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Business Today

January 22, 2023 ₹150

On Stands | Online | On Air

Sanket Ray, President, Coca-Cola India & Southwest Asia

VCs SIT ON RECORD DRY POWDER, BUT ARE NOT SPLURGING

UDAYAN MUKHERJEE IN CONVERSATION WITH DELOITTE'S PUNIT RENJEN

COKING HOT

COCA-COLA INDIA, RIDING ON BILLION-DOLLAR BRANDS THUMS UP AND SPRITE, HAS NOW ADOPTED A CONTRA MARKETING STRATEGY TO PUSH FURTHER GROWTH

DL (DS)-04/MP/2022-23-24, RNI No. 53481/92 ■ FARIDABAD/145/2023-25 BPC Faridabad ■ Date of posting: Tue, Wed & Thursday

आज तक
देश का नं. 1
हिंदी न्यूज़ ऐप
जुड़े रहिए हर खबर से,
कहीं भी, कभी भी
अभी डाउनलोड करें
aajtak.in/app
उपलब्ध है
12:30
होम
वीडियो
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

Business Today

January 22, 2023 ₹ 150

An IMPACT Feature

#CG MODEL

4 YEARS OF

EMPLOYMENT
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PROSPERITY
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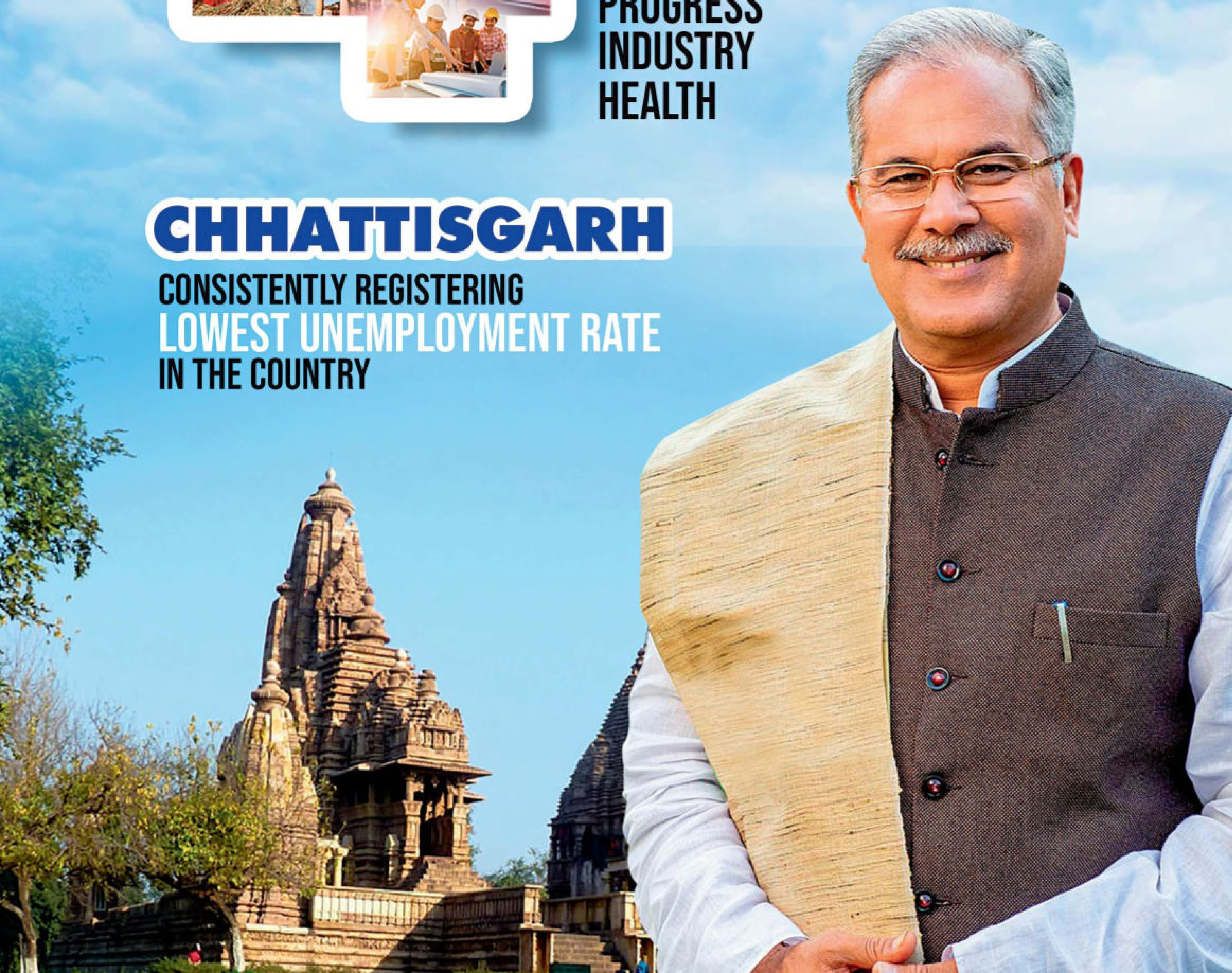
CHHATTISGARH

CONSISTENTLY REGISTERING
LOWEST UNEMPLOYMENT RATE
IN THE COUNTRY



Chhattisgarh

Leading the change … Embracing the revolution

Chhattishgarh Government under the aegis of Bhupesh Bagel has set new paradigms of development that are shaping a legacy of a progressive state with a futuristic vision, flourishing economy and work for all.

"Bhupesh Hai to Bharosa Hai," echoes the sentiments of people's growing trust in the Government policies.

- **Chhattisgarh New Industrial Policy (2019-24) has created a new business-friendly ecosystem. 1564 new industrial units established. Recent MoUs signed for setting up ethanol production plant, drone and UAV manufacturing unit.**
- **Business opportunities in minor forest produce, handicrafts and tourism sectors.**
- **Investment of Rs 18 thousand 882 crore in the industrial sector.**

| FROM THE EDITOR |

Coke's Indian Formula

Stick to your knitting. Add a few frills. And play to your strengths. This, in sum, appears to be the game plan adopted by Sanket Ray, the 49-year-old boss of Coca-Cola India. Ray and his top team are now putting together a sharp-focussed, contra marketing strategy that seeks to ensure that its core strengths are best juiced to ensure maximum growth. Coca-Cola India—which, together with its bottlers, is a ₹20,000-crore business—is in a sweet spot. In 2022, two of its brands, Thums Up and Sprite, hit the billion-dollar revenue mark, and mango drink Maaza is also well on the way to that milestone. Besides, at a massive 60 per cent share of the ₹50,000-crore Indian carbonated soft drinks (CSD) market (PepsiCo India is at 30 per cent), the company is well-positioned to capitalise on its strengths. No wonder, then, that Ray jokingly calls his strategy "simple and boring". But simple can also be successful, and that's what Ray is aiming for, having taken charge at the beverages giant in January 2021, in the middle of the pandemic.

As *Krishna Gopalan* delves deep into the Coca-Cola India growth strategy in the cover story, Ray tells him that the plan is to ensure its key brands—that see a sharp decline in winter months—become all-year successes. The idea is to increase the occasions when its brands are consumed and offer more variants. The company decided to hike advertising and marketing spends in the third quarter of calendar year 2022 (typically, it used to increase spends in the second quarter to coincide with the peak season) to ensure strong demand in the festive season. Earlier, in line with its "core strategy", it also moved out of areas like dairy and water-soluble powders, to focus on getting the most out of its existing strong brands. Leveraging its popular brands, it has also introduced variants like Maaza Aam Panna, Fanta Apple Delite, Limca Sportz and Charged (an energy drink, riding on Thums Up). Retail presence is also being hiked from 2.2 million outlets to 4 million. Remember, unlike arch-rival PepsiCo, Coke does not have a robust snacks portfolio to fall back on when peak season for CSD ends. Hence, the get-more-from-core formula makes eminent sense. In the April-June 2022 quarter, Coca-Cola India saw its best volume performance, clocking a billion incremental transactions. Whether the company can sustain this momentum going forward will be interesting to watch.

Moving away from fizz to the harsh winter faced by India's start-ups, *Binu Paul* gets you the story of how venture capitalists are sitting on massive dry powder in terms of funds, but aren't in any hurry to deploy them just yet. The spate of problems faced by start-ups of late has forced them to be very selective, and they are under no pressure even from their limited partners who want greater due diligence and a reasonable investing pace. But there's good news, too. International investors remain bullish on the long-term prospects of India. Sooner or later, the fund flows are expected to resume, albeit gradually. On this note, here's wishing you a very happy, peaceful and prosperous 2023! **BT**

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"What good is a bank
that's only by your side
when you're moving up?"

PHOTOGRAPHIK

Photograph by **GETTY IMAGES**
Text by **RAHUL OBEROI**

SOURCE AIRPORTS AUTHORITY OF INDIA, MEDIA REPORTS

HIGH TIME

THE RECENT CHAOS AT DELHI AND MUMBAI AIRPORTS HAS AGAIN PUT THE SPOTLIGHT ON AVIATION INFRA EVEN AS AIR TRAFFIC RETURNS TO PRE-PANDEMIC LEVELS

427,517
PASSENGERS
Number of people departing from airports in India on November 11—the highest since the onset of the pandemic

177
MILLION
Number of passengers Indian airports handled during April-October 2022—more than double the figure a year ago (83 million)

7
PER CENT
Likely annual growth in India's air traffic through 2040, as per aircraft manufacturer Boeing

RED ALERT

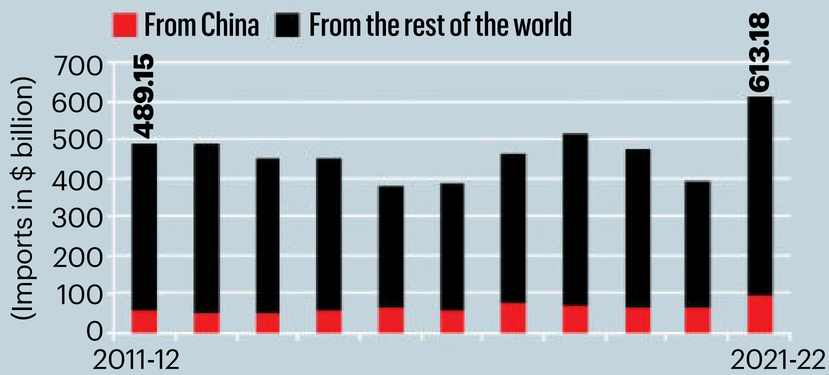
Despite the tense relations between neighbours India and China, trade has been flourishing between the two largest economies of Asia. Their total trade crossed the $100-billion mark for the first time in 2021-22. Comparatively, trade was at $86 billion in FY21 and $76 billion in FY12. In H1FY23, total trade stands at $60.2 billion, and it is on course to cross the $100-billion mark for the second consecutive year. However, because of almost one-way trade flows, India's trade deficit with China has already reached $44.6 billion in the first six months of the current financial year. Here's a look at India's key trade numbers vis-à-vis China

By **PRINCE TYAGI** AND **RAHUL OBEROI**

Graphics by **RAJ VERMA**

THE DRAGON TAKES WING

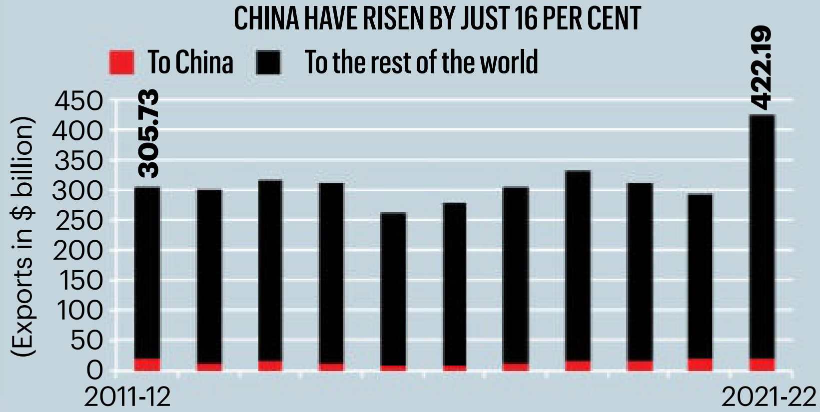
INDIA'S TOTAL IMPORTS HAVE GONE UP BY 25 PER CENT IN THE PAST 10 YEARS, WHILE IMPORTS FROM CHINA HAVE SURGED 64 PER CENT



Source CMIE Economic Outlook

UNBALANCED TRADE

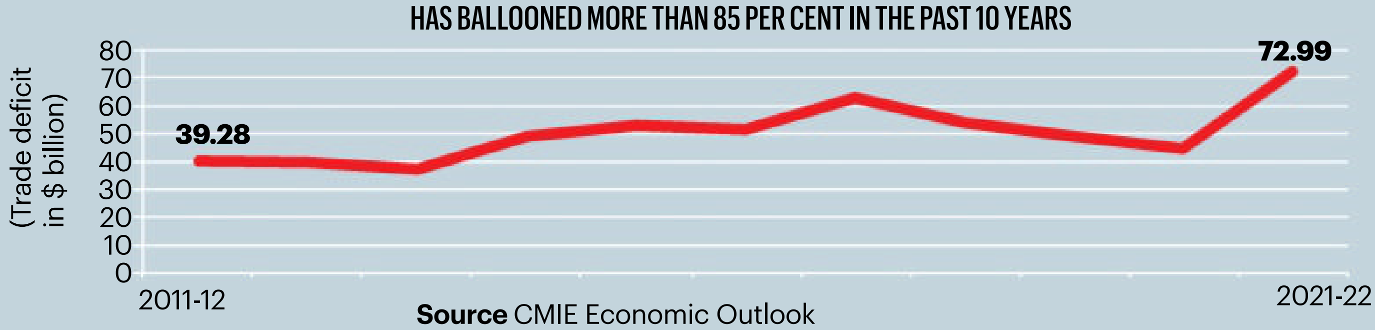
ON THE OTHER HAND, INDIA'S TOTAL EXPORTS HAVE INCREASED BY 38 PER CENT FROM FY12 TO FY22. BUT IN THE SAME PERIOD, ITS EXPORTS TO CHINA HAVE RISEN BY JUST 16 PER CENT



Source CMIE Economic Outlook

LINE OUT OF CONTROL

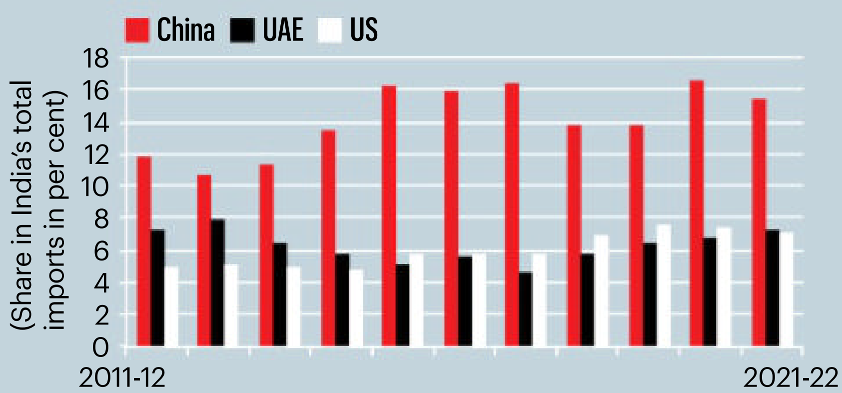
DUE TO RISING IMPORTS FROM CHINA, INDIA'S TRADE DEFICIT WITH ITS NEIGHBOUR HAS BALLOONED MORE THAN 85 PER CENT IN THE PAST 10 YEARS



Source CMIE Economic Outlook

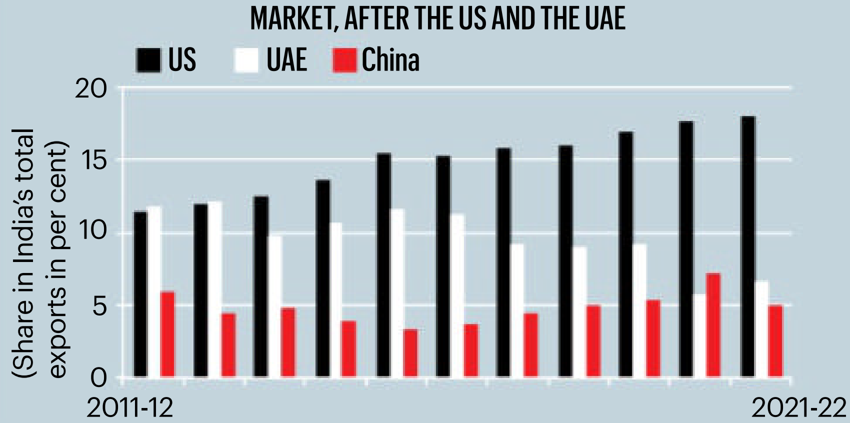
THE CHINESE WALL

FOR THE PAST 10 YEARS, CHINA HAS ACCOUNTED FOR MORE THAN 10 PER CENT OF INDIA'S TOTAL IMPORTS



A DISTANT THIRD

CHINA IS INDIA'S THIRD-LARGEST EXPORT MARKET, AFTER THE US AND THE UAE



Source CMIE Economic Outlook

25 per cent

CHINA'S SHARE IN THE WORLD'S TRADE GROWTH IN 2016-21; THIS IS EXPECTED TO DROP TO 13 PER CENT DURING 2021-26, PER DHL TRADE GROWTH ATLAS

3 per cent

THE SHARE OF GLOBAL TRADE INDIA AIMS TO ACHIEVE BY 2027, FROM 2.1 PER CENT NOW. IT AIMS TO INCREASE THE SHARE TO 10 PER CENT BY 2047, PER IBEF DATA

148.36 per cent

THE RISE IN IMPORTS OF ELECTRONIC GOODS FROM CHINA IN THE PAST 10 YEARS TILL FY22

123.90 per cent

THE RISE IN IMPORTS OF CHEMICALS AND RELATED PRODUCTS IN THE PAST 10 YEARS TILL FY22

58.09 per cent

THE RISE IN EXPORTS OF ENGINEERING GOODS FROM INDIA TO CHINA BETWEEN FY12 AND FY22

21.50 per cent

THE DECLINE IN EXPORTS OF AGRICULTURAL AND ALLIED PRODUCTS TO CHINA FROM INDIA BETWEEN FY12 AND FY22

MATERIAL NEEDS

INDIA MOSTLY IMPORTS ELECTRONICS & ENGINEERING GOODS, CHEMICALS AND RELATED PRODUCTS FROM CHINA, WHILE IT EXPORTS ENGINEERING GOODS, AGRI PRODUCTS AND ORES & MINERALS TO CHINA

INDIA'S IMPORTS FROM CHINA

ELECTRONIC GOODS	$35.44 billion (37.62%)
ENGINEERING GOODS	$24.95 billion (26.48%)
CHEMICALS AND RELATED PRODUCTS	$19.60 billion (20.80%)
ARTIFICIAL RESINS, PLASTIC MATERIALS, ETC.	$4.05 billion (4.30%)
TEXTILES (EXCLUDING READY-MADE GARMENTS)	$2.82 billion (2.99%)
ALL COMMODITIES	$94.22 billion (Total)

INDIA'S EXPORTS TO CHINA

ENGINEERING GOODS	$5.37 billion (25.29%)
AGRICULTURAL & ALLIED PRODUCTS	$3.82 billion (17.97%)
ORES & MINERALS	$2.95 billion (13.89%)
CHEMICALS & RELATED PRODUCTS	$2.94 billion (13.84%)
PETROLEUM & CRUDE PRODUCTS	$1.87 billion (8.82%)
ALL COMMODITIES	$21.23 billion (Total)

Data for FY22; figures in brackets indicate share in India's trade with China;
Source: CMIE Economic Outlook

PHOTO BY **GETTY IMAGES**

SPEED BUMP Mahindra & Mahindra showcases the XUV300 electric vehicle at Auto Expo 2020. The brand, along with many other popular names, will be sorely missed at the Auto Expo of 2023

Missing in Action

A clutch of top brands in both two- and four-wheelers has opted out of Auto Expo 2023. But that may have more to do with Covid-19 of 2022 than any defining trend

BY **ARNAB DUTTA**

▶ **IF YOU ARE** an automobile enthusiast, and love to drool over glitzy new car models and future technologies, then your wait is finally over. After a delay of about a year, the country's flagship automobile event—Auto Expo 2023—is back in town. Starting January 13, the latest edition of the expo is expected to host dozens of launches, as celebrity brand ambassadors glitter exhibition halls amid a frenzy of car lovers and industry stalwarts. Spread over six days, the event this time is being organised after three years, instead of two years, as the third Covid-19 wave in 2022 forced organisers to postpone the flagship show, leaving many disappointed.

Organisers, however, are ever more enthusiastic about the Auto Expo 2023 that will be held in two venues across the Delhi National Capital Region (NCR). While the auto components galleries will be hosted at the original venue of Pragati Maidan complex in Delhi, the passenger four-wheelers and two-wheelers, along with commercial vehicles, would be lined up at the India Expo Centre & Mart in Greater Noida. And to lure the fence-sitters, manufacturers are expected to fly down a host of crowd-pullers like Bollywood superstars Shah Rukh Khan, Ranveer Singh and Varun Dhawan, among others. Conceptualised in 1985, the expo made its debut a year later in Pragati Maidan and, by 2006, had begun to host new launches.

Yet, amidst the expected revelry, there is a tinge of despondence. While over the years, the Auto Expo has been witness to many ups and downs, this year, a vastly shrunk line-up of major auto brands is a dampener. Even as leading car makers such as Maruti Suzuki India, Hyundai, Tata Motors and Toyota are expected to unveil some of their concepts, a host of auto majors including Mahindra & Mahindra, Volkswagen, Skoda, Honda Cars, Nissan and Renault have decided to give it a miss (*see 'Hits & Misses'*). In the luxury cars segment—a crowd-puller for auto expos across the globe—the latest edition has drawn a near blank.

From Mercedes-Benz, BMW, Audi and Volvo to Porsche, Lamborghini and Jaguar Land Rover, most of the big luxury car brands are staying away, with only Lexus confirming its presence in the show.

In the ICE (internal combustion engine) two-wheeler segment, the interest is even lower. Patrons will miss five of the country's top two-wheeler makers—Hero MotoCorp, Honda Motorcycle & Scooter India (HMSI), Bajaj Auto, TVS Motor Company and Royal Enfield—at the expo. Coincidentally, these brands were absent in the previous edition hosted in 2020, too.

While the companies have not given any explanation for their lack of interest in the event of late, industry sources say multiple factors have affected their decision. According to a senior executive from a major two-wheeler maker, the timing and venue of the event have made it less attractive. "Given the harsh cold weather conditions in early January and the distant location of the event venue (from Delhi), we do not expect much returns on our investment," he says.

Putting up a brave face is the country's top industry body for automobile makers and the organiser of the Auto Expo, Society of Indian Automobile Manufacturers (SIAM). According to Rajesh Menon, Director General of SIAM, participation of manufacturers varies from year to year. "In 2020, Toyota had skipped the event, but they are participating this time. So, there is no general trend that car manufacturers are moving away from Auto Expo. In the last edition, we had record footfalls at the venue of over 600,000," he tells *BT*.

Menon is right. But it is also clear that the cancellation of the 2022 Auto Expo due to the pandemic has resulted in some companies not participating this time. "Companies prepare and plan for the Auto Expo over two years and line up their launches accordingly. However, as the expo had to be postponed for a year, many of the leading brands launched their planned models in 2022. This is a key factor behind them not participating this time," an industry insider says on condition of anonymity.

At the same time, declining interest among two-wheeler buyers for ICE models may also have played a role in leading brands skipping the event since 2018. According to Menon, this time, vehicles sporting alternate fuel technologies will be a major attraction for auto enthusiasts. "This is a platform where the industry and enthusiasts will get to witness the new trends of the industry, especially in terms of different types of powertrains that are coming up. There is a lot of focus on pure electric vehicles and we have a host of such players participating this time," he says. An ethanol pavilion is also being set up to showcase its usage as a reliable future fuel. Additionally, new alternate technologies such as hydrogen ICE would be in focus this time with manufacturers such as Suzuki and Yamaha showcasing their concept offerings, apart from CNG technology.

The showstopper at this year's Auto Expo will most certainly be Maruti Suzuki India Ltd (MSIL), the country's largest passenger car manufacturer, which is set to unveil its electric vehicle concept and a range of SUVs at its pavilion. It will display an array of 16 vehicles including an electric concept SUV, two new ICE SUVs, WagonR flex fuel prototype, and a customised range of existing products like Grand Vitara, XL6, Ciaz, Ertiga, Brezza, Baleno and Swift, among others. "Our showcases at Auto Expo '23 will highlight Maruti Suzuki's commitment towards cleaner, greener, sustainable and carbon-neutral offerings for tomorrow. We are confident that our range of all-new SUVs, futuristic concept EV, hybrid, flex-fuel prototype and products will capture the imagination of enthusiasts," says Hisashi Takeuchi, Managing Director & CEO, MSIL. BT

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HITS & MISSES

SEVERAL MAJOR PASSENGER VEHICLE BRANDS ARE SKIPPING THE 2023 AUTO EXPO...

Who's in	Who's missing
Maruti Suzuki	Mahindra & Mahindra
Hyundai	Volkswagen
Tata Motors	Skoda
Toyota Kirloskar	Mercedes-Benz
MG Motor	BMW
Kia	Audi
Isuzu	Honda Cars
BYD	Volvo
	Nissan
	Renault
	Jeep
	JLR
	Porsche
	Lamborghini
	Citroen
	Force
	Mini

...AND SO ARE THEIR COUNTERPARTS IN THE TWO-WHEELER INDUSTRY

Who's in	Who's missing
Hero Eco Tech	Hero MotoCorp
LML Emotions	HMSI
Okinawa Autotech	Bajaj Auto
Liger Mobility	TVS
Tork Motors	Royal Enfield
MTA E-Mobility	KTM
Graviton Motors	Yamaha
	Kawasaki
	Triumph
	Ducati
	Suzuki

SOURCE SIAM & INDUSTRY

Been There, Done That

Covid-19 has reappeared, but organisations are not too concerned. They say they are well-prepared to ensure business continuity

BY **VIDYA S.**

▶ **A WELL-OILED REMOTE-WORKING** routine that enterprises can transition into whenever required without any disruption to business operations or productivity, a vaccinated workforce, the availability of booster shots, and an overall buoyancy in business sentiment have made India Inc. confident of facing an expected surge in Covid-19 cases in mid-January. "After seeing three waves, as a company and industry, we are all geared up to face any eventuality, to put anything into action even on short notice, in case the government issues any guidelines," says Adhir Mane, Chief Human Resource Officer (Corporate) of Raymond Ltd. The conglomerate, with a workforce of 20,000 people across verticals, has a template ready for a variety of things—which roles are hybrid, which ones are required at the factory, what circulars and communications have to be sent out, etc. The company has already activated its network of doctors.

The government has warned that the next 40 days will be crucial. However, the new wave, the fourth since March 2020, is likely to be less severe, with fewer deaths and hospitalisations expected this time around. "It's more wait-and-watch on the WFH guidance and travel policy as of now," says Rajul Mathur, Consulting Leader, India (Work and Rewards); Strategic Sales Growth Leader, International (Work and Rewards) at Willis Towers Watson, a professional services firm.

Viswanath P.S., MD and CEO of staffing firm Randstad India, says companies in the hospitality, transport and real estate sectors are also exploring work-from-home options in case the fourth wave hits. For Larsen & Toubro, which has interests across engineering, construction, manufacturing, IT and financial services, remote working is not a feasible solution as a majority of its workforce is in the infrastructure/construction and EPC (engineering, procurement and construction) business. "However, we have ensured that our employees receive proactive medical care by setting up our own quarantine centres, hospital tie-ups, doctors on call, availability of nursing and care, supply of healthy and nutritious food, etc., across locations," says C. Jayakumar, Executive VP and Head, Corporate HR at Larsen & Toubro.

The investments that enterprises have been making into tech such

ILLUSTRATION BY **RAJ VERMA**

NO PANIC, ONLY PREPARATION

After handling three Covid-19 waves since March 2020, India Inc. is confident of tackling another surge in infections

Firms have now institutionalised a number of decisions for crisis situations—such as which roles can go remote, which roles have to be in-office, what circulars have to be sent out to employees, etc.

About 70 per cent of Indians are fully vaccinated, but only 27 per cent have taken booster shots. A high level of vaccinations among employees is also giving India Inc. confidence

Organisations are not pressing the panic button on official travel yet. Besides, work-related travel is already minimal because of the holiday season

Tech investments into AI, cloud, data analytics, etc., are also coming to their aid for a seamless transition to WFH if required. For example, chatbots are deployed to answer questions about mediclaim, insurance policies, and so on.

as Cloud, AI, automation and data analytics as part of their digital transformation journeys, have also prepared them to deal better with any employee concerns and disruptions. "Our focus has been to ensure that employees have instant access to information—such as mediclaim policy and insurance guidelines—that was much needed during Covid-19. So, our chatbot platform came to the forefront," says Jayakumar. "Many HR heads are seeing demos of new-age HCM [human capital management] platforms. The main focus is on keeping productivity intact while working remotely," says Sumit Sabharwal, CEO of TeamLease HRtech, the HCM vertical of TeamLease Services.

Even in industries where working remotely is not possible—such as manufacturing, logistics and healthcare—firms are using HCM solutions to ensure business continuity. "For instance, Oracle HCM Solutions is assisting healthcare providers like Apollo Hospitals Enterprises, Sir Ganga Ram Hospital, Omega Healthcare and many more in streamlining their workforce across business-working models," says Shaakun Khanna, Vice President, HCM & SaaS Application Alliances, APAC at Oracle.

India's high vaccination rate is inspiring confidence and rooting out scepticism among enterprises in dealing with any future waves of the Covid-19 virus. About 70 per cent of Indians are fully vaccinated, but only 27 per cent have taken the booster shot. The recent cases have been dominated by the Omicron sub variant BF.7, which studies show has a high transmission rate. Mumbai-based conglomerate RPG Enterprises has not reinstated any pandemic-era restrictions yet. "Our vaccinated numbers are quite high. We already have a post-pandemic, perpetual RPG Remote Working Policy in place that provides [employees] flexibility to be on WFH based on their work classification. Depending on their job, we allow up to 50 per cent WFH flexibility," says S. Venkatesh, President (Group HR) of the RPG Group.

Countries including China, Japan, South Korea, the US and Brazil are witnessing a spike in Covid-19 cases. The Indian government has made it mandatory for travellers from some of these countries to fill out the Air Suvidha Self Declaration forms before arriving. But official travel plans, domestic or international, have not been impacted so far, the experts say. "We are not creating unnecessary panic by telling employees

INVESTMENTS THAT ENTERPRISES HAVE BEEN MAKING INTO TECH HAVE PREPARED THEM TO DEAL BETTER WITH EMPLOYEE CONCERNS AND DISRUPTIONS

not to travel. We will follow whatever requisite guidelines the authorities give out," says Raymond's Mane. Besides, the holiday season means that work-related travel is anyway at a minimum, points out Roopank Chaudhary, Partner & Chief Commercial Officer, HCM (India and South Asia) at Aon, a financial services firm . The only disconnect could be if employers feel there is no risk for employees to come into work but employees feel otherwise, he adds. "The alignment between employers and employees is key, but from the perspectives of processes, learnings and implementation, there should be no challenge." BT

@SaysVidya

Hard Lessons

As the child rights commission pulls up BYJU'S for its alleged exploitative sales practices, the edtech giant has proposed an action plan to establish fairness. But will that be enough?

BY **BINU PAUL**

BYJU'S, THE WORLD'S most-valued edtech company, has been looking for a sense of calm throughout 2022. And just when it seemed like it was entering a phase of relative calm after it conducted mass layoffs to focus on capital-efficient growth, the Bengaluru-based firm found itself being pulled up by the National Commission for Protection of Child Rights (NCPCR) over alleged hard-selling and mis-selling of its courses to students. The child rights body summoned BYJU'S after it took cognizance of a report that alleged that the edtech major was pushing households to take heavy debts and exploiting students.

Appearing before the commission, BYJU'S denied the allegations and said it follows a triple-layered audit mechanism to ensure that its sales staff doesn't pursue customers who are uninterested in or unable to pay for its products.

However, NCPCR says that the company has submitted that it will conduct an affordability test to ensure that its courses are not sold to customers whose income is below ₹25,000 a month, and that it will pay back the fees collected from parents who would have failed the affordability test.

Industry watchers say the submission does little to address the allegations against the company. For instance, how does the company plan to conduct the affordability test, or what tools, formats, platforms and data would be used to determine the income status of a customer, they ask, adding that there are no answers.

"This [the affordability test] is doable, but the question is, does the company genuinely want to do it? You can assess the bank statement or pay slips of the customers to determine the income levels. What if the parent is self-employed? What would you do with customers who may not have relevant documents or be unwilling to share those?" asks the founder of a fintech start-up that works with edtech companies.

NCPCR Chairperson Priyank Kanoongo tells *BT* that the company would be carrying out the affordability test directly with its customers. Experts fear that an affordability test by the company would be nothing more than a column in the sales form that the customers would inadvertently sign off.

An affordability test is not a common practice among edtech firms in India, which are struggling to keep up the growth momentum after the pandemic-led boom. BYJU'S has said it does not directly offer loans to its users but connects parents to third-party banks and financial institutions.

In a normal scenario, a lender would conduct an affordability test as a standard protocol at its end irrespective of whether its edtech partner has done the checks or not. However, there is a catch. According to sources *BT* spoke to, many edtech companies, especially in the K12 space, have been operating on shady partnerships with financial institutions wherein they demand as many loan approvals as possible irrespective of the financial status of customers. In return, the heavily capitalised start-ups act as guarantors and foot the bill if the customer fails to pay back in time.

BYJU'S had earlier stated that the First Loss Deposit Guarantee (FLDG)—an arrangement between a third-party entity and a financial institution whereby the former guarantees to compensate the lender if the borrower defaults—is an accepted industry practice. "Were it not for FLDG, the majority of consumer parents would not have been able to raise personal loans from banks and financial institutions at

AFFORDABLE OR NOT?

The National Commission for Protection of Child Rights (NCPCR) summoned BYJU'S over allegations of hard-selling and mis-selling its products to parents and children to increase its sales numbers

BYJU'S has denied the allegations. NCPCR says BYJU'S will conduct parents' affordability test before selling courses, and refund those whose monthly income is below ₹25,000

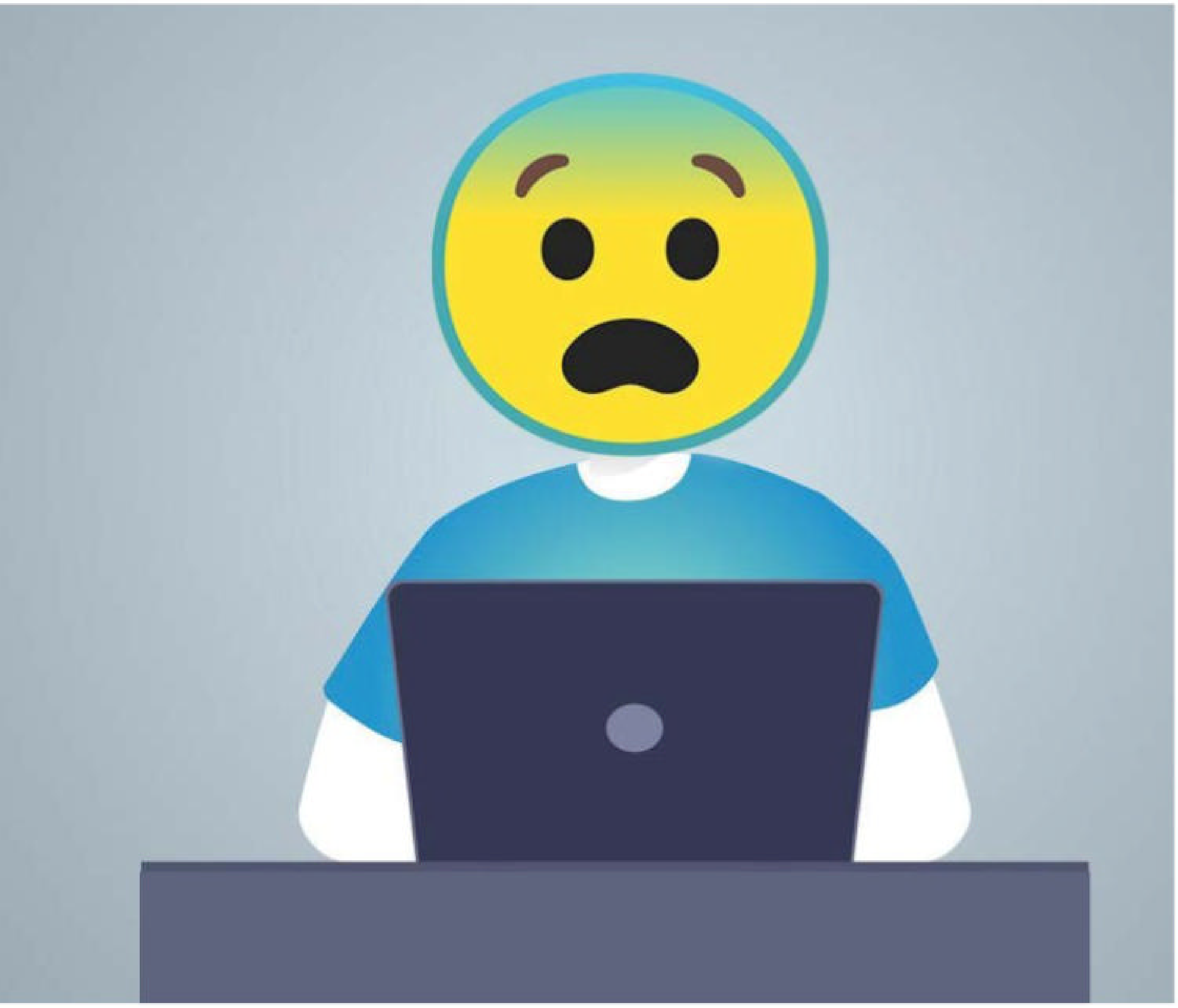
ILLUSTRATION BY **ANIRBAN GHOSH**

affordable rates," it had said.

As maximum approval becomes the mandate, allegations of mis-selling arises where sales professionals do not clearly communicate to customers that they are signing up for a loan, which may deter some.

"When the edtech firm acts as a guarantor, it becomes more like a secured loan for the lender. Many fundamental protocols and basic checks are sacrificed... an edtech player is trying to sell a course and a fintech is trying to increase its AUM as both want to grow their valuations and get the next round of funding," says the founder of an NBFC on condition of anonymity. Consequently, loan default rates have been skyrocketing lately with some players in the K12 segment witnessing non-performing assets to the tune of 20-25 per cent, he says.

There is more to it. NCPCR says these partnerships between edtech platforms and financial institutions are illegal because as per the Reserve Bank of India's guidelines for education loans, there is no provision to provide loans to parents for tuition of their children. "There is no mention [in the RBI guidelines] that financial institutions can give loans for the purpose of tuition. Is providing personal loans part of their business?" asks Kanoongo. He says non-payment of such loans will affect the credit score of parents, which in turn can impact their children's future chances of getting loans for higher education as the parents wouldn't be eligible to act as guarantors. Also, he says that these loans put children under stress as it becomes difficult for them to discontinue an online programme if they wish to, as their parents wouldn't let them due to the loans they have taken. The commission says it will approach RBI with a recommendation to ensure proper implementation of the guidelines.

"Nobody is going to verify if it (BYJU's) is doing the affordability test. It's not like the commission will employ an auditor to audit or to certify it. The tone at the top has been about valuations, and not values. This looks more like a PR exercise from BYJU'S, rather than a genuine attempt," says Shriram Subramanian, Founder & MD of InGovern Research Services.

As things stand, it is still unclear as to how the company plans to take care of the issue, and it needs to be seen how the child rights commission will proceed with the case. BT

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Experts say edtech platforms demand maximum loan approval from lending partners irrespective of the financial status of customers and act as guarantors for such loans to ensure better sales

NCPCR says it is illegal for banks and NBFCs to offer loans for tuition via edtech firms like BYJU'S as there is no such provision in RBI's guidelines for education loans

The NCPCR chief says non-payment of such loans (by parents) may affect a child's future chances of getting loans. These loans also put children under undue pressure

On Track, But...

...an early resolution to a dispute over a land parcel in Mumbai will help expedite India's first bullet train project

BY **MANISH PANT**

AFTER FACING LAND acquisition hurdles in Maharashtra for more than three years, the country's first high-speed or bullet train project appears back on track, after a new government came to power in the state in June 2022. The progress is welcome after the sharp slowdown in the pace of work witnessed during the previous Uddhav Thackeray-led Maha Vikas Aghadi government's 31-month tenure from November 2019, which often led to speculation that the Mumbai-Ahmedabad corridor, already three years behind schedule, might get delayed further. Thackeray had gone on record criticising the high-profile project, and questioned its benefits.

However, one challenge remains: the state's bid to acquire 9.69 acres of land belonging to Godrej & Boyce Manufacturing Co. in Mumbai's Vikhroli has not yet come through. In a plea filed with the Bombay High Court, the company has described the move as "illegal and bad in law". Challenging the state's civil suit, it has questioned an amendment to the Land Acquisition Act of 2013, exempting the project from social impact assessment and described the ₹264-crore compensation offered as "inadequate", compared to the ₹572 crore proposed earlier. Since 2019, the state government and the company have been locked in a bitter dispute over the land that is proposed to be developed as an entry point to the underground part of the project.

Opposing the Godrej & Boyce petition on behalf of the National High-Speed Rail Corporation Ltd (NHSRCL) and the Central government, Additional Solicitor General Anil Singh told the High Court bench of Justice R.D. Dhanuka and Justice M.M. Sathaye that the delay had resulted in a cost escalation of up to ₹1,000 crore.

The High Court bench finished hearing arguments on December 26 and will be pronouncing its judgement after its winter break.

"Supreme Court data shows nearly two-thirds of all disputes related to land acquisition involve contest to the calculation and payment of the actual market value for the land, whether in terms of the principle on which such calculation was made, or the way it was paid, or both. In addition to that, there are a large number of opponents who challenge the legitimacy of the land acquisition or procedural lapses," points out Subhankar Mitra, MD (Advisory Services) of real estate advisory Colliers International India.

An analyst with another real estate services firm, requesting anonymity, says that for infrastructure projects involving land acquisition in urban areas, the Central government needs to come up with a compensatory mechanism that factors

Of the 508-km corridor, 156 km of the track lies in Maharashtra, 4 km in Dadra & Nagar Haveli and 348 km in Gujarat

Anand Kashyap
CEO, SRM Technologies

The barrier for mid-sized companies to grow beyond boundaries and scale is diminishing. Agility and competency are given more prominence in today's IT landscape, helping enterprises find more value in strategic partnerships. Anand Kashyap, CEO of SRM Technologies, shares some insights on what lies ahead for the industry and what to expect.

2023 Global IT Investment Trends - What are companies aiming for?

We see a significant increase in digital investments towards improving customer experiences, operational efficiency and business resilience. Enterprises ready to take the plunge with thoughtful risks and calculated investments see this as an opportunity to grab higher market share than the leaders. They also look at adopting advanced technologies that are less complex but more sustainable to align with their IT infrastructure and long-term goals.

What challenges might impact the IT Industry in 2023?

While we see great potential in certain new areas and expect the industry to gain steady momentum, there are challenges like supply chain disruptions, skill shortages, inflation uncertainty and cyber threats that organizations have grown resilient to.

However, a deeper commitment by the leadership is essential to prepare for disruptions, focus on internal skill building, talent retention and adoption of evolving work models.

How are digital innovations propelling the growth of key industries today?

One of the key industries to benefit from a digital-first strategy would be consumer goods, as there is ample scope to deliver innovative and improved solutions to evolving customer expectations. There is greater reliance on data, automation, mobile innovation, AI/ML and AR to sharpen marketing, sales, and operational decision-making.

Similarly, the automotive sector is already witnessing a significant transformation with smart mobility, electrification, automated and connected vehicle technologies. Traditional automakers are also adapting to the 'software on wheels' shift and depending on new technologies & architectures to deliver intelligent functionalities, smart convenience and cost-effective optimisations.

Organizations across sectors like healthcare, manufacturing and telecom are also keen to leverage more technology-driven transformations, but it demands them to be more agile, welcome cultural adoption and collaborate with the right strategic partners.

How is SRM Tech gearing up for growth in 2023?

Growing demand for a right-fit technology partner fuels our expansion plans, and the cost of acquiring top talent is also stabilizing. Customers today prefer partners who value the business, deliver results consistently and efficiently tackle impediments in a dynamic business environment. We are able to successfully cater to those demands with our continuous focus on multi-skilling & elevating talent, enabling inclusive decision-making and strengthening our differentiators to boost business performance in the coming year.

We also see our deal size consistently growing and achieving healthy margins. 90% of our programs are today run from nearshore or offshore, compared to a 70/30 ratio in the past. Project models have become more agile and POD-based to leverage both specialized and multiple technology stacks.

We make conscious decisions above every partnership opportunity to ensure we are culturally aligned, driven by shared values and see mutual growth in the engagement.

SRM Tech is a global player providing next-generation technology, engineering and digital transformation services. They empower enterprises in the automotive, manufacturing and consumer sectors to shape their digital journey, modernize applications, enable data-driven decisions, build and deliver intelligent connected software solutions. To know more, visit their website at www.srmtech.com in time value of money, and not just the value of the underlying asset at a point in time. "Aggressive compensation mechanisms like Transfer of Development Rights (TDR), the value of which can grow over a period of time, and entitlements towards premium floor space index (FSI) with incremental value can be offered as solutions. For these, the Central and state governments need to work in tandem," the person suggests.

GATHERING STEAM

Following the swearing in of the BJP-backed Shiv Sena faction led by Eknath Shinde in June 2022, not only land acquisition, but also the tendering activity has gone up significantly in Maharashtra. Till November-end, 98.22 per cent of land had been acquired in the western state for the project compared to 71.5 per cent on June 30, reveals an analysis of the data shared by NHSRCL—a special purpose vehicle of the Indian Railways—with *BT*.

In Gujarat and Dadra and Nagar Haveli, the figure stands at 98.87 and 100 per cent, respectively, for November. Of the 508-km corridor, 156 km of the track lies in Maharashtra, 4 km in Dadra and Nagar Haveli and 348 km in Gujarat. In addition, all contracts have been awarded in Gujarat and Dadra and Nagar Haveli for civil works, bridges and tracks for the construction of viaducts, other bridges, stations and tracks for the entire alignment.

Launched in September 2017 by PM Narendra Modi and his Japanese counterpart, late Shinzo Abe, the project was expected to be completed by 2023. However, due to delays in land acquisition in Maharashtra and the pandemic, the deadline was extended. The trial run of the first bullet train is planned on the 50-km stretch between Surat and Bilimora in 2026. Financial bids for the design and construction of the Bandra Kurla Complex (BKC) station of the corridor were opened on December 29. "The financial bids of three technically qualified bidders were opened on December 29, with Megha Engineering & Infrastructures and Hindustan Construction Company JV quoting the lowest bid," an NHSRCL spokesperson told *BT*.

Technical bids will be opened for evaluation of tenders filed for the double line (21 km) between BKC station and Shilphata in January. Tenders were also invited for civil and building works involving viaduct, bridges, tunnel, maintenance depot with three stations of Thane, Virar and Boisar, and some connecting works for Thane Depot between Shilphata and Zaroli village on the Gujarat-Maharashtra border (135 km) on November 15 that will be opened for evaluation on March 15.

Despite the challenges, observers continue to remain bullish about the project. "It is important that this project gets followed by future corridors getting developed so that a high-speed rail network emerges over the next decade. A faster and cleaner mode of transportation like the bullet train will lay a sustainable foundation for a growing economy like India," says Jagannarayan Padmanabhan, Director & Practice Leader for Transport & Logistics at CRISIL Infrastructure Advisory. **BT**

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PHOTO COURTESY BY **JR EAST**

THE NEED FOR SPEED

Initially expected to be completed by 2023, the bullet train project has been delayed by three years due to hurdles in land acquisition

LENGTH
- Total **508 km**
- Gujarat **348 km**
- Dadra and Nagar Haveli **4 km**
- Maharashtra **156 km**

PROJECT COST
- Initial cost ₹**1.08 lakh crore**

PROJECT FUNDING
- **80 per cent as easy loan** from Japan International Cooperation Agency (JICA) at **0.1 per cent interest rate**

TECH AND SPEED
- Shinkansen (translates to 'new trunk line')
- Max speed **320 kmph**

STATIONS
- Total stations **12**
- **Gujarat:** Eight—Vapi, Bilimora, Surat, Bharuch, Vadodara, Anand/Nadiad, Ahmedabad and Sabarmati
- **Maharashtra:** Four—Mumbai-BKC, Thane, Virar and Boisar
- Duration: **2.07 hrs** with limited stops; **2.58 hrs** with all stops

An Uncertain Future for Videocon

Erstwhile promoter Venugopal Dhoot is in a messy situation and his businesses could go into liquidation. Of particular interest is the Ravva oilfield, in which his group owns 25 per cent stake

BY **KRISHNA GOPALAN**

PHOTO BY **RACHIT GOSWAMI**

THE ARREST OF Venugopal Dhoot, Promoter of the Videocon Group, primarily known for consumer durables, once again throws open the fate of the business empire he once owned. Reeling under a mountain of debt, the fate of the high-profile group is now, at best, unknown.

Chanda Kochhar, ICICI Bank's former MD & CEO, allegedly misused her position and granted loans to Dhoot in 2009 and 2011. Later, the CBI filed a case against Kochhar, her husband Deepak, and Dhoot. The allegation was that Dhoot had invested in NuPower Renewables, a company co-founded by Deepak Kochhar, after having obtained the loans. In 2012, these loans were declared as non-performing assets.

In mid-2021, Vedanta group company Twin Star Technologies had offered ₹2,962 crore for Videocon Industries against admitted claims of ₹64,938 crore of the secured financial creditors. That translates to 4.15 per cent of the claims for all creditors and 5.33 per cent for financial creditors. The liquidation value of Videocon was ₹2,568 crore and the insolvency tribunal had

PHOTO BY **ANI**

THE ALLEGATION WAS THAT DHOOT HAD INVESTED IN NUPOWER RENEWABLES, A COMPANY CO-FOUNDED BY DEEPAK KOCHHAR, AFTER TAKING LOANS FROM ICICI BANK. IN 2012, THESE LOANS WERE DECLARED AS NPAs

then expressed surprise over the similarity of the bid value and the liquidation value. Twin Star's offer was to buy out 13 companies of the Videocon Group, which included consumer electronics, home appliances, oil and gas, telecom and electronics retail. The diversification spree and the somewhat easy access to bank loans led to the expansion of the Videocon Group. However, huge setbacks like the 2G spectrum scam followed by the cancellation of telecom licences did Dhoot in.

Now, the Twin Star proposal, while cleared by the National Company Law Tribunal (NCLT), ran into a hurdle early last year with the National Company Law Appellate Tribunal (NCLAT) setting aside the resolution plan. Citing defects in the plan, the NCLAT allowed the lenders to decide on the process of restarting the bidding mechanism. The earlier plan was cleared not just by the NCLT but the Committee of Creditors (CoC) as well. Over 95 per cent of the CoC had given their go-ahead, while Bank of Maharashtra, SIDBI and IFCI opposed the move stating that the resolution value was too low.

There was an interesting twist to the bid for Videocon Industries and its subsidiaries. In December 2020, before the meeting of the CoC to consider the resolution plan, Dhoot had made an offer of ₹31,000 crore. This was for a settlement with the creditors. It is learnt that the creditors were not taken in by this and it eventually did not go through.

The big attraction in the insolvent Videocon Group is the Ravva oilfield, where it holds 25 per cent share through Videocon Petroleum. This is located in Andhra Pradesh, with Cairn Oil & Gas, now a Vedanta group company, owning 22.5 per cent stake. Other shareholders are state-owned Oil and Natural Gas Corporation with 40 per cent stake, with Ravva Oil, owned by Japanese company Marubeni, holding the balance 12.5 per cent. The oilfield is housed in Andhra Pradesh's Krishna-Godavari basin, with production having started in 1994. If Twin Star had managed to acquire Videocon, it would have doubled its current holding.

According to Mahesh Singhi, Founder & MD of Singhi Advisors, an M&A advisory firm, the role of Videocon's original promoters does not matter, since the business is now out of their grasp. "It has to be viewed as a business case and liquidation appears to be the logical next stop," he says. To him, there is a chance that it can fetch more than what Twin Star offered earlier. "It all depends on how motivated the buyer is and how badly he wants the asset."

Another interesting and hugely controversial precedent on loan settlement is that of Siva Industries. Promoted by maverick entrepreneur C. Sivasankaran, who made his fortune in telecommunications, coffee and internet businesses, Siva Industries ran up loans to the tune of ₹4,863 crore, with the final settlement amount at just ₹323 crore or a minuscule 6.6 per cent. What stands out is that the SBI, the biggest bank in the country and also a CoC member, expressed dissent against this proposal. Besides, the amount that was accepted as settlement was lower than the liquidation value of the company. One of the lenders, Canara Bank, had an exposure of around ₹1,200 crore that it privately sold to an asset reconstruction company.

Insolvency resolution professional Vivek Parti points out that the NCLAT has "remitted back" the NCLT order on the Twin Star bid on account of mandatory non-compliance. "Thus, it has not questioned the commercial wisdom of the CoC," he says. On the specific issue of whether liquidation is the way forward, his view is that courts may be reluctant to move the corporate debt there since it is the last resort. "A successful resolution applicant could be given an opportunity to correct the defects or a new resolution can be called to provide an extension for the CIRP (corporate insolvency resolution process) similar to what took place in Jaypee Infratech."

By the looks of it, the saga of Videocon is not going to get over anytime soon. BT

@krishnagopalan

TWISTS AND TURNS

In mid-2021, Vedanta group company Twin Star Technologies had offered ₹2,962 crore for Videocon Industries against admitted claims of ₹64,938 crore of the secured financial creditors

Twin Star's offer was to buy over 13 companies of the Videocon Group, which included consumer electronics, home appliances, oil and gas, telecom and electronics retail

However, that resolution plan for Videocon was set aside by the National Company Law Appellate Tribunal (NCLAT)

The big attraction in the Videocon Group is the Ravva oilfield, where it holds 25 per cent stake through Videocon Petroleum

There appears to be a good chance that Videocon will now go into liquidation

Chhattisgarh

Shri Bhupesh Baghel
Hon'ble Chief Minister, Chhattisgarh

Green Growth
New Paradigm of Development

Incentivizing Agriculture
Record Foodgrain Production

₹16,415 cr
Total input subsidy

25.93 lakh
Benefitted farmers

- **₹10,000** per acre input subsidy for promoting tree plantation & crop diversification
- **Narva scheme**, reviving traditional model of water conservation

Recognizing Forest Rights
Ensuring Livelihood & Conservation of Forests

1.5 lakh ton
Total MFP procurement

₹345 cr
Total payment

- Forest right titles to **5 lakh** families over **98 lakh** acres of forest land
- Procurement of **highest** number of minor forest produce at **highest MSP**
- **76%** contribution to country's total minor forest produce collection

Cowdung and Gaumutra
Revolutionizing Organic Farming

9.48 lakh ton
Total collection of cowdung

₹3.10 lakh
Cattle farmers

- Institutional purchase of cowdung and Gaumutra
- Cowdung repurposed into **2 lakh** ton vermicompost & **54,000** ton super compost
- **40,000** litre Gumutra converted into organic pesticide

CORE COMPETENCE Sanket Ray, President of Coca-Cola India & Southwest Asia, is focussing on the company's conventional strengths

COKE'S BILLION-DOLLAR BABIES

BY **KRISHNA GOPALAN**

WITH A STRATEGY THAT COMBINES DISRUPTIVE AND CONVENTIONAL, COCA-COLA INDIA HAS TURNED THUMS UP AND SPRITE INTO BILLION-DOLLAR BRANDS, AND IS NOW AIMING TO GET MAAZA INTO THE CLUB, LEAVING COMPETITION BEHIND IN ITS WAKE

PHOTO ILLUSTRATION BY **BANDEEP SINGH;** PHOTOGRAPH BY **HARDIK CHHABRA**

AT A RUNNING TIME OF TWO MINUTES AND 54 SECONDS, *MEMU AAGAMU* IS A RAGE ON COKE STUDIO INDIA'S YOUTUBE CHANNEL. WITH OVER 75 MILLION VIEWS, THE SONG, NAY MUSIC VIDEO, NAY TV COMMERCIAL...

...OKAY, ALL THREE put together, has lyrics in Hindi, Telugu and, believe it or not, in Korean. It stars Telugu films' superstar Allu Arjun (think *Pushpa*), Bollywood singer Armaan Malik, and South Korean girl band TRI.BE.

Right. So, foot-tapping music, pleasing optics, cool fusion... all very well, but what's the point? The point, folks, is Coke Studio; those familiar with the popular music television series would be wondering what happened. After all, Coke Studio is ordinarily meant to promote new singing talent—supported by star singers—from multiple influences ranging from classical Indian to rock and pop music. None of the protagonists in *Memu Aagamu* fits into this description. Armaan Malik is neither a new singer nor in the league of superstars. The Korean girls, extremely talented, are not in the Indian music scene. And Allu Arjun, for all his popularity, is an actor lip-syncing to Malik's crooning, not a singer.

So, again, what's the point? The larger point here is that this video exemplifies Coca-Cola India's new, counter-intuitive approach towards marketing—be it in the media mix, launching new brands, approach to digital, or looking to make product offerings relevant through the year. How about a bottle of Sprite in winter? Fancy a Coca-Cola with your lunch? Or a Maaza after dinner? You get the drift.

Now, get this, too. This disruptive strategy is a new one, rolled out in mid-2022, so its impact is yet unknown. It is an appendage, newly attached to an already strong, conventional gravy train. Across concentrates and bottling, the Indian arm of the global beverage major is an over ₹20,000-crore business (Coca-Cola India's total income is ₹3,192 crore in FY22, the balance is from bottlers; *see chart 'The Clink of Bottlers'*). Growth from the conventional strategy—stable brands, lots of advertising, celebrity endorsements, and sponsoring high-profile sporting events—is far from challenged. The outcome of the conservative approach: Thums Up and Sprite are today $1-billion brands in terms of retail sales. And Maaza, with $500 million in the bag, and growing, is on the way. (Interestingly, mother brand Coke is at No. 4 in the in-house pecking order, behind Maaza, and is followed by Limca.)

So, why experiment? Fact is, the opportunity and potential the folks in India see outweigh the conservative approach. They feel there is still an India that has not had a taste of the company's offerings. And the size of that market is enticing. Arnab Roy, Coca-Cola India & Southwest Asia's Vice President and Head of Marketing, points to the opportunity: "Per capita consumption for our categories is still very low in India and that offers a huge growth opportunity." In 2021, the per capita consumption of soft drinks in India was at 20 litres, according to data platform Statista; the figure was over 130 litres for the US.

The other reason for the experimental strategy is a practical one. Coca-Cola's core brands are all 'cold drinks', which go cold (pun intended) in winter months. This also means that for at least four months every year, Coca-Cola's distribution infrastructure is dismantled. And then rebuilt the following year. That is a painful and expensive exercise. Its bitter rival PepsiCo, at ₹6,180 crore in revenues, has the advantage of having a substantial foods business, which it can rely on in winter months (in FY22, 88 per cent of its revenues came from food). Coca-Cola has no such buffer.

Ergo, the two-fold plan: let's do the done thing; and let's try some risky, too.

At the helm of this divergent strategy is Sanket Ray, 49, President of Coca-Cola India & Southwest Asia. With looks and manner that belie his position—he arrives for the photo shoot with *Business Today* dressed in blue jeans and sneakers, a black full-sleeve T-shirt, and an ordinary-looking, puffed, sleeveless jacket—Ray is the kind of CEO who says he doesn't actually have a workstation in office, and plonks himself down wherever a seat is free. Bespectacled and with the mien of a scholar, he frequently reaches out for the soft board to drive home a point, giving one the feeling of being in a classroom.

Behind the professorial façade, though, lies a sharp brain that expertly leverages an engineering and MBA background, and a deep understanding of distribution through stints in cement companies ACC and Lafarge and then Coca-Cola (first in bottler Hindustan Coca-Cola Beverages or HCCB, and later in Coke's offices in Vietnam and China) over a career spanning 25 years. And notwithstanding the new, disruptive marketing approach, Ray likes to keep things simple. Sample this: "We do not make technological products. We make beverages to refresh our consumers."

We *know* that. But such clarity is refreshing from a CEO in an industry that practically drowns itself in marketing layers, frequently losing its core message in the din it itself creates to amplify the same message.

AS WE SIT for the interview in a modest meeting room at the Coca-Cola India headquarters in Gurugram, mention of the word 'strategy' brings a twinkle to Ray's eyes. Taking charge of the company in January 2021, bang in between the first two waves of the Covid-19 pandemic, was a difficult yet learning experience. "As an organisation, it was clear to us that a post-Covid-19 world would see a serious supply chain disruption and, hence, more inflation. It therefore became necessary for us to strengthen our core base," he explains.

That core base is pretty strong already. With 80 million drinkers each week across its brands and penetration levels of 25-26 per cent, Coca-Cola is in a vantage position. Industry insiders, quoting numbers from Nielsen, say the carbonated soft drinks (CSD) market stands at ₹50,000 crore, in which the company's share is 60 per cent. Rival PepsiCo India (CSD brands include Pepsi, Mountain Dew and Sting) has just over 30 per cent share. In the cola segment, Thums Up and Coke are ahead of Pepsi. Likewise, Sprite, a lemon drink from Coca-Cola, leads the market ahead of PepsiCo's Moun-

FIZZY DREAMS

1 **In 2022, two brands owned by Coca-Cola India—Thums Up and Sprite—hit the $1-billion mark in retail sales. Maaza, at more than $0.5 billion, is next in line**

2 **Two years ago, the company laid out a road map to focus on a "core strategy", which meant getting the most out of existing brands and move out of areas such as dairy and water-soluble powders**

3 **In the ₹50,000-crore carbonated soft drinks market, Coca-Cola India has close to 60 per cent share. It is directly up against PepsiCo whose portfolio includes Mountain Dew, Pepsi and Sting**

4 **In a clear departure from strategy, the company has decided to spend more advertising and promotion money in the third quarter of (calendar year) 2022 as compared to the second quarter, which coincides with peak summer in most parts of India**

5 **PepsiCo has taken the upper hand in the energy drinks market through the success of Sting. Coca-Cola's response has been Charge; the company claims it is the market leader in three states**

tain Dew. In energy drinks, though, PepsiCo's Sting has built a sizeable lead over its rival's new offering Charged (more on that later). In the non-carbonated space, Coke's Minute Maid and PepsiCo's Tropicana and Slice slug it out against Dabur's Real, Parle Agro's Frooti, and ITC's B Natural, among others. Bottom line: In India's carbonated drinks market, Coca-Cola is the clear market leader, with almost double the market share of nearest rival PepsiCo.

To build on this, Ray, who loves playing with figures, says the top team decided to do something simple: "Can we double our consumer base in the next three to five years, is what we asked ourselves. That road map was laid out in early 2021." At that time, the company also had milk-based drinks such as Vio and water-soluble powders such as Aquarius Glucocharge and Minute Maid Vitingo in its portfolio. But a changing environment meant pivoting to a "core strategy", with the objective being to do a few things but do them really well. Such a strategy would have, for instance, no place for dairy or, for that matter, water-soluble powders. In addition, Ray's ABCDE model—short for availability, building relevance, Coke, digital and enablers—entailed a plan to increase the number of occasions when Coca-Cola's beverages are consumed, offer more variants, and put a huge focus on digital and sustainability. Over the past year, the company has launched three variants—Fanta Apple Delite, Maaza Aam Panna, Limca Sportz—as well as Charged.

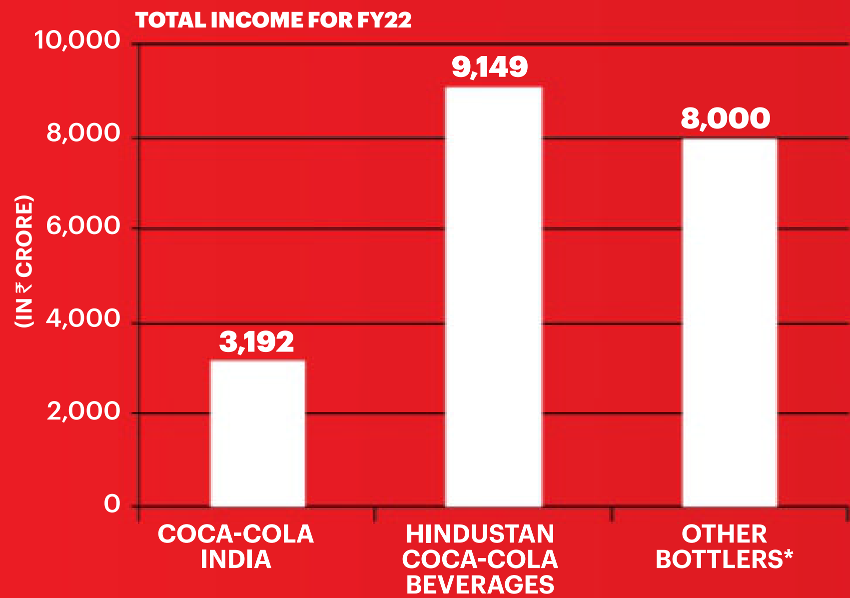
"It is certainly a better strategy to extend established brands into categories that can benefit from the presence of the mother brand," says K.S. Narayanan, a food and beverage industry veteran. To him, getting into a category like dairy in India is not prudent for Coca-Cola. "Establishing a back-end supply chain from milk collection centres to chilling, processing and value addition is a challenge. It takes significant time and effort to build scale," he says.

The strategy appears to have paid off. For the April-June quarter of 2022, Coca-Cola India saw its best performance in terms of volume, delivering one billion incremental transactions, largely thanks to a surge in numbers of Thums Up and Sprite.

Focussing on the core for three years will be followed by a close look at what can be done in adjacencies. There's no new launch planned for the first half of 2023. "We will need to time it well," reasons Ray. The company, he says, is clear on what not to do. "There is no question of doing a *lassi* or a *chaas*, since we cannot offer a differentiated product, nor do we have a cost advantage," he explains. Ray also wants to take the company's retail presence from 2.2 million outlets

THE CLINK OF BOTTLERS

Decoding Coca-Cola's empire in India



NOTE: HINDUSTAN-COCA-COLA BEVERAGES (HCCB) IS THE BOTTLING ARM OF COCA-COLA INDIA; INCLUDING HCCB, COCA-COLA INDIA WORKS WITH 14 BOTTLERS
*ACCORDING TO INDUSTRY TRACKERS
SOURCE ROC, TOFLER, INDUSTRY

SIPPING ON SUCC

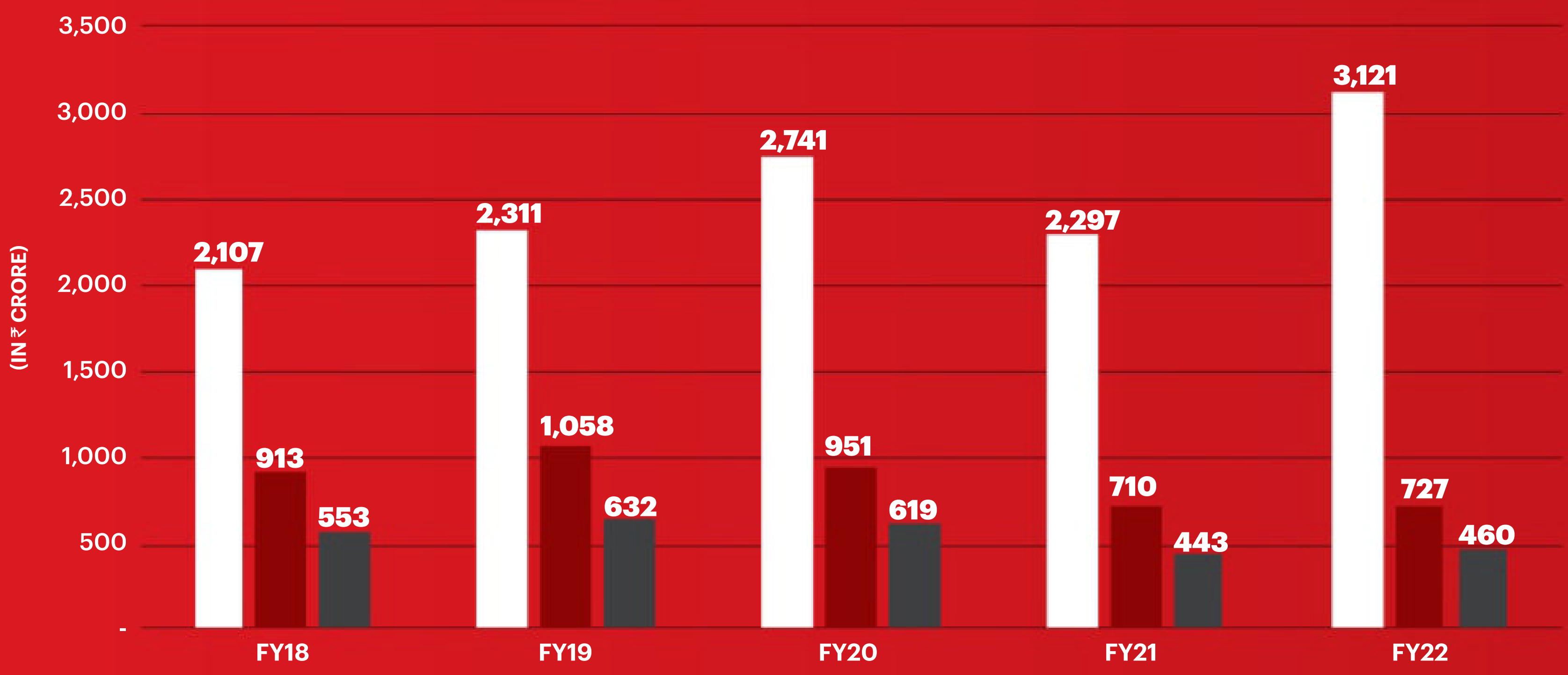
BRAND **MAAZA**

VARIANT MAAZA AAM PANNA

Coca-Cola launched a new variant of Maaza, playing on the brand value of its product that is synonymous with mangoes in India; it is a drink targeted at the Indian summer to increase its customer base further

60 **PER CENT**

GOING SOFT
Despite sales rising above pre-pandemic levels, net profit is yet to recover



● OPERATING REVENUE ● EBITDA ● NET PROFIT

EBITDA: EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTISATION
SOURCE TOFLER

ESS
Some interesting variants of popular brands launched by Coca-Cola India in the past one year

BRAND **FANTA**

VARIANT FANTA APPLE DELITE

This marked Fanta's entry into the popular fruit-flavoured segment by building on its orange-flavoured drink's legacy

BRAND **LIMCA**

VARIANT LIMCA SPORTZ

Building on Limca's reputation as a refreshing lemon drink, Coca-Cola introduced this glucose and electrolyte-based beverage

BRAND **THUMS UP**

VARIANT CHARGED

Tapping into the popularity of home-grown brand Thums Up, the company launched this energy drink to take on segment leader Sting from PepsiCo

ESTIMATED MARKET SHARE OF COCA-COLA INDIA IN THE ₹50,000- CRORE CARBONATED SOFT DRINKS MARKET, WITH BRANDS LIKE COKE, THUMS UP AND SPRITE. ITS NEAREST RIVAL PEPSICO (MOUNTAIN DEW, PEPSI AND STING) HAS A 30 PER CENT SHARE

GRAPHICS BY **RAHUL SHARMA**

SANKET RAY
PRESIDENT, COCA-COLA INDIA & SOUTHWEST ASIA

"There is no question of doing a *lassi* or a *chaas*, since we cannot offer a differentiated product, nor do we have a cost advantage"

ARNAB ROY
VP & HEAD OF MARKETING, COCA-COLA INDIA & SOUTHWEST ASIA

"The opportunity [for Maaza] is huge, but dealing with supply chain issues is a reality. [In 2021], the mango crop failed and the situation was tough"

RAMESH CHAUHAN
CHAIRMAN, BISLERI INTERNATIONAL

"You have to deal with high volumes and low margins [in the packaged water business]. Since water is a commodity, building a brand is not easy"

to 4 million. "Just increasing the number of outlets is a huge job. At the end of it, we are a hub company and the entire network has to get together," he says, adding wryly that his strategy is simple and boring.

Analysts think it makes a lot of sense for Coca-Cola to stick to its core business. According to Apoorva Nema, Practice Head (beverages team) at data analytics and consulting firm GlobalData, growth drivers' categories typically generate lower margins than the legacy CSD business. "While price points in high-protein milk, for example, are higher than that of soft drinks, the bottom line is relatively less attractive."

LET'S TAKE A deeper look at the contra approach. Logically, a soft drinks major would spend a lot of money in the second quarter of the calendar year to coincide with summer. However, the folks at Coca-Cola instead decided to spend more in Q3 (July to September), on the runway to the festive season. Why so? Marketing head Roy says the management decided to ask themselves a simple question: are we being sharp with our brands?

The answer was a quantitative analysis. For example, Sprite typically sees 100 new consumers coming in during peak summer, 80 of whom exit by the end of the season. "Then, we have to build this process all over again. That led to us increasing investments in Q3 and building more occasions to consume each of our brands," he says. For example, a Maaza campaign has the drink consumed

₹15,000 CRORE
ESTIMATED SIZE OF INDIA'S ORGANISED JUICES MARKET. MAAZA FROM THE COCA-COLA STABLE IS THE MARKET LEADER

SUKESH NAYAK
CHIEF CREATIVE OFFICER, OGILVY

"The stump cam for Thums Up is now a content game as compared to a typical campaign of drinking it in the stadium"

JAGDISH SHETH
CHARLES H. KELLSTADT PROFESSOR OF BUSINESS, EMORY UNIVERSITY

"The core competence of Coca-Cola is its distribution system and how it serves its largest customers such as McDonald's"

as part of a conversation post dinner. "The insight came from mango being a dessert in India," explains Ray. For Coke, it used Durga Puja in West Bengal. Here, Coke Studio Bangla belted out its music with a host of local food at a ticketed event.

"The communication for each of the brands comes down to *idea first*," says Sukesh Nayak, Chief Creative Officer at Ogilvy, the agency that handles Coca-Cola's advertising business. To him, the objective has been to create an end-to-end engagement with the consumers; an ad during a world cup match doesn't do anything incremental. "The stump cam for Thums Up is now a content game as compared to a typical campaign of drinking it in the stadium," he says. Stump cam refers to a campaign where consumers can access cricket content by scanning a QR code on Thums Up bottles. "Something like a stump cam allows me to own the content, which throws up opportunities with respect to community and influencers," says Roy. Referencing the *Memu Aagamu* project, his view is that disruptive content will now become an ecosystem for engagement. "Of course, we will need to create multiple properties much beyond the television commercial," chips in Nayak.

THE BRAND WITH possibly the most potential in the Coca-Cola stable is Maaza; very little can come in the way of it hitting the $1-billion mark. In the organised juices market, which is upwards of ₹15,000 crore in size as per industry estimates, Maaza is the clear leader. It is sold at different price points (a higher proportion of pulp makes a variant more expensive) and the most affordable version at ₹10 is up against Parle Agro's Frooti. On the anvil is the relaunch of Maaza Gold, a more premium offering.

But Maaza faces certain challenges beyond its control. "The opportunity is huge, but dealing with supply chain issues is a reality. [In 2021], the mango crop failed and the situation was tough," says Roy. By any estimate, over half the crop is wasted each year. For the record, Coca-Cola India is the largest buyer of mangoes in India. Narayanan points out that not only is mango the national fruit, but India is also its largest producer. "Mango is the topmost flavour by a distance. Therefore, just building on the fruit's capabilities from a supply chain perspective and continuously innovating can put Coca-Cola in a very strong position compared to its peers," he says.

The other challenge area for the company is energy drinks. In October 2017, PepsiCo India had launched Sting, an energy drink from its international portfolio. At ₹50, a 250-ml can of Sting was less than half the price of market leader Red Bull's can, which came at ₹110. The PET version was even more attractive—₹25 for 250 ml and ₹50 for 500 ml.

The success of Sting has been stunning, giving revenues of over ₹550 crore in 2021 (calendar year) to its bottler and manufacturer Varun Beverages, according to a Motilal Oswal report. In terms of volumes, Sting sold 23 million cases (one case has 24 units) in 2021, which was a surge of around 5.4x from the previous year. In the first half of 2022, it spiked another 2.9x YoY to hit 30 million cases. Across India, the brand sells at over 3 million outlets, of which 0.4 million are exclusively for Sting. There has not been success of this magnitude in the CSD market for a long time.

The worry for Coca-Cola has been Sting taking away Thums Up drinkers in its largest markets—Andhra Pradesh, Telangana and Uttar Pradesh. While Coke did put in Thums Up Charged in the past, the cola and energy combination did not quite work. This July, Thums

1956

COCA-COLA ENTERS THE INDIAN MARKET

1977

EXITS INDIA AFTER BEING ASKED TO DILUTE EQUITY IN LINE WITH THE FOREIGN EXCHANGE REGULATION ACT

1993

RE-ENTERS INDIA; BUYS THUMS UP, GOLD SPOT, LIMCA, CITRA, MAAZA AND RIMZIM FROM BISLERI PROMOTER RAMESH CHAUHAN FOR $60 MILLION

1996

BECOMES THE OFFICIAL SPONSOR OF THE 1996 ODI CRICKET WORLD CUP PLAYED IN THE SUBCONTINENT

1999

LAUNCHES SPRITE WITH THE TAG LINE *'SPRITE BUJHAYE ONLY PYAAS, BAKI ALL BAKWAAS'*

Up Charged was relaunched as just Charged (with only a logo of Thums Up), and Coke officials say it is today the market leader in the same three states. "We have had some success, but Sting is a national brand and Charged sells in only four-five states," points out Roy. "Our bottlers need to be convinced; once that happens, we will be present in more parts of India."

Thums Up, as well as mother brand Coke, might also face some headwinds from the re-entry of Campa Cola, which was recently acquired by Reliance Industries. Pointing out that Campa Cola was at its peak when Coca-Cola and Pepsi were not present in India, Narayanan feels the brand, which has nostalgic value, might get a boost from its new owners: "It will get distribution in all their online and offline stores. This is a big positive." But he adds that those who remember the brand are older and not the biggest consuming class for aerated drinks, and so it is likely to have limited appeal.

Another challenge for Coca-Cola is in packaged water, where Kinley slugs it out against, literally, thousands of players. "The business has a long tail and is price-sensitive," explains Roy. Still, the company will need to have a presence since water gives it entry into retail outlets. "It is a minus point in summer if your brand is not visible." Here it is up against market leader Bisleri, which has a 32 per cent share of the organised market, according to industry officials quoting Nielsen numbers, with Kinley and PepsiCo's Aquafina trailing it. Bisleri had an operating revenue of ₹1,133 crore in Covid-hit FY21 (it was at ₹1,465 crore in FY20)—with at least 90 per cent of that coming from water—and a net profit of ₹95 crore.

Half-jokingly, Bisleri International's Chairman Ramesh Chauhan says success in the packaged water business is a combination of emotion and dedication. "You have to deal with high volumes and low margins. Since water is a commodity, building a brand is not easy," he explains. Bisleri derives a big chunk of its revenue from the bulk segment—the large plastic cans visible in offices.

THE INDIA STORY has proved handy in neighbouring markets. For instance, high inflation in Sri Lanka saw the

BLAST FROM THE PAST

2000

ENTERS THE PACKAGED DRINKING WATER SEGMENT WITH THE LAUNCH OF KINLEY BOTTLED WATER

2003

UNFURLS THE *'THANDA MATLAB COCA-COLA'* CAMPAIGN

2007

LAUNCHES THE MINUTE MAID JUICE BRAND

2016

ENTERS VALUE-ADDED DAIRY DRINKS MARKET WITH VIO; TWO YEARS LATER, ENTERS ENHANCED HYDRATION SPACE WITH AQUARIUS GLUCOCHARGE

2022

THUMS UP AND SPRITE HIT THE $1-BILLION MARK IN RETAIL SALES

company launch its products in glass bottles. "We look at low-cost solutions in some of these places and glass has done well in Nepal and Bangladesh, too. Many of these markets have the traditional distribution systems and it helps since we saw that phase in India," says Reetima Rakyan, Vice President of Coca-Cola Southwest Asia.

At the same time, globally as well as in India, carbonated beverages have not had it easy because of increased health awareness (especially related to sugar). A transition, which was necessary to ensure the large consumer base remains unaffected, has been set in motion.

Jagdish Sheth, Charles H. Kellstadt Professor of Business at Emory University's Goizueta Business School, believes Coca-Cola (globally) has been successful in diversifying into more growth-oriented beverages such as BodyArmor, Costa Coffee and Honest Tea. He points out that Coca-Cola adopted the conscious strategy of defining its business as a beverages business and not just carbonated beverages. "Fortunately, it has a large free cash flow as well as more than $11 billion of cash on its balance sheet. Rather than returning the cash to its investors either through an increase in dividend or a share buyback, it has decided to invest in higher growth businesses but in the same category of business, namely beverages."

The India strategy also mirrors another component of the strategy in more developed markets. "The core competence of Coca-Cola is its distribution system and how it serves its largest customers such as McDonald's and the hospitality industry. This was really proven during the pandemic," says Sheth, adding that the company will innovate more on its logistics and supply chain with the use of cloud computing, wireless technology, Blockchain, and AI. "All this gives the company more economies of scope in addition to the scale and speed of supplying more than 200 brands."

Ray compares the India story of his company to where it was in China 20 years ago before things took off. "That kind of growth in India is inevitable and this is a once-in-a-decade opportunity for us," he says. If that is true, where is Coca-Cola India then placed? "Oh, we still believe we are in day one," he says with a grin.

The corollary to that could well be "we won't stop". Which, incidentally, is what *Memu Aagamu* means in Telugu. It's all connected, see? BT

@krishnagopalan

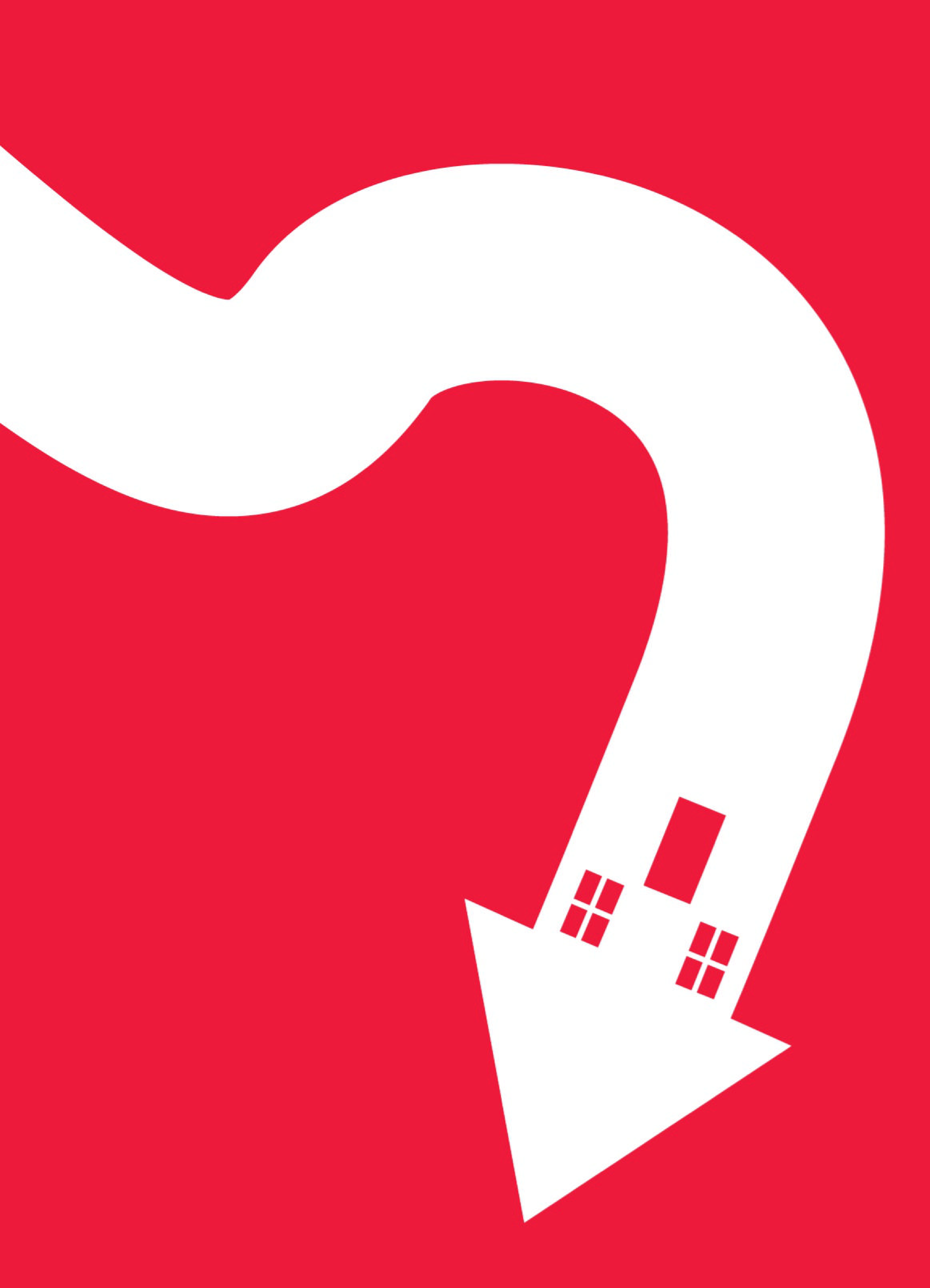
| REAL ESTATE **DEMAND** |

MOVING SOUTH

SPIKING HOME PRICES AND RISING INTEREST RATES **ARE PUTTING OFF BUYERS,** SENDING REAL ESTATE DEMAND ON A DOWNWARD CURVE

BY **ARNAB DUTTA**

ILLUSTRATION BY **NILANJAN DAS**



H

HOMEBUYERS NEVER HAD it as good as they did in 2021, after the second wave of the Covid-19 pandemic ended. Forced to say indoors during the lockdowns, they flocked to the residential market in droves, many looking to buy larger homes—a result of prolonged periods of working from home.

There were also other factors that enticed homebuyers since late-2021, such as some of the lowest home loan interest rates in recent times and government sops like registration fee waivers and stamp duty cuts. Additionally, as the market was recovering from a prolonged depression, home prices had remained stable—encouraging buyers to invest.

Take Vinay Sharma, for instance. The IT professional used to reside in Gurugram, in a 2BHK rented apartment with his family. Since the pandemic led to him working from home, he chose to buy a 3BHK apartment in Noida. Apart from the lucrative interest rate, the work-from-home flexibility allowed him to choose Noida over costlier Gurugram, where his office is. Sharma was not just happy to have bought his dream home, he was even more delighted that his EMI outgo was just 35 per cent higher than the rent he paid earlier.

Such customer delight made realtors and homebuyers a happy lot so far, after a tumultous past decade. For several years in the 2010s, homebuyers were hit by a spate of delayed projects and multiple other issues—even fraud by some developers—and buyer confidence was at a low. The introduction of the Real Estate (Regulation & Development) Act in 2016, followed by GST in 2017, restored the confidence somewhat. However, legacy issues continued to haunt the sector, keeping it in a downward spiral till the arrival of the pandemic. The revival in demand post-pandemic provided realtors with much-needed relief, while homebuyers made the most of the favourable conditions to buy a home.

But good times usually don't last long. And that is exactly what is happening now for both homebuyers as well as real estate developers. This is because come 2023, the market dynamics have changed significantly. Sops offered by different state authorities have run their course. Home loan interest rates have begun to surge—they are nearly at pre-Covid-19 levels—and developers are steadily raising prices of homes as raw material costs and the overall cost of construction have surged. "The fragile global supply chain, supply side shocks and soaring inflation had a cascading effect on raw material prices. The industry also faced issues of cartelisation and a migrant labour crisis since the onset of the pandemic. The withdrawal of fiscal stimulus like stamp duty waiver also resulted in a higher cost of acquisition," says Niranjan Hiranandani, MD of realty major Hiranandani Group and National Vice Chairman of industry body NAREDCO.

The rising cost of borrowings has also added to the burden of developers. As a result, the real estate sector has witnessed an average increase of 5 to 8 per cent in property prices across key markets in India in the past one year, says Hiranandani.

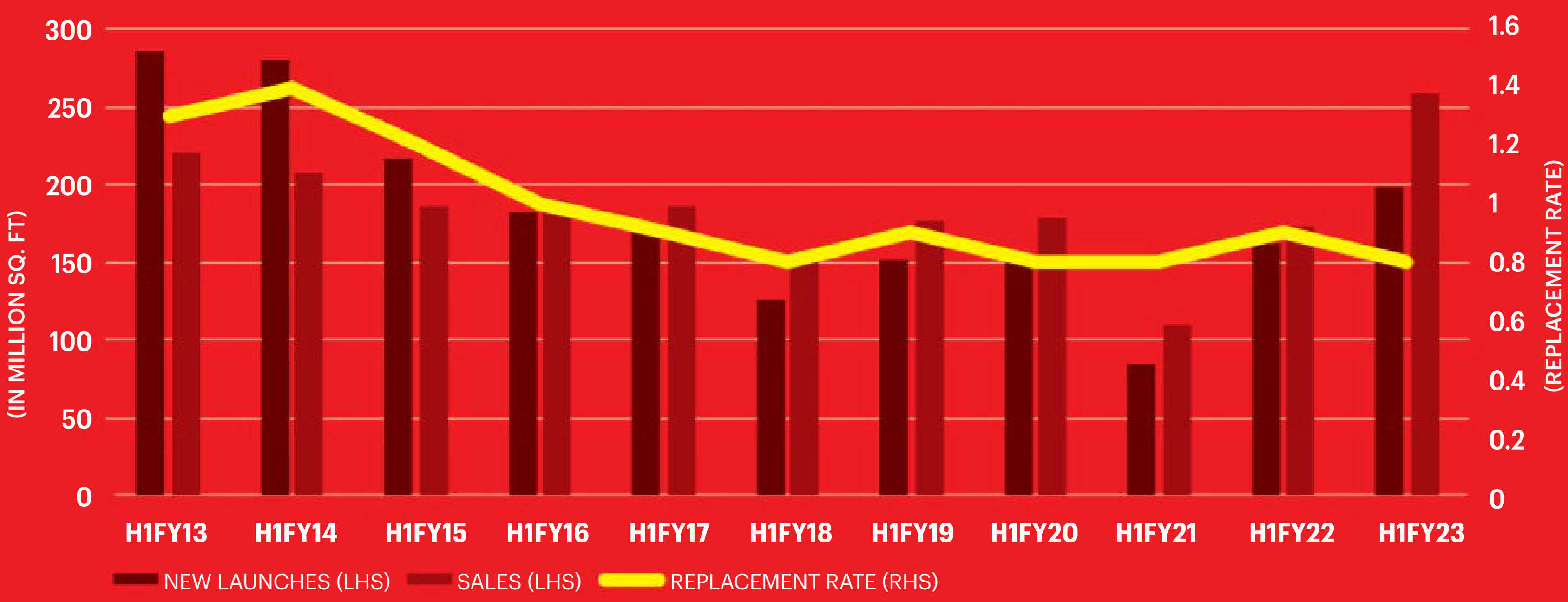
The real cost of acquiring a home, however, has jumped much higher in the past three quarters. This is because of a number of reasons. A key factor is rising home loan interest rates. Record low home loan rates had brought buyers back to the residential market. But with the Reserve Bank of India (RBI) raising the repo rate, or the rate at which it lends to banks—to the tune of 2.25 per cent since May 2022—average home loan EMIs have jumped by more than 18 per cent (See graphic *'Lighter Wallets'*). According to Hiranandani, the consecutive hikes in interest rate have "led to increased cost of credit, construction and consumption with proportionate impact on the operative profit margins of the developers. Also, the market witnessed consolidation trends in order to deleverage and maintain a healthy balance sheet". The affordable housing segment—homes priced below ₹45 lakh—that operates on thin margins, has been hit the hardest because of the rising costs of development, he says.

THE SHIVERS HAVE been felt by leading players in the affordable housing space. According to Pradeep Aggarwal, Founder & Chairman of Signature Global—one of the leading affordable housing players in the country—while 2022 has been a good year in terms of home sales, rising costs are becoming a major concern. "In the past couple of years, the cost of construction has increased significantly. Margins have collapsed drastically, especially in the

GRAPHICS BY **PRABAL BISWAS**

ON A CREST

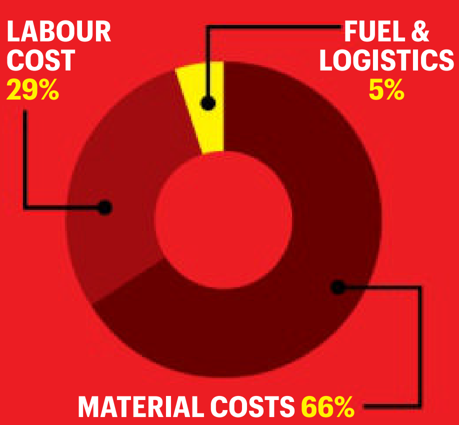
Home sales were at a 10-year high in the first half of FY23



NOTE: REPLACEMENT RATE IS CALCULATED AS THE RATIO OF THE TOTAL SIZE OF REAL ESTATE SOLD DIVIDED BY THE TOTAL SIZE OF UNITS LAUNCHED

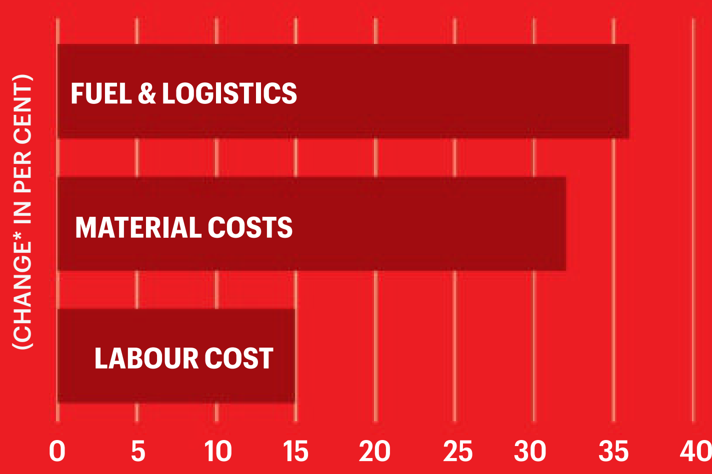
BRICK & MORTAR

Share of the cost of key components in the overall cost of real estate projects



A COSTLY AFFAIR

Change in the costs of key components



*BETWEEN NOVEMBER 2019 AND NOVEMBER 2022

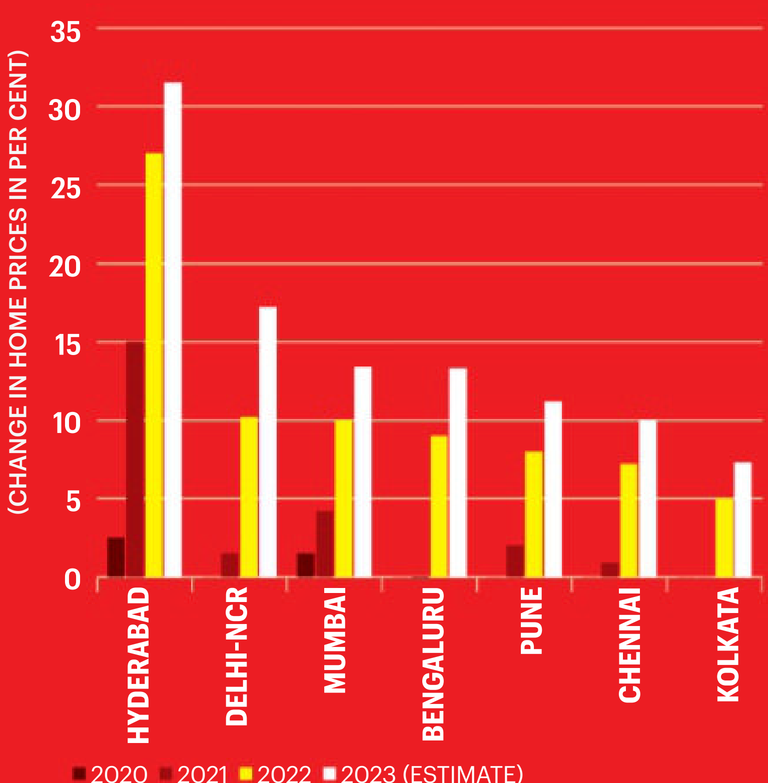
OVER THE ROOF

The cost of overall construction has surged by 21 per cent since pre-Covid-19 times

	Cost of construction (in ₹ per sq. ft)
Nov 2019	1,900
Mar 2021	2,060
Nov 2021	2,200
Nov 2022	2,300

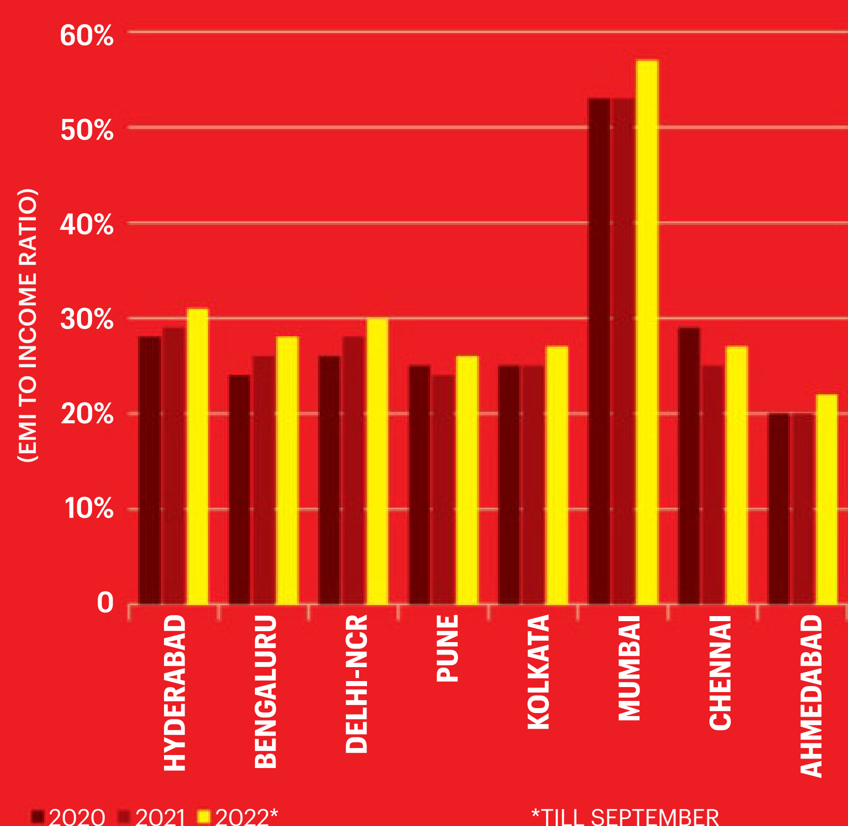
HOLE IN THE POCKET

Average home prices across cities are expected to go up in 2023



UNDER PRESSURE

EMIs are growing faster than income levels



*TILL SEPTEMBER

SOURCE: PROPEQUITY, ICRA RESEARCH, JLL, KNIGHT FRANK, COLLIERS AND *BT* RESEARCH affordable housing segment," he says, adding that 2022 saw a significant increase in mortgage rates. "We believe that this may have an adverse impact on housing demand in 2023," he adds.

The impact of the recent changes has been witnessed across the affordable housing sector, which has seen lower sales and new launches. Data from industry analyst PropTiger suggests that the share of affordable homes in home sales shrank by 11 percentage points in January-September 2022 since the pre-Covid-19 days. In 2019, affordable homes formed 51 per cent of overall home sales in the country's top seven real estate markets. That came down to 40 per cent in the first nine months of 2022. This has resulted in a more cautious approach by developers while coming up with new projects. While in 2019, over half of the new housing launches were in the affordable segment, that share fell to 29 per cent in the first three quarters of 2022.

Industry leaders like Aggarwal want the government to act to address a further slide in demand in 2023. "To sustain the demand, which is also essential to support the economy, the government should announce homebuyer-friendly tax sops in the upcoming Budget. State governments should also think of waivers in stamp duty and registration fees... to keep the demand going. We also urge the government to look into the per sq. ft selling price fixed years ago under various affordable housing schemes. To support and achieve the 'Housing for All' mission, the government should enhance the price cap under affordable housing schemes," he says.

W**HILE THE IMPACT** of the prevailing conditions has been comparatively lower on the rest of the real estate market so far, recent analyses by industry expert groups such as JLL and Colliers suggest that acquiring a home is increasingly becoming difficult for average buyers. According to JLL's home purchase affordability index, after touching its peak in 2021, homebuyers' affordability in the country's key markets is slipping. In India's largest market Mumbai, for instance, homebuyers' affordability has dropped by 8 per cent in 2022 over the previous year. In the second largest market, the National Capital Region of Delhi, the fall is greater, at 10 per cent year-on-year. While in Mumbai the average affordability may remain the same in 2023 as in 2022, in Delhi-NCR it may drop another 3.2 per cent. In Bengaluru, affordability has fallen by over 9 per cent in 2022 and is estimated to slide further in 2023, says JLL.

"Affordability was at its highest in 2021 with decadal low interest rates, attractive prices and household income recovery all coming together to create the perfect environment. In 2022, we have seen affordability gains mitigated as inflationary pressures have caused developers to pass on the rise in input costs on to the buyers," JLL noted. While the JLL analysis does not take into account the RBI's latest rate hike of 35 basis points, Shishir Baijal, Chairman & MD of property consultant Knight Frank India, says this will "further impact EMIs and reduce home affordability".

Apart from the rising cost of home loans, the steep rise in the costs of construction materials, labour and logistics have forced realtors to raise prices, thereby risking losing buyers. Data from real estate advisory Colliers shows that the cost of materials, which forms two-thirds of the overall construction cost—has jumped 32 per cent since end-2019. Coupled with the rising costs of labour and logistics (that are directly linked to fuel prices), the average cost of construction of a residential home has surged by 21 per cent in the past three years—from ₹1,900 per sq. ft in November 2019 to ₹2,300 per sq. ft in November 2022, according to Colliers.

Irfan Razack, Chairman and MD of Bengaluru-based real estate major Prestige Group, says the situation is "dangerous" since both factors affecting home prices—price of land and the cost of construction—are surging simultaneously. "Be it steel and cement

LIGHTER WALLETS

EMI outgo for home loans has jumped by over 18 per cent since April 2022

For a loan with a tenure of 20 years	Loan amount (80%)	EMI at 7% p.a. interest rate in April 2022	EMI at 9.25% p.a. interest rate as in Dec 2022	Change in EMI outgo
Scenario 1 (home price ₹62.5 lakh)	₹50,00,000	₹38,765	₹45,793	₹7,028
Scenario 2 (home price ₹1 crore)	₹80,00,000	₹62,024	₹73,269	₹11,245
Scenario 3 (home price ₹1.25 crore)	₹1,00,00,000	₹77,530	₹91,587	₹14,057
Scenario 4 (home price ₹1.88 crore)	₹1,50,00,000	₹1,16,295	₹1,37,380	₹21,085

SOURCE HDFC BANK HOME LOAN EMI CALCULATOR

"The fragile global supply chain, supply side shocks and soaring inflation had a cascading effect on raw material prices. The industry also faced issues of cartelisation and a migrant labour crisis"

Niranjan Hiranandani
MD, HIRANANDANI GROUP; NATIONAL VICE CHAIRMAN, NAREDCO

"We have to walk a tightrope to make sure that the pricing is right, margins are not badly impacted and at the same time, the product remains affordable"

Irfan Razack
CHAIRMAN & MD, PRESTIGE GROUP

"To sustain the demand, which is also essential to support the economy, the government should announce homebuyer-friendly tax sops in the upcoming Budget"

Pradeep Aggarwal
FOUNDER & CHAIRMAN, SIGNATURE GLOBAL

or smaller components like PVC materials, windows, doors or tiles, every component has seen prices rise. And so have labour costs," he says, adding that additionally, the cost of getting approvals has increased, since many larger cities have linked it to the guideline value, which is the estimated market value of the property as per records maintained by the government. "A major dampener is that the interest rates are also going up. So, the cost to consumers has risen significantly," says Razack.

The recent challenges have placed most developers in a situation where any move they make may adversely impact them. Prestige, for instance, has chosen to keep its customers happy rather than maintain healthy margins. "We have to walk a tightrope to make sure that the pricing is right, margins are not badly impacted and at the same time the product remains affordable so that customers don't shy away... If demand suffers and sales go down, then we have to go for construction finance, which would ultimately increase costs and lead to risks of getting stuck in spiralling debt," says Razack.

According to Ramesh Nair, Chief Executive Officer, India and MD, Market Development, Asia at Colliers, the cost of construction materials would remain volatile in 2023 and the future looks less certain than in 2022. Realtors say another 5-10 per cent hikes in home prices are likely because of the elevated prices of commodities. Therefore, developers may opt for a wait-and-watch strategy till prices cool, says Nair, which may, in turn, impact the supply of homes. As a result, prices of existing projects on offer may go up, even if the demand for homes goes down in 2023.

Sharma seems to have bought his dream home at the perfect time. As for other homebuyers, buying a home is set to become more difficult, with no immediate relief in sight. BT

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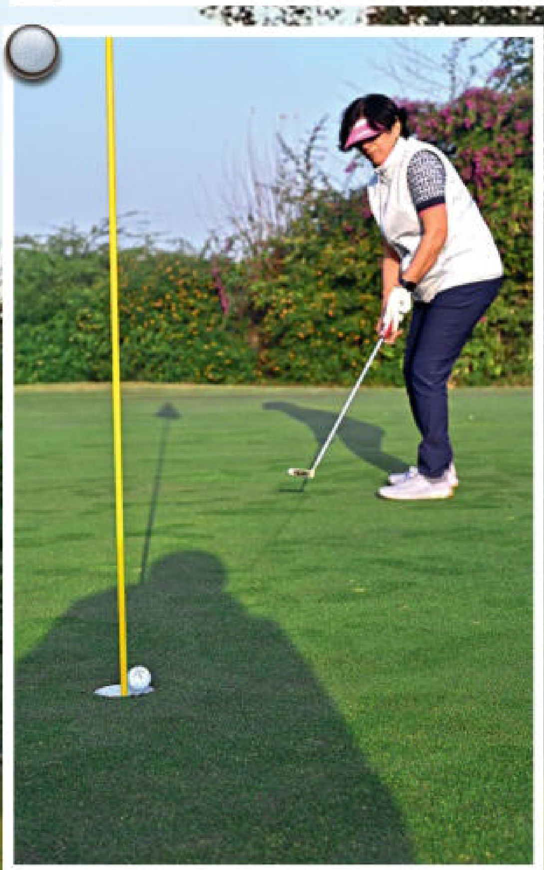

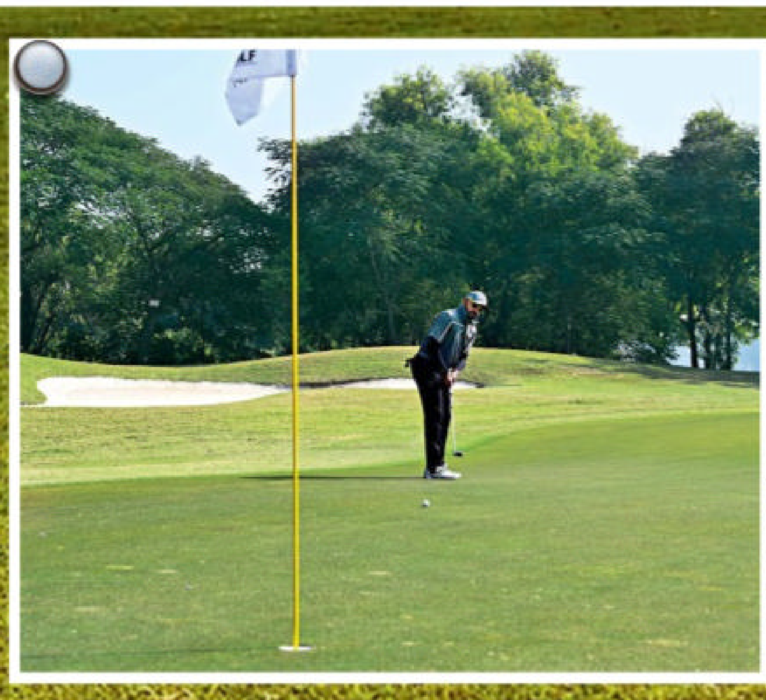

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‘INDIA SHOULD BE A HUB FOR RESILIENT SUPPLY CHAINS’

Punit Renjen, CEO Emeritus of Deloitte, shares his views on the India growth story, climate change and mental health

PHOTO BY **SYED MOHSIN KHAN**

Punit Renjen, who grew up in Haryana's Rohtak, has touched the pinnacle of corporate success since he moved to the US some 40 years ago. The CEO Emeritus of Deloitte—who took the consulting giant to the top of the heap of the Big Four as Global CEO and stepped away from the post on December 31—hasn't forgotten his roots; he still maintains a strong connection with Rohtak. In an interview with *Business Today*'s Global Business Editor *Udayan Mukherjee,* Renjen talks about the future of Deloitte, the wealth gap, mental health, climate change and the India story. Edited excerpts:

Q: You recently stepped away from your role as Global CEO of Deloitte to continue as CEO Emeritus. Do you feel confident of having armed Deloitte with the tools to maintain its position at the top of the Big Four?

A: It has been quite a journey in an entire partnership spreading across 400,000 professionals to get us to the top of the heap. The credit really belongs to the partnership and to our professionals. It is wonderful to be the No. 1 professional services firm in the world. And as you rightly said, it takes tremendous effort to get to that point, and it takes additional effort to stay at that point. I believe that Deloitte is positioned extremely well. The strategy that we have implemented is still valid and we need to keep executing that. We cannot take our eye off the ball. This is a highly competitive space, and we have to continue to execute. There are no guarantees.

Q: There will be many challenges along the way, including a move globally of separating the accounting and consulting arms of professional services companies like Deloitte, citing competition laws. Is Deloitte prepared for such a potentially disruptive move?

A: Regulators in the UK are talking about operational separation to ensure we serve our clients, particularly our audit clients, with clear independence and objectivity, and that's exactly what we have been doing. Our audit quality and results cited are testaments to that. We made a decision back in June that we are not going to separate our business and that the multidisciplinary model or MDM is core to our strategy. The private partnership culture is core to Deloitte and has been a key ingredient to our success. So, we are going to persist with this and persist with high audit quality, which is central to who we are, and persist in delivering to our clients and hopefully, as a result, remain anointed the No. 1 firm.

Q: Billionaire investor Ray Dalio recently told us that the wealth gap is one issue which bothers him more than most other economic issues today. In your conversations with large corporations, do things like this come up frequently? Do CEOs recognise the importance of it?

A: When I came to the US 40 years ago, the prevailing wisdom was that the business of business is business—focus on the business fundamentals and leave everything else to the greater society and the community. That has changed. I believe, increasingly, business leaders believe that they cannot be successful if the community that they live in and work in is not successful. So, giving back to the community is incredibly important. At Deloitte, we are focussed on minority communities and getting them to college so that we can reduce the income gap through education. Here is the other thing—my most valued asset is my 400,000 professionals. Getting them involved in their own communities is an engagement strategy that is something that they value and commit to. So, we are not just collaborating with other NGOs and putting money in; we are involving our people in this world-class effort. And

"The private partnership culture is core to Deloitte and has been a key ingredient to our success. So, we are going to persist with this and persist with high audit quality, which is central to who we are"

"Increasingly, business leaders believe that they cannot be successful if the community that they live and work in is not successful. So, giving back to the community is incredibly important"

the progress has been remarkable. We have impacted nearly 40 million individuals so far, and I'm confident that we will get to the 100 million number that we have committed to.

Q: Yet, take an issue like windfall taxes. On one hand, governments are saying that if you make more money as a windfall, you need to give it back to the people who need it, but there is a lot of pushback from corporations such as energy companies. How do you reconcile these two?

A: When we talk about windfall taxes, you have got to take the larger perspective. Businesses make investments so that they have a certain return and they take the risk. In return, they need certainty and if you change the rules of the game mid-stream, that is not conducive to an investment thesis. I will respond to your question with this: increasingly, it is in a business's interest to look at all stakeholders and take a longer-term perspective. I would argue that it may be easier for a private enterprise like Deloitte than a public enterprise that has to report every quarter. But a broader view is warranted around all kinds of issues like income equality and climate. Addressing climate change is the big issue of our generation, and businesses need to take a longer-term view and ensure they are doing the right things in their business and the ecosystem.

Q: ESG has been in focus with the recent COP27 Summit where there seemed to be a lot of anger among participants who feel that the large countries and corporations are only offering lip service while kicking the can down the road, and deliberately not implementing anything which is meaningful. Is that your sense too?

A: Oh, I think businesses are cognizant of the risks that climate change poses to their business and to society at large. You just need to look at what has happened in Pakistan with the monsoons in 2022 to grasp the enormity of the problem. The big climate events that we had all over the world in 2022 have had a direct impact because it impacts our communities, and it impacts our business directly. I think there is a clear understanding that action needs to be taken.

I can give you my example at Deloitte. When you are a $60-billion organisation like we are, we buy a lot of stuff, and we are working with our suppliers to make sure that they are consistent with the commitments on climate change that we have made. And I have seen this happen in all the forums that I participate in across the board; businesses not only recognise that there is a climate emergency, they are making the effort required to make the change. Could it go faster? Absolutely. Does it require all hands on deck? Absolutely. This cannot be solved by the government alone; it cannot be solved by NGOs; it has to be solved by the government, NGOs and the business community together. We need to

PHOTOS BY GETTY IMAGES

invest something like $3.5-5 trillion over the next 20 to 25 years to move away from a carbon-based economy to a more sustainable economy. I know there is a lot of negative news, but there is also some good news in terms of the progress that has been made. More needs to be done.

Q: Let me ask you a few questions on India. There is a lot of excitement around this China plus one opportunity for India. When you talk to large clients globally, do they look at India as a potential manufacturing destination? Are they confident that India can make the transition from a services-led economy to a manufacturing powerhouse in reality?

A: Absolutely. I sit on the US-India CEO Forum, and this is one of the key aspects that [Commerce] Minister [Piyush] Goyal and [US Commerce] Secretary [Gina M.] Raimondo are leading, and I'm very confident, very bullish that it is going to be a multi-faceted growth story. Services are about $250-300 billion today, and I don't see why it cannot be a trillion-dollar part of the mix. [With] the realignment of global supply chains, India, with its large base of capability and large domestic market base, can and should be a destination for resilient supply chains. Apple setting up facilities in Tamil Nadu and expanding that facility is a good example of that. So, I see no reason why India cannot take advantage of this realignment of supply chains that came to the fore through the pandemic. I'm actually very bullish on that.

By the way, I think India can and should take a leap in some of the climate-based transitions as well, whether it is in renewables or green hydrogen, but there is a piece that is often ignored, and that is nature-based solutions. To get us from where we are today to where we need to go, we certainly need to rely on technology, but we also need to focus on nature-based community answers to this climate emergency we are facing. If you have been to Delhi or Rohtak this time of the year, the air quality is horrendous because of stubble burning, and the answer there is a nature-based, community-oriented solution that we at Deloitte are piloting with the state of Haryana. So, that is another great area in which India can and should take the lead.

Q: You speak of Rohtak very fondly. Let me ask what you remember of that time because I believe it was a twist of fate, of you getting a Rotary Foundation scholarship which started you on your global journey...

A: You are absolutely right that the Rotary Foundation scholarship was a stroke of luck and it certainly changed the trajectory of my life. It is really important to never forget where you are from. And I'm from Rohtak, but the Rohtak of my youth is very different from the Rohtak of today. I remember there were only a handful of cars around, Maruti had just come, and I left Rohtak in 1984. So, Rohtak in 1984 was a very different place than it is today. My 82-year-old mother still lives in Rohtak in the same house that I grew up in, and it's truly wonderful to be from that town. When you look back at your life, there are certain inflexion points and the Rotary Foundation scholarship was certainly an inflexion point. Sights unseen, never been on an airplane, never been outside of the country till then. But I got a chance to leave, and it certainly changed my life.

Q: I want to ask you about another issue which is becoming more apparent post-Covid-19. Everywhere, from sports to management circles, there is a lot more talk and awareness about mental health. You yourself faced mental health issues in your career. Perhaps you could talk about that?

A: You have hit on a very important point. The pandemic, and what we all went through over the last two years, has really contributed to mental stress and mental health. You know, I went through it, and back in the '90s we didn't talk about it as openly as we do now. I had been with Deloitte for seven or eight years, and been put up as a Partner, when I decided to step away and take a sabbatical. We call it a sabbatical now, but really it was a leave of absence back in 1994. I spent six months reassessing what I was going to do with my life. I went back to Deloitte, got back on the Partner track [and] became a Partner two years later in 1996. But looking back at my life, that break was central to my mental health, and my ability to recharge and go back and contribute. I would have not been a Partner and certainly would have not reached the Global CEO level at Deloitte if I hadn't taken that break. And I would not have met my future wife. I met her during that break, and she had such a profound impact on my life.

The last two years has impacted all of us, including me. Working through Zoom certainly has its benefits, but not having the ability to interact with people, waking up at ungodly hours and working late into the night has certainly had an impact, and the first thing we need to do is to recognise [that] we need to talk about it; we need to acknowledge that mental health is like any other aspect of health and it needs to be talked about openly. One of the silver linings from the pandemic was the fact that we started acknowledging and talking about mental health issues and putting it at the right level within a corporation. If you don't have a mentally healthy individual working for your business, you are not going to get their best. If my team is not physically and mentally healthy, then they are not going to bring their best self to work, and be able to keep Deloitte ahead of its rivals in a fiercely competitive industry. So, it is again the right business strategy to focus on mental health. BT

ON INDIA'S OPPORTUNITY

I'm very bullish that it [India] is going to be a multi-faceted growth story. Services are about $250-300 billion today, and I don't see why it cannot be a trillion-dollar part of the mix. [With] the realignment of global supply chains, India, with its large base of capability and large domestic market, can and should be a destination for resilient supply chains

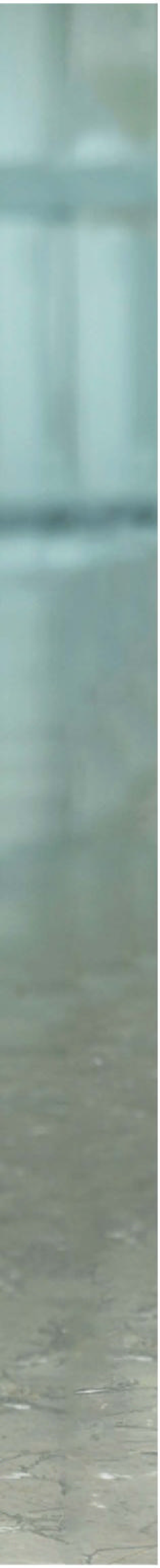
ON BUSINESSES AND CLIMATE CHANGE

Businesses not only recognise that there is a climate emergency, they are making the effort required to make the change. Could it go faster? Absolutely. Does it require all hands on deck? Absolutely. This cannot be solved by the government or NGOs alone; it has to be solved by the government, NGOs and the business community together

ON MENTAL HEALTH AWARENESS

One of the silver linings from the pandemic was the fact that we started acknowledging and talking about mental health issues and putting it at the right level within a corporation. If you don't have a mentally healthy individual working for your business, you are not going to get their best

EYES ON THE PRIZE ICICI LOMBARD MD & CEO BHARGAV DASGUPTA IS THE COMPANY'S LONGEST-SERVING CEO



THE HUNGRY INSURER

ICICI LOMBARD GENERAL INSURANCE HAS LEAPFROGGED FROM FIFTH TO **SECOND SPOT IN TERMS OF MARKET SHARE** AFTER ITS MERGER WITH BHARTI AXA. NOW, **IT IS GUNNING FOR THE TOP SPOT** ON THE BACK OF ORGANIC GROWTH AND A FOCUS ON THE RETAIL HEALTH SEGMENT

BY **TEENA JAIN KAUSHAL**

NEAR THE BUSTLING lanes of the Siddhivinayak Temple at Prabhadevi in Mumbai stands a four-storey building that was earlier known as Tata Press. Today, it hosts the buzzing headquarters of ICICI Lombard General Insurance. On its top floor sits its MD & CEO, Bhargav Dasgupta, one of the longest-serving CEOs in the general insurance industry, who has now been in the insurer's corner room for almost 14 years.

The 56-year-old management graduate from IIM Bangalore took over the reins of the insurer in 2009, but his association with the group goes back to 1992 when he joined ICICI Bank as a Senior General Manager, and then worked in various roles across the group, including as Executive Director in ICICI Prudential Life Insurance. If familiarity gives comfort, then Dasgupta certainly makes one feel at ease with his simplicity and demeanour. His easy approach is reflected in the recent merger of Bharti AXA General Insurance with ICICI Lombard, which became seamlessly effective within days of getting the final approval from regulator Insurance Regulatory and Development Authority of India (Irdai) in September 2021. After the merger, ICICI Lombard has become the second largest general insurer (on gross direct premium underwritten) with 8.71 per cent market share (till November 2022) after state-owned The New India Assurance (13.63 per cent).

But the hawk-eyed leader of ICICI Lombard—which had a market cap of ₹61,095 crore on December 27—knows that he can't rest on his laurels. Although the merger has helped the insurer jump three positions, leaving behind one of its closest competitors, Bajaj Allianz General Insurance, its next challenge is to drive organic growth and also keep competitors at bay.

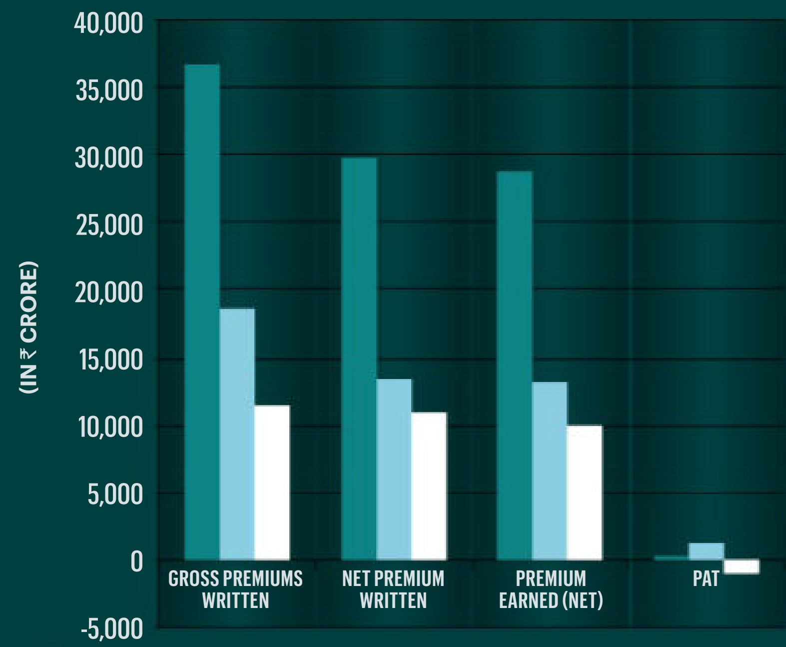
On the cut-throat competition in the sector, Tapan Singhel, MD & CEO of Bajaj Allianz General Insurance, says, "Acquiring is a different ball game. My belief is to build a solid culture through organic growth. I am not ruling out inorganic growth, but to acquire just to become No. 1 is not our philosophy. Our philosophy is to work really hard to build a 100-year system."

Moreover, while the merger of three public sector

[redacted]

THE BOTTOM LINE

ICICI Lombard recorded better PAT than its peers in FY22

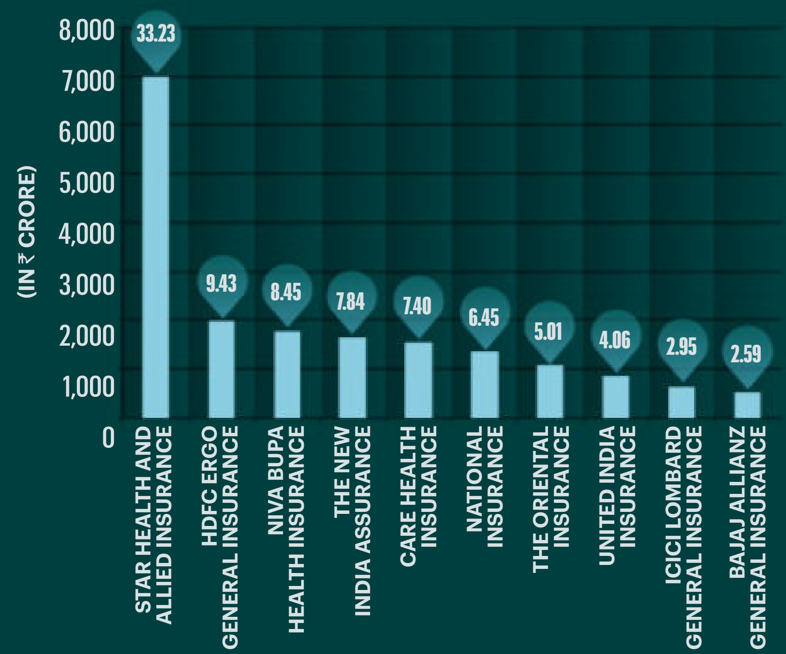


THE NEW INDIA ASSURANCE ICICI LOMBARD STAR HEALTH AND ALLIED INSURANCE*

DATA FOR FY22; ONLY LISTED INSURERS ARE CONSIDERED
*STAR HEALTH IS A STANDALONE HEALTH INSURANCE COMPANY; NET PREMIUMS IS THE SUM OF PREMIUMS RECEIVED MINUS THE PREMIUMS CEDED TO REINSURANCE COMPANIES; EARNED PREMIUM IS THE PORTION OF A POLICY'S PREMIUM THAT IS RECORDED AS REVENUE; **SOURCE** BSE

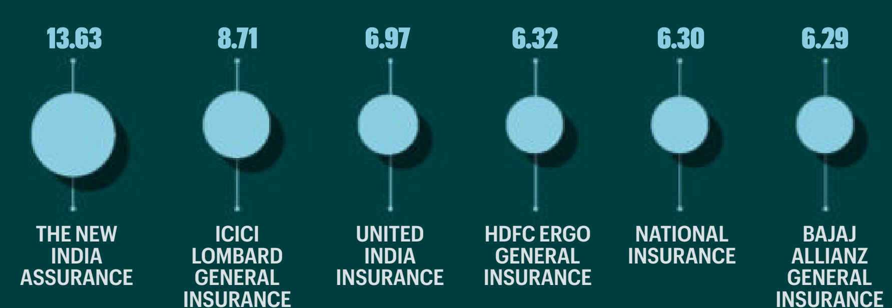
SCOPE FOR GROWTH

ICICI Lombard ranks at 9th position in terms of market share in the retail health insurance segment



RETAIL HEALTH BUSINESS MARKET SHARE IN PER CENT
DATA AS OF NOVEMBER 2022; **SOURCE** GIC

BIG, AND GETTING BIGGER

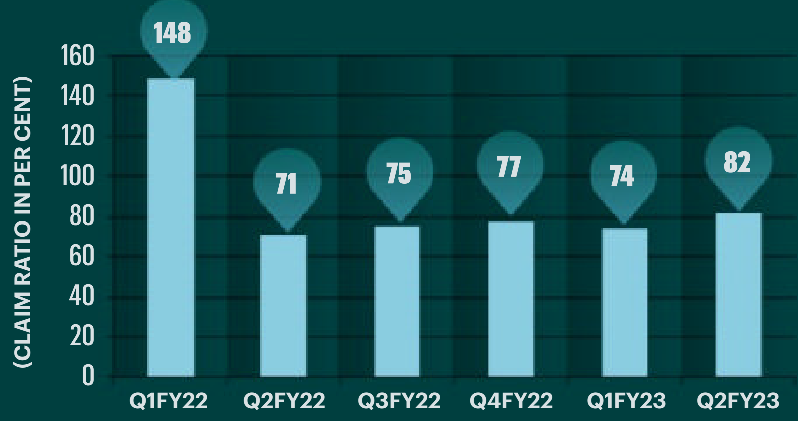


DATA AS OF NOVEMBER 2022; MARKET SHARE (IN PER CENT) IS BASED ON

GRAPHICS BY **RAHUL SHARMA**

NOT SO HEALTHY

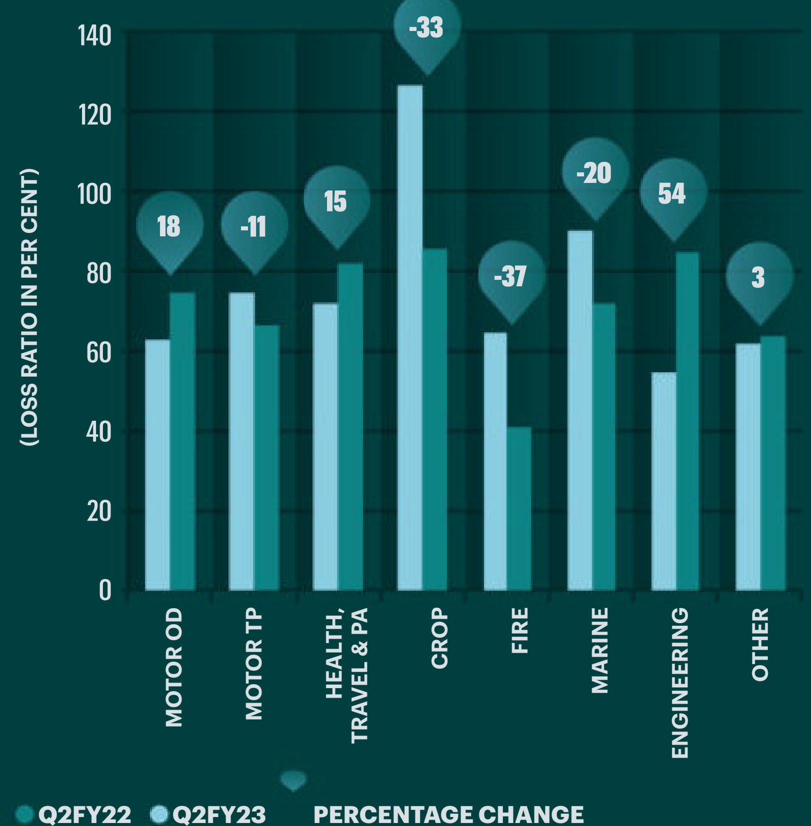
ICICI Lombard witnessed a rise in claim ratio in the health segment in the September 2022 quarter



SOURCE MOTILAL OSWAL FINANCIAL SERVICES LTD

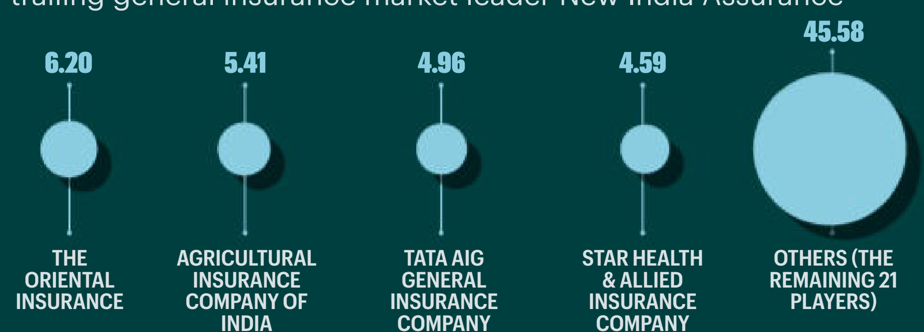
RUNNING FOR COVER

ICICI Lombard's health and motor own damage (OD) segments registered a sharp rise in loss ratio in Q2FY23



SOURCE QUARTERLY FINANCIAL RESULT

With a market share of 8.71 per cent, ICICI Lombard is now trailing general insurance market leader New India Assurance



GROSS DIRECT PREMIUM UNDERWRITTEN; **SOURCE** IRDAI

insurers—United India Insurance Co., The Oriental Insurance Company and National Insurance Company—has been put on hold, these insurance firms are snapping at ICICI Lombard's heels to gain market share. "We do not know in what shape and form it would happen, or if it is going to happen. Obviously, we have to wait and see," says Gopal Balachandran, 47, CFO & CRO of ICICI Lombard. As per monthly data released by Irdai, around 20 per cent of the market share was cornered by these three insurers (till November 2022).

HEALTH CONSCIOUS

One big positive that has come from the merger for the insurer is the distribution franchise it got in the deal. The number of agents with ICICI Lombard increased by 38 per cent from 59,545 agents in FY21 to around 82,000 by the end of December 2021, apart from the rebranding of over 140-plus branches of Bharti AXA. The merger has also resulted in annualised synergies worth ₹200 crore of which ₹70 crore was realised in FY22, with the balance expected to be realised in FY23. "Since it's a direct benefit of synergies, it'll accrue to the P&L. But... we are reinvesting into expanding distribution on retail health, and our digital franchise," says Balachandran. The company's stock was trading at ₹1,244 on December 27; it has given negative returns of over 10 per cent year-to-date.

With the benefit of synergies flowing in, Dasgupta knows where to push forward next. As its share in the retail health segment in January-November 2022 was 3 per cent compared to 8 per cent in the general insurance segment, it wants to grow health fast. "We are investing and focussing on retail distribution. In commercial lines, we are anyway large and strong," says Dasgupta.

"We need to make sure that from 3 per cent, we get to 8 per cent in retail health. That's clearly the road map one would want to look for at the minimum," adds Balachandran. ICICI Lombard's net earned premium (NEP) from health and personal accident (PA) policies stood at ₹3,354 crore in FY22 compared to ₹1,115 crore in FY18, growing at a CAGR of 32 per cent. Post-merger, its share in the product mix stood at 27 per cent (H1FY23), compared to 23 per cent in H1FY22.

So, how does the company plan to increase its market share? For higher growth in the retail health segment, it has put in place a strategy of recruiting agency managers who hire agents, and the agents then bring in the business. The insurer wants to hire close to 1,000 health agency managers, who will add about 15 to 20 agents each. "We will add close to 15,000 to 20,000 agents. This is an area of focus, and we will continue to make those investments," says Balachandran.

Even as the number of agents grows, the insurer has started seeing the results of investing in the health segment with premiums growing by 15.8 per cent in Q2FY23 compared to 8 per cent in Q1FY23. Dasgupta said in an analyst call that ICICI Bank (a sister company) has also restarted distributing indemnity policies on the home side. Also, with the rise in credit disbursals, the attachment business (upselling loan insurance) has picked up.

As per Irdai, the penetration of general insurance in India in FY22 was nearly 1 per cent, and it has announced a target of 2.52 per cent by 2027. Health insurance is going to play an important role in this growth path, especially post-Covid-19. Per a report from ResearchAndMarkets.com, India's health insurance market is pegged at $122.11 billion in 2022, which is expected to reach $198.45 billion by 2027 at a CAGR of 10.2 per cent. Calling the opportunity in health enormous, Balachandran says that although health insurance covers out-of-pocket spends, it is not meaningfully utilised. "That's an area we are significantly looking to tap into for its potential," he adds. ICICI Lombard's Cashless OPD policy numbers have grown from an average of 4,400 policies per month to 8,200 policies by the end of H1FY23.

A RATIO OF LOSS

As the setting sun starts glaring through the tinted windows, Dasgupta is quick to call his assistant to draw the curtains so that the ambience in the room feels comfortable. Once the curtains are drawn, he starts talking about the pain points of post-Covid-19. Apart from a surge in elective surgeries, the industry has been seeing an increase in the frequency of regular medical and critical cases. "Apart from electives, the frequency of normal medical cases has increased. Even for ailments like cancer, we are seeing a higher frequency than pre-Covid-19. In terms of people falling sick and going to the hospital, that percentage has gone up, too," he says.

Prasun Sikdar, MD and CEO of ManipalCigna Health Insurance, agrees with the trend. "The claim ratio, while stable in the first two quarters of CY22, has seen a steep increase from September onwards. The increase is due to high incidence rates across ailments, especially planned surgeries and critical ailments."

Accordingly, the loss ratio in the health segment (along with travel and PA) for ICICI Lombard increased to 81.8 per cent in Q2FY23 from 71.4 per cent in Q2FY22, and its overall claim ratio increased to 72.8 per cent in Q2FY23 from 69.8 in Q2FY22. Moving in tandem, its combined ratio also continued to be high at 105 per cent in H1FY23. It was at 108.8 per cent in FY22 against 99.8 per cent in FY21 due to the second wave of the pandem-

"We need to make sure that from 3 per cent, we get to 8 per cent in retail health. That's the road map"

GOPAL BALACHANDRAN
CFO & CRO,
ICICI LOMBARD

"I am not ruling out inorganic growth but to acquire just to become No. 1 is not our philosophy. Our philosophy is to really work hard to build a long-term 100 years' system"

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"The claim ratio [in the health segment], while stable in the first two quarters of CY22, has seen a steep increase from September onwards due to high incidence rates across ailments"

PRASUN SIKDAR
MD & CEO,
MANIPALCIGNA HEALTH INSURANCE


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ic. Consequently, this resulted in a decline in profits to ₹1,271 crore in FY22 compared to a profit of ₹1,473 crore in FY21. Dasgupta says that while the claims continue to be high, the combined ratio should be within the target range of 103-104 per cent in FY23.

In the motor insurance business, ICICI Lombard is already a leader with a market share of 11.8 per cent in FY22. The segment is also the largest contributor to its product mix at 46 per cent. But one area of concern was the intense competition in the motor own-damage (OD) segment that resulted in an increase in loss ratio to 74.3 per cent in Q2FY23 from 62.8 per cent in Q2FY22. However, the management expects some cooling off in competition intensity in the next few quarters. "OD pricing is far more aggressive and, hence, we have taken a cautious approach to write businesses in that segment," says Balachandran. Incidentally, the loss ratio in the motor third party (TP) segment improved to 66.6 per cent in Q2FY23 from 74.6 per cent in Q2FY22.

Loss ratio is calculated by dividing the total claims paid by the total premiums collected. The lower the ratio, the more profitable an insurer is. Combined ratio is calculated by taking the sum of incurred losses and expenses and then dividing them by the earned premium.

While the insurer's health insurance premiums are growing, its claims are also rising, which can prove to be costly. Another looming threat is the rising Covid-19 cases around the globe. "Consequent to the billings that we see from the hospitals, we are able to get reasonable price increases on the overall corporate health book. That's why we continue to write those policies. And despite the revisions in pricing, our customer retention rate [remains] at 90 per cent-plus," says Balachandran, adding that retail health is a long-term portfolio. And therefore, its outcome needs to be constantly monitored to make effective price revisions when needed.

The last price revision that ICICI Lombard did was in Q3FY21, where the weighted average price was increased by roughly 8 per cent. So, is an increase in premiums on the anvil? "As an industry we had not priced for Covid-19 because none of us anticipated it. Despite that, the industry paid a huge amount in claims. In the future, if there's a consistent increase in healthcare costs in the country, or if more people go to the hospital because of [issues like] long Covid-19, or fear psychosis, then the premiums will have to work," says Dasgupta.

DIGITAL BOOSTERS

Another area blinking on Dasgupta's radar is digital. The fact that the insurer has carved out its digital business into a separate unit to compete like a start-up speaks volumes about its digital focus. Its digital business grew by 24.5 per cent in Q2FY23, and accounted for 4.4 per cent of its overall gross direct premium income in the quarter. Direct premiums are the total premiums received before deducting the reinsurance amount.

While the company has been focussing on digital sales, Irdai has also announced the roll-out of an online marketplace called Bima Sugam, in 2023. So, how will it affect the digital business of insurers? "There's a lot of discussion about what will be done there. One thought is to come up with new types of products that addresses certain customer segments, which will be available through Bima Sugam. Beyond that... a lot is being done to make it accessible to segments of customers who don't have access to insurance," says Dasgupta.

ICICI Lombard's thrust on digital can also be gauged from the fact that its "IL TakeCare" app has surpassed 3 million user downloads to date, and the insurer spent ₹823 crore in FY22 to develop its tech infra.

As Dasgupta focusses on the growth of the company, the insurance regulator has come up with a consultation paper to cap the tenure of MDs and CEOs of insurance firms at 15 years, in line with the Reserve Bank of India's mandate for banks. Although it is still at the proposal stage, the winds of change might soon blow over the insurer as its seasoned leader heads into his 15th year at the helm of the company. BT

@teena_kaushal

FOR HIGHER GROWTH IN RETAIL HEALTH, IT HAS PUT IN PLACE A STRATEGY OF RECRUITING AGENCY MANAGERS WHO HIRE AGENTS, AND THE AGENTS THEN BRING IN THE BUSINESS

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SITTING ON A PILE

1 **The current high levels of VC dry powder, during a phase of slowdown, is a first for India**

2 **Fund managers are under no pressure to deploy, as limited partners (LP) prefer a reasonable investing pace over the frenzy of 2021**

ITER
RIORS

WITH START-UP VALUATIONS HITTING REALISTIC LEVELS AND WITH NO FEAR OF MISSING OUT, VENTURE CAPITALISTS ARE SITTING ON MASSIVE DRY POWDER AND ARE IN NO RUSH TO INVEST

BY **BINU PAUL**

ILLUSTRATION BY **NILANJAN DAS**

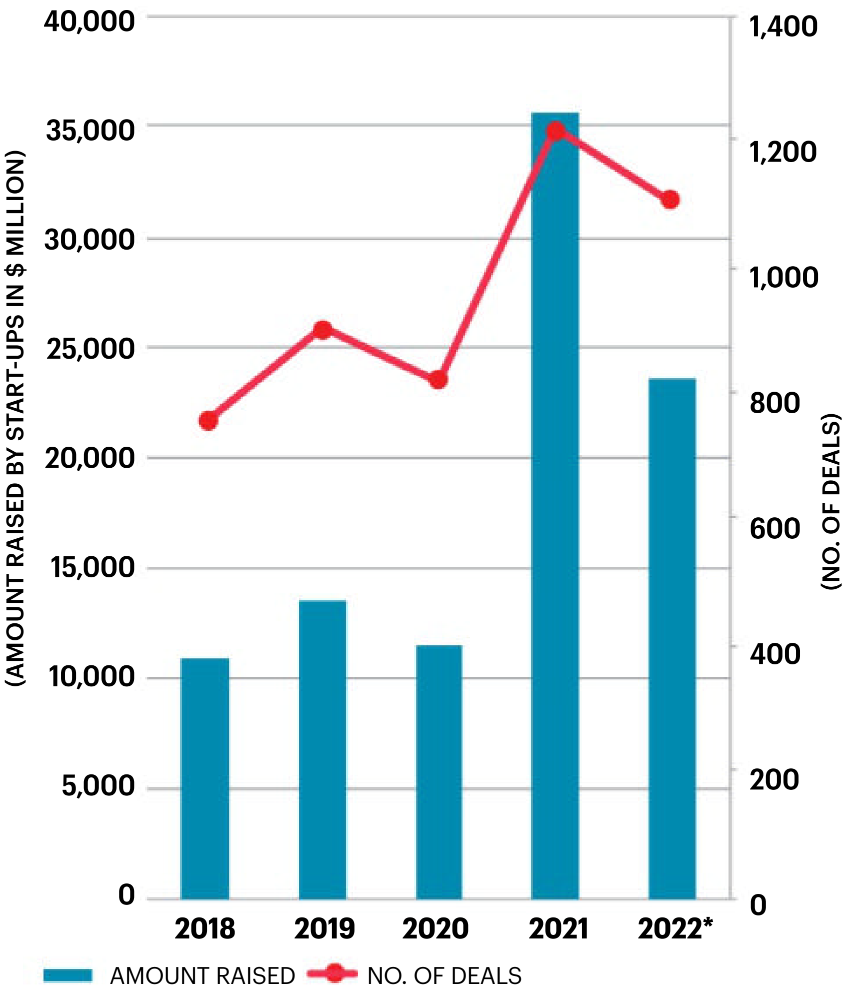
3 **As international LPs may shift their attention to other markets and asset classes, Indian VCs seek to ensure their cash reserves last longer**

4 **International investors remain bullish on the long-term growth prospects of India**

5 **Many first-time foreign LPs are expected to enter the Indian private markets due to China's crackdown on tech firms**

WINTER IS HERE

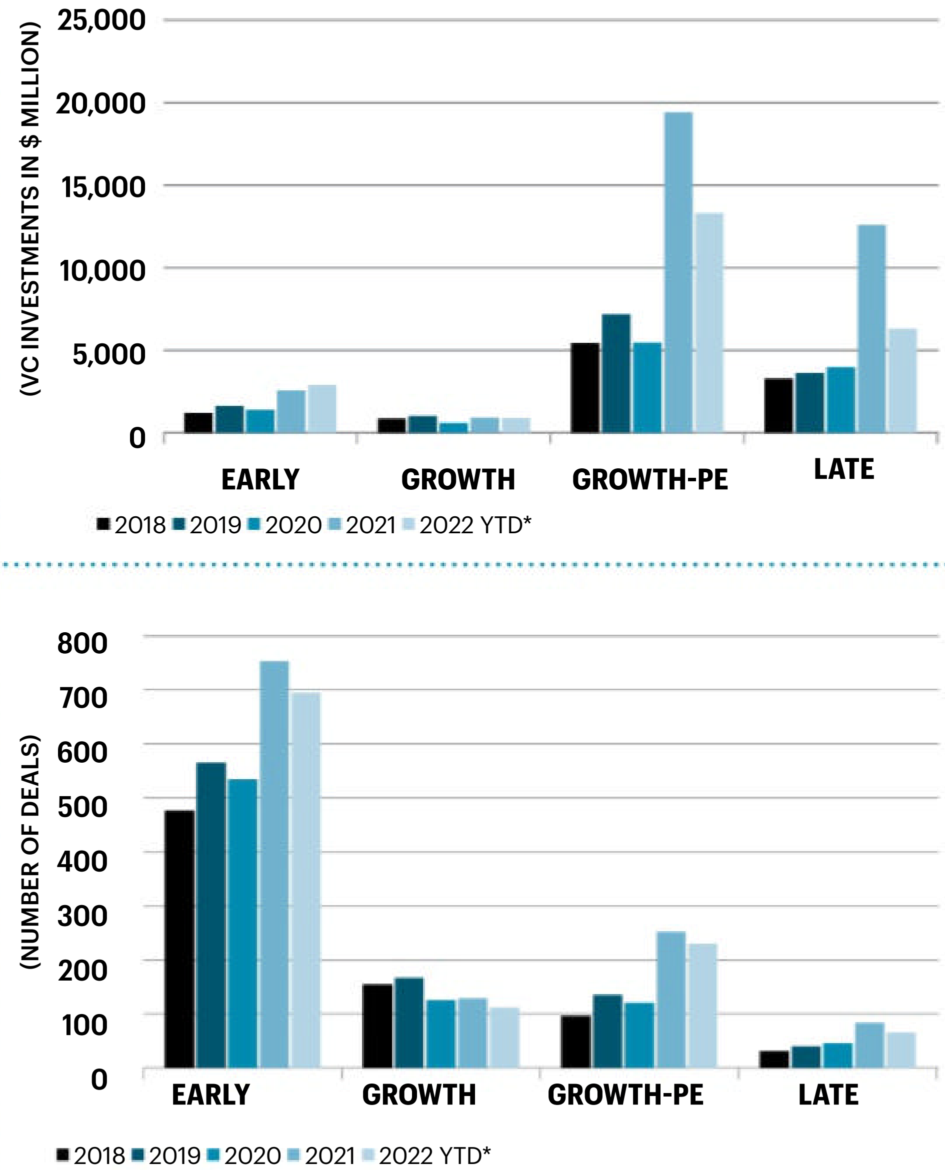
Start-up funding has dropped significantly in 2022



*AS OF DECEMBER 13, 2022
ALL FIGURES ARE FOR RESPECTIVE CALENDAR YEARS
NOTE: VC INCLUDES SEED-TO-SERIES F INVESTMENTS IN COMPANIES LESS THAN 10 YEARS OLD AND LATE-STAGE TECH INVESTMENTS; ABOVE DATA EXCLUDES POST-2018 INVESTMENTS INTO FLIPKART
SOURCE: VENTURE INTELLIGENCE

STAGE FACTOR

Late- and Growth-PE-stage funding have dried up in 2022. But the number of deals has fallen across all stages



*AS OF DECEMBER 13, 2022
SOURCE: VENTURE INTELLIGENCE

IT IS VERY rare for India to be in this position," says Karthik Reddy, Managing Partner of Blume Ventures and Chairperson of industry body IVCA, indicating that the country has never had the luxury of as much venture capital (VC) surplus money as it has today. Over the past three years, VCs in India have raised about $13 billion, data from Venture Intelligence shows. And this only reflects the amount secured by India-dedicated funds. Per global alternative assets data specialist Preqin, VCs globally are sitting on a record $534 billion of dry powder (capital available with VCs but not deployed yet). Also, start-ups attract capital from a number of sources that aren't captured in these estimates.

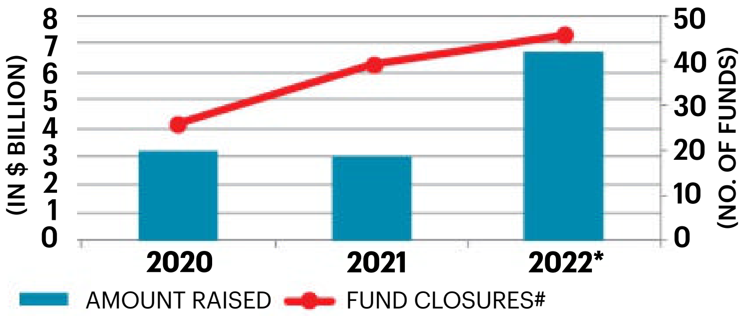
Now, capital raised is not the same as capital invested. The pile of cash is mounting, but VCs are not pumping in the money into start-ups at any great pace. Start-up funding in India dropped 35 per cent to $24.7 billion in January-November 2022, from $37.2 billion in the corresponding period last year, says a report by data platform Tracxn. New-age firms across stages and sectors are cutting costs to extend their runways. Start-ups such as BYJU'S, Zomato, Ola and others have sacked nearly 14,000 people so far in 2022. The question then is, does the abundance of cash give start-ups a reason to be optimistic?

WAIT AND WATCH

Given the absurd volumes of VC funding in 2021, limited partners (LPs) would want general partners (GPs, or fund managers) to be more thoughtful about capital deployment, and not run through the allocations in a hurry. Which, in plain terms, is not very good news for

BUT, HEY! SURPRISE...

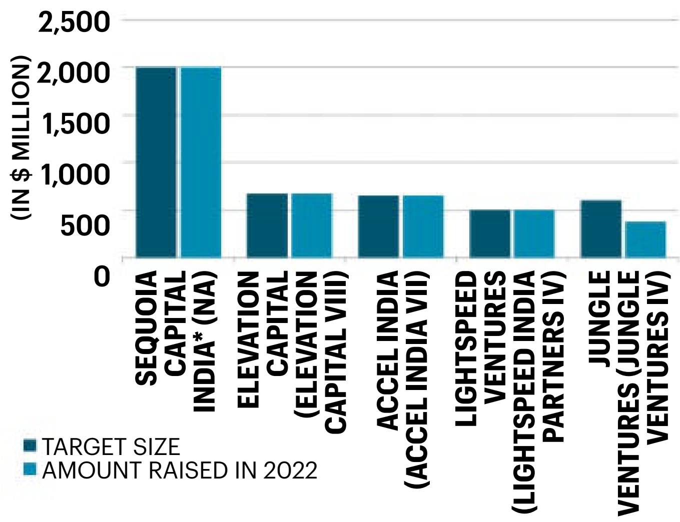
The amount raised by VC firms in India has nearly doubled since 2020...



*AS OF DECEMBER 7; #EITHER FIRST, SECOND OR FINAL CLOSE; ABOVE INFORMATION BASED ON PUBLICLY DISCLOSED DATA; **SOURCE** VENTURE INTELLIGENCE

LOCAL FLAVOUR

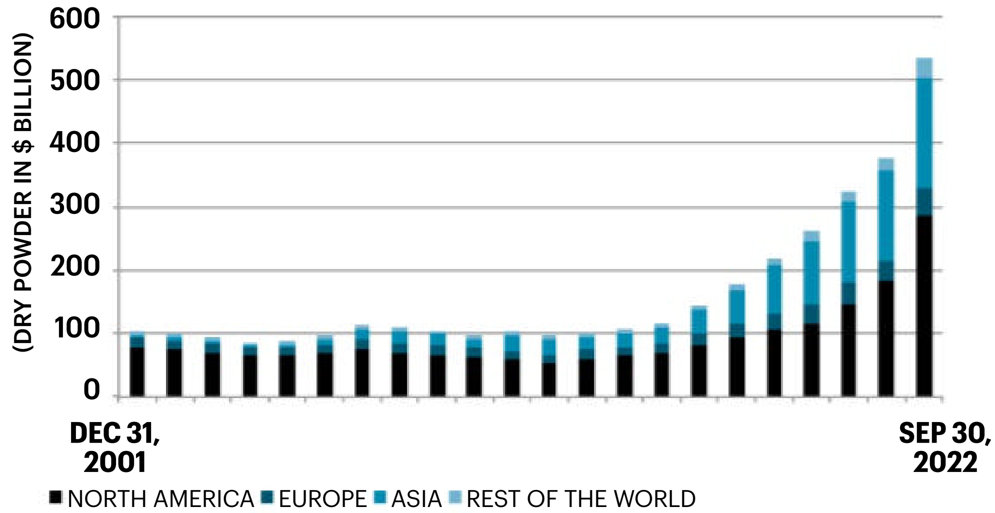
Most India-dedicated funds have raised capital in the past 18-24 months



TOP 5 VC FIRMS BY AMOUNT RAISED IN 2022
DATA AS OF DECEMBER 7
FUND NAMES ARE IN BRACKETS; NA: NOT AVAILABLE
FUND DETAILS ARE BASED ON PUBLICLY DISCLOSED DATA
SOURCE VENTURE INTELLIGENCE

...AND IT'S GLOBAL, TOO

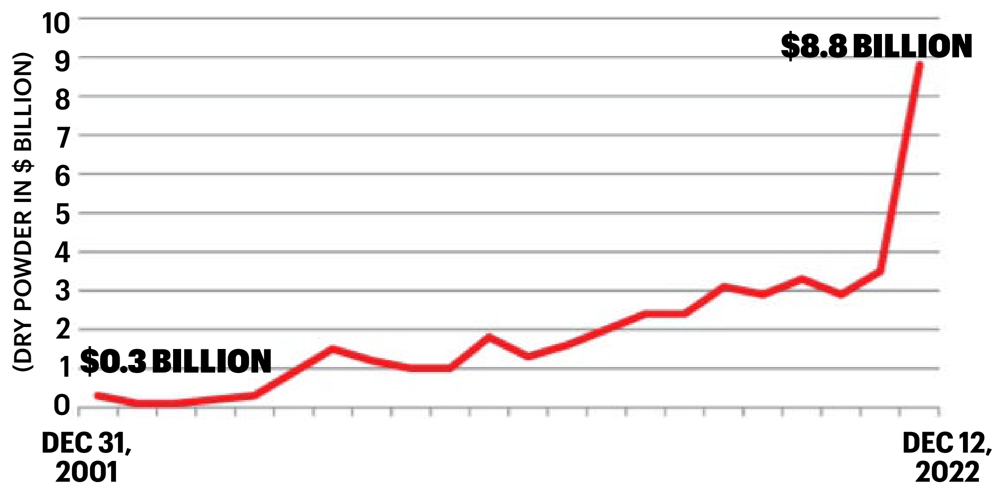
...and VC dry powder worldwide is also at an all-time high



SOURCE PREQIN PRO

GROWING TALL

India-based fund managers have witnessed a drastic growth in their cash reserves



SOURCE PREQIN PRO

GRAPHICS BY **PRABAL BISWAS**

start-ups which hope that VCs will at some point be driven to loosen their purse strings due to deployment pressure from their investors.

LPs would certainly want to avoid a 2021-like frenzy, where some VCs with five-year funds built portfolios at such a pace that they ran out of capital in two years. That also meant the necessary due-diligence had taken a back seat. Also, swift deployment and a large portfolio makes it incredibly tough for VCs to find meaningful exits in a fund's life cycle. Consequently, GPs are now taking it slow and putting off drawdowns (a GP's right to ask for the committed capital from investors) from LPs to later days.

The 2021-vintage funds that had deployed capital are now worried, as a quantum of the money had gone into start-ups at very high valuations. Now, they have to wait for a few years before some of the firms grow into their valuations. And that is reflecting in the potential internal rates of return (IRRs), a metric used by VCs to measure a fund's performance over the years.

Sasha Mirchandani, Founder and Managing Partner of Kae Capital, which recently closed its third fund with a corpus of $100 million, says the fundraising cycles have shrunk so much that GPs are going back to LPs for fresh allocation in quick succession; in some cases, under a year. It is totally unhealthy as investors aren't able to assess a fund's investments before recommitting, he adds. "Getting into companies at the right valuation and right vintage is most important for the fund's success. Even for our new fund, I would tell the investors to hold the money because we have enough in the bank. If we are not writing a cheque, our IRRs go down," he says. Even Blume's Reddy says that they don't drawdown the

“If LPs sense that you [GPs] can’t be disciplined, it will affect their confidence. And when you go for the next fund, they may or may not participate”

Karthik Reddy
MANAGING PARTNER, BLUME VENTURES; CHAIRPERSON, IVCA

“GPs are going to LPs for fresh allocation... in under a year. It is totally unhealthy as investors aren’t able to assess a fund’s investments before recommitting”

Sasha Mirchandani
FOUNDER & MANAGING PARTNER, KAE CAPITAL

“I feel in the next fundraise cycle [for VCs]—probably in the second half of the next year—we might see a lot of new, first-time LPs coming into India”

Rohan Paranjpey
MD, HEAD-ALTERNATIVE INVESTMENTS, WATERFIELD ADVISORY

committed capital fully.

LPs are also affected by global macros. With a majority of funding coming from global investors, the build-up of dry powder isn’t a secular trend. Global LPs shift allocation based on where they are getting better value and momentum. “This time, they [LPs] will observe the GPs’ behaviour as a directional trend. If they sense that LPs can’t be disciplined in this phase, it will affect their confidence. And when they go back for the next fund, they may or may not participate,” says Reddy of Blume Ventures. Between 2010 and 2022, Blume has raised four funds with total assets under management of over $600 million.

As global LPs may shift their attention to other markets and asset classes, VCs will work towards ensuring enough dry powder to last well into 2024, so that their funding cycles don’t get impacted. This can make VCs even more cautious. “Dry powder needs to get added on a regular basis. What happens in such a situation is, your exits come down and GPs are unable to return the money to LPs. So, new fundraises get affected, and newer allocations become lesser,” says Samir Sheth, Partner & Head of Deal Advisory Services at consultancy, BDO India.

BULLISH ON INDIA

Like in every cloud, there is a silver lining here, too: investors remain optimistic about India’s ability to accommodate a lot more capital. Plus, most global investors are bullish on India’s long-term prospects. Blume’s Reddy explains that the massive build-up of dry powder is a result of this confidence. “LPs are not playing for 2023-24 outcomes; they are playing for 2029, 2030 or 2032. You can’t link a long-term belief of 10-12 years to what will happen in the next 12 months,” he says.

The economic fundamentals of India seem to be holding steady compared to many other economies. Indian public markets aren’t that affected, and tech companies, too, seem to be doing well. Also, there could be an inflow of first-time foreign LPs to the Indian private market, driven by China’s

"It's a time of cautious optimism; effectively, capital deployment in a period of slowdown has usually been cautious despite dry powder build-up"

Sai Deo
PARTNER,
BAIN & COMPANY

crackdown on tech. Though the US will continue to host a bulk of the allocation for global LPs, India as a destination for investments looks a lot brighter for their emerging market and Asia allocations.

"I feel when the next fundraise cycle [for VCs] comes up, which will probably be in the second half of next year, we might see a lot of new, first-time LPs coming into India. We've seen that indication from some global LPs—who had missed India so far or who have consciously not done India—holding very positive views towards India," says Rohan Paranjpey, MD, Head-Alternative Investments, Waterfield Advisors. Waterfield manages a ₹540-crore Fund of Funds that invests in VCs as an LP and also co-invests with them.

Paranjpey adds that a lot more family offices are readying to jump into the start-up investing game as they're seeing lower valuations, moderate pace of deal closing, and more opportunities to invest or co-invest with experienced GPs.

At the same time, the risk-to-reward ratio is better in US private assets today. So, US-based VC money is likely to stay there for some time. It means GPs in India will have to dig deeper into their own pockets to play stronger. In a downturn, the dry powder will find its way to portfolio firms first before exploring newer opportunities. "Our first companies out of Fund IV, which are less than a year old, are now beginning to get up-rounds, about four or five of them. I believe in these companies and the founders. I would put more reserves of mine into those companies. You start seeing this behaviour from Sequoia downwards; everyone is going to double down on their portfolios whenever they can," says Reddy.

Some new investment patterns are also beginning to appear. VCs are leveraging their capital to write larger cheques for fewer firms. Also, secondary transactions (where a VC firm buys a start-up stake from another investor) are picking up as early investors open up to exits, even at discounts, to give returns to their LPs, while larger investors are taking this opportunity to maximise ownership in their portfolio.

At more advanced stages of funding, expectation gaps on the start-ups' valuations still prevail. Consequently, the deals have slowed down in the later stages—such as series C, D, E and beyond—where sharp corrections are required. Unless start-up boards reconcile to market realities and accept deals that may involve down/flat rounds or M&As, investors are likely to sit out. The buyer-seller expectations are gradually being corrected in series A and B stages, and transactions are beginning to pick up there. At seed stages, deal activity is about 80-90 per cent of last year; however, investors have more time for due diligence now.

LOOKING AHEAD

Experts say that most corrections will happen over the next 12 months. Firms that raised massive amounts of capital over the past 18-24 months would wait for another 12 months before hitting the market again. They will begin raising rounds at flat valuations or small premiums. The other set of firms are those running out of cash. They are expected to be a lot more active in the first half of the year. Some of these firms would readily accept down rounds to survive, while some will look for potential M&A suitors, and some may even fold up.

Sai Deo, Partner at Bain & Company, expects VCs to earmark a portion of their dry powder to ensure sufficient runway or M&A support for well-performing portfolio firms while some of that capital will be utilised for opportunistic deals across stages.

However, citing the funding downturns in 2001 and 2008—when large funds were raised, but not deployed fully due to reasons such as depth of quality assets, time taken for valuations to correct and LPs maintaining caution as realisations from prior deployments slowed down due to unattractive exits—Deo says it will be a time of cautious optimism for VCs as well as start-ups. "Effectively, capital deployment in a period of slowdown has usually been cautious despite dry powder build-up," she says. BT

@binu_t_paul

FORMULATING SUCCESS

FOLLOWING ITS DEMERGER FROM PIRAMAL ENTERPRISES, PIRAMAL PHARMA LIMITED IS CHARTING OUT AN AGGRESSIVE GROWTH STRATEGY TO EMERGE AS ANOTHER PHARMACEUTICALS GIANT

BY **NEETU CHANDRA SHARMA**

PHOTO BY **BANDEEP SINGH**

BIG PLANS Chairperson Nandini Piramal wants to put Piramal Pharma on a path of sustained growth

IT IS A new beginning for Piramal Pharma Ltd (PPL) after its demerger from parent Piramal Enterprises Ltd (PEL). After the National Company Law Tribunal (NCLT) approved the demerger on August 12, 2022, the group's pharma businesses were consolidated into PPL, which was then listed on the bourses on October 19. The responsibility of nurturing the new entity has fallen on the shoulders of Nandini Piramal, 41, daughter of industrialist Ajay Piramal, Chairman of the Piramal Group. Nandini earlier headed the OTC (over-the-counter) business of PEL, and provided assistance in areas such as setting the strategy and driving results at the group's pharma business. She also headed the HR, IT and quality functions as Executive Director of PEL.

As Chairperson of PPL, Nandini is gearing up to take the new entity on a path of sustained growth. With ₹6,559 crore in consolidated revenues in FY22, PPL manufactures pharma products in 15 global facilities with distribution spread over 100 countries. PPL includes Piramal Pharma Solutions (PPS), a contract development and manufacturing organisation (CDMO) that also provides discovery and development services; Piramal Critical Care (PCC), a complex hospital generics business; and the India consumer healthcare business that sells OTC products. Its CDMO business is among the top three in India and 13th largest globally, while the consumer and PCC businesses are also well positioned with differentiated products and business models.

Way before the demerger, Nandini decided to beef up PPL's Board with some pharma expertise. That saw the induction of Peter Stevenson, Nathalie Leitch and Sridhar Gorthi into the PPL board in July 2022. In September 2022, Vibha Paul Rishi was also brought in as a non-executive director. The objective was to maintain high governance standards for the newly listed entity, bolster business insights, and augment its organic growth and acquisition strategies, says Nandini. "Peter Stevenson is an expert in pharma manufacturing, Natalie is an expert in generic hospital products, and Rishi is a consumer goods and ESG expert. Having such a board will provide us focus," she adds.

Besides strengthening the Board and management, Nandini has big plans for the business. "When we sold the generics business, we wanted to focus on contract manufacturing, hospital generics and India consumer healthcare. In each of these, we have plans for major expansion and [organic and brownfield] growth. We are going to spend about ₹1,200 crore in the next 18-24 months on expanding existing factories," she says, adding that a lot of new products are in the pipeline.

The enthusiasm was tempered somewhat by an underwhelming performance in Q2FY23 (July-September), its first results as an independent company. It posted a net loss of ₹37 crore in Q2FY23, largely because the CDMO business was hit by macroeconomic pressures in the US and Europe and, as per the company spokesperson, also because of slower decision-making by customers. And while its Q2 revenues rose 9 per cent YoY to ₹1,720 crore, Ebitda margin fell to 13 per cent in Q2FY23 against 14 per cent in Q2FY22 (the company, however, stated in its results that the Q2FY23 figures were not comparable to those of Q2FY22 or even Q1FY23, as the Group's pharma business was a part of PEL before the demerger). Its stock has also underperformed, trading at ₹114.50 on December 23 compared to ₹201.80 on listing day.

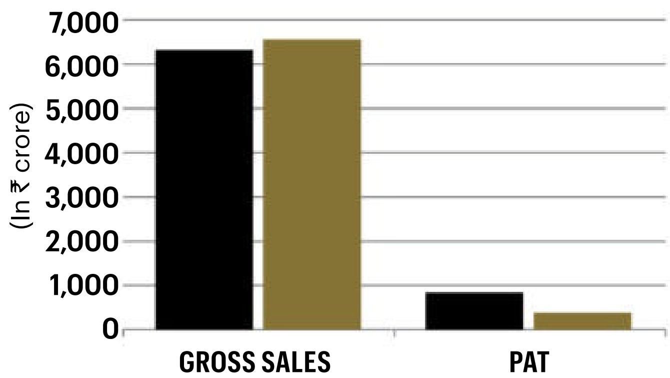
Going forward, PPL expects sales to grow at about 15 per cent YoY, and expects margins to improve. It is also exploring inorganic growth, in which it has significant experience. As part of PEL, it had successfully closed and integrated 15 acquisitions of ₹4,000 crore since 2010. They include the acquisitions of Ahmedabad-based Oxygen Bio-research (CDMO) for $13 million in February 2011; Little's baby care brand for ₹75 crore in November 2015; and Ash Stevens (CDMO, Riverview facility) for $43 million in September 2016. Revenues of these businesses have grown four times, five times and two times, respectively, since they were acquired. "We bought them for capabilities such as peptides (proteins for making drugs), or high potent pharmaceuticals. We expect them to grow much faster than the rest of the business," says Nandini. "We are always looking in the market. But valuations have to make sense for us."

With 78 per cent of its revenues coming from overseas in FY22, Piramal Pharma's biggest overseas market is the US, followed by Europe (excluding the UK) and Japan."These are the largest markets in the world. You have to be where the customer is," says Nandini.

As a CDMO, Piramal Pharma has about $56 million of on-patent products comprising 19 molecules. Another 34 molecules are in the pipeline and Nandini expects

MONEY FLOWS

Piramal Pharma's sales have gone up in FY22, but profit has fallen



FIGURES ARE ON A CONSOLIDATED BASIS
PAT IS PROFIT AFTER TAX; **SOURCE** ACE EQUITY

COMPETITIVE LANDSCAPE

Major competitors of Piramal Pharma in various segments

CONTRACT DEVELOPMENT AND MANUFACTURING ORGANISATION (CDMO)

INTERNATIONAL COMPANIES

- Lonza
- Catalent
- WuXi Biologics

INDIAN COMPANIES

- Divi's Laboratories
- Laurus Labs
- Gland Pharma
- Syngene International
- Jubilant Pharmova

COMPLEX HOSPITAL GENERICS

- Baxter
- AbbVie
- Hikma Pharmaceuticals
- Daiichi Sankyo

INDIAN CONSUMER HEALTHCARE

- Emami
- Bajaj Consumer Care
- Dabur

about half of them to succeed. "This will increase our number of on-patent molecules. And when it's on-patent, and just launched, volumes grow. That is the kind of sweet spot we want to be in," she says.

APART FROM FOCUSSING intensely on the CDMO business, which comprised 59 per cent of its revenues in FY22, Piramal Pharma is also gearing up to make big dents in the hospital generics and consumer healthcare products businesses. Its hospital generics business was badly hit during Covid-19, when it had no sales for a few months during the first lockdown. "In hospital generics, our biggest product is anaesthesia. And during Covid-19, people were not using anaesthesia. But now, after two or three years, the world is coming back to normalcy," says Nandini.

In consumer healthcare (OTC), too—which has grown from ₹127 crore in FY11 to ₹741 crore in FY22 at a CAGR of 17 per cent—PPL is among the leading players in India with brands such as Saridon (manufacturing and distribution), Little's, Lacto Calamine, Tetmosol, etc. "We have learnt how to do the business. We have got offline distribution. We go to all the chemists in every town with a population of about 200,000. We have... set up the infrastructure for both online and modern trade," says Nandini.

With quite a bit going for it, analysts are bullish on the firm. "We remain positive on Piramal Pharma considering the growing requirement for development services, especially with complex regulatory processes for newer drugs, high entry barriers, limited competition for complex hospital generics (that provides sustainable long-term growth), and the rising contribution from the fast-growing consumer segment," says Vinay Bafna, Research Analyst at ICICI Securities.

It is early days yet for PPL, especially in the pharmaceuticals industry, where its revenues of ₹6,559 crore is a far cry from top dog Sun Pharma's consolidated revenues of ₹38,426.42 crore in FY22 (albeit their businesses are different). Nandini Piramal would need to leverage all her experience, Board expertise, product strength and M&A smarts to put Piramal Pharma on a high growth trajectory. BT

@neetu_csharma

ILLUSTRATION BY **RAJ VERMA**

A NEW PLATTER

TRADITIONAL FULL-SERVICE BROKERS ARE QUICKLY DIVERSIFYING TO **OFFER A BOUQUET OF FINANCIAL SERVICES** TO ADDRESS THE DECLINE IN BROKING INCOME AND NEW PLAYERS AND INVESTORS ENTERING THE MARKET

BY **ASHISH RUKHAIYAR**

THE PAST FEW years have seen the Indian stock market attract new retail investors in hordes. For instance, nearly 2 million accounts were added just in the month of November 2022, as per data from markets regulator, the Securities and Exchange Board of India (Sebi). While that is music to the ears of brokerages, it is difficult to satisfy new-age investors, many of who want a single app for all their financial needs.

Brokerages, big and small, have cottoned on to this trend. While newer brokerages entice new investors with zero brokerage fees, the traditional, full-service brokerages—which offer trading facilities along with other value-added services like research and distribution—are aiming to become one-stop financial services platforms wherein one can not only trade in the markets but also get loans, invest in mutual funds and fixed deposits, look at retirement planning or buy insurance products, among other things.

There is, of course, another reason why the big, traditional brokerages are taking this route. Let's look at a few numbers: Did you know that there are more than 1,300 registered brokerages in India, per Sebi, that offer investors a platform to trade in the stock market? A second set of data—again from Sebi—shows that the top 10 broking firms account for nearly half of the trading turnover. In terms of trading volumes, the top

10 account for 38.7 per cent and 56 per cent on NSE and BSE, respectively. This effectively means that only a fraction of the others have a meaningful identity. And while traditional full-service brokerages do figure among the top 15-20 players, the new-age entrants—mostly the discount broking entities—have the most active users (see *Bargain Bounty*).

While all well-known older players have gone digital, they have realised that pure-play broking activity will not sustain them in the long term. Hence, they are restructuring themselves to adapt to the new normal wherein broking charges are at zero, and they offer a bunch of financial services. Value-added services, including advisory and research related to stock market investment and also overall financial planning or wealth management, have become the mantra for most of the traditional, but fully digital, brokerages.

While names like ICICI Securities, IIFL, Motilal Oswal Financial Services, Axis Securities and HDFC Securities still figure among the top 10 players in terms of the number of active clients, almost all have seen the share of their broking income—as a proportion of their overall income—dip over the years with the other segments steadily enhancing their share of the total pie.

SHRINKING PIE

"In absolute terms, our brokerage revenues have grown substantially. But on the total revenue pie, the share of broking revenue has been gradually coming down since we have built a strong focus on the distribution business and also offer margin trade financing," says Ajay Menon, MD & CEO of Broking & Distribution at Motilal Oswal Financial Services.

For the domestic major, the share of non-broking revenue has increased from 20 per cent in FY13 to 30 per cent in FY18, while in H1FY23 it was about 40 per cent. "We believe that acquiring quality revenue-generating clients and providing strong value-added services will be key to profitable and sustainable growth going ahead," says Menon.

Similarly, for ICICI Securities, which was once the largest brokerage in terms of the number of active clients, the share of broking revenue has dipped to less than 40 per cent from more than 58 per cent in 2020-21. Interestingly, it was a conscious effort on the part of the broking firm backed by ICICI Bank. "The competition was also telling us that we cannot continue to be what we were and we had to change. In this context, we began our transformation," says Vijay Chandok, MD & CEO of ICICI Securities. "Rather than just providing equity services, we decided to focus on three zones of opportunities: savings, investments and wealth management; distribution of protection services (health and life assets); and borrowings (all kinds of loans, credit cards, etc.)"

Incidentally, ICICI Securities was among the first players in the broking arena to embrace technology decades ago and offer its customers a digital trading platform through its website. So, while one could say that it was easier for it to adapt to the new normal, others have also embarked on the transformation journey in a steady manner.

Take Axis Securities, for instance. As much as 70 per cent of its top line comes from the broking business even as it attempts to change the mix by improving its suite of products. "We want our products to have a bigger pie in revenues, supplementing the pure brokerage transaction fees," says B. Gopkumar, MD & CEO of Axis Securities. "We see offering quality products as the way forward for brokerage houses seeking to boost their income. As a full-service brokerage, we want to provide our customers with an array of investment options they can select from based on their risk profile."

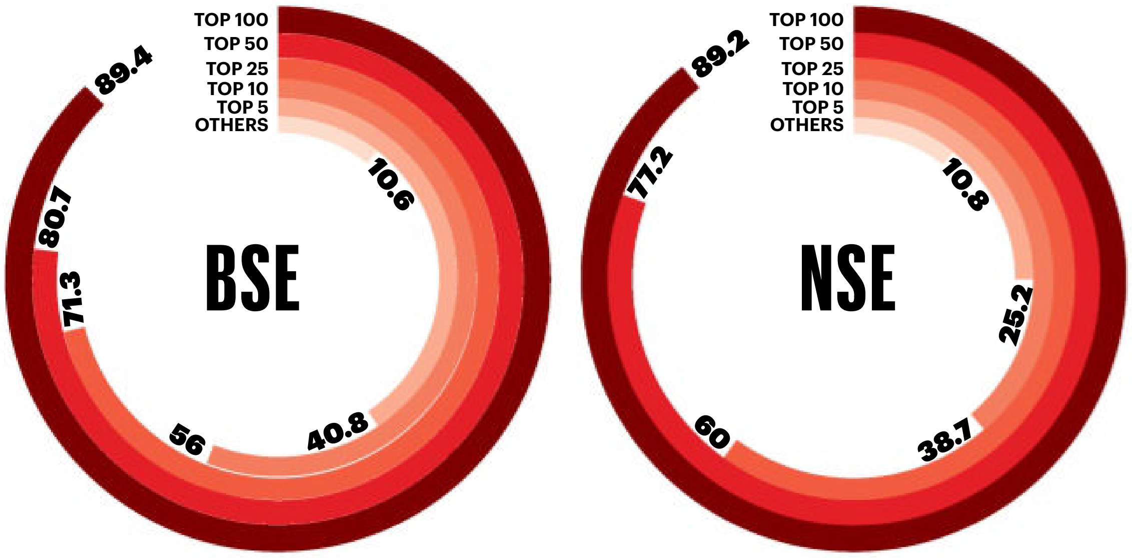
For IIFL Securities, the share of broking revenue has been between 42 per cent and 49 per cent during the past five years even as it continues to focus on offering bespoke services and a diversified product suite, along with quality research. "While discount broking is a

CHANGING FOCUS

- **Full-service broking firms are aiming to become one-stop financial services platforms**
- **They are betting big on distribution services for investments, savings, wealth management, etc.**
- **Their share of broking income is dipping due to the entry of aggressive discount players**
- **A key focus area for these firms is value-added services related to research and advisory**

THE BIG BROKERAGE CLUB

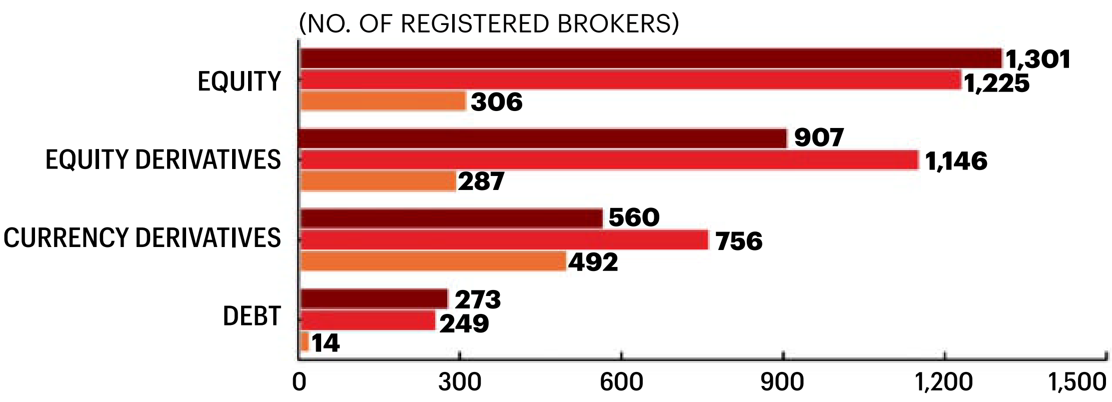
THE TOP FEW BROKERAGES OF BSE AND NSE ACCOUNT FOR A BULK OF THEIR TRADING VOLUMES



FIGURES ARE SHARE OF REGISTERED BROKERS IN TOTAL TRADING VOLUME IN PER CENT
DATA AS OF NOVEMBER 30; **SOURCE** SEBI

SHARE POWER

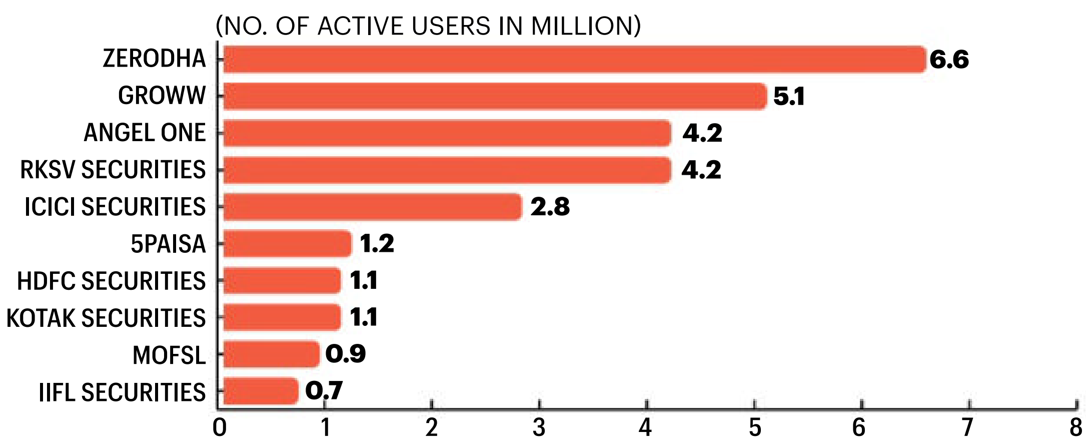
THE EQUITY SEGMENT HAS THE HIGHEST NUMBER OF BROKERS



● **BSE** ● **NSE** ● **METROPOLITAN STOCK EXCHANGE OF INDIA (MSEI)**
DATA AS OF NOVEMBER 30, 2022; NOTE: THE NUMBERS ABOVE ARE OVERLAPPING BECAUSE BROKERS ARE REGISTERED FOR MULTIPLE SEGMENTS **SOURCE** SEBI

BARGAIN BOUNTY

START-UP BROKERAGES OFFERING DISCOUNTED BROKING HAVE STOLEN A MARCH OVER TRADITIONAL BROKERAGES



*DATA AS OF NOVEMBER 30, 2022; TOP 10 BROKERAGES IN TERMS OF NUMBER OF ACTIVE CLIENTS; MOFSL: MOTILAL OSWAL FINANCIAL SERVICES LTD; NUMBERS HAVE BEEN ROUNDED OFF; **SOURCE** NSE

good place to begin one's investing journey, for wealth creation and preservation, investors turn to full-service broking and advisory firms," says R. Venkataraman, Chairman of IIFL Securities. For long-term sustainable wealth creation, investors are happy to pay a small advisory fee, he adds.

PRICING POWER

Fee-based income from segments like distribution, loans and advisory is the most common form of diversification that brokerages are looking at as they believe that there is enough demand for such services especially at a time when the markets are seeing a steady inflow of new investors. "There are various ways for brokerages to diversify and boost their income. This could be through building various distribution businesses like mutual funds, debt instruments, insurance, NPS (National Pension System) and other such products that can help customers in their financial journey," says Ashish Rathi, Whole-time Director at HDFC Securities.

For ICICI Securities, distribution accounted for around 18 per cent of the revenue in Q2FY23 and the brokerage is eyeing a much larger proportion in the times to come. Meanwhile, Gopkumar of Axis Securities believes that compared to discount broking firms, traditional brokerages are in a much better position to charge customers a fee given their expertise and array of offerings. "As a full-service brokerage house, we are in a sweet spot, given that retail investors currently require handholding due to low financial literacy and penetration levels in India. With most standalone brokers building capabilities around customer education and offering the right investment products, they will always have an advantage over discount brokers," he says.

GRAPHICS BY **RAHUL SHARMA**

This assumes significance since as per Sebi data, depositories NSDL and CDSL cumulatively added 1.8 million demat accounts in November 2022, bringing the total number of demat accounts to 29.9 million at NSDL and 76.2 million at CDSL. One also needs to take into account the concentration factor as the share of the top five broking firms in trading volumes in the current financial year till November was pegged at 40.8 per cent on BSE and 25.2 per cent on NSE. Further, the share of the top 25 and 50 brokers was pegged at 71.3 per cent and 80.7 per cent, respectively, on BSE; and 60 per cent and 77.2 per cent, respectively, on NSE. Simply put, the standalone brokerage firms do have a loyal and sticky set of customers with a vast majority of those even ready to pay for good quality research and advisory.

IIFL Securities' Venkataraman believes that "mature investors seeking advice to generate alpha or create long-term wealth will not mind spending for services with a full-service broker or wealth manager... We at IIFL will continue to focus on full-service broking and advisory services for the mass affluent segment".

A POSITIVE FUTURE

Chandok of ICICI Securities has a positive outlook and believes that structurally, the broking industry is in a great position. "The demographic is young and they are all digital natives. Plus, their savings are more likely to go towards financial assets, compared to their slightly older counterparts who preferred physical assets like gold and real estate. Then there is India's growth story playing out. For the next five years, the structural undertone is very constructive," he says.

Incidentally, all full-service brokerages are betting big on the 'financialisation' quotient and hence their apps currently offer everything related to investing—equity, debt, mutual funds, bank deposits, insurance, retirement, loans—and are not merely platforms to buy or sell stocks.

"We decided that we will pivot to become a more holistic provider of services in the overall Indian financial services space... The endeavour is to become a marketplace of financial products"

VIJAY CHANDOK
MD & CEO,
ICICI SECURITIES

"Mature investors seeking advice to generate alpha or create long-term wealth will not mind spending for services with a full-service broker... we at IIFL will continue to focus on full-service broking"

R. VENKATARAMAN
CHAIRMAN,
IIFL SECURITIES

1,300+
NUMBER OF REGISTERED BROKERAGES IN INDIA, ACCORDING TO SEBI

Experts also believe that while many new investors will start their investing journey with the discount players due to the low cost of trading, a large chunk will migrate to the full-service ones for value-added services. "As the Indian economy is growing rapidly, more investors and mass affluent clients will seek advisory and there is enough space for full-service brokers going ahead, while discount brokers will also have enough space to introduce investing and trading to new investors," says Venkataraman.

But full-service players will have to be mindful of the fact that their discount counterparts are also looking at different models to generate a steady income flow and value-added services can also be offered in an unbundled manner—pay if you use. With both kinds of brokerages set to co-exist in the broking space, the healthy but aggressive competition can only be good for investors. BT

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| HEALTHCARE **START-UPS** |

CHANGE THE GAME

PREVENTIVE HEALTHCARE START-UPS ARE SPREADING A TRANSFORMATIONAL MESSAGE—FITNESS, GOOD HEALTH AND LIFESTYLE CHOICES CAN LEAD TO LESS ILLNESS. AND CONSUMERS ARE LAPPING IT UP, CREATING A TREND THAT COULD ALTER INDIA'S HEALTHCARE TRAJECTORY

BY **NEETU CHANDRA SHARMA**

P

"PREVENTION IS BETTER than cure." In the 16th century, Dutch philosopher Desiderius Erasmus coined the immortal phrase that today manifests the business model of a spurt of start-ups focussed on preventive healthcare. The core message: stay fit, eat healthy, live healthy, and show diseases the door, especially non-communicable diseases (NCDs) such as cardiovascular diseases (heart attack, stroke), chronic respiratory diseases (lung cancer, cystic fibrosis), diabetes, etc. If you have a consistently unhealthy diet, don't exercise, or you smoke or drink, you are at greater risk of attracting these diseases, big killers all.

What should you do? Well, you would know that answer. But what you may not know is: the right food to eat, right exercise for you, right lifestyle habits. A burgeoning segment of the population wants to know these facts, and act on them, forming a community of sorts that has become a big market for business. And start-ups such as Cult.fit, HealthifyMe, Fitterfly, Pristyn Care and Mfine, among many others, are jumping in with an array of experts from fitness maestros to dieticians and gadgets such as fitness trackers and health-monitoring devices to help you do what is right for you. Backed by big money from venture capitalists and snazzy tech-led platforms, these start-ups offer a multitude of solutions that are pumped up through cool marketing campaigns.

Experts believe that such preventive healthcare start-ups have the potential to mitigate India's burden of NCDs with their innovations and technology-led solutions. "Preventive healthtech start-ups can certainly play a role in mitigating the disease burden in the country," says Dr Anoop Misra, Chairman of Fortis-C-DOC hospital in Delhi. "Patients are also more aware about their health and are using several app-based services to monitor their basic health parameters."

You get an idea of just how big the 'burden' is when you see the stats: NCDs' contribution to all deaths in India shot up to 61.8 per cent in 2016 from 37.9 per cent in 1990, according to a study by the Indian Council of Medical Research (ICMR). That has increased to 70 per cent in 2022, as per independent data platform Statista.

"The burden of chronic diseases has been rising steadily in the country and patients are also more aware that untreated diabetes, hypertension, chronic obstructive pulmonary disease (an inflammatory lung disease), etc. can be very risky," says Dr Hema Venkataraman, Medical Advisor-New Offerings at Practo, an online doctor consultation app. "The curative healthcare market is going to struggle to keep up with the rise of chronic diseases. So, turning to preventive healthcare is inevitable and the need of the hour."

Ironically, it was a communicable disease—Covid-19—that set this trend afire. The two years and more of the pandemic taught all of us the need to look after ourselves through healthy lifestyles and food habits. "Covid-19 presented an unprecedented fillip to the healthcare revolution

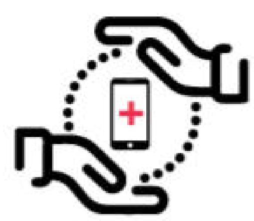
THE WARM-UP

▶ The overall domestic preventive healthcare market was estimated to be around $93 billion in 2021

▶ The preventive healthcare market is expected to reach $197 billion by 2025, growing at an annualised rate of 22 per cent

▶ Global mobility, rising education and income levels, the availability of internet and tech-led innovations are some of the key growth drivers for healthcare start-ups

▶ Healthtech start-ups are tapping into the preventive health opportunity across segments such as nutrition management, lifestyle monitoring, health check-ups, and mental and physical wellness



▶ Government support is another growth driver. In 2021, it had said it would launch an incentive scheme to support 75 start-ups in the areas of telemedicine, digital health and AI

THE STRAIN

▶ Curative healthcare spending constituted around 64 per cent of the total spend (private + government) on healthcare in 2021

▶ Government spends constituted only about 15 per cent of the total spend on curative healthcare

▶ Consequently, an individual Indian has to spend 85 per cent on curative healthcare

THE NEW BOOM

▶ A majority of the funding has been directed towards preventive healthcare start-ups

▶ The pandemic boosted digital transformation in India, resulting in more than 6x growth in healthcare start-up funding between 2020 and 2021

SOURCE REDSEER

THE ENDEAVOURS

▶ **Lifestyle monitoring apps:** GOQii, Boltt, Fitbit, HealthifyMe, etc.

▶ **Physical wellness apps:** Cult.fit, Fitternity, Fittr, etc.

▶ **Mental and social wellness apps:** Meditate, Wysa, etc.

▶ **Corporate wellness apps:** Welltok, MyFitnessPal, etc.

with people realising the priceless nature of good health and well-being," says Jitin Bhasin, Founder and CEO of SaveIN, a fintech platform for healthcare providers. "At the same time, India is home to over 900 million mobile devices, the cheapest internet in the world, and class-leading data pools, generating a powerful technology-led revolution in preventive healthcare." As Bhasin further points out, enhanced awareness, rising education levels, higher incomes and technology exposure are making Indians willing to spend more on preventive healthcare.

These factors are shifting the nature of cure in India from curative (treatment after falling ill) to preventive (pre-empting illnesses) through early diagnostics, consultations, fitness solutions, fitness gadgets and much else.

According to a joint report by RedSeer Strategy Consultants, Chiratae Ventures and Amazon Web Services (AWS), the Indian preventive healthcare market is expected to double in size from $93 billion in 2021 to $197 billion by 2025, at a CAGR of 22 per cent. Comparatively, the curative healthcare segment, which constituted 64 per cent of the total healthcare spends in India in 2021-22, is growing at 15 per cent.

Such numbers underline the scope of the preventive healthcare market in India in the coming years. Not surprisingly, several start-ups have emerged to cater to this segment—offering solutions from lifestyle monitoring through technology, to disease management to wellness and nutrition. "Over 65 per cent of India is under 35 years of age, offering a total addressable market of one billion people, and this segment is best suited for preventive healthcare products and services," says Bhasin of SaveIN.

MANAN CHANDAN, Senior Director-New Initiatives at HealthifyMe, says there has been growing demand for the company's preventive medical plans amongst Indians who have developed lifestyle conditions after the outbreak of Covid-19. "[The demand] has been accelerated by the pandemic as people have understood the elevated risks of having conditions like obesity, diabetes, etc. Governments across the world are also creating pathways for early interventions because chronic disease burden has a significant economic impact," says Chandan.

The rapid pace of adoption of wearable devices such as fitness trackers and smartwatches is also contributing to this trend. Fitness technology start-ups such as GOQii are driving growth in preventive healthcare by unlocking the power of consumers' health and lifestyle data. Next step: a health Metaverse, which is likely to transform digital health into an immersive space, says Vishal Gondal, Founder & CEO of GOQii: "Health Metaverse will empower players in the virtual as well as the physical world. This will be done by providing tokens or rewards for adopting a healthy lifestyle."

Apart from gadgets, powering the shift towards preventive healthcare are technologies such as cloud computing. The start-ups are leveraging cloud computing to build and scale their applications, which generate, digitise and analyse vast amounts of health data using advanced technologies such as internet of things (IoT), data analytics, artificial intelligence (AI) and machine learning (ML). The RedSeer report says that over 30 per cent of the top 40 funded preventive healthtech start-ups leverage AI/ML for use cases such as medical image analysis, document extraction, chatbots, personalisation, and health risk prediction.

For example, HealthifyMe's latest offering, HealthifyPro, predicts glucose values without using a physical device. Instead, it leverages Amazon SageMaker, a cloud ML platform, which helps build, train and deploy ML models for any use case with fully managed infrastructure, tools, and workflows. HealthifyPro also uses other AWS services such as Amazon OpenSearch, Amazon Elastic Container Service and Amazon RDS to deliver superior health outcomes.

"The curative healthcare market is going to struggle to keep up with the rise of chronic diseases. So, turning to preventive healthcare is inevitable and the need of the hour"

Dr Hema Venkataraman
MEDICAL ADVISOR-NEW OFFERINGS, PRACTO

"Healthtech start-ups can certainly play a role in mitigating the disease burden in the country"

Dr Anoop Misra
CHAIRMAN, FORTIS-C-DOC HOSPITAL, NEW DELHI

"We work closely with many founders to provide healthtech start-ups the technology foundation they need to bring their vision to life," says Kumara Raghavan, Head–AWS Startups India at Amazon Internet Services. "Healthtech start-ups are tapping into the preventive health opportunity across segments such as nutrition management, condition management, lifestyle monitoring, health check-ups, as well as mental and physical wellness."

Digital technology is also helping diagnostics start-ups attract customers for early, preventive health check-ups. "Early detection and screening technologies make up a sizeable portion of preventive healthcare," says Dheeraj Jain, Founder of Redcliffe Labs, an omnichannel diagnostics chain. "Due to the precision and accessibility of cutting-edge diagnostic procedures, this market segment has attracted the greatest share. On this front, the preventive healthcare market is a lucrative option for expansion."

Not surprisingly, venture capital is rushing in to fund preventive healthtech start-ups. For instance, Chiratae Ventures, a tech VC firm, has invested over $110 million across 18 start-ups, including Cult.fit, HealthifyMe, Redcliffe Labs, Smiles.ai and several others. Overall, funding in healthtech start-ups has risen a whopping 432 per cent to $2.9 billion in 2021 from $543.4 million in 2020, as per data from Tracxn. Such start-ups have raised $1.3 billion so far in 2022. "The growing concern over the next Covid wave, which has already begun spreading globally, will increase the user base of such start-ups in the coming months," says Neha Singh, Co-founder of Tracxn.

That is probably a good thing. As the start-ups increase their reach, and the scale of their preventive outcomes rises over time, they might actually help reduce the burden of chronic diseases in the country. BT

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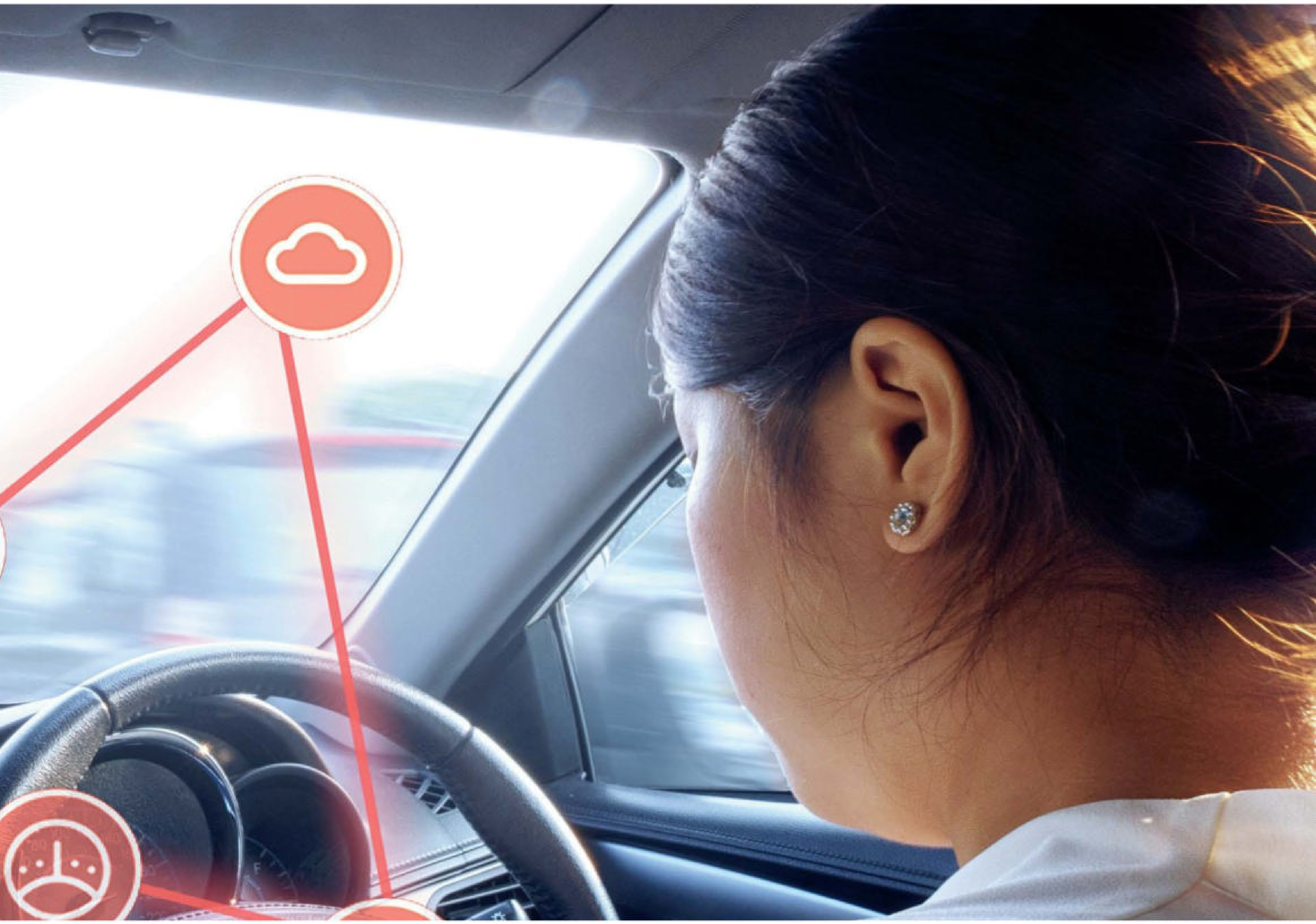

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SMALL FILMS,

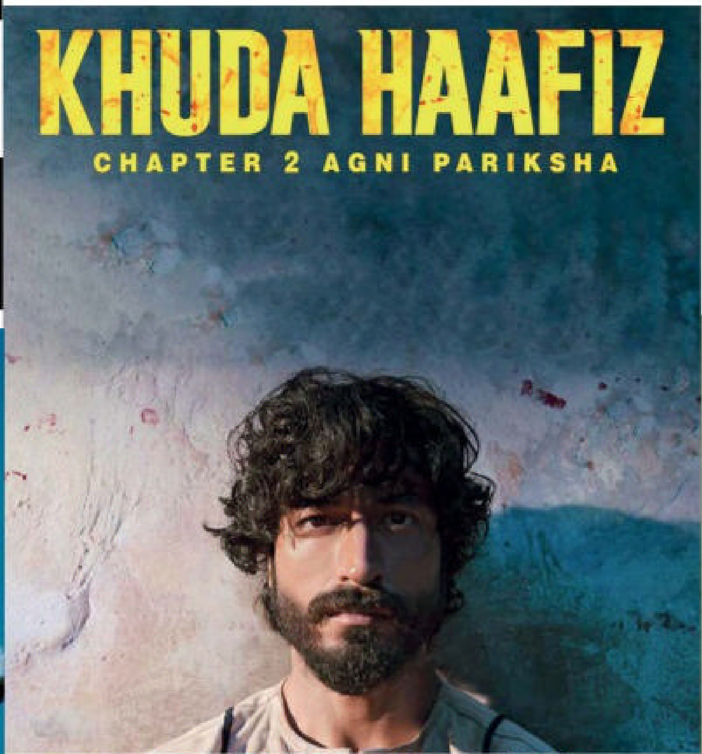
WITH THEATRICAL RELEASES BEING EXPENSIVE AND AUDIENCES NOT SHOWING UP HINDI FILMS ARE IN CRISIS EVEN AS OTTs LOOK AT BOX-OFFICE PERFORMANCE TO

SCREEN PLAY

1 **Movies in the small- and mid-budget category are seen as not requiring appointment viewing, and can be watched at home on OTTs, whereas tent-pole films compel the audience to visit theatres**

BIG CRISIS

FOR NON TENT-POLE MOVIES, THE SMALL- AND MEDIUM-BUDGET AFFIX THEIR DIGITAL RIGHTS PRICE TAGS BY **VIDYA S.**



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Apart from OTTs and linear TV, low-budget films also have to compete with an overload of content in the form of films from other languages, sports, events, concerts and plays

2

India has a 30 per cent OTT penetration (423.8 million OTT users), according to consultancy firm Ormax Media. Linear TV, still a vibrant content source, has over 600 million viewers

4

Theatrical releases are expensive for low-budget films made on less than ₹50 crore. Irrespective of the film's scale, at least ₹5-10 crore is required for print and advertising (P&A) costs, which is a major drag for films made with just ₹20-30 crore

WHAT COULD POSSIBLY unite a hassled young woman dealing with her hypochondriac father's gastric woes, a flight attendant fending off terrorists mid-air, and a dysfunctional family gathering for the patriarch's birthday? Only the fact that they were hit Bollywood films made on a budget of around ₹30 crore.

Think *Piku*, *Neerja* and *Kapoor & Sons*—a category of films that made bona fide stars out of the likes of Ayushmann Khurrana, Rajkummar Rao and Taapsee Pannu, and became calling cards for filmmakers such as Shoojit Sircar, Gauri Shinde and Shakun Batra. But today, the small- and medium-budget Hindi film segment is in a crisis.

"Now, a producer cannot greenlight medium-budget films that used to do ₹70-80 crore business at the theatres. They are not getting made," says Shibasish Sarkar, Chairman and CEO of International Media Acquisition Corp. (IMAC), an acquisition company focussed on the media & entertainment industry. The former Reliance Entertainment CEO says that top Bollywood producers are not putting money into them, because the audience is not coming to watch them at the theatres. And OTT platforms—that emerged as a messiah for these movies during the pandemic by becoming their primary source of revenue and audience—are not buying them anymore without a theatrical release first. "It is a crisis now [for small films]. Given their reception [at the theatres], especially when OTTs are not willing to take them, it's going to be harder. For some time, at least, you'll see a regression," says the head of a film production company requesting anonymity.

At a time when a string of Hindi films, big and small, have been tanking at the box office, this category of films has suffered badly. Used to making ₹60-70 crore at the box-office earlier, their collections have halved now, barring a few like *The Kashmir Files*. "It is harder to bet on a smaller film than a bigger film because the latter has more avenues to pre-sell satellite and digital rights before a theatrical release," says Pankaj Jaisingh, CEO (Distribution Business) of UFO Moviez. Agrees Ashish Kanakia, CEO of MovieMax Cinemas. "The mid-budget producers will have to rethink their entire game. They cannot expect ₹70-80 crore revenue at the theatres [now]," he says.

SMALLER THOUGH IN budget, small- and mid-budget films account for a large majority of the 1,000-odd movies released in India in a year, across languages. Only about a dozen are the big spectacle movies such as *RRR*, the *KGF* films or *Brahmãstra Part One: Shiva*. "The entire reliance is on the big-budget Hindi films to draw the audience. That's a problem. The core problem is content and content consistency," says Karan Taurani, Senior VP and Research Analyst at Elara Capital. More than nine months after reopening fully, theatres and multiplex chains say they have seen 70-80 per cent recovery in footfalls compared to pre-Covid-19 levels. "We are back to 85-90 per cent [occupancy] of 2019 levels. October and November have been very good for us," says Alok Tandon, CEO of INOX Leisure. A closer look at the footfall numbers of listed chains PVR and INOX shows a spike in Q1FY23 when films such as *RRR* and *KGF: Chapter 2* came out, but Q2FY23 was again a dampener when no big films were released. IMAC's Sarkar sees this as a reflection of the audience being choosy about which films to watch at home and which ones at the theatres. Hollywood began facing this problem five-six years ago; India is just catching up, and Covid-19 has just hastened the process, he adds. "*Goodbye* got so much acknowledgement when it came on OTT but people didn't turn up at the theatres."

If OTTs are largely an urban phenomenon in India, can they really dent the prospects of a theatrical release? The executive who requested anonymity, says the small-budget films traditionally didn't make it to the theatres in smaller cities and towns anyway. "Generally, the bigger the star, bigger the budget, and a higher likelihood of the star having a value that would take the film into deeper pockets." Besides, Taurani points out, OTTs are really getting out there in terms of penetration. "India has 150 million households with TVs, which is around 600 million viewers. OTT or video content has more than 400 million viewers." But Devang Sampat, CEO of Mexican multiplex chain Cinepolis's Indian arm, sees OTTs not as competition but as an ally. "People don't come for a star's movie anymore. *Kantara* was not driven by

“For the big films, pre-sale is happening, which is very difficult for the small films. There is no buyer for these films and you can’t blame the producer for not taking a punt on them”

SHIBASHISH SARKAR
CEO & CHAIRMAN, IMAC

“We experimented with ₹160-tickets across the country. Even at a lower price, people didn’t go. Ticket pricing is not a deterrent. It’s really about the content now”

SANJEEV KUMAR BIJLI
JOINT MANAGING DIRECTOR, PVR

“If we feel it [a small movie] can become a blockbuster, we price it high. If we feel it is average, we price it accordingly. We are back to 85-90 per cent [occupancy] of 2019 levels”

ALOK TANDON
CEO, INOX LEISURE

“We encourage producers to take their film to the theatres first, and then to OTTs. It shows us the producer has confidence in the content. Also, it helps the overall marketing of films”

AJIT THAKUR
CEO, AHA

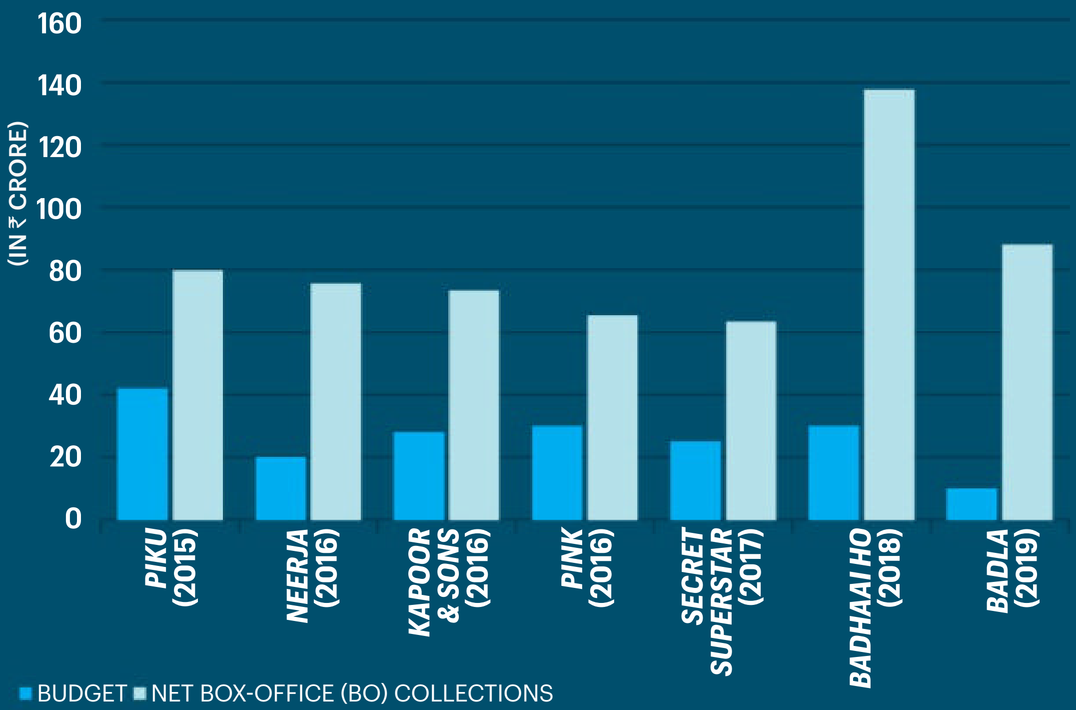
star power but by the story. That appreciation for a story is thanks to OTTs, where people started consuming more content.”

Experts see the reason for the smaller films not faring well at the theatres as being multi-pronged—a post-pandemic discerning audience that is now accustomed to international content; Hindi content that has not kept pace with the changing times; a four-week window for theatrical films to premiere on OTTs; and the barrage of content available across the 40-odd video OTT apps, linear TV, sports, events, etc. With so much going on, the smaller films are considered suitable for viewing only on OTTs. To draw the audience to the theatres, Hindi movies have to be really good, consistently, which is not happening now, they say.

RELEASING A FILM in theatres is also an expensive affair. The executive quoted above says most films set aside ₹5-10 crore for print and advertising (P&A) costs. Add to it marketing costs, and non-production costs can account for around 25 per cent of a ₹25-30-crore film’s budget. How can a smaller film made on a ₹5-10-crore budget even compete, the stakeholders ask. “Whereas OTTs pay you an assured amount; there are no marketing expenses for the producer. That’s why OTTs are saying, go to the theatres first,” says Jaisingh of UFO Moviez. OTTs are now insisting on a theatrical release of a movie before picking up its digital rights. Hindi films such as *Gehraaiyaan*, *Freddy*, *Cuttputlli*, etc., that went straight to OTTs in 2022 even after theatres had reopened, were mostly pandemic commitments, industry insiders say. “We encourage our producers to take their film to the theatres first, and then to OTTs.

HUMBLE BUT NIMBLE

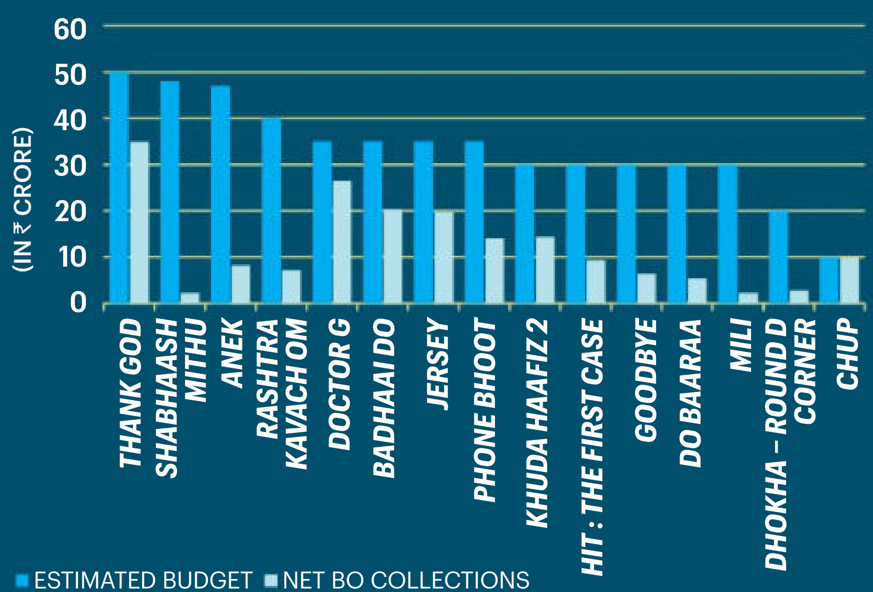
Before the pandemic, medium-budget Bollywood hits used to make good money at the domestic box office



RELEASE YEARS IN BRACKETS; BUDGET DATA FROM TRADE PORTALS; BO COLLECTIONS FROM BOLLYWOOD HUNGAMA

LOSING THEIR ALLURE

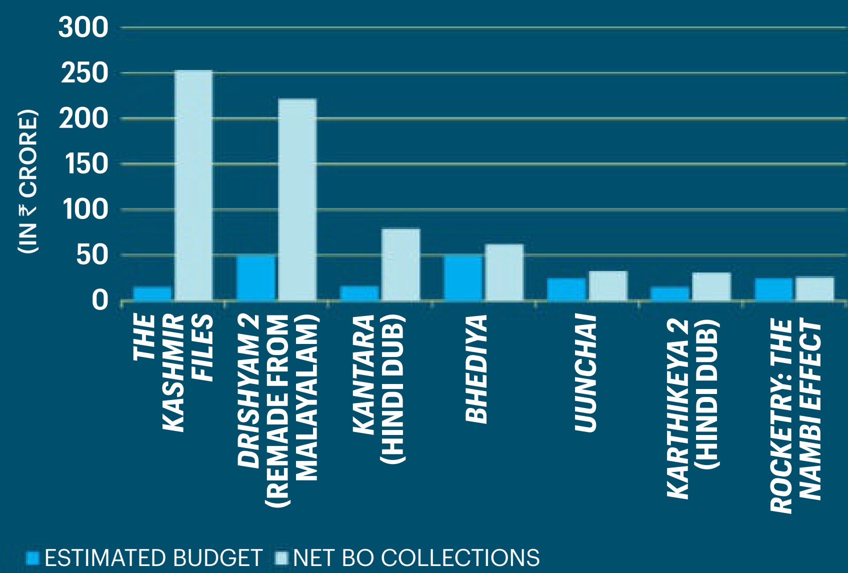
Most small- and medium-budget movies released post-pandemic have lost money at the box office



NOTE SOME OF THE SMALL- AND MEDIUM-BUDGET FLOP HINDI MOVIES IN 2022; LIST NOT EXHAUSTIVE; BUDGET DATA FROM TRADE PORTALS; BO COLLECTIONS FROM BOLLYWOOD HUNGAMA

SOLITARY GEMS

However, some small- and medium-budget movies have done better than expected



NOTE BUDGET ESTIMATES FOR *KANTARA* (KANNADA ORIGINAL) AND FOR *KARTHIKEYA 2* (TELUGU ORIGINAL); BUDGET DATA FROM TRADE PORTALS; BO COLLECTIONS FROM BOLLYWOOD HUNGAMA

It shows us the producer has confidence in the content. Also, it helps the overall marketing of a film," says Ajit Thakur, CEO of Tamil and Telugu OTT platform aha. For OTTs, it makes sense to pick up the so-called "sure-shot" films to ensure a good return on investment. These films have already done business at the box office and don't require marketing spends because viewers would know about them. Netflix, for instance, has been picking up the rights of most of the theatrical hits across Tamil, Telugu and Hindi, including blockbuster *RRR* in Hindi.

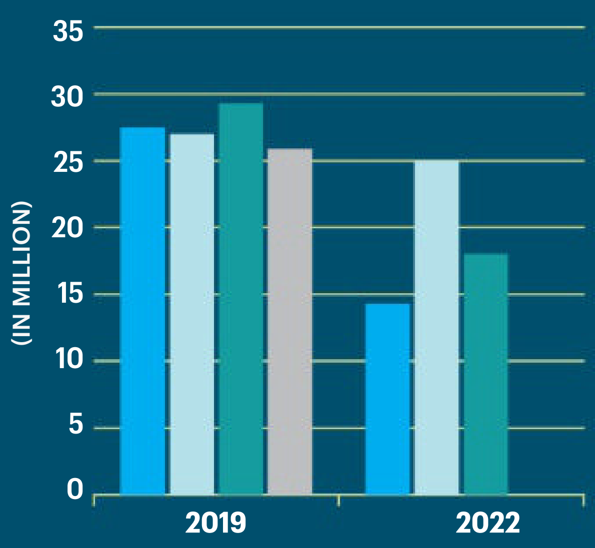
Jaisingh says *Rocketry: The Nambi Effect*, a film distributed by UFO, must have made 30-35 per cent of its revenue from the theatres and the rest from the sale of digital and satellite rights. "But that [70 per cent] came in because you had the foundation of the theatrical release," he says. "Today, it's critical for a small- or medium-budget film to perform well theatrically. Otherwise, OTT platforms will not touch it, unless it goes at a low price in a bundle of 5-10 movies," he says.

This is an echo of what's happening globally, experts say. All major media companies such as Netflix, Amazon and the Big Five studios—Universal Pictures, Paramount Pictures, Warner Bros., Walt Disney

ACTION REPLAY

Theatrical footfalls are still at 70-80 per cent of the pre-pandemic levels as of September 2022

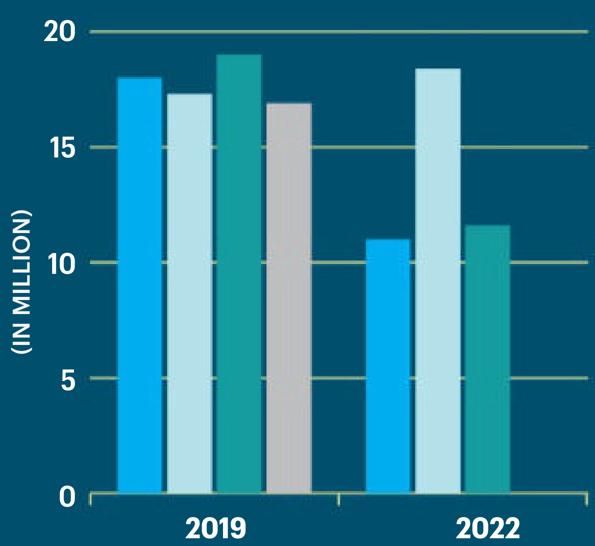
PVR



JAN-MARCH ■ APRIL-JUNE
JULY-SEPT ■ OCT-DEC

QUARTERLY FOOTFALLS IN MILLION

INOX



JAN-MARCH ■ APRIL-JUNE
JULY-SEPT ■ OCT-DEC

QUARTERLY FOOTFALLS IN MILLION
SOURCE INVESTOR PRESENTATIONS

Pictures and Columbia Pictures—are choosing to focus on profitability. They are ditching plans to burn money on OTT content and sacking employees after a bloodbath at the US capital markets last year. In fact, Warner Bros. has put the launch of its OTT player, HBO Max India, on hold indefinitely. "OTTs are going to rationalise their costs given the kind of uncertainties in the macro environment. They will not pay the hefty rates they used to pay six months ago," says Taurani.

PREDICTING A MOVIE'S box-office success is a gamble at best, but without pre-sale of digital and satellite rights, the investment is entirely at risk. "At least for the big films, pre-sale is happening, which is very difficult for the small films. There is no buyer for these films and you can't blame the producer for not taking a punt on them," says Sarkar.

One view is that the small-budget films require a more dynamic ticket pricing strategy because the current price differential between a big-budget and small- or medium-budget film is 20-25 per cent. MovieMax's Kanakia says that audiences complain about the high ticket and food and beverage pricing. "Exhibitors are unable to cut them because of high rentals. It can be done if there is good demand for the films. But the content has not corrected itself post-pandemic."

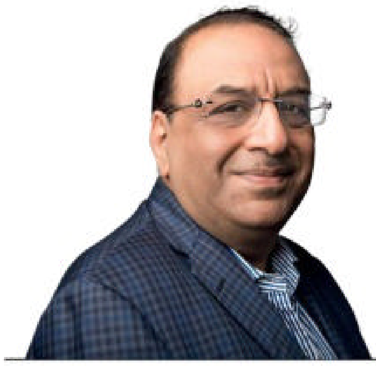
PVR Joint MD, Sanjeev Kumar Bijli, says *Drishyam 2*, *Bhool Bhulaiyaa 2*, *Kantara* and *Brahmãstra* were all priced at ₹240-250 per ticket in the normal format across the country and did brisk business. "With *Goodbye*, we experimented with ₹160-tickets across the country. Even at a lower price, people didn't go. Ticket pricing is not a deterrent. It's really about the content now." INOX CEO Tandon says no two films are priced the same. "If we feel it can become a blockbuster, we price it high. If we feel it is average, we price it accordingly." Cinepolis' Sampat says: "Operating at the prices that we do, India is still one of the best recoveries in the territories where Cinepolis operates."

UFO Moviez's Jaisingh, in fact, says that government-enforced lower ticket prices in the South is one of the important factors for why this trend is more pronounced in the North. "Smaller Tamil movies like a *Love Today* or a *Thiruchitrambalam* did well, while a *Bhediya* or a *Doctor G* didn't do well even though the content was good," he says. Again, the multiplex chains disagree. The South just has a more movie-crazy audience and the prices are going up from the ₹120-150 range even in the Tamil- and Telugu-speaking territories after relaxations in the cap. Bengaluru has one of the highest ticket prices in the country, they add.

The way ahead is to create compelling content distinct from what's suited for OTT viewing, and experiment with cost-effective strategies such as a limited theatrical release, social media marketing, and by cutting talent costs, experts say. "Talent accounts for 70 per cent of a Hindi film's production cost. These high-cost models are not feasible when the audience is just not showing up," says Taurani. Kanakia says MovieMax is discussing revenue-share arrangements and a 10-20 per cent reduction in rentals with the developers of the malls their screens are located in. "If we continue at these high real estate costs, we will not be able to cut ticket pricing," says Kanakia.

Over the next 12-18 months, Sarkar sees fewer films coming out. "Whatever was under production will come out in 2023. Unless producers have assured visibility of where the film can be sold, they are not doing the small- and medium-budget Hindi films." But the homogeneity this will unleash is the most worrying—much like what the *saas-bahu* serials did to Hindi and Indian television, says the executive quoted above. "We'll end up having just one type of movie." **BT**

@SaysVidya



Taxing Gifts

While gifting is considered a show of gratitude, running afoul of its taxation regulations could land you in trouble

BY **DINESH KANABAR**

GIVING GIFTS TO relatives and others is indeed a way of life in India. It is also a way of transferring wealth to the next of kin. Going through the current marriage season, one witnesses huge spending on weddings, and gifts too. But the taxman looks at gifts with a hawk's eye. And of late, one has seen a number of cases and judgements on the issue of when a gift is regarded as valid, and the consequences of it not being regarded as such.

Let's begin with a bit of a background. India had a Gift-Tax Act, 1958, that required the donor to pay a gift tax on the value of the gifts made. So, a person making the gift would give a gift and also pay tax on the taxable value of the gift. While the rates varied from time to time, from 1987, the rate of tax was set at 30 per cent of the value of the gift. The Act was abolished in 1998 and gifts made thereafter were tax-free. In 2004, the Income-tax Act, 1961, was amended to provide that gifts—other than those that are exempted—received by an individual or a Hindu undivided family (HUF) in excess of ₹50,000, would be taxable as income of the recipient.

Effectively, this shifted the tax liability from the donor to the recipient. As it happens, the taxation of gifts began with cash gifts, progressed to all gifts, and went on to provide that transfer of assets for inadequate consideration would be regarded as a gift, and taxed as such. The Act now provides that not only are gifts received by individuals and HUF taxable, but other recipients would also be covered within the ambit of Section 56 of the Income-tax Act (that deals with gifts being deemed as income of the recipient).

Again, to set the context right, gifts from specific relatives are completely exempt from tax. Similarly, gifts received on certain occasions like marriage or on inheritance are also exempt. These exemptions apply irrespective of whether such gifts are domestic or cross-border. The question that arises, then, is whether there are any restrictions on such exemptions. Or the mere fact that these gifts were received from a specific relative, or on specific occasions, makes them exempt from tax. The taxman would (rightly) want to treat the gifts claimed as exempt from tax as constituting unexplained cash credit of the recipient, and tax it as such if the circumstances so warranted.

Accordingly, the onus is on the recipient of the gift to prove that the gift is genuine in order to claim tax exemption on it. To prove a gift's genuineness, the recipient needs to show the identity of the donor; that the donor has necessary and sufficient means to give the gift; that the gift has been made voluntarily by the donor; and that the gift has been made without any consideration/ quid pro quo on the part of the donor.

As mentioned earlier, the issue of how to prove the genuineness of a gift has come up for judicial scrutiny several times in the past. A question that usually arises is whether the donor is a taxpayer, and a confirmation from the taxpayer of the fact of the gift together with the PAN details of the donor is sufficient in such cases. Once it is shown that the donor is a taxpayer, the onus shifts back to the tax office to call the donor and examine her bank statements to ensure that there are no circular transactions (such as unexplained deposits just before the gift is given), as that would be interpreted as a bogus gift.

The genuineness of a gift can be questioned by the tax office from the perspective of the principle that 'tax planning may be legitimate, provided it is within the framework of the law', or with regard to the anti-abuse provisions in taxation laws. Justification may then be required to show that the gift was indeed genuine. If the subsequent and immediate events show that the gift was just a medium to avoid taxes (for example, gifts made to circumvent

ILLUSTRATION BY **RAJ VERMA**

The onus is on the recipient of the gift to prove that the gift is genuine in order to claim tax exemption on it

a transaction that would otherwise be taxable), the transaction could invite litigation.

So what makes a gift genuine? This depends on the facts of each case and the underlying documentation. Recently, the Madras High Court, in the case of P.R. Ganapathy vs DCIT (2022), held the gifts as not genuine, though the assessee claimed to have received them from NRI donors. While some donors stated that the gifts were arranged for a commission, others denied giving any gifts. The purported gifts were therefore held as not to be 'gifts', and the additions in income were interpreted as unexplained credits. Similarly, in a case involving an internal group restructuring, the Authority for Advance Rulings (AAR) in the case of Mettler Toledo GmbH (2021), did not regard the gift of shares to be genuine in the absence of any supporting documentation to that effect.

However, so long as the genuineness and rationale of making a gift is established, the courts have recognised the 'gift' as genuine. Interestingly, in a recent case, a gift received from a relative (though from the bank account of the son of the relative) was regarded as a 'constructive' gift from the relative himself, and thereby exempted from tax.

Another instance where gifts might come under the taxman's scrutiny is when they are made by businesses (as they are given in the absence of any natural love and affection, as is the case with people). Thus far, the judgements in this regard have been in favour of the taxpayer, wherein it has been held that nothing prohibits a company from making a gift. There is no requirement under any statute (including the Transfer of Property Act, 1882) that states that a gift can only be made between individuals out of natural love and affection. As long as a donor company is permitted by its charter to make a gift, it can do so.

But a question that arises is, what happens when a business tries to mask a legitimate transaction, done for the due consideration of products or services rendered, as a gift?

The Madras High Court recently, in the case of India vs Redington (India) Ltd (2020), held that the transfer of shares without consideration is not a gift as elements of voluntariness and absence of consideration were not supported by factual findings from board resolutions and share-transfer deeds, and accordingly upheld the levy of capital gains tax. In this case, the taxpayer had transferred its shareholding in a company as a gift to its step-down subsidiary created in a tax haven, and the subsidiary had transferred the stake in favour of a third-party investor for a monetary consideration.

The High Court held that the party's intention was to escape the rigour of Indian tax laws and, therefore, the courts were entitled to lift the corporate veil to decipher the real intention behind a transaction, and decide on the veracity of the gift.

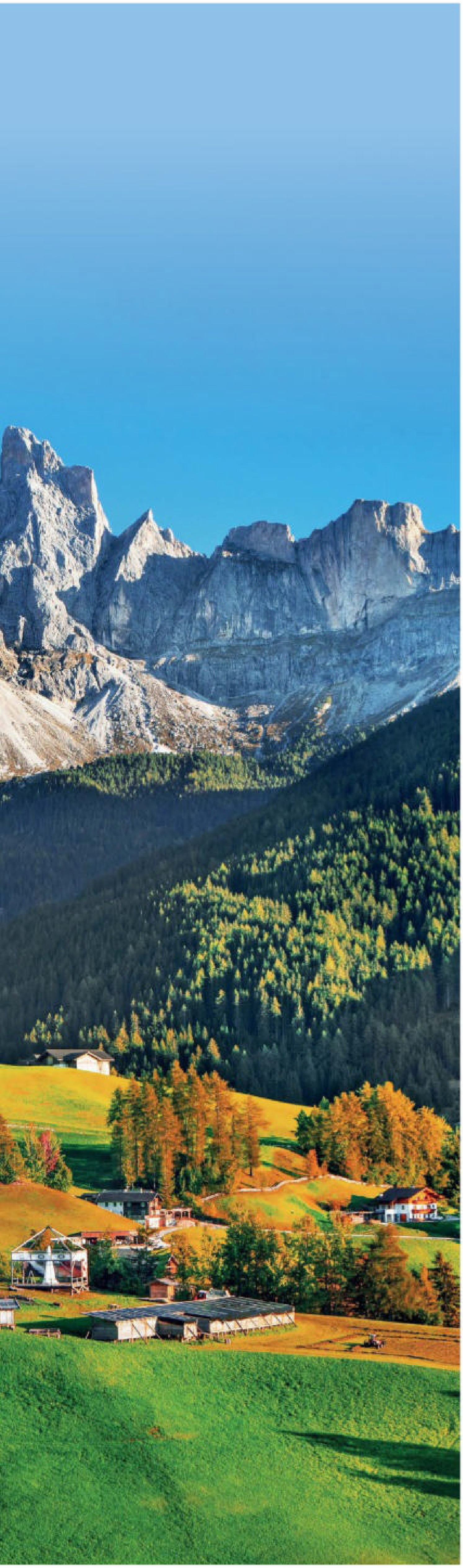
To summarise, one needs to be mindful of several aspects of making a gift to avoid falling afoul of the law. Apart from income tax, tax implications under stamp duty, transfer pricing, and foreign exchange laws, tax consequences in overseas jurisdictions, etc. ought to be closely examined. Furthermore, the questions surrounding availability of capital in the hands of the donor, period of holding, indexation benefits, accounting treatment, etc., may require greater analysis on a case by case basis. BT

The writer is CEO of Dhruva Advisors LLP. Views are personal

THE GOOD LIFE

TRENDS | TECH TODAY | DOWNTIME

Explore Italy beyond the obvious; visit the Santa Maddalena village in the Trentino Alto Adige region



ITCHY FEET IN THE NEW YEAR

Have you finalised your travel plans for 2023? Here are some suggestions

BY **SMITA TRIPATHI**

TRAVEL RESTRICTIONS HAVE been eased in most parts of the world—but with the re-emergence of the Covid threat, do check the advisories before you venture out. As long as you plan in advance and get your visa, the world is your oyster. Whether you are someone who always has her suitcase half packed, ready-to-go, or someone whose passport hasn't seen the light of day for the past few years, 2023 is your time to explore, indulge and rejuvenate.

A Booking.com survey shows that 69 per cent Indian travellers are looking at investing in a vacation in the New Year as it remains a top priority for them. So, where should you go and what should you do? Here are some suggestions:

TRAIN JOURNEYS

There is something immensely nostalgic and laid-back about train journeys. They bring back memories of summer vacations and simpler times. Indulge in some of the most luxurious train journeys across the globe. Travel through the English countryside and back in time on the restored 1920s carriages of Belmond's British Pullman. Ride like the British royals (some carriages on the train were frequently reserved for their use) and visit Sandringham, as well as other stately homes and ancient castles. Or explore Europe on the Venice Simplon-Orient Express, from London to Venice, Paris to Verona, all the way to Istanbul. An absolute treat for Agatha Christie fans.

Looking at combining adventure with a train journey? Go wild with Rovos Rail and venture into the heart of the South African bush on a two-night safari departing from either Pretoria or Durban. Take


1


2

a game drive to see the Big Five—lions, leopards, elephants, African buffaloes, and rhinoceroses. All this in the luxury of your Royal Suite, which encompasses half a carriage, with its private lounge area and en suite bath.

If you would rather indulge in a wine tour, get aboard the Napa Valley Wine Train, one of the few active historic passenger trains in the US. Spend a couple of hours savouring a multi-course gourmet dinner, or indulge in roaming through the valley for several hours with stops for wine tasting. You could also indulge in a full-day food and wine immersion aboard Switzerland's Glacier Express.

WELLNESS RETREATS

As we recover from the pandemic, both emotionally and physically, there is an increased focus on mindfulness, meditation, health and spirituality. As per the Booking.com survey, meditation and mindfulness getaways are ever popular with 70 per cent Indian travellers. While 63 per cent aim to find peace at a silent retreat, 59 per cent are keen to go on a health hiatus that focusses on mental health. Head to Baden-Baden in Germany, the heart of European spa life. The 150-year-old Brenners Park Hotel & Spa focusses on beauty, detox, emotional balance and medical care, and has had celebrities such as George Clooney and Barack Obama as its guests. For a taste of South-East Asia, visit Chiva Som in Hua Hin, Thailand's iconic wellness resort. The resort has six modalities, offering you the opportunity to focus on fitness, spa, nutrition, physio, aesthetic beauty or holistic elements. For a touch of the exotic, head to Royal Mansour in Morocco. Owned by the King of Morocco, Royal Mansour is a palatial oasis crafted by over 1,500 local artisans as an ode to traditional Moroccan architecture. Spa Royal Mansour is spread over 2,500 sq. metres and offers various multi-day treatments.

GLAMPING

Is your ideal trip spending time by a crackling fire, miles away from the nearest microchip? Are you planning to disconnect from the mobile phone and get closer to nature? Of course, that doesn't mean you have to give up on comforts. No camping and roughing it out, only glamping or glamorous camping for you. As per Booking.com, while 64 per cent Indians want their travelling to be 'off-grid', 65 per cent of those want it to be an indulgent stay. Escape to Tanzania for a unique glamping experience. Situated in between a crater and a volcano is The Highlands in the Ngorongoro Conservation Area of Tanzania. The camp has eight domed canvas-and-glass suites situated on the edge of a forest that skirts the Olmoti Volcano. From the camp you can hike up to the top of Olmoti for staggering views, or take a half-day trip to the Empakaai Crater, where thousands of pink flamingos flock. If you like the idea of camping but can't bear the thought of travelling with a tent and prefer your creature comforts, Thailand's Four Seasons Tented Camp in Chiang Rai's jungle might just be for you. This is a luxury getaway with a cocktail bar and wine cellar on-site.

1. Travel through the English countryside and back in time on the restored 1920s carriages of Belmond's British Pullman

2. For a taste of South-East Asia, visit Chiva Som in Hua Hin, Thailand's iconic wellness resort

3. Board the Antara Luxury River Cruises to journey along the Ganga from September to May

4. Go skiing in Niseko in Japan's northern island of Hokkaido, instead of the Swiss Alps

5. Situated in between a crater and a volcano is The Highlands in the Ngorongoro Conservation Area of Tanzania

RIVER CRUISES

Unlike ocean cruise liners that are like mini cities, river cruises are smaller and more intimate. Rivers across the globe from the Nile to the Mekong offer cruises. But here's one that's the ultimate in luxury. Belmond has launched a new luxury barge—part of its French collection—called Coquelicot that will take guests on a personalised journey of Champagne as it travels through its canals. Coquelicot will debut in May 2023 and has partnered with Maison Ruinart, the world's oldest Champagne house. On offer: a weeklong private charter starting at €82,000 (approximately \$79,500). Closer home, board the Antara Luxury River Cruises to journey along the Ganga from September to May. The routes include Varanasi to Patna to Kolkata to Dibrugarh to Guwahati and to Dhaka. The boat has 28 suites and an eight-day trip costs approximately \$2,958 per person.

NEW DESTINATIONS

While there is a sense of comfort and familiarity in going back for a vacation to your favourite destination, there is so much more to see and experience in the world that it's good to get out of your comfort zone every now and then. As per Booking.com, 63 per cent of Indians wish to explore lesser-known cities with hidden gems that aren't already on the radar. Go skiing in Niseko in Japan's northern island of Hokkaido, instead of the Alps. Visit Italy beyond the obvious—check out places such as Bolzano, where several cultures collide, or the Trentino Alto Adige region with the majestic Dolomite mountains. Prague without doubt is one of the prettiest cities of Europe, so much so that even Hitler didn't want to destroy it. But explore Olomouc, one of the top destinations in the Czech Republic to visit for architecture. It has several monuments that date back to the Roman times and is home to two World Heritage Sites. BT

@smitabw

FLAGSHIP FACE-OFF

It's that time of the year. Apple, Google and Samsung have come up with their flagship smartphones and you can't decide which one to pick. Here's a primer to help you choose one among the Big 3

BY **NIDHI SINGAL**

SAMSUNG GALAXY Z FOLD4
₹1,54,999
If you crave a powerful business phone, look no further

REVIEW

A FOLDABLE WORKHORSE

Remember the Nokia Communicators of yore? If you've been craving a business phone that will let you leave your laptop at home, Samsung's Galaxy Z Fold4 is the answer. The 6.2-inch outer cover screen is comfortable to use with one hand, including while typing emails. Unfolding the Fold4 reveals the 7.6-inch screen—a compact tablet that is great for reading, browsing, gaming and working. Multitasking is a delight on the Qualcomm Snapdragon 8+ Gen 1-powered workhorse that supports using three apps simultaneously. And the new taskbar at the bottom of the screen offers PC-like multitasking, including quick access to favourites and recent apps. When folded at a 90-degree angle, the split keyboard appears on the bottom half of the foldable screen. Used as a phone, the 4,400-mAh battery will get you through the day. Plus, it takes great pictures.
Available on: *samsung.com/in*

▶ **SPECS:** 6.2-INCH COVER DISPLAY AT 904x2,316P, 7.6-INCH INSIDE DISPLAY AT 1,812x2,176P, ANDROID 12L, ONE UI 5, SNAPDRAGON 8+GEN1, 12GB RAM+256GB ROM, 50 MP WIDE+10 MP TELE+12 MP ULTRAWIDE REAR CAMERA, 4 MP UNDER DISPLAY+10MP SELFIE CAMERA, BATTERY, 263 GM

REVIEW

FOR APPLE AFICIONADOS

If you're in the Apple ecosystem, there's nothing to beat the iPhone 14 Pro Max. From seamless file sharing to copy-pasting between Apple devices, and backing everything up on iCloud, productivity is a breeze. With no design updates, the iPhone 14 Pro Max pretty much looks like its predecessor. But Dynamic Island enhances multitasking and really grows on you. There is also the 120Hz 'Always-On' display, which mirrors the lock screen at a much lower brightness, with widgets and notifications visible at a glance. The iPhone 14 Pro Max is also a fabulous shooter. While the 48MP primary camera uses pixel-binning by default, yet full-resolution photos can be captured using the ProRAW mode. Images captured have fine details without over saturating the colours, and there's significant improvement in low-light performance. Using 'Action' mode, one gets fluid gimbal-like videos.

Available on: *apple.com/in*

▶ **SPECS:** 6.7-INCH OLED DISPLAY; 2796x1290P AT 460 PPI, A16 BIONIC CHIP, 128GB STORAGE, PRO CAMERA: 48MP MAIN+12MP ULTRA-WIDE+12MP TELEPHOTO, 12MP FRONT CAMERA, IOS 16, 240 GM

APPLE IPHONE 14 PRO MAX
₹1,39,900
If you belong to the Apple ecosystem, there's no beating this smartphone

REVIEW

CAMERA MAGIC

Google's latest flagship, the Pixel 7 Pro, offers a no-nonsense Android experience. Running Android 13, the device comes pre-installed with only Google's services and apps. Google's Tensor G2 chip has enough power to handle all tasks smoothly and the phone comes with Pixel-exclusive features like transcription of voice messages inside Google's Messages app. The Pixel 7 Pro shines as a shooter, capturing stunning daylight and low-light images using a 50MP wide-angle lens with f/1.9 aperture, a 48MP telephoto lens and a 12MP ultra-wide lens. Plus, Google's software does magic, not just while processing, but also editing photos, with features like Magic Eraser and Remove. The raised camera 'bar' made of recycled aluminium makes the phone look elegant and easy to hold. Plus, it comes at a killer price.

Available on: *flipkart.com*

GOOGLE PIXEL 7 PRO
₹84,999
Get this one for a no-nonsense Android experience and great shots

▶ **SPECS:** 6.7-INCH 120HZ QHD+OLED AT 512PPI, GOOGLE TENSOR G2, 12GB RAM, 128GB ROM, ANDROID 13, REAR CAMERA: 50MP+12MP ULTRAWIDE+48MP 5-10x TELEPHOTO; FRONT CAMERA: 10.8MP SELFIE, 212 GM

PHOTO BY **HARDIK CHHABRA**

PHOTO OP Photography helps Rajesh Ramakrishnan look at things from multiple perspectives, making him a better leader

THE PERFECT SHOT

Rajesh Ramakrishnan, MD of Perfetti Van Melle India, is a keen photographer and says it helps him be more mindful of the present

BY **SMITA TRIPATHI**

It's important to have a passion in life to maintain an energy equilibrium," says 53-year-old Rajesh Ramakrishnan, Managing Director of confectionery maker Perfetti Van Melle India. Ramakrishnan, who is passionate about photography, explains that in day-to-day life so many things impact us negatively that it is very important to replace that with positive energy—something that one's passion helps with. Ramakrishnan started photography in 2002 when he was working with Marico in Mumbai. "What attracted me to photography was its ability to combine creativity with analytics," he says. "I am an engineer by education. I consider myself a left-brained, analytical, logical person. Photography has helped open up the right side of my brain. I have become more creative and that flows into work as well," says the Gurugram-based Ramakrishnan.

He elaborates that photography has helped him become a better leader as it helps him look at things from multiple perspectives. "Moreover, it helps me be mindful of the present. But photography ensures I keep my eyes and ears open." He adds that it also helps him get out of his comfort zone and connect with people. "In photography you have to be able to connect with your subject."

Ramakrishnan loves to travel and his handy Canon

PHOTOS BY **RAJESH RAMAKRISHNAN**

DAILY LIFE Ramakrishnan enjoys capturing slice of life shots on the streets

WANDERLUST The Perfetti India boss loves to travel and his handy Canon 5D Mark III is always by his side

5D Mark III is always by his side. But he does a lot of phone photography on his iPhone as well. Another passion is shooting life on the streets. Pictures are then used for exhibitions, depending upon the theme of the exhibition. He held his first solo exhibition in Dhaka in 2016, when he was posted there. It was called Yoga-inspire.

"Over the last decade I have worked on several calendars. I conceptualise the calendar and then shoot pictures accordingly. The calendars are sold to raise money for charity," says Ramakrishnan. A lot of these calendars are shot with celebrities. For instance, one year the theme was what you enjoyed doing as a child. Ramakrishnan shot Chitrangada Singh playing with her doll house and Jaaved Jaaferi playing with marbles.

Ramakrishnan recently won the second prize in a worldwide Instagram competition where you had to pick any iconic photograph from history and then recreate it with your own perspective. He selected a picture called Flower Power where a group of soldiers are pointing guns at protestors and one of the protestors places a carnation into the barrel of a gun. The photograph was nominated for the 1967 Pulitzer Prize. Ramakrishnan recreated it with a group of kids pointing their Holi water guns at a young girl offering them a flower.

Ramakrishnan started photography only in his 30s, but as he says: "It is better late than never." BT

@smitabw

BEST ADVICE

RAVI CHHABRIA | MANAGING DIRECTOR | NETAPP INDIA

NetApp India is the Indian arm of the US-based provider of intelligent cloud services, data services and storage infrastructure

'Focus on people's strengths'

What was the problem that you were grappling with?
It was a problem early in my career, but it remains relevant even today. I had been promoted to Group Manager just as my company [at the time] was pivoting to enabling infrastructure that we today refer to as internal cloud. Early customers were driving the change. I was in the biggest job of my career [then], the company was also in transition, and I felt ill-equipped to manage a team through everything that was going on. This was compounded by the fact that I was leading a group of very capable managers, most of whom had been my peers just weeks earlier.

Who did you approach for advice and why?
I reached out to my then boss Andy Ingram [who was Vice President for Solaris at Sun at that time]. He was a great judge of people and a wonderful mentor.

What was the advice you received?
He had two pieces of advice: The first, focus on what is important, on what makes a difference. The second, I treasure to this day—in the realm of managing people and teams, understand and focus on people's strengths. Generally speaking, developing strengths has a higher return than a focus on fixing weaknesses.

How effective was it in resolving the problem?
It allowed me to engage the group on a prioritised set of objectives, and pull away from the distraction of repairing what I thought was broken. Instead, it allowed me to align the team on what was important, and focus on building on [team members'] strengths relevant to our objectives. It was an early lesson in the power of individuals, on the power of teams aligned by a focus on results. It's the alignment of individual strengths that drives results. Early wins, even small ones, energised the team and we were able to build momentum. BT

—TEAM *BT*

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