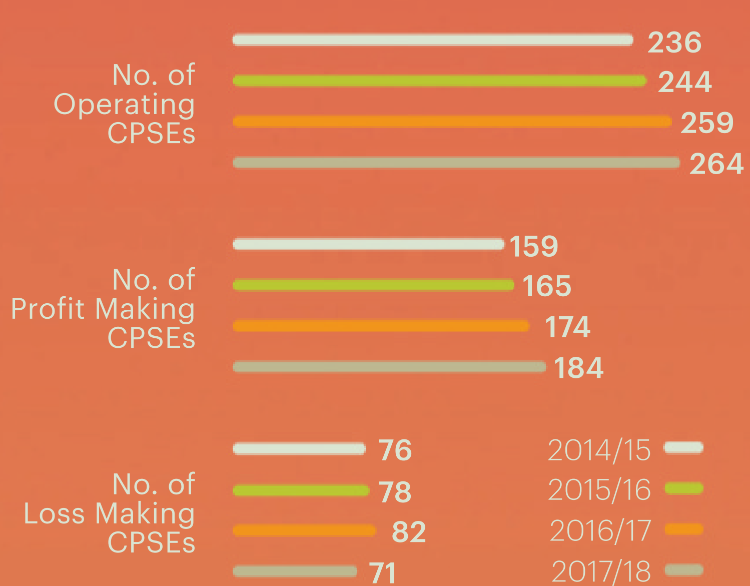
...which is probably why the CPSE index has performed much worse than other market indices in most of the recent years



*2018/19 returns till December; Source: Accord Fintech

CPSE Performance

Profit-making Central Public Sector Enterprises outweigh loss-making ones



Source: Department of Public Enterprises

"Being the majority stakeholder, the government can influence decisions. This is true even in case of private companies"

RANEN BANERJEE, Leader, Public Finance, PwC

₹52,000 crore out of the ₹78,000 crore dividend paid by CPSEs from the ₹1.25 lakh crore net profit earned by them.

In the last 10 years, these public sector enterprises, which include the likes of ONGC, Coal India, BPCL, NTPC and NHPC, have paid over ₹3 lakh crore as dividend to the government. In the current financial year, the government has budgeted for a ₹52,500 crore dividend from its companies, less than the last year's payout by a couple of thousand crores. One reason for the rise in CPSE payouts is that government-owned banks (except SBI) have been barely paying dividends for the last few years due to high NPAs and, therefore, the government has been dependent on CPSEs and the Reserve Bank of India, or RBI, for most of its non-tax revenues. Dividend and profits from government-owned enterprises, banks and financial institutions, a part of the non-tax revenue source of the government, were ₹1.23 lakh crore in 2016/17 and ₹1.06 lakh crore in 2017/18. This year, these two are estimated to generate ₹1.07 lakh crore for the government. Till November 2018, only 51 per cent of this target had been achieved.

While a lot was made of the government's push for additional payouts (dividend and additional payment from reserves) from the RBI — which resisted attempts to dip into its reserves — the government usually faces less resistance from CPSEs and PSU banks. It is the majority shareholder in all these companies which, according to D.K. Srivastava, Chief Policy Advisor, EY, and a former member of the 12th Finance Commission, allows a 'degree of flexibility' in terms of the amount of dividend that can be 'accessed'. The central government holds almost 90 per cent in HAL, 78 per cent in Coal India, 67 per cent in ONGC, 63 per cent in BHEL, 65 per cent in PFC and 61 per cent in NTPC.

Dividends are not the only way to raise money from CPSEs. The government also uses financially strong public sector companies to buy stake in loss-making enterprises or enterprises where it plans to disinvest its stake. The government has a target of raising ₹80,000 crore through disinvestment in the current financial year. So far, it has raised around ₹35,000 crore. Last year, it had, for first time, managed to mop up ₹1 lakh crore through this route as against the Budget target of ₹46,500 crore. This was possible due to one of the biggest disinvestments — oil marketing company HPCL. Here, the government prompted ONGC, another PSU, to buy its 51 per cent stake for around ₹37,000 crore.

Many disinvestments are done through buybacks. The government, being the largest shareholder, 'makes' these companies buy back its shares to achieve disinvestment targets. In 2017/18, it had raised around ₹5,000 crore through 13 buybacks, the largest being from Oil India Ltd, which bought back shares worth ₹1,135 crore. This year, it has so far raised ₹2,600 crore through five buybacks.

₹5,000 CRORE

Money raised by the government from buybacks in 2017/18

Flexibility or Pressure?

Are these dividend payouts or buybacks done under pressure from the government, which often finds itself short of

funds? Is it the power it wields over these companies which decides how much it gets from them?

What is the 'degree of flexibility' D.K. Srivastava talked about? Is he alluding to the pressure the government exerts over its companies? To this, Srivastava says, 'pressurise' is too strong a word to use.

Ranen Banerjee, Leader, Public Finance, PwC, says, "Being the majority stakeholder, the government can influence decisions." This, he says, is true even in case of private companies.

But equity analysts say regular dividends and buybacks are signs of good corporate governance. "If you are not doing capex, don't keep cash because cash reduces RoE (return on equity) and RoCE (return on capital employed). If a company is sitting on cash,

PHOTOGRAPH BY SHEKHAR GHOSH

> **"It (government) is the majority shareholder in all these companies which allows a 'degree of flexibility' in terms of the amount of dividend that can be accessed"**
>
> **D.K. SRIVASTAVA,** Chief Policy Advisor, EY

there is a likelihood it may do some capex or acquisition that may not fit in well and it may end up burning the cash. So, if you are not doing any capex, it is better to return cash to shareholders," says Haria of ICICI Prudential Mutual Fund. On buybacks, he says they are common in the US also. "Private sector players have accepted it (buyback) as the best practice," says Chintan.

Experts say dividends are not bad if they are paid from earned profit and future growth is not impacted.

That might not always be the case. In 2016, the Department of Investment and Public Asset Management, the government arm that looks after disinvestment policies, came out with dividend and share buyback guidelines for CPSEs. According to the guidelines, every CPSE must pay a minimum dividend of 30 per cent of the net profit or 5 per cent of the net worth, whichever is higher, unless it has a justifiable reason for not doing so.

On buybacks, the guidelines say that CPSEs must look into merit-based capital restructuring through share buybacks if they are not deploying the cash in balance with the company. The guidelines say that any CPSE with a net worth of at least ₹2,000 crore and cash balance of over ₹1,000 crore should exercise the buyback option.

Fiscal Planning

The government has been using public sector companies to raise revenues and make minor adjustments to keep its fiscal goals on track — whether it is through dividends, disinvestment targets or off-balance sheet financing of certain expenses.

The Comptroller and Auditor General (CAG), in a report published recently, said "the government has increasingly resorted to off-Budget financing for revenue as well as capital spending. Such off-Budget financing is not part of the calculation of the fiscal indicators despite fiscal implications." These off-balance sheet expenditures are done through public sector enterprises, which issue bonds to raise money; this is reported in their books.

This year, in particular, with both direct and indirect tax collections looking off target, it is tapping every resource in hand, including dividends from public sector enterprises and buybacks, to get close to the target of 3.3 per cent fiscal deficit – expenses exceeding total receipts. It has achieved just 51 per cent non-tax revenue (which include dividends and profits from public sector companies) target and 43 per cent of the disinvestment target so far; it is unlikely to be able to squeeze more out of these companies. BT

@dipak_journo

Legal Fee Squeeze

Sectoral growth has not translated into growth in fees paid for professional and legal services.

By NITI KIRAN
ILLUSTRATION By RAJ VERMA

INDIA INC. WITNESSED the slowest growth in professional and legal fees in fiscal 2017/18, thanks to greater competition among professional firms.

Corporate India's professional and legal expenses continue to increase, but at a decelerated pace— growing at just 2 per cent in 2017/18, the slowest over five years. An analysis of 358 companies of the BSE 500 using Ace Equity database reveals curious details. In the five-year period, these costs more than doubled from ₹11,198 crore in 2013/14 to ₹23,625 crore in 2017/18. Professional and legal fees include expenses such as auditor's remuneration, licences fees, and fees to external consultants.

The increase in the overall activity level but a slower growth in such expenses cannot be really explained easily. Suresh Surana, Founder, RSM Astute Consulting Group, says, "In the past three years, there have been certain major changes resulting in higher professional fees such as Ind AS (financial year 2016/17 and 2017/18 for phase I and phase II), audit rotation, GST Transition (financial year 2017/18) and Insolvency and Bankruptcy Code (2017/18). But at the same time, there is intense pressure on fees. For example, audit rotation is believed to have resulted in a fee reduction of 10-20 per cent in several cases. These developments could reflect the overall growth in fees being only 2 per cent despite heightened activity for financial year 2017/18."

Mixed Bag

Mergers and acquisitions (M&A) activity could be partly behind this phenomenon. Data by Grant Thornton shows that India witnessed 472 M&A deals worth $90.2 billion in 2018 compared to $40.4 billion in the previous year. However, 2017 saw 413 M&A deals, which is less than the 512 deals worth $43.2 billion inked in 2016.

Interestingly, 2015/16 saw the sharpest growth of 71.3 per cent in the professional and legal fees by the companies. "Prior to elections, a lot of companies had stopped spending based on uncertainties over the government and their policies. A lot of things got released after the elections," says L. Badri Narayanan, Partner, Lakshmikumaran and Sridharan. M&A could have picked up, but these are one-time expenses and if they are the reason for increasing legal expenses in a particular year, the expenses should come down subsequently, which doesn't seem to be so, Narayanan highlights. Another reason, he says, could be the Companies Act, 2013, which began coming into effect from 2014 and 2015. This could have increased the compliance cost of the companies.

The top five spenders accounted for more than 40 per cent of the total legal spends in 2017/18 with Tata Consultancy Services (TCS) topping the charts, shelling out ₹6,401 crore, followed by Larsen & Toubro spending ₹1,028.8 crore.

This sample of companies saw 14.4 per cent growth in their total expenditure compared to 2 per cent growth in these expenses in 2017/18. A closer look shows that revenue growth has outpaced expenses growth for the first time in these five years. Moreover, legal spending took a slice of less than 1 per cent of the revenues. To be precise, these overhead costs as a per cent of total turnover was a tad lower at 0.7 per cent last year compared to 0.8 per cent the previous year. While the impact on the companies could be marginal, the corporate sector is sure to welcome any savings.

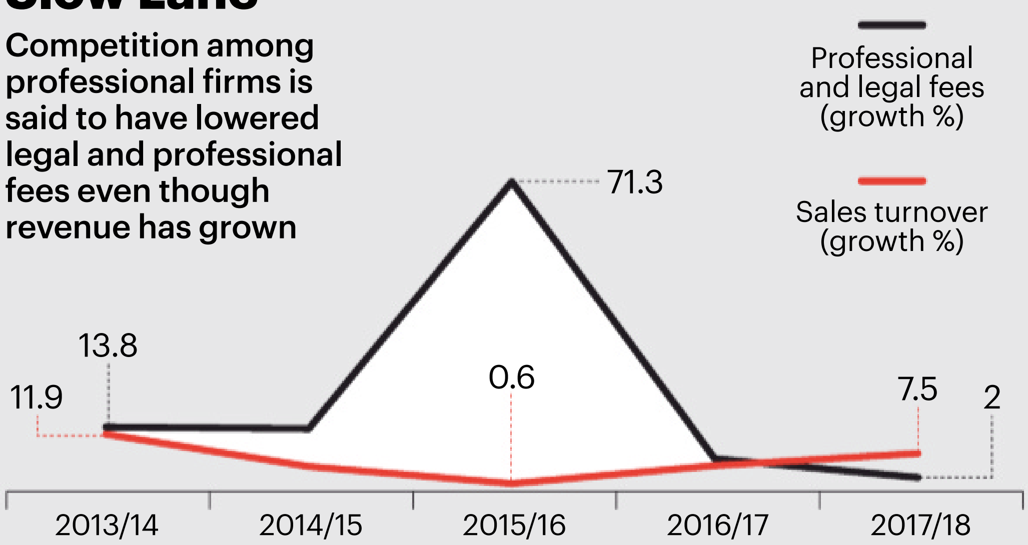
The sectoral share is dominated by IT companies and Indian pharma together accounting for around 48 per cent share in overall legal expenses in 2017/18. The growth in the IT sector's overall professional and legal fees was on a slower track – 1.9 per cent in 2017/18 compared to 9.5 per cent in 2016/17. The healthcare space, however, saw a growth of 5.8 per cent from a decline of around 13 per cent. "Both IT and healthcare sectors should see a healthy increase in the intake of professional services this year. In fact, the BFSI, Fintech and e-commerce sector which are also big users of professional services should see a very healthy increase," says Surana.

Most of the mega reforms have been implemented and seem to have stabilised. Businesses are expected to continue focus on improving operational efficiency. Increased use of automation and technology will optimise costs for businesses and service providers. However, "the audit fees will start rising again due to heightened risk perception and the establishment of National Financial Reporting Authority," says Surana. BT

@niti_kiran

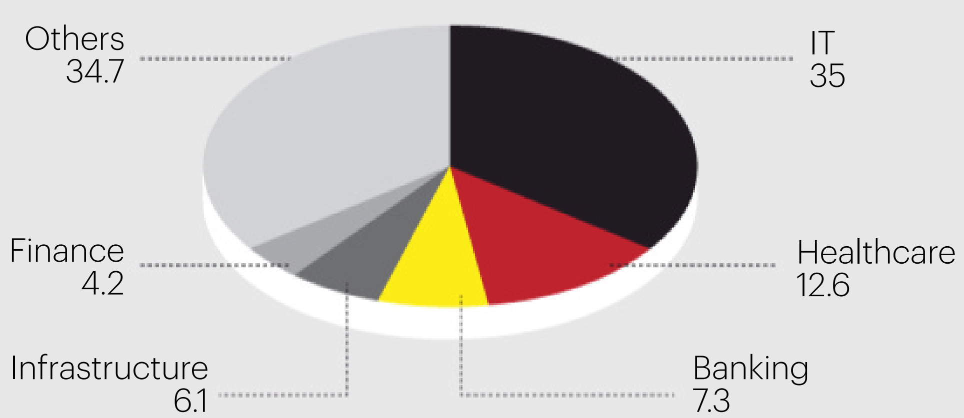
Slow Lane

Competition among professional firms is said to have lowered legal and professional fees even though revenue has grown



Sectoral Pie

% share in total fees



Top five sectors' share in the total professional and legal fees in 2017/18
Source: Ace Equity

NEW RIDER AT IDFC FIRST BANK

V. VAIDYANATHAN, THE NEW BOSS OF THE MERGED ENTITY, HAS HAD A GOOD RUN BUT NOW FACES CHALLENGES AND HIGH EXPECTATIONS.

By ANAND ADHIKARI
Photograph By SHEKHAR GHOSH

"INDIA HAS SPACE FOR ANOTHER INSTITUTION ENTIRELY DEDICATED TO FINANCING SMALL ENTREPRENEURS AND CONSUMERS"

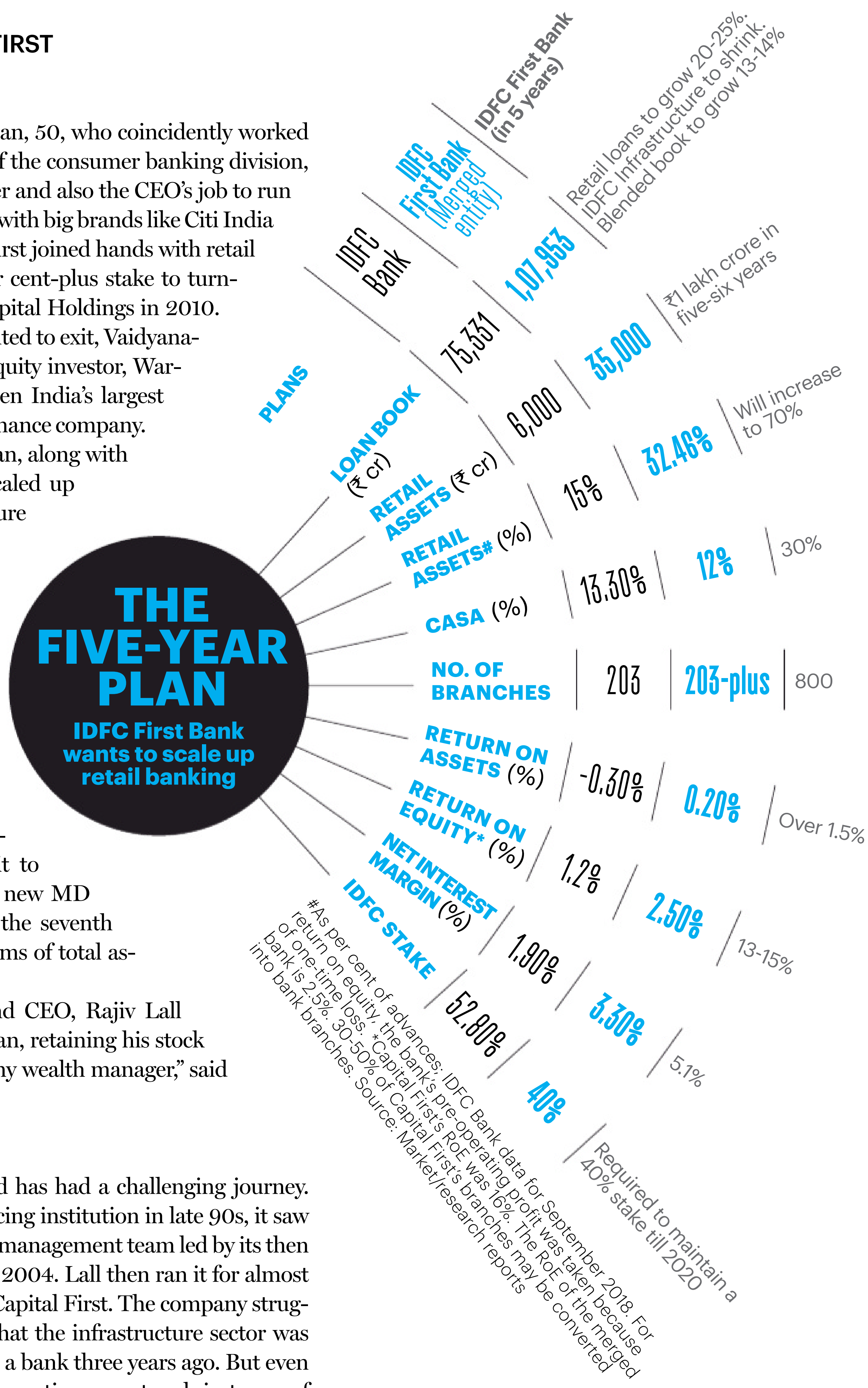
V. Vaidyanathan
MD & CEO, IDFC First Bank

SANDY WEILL, THE FORMER Chairman of Citigroup, now in his mid-80s, had an exceptional five-decade-long career during which he rose from being a professional to an entrepreneur to head the largest bank in the world. Weill sold his securities business to American Express for a billion dollars in the 1980s and also became the president of the merged entity. After leaving American Express mid-way, he founded a small finance company, and went on to acquire some big Wall Street names like Primerica, Travelers and Salomon. But his biggest kill was merging his entire business with Citicorp. After close to a decade at Citigroup, Weill hung up his boots as Chairman in 2006.

The latest merger of a non-bank finance company Capital First and IDFC Bank draws similarities with Weill. V. Vaidyanathan, 50, who coincidently worked with Citigroup in India as part of the consumer banking division, has got a bank by way of a merger and also the CEO's job to run the merged entity. After working with big brands like Citi India and ICICI Bank, Vaidyanathan first joined hands with retail king Kishore Biyani for a 10 per cent-plus stake to turn-around the struggling Future Capital Holdings in 2010. Two years later, when Biyani wanted to exit, Vaidyanathan got the US-based private equity investor, Warburg Pincus, to do what was then India's largest management buyout of a listed finance company. In less than a decade, Vaidyanthan, along with Warburg as majority partner, scaled up Capital First (renamed from Future Capital) from market capitalisation of less than ₹1,000 crore to ₹8,000 crore. It's not easy to get a banking licence, but with the merger with IDFC Bank, Vaidyanathan now has that.

"When I first left ICICI Bank, I had a very simple idea – to take a stake in an NBFC, build an SME and consumer financing business and convert it to a bank," says Vaidyanathan, the new MD and CEO of IDFC First Bank, the seventh largest private sector bank in terms of total assets.

IDFC Bank's former MD and CEO, Rajiv Lall now assumes the role of Chairman, retaining his stock options. "He (Vaidyanathan) is my wealth manager," said Lall in an interview.



Dealing with Legacy

Expectations are high. IDFC Ltd has had a challenging journey. Set up as an infrastructure financing institution in late 90s, it saw the acrimonious exit of its senior management team led by its then MD and CEO Nasser Munjee in 2004. Lall then ran it for almost 13 years before the merger with Capital First. The company struggled because of the headwinds that the infrastructure sector was facing, before it was converted to a bank three years ago. But even then, scaling up retail banking operations was tough in terms of both retail assets and liabilities (deposits). So, unlike other private banks whose retail engine compensated for the loss of growth in corporate advances, IDFC Bank was mired in legacy issues and provisioning for stressed assets. There was a desperate attempt to initiate a merger with the Shriram Group but valuation differences tripped the move. It was then that Vaidyanathan's Capital First came into the picture.

IDFC Bank and Capital First shared a Warburg link — before joining IDFC Ltd, the 61-year-old Lall had worked for Warburg Pincus as a partner in New York, and the PE firm initially had 61 per cent stake in Capital First.

After the merger, the bank's retail book expanded from 15 per cent to 32.46 per cent. The bank got a tested business model of financing small entrepreneurs and middle class customers. But the biggest catch was Vaidyanathan, say many outsiders. At ICICI Bank, Vaidyanathan, along with K.V. Kamath and Chanda Kochhar, had played a key role in scaling up the retail portfolio from ₹200 crore to ₹1,35,000 crore. At Capital First, too, the assets book swelled from ₹91 crore to ₹30,000 crore in eight years. Warburg in India is active in the financial services space and has made handsome profits. It currently has a stake in AU Small

Finance Bank, and still holds around 10 per cent in the new entity IDFC First Bank. With Vaidyanathan's and Warburg's presence in IDFC First Bank, the stock market is betting on a similar story to play out. The bank's stock has already risen from ₹35 to ₹45 since Vaidyanathan took over in January. "India has space for building yet another institution entirely dedicated to financing small entrepreneurs and consumers," says Vaidyanathan.

Retail Challenge

In his current five-year tenure at the bank, Vaidyanathan's big focus would be to aggressively change the business mix from wholesale to retail banking, build a low-cost current account-savings account (CASA) franchise, cross-sell products and improve profit margins. This is a strategy that all commercial banks follow because retail brings in diversification and relationships and is far more stable in asset quality. Among private banks, ICICI Bank has the highest proportion of retail assets at 57.3 per cent of its advances. The new generation Kotak Mahindra Bank has built a retail book of 42.2 per cent of advances.

Vaidyanathan's plans are expected to roll out in a year. At Capital First, he had exited many businesses such as broking, real estate, foreign exchange and investment management. At the bank, he is likely to wind down the infrastructure book, and the non-infra corporate book will also undergo a big change.

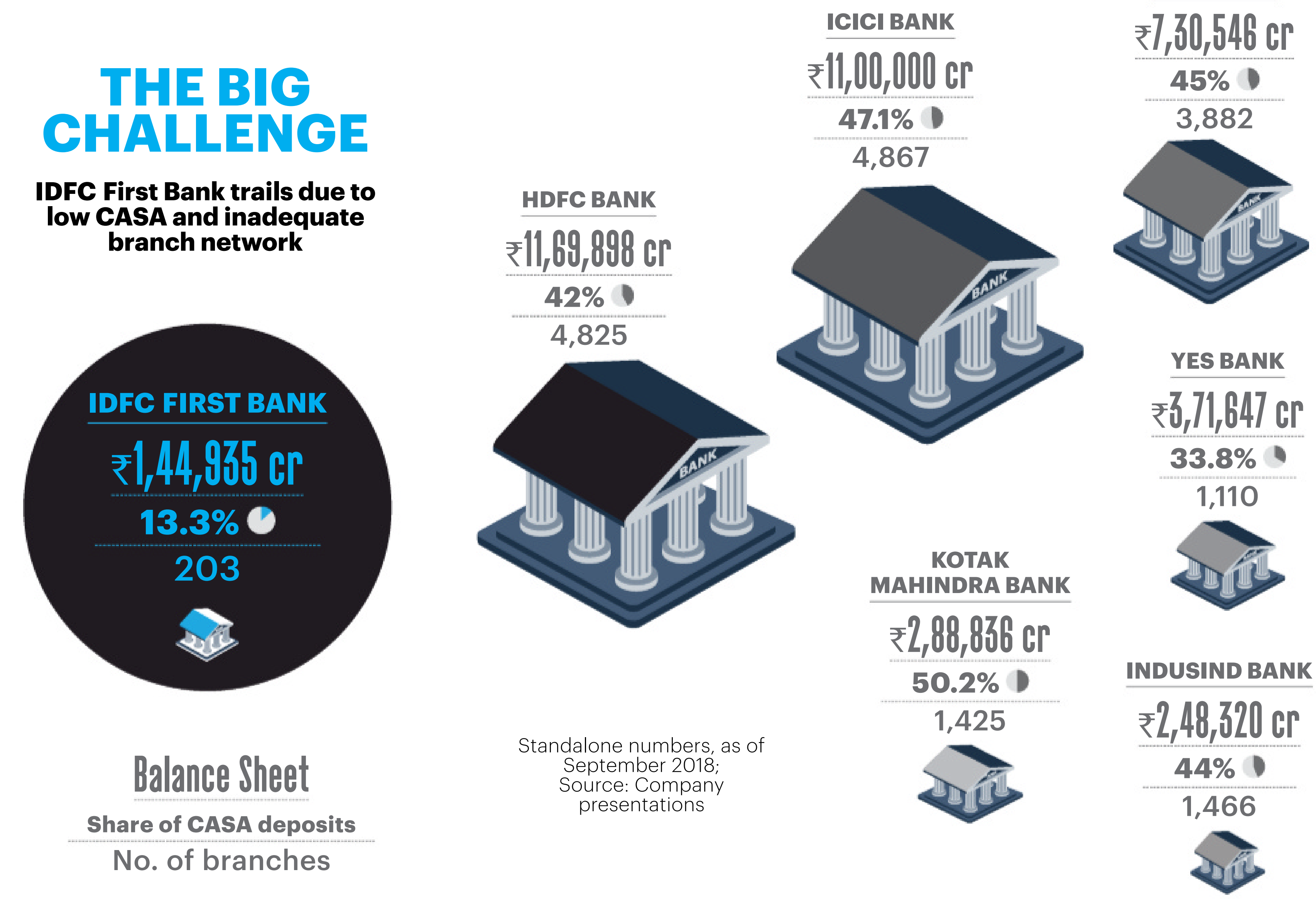
IDFC First Bank's pre-merger retail assets book was at a paltry 15 per cent, but a large portfolio of micro loans came from the acquisition of Tamil Nadu-based micro lender Grama Vidiyal in 2016. Vaidyanathan's positioning for the bank would be a bank for the common man and the new aspiring India. The retail strategy would be to focus on the underserved segments, especially micro entrepreneurs and the emerging middle class. Capital First's product bouquet of affordable housing, loan against property and personal loans will also help, especially as there will be an opportunity to cross sell.

A more immediate challenge, however, would be to build CASA deposits. The bank's CASA ratio is 13.3 per cent, among the lowest in the banking industry. Kotak Mahindra Bank boasts the highest CASA of 50.2 per cent. The higher the CASA, the better is a bank's ability to play a price game in highly competitive retail loans and also earn better margins. Currently, the big boys of banking like ICICI Bank, HDFC Bank and SBI have CASAs of higher than 45 per cent. Mid- sized IndusInd Bank, which is double the size in terms of balance sheet, has a branch network that's seven times and CASA that's three times that of IDFC First Bank.

Vaidyanathan's immediate target is to boost CASA to a respectable 30 per cent in the next five years. Not easy to do, especially as the new payments and small finance banks are already wooing customers by offering high savings rates of over 6-7 per cent. Days after joining the bank, Vaidyanathan has raised its savings bank rates for all maturities.

"In the prevailing scenario, even the best of banking franchises are finding it difficult to improve their SA (savings account) market shares; and CASA growth has been in the range of 11-14 per cent year on year," says Rakesh Kumar, Senior Vice President at Elara Capital. Kumar expects IDFC First Bank's CASA journey to reach the industry average level of 41 per cent in 7-10 years.

IDFC Bank was among the lucky two (the other is Kolkata-



based Bandhan Bank) to get a banking licence a few years ago. These two were the latest to get a banking licence after licences were issued to Kotak Mahindra Bank and Yes Bank more than a decade ago. Kotak's retail assets are 42.2 per cent of advances while its CASA is 50.2 per cent. Yes Bank has retail assets of 14.3 per cent and CASA of 33.8 per cent.

Vaidyanathan's eyes are firmly set on the ₹50 lakh crore CASA market. There is also an opportunity to target customers of public sector banks by offering them better rates and services.

There are already plans to scale up the branch network from the existing 203 to about 800 in the next five years. But that will cost a lot, putting pressure on profitability. "The branches take about 36 months to break even. If branches are consuming opex, how will the bank be profitable?" says an expert. This is a question that Vaidyanathan will have to find an answer to.

At an Advantage

What works in his favour is that both IDFC Bank and Capital First had healthy capitalisation, so the new bank will not need to raise additional capital for the next three years, according to a report that domestic brokerage firm Motilal Oswal published after the merger. In a research report, Edelweiss states that while there could be near-term challenges of deposit ramp-up and priority sector requirements, over the medium to longer term, the merger will be value accretive and synergistic.

IDFC First Bank also has a legacy book. Vaidyanthan had seen how ICICI managed its legacy book when the development finance institution was reverse merged with ICICI Bank. In the last few years, IDFC Bank had faced higher provisioning and asset quality issues because of the central bank's asset quality review. The infrastructure book, which is at present one-third of total advances, will go down to nil in the next five years. Apart from that, IDFC First Bank has already made all the provisioning needed for stressed assets. It also has corporate business comprising emerging large companies, MNCs, etc.

Over the next 5-6 years, the combined entity is likely to undergo a transformation from being a wholesale focused bank to being a retail bank. There is every possibility that profits will drag in the initial years, but once the bank gets a meaningful CASA, margins and profitability will improve. If one goes by Sandy Weill's strategy of multiple mergers and acquisitions, there is a lot to expect from marathon runner Vaidyanathan. BT

@anandadhikari

Extract of the Statement of Standalone Un-audited Financial Results for the Quarter and Nine Months ended 31st December, 2018

(₹ in Crore)

S. No.	Particulars	Quarter ended 31.12.2018 (Un-audited)	Quarter ended 30.09.2018 (Un-audited)	Quarter ended 31.12.2017 (Un-audited)	Nine Months ended 31.12.2018 (Un-audited)	Nine Months ended 31.12.2017 (Un-audited)	Year ended 31.03.2018 (Audited)
1.	Revenue from operations	8471.17	8283.03	7506.95	24881.30	21941.14	29752.46
2.	Profit before tax (including Regulatory Deferral Account Balances)	2948.84	2926.52	2640.45	8721.17	7918.62	10476.85
3.	Profit after tax for the period before Regulatory Deferral Account Balances	2490.74	1904.55	2142.76	6426.46	6185.60	8031.73
4.	Profit for the Period after tax	2331.17	2309.49	2040.83	6881.20	6234.28	8238.96
5.	Total Comprehensive Income comprising net Profit after Tax and Other Comprehensive Income	2367.77	2303.76	2035.95	6903.46	6264.92	8252.68
6.	Paid up Equity Share Capital (face value of share : ₹10/- each)	5231.59	5231.59	5231.59	5231.59	5231.59	5231.59
7.	Reserves (excluding Revaluation Reserve) as shown in the Balance sheet of previous year						49183.37
8.	Earnings per equity share including movement in Regulatory Deferral Account Balances (Face value ₹10/- each): Basic and Diluted (In ₹)	4.45	4.42	3.90	13.15	11.92	15.75
9.	Earnings per equity share excluding movement in Regulatory Deferral Account Balances (Face value ₹10/- each): Basic and Diluted (In ₹)	4.76	3.64	4.09	12.28	11.82	15.35

Notes

1. The above is an extract of the detailed format of Quarterly Financial Results filed with the Stock Exchanges under Regulations 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The full format of the Financial Results is available on the Investor Relations section of our website http://www.powergridindia.com and under Corporates Section of BSE Limited & National Stock Exchange of India Limited at http://www.bseindia.com and http://www.nseindia.com.
2. (a) In exercise of powers u/s 178 of the Electricity Act 2003, Central Electricity Regulatory Commission (CERC) has notified "CERC (Terms and Conditions of Tariff) Regulations 2014" vide order dated 21st February, 2014 for the determination of transmission tariff for the block period 2014-19.
   (b) The company has recognised Transmission income during the quarter and nine months ended 31st December, 2018 as per the following:
      (i) ₹6680.30 crore for the quarter (corresponding previous quarter ₹6086.48 crore) and ₹19814.29 crore for the nine months (corresponding previous nine months ₹17396.02 crore) as per final tariff orders issued by CERC.
      (ii) ₹1430.23 crore for the quarter (corresponding previous quarter ₹1090.83 crore) and ₹4024.41 crore for the nine months (corresponding previous nine months ₹3549.43 crore) in respect of transmission assets for which final tariff orders are yet to be issued as per CERC Tariff Regulations.
   (c) Consequent to the final orders issued by the CERC, transmission income includes ₹28.54 crore (increase) for the quarter (corresponding previous quarter ₹69.99 crore(decrease)) and ₹70.20 crore (increase) for the nine months ended 31st December, 2018 (corresponding previous nine months ₹53.88 crore (decrease)) pertaining to earlier years.
3. Pending wage revision in respect of non-executives w.e.f. 01st January, 2017, a provision of ₹55.45 crore (net of amount transferred to Expenditure during Construction) for the quarter (corresponding previous quarter ₹46.18 crore) and ₹143.03 crore (net of amount transferred to Expenditure during Construction) for the nine months ended 31st December, 2018 (corresponding previous nine months ₹78.51 crore) has been made.
4. The Company has adopted Ind AS 115 - 'Revenue from Contracts with Customers' which is mandatory for reporting periods beginning on or after 1 April 2018. Application of Ind AS 115 does not have any material impact on the financial statements of the Company.
5. Provision for taxes, employee benefits and other provisions for contingencies have been considered on estimated basis.
6. The above statement of financial results has been reviewed by the Audit Committee and has been approved by the Board of Directors in their respective meetings held on 31st January, 2019.
7. As required under regulation 33 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, the Statutory Auditors have conducted a limited review of the above financial results for the quarter and nine months ended 31st December, 2018.

For and on behalf of
POWER GRID CORPORATION OF INDIA LTD.
Sd/-
(Ravi P. Singh)
Chairman & Managing Director

Place : New Delhi
Date : 31st January, 2019

POWER GRID CORPORATION OF INDIA LIMITED
(A Government of India Enterprise)
Registered Office: B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi-110 016
Corporate Office: 'Saudamini', Plot No. 2, Sector-29, Gurgaon - 122 001
CIN : L40101DL1989GOI038121

पावरग्रिड

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Important Notice : Members are requested to Register/update their E-mail ID with Company/Depository participants/Company's Registrar & Transfer Agent (Karvy) which will be used for sending official documents through e-mail in future

One Nation-One Grid-One Frequency

RAMANUJAN IT CITY SEZ
REIMAGINING INDIA'S IT LANDSCAPE

Tata group has always been in the forefront of enriching India on multiple fronts. Be it economic development or evolved lifestyles or upgraded living standards, Tata group has always committed itself to the larger cause of social empowerment. Tata Realty & Infrastructure Ltd (TRIL), the real estate and infrastructure development wing of the group is no different. Ramanujan IT City SEZ, Chennai is one of the most prestigious projects of TRIL. Ramanujan IT City is jointly developed by Tata Realty & Infrastructure Limited (TRIL), Indian Hotels Company Limited (IHCL) and Tamil Nadu Industrial Development Corporation (TIDCO). Leveraging a customer centric approach and world class amenities, the milestone project has now evolved big time on the contemporary IT landscape.

Ramanujan IT City SEZ - Tata Group's Humble Tribute to the Great Mathematician Srinivasa Ramanujan

Ramanujan it City SEZ is a humble tribute from Tata Group to Srinivasa Ramanujan - World renowned mathematics genius who made India proud. Chennai rightfully features this majestic campus as a true eulogy to the man who was born in Tamil Nadu and lived most of his life in Chennai. All the Buildings in Ramanujan IT City have a connection to Srinivasa Ramanujan & his discovery. The globally acclaimed mathematician who had no formal training made substantial contributions to mathematical analysis, number theory, infinite series and continued fractions; his unparalleled talent helped find solutions to mathematical problems which were considered to be unsolvable. Ramanujan IT City SEZ aims to draw an analogy by going the extra mile and treading the unbeaten path.

A landmark project

Ramanujan IT City is located at Taramani, about 10 Kms from Chennai International Airport. The geography was obscured by more famous neighbors flanking it including Adyar, Thiruvanmiyur, Velachery and Perungudi not too long ago. Thanks to Ramanujan IT City the topography has gained prominence as the gateway to Chennai's IT Corridor. Strategic location is the biggest strength of the project. The arterial road housing the IT City connects various commercial and residential hubs of the city and is easily accessible by multiple modes of transport. The sprawling project spread across an expansive 25.27 acres offers a jaw dropping 4.6 million sq.ft IT SEZ space and an impressive 2.5 acres of lush green lung spaces.

Ramanujan IT City SEZ is designed by New York based SOM (Skidmore, Owings & Merrill LLP) an award winning architecture major and built by Leighton from Australia. The strategy which acted as the driving force behind the conceptualization of Ramanujan IT City is quite unique. Real Estate trends generally oscillate between highs & lows every 4 years. During 2008 when the Real Estate was relatively down, construction development too slowed down in Chennai. That's when TRIL bravely entered the Chennai market for construction sensing opportunity in adversity. Subsequently when the Real Estate picked up during 2011-12, TRIL was ready with the product and the rest is history. Contra thinking worked very well and the IT City is a perfect example of the same. The advent of Ramanujan IT City acted as a catalyst in appreciation of rental values in and around Taramani. For most IT companies, location, optimal operating cost and preferred destination for employees are crucial parameters. And Ramanujan IT City perfectly fit the bill thereby steadily driving up the rental to the current Rs 106 (the highest rental in any IT SEZ Project in India).

Ramanujan IT City is home to a host of world renowned names in the IT domain including Cognizant, Infosys , Amazon , TCS, Mindtree, HP, Cisco, Wipro, CITI, Pershing, Astrazeneca, Sitel, Thryve Digital , Agilysys , Disys, Wolters Kluwer, Philips, GE, Scientific Publishing Services, Latent View Analytics, etc. The facility has 6 (six) major towers - Hardy Tower, Carr Tower, Neville Tower, Littlewood Tower, Infinity Tower and Cambridge Tower. Speaking about the ever burgeoning demand for space from IT firms, Dr C Velan - Executive Director & CEO of TRIL Infopark, avers "Ramanujan IT City perfectly connects our Group philosophy of innovative focus, synergy and customer centricity. We strive for innovative focus in everything we do. As part of synergy on customer's expectations & needs we have brought in various certified products & services (ISO 9001, ISO 14001, OHSAS 18001, ISO 50000). We optimize customer centricity by continuously improving the operating systems such as Kaizen , Six Sigma ,

Master Plan

sustainability focus , socio-environmental focus (OSR development) etc. As of now the IT City is 100% leased out with a long and active waiting list of companies looking for future availability. Considering the IT processing domain's rapid development in Chennai, an integrated IT SEZ was long overdue. Ramanujan IT City SEZ has delivered the promise of quality workspaces factoring in work life harmony. More than 46000 IT professionals operating out of the campus can vouch for the same. It's not a surprise that the campus has been leased out completely in no time." Ramanujan IT City is today the nerve centre of Chennai's IT Business.

Unparalleled accessibility

The geographical location of Ramanujan IT City SEZ makes it easily accessible and well connected. Almost all the major localities are well connected to the location. Easy connectivity via MRTS, rail network, bus transport and other modes makes the Ramanujan IT City SEZ easily accessible almost from anywhere in Chennai. The facility's close proximity to a host of residential catchments, schools, hospitals, cultural & sports centers, amusement centers, malls, parks and also the beach helps employees strike a harmonious work life balance by staying close to the campus. The vantage location of the project coupled with solid connectivity encourages employees to stay around Ramanujan IT City SEZ instead of commuting from far off places. This is a key factor influencing the lifestyles of employees in a positive manner.

Never ending bouquet of facilities

An ideal workplace is one which combines comfort, convenience, aesthetics, luxury and utility value. Ramanujan IT City SEZ is all this and more. In this age of cramped spaces and compact floors, the property comes across as a whiff of fresh breath. Ramanujan IT City SEZ is the only IT Park in Chennai to give a Podium (Main Street) Concept & this is a very good attraction for all the Occupants. Ramanujan IT City SEZ offers 5 levels of car parking which is a luxury in the contemporary scenario. All the buildings in the campus are connected to each other via covered walkways. This facilitates easy commuting from one building to the other making the life of employees a lot easier. The IT City SEZ takes the convenience quotient to the next level by having a series of ATMs of various banks at vantage points. Add to this the variety of eateries and food outlets offering the choicest of F&B options prepared and served in hygienic environs. Of course the fully equipped gymnasium inside the campus provides both health and recreational benefits. Employees working out of the IT City SEZ need not look far when it comes to regular exercise and recreation. It's this holistic packaging that makes the property a favorite with IT firms, both big and small.

System driven spaces

The unending IT City SEZ's day to day functionality is driven by a set of defined processes and certified systems. Ramanujan IT City SEZ is one of the few large scale work spaces to be powered by a host of certified standards. Quality management systems (ISO 9001 2008), Environment management systems (ISO 14001 2004), Occupational Health and Safety Assessment series (OHSAS18001 2007) and Energy management systems (ISO 50000 2011) are some of the certifications which showcase the IT City SEZ as a professionally managed work facility. The fact that the venture lays tremendous emphasis on process driven functionality speaks volumes of its commitment to excellence.

LEED Certified Platinum Rated Green Building Campus

Certified as a LEED Platinum Rated Green Building by IGBC, Ramanujan IT City SEZ comes with an array of key features. Some of the prominent ones include 100% power backup, access control, video surveillance and international fire alarm systems. These features assure total safety and wellbeing of the occupants in the campus. Achieving LEED Platinum Rated Green Building Certification by IGBC highlight's the facility's commitment to quality. Ramanujan IT City SEZ has successfully commissioned a healthy, highly efficient and cost-saving green building. The inch to inch, round the clock video surveillance ensures safety of employees at all times. The 100% power backup system and fool proof international fire alarm system provide an additional buffer to the campus from a safety & disaster management perspective. Ramanujan IT City SEZ is a perfect example of fundamental principles of sustainability at play.

GOING BEYOND WORK SPACES

Ramanujan IT City SEZ stands out as a game changer in India's commercial Real Estate space. The fully integrated campus seamlessly blends business services and comprehensive support mechanism. The IT City is not limited to housing world class plug and play work spaces alone. It takes the whole exercise to the next level. The landmark project also features 112 luxurious service apartments which will be operated by Taj Group of Hotels and a 1500 seater International Convention Center. The fully loaded service apartments take care of the routine accommodation and hospitality needs of IT firms in the most comprehensive manner. Providing classy, up market accommodation replete with top notch hospitality services very much inside the campus comes across as an indispensable value addition for companies operating out of Ramanujan IT City SEZ & also for any visitor to Chennai. The swanky convention centre in the campus is equipped to take care of corporate events. The facility is a whole self sustained world in itself.

Elaborating further Dr C Velan says "The facility raises the quality bar and establishes new standards for innovative sustainable design strategies. We are proud to be part of this endeavor that strikes the perfect balance between efficient work space deployment & environmental responsibility."

Invigorating interior environment

Ramanujan IT City SEZ is home to some of the classiest edifices featuring absolutely top notch work spaces. The whole setting exudes a rich yet warm ambience. The interiors are designed to spread positive vibes all across. Plush fixtures and swanky fittings mark every inch of the internal spaces. The whole building is well connected via fiber optic network. The robust network facilitates seamless telecommunication and assures data connectivity at all times. This is a vital feature which is indispensable to any IT work set up manned by various people operating from diverse locations. 100% power backup ensures there's never a black out within the huge campus thereby assuring uninterrupted work flow. Internal movement of people from one floor to the other is also taken care of with meticulous planning. All the floors across various towers are connected by high speed elevators. Add to all this, comprehensive access control & video surveillance; what we have in place is an air tight mishap management system. The campus is loaded with every conceivable support system or amenity which makes life comfortable for the work force. ATMs, food courts, walking/jogging paths, green spaces, open seating, gymnasium and ample parking area combine brilliantly to shape an experience called Ramanujan IT City SEZ.

Imperial exterior aura

Ramanujan IT City SEZ spells class right from the word go! The imposing frontage of the campus radiates a typical charm that's a blend of sophistication and serenity. The external facade is imparted with high performance glazing. It serves the dual purposes of enhancing the aesthetic brilliance of the campus and infusing the exteriors with long lasting durability. The campus edifices are all embedded with best in class floor plates which offer both aesthetic and utility value. Every building features an elegant 8 meter high entrance lobby for extra grandeur. All the lobby areas are draped with marble & granite finishing; this creates a stunning, awesome effect on first time visitors. All the lobbies are built to delight and would give any 5-star property a run for its money. The basic structure of every edifice is designed to be compatible with seismic zone II specifications. And all the towers are structurally NFPA compliant making them safe zones. National Fire Protection Association (NFPA) is a global organization which publishes more than 300 consensus codes and standards intended to minimize the possibility and effects of fire and other risks. The fact that Ramanujan IT City SEZ adheres to all the stringent compliances set forth by NFPA highlight's the property's total commitment to deploying safe workplaces. All the buildings in the campus are equipped with next gen fire detection and suppression systems for prevention of disasters. The set up features state of the art sprinklers, fire and smoke detectors to aid rapid turnaround in case of emergencies. The property accords prime importance to employee comfort; it's all the more vital considering the tropical conditions prevalent through the year. The facility features a comprehensive, high end chiller HVAC system with dedicated AHUs for client and common areas. This helps shape a highly conducive work atmosphere within the campus irrespective of the external environment. The controlled internal climate deploys steady and stable temperature that's ideal both from performance and health perspectives.

Going eco friendly

Ramanujan IT City SEZ is a brilliant, harmonious confluence of design dynamics and hyper efficient systems. The eco friendly campus is compliant with Indian Energy Conservation Codes (IECC) and also the American Society of Heating, Refrigeration and Air Conditioning Standards (ASHRAE). All the buildings in the facility are devised to consume low energy; the average consumption is approximately 15% lower than internationally recognized ASHRAE energy compliance standards. The facility is also equipped with an ultra modern water treatment plant to provide quality drinking/potable water. It's complemented by an industry grade sewage treatment plant to ensure a pollution free environment. The water treatment facility and the sewage treatment plant are built with zero discharge capability. The entire framework replete with all the utility services is backed by a robust DG set up for providing uninterrupted power. The power back up system is fully automatic with N+1 configuration provided for lighting, power and air conditioning. Ramanujan IT City SEZ is a classic example of cutting edge architecture, high quality functional utility and eco friendly environment blending in to create a rare synergy. It's a campus that packs in aesthetic charm, smart design and optimum functional utility concurrently factoring in natural calamities, occupational hazards and eco friendly measures.

Truly beyond infinity

It wouldn't be exaggeration to state that the IT infrastructure & facilities domain in Tamil Nadu would firmly fall into two distinct timelines - Before Ramanujan IT City SEZ and post commissioning of the mammoth project. Such is the influence the campus has been wielding over the functionality of the regional IT domain since its inception. The IT City SEZ's stupendous success can be attributed to variety of reasons. The strategic location and easy accessibility of the facility is a huge clincher. The combination of stylishly subtle exteriors and amenity packed, dynamic interiors is a major factor making the venture popular with IT companies. The straddling campus is a self sufficient ecosystem replete with high end work spaces complemented by an array of support services like ATMs, F&B options, accommodation facility, green spaces, health & recreation zones and much more; this makes the campus a world class one stop shop for the broader IT spectrum. The IT City SEZ's close proximity to a number of commercial hubs, residential areas, gated communities, academic institutions, hospitals and other lifestyle related destinations gives it a distinct head start. TRIL has truly redefined the concept of fully loaded IT workspaces to act as a catalyst in the IT processing sector creating a larger footprint regionally. From a bigger picture perspective the IT City SEZ is essaying the role of a vital enabler of the nation's economy. With the commissioning of Ramanujan IT City SEZ, TRIL has demystified what's beyond infinity. Ramanujan IT City SEZ is truly a 'jewel in the crown' of the Tata Group.

AWARDS GALORE

Right from the time of its inception Ramanujan IT City SEZ has been bagging awards on all the global & national platforms on a sustained basis. Some of the recent accolades include:

- **Guinness World Records for the World's largest Energy Efficiency Congregation at Ramanujan IT City SEZ on December 14th 2018**
- **3 Awards at the Financial Times UK' Best Global Free Trade Zones - 2018 including Best IT Special Economic Zone, Highly Commended Facility in Asia Pacific and Best Architectural Development. Unique distinction of being the first project from India to win 3 awards in this mega event conceptualized and hosted by Financial Times, UK**
- **Best Commercial Project in India by CNBC Television**
- **Best Environment Friendly Project by CMO Asia Singapore**
- **2nd Best Commercial Building in India on Energy Conservancy by ACREX**

These apart, Ramanujan IT City SEZ has also been the recipient of several awards from NDTV, CII etc in the recent past.

RAMANUJAN
IT City
Beyond infinity..

A project by
TATA REALTY AND INFRASTRUCTURE LIMITED
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Milk & More

From dark chocolates and frozen snacks to cookies and cakes, the country's official milkman – Amul – is looking beyond dairy.

By AJITA SHASHIDHAR

Photographs By RACHIT GOSWAMI

R.S. Sodhi, MD, Amul


Amul

THERE MAY NOT BE A chocolate river or the eccentric chocolate-maker Willy Wonka (like in Roald Dahl's *Charlie and the Chocolate Factory*) to greet you as you walk into Amul's new 1.5 lakh sq.ft chocolate factory at Mogar in outskirts of its headquarters in Anand, but the place surely entices visitors to indulge in chocolates without guilt. One walks from entrance to the production facility looking at life-size posters about therapeutic qualities of chocolates – that a piece of dark chocolate can keep heart disease away, that chocolates produce endorphins which make one happier, and that a dark chocolate drink can also help in post-workout recovery. The trivia on the walls will surely bring a smile on the face of chocolate lovers, especially the weight watchers.

For the ₹41,000-crore Amul, known as a traditional milk and butter maker, chocolates are a way to connect with the younger consumers. "The Amul brand was considered conservative and old. We were being looked upon as a traditional milk, butter and cheese company. Chocolates have given brand Amul a new image. I am excited about the traction we are getting for our dark chocolates on social media platforms such as Twitter and Instagram," says R.S. Sodhi, Managing Director, Amul. Chocolates are not a new business for the dairy giant. All those who grew up in the '70s and '80s would remember the tagline, '*Amul Chocolates – A Gift For Someone You Love*'. "We started chocolates in mid-'70s when we bought cocoa primarily to help the farmers of Kerala. Within two years, cocoa prices shot up by two-three times. After that milk continued to be our focus."

The company re-started experimenting with chocolates in mid-2017. This time, the intent is to make Amul modern and contemporary. "Our research told us that consumers wanted less sugar and more kick, so we came out with an entire range of pure cocoa chocolates." The facility can produce 20,000 tonnes of chocolates in a year. The dairy major has already rolled out over 50 dark variants, which include single origin chocolates from Peru, Ecuador, Ethiopia and Brazil. Sodhi says they are using 50 per cent capacity and will hit the 100 per cent mark within a year. However, this is just a start. On the cards are a dark chocolate drink, frozen chocolates and dark chocolates with fruit filling. Sodhi sees a tremendous opportunity to innovate and grow the ₹5,000-odd crore Indian chocolate market.

Amul has so far invested ₹350 crore in the new chocolate facility and hopes to make it a ₹1,000-crore business in the next two years. While bulk of the excitement is around chocolates, Amul is testing waters in frozen snacks and bakery, too. Adjacent to its chocolate facility, on the campus of Tribhuvandas Food Factory, is its baking factory that makes butter cookies, breads and cakes. While the output is sold in and around Anand, it recently set up a bakery in Surat. Sodhi claims his bakery products use 100 per cent butter fat, unlike the other brands, which use a lot of vegetable fat. The frozen portfolio includes potato-based snacks such as potato wedges and burger patties.

AT A GLANCE

Revenue
₹41,000 CRORE

Dairy
95%

Non-dairy
2%
(Amul plans to increase this to 10 per cent in three years)

The Social Angle

Amul's milk story has been about empowering its network of 3.6 million farmers from whom it collects 24 million litres of milk per annum. Sodhi claims the foray into chocolates, bakery products and frozen snacks is also an extension of Amul's ideology of empowering its farmer network. He hopes that the non-dairy business will contribute 10 per cent (currently 2 per cent) to the revenue, profits from which he will be able to plough back into the core dairy business. "The money will go back to the owners, who are the milk farmers. Milk prices, as you know, have dipped over 50 per cent in

the past year and half and there hasn't been much improvement. So, we are looking at earning from other food categories and using the Amul brand name and distribution network," he says. The dairy major is sourcing potatoes from its dairy farmers in North Gujarat. "They were not getting good prices and needed money. So, to help them, we are buying directly from them, hence we are getting good prices," he says.

The foray into frozen snacks made sense as Amul has a well-oiled cold chain network across the country that it uses to sell ice-cream and other dairy products that require refrigeration. "Ice-cream mostly sells during summers and frozen snacks do well in winters. It will help our distributors take care of some overheads during winter," says Sodhi. He says the non-dairy business may not be a huge revenue churner but will give Amul top of the mind connect. "Our objective is not a huge top line but to be on top of mind. We have started getting a lot of traction through our new initiatives. It will give a huge push to our main categories like butter or cheese."

"THEY NEED TO GET INTO PRODUCTS WHICH WILL GIVE THEM SCALE... THEY HAVE TO DO THINGS WHICH WILL BENEFIT THE LOWEST DENOMINATOR. THEY CAN'T DO NICHE"

RAGHU VISHWANATH, MD, VERTEBRAND

Amul's Challenge

While Amul chocolates enjoy a kind of residual equity and have a fair bit of recall in a market dominated by Cadbury, will a consumer buy Amul biscuits or frozen burger patties? The company's 70-year-old legacy is all about purity and fair practices and a consumer will definitely show interest. Also, since it is sourcing the ingredients directly from farmers, it may be able to offer its products at a lower price. But will the consumer repeatedly buy an Amul non-dairy product?

Amul could face multiple challenges in its non-dairy business, say industry experts. The first will be to break through the clutter as most of the products (barring chocolates) it has launched are *me-too*. Here, it will have to encounter entrenched players Britannia, Parle and ITC Foods in categories such as biscuits, cakes and bread. In frozen snacks, its competition is with the likes of McCain Foods, which has a similar product portfolio and a decent market share in urban markets. "Amul does have distribution might and can penetrate much deeper than McCain, but will the consumer at that end of the supply chain really consume

BEYOND DAIRY

The company wants to get rid of its image of a traditional milk and butter company

It is test-marketing confectionery and frozen snacks in Gujarat

Chocolates, says the MD, has helped Amul strike a chord with the youth; Amul feels there is immense scope in chocolates

Chocolates to become a ₹1,000 crore business by 2020 frozen burger patties or French fries?," wonders former Dabur COO Kannan Sitaram, who is currently Venture Partner, Fireside Ventures.

Amul's new forays are more supply chain innovations and not so much product innovations. This, according to Sitaram, is not a bad idea provided the products are mass in nature. "They need to get into products which will give them scale," says Raghu Vishwanath, MD, Vertebrand, a brand valuation company.

So, instead of premium butter cookies, Amul would be better off selling mass biscuits, say industry stalwarts. "Since they have the ability to source directly

"WITH THE EMERGENCE OF MODERN TRADE AND E-COMM, WINNING IN NEWER CATEGORIES IS NO LONGER ABOUT DISTRIBUTION. THE BIGGER BRANDS ARE BEING CHALLENGED BY THE SMALLER ONES"

ALBINDER DHINDSA, FOUNDER, GROFERS

PHOTOGRAPH BY NILOTPAL BARUAH

from farmers, they will be able to give consumers a better price. The margins in mass biscuits are low and Amul can have an advantage over Britannia and Parle," says Sitaram. "They have to do things which will benefit the lowest denominator. They can't do niche," says Vishwanath.

An association with premium chocolates or cookies may not work for a company which promises to be the "Taste of India". Though the initial response to its dark chocolates has been good, Albinder Dhindsa, Founder of e-commerce grocery retail company Grofers, says consumers of niche food like to flirt with different products. "If a consumer is buying one niche product, he/she has the money to buy other niche products, too. Therefore, the differentiation has to be really strong."

"Gone are the days when brands ruled because of their distribution might. With the emergence of modern trade and e-commerce, winning in newer categories is no longer about distribution. The bigger brands are constantly being challenged by the smaller ones," he says.

While Amul is a clear winner in traditional dairy categories such as butter, milk, cheese and even products such as *lassi* and *chach*, it hasn't been too successful in flavoured yogurt or milkshakes where smaller brands like Epigamia are challenging it. While Amul is innovating in chocolates, it needs to do the same in premium bakery and frozen products, which as of now appear to be a copy of what others are doing.

But Sodhi doesn't see any reason why he will not succeed. "In butter cookies, for instance, we are using butter fat, and that is where we are differentiating. The butter cookies available in the market today have just 2-3 per cent butter fat. Our product has 24 per cent butter fat," he says. He also believes that his company is well poised to play in the premium space. "The trend has changed. Consumers want products made with fresh and good quality ingredients. A farmer's product is considered premium and Amul has a clear edge here. Today's youth want less sugar in chocolates. Our chocolate sales have multiplied in the last six months."

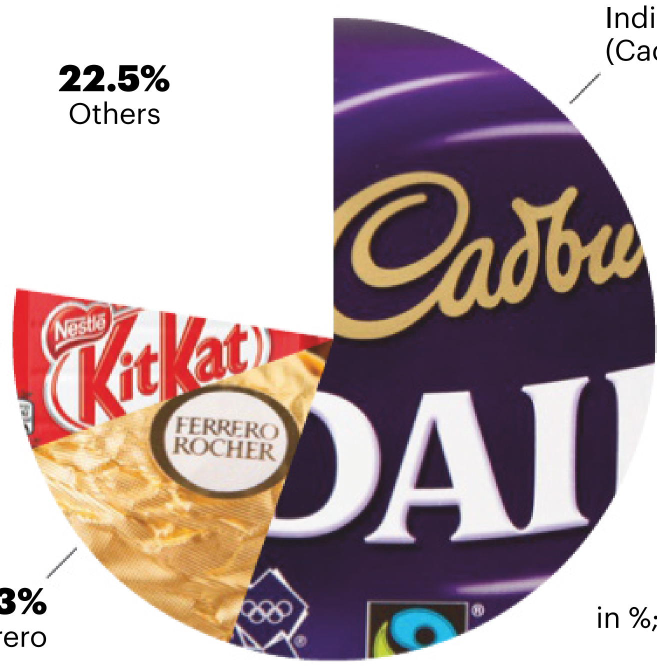
Brand Amul has been synonymous with health and purity. This could be a problem as its recent forays have been in the indulgence space. Indulgence and health don't go hand in hand and this may taint the brand in the long run, says Alpana Parida, Managing Director, DY Works – a design-led brand consultancy. "Amul is a monolithic brand. If there is a purity issue, it will kill the brand," she says. Parida recommends a sub-brand for all indulgence products, just as Titan did with its Fastrack brand. While Titan caters to people upwards of 35 years, Fastrack has carved a niche for itself in the youth segment.

Sodhi says be it cookies or chocolates, they are all made from Amul products such as butter. "Our ingre-

THE CHOCOLATE PIE

₹12,090 CRORE

Indian Chocolate Confectionery Market



dients are pure and we source them from the same farmers who sell us milk. So, selling them under the Amul name makes sense."

Still, marketing and FMCG experts doubt the dairy major's capability to manage its health and indulgence portfolios. "Amul is about branding commodities which they are extremely good at. However, chocolates and frozen snacks are indulgences and here brand stories work better. I am not sure about their expertise in creating brand stories," says Sitaram of Fireside Ventures.

Human Resource Challenge

The reason the industry is sceptical about Amul's marketing prowess despite iconic campaigns such as "Utterly Butterly Delicious" is its cooperative backing. The Amul board comprises heads of 17 district milk unions, all of whom have strong political linkages. According to a senior dairy sector expert, the core of the problem is management's incapability to understand the value of professional talent.

"Though Sodhi is a visionary and wants to take Amul to the next level, he has no support from the board in terms of professionals who actually understand the nuances of the dairy business. The board only wants insiders who can toe their line," says a senior dairy industry expert.

Parida of DY Works says though Amul keeps innovating, its innovations are random. It launched probiotic milk, nutrition drinks and flavoured yogurts which are hardly seen in the market today. "They pull out products before figuring out what has gone wrong. They are too distribution-oriented and have no focus on the brand," she says.

"The team is happy with a steady increase in milk prices every year which will give them an increase in turnover. They are not really bothered about incremental growth through brand building and marketing," says a senior dairy industry expert.

Despite being an iconic brand, Amul is hardly able to attract good marketing talent from leading business schools as its compensation culture does not have scope for paying high salaries. "They hire IRMA graduates, who push all their products. They believe in carpet bombing and don't have a dedicated team for each brand like other companies. As a result, only their hero products such as milk, butter and cheese get prominence and the rest are lost," says the dairy expert. "Unless they have a dedicated team to sell chocolates, bakery and frozen products, they will get lost just as many of their value-added products have," he adds.

As the dairy major looks at the next level of growth through its non-dairy portfolio, Sodhi, handpicked by former Chairman Verghese Kurien, is going to retire soon. The industry believes it is high time the company invests in professionals. "After Sodhi retires, Amul doesn't have a leadership team with his vision. If they don't bring in professionals, the brand will languish. In fact, they should have professionals on the board, too," says the dairy industry expert.

Sodhi, however, believes that their practice of grooming own talent to leadership positions is paying them rich dividend. "We don't believe in hiring migratory talent from other companies. Don't worry, Amul is in safe hands, we have a credible talent pipeline," he says.

The dairy mammoth's focus is to become a top of the mind food brand not just on the back of dairy (in which it has invested ₹3,000 crore in the last one year) but on its non-dairy businesses too. BT

@AjitaShashidhar

FRESH DESIGNS

INNOVATIVE AND DISRUPTIVE STRATEGIES ARE HELPING KALYAN JEWELLERS BEAT COMPETITION; NOW, IT WANTS TO MORE THAN DOUBLE REVENUES AND THE NUMBER OF STORES IN FIVE YEARS.

By P.B. JAYAKUMAR
Photograph By MIDHUN VIJAYAN

Kalyan Jewellers Chairman and Managing Director T.S. Kalyanaraman (centre) and his sons Ramesh (left) and Rajesh

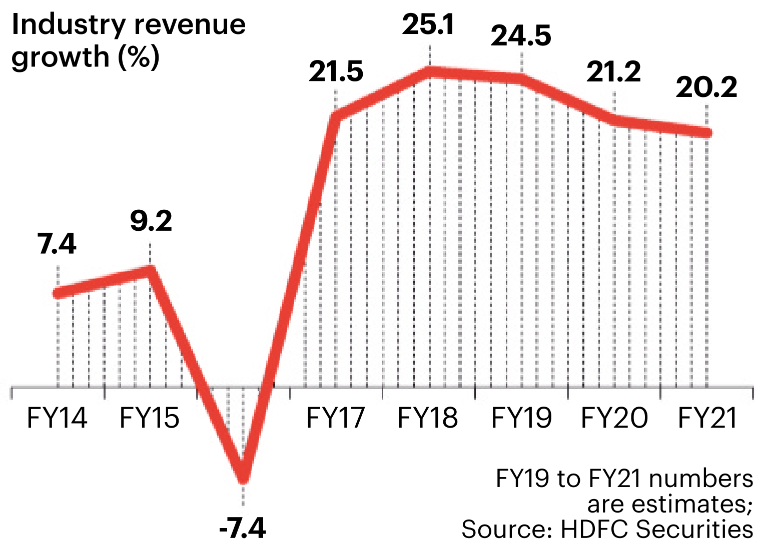
WHEN KALYAN JEWELLERS Chairman and Managing Director T.S. Kalyanaraman or his sons, Rajesh Kalyanaraman and Ramesh Kalyanaraman, go for a morning stroll around the Swaraj Round or visit the Vadakkumnatha temple of Thrissur in Kerala in the evening, they don't have to worry about carrying a wallet to pay for wayside tea or lemon soda or masala dosa. Like the famed caparisoned tuskers of Thrissur who enjoy superstar status, everyone in this small town knows 'Kalyan's Swamis', a pride of Thrissur. Despite owning private jets, a fleet of Rolls Royces and a big mansion, Swami and his sons chat with the roadside vendors in the unique local slang identifiable with rhythmic flow of Malayalam laced with open heartedness and affection. "That is because we know them very well and they know us very well," says Rajesh.

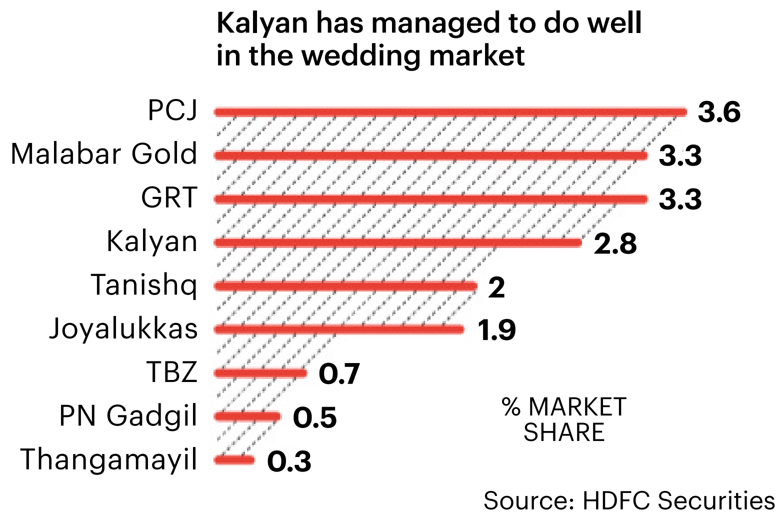
The 'Swamis' of Kalyan have been part and parcel of Thrissur for at least three generations where Kalyanaraman's grandfather had moved about a century ago from Kumbakonam in Tamil Nadu to start several textile shops in Thrissur town. After years of running the centrally located textile shop that he had inherited, Kalyanaraman decided to try his luck in jewellery by banking on the trust and affection of the people of Thrissur. In the last 25 years, he has used that 'Thrissur model' of customer trust and affection to beat competition and spread across India and abroad. Now India's second-largest jeweller after Tata's Tanishq in terms of revenues, thanks to years of steady growth, Kalyan Jewellers is getting ready to shift gears. It is looking to more than double the revenue and the number of branches within the next five years.

Will it succeed? The answer to this question lies in the finer details of how Kalyanaraman and his sons transformed a traditional business — infamous for lack of customer trust — with innovative thinking, transparency, personalised customer care, aggressive marketing and hyper localisation to win hearts of people in diverse geographies.

TAILWINDS

Kalyan Jewellers is expected to benefit as the jewellery sector enters a high growth phase





Textiles to Jewellery

Seetharamaiyer, Kalyanaraman's father, inherited the textile mill and shops from his father T.S. Kalyanaramaiyer. Kalyanaraman, the eldest among five brothers, started assisting his father at the age of 12. In 1972, he graduated in Commerce from the local Sree Kerala Varma College (from where his sons also graduated) and was given the charge of Kalyan Textiles, which then had a turnover of ₹25 lakh. He managed that business well and inherited the textile shop in 1993.

Thrissur, the cultural capital of Kerala, is also the

PHOTOGRAPHS BY YASIR IQBAL

Kalyan gets only 45 per cent revenues from South India as compared to most competitors that rely on the region for a lion's share of their revenues

biggest city in Central Kerala. Hundreds of families used to flock to Thrissur every day for festival or marriage shopping. Kalyan Textiles was one of their favourite destinations. Customers gave Kalyanaraman the idea of starting a jewellery shop so that they could buy from the same premises. Ayodhya, Chiriyankandathu and Fashion were some of the well-known jewellery shops in the region but customers had limited choice. Salesmen or owners in dingy jewellery shops in narrow lanes would show sample pieces, take orders and tell customers to come back after some weeks to collect the ornaments.

In such a market, Kalyanaraman took the risk of offering luxury in his new shop, spread across 4,500 square feet, with four salesmen and plush décor, car parking and a wide range of ready-to-wear ornaments ranging from traditional to modern. All this cost him ₹75 lakh to build, including ₹50 lakh as loan. Kalyan Jewellers became an instant hit, attracting customers from places as far away as Aluva and Palakkad. "Soon we realised that neither the customer nor the goldsmith knew the actual purity of ornaments. They would come to know only when they re-sold and had no option but to believe what the jeweller said. They were also ignorant about gold prices and mechanism for pricing gold and how much value erosion happened on the pretext of making charges/wastage," says Kalyanaraman.

Kalyan attached price tags to each piece and offered purity tests free of cost. Until then, even reputed jewellery shops were relying on inaccurate acid tests, which also damaged the precious metal. Kalyan offered customers an X-ray-assisted Karatmeter which showed gold's purity (in percentage) per 22-karat gold and claims to have pioneered quality certifications from agencies such as Bureau of Indian Standards. "It was a disruptive business strategy that attracted the ire of fellow jewellers. Now, they follow the same methods," says Ramesh. It took another seven years to start the second showroom at Palakkad, about 70 kilometers from Thrissur. There, Kalyan also offered localised products as the region has a lot of Tamil influence. The success made Kalyan start another showroom at Perinthalmanna and then the first shop outside the state in the city of Coimbatore. By 2008, it had managed to open 5 branches in South India using the same strategy of hyper localisation. At this stage, it resorted to a different marketing campaign.

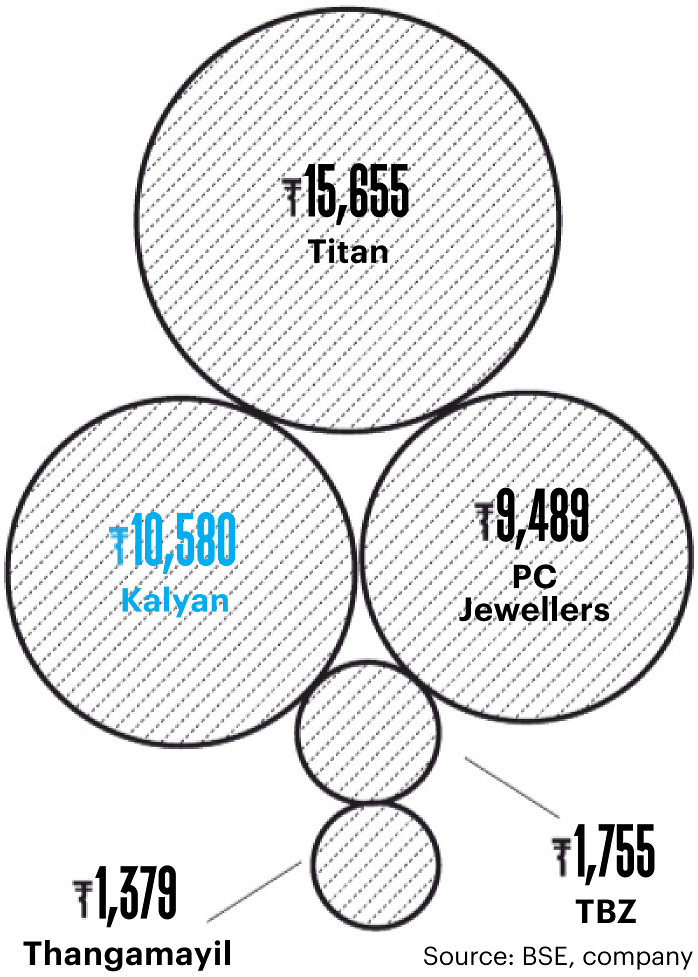
Ambassadors and 'Big B'

By early 2000s, television had become an unavoidable medium for local businesses to attract customers. Many jewellers such as Atlas Jewellery were showing

KALYAN Vs OTHERS

Kalyan has much ground to cover before it catches up with market leader Titan

FY 2017/18 Revenues (in ₹ crore)



Source: BSE, company

commercials featuring the owners themselves. Instead, Kalyan experimented with Mammootty, then a rising superstar in Malayalam film industry. It clicked for the company. Kalyan replicated this with Prabhu, son of Shivaji Ganeshan, in Tamil Nadu, Nagarjuna in Andhra Pradesh and Shiva Rajkumar, son of Kannada film icon Rajkumar, in Karnataka. It retained them for a longer stint as brand ambassadors.

"Our brand ambassadors come from the big league of the respective regional film industries and are very close to the hearts of people of their states," says Ramesh, Executive Director of Kalyan, and who handles marketing, branding and sales.

By 2013, Kalyan had expanded to 25 showrooms with over ₹1,000 crore revenues and was thinking of a big push up North. It chose Ahmedabad first, followed by Mumbai and Delhi, with a target of 25 more showrooms in the next five years. Around this time, it thought about roping in Amitabh Bachchan. "We met him at a film studio in Mumbai and told him about us and said we would not roll out shops in North India without him," remembers Ramesh. Big B took more than a month to say 'yes'. In the first two years of commercials featuring him, Bachchan did not talk about Kalyan but only about purity of gold and rights of consumers. At present, Kalyan's national campaigns are run with Amitabh Bachchan and Katrina Kaif.

'Swaminomics'

While Swami and sons were cleverly creating brand equity for Kalyan, they were, at the same time, also focusing on efficient operations, supply chain management and hyper localisation. With a hub and spoke model, they started opening My Kalyan in the periphery of their shops. These act as service centres, promote the brand and sell low cost jewellery. There are 650 My Kalyan shops in the country.

While the plan was to expand Kalyan to North India, private equity companies eager to invest in scalable business opportunities in India showed interest in the company. One of them was US-based private equity (PE) player Warburg Pincus. Kalyan was generating adequate cash for expansion (its profitability is claimed to be among the best in the industry) and was not in hurry to raise cash. But Kalyanaraman and sons felt handholding by an expert like Warburg – whose Indian clients included Kotak Mahindra Bank, Bharti Airtel and Metropolis (which it exited)– would help them raise cheap funds, and create better visibility and brand equity, besides getting them expert advice. Negotiations went on for months and in October 2014 Warburg reportedly invested ₹1,200 crore for a 10 per cent stake (which neither Kalyan nor Warburg wish to disclose), valuing Kalyan around $2 billion (₹13,000 crore). This was the first large PE investment in India's jewellery sector.

What attracted Warburg to invest in a small-town family business, that too a traditional one, run by a father and two sons? "We assessed many jewellers in India and abroad. We were impressed by the vision, passion and industry knowledge of the promoters and the company's rapid growth over the years," says Vishal Mahadevia, Managing Director of Warburg Pincus India. Warburg invested another ₹500 crore in April 2017. It has a board seat in Kalyan.

Kalyan's business model is attractive for PE players. According to an HDFC Securities sector report in June, India's jewellery market remained flat at ₹2.7 lakh crore over FY14-18 as neither volume nor prices rose. However, the 17 organised jewellery chains, which are expected to grab 42 per cent market share in the next five years from the current 29 per cent, have been growing at 11 per cent CAGR, says the report. "Now these 17 chains, mostly from South India, account for a measly 4 per cent BIS-listed jewellery stores in North and West (versus 8 per cent store share/40 per cent revenue share down South)," it states.

Key South India jewellers concur that North and West is where the battle will be fought. While Titan remains a distant leader in terms of national presence, able contenders are visible across all zones. These include PC Jeweller (North), Kalyan Jewellers, Malabar Gold, Joyalukkas (South) and Senco (East)," say analysts Jay Gandhi and Rohit Harlikar in the HDFC Securities report.

Kalyan has an advantage as it gets only 45 per cent revenues from South India as compared to most competitors who rely on South India for a lion's share of their revenues. Ramesh says the company has 135 showrooms in India and West Asia with a revenue of ₹10,500 crore and is growing at 8-10 per cent every year. A new showroom costs ₹30-40 crore depending on the location. This is higher in metros or cities having flagship/large showrooms, which require ₹100-200 crore each. Kalyan's target is to open 20-25 showrooms every year.

"Many of our showrooms now generate an average of ₹100 crore revenue a year and break even in six-eight months as footfalls start from day one since we are investing a lot on brand creation and promotion nationally and regionally," says Ramesh. A PE player investing in a hospital or an FMCG company has to wait for at least seven-eight years for breakeven. Kalyan spends about 2 per cent revenue on advertisements and promotion.

Rajesh says they study the local market for six to eight months before opening a showroom there. "We have five showrooms in Mumbai and each of them caters to different customers. Andheri is our flagship showroom, while the Borivilli showroom mainly caters to Gujarati customers. Thane, Ghatkopar and Vashi showrooms offer a mix of Maharashtrian, Gujarati and South Indian jewellery. Same is the case with our four showrooms in Delhi," he says. While Delhi customers like Polki jewellery, Bangalore prefers temple jewellery and Ahmedabad antique, he observes.

"We have 3 million customers and 80 per cent of them have been repeat customers for the last 25 years," says Kalyanaraman. The company employs about 8,000 workers and has opened 12 purchase offices across India for sourcing raw material. Kalyan spends ₹3-4 crore a year on creating IT infrastructure for back-end and supply-chain management, which Rajesh heads. It spends about ₹800 crore a month on buying raw material.

Most of the showrooms generate an average of ₹100 crore revenue a year and break even in six-eight months as footfalls start from day one due to the huge investment in brand creation and promotion

Big Ambitions

Kalyan is now looking at a huge expansion in India and abroad. The plan is to open at least 20 showrooms every year for the next five years to reach a target of 250 from the current 135. Apart from countries in West Asia, it is also planning to expand in the US and Malaysia. "But the huge potential is in India, especially states like Madhya Pradesh, Uttar Pradesh, Bihar and the eastern region," says Ramesh.

Kalyan will require an investment of at least ₹4,500-5,000 crore for expansion over the next five years. It is looking at an initial public offer to raise money. "We are thinking about an IPO. It is sure to give us more visibility and also help us raise additional capital. We have not decided the timing for the IPO yet," says Rajesh.

In the race to conquer the rest of India and abroad, Kalyanaraman, 71, Rajesh, 43, and Ramesh, 40, travel at least 15 days a month. For that, the trio has an Embraer Legacy 650 executive jet, another smaller jet, an Embraer Phenom, and a Canadian Bell 427 helicopter, besides a fleet of expensive cars. Kalyanaraman had a networth of over $1.3 billion as of December 27, 2018, as per the *Forbes*.

The down-to-earth Swami and his sons, who neither studied in famous management schools in the US and Europe, nor employ an army of suit-clad executives who have studied in such institutions, know their business in and out and are not concerned about wealth. They also have Kalyan Developers, now a small real estate company with land assets, run by Karthik, who is married to Kalyanaraman's daughter Radhika.

"To be frank, when my father opened the second showroom, I was being inducted full-time into business after studies. He wanted to give the first showroom to my elder brother and the second one to me. By God's grace, the rest of the expansions just happened," says Ramesh.

It seems the private jets carrying Swami, Ramesh and Rajesh are ready for take-offs from Kochi to open new Kalyan stores in new geographies. BT

@pb_pbjayan

MAKING THE CUT

Value fashion retailers are reporting runaway growth by dressing up the masses.

By SONAL KHETARPAL
Photograph By RACHIT GOSWAMI

“CUSTOMERS HAVE STARTED DEMANDING A GOOD EXPERIENCE, SO WE HAVE TO IMPROVE OUR GAME”

RAJESH SETH
COO, Fashion by Big Bazaar

GORISHA SAPRA, 22, a chartered accountancy student, loves shopping for clothes and footwear, but finds high value brands such as Marks & Spencer, Zara or H&M, expensive. "I look for products that are both of decent quality and reasonably priced," she says. "I want fashion brands where I can get five to seven pieces of clothing within ₹5,000." She is currently saving to buy thigh-high boots.

Sapra typifies the kind of customer who has given value fashion brands in India a fillip. For long, the Indian apparel market had broadly two kinds of products – those sold by premium brands and those that were unbranded, often sold at pavement stalls or in local shops in markets such as Rajouri Garden and Lajpat Nagar in Delhi, or Lokhandwala and Fashion Street in Mumbai. Barring exceptions like Vishal Mega Mart, there was very little available in between.

In the last few years, several companies have moved in to fill this gap – the Future Group launched Fashion at Big Bazaar (FBB), the Dubai-headquartered Landmark Group started Max Fashion and Reliance Retail began Reliance Trends. Newcomers, such as Gurgaon-based V-Mart Retail, Kolkata-based CityLife Retail and Delhi-based CityKart Retail, also made a mark. Though V-Mart dates from 2002, the other two began in 2013 and 2016, respectively. A few selling only premium brands earlier now have value brands as well, such as TCNS Clothing's that owns W For Women, has launched Aurelia. Reliance Retail's joint venture with Marks & Spencer – Marks & Spencer Reliance India – is considering lower priced offerings, too. Other global players are also venturing into this space – private equity giants Kedaara Capital and Partners Group recently bought Vishal Mega Mart reportedly for ₹5,000 crore. Many of the premium ones have been successful too. Zara's revenue, for example, has increased by 578 per cent from FY '11 to ₹1,012 crore in FY '17.

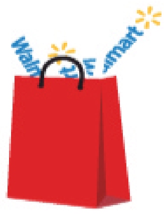
But they left a large market segment untouched.

The enthusiasm is natural as many of the value retailers are doing very well, indeed. V-Mart Retail, which is listed, saw its average market cap grow 130.4 per cent in the March 2017 to March 2018 period, from ₹1,488 crore to ₹3,429 crore. Its sales rose 22 per cent to ₹1,222 crore in 2017/18 over the previous year, with net profit margin of 6.23 per cent. Max's sales grew 22 per cent to ₹2,861 crore, and FBB's by 23 per cent, during this period.

Value retailers can be divided into two kinds – those which target middle and upper middle class customers, and those aiming at lower middle and middle class ones. Max, FBB and Reliance Trends cater to the former. Their stores and labels are mostly in metros and Tier-II cities. The second sort, with stores predominantly in Tier-II and Tier-III cities, include V-Mart (the pioneer), CityKart Retail and CityLife Retail. "Within the middle class, there are 10 different layers and each value player is tapping a different market, converting a part of the unorganised market into organised," says Harminder Sahni, Founder, Wazir Advisors – a retail consultancy firm.

The retailers broadly agree. "We target small towns and people in the income group of ₹15,000-20,000 per month," says V-Mart Founder Lalit Agarwal. CityKart Retail has so far notched up 36 stores, all of them in Uttar Pradesh and Bihar. "We are not competing with the likes of Max and FBB, but with the unorganised market," says Sudhanshu Agarwal, Founder, CityKart Retail. CityLife has 120 stores across 13 states. However, distinctions are blurring with Max, for instance, launching another brand EasyBuy, whose products are 30-40 per cent cheaper than those sold at its parent stores. "With two brands, we have a two-pronged approach to value fashion, one with exceptional value and the other offering good value," says Shital Mehta, CEO, Max Fashion India. EasyBuy has 64 stores

Action Packed



Private equity giants Kedaara Capital and Partners Group recently bought Vishal Mega Mart **for ₹5,000 crore**

V-Mart Retail average market cap grew 130 per cent in the March 2017 to March 2018 period **from ₹1,488 crore to ₹3,429 crore**

Sales of big players such as V-Mart, Max and FBB rose 22-23 per cent in 2017/18 over the previous year so far, of which 36 are in metros.

Democratisation of Fashion

Even globally, after the recession of 2008/09, people have become discretionary in their spending, questioning the premium prices paid for top brands. "The latest fashion trends were earlier the turf of brands which charged a premium for them," says Ankur Bisen, Senior Vice President, Retail and Consumer Products, Technopak. "But fast fashion brands have since deconstructed this and started selling fashion at lower prices." India, too, has followed this trend. "There has been a democratisation of fashion where the latest cuts and silhouettes are now accessible to the masses," says Rajesh Seth, Chief Operating Officer, FBB. "If, say, lycra is in vogue, we will ensure that lycra apparel is available at one-third the cost the premium segment is charging."

Those selling mostly in metros take branding very seriously, those in the smaller towns less so. V-Mart, for instance, sells all kinds of trade labels. Among the former, some like Max, believe in a single label, while FBB has promoted a series of them, such as Buffalo, Morpankh, Spunk and Srishti. "Given the volume of business we do, we are developing each line into a brand so that customers have an emotional connect with it, apart from the rational one of it being competitively priced," says Seth. "Each brand must have its own identity." The likes of Max and FBB have international design teams creating new products. "We have a team of 60 in-house designers in India along with a design office at London that spend a considerable amount of time in trend spotting," says Seth. These designers scout trade shows, European markets and global fashion shows for the latest in fabrics and trends. Max, too, has 300 vendors across countries, and most of them design clothes exclusively for them.

"WITH TWO BRANDS, WE HAVE A TWO-PRONGED APPROACH TO VALUE FASHION, ONE WITH EXCEPTIONAL VALUE AND THE OTHER OFFERING GOOD VALUE"

SHITAL MEHTA, CEO, Max Fashion India

Pricing products low means keeping close control on overheads such as rental, power consumption and manpower, while also having a tighter grip on the supply chain. This is crucial as all the three key players, Max, Reliance Trends and FBB, say their stores get new stock every 45-60 days. Seth says they have been able to do that through their 'unseason strategy' where the trigger for fashion is not seasons but occasions such as weddings and festivals.

Developing one's own products also helps. "Owning product lines gives retailers almost 20 per cent higher margins in certain categories than buying them," says Pinaki Ranjan Mishra, Partner and National Leader, Retail and Consumer Products, EY. Thus all FBB's brands are company-owned.

Rents in Tier-II and III cities are also progressively lower than in the bigger ones, which explains their attraction for retailers. "In smaller towns, rent is covered

PHOTOGRAPH BY REUBEN SINGH

"WE TARGET SMALL TOWNS AND PEOPLE IN THE INCOME GROUP OF ₹15,000-20,000 PER MONTH... WE STARTED IN NORTH INDIA AND ARE GRADUALLY MOVING EAST"

LALIT AGARWAL, Founder, V-Mart Retail

by 3-5 per cent of sales," says Agarwal of CityKart. "In Allahabad the cost would be ₹20 per sq.ft., in Lucknow ₹40, but in Gurgaon it would be ₹65 per sq.ft., while the revenues are more or less similar."

But the towns and locations for the stores are also chosen with care. With each market in this diverse nation having its own special characteristics, value retailers prefer to invest in clusters. CityKart has stores only in UP and Bihar. V-Mart also opens new stores within a 150-200 km radius of another. "We started in North India and are gradually moving east," says Lalit Agarwal of V-Mart. Every market has a different assortment strategy that is based on local clothing preferences and tastes. What works in West Bengal might not necessarily work in its neighbouring state of Odisha. "We locate our stores close to one another because we understand the market in that region better. Every market is different, if only a little different." However, Agarwal points out to one key difference. He says people in rural markets prefer brighter colours. They refer to the black and white and shades of grey – popular in urban pockets- *ki yeh vardi hai.*

₹4,26,000 CRORE
Size of the organised apparel and footwear market in 2017/18; growing at 10 per cent a year

95%
of the market is accounted for by the unorganised players

Source: Euromonitor

CityLife also prefers towns which do not already have another major retailer. "It gives us first mover advantage to tap into latent demand," says Ritesh Kedia, Director, CityLife. "We can also choose the best locations." However, it is not an advantage that lasts long – if latent demand is discovered, competition will soon intensify. "There will be comparison of product quality, prices, range of choices offered, customer service, and more, and companies should be prepared for that," says Mishra of EY.

Value retailers are, indeed, making an effort to perform well on these metrics. Earlier, V-Mart and FBB stores often looked overstuffed, but no longer. Data analyst Shivani Sharma particularly likes shopping at Reliance Trends as the store executives help her create an entire look, showing her different products that match her initial purchase. "The attitude is the same at every store of theirs," she says. "I always end up buying more than I need." All retailers agree that the shopping experience they provide is vital. "Customers have started demanding a good experience, so we have to improve our game," says Seth of FBB.

There is also the growing competition from online retailers to combat which stores have their own websites on which orders can be placed directly. They are also providing other value-added services. "It is not enough to open stores anymore," says Mehta of Max. "We need to connect with customers in an omni-channel format where online and offline work seamlessly together so customers have 24x7 access to the brand."

As the number of value retailers grows, there are bound to be winners and losers and consequent consolidation. "Brands which have been built over years are now trying to create entry barriers for others by building their own brand equity, visibility and customer connect," says Bisen of Technopak. Whether new players can stand up against the existing goliaths remains to be seen. BT

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"India is going to experience **a big explosion in terms of content and types of stories**"

Gaurav Gandhi,
Director and Head, Business,
Amazon Prime Video, India

GAME OF THRONE

With global giants Amazon and Netflix pouring money to develop original Indian content and *desi* players not far behind, the OTT race has entered an exciting phase.

By K.T.P. RADHIKA
Photographs By RACHIT GOSWAMI

OTT MARKET SIZE

Pegged at **$76** billion-plus in 2018

Global | **India**

2023 (Projected) **$5** billion

Source: BCG

THE STAGE IS SET; THE WARRIORS HAVE WARMED UP and the battle for supremacy has started. Not all will emerge winners, but the blow must go on, as they say in *Narcos*, the popular drug drama on Netflix. Eerily enough, India's over-the-top (OTT) entertainment market closely resembles a Netflix trailer, especially a sequel entering a new season. Gone are the *Hum Log*-style family TV sessions and early YouTube days enjoyed by a lucky few with the device and Internet access (YouTube was not a pure-play OTT platform at the time and hence, not discussed here). A new season is on, with global giants Netflix and Amazon Prime Video investing crores to grow user base and load their content libraries with original productions as well as licensed regional movies and shows. The American giants have certainly hit a home run but local players such as Hotstar, SonyLIV (we consider them local as both are registered and headquartered in India), Jio TV and ALTBalaji are not ready to give up on the home advantage and are loosening their purse strings to invest and get ahead. The outcome: As many as 32 OTT players and counting, and 200 million daily active streamers, all necessitating a strong need to differentiate content in a bid to attract eyeballs.

A recent study by the Boston Consulting Group (BCG) reveals that in CY2017, Netflix and Amazon spent around ₹600 crore and ₹500 crore, respectively; Indian players SonyLIV and Eros Now put in ₹400 crore each and ALTBalaji invested ₹120 crore for original Indian content. In the same year, both Amazon and Netflix had announced their plan to spend around ₹2,000 crore each in the Indian market. Netflix's *Sacred Games* and Amazon's *Mirzapur* were among the Indian originals on which big money was spent. Both gangster sagas were instant hits and are now waiting for their Season II launches.

"India is going to experience a big explosion in terms of content and types of stories," says Gaurav Gandhi, Director and Head, Business, Amazon Prime Video India. "After our launch in December 2016, we have been growing steadily, heavily expanding our customer base, and are currently present in 1,000 Indian cities. We will invest more in local language content." Amazon launched five originals last year and currently offers content in six Indian languages, including Hindi, Tamil, Bengali, Telugu, Marathi and Kannada.

Gandhi says that the next big thing for Amazon is providing a local user interface (UI) for customers to search, navigate and browse in their preferred languages. "We have already introduced Hindi, Tamil and Telugu UI." Amazon thinks this will help add another 100 million Prime users from India.

Netflix, too, has scaled up its content investment in India at a fast clip. "It has been the fastest investment we have made in any country since we launched," says a company spokesperson. "Our content catalogue doubled in India since our launch, including original and licensed titles. We are drawing the best of Indian storytellers to create high-quality original series and movies," he says. After *Sacred Games*, the streaming giant has announced 10 original productions, including *Ghoul*, *Lust Stories* and *Rajma Chawal*. It also offers regional language movies such as Punjabi historical drama *Chauthi Koot* and Tamil thriller *Visaranai*. The company is looking to double its current team strength of 30 in India.

Homegrown players are also investing to expand their local and global content libraries. Hotstar, owned by Novi Digital Entertainment, a wholly owned subsidiary of

₹516 crore

Funding raised by Hotstar from Star US Holdings in July 2018

"In a multilingual and multicultural country like India, you have to provide content **that suits consumers and their language preferences**"

Akash Banerjee, Senior Vice President and Head, Marketing and Partnerships, Voot

21st Century Fox's Star India, started its operations a year before Netflix made its India foray and currently boasts the highest number of viewers – 150 million monthly active users. The streaming platform reportedly received ₹516 crore funding in July 2018 from Star US Holdings and is developing original content. As per the BCG report, the company invested about ₹4,000 crore last year for the IPL cricket league rights. Hotstar also boasts the largest user base, primarily due to streaming of the IPL and the English Premier League. During the IPL last year, the platform recorded 10.3 million concurrent viewers. It has also partnered with HBO to offer the latter's most popular shows – *Game of Thrones*, *Silicon Valley* and *Westworld*.

Not to be outdone, Balaji Telefilms' digital platform ALTBalaji plans to invest up to ₹500 crore over the next three years. "We are planning to invest around ₹150-170 crore annually out of which 70 per cent will be spent to strengthen our content offerings," says CEO Nachiket Pantvaidya, adding that about 95 per cent of the content on ALTBalaji is original. "We are planning to launch 45-50 original shows in the next two years. We are investing in good quality content and aim to reach a subscriber base of more than eight million by 2021." As of now, the platform has more than 3.5 million paid subscribers.

In June 2018, Times Internet (TIL) forayed into the OTT market by acquiring a majority stake in Seoul-based MX Player for about ₹1,000 crore. MX is quite popular in India with 350 million downloads and around 175 million monthly active users, as per TIL.

Viacom 18's Voot, which has access to all Viacom productions, is also bullish about content expansion. "In a multilingual and multicultural country like India, you have to provide the kind of content that suits consumers and their language preferences. We have around 6,000 hours of free content. But going forward, vernacular content will be driving the business," says Akash Banerjee, Senior Vice President and Head, Marketing and Partnerships. Voot has more than 100 million downloads and 45 million active users.

Voot's competitor Eros Now, owned by Eros International, is planning to invest around $50 million in original content while Zee entertainment's OTT platform, Zee5, says that the lion's share of its investment will go to its digital platform this year.

Growth Drivers

The OTT market in India is expected to see tremendous growth, according to global consultancy PwC. It is pegged to clock more than $800 million (nearly ₹6,000 crore) in revenue by 2022 from about $300 million (over ₹2,000 crore) in CY2017, which will catapult the country among the top 10 OTT markets. The BCG has projected a $5 billion market by 2023 with an additional 50 million paying subscribers. The growth over the next few years will be driven by rising affluence, an increase in the penetration of data into rural markets and adoption across demographic segments, including women and older generations, the report says. The recently released financial results of Netflix India confirm this trend. In its first full fiscal year of operations in 2017/18 – Netflix India was launched in January 2016 – the company reported a net profit of ₹20.2 lakh on revenues of ₹58 crore.

According to Raman Kalra, Partner, Entertainment, Media and Sports Sector, PwC India, consumers here love to build and control their viewing experience, based on their convenience and content preference. It is one of the key reasons for tapping into OTT players. "There is a shift from family viewing to individual viewing. People have different choices and OTT players cater to this demand," says Johnny Wu, Regional Director for Indian and European markets at LiveMe, a Chinese broadcasting platform that started its operations in India last year.

Sandhya Ganapathy, who loves watching videos on her smartphone, agrees. The 32-year-old from Bengaluru has subscribed to three OTT platforms, spends at least two hours a day streaming videos and rarely watches the telly. "It is convenient and there is a lot of quality content out there. Even my father-in-law, who is nearly 70, is addicted to these streaming platforms," she says.

Ganapathy is not a lone example. Studies reveal that more than 80 per cent users have up to three OTT apps on their smartphones and the market is moving fast. "Shortly, there will be consolidation, and we will see a few players with the lion's share of consumer base, content and market and a long tail of various players offering niche content," says Banerjee of Voot.

In a bid to push vernacular content and grow their viewership, global contenders Netflix and Amazon are signing content licensing deals with local production houses and other providers. Amazon is going to launch 30 more originals in multiple languages and targeting the mass market.

OTT players are also entering partnerships to scale up growth. For instance, Singapore-based HOOQ has recently tied up with Hotstar. The deal has enabled Hotstar to upgrade its Hollywood content significantly, while HOOQ can reach out to Hotstar's massive user base. "India is the most crowded, competitive and challenging market," says HOOQ CEO Peter Bithos. "We have a long-term market strategy here and need to invest heavily, maybe millions of dollars, for content and technology." HOOQ has struck deals with Vodafone and Airtel as well.

"Content partnership is also important for us," says Gandhi of Amazon. "Our deal with Excel Media, a Delhi-based production house, is a good example." Besides, Amazon has joined hands with companies such as Dharma Productions and Green Gold Animation, which produces children's series *Chotta Bheem*. Reliance-owned Jio TV has content partnerships with national and regional TV channels, including Zee Entertainment, while Netflix India has partnerships with Airtel Digital TV and Broadband, Vodafone, Tata Sky and Hathway, apart from content producers. It has also tied up with equipment manufacturers to prompt the inclusion of Netflix button on smart TV remote controls.

Hurdles Galore

The industry has its share of challenges regarding growth and profit and regulatory intervention, and the latter could snowball soon. In November 2018, the Telecom Regulatory Authority of India issued a consultation paper to debate whether a regulatory framework is required to govern OTTs. Taking the cue, nine online video platforms, excluding Amazon, recently signed a self-regulatory code, drafted by the Internet and Mobile Association of India, an industry lobby group. While Amazon declined to sign the code, saying current laws are adequate, many lobby groups and OTT players are also against licensing or a fresh set of rules as a rigid framework could cripple competition against traditional broadcasters. However, experts believe that a better

OTT INVESTMENTS IN ORIGINAL INDIAN CONTENT IN 2017

NETFLIX
₹600 CRORE

prime video
₹500 CRORE

SONY LIV
₹400 CRORE

EROSNOW
₹400 CRORE

ALT BALAJI
₹120 CRORE

Source: BCG

"The moment a good original is released, **we see pirated versions. It hinders proper monetisation and revenue for subscription-based platforms**"

Ali Hussein, COO, Eros Now

policy regulation will help the industry in the long run. "Regulation will help filter inappropriate content as long as it does not restrict talent and good work," says Wu of LiveMe.

While a regulatory storm can throw OTTs off-kilter, money matters are not looking up either. Hotstar clocked ₹571 crore in revenues in FY2017/18 with a loss of ₹389 crore. Other big players like Amazon are yet to become profitable. "We are currently focussing on expanding the customer base and scaling up," says Gandhi.

There is another hitch. The majority of Indian audience still prefers free or ad-supported content, and the AVoD (advertisement video on demand) model remains the key money-churner here, unlike mature markets where mostly SVoD (subscription video on demand) drives revenues. "Most of the Indian players with a huge customer base are on AVoD model now. To migrate to SVoD or freemium will be a challenge. It will take around three to five years for companies to make a gross profit," says Kalra of PwC.

That leads us straight to another crucial area – pricing. According to Kalra, "Indians are ready to pay, but they are very value sensitive. Also, we are a high-volume market. Companies who want to become a mass-market player have to price it right."

With its basic plan at ₹500 per month, Netflix is the most expensive of all OTT platforms and perhaps the most successful in making money – ₹20.2 lakh profit in FY2017/18 as per its RoC filing – as it has retained its subscription-based global revenue model even in India. In contrast, Amazon Prime, Hotstar and Zee5 are playing a volume game with low-pricing strategy. At a monthly fee of ₹129 (annual subscription is ₹999), Amazon offers access to Prime Video, Prime Music and free shipping on Amazon shopping app. Hotstar has a freemium model while Eros Now and ALT Balaji have cheap monthly plans at below ₹50. Voot, however, offers free content. "We believe businesses are built when you play scale and are focussed on acquiring more customers. When you focus on subscription, you stop the scale of growth. However, we will be entering a freemium model in the next couple of months," says Banerjee.

The massive fragmentation of customer base across platforms is also an issue. "Acquiring a huge customer base will be a long-term challenge for OTT players. Eventually, customers have to decide to which platform they will subscribe," says Banerjee. Voot is planning to improve its machine learning skills and recommendation engines to ensure more traction but as the market expands, getting the right talent and technology becomes difficult. "Hiring the right people will be the key," he adds.

Ali Hussein, Chief Operating Officer of Eros Now, has a different concern – content piracy. "The cost of creating good content is very high. But content piracy is rampant here and it is taking its toll. The moment a good original is released, we see pirated versions on several channels. It hinders proper monetisation and revenue for subscription-based platforms."

The industry also requires deep pockets and big investments at this stage. "There is no market in the world which is as vast and diverse as India. Here, customers are extremely demanding and hungry for content, but they are also price conscious. So, creating content that will satisfy all will always remain a difficult task," says Gandhi. BT

The writer is a Chennai-based freelance journalist

THE HUB **INTERVIEW**

ALL OUR PRODUCTS WILL BE MADE IN INDIA

Michelle Buck, the first woman CEO of the $7.5 billion The Hershey Company, is writing her company's India growth story by focusing on value-added chocolate products. In an interview with Ajita Shashidhar, Buck talks about the chocolate major's commitment to grow in emerging markets across the world and India in particular. Edited excerpts:

Photographs by Rachit Goswami

The Hershey Company first entered India through a joint venture with the Godrej Group. How important was that partnership and what did you learn from it?

Our vision is to make The Hershey Company an innovative snacking power house. We have been in the confectionery business for over 125 years as a leader in the US and globally, and we want to continue that growth as well as our portfolio. Our international strategy is important to our overall growth, and within that, India is critically important – it is one of our key focus markets. India is one of the fastest growing economies in the world right now.

The chocolate category is $1.2 billion in revenue and is growing at 11 per cent (a year). We have been in India for about 10 years and along the way we have evolved our business model to focus on what we believe we do best – produce high-quality products. We have in particular focused on the Hersheys brand and specifically in chocolate centric categories. So, we have now become one of the leaders with our Hersheys brand in chocolate syrups, chocolate cocoa powder, milkshakes as well as spreads. Now seems the right time to take that leadership to the next level by introducing Hersheys Kisses.

Is it a conscious decision not to focus on chocolates but other chocolate-based categories in India?

We want to focus on value-added branded products. Having a presence in multiple chocolate-centric categories helps us build the brand in an even bigger way. We started with syrups, and we expanded from there. Frankly, for us, the ability to develop and produce chocolates, which needs more temperature control, was a little bit more challenging. I am proud to say that we have found a way to manufacture the product here.

How do you plan to enter the mass market?

With the launch of Hersheys Kisses, we plan to compete in at least half of the category. Hersheys Kisses is sold in over 60 countries. We make 70 million Kisses everyday. It is synonymous with sharing happiness and building connections with family and friends. That value resonates around the globe and certainly with the Indian consumers.

How challenging would it be to break into Cadbury's forte? It has an over 55 per cent market share.

It's a really big market and is growing; there is enough space for everyone to co-exist and grow and Hershey's Kisses product is unique.

India, Brazil, China and Mexico are your focus markets. How different are these markets?

Some developed markets such as the US and Canada have been around for a long time. The growth potential of emerging markets is exciting. High population growth, high growth in economies... it is a new space for us to develop our leadership position. India is particularly interesting to me because it is one of the most vibrant economies. It is a young economy and you can feel that energy when you come to the market place. It has tons of potential in terms of growth. What is different is the development versus the lack of it in some of the countries. But the good thing is that consumers across the world love treats, and have an affinity with certain brands. That is what Hersheys Kisses is all about.

To grow, it is important for FMCG companies to look beyond the US and other developed markets. Is it a little too late to look at emerging markets?

> WE HAVE A COMMITMENT TO **PRODUCE OUR PRODUCTS** PRETTY MUCH IN EVERY MARKET THAT WE SERVE BECAUSE OF **OUR COMMITMENT TO THAT MARKET** AND ALSO BECAUSE **IT IS THE MOST EFFICIENT WAY TO OPERATE**

I believe in overall diversification. It is a great business strategy from a portfolio as well as geographic perspective because there is cyclicality in economies. Developed markets also grow but there is higher growth in emerging markets. The good thing for us is that when we focused on the US and North America, we didn't go into Western Europe. It is too late for us as it is a consolidated market. The growth potential in emerging markets such as China and India, in particular, is incredible. It's very important to our strategy.

When you entered India in 2010, what was the vision and how has it changed?

When you are new, it is difficult to go on your own. The Godrej partnership was a good one, helpful for us to learn and understand the market and get a good grounding. As we evolved, we learnt what was going to work for us here and what wasn't. The bigger shift was in our portfolio, to say, we as a company are all about high quality value-added, branded products that will add value to consumers. That's the kind of portfolio we do best. We need to stick to the learning we have from our big markets and transfer that to the world.

Do you plan to have your own manufacturing facilities in India?

We are excited to be manufacturing in India. We have a commitment to produce our products pretty much in every market that we serve because of our commitment to that market and also because it is the most efficient way to operate in a market. We are investing to do that and are working in partnership with a co-manufacturer. We have a world-class manufacturing facility near Bhopal where our beverages are made; we have co-manufacturers in different parts of the country. Every single Hershey's product sold in India is made in India.

When you came out of the partnership with Godrej, you had inherited a host of beverage brands such as Sofit. What is the plan for them?

Some have worked wonderfully well for us. Sofit is a great example – it's on trend, doing well in the market place. So, some of those businesses will continue to work for us. We divested some of the lower value products which didn't fit into our strategy. Our focus now is to concentrate on our lead brands, which is Hersheys. Then there are Sofit and Jolly Rancher. We also sell Nutrine, which we inherited from the joint venture, but it has a loyal set of consumers. We are ensuring that we get the products to consumers at the right price.

Aren't you too dependent on sweets, especially at a time when consumers are becoming health conscious?

It is important to have a breadth across categories. One thing I love about India is that we have more diversity in the portfolio here than in any other market. Sofit is all about better-for-you; it plays in the health space. We also have products which are more within the treat space but even within that there are actually different segments.

But won't you be looking at categories beyond chocolates, may be health-based foods?

I can quietly tell you there will be more news to come.

What kind of investments have you planned?

Significant. First of all in manufacturing. We will increase the size of our sales force capability. So, this is coming with significant investment.

How important is diversity in the workforce for The Hershey Company?

I am honoured to be the company's first female CEO and also very proud that we have predominance of women in our senior ranks. Our board of directors has nearly 50 per cent women. Our CFO is a woman, our Chief Growth Officer, too, is a woman. I believe that if people with diverse experiences are on the table, you get different perspectives that lead to best decisions and outcomes. BT

@AjitaShashidhar

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Harvard Business Review

GIVING AFTER DISASTERS

When corporate aid has the most impact.

Illustration by Raj Verma

IT'S BECOME ALL TOO CLEAR in recent years: Catastrophic acts of nature – hurricanes, tsunamis, earthquakes, wildfires – are happening more frequently and causing more destruction. The annual inflation-adjusted global cost of natural disasters has increased sharply, with the average from 2011 to 2015, reaching four times the average from 1980 to 1985. The number of people affected is rising, too, often exceeding 300 million in recent years. But traditional sources of funding for disaster recovery, from governments, non-profits, and NGOs, have not kept pace.

Corporations have stepped in to take up the slack. In 2000, fewer than one-third of the world's 3,000 largest companies donated anything to disaster relief, but by 2015 the share had surpassed 90 per cent, with the average donation having increased tenfold. Among the 500 largest US companies, the share contributing to disaster relief increased from less than 20 per cent in 1990 to more than 95 per cent in 2014.

Seeing this trend, researchers focussed on two obvious questions: Does it matter whether the companies furnishing aid have local ties and expertise? And if businesses are spending more in this area, are they and their shareholders benefitting?

In a pair of studies, researchers led by Luis Ballesteros, of George Washington University, utilised a newly created database listing every reported corporate donation made in response to a natural disaster from 2003 to 2013. (They focussed on sudden-onset disasters, excluding slow-developing crises such as famines and heat waves.) Drawing on insurance data and other sources, they tracked the human and economic toll of each incident, the speed at which aid arrived, and how quickly and well regions recovered.

In the first study, which examined how disaster-affected societies were helped by corporate aid, the researchers hypothesised that firms with "feet on the ground" and expertise in the region respond more quickly than others after a disaster and that long-term recovery is greater when such companies account for a large share of aid. This hunch didn't relate only to those companies' expertise; such firms have a vested interest in getting infrastructure rebuilt and society functioning smoothly so that they can resume doing business. The researchers also hypothesised that firms leveraging resources specific to their day-to-day operations (say, a mining company that lends earthmoving equipment or a delivery company that offers logistical support) have a faster and greater effect than firms that simply write a check.

To test their hypotheses, the researchers identified pairs of countries with similar attributes that experienced disasters of comparable magnitude but received different levels and kinds of assistance – aid furnished primarily from locally active firms versus aid from distant companies; aid consisting largely of in-kind help versus monetary donations. They examined the size of each country's economy, the level of hardship caused by the event (defined as people killed or adversely affected in other ways), and the volume of news coverage – factors known to influence how quickly aid arrives. As a proxy for recovery levels, they looked at each country's annual growth rate as measured by the UN's Human Development Index.

FIRMS WITH GOOD REPUTATIONS CAN BENEFIT FROM BEING THE FIRST TO STEP UP AFTER A DISASTER; OTHERS STAND TO GAIN ONLY IF THEY JUMP IN AFTER A COMPANY WITH A SOLID REPUTATION AND GIVE IN A SIMILAR WAY. AND LOCAL TIES ARE OF PARAMOUNT IMPORTANCE

The results showed that countries with a large share of aid from locally active companies received help more quickly than their counterparts did. Countries where more than 44 per cent of donations came from locally active companies had a 10-year recovery level that was 145 per cent higher, on average, than that of comparison countries. And countries receiving more help related to firms' core activities got the aid more quickly and had fuller recoveries than their counterparts.

In the second study the researchers explored what companies received in return for their donations. They began by observing that the first company to donate has a sizeable influence on the behaviour of subsequent donors: In 89 per cent of the cases studied, the initial donation was almost exactly matched by later givers regardless of differences in market value, market share, and financial performance. Hours after the 2010 earthquake in Chile, for example, the multinational mining company Anglo American pledged $10 million, and within days three major competitors contributed the same amount. "There's so much uncertainty when a disaster hits, and firms scramble to figure out how to respond," says Tyler Wry, a University of Pennsylvania professor who served on the research team, explaining this follow-the-leader behaviour.

To analyse the business impact of donations, the researchers looked at how a firm's reported revenue in an affected region differed from what could have been expected without the disaster. They found that the impact varied according to firm reputation, as measured by media coverage a year before and a year after the disaster – and here, too, the initial donor exerted a strong effect on subsequent givers. "Regardless of donation size, benefits accrue to well-regarded first movers as well as to firms that mimic their gifts," they write. "In comparison, poorly regarded first movers are punished when offering aid, as are followers who make similar donations." The study also showed that neither the size of the need nor a firm's capacity to give had much effect on how a donation was received. "Regardless of the amount donated, some first movers and their followers are rewarded for their largesse, while others are punished," the researchers write. "In fact, after pledging aid, over half of the firms in our data experienced a dip in local revenue that cannot be explained by the impact of the disaster alone." They add that companies following an ill-regarded first donor may benefit from offering aid that differs from that donor's contribution.

The practical implications for companies are clear. Firms with good reputations can benefit from being the first to step up after a disaster; others stand to gain only if they jump in after a company with a solid reputation and give in a similar way. And local ties are of paramount importance. "The more favourable impact seems to be in settings where companies have their feet on the ground and already have local capacity," says Michael Useem, a University of Pennsylvania researcher and one of the studies' coauthors.

There's also an important implication for society at large. Disasters in underdeveloped economies, where few deep-pocketed businesses are present, are unlikely to attract significant corporate donations. So, governments, NGOs, nonprofits, and individuals should be prepared to shoulder much of the burden when disaster strikes those regions.

About the Research: "Masters of Disasters? An Empirical Analysis of How Societies Benefit from Corporate Disaster Aid" by Luis Ballesteros, Michael Useem, and Tyler Wry (*Academy of Management Journal*, 2017); "Halos or Horns? Reputation and the Contingent Financial Returns to Non-market Behavior" by Luis Ballesteros, Michael Useem, and Tyler Wry (working paper). This article was first published in the January-February 2019 issue of *Harvard Business Review* **(www.hbr.org)**.

Q&A: Eduardo Martinez, UPS Foundation

One of the biggest needs after a disaster is logistics – getting food, water, medicine, and other supplies to the affected region. UPS has leveraged its expertise to become a leader in the field, routinely winning awards for its contributions around the world. **Eduardo Martinez,** President, UPS Foundation, and UPS's Chief Diversity and Inclusion Officer, spoke with *HBR* about how the company maximises the benefits of its work. Edited excerpts follow.

Q: What has UPS learned from years of responding to disasters?

A: We focus not just on disaster relief but also on preparedness, postcrisis recovery, and supply chain logistics. We need to play to our strengths to have a multiplier effect. This is not sudden-onset activity that starts when there's a disaster. We devote funding, expertise, and engagement to it year-round.

UPS is a logistics company, so it's obvious how it can help. What about an accounting or a consulting firm?

Every private-sector company can play a role. Humanitarian relief agencies need consultancy and technology support. And companies operating in at-risk areas need to become more resilient. A study in New York City after Hurricane Sandy found that 30 per cent to 40 per cent of the small and medium-size businesses affected by the storm never came back. Some communities have appointed "resiliency officers," who coordinate efforts to help companies survive disasters.

Do firms ever "help" in ways that are counterproductive?

That's a classic problem. After the Haiti earthquake, we got a call from a global customer of ours looking to donate thermal blankets – in July, in the tropics. Whenever we get a call from a company offering to send something, we say, "Thank you, hold on, let's check with the people on the front lines." If there's no need for what the company is offering, we'll explain what is needed – water, tents, and lanterns. We manage our customers in this way so that we don't clog the supply chain.

How has technology changed the way you respond?

It helps us be more effective. We have used drones to deliver vaccines and blood supplies in Rwanda, sometimes making more than 50 deliveries a day. We're using scanners and cards to track and distribute food to Syrian refugees. The new system ensures that everyone gets the right nutrition, and it has reduced lines, spoilage, hoarding, and reselling.

What does UPS get in return for this work?

Strategic philanthropy helps a company's reputation and brand, but if you really want to mobilise an organisation, you need to go beyond that. We're learning as a business from these efforts – for instance, the Rwanda drone project gives us experience with a new technology. We're becoming acquainted with different cultures and how to work in different markets. We're also inspiring our people. Companies that do this work to generate nice headlines leave a lot of value on the table.

FIVE SUBTLE WAYS TO FIND A NEW JOB

By PRISCILLA CLAMAN

LOOKING FOR A JOB can be discouraging and embarrassing, if not downright humiliating. You can be rejected without reason, asked questions you'd rather not answer, or be judged based on criteria you don't understand. Not to mention you're putting your career – and even your sense of self – on the line.

That may be why so many people delay putting themselves on the job market even when they know they should act. For example, I once mentored a customer service representative who knew he should leave his job. After two raise-less, promotion-less years, he found himself feeling undervalued and bored. He had plenty of excuses for delaying action: Why look for a new job when his last job-search experience was a nightmare? Why look for a new job when everybody knows that jobs are scarce in this economy? So, he remained at the company – and the next time there was a restructuring, he was laid off.

Make sure your resume is up to date and clearly shows your career interests

Make some connections where they are hiring, and apply for those jobs

Do the job, don't be the job

Of course, I'm not suggesting you jump ship every time you are bored at work. But it's often a good idea to analyse your current situation for signs that there could be something better. If you're stuck in a bad job, your symptoms might be: boredom, complaining, blaming, feelings of frustration and anger, or even a sick feeling on Sunday evenings because you dread going to work on Monday. Your organisation's symptoms might include: layoff after layoff, repeated outsourcing, or multiple management changes. In either case, it's time to take action.

Here are some suggestions that will allow you to work with your current work situation without committing to a job search:

Be prepared. Make sure your resume is up to date and clearly shows your career interests. Make sure it's informed by what you want to do and learn next. Start talking to colleagues in a judicious way about your interests. You don't even have to mention job search, and some may be willing to help you achieve your general career goals.

Change at least some of the content of your job. This approach can remotivate you even if you can't leave your current situation. There is usually lots of extra work in companies that have been downsizing, so volunteer yourself to take on something new. In particular, volunteer for any cross-functional projects that put you in contact with senior colleagues. If you succeed, you may be relieved of some of your current duties. Keep asking for more responsibility, whether or not you are compensated for it. If the project builds your resume, the compensation will come. Ever hear the expression, "You have to have the job before they will give it to you"? Well, this is how that happens.

Look for a new job at your current employer. This is usually easier than looking externally for a new job. At least once a month, look at the jobs or employment section on your company website. Where are new jobs being created? Are there some possibilities for you there? If your organisation is laying people off, they are probably hiring in other areas. Make some connections where they are hiring, and apply for those jobs.

Closely track your network. It's Networking 101: Keep a list of all the people you liked who left your workplace, or who went to college or graduate school with you, along with their contact information. Stay in touch periodically, so you can activate this network when you need to.

Do something new every year. Join a club or activity, take a course, or volunteer somewhere. Make sure you meet new people and have their contact information. If you are thinking about a new career, focus this activity in the new career area. If you are interested in moving from sales to marketing, for example, take courses in marketing and join marketing organisations.

And if you're still stuck, try disconnecting from your job a little. Make sure to have other things in your life that are important to you – family, friends, an organisation, a hobby, etc. Do the job, don't be the job. You'll notice that people who have outside interests and contacts – people who have a little independence from their jobs – carry themselves differently. Often more confident, powerful, and resilient, they are the ones who find it much easier to brave the quirks of the job market.

Searching for a new job doesn't have to be an all-or-nothing activity. These actions will put you more in control of your career and reenergise your work life.

This article was first published on **www.hbrascend.org.** *HBR Ascend* is a digital learning platform for graduating students and young professionals.

Money Today

Middle Class Bonanza

Zero tax on taxable income of up to ₹5 lakh to provide relief to a big section of the tax-paying population.

MIDDLE CLASS BONANZA

Zero tax on taxable income of up to ₹5 lakh to provide relief to a big section of the tax-paying population.

By NAVEEN KUMAR AND RENU YADAV

Illustration by AJAY THAKURI

Income tax payers who were feeling ignored for the last two budgets have got a substantial relief in Budget 2019/20. After the significant steps in Budget 2014 to enhance basic income tax exemption limit from ₹2 lakh to ₹2.5 lakh and Section 80C deduction limit from ₹1 lakh to ₹1.5 lakh, and an additional ₹50,000 deduction on NPS investment in Budget 2015, the last two budgets did not have any relief for individual income tax payers. However, tax breaks for small tax payers in this Budget have brought back smiles to the common man.

Pay no tax on ₹5 lakh income: One of the biggest takeaways is that those earning up to ₹5 lakh will not have to pay any tax. "In the interim Budget, the finance minister has given relief to small income earners, including salaried, pensioners and senior citizens, by introducing a tax rebate for individuals having taxable income of up to ₹5 lakh. At present, taxable income of ₹5 lakh attracts a tax of ₹13,000 (including health and education cess), which will become nil now," says Divya Baweja, Partner, Deloitte India (Personal Tax).

This benefit will be available in the form of the Section 87A rebate. Earlier, people with taxable income up to ₹3.5 lakh or below were eligible for a tax rebate of ₹2,500.

What this Budget has done is to raise the rebate to ₹12,500 and enhance the eligibility criteria from taxable income of ₹3.5 lakh to ₹5 lakh. This is the income which is arrived at after all exemptions/deductions.

₹3 LAKH
Savings from tax exemption for gratuity for those in 30% tax bracket

2
The number of houses you can buy with the money from selling one house. Earlier, you could buy only one for capital gains exemption.

Special gift for salaried class: The standard deduction introduced last year has been increased from ₹40,000 to ₹50,000. It is a fixed deduction available only to those with income from salary or pension.

The other big announcement is regarding gratuity income. Gratuity is one time big income for those retiring after years of hard work and it pinches really hard if you have to pay tax on this amount. As salary levels have risen significantly over the years, so has the gratuity amount that employees get. To accommodate rising inflation and salary levels, the government has proposed to increase the income tax exemption on gratuity income from ₹10 lakh to ₹20 lakh. This will result in huge savings for people with long years of service.

Benefits not limited to low-income group: While the Budget 2019 may look like more focused towards giving relief to people in lower income tax brackets, a closer look reveals benefits for those in middle as well as higher income groups.

If you are claiming deduction under Section 80C of up to ₹1.5 lakh,

PAY NIL TAX ON ₹10.25 LAKH INCOME IN FY20

	PRE-BUDGET(₹)	POST-BUDGET(₹)
Income from Salary	10,25,000	10,25,000
Standard Deduction	40,000	50,000
Deduction u/s 80C on Investment and Expenses	1,50,000	1,50,000
Deduction u/s 80D* on Health Insurance	75,000	75,000
Benefit u/s 24B on Home Loan Interest	2,00,000	2,00,000
Deduction u/s 80CCD (1B) on NPS Contribution	50,000	50,000
Total Deduction	5,15,000	5,25,000
Total Taxable Income	5,10,000	5,00,000
Total Tax	14,500	12,500
Rebate under Section 87A	Nil	12,500
Tax Payable	14,500	Nil

*₹25,000 for self, spouse and children and ₹50,000 for senior citizen parents

there will be no tax on income up to ₹6.5 lakh. "Individuals with gross income of up to ₹6.5 lakh will not have to pay any tax now if they make tax saving investments of ₹1.5 lakh under Section 80C of the Act," says Divya of Deloitte.

Besides Section 80C, there are other options as well to save even higher taxes. Our illustration shows how people earning up to ₹10.25 lakh can end up paying zero tax if they tick the right boxes. This can be higher if you are repaying an education loan either for self or for your child. If you have a self-occupied house purchased with home loan but are living on rent in a different city, you may even claim the benefit of house rent allowance. The extent of the benefit will depend on your basic salary, HRA allowance and the city where you live. People in the 30 per cent income tax bracket will end up saving at least ₹3 lakh on account of change in gratuity exemption if they get a gratuity of ₹20 lakh or above.

Real estate booster: One of the most sought after relief for middle and high income groups came in the form of real estate sops.

The Budget gives the much-needed boost to the real estate sector, which faced significant correction and stagnation after demonetisation and was struggling to recover from the big jolt. The first proposal was with regards to multiple self-occupied properties. From financial year 2019/20, no tax will be levied on the second house property if one owns two self-occupied houses. Earlier, if you owned two house properties, one was deemed to be rented out and tax was levied on the notional rent. This has delighted many people. Pooja Sinha, an IT industry professional, is delighted as she will no longer be required to pay tax on notional income from second self-occupied property. She, along with her husband, has two houses in Gurgaon, Haryana. They also own two houses in her in-laws' home town Kolkata. She says in the current scenario when people move to different cities based on professional requirement, it becomes essential to have two self-occupied houses, one in the home town and one at the place of work or children's education. The government decision will help her save more tax.

THE STANDARD DEDUCTION HAS BEEN INCREASED FROM ₹40,000 TO ₹50,000. IT IS AVAILABLE ONLY TO THOSE WITH INCOME FROM SALARY OR PENSION.

The Budget has also proposed that the benefit of rollover of capital gains tax could be used to buy up to two houses if capital gains is up to ₹2 crore. Earlier, if you had earned capital gains from sale of house property, you could have used it for construction or purchase of another house and save on capital gains tax under Section 54. These moves are bound to improve sentiment in the real estate sector and push up demand going forward.

Marginal gain for senior citizens: Most senior citizens have pension income or interest income under ₹5 lakh per year. With standard deduction going up from ₹40,000 to ₹50,000, salaried senior citizens with pension or salary income will end up saving more tax.

The limit after which TDS is deducted on interest earned on deposits in banks and post offices has been raised from ₹10,000 to ₹40,000. This will help senior citizens, especially the ones who have taxable income of ₹5 lakh or below and count on interest income after retirement as they will not have to go through the hassle of paying tax first and seeking refund later if they have a taxable income. BT

@naveenkumar80 and @RenuYadav08

आज तक
देश का नं. 1
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पिछले कुछ दिनों में घाटी में आतंकी हमलों में तेजी आई है. एक ओर
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बड़ी खबरें
आज तक
लाइव टीवी

LESS TAXING

Here are the best options that you can use to optimise tax savings.

By NAVEEN KUMAR and RENU YADAV
Illustration by Ajay Thakuri

For the salaried class, HR reminders to submit tax-saving proofs often lead to a last-minute rush to review what all can be done to get maximum tax deductions. As for the self-employed, exercise begins when their chartered accountants remind them of the last-minute window. Here is a quick look at some of the best tax-saving investment plans which can cut down your tax outflow.

Tax-saving mutual funds: Tax saving-funds, also known as equity-linked saving schemes (ELSS), provide tax benefits under Section 80C. Also, as an asset class, ELSS has delivered 12 per cent returns over the past three years as on January 31, as per ValueResearch. "For an investor seeking capital appreciation along with tax benefits, ELSS could be one of the best tax-saving options despite the introduction of long-term capital gains (LTCG) tax," says Nitin Shanbaug, Senior Group Vice President, Investment Products, Motilal Oswal Private Wealth Management. However, LTCG applies to gains above ₹1 lakh in a financial year, but if you decide to invest for the long term, post-tax returns are likely to be higher than most of the fixed-income instruments.

These schemes have a lock-in period of three years – the shortest among all tax-saving instruments – but it is advisable to align them with long-term goals. "This will help you beat market volatility and ensure superior returns," says Tarun Birani, Founder and CEO of Mumbai-based TBNG Capital Advisors. Go for a systematic investment plan, or SIP, but remember that the lock-in will apply to every SIP you make. It means you need to wait for four years before withdrawing the entire amount invested during a single financial year. Only those with a good

risk appetite should opt for these and stay put for at least five years.

Public provident fund: After a gap of one year and a half, the PPF interest rate has again hit the sentimental mark of eight per cent. PPF falls under the EEE (exempt-exempt-exempt) category, which means there is tax deduction advantage under Section 80C at the time of investment and no tax is levied during accumulation and withdrawal. It is a good choice for those who are looking at guaranteed returns and willing to stay invested for the long term. Also, for self-employed and non-salaried people who do not contribute to the provident fund, PPF can be a long-term tax-saving option as it provides the benefit of compounding.

Sukanya Samriddhi Yojana: This scheme has been introduced to ensure a better future for the girl child and falls under the EEE tax regime. Under this scheme, a parent with a daughter aged below 10 can invest a minimum ₹250 or a maximum ₹1.5 lakh during a financial year, for a maximum period of 14 years from the date of opening the account in the girl's name. The account can be closed 21 years after you have opened it, and partial withdrawals are allowed for education and marriage purpose after the girl is 18. It is offering 8.5 per cent for the quarter ending March 2019.

PPF IS A GOOD CHOICE FOR THOSE WHO ARE LOOKING AT GUARANTEED RETURNS AND WILLING TO STAY INVESTED FOR THE LONG TERM

National Savings Certificate: Another tax-saving option that qualifies for Section 80C deduction and offers guaranteed returns. The interest earned is compounded annually but is reinvested and paid out on maturity after five years. The entire accumulation will be taxed on withdrawal as per the tax slab of the individual. Currently, it is offering eight per cent interest.

Senior Citizen Savings Scheme: This is a popular product for senior citizens, with a quarterly interest payout option. The scheme generally offers a higher interest rate than fixed deposits. "The interest is taxable, though, but with the rise in exemption limit for interest in-

TAX SAVING INVESTMENT OPTIONS

Investment
Tenure
Tax on Gains
Return

ELSS
3 years
LTCG of 10%*
12%#

Public Provident Fund
15 years
Exempted
8.8%

National Savings Certificate
5 years
Taxable
8%

Sukanya Samriddhi Yojana
21 years
Exempted
8.50%

Tax saving fixed deposits
5 years
Taxable
7.8%**

Senior Citizens Savings Scheme
5 years
Taxable
8.70%

*Only on gains above ₹1 lakh in the given financial year **India Post; #three-year anualised return

come from ₹10,000 to ₹50,000 in the last Budget (for senior citizens only), the SCSS has become more attractive. Plus, you lock in the interest rate available today for the next five years, which lessens the uncertainty about returns for the next five years," says Lovaii Navlakhi, Chief Executive and Managing Director of Bengaluru-based financial advisory International Money Matters.

Tax-saving fixed deposits: Last-minute tax-savers and senior citizens generally prefer these. They have a five-year lock-in period and can be started in banks and post offices. "The interest received is taxable. So, if someone is in the 5 per cent tax bracket, he/she can opt for FDs, but for those under higher tax slabs brackets, post-tax returns will not be attractive," says Navlakhi.

Unit-linked insurance plans: After several regulatory changes over the past decade and a significant reduction in cost, ULIPs, as a combination of insurance and wealth generation, are gaining traction. "They have a significant advantage over ELSS as maturity proceeds are tax-free under Section 10 (10D) of the Income Tax Act," says Anand Pejawar, President of Operations (IT and International Business) at SBI Life Insurance.

Pension plans: As equities are known to deliver higher returns over the long term, it makes sense to go for these plans and secure your retirement. "To fund your retirement via equity and save taxes on the way can be done if you invest in equity-oriented mutual funds, National Pension Scheme (NPS) and pension funds. A combination of at least two of these is a good mix," says Archit Gupta, Founder and CEO ClearTax, an online tax consultancy and investment platform.

National Pension Scheme: NPS, with the option of equity exposure and low charges, is emerging as one of the popular retirement investing tools. Besides investment benefits, it also helps you save taxes in a big way. "The maximum deduction you can claim under Section 80CCD (1) is 10 per cent of basic salary, but no more than the Section (80C) limit. For the self-employed, this limit is 20 per cent of the gross income," says Gupta. "Plus, you can claim any additional self-contribution (up to ₹50,000) under Section 80CCD (1B)." People opting for this scheme have to buy an annuity using 40 per cent of the maturity amount and can withdraw the remaining 60 per cent. "The recent changes in NPS taxation making the withdrawal of 60 per cent corpus on maturity completely tax-free has put it on a par with schemes such as PPF," says Rahul Jain, Head of Personal Wealth Advisory at Edelweiss.

Deferred annuity plan: Life insurance companies offer this to ensure a regular retirement income, and you also get benefits under Section 80C. "Unlike an immediate annuity where annual/monthly payment starts immediately, an investor can delay the payment to match his/her requirement (ideally, post-retirement). ULIP is an example of deferred annuity plan," says Pejawar of SBI Life Insurance.

Pension funds from MFs: Mutual fund houses also offer pension funds where you can invest to build your retirement kitty. Any investment in this fund also qualifies for Section 80C deduction benefits. "The choice of retirement funds offered by MFs is limited, though. In my view, an investor's retirement portfolio should be a healthy mix of diversified equity funds, including ELSS, ULIPs, NPS, PPF and EPF," says Jain of Edelweiss. BT

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SIDE-POCKETING SHOULD BE NEXT TAX FOCUS

Now that mutual funds are allowed to segregate risky assets, tax implications in such cases should be well-defined.

By RADHAKISHAN RAWAL AND GEETA BHATIA

Before the end of 2018, market regulator SEBI issued a circular permitting mutual funds (MFs) to create a segregated portfolio pursuant to a credit event. Called 'side-pocketing' in industry parlance, this is prevalent globally. The reason for such relaxation could be the recent NBFC crisis, which sparked panic among investors. However, there is little clarity regarding tax implications of such a measure that seeks to address investors' concerns.

Side-pocketing means the creation of a segregated portfolio of debt or money market instruments, affected by a credit event, specifically separated in an MF scheme. Such segregation of distressed assets is required primarily to ring-fence liquid assets or deal with liquidity risk and reduce panic redemption by investors. It is optional for MFs and is permitted, subject to:

- Happening of a credit event at the issuer level, i.e., a downgrade in credit rating by a SEBI-registered credit rating agency to 'below investment grade' or lower or similar such downgrade of a loan rating;
- Trustees' approval, which should be obtained within one business day from the day of the credit event;
- Scheme Information Document provided for such segregation with adequate disclosures;

Key Mechanics of Side-pocketing

- It shall be effective from the day of the credit event.
- Two NAVs, one of the segregated portfolio and other of the main portfolio (excluding the segregated portfolio), shall be disclosed.
- Existing investors as on the day of the credit event shall be allotted an equal number of units in the segregated portfolio (bad units) as held in the main portfolio.
- Units shall be listed within 10 working days of side-pocketing.
- Redemption and subscription shall be suspended in the segregated portfolio. Existing investors can exit by transferring units on a recognised stock exchange.
- Post-segregation, investors will be allowed to redeem units of the main portfolio (good units) and will continue to hold the bad units.
- After side-pocketing, new investors in the scheme will be allotted good units only.
- Any future recovery of bad assets shall be distributed to investors in proportion to their holding in the segregated portfolio.
- There is no restriction on creation of more than one segregated portfolio based on credit events.

Tax Implications

The I-T Act contains specific provisions to give tax neutrality to certain corporate events such as amalgamation and demerger and also contains specific provisions for MFs. But the current law does not contemplate MF side-pocketing. Here are the probable tax implications arising out of side-pocketing of bad assets:

- **Cost of bad units and holding period:** Investors are allotted bad units without any additional payment. As per Section 55(2)(aa)(iiia), the cost of financial assets allotted without any payment and on the basis of the holding of other financial assets shall be Nil. Similarly, as per relevant provisions of Section 2(42A), the period of holding bad units could be considered from the date of allotment of such units. The said provisions were introduced to ascertain the cost for bonus shares and securities. Bad units are not akin to bonus shares.

Logically investor should be allowed to spread the cost of acquisition of original units between good and bad units. Before the introduction of Section 55(2)(aa)(iiia), courts have held that the cost of bonus shares should be determined by spreading the cost of original shares between bonus and original shares. The approach adopted to determine the cost of bad units would also impact the cost of good units.

- Application of other provisions such as Section 56(2)(x), applicable when a person receives any property without consideration, and Section 94(8), meant for bonus-stripping transactions, to side-pocketing could also give unintended results.

Finally, SEBI's decision to adopt this concept is welcome and should act as an enabler for the MF industry. Now, the authorities should also address the tax implications of side-pocketing. BT

Radhakishan Rawal is Partner and Geeta Bhatia is Senior Manager with Deloitte Haskins & Sells


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MONEY MATTERS

Managing your money can be tricky. Send your queries, and top-notch industry leaders will help you resolve any issue.

Mutual Fund

Rakesh Diwedi: I have invested in a small-cap fund and got good returns. But the past year has not been too great. Should I book profits and exit and start looking at large-cap funds?

Vidya Bala, Head of MF Research at FundsIndia.com, replies:
The small cap as a category has seen corrections this year. Hence, it is only natural that your fund is not doing as well as before. If you are a long-term (five-plus years) investor and your exposure to small caps is less than 20 per cent of your overall portfolio, you should not worry. Otherwise, increase your allocations to large-cap and midcap or multicap funds as it will be a prudent portfolio allocation strategy.

Life Insurance

Sreerangan Prabhu: My cousin died in an accident three months ago. He had an LIC policy, but his wife is not able to locate the documents. Is there a way she can claim the insurance money? Also, what are the documents required?

Rushabh Gandhi, Deputy CEO at India First Life Insurance, replies:
First of all, it is never too late to file a claim. The wife can claim insurance proceeds, but she will have to obtain a duplicate policy document. The process requires inserting an advertisement in an English daily with a wide circulation in the state where the loss is reported to have occurred (the policyholder or his/her family has to pay for it). Next, a copy of the newspaper in which the advertisement appeared should be sent to the insurer's office a month after the ad's publication. If no objection is raised with the LIC regarding the policy in question, a duplicate policy will be issued after the people concerned comply with certain requirements, namely, submitting an indemnity bond and payment of charges for the duplicate policy. Based on that, she can file the claim along with supporting documents, including the claim form, KYC documents of the beneficiary, bank statement of the beneficiary and his death certificate.

Auto Insurance

Devender Rawat: I have a four-year-old car and need to renew the vehicle's insurance. The quotation I have got from the existing insurer is ₹13,000, but online insurance aggregators are putting it at ₹7,000. Why do we see such big gaps? Will I miss out on benefits if I buy insurance online?

Mahavir Chopra, Director, Health, Life and Strategic Initiatives, at Coverfox.com, replies:
In the insurance space, different distribution channels work on different cost and commission models. Offline channels include dealers and agents who may incur bigger costs and get bigger commissions, which, in turn, get added to your premium. Also, insurers may give differential discounts to certain agents based on the nature of claims over the years. Online space is fiercely competitive and it is the place for discerning buyers. So, we see fewer fraudulent claims arising from online transactions, and hence, premiums are significantly low. BT

Please send your queries to moneytoday@intoday.com

THE BREAKOUT ZONE

RETAIL TECH

WAITING FOR SMART CARTS

Self-checkout shopping baskets will be more than just a convenience. They will encourage buying.

Illustration By Raj Verma

AMAZON IS FOCUSSING on entirely automated stores where customers can walk in, pick up items and walk out to pay later through their Amazon Pay accounts, but other retailers are yet to catch up. Of course, there are self-service checkout machines in many places, but you may still end up in a queue if it is a busy store with too few payment points. Another alternative is to make shopping carts smart enough to scan and check out items. But that Holy Grail of retail has not been achieved yet although the quest for such a product has been on for well over 15 years.

It started in 2002 when the US-based supermarket chain Safeway demonstrated a computerised sales vehicle that tracked where a shopper was within the store and what he/she was doing. Suggestions and discounts also popped up on a book-sized computer in the cart. But soon there were worries that the system could lead to a preferential treatment where some shoppers would get more discounts than others. Also, privacy was a concern as marketers could access a lot of information.

A year later, IBM showcased a smart cart at its Industrial Solutions Lab in New York. The idea was to make shopping more efficient and profitable. The cart included Veggie Vision, a scale to weigh items, and Everything Display, an interactive screen that displayed the shopper's list. It came at a time when touchscreens were rare and credit card swiping seemed a hi-tech exercise. But even then, the cart managed to speak to the customer. "You just want to get a piece of fish and the makings of a salad, but your shopping cart keeps talking to you," wrote an *Associated Press* journalist. The idea was, and still is, to come up with recommendations so that customers buy more.

Fast forward to recent times and we find robot-assisted shopping carts guiding people to relevant products. WalMart patented one last year that looked like there was a Roomba beneath the shopping cart which was driving it around. Texas-based Chaotic Moon also came up with a smart cart that followed a shopper around and called out recommendations and discounts. But it travelled at an alarming pace and one had to get out of its way. The EU's Grocer project used touchscreens and guided shoppers to what they wanted via the shortest route.

Finally, there is Caper's V1 that comes with a cartload of sensors. Shoppers can toss in everything they want, and the barcodes of the items will be scanned and tallied. It also doubles up as the cashier as you can pay on the cart with a credit card or Apple/Android Pay, and the receipt will be e-mailed to you. But there is more. As per a *TechCrunch* report, sections of its two pilot stores have done away with the scans. Instead, cart cameras are using image recognition and a weight sensor to identify what you have shopped. It can promote deals on nearby/related items and plans to come up with recommendations based on what is in the cart, thus driving shoppers to buy more. If all these take off in a big way, cashiers and shop assistants could be on their way out but augmented shopping will undoubtedly be the way ahead for customers and retailers. **BT**

> **IN CAPER'S LATEST INNOVATION, CART CAMERAS ARE USING IMAGE RECOGNITION AND A WEIGHT SENSOR TO IDENTIFY WHAT YOU HAVE SHOPPED**

TECH-MADE

METEORIC MIZZLE

WITH TECHNOLOGY rapidly taking over our lives, you would expect to find a 'tech copy' or 'tech-improved' version of almost everything, right from chatbots to recreated artworks. But do we really need an artificial meteor shower, a breathtakingly beautiful celestial happening? Whether you like it or not, Japanese company Astro Live Experiences (ALE) has sent up a rocket to execute that feat for sheer entertainment.

To many, Sky Canvas, as the rain of meteors is called, is a bizarre idea. ALE, however, describes it as the world's first artificial shooting star project that aims to bring people together from all over the world to witness an unprecedented sight. "We aim to produce artificial shooting stars by projecting particles, made out of special materials, from orbiting micro-satellites," the company's website says. "When the particles re-enter the earth's atmosphere, they burn through a process known as plasma emission, creating the appearance of shooting stars on the ground. The particles burn with sufficient brightness to be visible by people in an area up to 200 km in diameter."

The on-demand meteoric shower is not all fun, though. There is a scientific interest as well. By studying the path of artificial shooting stars where the angle of incidence, velocity and materials are known, the company hopes to provide a better understanding of the mechanics of naturally occurring shooting stars and meteorites. **BT**

PERSONAL TECH

BEHIND BUYBACKS

GETTING AN ASSURED SUM FOR AN OLD DEVICE SOUNDS TEMPTING, BUT ONE HAS TO BE AWARE OF THE PITFALLS.

By Nidhi Singal

Illustration By Raj Verma

IF YOU PREFER selling your old phone while buying a new one but do not want to get into a lengthy haggle over the best price for your old device, you should take advantage of an assured buyback programme offered by many sellers. Assured buyback by e-commerce players promises customers a buyback price right at the time of the purchase. In most cases, buyers are asked to subscribe to this option by paying a little extra at the time of the purchase. When you plan to avail it, inform the e-commerce company. It will collect the device from home, do quality checks right there and soon you will get the buyback money in your e-wallet which can be used while buying a new phone from the same seller. However, you have to forfeit the subscription fee and sell your old gadget elsewhere if you do not want to buy the new phone from the same portal.

Paytm Mall, in partnership with Mumbai-based Servify, an after-sales service provider authorised by major brands, has come up with an 'assured buyback scheme' for laptops purchased from the e-commerce portal. A buyer has to pay an additional ₹499 for the scheme, and in return, the online mall will offer a buyback price. The scheme will kick in six months after a purchase is made and will continue up to three years from the purchase date. The portal features all popular models from Apple, Acer, Lenovo, Dell and Asus, and the buyback price varies as per the brand in question. For Apple laptops, the company offers up to 60 per cent of the purchase price for the first year, 35 per cent for the second year and 20 per cent for the third year. The assured price for Dell, HP, Asus, Acer and Lenovo is 50 per cent for the first year; the rest remains the same.

Similarly, Flipkart offers a 'buyback guarantee' for mobile phones for exchanging the current phone with Flipkart on purchase of a new phone. By paying ₹99 extra, one would get a discount of ₹6,500 on Xiaomi's Redmi Note 6 Pro (current price is ₹13,999) between six months and one year from the date mentioned in the invoice. An increasing number of smartphone manufacturers are also offering buybacks on select models when their products are sold on these e-commerce platforms. For instance, there is the OnePlus Assured Upgrade, which, for ₹199, promises to offer a guaranteed buyback value of 40-70 per cent within three to 12 months when one is upgrading to the company's next flagship device.

"Buyback as a process has always been unstructured, and prices are never guaranteed due to manual procedures and fraudulent practices. It used to be mostly offline where a physical verification was mandatory to know the health of the device. Now people are trying a tech-enabled process for the first time where we know every single IMEI/serial number. The device is put through a thorough diagnosis to revalidate its health before paying the assured buyback price, thus reducing frauds. The resultant benefit is passed on to consumers," says Sreevathsa Prabhakar, Founder of Servify.

However, not everything is as easy as it sounds, especially as one has to keep in mind the stringent time frame. In most cases, a customer qualifies for a buyback at least six months after the purchase. He/she is also asked to produce the original invoice that matches the product ID/IMEI mentioned on the device. It must be in a good working condition, charging should be in apple-pie order, and there should not be any crack, scratch or dent on the body. Moreover, the device has to be returned along with the original box, charger and accessories that came with it at the time of purchase. Even a single missing item can spoil the deal for you.

"ASSURED BUYBACK IS NOT A SUCCESS IN OFFLINE RETAIL AS CUSTOMERS ARE LOOKING FOR UP-FRONT DISCOUNTS AND OFFERS"

RESALE VERSUS BUYBACK

The buyback trend seems to be catching on across e-commerce platforms, but unorganised offline retailers do not seem too interested in this model. According to Manish Khatri, Partner at Mumbai-based Mahesh Telecom, "Assured buyback is not a success in offline retail as customers are looking for upfront discounts and offers instead of spending extra and waiting to avail discounts on their next purchase. They get better resale value than what they get under assured buyback. Also, the offers from these companies have lots of terms and conditions, and even a small dent on the phone can reduce the value to a great extent."

However, Bengaluru-headquartered Sangeetha Mobiles, South India's leading multibrand retail chain, offers assured buyback options which seem more flexible than what people find on e-commerce portals. If you wish to exchange your old mobile phone, walk into one of the stores with the phone and other things mentioned above along with identification and address proofs. But in case one is unable to provide original accessories, box and packing, only 10 per cent is deducted from the buyback price. The company claims to offer 80 per cent of a phone's value within 30 days of purchase and up to 50 per cent within a year depending on the condition of the handset.

Many argue that one could obtain a better price by selling the device in the offline market. However, not everyone knows the golden rules of reselling or finds it convenient. For them, an assured buyback makes sense. BT

@nidhisingal

AMAZON ECHO INPUT

OLD SPEAKERS MADE SMART

BY NIDHI SINGAL

SMART SPEAKERS are fascinating as you can ask Alexa, Google Assistant or Siri to play music, bring news updates, help kids with their homework or run smart home devices. But chances are, most of us already own a speaker and might not wish to invest in a new one for accessing these features. In such cases, Amazon's Echo Input should be the perfect solution as it brings smart functionality to non-smart speakers by adding Alexa and audio-streaming capabilities.

The Echo Input is a small and compact circular device with minimal controls on the top. The mute button on the left turns off the microphone while the action button on the right launches Alexa or puts it into the pairing mode. It also houses a four-microphone array for capturing your voice from anywhere in the room even when the music is playing. There is a microUSB port for power and another socket for the auxiliary cable at the rear. My review unit in black blended perfectly with my home interior and also matched the speaker.

Setting it up was quick and easy as I used the Alexa app (available for both iOS and Android). You have to connect the device to local/home Wi-Fi and pair it with the speaker using Bluetooth or the auxiliary cable. When I selected the Bluetooth option, the Alexa app started looking for available devices and instantly connected it with the selected speaker. It took me less than a minute to complete the set-up.

The way you use Alexa via Echo Input is similar to what you do with Echo Dot or Echo. First-time users must activate 'skills' either from the Alexa app or ask Alexa to enable them (give exact skill names). From playing music to fetching news, booking cabs to controlling smart lighting, notifying deals of the day to adding items to Amazon shopping cart, Input was able to accomplish all these tasks and more. It was also able to operate devices connected via the Wi-Fi (like a smart switch) or those accompanied with their own hubs. The best thing about connecting it via Bluetooth was the clutter-free set-up. I placed the speaker on the side table and hid the Echo Input by placing it next to the plug point. In spite of some distance, the two managed to communicate flawlessly. For a non-Bluetooth speaker, the auxiliary cable bundled in the box will come in handy. BT

@nidhisingal

MI LED TV 4X PRO 55

LOOK NO FURTHER

BY NIDHI SINGAL

WITH THE LAUNCH of its first Mi TV 4 Pro (55 inches) in India last year, Xiaomi had set the bar too high. The company's latest entrant costs ₹10,000 less than its predecessor but still manages to live up to expectations. The 4X Pro 55 has a sturdy chassis but misses out on the sleek, bezel-less flagship design although it does not compromise on the build quality. It is slightly thick and uses good quality plastic for thin, metallic-finish bezels on all sides. Also, there are enough connectivity options – three HDMI ports (with ARC support on HDMI1), two USB ports, Bluetooth, Wi-Fi, S/PDIF and more.

Its panel, sound system and smart functionality are quite impressive. The 10-bit 4k panel offers great colour reproduction, deep blacks across content from different sources and tops it all with a wide viewing angle (178˚). The HDR (high dynamic range) content is vibrant and crisp. The television also houses two 10W speakers that provide loud and clear sound, better than the previous model. For those looking for an immersive experience, the Mi Soundbar priced at ₹4,999 can be a good addition.

As for smart TV functionality, this one offers the best of both worlds – a neat PatchWall user interface (UI) with a content-first approach and the essentials of an Android TV with built-in Chromecast and voice search. PatchWall features close to 7,00,000 hours of content – mostly paid – in partnership with SonyLIV, HOOQ, Voot, Hungama and more. As it runs on Android TV software as well, you can access YouTube videos and a lot more apps and services from Play Store and Google Services. However, it still lacks popular streaming services, including Amazon Prime Video and Netflix. Every time I tried casting Netflix from my smartphone to the Android TV UI, an error popped up. Switching between the two UIs is super easy – there are dedicated buttons for PatchWall UI and Android TV along with a voice search button on the sleek Bluetooth remote. I mostly used the voice search button when looking for content. Considering the price, it is undoubtedly the best 55-inch smart 4k TV loaded with top-of-the-line features. **BT**

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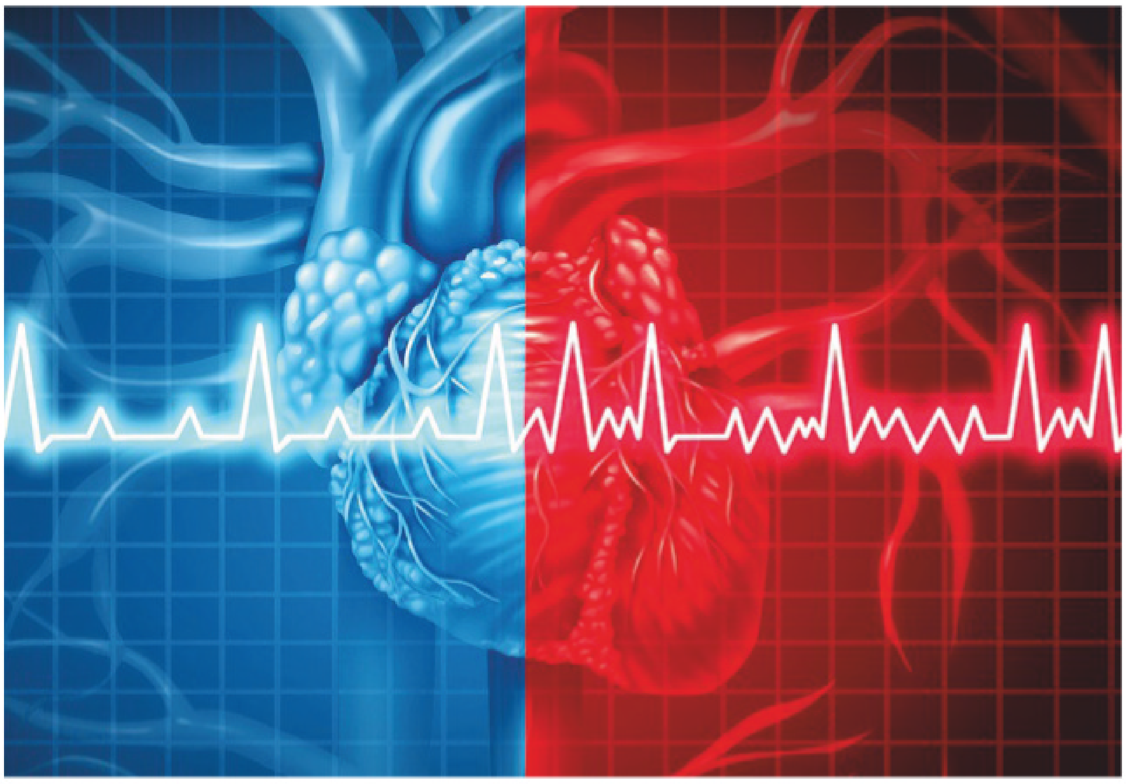
EXECUTIVE HEALTH

LISTEN TO THE BEAT



HEART RHYTHM ABNORMALITIES ARE A GROWING CAUSE FOR CONCERN, BUT A LITTLE CAUTION AND TIMELY TRACKING OF EARLY WARNING SIGNS SHOULD HELP.

By E. Kumar Sharma

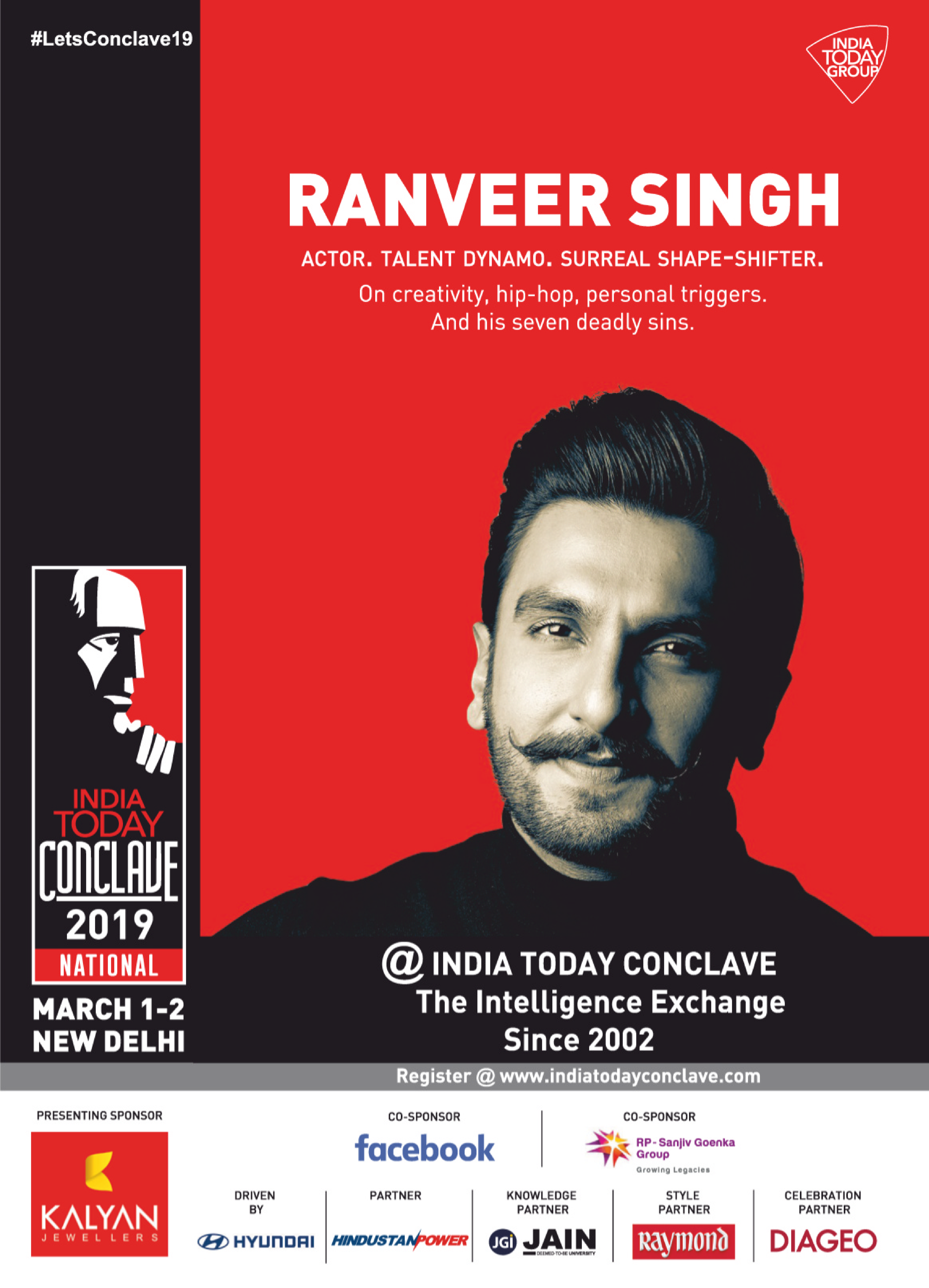
IN TODAY'S FAST-PACED world, professionals have to cope with unhealthy lifestyles as well as stress. The outcome: Cases where people notice a momentary flutter in the chest or experience slight dizziness for no apparent reason or even have a blackout for a second or two are on the rise. But such symptoms are so transient that one may attribute them to overwork or inadequate food/water intake. Medical practitioners, however, are concerned.

"Do not ignore such symptoms as these could be early signs of heart rhythm abnormalities – be it a minor condition such as missed heartbeats or a pounding heart or a serious disorder like ventricular tachycardia, where lower chambers of the heart beat very fast, or atrial fibrillation (AFib), marked by irregular and rapid heart rate," says Dr Deepak Padmanabhan. An electrophysiologist (a specialist who assesses heart rhythms to track anomalies) at Narayana Health in Bengaluru, he advises people not to make light of these syndromes as they could lead to heart failure, stroke or sudden death. According to him, the number of cases involving abnormal heart rates has doubled over the past five years in tune with work-life imbalance and a global epidemic of lifestyle diseases such as hypertension and diabetes. Consequently, young professionals are increasingly suffering from these conditions. For instance, AFib is the most frequent cause of undiagnosed strokes. Around 8-10 per cent of stroke cases fall under this category and people may not even feel any palpitation.

So, who all are at high risk? People who have undergone heart surgeries in their childhood or those suffering from a rheumatic heart where a heart valve is damaged or those with a hole in the heart. You can undergo a Holter monitor test to check if you have any heart rhythm abnormality. The Holter monitor is a small battery-operated device that continuously records the heart's rhythm – from 24 hours to as long as 30 days – but you need not be admitted to a hospital. In this test, sticky dots or electrodes connected to the monitor are put on the chest. You will get a better diagnosis as standard electrocardiograms may not always capture irregular heart rates. Its cost depends on the time span of the test and could range between ₹5,000 and ₹14,000. Therefore, consult your doctor first to find out if you need to undergo the test. "In case of AFib, a person may or may not require blood thinners for the rest of his/her life depending on age and other illnesses," says Dr Padmanabhan. "But instead of routine aspirins, some stronger medication will be required."

FROM AI TO IMPLANTABLE RECORDERS

THE NEED FOR INNOVATION to ensure fast and efficient processes has led to the use of artificial intelligence (AI) to identify abnormalities in heart rhythm. Although it is being done abroad, in the US, for instance, the protocol is yet to take off in India. As AI ensures rapid patient screening, it is critical in the Indian context where there are too few specialists. Implantable loop recorders are also used abroad for long-term remote monitoring, but very few medical facilities use them here as each device costs around ₹80,000 for three years. Now research is on to use remote monitoring in a non-invasive manner so that no implants are required, says Dr Padmanabhan. BT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Comorin, with its wide variety of foods and drinks, will tempt the most jaded appetites

LUXURY

SPLURGE IN STYLE

START THE YEAR WITH A CELEBRATION OF SELF – GO ON A LUXE VACATION, SAMPLE GOURMET FOOD AND INDULGE IN SAVILE ROW-QUALITY CLOTHES.

BY PRACHI BHUCHAR

FASHION

DELHI GETS NEW STYLE SPOT

BENGALURU-HEADQUARTERED TAILORMAN, a menswear label best known for creating elegant, bespoke clothes, has recently launched its flagship store at Ambience Mall, Delhi. Sprawled across 1,600 sq. ft., the store houses a wide range of well-cut suits that can compete with Savile Row when it comes to quality and craftsmanship. With the impeccable made-to-measure clothes giving a luxurious feel (the brand also sells ready-to-wear and ethnic outfits) and top-quality fabrics and cuts and silhouettes on a par with the world's best, Delhi men have got themselves a new style spot.

FOOD & BEVERAGE

A Taste of Gourmet

INDIAN ACCENT has found a solid footing among the global food greats and chef Manish Mehrotra is a force to reckon with. His latest venture is Comorin, a restaurant-cum-cocktail bar-cum-coffee shop-cum-market located in Gurgaon. With sous vide cocktails, bitters, infused gins and liqueurs made in-house, the drinks are quite a hit. The food draws on Mehrotra's experience with Indian Accent and is modern, regional and inventive without being gimmicky. Given that Comorin is located at Two Horizon Centre, an office building on Golf Course Road, it is likely to become the new watering hole for corporate executives eager to take a break from work or looking to entertain important clients.

*The Postcard Hotel chain has assets worth ₹**600 crore** and aims to launch 50 properties in five years*

HOSPITALITY

IMMERSIVE AND INDIGENOUS

WHEN A HOTELIER who has served as the President of The Oberoi Group for several years breaks away and opens his own chain, one is naturally curious to sample what is on offer. With the launch of The Postcard Hotel, Kapil Chopra has seemingly broken all rules and endeavoured to set up niche luxury hotels across destinations which are too well-known to allure the novelty-seeker. But that is what Chopra wants to change as immersive, big-on-experience boutique spaces will be spread across India, bringing back the old charm and romance on a new platter. The first three properties have already come up in sun-kissed Goa, and there are plans to launch at least 50 over the next five years. Understandably, there is a strong emphasis on all things local and vacationing at The Postcard Hotel is all about transformative travel. With more than ₹600 crore of assets under its belt from the word go and a hospitality team handpicked by Chopra, this hotel chain is likely to attract a new kind of luxury traveller looking for an experiential journey.

WATCH WORTHY

Panerai Collaborates with Dhoni

SPORTS LEGENDS and designer labels are bound to bond. So, it came as no surprise when Italian watchmaker Panerai chose Indian cricket icon Mahendra Singh Dhoni as its brand ambassador for India. Dhoni is one of the most celebrated sportspersons and globally acknowledged for his talent, class and commitment – qualities that form the brand's core ethos and make Dhoni a perfect fit for the job. A leader in the sports-luxury crossover market, Panerai has married Italian design with Swiss perfection to come up with several timeless creations and has its roots in the dive watch business. The latest collaboration underlines the company's endeavour to grow its presence in the Indian market.

TRAVEL GEAR

TOD'S ELEGANT BACKPACK

THE MENTION of Tod's brings to mind world-class craftsmanship, deeply rooted in the Italian heritage. And this time the brand has launched a backpack in elegant leather with front pockets, metal buckles, drawstring fastening and high-tech fabric detailing. At first glance, it looks like a regular bag, but closer inspection reveals the finesse that has gone into creating such a simple yet sophisticated accessory which will be ideal for winter outings. **BT**

TAMIL NADU

Business Today
GOLF TOURNAMENT

AN OUTSTANDING GOLFING ACTION

By VIPUL HOON and DEBAKINANDAN NAYAK

Winning Team: Jayavelan T. , Commander K. Udaya Prakash, Varadhan S. and Dr Rajan Krishnamoorthy with D.P. Yadav (Secretary, MSME)

Jayavelan T., individual winner of 0-14 Handicap category

Runner Up Team: Venkataramana J., Venkatraman Krishnan, Niranjan Mardi & D.P. Yadav with R.Sanjay,Capt. Madras Gymkhana Golf Course and Pradeep Yadav, Principal Secy. School Education Govt. of Tamil Nadu

Hemant P Chordia (Chairman, Doodleblue Innovation), individual winner of 15-24 Handicap category with Niranjan Mardi (Addl. Secy, Govt of Tamil Nadu)

A refreshment time for the golfers

On **a bright Saturday** afternoon, 85 golfers teed off at the Madras Gymkhana Golf Course for the *Business Today*-Tamil Nadu Global Investor Meet Golf Tournament.

Played on Stableford format with Double Peoria handicap, the afternoon witnessed some outstanding golfing action with players competing for both individual as well as team prizes.

The day's action culminated with the prize distribution ceremony followed by dinner.

The winning team, comprising of JayavelanT. (William Gregor), Commander K. Udaya Prakash (Sameera Estates), Varadhan S. (M/s Sankarraman & Dandapani Chartered Accountants) and Dr Rajan Krishnamoorthy (Metro Scans And Diagnostics, St Isabel's Hospital), prevailed with a combined score of 95 points

The Runners Up team, comprising of Venkataramana J., Venkatraman Krishnan, Niranjan Mardi (Addl. Secy, Govt of Tamil Nadu) and D.P. Yadav (Secretary, MSME), finished with 91 points.

In the Individual prizes, Jayavelan T. of William Gregor was the winner with 34 points in the 0-14 Handicap category; Hemant P. Chordia (Chairman, Doodleblue Innovation) with 34 points was the winner amongst the 15-24 Handicap category.

Tamil Nadu Global Investor Meet was the Co-title sponsor of the event. BT

EX-LIBRIS

A HEIST LIKE NO OTHER

1MDB, ONE OF THE BIGGEST KLEPTOCRACY SCANDALS IN HISTORY, CONTAINS STUFF HOLLYWOOD MOVIES ARE MADE OF.

By Prosenjit Datta

→

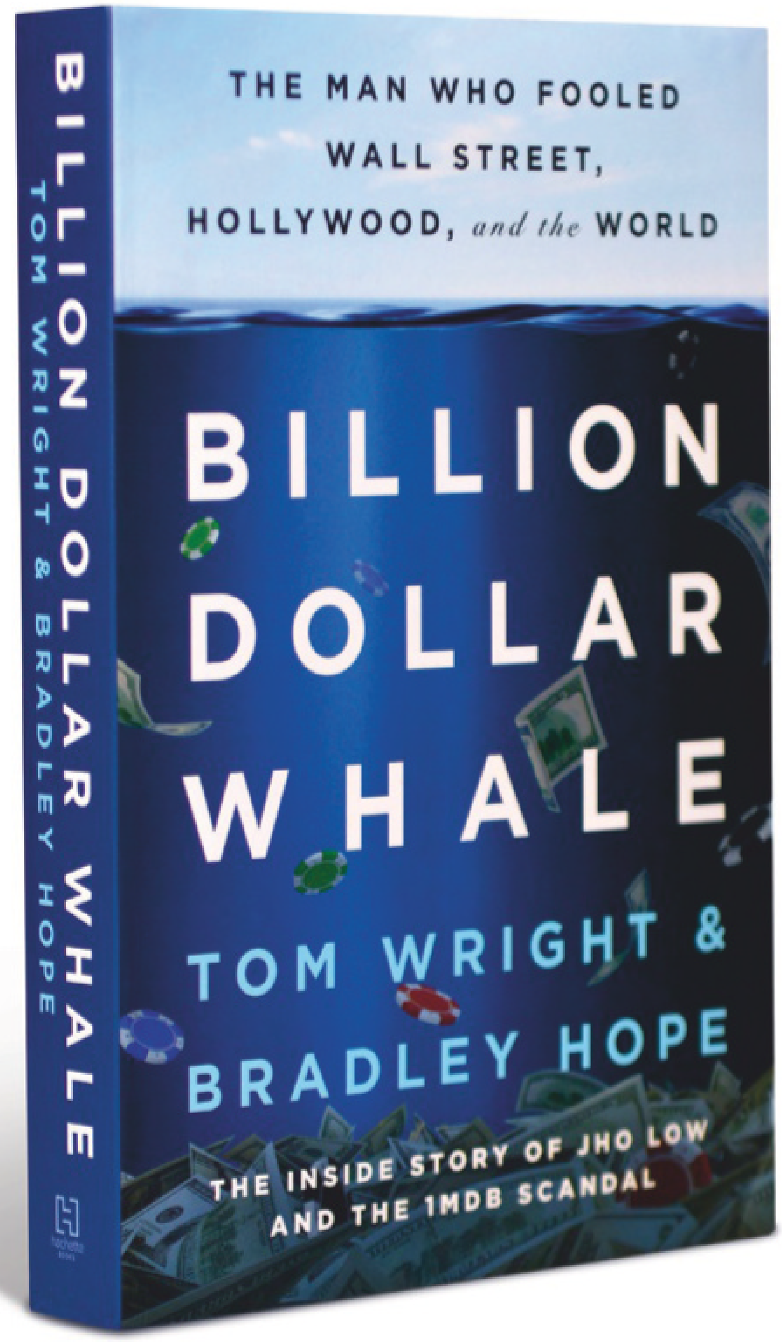
Billion Dollar Whale

By Tom Wright and Bradley Hope

Publisher: **Hachette Book Group**

Pages: **400**

Price: ₹**699**



FORMER MALAYSIAN PM, Najib Razak, is in jail on corruption charges. At least some of those charges relate to what is known as the 1MDB scandal. Tim Leissner, a former Goldman Sachs star who led its investment banking business in Asia, is facing charges in Malaysia that could put him behind bars for up to 10 years. Meanwhile, the man at the centre of l'affaire 1MDB, Low Taek Jho (known as Low Jho), is a fugitive who releases statements through his lawyers from time to time on his website. The Malaysian government is hunting for him, and so is the US government, and currently, there are rumours that he is hiding somewhere in Macau.

1MDB, or 1Malaysia Development Berhad, is supposed to be a sort of sovereign fund, a company wholly owned by Malaysia's finance ministry. It started with the Malaysian government's money, and raised many more billions as debt, with the help of Goldman Sachs. It was supposed to invest in high-class assets – in Malaysia and globally – and earn a rich profit for the government.

Instead, the Malaysian government is still trying to figure out how much of the money raised was diverted and spent on parties, private assets and high living by Low besides kickbacks to UMNO (the political party led by Razak) and Razak's personal account, which fuelled the luxurious lifestyle of his wife – Rosmah Mansor – and her shopping sprees. (The Malaysian police raided their place and seized 567 luxury handbags, 423 watches, 14 tiaras, boxes of jewellery and so much cash that it took three days to count, apart from getting details of property worth hundreds of millions, several hundred thousand dollars worth of anti-ageing products for Rosmah, and other stuff.) At last count, the total amount diverted from 1MDB was more than $4.5 billion, and the final tally could be more.

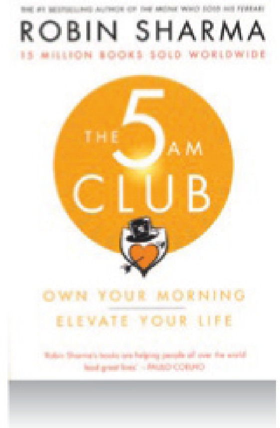
At the centre of it all – and the protagonist of *Billion Dollar Whale* – is Low Jho, a young financier (or conman, whichever term you prefer) who lived the obscene life, throwing parties filled with hip-hop dancers, actors (including Leonardo DiCaprio and his gang), Paris Hilton and others. Many a time, he passed himself off as Malaysian royalty, a confidante of the princes of Saudi Arabia and the UAE, and a top-notch dealmaker. He did not hold an official position in 1MDB but used its money as his own, diverting much of it to his privately held companies and also to the UMNO and Razak's accounts. Although 1MDB has Razak's blessings and official stamp of approval, he was probably as much a dupe as the rest of Low's partners. Low was the guy who did the deals, moved the money and spent it as he pleased, trying to play a complicated game where he transferred money to partners and the Malaysian government to give them the impression that all was well even as he siphoned off record amounts. Using shell companies and tax havens, he shifted money around, finding weak bankers who would not look too hard at the provenance of the money, while he bought a mega yacht (since seized), apartments in New York and other places, and even produced *The Wolf of Wall Street*. The only person who spotted him as a conman early on was Jordan Belfort, on whose life *The Wolf of Wall Street* is based. However, DiCaprio, who starred as a conman in *Catch Me If You Can* and *The Wolf of Wall Street*, was completely unaware.

Billion Dollar Whale is fascinating to read. It is a brilliant reporting job by the authors – who are reporters of *The Wall Street Journal* – and gives a peek into the con of the century. Apart from painting the obscene and eye-popping lifestyle of many, the story fleshes out the audacity of the operations masterminded by Low.

Son of a Malaysian multimillionaire, Low wanted to be richer from an early age. In school in the UK, he had seen how his lifestyle contrasted with some of his classmates, mostly rich princes from the Middle East, who would be picked up in Rolls Royces during weekends and who blew up fortunes without thinking twice about it. His genius lay in selling dreams to the highest levels in different governments, especially in Malaysia, which believed he had unparalleled access to the royal families in the Middle East (in truth, Low had largely networked with minor princes who did not have much wealth or clout), bankers, lawyers and even the Obamas.

This is a riveting read – about greed, power and the lifestyles of the rich and the famous and the corrupt. BT

Business Bestsellers*



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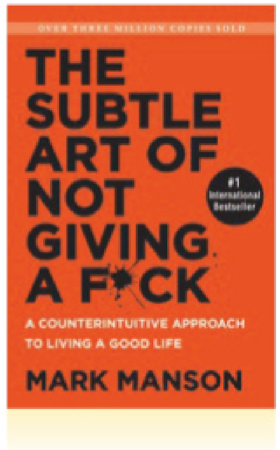
The 5 AM Club: Own Your Morning, Elevate Your Life
By Robin Sharma
Jaico Publishing House
Price: ₹350



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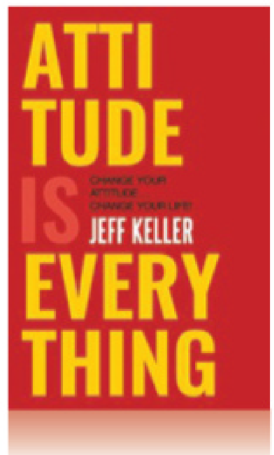
The Subtle Art of Not Giving a F*ck
By Mark Manson
Harper Collins
Price: ₹499



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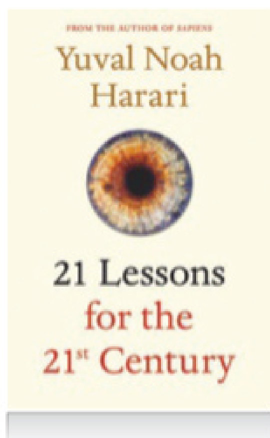
Attitude Is Everything: Change Your Attitude... Change Your Life!
By Jeff Keller
Collins
Price: ₹199



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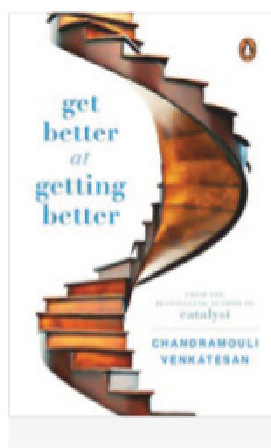
21 Lessons for the 21st Century
By Yuval Noah Harari
Jonathan Cape
Price: ₹799



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Get Better at Getting Better
By Chandramouli Venkatesan
Penguin Portfolio
Price: ₹299

*Top books by sales for January 1-29, 2019; Includes only books released after Jan 1, 2015; Information provided by amazon.in

SUNIL JOSE, SENIOR AREA VICE PRESIDENT AND COUNTRY LEADER, SALESFORCE INDIA
UNDER HIS LEADERSHIP, SALESFORCE INDIA HAS GROWN MORE THAN DOUBLE YEAR ON YEAR AND EXPANDED THE TEAM TO 1,000-PLUS EMPLOYEES ACROSS MUMBAI, DELHI, BENGALURU AND HYDERABAD.

Q. The biggest challenge you faced in your career

A. Getting stuck in your comfort zone is the biggest obstacle. I relocated to the Middle East very early in my career but had limited knowledge of the market, people and the culture out there, and it made me challenge myself. Similarly, when I was setting up a shared service model for a global tech company, getting people on board and dealing with cultural differences gave me the biggest learning opportunity. I believe that the most challenging times bring us the most empowering lessons.

Q. Your best teacher in business

A. In a career spanning three decades, I learnt technical skills, business strategies and life lessons from exceptional leaders. But the best lessons came when I moved out of my comfort zone and tried new things. The steep learning curve meant I did not always get it right. But as long as these failures are not catastrophic, they help expand our learning and expertise.

Q. Key management lessons for young people

A. Be accountable; the choices you make will help you earn the employer's trust and make you confident. Be ready to make a difference and enjoy the journey. And don't be afraid to take risks.

Q. Two essential qualities a leader must have

A. Trust and integrity are critical. Also, leaders should focus on the bigger picture and let others be a part of it by building a shared vision. If your team is empowered to make extra efforts and rewarded for taking risks, you will see more of that behaviour in future. BT

"IF YOUR TEAM IS EMPOWERED TO MAKE EXTRA EFFORTS AND REWARDED FOR TAKING RISKS, YOU WILL SEE MORE OF THAT BEHAVIOUR IN FUTURE."

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