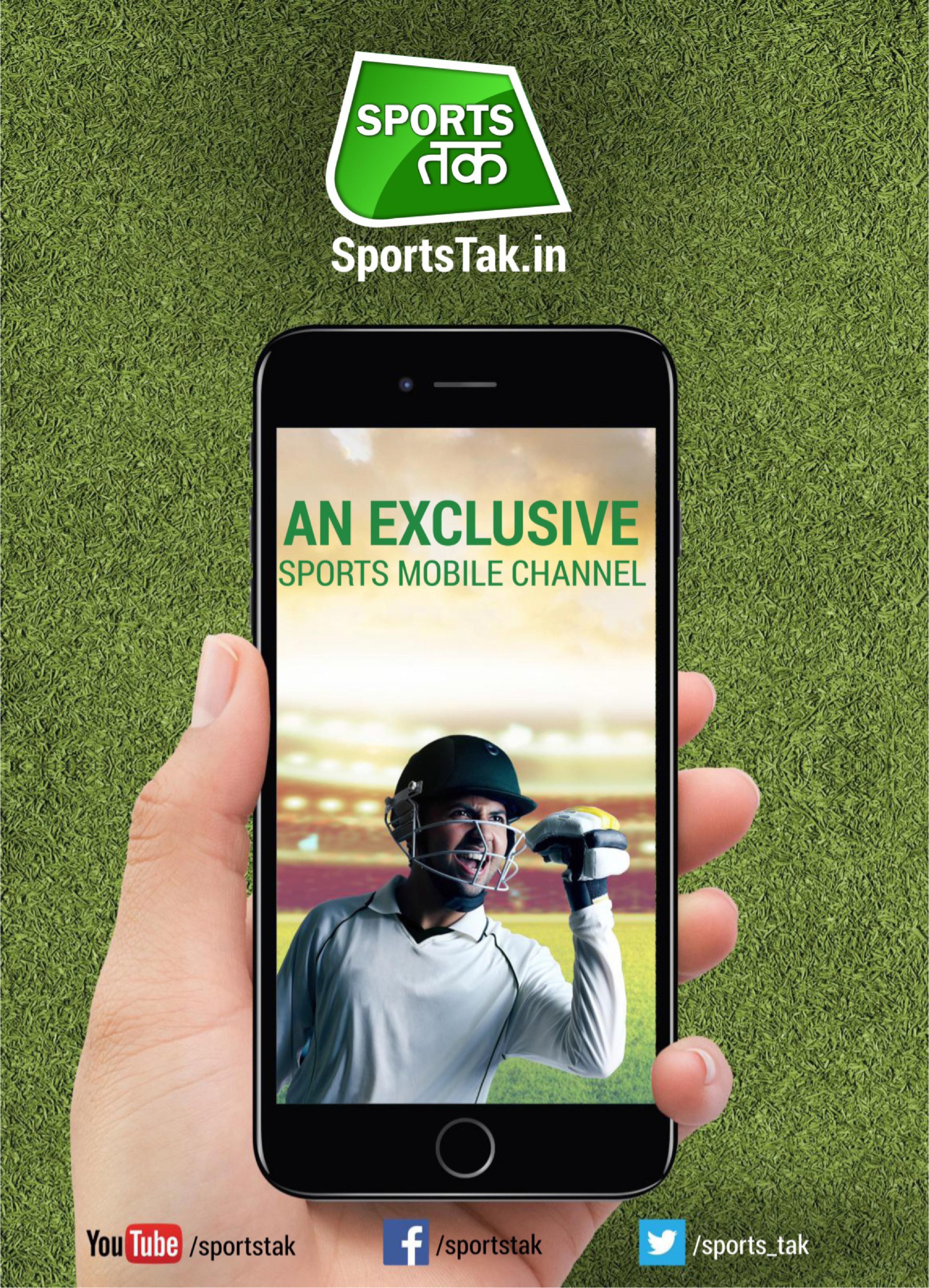
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INDIA TODAY GROUP

FIXING OUR CRUMBLING FINANCIAL SYSTEM

HOW THE FINANCE MINISTRY AND THE RBI CAN AVERT AN ECONOMIC DISASTER

Time to Fix Financial Holes

THE PROBLEMS IN India's financial systems started showing up in 2015, shortly after the then RBI governor Raghuram Rajan forced banks to go for the Asset Quality Recognition exercise. The bad loans given by banks, which were hidden by the process of ever-greening till then, came to the fore. It was found that many public sector banks did not even have enough capital to continue lending. The government hoped the problem would be fixed by the Insolvency and Bankruptcy Code, which allowed lenders to take the defaulting borrowers to the National Company Law Tribunal and sell them off to recover money in a time-bound manner. In practice, it turned out that the banks had to take a huge haircut in the process – they had to write off 90 per cent or more of the money they were owed in many cases. Nor are all cases resolved quickly.

Meanwhile, bank frauds were on the rise. While the Nirav Modi-Mehul Choksi and PNB fraud grabbed headlines, RBI data shows that bank frauds touched an unprecedented ₹71,500 crore in 2018/19. Over 6,500 cases of fraud were detected/recorded that year by banks. The higher cases are because of forensic audits ordered by banks in all the NPA cases pertaining to past years.

Even while the regulator and finance ministry were grappling with these problems, the IL&FS scandal erupted. For years, IL&FS was considered a quasi-government body that lent to the critical infrastructure sector. LIC was its single-largest shareholder with over 25 per cent of the shares under its belt, while SBI, HDFC and Central Bank were significant shareholders as well. It turned out that the senior management had been fudging figures and hiding the problems for a long time until it could be hidden no longer.

The IL&FS crisis triggered off an avalanche in the shadow banking or non-banking financial companies (NBFCs) sector. NBFCs have been as crucial for the Indian economy as the banking system – they lend to those who do not get bank loans easily. Real estate projects, commercial vehicle buyers, home buyers in smaller cities, infrastructure projects, small- and medium-scale enterprises, and even consumer durables and automobile sectors have depended crucially on the NBFC sector for loans.

The problem was that many NBFCs had an asset liability mismatch – they would raise money through short-term borrowings from companies, mutual funds and banks and lend money for a longer period. This was not a problem as long as they could roll over their loans. But the IL&FS crisis created a scare in the financial markets and short-term borrowings started drying up. This is threatening to turn into a contagion, with many NBFCs facing a liquidity crisis. One of the biggest names in housing finance – Dewan Housing – is now being seen as a defaulter and no one knows what is next.

Now it is clear that the time for band-aid solutions to the financial sector crisis is over. The RBI and finance ministry need to work together to fix the problem properly. Otherwise, India's economic prospects will take an unimaginable hit.

Prosenjit Datta

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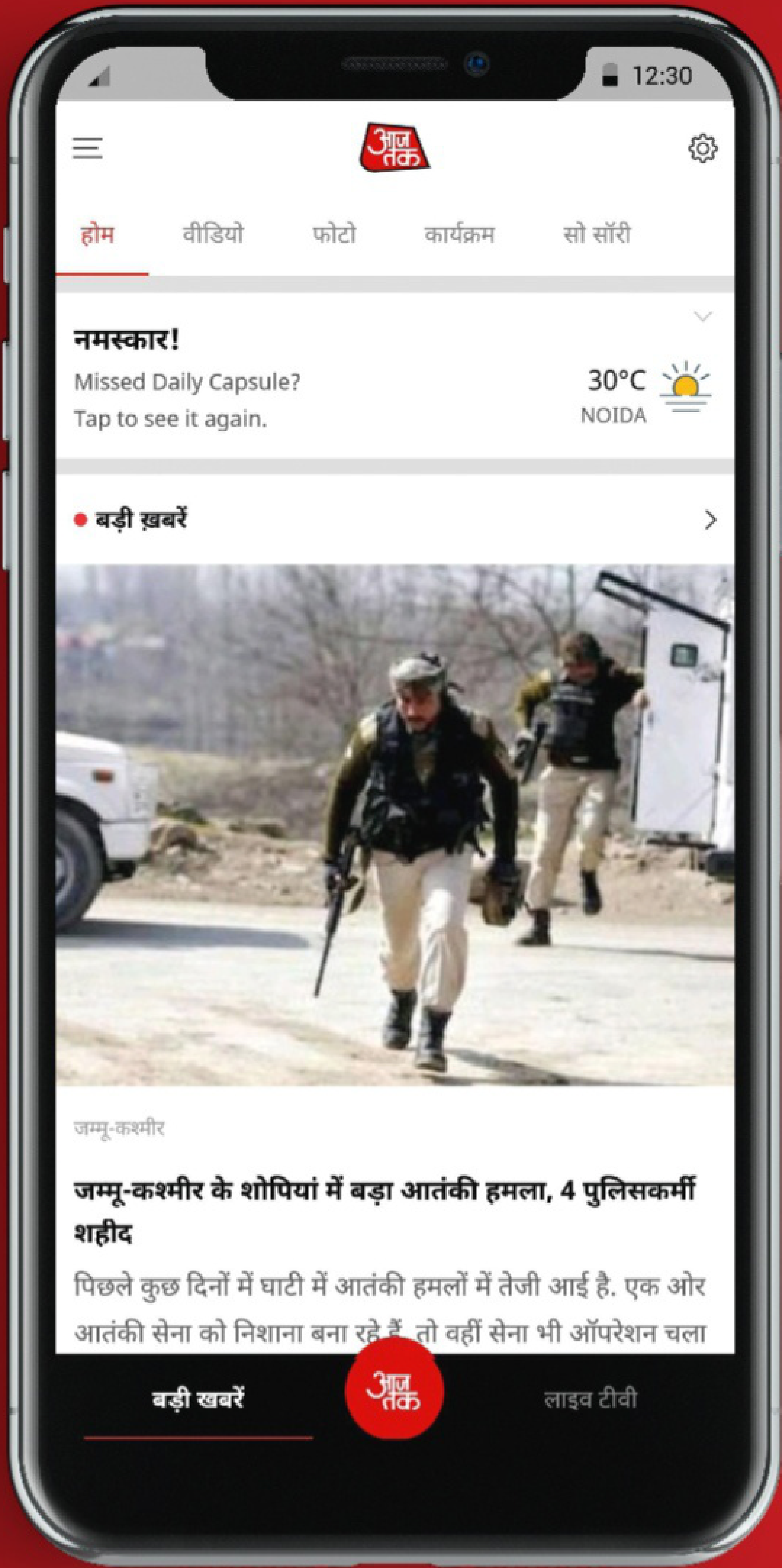

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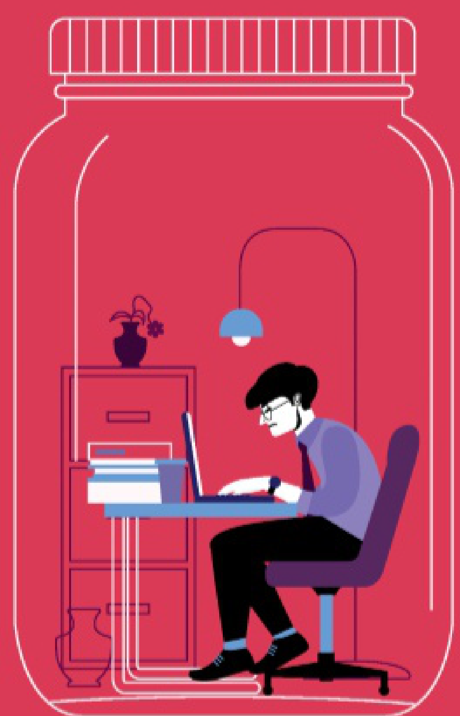

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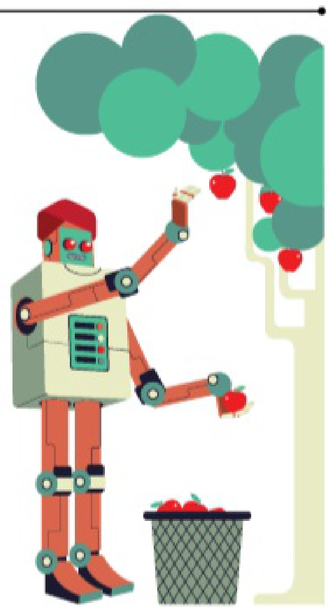
Fully automated farms may not be functional yet, but robots are ploughing, sowing, reaping and, most importantly, picking fruits and veggies



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Business Today BUZZ

Trade Wars: Bigger US Retaliation Could Hurt Indian IT Industry
Policy watchers think the US has kept its powder dry. If India does not step back now, more retaliation could follow
businesstoday.in/us.tradewars-india

PM Pushes for Big Labour Reforms; 43 Crore Unorganised Workers to Benefit
Given the Modi government's resolve to bring changes to the lives of the masses, labour reforms are sure to continue
businesstoday.in/modi-reforms

IndiGo, SpiceJet Stare at Tough Times with Vicious Fare War Ahead
Though the fourth quarter results paint a rosy picture, it is not going to last long with the kind of new capacity expected to be added in the market over the next one year
businesstoday.in/farewar-indigo.spicejet

NEWS

Hyundai Venue: 'Baby Creta' Strikes Right Notes
At a killer price tag of ₹6.5 lakh, the car is a steal. Compared to other variants, it offers a terrific package with its sporty look
businesstoday.in/hyundai-venue

COLUMN

Turning Portfolio Diversification Theory Upside Down
The conventional theory of diversifying portfolio risk by holding a portion of the assets in debt funds is meaningless. It is time investors wake up to this, says Business Today *Editor Prosenjit Datta*
businesstoday.in/debtfunds-portfolio

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Economic Growth by Itself Not Enough; Need to Focus on Jobs, Too: Subramanian
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REPO RATE CUT

TRANSMISSION WOES

IT'S TIME BANKS PASS ON BENEFITS TO MSMEs, AGRICULTURE SECTOR.

By ANAND ADHIKARI
ILLUSTRATION BY RAJ VERMA

Reserve Bank of India (RBI) Governor Shaktikanta Das has delivered a 75 basis points cut in the repo rate to 5.75 per cent since he joined in December last year. The rate cuts have come on the back of lower-than-targeted inflation and need to push economic growth, which fell to 6.8 per cent in 2018/19. But lower interest rates alone won't improve the sagging fortunes of the economy. The banking sector has been passing through a difficult phase of asset quality deterioration and falling profitability over the last two-three years. Banks will mostly protect their margins and go slow in passing on the benefit of lower interest rates to borrowers. In fact, transmission of rates from banks to borrowers has always been an issue. So far, banks have transmitted some 30 basis points to borrowers since December, claims RBI. Secondly, banks are also risk averse and lending cautiously.

The benefit of lower interest rates should ideally go to MSMEs, agriculture sector or NBFCs, which need capital the most. There is also an urgent need to push manufacturing as credit off-take has been in single digits. This week, the prime minister announced the setting up of two high-powered committees for investment & growth and employment, which is a positive. There is likely to be some momentum in the market once the committee comes out with its report. Governor Das surely is not going to disappoint as the RBI has also changed its stance from 'neutral' to 'accommodative', which means there will not be any rate hikes in the near future. So, over to banks and the government to take the maximum advantage of the rate easing window opened by the RBI governor. BT

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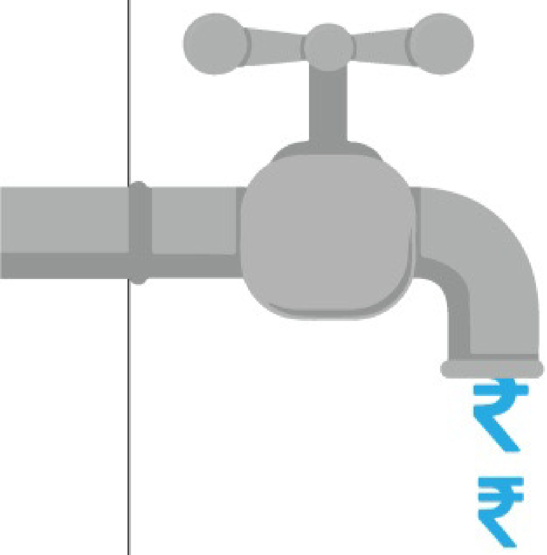

ASSET QUALITY

No Concentration

THE ASSET QUALITY deterioration in India Inc has made the Reserve Bank of India (RBI) a bit conservative. The apex bank has decided to reduce banks' exposure to single as well as group borrowers. Group borrowers exposure has been capped at 25 per cent of capital, while single borrower exposure limit is 15 per cent. The bank's exposure to a single NBFC has also been restricted to 15 per cent of the capital base. The RBI is actually talking about more stringent exposure limits for certain categories of NBFCs. In fact, it has capped exposure to a group of connected NBFCs to 25 per cent of the capital base. There is relief, however, for government companies. They are allowed to borrow more as they will not be considered part of a group of connected entities. It may be remembered that the RBI had introduced the large borrower framework some three years ago to reduce concentration risk.-**Anand Adhikari**

FPI REGULATIONS

Easier Participation

SEBI'S DISCUSSION paper on FPI regulations does a good job at harmonising related circulars and clarifications at one place, while addressing the core concerns that restrict FPI participation. The market watchdog has recommended simplifying the registration process, easing of KYC norms and widening the scope of FPI investments. If things go as they seem, the 10 per cent FPI limit on investment in listed stocks could be hiked; sectoral caps could also be revised. FPIs will be allowed to invest in unlisted companies ahead of their initial public offerings. Besides, regulations could be relaxed to invest in real estate investment trusts, infrastructure investment trusts, and alternative investment funds. Besides, FPI classification across three categories could be rationalised. For one, pension and other well-regulated funds will be moved to category-I and category-III FPIs in low-risk jurisdictions could be moved to category-II. Sebi has also put out a couple of unresolved issues for further discussion. For example, whether two categories (FDI, FPI) of foreign investors should be clubbed in one and if FPIs should be allowed to invest in unlisted companies. Broadly, the proposals appear friendly for FPIs and may attract more flows but can also increase volatility with 'hot money' moving in and out at its whims and fancies. -**Aprajita Sharma**

NEW EDUCATION POLICY

IMPLEMENTATION ISSUES AHEAD

ILLUSTRATION BY AJAY THAKURI

THE DRAFT NATIONAL Education Policy 2019 put out by the government for comments from stakeholders stands out as an excellent text on what needs to be done. But then, when it comes to education, the devil lies in the detail. Consider higher education alone. Sadly, in many cases, there are key parts relating to running of institutions where government institutions themselves have limited powers . The IIM (Indian Institute of Management) Bill, for instance, does not provide IIMs much leeway on faculty salaries. The policy draft wants: "the higher education system in India must, at the earliest, be readjusted, revamped, and re-energised...." It does list out some fundamental shifts needed in the system architecture and on funding. It is also critical of the culture of coaching that has emerged for entrance to leading Indian institutions. All eyes now on how it will all get implemented.-**E Kumar Sharma**


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GSP WITHDRAWAL

NO BIG IMPACT

INDIA IS NO LONGER a beneficiary of the United States' oldest trade preference scheme - Generalised System of Preferences (GSP). The programme was benefiting India tremendously. Exports worth $5.6 billion, or 13 per cent of its total US exports of $46 billion in 2017, were on zero or near zero concessional tariff. However, any adverse impact of the move is unlikely to be very bad. Of the 4,582 products or tariff lines that have been impacted, tariff increase will be in double digits only in case of 145 items. The tariff rise in majority of the products will be below 5 per cent. The damage is more in the action itself than in monetary terms as it signals tougher bilateral trade negotiations between India and the US in the coming days. India needs to gear up for that to ensure that the country doesn't cede any space to American interests in other sectors, primarily e-commerce, medical devices and IT services.

-Joe C. Mathew

IL&FS

Skeletons in the Closet

THE CHARGE SHEET filed by the Serious Fraud Investigation Office (SFIO) in the IL&FS default case points to a criminal conspiracy by the top management to hide the worsening financial health of the company as well as its many subsidiaries and delay the inevitable (the series of defaults) through a web of unscrupulous transactions.

The charge sheet enlists a number of violations, which include hiding the real picture of the company's financial health, non-compliance with norms on loans to group companies, non-maintenance of capital adequacy requirements, non-disclosure of directors' interest in borrowing companies and use of vendors to reroute money to subsidiaries. All these activities were carried out at the connivance of the top management and the statutory auditors, it says. The charge-sheet also admonishes the auditors for knowingly looking away while these crimes were being committed.

While the SFIO investigation suggests it has enough evidence to nail the top management and auditors of IL&FS, it is to be seen if these allegations pass the legal test in court.**-Dipak Mondal**

LUXURY HOUSING

ON A DOWNSLIDE

SALE OF houses in the luxury segment (over ₹5 crore in Mumbai, over ₹2 crore in other cities) have been crashing as investors have made way for end users. In 2016, demonetisation sucked out liquidity, leaving developers as well as buyers of luxury properties high and dry. In FY2019, luxury segment sales declined 11 per cent to just 3,439 units (Liases Foras). In contrast, every other house sold now is priced under ₹50 lakh or in the affordable category. What has also led developers to move away from luxury properties is Section 80-IAB, which gives 100 per cent deduction on profits generated from affordable housing projects. Moreover, the PM Awas Yojana gives lower income households ₹2.3 lakh upfront as subsidy for buying a home. Given these, any turnaround in the fortunes of luxury housing seems a distant dream now.

-Rashmi Pratap

AUDIT BLUES

Batliboi Barred

THE RESERVE BANK of India has banned audit firm SR Batliboi & Co. LLP, a member firm of EY, for one year from auditing commercial bank books, after the central bank found lapses in a statutory audit. Information collated from CMIE database shows SR Batliboi & Co. LLP audited books of around 270 companies in fiscal 2018 — a majority of them (11.4 per cent) belonged to other fund-based financial services with banking services firms managing a share of 3 per cent. The firm has been the auditor in less than 10 banks for the past five years. In FY18, it audited eight banks compared to six in the previous fiscal. As per the current data available, books of only foreign and private banks are handled by this firm. Of the eight banks audited in 2017/18, four were foreign banks such as Mizuho Bank, Barclays Bank Plc; three were private sector lenders such as Axis Bank and Kotak Mahindra Bank. As per *nseinfobase.com*, SR Batliboi & Co. LLP's income through audit fee in NSE-listed companies grew from ₹26.3 crore in 2016/17 to ₹28.61 crore in 2017/18.-**Niti Kiran**

SOLAR

LACK OF SUNSHINE

PRODUCTION of Solar power, the most preferred renewable energy, increased only 4 per cent to 1,737 megawatt (MW) in the first quarter of 2019. More than 800 MW of solar power auctions were cancelled due to lack of interest from project developers as the government brought in tariff caps. Payment delays in states like Andhra Pradesh, Tamil Nadu and Telangana are worrying those who have projects on ground. Apart from this, lending is an issue for new projects. In the first quarter, solar investments were lower by 12 per cent to $2.8 billion compared to investments during the same period a year ago. Rooftop solar, which was witnessing good growth over the past few years, also had negative growth during the period. A recent Mercom India Research study estimates that at the current pace, solar installations in India can reach only 71 gigawatts (GW) by end-2022, almost 30 per cent lower than the 100 GW target set by the government.

-**P.B. Jayakumar**

CHEAPER OIL

CRUDE BONANZA

SLACKENING GLOBAL demand has brought down crude oil prices. The re-elected Narendra Modi-government has much to cheer as falling oil prices had helped it tame inflation and fiscal deficit during its previous term. Besides, lower fuel prices usually boost consumer spending.

When fuel prices were low in the early years of the previous government, it passed on only a fraction of the benefits to consumers and used the high excise duty from sale of petrol and diesel to offset the shortfall in disinvestment income. So, the question this time is whether the government will pass on the benefits to consumers or not. Second, cheaper crude oil prices will make exploration and production (E&P) unviable in India. It will also affect revenues and margins of E&P companies like ONGC and Cairn India. The oil marketing companies will also have a short-term impact depending on the order price of their future crude basket. Their top line will shrink when product prices fall.-**Nevin John**


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LOOMING CHALLENGES

WHAT: Current Policy Challenges Facing Emerging Markets

WHEN: July 24-25, Santiago

WHAT TO LOOK FOR: The event, jointly organised by the Central Bank of Chile, the International Monetary Fund and the IMF Economic Review, will focus on issues such as trade war, weak commodity prices and monetary policy normalisation in developed countries that have affected emerging markets.

GO GREEN

WHAT: Green Power Conference and Exposition

WHEN: July 23-24, Chennai

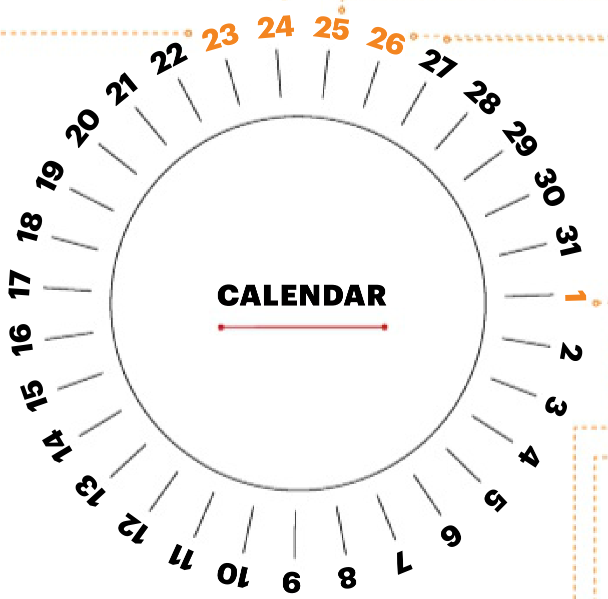
WHAT TO LOOK FOR: Organised by Godrej Green Business Center, over 400 delegates will attend the 17th edition of the conference to discuss innovations in renewable energy technologies and issues around policy and finance. Performance excellence awards will be given for solar and wind plants.

DIGITAL POWER

WHAT: Conference on Digital and Cashless Economy

WHEN: July 26, Delhi

WHAT TO LOOK FOR: The 2nd edition of the conference will organise digital literacy programmes that can transform India into a digitally empowered society and knowledge economy. Experts will come together to share insights and successful case studies across the globe.



FUEL FOR GROWTH

WHAT: International Automotive Supply Chain Conclave

WHEN: August 1, Delhi

WHAT TO LOOK FOR: The conclave will hold discussions on the transformation happening in the automotive sector. Auto companies and those in allied sectors will learn to make sure their value chains function properly. The theme of the event is 'Emerging Trends for Building Intelligent Supply Chain Ecosystem'.

DATA THE NEW OIL

WHAT: Data Visualisation Summit

WHEN: 26 July, Bengaluru

WHAT TO LOOK FOR: Participants will get an opportunity to understand and implement data visualisation in their respective businesses for enhanced growth. Industry professionals and thought leaders will attend sessions and share ideas.

AGRI STIMULUS

WHAT: Agribiotech India Summit

WHEN: 25-26 July, Hyderabad

WHAT TO LOOK FOR: The summit will facilitate a comprehensive dialogue on how biotech can push growth in the agriculture sector by eradicating myths and integrating science with strategy.

ADVERTORIAL

FENESTA: BUILDING A HEALTHIER NATION, ONE BUILDING AT A TIME

All-pervasive pollution is a constant threat to modern urban living. In fact, the overwhelming exposure to pollution is a severe deterrent to all endeavours towards attaining a healthier way of life. Homes; workplaces; and even places of leisure are not safe, usually.

However, there is a possible respite from the clasps of this grave problem. Fenesta doors and windows provide unique solutions to convert any building into a healthy one, and, in turn, be the bedrock towards the pursuit of a healthy life.

The state-of-the-art fenestration solutions from Fenesta are designed to muffle street and aircraft noise, banish dust and pollution, stand up to high-velocity winds, encourage the flow of sunlight (brighten dark corners and rooms), reduce air-conditioning costs, dismiss summer heat and winter chill, improve ventilation, keep out termites, expel mosquitoes and bugs, and create more living space among others. In short, they are designed to keep pollution and natural distress away while enhancing the architectural appearance of any building, significantly.

THE GREEN IMPACT

Each of the vast range of over 1000+ Fenesta solutions for doors and windows are developed while adhering to the stringent parameters laid down by world's most eminent rating systems and organisations for green structures.

That's why Fenesta solutions use only highest rated green materials as their core ingredient.

Take for example the Fenesta range of doors and windows made of uPVC (Un-plasticised Poly Vinyl Chloride) — a 'green' material that has verified eco-friendly properties such as 100% recyclability, durability and exceptional thermal insulation. The usage of uPVC, while on one hand has resulted in enhanced forest conservation, on the other, it has been proven to reduce energy usage by up to 30%!

UPGRADING THE STYLE QUOTIENT. RESPONSIBLY.

Fenesta is all set to introduce a super-premium range of Aluminium windows and doors in the near future. The series is minimalist, ultra-modern, and oozes luxury. It carries forward the legacy of the material, i.e. Aluminium that has shaped many landmarks such as the iconic Empire State Building!

However, the benefits of Aluminium are not limited to its pliability to design forms. It is the second most abundantly available material in nature. And it can be recycled infinite number of times. These characteristics make the material and therefore the series extremely eco-friendly. Moreover, the recycling process consumes just a mere fraction of the energy as required during initial input. In fact, over the years, the carbon footprint of Aluminium production has been reduced by nearly 40%!

The series will surely provide bespoke solutions for doors and windows to

discerning consumers. It will add to the luxury quotient. It will also ensure, like any other Fenesta solution, that the negative impacts of pollution don't impact the pursuit of a healthy living.

IMMACULATE. IN PERFORMANCE. AND COMMITMENT.

All Fenesta solutions come with a 10-year warranty to ensure unperturbed peace of mind. With negligible maintenance and the assurance of Fenesta's in-house after-sales service these solutions extend unmatched functional advantages and unparalleled aesthetic improvements to any building.

And that's the reason why numerous homes, colleges, hospitals and hotels across the nation are adorned with more than two million Fenesta windows and doors. With its unrivalled technical superiority and expansive range of offerings Fenesta has firmly established itself as India's no.1 windows and doors brand with a nationwide presence in more than 230 cities.

Fenesta is surefootedly advancing towards realising its commitment to help Indians attain a healthy way of living. It's helping them stay safe from the clutches of pollution. It's helping build a healthier India, one building at a time.

DESIGN FREEDOM

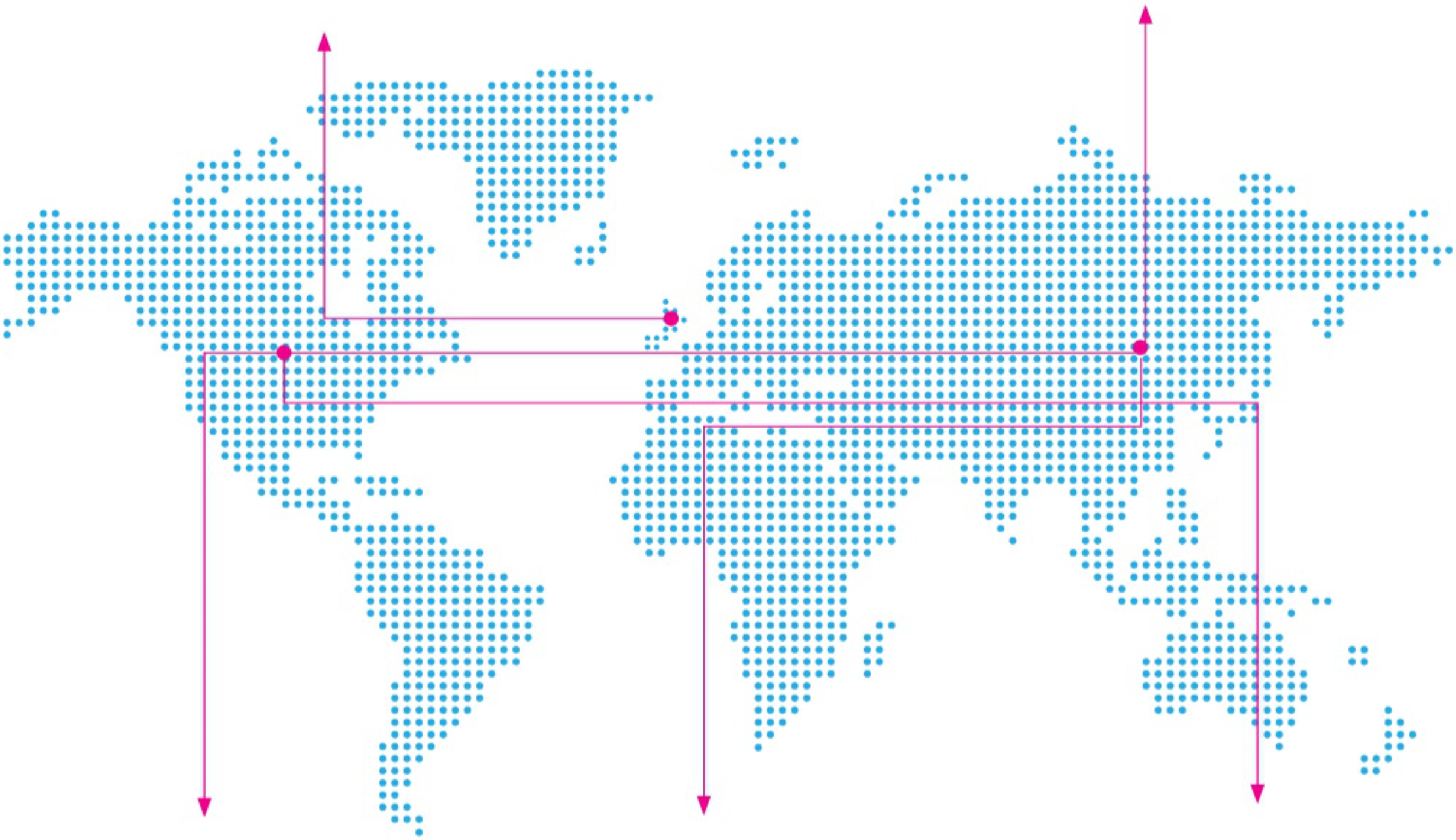
Fenesta Window Systems are modular in nature. Like a Lego set, it allows for a combination of different components that present countless styles and shapes, from the traditional to the modern. The Fenesta Design palette is 100% customizable with 1000+ styles to choose from.

FIAT CHRYSLER CALLS OFF RENAULT DEAL

Italian-American carmaker Fiat Chrysler Automobiles called off its equal-ownership merger proposal it had made to Renault, saying that the French firm had failed to speed up the potential deal. The French government, which has 15 per cent stake in Renault, said it would support the merger if French jobs were protected. However, Renault executives twice delayed a vote on the proposal. Renault reportedly wanted Japanese automaker Nissan's sign-off on the deal as the latter also owns a 15 per cent stake in Renault, but that did not happen. If Renault agreed, the combined entity would have been the third-largest automaker, selling around nine million vehicles a year and raking in more than $190 billion annually. Earlier, Renault pursued a tie-up with Nissan, in which it already owns 43 per cent stake, but the deal was rejected.

NO LET-UP IN US-CHINA TRADE WAR

The ongoing trade war between two economic giants may take a turn for the worse as U.S. President Donald Trump will decide whether to slap fresh tariffs on at least $300 billion worth of Chinese goods after he attends the G20 summit in Japan on June 28-29. The event may see Trump and Chinese President Xi Jinping meet again since the last summit. Trump had earlier announced 25 per cent tariffs on $200 billion of Chinese goods while China raised levies on $60 billion of American goods in retaliation. Both rate hikes have gone into effect. The IMF lowered its forecast for China's 2019 economic growth to 6.2 per cent from its previous projection of 6.3 per cent. China thinks its economy will grow between 6 and 6.5 per cent, its lowest annual rate since 1990.



GOOGLE GETS LOOKER FOR $2.6 BN

Tech giant Google is acquiring California-based Looker, a business intelligence software and Big Data analytics company, for $2.6 billion in cash. Set up in 2011, Looker had earlier raised over $280 million in venture funding. Meanwhile, the largest companies of Silicon Valley, including Google, Facebook, Apple, Amazon and the likes, now face an antitrust probe by lawmakers who will determine whether these companies have grown so big that they could throttle competition and harm consumers. Europe has already fined Google $9 billion over the past three years for its questionable business practices.

CHINESE PHARMA COMPANY RAISES $1 BN IN IPO

Mega IPOs are back at Hong Kong stock exchange as China's Hansoh Pharma raised $1 billion from its IPO, valuing it at over $10 billion. Hansoh's drug portfolio covers six crucial areas, including cancer and diabetes, and accounts for 63 per cent of the entire Chinese pharma market last year. The IPO market in Hong Kong was hot last year, with companies raising $37 billion compared to $6 billion six months into 2019. In contrast, the US saw a glut of high-value IPOs this year as the likes of Lyft, Uber and Pinterest contributed $27 billion so far. Hong Kong has relaxed its rules on companies with several types of shares and on those listed abroad, which might bring Alibaba back. The e-commerce giant opted for a US IPO in 2014 but is reportedly considering raising $20 billion more by selling new shares in Hong Kong.

BLACKSTONE'S BIGGEST WAREHOUSE DEAL

American PE behemoth Blackstone recently purchased a number of US warehouses from Singapore logistics firm GLP for a whopping $19 billion in the biggest ever private real estate deal. Blackstone is one of the largest property owners and buying more warehouses will almost double its industrial footprint in the country. The latest investment has been made with an eye on the fast-growing e-commerce sector as online retail companies require Amazon-style fulfilment centres. Blackstone Real Estate's global opportunistic BREP strategy will acquire 115 million sq. ft for $13.4 billion, while Blackstone Real Estate Income Trust will purchase 64 million sq. ft for $5.3 billion.

Nivesh Khandelwal, Founder and CEO, LetsMD

START-UP

LETSMD

SUPPLEMENTING HEALTHCARE COST

THE NOIDA-BASED HEALTHCARE FINANCING PLATFORM OFFERS MEDICAL LOANS AT ZERO PER CENT INTEREST.

By Aprajita Sharma
Photograph by Shekhar Ghosh

1) The Founder

After getting an engineering degree from UCLA and an MBA from the Wharton School, Nivesh Khandelwal worked for a healthcare firm but soon realised how fast-rising out-of-pocket expenses made it difficult for people to avail of quality healthcare services even when they had health insurance policies. The widening demand-supply gap in healthcare costs led him to launch LetsMD (Medbay India) with Prakhar Gupta. The latter is no longer with the company, and Khandelwal runs the venture as Founder and CEO.

2) How It Works

The start-up has tied up with hospitals, as well as banks and non-banking finance companies (NBFCs), to provide a seamless experience to its customers seeking healthcare loans over and above what is allowed by their respective medical insurance policies. It has partnered with 500-plus hospitals to ensure super speciality healthcare services, and the financing part is managed by its NBFC and banking partners. As of now, LetsMD has teamed up with Axis Bank and seven NBFCs. Enlisting hospitals is a crucial component of the business as 80 per cent of the borrowers are referred to the company by medical facilities, which also bear the interest cost, while borrowers only service the principal. "This helps hospitals sign up patients and patients can also choose wisely after comparing pricing and service quality on the LetsMD platform," says Khandelwal. It has also launched medical payment cards which cost ₹500-3,500 a year and cover loans up to ₹5 lakh.

The company receives 4-25 per cent of the bill value as lead generation fee when it sends its customers to hospitals, but the commission is calculated on the loan value if borrowers come to them via hospital referrals. Lenders share 2.5-5 per cent of the loan value with the company. LetsMD currently operates in Delhi-NCR, Mumbai and Bengaluru but plans to expand in 12 more cities within a year.

3) How Borrowers Benefit

The platform offers loans ranging from ₹20,000 to ₹20 lakh for all types of treatment, including critical, non-critical and confidential surgeries. However, a guarantor is required in case of a critical surgery if the borrower is the patient. LetsMD also customises loans and repayments depending on the nature of the ailment (a recurring medical condition or not), recuperation period and so on. Based on these data points, it keeps building its algorithms and suggests the most relevant loan products. BT

KEY POINTS:

FOUNDED IN
2015; sold the first loan product in 2017

FUNDING
$2 million in two rounds from Orios Venture Partners, Waterbridge Ventures, SRI Capital and others.

TEAM MEMBERS
120

GROSS REVENUE
₹75 lakh in FY2018/19 as per company data

LOAN APPROVAL RATE
40 per cent

LOAN DISBURSEMENT
₹30 crore as of March 31, 2019

CUSTOMERS
2,500

SOCIAL UNIVERSE

NICHE BONDING

Niche social networks bring to the digital space the way real-life networking happens and could be a gold mine for advertisers.

By Sonal Khetarpal
Illustration by Raj Verma

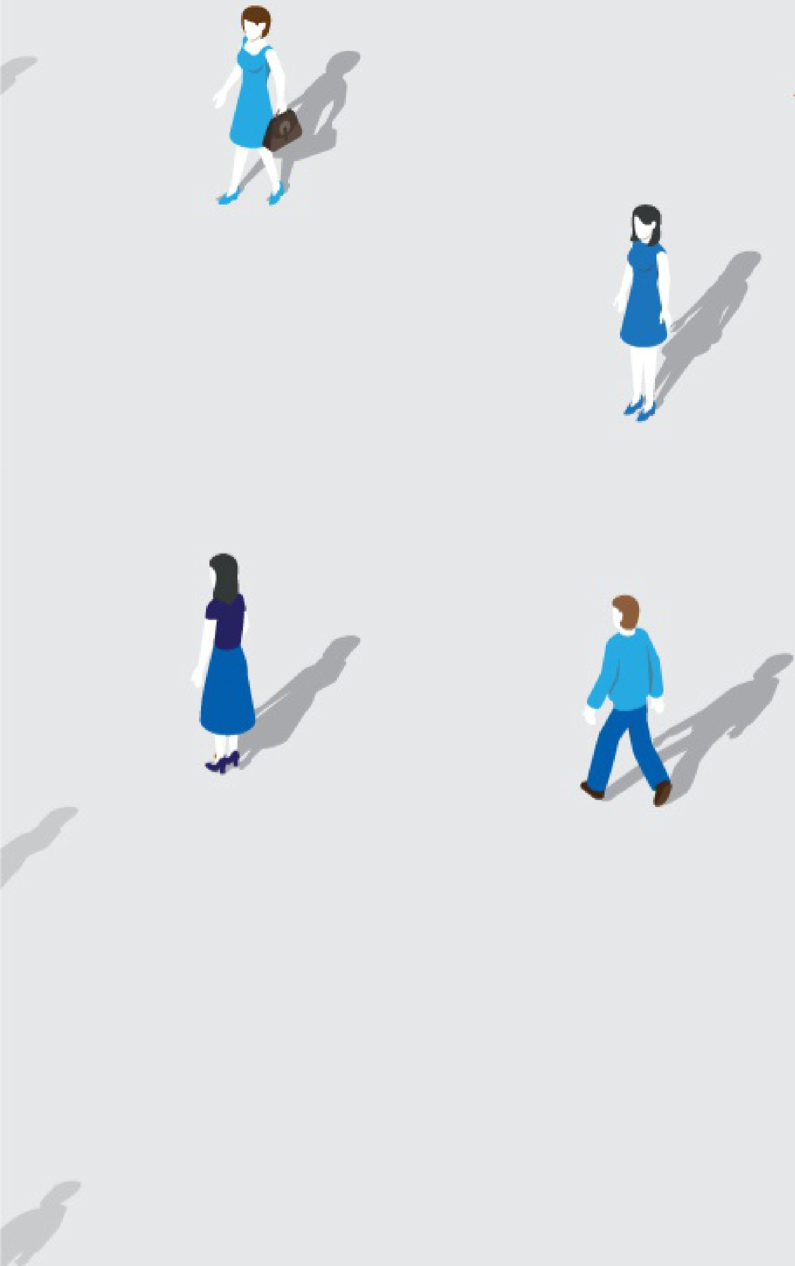
LET US FACE IT. Gargantuan social media platforms like Facebook, Twitter or Instagram may not be our cup of tea any longer. When social media came into existence for the first time, the idea was to connect people to replicate offline communities digitally. At the time, you might have looked around and found people with similar interests and liked those niche places where your opinions mattered and your content was valued without worrying about massive data breaches, offensive trolls and wicked algorithms. But the bigger they became, the worse they got. Even Facebook seems to have realised that offering all things for all people (much like a mainstream broadsheet) will not stand it in good stead in the long run. Co-founder Chris Hughes has demanded that it should be broken up to protect users and democracy, and the company has already announced a redesign of its app to focus on interest-based groups. The idea is to increase user engagement and promote personal conversations. Digital media experts welcome the move, and many feel that the future lies in drilling down into niche social networks.

Siddharth Deshmukh, Adjunct Faculty and Senior Advisor at MICA, agrees. "Facebook built its business model for scale and that was its undoing. It became too big for its own good. The human mind is not capable of managing relationships beyond 150 or 200," he points out. When it goes beyond that, one fails to get that unique sense of social belonging and meaningful bonding. One key learning from Facebook, says Deshmukh, is that scale does not work well for communities.

This is corroborated by the rise in niche social media groups. There is Tripoto, an online community for travellers; Roposo caters to fashion lovers; NikePlus and Strava target fitness enthusiasts; Goodreads is for book lovers; Letterboxd is for film fanatics and Untapped for the beer community. There is even Hater, a dating app that brings people together based on what they hate, and Supernatural Connections for those who believe in paranormal activities.

Such niche platforms are rapidly filling up the space left unaddressed by horizontal players. The reason? According to P.G. Aditiya, Executive Creative Director of Dentsu Webchutney, any community (built on hobbies, interests, preferences, sexual orientation and so on) which is under-represented will find a way to get together and digital platforms which enable that will thrive. "What makes them work is the focus – a sense of purpose and the common interest that brings people together," he adds. "Users also invest their time and effort in these networks as they bring some clear benefits," says Sajith Narayanan, Adjunct Faculty (Marketing) at FLAME University. Marketers should be excited too as they can instantly access target groups.

At present, most of these niche networks are quite small, although some



groups on WhatsApp have got scale. What is required now is a bunch of second-generation social media platforms which will enable like-minded people to form meaningful connections. That is the only way to succeed in this space, says Sriharsha Jhunjhunwala, a former marketer at the kitchen appliances company Stovekraft. He is currently testing a social media platform called Burb that will connect people based on their pin codes. The idea is to bring together people living in the same neighbourhood to share information, discuss key issues or make friends. "We want Burb to connect people online to help them get social in the real world as real connections are only formed there. Online is just the beginning, not the end," he says with conviction. Could these niche platforms cultivate a meaningful social network culture, bringing back the trust and authenticity that their Big Brothers have lost somewhere on the way? BT

@sonalkhetarpal7

AI VERSUS AI

AI-driven algorithms for image analysis are all over the Web and especially on social media. The reason: They can do predictive analyses of people's photographs posted on the Net. It means marketers can bombard you with 'targeted' advertisements, based on the 'data' gathered from profile images, including age, gender, ethnicity and preferences. But this time, AI will help you against AI. Researchers at the Indraprastha Institute of Information Technology have developed a solution using machine learning that can confuse predictive AI, thus preventing the misuse of photographs on social media.

WHATSAPP PAY EYES INDIA ENTRY

WHATSAPP PAY SERVICE MAY BECOME FULLY OPERATIONAL IN INDIA IN THE NEXT FOUR TO FIVE MONTHS, ACCORDING TO MEDIA REPORTS. THE MESSAGING APP BOASTS A 300 MILLION-STRONG USER DATABASE IN THE COUNTRY AND ONCE ITS UPI PAYMENTS SERVICES TAKE OFF, IT IS LIKELY TO HAVE AN EDGE IN THE DIGITAL PAYMENTS SPACE. WHATSAPP HAS ALREADY DONE EXTENSIVE PILOTING AND SOUGHT FORMAL APPROVAL FROM THE RESERVE BANK OF INDIA TO EXPAND ITS PAYMENT SERVICES ACROSS THE COUNTRY.

43%

Rise in social media fraud in 2018, according to *Current State of Cybercrime – 2019*, released by RSA Security. The study finds how cybercriminals are increasingly using social media platforms such as Facebook, Instagram and WhatsApp to communicate with each other and sell stolen identities, credit card numbers and contraband products. BT

₹10
LAKH CRORE; Gross NPAs of the banking secor

FIXING OUR CRUMBLING FINANCIAL SYSTEM

How the Finance Ministry and the RBI can avert an economic disaster.

By **ANAND ADHIKARI**
Illustration by **NILANJAN DAS**

A decade ago, the Reserve Bank of India (RBI) mooted the idea of new differentiated banking licences to ensure financial inclusion. The idea was junked as policy makers decided against tinkering with the 70s commercial banking model. Today, differentiated banks such as payments banks and small finance banks are revolutionising banking by serving the huge under-banked segments. There is another new idea on the table — special wholesale banks for meeting long-term financing needs of the economy. The ₹160 lakh crore banking industry does everything from project financing and development financing to commercial banking and that is one of the biggest reasons it is in a mess.

"Our banks are best described as jack of all trades, master of none," says a CEO of a private sector bank. The financial system, which banks dominate, is broken. Gross non-performing assets, or NPAs, have reached over ₹10 lakh crore, credit off-take is in single digits, over a dozen banks have been classified as potential weak banks, non-banking finance companies, or NBFCs, are facing asset-liability mismatches, liquidity has shrunk, and capital is scarce. A crumbling banking system has huge implications. There is a risk of the contagion spreading to the other parts of the financial services universe such as NBFCs, mutual funds, insurance and capital markets, puncturing retail growth, which is the only engine of the economy that is working today.

So, how can the financial system be fixed? "Policy makers have to experiment with giving more banking licences," says Ranu Vohra, CEO at Avendus Capital. Vohra is probably hinting at allowing more NBFCs to convert themselves into banks and allowing more small finance and wholesale banks. Similarly, full-scale banking licences should be available on tap rather being given once in a decade. Shyam Srinivasan, MD & CEO at Federal Bank, echoes the view and says there are hundreds of small banks globally that are focused on specific geographies or segments.

The government is going for consolidation of public sector banks that control almost two-third banking in terms of deposits and advances. But expert say this will only contain the problem and not address the need for banks to be agile to face competition in the digital world. Today, the top challenge in banking is creation of digital capacity to tap emerging areas such as consumer durables financing, affordable housing, MSMEs and infrastructure, especially ports, airports and roads.

In the NBFCs space, about 15 per cent of the banking system, the loss of confidence is complete. "We have to recognise that NBFCs play an important role in economic development. It is important to rebuild confidence among investors. The whole industry shouldn't be tainted," says Vimal Bhandari, CEO at Kirloskar Capital. While NBFCs' immediate requirement is liquidity window from the RBI, the more central issue is the future of NBFCs themselves. In the past, NBFCs have grown unchecked, and many have became as big as mid-sized banks. Experts say large players should be encouraged to convert into banks as their huge borrowings have created a systemic risk that is spreading to mutual fund and insurance industries. Some experts say the RBI should start an exercise to clean up balance sheets of NBFCs the way it did with banks. The credit rating mechanism, too, needs an overhaul, as rating agencies have failed to predict most debt defaults in the NBFC sector.

However, the single biggest issue is bad loans. The Insolvency and Bankruptcy code (IBC) needs fine-tuning. Ratings agency CRISIL and Assocham, in a recent report, said, "The government will have to relook at the code based on stakeholder suggestions. And keep the credit lines well oiled." Two months after the Supreme Court struck down the RBI's single-day default rule, the central bank has come out with a revised circular. The lending banks will now have to review a stressed account within 30 days of the default for initiating a resolution plan or going for insolvency and recovery. BT

@anandadhikari


1
RUPEE

THE LOOMING DANGER

India's banking engine is still to stabilise after RBI's drive to clean up balance sheets and the government's consolidation move even as new pockets of risk build up.

By **ANAND ADHIKARI**
Illustration by **NILANJAN DAS**

IN THE NEXT FIVE YEARS, the Indian banking system will probably have fewer public sector banks (PSBs) from the current two dozen as the consolidation drive accelerates to create a few large banks. There would also be some serious effort to delink the government, or most specifically the finance ministry, from PSBs by making the existing Bank Board Bureau (BBB) more autonomous, and also to push for Bank Investment Company (BIC) to house government stake in PSBs. There would also be less burden of recapitalisation on the government exchequer as the surplus capital of the Reserve Bank of India (RBI), estimated to be in the region of ₹1-3 lakh crore, is deployed.

Last but not the least, the fine tuning of the Insolvency and Bankruptcy Code (IBC) with additional infrastructure, especially in National Company Law Tribunal (NCLT) benches, would result in faster resolution of lakhs of crores stuck in stressed assets.

But there is a big 'if' before the script can play out in the fashion we have described, and that is the new government's seriousness to first admit that there is indeed a problem.

While no bank has failed, the situation is alarming. Recently, the CEOs of three large private banks were shunted out on performance, governance and compliance issues. A mid-sized private bank is saddled with large loans given to troubled IL&FS, Jet Airways, Dewan Housing and a few other companies. Banking as a whole is running on single-digit credit growth, profitability is declining while bad loans are increasing (they increased by 30 per cent-plus in 2017/18).

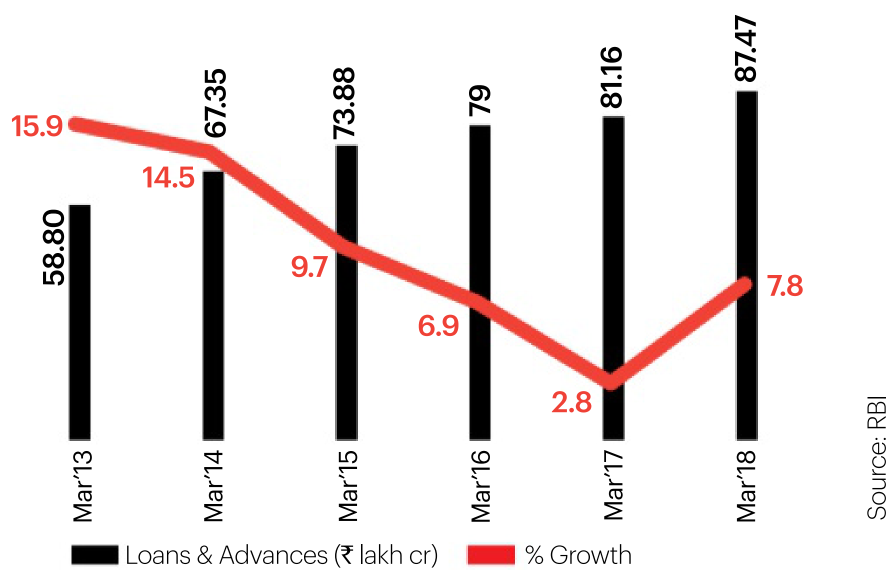
THE DANGER SIGNS

2/3rd
Share of public sector banks in the banking sector

₹14
LAKH CRORE
Banks' capital locked in stressed assets

₹37
LAKH CRORE
SBI's post-merger balance sheet size, making it too-big-to-fail

CREDIT GROWTH HAS FALLEN TO SINGLE DIGITS



The reality is that India's banking system is clogged. Banks' capital is locked in over ₹14 lakh crore of stressed assets where the resolution mechanism is still slow. There are capital shortages, especially in PSBs, which control two-thirds of the banking sector. Close to a dozen banks are classified as potentially weak, though some are being pushed ahead with the blessings of the regulator in order to support economic growth. There is also complete risk aversion among bankers who are moving away from long-term project financing. In fact, there are also new pockets of risk building up in areas like unsecured loans (personal loans and credit card), MSMEs, MUDRA loans and the agricultural sector. Given the overall economic slowdown and the decline in high frequency indicators like Index of Industrial Production (IIP), exports, auto sales and credit growth, the problems for banks are only going to compound if the regulator and the government don't fix the banking system.

Policy Side Solution

In its previous term, the current BJP-led NDA government pursued an agenda of creating a few large banks from among the PSB pack. The largest, the State Bank of India (SBI), merged five of its associates with itself. A three-way merger of Bank of Baroda, Vijaya Bank and Dena Bank was also announced. IDBI Bank was handed over to LIC as promoter. Clearly, the government plans to take forward the model of merging three PSBs with at least one lead bank with a size like Punjab National Bank or Canara Bank. The idea is to merge mid-sized or weak banks so that they have better management bandwidth, a bigger platform to exploit business opportunities and also use capital efficiently. But many experts suggest that the issues with PSBs are more fundamental.

PSBs currently mirror each other in terms of portfolio mix with large exposure to corporate banking, a high-cost structure, look and feel of branches, work culture and also lack of digitisation, risk management practices and performance management. "The merger will create more of the same," says Ranu Vohra, MD and CEO at Avendus Capital. Size is important but so is profitability and efficiency, says Shyam Srinivasan, MD and CEO of Federal Bank. Create more small banks, says Hitesh Asrani, Director at CRP Risk Management. "The control will be far higher in smaller entities. Today, it is very difficult for the senior management to have an oversight of a large bank," says Asrani.

What is missing in the government's current merger strategy is the right fit in terms of product, geography, management, etc. While the merger exercise and integration would take two to three years, the government has to think of how to better govern PSBs since a merged entity will carry a much higher systemic risk. "Any failure of a large bank could bring down the entire system," says an official with a public sector bank.

In its previous term, the government came out with the path breaking BBB for selecting the right candidates to head PSBs. It, however, remained an advisory body for appointments with no other role. "BBB can play a role in risk management, human resource and asset resolution," says a

THE SOLUTIONS

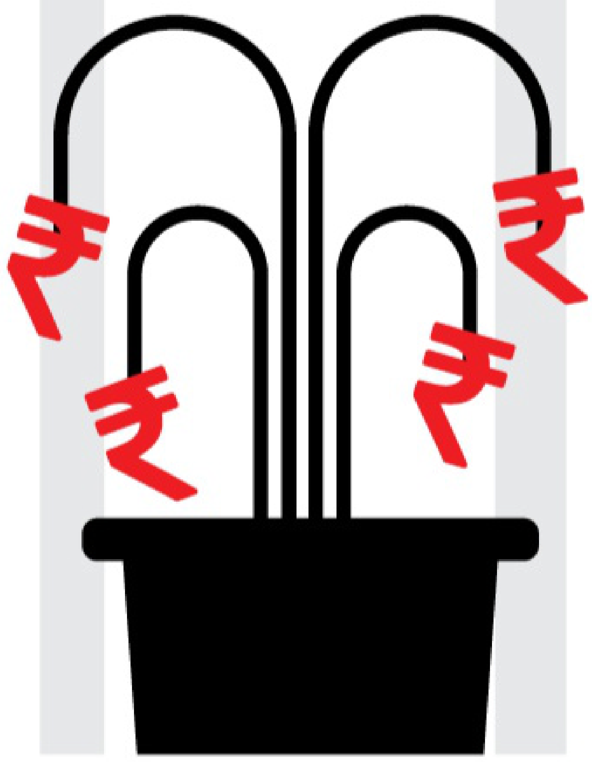
Merger of public sector banks

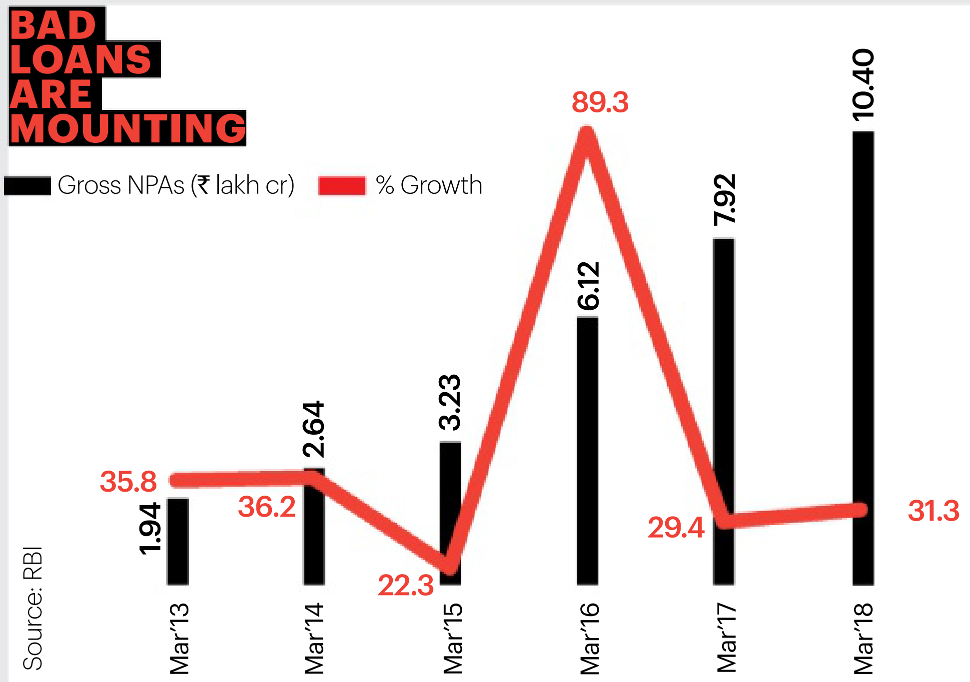
More freedom to banks to take commercial lending decisions

Discouraging MUDRA, farm loan waivers

Privatisation of banks, bringing in strategic investors

Banks under PCA need monitoring as a bank failure could pose a systemic risk





THE SOLUTIONS

Strengthening the Bankruptcy Code

RBI-monitored restructuring framework for banks to handle pre-IBC issues

The government should step in to clear land acquisition hurdles for new projects, reduce payment delays and speed up arbitration for infra companies

Loan waivers must be avoided

former member of BBB. Similarly, the next logical step after BBB, as recommended by the P.J. Nayak Committee on Governance, was to set up a Bank Investment Company (BIC) to hold the government's stake in PSBs. BIC was modelled as a sovereign wealth fund for PSBs to raise funds from the market. Even as the government pursues its agenda of merger, reforming BBB and setting up BIC, the immediate priority is to recapitalise banks. Many suggest the RBI's surplus capital, if any, should be specifically utilised to make PSBs stronger in terms of capital.

Weak Banks Systemic Risk

A merger of PSBs is likely to lead to creation of a few large PSBs, or too-big-to-fail institutions, which are more vulnerable to failure because of legacy issues and the fundamental nature of their business mix. SBI, with a balance sheet size of ₹37 lakh crore post-merger, controls a quarter of the deposits and advances in the banking system. Bank of Baroda's merger will create a large entity with over ₹11 lakh crore balance sheet size, close to the second largest bank, HDFC Bank. Similarly, other PSB mergers will create a few large entities of ₹10 lakh-plus asset size. The banking regulator will have to closely monitor their functioning, otherwise an IL&FS kind of an incident could create more trouble for the banking industry. Currently, half a dozen potentially weak PSBs are out of the prompt corrective action (PCA) zone, thanks to the government and the RBI, and have resumed normal lending. These weak banks pose a risk to the system. Take for example, Corporation Bank, which has recently come out of PCA. It has seen a 120 per cent-plus jump in exposure to NBFCs when other banks have turned cautious after IL&FS and Dewan Housing defaults. Similarly, another PCA-released bank, Allahabad Bank, has seen its corporate exposure growing, especially in the infrastructure sector (roads and ports, cement, gems and jewellery). Delhi-based Oriental Bank of Commerce has seen robust growth in its retail book, but a close examination shows rise in unsecured loans, especially personal loans.

Experts question the entire PCA mechanism. "It hasn't been constructive," says the head of a rating agency. There has been no deep introspection on the reasons for the weakness. "The focus of the regulator should be on drastic changes in the business model, building in more checks and balances, better credit evaluation and risk management framework," adds the rating agency head. Asrani of CRP Risk Management, who deals with PSBs in the area of risk, suggests creating a new layer of risk management for PSBs for validating and using surrogates to verify information provided by loan seekers.

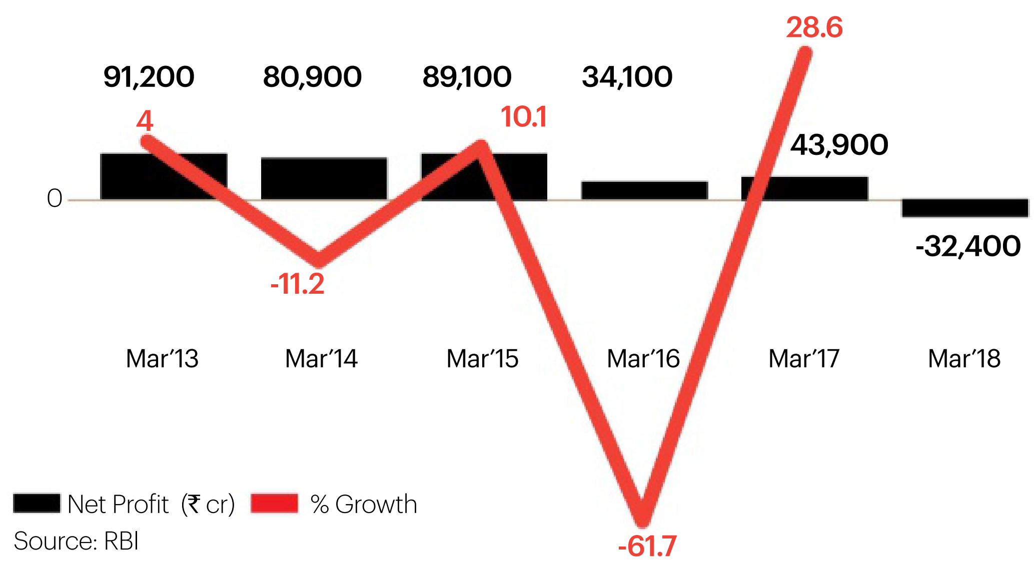
There are new pockets of risk building up in areas like unsecured loans (personal loans and credit card), MSMEs, MUDRA loans and the agricultural sector

New Pockets of Risk

Between 2000 and 2010, risk was building up in corporate loans as banks blindly funded expansion and diversification plans of India Inc. The economic slowdown and policy paralysis in India and China downslide also put companies and banks in a fix. The result was excess capacity, over-leveraged companies and defaults in bank loans. Many experts suggest that risk is again building up in the system, especially in retail banking due to unsecured loans like personal loans and credit cards, the MSME and business banking segment (loans against property), and in government directed MUDRA and agricultural loans.

"MSME loans have got an RBI

BANKS NOT GENERATING SURPLUSES



Source: RBI

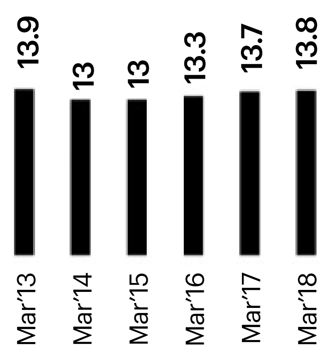
THE SOLUTIONS

More power to the Bank Board Bureau

Hiring of outside professionals in PSBs

More stringent compensation norms for CEOs and senior management

BANKS HAVE TO IMPROVE CAPITAL TO FUND FUTURE GROWTH



Source: RBI

THE SOLUTIONS

Use of the RBI's surplus capital for recapitalisation of PSBs

Creation of a Bank Investnent Company for housing government stake in PSBs; it can raise money from the market

breather by way of restructuring so the real picture of NPAs (non-performing assets) will emerge only after the scheme ends," says a private banker. Similarly, banks are going after retail banking, where there is a tough competition. Margins and yields are low in mortgages, so banks are chasing unsecured loans, where margins are high. "For how long can this lone engine support growth?" says a consultant.

A bigger concern is risk aversion among bankers which is taking them away from project loans. "The days of taking aggressive calls on project loans and infra financing are gone. The banks have realised that their ALM (asset liability management) is not suited for long gestation loans," says a credit rating official. Even in the past, the majority of banks would not evaluate a large project loan on a standalone basis. Instead they went by the judgement of lead banks like SBI, ICICI Bank or PNB. Today, the government has big plans for infrastructure investment while the framework of development financial institutions (DFI) is missing. ICICI, IDBI and IDFC have all converted into retail banks. Federal Bank's Srinivasan suggests creating new instruments to fund infra needs. "Globally, banks get in when the project is either completed or nearing completion," he says.

There are already plans to create new entities or funds to pool in resources from pension funds, insurance companies and other long-term investors. But that's easier said than done as the requirement of funds is more immediate. Therefore, the burden of supporting project financing and the infrastructure sector is likely to fall on PSBs. All the more reason for the government and the RBI to tread cautiously to not only fix the banking system, but also protect it from threats. BT

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TAMING SHADOW BANKS

NBFCs are facing asset-liability mismatches and undergoing a balance sheet adjustment. But they need more regulatory intervention, too.

By **RASHMI PRATAP**
Illustration by **AJAY THAKURI**

JUST ABOUT A year ago, the non-banking financial sector (NBFC) was on a tear. It was also the darling of stock markets. NBFCs were growing rapidly – in many cases faster than banks – and their chiefs were feted like star bankers. A year later, things couldn't be more different. As the IL&FS scandal brought things to a head, banks, mutual funds and others who had been happily subscribing to NBFC commercial paper and other debt realised there was something rotten in the sector. Since then, the troubles have been multiplying.

Some of the biggest names in the NBFC universe, including Dewan Housing Finance Ltd. and Reliance Capital, have seen their reputations getting hit after debt defaults. The reason is simple. NBFCs depend on short-term funding sources such as commercial paper to raise funds that they then lend for longer term projects. The trick is to keep rolling over these debt papers, which has become difficult after the IL&FS crisis due to liquidity squeeze and perception of higher risk. Those who are holding on have been forced to bring out press releases to show they are not in trouble. Indiabulls Housing Finance, for example, has given out its cash and cash equivalent position to reassure investors and others that it is capable of meeting its commitments. The NBFC defaults have also badly hit debt funds. What was sold to risk-averse investors as a rock safe investment is turning out to be anything but that.

Is there are way out? The Reserve Bank of India (RBI), the regulator, is scrambling to both find out how deep the rot is, and also find a solution to the crisis. It has prescribed new liquidity norms for NBFCs. Some say this will further restrict NBFCs' options and could be a case of the cure being worse than the disease. The finance ministry is equally concerned about the dangers posed by the crisis. It moved swiftly to stabilise IL&FS by appointing a new board but is unclear about managing the larger crisis. There can, after all, be no single-point solution.

HOW TO FIX NBFCs

Strengthen disclosures so that stakeholders can raise relevant questions

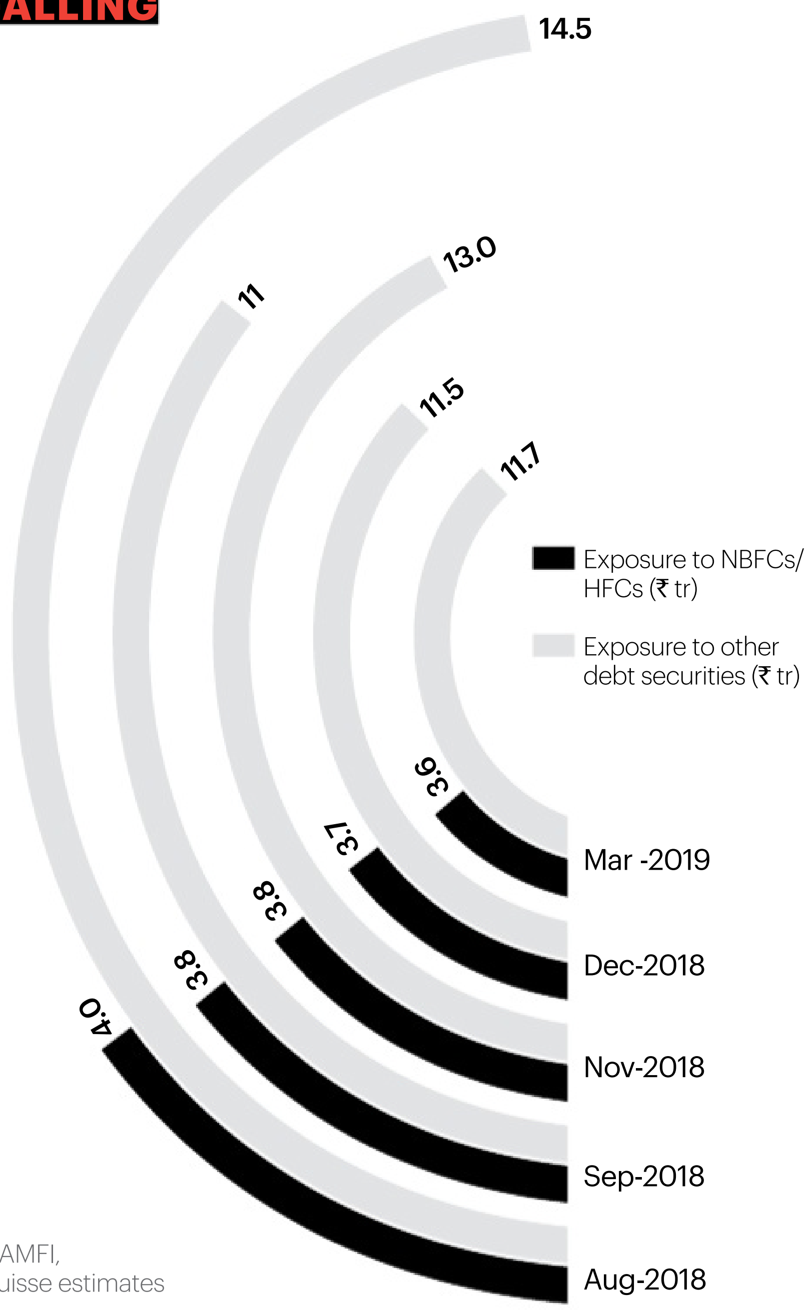
Capital adequacy ratio and risk weights should be tightened

Set up a separate regulator for NBFCs within the RBI

Ask NBFCs to clean up their balance sheets in one go

Introduce regulations to make rating agencies accountable

MF FUNDING TO NBFCs AND HFCs FALLING



Source: AMFI, Credit Suisse estimates

Self-medication

A few NBFCs have realised that their basic business model – borrowing short-term money to lend for long-term projects – is not sustainable. The smarter ones have started looking for solutions. In December last year, NBFC Capital First and IDFC Bank announced the completion of their merger to create IDFC First Bank with a combined loan book of ₹1.03 lakh crore. With a bank-like loan book of ₹22,974 crore and a customer base of three million, the deal was a natural transition for Capital First, which can now, as a bank, access low-cost funds. In April, the board of Lakshmi Vilas Bank approved the proposed merger with Indiabulls Housing Finance, an NBFC. The merger will provide synergies similar to the IDFC Bank-Capital First case – bigger joint loan book, cheaper capital and wider customer base.

Clearly, when NBFCs get a sizeable loan book and customer base, they need to look for ways to grow further because borrowing aggressively in the short-term commercial paper market and lending for the long term (to home/auto buyers, property developers, etc) is not sustainable. Dewan Housing and Finance Ltd (DHFL) is a case in point.

"This (converting into banks) may be valid for NBFCs that focus on longer term loans. If a large NBFC with presence in multiple segments wants to maintain flexibility, demerger of product verticals and their listing as separate entities can be a viable option to reduce risk," says Avneesh Sukhija, Senior Analyst, Financial Services and Real Estate, BNP Paribas Securities India.

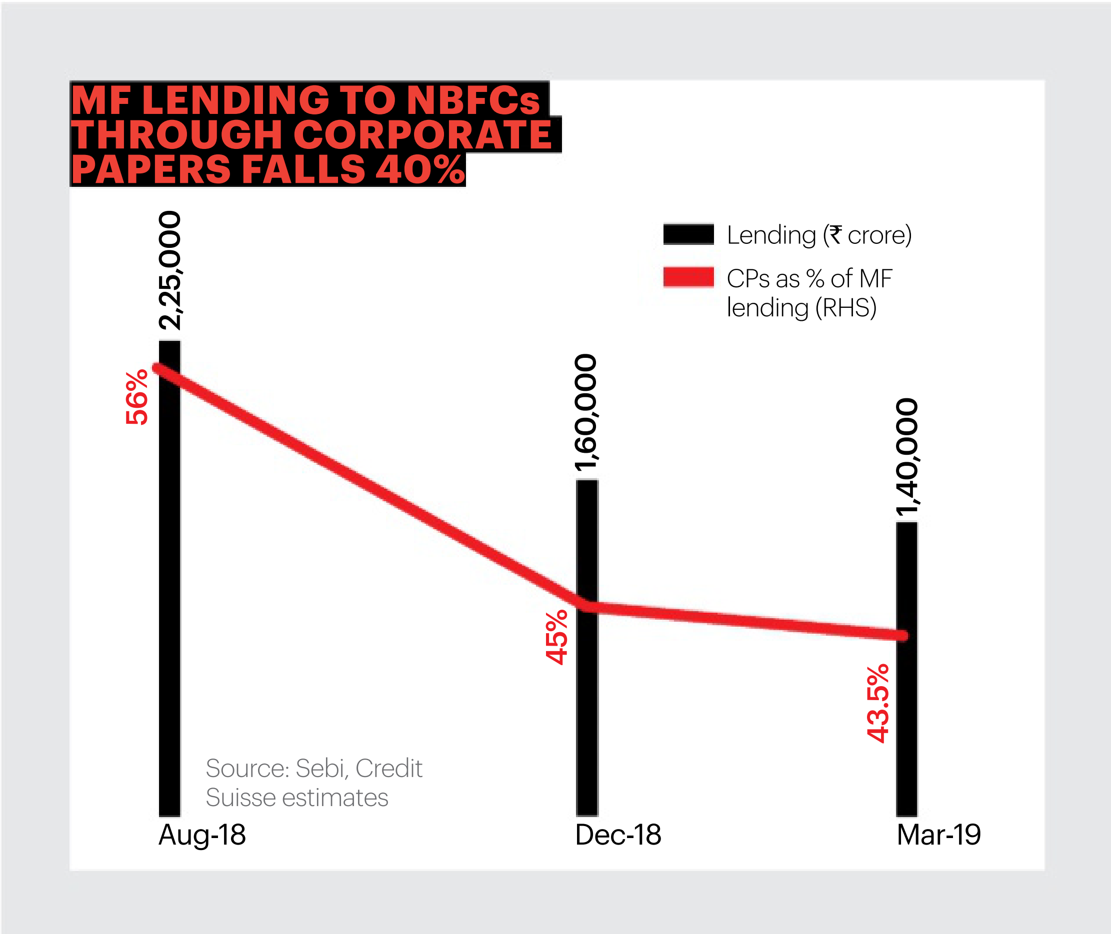
All NBFCs need not become banks. "Good NBFCs have expertise in niche areas, especially risk management, for serving customers that banks are not uncomfortable with. The fact they cannot take deposits is a safeguard. I don't see a compelling case for converting all of them into banks," says Abheek Barua, Chief Economist at HDFC Bank.

Moreover, while turning into a bank gives NBFCs access to deposits and low-cost funds, regulatory requirements like statutory liquidity ratio, cash reserve ratio and priority sector lending targets also drag down return on assets. "It is important to note that some large NBFCs have thrived in the current environment by sticking to the basics and not chasing dilutive growth," says Sukhija.

RBI Steps In

The RBI last month issued guidelines stipulating a bank-like liquidity coverage ratio (LCR) for NBFCs apart from granular asset-liability management and closer monitoring. The move will ensure that liquid assets can be converted into cash to fund outflows for short durations in case of a liquidity stress. "The new LCR norms will facilitate quick access to liquidity. Capital adequacy and risk weights could also be tightened, although they are on a par with banks," says Barua.

These measures are likely to impact margins of NBFCs as they will have to invest liquid assets mostly in government bonds, which give low returns. This margin reduction, however, is better than missing the interest payment deadline, as in the case of DHFL, which is now seeking help from financiers to meet its ₹1,000 crore obligation within the seven-day grace period. It is on the brink of de-



MF LENDING TO NBFCs THROUGH CORPORATE PAPERS FALLS 40%

fault. Reports of defaults or imminent defaults by shadow banks have been doing the rounds since September 2018 when IL&FS defaulted on a loan repayment.

India has 10,190 NBFCs, with loans outstanding of ₹17.2 lakh crore at the end of FY 18 compared to ₹92.1 lakh crore outstanding bank credit. With such high stakes, it is time for stringent regulatory measures to keep a check on the NBFC universe. "We think disclosures have to be strengthened so that the stakeholders can countercheck and raise relevant questions," says Sukhija.

Clean-Up Act

As things stand, NBFCs like Reliance Capital and DHFL have already been sharply downgraded by ratings agencies, while many others are struggling. To prevent them from going belly up, Sukhija suggests cleaning up of balance sheets in one go or in a staggered manner over three-four years. "Both these strategies need to be applied on a case-to-case basis. My preference is for the latter, a quick and surgical solution," he says.

Industry watchers also favour a special liquidity window for struggling NBFCs as was done by the RBI in 2008 following the global financial crisis and in 2013 in response to market volatility following the US Fed's announcement that it will reduce its bond-buying programme. "I believe it (special liquidity window) is plausible and will restore confidence in the financial system. Easing of banks' norms for lending to NBFCs is perhaps not adequate," says Barua. Sukhija does not agree. "At present, there is no systemic risk, and allowing the use of a special window for those who have not been following the best lending practices could lead to its misuse."

Recognition of a problem and possibly spreading the pain over a certain, but not an extended, period to avoid significant liquidity impact is the best way to address the problem. "It will limit the problem from becoming bigger and getting out of control," he adds.

₹17.2
LAKH CRORE
Outstanding NBFC loans at the end of FY18 compared to ₹92.1 lakh crore bank credit

Regulatory Watch

Barua favours a stronger regulatory mechanism for NBFCs as they account for 15-20 per cent of the total lending,. "The real challenge is to devote more resources to NBFC regulation. One can have a separate entity within the RBI to do this," he says.

Manish Jain, Partner at KPMG India, says there is a need to enhance the reporting structure for all regulated financial services entities. "Most reporting standards revolve around reporting of financial statements as on date. We need to move towards cash flow-based reporting with base cash flow and delta on a periodic basis. Various central banks are looking to move in this direction," he says.

To restore faith in NBFCs and bring them out of the woods, it is also important to redefine the business of rating agencies, which were not able to foresee defaults by IL&FS. "The rating process across agencies, including evaluation of businesses and financial and other risks across parameters, looks good on paper, but its execution has fallen short in some cases. Given the recent issues, we think one option is to introduce regulations making the agencies accountable for their ratings," says Sukhija. "Their role requires a thorough review and greater accountability," says Barua.

While the NBFC liquidity scare continues, it runs the risk of further hurting India's consumption story. Private consumption (57 per cent of India's GDP) has slowed down over the past quarter driven by income uncertainty. "NBFCs played a significant role in a number of areas like two-wheeler finance, small ticket mortgages, loans against gold and financing of second-hand vehicles. If they are hobbled, consumption is bound to be impacted," says Barua. BT

@rashmipratap3

FINDING THE WAY

Fintech lenders will have to change their business models to survive the ongoing liquidity crisis.

By **APRAJITA SHARMA**
Illustration by **AJAY THAKURI**

AMIT KUMAR, Co-founder, GalaxyCard, a digital credit card start-up, had just gone live with a non-banking finance company (NBFC) when the IL&FS default crisis erupted in September 2018. The NBFC, which had started discussions with GalaxyCard in January 2018, had big plans but changed its mind. "Nine months of integration, legal paper work and banking transactions went for a toss in just 10 days," says Kumar. Many NBFCs that had tied up with fintech firms or were in the process of doing so are not even willing to talk, says Kumar. As a result, a lot of fintech lenders are finding it difficult to raise funds. Some are even closing down.

The liquidity crunch has put a spanner in the works for such firms despite the fact that the potential market of millennials and salaried professionals remains. Akshay Mehrotra, Co-founder and CEO, EarlySalary, sees a huge untapped market in consumers with credit scores of less than 750 and loan size below ₹1 lakh for less than one year tenure. "The salaried individual segment is a ₹4.5 lakh crore opportunity (by 2023/24) based on 201 million individuals," he says.

India is the second-biggest fintech hub in the world, after the US, with 2,035 start-ups in the sector against just 737 in 2014, according to the India Fintech Report 2019 by Medici.

However, fast paced growth in a short span doesn't guarantee sustainability. China's peer-to-peer (P2P) lending segment flourished in the past four-five years but witnessed multiple defaults from June 2018 after it surfaced that a few P2P operators had duped investors. Thousands of platforms disappeared over two years.

In India, regulations are trying to put things right.

THE FINTECH UNIVERSE

8%
Average delinquency rate of lending fintechs (KPMG)

2,035
Number of fintech start-ups now as against 737 in 2014 (Medici)

$428.2 MILLION
Fintech funding in Q4FY19 (about ₹3,000 crore) versus $286 million (about ₹2,000 crore) in Q4FY18 (CB Insights)

Road to Regulations

The Reserve Bank of India's, or RBI's, recent draft circular on liquidity risk management for NBFCs and Core Investment Companies proposes to focus more on granular buckets (0-7 days, 8-14 days and 15-30 days instead of 30 days now) for asset liability management. It also talks of introducing liquidity coverage ratio requirements in line with banks and having more transparency in borrower or concentration details.

While a long-term positive, the regulations will pressurise margins. Yields on liquid assets would be lower than cost of funds for most NBFCs, says brokerage PhillipCapital's report. But most large NBFCs have cash balances (after IL&FS default) that cover around 60-

120 days of net outflow.

The Securities and Exchange Board of India also has a framework on 'innovation sandbox' to provide an ecosystem to test at a small scale.

There are, however, concerns around cyber security. "The proposed framework has not provided for user privacy and data security," says Deepika Sawhney, Partner, Corporate Professionals. Besides, in the current set of proposals, compliance with data protection laws lies with the participating entities. "The cost of compliance may be too high for a company that is starting out," says Monish Anand, Founder, Shubh Loans.

Deep pockets would help fintech firms ride this storm, but many do not have that kind of backing. This has led some to look at other ways of staying in action, as a lot depends on their model of operations.

Recovery, Not Lending, Is Key

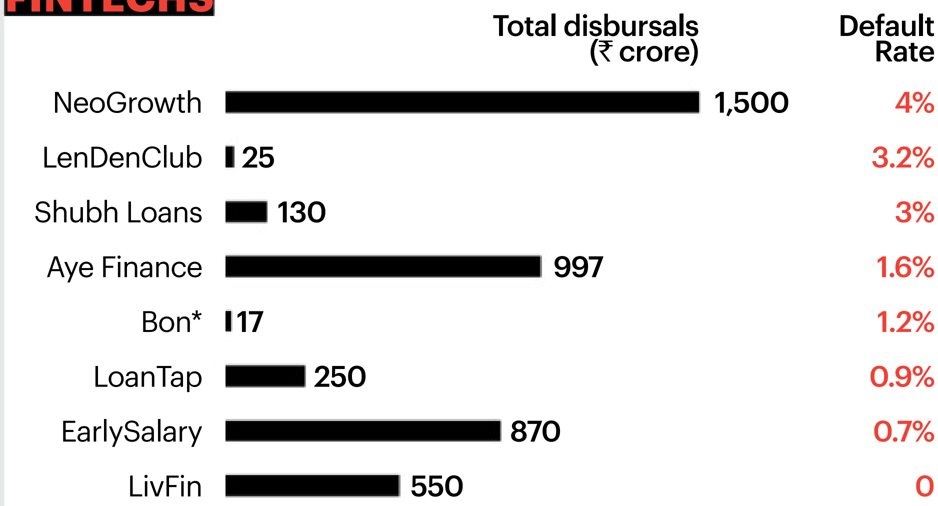
Fintech players have realised that survival depends not on giving away money but in getting it back. "Fintechs are focussing more on collection of delinquent loans, as their scale and geography grow. The growth among fintechs and new age NBFCs will not be uniform and will largely depend on credit loss measures," says Sanjay Sharma, Co-founder, and MD, Aye Finance.

Another way is to use new technologies such as machine learning, Artificial Intelligence and blockchain to verify credit worthiness of borrowers and thus reduce defaults.

NeoGrowth, for example, offers loans to small businesses based on digital spends on their POS machines, as the number of swipes is a good indicator of business potential, seasonality changes and customer footfalls, says Piyush Khaitan, founder and MD, NeoGrowth. Shubh Loans considers parameters such as insurance coverage, number of dependents on the borrower and shopping history.

Targeting niche segments is another model. For example, Bon only gives loans to gig workers such as Uber drivers and delivery personnel. Shubh Loans focusses on people earning below ₹10,000-12,000. Samunnati offers agriculture loans while LivFin

DELINQUENCIES MIGHT COME BACK TO HAUNT LENDING FINTECHS



*Marketplace; Source: Companies

THE SOLUTIONS

The RBI's draft circular on liquidity risk management for financial institutions aims at reducing short-term liquidity risks

Fintechs need to strengthen balance sheets by depending on stable funding sources

Sebi has floated a discussion paper on regulatory sandbox for fintechs; sandbox is an ecosystem to test innovations at a small scale in a controlled set-up

lends to SMEs based on invoices.

According to KPMG, on an average, the industry level of non-performing assets (NPAs) is around 8 per cent for lending start-ups and 14 per cent for peer-to-peer lenders. While there are delinquencies, the default rate is low against the average ticket size.

Towards Partnerships

Tying up with others is, however, the more popular route. Broadly, fintech players have adopted three kinds of models. One model is lead generation where fintech firms only provide a marketplace and don't bear the risk of default. Bankbazaar, Paisabazaar and MyLoanCare, for example, function as digital direct sales agents. The second model is a hybrid one in which fintechs disburse loans on their own as well as through partners such as banks. For example, CapitalFloat has co-lending partnerships with banks and NBFCs, and Shubh Loans has applied for its own NBFC licence. Fintechs also partner with third parties to get customers on board. For example, Bon has tied up with Uber and Swiggy.

The advantage with the partnership model is that the risk is shared. But a few fintech players with their own NBFC licences prefer to maintain independent loan books. NeoGrowth, LoanTap, LivFin and Samunnati have adopted this model.

Industry players say partnerships are the future. "As focussed and digital data-driven lenders, fintech players bring a unique perspective to the table in underwriting loans, whereas large banks have the capital to deploy, and also have multiple small merchant relationships," says Khaitan of NeoGrowth.

Banks can develop their own credit assessment tools but the cost of doing so will be higher for them, says Gaurav Gupta, Founder and CEO, MyLoanCare. "Start-ups can handle a large number of applications without deploying more manpower," he says.

The shortcoming in the partnership model, however, is that innovation could be stunted as banks may not permit experimentation.

New Sources of Funds

One positive outcome of the entire IL&FS episode is that start-up founders have realised that overdependence on banks, mutual funds and NBFCs is not healthy for them. "Many global institutions, family offices and insurance companies are willing to provide credit to consumption class but the cost of compliance must come down," says Satyam Kumar, Co-founder and CEO, LoanTap.

Another avenue of funds is mezzanine financing – a hybrid of debt and equity financing that gives the lender the right to convert her debt into equity if the loan is not paid back on time and in full.

Khaitan of NeoGrowth says institutions like SIDBI, LIC and NABARD should come up with lending schemes for fintechs. "This is because customer segments within MSMEs that fintechs cater to are very different from the traditional SME customers where incumbent financial institutions already have product offerings."

For example, Anil Kumar S.G., Founder and CEO, Samunnati, says his start-up provides loans only to farmers and entities engaged in agriculture, but lending to Samunnati doesn't fall under priority sector lending for banks. "The government should look into a policy where, for example, NBFCs or financial institutions with 75 per cent or more exposure in agriculture could be given priority sector benefit," he suggests.

In addition, raising capital through securitising loan books, crowd-funding, masala bonds, external commercial borrowings as well as raising money directly from foreign investors are also becoming popular.

As per Nasscom, the Indian fintech market is poised to touch $2.4 billion by 2020. While the IL&FS crisis decelerated growth, it has also led to sifting of fintech firms at a time when lending to borrowers with lower credit scores had picked pace.

Hopes of a turnaround are high, and the soonicorns among fintech firms look set to turn into unicorns over the next two-three years. BT

@apri_sharma

HOW INDIA CAN BOOST FINTECH GROWTH

An inclusive, co-ordinated approach towards fintech innovation and regulation will go a long way.

By **ABIZER DIWANJI**

India's fintech ecosystem has witnessed rapid growth. Fintech firms saw a fourfold increase in investments, from £276.21 million in 2015 to £1.39 billion in 2018. The number of VC deals rose by 61.1 per cent in the first quarter of 2019 compared to the previous quarter as India is now home to over 2,000 fintech start-ups.

The country has excelled in fintech adoption and leads the charts with China. Until now, this growth has been largely triggered by successful government initiatives such as India Stack, UPI, Digital India and Pradhan Mantri Jan Dhan Yojana. At the state level, the likes of Maharashtra have come up with a comprehensive policy while others like Andhra have signed MoUs with Maharashtra to leverage its learning and experience.

Regulatory Gaps

The regulatory bodies have frequently come up with draft regulations to support these government initiatives. Over the last three years, the RBI has drafted regulations around payment banks, mobile money, NBFC-AA and P2P lending, all of which support financial inclusion. The central bank has also adopted an inclusive approach while doing this – it issues discussion papers on proposed policy changes and takes feedback from stakeholders.

Adopting a broad regulatory approach remains a challenge here as India has four different regulators who are broadly responsible for banking, capital markets, insurance and pension sectors. For instance, the RBI came out with proposed/draft guidelines for a regulatory sandbox which would enable fintech companies to test new products in a controlled environment. Similarly, IRDAI and SEBI published their own set of draft guidelines for regulatory sandboxes. In such cases, there are opportunities to have as many commonalities as possible between various sandboxes which will allow innovations to span across multiple segments of financial services. But for fintech entities operating across regulators, this creates uncertainty. A case in point is the RBI's amendment to its Master Direction on KYC norms, which allowed scheduled commercial banks to use Aadhaar-based eKYC. This is a breakthrough, but it does not apply to MFs or insurance companies because SEBI and IRDAI have not made similar amendments.

Much can be learnt from the UK and Singapore regarding a co-ordinated approach. The UK has one overarching regulatory authority, the Financial Conduct Authority (FCA), which is responsible for regulation across all financial products and services. This enables fintech innovation across all segments of the financial services industry and allows players to leverage innovation in other sectors. For example, digital onboarding can be designed for both banking and insurance, and customer data can be fed to a common KYC registry as the same entity regulates both. This also benefits customers because they do not have to repeat the KYC process.

61.1%
Rise in number of fintech deals in Q1 of 2019 compared to the previous quarter

The FCA closely works with Project Innovate and develops regulations to address policy challenges faced by industry stakeholders. In fact, based on stakeholder feedback received from Project Innovate, the FCA implemented its regulatory sandbox in 2016. The UK's regulatory sandbox was a landmark achievement in creating enabling frameworks to support fintech innovation. It is now in its sixth cohort and has enabled the country to develop strong competencies in insurtech, regtech, wealthtech and cybersecurity – areas where India is lagging.

Singapore, too, has a dynamic fintech regulatory landscape based on collaboration. Its regulatory co-operation agreement with the UK as part of the UK-Singapore Fintech Bridge allows information sharing on fintech innovation and collaboration on drafting enabling regulation for the same.

The Way Forward

India has made large strides in this space, but to move to the next stage, regulators must recognise the need for a co-ordinated effort for fintech policy development. The respective sandboxes should encompass all categories of financial products and services to ensure all-round growth. We should also consider a fintech regulatory body (with participation from all regulators) to oversee this space and adopt a more cohesive and countrywide approach. BT

The writer is Partner and Leader, Financial and Restructuring Services, EY; Sayantan Choudhury, Director, Financial Services Advisory, EY, and Hemant Kshirsagar, Senior Manager, India Fintech Lead, EY, also contributed to this article

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Elections are over and ministers have been sworn in. A look at the ministers entrusted with handling the economy and the key tasks they need to address.

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MAKING INDIA DISASTER READY

Natural calamities have become a way of life, but the Indian infrastructure is yet to become resilient.

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Jet Airways might be heading for bankruptcy as it seems to have lost the chance to secure a buyer.

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HELLO, GOODBYE

Why is Ajay Piramal exiting the Shriram Group of companies in which he invested heavily only six years ago?

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"We Need to Diversify Beyond kiranas in India"

TANIT CHEARAVANONT

THE HUB **POLICY**

MINISTERS, PORTFOLIOS & TASKS

Elections are over and ministers have been sworn in. A look at the ministers entrusted with handling the economy and the key tasks they need to address.

By TEAM BT

NITIN GADKARI
Ministry of Road Transport and Highways
Ministry of Micro, Small & Medium Enterprises

Increase spending on infrastructure projects to push up growth that has begun to sag. Create a policy framework that will spur private investments in roads and highways.

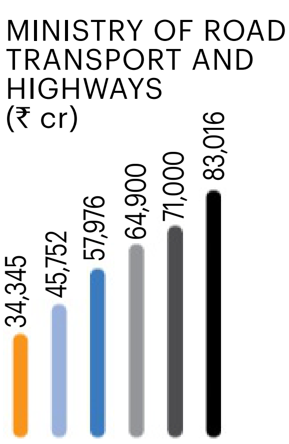
Devise solutions for credit at suitable rates for long gestation projects to avoid NPAs and restore investor confidence.

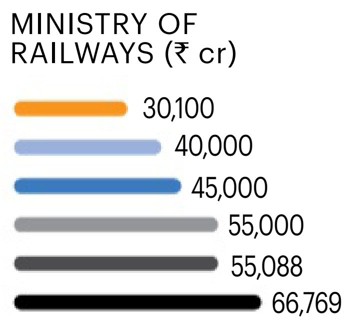
Oversee passage of the long-delayed Motor Vehicles Bill to curb road deaths in the country.

Draft a holistic electric vehicle policy with subsidies and incentives

Union Budget allocations; Source: Ministry of Finance, Union Budgets

2014/15, 2015/16, 2016/17, 2017/18, 2018/19, 2019/20





PIYUSH GOYAL
Ministry of Commerce and Industry
Ministry of Railways

Tackle increasing trade protectionism in key export markets like the US.

Stand up to the mounting pressure from global trade partners against increase in import tariffs on key products like electronic goods.

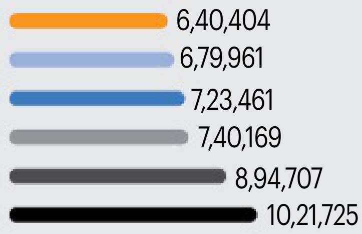
Finalise national industrial policy and e-commerce policy.

Launch National Logistics Portal; speed up the Business Reform Action Plan to improve position in the Ease of Doing Business Ranking.

Fast track the Mumbai-Ahmedabad bullet train project, the Mumbai Urban Transport Project and the Bangalore Suburban Railway.

Complete redevelopment of 600 major railway stations.

CENTRAL BUDGET ALLOCATION (₹ cr)
MINISTRY OF FINANCE



NIRMALA SITHARAMAN
Ministry of Finance
Ministry of Corporate Affairs

Fix the fiscal mess. The government barely managed to stick to the fiscal deficit target of 3.4% in 2018/19 as revenue collections fell short by almost ₹1.6 lakh crore.

Improve tax buoyancy. Monthly GST collections are picking up but are still below levels that can help the government achieve its indirect tax collection targets.

Overhaul direct tax laws. The government had set up a committee to recommend reforms but it is yet to come out with its report.

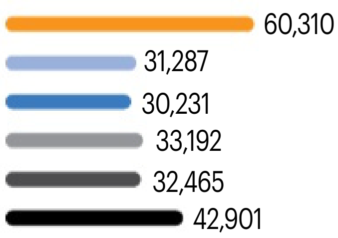
Increase tax deduction limits under various sections to boost personal consumption.

Improve finances of NPA-laden public sector banks. Continue bank recapitalisation and mergers.

Amit Shah is Minister of Home Affairs (₹1.04 lakh crore budget allocation in 2019/20), but is present in all the eight Cabinet Committees, including the three on Economic Affairs, Investment and Growth and Employment and Skill Development.

DHARMENDRA PRADHAN
Ministry of Petroleum and Natural Gas
Ministry of Steel

MINISTRY OF PETROLEUM AND NATURAL GAS (₹ cr)



No flip flop in petroleum policy implementation. Adhere to contracts and ensure fiscal stability.

Give marketing and pricing freedom to oil companies. Maximise value of hydrocarbons to the government. Encourage open bidding of resources.

Remove artificial barriers to exploration of mining areas. This will bring in investment and additional hydrocarbons.

In steel, create a level playing field for domestic players; put safeguard duties to avoid dumping of steel in India at predatory prices.

Auction iron ore mines in a transparent manner.

Standardise steel imports; strict adherence to quality standards.

NARENDRA SINGH TOMAR
Ministry of Agriculture and Farmers Welfare
Ministry of Rural Development

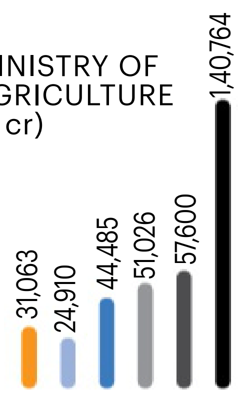
Expand the PM-KISAN (direct benefit transfer of ₹6,000 per annum) to cover all landholding farmers.

Have a fool-proof mechanism for procurement at minimum support price (MSP). Procure all produce when prices fall below MSP.

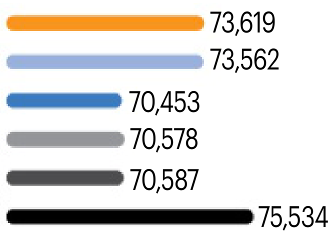
Develop and upgrade existing 22,000 rural haats into Gramin Agricultural Markets. These should be electronically linked and exempt from APMC regulations to sell directly to consumers and bulk purchasers.

Complete 295 agriculture clusters under the Shyama Prasad Mukherji National Rurban Mission in 2019/20.

MINISTRY OF AGRICULTURE (₹ cr)



CENTRAL BUDGET ALLOCATION (₹ cr)



D.V. SADANANDA GOWDA
Ministry of Chemicals and Fertilizers

Set up petroleum, chemical and petrochem investment regions in Gujarat (Dahej), Andhra Pradesh (Vizag–Kakinada), Odisha (Paradeep) and Tamil Nadu (Cuddalore- Nagapattinam).

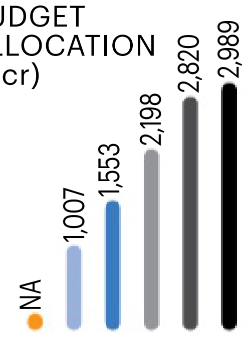
Boost domestic bulk drug manufacturing to reduce dependence on China.

Develop medical device manufacturing sector.

Scale up generic drug retail sale scheme – Pradhan Mantri Bhartiya Janaushadhi Pariyojana.

MAHENDRA NATH PANDEY
Ministry of Skill Development and Entrepreneurship

CENTRAL BUDGET ALLOCATION (₹ cr)



Work on more efficient match between demand (of work) and supply (of labour).

Work with central and state governments to build housing for migrant workers.

Along with state governments, fund or incubate Industry 4.0 and advanced technology centres.

Work on long-term funding schemes for nano entrepreneurs, small businesses.

ARVIND SAWANT
Ministry of Heavy Industries and Public Enterprises

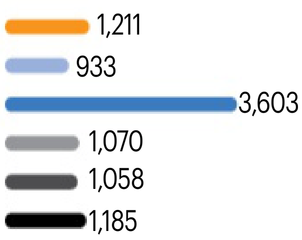
Push National Electric Mobility Mission Plan 2020 to increase penetration of electric and hybrid vehicles.

Follow the 5Ps formula: Performance, Process, Persona, Procurement and Preparedness.

Facilitate winding up of loss-making PSEs.

Implement National Capital Goods Policy to create global Made in India brands, firms.

CENTRAL BUDGET ALLOCATION (₹ cr)



PRALHAD JOSHI
Ministry of Coal
Ministry of Mines

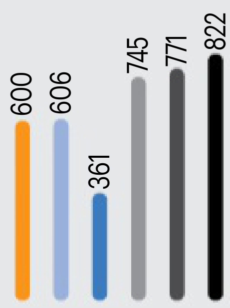
Make a framework and allow commercial mining of natural resources.

Make a policy framework and mine allocation strategy for forests and ecologically sensitive areas.

Improve co-ordination with other ministries to ease procedural delays.

Ensure additional coal supply for adequate production of electricity during peak demand.

MINISTRY OF COAL (₹ cr)



SMRITI IRANI
Ministry of Textiles

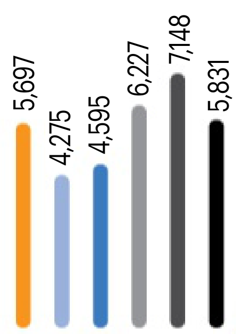
Improve competitiveness of textile exports.

Solve credit crisis in small and medium garments, apparel units.

Create mega textile parks.

Promote handloom and handicraft sector.

MINISTRY OF TEXTILES (₹ cr)



RAVI SHANKAR PRASAD
Ministry of Communications, Ministry of Electronics and Information Technology

Rationalise pricing of 5G spectrum to increase participation in spectrum auction.

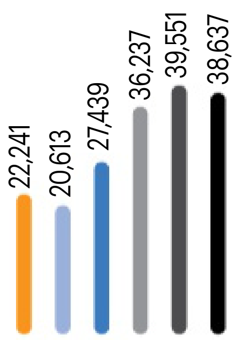
Work out ways with ISRO to free up spectrum in the 26-28 GHz band.

Clarify policies on active network sharing.

Help remove implementation hurdles to speed up fibre deployment.

Ensure the personal Data Protection Bill goes through with minimal dilution.

CENTRAL BUDGET ALLOCATION
(₹ cr)
MINISTRY OF COMMUNICATIONS



RAJ KUMAR SINGH
Ministry of New and Renewable Energy
Ministry of Power

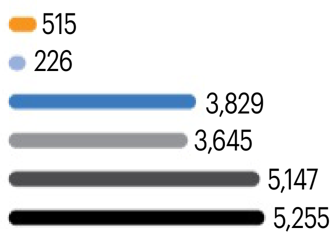
Aim to achieve renewable energy target of 175 GW by 2022.

Thrust on rooftop solar to meet the target.

Resolve regulatory issues such as land ceiling, tariff and grid parity, and ensure funding for projects.

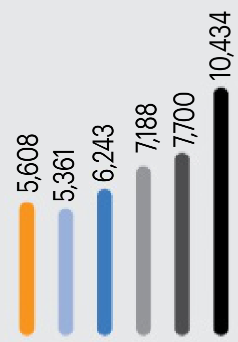
Improve domestic manufacturing environment and policy support for renewable energy.

CENTRAL BUDGET ALLOCATION (₹ cr)



SANTOSH GANGWAR
Ministry of Labour and Employment

CENTRAL BUDGET ALLOCATION (₹ cr)



Push through labour law reforms. Enact labour codes – on wages, industrial relations, social security and welfare and occupational safety, and health and working conditions.

Make compliance with national floor level minimum wage mandatory.

Improve data collection on employment.

Ease industrial relations to encourage formalisation.

Have a functional Labour Market Information System to identify skill shortages, training needs and employment created.

HARDEEP SINGH PURI
Ministry of Housing and Urban Affairs
Ministry of Civil Aviation

Work on the mission of 'Housing For All By 2022'.

Create an online single window clearance system for real estate to ease the long process of approvals.

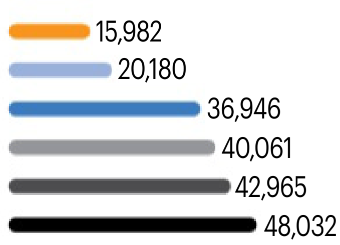
Grant industry status to the real estate sector.

Push through Air India's disinvestment in the shortest possible time.

Reduce taxes on aviation turbine fuel to make it comparable with other developed countries. Bring ATF under GST.

Reduce levies and taxes on Maintenance, Repair and Overhaul players to boost this business.

MINISTRY OF HOUSING AND URBAN AFFAIRS (₹ cr)



Inputs from P.B. Jayakumar, Nevin John, Goutam Das, Joe C. Mathew, Dipak Mondal, Manu Kaushik, Sumant Banerji, Rukmini Rao and Shivani Sharma

THE HUB **DISASTER MANAGEMENT**

MAKING INDIA DISASTER READY

NATURAL CALAMITIES HAVE BECOME A WAY OF LIFE, BUT THE INDIAN INFRASTRUCTURE IS YET TO BECOME RESILIENT.

By **AJITA SHASHIDHAR AND SONAL KHETARPAL**

Photograph by **RACHIT GOSWAMI**

BALABHADRA Panda, a priest at the Jagannath Temple in Puri, Odisha, anxiously waits to escort pilgrims into the sanctum sanctorum of the 10th century temple. A month after the devastating Cyclone Fani hit Odisha, there is visible desperation on his face as the inflow of pilgrims has dipped by over 60 per cent and so has his earnings. "Pilgrims have literally stopped visiting the temple," he says. Prior to the cyclone, Panda comfortably earned ₹1,000-1,500 a day as *dakshina* from pilgrims. Today, earning even ₹500 is a struggle. Bada Danda, the road which leads to the temple, usually teeming with people, bears a desolate look post the cyclone.

Puri's Beach Road is deserted too. The numerous hotels which dot the road are


India loses 1.2 million houses to natural disasters every year

dilapidated and not operational anymore. The hotel industry in the state has incurred losses of about ₹500 crore and over 5,000 people have lost their livelihood.

The area has not had power since Cyclone Fani struck in early May. In the first week of June, power supply has been restored to just 20 per cent of Puri district. On the beach sits Ganesh Behera, who earns his livelihood by clicking instant photographs of visitors on the beach. Since the cyclone, Behera has been struggling to earn even ₹100 a day as tourists have vanished. In addition, after living in a cyclone shelter for about 10 days, he has to rebuild his home. The government has promised to give him ₹95,000 to reconstruct his home and he is anxiously waiting for the money to be credited into his account. "I have so far got only ₹2,000, 50 kg of rice and a tarpaulin sheet to cover my broken roof," he says.

While the Government of Odisha did a commendable job in evacuating 1.5 million people to safety, what cannot be ignored is the ₹12,000 crore loss to the state's economy. While the loss to property is to the tune of ₹5,175 crore (over 500,000 people have lost their homes), the expenditure incurred for relief is about ₹7,000 crore. From power sector, tourism, agriculture, poultry and small and medium enterprises to houses and buildings, the cyclone has brought life and livelihood to a standstill. There are thousands like Behera who are desperately waiting for aid from the government to be able to rebuild homes and get back to their livelihoods before the monsoons arrive.

The Next Steps

Debabrata Patra, Regional Manager, ActionAid India, Odisha Regional Office, says the state government isn't showing the same urgency for rebuilding as it showed for evacuations. "The government has announced housing compensation of ₹3,200 for moderately damaged homes (bulk of the homes that have perished are

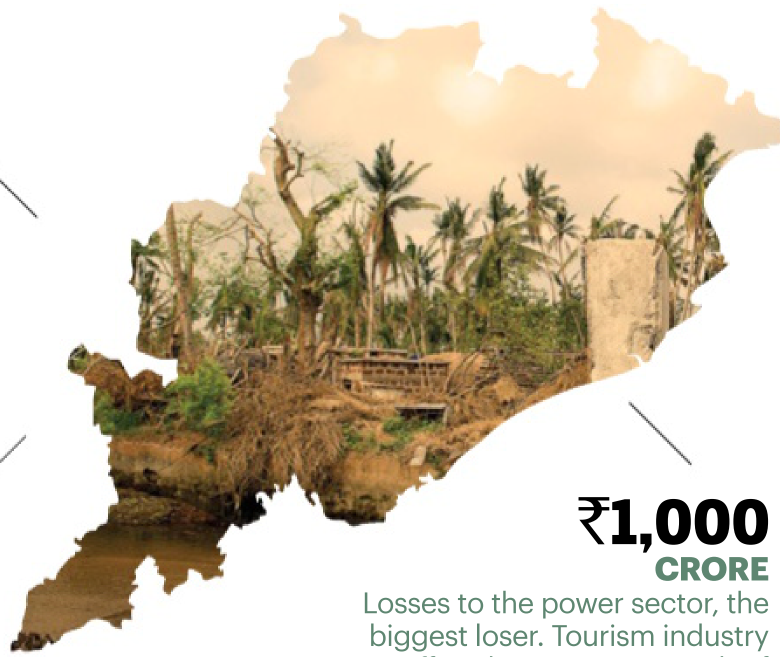
Economic Impact of Natural Disasters

$1.2 TRILLION
Estimated economic cost of disruptive shocks such as storms or floods in past 10 years in high-income and fast-growing middle-income economies (World Bank)

20% PLUS
Damages as percentage of GDP due to single shocks such as earthquakes in New Zealand and Chile

26 MILLION
Estimated number of people forced into poverty every year due to natural disasters

Odisha



₹12,000 CRORE
Loss incurred by Odisha due to **Cyclone Fani**

₹5,175 CRORE
Loss to property; expenditure incurred for relief is about **₹7,000 crore**

₹1,000 CRORE
Losses to the power sector, the biggest loser. Tourism industry suffered **₹500 crore** worth of losses, while for poultry, it was **₹234 crore**

Kerala

₹21,000 CRORE
Damage estimated from the 2018 floods

30%
Fall in tourism sector's revenue, which accounts for 10% of the state's GDP and employs around 1.4 million people

₹800 CRORE
Losses of agriculture, dairy and livestock sectors; **10,000 km** of roads damaged

thatched houses), ₹5,200 for partially damaged homes and ₹91,200 compensation for fully damaged homes. No one has got it." Patra urges the government to start the National Rural Employment Guarantee Scheme. "This will enable people to get at least some days of employment and they can repair their homes and revive their livelihood."

However, how natural disaster resilient is our infrastructure? It will take the Odisha Government anywhere between 5-10 years to rebuild the state and there is no guarantee that it will not be hit by another storm or cyclone in the meantime. Not just Odisha, natural disasters have become rampant in other parts of the country too.

Last year, Kerala faced its worst floods in a century. It inflicted damage up to ₹21,000 crore. Agriculture, dairy and livestock sectors incurred losses of ₹800 crore. In the Uttarakhand floods and torrential rains in 2013, the tourism sector alone suffered losses of ₹12,000 crore. The death toll was around 825.

"The first priority of disaster management is to save lives, followed by providing temporary shelter and food. The third priority is to bring them back to their original status or even improve it and the fourth priority is to minimise economic loss and build a disaster resilient infrastructure. We are doing reasonably okay in the first two priorities but quite poorly on the last two," points out Chandra Bhushan, Deputy Director General of Centre for Science and Environment (CSE).

The Odisha government had partnered with L&T to set up its early warning dissemination system. "Around 2.6 million text messages were sent to warn locals of the coming storm. The disaster response facility at state level and district level Emergency Operation Centres, set up under this project, were equipped with dispatcher terminals and GIS software which allowed radio dispatchers to effectively monitor and participate in the activities under their operation for quick and efficient response," points out R. Srinivasan, EVP and Head-Smart World and Communication, L&T Construction.

Bishnupada Sethi, Commissioner-cum-Secretary and MD, Odisha State Disaster Management Authority, agrees that building disaster resilient infrastructure is the need of the hour. "The roads and buildings built on the coast can't follow the same standards as in the interiors. Also, if we can build disaster resilient houses, people will not need to evacuate every time."

We only have money for relief. For example, houses are damaged, so we will give money as house building assistance, but that is not enough.

Bishnupada Sethi,
Commissioner-cum-Secretary & MD, Odisha State Disaster Management Authority

Telecommunication and banking services in the state also failed in a big way. However, the government doesn't have funds for mitigation, points out Sethi. "We only have money for relief. For example, houses are damaged, so we will give money as house building assistance, but that is not enough. The philosophy should be to build better. If a bridge is lost, then you should build a more robust bridge. But that concept is yet to come in the entire scheme of governance."

Buildings and Infrastructure

India loses 1.2 million houses to natural disasters every year. Over 58 per cent of the country's landmass is prone to earthquakes. Of this, almost 110 districts are in the highest risk zone. "As a whole, our building stock has to improve," says Anshu Sharma, Co-founder, SEEDS (Sustainable Environment and Ecological Development Society), which works to protect the lives and livelihoods of people who are exposed to disasters.

Over 75 per cent of Indian companies are not disaster ready either, says a CBRE survey conducted on over 100 top companies in India. "The survey was conducted to increase awareness about disasters, to reiterate the importance of pro-active planning for disaster management, and arrive at an industry wide approach," says Gurjot Bhatia, MD (Project Management), CBRE, India.

Building disaster resilient infrastructure would mean adherence to specifications at the time of construction. A building or power infrastructure in a coastal area, for instance, has to be designed to be resilient to high wind speeds. In 2011, the Sikkim earthquake of 6.9 magnitude killed 115 people. A similar intensity earthquake hit Seattle in 2001; nobody died due to falling bricks or debris. The high death toll in Sikkim was due to houses not being resilient to tremors. "Earthquakes don't kill people; buildings do," says Sharma of SEEDS.

The irony is that India has building codes for disaster resilience, but no one adheres to them simply because of the perception that they involve additional costs. The Bureau of Indian Standards, says D.N. Sharma, Member, National Disaster Management Authority (NDMA), has laid down clear rules on how buildings and infrastructure need to be built in specific disaster-prone zones. "If you follow those codes, infrastructure can withstand high intensity earthquakes and high intensity winds," he says.

When you are rebuilding, first, the idea is to give power to the people in whatever manner possible **and then think about putting all this infrastructure underground**

Ajay Gangwar,
Advisor, Operations, National Disaster Management Authority

"We have not had quality infrastructure, even where the standards have been specified. Buildings haven't been built as per the standards laid down by the national building code," agrees Niranjan Hiranandani, MD, Hiranandani Group.

National housing schemes such as Pradhan Mantri Gramin Awas Yojana promise housing for the rural poor, but one isn't sure how much of disaster preparedness is built in. "The Government of Odisha, post-Cyclone Phailin in 2013, had announced that all houses within five kilometres of the coast would be converted into pucca houses. A few homes were built with World Bank funding, but it cost upwards of ₹3 lakh per house and they couldn't sustain," says Patra of ActionAid India. It is high time governments and companies factor in the additional cost of disaster resilience in their projects. "It costs about 20 per cent more to make a stronger building which will survive such disasters," says Hiranandani.

Expensive Proposition

In Cyclone Fani, the poultry industry suffered ₹234 crore loss, and the reason for this, points out A.K. Sharda, Vice-President, Utkal Chamber of Commerce and Industry, is that concrete sheds crumbled. "Investment for broiler farms is anywhere between ₹5 lakh and ₹10 lakh. Investing in disaster resilient infrastructure would mean 50 per cent additional investment. The farmer can't afford this unless he gets support from the government," says Sharda.

Similarly, one of the basic requirements in coastal areas is a sea barricade, which the Odisha Tourism Association has been requesting the government to build for over a decade. "Nothing has happened," says J.K. Mohanty, Chairman of Odisha Hoteliers Association and Chairman and MD, Swosti Group. "We have to first of all move further away from the sea and make buildings resilient to strong winds. All this is a huge cost and we have requested the central government to give the tourism industry a ₹3,000 crore-support."

The worst affected in any natural disaster is the power sector. In Cyclone Fani, the sector is estimated to have incurred losses of over ₹1,000 crore. The only way to mitigate further losses is to have underground power transformers. It is obviously an expensive proposition and none of the private power companies responded to *Business Today*'s queries on the same. "The distribution network is fed by poles and a large number of those were destroyed in Cyclone Fani. We have run out of reserve stocks and are now manufacturing new poles at the Durgapur plant. When you are rebuilding, first, the idea is to give power to the people in whatever manner possible. And then think about putting all this infrastructure underground in most locations that are cyclone prone," says Ajay Gangwar, Advisor (Operations and Communications), NDMA.

The other big infrastructure letdown, not just during Cyclone Fani but also in other natural disasters, is telecom. While Airtel, Vodafone and Jio did set up COW (Cell On Wheels) facilities (portable towers on a truck that can go from locality to locality offering temporary network), the disaster hit areas were completely cut off when the cyclone hit. "The (regular) towers are designed for very high speed storms and the foundations are quite strongly laid. The tower never breaks; sometimes a tree falls on the tower. So, no matter how hard you try, sometimes you cannot prevent them from falling," explains a senior executive from a leading telecom company. When Typhoon Mangkhut hit Hong Kong last year, it left 1,500 trees uprooted, but there was no disruption in power supply or telecommunication. Is there a way to build similar resilience in India? The telcos and power companies don't seem to have an answer.

Agri Resilience

The Kerala floods last year damaged crops worth ₹800 crore. In Odisha, agricultural losses are in the region of ₹150 crore. Agricultural losses are comparatively lower because Cyclone Fani was a summer cyclone and almost 80 per cent of the fields were harvested. Other crops such as banana, cashew nuts and betel nuts, however, bore the wrath. Saurabh Garg, Principal Secretary, Government of Odisha, says work is being done on a war footing to make agricultural crops disaster resilient. "You can have seeds that are drought resilient, flood resilient and saline water resilient. There is research going on at the National Rice Research Institute. This area is disaster prone. So, the focus is to ensure that in future we are more disaster resilient."

A coastal cyclone is invariably followed by floods, which leads to salinisation of the soil.

"One of the options several countries are trying is growing salt tolerant crops. For instance, the rice varieties grown in Kerala are tolerant to sea water. Bangladesh has started using crops that grow on salt affected land," points out Bhushan of CSE.

Are You Insured?

Over 500,000 homes have been destroyed in Cyclone Fani, but the moment you ask any affected people if they have insurance, the immediate answer is that it is too expensive. The economic losses in most natural disasters are far higher than insured losses.

"This 'protection gap' is mainly due to lack of awareness about the importance of insurance," says Tapan Singhel, MD and CEO, Bajaj Allianz General Insurance. Singhel says the need of the hour is a mass insurance scheme. "The government has introduced NHPS (National Health Protection Scheme) and PMFBY (Pradhan Mantri Fasal Bima Yojana), which has been quite successful in safeguarding people from financial setback due to damages. On similar lines, a mass scheme for home insurance could be introduced in association with insurance companies."

Nature has been giving us regular warnings and it's high time we respond to these by making our infrastructure resilient to natural disasters. Time is fast running out. BT

@ajitashashidhar
@sonalkhetarpal7

Building Preparedness

A PROPER DISASTER WARNING SYSTEM THAT HELPS MINIMISE LOSS OF LIVES IS CRUCIAL, BUT HAVING A DISASTER RESILIENT INFRASTRUCTURE HELPS PREVENT LIVELIHOODS FROM DEVASTATION:

Have stringent standards and protocols to **build infrastructure**

Ensure that these standards are **implemented rigorously and governance mechanisms** put in place for accountability

Creating awareness is important so that everyone **understands and implements the rules while constructing homes and factories**

Any new infrastructure has to take into account weather hazards of that area and also prepare for unprecedented weather events

Ensure that the development project, **while addressing one problem doesn't add to another problem** or create new problems such as urban floods

TECH TANGLE

Huawei is under fire globally and its future in India is not yet certain.

By **MANU KAUSHIK**
ILLUSTRATION By **RAJ VERMA**

IN early June, employees at the Gurgaon office of Huawei Technologies had a good laugh over a joke doing the rounds on the social media. U.S. President Donald Trump, who has practically banned the Chinese telecommunications equipment maker from doing any business in that country on security grounds, was on a state visit to the UK where British mobile operator EE recently launched the country's first 5G services running on Huawei equipment. Trump could be using Huawei, after all.

What is pulling down the $107.4 billion company? The U.S. intelligence agency CIA has reportedly accused Huawei of receiving funding from China's National Security Commission, the People's Liberation Army (China's military) and a third branch of the state intelligence network. In fact, Huawei has been a suspect for more than a decade, and several countries have accused it of working as a spy agency for the Chinese government. This is because of Huawei founder Ren Zhengfei's deep connections with the Communist Party of China and his stint as an engineer in the People's Liberation Army. The company's image took another hit in recent months after it was accused of IP rights theft and violation of major international sanctions. The U.S. government is particularly suspicious of Chinese brands such as Huawei and ZTE, but Huawei feels the heat more than anyone else as ZTE does not have a significant global presence in the telecom equipment space.

However, it is business as usual at Huawei's India office despite global bans on its products by several countries, including the US, Australia, New Zealand and Japan, in recent months.

HUAWEI IN INDIA

TELECOM EQUIPMENT

Supplies 4G gear to Bharti Airtel and Vodafone Idea (Jio uses Samsung's gear).

Competes with Ericsson, Nokia and ZTE (which is also under cloud)

HANDSETS

Two handset brands in India – Huawei and Honor

Globally, it is the second-largest handset player but not even among the top five in India (IDC's first quarter data for 2019)

ENTERPRISE

Competes with Cisco

Becoming aggressive as it expands partner network and sets up training centres

The company's top management in India sounds a bit guarded, though, making sure that local communications are always in sync with its global headquarters in Shenzhen.

So far, Huawei has not faced any regulatory or trade issues in India. The Department of Telecommunications (DoT) has not openly taken any stand against Huawei, but operators are waiting for clarity from the government ahead of the 5G trials beginning in about 100 days, followed by spectrum auctions by September-October. Ravi Shankar Prasad, Minister for Telecommunications in Modi government, recently said that the Huawei issue must be looked at through the prism of both technology and security.

The run-up to 5G trials is going to be extremely crucial for Huawei in India and also from a global standpoint. At home, telcos such as Bharti Airtel, Vodafone Idea and Reliance Jio are preparing for 5G trials in the globally recognised 3,300-3,600 MHz spectrum band. Both Bharti Airtel and Vodafone Idea are using Huawei equipment for 4G services, and recently, Vodafone Idea CEO Balesh Sharma said the company would use both Huawei and Ericsson equipment for 5G trials. Huawei is also in talks with Jio, which mostly depends on Samsung for its 4G gear, but it is looking to diversify now.

Clearing the Air

Although telecom operators in India are open to using Huawei's gear, they want DoT to act quickly and come out with clear instructions. Until now, Indian operators have assumed that 'no-ban' indicates an tacit approval as long as the Chinese firm is authorised to do business in India. But DoT's fence-sitting has made them uneasy as the telcos are looking at multibillion-dollar investments in 5G. According to the Telecom Regulatory Authority of India (TRAI), the total investment in 5G is likely to be $60-70 billion.

Huawei India CEO Jay Chen says he has held discussions with DoT over the past six-eight months and answered all its queries regarding security and other areas. "I believe any decision, based on a level playing field, policy, standards and procedures, will benefit the industry and the country," he told *Business Today* on the sidelines of an industry event. Besides his direct involvement in the talks with DoT officials, he has been taking part in the discussions between DoT and other Indian telcos. A formal meeting between Chen and *Business Today* is pending for more than three months, but it has not happened yet as the company is cautious about making any comment that might affect its India business.

"Any decision, based on a level playing field, policy, standards and procedures, will benefit the industry and the country"

JAY CHEN
CEO, Huawei India

The company, however, maintains it should be included in 5G trials because 5G is more secure than previous technologies due to its in-built security features, unlike earlier technologies which had add-on security features. Moreover, 5G has a 256-bit security algorithm that makes it unbreakable even for future quantum computers.

Sources in DoT say the department is evaluating Huawei's situation from different angles. "It involves technology, security and diplomatic relations. The India-US relations have hit a rough patch, and that must be taken into consideration as well," says a DoT official who does not want to be named.

Rajan S. Mathews, Director General of the Cellular Operators Association of India (COAI) – an industry lobby representing the telcos – says in case of a security issue somewhere, government should inform all parties concerned as it has the wherewithal to track security lapses. "We have been pressing the government to act quickly as telcos must get on with upgrading their networks and buying equipment. The deeper they get into it, the more difficult it will be for them to exit at a later stage. For instance, the telecom minister should state whether Huawei should be included or not. If the government is not saying anything, it means Huawei is permitted (to operate)," he says.

Indian telcos seem to be wary of purchasing Huawei's large-ticket equipment, at least for the time being, keeping in mind the financial risks. According to Mahesh Uppal, Director at NCR-based consultancy firm ComFirst, DoT is not likely to take security issues lightly. "Security has always been a key concern. I think the government will be reluctant to take a hasty decision in this case, given the significant involvement of Huawei in the telecom sector."

Uppal cites the incident of BlackBerry, which was hauled up in 2012/13 and made to share the encryption keys in a matter of national security. "Eventually, BlackBerry had to relent. I am also aware that the Telecom Engineering Centre, responsible for certification and standardisation of equipment, is

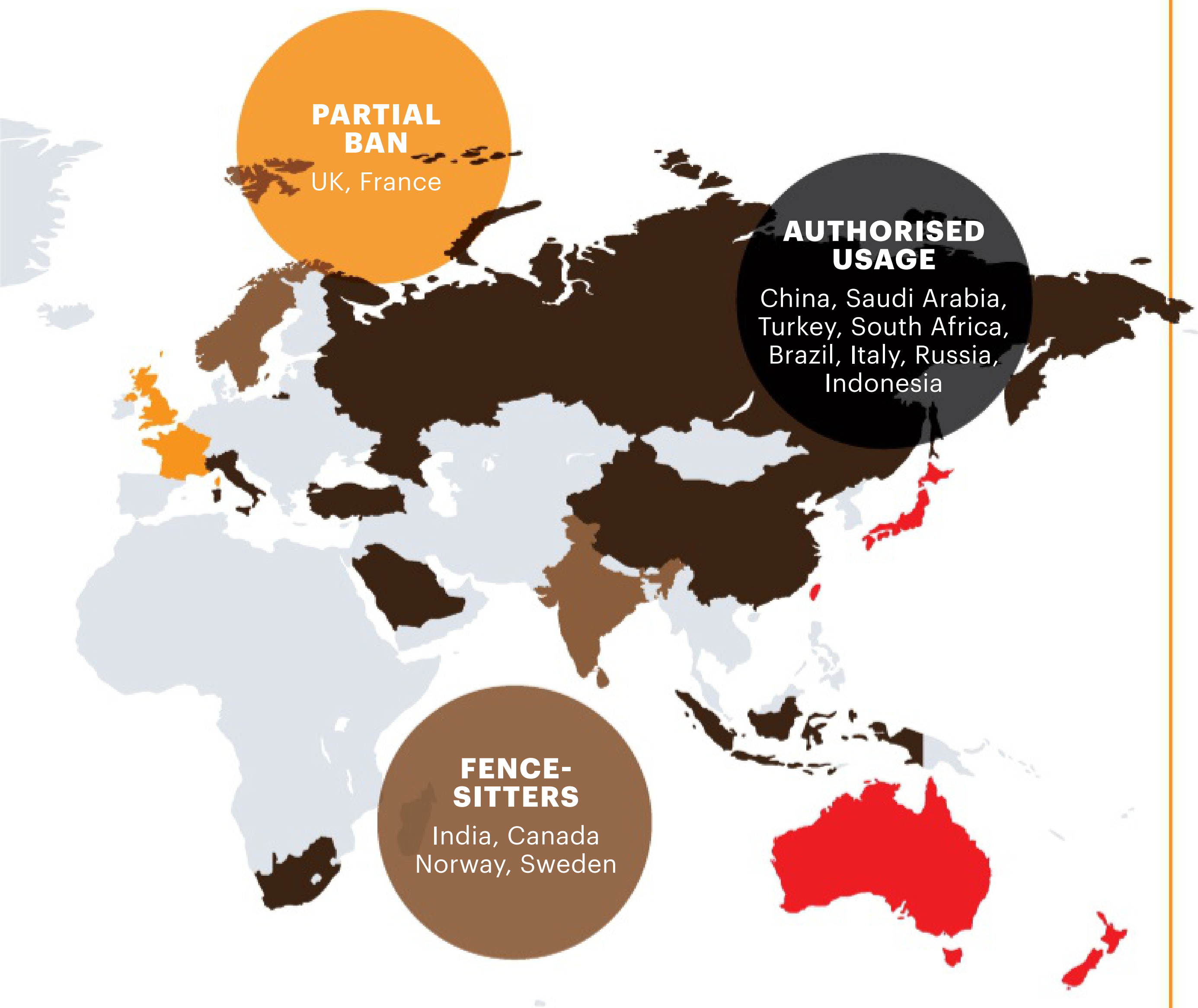
STAND OF VARIOUS COUNTRIES ON HUAWEI'S PRODUCTS

HUAWEI'S LITANY OF WOES

2018

MAY: The Pentagon prohibits sale of Huawei and ZTE phones at U.S. military bases

DEC: British telecom player BT says it will not use Huawei equipment in its 5G core networks



UNDER FIRE

Huawei has been under attack since 2012 when the U.S, government banned companies from using its networking equipment. Huawei is battling allegations of spying on behalf of the Chinese government through its equipment, especially 5G gear. It has been banned in five major economies and the threat of more bans looms large. The U.S. government claims that Huawei equipment has backdoors that transmit critical data to the Chinese government. But the company maintains that the alleged router backdoor is a standard tool used by all vendors to carry out maintenance and diagnosis of the system/device. Leading chip designers (Intel and Qualcomm), memory chip makers (Micron Technology and Western Digital) and Google's Android operating system have practically cut off ties with Huawei, which has forced the company to build in-house capabilities in these areas, which reduce their competitiveness in a way. In India, the government is yet to take the final decision on Huawei. Telecom operators are looking for clarity from the Department of Telecom on whether they should buy equipment from Chinese players like Huawei and ZTE.

2019

Huawei CFO **Meng Wanzhou** (daughter of Huawei founder) gets arrested in Canada after a request by the US

MAR: Huawei **sues the U.S.** government over its equipment ban

The **UK government warns that Huawei's equipment** represent significant security risk

APR: Vodafone Group reportedly acknowledges that it has found vulnerabilities in Huawei's equipment in its **Italian business**

MAY: U.S. President **Donald Trump** signs executive order that bars U.S. companies from using Huawei equipment. Later, he says Huawei could be included in the US-China trade deal

Google suspends **Huawei's Android licence** and blocks it from future access to Android updates beyond the Android Open Source Project

trying to tighten the rules concerning telecom equipment. Having said that, it is not possible to test every device and ensure its safety, given the scale of equipment in use," he adds.

The Global Pinch

Before we look at how the Chinese giant is faring in India, a deep dive into the fast-spreading global ban may put things into perspective. The U.S. government has come down heavily on Huawei after its last round of trade negotiations with China hit an impasse. In mid-May, President Trump issued an executive order, indirectly targeting the company. The order forbids American firms from using technology developed by businesses controlled by undefined 'foreign adversaries'. But the implications are quite specific as the US has long accused Huawei of using its 5G broadband network to spy on behalf of the Chinese government.

Meanwhile, the U.S. Commerce Department has placed Huawei and its 70 affiliates on the Entity List that bars 'listed' companies from buying parts and components from U.S. manufacturers without government's approval. Entity List mostly includes companies against whom there is no evidence of wrongdoing while the Denied Persons List (DPL) features those against whom there is evidence and trade dealings can be stopped. ZTE was in the DPL category because it did business with some sanctioned countries but it was removed from the list last year.

Huawei claims that the US has not provided any evidence until now and has challenged its Entity List status in a U.S. court in addition to an earlier appeal against house arrest of the company's CFO Meng Wanzhou in Canada.

"It is largely arm-twisting. The 5G contracts are now getting signed and deployed, and the U.S. campaign can spoil their chances. What seems to be a Huawei-US fight right now may escalate into a two-nation trade war where China can impose similar bans on Apple in retaliation," an industry expert says. In brief, more than security concerns, Huawei's growing dominance in consumer and telecom segments seems to have made several developed countries uneasy. And its future in India depends on DoT's decision to include it in the 5G ecosystem. For a government trying to establish India as a global 5G leader, it is important to act sooner rather than later.

"Some backdoors are there for legitimate purposes such as carrying out maintenance and diagnosis"

RAJAN MATHEWS
Director General, COAI

The India Impact

In spite of growing concerns across the globe, Huawei has not swept the Indian telecom market yet. It accounts for around 20 per cent of the wireless equipment business and supplies base transceiver stations (BTS), antennas, routers, microwave backhaul equipment and sundry components. Ericsson and Nokia rule the bulk of the market.

Its low market share is primarily due to the late entry into the Indian market. It started here in 1999 through an R&D centre, made a foray into the wireless segment in 2004 through CDMA and later switched to GSM. The company won its first contract from state-run BSNL and MTNL, followed by orders from private players. During the 2G and 3G phases, Huawei did not go head-to-head with the big boys such as Ericsson, Lucent, Nokia and Siemens. Instead, it ventured into price-sensitive markets, including Southeast Asia, Latin America and Africa, where affordability was the key to expansion. Its impact was not immediately felt, and just about 10 years ago, Huawei was considered an also-ran.

"It is not possible to test every device and ensure its safety"

MAHESH UPPAL
Director, ComFirst

"It played in niche segments and kept on building expertise. In 4G, the company developed its credibility, and its big story has emerged in 5G. It is believed to be at least two years ahead of rivals in 5G tech. One of Huawei's USPs is equipment financing as telecom gear cost a lot. It has already financed 2G and 4G gear in India. You never know when Huawei will come out with an indemnification offer attached to its products," an industry expert says.

Today, Huawei claims it is bigger than Ericsson and Nokia combined (globally) in terms of revenue. The company claims to have won 70 commercial contracts in 5G all over the globe and the latest deal was signed with the Russian telco MTS. At the end of May 2019, it shipped 1 lakh BTS and also introduced massive MIMO (a 4.5G technology) to Vodafone Idea and Airtel to enhance their network capacity and bandwidth.

Despite its steady growth, Huawei is not a familiar name to an average Indian, neither does it feature among the top five handset sellers in the country as per IDC data. But of late, the handset business is seeing more traction. Last year, the segment witnessed the fastest growth (250 per cent) in India compared to enterprise segment's 60 per cent growth, while the telecom equipment market was nearly flat. On the enterprise side, Huawei India competes with giants like Cisco.

"In the enterprise segment, the growth has been tremendous. We are expanding partners and setting up training centres. We do not sell directly and reach our customers via system integrators, channel partners and retailers," a Huawei India spokesperson says.

It does not disclose country-specific numbers but claims there has been no negative impact on its India business yet. But globally, there is trouble brewing as major U.S. companies have cut off their ties with Huawei.

Anticipating such bans, Huawei has been developing in-house capabilities in these areas for a long time. But from a consumers' perspective, moving from Google's Android OS to Huawei OS requires a tremendous behavioural shift and most consumers are probably not ready for it.

Experts blame the US for double standards. At one point, Intel was accused of giving backdoor access to its networks to the U.S. law enforcement agencies (LEAs). AT&T also had backdoors for LEAs and the U.S. courts considered those legal.

"Besides, some backdoors are there for legitimate purposes such as carrying out maintenance and diagnosis," says COAI's Mathews and adds that nearly 80 per cent of the attacks on telecom networks involve humans. "The human factor is more dangerous than any other stuff." BT

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THE HUB **CORPORATE**

DEATH RATTLE?

Jet Airways might be heading for bankruptcy as it seems to have lost the chance to secure a buyer.

By MANU KAUSHIK
Illustration By NILANJAN DAS

WILL JET AIRWAYS FLY AGAIN? That's the question everyone has been asking ever since it shut operations in mid-April. The only meaningful assets that it has, airport slots (about 766), will go permanently to rivals by July-end if it is unable to find a buyer and fly again by then. And the only two entities interested in buying it — Etihad and Hinduja Group — are reported to have made it clear that they don't want to take majority stake in the airline. That leaves bankers, who are owed ₹8,500 crore out of Jet's total liabilities of over ₹17,000 crore, with no options.

With most of its prized assets gone, Jet, by all accounts, is in a bigger mess than Kingfisher Airlines ever was considering that the latter owed banks just ₹6,000 crore when it went bust. A large number of Jet's grounded planes have gone back to lessors, and some of them (21 Boeing 737s) have been taken over by rivals SpiceJet and Vistara. Over 4,000 employees out of 14,000 have left the airline over the past few months, including CEO Vinay Dube, CFO Amit Agarwal and CPO Rahul Taneja. An airline typically needs 120-150 employees per aircraft. Assuming that it resurrects with 60-odd planes, as suggested by advisor McKinsey & Co, it will require 9,000 people. Though it has the required numerical strength, the exodus of key personnel, including pilots, to rival airlines will prevent a smooth take off (see *How Others Are Gaining*).

WHY JET'S REVIVAL IS UNLIKELY

No majority buyer likely after the deal with the Hinduja Group got stuck following a Dutch court order declaring Jet Airways bankrupt

One of Jet's biggest assets is its 766 slots at domestic airports which it stands to lose by the end of July

Jet's liabilities are nearly **₹17,000 crore,** including around **₹8,500 crore** owed to banks. Vendors and trade partners are set to lose more than banks.

Lookout notices for Naresh Goyal, Anita Goyal and Vinay Dube have turned potential buyers cagey due to fears of being dragged into cases

Lack of will in the leadership, and near-absence of public backlash over Jet's job losses, have stopped the government from rescuing the airline

The Bank Push

A revival seems wishful thinking. The lenders, particularly SBI, have been running helter-skelter to find a buyer after Etihad submitted a conditional bid last month for re-investing in the airline in exchange for a minority stake. In the last week of May, the lenders had asked for two weeks to find a domestic investor as they are reluctant to invest more — they promised ₹1,500 crore funding in February but later backed off and decided to auction the airline.

London-based Hinduja Group's interest in acquiring the airline has also not gone anywhere. There are reports that even it is not keen to take a controlling stake and has become cautious following a Dutch court's order declaring Jet bankrupt over unpaid dues to two European entities.

"It seems the bankers are finding it difficult to secure a buyer. Aviation is a cyclical business and it may not be a viable business for the buyer even if the banks offer a significant haircut. It's likely that the bankers will refer the case to the National Companies Law Tribunal, or NCLT, for insolvency," says Yogesh Kumar Gupta, a New Delhi-based insolvency professional. "Jet is beyond salvage. It has absolutely no possibility of flying again," says Devesh Agarwal, an aviation blogger.

Banks Give Up

Banking sources suggest that the ball is now in the government's court. "The new government has to take a call on what to do with Jet. The final authority rests with the government. We are expecting some response from the civil aviation ministry by mid-June," says a banker.

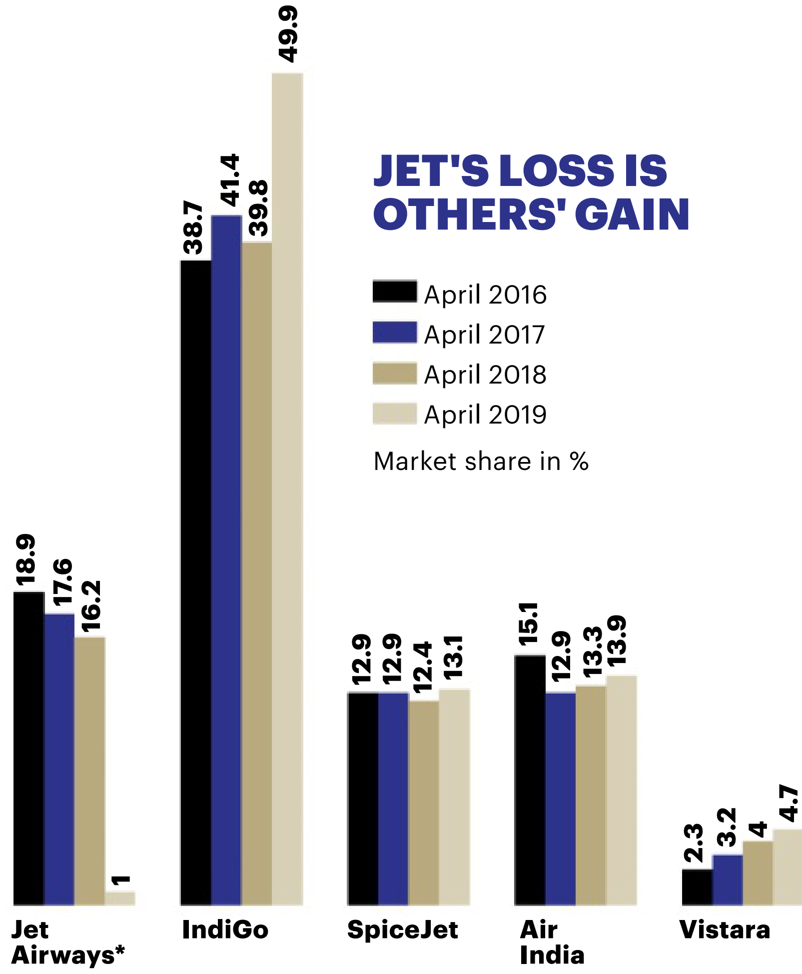
However, a Jet insider says the government is going to get busy with Air India stake sale, and Jet

EVEN IF BANKS LET SOMEONE START WITH A CLEAN SLATE, THE CHALLENGES HAVE OUTGROWN THE OPPORTUNITIES

is going to be lower on its priority list. "The bankers will perhaps call it a complex deal and eventually take it to the NCLT for liquidation. That's a strong possibility," says a source. One reason the government has developed cold feet on rescuing Jet is the absence of public outcry over job losses even in the run-up to the general elections.

Lenders have estimated initial funding of

JET'S LOSS IS OTHERS' GAIN



*Includes JetLite Source: DGCA

₹5,600 crore for Jet to restart operations, though in February, when SBI had prepared the first resolution plan, it had estimated a requirement of ₹8,500 crore. The resolution plan, which aimed to give 51 per cent equity to the lenders for ₹1, became void after the Supreme Court quashed the Reserve Bank of India's February 12 circular mandating preparation of a resolution plan within 180 days of the first loan default.

The only evident supporters of revival are government-backed National Investment and Infrastructure Fund, or NIIF, and Etihad. The Gulf carrier has a lot to lose if Jet goes for bankruptcy. Besides its 24 per cent stake, it also has 50 per cent ownership of the Jet Privilege programme. Both NIIF and Etihad have reportedly expressed a desire to invest ₹2,000 crore each in Jet subject to the lenders finding a majority buyer and committing an interim funding of ₹1,500 crore.

Jet's liabilities include banks loans of ₹8,500 crore. Even if banks take a 70-75 per cent haircut or let someone start with a clean slate, the challenges have outgrown the opportunities. "A series of issues – top management exits, bankruptcy proceedings in the Netherlands – are going to make it difficult for the new buyer to hit the ground running," says an aviation consultant. Jet sources say senior staff below CXO level has nearly halved in the past few weeks. About 15-odd senior vice presi-

Just around the time Jet Airways halted operations in mid-April, the aviation sector was abuzz with speculation that Air India is going to be the biggest gainer from Jet's misery. Nobody realised that the national carrier was itself struggling due to shortage of funds, and its 17 aircraft stranded for months, as it did not have money to pay for maintenance. As it turns out, private players – IndiGo, SpiceJet and Vistara – are benefitting the most. But this gain has come at a cost. For instance, IndiGo, which plans to hire about 300 Jet pilots, is offering joining bonuses of ₹20-30 lakh per pilot, which translates into ₹60-90 crore of extra cost. SpiceJet and Vistara plan to hire 100 pilots each. Some of Jet's planes which had got deregistered have been taken on lease by rivals SpiceJet (15 Boeing 737s) and Vistara (six Boeing 737s). While the lease deals are private, going by the industry standards – leasing cost per month is around 1 per cent of the aircraft cost – SpiceJet and Vistara would be spending nearly ₹90 crore and ₹36 crore, respectively, as monthly lease costs for these aircraft.

dents are still holding on hoping for a revival.

"We expect liquidation of assets as the most likely scenario. There will be open auction of Jet's assets. The proceeds from the e-auction will go to secured creditors first. Jet's assets may fetch about ₹3,000 crore, which will go straight to banks, as they are owed about ₹8,500 crore," says insolvency professional Gupta.

Jet's biggest tangible asset is 16-owned planes – 10 Boeing 777-300ERs and six Airbus A330s. In April, it had defaulted on foreign loans taken to buy some of these, so its ownership of these planes is not clear. A few months ago, analysts were pegging the value of these planes at $400 million. Other crucial assets like slots and bilateral rights cannot be traded and, therefore, Jet cannot extract any value from them. Jet doesn't have real estate like Air India that it can sell to raise money.

Experts say even if banks manage a successful auction and keep the proceeds, it is highly likely that trade creditors and employees (not paid salaries for months) will file lawsuits for their dues. Jet's lenders are stuck between a rock and a hard place given that they are now the airline's de-facto owners. Selling at a discounted price, and without sufficient transparency, may result in public scrutiny and litigation, and if they take the insolvency route, unpaid trade partners and disgruntled employees will go after them to recover their dues.

Banks are not going to bear the brunt alone. Jet's founder Naresh Goyal, who was earlier seen to have comfortably escaped the mess, is in a tight spot. He and his wife's recent deplaning from an Emirates' Dubai-bound flight was a pre-emptive step by the government to avoid a Nirav Modi/ Vijay Mallya kind of situation. The Enforcement Directorate and the Serious Fraud Investigation Office are reportedly investigating charges of financial irregularities against Goyal.

In Jet's sorry saga, everyone is a sufferer. Within employees, the level of distress varies. Pilots and cabin crew are in a better situation as rival airlines draw up expansion plans and hire them. Traffic agents, handlers, baggage loaders, dispatchers and staff at check-in counters are likely to face problems in getting a job because of surplus workforce in these areas.

Meanwhile, the rival airlines are having a party at the cost of Jet and gaining market share in proportion of their size. Since Jet's grounding last month, Indian aviation's fleet size has come down to 569 from 638 at the start of the year. This has given other airlines a chance to increase fares and improve profitability. SpiceJet, for instance, reported an 11 per cent rise in fares in the January-to-March period. IndiGo CEO Ronojoy Dutta has gone on record that Jet's fall has helped increase unit revenue by 3-4 per cent. If Jet had not been grounded, IndiGo would have lost anywhere between ₹650 crore and ₹800 crore in 2018/19, an aviation veteran has estimated. IndiGo and SpiceJet are frantically adding capacity to take advantage of the opportunity. IndiGo plans to add nearly 65 aircraft over the next one year. SpiceJet, which has inducted 25 planes in the past two months, plans to induct 35 more in this financial year.

"Jet's crash has sorted out overcapacity concerns for the time being. Benign crude oil prices, stable rupee exchange rate and grounding of Jet have led to some airlines taking an aggressive approach towards capacity addition. A fare war is inevitable, which will put pressure on yields," says Kinjal Shah, Vice President and Co-head, Corporate Sector Ratings at ICRA. This is likely to affect Jet's sale process as a buyer will consider these future scenarios before taking a call.

Jet, started by Goyal 26 years ago, has been facing an existential crisis for some time now. So far, its lenders have managed to stave off bankruptcy even after repeatedly failing to secure a buyer. Expecting the government to use a magic wand to solve all problems seems unfair. It's perhaps time to go for insolvency. BT

@manukaushik

20-30%

Approximate rise in prices of APIs being imported from China

66%

Share of China in total API imports in 2016/17; the rest came from US, Italy, Germany and Singapore

THE SWEET PILL

Drug regulatory reforms in China have turned the heat on the Indian pharmaceutical industry and raised the cost of bulk drugs. But some firms have managed to turn the crisis into an opportunity by filling in the space left by the Chinese.

By **E. KUMAR SHARMA**

ILLUSTRATION By **NILANJAN DAS**

Ludhiana-based IOL Chemical, the largest maker of ibuprofen active pharmaceutical ingredient (API) in the world with annual capacity of 12,000 metric tonnes, is in a sweet spot, a rarity these days in a segment such as API manufacturing, where China has taken a lead over India. "We are noticing shortage of products from China and rise in prices. This is a big opportunity for the companies in India to build global capacity to take advantage of the trend. For instance, we have – over the past one year – more than doubled our ibuprofen API capacity from 5,000 metric tonnes per annum to 12,000 metric tonnes," says Vijay Garg, Joint Managing Director, IOL. The company has "33 per cent world market share for the product as against 10 per cent a year ago," he says.

The reasons lie thousands of miles away in problems that the API or bulk drug industry – which provides key ingredients for tablets – is facing in China. Around mid-2017, China's Food and Drug Administration joined the International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (ICH) as a member. China also became a member of the Geneva-based Pharmaceutical Inspection Convention (PIC). The steps required the Chinese regulator to become more stringent. This resulted in shutdown of massive capacities in China, for years a big supplier of bulk drugs globally. Though this has led to a rise in prices of bulk drugs – a key input for pharmaceutical companies – some Indian bulk drug makers like IOL are trying to fill the gap left by the Chinese. "This could be a blessing in disguise for the Indian API industry," says D.G. Shah, a veteran in the Indian pharma industry. The former director-general of Indian Pharmaceutical Alliance had shared this and other insights with *Business Today* just before his sudden death in February this year.

Garg says due to regulatory challenges and environmental issues, some units in China have stopped production, resulting in a shortage of ibuprofen API in the global markets. IOL has been able to feed into the global markets vacated by China such as markets in Latin America and Europe. He estimates that the production of ibuprofen API in China is down from 9,000 metric tonnes a year in 2017 to 6,000 metric tonnes today. Exports account for 40 per cent sales of IOL. Garg says India and the US are the two biggest markets for ibuprofen. "We are right now not selling in the US, but have started the qualification process and hope to start later this year. A year ago, we were largely a domestic player. Now, close to 80 per cent of our added capacity is for exports." It is a market that China was servicing earlier. There is no study on the precise impact on India, but the general view is that prices of bulk drugs have risen 20-80 per cent in the last six-eight months depending on the drug concerned. IOL has been able to increase domestic prices by 30 per cent in the last one year.

Steady and Growing

An ace at carving out a niche in the global market is M. Narayana Reddy. He had founded Virchow Laboratories in Hyderabad in 1981 to make sulfamethoxazole, an antibacterial drug used as a low-cost, broad-spectrum antibiotic. Back then, there were 30 others in the city making it. Today, Virchow Labs – the flagship company of the ₹3,500-crore Virchow Group which makes numerous drugs, drug intermediates and biopharmaceuticals – is the biggest producer of sulfamethoxazole in the world, manufacturing around 7,000 tonnes per annum. "The company today meets over 85 per cent global demand for this product," says Mundla Vishnu, Reddy's son and Director at Virchow. No other company makes sulfamethoxazole except one in China and, that too, is able to meet only a small part of the local demand. Reddy has been able to build a niche in this space by complete vertical integration. The starting point for sulfamethoxazole, for him, is substances as common as sugar and sulphur. Virchow has been supplying to China as well and is expecting a rise in margins after the 10-year anti-dumping curbs there ended in mid-2018. Other than this, over the past three years, Virchow has been supplying a drug intermediary called GCLE. Made at its another group company, Virchow Petrochemicals, it is an intermediate for making cephalosporin, a broad spectrum antibiotic. "Today, there are hardly any makers in China for this intermediate," says Vishnu. Virchow has been supplying this to China for the last four years, but Narayana Reddy says the Chinese government has also started investigating GCLE for possible imposition of anti-dumping duty on the lines of sulfamethoxazole. "We are sharing all the data to show there is no valid case for such a move," says Reddy. The two products – sulfamethoxazole and GCLE – account for around 30 per cent of the group's revenue.

Outsource to In-house

Some companies have done vertical integration to manufacture ingredients and manage input price variations. Hyderabad-based Laurus Labs says developments in China may have a short-term negative impact for companies in India, but are likely to be good for them in the long run. "For antiretroviral APIs, we have started making some of the intermediates we were getting from China," says Chava Satyanarayana, Founder and CEO of Laurus Labs. "This helps us overcome surprises in prices and supply disruptions," he says. Antiretrovirals account for a significant revenue earned by Laurus.

Then, there are those who have sensed a new opportunity and are planning accordingly. One such player is Jubilant Lifesciences. "There is strong demand for crop protection intermediates because of environmental issues in China, which Chinese factories are not able to meet. Hence there is a good opportunity for our crop science ingredients business to develop and launch new products," says its 2017/18 annual report. "We plan to launch five new products in the near future. However, we may face competition in these products once Chinese producers shift their plants to new locations to increase manufacturing capacity. We plan to mitigate this risk by planning alternative products using the same assets (i.e., our multipurpose plants) optimally as per the contribution margin," it adds.

KEY TRIGGERS IN CHINA

China joins the International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use as a member. It also becomes a member of the Geneva-based Pharmaceutical Inspection Convention

Both these moves require that the **Chinese regulatory organisation** becomes more stringent

Many in the industry **feel the Indian government should** step in and back the Indian API makers after having missed a chance in 2015

Developments in China mean API costs are up 20-30 per cent, if not more, depending on the product

However, those with **specialised skills** and integrated capacities are leveraging their strengths

BULK DRUG IMPORTS FROM CHINA SPIKE IN VALUE TERMS AS PRICES RISE

Figures in $mn; Source: CMIE

CHINA DEPENDENCE

API IMPORTS FROM CHINA: AROUND
₹17,400 CRORE

API EXPORTS TO CHINA: AROUND
₹1,600 CRORE

Source: Pharmexcil

The Risk Factor

According to Pharmexcil, in 2018/19, India imported ₹17,400 crore worth of APIs from China and exported APIs worth around ₹1,600 crore. This shows India still has to cover a long distance in substantially reducing its China dependence. So far, the India API industry has been surviving on a margin of 6-8 per cent, mainly due to Chinese dominance. One will have to see the extent to which the current price rise entices the Indian players to strengthen their API businesses. There are 300-400 API makers in India. The hub is Ankleshwar, the largest chemical cluster in Asia, followed by Hyderabad.

But then, replicating overnight what China has done over several years is impossible. Many in India are disappointed by the relative government inaction and lack of support to the industry's efforts to build API capabilities. This despite the government designating 2015 as the year of APIs to make the country self-sufficient in bulk drugs. Many Indian companies are still dependent on China for key intermediates like penicillin derivatives and cephalosporin derivatives.

Deepak Sapra, Senior Vice President & Head, PSAI Business, Dr. Reddy's Laboratories, says: "We are seeing an impact on certain APIs and intermediates due to the recent developments in China. However, the Indian pharma industry has capitalised on the situation to reinstate the production of certain APIs in the country. The efforts by the Indian pharma will continue to bring the sector back on the growth trajectory. The government should also promote manufacturing within the country to reduce the dependency on imports." To what extent the new government listens needs to be watched. BT

@EKumarSharma

THE HUB CORPORATE

HELLO,

Why is Ajay Piramal exiting the Shriram Group of companies in which he invested heavily only six years ago?

By **P. B. JAYAKUMAR**

PHOTOGRAPH BY **RACHIT GOSWAMI**

AJAY PIRAMAL
Chairman, Piramal Group
and Shriram Capital

Most of Ajay Piramal's moves, since he took charge of the Piramal Group four decades ago, have greatly benefitted it. One such was the deal to sell Piramal's pharma formulations business in 2010, then worth around ₹2,000 crore, to Abbott for a whopping $3.8 billion (₹18,500 crore at the time). He has been investing the vast cash pile earned from the sale prudently – targeting over 20 per cent annual profit, exiting with handsome earnings whenever he felt the time was ripe. He bought an 11 per cent stake in Vodafone India, for ₹5,856 crore – in two tranches in August 2011 and February 2012 – and exited in April 2014 with ₹8,900 crore.

Another of his major investments, a total of around ₹4,500 crore, was in the Shriram Group's companies in 2013/14 – Piramal Enterprises acquired a 20 per cent stake in the holding company Shriram Capital for ₹2,014 crore, a 9.9 per cent stake in Shriram Transport Finance Co (STFC) for ₹1,652 crore and an identical 9.9 per cent in Shriram City Union Finance Co (SCUF) for ₹790 crore. With Ajay Piramal becoming chairman of Sriram Capital in 2015, it was widely felt that he would remain invested in the group for a long time, and might even merge his own financial services business – which, too, has been doing excellently contributing 53 per cent of his ₹13,215 crore revenue in 2018/19 – with it. But that is not to be. "We are looking at various options for creating maximum value for the shareholders of both Piramal and Shriram groups and one of those is the plan to exit the Shriram Group," says Ajay Piramal.

Though Ajay Piramal has not specified how soon he is likely to pull out, analysts have been wondering why he took such a decision at this stage. This is hardly the right time to exit the non-banking finance company (NBFC) sector as it is facing a liquidity crisis since the IL&FS collapse last September, and valuations are low. Besides, both SCUF and STFC are among the NBFCs that have withstood the shock well. SCUF, which finances small and medium enterprises, provides gold loans, loans for two-wheelers, as well as housing loans through its subsidiary Shriram Housing Finance, had assets under management (AUM) of ₹29,600 crore in 2018/19, with net profit of ₹988.9 crore. "Despite tepid gold loan disbursements, the two key segments – MSME and two- wheelers – fired on all cylinders with disbursements close to record highs and, as a result, AUM grew 3 per cent quarter on quarter and 7 per cent year on year," Motilal Oswal's analysts said in their report on SCUF. STFC, which holds 25-27 per cent share of the second-hand commercial vehicles market, had an AUM of ₹1,04,482 crore in 2018/19 with net profit of ₹2,563 crore. Its AUM and net worth have been growing in double digits for the last five years.

Nor does Ajay Piramal need funds at this point for his own businesses. Between September 2018 and March 2019, Piramal Enterprises raised ₹16,500 crore through non-convertible debentures and bank loans. The company has ₹5,400 crore in the form of cash and bank lines it has yet to utilise. As for his privately owned Piramal Realty, Ajay Piramal has always kept it separate from the listed Piramal Enterprises, avoiding cross-financing and raising money only from other sources.

Points of Friction

The Shriram Group's 81-year-old founder R. Thyagarajan has asserted that his relationship with Ajay Piramal remains cordial and he would be happy if the latter continued as chairman of Shriram Capital even after relinquishing his stake. But close observers maintain that there was some degree of mismatch between the cultures of Shriram and Piramal groups, which may have hastened Ajay Piramal's departure. The ₹76,000-crore Chennai-headquar-

REASONS FOR EXIT

Shriram's business has been under some **pressure from new NPA rules**, after-effects of demonetisation and GST and, of late, the liquidity crunch after the IL&FS crisis

Shriram was seen as a cultural misfit – **Piramal's lending is confined to the safer upper segment** of the business, while Shriram's success was based on lending to micro, mini and SME sectors

There are differences in work culture between the two groups; sources say Piramal did not get a free hand to implement what he wanted to

There were some **governance issues** at Shriram Transport as well


PHOTOGRAPH BY SHEKHAR GHOSH

Relationship with Ajay Piramal remains cordial... I will be happy if he continues as chairman of Shriram Capital even after relinquishing his stake

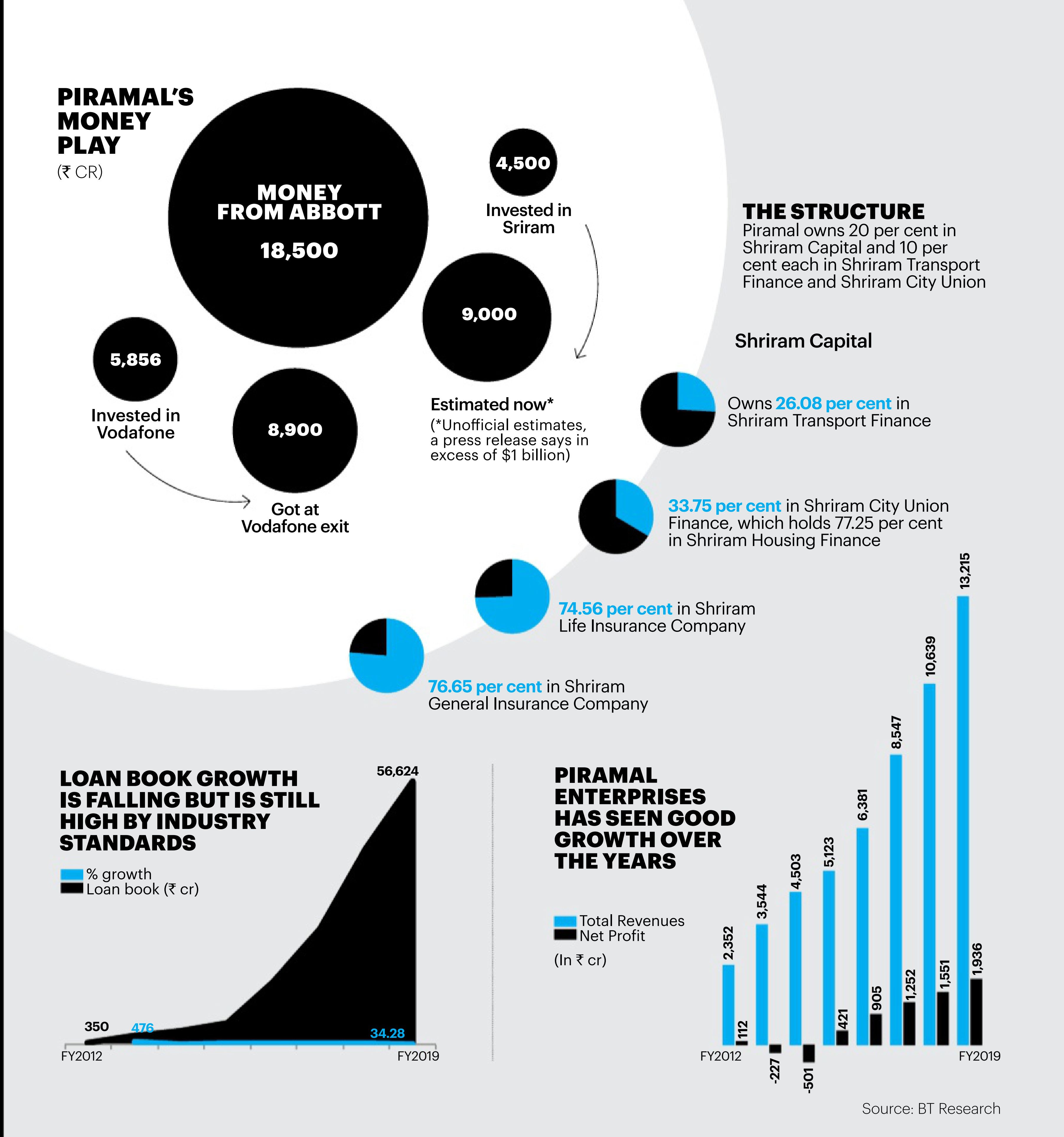
R. Thyagarajan, Founder, Shriram Group

tered Shriram Group was started by Thyagarajan and two other co-founders in April 1974 as a chit fund to finance truckers. However, even as the business grew over the years and new companies were set up, none of the family members of the founders was groomed to take charge, making succession a matter of concern. The overarching figure at the group for over a decade was Arun Duggal, who was chairman of all the three main entities – Shriram Capital, STFC and SCUF. Duggal, however, resigned in November 2014, and is currently chairman of rating agency ICRA.

Ajay Piramal's investment in Shriram as a strategic investor began close to the end of Duggal's tenure. He started playing a bigger role in the companies after Duggal departed – following which, sources claim, a number of long-time senior executives also resigned. Despite this, however, it is believed that Ajay Piramal was not able to bring about the kind of changes he wanted in the group. "Shriram is a good investment as it has a strong brand name and it will be a good long-term play for us," Ajay Piramal had told *Business Today* three years ago. "It has worked out reasonably well in terms of investment. We are confident that in the long term it will be a good investment and we see Shriram as a long-term partner." But two years later, when he spoke to *BT* again, a degree of disenchantment seemed to have crept in as he discounted any immediate chances of his financial business being merged with Shriram. "The culture of the 60,000 people at Shriram is different from that of the people at Piramal," he said. "I think we'll waste a lot of time if we try to merge them. Both are doing well. Let them grow and we'll look for a merger at the right time." A Shriram Group spokesperson said the group does not want to comment anything further at this point of time.

While talk of a merger or a partnership of Piramal Enterprises and the Shriram Group was rife, Ajay Piramal even got global consultants McKinsey to study STFC and SCUF. Some key Piramal executives joined the Shriram Group, led by Rajesh Laddha – Piramal's chief financial officer and who had been with the group since 2001 – as CEO and Managing Director of Shriram Capital in June 2017. There also followed an attempt to merge SCUF with IDFC Bank, but it fell through due to regulatory complications, as well as objections from shareholders of both. Ajay Piramal was also said to be miffed about STFC's undisclosed exposure of ₹870 crore to a group distressed entity in infrastructure, made through its promoter company, Shriram Venture.

Piramal Enterprises' borrowers comprise corporate and medium-to-large scale enterprises, while companies like STFC and SCUF have been lending largely to retail borrowers and micro, small and medium enterprises (MSMEs), where financial risk is higher. On second thoughts, Ajay Piramal may have decided to stick to his area of specialisation. All Piramal investments and acquisitions before Shriram had been in multinational companies or those following multinational practices. Also, though STFC and SCUF are doing well, some of Shriram's other companies are under pressure following the repeated jolts of the last few years – demonetisation, GST implementation and the post-IL&FS liquidity crisis. The Reserve Bank of India decision to reduce the time to recognise and report non-performing assets (NPAs) from 180 days to 90, has added to the difficulties. Again, there are worries about the future of

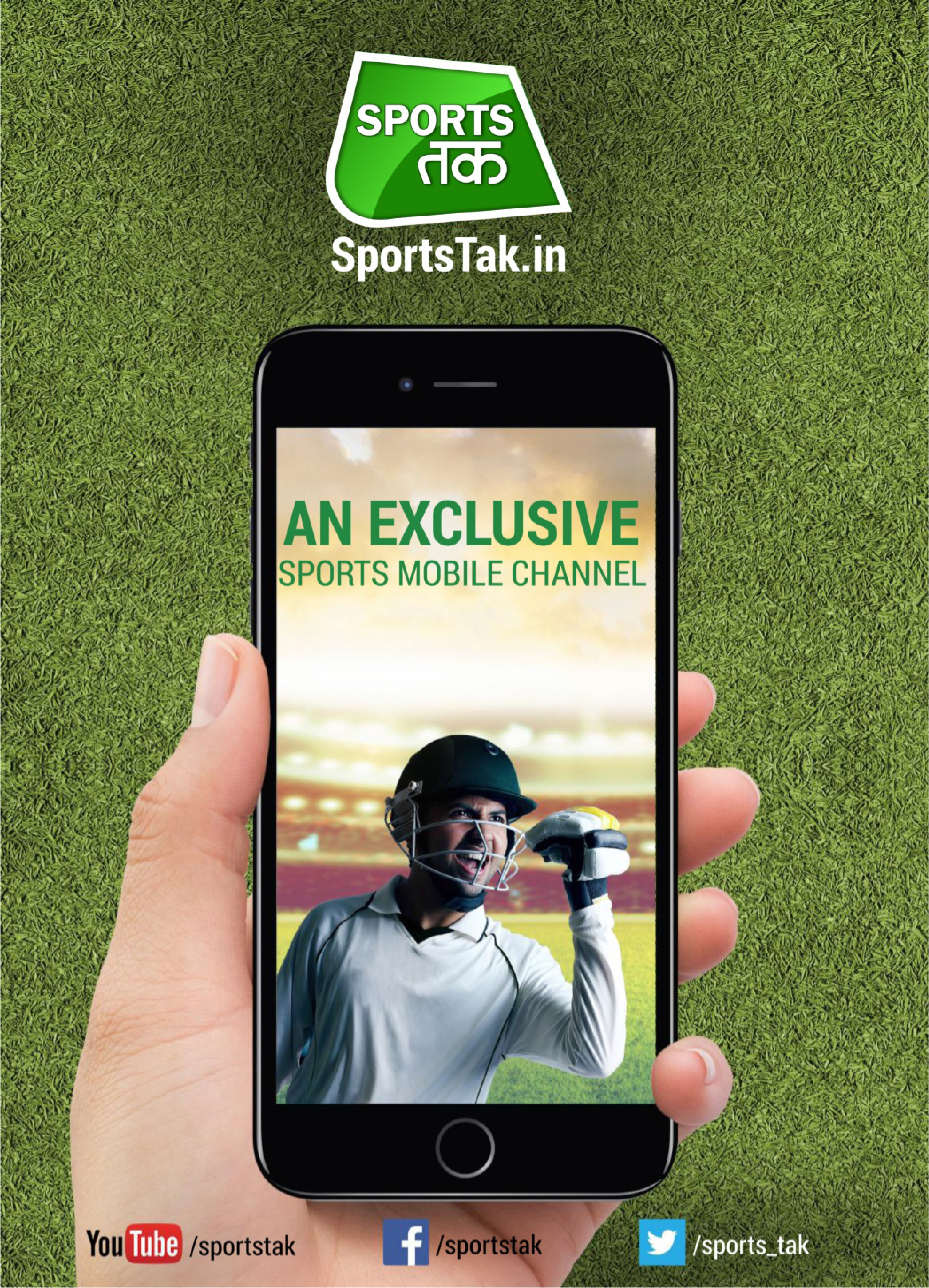


the two-wheeler financing market, since two-wheeler sales' growth is slowing down. "Around 38-40 per cent of SCUF's loans in 2018/19 were for two-wheelers, which could increase to 45-50 per cent in the next two years," says Shubhranshu Mishra, analyst with BOB Capital Markets.

Unconfirmed reports maintain that Anand Mahindra, with whom Ajay Piramal has been holding discussions, may come in as an investor to replace him. KKR and Blackstone have also shown interest. "We have been talking to different interested parties from time to time and nothing is confirmed; it is an ongoing process and there is nothing more to say on this at this point of time," Ajay Piramal reacted to such speculations in a recent conference call. A spokesperson for Mahindra refused to comment.

In September 2018, the two private equity (PE) giants were said to be considering acquiring the Piramal Employees Trust and PE heavyweight TPG's stake in Shriram Group companies for over $3 billion. A merger of the three entities – Shriram Capital, STFC and SCUC – is also being considered, since it would create more value for exiting shareholders like TPG and Piramal. (Shriram Capital already has a 26.08 per cent stake in STFC and 33.75 per cent in STUF – see *Piramal's Money Play*.) "We're looking for the right partners. There is no time limit by which we have to exit," says Ajay Piramal. BT

@pb_pbjayan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We Need to Diversify Beyond *kiranas* in India

LOTS Wholesale Solutions is a late entrant to India's cash-and-carry market, having started in January 2017, years after formidable rivals such as Metro and Walmart entered the country. It has been very aggressive though — starting its first three stores within seven months and chalking out a plan to open 15 stores within three years. A subsidiary of Siam Makro, the cash-and-carry player with a long history in Thailand, it is part of the CP (Charoen Pokphand) group. **Tanit Chearavanont,** Managing Director, LOTS, responsible for cracking the Indian retail market, speaks to Business Today's Prosenjit Datta about how he plans to go about it. Edited excerpts

PHOTOGRAPHS BY **SHEKHAR GHOSH**

You started your career as an investment banker but now are in retail...

I started in corporate finance and M&A. So, I did a lot of IPO work. Then, I transitioned to consumer product and retail. I covered many consumer product, retail and FMCG companies. After that I joined Siam Makro in Thailand and worked out of there for a year and a half before moving to India.

Why did they choose a different name – LOTS – for India rather than going with Makro, which is well known?

We wanted to come into India with a new identity, a new brand, while keeping the essence of the host business, which was wholesale. In Thailand, we are in wholesale, so that's why we called it LOTS Solutions, so that the focus was towards B2B customers – basically *kirana* as well as HORECA (hotel-restaurant-catering) customers. Additionally, when Makro was acquired by Thailand's CP group in 2013 – as you know SHV was the original shareholder – the Makro name was only for South East Asia and China.

So, is the Makro brand owned by different companies in different parts of the world?

That's correct. In Europe, Makro was sold to German cash and carry brand Metro. I think the only legacy Makro still owned by SHV is in South America.

Thailand's CP got into cash and carry in 2013. Before that, it was in consumer retail through the 7-Eleven stores. Are these completely different operations or do they have a common head in Thailand?

Makro Thailand was founded as a joint venture between CP group and SHV in 1988 and the first store opened in 1989. We (the CP group) divested the stake in 1997 during the Asian financial crisis but reacquired it in 2013. We do have a lot of areas where we work together. For example, there is some degree of joint buying. Sometimes, the buying and merchandise team of Makro and CP ALL work together to buy jointly in Thailand.

Why did you choose to start your Indian operations in the north? All three stores are in Delhi NCR.

Many ask this question. There is a large penetration of modern trade in south India. In some parts of south India, modern trade is 30-40 per cent versus the north where the penetration is still quite low. Also, across India, I think modern trade is about 9 per cent, while 91 per cent is general trade. We wanted to start in the North because modern trade penetration is lower here and that is an opportunity for us. But I understand the north market is not easy– it is a lot more price sensitive than the south.

You have opened three stores in one-and-a-half years compared to rivals who open a store, wait for it to stabilise and then open the next. How many stores are you targeting here in the next few years?

I am hoping that we will have around 15 stores in India in the next three years. We will be looking at opening at least another store in the fourth quarter of this year. We opened three stores in six to seven months from July 2018 when our first store opened. What we also want to focus on is: what are the things we need to improve. In the first quarter, what I was discussing with my staff was back to basics – you know, basic retail things such as stock availability, pricing.

You needed three stores to negotiate a good deal with suppliers?

If we look at it from the NCR perspective, I think some suppliers see us as a sizeable channel in NCR. So, that's why our focus as we continue to open more stores is to populate NCR and then move towards other large cities in the North.

Rent equalisation will increase operating expenses of all retailers globally

Your current store sizes are...

Our Indian stores are 28,000-30,000 sq. feet.

How does this compare with Thailand?

In Thailand, we have multiple formats. The original stores were about one lakh sq. feet. Then we started downsizing – so today we have formats ranging from 10,000 sq. ft all the way up to one lakh sq. feet.

What is the catchment area of your Indian stores and how quickly do they break even? How many customers do you need and how many *kirana* stores do you need to break even?

As a whole, for each store, we need to register at least 45,000-50,000 customers. On an average, we should be looking at store break closer to the two-year mark. One issue a lot of retailers will be facing globally, and in

India as well, is that with the new accounting standard, they will have to do rent equalisation. When you do rent equalisation, in your first two years of operation, your operating expenses increase. It's a problem for all retailers, both B2B and B2C.

What geographical area does each store serve and what distance do you need to maintain so that they do not cannibalise each other's markets?

We will be looking at anything greater than seven kilometres between stores.

There is a lot of experimentation in Indian retail and everyone is eyeing the *kirana* stores – be it Amazon, FMCG companies like HUL or Future group and Reliance. Will there be space for pure Cash and Carry in future or will it be a hybrid solution?

In Thailand, even though we don't have B2B and B2C restrictions, over 70 per cent of our customers are from the B2B segment and the rest are end users. For Makro, in Thailand, the 30-year journey has been B2B. For us, coming to India is not for eventually converting ourselves into a B2C business, because we are focused on B2B. When you ask about *kiranas*, one thing we need to focus on is diversifying our business customers. *Kiranas* could contribute may be 40-45 per cent but how do we grow other segments like Horeca or offices and institutions.

Why is the Horeca segment so attractive? Other cash-and-carry players also seem to focus very strongly on this segment.

The reason we like Horeca is that these customers are not as price sensitive as *kiranas*. Second, once you are able to capture a significant portion of their basket, there is higher stickiness. If you look at many Makro stores in Thailand, we have already evolved some classic formats into food service formats, which means we are focusing a little more on Horeca customers.

In order to win Horeca customers, it is very important that we understand what they want, not what we think they want. We do a lot of focus group discussions and our customer development team regularly meets Horeca customers to understand what they buy on a regular basis in terms of their disposable needs, in terms of their fruits and vegetable needs or their ultra fresh needs and also their dry food needs, which includes both FMCG and commodities. That's what we are doing. We know that in Delhi-NCR, a multi-cuisine restaurant of 90 PAX spends about ₹50,000 a month on just disposable goods. Since there is a large penetration of multi-cuisine and medium-size restaurants here, there is a huge opportunity for us.

Coming to suppliers, how do you stock fresh fruits or vegetables which are perishable?

We have just opened our collection centre in Haryana. That means 20-25 per cent of fruits and vegetables in our store are sourced directly from our collection centre. We have put in a cooling chamber which extends the shelf life of produce that comes into the store. The trucks are temperature controlled. We still have to source the remaining part from agents or vendors, from major wholesale markets or other suppliers. It is important that we try to expand our buying through collection centres because it will allow us to have more control over sourcing.

Have you got your inventory management in perishables right? Can you predict how much you need to stock so that there is little wastage?

When we talk about fresh fruits and vegetables, meat and fish, in the first year, we have to be willing to have higher write offs. It is important to create the right perception of fresh/ultra fresh. If you immediately target lower provision or write offs, you might not have the kind of impact you require for your Horeca customers. Over a period of time, we will stabilise.

The CP group's portfolio in Thailand is very strong in foods. Does that translate to any advantage in India? How do you plan to differentiate yourselves from competitors like, say, Metro?

We have started working with some CP subsidiary companies so that some frozen products can be sourced directly from there. We want to expand that portfolio. What we also want to do differently is that Makro Thailand and 7-Eleven have large volume in procuring products from suppliers in Thailand. So we are looking at what kind of imported products can we look at to leverage the kind of volumes we have with these suppliers in Thailand. This comes back to the Horeca focus – when you go to any multi-cuisine or a pan-Asian restaurant, they are very specific about what kind of SKU they are using. So, if they need a specific brand of soya sauce or if they want MSG (Ajinomoto), they are specific about what they need. We have done a lot of work with our Horeca customers and identified what products they buy that are imported. We have mapped those SKUs and will start importing. One example is the Healthy Boy soya sauce from Thailand. Many restaurants are currently using it. They buy it at a very hefty price, while we can import it at a much lower cost. These are things we can do to differentiate ourselves from competition. BT

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COLUMN

Anatomy of Successful Strategic Leaders

THEY HELP BUILD A COLLABORATIVE CULTURE, NURTURE TALENT, DRIVE CHANGE AND WORK AS ENTERPRISE GUARDIANS.

BY
GEN. BIKRAM SINGH

STRATEGIC LEADERS, being at the highest level of an organisation, are responsible for charting its path to success. They visualise an ideal picture of their enterprise in a futuristic environment, capture it into a pragmatic vision and translate it into goals and objectives with specific timelines. To realise their vision, strategic leaders formulate strategy and create an ecosystem conducive to its implementation.

Research evidence, however, suggests that not all leaders at the helm rise to the level of strategic leaders. Most of them fail to put up with the unique leadership demands of the 21st century's strategic arena, which is marked by very high levels of volatility, uncertainty, complexity and ambiguity (VUCA). Interestingly, a study undertaken by PwC in 2015 revealed that out of the 6,000 senior executives who were surveyed, only 8 per cent demonstrated the prowess of strategic leaders. The majority was found fit only for operational leadership roles.

Institutions lacking in strategic leadership generally take recourse to outsourcing. While it helps tap the readily available pool of expertise, it precludes the holistic growth of senior leaders and in-house talent. To build and sustain competitive advantage, organisations must carefully nurture their senior leaders and empower them with necessary competencies and attributes. As a tenet, enterprises pursuing excellence should desist from outsourcing strategy formulation and training. Homegrown expertise in these areas helps develop a robust foundation for all-round growth and success.

ENTERPRISES SHOULD DESIST FROM OUTSOURCING STRATEGY FORMULATION AND TRAINING. HOMEGROWN EXPERTISE HELPS DEVELOP A ROBUST FOUNDATION

Successful strategic leaders possess unique cognitive abilities and conceptual capacity. They are analytical, creative, innovative, reflective and proactive thinkers, and their capabilities enable them to thrive in VUCA and deal with problems which have no cookie-cutter solutions. They develop an uncanny ability to anticipate the future with a fair degree of accuracy and even make sense of innocuous indicators and whispers in the environment. This aptitude, coupled with their mental agility, helps them manage risk, exploit fleeting opportunities and lead change through innovation and transformation.

Well-ripened mental faculties also help them question the status quo and take bold and hard decisions for the betterment of their enterprise. However, as their decisions have long-term ramifications, they examine the second, third and even the fourth-order implications before promulgation. Conceptual maturity also enables them to make penetrating assessments of their subordinates' competencies so that they can assign the right people at the right place and at the right time. While maintaining a long-term focus, they can work on both big and small pictures simultaneously.

To stay relevant in the fast-paced environment, successful strategic leaders remain committed to self-improvement through consistent pursuit of knowledge and capacity enhancement. They stay abreast of contemporary policies, skills, best practices and advancements in related technology. Moreover, they focus on acquiring sophisticated frames of reference and strive to achieve mastery over strategic art. Frames of reference provide senior leaders with broader perspectives and mental templates to interpret various situations and predict their likely outcomes. They influence a leader's conduct and decision-making. Strategic art, on the other hand, helps senior leaders read the strategic environment effectively and through a deft interplay of ends, ways and means, steer the organisational efforts towards the attainment of its goals and vision.

Effective strategic leaders are a dab hand at building an adaptive and value-based organisational culture that facilitates the implementation of strategy and promotes creativity, innovation, group cohesion, accountability and a desire to excel. Culture is formed over time and is based on time-tested and validated values, beliefs, customs, traditions, precepts and tenets. It permeates down to various branches and segments of the organisation through the climate that subordinate leaders create and foster. As it is a critical facet for the success of an organisation, senior leaders ensure its intimate monitoring.

Interpersonal maturity enables strategic leaders to communicate effectively and become good listeners and readers of non-verbal communications. Also, interpersonal skills facilitate negotiating and maintaining healthy and professional relationships with various stakeholders and entities in the external environment. In the internal space, these skills help them build consensus and communicate their vision, mission, strategy, directives, plans, advice and ideas to members of the organisation. Frequent interactions between senior leaders and the workforce significantly contribute to the strengthening of trust. Great strategic leaders, therefore, seek opportunities to step out of their comfort zones to be with their people. Such interactions help obtain different perspectives, tap ingenious thoughts, gauge levels of motivation and discern signs of conflict.

Biographies of several iconic strategic leaders from various fields reveal that they all had their ups and downs. But what made them succeed despite the heavy odds was their faith in the capabilities of their people and their unswerving resolve never to quit. When the chips were down, they kept their cool and demonstrated emotional balance and stability. They never compromised with their high moral standards and always ensured the primacy of the organisational interests over personal ones. By leveraging collective wisdom, they took bold decisions and worked painstakingly to ensure their fruition. In glory, they were truly humble and attributed the success to their people.

FREQUENT INTERACTIONS BETWEEN SENIOR LEADERS AND THE WORKFORCE CONTRIBUTE TO STRENGTHENING OF TRUST

During a discussion on strategic leadership at the US Army War College in 2004, where I earned my Masters in Strategic Studies, our professor had referred to strategic leadership as the 'coin of the realm'. And I understood its literal meaning as a tactical leader. But on entering the echelons of senior leadership, where I had the privilege to rub shoulders with some outstanding strategic leaders from all walks of life, I realised the essence of the phrase. Indisputably, strategic leadership is a sine qua non for any organisation to flourish and attain its goals and vision in the VUCA environment of the 21st century. BT

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

STAY COOL THIS SUMMER

India is changing rapidly & so is consumer's lifestyle & desires. Today, the evolved consumer is most aware and conscious about the environment and at the same time concerned about the performance.

Controlling & monitoring temperature, humidity and air movement in a defined area are the core functions of Air Conditioning. High initial costs of system & installation coupled with rising electric energy costs were the major deterrents to the growth of air conditioning systems.In addition, strict government regulations on energy consumption, global warming, and pollution are changing the way we all looked at air conditioning at may be a decade ago.

VIJAY BABU
Vice President Home Appliance & Air Conditioners, LG Electronics

We, at LG are putting continuous efforts to offer best of our products keeping in mind the need for energy efficiency and restoring health of our consumers. In 2017 we were the first brand to transform our entire line up of AC's to inverter range, offering energy efficient solutions to consumers. The move was followed by the industry & today inverter AC constitutes 66% of AC market. Introduction of inverter technology has been the catalyst for LG to be No. 1 AC brand in India. We aim to further consolidate our market leadership in the industry with a wider line up of 5 star ACs. This year we are offering 22 models of 5 star BEE rating as compared to 14 models last year.

Energy efficiency is our key focus and LG's AC range has a cooling score of 5 - LG's High Temperature Cooling Score is the measure for cooling performance of ACs at high temperature. Where conventional AC's performance deteriorate and score less than 5 at higher ambient temperature, LG DUALCOOL AC's performs far ahead and scores 5.

LG's High Temperature Cooling Score of 5 is due to our years of experience and continued innovation such as

- Dual Inverter Technology
- Hi-Grooved Copper Pipes
- IPM (Intelligent Power Module)
- Dual Row Condenser
- BLDC fan motor

Another energy efficient features is active energy control- Cooling a home can be expensive, particularly in hot summer months. LG Air Conditioners avoid these costs and save energy by taking advantage of its Active Energy Control feature. This efficiently limits power consumption from 40% to 80% of normal usage and saves up to 57% energy.

We will be pushing forward the concept of Dual Inverter technology in air conditioners to comply with energy star rating by Bureau Energy Efficiency (BEE). At present, Inverter ACs command majority of air conditioning industry & this technology is expected to rise to approximately 80% by the year end. With a possible revision in BEE ratings of energy efficiency we may see products equipped with Inverter technology, occupying the business domain of residential air conditioners by the end of 2020.

With the onset of summers, with consumers looking out for Air Conditioners, energy efficiency remains one of the main criterion for purchase. As we proceed with more technology advancements for a future ready nation, Wi-Fi enabled ACs powered with Amazon's Alexa and Google Assistant, will provide more convenience and choice to consumers. With LG's robust after sales service and industry first initiatives, we are confident of a robust growth in the coming year and are committed to upscale our offerings to elevate the consumer experience.


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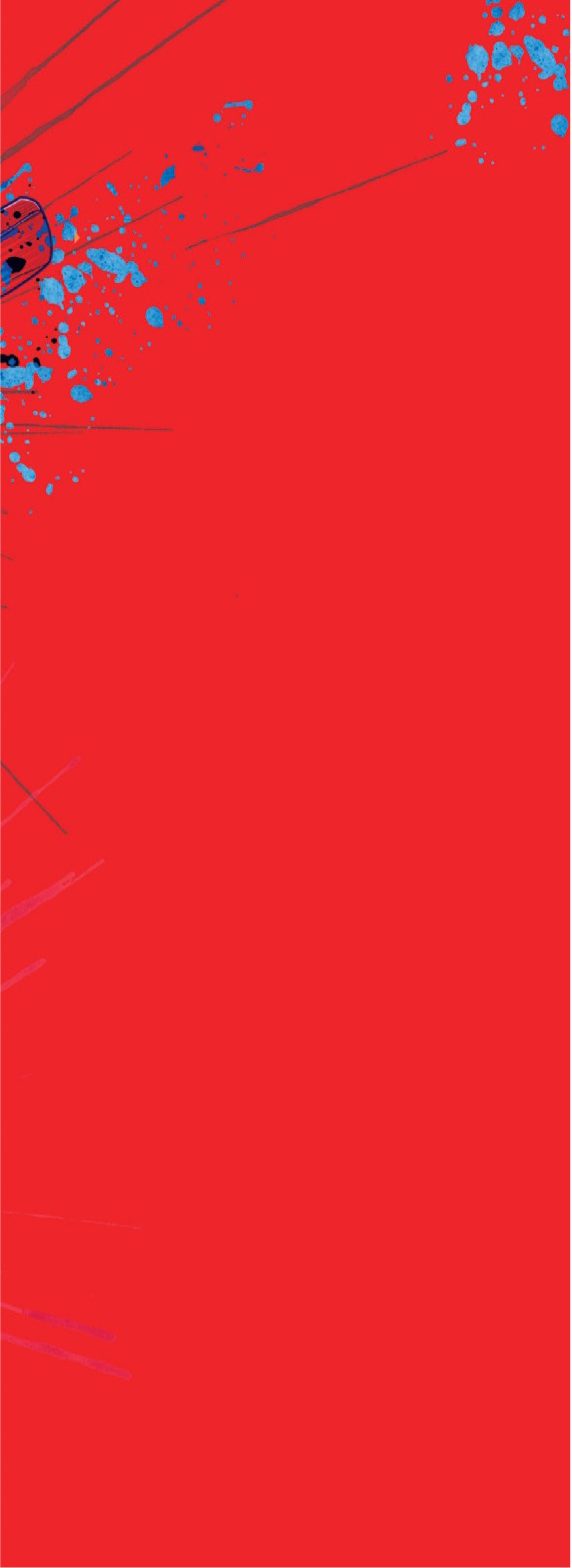
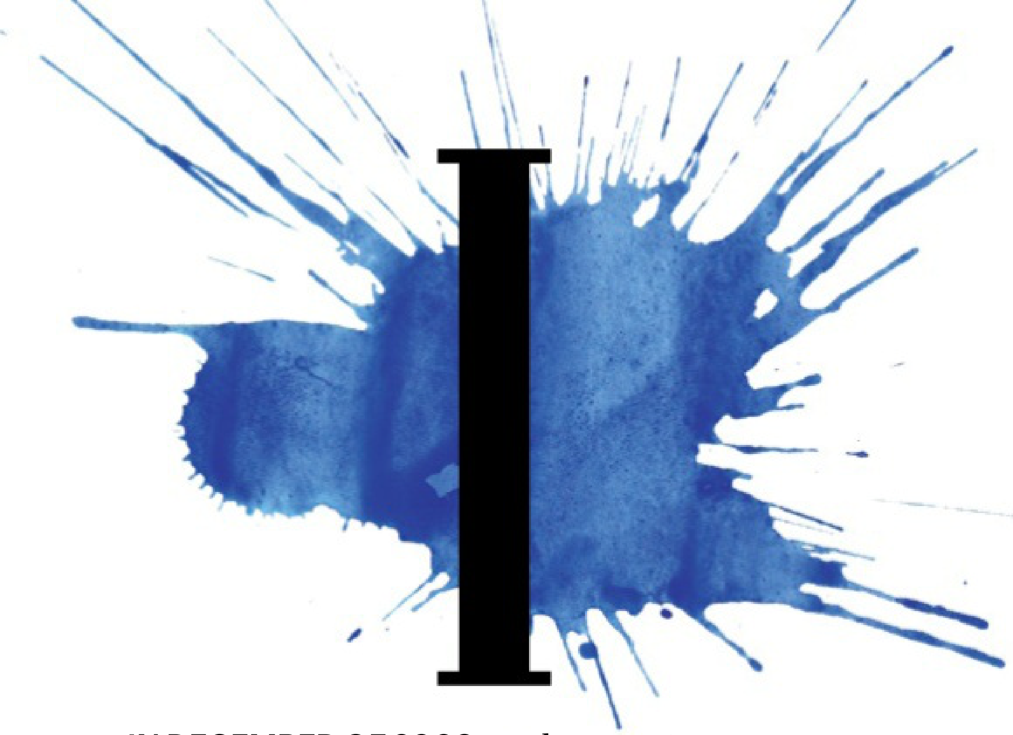


Harvard Business Review

When Scandal Engulfs a Celebrity Endorser

Four factors should guide firms' reactions.

Illustration by Ajay Thakuri



IN DECEMBER OF 2009, marketers at Accenture, AT&T, Gatorade, General Motors, Gillette, Nike, TAG Heuer, and other companies faced a difficult decision. After tabloid reports of infidelity and an alleged altercation with his wife that ended in a car crash, Tiger Woods – who had endorsement deals with those firms – publicly (if vaguely) apologised for his behaviour and announced that he was taking an indefinite leave from golf. The following days brought more salacious stories. Should the companies abandon Woods or stay the course? Over the next few weeks investors in firms that used Woods in advertisements lost $12 billion as share prices fell. For managers at those companies, the question became: How to mitigate the damage?

Previous research has shown that firms tend to suffer financially when a celebrity endorser becomes mired in scandal. But the literature offered no practical guidance. "Nobody had ever looked at what firms could do to counter the losses," says Stefan Hock, marketing professor, University of Connecticut. So Hock and a colleague, Freie Universität Berlin's Sascha Raithel, set out to do just that.

They found that firms making no public statement and taking no action generally do poorly. They also discovered a surprise: Companies that engage with a situation and handle it well don't just stanch the bleeding; they come out ahead. "These incidents can be an opportunity," Raithel says. "If a firm shows an appropriate response to the misbehaviour, it can gain market value."

The researchers began by examining news databases for examples of publicly traded US companies whose celebrity endorsers generated negative publicity, from 1988 to 2016, while under contract. This yielded 128 incidents involving 230 companies. Fifty-nine per cent of the endorsers were athletes, 24 per cent TV or radio personalities, and 17 per cent musicians; 70 per cent were male. (Nike experienced the most incidents – 23.) Despite the 29-year time frame, half the incidents occurred from 2010 to 2016, suggesting that the pace of celebrity scandals has accelerated.

The data illustrates firms' uncertainty about how to respond. Fifty-nine per cent of the companies did nothing, 20 per cent announced that they would maintain their relationship with the endorser, and 21 per cent put it on hold or ended it. Some firms responded differently to the same incident. For example, after a photo of the swimmer Michael Phelps smoking marijuana went viral, Visa publicly supported him, Kellogg let his contract expire, and some other companies stayed silent. "These numbers and reactions highlight that many firms have no clue what the best reaction is," Hock says.

Next the researchers explored factors that might affect public reaction to celebrity misbehaviour, finding four that played a significant role. First, does the celebrity really deserve to be blamed? Someone who commits domestic violence, say, is more clearly culpable than someone whose nude photos were circulated because his or her computer was hacked; in fact, the latter person might be seen as more a victim than an offender. Second, does the scandal directly relate to the celebrity's profession, as when an athlete is caught using performance-enhancing drugs, or is there no link, as when the person has an extramarital affair? Third, is the celebrity's profession closely tied to the product being endorsed, as when a musician touts a guitar brand, or is the relationship a distant one, as when an actress shills for a liquor company? Finally, has the celebrity made a public apology?

For each incident, the researchers determined how the firms in question responded (if they did), how quickly, and whether they curtailed or maintained the relationship with the endorser. They coded whether the misbehaviour was related to the celebrity's profession and whether the endorser apologised. They surveyed more than 300 marketing professionals about how much each celebrity was to blame for the incident and the extent to which the endorser's profession was associated with the product being promoted. To assess the financial impact of each scandal, they analysed stock price movement in the 20 trading days after news of it broke, looking for abnormal returns. And they controlled for a variety of factors, including firms' ad spending, the amount of media coverage an episode received, and whether the misbehaviour was rumoured or proven.

In every case, firms that responded to events instead of staying silent saw a positive impact on their stock, and firms that did so within three days of the news performed better than their slower counterparts. (The researchers say that's because prompt announcements reduce uncertainty, which can hurt share price.) In fact, fast responders saw their stock rise by 2.1 per cent, on average, during the four weeks following the event. Whether a firm stood by its celebrity mattered less than whether it did *something*.

A company's handling of a scandal-plagued endorser should be guided by the four factors cited above. Firms are likely to benefit by severing ties with endorsers whose misbehaviour is closely related to their profession and those whose work is only distantly related to the brand. Investors react more favourably when firms drop unapologetic endorsers than when they drop ones who voice contrition. Regarding blame, investors seem to consider it only in cases of suspension, reacting negatively when a low-blame endorser is punished.

The Tiger Woods episode illustrates some of these points. Most firms whose products are directly related

POWERGRID

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Energising India

Extract of the Statement of Standalone and Consolidated Audited Financial Results for the Year ended 31st March, 2019

(₹ in Crore)

Sl. No.	Particulars	Standalone					Consolidated	
		Quarter ended			Year ended		Year ended	
		31.03.2019 (Un-audited)	31.12.2018 (Un-audited)	31.03.2018* (Un-audited)	31.03.2019 (Audited)	31.03.2018* (Audited)	31.03.2019 (Audited)	31.03.2018* (Audited)
1.	Revenue from operations	9218.08	8481.30	7814.36	34119.12	29764.59	35059.12	29953.62
2.	Profit before tax (including Regulatory Deferral Account Balances (net of tax))	(2202.81)	3817.34	2110.80	8962.11	13553.81	9147.17	13470.75
3.	Profit after tax for the period before Regulatory Deferral Account Balances	8479.32	1623.37	2299.19	12465.42	4960.46	12560.39	4919.81
4.	Profit for the Period after tax	3053.96	2332.30	2010.31	9938.55	8244.65	10033.52	8204.00
5.	Total Comprehensive Income comprising net Profit after Tax and Other Comprehensive Income	3018.79	2367.77	1987.76	9922.25	8252.68	10017.18	8211.93
6.	Paid up Equity Share Capital (face value of share: ₹10/- each)	5231.59	5231.59	5231.59	5231.59	5231.59	5231.59	5231.59
7.	Reserves (excluding Revaluation Reserve) as shown in the Balance sheet				53785.55	49183.37	53856.80	49194.40
8.	Net Worth				59017.14	54414.96	59088.39	54425.99
9.	Paid up Debt Capital				141786.36	130212.96	142076.36	130502.96
10.	Bonds Redemption Reserve				9884.80	9158.59	9942.79	9187.58
11.	Earnings per equity share including movement in Regulatory Deferral Account Balances (Face value of ₹10/- each): Basic and Diluted (in ₹)	5.84	4.46	3.84	19.00	15.76	19.18	15.68
12.	Earnings per equity share excluding movement in Regulatory Deferral Account Balances (Face value of ₹10/- each): Basic and Diluted (in ₹)	16.21	3.09	4.39	23.83	9.48	24.01	9.40
13.	Debt Equity Ratio				71:29	71:29	71:29	71:29
14.	Debt Service Coverage Ratio (DSCR)				1.67	1.97	1.72	1.99
15.	Interest Service Coverage Ratio (ISCR)				3.45	3.61	3.45	3.59

* Restated

Notes

1. The above is an extract of the detailed format of Annual Financial Results filed with the Stock Exchanges under Regulations 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The full format of the Annual Financial Results is available on the Investor Relations section of our website http://powergridindia.com and under Corporates Section of BSE Limited & National Stock Exchange of India Limited at http://www.bseindia.com and http://www.nseindia.com.
2. During the year, the Company has paid an interim dividend of ₹5.83 per share (face value ₹10/- each) for the year 2018-19. The Board of Directors has recommended final dividend of ₹2.50 per share (face value ₹10/- each). The total dividend (including interim dividend) for the financial year 2018-19 is ₹8.33 per share (face value ₹10/- each).
3. Previous periods figures have been reclassified wherever considered necessary.

For and on behalf of
POWER GRID CORPORATION OF INDIA LTD.
Sd/
K.Sreekant
Director (Finance)

Place : New Delhi.
Date : 29th May, 2019

ONE NATION GRID FREQUENCY

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(A Government of India Enterprise)
Regd. Office: B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi -110016
Corp. Office: "Saudamini", Plot No.-2, Sector-29, Gurugram, Haryana-122001
CIN: L40101DL1989GOI038121

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A Navratna Company

"FEW CELEBRITIES ARE SQUEAKY CLEAN"

For more than 20 years, **Bob Williams,** CEO of Burns Entertainment, has matched brands with celebrity endorsers. (Among his deals: securing the actress Mila Kunis for the liquor brand Jim Beam and signing the NBA star Steph Curry with Degree antiperspirant.) Williams spoke with *HBR* about how companies react when an endorser is caught up in a scandal. Edited excerpts follow.

How much do companies worry about endorser scandals?
Twenty years ago, the level of worry was one on a 10-point scale. Today it's eight. I mark the change at 2003, when Kobe Bryant was charged with sexual assault. [Editor's note: The charges were dismissed; Bryant publicly apologised and settled a civil suit.] Until then A-list celebrities had an aura of invincibility. Afterward advertisers began looking differently at the endorsement genre. Morals clauses for new endorsers went from being very general, if they existed at all, to being highly detailed. And brands began performing much more due diligence when selecting celebrities, to minimise their risk.

When a scandal breaks, how do advertisers typically react?
First they evaluate whether the accusation is true. If it might be, they try to assess the impact. An extramarital affair might not be as damaging as a criminal offense. While this evaluation is under way, advice is coming in from the marketing team, from us, and from ad agencies, insurance carriers, and lawyers. That's one reason brands tend to react slowly – they want to avoid a rush to judgement.

What factors can lead a company to stand by the endorser?
Some are specific to the firm. For instance, Nike likes to hire controversial celebrities, and when something happens with one, it's much more patient. A brand that doesn't rely as heavily on a celebrity – say, a financial services firm – is much more likely to cut and run. These decisions are also relationship-driven: Although there are contracts in place, friendships develop, too. And the endorser's personality can play a role. Lance Armstrong was extremely likable, so when he was accused of doping, people didn't want to believe it. That slowed the process.

Have any companies been adept in their responses?
Many firms handled the Tiger Woods scandal well. AT&T and Accenture cut ties very quickly and probably saved themselves some negative impact. That made sense – their businesses are un- related to golf, so it was easy for them to run different ads. Nike had a lot to lose by dropping Woods, because he'd been essential to boosting its golf equipment and apparel businesses, so it retained him. A decision that's right for one company isn't necessarily right for another.

Has social media changed things?
It's made bad news travel more quickly, and it's made it very easy for people to go back to see what someone said and identify an area of controversy. Take Kevin Hart: He lost the chance to host the 2019 Oscars because of homophobic tweets he sent several years ago. Looking at a celebrity's social media history is one way companies perform due diligence. It's impossible to completely avoid the risk of scandal; few celebrities are squeaky clean. The best approach is to invest in the selection process and then draw up a contract with a very strong morals clause and the ability to exit quickly if necessary.

to golf, including Nike, stood by him; companies in non-sports industries were more likely to bid him farewell. The researchers say that Woods's attempts at atonement – a series of statements that stopped short of a full mea culpa, followed months later by a heavily scripted TV apology – didn't help; a quicker and more authentic apology would probably have served him better, their work suggests.

The research has clear takeaways for endorsers and firms alike. Celebrities who are to blame for an incident should always apologise, quickly and sincerely. Firms should recognise that silence is their worst option; they should respond one way or another, ideally within three days. And companies that use celebrity endorsers should be aware that scandals seem to be arising more frequently. "Firms need to be ready," says Raithel. "Even if you can't prepare for specific types of misbehaviour, develop scenarios so that you have some type of response plan for when these things happen."

ABOUT THE RESEARCH "Managing Negative Celebrity Endorser Publicity: How Announcements of Firm (Non) Responses Affect Stock Returns," by Stefan J. Hock and Sascha Raithel (*Management Science*, forthcoming). This article was first published in the May-June 2019 issue of *Harvard Business Review* **(www.hbr.org).**

Business Today

SECTOR REPORT

WELLNESS

ILLUSTRATION BY NILANJAN DAS

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Column by PRATHAP C. REDDY
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How office goers can stay healthy
Pg 100

FAR FROM HEALTHY

In spite of an expanding healthcare market, prevention and wellness do not get the attention they deserve.

By P.B. JAYAKUMAR
Illustration by RAJ VERMA

It is a common practice for many companies to be concerned about their employees' health and offer annual or bi-annual healthcare check-up plans. Most of these are in the range of ₹10,000-25,000, and are offered through tie-ups with corporate hospitals or diagnostics chains. However, their utility is limited.

"It is sad that most executives who come to us for basic blood tests and other sponsored health check-ups do not bother to consult a doctor or a health adviser for follow-up once they receive the reports (which in most cases indicate that all is well and indices are within the parameters). Slowly, they go back to their sedentary lifestyles and become unhealthy," says Dr Peeyush Jain, Head, Department of Preventive Cardiology, Fortis Escorts Heart Institute, New Delhi.

Moreover, such packaged tests may not reveal chronic diseases like cardio vascular disorders or cancers. Another drawback is the quality and reliability of these reports as there are numerous unorganised diagnostics facilities, says Dr Jain.

While awareness, affordability and disposable income are growing, it will be years before India transforms into a country that is focussed on safe and proper preventive healthcare, especially when compared with the levels of preventive healthcare in developed nations.

Better Than Cure

Dr Prathap Reddy, Chairman of Apollo Hospitals, which has done over 30 million health screenings of individuals in the past 40 years, says non-communicable diseases (NCDs) like cardiovascular diseases, cancers, chronic respiratory diseases and diabetes account for as much as 60 per cent of all deaths in India. About 20 per cent women and 27 per cent men aged between 30 and 70 run the risk of dying from one of the four major

NCDs. A study by advisory firm Redseer reveals that the number of people with lifestyle related diseases in India will grow from 930 million in 2018 to 1,060 million by 2022. Depression (26 per cent), chronic backache (23 per cent), obesity (21 per cent), hypertension (16 per cent), Type-2 diabetes (8 per cent) and heart diseases (5 per cent) will be the main villains.

"In a country like India, a good percentage of the population cannot afford even education or other basic amenities. The idea of preventive healthcare and wellness products is gaining momentum only among the affluent population, especially middle class with disposable incomes," notes Dr Jain.

Redseer's study further estimates that India has 90 million health conscious individuals (HCIs) – defined as those who are in their 20s and 30s, affluent, living in urban areas and and aware and concerned about lifestyle-related health issues. The number of HCIs is estimated to reach 130 million by 2022 – 45 million in metros and another 25 million in Tier-1 cities. Indians are ranked fifth in the list of countries searching for fitness gadgets on the internet, observes Redseer. Cementing the trend is the per capita expense on preventive healthcare: expected to grow from $40 in

1,060
MILLION

NUMBER OF PEOPLE WITH LIFESTYLE RELATED DISEASES EXPECTED BY 2022, FROM 930 MILLION IN 2018

MAIN VILLIANS

26%
Depression

23%
Chronic Backache

21%
Obesity

16%
Hypertension

8%
Type2 Diabetes

5%
Heart Diseases

2018 to $75 by 2022.

However, it will be at least 10 years before India catches up with the level of awareness that the developed countries have, says Dr Sharvil Patel, Managing Director of Zydus Cadila and Chairman of Zydus Wellness. "Almost all of the currently available products for health and wellness by pharma and consumer goods companies are reactive products, meant to address specific diseases or correct anomalies. They are not essentially preventive medicines or therapies," he says.

Market In the Making

Preventive healthcare currently accounts for 3 per cent of the overall retail consumption in India but is growing 50 per cent faster than it. The Indian healthcare sector is expected to reach $280 billion by 2020, driven mostly by rising income levels, more awareness, increased incidence of lifestyle diseases and improved access to insurance, says an India Brand Equity Foundation (IBEF) report.

A key segment of the wellness world, nutraceuticals (supplements, Ayurvedic and herbal products, fortified foods and beverages, functional foods, probiotic foods, energy drinks, etc.) is expected to double in size in India to $4 billion by 2020 on account of strong demand for dietary supplements. This segment alone has been growing at over 16 per cent compounded annually for the past five years, according to a report by EY. The overall wellness industry is also poised to grow from ₹85,000 crore in 2014/15 to ₹1.5 lakh crore by 2019/20 with a CAGR of 12 per cent, but 40 per cent of that will be in beauty and not health care. The rest 60 per cent will be divided between nutritional care (27 per cent), fitness centres (16 per cent), alternative systems like Ayurveda, Yoga and Unani (15 per cent) and rejuvenation options like massage and sauna (2 per cent).

Within Rules

A rapidly expanding market also means thousands of companies coming up, which is why there is a pressing need for relevant regulations. R.B. Smarta, Chairman and Managing Director, Interlink, and Secretary of the Health Foods and Dietary Supplements Association (HADSA), says nutraceuticals are currently not regulated by the Food and Drug Association (FDA) but by the Food Safety and Standards Authority of India (FSSAI). "Each individual has the liberty to choose nutraceutical products, after becoming fully aware of the product, dosage, limitations and also the effects," he says.

At present, health check-up packages and tests that range from cancer screening to onsite, home or lab screening and costly scans are not regulated by the law. Multilevel marketing companies and e-commerce retail companies are selling food products and health monitoring devices to every customer. Health tech start-ups in India have received funding of $1.3 billion between 2011 and 2017. Of this, 55 per cent are consumer facing technologies, says the Redseer report. The proliferation of internet pharmacies has further pushed the growth of the wellness market.

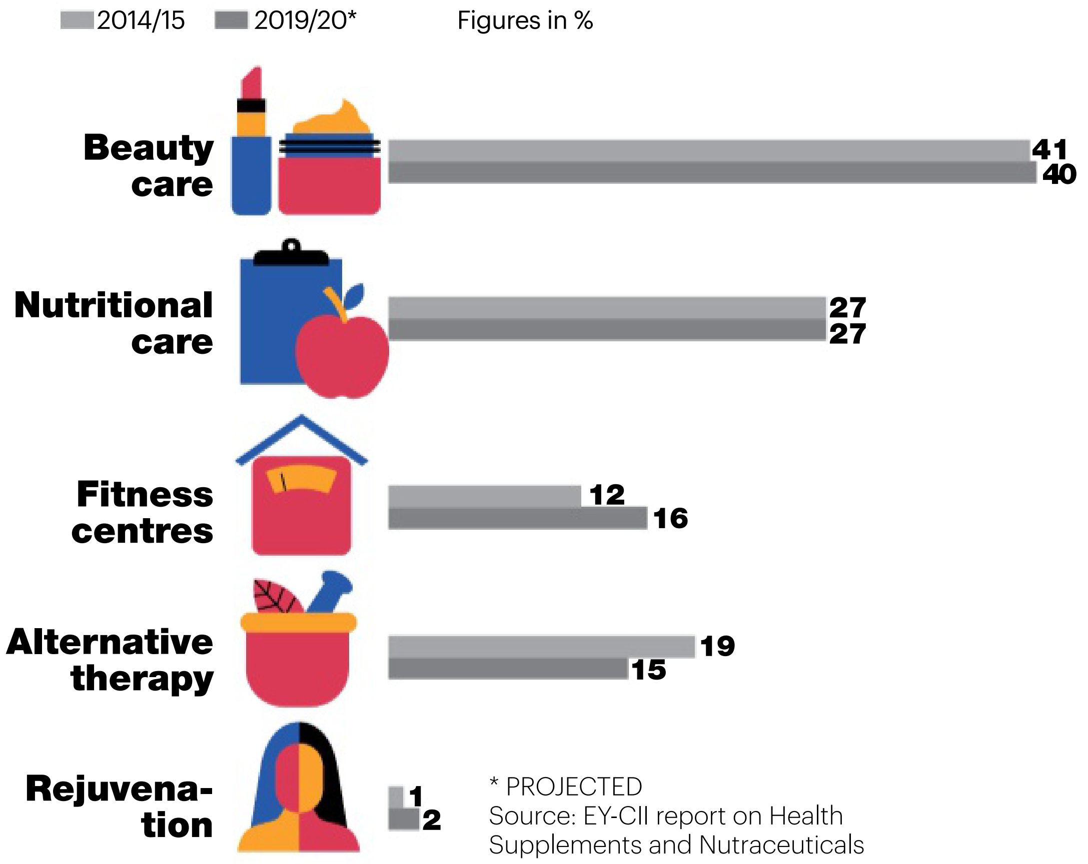
In the future, telemedicine, predictive analytics and use of blockchain to create a seamless, transparent and secure health data are some of the areas that experts say will come up in the wellness market.

The preventive healthcare market in India is growing at a fast pace; appropriate regulations will make the growth healthy. BT

@pb_pbjayan

WRONG FOCUS

Beauty care accounts for the biggest chunk of the wellness industry



* PROJECTED
Source: EY-CII report on Health Supplements and Nutraceuticals

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"At Vissco, we understand how an orthopedic injury — from small sprains to chronic conditions — can claim the best of you. But with the right support, no injury can hold you back from recovering and unleashing your full potential. This inspires us to continuously keep innovating and engineering solutions to help our customers bounce back from pain."

Saumil Gandhi
Jt Managing Director, Vissco

"Today we have completely refreshed and modernized our brand identity and upgraded our products. Vissco's new spirit and direction allow our customers to bounce back from pain and reach their peak performance."

Maulin Gandhi
Jt Managing Director, Vissco

Fifty six years ago, one man's journey to find a solution that would ease his wife's cervical pain paved the way for one of India's leading manufacturers of orthopedic supports and mobility aids. Since then, Vissco has pioneered several innovative, high-quality, and cost-effective products that have helped thousands of patients bounce back from pain.

In a rapidly growing health and wellness industry — one that's expected to reach a high of $100 billion by 2020 — Vissco has been at work to develop scientifically proven solutions for all orthopedic needs, be it sprains, strains, fractures, or tears.

This hands-on approach has enabled their team of industry experts and clinicians to develop a versatile range for every lifestyle. If you're held back by a sports-related knee injury, the **Vissco Pro 3D Knee Cap** or the **Adv Patella & Ligament-Assisted Knee Support** can provide the muscles and ligaments the support it needs to fast-track healing. In fact, the braces and caps such as the **Adv Patella Assisted Knee Support** or the **Pro Tennis Elbow** can double-up as a preventive measure and allow joints to function without taking too many hits. In a global market that earns $3.8 billion a year for Sports Injury Rehabilitation, taking preventive steps can help both your physical and financial well-being.

On the other hand, at the workplace, a number of people are suffering from neck and back pain due to bad posture, inactivity, and prolonged working hours. Research estimates that lower back pain, generally a result of improper sitting position, impacts 540 million people worldwide. Vissco's attention to this global epidemic resulted in design of several varieties of **Lumbo-Sacral** belts that can give adequate support to the spine, correct posture, and knockout pain.

But as common wisdom goes, prevention is better than cure — in this case recovery. Through correct posture, healthy eating, strengthening exercises, and protective gear, you can live a life without compromise.


Vissco Pro 3D Knee Cap


Vissco Adv Patella & Ligament-Assisted Knee Support

Whether you enjoy physical activities or spend long hours in office, following these golden tips can help you stay fighting fit and reduce the risk of injury:

Exercise:
And do it regularly! Follow a fitness plan that includes cardiovascular, weight, and flexibility training to condition your muscles and strengthen your ligaments.

Stretch:
Whether you're warming up for a game or taking a break from work, stretching increases blood circulation and improves your range of motion and posture.

Hydrate:
While working out in the gym or working in the office, make sure to drink enough fluids. This helps prevent exhaustion and keeps muscle cramps out of the picture.

Gear up:
Using the right equipment can provide the support and stability to reduce impact during sports and even ensure proper posture while working in the office.

With some extra care, you can shift your focus to the things that really deserve your attention and push pain to the backseat — right where it belongs!

From Reactive to Preventive Wellness

FOCUS SHOULD BE ON PREVENTIVE PRODUCT DEVELOPMENT TO HELP PROMOTE PEOPLE'S WELLNESS OVER A LONG PERIOD.

By DR SHARVIL PATEL

The existing wellness and nutraceutical market in India has an issue. Most of the products are solution-driven, which means when people fall ill, they take medicines and nutritional supplements to get well. But compared to the West, the preventive healthcare market at home is at a nascent stage. In fact, we are looking at reactive solutions and are not proactive enough to embrace a preventive healthcare regime. Our awareness of preventive healthcare is on the rise, but it is minimal, and until now, it is restricted to certain sections of the society. Therefore, most of the wellness or nutraceutical products which consumer goods firms or pharmaceutical companies sell are meant for solving healthcare problems.

Take the case of young children going outdoors in the summer. Most of the times, we do not consider how to prevent dehydration. In case we are feeling tired, do we consider what should be done to keep our energy level up? People from different age-groups face specific issues during summer while most of us suffer from respiratory problems or flu (influenza) in winter. However, we rarely consider how to prevent these seasonal ailments before we fall ill. Neither do we consider what immunity boosters should be used or which vitamins could help. In the West, people take flu shots before the onset of the flu season. In the US, many people routinely take zinc injections. That is what I call awareness. But in India, we wait until the entire family is down with flu before seeking medical help. If one takes the right mix of nutrients regularly, it can help prevent many of these conditions. Apart from these wellness products and preventive medicines, one should also opt for yoga, naturopathy, exercise to stay fit and ward off diseases.

PHOTOGRAPH BY SHEKHAR GHOSH

However, it will take us many years to transform India's healthcare culture from reactive to preventive wellness. Instead of producing so many solution-oriented products, we need to focus on developing many more preventive products which will promote people's wellness over a long period and also bring down healthcare costs. Implementing this change could be very tough, though, as people in India do not want to spend or overspend when they have not fallen ill. But in the next 10-15 years, we may see a movement around disease prevention and the corresponding market will be big. At present, it is difficult to create that market, but spreading awareness could be the first step towards that direction. BT

OUR AWARENESS OF PREVENTIVE HEALTHCARE IS ON THE RISE, BUT IT IS MINIMAL, AND UNTIL NOW, IT IS RESTRICTED TO CERTAIN SECTIONS OF THE SOCIETY

(As told to P.B. Jayakumar)

Dr Sharvil Patel is MD, Zydus Cadila, and Chairman, Zydus Wellness


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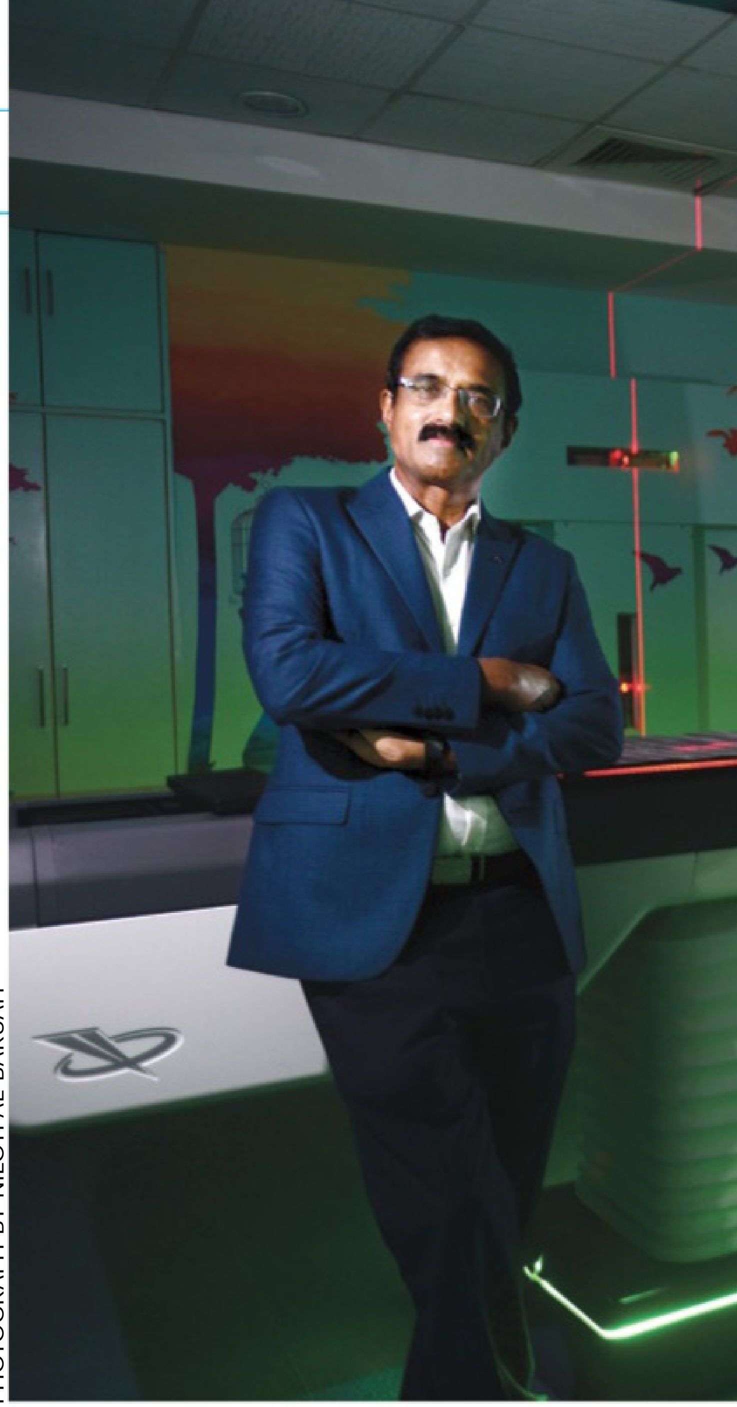
ALPHAS OF THE CORNER ROOM

What differentiates business leaders who display high octane stamina and productivity from lesser mortals who also work long hours.

By E. KUMAR SHARMA
Illustration by RAJ VERMA

T**HINK ELON MUSK,** Satya Nadella, Sergey Brin, Mukesh Ambani, N. Chandrasekaran, Anand Mahindra. They, and a few other top honchos of India Inc., have all redefined stamina, which reflects in the long hours that they manage to put at work, hours that show up in their productivity and success of companies that they head. While their entire focus is on the businesses they run, they all are conscious about the need to maintain good health. So, what differentiates these leaders from, shall we say, the lesser mortals who, too, log in long hours at work?

Consider Dr. B.S. Ajaikumar, Founder-CEO of HealthCare Global, who spends most of his


PHOTOGRAPH BY NILOTPAL BARUAH

time treating cancer patients and whose thin frame and quick strides on stairs (he avoids the elevator) belie the 13-plus hours that he puts in at the workplace. The 67-year-old marathon runner and prospective black belt in karate has taken part in seven gruelling runs and trudges 40 km a week on an average. "To remain fit, ensure a good dose of physical activity and under-eat, as a little bit of starvation stimulates your brain," he says.

What also aids better outcomes is his attitude to life. "I have always been a positive person and I think that has been one of the major drivers for me." He gives the example of a patient with nasopharynx cancer (a head and neck cancer, behind the nose) who came to him at what seemed a terminal stage. "We researched and worked on his treatment. Today, he is disease-free," he says. Or when, in the US, he saw his savings nearly evaporate in the 2000 economic crisis. He sold his house, returned to India and in 2003/04 started his entrepreneurial journey. Since then, he has never looked back.

Anand Mahindra, Chairman, Mahindra Group, is in a business where competition is brutal and slackness can cost dearly. "He is forever looking at the positive side of things. He has the capability to challenge without being aggressive and an astonishing capacity to remain calm even when waters are choppy and things are not falling into place," says a person who has known him over the years. But what also matters is the "poise and energy which is constant at all times. It does not matter whether you are meeting him at 7 pm or 11 pm." A part of this has perhaps got to do with his approach to empower the leaders. A number of people close to him quote his belief that it is wrong to see life as a dichotomy where one has to choose between work and life. They say he maintains that "the phrase work-life balance will be extinct – we will say work is life and life is work because they are about getting the best out of myself as a human being." Mahindra is conscious about his health and glimpses of his fitness are apparent in pictures of the Mumbai Marathon, much like those of N. Chandrasekaran, Chairman of Tata Sons, who has a commendable record of running quite a few marathons. Or consider infrastructure barons G.M. Rao, Founder of GMR, or G.V. Krishna Reddy of GVK, both of whom are conscious about the need to maintain good health even as they put long hours at work. Krishna Reddy, passionate for sports, starts his day with a game of tennis, and was an early sponsor of tennis star Sania Mirza.

The high performers also believe in pursuing an interest. For instance, G.V. Prasad, Co-chairman and CEO of Dr. Reddy's, is an avid photographer who, despite his pressing work schedule, finds time for wildlife

ANAND MAHINDRA ALWAYS LOOKS AT THE POSITIVE SIDE OF THINGS. HE HAS THE CAPABILITY TO CHALLENGE WITHOUT BEING AGGRESSIVE, AND TO REMAIN CALM EVEN WHEN THINGS ARE NOT FALLING INTO PLACE

Anand Mahindra
Chairman, Mahindra Group

G.V. PRASAD IS AN AVID PHOTOGRAPHER WHO, DESPITE HIS PRESSING WORK SCHEDULE, FINDS TIME FOR WILDLIFE PHOTOGRAPHY IN AFRICA OR THE ARCTIC TO RECHARGE HIMSELF

G.V. Prasad
Co-chairman & CEO, Dr. Reddy's

B.S. AJAIKUMAR,67, A MARATHON RUNNER AND PROSPECTIVE BLACK BELT IN KARATE, AVOIDS THE ELEVATOR WHILE PUTTING IN 13-PLUS HOURS AT THE WORKPLACE

Dr B.S. Ajaikumar
Founder-CEO,
HealthCare Global

photography at locations in Africa or the Arctic to rebalance his mind and recharge himself. So, how does this increase productivity? "It is not the activity that determines the outcome," he says. Becoming more productive is not about the hours spent at work but more about the approach. "Metaphorically, you need to go from the ground floor (your daily activity where you do not see the bigger picture) to the balcony (spend time looking at the strategic picture of where you and the company are going)," he says. He tries to do this by taking breaks (he is soon headed for Alaska). "You need to reflect and gain better insights which you may miss in the middle of an activity." However, this does not mean that he does not look at the nitty-gritty. "I delegate but there are times when you need to get into the trenches, get into the details and make changes, like when we got the USFDA warning letter."

Others like Venu Srinivasan, Chairman of TVS Motor Company, believe in the power of meditation to "de-junk the mind." He is learnt to be quite regulated when it comes to eating. Or Ajay Piramal, Chairman of Piramal Enterprises, who, given a choice, would prefer to pursue photography and is spending at least half an hour each day on either reading or attending sessions on Indian philosophy.

Most top CEOs are also very careful about what they eat. Venu Srinivasan of TVS had earlier told *BT* that he mostly sticks to a simple diet and likes the British practice of 5:2 diet where people eat what they like five days a week but eat next to nothing on the remaining two days. G.V. Prasad of Dr Reddy's is also disciplined in his food intake and, aided by inputs from a nutritionist, has been sticking to a diet chart for the last five years. **BT**

THE MANTRA THAT MOST FOLLOW

Blurring the line between work and personal time

Pursuing a hobby or a special interest

Serious on exercise – from marathons to workouts.

Delegating and empowering team members

Eye on health parameters

Positive attitude

@EKumarSharma

The Insidious Enemy

IF NOT ADDRESSED SOON, THE GROWING BURDEN OF NON-COMMUNICABLE DISEASES WILL TAKE A HEAVY TOLL ON PEOPLE, PRODUCTIVITY & GROWTH.

By DR. PRATHAP C. REDDY

India stands tall for its unbridled potential and is well poised to be a leading economy very soon. However, an insidious enemy is lurking – the looming threat of non-communicable diseases (NCDs) – and we need to work together to strike it down.

A report by the World Health Organization estimates that cardiovascular diseases, cancers, chronic respiratory diseases, diabetes and other NCDs account for 60 per cent of all deaths in India. Moreover, NCDs account for about 40 per cent of all hospital stays and roughly 35 per cent of all recorded outpatient visits. Also, 20 per cent women and 27 per cent men aged between 30 and 70 also run the risk of dying from one of the four major NCDs. According to a World Economic Forum study, the world would spend $30 trillion by 2030 to combat NCDs, and India's share would be $4.8 trillion.

India must get its act together, and an immediate imperative is to rapidly heighten people's awareness, besides identifying and managing diabetes, coronary diseases and all types of cancer. It is important to note that these diseases affect not only health but also productivity and economic growth. Last year, under the landmark Ayushman Bharat Yojana, the government announced that 1,50,000 primary health centres would be converted into health and wellness centres as early detection is the key to managing chronic diseases and saving lives. Staying diabetes-free is prudent, and likewise, most cancers can be conquered if detected early. Hence, mandating regular health screening for everyone aged above 25 could be considered by the government.

As a clinician, I have witnessed the devastating impact of such diseases, and ever since, I have been passionately committed to preventive healthcare. Forty years ago, we had introduced a 'master health check' even before the launch of our first hospital in Madras (now Chennai); it was an annual screening to detect diseases early on and assess risk factors. Since then, Apollo has screened over 30 million individuals, and the government has honoured this achievement with a commemorative postal stamp. However, we are aware of the long road ahead.

Health is an individual and a collective responsibility. Therefore, the way to healthy living must be taught and inculcated in school programmes. For instance, Apollo SHINE works with academic institutions and provides health information to students and faculties.

Corporate India should also embrace preventive healthcare like it is another fiscal responsibility and take focussed steps to ensure that every employee undergoes regular health checks. This should also include their families and loved ones. At Apollo, we have initiated a programme wherein preventive health screening is being done for each of our 85,000 employees and also for their families and then followed up for another two years. We believe that in the long run, it will pay excellent dividends in terms of productivity and hope other organisations emulate our model.

Every individual should understand, appreciate and cherish his/her health and well-being. A shift in the mindset is required for nurturing good health instead of just battling a disease as close to 90 per cent of NCDs are preventable.

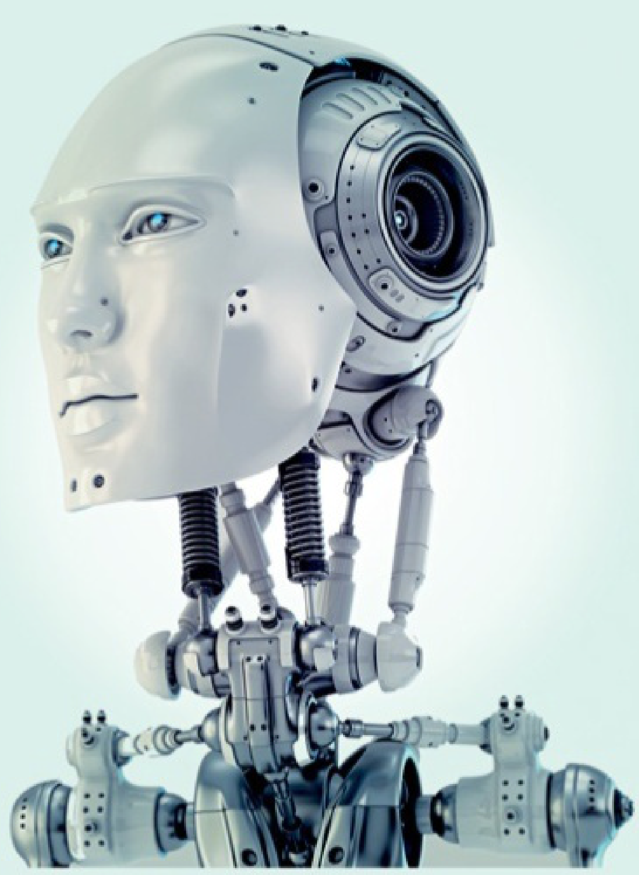
Currently, NCDs are equally prevalent across rural and urban India. By focussing on prevention, early detection and an integrated approach to healthcare, the incidence of NCDs can be brought down. Due to concerted efforts, Apollo's Total Health Foundation has witnessed success in Thavanampalle Mandal (in Chittoor, Andhra Pradesh), achieving a 20 per cent decrease in incidence of NCDs in 36 months. This reaffirms the need to live a healthy life and be mindful of NCDs. Empowerment of the community through effective health education and use of trained public health personnel along with the provision for community insurance will help in controlling the growing prevalence of NCDs and battling the sinister enemy. BT

A SHIFT IN THE MINDSET IS REQUIRED FOR NURTURING GOOD HEALTH INSTEAD OF JUST BATTLING A DISEASE AS CLOSE TO 90 PER CENT OF NCDs ARE PREVENTABLE

The writer is Chairman, Apollo Hospitals Group

Robotic Knee Replacement Surgery

A Novel Technique, first of its Kind in Tamil Nadu



Millions of people suffer from osteoarthritis, which occurs when there is a breakdown in the cushioning cartilage between joints, such as the knee. When this cartilage wears down, bones begin to rub against each other causing pain, swelling, stiffness and damage to other parts of the knee. While there is no cure for osteoarthritis, partial or total knee replacements are the common surgical options available today. Robotic total Knee Replacement Surgery is the latest advancement in the way orthopaedic surgeons perform partial and total knee replacement.

Every Robotic procedure has an individualized plan based on each patient's unique anatomy. The system works in conjunction with the surgeon's skilled hands to achieve precise positioning of components during surgery. This level of accuracy can help improve the function, feel and potential longevity of the knee implant.

Robotic Knee replacement surgery has many definitive benefits over traditional joint replacement surgery: one being, a bone conserving technology as it helps in preserving natural anatomy. It enables the surgeon to operate with enhanced precision even during the most complex procedures and difficult cases. Enhanced precision and lesser bone removal leads to less blood loss, reduced pain, faster and better post-operative outcomes for the patient. Robotic assisted joint replacement is at a much higher level with regards to Patient satisfaction parameters than traditional joint replacement surgery.

Institute of Orthopaedics at SIMS Hospital recently performed two back-to-back successful Robotic total knee replacement surgeries, for the first time in Tamil Nadu on 65 years old patients, both with severe knee pain for over 5 years. These surgeries were done using the NAVIO PFS Robotic surgical system, the latest advanced generation Robotic intervention in joint replacement (developed in the USA) and to the delight of the families, enabled these patients to walk without significant pain within 4 hours of the surgery itself.

For more information contact :

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Landline: 044-49211455,
Email: healthinfo@simshospitals.com,
www.simshospitals.com

Selling Wellness

HOW HEALTHCARE MARKETING WILL BECOME MORE NUTRA- AND WELLNESS-CENTRIC.

By R.B. SMARTA

Throughout the world, marketers are becoming more focussed on health. Be it energy, auto, chemicals or food, the focus is shifting to health and sustainability. Greater thrust on non-fossil energy sources, or cola majors moving from traditional beverages to health-based foods and beverages, are visible signs of the shift.

Pharma companies the world over, as also in India, are not far behind. Most are diversifying from chemical-based medicines into nutraceutical and wellness products. Today, most major Indian pharma companies have a nutraceutical or wellness division that produces supplements, ayurvedic & herbal products, fortified foods & beverages, functional foods, probiotic foods, energy drinks, etc. Research has shown that nutraceuticals are good for prevention of diseases, post-disease recovery, curbing deficiencies, supplementing nutrients and minerals, and better management of lifestyle diseases such as obesity, diabetes and cardiovascular diseases. Thus, nutraceuticals reduce the ill-effects of consuming pharmaceuticals. The companies are pitching for nutraceutical products with allopathic doctors too.

The awareness about the benefits of nutraceuticals is growing fast. Within a short span of 10-15 years, the annual domestic nutraceutical market has grown to ₹30,000 crore, compared with the ₹1,30,000 crore pharmaceutical market. According to Assocham, the nutraceutical market is expected to cross ₹1,15,000 crore in the next 7-10 years. In addition to pharma companies, pure play domestic and international nutraceutical companies would also like to participate in this market with their unique plant-based products.

As these products are regulated by the Food Safety and Standards Authority of India, pricing is not an issue. There is also no person like a medical professional to take decision on behalf of a consumer and each person has the liberty to choose what he or she wants.

New Models in Digital Era

There will be a splash of online business models. We anticipate successful tie-ups between nutraceutical companies and established teams of nutritionists and dieticians for guiding consumers on the nutraceutical intake. We will also see start-ups becoming active with their apps and gadgets. Subscription-based models are expected to meet success and there will be specific packages for specific illnesses/conditions. Some of the models are as follows.

Wellness clinic model: Here, at a fixed rate of, say, ₹3,000, a person will be able to take a package of benefits that includes nutritionist visits, health check-ups, diagnostic tests, disease management awareness programmes, etc.

Push model: The customer will be able to visit a nutritionist/dietician for six months by paying a subscription fee.

Conversational model: A customer will be able to converse with nutritionist/dietician through an app by paying a monthly amount.

Instant visit model: You could visit a nutritionist without waiting by paying a monthly subscription fee.

Other Gimmicks for Marketing

Virtual Reality (VR) & Augmented Reality (AI): There will be an opportunity for brand owners to be closer to consumers through VR headsets and make it a more engaging, interactive and personal experience. AR can help with blending of virtual objects such as brand image into something full of movement and wonder.

Phygital Marketing: In phygital, or physical + digital, a brand interacts with a customer in a physical location. Digital enhances the physical experience.

Referral & influencer marketing: A lot of nutra companies will use influencers to promote products on social media.

FMCG model: There will be promotions using coupons, contests, gifts.

Public relations (PR) & user generated content (UGC) marketing: Analysts predict good growth through PR and user generated content such as comments, reviews and images on social media. According to the Nielsen Consumer Trust Index, 92 per cent consumers trust UGC more than advertising as the former is not paid.

Multi-level marketing: The traditional Amway method is here to stay

Online marketing: Leverage of the good old online marketing through e-mail, social media, display advertising and search engine optimisation.BT

The writer is CMD, Interlink Marketing Consultancy, and Hon Secretary, HADSA


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STAY HEALTHY, OFFICE-GOERS

Stuck to your computer throughout the day? It could trigger a whole bunch of health issues, but fortunately, there are solutions.

By E. KUMAR SHARMA
Illustration by RAJ VERMA

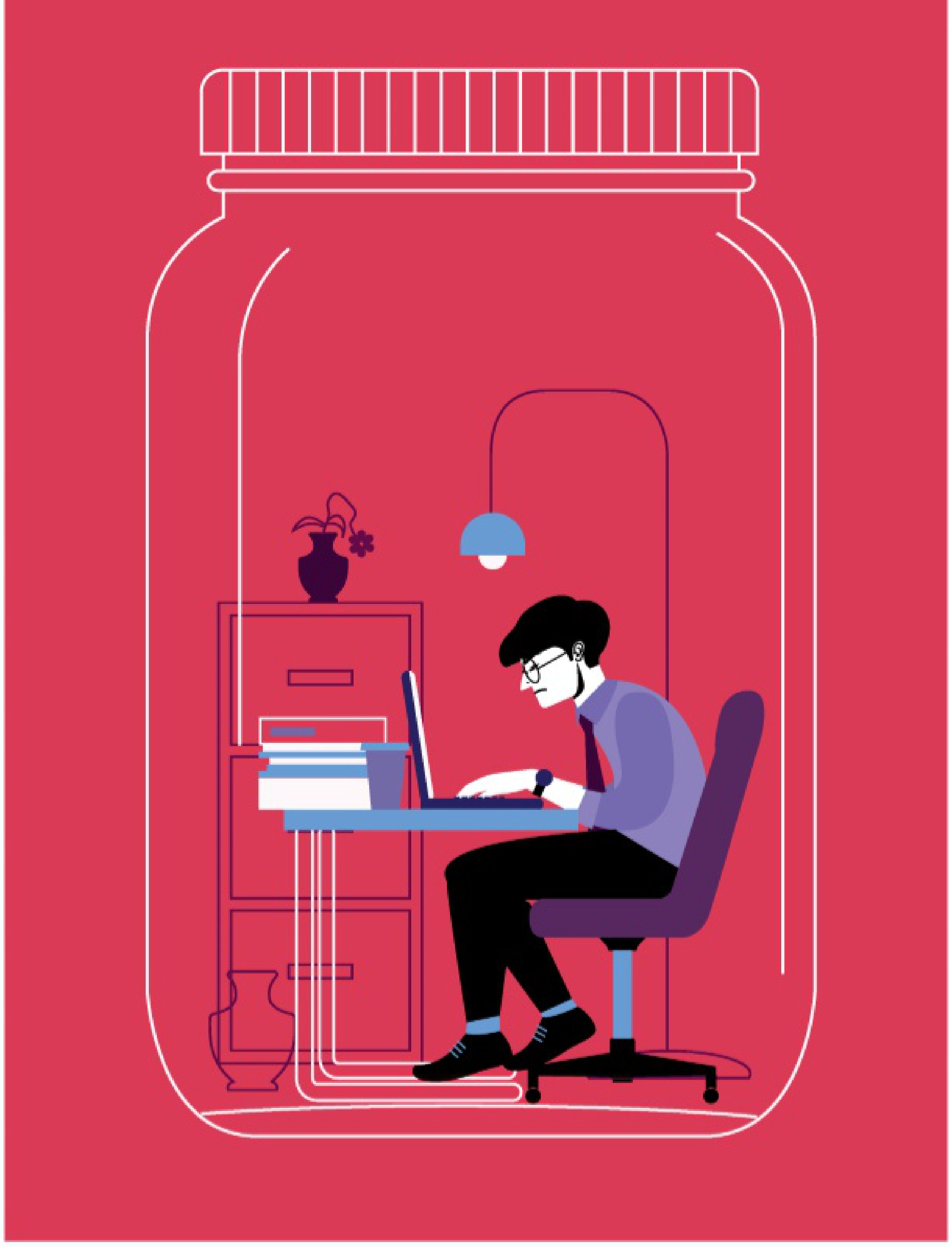
Sitting at the office desk at least eight hours a day, five days a week, staring at all sorts of displays most of the time (PCs, phones, tabs or even televisions) and gorging on wrong foods and drinks make it difficult to stay healthy. Artificially lit, air-conditioned cubicles or open plans do not help either as there is little exposure to natural light and fresh air. Depending on the workload, many people would not even venture out for a much-needed lunch break, neither do they spend time beforehand on preparing a healthy mid-day meal. What we see is minimum movement along with a great deal of slouching, slumping and straining in front of our screens – a sedentary routine that will soon lead to health hazards in the form of obesity, sluggish metabolism, high blood pressure, heart conditions and a predisposition to diabetes. Is there a way out?

Sitting Kills; Get Moving

Feeling healthy does not happen overnight. The key to well-being lies in our willingness to work towards health goals. For instance, modern workplaces are built around the concept of comfortable sitting. But sitting, according to fitness experts, is the modern-day equivalent of smoking. Worse still, sitting at your office desk for 2,100 hours a year (going by our calculations) means you are underusing some vital muscles and overusing others. This may easily trigger lower back pain, pain in the legs or a feeling of numbness. Should you buck the trend and go for a standing desk? Not quite, the doctors tell us. Working on your feet throughout the day is bad for the spine and may cause neck and back pain as well as prolonged lower-limb muscle fatigue. This is not good news for millions of health workers, security personnel, retail assistants and others who earn their living on their feet. Poor posture may also lead to lumbar lordosis or swayback, an inward curving in the lower spine region that can affect one's movement. Ideally, take a break and move around a bit if you are sitting for more than 20 minutes. You should also change your posture and walk a little if you are standing for 10 minutes or so.

For the more radical, treadmill desks (a modified treadmill base attached to a vertical computer workstation) are a great option. The belt is designed to move at a low speed – 1-4 miles per hour – and you are expected to burn about 100 calories for every mile as you walk and work. But these installations are not very common in India and there is little clarity on pricing. Not all doctors recommend the device either. One can also try exercise ball chairs for improving posture and balance. The price could be around ₹10,000 or more, but much like the walking desk, doctors will caution you not to overdo it and hurt your back.

A sit-stand workstation seems ideal as it allows an optimal balance between sitting and standing. Otherwise, one can invest in ergonomic chairs which cost ₹8,000 onwards, allow you to adjust seat height, backrest and seat depth, and provide lumbar support. Whatever be the nature of your work desk, keep your posture right. Ideally, the top of the computer screen should be level with the eyes so that they look down at about 10º. Anything above or below that level will strain our neck, back and arms. Thankfully, companies are now taking notice and ergonomic seating is almost always available, making it easy to do some chairobics and deskercises at regular intervals. It is better than once-in-a-day gym session or a 30-45-minute run.



these keyboards are concave in shape and house well-spaced-out keys to enhance ease of use.

Set Your Pace; Stay on Top

People who often skip meals and exercise due to looming deadlines are doing it wrong. All of us need a few breathers in-between intense work bursts to boost concentration and productivity. Follow the 20:20:20 rule – after every 20 minutes, take a 20-second break and look at things 20 ft away for a sanity nudge. If we fail to take the statutory break and spend hours looking at the screen, we tend to strain our neck and spine and suffer from dry or burning eyes. Using the keyboard for long hours may also trigger carpal tunnel syndrome. It is a common condition that causes numbness, pain and tingling in hand and arm as the median nerve (a major nerve to the hand) passing through the carpal tunnel in the wrist gets squeezed due to narrowing of the tunnel, repetitive hand and wrist movements or swelling tissues surrounding it. To prevent nerve injuries, one could wear a protective wrist splint or buy an ergonomic keyboard. Priced between ₹5,000 and ₹20,000 or more, these keyboards are concave in shape and house well-spaced-out keys to enhance ease of use.

THE WELLNESS ROUTINE

Follow the 20:20:20 rule: Take a 20-second break every 20 minutes and look at things 20 ft away.

Get up and move: Essential for burning calories, exercising the muscles and activating the fat-burning enzyme lipoprotein lipase

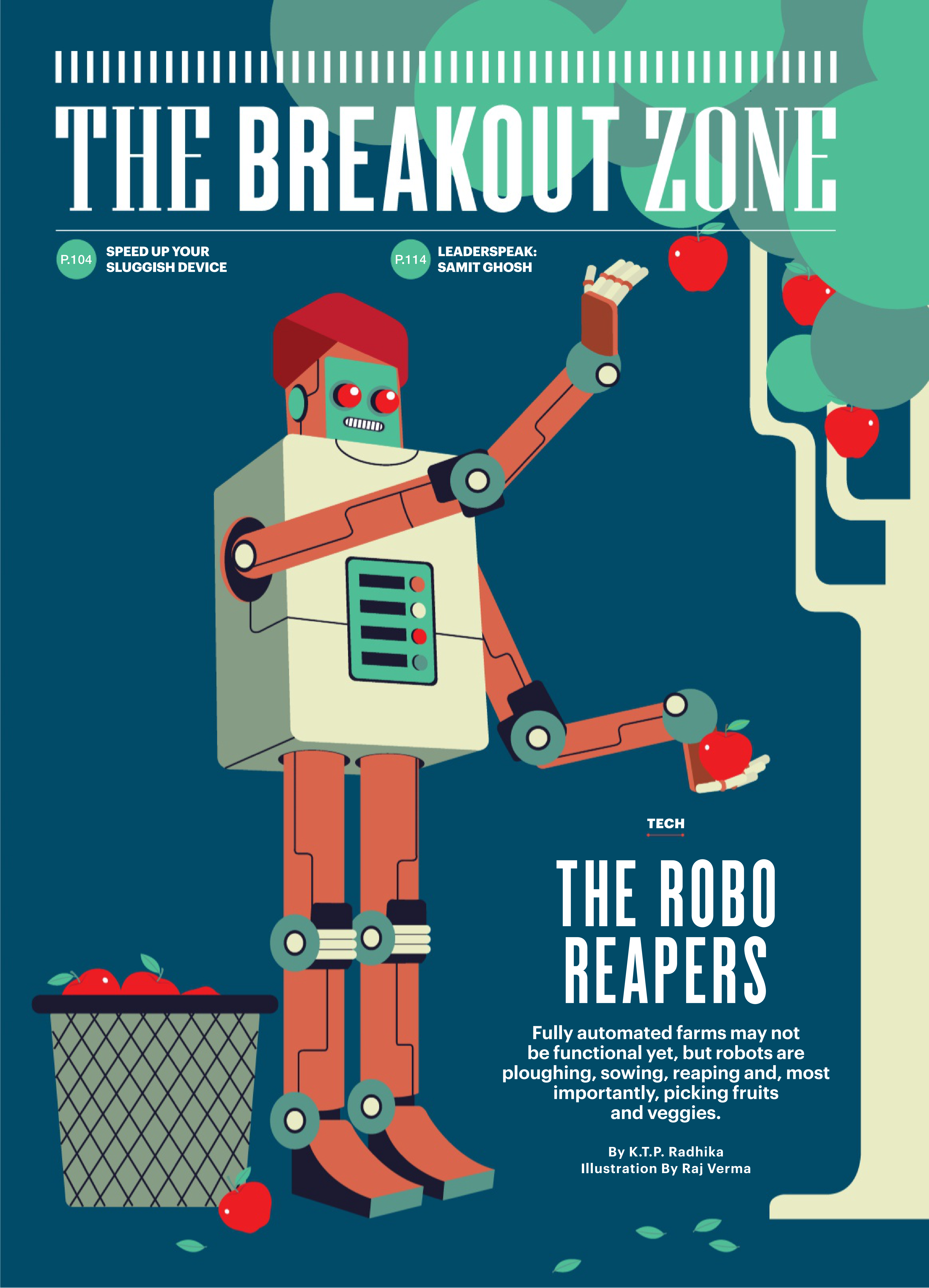
Try deskercise: This can be done throughout the workday while sitting at your desk

Biophilic Boost

Think of the Infosys campus or the Titan headquarters in Bengaluru – vibrant, sustainable and in harmony with nature with ample exposure to light, air and water, flora and fauna. Eco-friendly, biophilic offices can boost productivity, health and overall well-being. Agrees Smita Gupta, Managing Director of Gensler India, part of the global design and architecture firm Gensler. The India unit had worked for Accenture, Microsoft, Novartis, Wipro and more. "As a result, we have developed an effective strategy and our research group also helps." Gupta says critical parameters such as access to daylight, proper ventilation, cooling and greening must be taken care of. She is also keen on designs which keep people active. Taking the staircase always helps instead of crowded elevators. So, how different floors of an office building are connected will play an important role. Plus, there should be nap rooms, she says, as paying attention to the body clock results in better focus and higher productivity.

Layout and structure are equally important. Sunny meeting rooms lift our mood and could get us a good dose of Vitamin D. Of course, the green office concept is relatively new but a few developers had experimented with this trend earlier. When the Indian School of Business was built in Hyderabad in early 2000, the campus was designed by international architectural firm John Portman & Associates. In sync with the 'eco' concept, the firm had lifted many of the buildings off the ground to enhance airflow and also incorporated water bodies for natural cooling as a sustainable solution to the city's dry weather. As employee wellness (and therefore, productivity) is no fad, corporate houses are expected to build more extensively on the concept, thus blurring the lines between work, wellness and leisure to attract the younger workforce. BT

@EKumarSharma



THE BREAKOUT ZONE

P.104 SPEED UP YOUR SLUGGISH DEVICE

P.114 LEADERSPEAK: SAMIT GHOSH

TECH

THE ROBO REAPERS

Fully automated farms may not be functional yet, but robots are ploughing, sowing, reaping and, most importantly, picking fruits and veggies.

By K.T.P. Radhika
Illustration By Raj Verma

SCI-FI LEGEND ISAAC Asimov used the word robotics for the first time in his 1942 short story *Runaround*. Ever since, Asimov and many of his ilk have imagined agricultural worlds where superintelligent machines carry out farm production.

Make no mistake – machines used in agriculture are an old story. Mechanisation and automation have been here for decades in areas such as seeding and harvesting of crops in the US and elsewhere. But there are certain areas like picking delicate fruits and vegetables which still require human intervention. After all, harvesting strawberries and raspberries is not easy as one has to make sure that the berries plucked are ripe enough, have their skins intact and are packed neatly before reaching the market. The same goes for tomatoes. Machines are challenged in these cases as each fruit has to be located, assessed for ripeness (not all of them ripen at the same time), picked and packed with enormous care to avoid bruising.

Things have changed radically as recent developments in visual-sensing technologies, AI and machine learning, Big Data, GPS, drones, et all, are making it possible to replace humans when it comes to delicate harvesting. A few companies in India and abroad have already developed hi-tech robots adept at this task.

One of them is Florida-based strawberry farmer Gary Wishnatzki, whose start-up Harvest CROO has developed robots which can actually do this repetitive work better than humans and specialise in selective harvesting, according to *New Yorker*. The bots in question use multiple robotic components to perform different tasks such as leaf gathering, visual inspection, picking and packing. Berry 5.1, a fully automated strawberry picker, is the latest in this line and its makers hope an alpha prototype will be ready for commercial use by the end of this year. This fruit plucker can match the pace of 30 workers and has 16 spinning robotic arms which gather fruits using cameras, pincers and stereovision imaging, which means it captures hundreds of photographs of each plant to locate and identify 'harvestable' fruit. Its multiple robotic components help the machine run faster and operate at the scale needed to support current farm operations.

Berry 5.1 is not a lone example. Spanish company Agrobot has also developed a robot for strawberry picking that will be commercially available in California next year. There is another at Japan's Utsunomiya University; UK-based Dogtooth Technologies has created a robotic arm; Octinion in Belgium has built a fully autonomous strawberry picker, and the US-based start-up Root AI has developed a tomato-plucking robot called Virgo. Closer home, Bengaluru-based Green Robot Machinery has developed GRoboMac for cotton picking and gathering horticulture harvests. Also, researchers across the globe are developing and testing prototypes of orange, grape and apple harvesters as well as weeding and pruning machines. Harvest CROO claims that a couple of U.S. strawberry farms have invested in the company. If it can work at scale (along with its many competitors), we could soon be eating a plateful of pristine strawberries never exposed to human touch. **BT**

BERRY 5.1 CAN MATCH THE PACE OF 30 WORKERS AND HAS 16 SPINNING ROBOTIC ARMS WHICH GATHER FRUIT USING CAMERAS, PINCERS AND STEREOVISION IMAGING

The writer is a freelance journalist based in Chennai

CONFERENCE TECH

SMARTPHONE TURNS INTO MICROPHONE

THE HUMBLE MICROPHONE looked much the same over decades and got scant attention from tech wizards. However, someone was needed to solve the problem of the ushers at live events – you always find them running around and handing over the mics to people during audience interaction. But the helter-skelter dash might be over soon as an app called Crowd Mics turns iOS/Android devices (both smartphones and tablets) into wireless microphones for seamless participation.

So, how does it work? One has to create a dedicated Wi-Fi network so that all attendees, speakers/presenters and moderators (if any) can join the system via the app downloaded on their smartphones or tablets. If audience members want to say something, they can send requests via the app and will be notified by the person in charge when it is their turn to speak. They will be directly connected to the venue's audio system via USB or balanced audio outputs (a small piece of hardware supports this feat).

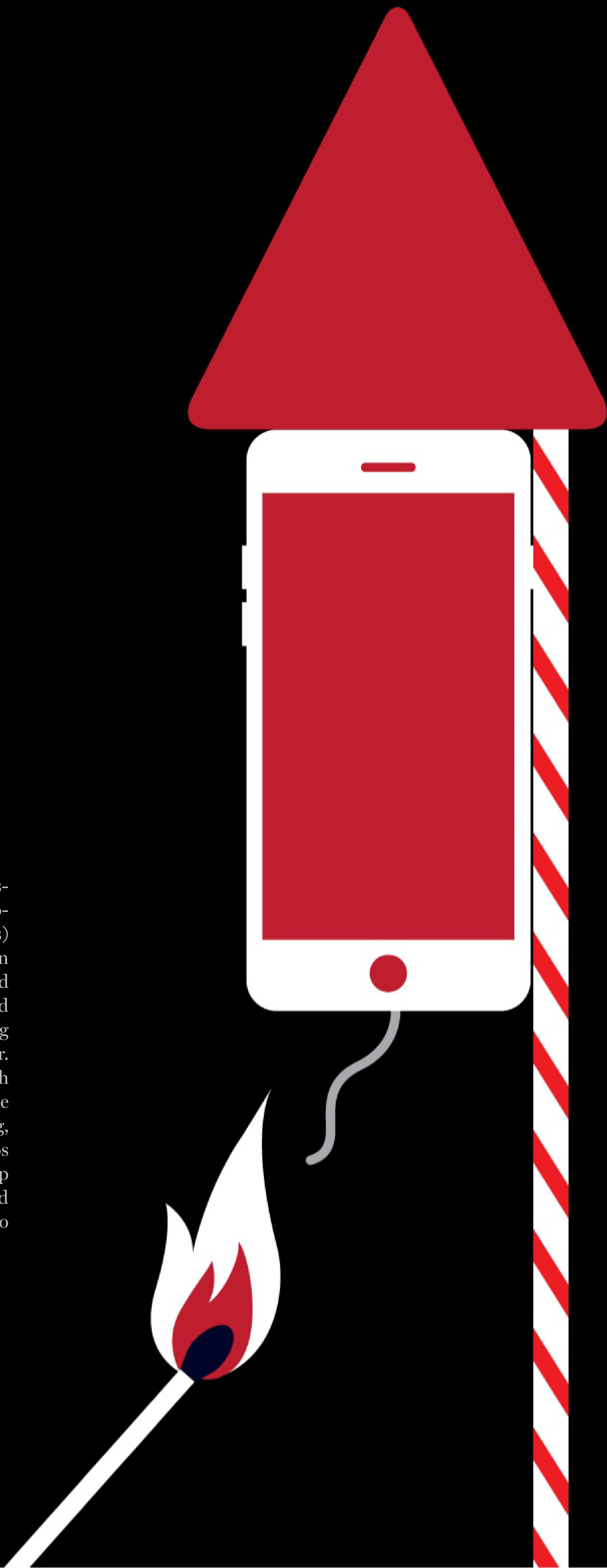
The person managing audience interactions has full access to the participation log and the questions asked. Consequently, she can decide the order of the speakers, remove one from the request list, mute a person if required, create and publish a poll in real time and push, disable or delete text comments from the audience. **BT**

SPEED UP YOUR SLUGGISH DEVICE

FROM SMARTPHONES TO LAPTOPS AND TABLETS, MOST DEVICES SLOW DOWN OVER TIME, BUT THERE ARE WAYS TO BOOST THEIR SPEED.

By NIDHI SINGAL

ILLUSTRATION BY RAJ VERMA



LET US ADMIT IT. There is nothing more frustrating when our smartphones, laptops or tablets (yes, even the premium Apple products) slow down, freeze and start crashing. Life in the slow lane is unenviable when the world is getting ready for super-fast 5G devices and tech giant Google is reportedly developing a 'never slow' mode for its Chrome browser. One way out is to replace your old device with a new one, but even flagship gadgets with the best processors are not immune to lagging, especially when you are using too many apps or storing too many files. Before you give up on your current device because its speed and performance have gone down, try our tips to find a suitable fix.

Clean up: Make it a habit to clear all 'cached' data (mainly junk or temporary files), cookies and even browsing history. But save data such as passwords or links to websites you plan to visit later.

Shed weight: Delete all unimportant files, be it junk mail or forwarded audios, videos and images. Put together, they often take a huge chunk of the storage, leaving little space for essential apps and updates. Do a quick check from system settings to find out how much space is consumed by each programme, app and content file and delete everything that is not required. You can also do this using the File Manager that creates different folders for WhatsApp, camera and other applications.

Be careful about app overexposure as we often download some apps out of curiosity but lose interest after a while. If you have a slow device, remove the apps you rarely use or disable them if they are pre-installed. Then again, there are gaming apps can which run into gigabytes. For instance, *PUBG Mobile* (Player Unknown's Battlegrounds) or *Asphalt 9: Legends* could take up to 2 GB space and drain the battery. A good alternative is to use lightweight versions of these apps, designed for devices with low processing power.

Close apps when not in use: Most of us do not turn off the apps when we exit them. Consequently, they continue to run in the background and consume system resources. Close all programmes and apps you are not using to free up the RAM or Random Access Memory (virtual memory for storing codes and data currently in use to ensure it can be quickly accessed by the processor) and you will get a snappy performance. Better still, shut down your devices when your work is over as it will prevent them from using up processor, memory and battery life more than it is required.

Use memory card or external storage: Running out of internal storage is a key reason for slowdown. If your device supports expandable memory, insert a memory card and transfer movies, videos, images and other bulky files to free up disc space. Even apps can be transferred to a memory card if they come with a 'move' option, but it depends on hardware manufacturers and app developers. Freeing up space by taking data back-up on an external hard drive and upgrading the RAM will also speed things up.

Stay tuned to updates: This is tricky. Keeping the software (especially security patches) up to date should be mandatory but it may actually slow down your device for a number of reasons. To start with, there could be a crunch in storage space when you download the software with all its new features. Hardware incompatibility is another key concern. Interestingly, Apple had reportedly replaced 11 million iPhone batteries between 2017 and 2018 (it usually replaces one-two million each year) when an iOS 11 update came out with a power management feature that slowed down some older iPhones with degrading batteries. So, prior to updating, do a quick Internet search and find out what other users have to say. If your hardware supports all new features and the device has enough free storage, you should go ahead for an update.

Opt for factory reset: If nothing else works, take a back-up of your data and do a factory reset. This will wipe out all data and custom settings, but you can set up the device from scratch and get the best results now that the cruft is gone. Be smart when configuring; select only useful apps and do not put the entire data back onto the device. BT

FIX YOUR IPAD

If you care about timely software updates to keep your devices working without a hitch, Apple is bound to be your choice. The company rolls out major improvements every year but has not abandoned the earlier versions. For instance, the current iOS 12 supports the iPad Mini 2 tablet, iPad Air and even the iPhone 5s, all of them launched in 2013. However, you must have enough space to accommodate the new features if you want to update your iOS device without slowing it down. It is easy to instal any app on an Android device via Android Package Kit of APK files (the package file format used by the Android OS for distribution and installation of mobile apps), but Apple does not support third-party installation and you have to get it from the App Store. In case you are not able to update your iPad by installing the latest software or have an incompatible older version, do not worry. You may still be able to download the most compatible apps for your iPad. Go to the App Store, open your Account page, tap on Purchased and select Get (next to the app). Now a pop-up will state: The current version requires the latest OS but you will be able to download the last compatible version. Use the Download button in the pop-up to instal the most compatible version of the app on your iPad. This works for all the apps you have downloaded/purchased earlier. Apps purchased on new iOS devices using the same Apple ID will also come up in the purchase history displayed on the older device. BT

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PERSONAL TECH

ANYTIME, ANYWHERE HEALTH

A WIDE RANGE OF HOME HEALTH GADGETS CAN HELP PEOPLE TAKE CONTROL OF THEIR LIVES. THE ONLY CAVEAT – THEY MUST CONSULT DOCTORS AND AVOID SELF-MEDICATION.

By E. KUMAR SHARMA
Illustration By AJAY THAKURI

BEWARE of the silent killers. You could be prone to severe health risks but might not be aware of them until you are on the watch and paying attention to subtle early signs. In India, non-communicable diseases such as diabetes, heart conditions, high blood pressure (BP), cancer and neurological disorders take a heavy toll, accounting for 60 per cent of all deaths, as per a WHO report. But the good news is that a wide range of home health technologies and healthcare tools are now available to support multipurpose and multigenerational goals, from staying fit to AI/IoT/robot-assisted therapeutic aid/geriatric care to monitoring health conditions for diabetes and cardiac issues that ensure timely alerts and save lives. Most of these health gadgets cost less than round-the-clock in-clinic check-ups. However, self-monitoring is not just about collecting data related to activities and conditions but also communicating the same to your doctor. Here are some home health gadgets and how they can benefit you.

General health: Before we get into specialised care, a quick look at the ubiquitous health wearables and health apps will not be amiss. According to doctors, these can act as timely reminders, helping with fitness, diet, sleep, monitoring of vital signs and other aspects of well-being. By now, most of us have tried an activity tracker or two. There are basic wearable devices like pedometers which measure how far one has walked and cost ₹1,000-2,000. AI-powered and Wi-Fi-enabled armbands with supporting apps cost a lot more, but here, the algorithms keep looking for warning signs in the data gathered and instantly alert patients and medical professionals. Then there are standalone health apps targeting specific areas. Some are free and can be downloaded on a smartphone. Apps like CureFit, MyFitnessPal and HealthifyMe focus on ensuring physical and mental fitness. Those keen on tracking food intake may try the likes of My Diet Coach. The idea is to get a better calorie and carbohydrate fix. My Pregnancy & Baby Today will connect you to would-be parents while Full Term comes with a contraction timer.

BP and cardiac monitoring: Blood pressure and blood oxygen level often indicate if a person has cardiovascular issues. One can buy a pulse oximeter for ₹2,000 or so to measure the arterial oxygen level; the purpose is to check how well your heart is pumping oxygen. BP monitors cost between ₹1,000 and ₹4,000 depending on their functionality and sophistication. Holter monitors can also be used at home to check irregular heart rhythm. These are small battery-operated devices wherein sticky dots or electrodes connected to portable monitors are put on the chest to record heart rhythm for 1-30 days without any break. In some ways, it is better than a single electrocardiogram, which may not always capture irregular heartbeats. The cost of the device ranges between ₹5,000 and ₹14,000 and depends on the span of the test. Implantable loop recorders – tiny devices implanted just under the skin of the chest for long-term remote monitoring – cost around ₹80,000 for three years, but these are mostly used abroad. Mobile ECG monitoring devices are also available here and cost around ₹15,000.

Self-monitoring is not just about collecting data related to activities and conditions but also communicating the same to your doctor

Diabetes care: Ambulatory glucose profile (AGP) is a key requirement now as opposed to the traditional finger stick and glucose meter process. Here, a small patch is stuck on the upper arm region so that it can read the blood sugar level for two weeks (around 100 readings a day) and provide fluctuation graphs. Later on, a doctor reads the data using a scanner, analyses it and suggests treatment. As of now, only the professional model of the device is available in India. If you want to check the data yourself, get a reader for the same. But you must consult a specialist for analysis and treatment. Usually, doctors recommend the use of AGP once a year. The device costs ₹2,000. AGP is available in two formats – a flash glucose monitor priced around ₹2,000 and a continuous glucose sensor that costs double of that.

Diabetes care is evolving fast and experts like Dr V. Mohan, Co-founder of Dr Mohan's Diabetes Specialities Centre, talk of a move towards smart insulin that works only when the blood sugar level is high. Also, when artificial pancreas device systems hit the market, they are expected to function better than existing insulin pumps. While the latter pumps variable insulin doses to lower blood glucose levels as required, the artificial pancreas will automatically adjust insulin and (occasional) glucagon doses to prevent high and low blood glucose levels, respectively. The significance of artificial pancreas is that it will keep changing the solution to be administered based on the changes in a person's blood sugar level.

Neurology and oncology: Neurological disorders could affect vital body parts such as brain, spine or the nervous system, and cancer is still one of the deadly diseases without any specific cure. The nature of these ailments requires specialist-monitored hospital care and, hence, there are few self-monitoring devices in these fields. Of course, there are procedures such as ambulatory electroencephalogram (EEG) – it measures and records the electrical activity in the brain – but these are best used under a doctor's supervision. Likewise, in cancer care, circulating tumour cells (shed from a primary tumour) can be detected through a simple blood test or a digital PET scan (positron emission tomography uses radiation for imaging cell activities) can detect minimal cancer cells, but none of these would fall under consumer monitoring. BT

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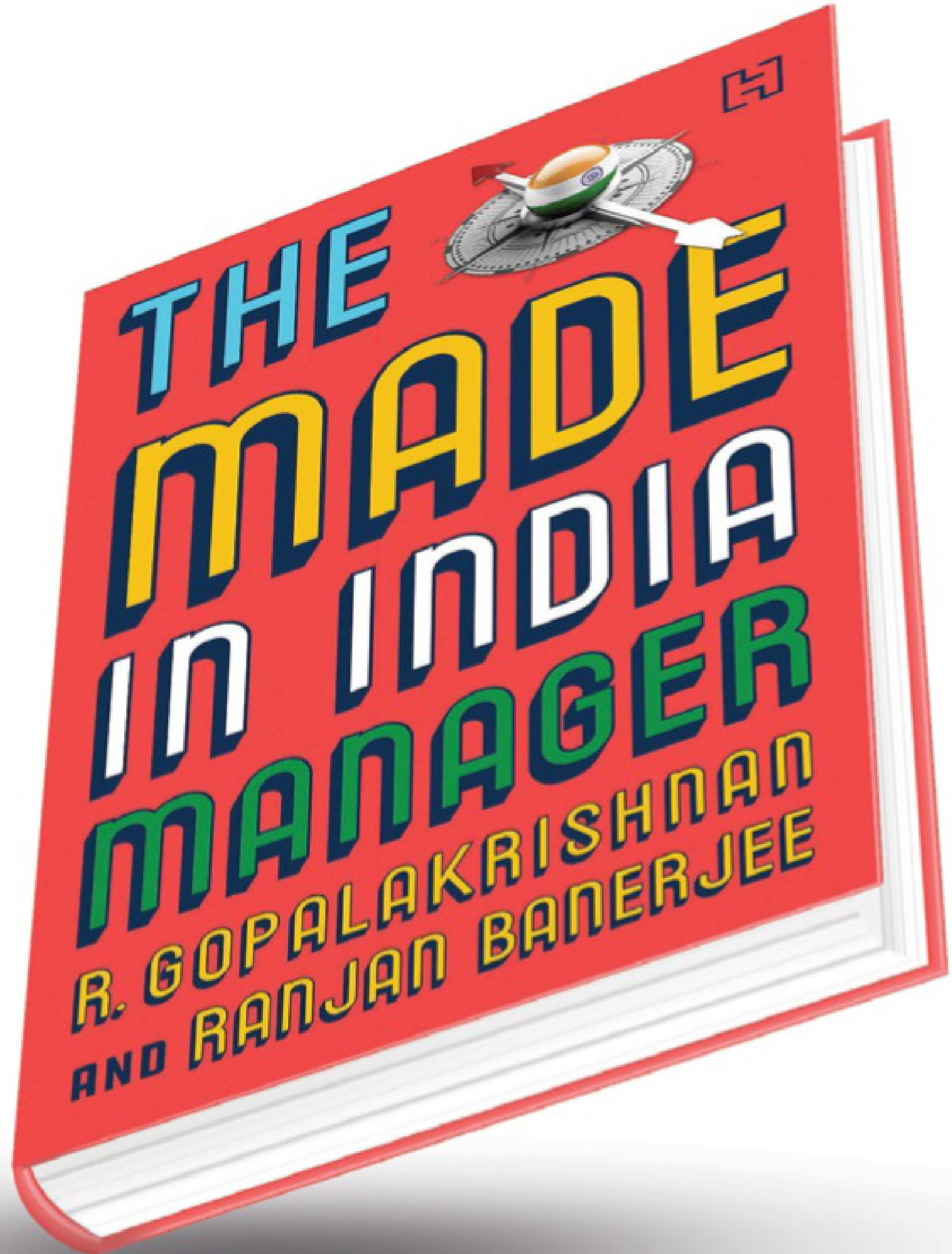
The Made in India Manager

By R. Gopalakrishnan and Ranjan Banerjee

Publisher: **Hachette India**

Pages: **216**

Price: ₹**499**



EX-LIBRIS

THE SECRET SAUCE

A LOOK AT THE FACTORS THAT WORK IN FAVOUR OF GLOBAL MANAGERS WHO HAVE GROWN UP AND HAD THEIR FOUNDATIONAL EDUCATION IN A CHAOTIC INDIA.

By Nupur Pavan Bang

BUYING A GAS CONNECTION, bargaining with vendors, living in a joint family, navigating traffic, getting admission to a good school/college or securing a job – the Generation X who grew up in India had experienced them all and also witnessed their parents struggling with the same. Chaos and contradictions, competition and perseverance often rule people's lives in this country, and they mostly manage to deal with those. This is the environment that the authors, R. Gopalakrishnan and Ranjan Banerjee, have written about, weaving a meaningful narrative to explain why India-made managers succeed globally.

Terabytes have been published about India's English-speaking population (leading to a multicultural mindset), jugaad economy (read resourcefulness in a challenging environment), crushingly competitive environment (for top-rung education and good jobs) and the steady supply of highly innovative alumni from genius factories – the IITs and the IIMs. But the writers, both of them business experts, think a concoction of all these factors could help explain the unique capabilities of India-made managers who have been elevated to top positions in global corporations such as Google, Microsoft, Adobe and NIO over the past decade or so.

Sundar Pichai, Satya Nadella, Shantanu Narayen, Padmasree Warrior and their ilk "have received their foundational education and degrees in India till the age of eighteen and a little later. They have had prolonged exposure to Indian institutions... They have experienced the collage of strengths, contradictions and anomalies that make up India on a daily basis. After this foundational exposure, these managers may have studied or embarked on a career abroad. Over the course of their professional lives, they have most likely travelled internationally and been through a process of cultural adjustment and adaptation,..." the book elaborates. And the authors attribute their success to this very factor, highlighting how this environment impacted their decision-making and crisis-preparedness – most critical qualities of a successful manager.

Understandably, the theory of emergence is in play here. Simply put, it is the synergy of many factors, but the combined effect could be distinctive and produce unexpected results. "Poverty and living in cramped spaces occur in San Salvador and

Egypt as well. Family values and the pursuit of a better standard of living is a recurrent theme in every society. But the combination of challenges in India is quite distinctive. Navigating those challenges while growing up endows distinctive capabilities in made-in-Indian managers," the authors explain. The outcome: Single-minded focus and soft power that these managers seem to be exerting over the global corporations where they work.

Next comes the evolution of their thoughts, practices and future trajectory. The book chronicles how managers of yesteryears in companies like HLL, Metal Box and ITC have metamorphosed and led from the front in organisations such as Sun Microsystems, Berkshire Hathaway and Google. It can be argued, though, that they are the outliers who left India at the right time and were good at tapping opportunities. It will be interesting to know the ratio of successful made-in-India managers to other made-in-India Indians settled abroad or the corresponding ratio of Chinese or European or American managers. And what about the Indians who failed? They too have grown up here before moving (the book does not include Indian-origin people born and brought up overseas). So, how do we explain their failures?

This is where the problem lies. According to the authors, the book is based on their experience and that of their acquaintances and the anecdotes shared with them. So, I am assuming that the samples will be too few and skewed for a vast country like India. It cannot be generalised. The Satya Nadellas and the Sundar Pichais are a minuscule percentage of our population, and the book requires more research to rise above personal experiences. But then, everyone needs role models, and good stories must be shared. To that extent, the authors have succeeded in "offering a sense of possibility". **BT**

The writer is Associate Director, Thomas Schmidheiny Centre for Family Enterprise, Indian School of Business

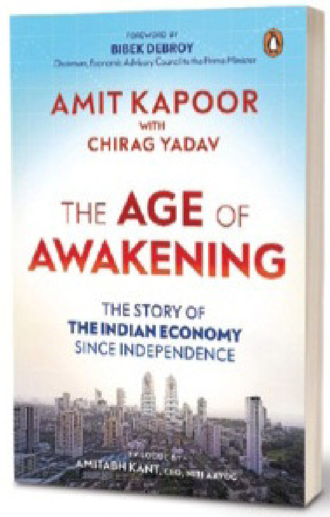
THE AGE OF AWAKENING:
The Story of the Indian Economy since Independence

BY AMIT KAPOOR WITH CHIRAG YADAV

PUBLISHER: Penguin Portfolio

Pages: **304**

Price: ₹**599**



A GRIPPING TALE

AN INSIGHT INTO WHAT HAS DRIVEN INDIA'S ECONOMIC CHOICES OVER THE PAST 70 YEARS.

By Dipak Mondal

WHEN YOU PICK UP A BOOK on 'the story of the Indian economy, and the political drama behind it', the foreword of which has been written by Bibek Debroy, Chairman of the Economic Advisory Council to the Prime Minister, and the epilogue by Amitabh Kant, CEO of the government think tank NITI Aayog, you expect it to be the usual criticism of Nehruvian Socialism and a glorification of the economic approach adopted by the Narendra Modi-led NDA. But *Awakening*, penned by Amit Kapoor, an academic and the Honorary Chairman of the Institute for Competitiveness, and Chirag Yadav, a Senior Researcher at the institute, turns out to be neither.

It chronicles the politico-economic development since Independence and is a largely unbiased account of the economic strategies adopted by different governments. The authors have tried to gauge the overall impact of such policies but avoided being too critical. They have explained the rationale (mostly driven by political compulsions), but given Nehru the benefit of the doubt regarding the outcome of hurtling India on to the path of Socialism. They, however, take a sterner view of Indira Gandhi and the UPA government under Manmohan Singh for the economic mess they created.

The book is as much about politics and geopolitics (of the time) as it is about economics. And that gives it the flavour of a political thriller. Part of the book is so gripping and fast-paced that it becomes a real page-turner. Most of the chapters on Indira Gandhi – her elevation as Prime Minister, the Indo-Pak war and the run-up to Emergency – will keep readers spellbound.

The language is crisp and the use of data and statistics minimal for easy comprehension. It is also well-researched, digging out little-known facts and anecdotes. For example, while on a visit to the US (for seeking financial aid), Indira Gandhi agreed to most of the terms and conditions but refused to comply with then U.S. President Lyndon Johnson's request to join him on the dance floor. Gandhi said her countrymen would not approve of it.

However, *Awakening* has not delved into a lot of issues. The problem with this genre is that it can (often unwittingly) give an overly simplistic view of very complex issues related to polity, diplomacy and economics. But it is more of a problem with the format rather than the intent of the authors. **BT**

ROUNDTABLE

DESIGN IS THE BIG CHALLENGE

INDIA IS ONE OF THE BIGGEST OPPORTUNITIES FOR INFRASTRUCTURE DIGITISATION.

Photographs by RACHIT GOSWAMI

Globally, industries are changing fast by adopting new-age technologies like artificial intelligence, Internet of Things, 3D printing and other digital tools. Infrastructure companies are also catching up and adopting these for better execution, cost reduction, and improving quality and service, top sector executives said at the Business Today-PwC Smart Infrastructure Roundtable in Mumbai organised on May 21, 2019.

The Roundtable was attended by Devidas Kulkarni, Business Head, Smart Infrastructure, Siemens India; Manish Agarwal, Leader, Capital Projects & Infrastructure, PwC India; R. Srinivasan, Executive Vice President & Head, Smart World & Communication Business Unit, Larsen & Toubro; Bhuwan Lodha, Vice President, Digital Group Strategy Office, Mahindra & Mahindra; Sanjiv Kumar Jha, Chief Data Scientist, Quantela; Nandakumar Somasundaram, CEO and Managing Director, NDOT Technologies; and Anand Prakasam: Country Manager-India, EOS GmbH. The Roundtable was moderated by Prosenjit Datta, Editor, Business Today. *Edited excerpts:*

Prosenjit Datta: How far have we come in using smart technologies for our infrastructural needs?

Devidas Kulkarni: In my opinion, we are going for digitisation in infrastructure and we can notice the evolution in the automotive industry in Europe. We are actually very well placed in terms of competence and capabilities. But across the value chains, whichever products have been deployed, we are not utilising them in the best way. In big cities, population and environment change are important aspects that have to be addressed at the infrastructure level.

In infrastructure, we also have the standalone systems – building management, access control, surveillance, etc. At that stage, most organisations even today utilise the benefit of automation by putting an operator there. So far, we don't have any way of storing information on cloud and using it to add value to services for customers. So the true benefit of data is never achieved. We do complete automation of smart rooms for hotels. What we have is demand flow technology that uses artificial intelligence and a whole lot of data in the building, which is then used to run the system on an optimum performance level. We are told this has helped in energy conservation and eliminated redundant manpower. There would be demand but also challenges due to, say, unions. We can address these issues. India is definitely one of the biggest opportunities for digitisation.

Manish Agarwal: Artificial intelligence is not only about jobs; there is a business case for it. We can categorise the use of smart infrastructure into two broad buckets – construction or project

SITTING (L-R): Sanjiv Kumar Jha, Chief Data Scientist, Quantela, R. Srinivasan, Executive Vice President and Head, Smart World & Communication Business Unit, Larsen & Toubro, and Devidas Kulkarni, Business Head, Smart Infrastructure, Siemens India

STANDING (L-R): Nandakumar Somasundaram, CEO and Managing Director, NDOT Technologies, Bhuwan Lodha, VP, Digital Group Strategy Office, Mahindra Group, Manish Agarwal, Leader, Capital Projects & Infrastructure, PwC India and Anand Prakasam, Country Manager-India, EOS GmbH

"WE ARE LOOKING AT THE WAY DIGITAL BUSINESS IS DONE AND WHETHER WE ARE USING THESE TECHNOLOGIES TO SOLVE BUSINESS PROBLEMS"

Manish Agarwal
Leader, Capital Projects & Infrastructure, PwC India

execution phase, and the operational phase. We are looking at the way digital business is done and whether we are using these technologies to solve business problems. The experience element is critical to success.

Datta: Where is the adoption higher – operations or construction?

Agarwal: Initially, it is more in the construction part. The challenge in operations is that in India, there is a strong government play in infrastructure like in airports and ports. There is a lot more that is getting done in the private sector. From the government side, the business case needs to be stronger.

R. Srinivasan: For us, digital is a way of life. We have started smart communication. The principle is to find the pain points in a city and the digital interventions required. As far as construction goes, we have 33,000 pieces of equipment and almost 12,000 critical pieces are connected. We use drones for complete surveys, even to check whether bolts and nuts have been put properly. We are extensively using digitisation in construction.

Bhuwan Lodha: I want to give a different business perspective. Digital is used for three things and at different maturity levels. One way is to simplify the way businesses are run and that adds to the bottom line. Two is elevating customer experience, which adds to topline and helps have deeper relations with customers. Three is finding new ways to build new businesses like uses of smart mobility. These are still evolving and would be very different solutions, which will be unlocked by technology. If we see digital through these lenses, we know where we need to focus more.

Sanjiv Kumar Jha: Use of digitisation follows three stages: Stage 0 is when you have acquired data; Stage 1 is analysis of data for decision-making; and Stage 2 is using it real time to automate the process. In India, we are at Stage 0 and maybe early days of Stage 1. The barriers include key understating of what tech can do and the use cases of digitisation. Third is the relevance of technology and how you can use historical data to generate data for

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"DIGITISATION OF DESIGN IS AVAILABLE BUT HOW TO BRING IT TO THE IMPLEMENTATION STAGE?"

Anand Prakasam
Country Manager-India
EOS GmbH

"DIGITISATION APPROACH HAS TO BE BUILT RIGHT WHEN THE (GOVERNMENT) TENDERS ARE COMING OUT"

Devidas Kulkarni
Business Head, Smart Infrastructure, Siemens India

use. Fourth is financing – infrastructure financing has not changed over a decade. If we put away all these barriers and have a clear policy around privacy, ownership and ethics of data, we can move quickly to the next stage.

Nandakumar Somasundaram: Digitisation of transport companies is less than 5 per cent and is used only for tracking, not for predicting. The education and understanding of technology is in itself a very weak position. If I want to implement a technology, majority of the products in the industry are outdated. While original equipment manufacturers (OEMs) are bringing in technology, 85 per cent of vehicles don't have the capabilities to adopt the new technology.

Datta: How is adoption of 3D printing in companies?

Anand Prakasam: 3D printing grows because of digitisation. If there is no digital data, you can't do anything with the printer. Digitisation of design is available. But how to bring it to the implementation stage? The automotive and gas turbine industries talk about it. In manufacturing, there is a big gap; there is lack of implementation and that can be attributed to knowledge level. This is where a lot of skill development is required. We are working with many institutes which are skilling or reskilling people to convert data into 3D printing. The ecosystem to use data is still not available.

Datta: What has been the experience in pure government projects?

Somasundaram: One thing to put in context is that there is infrastructure which has to be built, and then there can be digitisation. There have to be more roads, more buses on the roads and then digital information gives better experience. Having said that, we are seeing some progress on things like integrated ticketing and single card use in several cities. In Mumbai, we are working on a project to get 14 different platforms on one card; it is working in Ahmedabad and Kochi also. It is a mix of experiences but basic physical infrastructure is necessary.

Kulkarni: The government is open and wants to listen to us but their procurement process is pre-defined and will not change overnight. We have to make the effort to change that scenario so that the digitisation approach is built right when the tenders are coming out.

Srinivasan: The government has opened an open data portal where we can build digital projects and solve many problems. The government has to take more of these initiatives.

Jha: The challenges are silos and (lack of) inter-operability of data across those agencies. You need a national level data policy to accelerate what is being done by the private sector.

Prakasam: Among MSMEs, large corporates and governments, I feel MSMEs are more aggressive in using technology. The government is the slowest. China and Turkey have invested billions of dollars but we have not done much in this direction and there has been no government push for 3D manufacturing.

Lodha: Any government related service has to work on a scale and for that you need an infrastructure. Before the digitisation wave, we had the computerisation wave. At that point bandwidth was constrained, data got locked into local servers and could not talk to each other. But in the past few years, we have moved on to 4G, and 5G will unlock a lot of use case. It will take out this fundamental issue and help the government drive data usage.

Datta: What about initiatives from a manufacturing perspective?

Prakasam: We have seen a lot of initiatives being taken up by the defence sector such as spare parts for aircraft. The big challenge is design. The defence sector talks about onsite production and for that you need a lot of data in digital form. So this infrastructure is also not in place. Though the intention is there, initiatives need to be taken.

P.B. Jayakumar: In a country like India, how receptive is the industry to new technologies coming in? It took three years to sell the first 3D printer.

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Sanjiv Kumar Jha
Chief Data Scientist
Quantela

(Jayakumar is Senior Editor at Business Today.)

Kulkarni: Siemens has a unit in Kalwa where customers' requirements come in, production and manufacturing planning is done and there is least human intervention in producing what is required. SMEs are all interested in developing it.

When we talk of smart infrastructure, we divide it into areas. We need to make a building smart, campus smart and then city smart and then go for evolution from one to another level. There are a whole lot of use cases already established. We are not only a product company but also a software company among the global top 10.

Prakasam: I have not really seen a huge amount of production in 3D printing. I think they have five to six years journey left before they can go into mainstream production. The beneficiaries would be aerospace and space organisations where every gram saved has a huge impact. Automotive is also following this but today, technology is not strong enough to go into mass manufacturing of cars. So in the next five to 10 years, big beneficiaries will be aerospace, automotive and gas turbines as older models need spare parts.

Datta: What about talent?

Srinivasan: We don't have enough talent. From L&T's perspective, we took some of the people from other companies but after that, we have been taking trainees every year. We are also working with a lot of start-ups. We have set up a skill re-training institute in Hyderabad where we take care of human resources for the first two years and then they can go anywhere. Talent is one of the most important things that need to be addressed – we need to identify and nurture talent to achieve scale.

Lodha: While we have a lot of technically enabled talent in India, we need a massive wave of re-skilling as technology will replace work that machines can do better than humans. In India, there is a need to fill this gap to make machines and bots do a better job. If not addressed, skilled manpower will be the biggest challenge going forward. BT

LEADERSPEAK

SAMIT GHOSH, MD & CEO, Ujjivan Small Finance Bank

After his 30-year stint as a reputed banker, Ghosh set up Ujjivan, a microfinance institution, in 2005. Twelve years later, he turned it into a small finance bank, catering to four million customers, and is now launching a digital interface to serve 40 million customers in seven years.


PHOTOGRAPH BY LANTERN CAMERA

Q. The biggest challenge you faced in your career

A. The biggest challenge came in 2004/05 when we were raising an initial capital of ₹2.7 crore for Ujjivan to apply for an NBFC licence and start our operations. It took us over a year to persuade friends and colleagues to invest in this first-of-its-kind urban microfinance venture. It taught me to be humble, patient and persistent and shed any form of arrogance or ego (built over my international banking career of three decades) because I firmly believed in the mission and the vision of the enterprise and had to make it a success. We got the licence in record time – just 49 days. From that humble beginning, we moved ahead to our successful IPO in 2017, raising ₹1,175 crore, and the issue was oversubscribed 41 times. The entire IPO exercise was done in less than six months.

Q. Your best teacher in business

A. In November this year, I will complete 14 years in Ujjivan, and I have a career spanning 45 years. During this period, I had the privilege to work with many outstanding leaders. But my best teacher was Jaithirth (Jerry) Rao, who pioneered retail banking in India when we worked for Citibank in 1985. Under him, I had the freedom to think, build a team and take risks to establish a new enterprise – the very successful NRI business of Citibank. It was later cloned by many others. He also believed in young talent and recruited the best and the brightest who are now leading several organisations across the globe. His mantra was to recruit candidates who were more talented than us.

Q. One key management lesson for young people

A. It is important to find your calling. You must identify what excites you and brings you great joy. Some find it easily, like Bill Gates and Steve Jobs did. Some take longer, like Elon Musk and Muhammad Yunus. It took me 30 years to start Ujjivan.

Q. Two essential qualities a leader must have

A. Leaders must have an open mind and must always be in a learning mode. Second, success only comes from hard work and persistence; so, they should stick to that. BT

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