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TATA-MISTRY: What next?

SFIO FAILS TO DELIVER

INDIA TODAY GROUP

Business Today

January 12, 2020 ₹100

How businesses are **exploiting loopholes** in the Goods & Services Tax, **committing fraud** and leading to a **huge shortfall** in government revenues

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From the Editor

Mission GST

The Goods & Services Tax (GST) is no ordinary tax. It is conceived to be the lifeline of India's tax collection machinery – to plug loopholes, digitise and formalise one sector after another. Once exempted industries such as liquor, real estate and fuel are included, GST would account for nearly all of India's indirect tax collection and more than half of India's entire tax revenue. Failure of GST, clearly, is not an option.

But ever since it was unveiled on July 1, 2017, the long-awaited GST has been, to borrow from Winston Churchill, "a riddle wrapped up in an enigma". It was supposed to ramp up the Centre's revenue so comfortably that the then Finance Minister Arun Jaitley didn't hesitate in promising a 14 per cent annual hike to states for five years. But it couldn't. Instead, the Centre is struggling to pay states' share. It was supposed to simplify tax filing. But despite course correction, users continue to complain it is far too complicated. And system blackout is common on deadlines.

It was supposed to plug tax leakage; it couldn't. GST collections have been short of the ₹1-lakh crore mark in 20 of the 28 months since it was introduced. Fiscal 19/20 is likely to end with a gaping hole of between ₹1 and 1.5 lakh crore in collections.

GST appears shaky because of large-scale evasion. Businesses are using novel ways to circumvent India's most promising indirect tax – from innovative ones treading a thin line between right and wrong to the other extreme of outright fraud. In the run-up to Budget 2020, the Centre has no option but to crack down on GST evasion, even at the expense of criticism of another round of tax terrorism. Read how GST is being circumvented on page 16.

Meanwhile, stock markets continue to defy gravity, with the Sensex crossing the 41,000 mark and going strong. If you are still wondering what's driving the markets this time round, the answer lies in Rashmi Pratap's account of how foreign portfolio investors (FPIs) have overshadowed domestic financial institutions by a wide margin this year. Enjoy as long as it lasts. After all, without doubt, FPIs remain the most opportunistic investors and have set their sights on India after a year.

Three years since he was ousted by the Tata Group as its executive chairman, Cyrus Mistry has secured a minor victory with NCLAT, Mumbai, delivering a shock judgement calling his removal "illegal" and restoring him as the group chairman, while asking successor N. Chandrasekaran to step down. The latter part of the judgement is being deferred for four weeks to allow Tata Group to appeal against it. The Appellate Tribunal, in fact, overturned NCLT's judgement of July 2018, which had rejected Mistry's petition. NCLAT struck yet another blow to the Tatas by cancelling the move to convert Tata Sons into a private company, something that was opposed by Mistry. We look at how the Tata-Mistry battle may unfold next.

May I wish you all a very Happy New Year, 2020!

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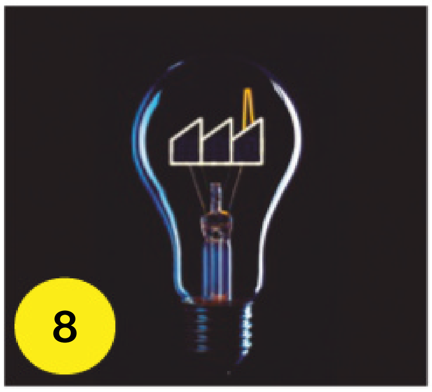


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The Point

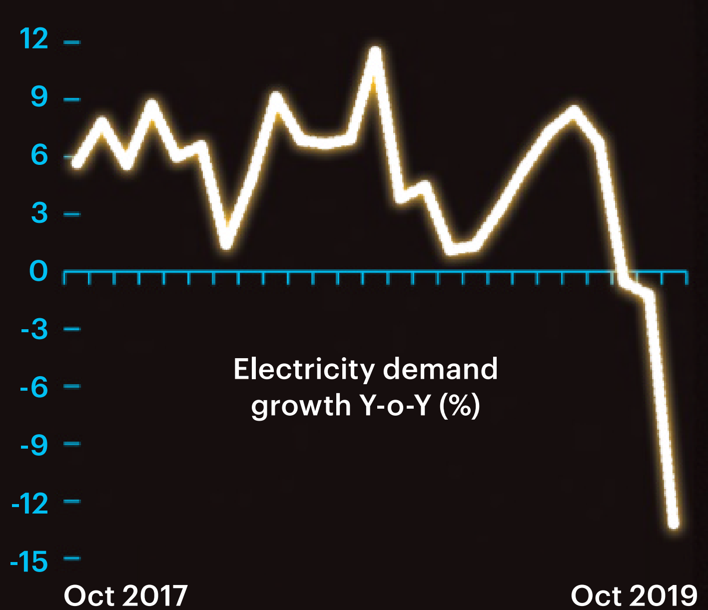
SLOWDOWN HITS ENERGY DEMAND

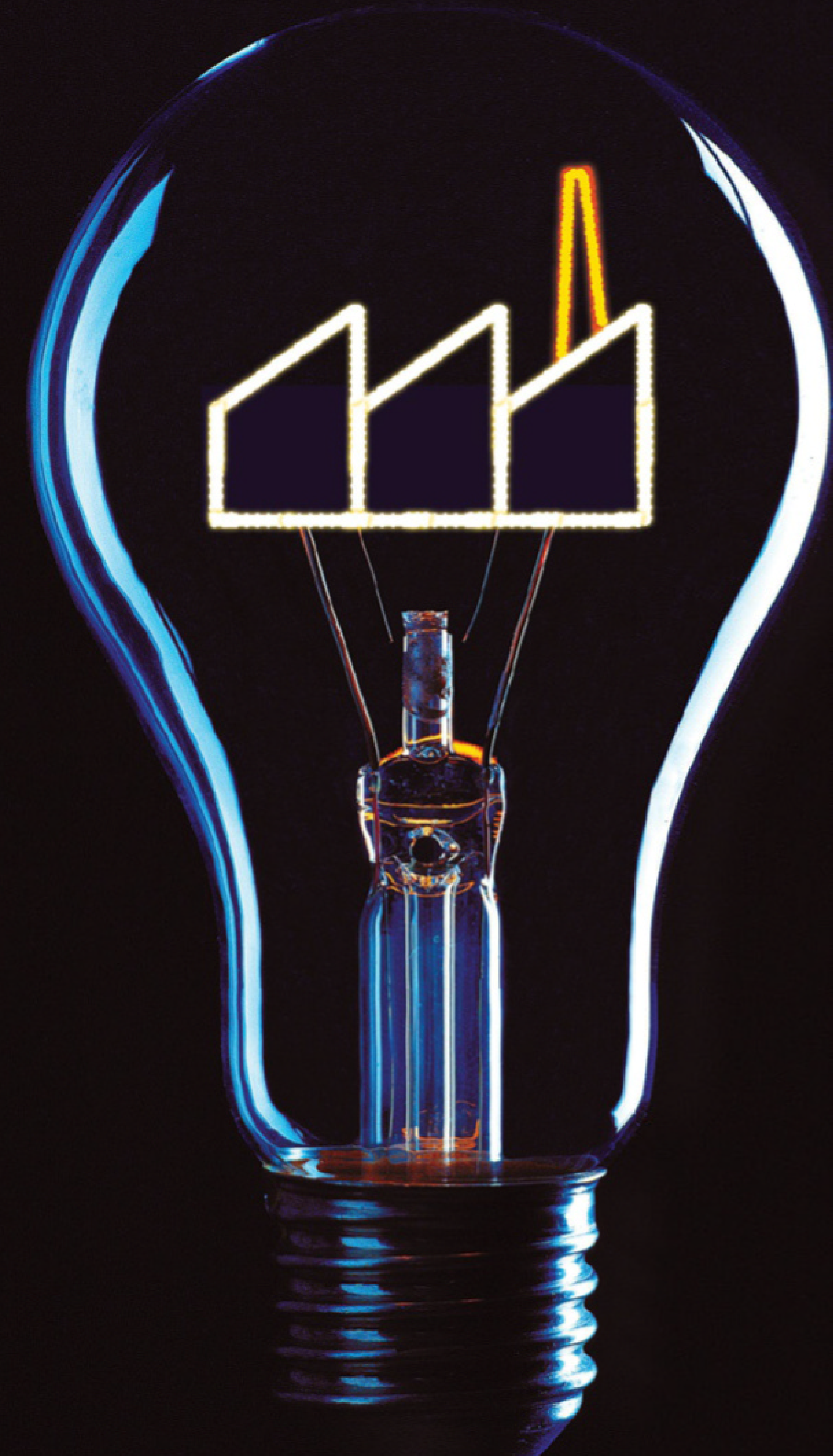
A decelerating economy and low capacity utilisation have begun to reflect in declining energy needs – in thermal power, diesel and even aviation fuel. Power generation too has slowed and so has investment in power projects. Demand is likely to pick up only when economic activity increases

BY SHIVANI SHARMA
GRAPHICS BY TANMOY CHAKRABORTY

LOW VOLTAGE

Electricity consumption fell 13.2 per cent in October from a year ago, posting the steepest decline in over 12 years. Power demand in the two most industrial states also fell – 22.4 per cent in Maharashtra and 18.8 per cent in Gujarat

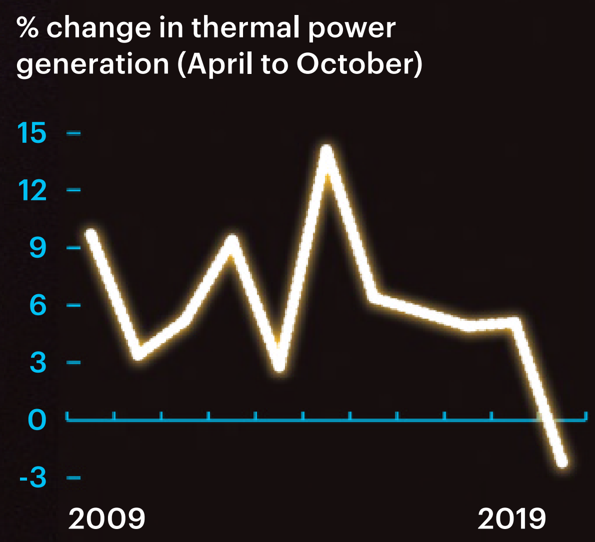




Source: Central Electricity Authority; Petroleum Planning & Analysis Cell; CMIE; Reserve Bank of India; Ministry of Statistics and Programme Implementation

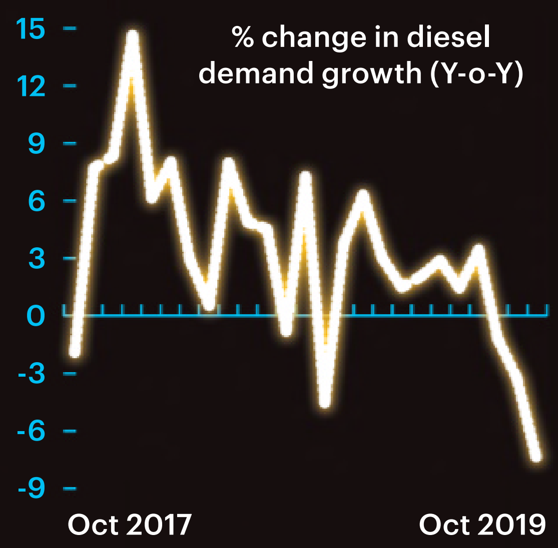
THERMAL COOLS...

Thermal meets most of India's power needs. So, a fall implies demand deceleration. Generation dropped 2 per cent in April-October this year, the first ever fall in a decade



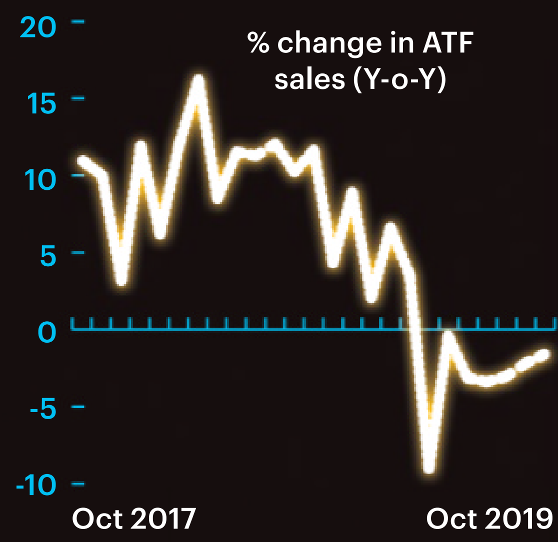
...DIESEL SLIDES...

Diesel accounts for 40 per cent of India's oil requirements. But demand fell for three consecutive months (August to October). The -7.36 per cent slide is the steepest in three years



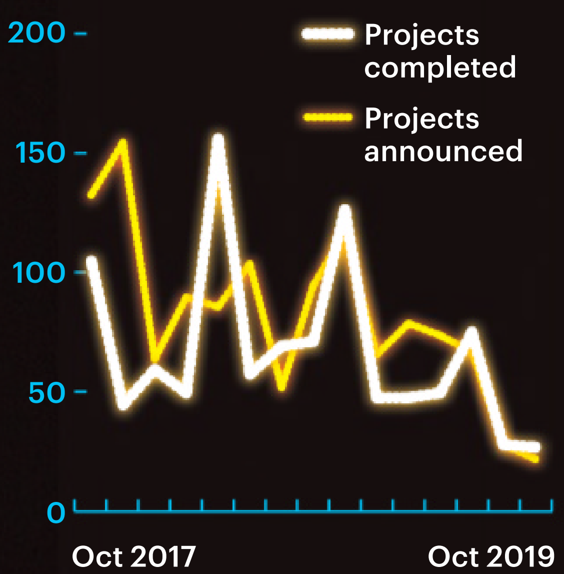
...AND ATF SALES SLIP

ATF demand fell for seven consecutive months this financial year, declining 1.6 per cent to 0.71 million tonnes in October over the same month last year



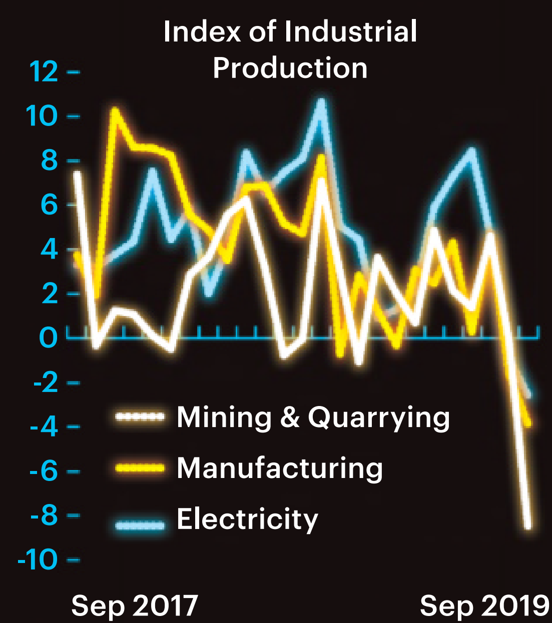
WEAK CAPEX IN POWER

Capex in power – private as well as public – has reduced over the years. Number of projects completed was down to 27 in the September quarter from 48 in the same quarter last year



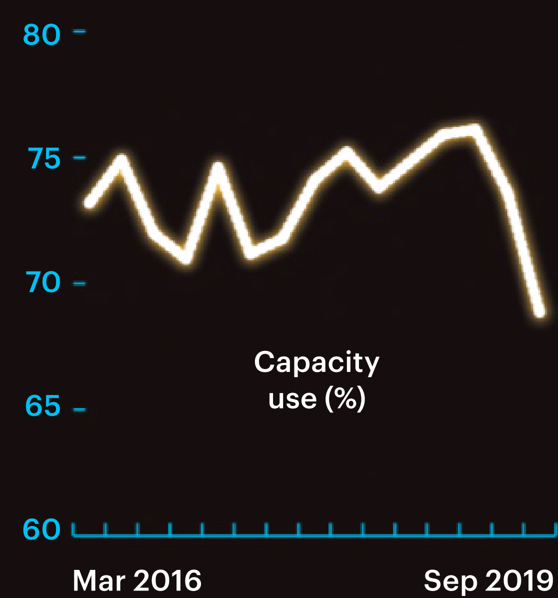
INDUSTRY OUTPUT SLUMPS

Slide in industrial production has led to lower power consumption and generation (down 2.6 per cent). Manufacturing fell 3.9 per cent, and mining output 8.5 per cent, in September



CAPACITY USE AT TWO-YEAR LOW

Capacity utilisation is at its worst since 2008. Factories are running at 69 per cent capacity (September quarter) compared to 76 per cent as recently as the March quarter

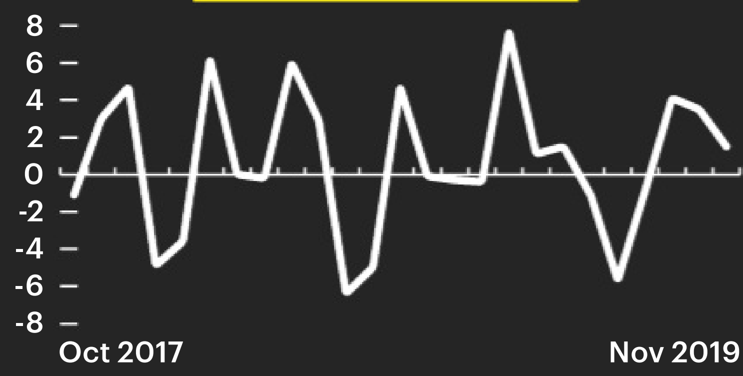


The Point

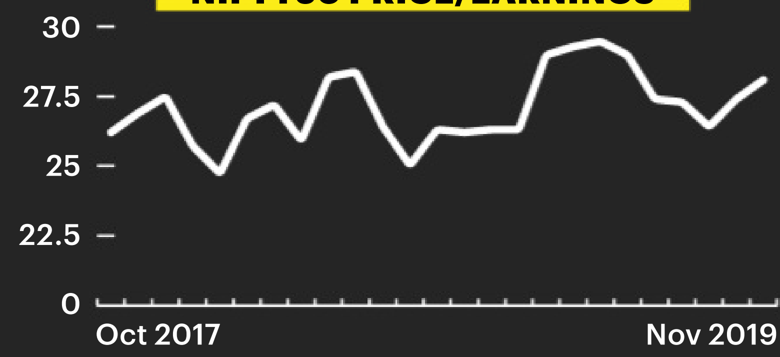
BULLISH ON THE STREET

The stock market continued its upward march in November. Valuations of Nifty 50 and S&P BSE Sensex remained high with P/E multiple of both going over 28 in the month even though their monthly returns were in low single digits

NIFTY50 RETURNS %

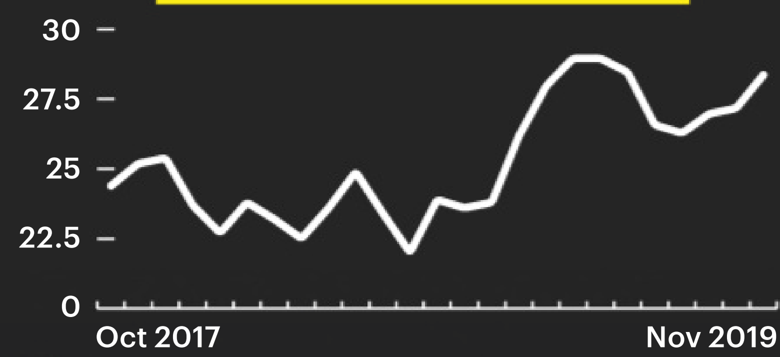


NIFTY50 PRICE/EARNINGS



SENSEX RETURNS %

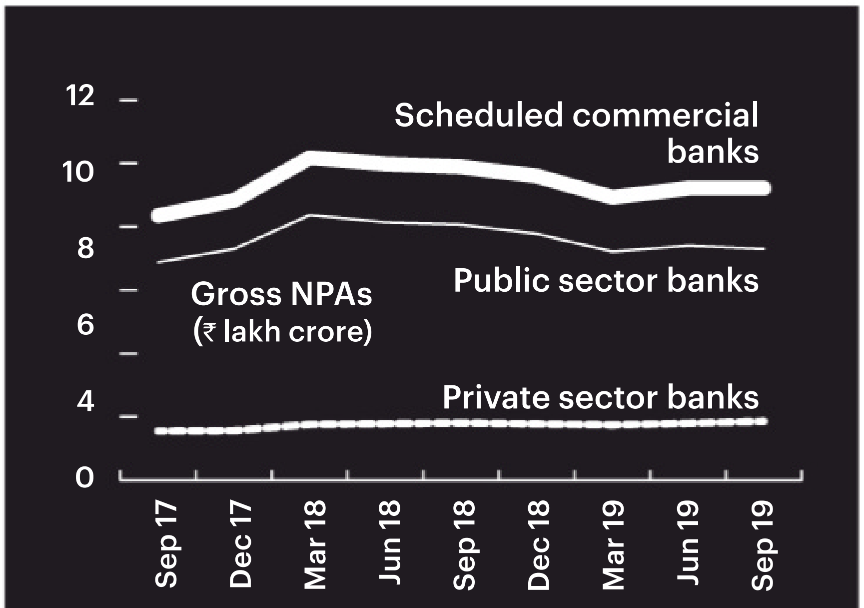
SENSEX PRICE/EARNINGS



Source: CMIE

BANKS REDUCE BAD LOANS

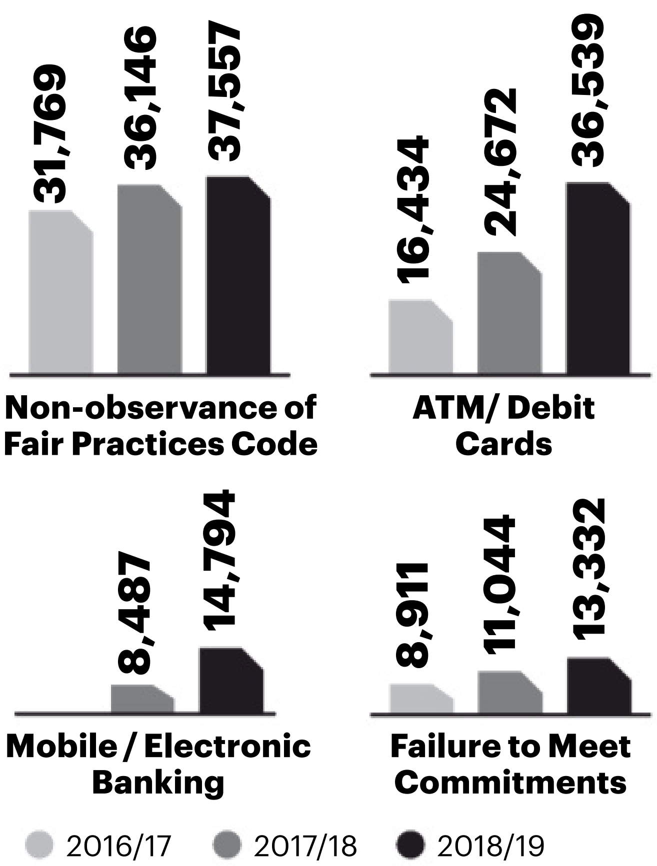
- Gross non-performing assets (NPAs) of banks fell from ₹10.18 lakh crore in March 2018 to ₹8.94 lakh crore in March 2019
- This is mostly due to lesser incremental slippages in bank credit, recoveries in some large NPAs and also some write-offs
- At the end of H1FY20, overall gross NPAs stood marginally higher at ₹9.18 lakh crore, on a sequential basis
- Public sector banks account for a lion's share of gross NPAs – 80 per cent
- But they have reduced bad loans substantially, for example, from ₹8.08 lakh crore in the September quarter of 2018 to ₹7.27 lakh crore in the same quarter this year.
- Private sector banks' NPAs have stayed within ₹2 lakh crore since September 2017



Source: Ace Equity, CARE Ratings

KNOCKING ON OMBUDSMAN'S DOOR

Banking-related complaints are multiplying, especially through emails and online portal



Top complaints received by banking ombudsman

Total complaints jumped 19.75 per cent in 2018/19 to 1,95,901

72.19 per cent were received electronically, through the online portal and emails

Source: RBI

TRANSPORT, COACHING A QUARTER OF EDUCATION COST

Components of expenditure on general courses

57%
Expenditure by students in urban areas on fees; in rural areas, this is lower at 43 per cent

26%
Share of expenses on books, stationery and uniform by rural students; urban students spend much less – 15 per cent

Fees	Books, stationery and uniform	Private coaching	Transport	Others
51	20	12	12	5

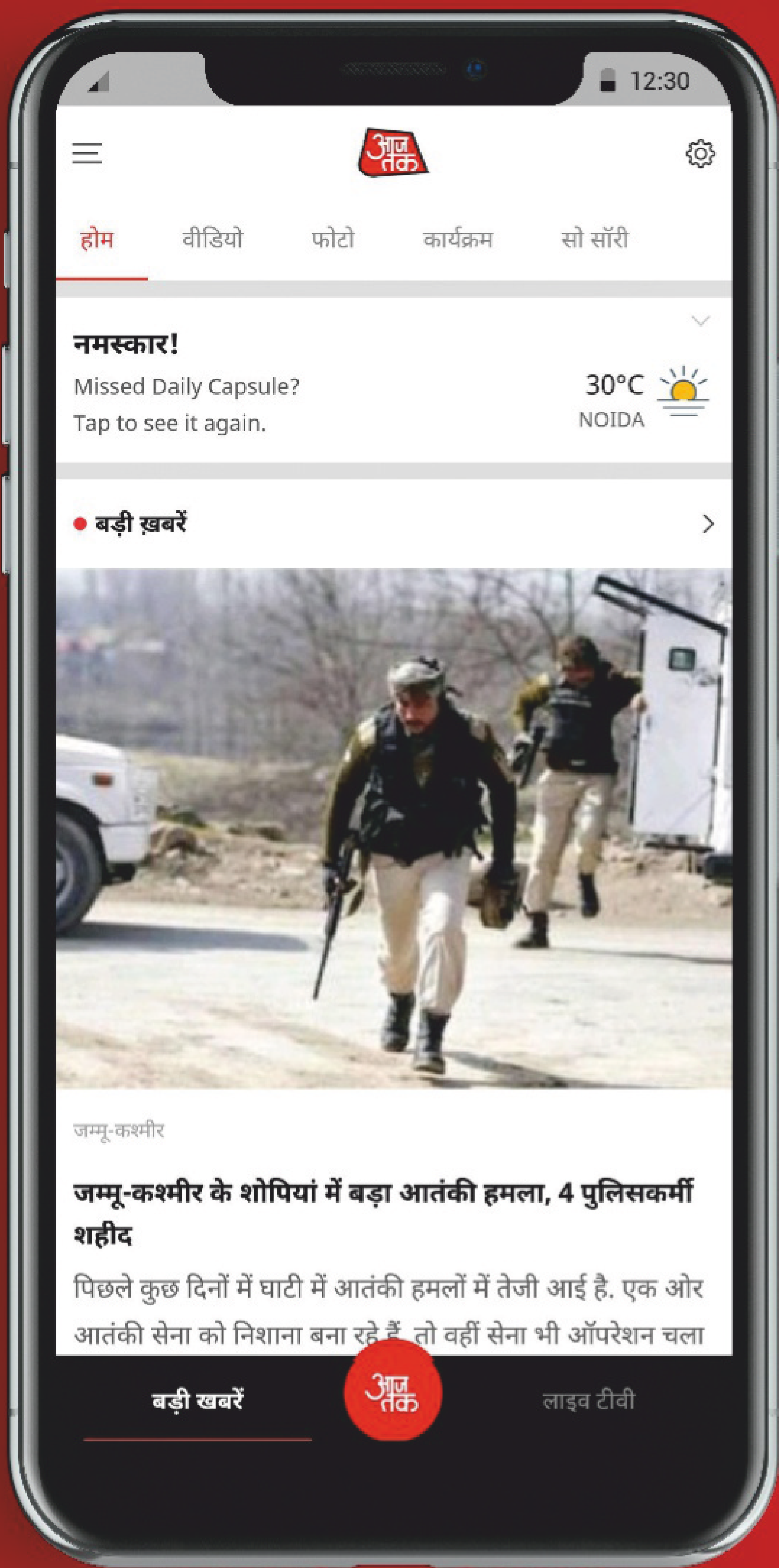
Base: 1.14 lakh households surveyed
Source: NSO

STUDYING MEDICINE COSTS THE MOST

You need to pay almost double of what you pay for a law course to study medicine

Law	Management	IT/computer courses	Engineering	Medicine
₹37,707	₹58,555	₹58,928	₹63,280	₹71,620

Average cost per academic year for technical or professional courses
Institutions recognised by Centre/states/UTs/local bodies. Source: NSO



12:30
होम
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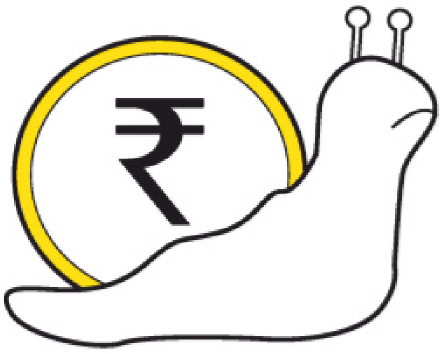
फोटो
कार्यक्रम
सो सॉरी
नमस्कार!
Missed Daily Capsule?
Tap to see it again.
30°C
NOIDA
बड़ी ख़बरें
जम्मू-कश्मीर
जम्मू-कश्मीर के शोपियां में बड़ा आतंकी हमला, 4 पुलिसकर्मी शहीद
पिछले कुछ दिनों में घाटी में आतंकी हमलों में तेजी आई है. एक ओर
बड़ी खबरें
लाइव टीवी

The Point

SQUEEZE ON STATES

States, including prosperous ones such as Gujarat, Maharashtra and Karnataka, are feeling the pinch as their earnings are not growing as fast as spending



Revenues grew slowest in seven years...

- Total receipts grew just 5.5 per cent in H1FY20 over the same period last year
- Tax receipts grew at a decadal low of 2.4 per cent Y-o-Y in H1FY20

...while spending grew faster

- Spending increased at 16.6 per cent Y-o-Y in Q2FY20
- Both revenue and capital spending grew reasonably fast in the same period
- Total spending was 38.6 per cent (H1FY20) of Budget estimates, with capital spending at 30.7 per cent and revenue spending at about 40 per cent

Based on monthly finance data of 18 states that account for 90 per cent of receipts. Source: CAG

MICROFINANCE SEES ROBUST GROWTH

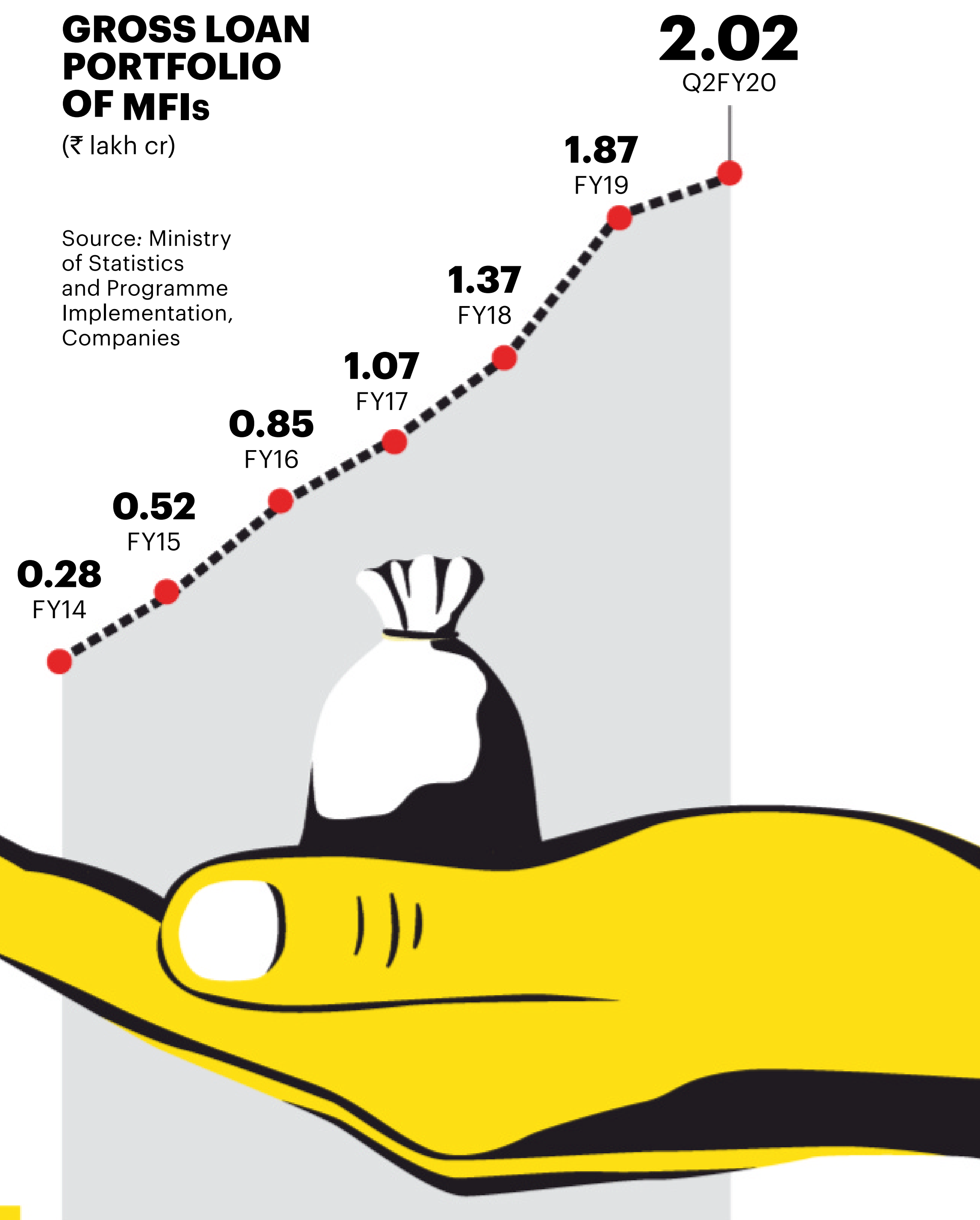
44%
Growth in total MFI industry's AUM between Q2FY18 and Q2FY20

48%
Increase in gross loan portfolio (Y-o-Y) to ₹2,01,700 crore

32%
Jump in total active microfinance loan accounts to 98 million since last year

54.6mn
Total unique borrowers as of Q2FY20

GROSS LOAN PORTFOLIO OF MFIs
(₹ lakh cr)



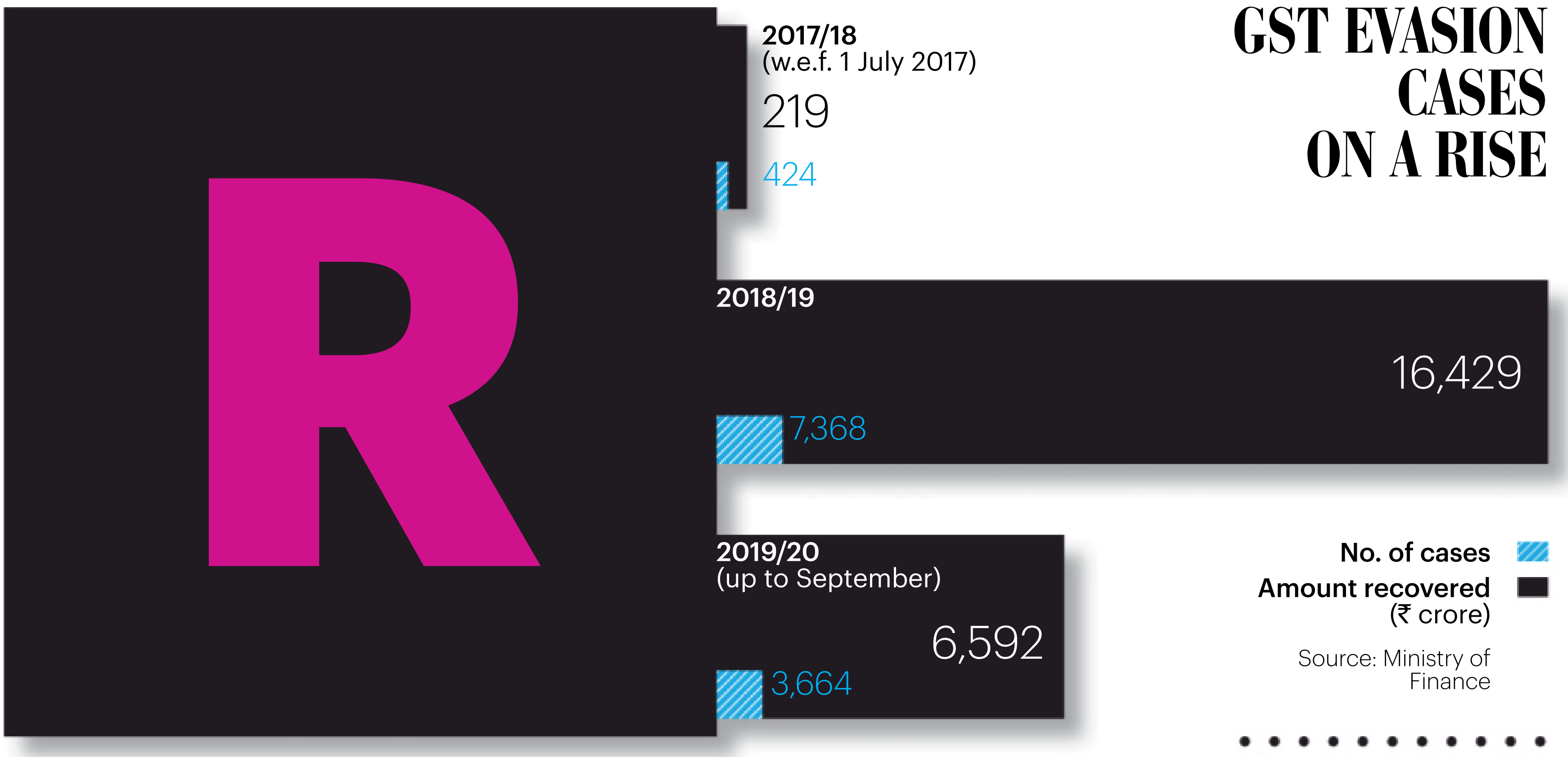
Source: Ministry of Statistics and Programme Implementation, Companies

GAMING


FRAUD INPUT TAX CREDIT
LAYERS OF SUBSIDIARIES
MISUSE OF BILLS NOT CLAIMED BY CUSTOMERS
WHITE LABEL PACKAGING FOR BRANDS
UNDER-INVOICING

BUSINESSES ACROSS THE COUNTRY ARE INDULGING IN LARGE GST VIOLATIONS. NO WONDER THERE IS A HUGE SHORTFALL IN COLLECTIONS

By AJITA SHASHIDHAR,
DIPAK MONDAL AND
JOE C. MATHEW
ILLUSTRATION BY RAJ VERMA



Ranchi-headquartered 'Baba Rice' is a household name in the eastern part of India. Even though it's not a premium Basmati brand, an average consumer in Jharkhand or adjoining Odisha would prefer it to national brands such as Daawat or India Gate as is evident from the 70 per cent marketshare Baba Rice enjoys in the region. Yet, parent Baba Agro Foods recently rolled out the same rice under another brand 'Ranchi Gold'. Intriguingly, while Baba Rice is priced at ₹2,640 per quintal, Ranchi Gold is just under, at ₹2,610. Why? Baba Agro Foods Chairman Yogesh Kumar Sahu says the marketshare of Baba Rice has eroded 10 per cent since the arrival of GST in July 2017. Ranchi Gold was his desperate defence mechanism.

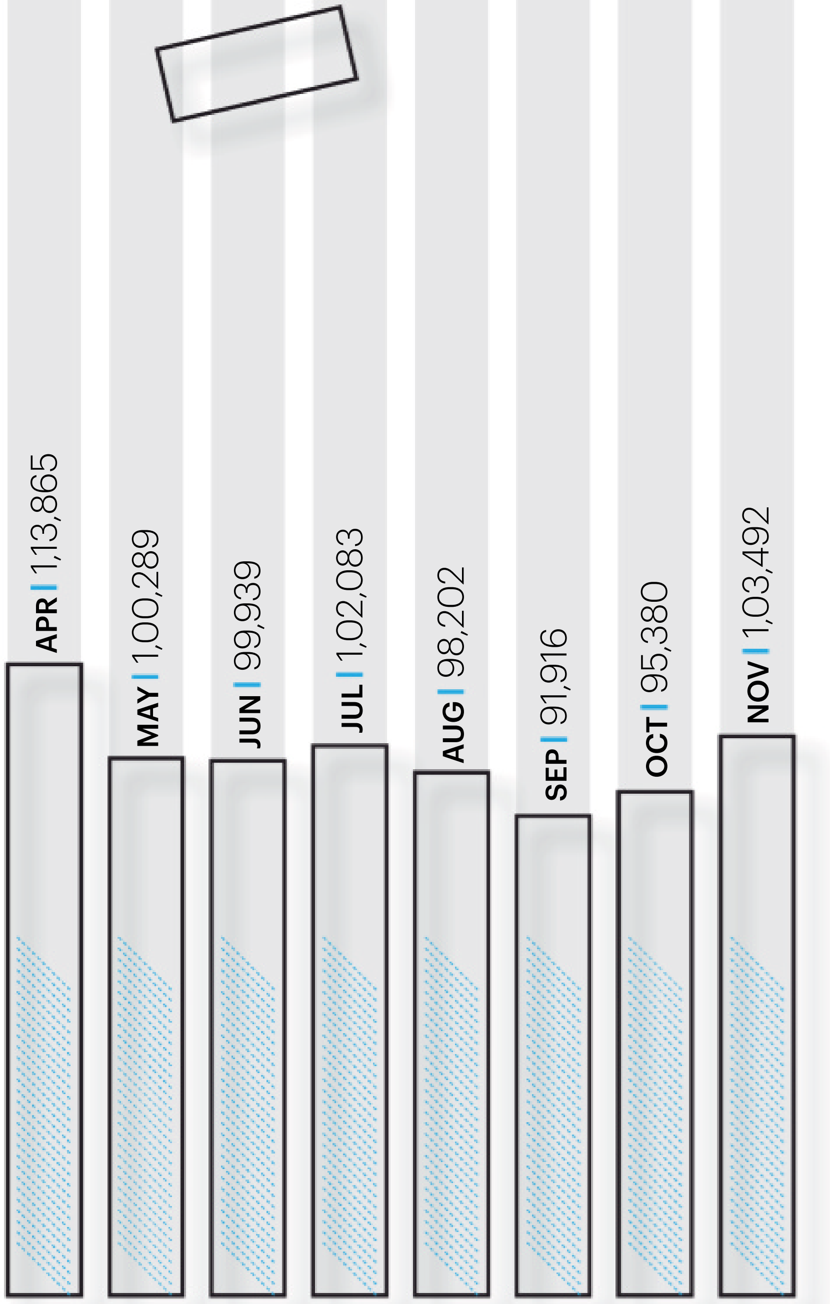
'Baby Doll', 'Babuji', 'Apple' and even 'Kakaji' are just a few rival brands that mushroomed and undersold Baba Rice by circumventing GST. While branded commodities such as rice, *atta* and *dal* are subject to 5 per cent GST (commodities in the pre-GST era did not attract tax), white label products can escape GST.

Flip the packs of any of these brands, and they carry a disclaimer: "We hereby voluntarily forego... all types of actionable claim or enforceable right in respect of brand name printed on this bag." According to GST norms, unbranded commodities need to package their products in white packs and mention the company's name along with the FSSAI number at the rear of the pack. "This is a grey area which most companies are capitalising on. Nowhere in the law is it mentioned that it is illegal to pack in a branded pack with a disclaimer," explains Sahu. Since these brands don't pay GST, they are cheaper than branded commodities. Ranchi Gold exploits this loophole. Sahu claims there has been an uptick in volumes since Ranchi Gold was launched in September. "I have covered up some of the lost ground, but I still have more to do," he adds.

As expected, branded commodities have taken a hit. Krishnamohan Kumar, a wholesaler of foodgrains in Durgapur, West Bengal, confirms that there has been a 60 per cent dip in sales of branded commodities: "Even established brands such as Daawat have come up with non-GST options." Hemant Malik, CEO, ITC Foods, maker of Ashirvaad Atta, had expressed concern in an earlier interview with *BT* over the entry of a huge number of local brands that were biting into Ashirvaad's market share by ducking GST.

Since GST's launch, the government has been playing a painful waiting game, hoping for a jump in collections to shore up indirect tax revenues. However, flagging collections have dashed all hopes of higher revenues from capitalising on digitisation and formalisation via GST.

Flagging GST collections means lower Central revenues and even higher fiscal deficit. Not to mention that the tussle with states will intensify. Collections averaged ₹82,294 crore per month in 2017/18, ₹98,114 crore per month in 2018/19 and ₹100,646 crore per month so far this fiscal against a target of about ₹1.1 lakh crore per month. India is likely to end fiscal 2019/20 with an



Figures in ₹ crore

MONTHLY GST COLLECTIONS HAVE BEEN BELOW ₹1 LAKH CRORE IN 20 OF 28 MONTHS SINCE LAUNCH

overall GST shortfall in excess of ₹1 lakh crore. The GST Council has to look no further than segments such as these for answers to why India's GST collections have failed to take off.

Not only have traders and businesses found ways to circumvent the tax, 'cash-only' value chains operating without invoices have managed to stay out of the GST network from end to end. Under-invoicing is rampant, and unregistered dealers have avoided GST calling it too complex. Some companies are exploiting layers of subsidiaries to fool the law.

Unregistered Dealers

Walk into a neighbourhood store in Indore, Varanasi, Udaipur or any non-metro city and town and ask the store owner about GST compliance. The immediate response would be in the affirmative. Probe a bit, however, and the owner would invariably say he is an unregistered dealer, which means that he earns less than ₹40 lakh a year, and so does not need to register with GSTN. But distributors of large FMCG companies whisper that these neighbourhood stores earn much more than ₹40 lakh a year, but don't want to declare their income in order to circumvent GST. Anuj Agarwal, owner of a *kirana* store on the outskirts of Indore, is brave enough to admit that he avoids GST. "It's too confusing and expensive. I don't know how to claim input credit, so I might as well not declare my income." Agarwal largely sells unbranded commodities such as rice, *atta*, sugar and *dal*, for which he doesn't need to have a GST number. His store also has everything from biscuits and snacks to floor cleaners and detergents, but most of them are local brands. "These brands themselves don't pay GST, so, I am safe," he smiles.

Manu Misra, a wholesaler of leading FMCG brands in Varanasi, says that post-GST, sales of large brands have nosedived and his business has gone down by 30 per cent. "Smaller retailers prefer selling local brands so that they don't have to pay GST. Moreover, local brands are cheaper

PHOTOGRAPH BY YASIR IQBAL

"GST officers have booked 535 cases of fake invoices involving a total fraudulent claim of ₹2,565 crore of input tax credit and arrested 40 persons so far in the current financial year"

Nirmala Sitharaman, Finance Minister, to Lok Sabha in July 2019 and offer more quantity." Misra adds that he too has started buying non-GST brands to bridge the gap due to the fall in sales of bigger national brands.

This explains why HUL Chairman Sanjiv Mehta said in one of the quarterly result meetings that consumption in the rural markets has reduced drastically. Apart from lower spending power due to slowdown, GST has also had a negative impact on branded consumption.

Fake Entities

Many businesses are using layers of subsidiaries to evade GST. Vadodara-headquartered Manpasand Beverages has allegedly conducted sale and purchase of its products across 30 'fake' entities and indulged in a ₹40 crore fraud. Real purchase and sale transactions were shown with values getting inflated with each transaction in order to claim a cumulatively larger amount of input tax credit. The company was already in the eye of a controversy as its audit partner, Deloitte, had resigned stating Manpasand was not being transparent about its business. The GST fraud led to the arrest of the MD and CFO of the company.

A grain wholesaler (speaking on condition of anonymity) in Hisar, Haryana, with a monthly turnover of ₹1.5 crore, has three entities and all of them report a turnover of less than ₹40 lakh per year and hence don't come under the GST ambit. "I had to do it because I can't afford to hire chartered accounts and invest in e-filing systems. My cost would have gone up by ₹25 lakh per year and my margins would remain the same," he says.

A partner of a leading consulting firm explains a more blatant way of using multiple layers of subsidiaries to evade tax. "Say, a business has six group companies. Each sells to the other company. The company with the highest sales closes down and vanishes. It files a winding up petition, which costs just ₹12,000. If the tax department comes knocking at its doors, the promoter asks the department to file its claims with the liquidator. It is a good legal safeguard for just ₹12,000," he says.

Fake Exports

Fraudulent businesses are inventing even more innovative ways to evade GST. "Often, those who buy goods in cash do not insist on *pukka* bills. These bills are then sold to entities that export goods. Instead of exporting genuine goods, they export miniature or fake versions, and claim input credit," says a Delhi-based lawyer.

This September, the Ahmedabad unit of the Directorate General of GST Intelligence unearthed a scam where 'exporters' claimed ₹400 crore input tax credit on fake bills worth more than ₹1,000 crore. The scam involved 20 Noida-based exporters of manufactured tobacco and related goods. Since these are sin goods with tax incidence of 93-188 per cent, the scope to claim input credit increases manifold.

HUGE SHORTFALL SINCE BEGINNING IN CENTRAL GST COLLECTION

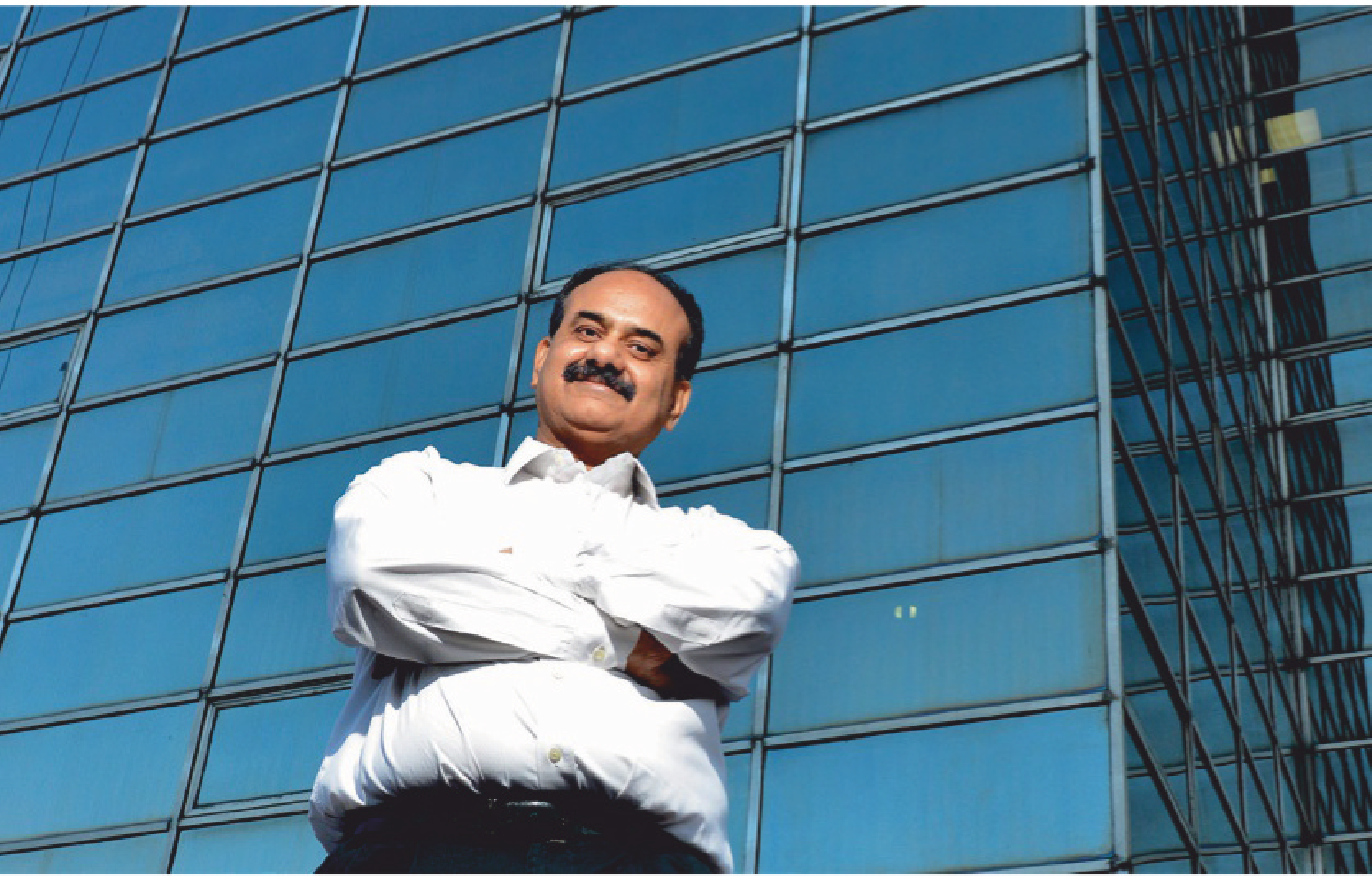
(Amount in ₹ crore)

	Budget estimate	Actual collection
2017/18	NA	2,03,261
2018/19	6,03,900	4,57,534
2019/20 (Apr-Nov; provisional)	5,26,000	3,28,365

Source: Ministry of Finance

These exporters would source low-grade tobacco products from local markets in Delhi at the rate of ₹150-350 a kg and export them to units based in Kandla SEZ in Gujarat by over-invoicing them at the rate of ₹5,000-9,000 a kg. The fake bills produced by the exporters were sourced from 25 suppliers from Assam, UP, Bihar, Delhi, MP and Haryana. These suppliers are either non-existent or controlled by the exporters themselves.

With increasing incidences of fake exports invoices, the Central Board of Indirect Taxes and Customs (CBIC) had earlier this year identified exporters who were perceived to be risky on the basis of pre-defined risk parameters. The department identified over 5,000



PHOTOGRAPH BY SHEKHAR GHOSH

Fake invoicing "is being addressed by the new return mechanism which has features of matching, and also e-invoicing"
Ajay Bhushan Pandey,
Revenue Secretary

such risky exporters in June as against about 1.42 lakh total exporters. Refunds to these risky exporters are released after verification of their input tax credit claims within a maximum of 30 days.

Rajat Mohan, Partner in chartered accountancy firm AMRG & Associates, says that in some cases input tax credit has been delayed for six months. He cites an example of an auto-spare parts manufacturer in Delhi who has not received input tax credit refund because he has been identified as a risky exporter.

Invoice Tinkering

Among the most popular ways to avoid GST is to tinker with invoices. This takes four forms: cash-only or invoice-less deals to avoid the GST network entirely; under-invoicing; over-invoicing; and fake invoices.

Crawford Market in Mumbai is a popular destination to shop for home interiors. At the time of billing, the salesmen insist that the consumer pay in cash and not ask for an invoice. Consumers agree as they then get a better deal. Generating a bill would attract GST, making the goods expensive by 5-18 per cent.

₹19,494 CRORE
Total amount involved in 5,650 fraudulent input tax credit cases (till September 2019)

Similarly, a steel rod manufacturer confides that maximum input credit theft happens in the steel sector — via over-invoicing. Steel rods used for construction attract 18 per cent GST. "To manufacture 1,000 kg, the producer needs 1,200 kg of raw material. He over-bills to show that he used 1,400 kg of raw material and gets input credit on that," the manufacturer explains. "The biggest advantage I have is that no one can make out the quantity of raw material I have used to manufacture the rods," he says, adding that he also buys bills to use to claim input credit. "Fake bills are easily available. Over-billing is the only way I can cover up losses I make in the market. The economic slowdown has hit the real estate market badly."

In Ludhiana, India's bicycle manufacturing hub, violating GST through under-invoicing and claiming input tax credit on fake bills is rampant. Onkar Singh Pahwa, CMD, Avon Cycles, says the organised bicycle industry has shrunk by 3-5 per cent, while the unorganised sector is flourishing with a robust 15-20 per cent growth per annum. "There is a 12 per cent GST on bicycles. These people are under-invoicing heavily. If the bicycle costs ₹2,000, they under-invoice for ₹1,000 and are then able to offer the ₹120 GST benefit that they get to the customer," explains Pahwa.

For price conscious consumers, savings from unbranded options is an attraction. K.B. Thakur, Secretary General, All-India Cycle Manufacturers Association, says large-scale GST violation has led to a trend of reverse FDI in India with many cycle manufacturers considering moving their manufacturing base abroad. The GST Commissionerate of Ludhiana recently raided the premises of 12 manufacturers who were ducking GST.

The next modus operandi exploits the loophole that GST Network cannot match invoices before giving input credit. As a result, unrelated invoices of different transactions are being bought at 1-2 per cent commission. For instance, by selling invoices of an item or service that attracts 18 per cent GST of, say, ₹500 crore, one can make

₹5-10 crore. These are invoices of different buyers, but are unrelated for the person claiming input credit. Most often, suppliers of these invoices have no businesses at all. At present, input credit is paid on a provisional basis as there is no mechanism to match invoices. The verification is possible only after both the supplier and the buyer file GSTR-3B.... The buyer of these invoices can claim input tax credits of 18 per cent or ₹90 crore (on ₹500 crore). This happens mostly in the B2C segment where goods are sold in the market without issuing *pukka* bills to customers and these bills are then sold to businesses who then claim ITC (input credit).

In the monsoon session of Parliament, Finance Minister Nirmala Sitharaman had admitted that frauds related to claiming fake input tax credit in GST have been rampant. Revenue Secretary Ajay Bhushan Pandey also admits that the quantum of GST evasion detected is significant on a month-on-month basis. "The GST Council has a crucial role (to play) in curbing evasion through various measures, including legislative and administrative, besides use of technology. Tax evasion can be effectively curbed through robust sharing of data, exchanging (information) on modus operandi, and following best practices mechanism between the Centre and state GST administrations on a regular basis through institutionalised arrangement, etc."

Around 11,456 GST fraud cases worth ₹53,000 crore have been registered so far. In fact, claiming input tax credit against fake invoices is becoming one of the most common ways of defrauding the system. Between July 2017 and September 2019, around 5,650 cases of fraudulent input tax credit amounting to ₹19,494 crore had been registered.

In September this year, CGST (Central Goods and Services Tax) Delhi West and CGST Delhi North in a joint operation busted a racket of invoices being issued without actual supply of goods. The masterminds had availed fraudulent input credit for seeking IGST (integrated goods and services tax) refunds for which they had created dummy companies. They had applied for IGST refunds from various ports across India and ₹18.09 crore had indeed been credited to their bank accounts for this.

The Crackdown

Sushil Kumar Modi, convenor of the group of ministers on Integrated GST, recently said the government is closely monitoring around 67 lakh new registrants to ensure these are not shell or fake companies. He said they account for only ₹10,000 crore or only 15 per cent of the total GST paid.

GST Network (GSTN), the entity that offers the IT support to the GST system, has come up with a new way to check refund fraud. Under the new return filing system, which will be implemented from April 2020, if a supplier doesn't pay taxes for more than two months, the purchaser will not be able to claim input credit from the third month.

PHOTOGRAPH BY YASIR IQBAL

"The government is closely monitoring around 67 lakh new registrants to ensure these are not shell or fake companies"

Sushil Kumar Modi, Convenor of GoM on Integrated GST

At present, one can claim input tax credit even if the supplier has not paid taxes for six months.

In the current system, GSTR-1 return has all the information of sales made by a supplier, while GSTR-2A has all the purchases made by a buyer. Entries from GSTR-1 of the supplier auto-populate the GSTR-2A of the buyer. GSTR-3B is the monthly return that every registered GST payer has to file. It has details of sales and purchases made.

Prakash Kumar, CEO, GSTN, says: "Today, there is no linkage between GSTR-1 (filed by supplier) and GSTR3B (filed by all GST payers). A supplier can file GSTR1, and it would show in the buyer's GSTR2A. So the buyer can claim input credit by showing his GSTR2A even if the supplier has not filed GSTR3B and paid taxes. In the new system, if the supplier has not filed, it would show in the ANX-2 of the buyer (an annexure to GSTR-1,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which has supplies details, and which the recipient has to accept/reject/mark pending)."

However, says Kumar, those who want to defraud the system can still do so for two months. "We are working on how to plug this gap as well. This is a game of cat and mouse, they (those who want to game the system) would find a way out."

Kumar says that even in the EU, GST (VAT) refund is a huge problem. "This (refund fraud) is an intrinsic problem because the buyer can claim refund based on his purchases. But if the supplier vanishes, what can the buyer do. This is what the buyer says in the court. Our effort is to keep on informing the buyer that this is what the supplier has done," he explains.

Bibek Debroy, Chairman, Prime Minister's Economic Advisory Council, suggests mandatory registration for even small companies. "This is of course a call that the GST Council has to take, but in my opinion, every MSME must take a GST registration, even if it is in zero tax (category). Second, the average GST rate is too low and most people would not want a 28 per cent rate nor a zero per cent rate, but a standardised rate. It means average rates coming down, and violations going down. You must fix it. GST Council will decide when and how to fix it. However, when growth rates are low, it is probably not the best time to do it. The third thing is to take a relook at the idea of compensation to states as it is a perverse incentive to states to have more and more rates at zero per cent."

To ensure better compliance, the government has now started a new system wherein if a taxpayer is not filing GSTR-3B for two consecutive months, the facility to generate e-way bill gets automatically blocked. Once the taxpayer has filed one of the pending returns, the facility to generate e-way bill will be automatically restored.

"This lacuna is now being sought to be addressed by the new return mechanism which has features of matching, and also e-invoicing, both of which are slated for roll-out in the next fiscal. People used to take input tax credit fraudulently with fake invoices, but now it will not be possible for them to generate e-Way bills anymore," says Revenue Secretary Pandey.

In November this year, Central GST Delhi North Commissionerate unearthed a racket involving supply of invoices without goods and goods without invoices. The accused was found operating 10 fake firms that were created to rotate money and fraudulently claim input tax credit. Fraudulent input tax credit of ₹140 crore was claimed using invoices involving an amount of ₹1,040 crore.

HOW THE GAME IS PLAYED

Fake invoices are sold for 1-2 per cent commission. For example, by selling a fake invoice (of something that has 8 per cent GST) of, say, ₹500 crore, one can make ₹5-10 crore; the buyer can claim input tax credit of up to 18 per cent

A business can have group companies. Each sells to the other and the one with highest sales closes down. Winding up petition costs just ₹12,000

Many use trains and bullock carts, instead of trucks, to avoid e-way bills. This helps avoid reporting goods transported and paying GST

Family-owned businesses book personal expenses as business expenses and avail input tax crww edit

A finished good might be taxed higher but if it is divided into two or three components, it might attract lower tax. For example, a formal suit is subject to 12 per cent GST. But if billed separately as coat and trouser, the GST is 5 per cent

Many commodity brands carry a disclaimer on packets stating the company doesn't own the brand and is hence not liable to pay GST
"We hereby voluntarily forego... all types of actionable claim or enforceable right in respect of brand name printed on this bag"

Those who buy goods in cash often do not insist on bills. These bills are then sold to exporters who, instead of exporting genuine goods, sell miniatures or fake versions, claiming both input credit and duty drawbacks


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PHOTOGRAPH BY RACHIT GOSWAMI

Unbranded commodities have to come in white packs with the company's name and FSSAI number printed at the rear. "This is a grey area that most companies are capitalising on"

Yogesh Kumar Sahu, Chairman, Baba Agro Foods

Unfriendly Environment

Are Indian businesses averse to paying taxes? Life has become complicated post-GST, says Deepak Maru, a former President of Federation of Jharkhand Chamber of Commerce and Industry. "Most businesses here are small and to handle GST complications, they will need a chartered accountant and a lawyer. Most of them can't afford that," he says.

Yudhishthir Bhatia, who owns a kirana store in Udaipur, says that the penalty he has to pay for being GST compliant is an additional expense of ₹10,000 per month to hire a chartered accountant. "My costs are going up but not my income is not."

Maru says that most business owners in his region don't understand how to avail input tax credit, and neither do they know how to get a GST number. "There are a lot of issues with input credit. My money is with the government as credit and they take their own time to pay me back. But if I am late in filing my GST return by even a day, I am charged a penalty." He says that one of the reasons for the current liquidity crisis is because input credit of a lot of businesses are yet to be reimbursed.

Corruption and under the table dealings are at a peak in the GST era, say many business owners. "It's not that people were not corrupt earlier but the intensity has increased manifold. The government has to do something to improve the ease of doing business," says Sahu of Baba Agro Foods. "Why can't the government impose GST at sourcing itself? That would have solved our woes to a large extent," he says.

While Baba Agro Foods pays ₹1,600 per quintal for paddy, competitors pay ₹1,580, as they pay cash. The supplier is happy to deal with them as he also prefers cash. This leaves Baba Agro Foods in a weaker position.

S.C. Ralhan, CEO of Ludhiana-based Sri Tools Industries, which manufactures and exports welding tools, says, the only way to reduce GST theft is tax rationalisation. "At the higher level (of bureaucracy), there is hardly any corruption, but it is very difficult to stop corruption at the lower level. Rationalisation of taxes is the best solution to avoid GST evasion."

In the wake of growing revenue concerns, the GST Council is likely to revamp the tax structure. The move is likely to increase the government's tax collection. The answer may, however, lie in plugging the loopholes in the existing GST policy, and preventing businesses from circumventing India's most promising indirect tax. BT

@AjitaShashidhar, @Dipak_Journo, @joecmathew

WHY THEY EVADE

A large number of small businesses in India are not used to paying taxes

The idea of cheque payment, bank transfer and invoicing is alien to many owners of smaller businesses

The GST regime requires returns to be filed every month. This means costs like hiring an accountant, investing in finance software and salary to computer literate staff

Categories such as staples, which did not attract tax earlier, are now subject to 5 per cent GST if they are branded

COVER STORY

STATE GST

GST SHOCK FOR STATES

MANY STATES ARE FACING SEVERE REVENUE CONSTRAINTS AS GST COLLECTIONS REMAIN SUBDUED AND CENTRE DELAYS TRANSFER OF THEIR SHARE OF TAXES

BY DIPAK MONDAL
ILLUSTRATION BY RAJ VERMA

Even as the country was glued to protests against the Citizen Amendment Act, state representatives had gathered in the national capital on a wintery December evening to discuss something as mundane as improving collections from Goods and Services Tax (GST). But the 38th GST Council meeting, a stone's throw from New Delhi's protest site, Jantar Mantar, on December 18 also saw its share of protests, arguments and drama. Amid the gloom and doom in the economy that has resulted a big shortfall in GST collections, which has, in turn, led it to a delay in central government payments to states — the meeting, as was expected, turned out to be stormy, with state finance ministers up in arms against the Centre. The

reasons were simple. A number of states are facing a big revenue shortfall due to GST implementation as they gave up their taxation powers to the Centre and GST is a consumption tax (consuming states gain at the cost of manufacturing states). Also, it is no secret that revenue growth from GST has been muted and the Centre is holding back payment of a part of the revenue meant to be disbursed to states — under GST, there is a provision that the Centre will compensate states for any loss due to implementation of GST for the first five years. The Centre is now saying it does not have enough money to pay.

GST collections have remained subdued, with average monthly mop-up in the first eight months of the year at ₹1 lakh crore as against the target of ₹1.1 lakh crore. With the government looking at an annual shortfall of around ₹1 lakh crore, states seem to be bearing the brunt as under GST, they have given up their power to fix tax rates and, hence, depend largely on the Centre for making up any revenue shortfall. But with the Centre itself facing a revenue crunch, it has started delaying the payments provided for under the GST law. Around half-a-dozen non-BJP ruled states have threatened legal action against the Centre if states' dues are not paid.

West Bengal Finance Minister Amit Mitra, while coming out of the meeting, dropped a bombshell when he told the media waiting outside the NDMC Convention Centre that from the projection that the central government made in its presentation during the meeting, it appears that there would be no money left by February 2020 to compensate states for losses due to GST implementation.

The GST revenue of states has three elements – state GST (collected by states), integrated GST (collected by the Centre on inter-state flow of goods) and compensation cess (collected by the Centre). IGST collections are supposed to be divided equally among the Centre and the consuming state, while compensation cess, though collected by the Centre, is exclusively for making up for any shortfall in revenue of states. The shortfall is calculated assuming 14 per cent annual growth in states' GST collections with 2015/16 as the base year. Compensation cess is levied on sin and luxury goods like *pan masala*, aerated drinks, tobacco and cars which are in the 28 per cent tax slab. It is also levied on imported goods.

So, states are facing a problem on all the three fronts — lower collections due to GST design, muted growth in overall collections due to slowdown and delay in payments by the Centre.

Compensation: The Trigger for a Showdown

Manish Sisodia, the Deputy Chief Minister of Delhi, made no bones about his unhappiness at the delay in payment of compensation to states. The Centre had not paid this amount for four months – August, September, October and November – and states were reportedly finding it difficult to meet their day-to-day expenses. According to sources who were present in the meeting, Sisodia lambasted the Centre for not releasing the compensation amount despite it having ₹42,000 crore in surplus. He apparently told the council that the state's monthly expenses were ₹5,000 crore, and if its dues were more than ₹2,000 crore, how could it run the state? Delhi had got ₹3,5000 crore compensation from the Centre last year, and expects to get ₹3,000 crore in the current financial year. The government, of course, released ₹35,000 crore of the ₹42,000 crore surplus ahead of the council meeting to pacify states.

According to estimates by ratings agency ICRA, the GST compensation requirement of a sub-set of just nine states — Karnataka, Kerala, Gujarat, Maharashtra, Punjab, Haryana, Rajasthan, Tamil Nadu and West Bengal — would double to — 60,000-70,000 crore in the current financial year. The timing of the release of such grants by the Centre would critically affect their cash flows.

The agenda of the council meeting hinted at the problem being faced by the government regarding compensation cess collections. "Among other issues, the GST revenue position shall be also discussed in detail in the meeting. This discussion is quite critical as lower GST and compensation cess collections have been a matter of concern in the last few months. The compensation requirements have increased significantly and are unlikely to be met from the compensation cess being collected," read the agenda note. Just a few days before the GST Council meeting, Finance Minister Nirmala Sitharaman had informed the Rajya Sabha that in the current financial year, ₹55,467 crore were collected till October 31, 2019, and ₹65,250 crore paid to states. The higher disbursement (than collection) was possible because of surplus from previous years. In 2018/19, collections were ₹95,081 crore, and ₹69,275 crore was released to states. In 2017/18, the first year of GST, ₹62,596 crore was collected as compensation cess, of which ₹41,146 crore was released.

The question states are facing is — despite the Centre's promise of making up for any shortfall, the compensation paid is linked to availability of money in the Compensation Cess fund. But not everybody agrees. In his pre-budget submission to the finance minister, Tamil Nadu Deputy Chief Minister O. Pannerrselvam said the

REASONS FOR THE SHORTFALL

States have given up their power to fix indirect tax rates under GST

As GST is a consumption tax, manufacturing states and states with smaller population are at a loss

Delay by the Centre in settling taxes collected under Integrated GST, levied on inter-state movement of goods

Delayed and inadequate payment of compensation by the Centre, which had promised states that it will compensate them for loss of revenue due to implementation of GST

₹35K CRORE

The surplus released by the Centre prior to the GST Council meeting to pacify states obligation to provide GST compensation was not restricted to the amount of compensation cess collected. "The Union government is constitutionally obliged to make good any shortfall in GST collections," he said, adding that if the amount in the GST compensation fund fell short of what is payable in the bi-monthly period, the GST Council should decide ways of raising additional resources. He suggested market borrowing, which could be repaid by collection of cess in subsequent years.

Punjab Finance Minister Manpreet Singh Badal said that 25 per cent of the state's revenue in 2015/16 came from agriculture purchase tax. "We agreed to subsuming this under GST only after the Centre's promise of compensating us for the loss. Now, the Centre is saying that it has no money to pay, and has asked us to fend for ourselves," he said, calling it a default of sovereign guarantee.

No End in Sight

The issue of compensation cess is likely to remain a thorn in the flesh of states as the Centre will continue to struggle to meet their compensation requirements. The reason was explained by former finance minister, the late Arun Jaitley, in a blog last year. "The targets set for the state in the GST regime are unprecedently high. Even though GST commenced on July 1, 2017, the base year for revenue increase is 2015/16. For each year, a 14 per cent increase is guaranteed. Thus, with three 14 per cent increases compounded annually over the base year of 2015/16, this is close to reaching 50 per cent in the second year itself. It is almost an unachievable target," he had said. While compensation has been promised on assumption of 14 per cent growth in GST revenue, this year till October, the overall collections had grown a paltry 2 per cent. This explains the mismatch in cess collection and compensation requirement.

Pratik Jain, Partner & Leader, Indirect Tax, PwC India, says: "The issue of compensation to states is becoming more complex and all stakeholders will have to try and make it a self-sustainable model so that this compensation is not needed after five years as was contemplated earlier. One option for the Centre is to engage with states to see if the 14 per cent annual growth can be renegotiated to a lower rate with increase in the period of compensation beyond five years."

The Unsettling Issue of IGST

IGST is levied by the Centre on inter-state supply of goods. The amount collected is apportioned between states and the Centre. However, like compensation cess, IGST proceeds have also been a bone of contention between states and the Centre.

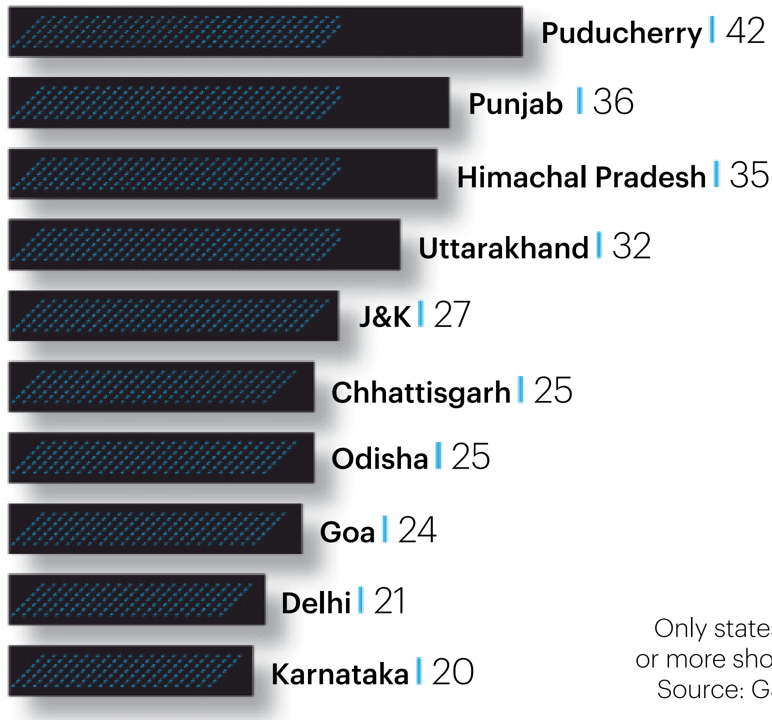
The Tamil Nadu Deputy Chief Minister recently raised the issue with the finance minister in a pre-budget meeting. He said the Union government was yet to provide the ₹4,073 crore IGST arrears to the state for 2017/18. He said the Union government had resorted to incorrect accounting for IGST in 2017/18. "An amount of ₹88,344 crore unallocated IGST was routed through the Consolidated Fund of India. If 50 per cent would have been distributed to states directly, they would not have been deprived of their rightful share of IGST and today the compensation fund would not have been facing a shortfall of ₹48,650 crore," he said. A similar issue was raised by Manish Sisodia, who requested the Centre to pay the state the unsettled IGST amount of ₹3,202 crore.

The 'Design' Problem

Though the central government had promised states compensation for any losses due to implementation of GST for the first five years, this may not solve the problem for many states who feel they sacrificed a lot of revenue due to the GST design. The manufacturing states, which are not necessarily also

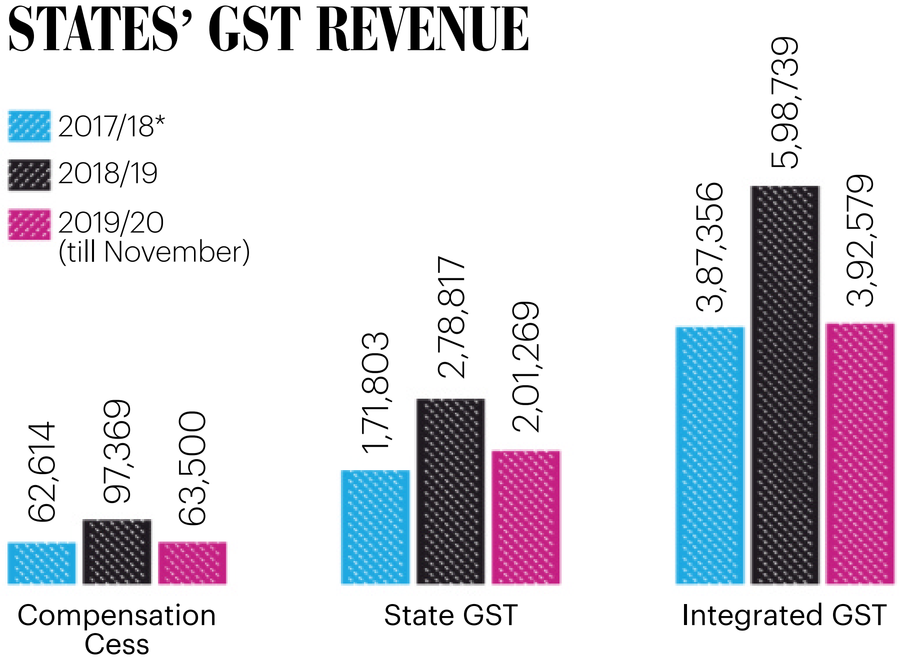
STATE-WISE REVENUE SHORTFALL

(April-December 2018) Figures in per cent



Only states with 20% or more shortfall taken
Source: GST Council

THREE COMPONENTS OF STATES' GST REVENUE



*July 2017 to April 2018; IGST is divided equally between states and the Centre; Source: GST Council

consuming states, say they are at a loss as GST is a consumption tax, collected in the state where the goods/services are consumed. It is not a new debate, but with the compensation arrangement coming under stress, manufacturing states have started raising questions about the viability of GST after the central compensation stops. "States like Chhattisgarh, which are not consuming states, will suffer heavily after the five-year period ends in June 2022 when compensation from the Centre stops," says T.S. Singhdeo, the Commercial Tax Minister of Chhattisgarh. He says the presumption during the drafting of the law was that in five years states would be able to find new sources of tax revenues which would put them in a position where they would not need compen-

sation. “That is certainly not going to happen,” he says. He is also not sure if extending the period of compensation by another three-five years will help the non-consuming states. He gives an example to explain: “In Chhattisgarh, we had an environmental cess of ₹400/tonne on coal. We are producing 140 million tonnes coal every year. At 400 a tonne, we can earn a revenue of ₹5,600 crore. Today, we are getting nothing. On this coal, we had a VAT of 5 per cent, which was coming to the state. Today, the rate is the same, but GST means half goes to the Centre and half comes to the state.”

Chhattisgarh is facing a GST revenue shortfall of around 25 per cent assuming 14 per cent revenue growth since 2015/16. There are others like Puducherry, with a shortfall of around 40 per cent, Punjab (36 per cent), Himachal Pradesh (35 per cent) and Uttarakhand (32 per cent). The reason in case of Puducherry is specific to it. Before GST, it was over-reliant on central sales tax (CST). While the average contribution of CST to tax collections of states was 8 per cent, in case of Puducherry, it was 27 per cent. These deficits are unlikely to be wiped out by June 2022 when the five-year compensation period gets over. The Centre now expects these states to find alternative sources of revenue. Only a few North-eastern states have been able to wipe out the deficit so far. In case of Punjab, 25 per cent of its 2015/16 revenue came from agriculture purchase tax and infrastructure development tax. These got subsumed in GST and, hence, the wide shortfall in GST collections. The Punjab finance minister says with the Centre wanting states to fend for themselves after the five-year compensation period, there is a need to rethink the design of GST. He says maybe it is time for GST 2.0. **BT**

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Legal Shocker

THE NCLAT DECISION TO REINSTATE CYRUS MISTRY AS TATA SONS EXECUTIVE CHAIRMAN HAS TURNED THE TABLES ON THE TATA GROUP. WHAT NEXT?

BY NEVIN JOHN

> **"I believe it is now time that all of us work together for sustainable growth and development of the Tata Group..." – Cyrus Mistry**

The National Company Law Appellate Tribunal (NCLAT) delivered a body blow to the 150-year-old, $110-billion, salt-to-software Tata group when it reinstated former chairman Cyrus Mistry, who was unceremoniously removed in October 2016. It also asked current Tata Sons chairman N. Chandrasekaran to resign. That's not all. The appellate tribunal, whose decision can be appealed only in the Supreme Court, has ordered reversal of the Tata group's decision to convert holding company Tata Sons into a private limited firm from a public entity. None of these were anticipated.

The NCLAT has, in fact, reversed the 2018 order of the National Company Law Tribunal (NCLT), which had dismissed Mistry's petitions.

Tata group needs a stay from the SC against the NCLAT shocker within four weeks to maintain status quo. However, if the SC upholds any of the orders of the NCLAT, it will not just be a huge embarrassment but would also leave one of India's largest groups, with over 100 companies, in disarray. The order tests the supremacy of Ratan Tata, who appears checkmated for now. It could also mean the Pallonji Mistry family, the second largest stakeholder after Tata Trusts in the Tata group, may have a greater say. And it could leave current chairman Chandrasekaran in a spot.

What happens next? In his letter to Tata employees after the judgement, Chandrasekaran said, "Tata Sons firmly believes in the strength of our case and will pursue the appropriate legal recourse."

Will Chandrasekaran have to step down immediately? Unlikely, unless SC concurs with the NCLAT. If the Tatas secure a status quo, he is likely to continue until the SC gives its judgement. As for Mistry, far from recapturing the chairman's post, he is more focused on protecting his family's 18.4 per cent stakeholder interest in Tata Sons, say sources. "Mistry is a mature man who fought for stitching up the wounded pride of his family. He wanted the family name to come clean," says a source.

However, in the unlikely scenario that Chandrasekaran does have to step down, the group may see another round of shuffle in top management. Remember, when Mistry had to leave, his team – including Madhu Kannan, Nirmalya Kumar, N.S. Rajan and Mukund Rajan – had to exit as well.

Can Mistry be reinstated? Extremely unlikely. After all, majority rules. The rule of majority in running an enterprise is the primary principle of corporate law across the world. Minority empowerment balances power on the board, but majority still runs it. Tata Trusts and family members own as much as 80 per cent of group holding firm Tata Sons. Shuva Mandal, Group General Counsel, Tata Sons, said the order is unclear, and added, "The NCLAT order appears to even go beyond the specific reliefs sought by the Appellant (Mistry)."

Also, Mistry's return would lead to a clash of egos between Tata and Mistry camps. It will destabilise the group and affect business prospects and valuations. Investors shun companies facing internal conflict. That won't be in the Mistry family's interest. Mistry has issued what is being interpreted as a conciliatory statement, perhaps indicating he would like a say but won't necessarily run the group. "I believe it is now time that all of us work together for sustainable growth and development of the Tata Group, an institution that we all cherish," he said, insisting the NCLAT order is a vindication of his stand.

Mistry's counsel, Aryama Sundaram, presented the case, tracing down decisions of Tata group companies, boards and committees, while Mistry was chairman. NCLAT chairperson Justice S.J. Mukhopadhaya and Member (Judicial) Justice Bansi Lal Bhat were of the view that Mistry made a clear case of 'prejudicial' and 'oppressive' action of Ratan Tata and nominee directors Nitin Nohria and N.A. Soonawala, among others. They said in the order that majority stakeholders (Ratan Tata through Trusts) acted as 'Super Board' and ignored the well laid and statutorily recognised principles of law while managing the company.

Points of View

What do legal experts say? The NCLAT's order has more weightage before the SC than the NCLT's. But experts say the court may not take a harsh decision since disturbing the structure of the Tata group will have socio-economic implications. Ramesh Vaidyanathan, Founder and Managing Partner, Advaya Legal, says the court may take a view that much water has flowed under the bridge and it may not be ideal to reverse the clock. The NCLAT's order may be harsh, but its findings are not faulty, he adds.

Another senior corporate lawyer, who requested anonymity, disagrees and believes the judgement bordered on corporate activism. "Activism will not work in corporate law," he adds.

The NCLAT's order against entities that are not parties in the case has set

How It All Unfolded

December 20, 2016

On October 24, 2016, Cyrus Mistry ousted. Rata Tata named interim chairman. Two Mistry family firms move NCLT Mumbai; allege oppression of minority shareholders

January 12, 2017

N. Chandrasekaran named Chairman of Tata Sons

February 6, 2017

Cyrus Mistry removed as director on board of Tata Sons

March 6, 2017

NCLT sets aside plea over maintainability, citing 10% ownership criteria to file case of minority shareholders is not met. Mistry family holds less than 3% in Tata Sons, excluding preferential shares

April 27, 2017

Investment firms move Appellate Tribunal, NCLAT, challenging NCLT order which rejected their petitions

October 6, 2017

Principal bench of NCLT dismisses pleas

July 9, 2018

NCLT Mumbai dismisses Mistry's pleas challenging his removal as chairman and allegations of misconduct by Ratan Tata and Board

August 29, 2019

NCLAT admits petition filed by Mistry in personal capacity

December 18, 2019

NCLAT restores Mistry as executive chairman of Tata Sons; gives Tatas four weeks to appeal

a wrong precedent, lawyers who support the Tatas say.

Legal Observations

The Tata group's arguments have been countered by the apex tribunal point-by-point. For instance, four months before the ouster, the 'Nomination and Remuneration Committee' appreciated Mistry's performance and sought clarity in the functioning of the Tata Sons board. The review of the committee was unanimously approved by the board of Tata Sons. Besides, the boards of Tata group companies had also praised Mistry's performance.

It is relevant to note that three directors who also voted for the removal – Amit Chandra, Ajay Piramal and Venu Srinivasan – had been inducted into the Tata Sons board only on 8 August 2016, after the appraisal report of 'Nomination and Remuneration Committee'. Two of the other directors – Ranendra Sen and Vijay Singh – were also members of the committee.

If losses in Tata group companies were due to mismanagement by Mistry, why did the nominated directors of Tata Trusts – Ratan Tata and Nitin Nohria, who have affirmative voting rights over the majority decision of the board – allow the companies to function in such a manner?

The tribunal said that Mistry's removal was "without any basis" and "without following normal procedure under Article 118". It termed the removal and change of Tata Sons into a private company as "illegal". The decision of the Registrar of Companies (RoC) to allow conversion of Tata Sons to a private company from public is "against the provisions of Section 14 of the Companies Act, 2013". The tribunal called the move as "prejudicial" and "oppressive" to minority shareholders and instructed the RoC to make a correction in its record.

Another order is that Ratan Tata and the nominees of Tata Trusts should desist from taking any decision in advance on behalf of the board or shareholders.

Mistry's family firms opposed the conversion to private company as it would restrict them from selling stakes to outsiders. As a private limited company, Tata Sons would need just a board approval for taking crucial decisions and would not need shareholder consent. This would mean the Mistry family would have no say in the board despite being the biggest shareholder after Tata Trusts, sources close to Mistry say.

The appellate tribunal has shaken the Tata empire, but the ball will soon be in the Supreme Court. **BT**

@nevinjl

Lacking Bite

DESPITE BEING ARMED WITH STATUTORY AND ARREST POWERS, SFIO INVESTIGATIONS HAVE LED TO FEW CONVICTIONS. THIS RAISES QUESTIONS ABOUT ITS EFFECTIVENESS

BY DIPAK MONDAL
ILLUSTRATION BY AJAY THAKURI

The Serious Fraud Investigation Office (SFIO), the government agency that investigates white-collar crimes in India, made its first arrest on 8 August 2019, almost two years after it was given the powers to do so in 2017. And it was a big catch. SFIO arrested Neeraj Singal, the erstwhile promoter and Managing Director of Bhushan Steel. Singal was found to have used a web of shell companies, owned directly and indirectly by him and his family, to siphon off thousands of crores borrowed from public sector banks, causing wrongful losses to the banks.

Increasing Load

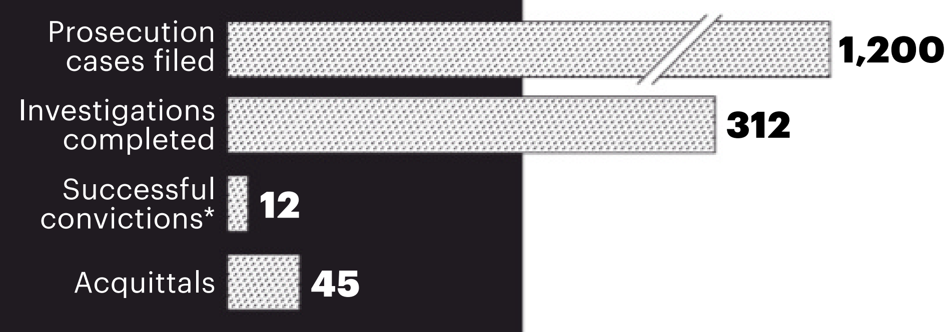
Cases of fraud involving companies where investigation has been ordered by the central government and has been or will be carried out by SFIO (as on March 2018)

Source: Parliament Q&A

71	184	111	209
2014/15	2015/16	2016/17	2017/18

Convictions till March 2017

A large number of cases have not been closed



*In some cases, convictions under different Sections have been counted separately so the total number of convictions is 93. Source: SFIO

Singal's arrest could have been a shot in the arm for the agency, which has been in existence for over a decade and still faces a credibility crisis. Not everyone is convinced about its effectiveness in closing cases of fraud and other crimes committed under the Companies Act. Legal experts and law enforcement personnel say that while the agency has investigated several cases, very few of these investigations have led to conviction.

Shiju P.V., partner at legal firm IndiaLaw LLP, says, "There are no closures in SFIO investigations. You go, they give you a report, (but) you cannot see any conclusion. Investigation is one thing... you don't see conviction."

The criticism holds some truth. Numbers indicate that SFIO has not accomplished much when it comes to getting convictions and collecting fines.

Short of Target

Between 2003/04 and March 2017, SFIO filed over 1,200 prosecution cases and completed investigations in 312. In the four years to March 2018, the agency investigated 575 cases in all. However, only 12 cases saw a total of 93 convictions. Not a report card to be proud of.

This is the reason that when the agency was given the powers to arrest in 2017, there was hope that it would cease to be a toothless tiger, and the power to arrest would give it the required heft.

However, the power to arrest did not come with clear legal backing, and this was exposed in the Singal case, when the Delhi High Court came down heavily on the agency, calling the arrest an over-reach of its power.

The Delhi High Court contended that SFIO should not have arrested the Bhushan Steel promoter without registering a case or maintaining a case diary as mandated under Section 172 of Code of Criminal Procedure (CrPC). CrPC is the main legislation that governs the maintenance of criminal law in the country. The court also said that the respective provisions of the Companies Act 2013 do not completely exclude the applicability of CrPC. Rejecting SFIO's arguments in this regard, the high court granted interim bail to Singal.

With a stroke of a pen, the high court put many question marks on the procedure and legality of SFIO's arrest power. Mohit Chaudhary, managing partner at law firm Kings and Alliance, says: "While SFIO has the power to arrest, the procedure to file an FIR for arrest and prosecution is not clear."

Born Out of Need

Notwithstanding the legal loopholes that limit the power and scope of SFIO, it has come of age over the years to become a premier agency investigating crimes and frauds committed by corporate India.

The organisation was born out of the need to curb large-scale stock market scams and frauds committed by ever mushrooming non-banking financial institutions and plantation companies in the late 1990s and early 2000s. The agency was set up in 2003 and began working from 1 October that year. At that time, it did not have a formal legal status, and worked under the existing legal framework of the erstwhile Companies Act, 1956.

While it took up investigation of complex matters involving high public interest and had inter-departmental and multi-disciplinary ramifications, without statutory status SFIO had limited scope and power. It received a statutory status in December 2013 under the provisions of the Companies Act, 2013. In 2017, it was also conferred the power to arrest.

Today, SFIO has evolved into a multi-disciplinary organisation consisting of experts from the fields of accountancy, forensic auditing, law, IT, investigation, company law, capital market and taxation. The Companies Act gives it power to search, seize and arrest. The Act also provides that if the government has handed over any investigation to the SFIO, no other agency would be allowed to initiate or do further investigation into the case and has to handover all evidence.

SFIO can start investigating a case at the behest of the Central government, and once the investigation is done, it has to submit its report to the government. The report can then be used by other agencies and courts to frame charges in a particular case.

In its early days, the agency started investigating cases like Daewoo Motors, Morepen Laboratories, Design Auto and DSQ Software. It got its first success in 2014/15 with the conviction of two directors of DSQ Software for the company's involvement in a securities scam in 2003. The case was referred to it in 2005/06.

Challenges SFIO Faces

Doesn't have its own cadre of officers: Most of its staff is on deputation

Poor staff strength: As against sanctioned strength of 133 posts, only 59, or about 44% officers are in place

Involvement of multiple agencies: In cases that SFIO investigates, other agencies such as Enforcement Directorate (ED) and Central Bureau of Investigation (CBI) are also involved. Lack of cooperation between agencies can lead to delays and poor investigation

Power to arrest questioned: The Delhi High Court has questioned SFIO's power to arrest without registering a case under the Code of Criminal Procedure

But major success came in 2014 with the conviction of promoters and directors of Satyam Computers in the 2009 case of accounting fraud to the tune of ₹7,000 crore.

Another example is of Goldquest International and QNet, a multi-level marketing company that was run by foreign operators and is said to have cost investors over ₹7,000 crore. An investigation by SFIO led to the arrest and conviction of Goldquest Managing Director Pushpam Appala Naidu in 2014.

Limitations and Impediments

While the agency has successes to its name, along the way it has also realised its limitations.

Vijay K. Singh, senior partner at law firm Singh and Associates, says it is not entirely correct to say SFIO investigations are not resulting in convictions. "The number of cases where investigations are getting concluded is increasing with every passing year. In many cases, courts have relied upon investigations done by SFIO. However, every case invites multiple proceedings on various grounds which may be a direct or indirect impediment to SFIO's investigation," he says.

Even if investigations are being completed, albeit at a slow pace, the rate of conviction is low. "Conviction rate is less than 10 per cent. (Even) if they are investigating so much, what is its use? Are they serious about it or are they using it just as a pressure tactic?" rues Shiju of IndiaLaw.

Experts point out that there are many cases where, despite investigations being complete, there have been no arrests and no conviction. Chaudhary of Kings and Alliance refers to the Bush Foods case. He says that the promoters of the company allegedly diverted funds borrowed from banks and settled in the UK. The Delhi High Court requested SFIO to investigate the issue in 2016. The probe was completed and it revealed wrong doing, but since the culprits were settled in a foreign country, no arrests could be made. "If SFIO has the power to arrest, do they also have the power to initiate extradition? If yes then why are those not used? If they have the power to arrest with prosecution, the procedure is not clear," he says.

So what is it that slows down the closure of investigations or prevents convictions? While SFIO cannot be blamed entirely as its role ends once it has submitted the investigation report, the gap lies on the investigation front.

Legality is where they are lacking, says Ranjana Roy Gawai, managing partner at RRG & Associates. She explains: "Putting many sections together dilutes the cases. Since a corporate fraud case could involve several aspects of the law – corporate, taxation, securities, criminal law, etc – there is lack of clarity on how to proceed with the investigations, sections of law applicable, etc."

Besides, says Gawai, in a case of fraud, too many people are named in the report making it difficult to ascertain the criminality or involvement of each person in the case.

And as was made clear by the Delhi High Court in the case of Bhushan Steel and Singal, SFIO cannot in most cases make arrests without filing a case under CrPC and involving police.

In most fraud cases that are being investigated or are likely to be investigated by SFIO, other agencies like the Central Bureau of Investigation or Enforcement Directorate are already involved. "If an agency like CBI or ED is already doing an investigation and they have the necessary evidence and documents pertaining to the case, it becomes difficult for SFIO to get hold of those documents immediately," says a former SFIO director, who did not wish to be named.

"There are times when some evidence could be of utmost significance on a real-time basis. If they are not immediately handed over to SFIO, the delay could prove very critical for the investigation in the long run," he adds.

An ED official admitted that there are some documents that have live investigation value and which cannot immediately be shared with other agencies. He, however, says: "On a routine basis we share details with other agencies. We come into the picture only when SFIO files a case under Section 447 of the Companies Act 2013."

Procedural issues aside, SFIO also faces a staff crunch. The former SFIO director mentioned earlier, says that unlike other enforcement agencies like CBI or ED, the fraud investigation organisation does not have its own cadre of officers. Most of them are on deputation from other agencies like tax department, police, etc. It runs on a 40-50 per cent staff strength. As against the sanctioned strength of 133 posts, only 59 posts, or 44 per cent of the total number of posts, were filled till last year.

The SFIO is headed by a director, who is assisted by additional directors, joint directors, senior directors, senior assistant directors, assistant directors, prosecutors and other staff.

In August this year, SFIO had to put out an advertisement inviting applications for 42 posts for Joint directors (investigation, financial transactions, forensic audits, and capital market), senior directors and senior assistant directors – an indication of the shortfall in staff.

Technology could be of significant help in detecting and curbing corporate frauds but SFIO seems to be falling behind the curve as far as enhancing technological capability is concerned. It had to put on the backburner an early warning system for detection of shell companies, due to paucity of funds. Its computer forensic and data mining lab has not been a great success either. When *BT* met the current SFIO director Amardeep Singh Bhatia, he refused to elaborate on these topics saying that these were systemic issues and not much could be done.

With its limited success in investigating and convicting culprits in fraud cases, some people have even questioned the need for SFIO given that other investigating agencies like Economic Offence Wing, CBI and ED are already there. Given the large number of complex corporate cases that have come to light, SFIO can still play a big role in detecting and investigating such cases. But to be effective – especially considering that the scale of some cases like IL&FS and DHFL is quite large – it will need more teeth. **BT**

@Dipak_Journo

Major Cases that SFIO Investigated and Which Led to Conviction

Satyam Computer
The promoters of the company indulged in over-invoicing and committed an accounting fraud of over ₹7,000 crore. SFIO investigation led to conviction of the promoters and directors of the company in 2014

Sesa Goa
The company had over-invoiced import receipts of coking coal and sale of iron-ore, while under-invoicing exports by ₹1,002 crore. SFIO investigation led to conviction of over half a dozen directors in 2012

Goldquest International/ QNet
A multi-level marketing company run by foreign operators is said to have cost investors over ₹7,000 crore. SFIO investigation led to the arrest and conviction of Goldquest MD Pushpam Appala Naidu

Classic Credit/Classic Shares and Stock Brokings
Both the firms are linked to Ketan Parekh and the stock market scam involving ₹40,000 crore. SFIO investigation led to conviction of Ketan Parekh and his relative Kartik Parekh


9:41
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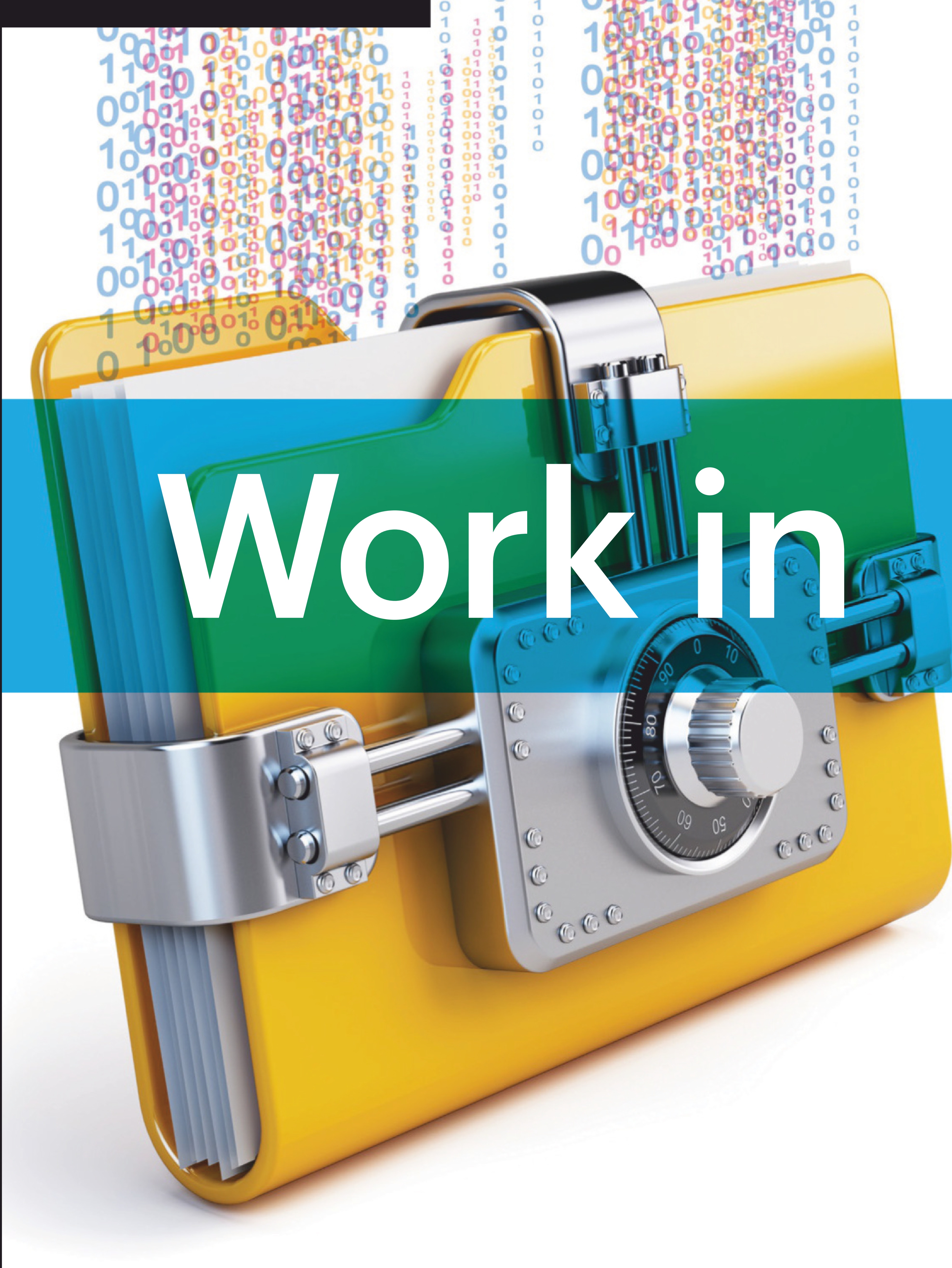


Policy

Progress

India's data protection Bill has implications for citizens, companies and the government. But many questions need answers before it can near implementation

BY GOUTAM DAS
ILLUSTRATION BY RAJ VERMA

Depending on who you speak to, the Personal Data Protection Bill, 2019, draws out extreme responses. Justice B.N. Srikrishna, a former judge of the Supreme Court of India, dubbed the latest version of the Bill, cleared by the Cabinet, "dangerous" and one that could turn the country into an "Orwellian state". In the Bill, the central government gets powers to access personal data in the interest of integrity, sovereignty, security, and public order among others.

At the other end is Omkar Rai, Director General of Software Technology Parks of India (STPI). He tweeted: "The clearance of #PDPB by the Union Cabinet is a historic step towards striking a balance between the sprinting digital revolution and exigency of personal #dataprotection while strengthening India's position on citizens' #datasecurity".

There are many stakeholders in data protection – citizens, who are the data providers to private and public companies as well as the government; data processors, or organisations that use the data for business or other purposes; and the government, which is interested in law enforcement and possibly a bargaining chip in dealing with large multinationals, particularly the social media companies who are difficult to tame.

The legislation, therefore, is complicated, and evolving. The Bill has now been referred to a Joint Committee of the Houses (JPC), which could recommend tweaks, and more clarity. The Bill's principles, however, wouldn't change.

Indians didn't care much about data privacy – it has largely been a Western construct. This is now changing. Data localisation is a reality both multinationals and Indian companies have to brace for even though what data needs to be processed and stored in India can be fine-tuned. The government and the private sector, particularly business-to-consumer companies, have to start investing in people, processes and technology that protect privacy and monitor compliance while identifying defaulters. Compliance has a cost. Storage and processing, setting up processes, capacity building needs money and time but also opens up business opportunity.

The Bill, in short, has good parts, some red flags, and a promise that it could generate business and jobs. Overall, this is also a notice, to get ready.

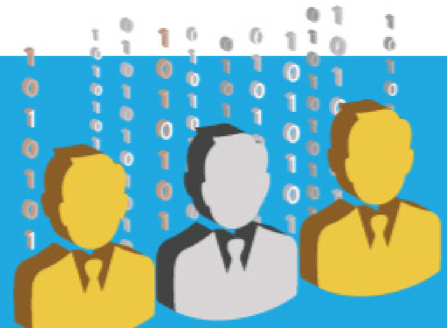
The Good

Member of Parliament Rajeev Chandrasekhar, a techie and a tech investor in his previous avatars, knows the importance and the far reaching implications technology policies can have. "In telecom, we had legislations and policies that were only pro-business. It had no protection or rights for consumers," he says. Users suffered for two decades because of poor quality of service and call drops. The Personal Data Protection Bill, he holds, must therefore work for every stakeholder. "Since the Supreme Court has already ruled that privacy is a fundamental right, consumers are coming into this conversation with that right. They would like a legislation that respects privacy and gives the reasonable restrictions the government wants." Chandrasekhar is part of the JPC that will hold consultations with every stakeholder over the next three-four months.

The Bill could be the defining legislation for the future of Digital India, he says. "The Digital economy by 2024 is going to be more than $1 trillion in size; it is going to be a big part of the $5 trillion roadmap. Therefore, anything that we do must only enable, expand and enhance investments as well as innovation," he adds.

The biggest thing going for consumers in this Bill is that consent is necessary for processing of personal data. Mukul

What's in the latest Bill?



Citizens

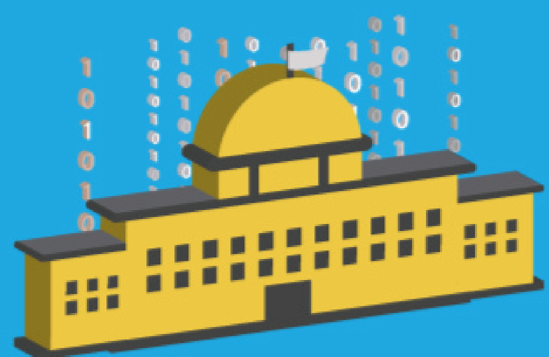
FOR
The principle that consent is necessary for processing of personal data;
How data of minors should be handled

AGAINST
The government has excessive powers to access data in the interest of integrity, sovereignty, security, public order

Businesses

FOR
Opportunities in the data centre market; in security software, system integration, consulting, human resources outsourcing

AGAINST
Higher cost of compliance; living in uncertainty since what is 'critical data' is not defined



Government

FOR
A defining legislation for the future of Digital India; a bargaining chip to deal with large multinationals; law enforcement

AGAINST
Cost of capacity building; hiring and training people

Shrivastava, Partner, Forensic and Integrity Services at EY India, says that the days of companies getting users to click on 'I Agree' after pages of terms and conditions may well be over. "A subset of this is that if someone doesn't agree, you cannot deny her or him the service. This will have a major impact on all organisations," he says.

Tele sales may be affected. As most companies outsource this function, there could be more monitoring of how they get one's personally identifiable information, Shrivastava says. Yet another scenario, he underlines, is call centres recording calls for quality monitoring and training purposes. "Often, during the call, you need to give out e-mail addresses, telephone numbers and addresses, which are being recorded. That is a huge risk. It is personal information. The concept of specific approvals will have far reaching implications," he adds.

The current Bill also guides how data of minors must be processed. The Bill states that the "data fiduciary (organisations that process data) shall, before processing of any personal data of a child, verify his age and obtain the consent of his parent or guardian, in such manner as may be specified by regulations".

"Many global Acts have been silent around the data of minors but this Bill addresses how it should be handled. It has to go through the same yardstick of scrutiny and privacy. This encompasses a fairly large set of organisations, from schools and creches to even companies giving out scholarships," Shrivastava adds.

Red Flags

Most critics have trained their guns on clause 35, which deals with the power of the central government to exempt any of its agencies from application of the Act.

Kazim Rizvi, Founding Director of think-tank The Dialogue, says under the Bill, the government has excessive powers to access data. "In the absence of a surveillance law, it provides the government with unfettered access to any personal data. In the absence of checks and balances, judicial safeguards and parliamentary oversight, this is tantamount to blatant violation of the right to privacy as guaranteed by the Constitution," he says.

Rizvi also points out that exceptions to consent are loose and vague. "Additionally, Clause 13 and 14 allow for the processing of personal data without consent for functions of state, or for compliance with any law. The government can easily ask for personal data in lieu of 'functions' of the state and there is no recourse for citizens in case their data is accessed and processed wrongfully," he adds.

Rama Vedashree, CEO, Data Security Council of India, a data protection body set up by Nasscom, underlines what she says is inaccurate categorisation of data. The Bill defines what constitutes sensitive personal data and there is a small deletion from the 2018 draft, where sensitive personal data constituted passwords, financial data, health data, official identifier, sex life, sexual orientation, biometric data, genetic data, transgender status, intersex status, caste or tribe, religious or political belief or affiliation. The 2019 Bill omits 'passwords' in the sensitive category but includes financial data. Vedashree says financial data should not be considered sensitive.

"Look at any data protection regime in the world – there is hardly anyone who categorises financial data as sensitive personal data. Financial data requires a lot of confidentiality and security practices. But it is not like personal mental health record. We don't agree on this categorisation. The moment it is sensitive, there might be an extra burden around localisation. Cross-border data flows are very important," she says.

There is also ambiguity around what would constitutes a second categorisation – critical personal data. The 2019 Bill says that it "means such personal data as may be notified by the Central Government to be critical personal data". "Any data, at any point in time, can be declared as 'critical'. These are provisions that do create uncertainty for businesses. Large Indian enterprises or even global enterprises expect some levels of certainty," Vedashree says. She adds that a lot of investment would be required. Not just data processing companies, even the government will need a huge budget, to create awareness as well as build capacity.

The government has to establish the Data Protection Authority of India to protect the interests of citizens, moni-

PHOTOGRAPH BY M ZHAZO

"ANYTHING THAT WE DO MUST ONLY ENABLE, EXPAND AND ENHANCE INVESTMENTS AS WELL AS INNOVATION"

Rajeev Chandrasekhar, Member of Parliament and Member of the JPC on the Bill

$1tn

Expected size of India's digital economy by 2024 tor companies processing data, as well as prevent misuse of personal data. This will be expensive because every company that processes data, has to prepare a 'Privacy by Design' policy and submit it to the Authority for certification within a specified period. The policy is expected to substantiate the organisational, business practices and technical systems a company has designed to anticipate, identify and avoid harm to the person whose data is being processed.

"Every data fiduciary getting their Privacy by Design policy certified is a pain; the Data Protection Authority will get inundated. You may need cells all over India. There may be state level enforcement mechanisms. The Authority would need mammoth staff. So compliance comes with a cost," says Sajai Singh, Partner at J Sagar Associates, Advocates & Solicitors.

The Bill lays out a number of responsibilities the Authority must discharge, including monitoring cross-border transfer of personal data, monitoring tech developments and commercial practices that may affect protection of personal data, and receiving and inquiring into complaints. It would also maintain a database of significant data fiduciaries along with a rating in the form of a data trust score indicating compliance.

The investments spell good news for many businesses.

PHOTOGRAPH BY VIKRAM SHARMA

"THE BILL WILL PROVIDE ENOUGH TIME FOR COMPANIES TO COMPLY WITH THE REGULATIONS MADE"

Tejasvi Surya, Member of Parliament, and Member of the JPC on the Bill

The Opportunity

In 2007, India's datacentre footprint was 1.7-1.9 million sq. ft. By 2010, the real estate footprint grew to 2.8 million sq. ft and by 2018, to 10.9 million sq. ft. "Now, the market could grow to 30 million square feet by 2025," projects B.S. Rao, Vice President-Marketing, CtrlS Datacenters.

While there are many sides to the debate around data localisation, data centre operators aren't complaining. Large Indian conglomerates have sniffed an opportunity. In October, the Adani Group, for instance, announced a partnership with San Francisco-based Digital Realty, a provider of data centre solutions. The two companies will evaluate developing and operating data centres and data centre parks in India.

"Data centres form the backbone of India's ever expanding digital economy. India's draft Data Localisation Bill potentially mandates storage and compute of Indian data, locally, to be hosted within the country. We anticipate that India's third party co-location data centre capacity will expand from the current 350 MW (mega watt) to over 781 MW of designed IT power load by 2024. This would also open a greenfield investment opportunity of over $4.1 billion in the medium term," says Rachit Mohan, Head of JLL's Data Centre Advisory Practice. Key to operations of a data center is power, so capacity is measured in MW. IT power load is the energy that only the data centre consumes.

$4.1 BILLION
Greenfield investment opportunity in data centres

According to a JLL report, regulatory incentives for the data centre industry are already being rolled out. "Considering the potential... several states like Maharashtra, Gujarat and Telangana have provided special incentives to attract industry players. Maharashtra has announced an integrated data centre policy. Telangana, which has attracted top global technology companies, has also provided incentives by supporting infrastructure facilities and other benefits," the report states.

The Bill would drive investments into other tech areas as well. According to LoginRadius, a cloud-based customer identity management firm, companies would now need to proactively implement electronic firewall and other measures involving virus scans, security patches, vulnerability testing, recovery planning, security audits, and other steps designed to improve personal and sensitive data protection procedures.

Consulting and forensic investigation companies stand to gain as well. Till such time the government and the private sector build up capacity, much of the audit work and monitoring may be outsourced to them.

So what is the way ahead? One hopes the JPC will recommend clear time lines on implementation of the Bill – one of the Parliamentarians *BT* spoke to said there would be sufficient time for the stakeholders to prepare. "The Bill will provide enough time for companies to comply with the regulations made. It will not come into effect from tomorrow midnight. This is going to be a reasonable exercise balancing all interests," BJP Parliamentarian from Karnataka Tejasvi Surya, also part of the JPC, says.

Given the high pitched debates around the Bill, that is a reassuring statement. BT

@Goutam20

Markets

PUMPING IT UP

POLITICAL STABILITY TRUMPS DETERIORATING MACROECONOMIC NUMBERS AS FPIs INVEST OVER **₹92,477 CRORE** IN INDIAN EQUITIES TILL MID-DECEMBER 2019

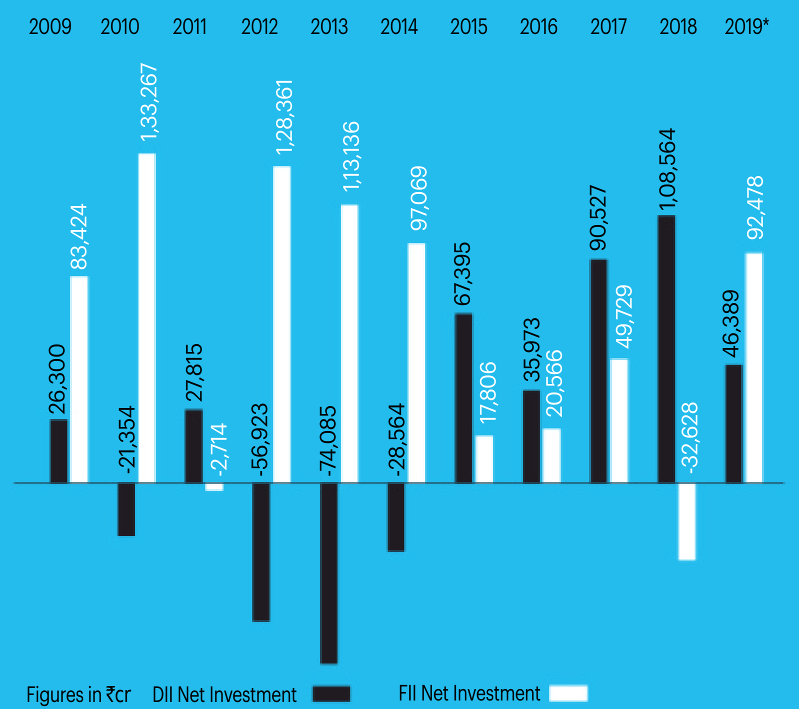
By RASHMI PRATAP
ILLUSTRATION BY RAJ VERMA

If there's one class of investors that has been buying into the India growth story despite gloom on all major economic parameters, it is Foreign Portfolio Investors (FPIs). They have pumped in over ₹92,477 crore, on a net basis, in Indian equities since January this year. The flows have especially picked up in the last couple of months, which is driving the current rally in Sensex, which breached the 41,000-mark on November 28.

FPIs have always been extremely calculated in their India stance. The timing of their entry and exit reflects both political and economic environment. Just ahead of the general elections this year, they were net buyers to the tune of ₹33,116 crore in equities in March 2019. In April and May, their net investments in equities were ₹20,281 crore and ₹9,826 crore, respectively. This massive inflow of ₹63,223 crore in just three months was more than the inflow in any calendar year since 2015. The last time FPI

Long-term Attraction

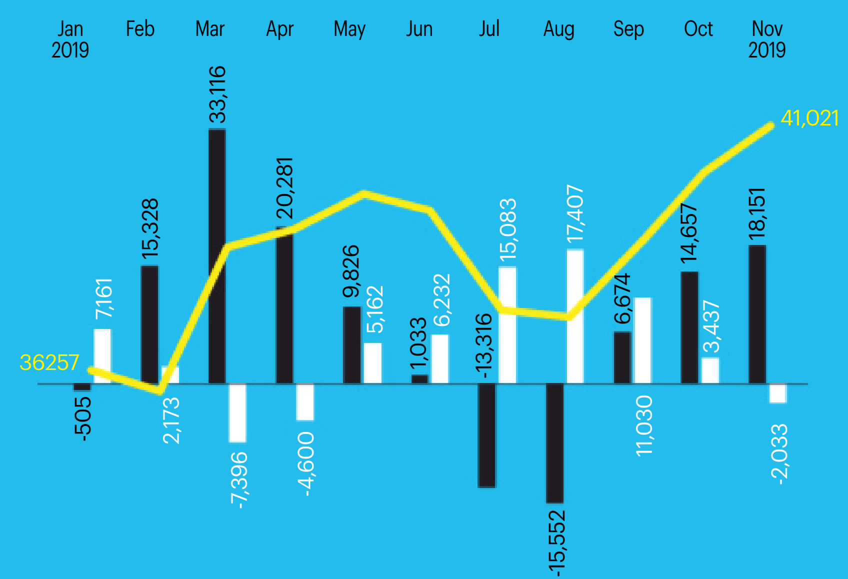
FIIs have been bullish on India during most years over the last one decade



* Till December 16, 2019 Source: BSE

Booster Shot

FIIs have been driving up benchmark indices Sensex & Nifty in 2019



Source: BSE Figures in ₹ cr FII Net Investment DII Net Investment Sensex

inflows had crossed ₹90,000 crore was in 2014, another election year after which the National Democratic Alliance had formed a stable government. "For FPIs, political stability is a major stimulus. Since there was a high probability of one party getting a clear majority in the 2019 elections, FPIs continued to bet big on India," says G. Chokkalingam, Founder and MD, Equinomics Research & Advisory.

But soon after the new government announced a slew of taxes in its maiden Budget in July 2019, they changed their stance. The Budget proposed a tax surcharge on the super rich. It also proposed an increase in minimum public shareholding in listed companies to 35 per cent, besides a 20 per cent tax on share buy-backs. That was the point when they began to pull out of India. "They took a cautious stand," says Chokkalingam.

FPIs turned net sellers beginning July when they withdrew ₹13,316 crore. In all, they withdrew nearly ₹33,700 crore from the secondary equity market from July to mid-September 2019, but it was more than made up by fresh investments by DIIs, which were net buyers to the tune of ₹43,800 crore during the period, outpacing the sell-off.

Yet, just as Finance Minister Nirmala Sitharaman announced corporate tax rate cuts on September 19, FPIs jumped back into the market. The government cut the basic corporate tax rate from 30 per cent to 22 per cent. The effective corporate tax rate for companies is now 25.2 per cent, including all additional levies. For new manufacturing companies, it reduced the rate from 25 per cent to 15 per cent.

"The moment the government intervened with tax cuts, investors marked it as a genuine process of accepting that the economy is in a slowdown mode and a lot of things need to be done for reviving it. When the government intervenes, it has been historically seen that the economy comes back with green shoots in the next 6 to 12 months and that is giving comfort to FPIs," says Siddharth Sedani, Vice President Equity Advisory, Anand Rathi Shares and Stock Brokers.

Pro Large-caps

About two-third FPI investment is in large-cap stocks. "That is why broad indices have moved up while mid-cap and small-caps have been almost untouched by this rally," says Chokkalingam.

In fact, mid-caps and small-caps have not fared worse than this in the last 20 years. The combined market cap of Group B shares (mid-caps and small-caps) on the BSE has fallen 63 per cent from March 2018 levels; it had gone down 62 per cent post the Lehman crisis.

The combined market cap at ₹7.64 lakh crore is the lowest in the last decade, indicating that mid-cap and small-cap spaces have not benefitted from the rally. "These stocks do not typically witness institutional participation and are volatile," says Chokkalingam.

In contrast, with FPIs' participation, the BSE large-cap index touched a high of 12,596 points in November. The bullishness of FPIs is currently coinciding with worsening economic indicators. India's GDP growth slumped to a six-year low of 4.5 per cent during July-September. Job cuts, rising unemployment and record low corporate earnings are also negatives. But these are not a deterrent for FPIs.

"It is a fact that the smartest investors do bargain buying and go for accumulation when things don't look good as they believe this is the bottom of the economic cycle. FPIs are clearly anticipating that the worst is over," says Chokkalingam. "The thought behind this strategy is that a pessimistic scenario is the best possible time to invest in good stocks," he adds.

Manishi Raychaudhuri, Head, Equity Research for Asia-Pacific, BNP Paribas, gives other reasons why FPIs remain bullish on India. "Indian equities are one of the rare compounders in the Asian universe. India's relatively high long-term earnings growth, along with low earnings volatility, ensures this," he says. Second, ease of stock selection and availability of diverse sectors is a major positive. "We believe these factors explain why India is always a key recipient of large FII flows in any episode of FII flow revival into Asia – the present episode is no exception," he adds. "Despite the macroeconomic headwinds, we are overweight on India," says Raychaudhuri.

Sensex in Tow

"FPIs always play an important role in driving up the broader markets," says Sedani. In July, when FPIs were net sellers to the tune of ₹13,316, the Sensex went down from 39,395 in June to 37,481 in July. And in August, as FPIs continued to sell, it fell 37,333 points.

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"THE MOMENT THE GOVERNMENT INTERVENED WITH TAX CUTS, INVESTORS MARKED IT AS A GENUINE PROCESS OF ACCEPTING THAT THE ECONOMY IS IN A SLOWDOWN MODE"

SIDDHARTH SEDANI
Vice President, Equity Advisory, Anand Rathi Shares and Stock Brokers

When FPI inflows turned positive and started moving up from September onwards, Nifty and Sensex followed suit. The Sensex breached the 41,000-mark in November, when FIIs invested a net ₹18,151 crore.

Moreover, the global scenario is favouring equities right now. There has been an interest rate cut in the US, trade war with China is inching towards resolution and there has been a resumption of quantitative easing in Europe. With both China and the US agreeing to scale down their stringent positions, the market sentiment has got a boost.

Also, equity markets are assuming that the 'worst is over' because, in addition to an accommodative monetary policy, the government has been, periodically, announcing policy measures to address the various issues around liquidity and sector-specific challenges.

Going forward, the stance of FPIs will largely be defined by the Budget to be presented in February 2020. "They are currently not only seeing the measures being taken by the government but are also looking at the Budget, which is building up expectations of more industry-friendly measures," says Sedani. BT

@rashmipratap03

GMR-Megawide Cebu Airport

Wins the World Architecture Award

> The World Architecture Award to resort-themed Terminal 2 is testimony to GMR Group's credentials as a leading global airport developer and operator. Due to its intelligent and aesthetically beautiful design with use of local materials, the terminal not just provides a memorable travel experience but has also touched the chords of local people making it an immensely popular tourist spot.
>
> Srinivas Bommidala
> Chairman – Energy & International Airports, GMR Group and Chairman – GMCAC

A new generation of airports treats the terminal as more than a threshold. In fact, this awareness sees airports increasingly treating terminals as destinations, where passengers spend longer time. The world's first resort terminal in Mactan-Cebu International Airport (MCIA), Philippines, opened in June 2019, exemplifies the emerging trend. This impressive architectural marvel at MCIA has won the prestigious World Architecture Festival Award held recently in Amsterdam. It was adjudged winner in the 'Completed Buildings: Transport' category, by beating the other iconic names in list such as Singapore's Changi Airport, Hong Kong's West Kowloon Station and several other structures.

The Terminal 2 of MCIA, developed by GMR-Megawide Cebu Airport Corporation (GMCAC), which is a joint venture between India's aviation major GMR Infrastructure Ltd. and Philippian's Megawide Construction Corporation. The 65,000 sq.m. terminal was inaugurated on June 7, 2018 in front of representatives of the Philippine government, led by President Rodrigo Duterte. The president appreciated the work done by GMCAC and recognised the efforts of the Department of Transportation, the Mactan-Cebu International Airport Authority and GMR Megawide Cebu Airport Corporation for constructing the world-class transportation facility.

The World Architecture Festival Award is one of the most prestigious awards dedicated to the architecture and design industry. Srinivas Bommidala, chairman – energy and international airports, GMR Group and chairman – GMCAC, said, "The World Architecture Award to resort-themed Terminal 2 is testimony to GMR Group's credentials as a leading global airport developer and operator. Due to its intelligent and aesthetically beautiful design with use of local materials, the terminal not just provides a memorable travel experience but has also touched the chords of local people making it an immensely popular tourist spot."

Since GMR consortium took over the airport operations in April 2014, the number of international destinations connected to Cebu have grown exponentially leading to significant growth in international traffic, and has contributed to the growth of tourism in the region.

The GM-MW consortium has invested over $600 million in development of the project and payment of upfront premium. The construction of the T2 commenced in June 2015 and was completed on time in line with the concession agreement signed with the local authorities.

The driving force behind the development of T2 has been the desire to build a resort airport in line with the natural beauty that the Cebu region has to offer. Each element of the airport – starting with the wooden roof to the concrete floor with mother of pearl shells to give the impression that one is walking in sand.

This resort-themed Terminal 2 not only decongests the air traffic in Cebu but also offers an exciting world-class aviation with its uniquely indigenous architecture and modern amenities, which are convincing enough to dismiss the country's reputation of having one of the worst airports globally.

The new passenger terminal, with Hong Kong-based Integrated Design Associates as part of its design team, is designed to evoke the warmth and friendliness of the local culture. The dynamic elegance and lightness

of the roof made out of wood is the most recognisable element of the terminal. The structure is composed of an array of glue-laminated arches, which form the roof curvature and define its geometry and modularity. The arches span every 30 metres allowing the terminal to be as column-free as possible. Imported from Austria, the white alpine's wood has a service life of about 200 years and just needs to protect with coating every 50 years.

The terminal's design concept complements its look and feel to give a lasting, feel-good impression of the Cebu experience to tourists and business travellers. It has been designed by Hong Kong-based Integrated Design Associates (IDA) together with local designers Budji Layug, Royal Pinda, and Cebu's Kenneth Cobonpue.

Terminal 2 is the technologically most advanced terminal in the country with state-of-the-art Airports Operations & Control Centre (AOCC), CCTVs with in-built analytics, and many such IT driven systems and processes as well as service like Airport Terminal Management (ATM).

Besides, the Terminal 2 also offers an exciting and wide-ranging retail environment with approximately 3,000 sq.m. of gross leasable area dedicated to commercial space for the convenience and leisure of passengers. It features a walk-through duty free that has a dedicated floor area of approximately 895 sq.m., making world-class shopping easy and accessible.

Meanwhile, the terminal's F&B is operated by British company SSP Group, which also operates in some of the world's busiest airports such as London's Heathrow Airport, New York's John F Kennedy International Airport and Thailand's Suvarnabhumi Airport.

Features at Terminal 2 of MCIA

- There are 48 check-in counters that are expandable to 72
- The Terminal has provision for seven passenger boarding bridges which can be expanded to 12
- The entire terminal is equipped with 12 escalators and 15 elevators
- Car parking facility is available that can accommodate 550 cars and expandable to 750 cars
- Another feature of the T2 is an automatic tray return system (ATRS) which will automatically return empty trays for passengers to put their bags, ending the hassle to look for one
- Mactan-Cebu International Airport is the 2nd Largest Gateway in the Philippines after capital's Manila Ninoy Aquino International Airport (NAIA)
- Cebu airport is also best described as the economic engine of growth of the country
- Developed at Philippine Peso 17.5 billion, the Terminal 2 of the Mectan Cebu International Airport (MCIA) was inaugurated on 7th June 2018 and became operational from 1st July 2018, as per the concession agreement
- Since GMCAC took over the airport operations in April 2014, it has worked closely with the local administration in Cebu and the Department of Tourism and has led to excellent results
- GMCAC commenced construction of the new Terminal 2 in June 2015 with an aim to increase passenger handling capacity from 4.5M to 12.5M passengers per annum that would cater to inbound and outbound international passengers
- The 65,500-square meter terminal is designed by Hong Kong-based Integrated Design Associates (IDA) together with local designers Budji Layug, Royal Pinda, and Cebu's very own Kenneth Cobonpue
- The Terminal 2 design is envisioned to display the "warmth and friendliness" of the local culture and people of Cebu
- The most recognizable feature of Terminal 2 is its curved wooden roof, which also integrates layered glass to allow natural sunlight to seep through the facility. This sunlight would then reflect on the white floor with shells from Cebu interspersed across the floor was chosen to create the impression that one is walking on sand. Pebbles picked from Cebu beaches were placed at bottom of the pillars.
- Check-in counters are designed and lit up in such a manner that they look like hotel counters rather than airport counters
- The entire furniture in the terminal is sourced from Cebu to carefully craft a warm and enjoyable experience
- The number of international destinations connected to Cebu have grown up from 6 to 22
- This airport will provide greater connectivity to the Middle East for the convenience of Overseas Filipino Workers (OFW) and post T2 commissioning, it will be able to add more destinations for the Overseas Filipino Workers (OFWs) and make it convenient for them to travel directly from Cebu rather than going to Manila

Management

PEACE • • • FOCUS • • • WORK

How leaders are using mindfulness to improve productivity

BY SONAL KHETARPAL

PHOTOGRAPH BY RAJWANT RAWAT

The PeopleStrong Office in Gurgaon: Mind management has become a part of the company's daily routine and has helped it increase the employee retention rate

At

PeopleStrong's office in Gurgaon, at 11 am sharp, lights are dimmed and, for ten minutes, the speakers play music that can calm nerves. People stop working, focus on their thoughts, and are expected to just be with themselves. The aim is to help them incorporate mindfulness in their everyday routine so that they live better lives and, more importantly, are more productive at work.

Mindfulness became popular in corporate circles in 2007 when Google developed a course, 'Search Inside Yourself', for its employees. Soon, from a way to relieve stress, it became a productivity tool and is now part of employee engagement programmes at several companies, says mindfulness coach Sapan Shrimal, also a co-founder of HR services platform Strat-Board. Bill Ford, Executive Chairman of Ford Motor Company, LinkedIn CEO Jeff Weiner, SalesForce Chairman and CEO Marc Benioff, all vouch for how mindfulness — a form of meditation — has helped them overcome their biggest challenges and changed the way they run their businesses.

So, what is mindfulness? The father of modern mindfulness, Jon Kabat-Zinn, describes it as "the awareness that arises from paying attention, on purpose, in the present moment and non-judgmentally".

A range of Indian companies, such as Steel Authority of India (SAIL), too, swear by these mind management techniques and say these have helped them improve outcomes substantially. SAIL, for instance, has reported a sharp fall in near miss cases among crane operators at its Durgapur steel plant. Auto company Tenneco Powertrain India has reported a substantial fall in workplace conflicts after introducing mind management programmes. At the Hinjewadi site of Pune-based construction firm SJ Contracts, mindfulness has ensured that only 5-7 per cent projects are delayed as against 25 per cent earlier.

Market research firm IBISWorld says mindfulness training is a $1.1 billion industry in the US, likely to double in the next three years.

What They Say

So, why do several top executives invest so much time on essentially 'not doing anything'? It helps them focus, introspect, listen better and, as a result, work better. Harish Abhichandani, Group CFO, Ola, started practising mindfulness in 2015 to manage the pressure of working in high-growth firms. This changed him as a leader and made him question the need to push people to deliver more. Instead, he started working to "mindfully create a sustainable business environment that generates long-term value for stakeholders, including the employees." He says he has become more judicious and fair too. "Due to the practice, I am able to compartmentalise my life. I don't take emotions from one phase to another, which enhances the output from meetings. The decision making has become sharper and objective." At the end of each day, he asks himself, "If I have been productive?" His answer to that now is a big 'yes'.

Shelly Singh, co-founder of PeopleStrong, agrees. She started practising mindfulness to manage the stress of starting up. "Entrepreneurship requires a lot of conviction. It is fraught with failures and demoralisation comes easy." Amid all this, mindfulness helped her remain positive and focus on the problem at hand. As the company grew, the complexity, the uncertainty and the challenges grew manifold, and so she went deeper into these mind exercises and introduced these in the company. Of the people 200 employees who enrolled for the programme, 95 per cent reported improvement in symptoms related to stress and anxiety. All of them felt that it has led to an overall improvement in their well-being and made them more effective in their work. "We saw a marked increase in retention rates. There was a 60 per cent increase in longevity and stay," says Shelly Singh. She, along with Ola's Group CFO Harish Abhichandani and others, has launched an app, Black Lotus, to teach mind management to others.

Steel Authority of India's Management Training Institute has integrated mindfulness in all its leadership programmes. The focus exercises at the Durgapur Steel plant have helped the 28 crane operators to be better equipped to concentrate more. After two years, there is a reduction of 75 per cent in near-miss cases.

How Companies Are Doing It

Mindfulness comes in handy due to the rise in uncertainty in the corporate world, says Sapan Shrimal. Higher risk and disruption in the way work is done is taking companies into unknown territories and they are leveraging mind exercises to ensure employees can cope with the resultant stress, he adds.

Tenneco Powertrain India (erstwhile Federal-Mogul)

WHAT IS MINDFULNESS

It is the ability to focus at the present moment in a neutral manner when one is relaxed. Mindfulness coach Manish Behl shares some exercises that employees can do anytime, anywhere

1 Breath is the greatest anchor. Breathe in and breathe out slowly and observe body movements as it happens. Create breathing intervals where you check your breath at least every 15 to 30 minutes and focus on it for a few seconds.

2 Practise active listening where you listen to the person with undivided attention and not think of the next task to be done or make any judgements or be conscious of your own biases against the person.

leveraged mindfulness to drive five key capabilities in its leadership team: accountability, trust, collaboration, strategic thinking and empathy.

India's largest steel producer SAIL has incorporated mindfulness in its leadership training programmes. In 2016, it reached out to IIT-Kharagpur, which has a dedicated research centre on Science of Happiness, for developing a training module. SAIL's Management Training Institute (MTI) in Ranchi started with 20 members from top leadership. Now, mindfulness is part of all leadership courses at MTI. It has come a long way since then. MTI now has its own Happiness Centre where, every year, 2,500 employees are trained in the 140 residential programmes that it conducts. It also offers some in-depth courses, for example EMPOWER, on softer aspects of leadership, using mindfulness. Next year, it plans to introduce training for people on the shop floor and share the course content with other companies and schools.

Companies are trying various ways to ensure that their employees continue the practice. MTI forms Whatsapp and Facebook groups to keep the discussion and momentum going. SJ Contracts has asked its employees to create a journal to record their progress. "Everybody chooses a buddy for himself for encouragement and reminders," says Bhargav Jangle, Director, SJ Contracts.

But not all companies are making it compulsory. Kabir Julka, Chief Human Resources Officer, American Express in India, says one can't bind people to a policy. "If you show mindfulness as an HR initiative, it ends up as an HR initiative and nobody buys into it. It will fizzle out after a while." Instead, American Express has partnered with well-being media platform Thrive Global that shares information on wellness, and mindfulness is a part of it. "It allows people to choose what resonates with them," says Julka. Shrimal says one of the ways to create the culture of mindfulness is to get leaders to speak about its benefits. "Employees should not get the feeling that they are wasting their time. It is the leadership that will have to drive this change," says Shrimal.

Is It Helping?

Organisations the world over have documented how mindfulness is impacting their business. Health insurer Aetna is a case in point (see *There's Proof*). SAIL will soon start working with IIT-Kharagpur to assess the overall impact of such practices on the company. However, leaders are documenting the gains to their own business units. At Tenneco Powertrain India, General Manager P. R. Srinivasa begins his day with a mindfulness session. In fact, before any critical meeting or review, they often do a two-minute exercise so that everyone can gather his or her thoughts and bring their whole self to the discussion. Now, they don't stretch discussions beyond 30 minutes, unless required. Saurav Ray, Head, Corporate HR and Talent & Capability, Tenneco Powertrain, says they have found a significant change in the way people communicate with each other. They have started talking to each other instead of sending stinkers to sort out their differences. "There is a substantial reduction in conflicts from the leadership team coming to HR." In fact, he says, the leaders are spending more time on business strategy. Earlier they would be consumed with day-to-day operations. "So, we have created 25 strategic projects that are being anchored by cross-functional teams under them," he says.

Dudhnath Rakshe, Health and Safety Manager of SJ Contracts, manages 700 labourers and 150 other staff at the construction site in Hinjewadi, Pune. He says squabbles are common. However, since they started practising mindfulness every day, there is more collaboration and they are working better as a team. "People are working more, fighting less, and are happier," says Rakshe. Earlier, there were delays in 25 per cent projects; it has come down to 5-7 per cent. Similarly, the exercises at SAIL's Durgapur Steel plant helped the 28 crane operators there become better equipped to concentrate more. After two years, there has been a reduction of 75 per cent in near-miss cases.

Mind management is sure to catch on big time if it continues to deliver such results. **BT**

@sonalkhetarpal7

There's Proof

After Aetna's CEO Mark Bertolini took the help of yoga and mindfulness to overcome his suicidal feelings, the American healthcare insurance firm did an experiment on 239 employees. The study, published in The Journal of Occupational Health Psychology in 2012, showed that employees who participated in the three-month experiment reported fall in stress levels and better sleep. They also reported tangible physical changes — heart rate variability and cortisol levels went down.

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For a certain time in the day, unplug from technology, and observe your own state of mind, the things around, their texture, and share and feel your own movements. You can also choose a natural object and observe it for a minute and explore all its aspects.

Technology

3D Printer at divide by zero printing a metal casting pattern

WHEN MANUFACTURING GOES 3D

A number of industries have started using 3D printing to make goods. Makers of 3D printers expect the trickle to soon turn into a flood

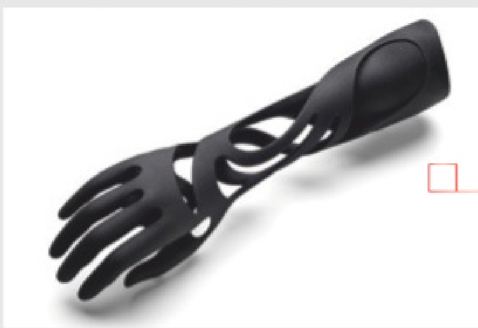
BY NIDHI SINGAL
PHOTOGRAPH BY RACHIT GOSWAMI

3D-PRINTED RED HEARTS BY VIZUA 3D

FICEP S3'S 3D PRINTED WHEEL

Athmika was born with a rare condition. She did not have a sternum (breast bone), which protects the heart, major blood vessels and lungs. She had to be operated upon but it was not an easy surgery. The team of doctors at Amrita Institute of Medical Sciences, Kochi, took a 3D CT scan and developed a simulated 3D model of her chest wall to practise the procedure several times before fixing a 3D-printed titanium implant in her chest.

Welcome to the brave new world of additive manufacturing, popularly known as 3D printing – the making of three-dimensional objects from a digital file. The process involves building an object by laying down successive layers of raw material. Each layer can be seen as a thinly sliced horizontal cross-section of the eventual object. It is the opposite of subtractive manufacturing, which involves cutting out/hollowing out of a piece of metal or plastic. The technology, which took its first steps over three decades ago, is now catching on in India, where companies ranging from Tata Motors and JSW Steel to GE Transportation and tens of start-ups, apart from organisations such as ISRO, are reaping its benefits in the form of higher precision and lower costs. Even the fashion industry is using 3-D printing to give its exclusive clientale a customised experience. And to cater to such high demand, players such as HP, Wipro3D and Siemens Digital Industries Software are offering a suite of solutions. While the early adoption of this technology was restricted to visualising and prototyping, it has now moved on to the realm of hi-tech and precision manufacturing.



INVENT MEDICAL'S 3D PRINTED PROSTHETIC

"In India, the market size for 3D printing is about ₹3,000 crore (including players who provide 3D printing solutions and services – prototyping, product manufacturing and services.) The market is growing by 40-50 per cent a year," says Vinay Awasthi, Managing Director, HP Inc., India, Bangladesh and Sri Lanka.

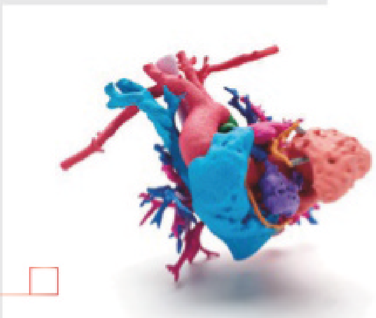
Global market research and consulting firm 6Wresearch says India's 3D printer market is projected to touch $79 million (₹553 crore) by 2021 on the back of higher domestic production, fall in cost of manufacturing, increasing use across applications and the Make-in-India campaign. The 2019 Wohlers Report has forecast $15.8 billion market for 3D printing products and services worldwide by 2020. This is expected to grow to $35.6 billion in 2024. India clearly has a lot of catching up to do in spite of the fact that 3D printing has opened doors for leapfrogging in the manufacturing sector, especially in high value/low volume products.

High Precision for Key Spare Parts

"From the design perspective, 3D printing changes the innovation paradigm. By freeing designers from constraints that traditional manufacturing imposes — essentially allowing any shape to be printed — it brings automated optimisation to the forefront of the design process. In effect, engineering is tipped on its head; instead of the designer being responsible for defining the form of the part, with the simulationist evaluating the function, additive manufacturing lets the designer define a part's function, while the software figures out the form. This is the

CRISPIN ORTHOTICS' 3D-PRINTED ANKLE FOOT ORTHOSIS

3D-PRINTED MODEL OF HEART FOR PRACTISING SURGERY AT PHOENIX CHILDREN'S HOSPITAL



All parts printed using HP's 3D printers

"IN INDIA, THE MARKET SIZE IS ₹3,000 CRORE (INCLUDING PLAYERS WHO PROVIDE PRINTING SOLUTIONS AND SERVICES), GROWING AT 40-50%"

Vinay Awasthi, MD, HP Inc, India, Bangladesh and Sri Lanka

THE USER CLUB

JSW Steel uses 3D-printed oil sealing rings manufactured by Siemens that keep oil separate from steam inside industrial steam turbines. The rings have been installed on turbines at its plant in Salem, Tamil Nadu

A couple of years ago, **ISRO** used 3D-printed components for its spacecraft. The GSAT-19 satellite carried a component called a feed cluster made by Wipro 3D. Bengaluru-based Accreate Labs made 3D-printed parts for GSLV

GE Transportation is using 3D printing at its John F. Welch Technology Centre, Bangalore, to design parts for various applications in mining vehicles and locomotives

Tata Motors is using 3D printing for R&D and prototype testing at its Pune facility. In March 2017, it showcased a concept sports car under sub-brand TAMO – RaceMo at the Geneva International Motor Show where 3D printing was used to create the replicas

HP has helped build an additive manufacturing facility at the Andhra Pradesh Medtech Zone. The facility mainly caters to the 100-plus healthcare companies in the zone

Coimbatore-based **Augrav** sells 3D-printed customised gold jewellery online. It registered 50 per cent revenue growth in 2018

On the lines of Adidas and Nike, an Indian startup, **Spacecrunch**, makes 3D printed insoles that are believed to treat foot pain

beginning of an age of autonomous innovation," says Zvi Feuer, Senior Vice President, Manufacturing Engineering Software, Siemens Digital Industries Software. He should know. For Siemens has made 3D-printed oil sealing rings for JSW Steel that are used to keep oil separated from steam inside industrial steam turbines. The rings have been installed on steam turbines operating at the JSW plant in Salem, Tamil Nadu.

JSW is not alone. In India, a host of sectors ranging from automotive, aerospace, healthcare and defence to consumer goods, apparel & fashion and construction are tapping the power of 3D printing technology.

For instance, GE Transportation is using 3D printing at its John F. Welch Technology Centre, Bangalore, to design parts for mining vehicles and locomotives. A couple of years ago, ISRO's GSAT-19 satellite carried a component called a feed cluster made by Wipro 3D. Bangalore-based 3D printing service bureau Accreate Labs will produce 3D-printed parts for ISRO's Geosynchronous Satellite Launch Vehicle or GSLV. Tata Motors has been using 3D printing for research and development (R&D) and prototype testing at its facility in Pune. In March 2017, it showcased a concept sports car at the Geneva International Motor Show, using 3D printing to create replicas of the model. It started incorporating 3D printing in design and engineering prototyping around 2010. Over the years, it adopted it in the R&D setup for manufacturing parts and testing/validation of engineering and design processes. Pratap Bose, Vice President, Global Design, Tata Motors, says with recent advancements in material technology and cost optimisation around both materials and equipment, the company is designing select vehicle parts through 3D printing. "This includes accessories and merchandise which accompany our vehicles. 3D printing lets us make iterations faster and allows our team to come up with multiple design alternatives," he says.

Some big names that offer 3D printers include HP, Stratasys, Wipro-3D, think3D and Divide by Zero. The printers, depending upon the technology and material used, cost anywhere between ₹15,000 and a few crores. HP's industrial printers start at ₹1.5 crore. Its Jet Fusion 4200 printer, which includes both pre- and post-processing units with 3-year maintenance and service contract, costs ₹2.5 crore. On the other hand, Divide by Zero's industrial printers are priced around

₹20 lakh. The desktop printers for hobbyists, individuals and educational/research institutes range from ₹15,000 to a few lakhs.

Healthcare – The Big User

Healthcare is one industry where 3D printing is being used on a large scale. Implants and prosthetics usually come in standard sizes and do not fit perfectly. 3D-printed customised implants created with the help of scans are likely to give better results. Similarly, 3D printing is turning out to be a boon for the dental industry, which is using patient scans to make things such as crowns for teeth and Invisalign aligners (alternatives to metal braces) that are a perfect fit for the patients.

Artificial Limbs Manufacturing Corporation of India (ALIMCO), a government of India enterprise, too, is betting big on 3D printing to lower costs. "ALIMCO plans to introduce 3D-printed limbs within the next four-five years at its new factory that will be set up in Faridabad. The idea is to serve maximum people in minimum time while continuing to be cost effective," says Rajesh Kumar Das, Prosthetics and Orthotics Officer, ALIMCO, which started making artificial aids in 1976. ALIMCO is not alone. In medicine, 3D printing is being used to manufacture implants, prosthetics and orthopaedic casts. The cost of such customisation is not prohibitive either. A 3D-printed hand cast costs around ₹350, similar to the price of a traditional hand cast.

The space has attracted a number of global players. HP, for instance, has helped build a 3D manufacturing facility in the Andhra Pradesh Medtech Zone. It mainly caters to the 100-plus healthcare companies in the zone.

That's not all. "The radiology space is adopting 3D printing enthusiastically for better understanding of imaging. A 3D-printed model removes any confusion the doctors may have regarding the case in front of them. Healthcare is predominantly using 3D printing for better evaluating an organ or a bone and for training purposes," says Vinil Menon, CTO, CitiusTech, a healthcare IT company.

Fashion – Customisation is the Key

3D printing is helping the fashion industry give customers a customised experience. Some time ago, global sneaker brand Adidas launched Futurecraft 4D customised shoes made using a software programme. An Indian start-up, Spacecrunch, has been making 3D-printed insoles — using images of the feet — that it says can treat foot pain.

Coimbatore-based Augrav sells 3D-printed customised gold jewellery online. It has served over 5,000 customers so far. Mirakin, started in 2014, also offers 3D-printed jewellery starting around ₹2,200. "In manufacturing, there are two areas – traditional manufacturing for large volumes and mass customisation," says Swapnil Sansare, Founder & CEO of Mumbai-based Divide by Zero. 3D printing can give the latter a leg-up.

Earlier this year, actress Deepika Padukone wore a gown by fashion designer Zac Posen that had hundreds of 3D-printed embellishments. "The new-age consumer is demanding customisation in every product. For instance, Royal Enfield is offering customised bike accessories, shapes and colour by collaborating with local makers of customised bikes," says Sansare.

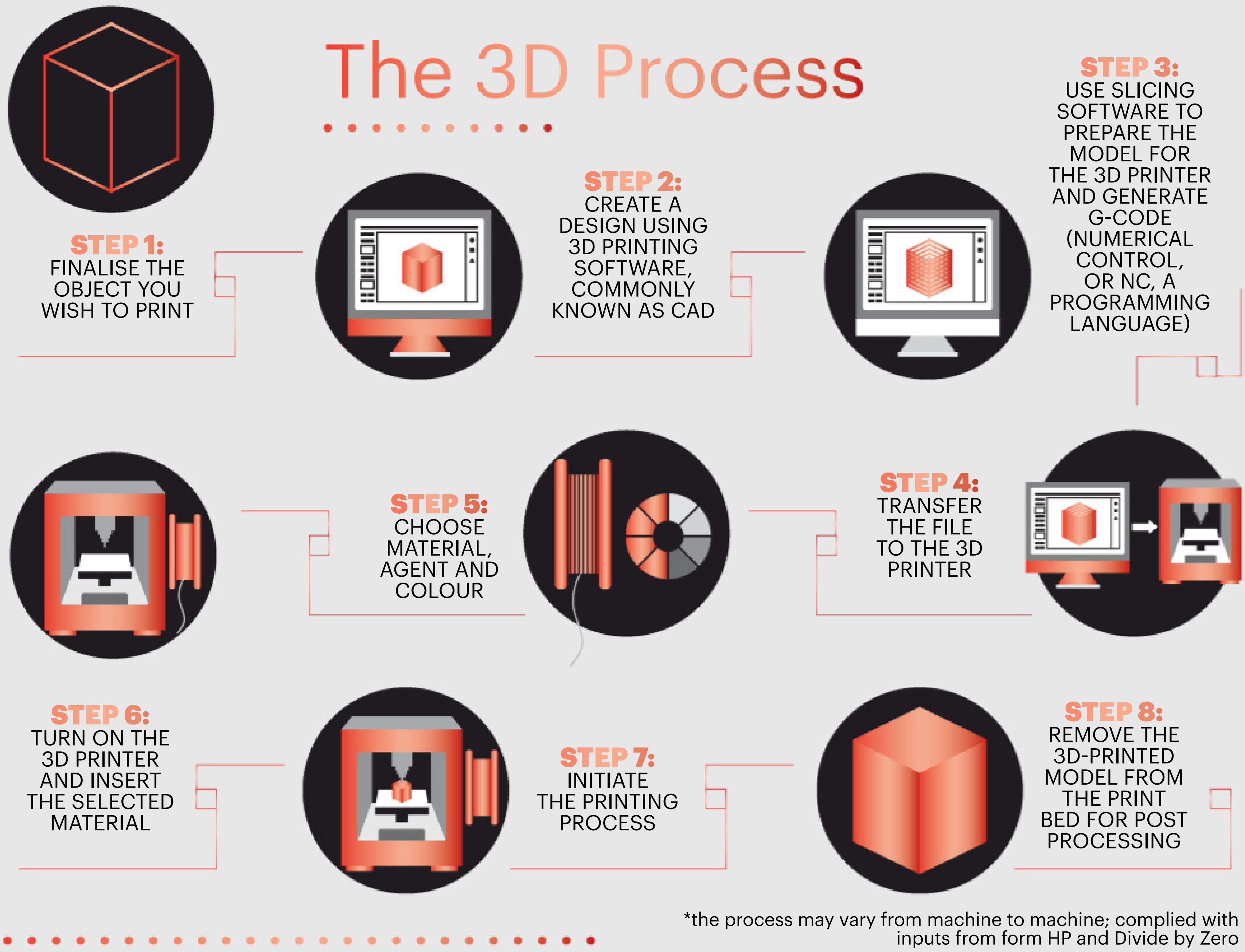
Metal 3D Printing

For decades, 3D printing has been synonymous with plastic moulds and prototypes. Now, it is also being extended to industrial use, which includes metal fabrication and finishing for industries such as aeronautical, aerospace, defence and automotive. Metal 3D-printed parts, say companies, can improve performance of components, optimise weight and achieve complex geometries while innovating design. This can significantly shorten the time required to design and launch in the market. That is why 3D printing is being used in defence for critical projects to build missiles, fighter jets, hand-held weapons, drones, respiratory gear, and much more. "In aerospace, metal parts of jet engines, auxiliary power units, fuel systems and avionics are already in production or in the final stages of being produced using 3D printing. The space industry regularly uses metal additive manufacturing parts in fuel delivery systems, structural elements, casings and enclosures, with advanced level of work happening on large components such as nozzles," says Ajay Parikh, Vice President & Business Head, WIPRO 3D. A couple of years ago, Wipro Infrastructure Engineering manufactured India's first 3D-printed metal component which was used on ISRO's GSAT-19 satellite.

Growth Trajectory

The domestic 3D-printing market is primarily driven by start-ups such as Ethereal Machines, 3Dexter and Aha3D Innovations, among others. A total of 124 3D printing ventures have been launched in the country till date; 66 were launched in 2015 and 2016.

"THE SPACE INDUSTRY USES 3D MANUFACTURING IN FUEL DELIVERY SYSTEMS, STRUCTURAL ELEMENTS, CASINGS AND ENCLOSURES"
Ajay Parikh,
VP & Business Head-WIPRO3D



*the process may vary from machine to machine; complied with inputs from form HP and Divide by Zero

"We expect 3D printing to be most widely adopted in production of high-performance engine components (such as turbochargers), metal structural body and chassis parts (such as steering knuckles) and decorative elements composed of polymers (such as emblems)," says Awasthi of HP. Start-ups and small and medium enterprises will be the key drivers of innovation in 3D printing. "This technology can help them turn their unique designs into reality. With superior engineering capabilities, start-ups and SMBs can make India a design hub," he adds.

"Digital manufacturing allows mass customisation, enabling brands to deliver greater variety, design choices and personalisation cost effectively," says Rob Mesaros, Global Head of 3D Printing Services, Alliances and Asian Markets, HP Inc.

Contrary to common belief that 3D printing is expensive, the technology, say experts, can help manufacturers cut cost by reducing the usage of raw material and design improvements. OEMs, for instance, can eliminate warehousing costs and instead print parts from digital files. "Also, it can be a cheaper alternative for tooling fixtures. Several companies we work with, such as Piper Aircraft, 3D-print small tooling fixtures and thus eliminate the cost of storage," says Feuer.

"3D printing allows people to produce just one part. It also helps eliminate investment in tools and moulds. For example, GE manufactures fuel nozzles using 3D printing. These cost more but will help GE save fuel and other costs in the long run," says Tanmay Shah, Head, Innovations and Retail, Imaginarium India. The Mumbai-based company acts as a service bureau that helps clients choose 3D printers, materials and software for their applications. It even prints parts for them.

The Challenges

The biggest challenge is the nascent ecosystem. "There are multiple barriers to wider adoption of 3D printing in India. These include high equipment costs, limited availability of material, shortage of talent pool, longer production timelines and absence of formal standards and strong IP safeguards", says Mahesh Makhija, Partner and Leader, Digital and Emerging Tech, EY India.

Another is that traditional manufacturing is well defined and there is a well-recorded network of suppliers, says Bhavesh Kumar, Brand Leader, SIMULIA, Dassault Systemes. "There is no good way of connect the demand with manufacturers." Dassault Systemes is tackling this through its marketplace that provides on-demand manufacturing. It is like a e-commerce site where one can place an order and get the product delivered. This marketplace has over 180 vendors who do 3D printing.

In spite of the challenges, Indian companies will in all likelihood embrace 3-D printing in earnest and make it essential to manufacturing. **BT**

@nidhisingal

SUN RAYS OF *CLEAN ENERGY*

Situated in the centre of the universe, the sun is literally the mega star sustaining life on earth. A hot ball of glowing gases, the sun is the closest to the earth providing light and heat and an untapped resource of the cleanest form of alternative energy that man is yet to tap to its full potential. Pushed to the brink of natural disaster of diminishing natural resources and fossil fuel, solar energy is amongst the safest and swiftest way to help reverse the environmental clock.

The Government of India has set a target of achieving a renewable energy capacity of 175 GW by 2022, and solar energy is pivotal to this plan. Out of the total capacity of energy generation, 100 GW is planned through solar energy, 60 GW by capturing wind energy, 10 GW through small hydro power and 5 GW is to be powered through biomass-based projects.

Solar energy is a variable and intermittent energy source as it depends upon the amount of sunlight and the intensity of sunlight that varies according to the time of day and location. India has an edge in the renewable energy sector because of its strategic placement and availability of natural resources such as water and sun. Monsoons are heavy and the sun shines the brightest most part of the year giving some of the hottest days one can imagine. In short, the country has abundant sunlight resources and the government has realised the need to address its energy needs for sustaining over a billion of its people by tapping sun power.

India is among the world's largest countries producing energy from renewable sources. In the electricity sector, renewable energy reportedly account for 34.6% of the total installed power capacity, mega hydro installations produced 45.399 GW as of 30 June 2019, contributing to 13% of the total power capacity. Many players have joined this environmentally conscious and socially feasible industry, such as Gurugram based, Future Technology Generation, an upcoming solar service provider impacting the market with its quality and commitment of impeccable service to the customer.

India's attention was first drawn to the potential of solar energy for which technology was being developed the world over as a source of electricity generation, during the 3rd FYP (1961–66). With India's first ever commercial 2 MW solar power plant inaugurated in December 2009 in Amritsar, the state government of Punjab is targeting a capacity of 20,000 MW solar power by the year 2020. On 19th April, 2012, Gujarat became the first state in the country and the third in the world to develop the largest photo voltaic power station, the Charanka Solar Park. Inaugurated by the then Chief Minister of Gujarat Shri Narendra Modi, the solar park is said to have a total installed solar power generation capacity at 1637 MW. Solar power systems derive clean, pure energy from the sun as it creates no waste or greenhouse gas emissions, unlike fossil fuels. Most importantly, sun energy is limitless and comes very cheap. Since then the industry has come a long way.

India has the privilege of being the only country to have the largest single location solar power plant in the world, the Kamuthi Solar Power Project, in Tamil Nadu. Completed on 21 September 2016 with an investment of around `4,550 crore, the Kamuthi solar plant is the world's second largest solar park with a capacity of 648 MW. Whereas, according to a data by solar power consultancy firm 'Bridge To India,' the southern state of Karnataka has the highest installed solar power generation capacity in the country. At the end of 2018, the state's total solar capacity reportedly stood at 5,328 megawatt (MW).

The Ministry of New and Renewable Energy (MNRE), the nodal Ministry of the Government of India is focused on developing new and renewable energy for supplementing the energy requirements of the country with various programs and schemes. Solar energy being one amongst them. The endeavours of the central and state governments have leveraged the solar industry with several players in the fray working towards achieving the ambitious solar power generation target of 100 GW by 2022.

> **"The Nation that leads the renewable energy,will become the world leader of Future"**
>
> **Mr Prashant Kumar**
> MD; Future Technology Group

HARNESSING SUN POWER & TECHNOLOGY FOR ENERGY CONSUMPTION

Future Generation Technology

Some words turn out to be prophetic! So did the comment of Mr. Adarsh Rajput to his friend Mr. Prashant Kumar, when he jokingly said that let us venture into a start-up in solar energy. The idea turned out to be an entrepreneurship proposition being driven by their passion to succeed. The 26-year-old mechanical engineers launched Future Generation Technology venture in 2017 at Gurgaon with an initial investment of a meagre Rs 1.25 lac. Within two years, they have a reputation for quality and impeccable after sales services to major clients. The brand is exploiting abundant sunlight that India is blessed with, to power sustainable development and reducing carbon foot print.

What are the kinds of solar energy systems in use?

Most of them are solar panels with grid-tie system which is regularised by government for which incentives and subsidies are offered for its installation.

The second is the primitive stand-alone system or off grid system which has a battery for backup and energy storage. These were the initial solar power plant system, but now the government has emphasised on grid system to avail its many benefits, and where after consumption, the excess power can be exported to the grid for storage for distribution to other end users.

The latest, is the hybrid system which is a combination of both i.e., there is battery with energy storage system and there is the arrangement of exporting power through grid as well.

How is your venture contributing to the National Solar Mission?

We currently have two on-grid system projects with a target set for generating 6MW under OPEX/BOOT model by 2020. We already have 2 MW in hand and the rest hopefully shall be achieved as scheduled. We are servicing many major clients having large power consumption.

As an entrepreneur, what is the scope that you see in solar power generation?

There is huge demand and supply for solar power and there is scope for every person in this industry. One only needs to capitalise on the customer segment which are to be focused on and targeted. Broadly, in the solar category, there are three consumer segments namely- domestic, industrial and commercial. The domestic segment comes with its rules and regulations and needs only a small investment to start with, whereas industrial and commercial segments are less regularised and mostly free, but capital intensive.

Domestic segment has huge potential, then why is it lagging behind and how are you addressing this issue?

We have planned a subscription model which works out to be financially viable for the customer. Generally, when we approach customers, they are hesitant and do not believe in the advantages of installing solar panels. I must say lack of awareness is a stumbling block. We do not get to see a sustained publicity campaign by the government encouraging use of solar energy.

Could you elaborate on the subscription model devised by you?

In response to the customer's reluctance to purchase and install solar panels because lithium batteries are expensive, we have come up with a financially viable subscription model for only Rs 1000 per month per kilowatt where solar power back-up will be provided to customers. There is immense potential in the market, demand is high, and people want to invest in solar energy, but the initial investment for a plant size of say 10 KW system costs approximately Rs 4.5 lakhs upfront which is a deterrent, although they will get future returns in the form of drastically reduced power bills.

Another challenge is that process of availing subsidy is very lengthy and tedious. Usually customers get subsidy in 9 months. Beginning this year new regulatory norms have been implemented where, ECP players have to give upfront subsidy which the government would refund to us later. This is an added burden and puts constraints on our capital investment. In addition, the process of tendering is another issue where we have to provide EMD security deposit and this along with customer subsidy is a strain and so our focus is less on the domestic segment. Delhi and Haryana are doing good in solar usage, unlike UP which has witnessed a drop following implementation of the gross metering system.

What are the user-friendly technologies being explored by you?

We have designed a user-friendly, solar app based on IOT platform. It will have features of power generation monitoring, and where new customers can place order directly on it, besides several other functions. Technology has advanced in leaps and bounds and now many gadgets can be linked to Wi-Fi, including solar inverters that can be activated and the performance monitored from a distance.

How organized is the solar energy industry?

Presently, the solar energy industry is unorganised, except for Rajasthan where an organization exists for players in this sector. We hire people on project wise basis, except for 4 full-time technical team and state-wise we have gone for joint venture agreement with ECP partners. On an average, a 25-member team is working at different sites under dedicated project managers.

Skilled manpower is needed for the solar industry. Where can aspiring candidates get training and what are their job opportunities?

Special skills are needed to install solar panels and service them. There is only one recognised institute providing training in solar energy- the National Institute of Solar Energy, a government body under Ministry of New and Renewable Energy and IIT Mumbai has some training course. There is ample scope for job in this industry. May be in future as the business expands, we shall hire larger number of staff.

Adarsh Rajput   Prashant kumar

What are your near future plans?

We are targeting more than 150 clients under our different business models and expect to meet the mark in the next season i.e., 2020-2021. In future we hope to manufacture EV chargers under our brand as it is makes business sense. Another 5-10 years later, we hope to set up a solar manufacturing unit in Gurgaon in collaboration with a reputed foreign company for consistent quality. Our expansion strategy shall be to target brands having chain of outlets such as hospitality industry, retail and services. Renewable and bio energy will replace thermal energy in the coming years and it augurs well for our business. Equipped with new concepts and blue prints on expansion plans in solar energy, requiring huge capital, Future Generation Technology is exploring financial support from angel investors and business mentors. We believe that the synergy created by a young team with brilliant ideas and technical know-how, and sound financial back-up will provide an opportunity to grow together in harnessing the huge potential of solar energy for sustainable development that is green.

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Interview

IF THERE'S AN ELEMENT OF FAILURE, TRY TO FAIL FAST

The over $22 billion pharma major AstraZeneca has seen one of the most remarkable turnarounds in drug research history. With 144 projects in clinical trials and 16 new molecular entities in final Phase-III trials, it boasts of a new drugs pipeline bigger than that of rivals Pfizer and Roche – both more than double its size in revenue. Yet, the world's 14th largest pharma company faces multiple challenges, two of which are Brexit and the US-China trade war (18% revenue from China and 30% from the US). Business Today's **Rajeev Dubey** caught up with AstraZeneca's Non-executive Chairman, **Leif Johansson,** during his recent India visit. Edited Excerpts:

PHOTOGRAPHS BY RAJWANT RAWAT

AstraZeneca's research turnaround is unique in global drug history. What is the secret sauce?

I became chairman in 2012 and decided to replenish the pipeline. So, we hired Pascal Soriot (the company's Executive Director and Chief Executive Officer). He and his team have done a much better evaluation of the projects we have. He not only brought discipline in the process, but also sharp decision making, and unsentimental decisions on which projects have to go. If there's an element of risk or failure, then try to fail fast. By doing that, you free up resources for projects that we are standing behind.

In 2012, we spent almost 90 per cent of our R&D internally. Now, overall, what we are doing in our R&D with small or medium size companies, if you add transactions by molecules selling projects (joint molecule development projects), then the number is probably 50-50. So, a combination of much better decision-making and opening up has meant four-fold productivity of new drug discovery. That is the remarkable effect Pascal Soriot's team has had on the group.

What has been your experience in drug research costs? How do you optimise costs? What's your experience spending dollars internally and working with other partners, including Sun Pharma in India?

The cost of making a drug is always increasing. The way to offset that is to try to fail fast. The trick is to get the mix right. We are using digital tools – in India it is called AI – which is very good to screen molecules. Small chemical molecules have 25-50 atoms per molecule. In biological molecules, we are talking about 250,000 atoms per molecule. To screen these complex structures, you need a lot of computing power and digitalisation.

That's one way to reduce cost and concentrate on viable products. The other realisation is that you cannot do everything yourself. If you hook up with the best talent, and the mindset is to get as many patients served by good medicine, then you start looking at how you can best do that. We have been quite active in parting with some projects and selling them. That gives us funds to do more by ourselves. We would like to be a company that is driven by science, makes innovative products, but is also patient-centric.

I would not go to emerging countries for cost reasons. I would go because there are good people and a market

Is the cost of drug development with partners different, especially when you have partners in developing countries?

No, I wouldn't say that. The approval process in this country (India) has improved greatly over the past couple of years. That's happening all over the world. We are very large on clinical trials in India, and you see the same sophistication here that you see in the rest of the world. So, I would not go to emerging countries for cost reasons. I would go because there are good people and a market.

AstraZeneca decided to pull out of research in India some years back. Last year, you announced a return to drug research here. What was behind these decisions?

There is an articulation of Indian ambitions when it comes to providing good healthcare to millions of people. There is a lot of knowledge in medicine and healthcare, and science development. Some of us, including myself, know India well and have a favourable opinion of what you can do. I have done very good business in India. We are now more than 4,000 people in India. We have a very large technical centre in Chennai; we have manufacturing, R&D and a good marketing company. We grew 29 per cent here and 20 per cent in the whole group. That makes us the fastest growing in India, and the fastest growing in the world. That's good.

Is the R&D centre beginning to contribute to core research abroad?

Yes. Research nowadays is not country specific. Very good research is collaborative, very international. You publish a paper in an international mode. It (research) depends on whether we can find well educated people. We can in India. Can we hook that up in a meaningful context of global projects? We can with India. Language is not a barrier. India could be a very important part of all the effort.

Over the past two decades, Indian companies have aspired to transition from generics to innovation. But they have failed to get to the next stage. What do you think is wrong?

I don't know enough about any of the Indian companies to really comment. I was a part of the innovation summit between Sweden and India. I suggested that the two countries could increase money spent on basic research in natural science and technology. If you look at really innovative clusters of innovation in drugs, you very often find large university hospitals. Then you find a great number of small and medium sized companies and a large pharmaceutical company. So, it is about creating a symbiosis between big and small and recognising that they are not competitors, at least not at the beginning stage, but contributors to the same innovation; campus lifestyle together with academia and clinic. Those are the types of

surroundings that we will be interested in looking at.

China accounts for 18 per cent of your business. How do you see the evolution of the Chinese market, compared to India?

In China, the central government decides what they want to do with a five-year plan. They have decided to increase access for many people. When they do that, they do that in command style mode. It's happening in China, but it is happening in India too. There is a level of sophistication in China, where there is a new federal drug agency that would be fairly similar to the (one in) the US. But that's happening in India also. I would probably never look at India or China. As chairman of AstraZeneca, I don't put them against each other.

How would you ring-fence the organisation from any impact that the US-China trade war may have?

Drugs are normally not part of trade wars or sanctions. There has been very little impact so far. There is some impact on IP (intellectual property) rules, but in China as in India, IP regimes are beginning to be aligned with international IP regimes. From AstraZeneca's point of view, IP is heading into a territory that looks more like what we know. Trade wars are never good and I would certainly argue multilateral trade rules are much better. I come from a small country, Sweden, with 10 million people. Our industry has been built around the ability to enter different countries. I am optimistic for drugs because it would require a very harsh political leadership to say we want to do trade wars on drugs and limit availability of good drugs for citizens. So, I would not expect drugs to be at the forefront of trade wars.

> **We would like to be a company that is driven by science, makes innovative products, but is also patient-centric**

As a Swedish company that is headquartered in Britain, how do you see Brexit impacting you?

When in Sweden, we say we are a Swedish-British company and when we are in Britain, we say we are a British-Swedish company. We have prepared for a hard Brexit. That seems now to be a less likely outcome and if that is so, then the combination of the transition period and a likely development of a free trade agreement with the EU is going to be sufficient. The devil is in the details, but the first two years is a transition period. It would surprise me very much if there was no free trade agreement between the EU and the UK. That would actually be facilitating a good development, both in research and export and import of drugs.

You mentioned use of AI. Can you give us a flavour of what you are doing?

Our industry and our company can benefit most from digitalisation and AI. We are already committed on the R&D side, where we use it to screen projects. Over time, we think of using it to develop drugs for problems that might be at cell or immune system level.

At present, we are selling drugs per pill, and getting paid per pill. If we could find real world data to support pricing models in which the payer, most often healthcare system providers, would pay only for successful treatment by drugs, it would take out 10-30 per cent of the drugs prescribed. That will create greater discipline in prescription and diagnosis. It will lower costs because we will be giving medicines to people who can benefit from just that medicine.

There are discussions at the WHO on relaxing regulatory norms for approval of biosimilars. AI is one of the things they are discussing. Will this benefit drug research in the long run?

There is a big debate in the US. I would expect biosimilars to be a natural part of the pharma industry. Patient safety will always be forefront of what regulatory regimes are doing. As we and regulatory bodies become more sophisticated with biosimilars, we will see a natural progression. In the broader sense, you can say that AI and ability to define what a molecule does in a cell or immune system or body can help greatly.

It will help us reset before lowering the drug cost because we will be able to screen the number of substances differently from what we do today, which is test them. Now, we can simulate them in a computer instead. So, AI and digitalisation will have a big effect on patients and how we give drugs and what is the real effect, including the economic effect on the healthcare system. You will see a lot of it in how we do R&D.

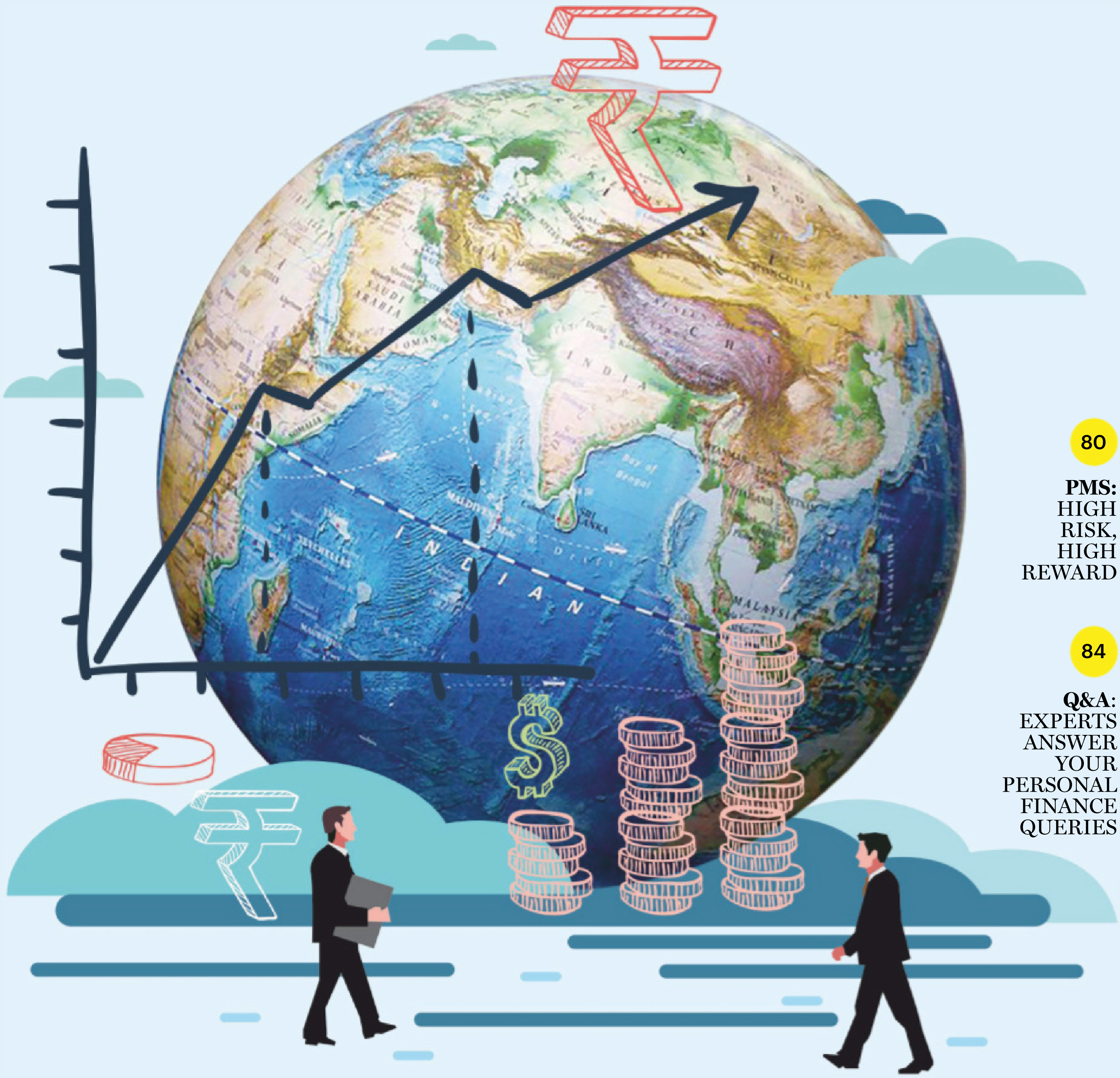
There is pressure from regulators globally on pharma companies' practices. What is your view on this?

In India, there is a voluntary agreement between manufacturers. I would be happy making that mandatory and as part of a regulatory regime. Most market economies are very efficient, but need to be regulated, and this is an area where I would ask for good regulation.

As global businessmen, we tend to say there should be global regulation. I would argue that's the case here too. But when you travel the world, you recognise practices are different in different countries and so is the structure. But it is an area where I would certainly encourage good regulation. BT

@rajeevdubey

Money Today



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PMS: HIGH RISK, HIGH REWARD

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Q&A: EXPERTS ANSWER YOUR PERSONAL FINANCE QUERIES

Your Money in 2020

INNOVATION IN PRODUCTS WILL BE THE KEY FACTOR, BE IT BANKING, MUTUAL FUNDS, INSURANCE OR LOANS


network

Your Money in 2020

INNOVATION IN PRODUCTS WILL BE THE KEY FACTOR, BE IT BANKING, MUTUAL FUNDS, INSURANCE OR LOANS

BY NAVEEN KUMAR
ILLUSTRATIONS BY RAJ VERMA

The year 2019 saw high volatility in stock markets but also the formation of a stable government. Towards the end of the year, the Sensex crossed the key level of 41,000, even though India registered its lowest quarterly growth in GDP in six years in the second quarter. As we end the year with bad news on the economic front, experts say things may become better in 2020. According to a Goldman Sachs report, *Global Economic Analyst*, the annual average global growth is likely to improve from 3.1 per cent in 2019 to 3.4 per cent in 2020. US GDP is predicted to repeat the performance of 2019 and grow 2.3 per cent. China may face a marginal decline from 6.1 per cent in 2019 to 5.8 per cent. However, things are projected to be significantly better for India with GDP growth likely to improve from 5.1 per cent in 2019 to 6.4 per cent in 2020.

In the personal finance space, too, you can expect a lot of positive changes. Here is how the year is likely to pan out.

Stock Markets

Stock market performance in 2019 was limited to gains in select large-cap stocks as returns from the mid-cap segment were subdued while the majority of small-cap stocks gave negative returns. While the economy registered one of the lowest quarterly GDP growth rates (4.5 per cent) in the second quarter of FY20, the indices kept climbing. This may appear to be misleading, but markets are known to run ahead of time, and many experts consider this an indication of revival. "Due to the prolonged on-ground slowdown and low confidence, we have seen a few stocks driving the Nifty higher. As growth becomes more broad-based and uncertainty recedes, returns would also become more dispersed," says Shrey

Where Equities Are Headed

WHAT HAPPENED IN 2019

BSE Sensex returns

14.96%

Nifty 50 returns

12.48%

MF returns
(Valueresearchonline.com):

Large-cap Funds
10.54%,

Mid-cap Funds
1.20%,

Small-cap Funds
-3.90%,

Multi-cap Funds
9.21%

ELSS Funds
7.64%

As on December 20, 2019

WHAT TO EXPECT IN 2020

Accelerated growth of online platforms for investing in direct mutual fund schemes

Stocks in banking, insurance and AMCs expected to perform well

IT sector is expected to remain steady and provide investment opportunities

Reach of direct mutual funds to increase, giving rise to competition among mutual fund distribution platforms

Good monsoon and harvest can revive rural demand, which will benefit FMCG stocks

Loonker, Fund Manager, Value Strategy PMS, Motilal Oswal Asset Management.

To invest in stocks and other instruments, many investors go through discount brokerage firms. The new idea taking shape is called smallcases. "These are a new way for retail investors to take exposure to stocks and ETFs via professionally managed portfolios that reflect an idea, strategy or objective. Some key themes we have seen emerging are that investors are becoming increasingly cost-conscious and digital-native and are looking for transparency," says Vasanth Kamath, Co-Founder and CEO, Smallcase Technologies, which offers a tech platform on which investors can choose from the offered portfolios as well as brokers.

The biggest question that most equity investors have for 2020 is how much the market will rise. Experts believe that stock markets will register a healthy performance. For example, Loonker of Motilal Oswal AMC predicts 12-15 per cent Nifty returns for the year.

But before that can happen, the economy has to grow faster, and for this the government has taken some steps that have the potential to revive corporate performance as well as valuations. "The focus would be on how the slew of measures taken by the government in the past few months translates into economic prosperity; the government's further course of action; the annual Budget; earnings in H2 showing recovery signals; and the trend of foreign inflows" says Pankaj Bobade, Head of Fundamental Research, Axis Securities.

22.8
CRORE
Average number of IMPS transactions in Nov 2019, up from 14.6 crore from FY19

The financial sector works as a growth engine for any economy. Despite many challenges, the BFSI (banking, financial services and insurance) sector has been among the better performing ones in 2019. "Given the growth potential, profitability and lower level of delinquencies, retail lending has been a key focus for banks and NBFCs and is a key driver for valuations," says Sanjay Doshi, Partner, Deal Advisory – Financial Services, KPMG in India. "Insurance and AMCs have definitely gained traction over the lending business from an investor's perspective," he adds.

Stock market performance will also depend upon the extent of revival in rural consumption. "A good harvest season is likely to push up consumption in India with increase in rural income and would augur well for FMCG and consumer durables," says Bobade of Axis Securities.

While no major disruption is likely in the IT sector, infrastructure sector will depend upon government initiatives. "The IT sector provides an opportunity for steady growth, but global uncertainties might put pressure on margins. Return ratios and valuations are attractive though. The government's focus on infrastructure and pri-

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Fixed Income Investment Trends

WHAT HAPPENED IN 2019

Interest rate declined; repo rate down from 6.5% to 5.15%

PMC Bank crisis put the focus back on safety of bank deposits

Corporate defaults shook investor confidence in non-convertible debentures and corporate FDs

Launch of fixed income derivatives product to increase market depth

Sebi allowed side-pocketing of MFs' bad debt exposure to protect existing and new investors

WHAT TO EXPECT IN 2020

If GDP growth doesn't revive soon, RBI may go for another rate cut in the first quarter

Interest rate likely to fall or remain stagnant during first half of the year

Increase in interest rate likely only in the second half of the year

External benchmark-linked loans may see only marginal rate reduction

Sebi mandate for mark-to-market valuation for all debt securities of all maturities to become effective from April 2020

vate investment opportunity provided via tax cuts may bring capex recovery, which would be beneficial for the capital goods sector," adds Bobade.

Mutual Funds

Large-cap and multi-cap funds emerged as clear outperformers in 2019. The large-cap category returned 10.54 per cent while multi-caps gave 9.21 per cent (Value Research Online; December 20). Mid-cap funds gave subdued returns of 1.20 per cent and the small-cap category gave negative returns of 3.90 per cent. Among sectoral funds, banking was a clear winner with 15.20 per cent returns.

"The past two years have seen some significant regulatory changes from categorisation of mutual fund schemes to cap on expense ratio. Year 2020 should be a time for the industry to assimilate these changes. On the fixed income side, we expect returns from liquid funds to move with a downward bias, while overnight funds as a category may see higher inflows," says G. Pradeepkumar, CEO, Union AMC.

Another move by Sebi, aimed at protecting the interests of both existing and new debt fund investors, was to allow sidepocketing in debt mutual funds. This allows funds to segregate their exposure in a stressed company and thus manage the redemption pressure.

Direct mutual funds, which charge no distribution commission from investors, are gaining traction. Players like Paytm Money, Groww, Goalwise, Kuvera and others gained good initial response. "The MF industry has just about 19 million investors and we anticipate that this number will double by 2025; hence, our decision to launch a simple and easy to invest/navigate experience for first-time investors. Today, 70 per cent of our users are first-timers," says Pravin Jadhav, Managing Director and CEO, Paytm Money.

Direct MF platforms are targeting seasoned investors too. Ankur Choudhary, Co-founder and CIO, Goalwise.com, says, "On Goalwise, investors just need to select their goals and risk profile, and get a customised investment plan with recommendations and asset allocation based on our algorithms."

Digital distribution platforms for regular schemes are also not leaving any stone unturned to attract investors with unique offerings, mostly in handholding and advisory. "If you understand mutual funds, opt for direct plans. But if you need advice and guidance – setting goals, choosing the right funds, knowing when to exit and how to exit – an unbiased adviser not just takes care of the basics but is with you every step of the way," says Sanjiv Singhal, Founder, Scripbox.

Debt and Fixed Income

Interest rate and yield on debt products have fallen to record levels in 2019. There is little likelihood of them moving up for the most of 2020; any increase may take place in the second half of the year.

The debt category faced many challenges in 2018 and 2019. The fear of default has made investors wary even as the corporate sector tries to bring down its debt. "There is increased risk aversion and investors are being extremely cautious due to defaults by companies. The credit defaults led to exit from credit and corporate bond funds towards liquid funds," says Mrin Agarwal, financial educator, money mentor and founder of Finsafe.

While debt investment remains a safer option than equities, it has inherent risks. When you go for unsecured debt, you depend mainly on the issuer's reputation and credit rating. But with debt


9:41
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instruments, even with the most reputed companies, do your due diligence and consult experts before investing.

For investors who have higher risk appetite, P2P lending platforms are emerging as a new avenue for debt investments. The Reserve Bank of India recently raised the lending limit from ₹10 lakh to ₹50 lakh. "A lot of wealth managers and financial advisers were worried about the extent to which they can recommend P2P as an asset class because of the limitation on absolute exposure. With ₹50 lakh per investor now, advisers would be interested in actively recommending P2P platforms that have reported low NPAs (non-performing assets) on a consistent basis," says Amit More, Founder and CEO, Finzy, a P2P platform.

Insurance

The insurance industry too faced many path-breaking changes in 2019 which will have a far-reaching impact. "Right from the larger implementation of chatbots, self-help web modules, 24x7 digital access to service and solutions and innovative digital service desks, consumers are now more empowered to take the right decision with greater product and service knowledge," says Prashant Tripathy - MD & CEO, Max Life Insurance.

The insurance regulator has brought linked pension products on a par with the National Pension Scheme (NPS) by allowing up to 60 per cent withdrawal. Insurers too will benefit from regulatory sandbox approach being adopted to bring innovation in products and services.

"Use of artificial intelligence and analytics will significantly improve customer experience. A shift from push products (traditional plans) to pull products (pure protection) driven by awareness among the internet population is expected. The industry will see more byte-sized products distributed through technology advancement," says Naval Goel, CEO and Founder of PolicyX.com

The health insurance segment also witnessed a plethora of changes in 2019. "Inclusion of mental health-related services is a major area of change. Many insurers have started including mental illness in their products. We expect to see new launches, which will include both OPD and IPD," says Ashish Mehrotra, MD and CEO, Max Bupa Health Insurance.

Disease-related products and wellness plans are on the rise. "We expect disease management and wellness to come into shape by next year with insurers introducing disease-specific products for cancer, diabetics, etc. A major focus will be on wellness-specific services in new products," says Mehrotra. In these products, policyholders get incentives from insurers to remain healthy. "Customers will have a roadmap in front of them about how their adoption of wellness can help them win reward points and how they can use these points to enhance their fitness and healthcare regime," says Shreeraj Deshpande, Chief Operating Officer, Future Generali.

Another significant innovation in the insurance industry is micro insurance products. "This year saw a rise in byte-sized health insurance products and health insurers are betting big on this to drive the next phase of growth," says Mehrotra.

Motor insurance is poised to undergo significant changes. The latest exposure draft by the Insurance Regulatory and Development Authority of India (Irdai) on improving motor insurance policies is expected to be implemented in 2020. "The draft will bring in new developments like adoption of telematics to promote the concept of pay-as-you-drive and pay-as-you-go. The concept of D-Linked products is also expected to be introduced (base policy from one insurer and add-ons from another)," says Vaidyanathan Ramani, Head-Innovations and Product, Policybazaar.com

Travel insurance has seen an increase in penetration as online travel portals integrate bookings with insurance. However, this was prone to mis-selling as many customers were not aware that they were buying insurance as well while making bookings. Irdai has directed all the travel insurance companies to make sure that the travel insurance coverage option is not pre-selected as a default option when purchasing any travel product (flight tickets, hotel bookings, etc). "The regulator made it clear that covers towards domestic travel shall not be received more than 90 days in advance to the date of travel while covers towards overseas travel may be issued at any time regardless of the date of travel," says Vaidyanathan.

6.4%

Expected GDP growth in 2020 (Goldman Sachs), higher than the 5.1% in 2019

Loans

In 2019, borrowers saw EMIs fall as interest rates continued to decline till the end of the year. The RBI repo rate, which stood at 6.5 per cent at the beginning of the year, came down to 5.15 per cent. "The RBI has reduced repo rates multiple times in the last two years but due to the recent liquidity and other (banking) crisis, the rates haven't reduced for end customers. They may reduce in 2020 as and when the environment becomes more stable," says Rajan Bajaj, Founder and CEO, Slice, which offers EMI cards.

The old home loan borrowers under the MCLR (marginal cost of funds based lending rate) regime can expect rates to fall in 2020. The RBI's efforts to bring transparency in the way lenders charge interest rates from retail borrowers and make the interest rate transmission more effective resulted in introduction of external benchmark linked-floating rate loans in October 2019. Most banks have linked interest rates of their floating retail loans to the repo rate. So, any change in the repo rate will automatically be passed on to such borrowers. "The external benchmark regime also allows banks to change other

Insurance Sector Changes

WHAT HAPPENED IN 2019

Rules for pension products, traditional plans and unit-linked insurance plans were changed to ease the surrender and annuity process

Curb on mis-selling of travel insurance policies as default option by online travel portals

Insurance regulator mandated companies to include many excluded illnesses in health insurance policies

Byte size policies were introduced for small insurable needs for short periods

WHAT TO EXPECT IN 2020

Simpler motor insurance policies and convenient claim processes

The standard health insurance plan proposed by Irdai expected to go live

Use of artificial intelligence, analytics will significantly improve customer experience

Use of IoT devices to price products. For example, smaller premium for people

components of the spread once in three years. So, borrowers of floating rate loans should compare their lending rates with those offered by other lenders, if and when their spread undergoes a change," says Naveen Kukreja, CEO and Co-founder, Paisabazaar.com.

Many fintech lenders have entered segments that cater to borrowers not covered by traditional lenders, such as gig workers, young students, people new to credit, and so on. This segment is growing thanks to innovative credit risk assessment tools. "We assess customers on many cash flow-based and non-traditional data points like social network. The final model is a combination of statistical analysis and algorithm score based on machine learning built on these thousands of parameters," says Bajaj of Slice.

Another example is of CareCover, a fintech firm specialising in loans for medical emergencies. "CareCover offers pre-approved loan cards to cover all in-patient and day care surgeries. The limit for the cards is from ₹50,000 to ₹5 lakh. It covers all pre-existing diseases and has no limit on the type of treatment or restriction to a network hospital. There is no co-pay or deductible," says Nivesh Khandelwal, CEO and Founder, CareCover. There is an annual membership though.

The increase in lending cap to ₹50 lakh will play in the favour of fintech P2P lenders in 2020, giving them a boost.

5.15%

Repo rate, down from 6.5% at the start of 2019

Cashless Payments

Improved technology has made money transfers more convenient. In India, starting from prepaid wallets, online money transfer has seamlessly transitioned to bank account-linked UPI platform. The number of UPI transactions rose from an average of 44 crore per month in 2018/19 to 122 crore in November 2019. The spread of UPI has led to the emergence of new players like Google Pay besides Paytm and PhonePe. Amazon Pay started UPI payment transfer in 2019. In 2020, WhatsApp is likely to pose a big challenge when it launches its payment service.

The competition among digital payment players is good news for users. "Technological developments, in terms of product stack for digital payments, have become much more polished. In fact, payment across borders is now possible through cards, wallets and apps, which is why customers are able to make payments through the same infrastructure," says Byas Nambisan, CEO, Ezetap.

Further convenience came by the way of contactless on-tap payment through mobile phones without using an app, a service that SBI Card has started providing. This is a step ahead of contactless on-tap payment with cards.

Voice control technology is poised to climb to the next level. "We observed that the influence of audio and voice command systems was extremely high. Increased access to technology like voice control smart speakers, Air pods and eco buds helped people gain information just with a voice command. Voice-based commerce will be a dominating trend in 2020," says Vivek Kumar Singh, Chief Financial Officer, ToneTag. BT

@naveenkumar80

High Risk, High Reward

ALTHOUGH PMS PLANS PERFORM BETTER THAN MUTUAL FUNDS IN THE LONG RUN, INVESTORS MUST BE AWARE OF THE RISKS INVOLVED

By APRAJITA SHARMA
ILLUSTRATION BY RAJ VERMA

P**ortfolio management** services (PMS), which offer tailor-made portfolios, have been a preferred choice of high net worth individuals (HNIs) and ultra HNIs for quite a few years now. With deep pockets and high risk-taking ability, these investors hunt for index-beating alpha (a measure of return above index). While promise of good returns and personal attention from portfolio managers are a big draw for HNIs, they must be aware about the risks involved in PMS, apart from the new rules that have come out to make these investments safer for investors.

Recent Regulations

According to the working group on SEBI (Portfolio Managers) Regulations, 1993, assets under management of portfolio managers grew from ₹4.7 lakh crore in February 2012 to ₹18.07 lakh crore in April 2019 (over 70 per cent is contributed by funds from EPFO/PFs). The number of clients rose from 82,391 in February 2012 to 151,618 by April 2019.

As PMS have grown at a fast clip, SEBI has brought in regulations to protect investors' interests. For example, last month, it introduced a slew of regulatory changes such as increasing the minimum PMS investment from ₹25 lakh to ₹50 lakh and minimum net worth required to become a portfolio manager from ₹2 crore to ₹5 crore. This is apart from strengthening the eligibility criteria to become the decision-making authority, mandatory appointment of a custodian and defining the nature of securities in which PMS can invest. The investment threshold was revised in 2012 (from ₹5 lakh to ₹25 lakh). The aim of these changes was to ensure that only serious investors with capacity to take risk enter these products. "Globally, regulators don't follow the practice of defining minimum investment for such products. Instead, they define the type of investors who can take exposure to such products; these are referred to as accredited or qualified investors with certain minimum net worth and other criteria," says Dhaval Kapadia, Director – Portfolio Specialist, Morningstar Investment Advisors India. However, in India, SEBI is trying to keep retail investors away from this higher risk investment option.

PMS vs MFs

There is a perception that PMS is a "rich man's mutual fund". However, the two products are different and cater to different client sets. While mutual funds pool money from various investors (largely retail) to invest in the market, in PMS, each client's money is handled separately.

Besides, it has become tougher for mutual funds to beat their benchmarks after SEBI imposed stricter asset allocation limits for various MF categories. PMS, being a theme-based investment with exposure to select stocks such as high-beta (a measure of price volatility and risk) ones, are better at alpha generation. "MFs are regulated in terms of the types of strategies they can adopt, minimum holdings, maximum exposure to individual sectors/securities, etc. Equity PMS plans, on the other hand, offer customisation in portfolio construction, customised expenses, possible access to the portfolio manager, and so on,” says Unmesh Kulkarni, Managing Director and Senior Advisor, Head – Markets and Advisory Solutions, Julius Baer Wealth Advisors.

Aashish Somaiyaa, MD & CEO, Motilal Oswal AMC, points out that PMS is a better platform to remain detached from market occurrences. “MFs are managed as a pool and the outcome is impacted by total flow behaviour of millions of others. In PMS, the behaviour of one investor doesn’t impact the outcome for others.”

Also, the MF investors are not updated about churning. “PMS clients get a debit note at the end of the month with actual charges. In an MF, when trades are done, investors get to know only if they compare the portfolio with the one at the end of last month. Some MFs have 50-250 per cent annualised churn. On the other hand, PMS churn less and intimate clients about every buy and sell order.” However, for HNIs, compliance could be an issue in PMS. “Unlike PMS, where stocks are purchased in the name of investors, MFs are unitised schemes and, hence, HNIs do not have to worry about any regulatory/compliance restriction pertaining to any particular stock,” says Kulkarni.

Beating the Odds

PMS plans have performed better than mutual funds over a five-year horizon

NAME	CATEGORY	RETURNS (%) 1 Year	3 years	5 Years
NIFTY	LargeCap	14.35	11.25	**7.37**
Mutual Funds	LargeCap	10.14	13.99	**7.77**
NIFTY MIDCAP 100	MidCap	-2.15	1.87	**7.27**
Mutual Funds	MidCap	3.91	8.27	**7.91**
BSE SMALL CAP	SmallCap	-4.52	-0.06	**4.40**
Mutual Funds	SmallCap	-1.49	6.27	**7.35**
BSE 500	MultiCap	10.84	9.00	**7.70**
Mutual Funds	MultiCap	9.55	11.73	**7.93**
PMS	Weighted Average	11.99	7.26	**13.19**

Source: Value Research for mutual funds (as on December 5, 2019), PMSBazaar.com for PMS and indices data; Return cutoff date for indices and PMS is Oct 31, 2019. Only discretionary PMS schemes, which disclosed their AUM, were considered; Returns for periods above one year are compounded

PMS Charges

Some give a choice between three different structures

Only fixed fee
2-2.5 per cent per annum – charged every quarter/month

Only variable fee
- 0 per cent fee till the hurdle rate. Hurdle rate ranges between 8 and 12 per cent
- Profit sharing ranges between 15 and 20 per cent above hurdle rate with higher watermark

Fixed + variable fee
- Fixed fee between 1 and 1.5 per cent +
- Profit sharing ranges between 15 and 20 per cent above hurdle rate with higher watermark

One-time upfront set-up fee (optional)
Up to 2 per cent

Other expenses (brokerage, demat, custodian charges)
Up to 0.5 per cent

Discretionary vs Non-discretionary

There are two types of PMS – discretionary and non-discretionary. When a portfolio manager makes all buying and selling decisions with no client participation, it is discretionary. The portfolio manager assumes primary responsibility for management and performance of the portfolio. In non-discretionary, while all research and ideas come from the portfolio manager, he cannot take any buy and sell decision without the client’s approval. The client has complete control over the portfolio. Since it involves active participation on the part of the client, the manager’s responsibility is reduced.

Discretionary PMS plans are cheaper as multiple client trades can be executed together, which means cost-effective execution, says Kapadia of MorningStar. Nearly 90 per cent of all PMS are discretionary. As per SEBI data, there were 1.45 lakh clients in discretionary PMS and only 7,500 in non-discretionary PMS, as on June 30. Non-discretionary makes sense for clients such as family offices where ticket size is large and investments are diversified across multiple PMS plans. “The wealth manager of a family office may stay in touch with portfolio managers of different PMS plans to manage the investments of the entire family keeping in view the broader asset allocation of the family,” says Pallava Rajan, Director, PMS Bazaar.

Rajan says the first important factor the investor has to keep in mind is that the PMS investments are for the long term. “Any investor with less than three years’ time horizon should avoid PMS.”

Although the minimum investment is ₹50 lakh, people with only ₹50 lakh capital should avoid PMS due to the concentrated nature of the portfolio, which is often theme-based. “Investors should understand the product in detail before investing. The nomenclature of the portfolio is the key to matching the individual’s risk profile with the PMS apt for him or her,” says Rajan.

“HNIs looking at specialised strategies that are different from mutual funds can evaluate allocation to equity PMS plans. On the other hand, HNIs looking at participation in broader equity markets without too much customisation are better off investing in mutual funds,” says Kulkarni of Julius Baer.

How the Top PMS Schemes are Performing

Returns as on October 31, 2019; Only discretionary schemes which disclosed their AUM and had AUM above ₹500 crore considered; Returns above one year are in CAGR; Ranked on the basis of three-year return; *IEP: Indian Entrepreneur Portfolio; **Ntdop: Next Trillion Dollar Opportunity
Source: PMSBazaar.com

			RETURNS (%)			
S.NO	PORTFOLIO MANAGERS (STRATEGY NAME)	AUM (₹ cr)	1 Year	3 years	5 Years	Since Inception
1	**ASK** (IEP)*	**10,262**	19.4	11.2	14.4	**18.7**
2	**AccuraCap** (Alpha10)	**607.79**	20.14	11.13	12.43	**15.09**
3	**Alchemy** (Select Stock)	**3,411**	11.6	10.8	14.9	**21.7**
4	**ASK** (India Select)	**3,268**	25.5	10.1	15.1	**17.3**
5	**Motilal Oswal** (Value)	**2,265**	24.82	9.35	9.39	**22.43**
6	**ICICI Pru** (FlexiCap)	**961.62**	12.58	8.63	10.01	**19.03**
7	**Alchemy** (High Growth)	**2,698**	8.5	7.7	10.8	**23**
8	**Motilal Oswal** (Ntdop)**	**9,306**	8.22	6.92	16.16	**16.1**
9	**Alfaccurate Advisors** (AAA India Opp)	**589.67**	5.3	6.6	12.3	**18.2**
10	**Aditya Birla Capital** (Core Equity Portfolio)	**825.18**	17.9	1.6	10.8	**16.6**

Since the ₹50 lakh investment shouldn't necessarily be in cash and can be securities or combination of both, Rajan of PMS Bazaar says investors with ₹50 lakh in mutual funds or stocks may consider shifting to PMS. "Retail investors often have bad stocks. The reasons could be two – they don't understand markets well or don't have time. So, an investor with ₹50 lakh worth of equities should consider PMS."

However, they must know that the regulations are still evolving. In the name of protecting the privacy of clients, not much information is disclosed even to regulators. Although most portfolio managers send performance and debit reports to individual investors on a monthly basis, there is no standard process to calculate returns and fees. The SEBI working group says some portfolio managers are selectively disclosing the portfolio, getting it audited, and showing the returns. Besides, performance is reported for various strategies/products and there is no way for the regulator/investor to identify whether the performance reported is accurate. Benchmarks are also not specified. That said, only investors with high-risk appetite and long-term horizon should plunge into these "high risk, high reward" schemes.

What You Pay

The fee is charged in different ways – fixed, variable and fixed-plus-variable. There are other expenses as well over and above the portfolio management fee such as custodian fee, depository charges, brokerage tax, service tax, security transaction tax and other statutory levies. These work out to around 0.5 per cent, says Rajan of PMS Bazaar.

The distributor may charge a one-time set-up fee of up to 2 per cent that is deducted from the client's capital contribution. For example, if you invest ₹1 crore, ₹2 lakh will go to the distributor and ₹98 lakh will be invested. Investors should know that the set-up fee is a discretionary charge. In theory, it is an agreement between a distributor and a client. However, distributors do not tell the investor that it is optional. "Earlier, nine out of 10 clients used to pay set-up fee. Now, awareness has increased. Out of 20, four-five are paying it."

One should also be aware of exit loads. Although there is no lock-in period, the asset management companies (AMCs) may charge exorbitant exit loads if you liquidate your investment within one to five years. "Exit load ranges from 1-8 per cent for up to five years. Exorbitant exit loads are not in the interest of investors or the industry. There is a need to standardise exit-load structures," observes the working group report.

Among AMCs in PMS Bazaar universe, Ambit Capital, AMSEC, O3 Capital, India Nivesh, Sanctum, Marcellus, Pelican, Unifi Capital and Buoyant Capital have zero exit load.

One major lacunae that makes PMS products prone to mis-selling is upfront commission – the one-time fee paid by AMC to a distributor. SEBI had banned upfront commission for MF distributors last year. Since then, say industry observers, distributors have been pitching PMS products to investors even if MFs suit their needs better. "The scope for mis-selling increases, particularly in products that offer higher upfront incentives to distributors, if the distributors do not have adequate internal checks and controls. In that sense, PMS schemes can be potentially mis-sold (like any other product)," says Kulkarni of Julius Baer.

The SEBI working group's July 2019 report had recommended that the distributor commission "may only be paid on a trail basis and only from the fees charged by the portfolio manager". SEBI is yet to act on it.

Interestingly, a number of PMS schemes offer trail commission to distributors. Investors should ask for such details before committing money to such schemes. Although the upfront commission doesn't affect the cost or return of the investment per se for clients, it leaves scope for dubious distributors to mis-sell products only to earn commission. BT

@apri_sharma

Money Matters

MANAGING YOUR MONEY CAN BE TRICKY. SEND YOUR QUERIES, AND PERSONAL FINANCE EXPERTS WILL HELP YOU RESOLVE ANY ISSUE

AUTO LOAN

Raghav Joshi

I live in Delhi. Last month, the final EMI of my five-year-old auto loan was deducted from my account. It has been more than 30 days but I have not received my NOC from the bank. Should I wait or approach the lender? What is the process of getting the hypothecation removed from the RC?

Naveen Kukreja *- CEO& Co-founder, Paisabazaar.com*

Car loan lenders usually issue No-Objection Certificate (NOC) or No Dues Certificate (NDC) stating the loan closure within two to three weeks of the payment of the last EMI. As it has already been more than 30 days in your case, I will suggest that you approach your lender for an update. Once you receive the NOC from the lender, submit it to the RTO (Regional Transport Office) concerned, along with Form 35 signed by you and the lender, to remove the hypothecation from your car's registration certificate.

HEALTH INSURANCE

Shruti Shah

We had a baby girl three months ago. We have a family floater health insurance plan for a three -member family which includes my four-year-old son, with sum assured of ₹5 lakh. Now I want to add my daughter to this plan. Can I do that? Should I go for a new policy as I was also considering increasing the total cover?

Sanjay Datta, *Chief – Underwriting, Claims, Reinsurance & Actuary, ICICI Lombard*

Yes, a newborn baby can be added to your existing health insurance policy by paying the additional premium depending upon the terms and conditions of the policy.

It is advisable to increase the sum insured of your existing cover as opposed to buying a new plan as you can take advantage of the floater discount. In case you want to increase the sum insured, the same can be done at the time of renewal. Moreover, it will be easier for you to manage one policy for the entire family instead of having multiple plans.

LIFE INSURANCE

Rajesh Kothari

I am 32 years old. My wife is a home maker. I have a daughter who is six years old and a son who is four years old. I am planning to buy a term plan of ₹75 lakh. I want the insurance money to help my kids complete their higher studies in case something happens to me. How can I do this?

Aalok Bhan*, Director and Chief Marketing Officer, Max Life Insurance*

Good to know that you are considering buying a term plan which should ideally be the first step in financial planning. As I am not aware of your income and liabilities, I would not be in a position to comment on whether ₹75 lakh would be a sufficient cover for you. As a thumb rule, you should have a term insurance that is at least 12-15 times of your annual income. You may get a more precise amount of cover required through the human life value calculator.

In addition, I suggest you buy separate child education life insurance plans for both your children. These child education plans offer triple protection – one, payment of life cover on death of the life insured; two, waiver of all future premiums, and three, payment of maturity benefits as per the original payout plan. While the term plan will ensure that your loved ones continue to maintain their lifestyle, the child education plans will ensure that there is no compromise on your children's education. BT

Please send your queries to moneytoday@intoday.com

ILLUSTRATION BY RAJ VERMA

BT MindRush

Winners of the BT Best CEO awards with Union Minister for Petroleum and Natural Gas and Steel, Dharmendra Pradhan; Aroon Purie, Chairman and Editor-in-Chief, India Today Group; and Raj Chengappa, Group Editorial Director (Publishing), India Today Group

PHOTOGRAPH BY RACHIT GOSWAMI

TIME FOR DISRUPTION

18+

WHAT IS AVAXHOME?

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Presents

Business Today MIND RUSH

DISRUPT OR DIE

THE DISRUPT OR DIE THEME IS APT FOR THE TIMES WHEN TECHNOLOGY IS DISRUPTING BUSINESSES ACROSS THE VALUE CHAIN

We live in disruptive times. As technology is changing the way most businesses function, they have to deal with blistering change. This year's theme of the seventh edition of the annual conclave, Business Today MindRush, 'Disrupt or Die', was apt for such times. India's leading businessmen graced the event at the Taj Lands End Hotel in Mumbai on December 13 where 15 captains of industry were felicitated with Best CEO Awards for excellence in their fields.

Dharmendra Pradhan, Union Minister for Petroleum and Natural Gas and Steel, delivered the keynote address and handed over India's Best CEO awards to the winners. "Indian industry is going through disruptions, but that does not mean that you will die if you don't disrupt," he said, adding that data is the new oil and the government is formulating a new data policy. He added that India is progressing in the right direction and the country will become a developed nation in the coming years despite hiccups.

Aroon Purie Chairman & Editor-in-Chief, India Today Group, said, "Disruption is not a threat, but an opportunity. It may or will destroy businesses, wealth and jobs, but it will also open up new opportunities."

The minister unveiled the redesigned *Business Today* (*BT*). Speaking about the 'Digital First' philosophy at *BT*, Arron Purie said, "Beginning with this issue being unveiled here today, you will see *Business Today* in a refreshing 'Digital First' avatar. Our presence on the web businesstoday.in is the fulcrum of this change as it brings to you the latest on business and economy via stories, podcasts, videos, infographics and slideshows, making full

PHOTOGRAPH BY RACHIT GOSWAMI

"INDIA IS PROGRESSING IN THE RIGHT DIRECTION. WE ADMIT THAT THERE ARE ISSUES IN OUR PROGRESS, BUT PM MODI WILL NOT RUN AWAY FROM THEM"

Dharmendra Pradhan
Union Minister for Petroleum and Natural Gas and Steel

"DISRUPTION IS NOT A THREAT, BUT AN OPPORTUNITY. IT MAY OR WILL DESTROY BUSINESSES, WEALTH AND JOBS, BUT IT WILL ALSO OPEN UP NEW OPPORTUNITIES"

Aroon Purie
Chairman & Editor-in-Chief, India Today Group

use of the multi-media potential of the digital platform."

In his welcome address, Raj Chengappa, Group Editorial Director (Publishing), India Today Group, said the tectonic shifts in business offer considerable opportunities to companies, sectors, countries and individuals that embrace them successfully.

The day started off with author Ashwin Sanghi talking on 'Ringing in the Riches". He drew lessons and parallels from mythology and modern business. He said, the lifecycle of an enterprise has parallels with the two trinities of gods Brahma, Vishnu and Shiva and goddesses Saraswati, Lakshmi and Durga. A start-up is about creation, while growth and preservation are needed to make the business grow. After reaching a certain level, there is need for renewal and transformation.

While technology is disrupting businesses across the value-chain, what people will always need is good health. Most people avoid an exercise regime due to lack of time. Addressing the 'time' challenge, holistic fitness trainer and pilates teacher Vesna Pericevic Jacob said you don't have to slot a special hour in a day for exercise; take out time for small pockets of movement through the course of the day. "If it is acceptable to go out for a tea or cigarette break, why should an exercise break be looked down upon?" she said. Echoing the thoughts, fitness and wellness expert Nawaz Modi Singhania said there are exercises that give you high impact in less time. "There are a variety of exercises that you can do in your cabin or sitting on the chair."

We are a country of start-ups. Focusing on that, the opening discussion of the day

"JUST THE WAY KAUTILYA WROTE ABOUT THE STATE AND THE ROLES OF ITS VARIOUS PARTS, BUSINESS LEADERS CAN DEFINE ROLES FOR THE CEO ('KING'), ADVISORS ('MANTRIS'), SHAREHOLDERS ('JANPAD')"

Ashwin Sanghi, Author

"LEADERS SHOULD LEARN FROM EPICS SUCH AS MAHABHARATA, RAMAYANA AND MANAGEMENT EXPERT CHANAKYA'S ARTHSHASTHRA TO BRING IN CHANGE"

Radhakrishna Pillai, Management expert and author of *Corporate Chanakya*

was 'Unleashing a Hundred Unicorns'. Four venture capitalists got together to explain how the time to become a unicorn is shrinking. It took Flipkart five years to become one, while Udaan made the cut in two years. Anjali Bansal of Avaana Capital, Karthik Reddy, Co-founder of Blume Ventures, Rehan Yar Khan, Managing Partner of Orios Venture Partners, and Tej Kapoor, Managing Director and Head of Fosun RZ Capital India, pointed towards a confluence of factors that is leading to this.

People are spending more time online; the management teams of many start-ups have experienced professionals or those who have worked with successful consumer Internet companies such as Flipkart before; the markets are getting larger too.

The next session by Kavil Ramachandran, Professor and Executive Director, Thomas Schmidheiny Centre for Family Enterprise, Indian School of Business, Hyderabad, was on how in this era of widespread disruption, it is necessary for family businesses to have awareness of disruption and bring in professionalism. Speaking on 'How to fortify family business', Ramachandran said family businesses should do a PEST (political, economical, socio-cultural and technology) analysis and scenario building, find opportunities in disruption, balance portfolio of products, have a quick but balanced response, sustain owner passion and bring in a board for constant monitoring and advice. He pointed out that most listed companies in the top 4,000 are medium scale companies with less than ₹1,000 crore turnover and out of the 7,000 listed companies, 91 per cent are family enterprises.

After family businesses, the focus was on how the telecom business has been disrupted. In a case study on wiring revolution, Shyam Mardikar, Group Chief Technology Officer (CTO)-Mobility at Reliance Jio, said the digital world needs digital consumers and they are the central pillar of the changing telecom game. Smartphones have become a window to the outside world, he said. According to him, a billion consumers migrated to the digital world in the last 3-4 years.

Economic analyst Pranjal Sharma warned the audience at the start of the session, 'Rethinking the Future', that their lives were in danger. He was referring to the fact that automation - from drones to artificial intelligence to blockchain - will impact jobs and lives in ways we find difficult to imagine. In a country where a million people enter the job market every month, this can be potential disaster. He said we do not have a choice, as this is already happening. "Automation is happening but India does not know how to embrace it," said Sharma.

"FAMILY BUSINESSES SHOULD DO A PEST (POLITICAL, ECONOMICAL, SOCIO-CULTURAL AND TECHNOLOGY) ANALYSIS AND SCENARIO BUILDING"

Kavil Ramachandran
Professor and ED, Thomas Schmidheiny Centre for Family Enterprise, ISB

"MENTAL HEALTH WILL COST $16 TRILLION TO THE GLOBAL ECONOMY BY 2030"

Neerja Birla
Founder & Chairperson, Mpower

Continuing with the disruption theme, the next session was on co-working. Why is India's co-working industry growing this fast? Harsh Lambah, Country Manager India at IWG; Karan Virwani, CWeO at WeWork India; Ritesh Malik, Founder of Innov8 Coworking; and Sandeep Sancheti, Vice Chancellor, SRM Institute of Science and Technology, got together to underline many factors that are contributing towards this growth. The millennial employee is at the heart of the trend. Virwani pointed out that corporates are now forced to focus on employee engagement and experience. "There is a fight for talent, and to retain them. Most companies have realised that millennials give importance to the culture and the environment they work in. Companies want to transform themselves for this talent. They want to create working environments that are super engaging. There is a complete shift in the mindset," he said.

In a disruptive world, one of the problems that no one talks about openly is mental health. It is a huge stigma in India. Addressing the taboo, Neerja Birla, Founder and Chairperson, Mpower, emphasised the importance of discussing mental health issues at the workplace. "Don't hesitate to talk about mental health. If you are seeing symptoms of depression, don't hesitate to talk about it," said Birla. According to her, over 42.5 per cent of employees in the private sector suffer from forms of mental illness such as depression and anxiety. "Mental health will cost $16 trillion to the global economy by 2030. That's the magnitude of the problem of mental health. However, the bulk of Indian companies don't recognise the gravity of the situation."

Caution is also needed when investors are investing in the Sensex and the Nifty, where the recent rise has not been broad-based. The market is witnessing two dichotomies –

Power panel on Disrupt to Lead: (From left) Kenichi Ayukawa, MD and CEO, Maruti Suzuki India; Suresh Narayanan, CMD, Nestle India; Anil Rai Gupta, CMD, Havells India; and Bhaskar Bhat, former CMD, The Titan Company

PHOTOGRAPH BY MILIND SHELTE

Economy Roundtable: (From left) Ashima Goyal, Member, PMEAC; Samiran Chakraborty, Chief Economist, India, Citibank; Baijayant 'Jay' Panda, BJP leader; Mahesh Vyas, CEO, CMIE; and Soumya Kanti Ghosh, Group Chief Economic Advisor, SBI

PHOTOGRAPH BY MILIND SHELTE

one, the economy is showing signs of slowdown while markets are rising; and within markets, while top 15 companies are driving the Sensex and the Nifty, mid-caps and small-caps are being battered.

"There is confusion, fear and frustration among investors. They feel this (rally) is not reality. If you see the top 50 listed companies, about 10 names have done well, while 40 have de-grown. If you look at mid-caps and small-caps, the story is even more difficult," Radhika Gupta, CEO, Edelweiss Asset Managment, said at a panel discussion 'Bulls Vs Bears'. Vijay Chandok, MD and CEO, ICICI Securities, said everything being seen in the markets is perhaps not how things actually are. "Macro numbers are not reflective of headlines. But markets are reflecting two factors – there is a lot of global liquidity chasing returns and there is a concentrated focus on some stocks."

Quite like Sanghi linked business to mythology, leaders of today's organisations should learn from epics such as *Mahabharata*, *Ramayana* and ancient management expert Chanakya's *Arthshasthra* to bring in changes, said Radhakrishna Pillai, management expert and author of the book, *Corporate Chanakya*. Speaking at a session, he said ideal leaders require certain traits. One of them is the ability to gather and dissect information, by either directly pursuing or indirectly pursuing or through perceived or inferred collection of information. He said leaders should also keep inspecting or reporting their own work to learn and stay updated as continuous study ensures a trained intellect that can do practical applications.

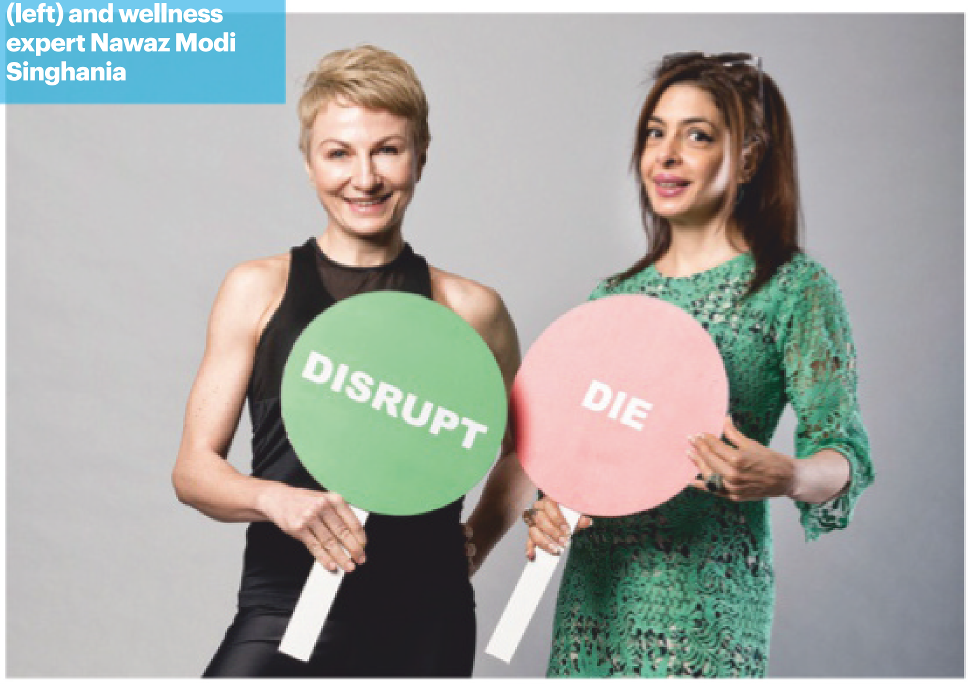
At a time when the economy is in slowdown mode, the panel that discussed 'Disrupting the Slowdown' said the worst is not behind us in terms of falling GDP. "We are not seeing a bottoming out of GDP. There is a need to stop denying that there is a slowdown. This government takes too long to accept that there is a problem. This denial is causing the problem and also causing confusion," said Mahesh Vyas, CEO, CMIE.

"It is not right to say that the government is in denial," countered Jay Panda, a BJP senior leader. He said the government has been taking steps to counter the slowdown. Take, for example, the cut in corporate tax rates, he said. "The RBI has responded by lowering interest rates," he added.

PHOTOGRAPH BY MILIND SHELTE

Bulls vs Bears panel: (From left) Radhika Gupta, CEO, Edelweiss Asset Management; Aashish Somaiyaa, MD and CEO, Motilal Oswal AMC; Nilesh Shah, MD, Kotak Mahindra AMC; and Vijay Chandok, MD and CEO, ICICI Securities

Holistic fitness and pilates trainer Vesna Pericevic Jacob (left) and wellness expert Nawaz Modi Singhania



PHOTOGRAPH BY RACHIT GOSWAMI

Ashima Goyal, a member of the PMEAC, said this is the time of healing, listening and getting feedback. "We went through a time of disruption. We saw tightening in all directions from fighting corruption and formalisation of the economy," said Goyal. "The economy is going through structural changes. Indian economy is very diverse. There is so much happening. The immediate cause of slowdown is the NBFC crisis. The liquidity tightening in 2018 also impacted growth," she said.

India may be going through a slowdown, but it's certainly not doomsday, said CEOs of India Inc at the Business Today MindRush event. Despite the automobile sector being the worst impacted in the current economic slowdown, Maruti Suzuki India, CEO, Kenichi Ayukawa, said that he looks at India as the most progressive market in the world. "We are investing and preparing for the future," he said. Suresh Narayanan, Chairman and MD, Nestle India, said that consumption may have dropped from 11-12 per cent to 7 per cent, but the roof hasn't fallen. "I am optimistic about the Indian economy. It may not be a quick fix, but it's certainly not doomsday."

Anil Rai Gupta, CMD, Havells India won the Best CEO Award in Consumer Durables category. In Financial Services, Rajeev Jain of Bajaj Finance was awarded. In the FMCG segment, the award went to Suresh Narayanan of Nestle India, while C.P. Gurnani of Tech Mahindra was the winner in the IT and IteS category. In the Oil & Gas category, the winner was Mukesh Kumar Surana of Hindustan Petroleum. In the power sector, the winner was I.S. Jha of PowerGrid and in the PSU category, B.C. Tripathi of GAIL. In the Auto and Auto Ancillaries sector, Siddhartha Lal of Eicher Motors stood first, while in the banking category, Uday Kotak of Kotak Mahindra Bank. In Pharma & Healthcare, the winner was Murali K. Divi of Divi's Laboratories. In the Emerging Company category, the winner was Nirmal K. Minda of Minda Industries. In the Medium Company category, Bhaskar Bhat, former CMD of The Titan Company, won the award. Kenichi Ayukawa of Maruti Suzuki won the award in Large Company category.

Mukesh Ambani of Reliance Industries won the award in the Champion of Champions and Super Large Companies categories.

The Lifetime Achievement Award winner was Shiv Nadar, Founder and Chairman, HCL Group.

The sponsors of the event were SRM Institute of Science and Technology (Deemed to be University), Brother, Diageo, Hidesign and PwC. **BT**

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SACHIN KUMAR SINGH
CEO, Bureau of Pharma PSUs of India (BPPI)

We were able to look at those paradigms where 100 per cent quality and 100 per cent efficiency was needed, looked at those places that can be compromised and hence, provided much larger scale.

COMMANDER NAVNEET BALI
Director – Northern Region, Narayana Super Speciality Hospital

I have stopped using leather for it originates from meat production. 50 per cent of water is used to clean meat. I thought to take a step ahead and stop its usage. And today, we stand as a green hospital.

UPASANA ARORA
Director, Yashoda Super Speciality Hospital

Health care is the only trade where you are dealing with human life. If there is any form of standardisation or audit, I see no reason to prevent or stop that. An exit exam, at any level, is a good idea.

DR ARCHANA DHAWAN BAJAJ
Sr. Consultant Fertility & IVF Expert, The Nurture Clinic

THE GROUNDWORK OF ALL HAPPINESS IS GOOD HEALTH

With the country's health care sector rising at an exponential rate and expected to reach $280 billion by 2020, the 5th Mail Today Health Care Summit 2019 was organised to bring forth how the sector is expanding, various challenges it faces and solutions that can be incorporated to make it better.

At the inaugural address, **Dr Mahesh Sharma, member of parliament, Gautam Buddha Nagar** shared that India has grown 25 per cent over the last four years in the health care sector. Thereafter, in the **first panel discussion titled, 'Quality healthcare for all',** Sachin Kumar Singh, CEO, Bureau of Pharma PSUs of India (BPPI); Dr Pradeep Chowbey, vice chairman, Max Hospital; Commander Navneet Bali, director - northern region, Narayana Super Speciality Hospital; Dr. Archana Dhawan Bajaj, senior consultant fertility and IVF expert, The Nurture Clinic; Upasana Arora, director, Yashoda Super Speciality Hospital discussed how various schemes and campaigns have brought noteworthy developments in the sector. Moderated by Dr Sanjeev Bagai, MD and chairman, Nephron Healthcare, in the **second panel discussion titled, 'Digital technology, AI and genomics – triad of healthcare',** Dr A. S. Soin, chairman, Institute of Liver Transplantation and Regenerative Medicine, Medanta – The Medicity; Dr Arjun Dang, CEO, Dr Dangs Lab; Dr Kalpana Nagpal, senior consultant – ENT and robotic surgery, Indraprastha Apollo Hospital and Dr Aashish Chaudhry, MD, senior consultant - orthopaedics and joint replacement, Aakash Healthcare, Super Speciality highlighted use of advanced operation theatre set up in liver transplants, shift from man to machines, robot-assisted surgeries etc. as the key advancements.

The **summit also saw insightful sessions** from C.R. Prasanna, special secretary (health), Chhattisgarh; Aditya Berlia, co-founder and pro-chancellor, Apeejay Stya University; Shubra Singh, chairperson, National Pharmaceutical Pricing

5th Edition
MAIL TODAY
Health Care Summit

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PRADHAN MANTRI BHARTIYA JANAUSHADHI PARIYOJANA (PMBJP)

Authority (NPPA) and Raj Kumar, director general, Employees' State Insurance Corporation (ESIC).

The **final panel discussion titled, 'Lifestyle diseases and fighting the future',** moderated by Dr Garima Singh, founder and CEO, Axia Health Services and led by Dr Anoop Misra, executive chairman, Fortis C-DOC, diabetes and endocrinology; Dr Viveka Kumar, senior director, Max Super Speciality Hospital; Dr Kaberi Banerjee, medical director, Advanced Fertility and Gynaecology Centre, New Delhi; Karn Singh Tomar, founder and director, Nutriorg and Dr Vikas Jain, director and senior consultant, Dharamshila Narayana Superspeciality Hospital focused on making changes in our lifestyle in order to prevent lifestyle diseases.

■ L-R Dr Sanjeev Bagai, MD and Chairman, Nephron Healthcare; Dr A.S. Soin, Chairman, Institute of Liver Transplantation and Regenerative Medicine, Medanta - The Medicity; Dr Arjun Dang, CEO, Dr Dangs Lab; Dr Kalpana Nagpal, Senior Consultant, ENT and Robotic Surgery, Indraprastha Apollo Hospital and Dr Aashish Chaudhry, MD, Sr. Consultant – Orthopaedics and Joint Replacement, Aakash Healthcare - Super Speciality Hospital discussing the role of digital technology, AI and genomics at the 5th Mail Today Healthcare Summit 2019.

We are providing health care services at almost one-sixth the price being provided worldwide. The current condition of health care sector will improve drastically, if we focus on fulfilling the seven As of health care and along side consider bettering our infrastructure and manpower.

DR MAHESH SHARMA
Member of Parliament, Gautam Buddh Nagar

Currently, there are 159 ESI hospitals and 64 regional/ sub regional offices in India. Employees' State Insurance Corporation (ESIC) has relaxed the norms for setting up hospitals. 30-bedded hospitals will be built in the districts, if the number of insured persons is 20,000.

RAJ KUMAR
Director General, Employees' State Insurance Corporation

When I joined Dhamtari, about 34 per cent children, between 0 to 6 years of age, were moderately or severely malnourished. A micro study of almost 8,500 families revealed that majority of children belonged to landless labourers. We ensured that beneficial schemes reach their doorsteps.

C.R. PRASANNA
Special Secretary (Health), Chhattisgarh

Ayushman Bharat is incredible in kickstarting a movement but the infrastructure required to implement it is not there. It's time that the government finds a new model and discover how healthcare can be delivered. Private industry has a huge role to play.

ADITYA BERLIA
Co-Founder & Pro-Chancellor, Apeejay Stya University

ADDING TO THE BUZZ

■ Volvo's compact luxury crossover SUV XC60 and the elegant and confident S90's showcase at the 5th Mail Today Healthcare Summit were a sight of appeal for the dynamic audience comprising tech savvy drivers.

■ Lapcare's showcase of IT spares and peripherals at the Health Care Summit was an experience of a whole new world of technology and innovations by the audience.

■ Nutriorg's wide range of organic detox juices, healthy breakfast cereals, cold pressed oils, health supplements and powders displayed at the summit made the audience ask for more.

LIFESTYLE DISEASES AND FIGHTING THE FUTURE

Control and total duration of diabetes play a great role in end stage renal disease. Patients with long duration of uncontrolled diabetes will require dialysis or transplantation.

DR VIKAS JAIN
Director and Senior Consultant, Dharamshila Narayana Superspeciality Hospital

With sedentary lifestyle, weak immune system, low nutrient food toxicated with chemicals and pesticides available, Nutriorg's nutrient-rich organic products are the solution to detoxification and high immunity.

KARN SINGH TOMAR
Founder and Director, Nutriorg

Obesity has a strong correlation with infertility, both in polycystic ovarian disease and also in low sperm count. Egg quality deteriorates faster in women who smoke than those who don't, leading to early menopause.

DR KABERI BANERJEE
Medical Director, Advanced Fertility and Gynaecology Centre

Inculcating healthy lifestyle in our environment and educating masses is the most important preventive step. In order to prevent heart disease, we have to focus on lifestyle very strongly, right from the school.

DR VIVEKA KUMAR
Senior Director, Max Super Speciality Hospital

Network

PHOTOGRAPH BY KRISHNENDU HALDER

Advantage GVK

Anyone who has followed tennis star Sania Mirza's game is unlikely to have missed the power unleashed by her forehand or the letters emblazoned on her sweatshirt - GVK. **G.V. Krishna Reddy**, 82, the founder of the eponymous group, spotted the talent in Mirza when she was just nine years old. He then also opted to sponsor her. That was 24 years ago. Since then, he has backed many promising players and sponsored several tennis tournaments.

Around the time he first met Mirza, he was embarking on yet another journey – to sponsor an annual tennis tournament for the elderly, called the GVK-AISTA Senior Nationals Tennis Tournament.

Since then, it has been held each year for age groups of 45, 55, 65 and over 75. From this year, players from 35 years onwards would also join.

Playing tennis for the last 40 years, Reddy, who devotes at least one hour each morning with his friends at his tennis court at home, says, "Unlike in a gym, where you are all alone and cannot get your mind off work, here you are with your friends, talk only tennis when not cutting jokes, and focus only on the game. I get back to work fresh from this."

Reddy is also the President of the All India Senior Tennis Association, which, on its website, posts some quotes from tennis stars, including this one from Roger Federer: "Winning never grows old." Seeing Reddy, many would agree.

–E. KUMAR SHARMA

FOR THE LOVE OF FOOD

Tech Mahindra CEO C.P. Gurnani – popularly known as CP among his peers – knows how to aim straight for the heart when it comes to food. The Tech Mahindra MD is not only an investor in some of the best food haunts in Mumbai but is a self-confessed foodie, too.

CP looks at food as the biggest stress buster. Whether he is in the country or abroad, Indian cuisine and Sindhi food remain close to his heart. While he has recently taken fancy to soups and salads and enjoys them during his travels, Indian and Sindhi fares are still his go-to comfort food.

The Tech Mahindra chief enjoys trying out new restaurants, which perhaps explains how he picks some of the most happening food joints in the city. 'The Table' in Mumbai's Colaba is one of his favourite hangouts.

He also swears by 'Bombay Canteen' where he is an investor too. CP has invested in another venture called 'O'Pedro' in Mumbai. A few years ago CP turned vegetarian, which he says is a whole new experiment with the food palate.

– RUKMINI RAO

PHOTOGRAPH BY REUBEN SINGH

PHOTOGRAPH BY VIVAN MEHRA

The Tough Get Going

Tata Group Chairman **N. Chandrasekaran,** fondly known as Chandra, is not only an expert marathoner but also a seasoned trekker and mountain climber. Chandra's passion for trekking precedes his love for marathons. Over the years, he has participated in many treks to the Himalayas. In fact, soon after he got married, Chandra and his wife Lalitha, went on a hiking expedition to St. Ives in Cornwall, the UK. They have also participated in many treks and hikes together over the years.

His twin passions of trekking and long-distance running have a symbiotic relationship in many ways. It is because of his interest in trekking that long-distance running became easier for the former TCS chief. Chandra's passion for running the toughest races is a legend of sorts. Over the years, he has taken advice from many professional long-distance runners and participated in most of the world's celebrated marathons. Chandra, who was chosen to lead the group in 2017, turned to marathon seriously after he was diagnosed with diabetes. Fitness, after all, is crucial in running a giant organisation like the $110-billion Tata Group with over 100 companies. He may need the endurance that he has built to get through the crisis triggered by the NCLAT decision to reinstate former chairman Cyrus Mistry.

-NEVIN JOHN

CHAIRING IT

Besides being a gadget freak, **Martin Schwenk**, MD & CEO of largest luxury carmaker Mercedes Benz India, has a thing for a lounge chair that costs upwards of ₹3.5 lakh. So much so that he has carried it with him wherever work has taken him from Germany, South Africa, Austria to the US, China and now India. The LC4 chaise long chair is a product of a collaboration between three French designers – Le Corbusier (who also designed and planned Chandigarh), Charlotte Perriand and Pierre Jeanneret and produced by Italian firm Cassina. First designed in 1928, this chaise longue is built in a shape crafted for relaxation that takes the idea that form and function should be at the service of relaxation, creating a perfect balance between its geometric purity and its ergonomic intent. Part of an avant-garde collection for the Paris Salon d'Automne, it caused furore on its première and is considered a milestone in modern furniture history. No testimony can be bigger than a senior executive of the three-pointed star, the world's most prominent luxury symbol, rooting for it. A CEO's is no ordinary chair after all.

- SUMANT BANERJI

PHOTOGRAPH BY RACHIT GOSWAMI

ME-TIME WITH TABLA

From realistic and edgy digital shows to melodramatic soap operas on television and hit films such as Dream Girl, **Nachiket Pantvaidya,** Group COO, Balaji Telefilms and CEO, ALTBalaji, is in the business of entertaining Indian masses across multiple platforms. While the company he steers is all about mass entertainment, Pantvaidya keeps himself energised through niche Indian classical music. Trained in tabla from the age of nine, his day seldom begins without an hour-long session of tabla every morning. He also plays the harmonium occasionally.

"My tabla time is my 'me-time'. I fiddle around with it and create new notes. Even there, I have good days and bad days when my notes go horribly wrong, but I look forward to that experience every morning," he says.

Pantvaidya's favourite raga is *Khem-Kalyan*. He also has a tabla instructor tutoring him once a week to fine-tune his skills, but tabla for Pantvaidya is more of an escape and he has absolutely no aspirations of becoming a professional tabla artist. "One needs to rehearse for seven-eight hours a day to play at a professional level and I don't have that kind of time," he adds.

When asked if his passion for tabla has actually taught him any business lessons, his response is rather candid, "Classical music is all about learning and not expecting anything in return, while business is all about investment and returns. I would rather insulate the two. Tabla gives me my personal space." Classical music also doesn't help him in his creative business. "The expressions used in classical art forms are quite different from that of neo-classical," he says.

Though playing the tabla neither opens a third eye nor does it inspire him to excel in his profession, Pantvaidya does feel incomplete on days he doesn't get to spend enough time with the instrument. "It's a part of my life," he says.

- AJITA SHASHIDHAR

FLIGHT MODE

Known for his uncanny lifestyle, futuristic businesses, and the habit of staying in the news, Virgin Group Founder **Richard Branson** seems to have a strong liking for all things that fly. Take, for instance, his fondness for kitesurfing, an aquatic sport that requires riding on a surfboard while holding on to a large power kite that can be manoeuvred by the rider. Branson, the man behind Virgin Atlantic and Virgin Galactic, was in Mumbai this year to start a new flight to London. During his visit, Branson said that he is fond of kitesurfing and loves new challenges.

Around two years ago, Branson offered to teach kitesurfing to former US President Barack Obama who was vacationing with wife Michelle Obama at the British Virgin Islands. Obama not only learnt the sport but got the better of him in a competition during the vacation.

The 69-year-old recently revealed during his visit here that he has ancestral roots in India. "I have done a saliva test. I knew that the past generations of Bransons were living in India, but I didn't realise how strong the connections were. It turned out that since 1793, we have had four generations living in Cuddalore [in Tamil Nadu], and my great-great-grandmother was an Indian married to one of the Bransons," he said.

- MANU KAUSHIK

Best Advice I Ever Got

"AN ENTREPRENEUR SHOULD ALWAYS STAY INVOLVED IN THE BUSINESS"

G.V. PRASAD, Co-chairman and Managing Director, Dr. Reddy's Laboratories

PHOTOGRAPH BY VIVAN MEHRA

Q. What was the problem that you were grappling with?

A. Little over a year ago, I was grappling with issues around succession and felt I should move on and step aside from my role as the CEO and let professionals lead. Then I began search for the right people and was looking at the best way to do this.

Q. Who did you approach for advice and why?

A. Having known G.M. Rao (Founder and Chairman of GMR Group) over the years, I approached him. It was also because he has built several businesses, is respected in the industry, and most important of all, I knew that he had a written family constitution with clearly defined roles for all and had looked at succession planning. So, I thought, he may have the answers.

Q. What was the advice?

A. He immediately told me to never move away from the company. He said: "An entrepreneur should always stay involved in the business." That's because, he said, while professionals will be good at what they do, will have the company's best interest at heart and will even think long-term, it is really the entrepreneur who will be able to think and take bets for the very long term. While an entrepreneur will be hit the most by a wrong decision, he will still not be bound by quarterly or yearly performance. He will always be able to articulate a vision and align business interests to this long-term vision. G.M. Rao then gave me examples in India where entrepreneurs stepped aside but, led by circumstances, had to step in again.

Q. How effective was it in resolving the problem?

A. The advice helped clarify my thinking and gave me a purpose, too, which is to keep the company focussed on the long term, and to look at the very long term. It also helped me make the transition from CEO to co-chairman and managing director. BT

– E. KUMAR SHARMA

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