Business Today

TOP CEOs, ECONOMISTS ON REVIVING GROWTH

+ RCEP: Why India Dithers

www.businesstoday.in
November 17, 2019 I ₹100

INDIA TODAY GROUP

REINVENTING KIRANAS

RELIANCE, HUL, AMAZON, FLIPKART AND GROFERS ARE HARNESSING NEIGHBOURHOOD STORES AS FORCE MULTIPLIERS

From left: Doug McMillon, President and CEO of Walmart, RIL Chairman Mukesh Ambani and Amazon CEO Jeff Bezos

FROM THE EDITOR

If You Can't Beat Them, Join 'em

The kirana apocalypse – that dreaded wipe-out by e-tail of your friendly neighbourhood grocery store – never took place. And now, probably, never will. With barely 3 per cent share of India's $795 billion retail market after plodding through two decades, e-tail hardly turned out the kirana killer it was made out to be.

Call him *Lala*, *Pansari*, *Parchun* or grocery, your neighbourhood kirana – the equivalent of American mom-and-pop stores – has not just survived but flourished. Now he's the centre of attraction as e-tail and consumer firms realise that "If you can't beat them, join 'em".

In our cover story this week, some of India's consumer giants, including HUL, Reliance Retail, Amazon and Walmart-Flipkart, are vying with each other for the kirana's undivided attention. They are getting kiranas on-board their apps or tech networks so that their deep knowledge of the customer's needs and tastes could be leveraged for mutual benefit.

The latter have acted coy so far. Barely 2-3 million of India's 12 million kiranas have been hooked up. Not everybody on-board is using the apps regularly either. But better sense may be prevailing. After all, the suitors have worked out a proposition they can't refuse. It adds to their income, manages their inventory, eases their compliance headaches and even digitises their payments. Who would refuse a bit of pocket money coming their way? Read Ajita Shashidhar's account of how consumer firms and e-tail giants are reinventing India's kiranas (page 20).

In yet another noteworthy trend far away from retail, Surgeon Robots are taking the world of healthcare by storm. Some of the world's most complex and precision surgeries are being entrusted with what is fast becoming an army of surgeon robots, the doctor-robot duo. One out of every 10 surgeries in the US is being performed by this combo. There are more than 600 trained robot surgeons in India. Success rates are high and repeat surgeries are very rare. P.B. Jayakumar takes you through robotic surgery (page 66).

Meanwhile, there's a redux at Infosys. The allegations against Infosys CEO Salil Parekh and CFO Nilanjan Roy are similar – and more – to those against the previous CEO Vishal Sikka. They point at a deeper malaise. Does the firm have the right checks and balances? Does it have the right processes? Can it match up to the exacting stands of governance set by founders N.R. Narayana Murthy and Nandan Nilekani? It would be hard for Parekh and Roy to continue if there's even an iota of truth in the allegations of ethics and dressing up accounts. Rukmini Rao and Goutam Das analyse the charges (page 56).

The negotiations for what could potentially be the world's largest trade bloc – the Regional Comprehensive Economic Partnership (RCEP) – are in full flow. Agreement has been reached in 21 of the 25 areas. India is rightly dragging its feet on the rest for fear of flooding the domestic market. This has totally polarised the narrative between exporters who are all for it, and the domestic players who are opposing RCEP vehemently. Joe C. Mathew explains why India dithers on RCEP and what are the odds of a deal (page 46) .

Continuing with our promise of a deep dive into a sector every month, read Manu Kaushik-led sector report on why the aviation industry continues to face headwinds (page 78).

rajeev.dubey@intoday.com
@rajeevdubey

Vol. 28, No. 23, for the fortnight November 4-17, 2019.
Released on November 4, 2019.

• Editorial Office: India Today Mediaplex, FC 8, Sector 16/A, Film City, Noida-201301; Tel: 0120-4807100; Fax: 0120-4807150 • Advertising Office (Gurgaon): A1-A2, Enkay Centre, Ground Floor, V.N. Commercial Complex, Udyog Vihar, Phase 5, Gurgaon-122001; Tel: 0124-4948400; Fax: 0124-4030919; Mumbai: 1201, 12th Floor, Tower 2 A, One Indiabulls Centre (Jupiter Mills), S.B. Marg, Lower Parel (West), Mumbai-400013; Tel: 022-66063355; Fax: 022-66063226; Chennai: 5th Floor, Main Building No. 443, Guna Complex, Anna Salai, Teynampet, Chennai-600018; Tel: 044-28478525; Fax: 044-24361942; Bangalore: 202-204 Richmond Towers, 2nd Floor, 12, Richmond Road, Bangalore-560025; Tel: 080-22212448, 080-30374106; Fax: 080-22218335; Kolkata: 52, J.L. Road, 4th floor, Kolkata-700071; Tel: 033-22825398, 033-22827726, 033-22821922; Fax: 033-22827254; Hyderabad: 6-3-885/7/B, Raj Bhawan Road, Somajiguda, Hyderabad-500082; Tel: 040-23401657, 040-23400479; Ahmedabad: 2nd Floor, 2C, Surya Rath Building, Behind White House, Panchwati, Off: C.G. Road, Ahmedabad-380006; Tel: 079-6560393, 079-6560929; Fax: 079-6565293; Kochi: Karakkatt Road, Kochi-682016; Tel: 0484-2377057, 0484-2377058; Fax: 0484-370962 • Subscriptions: For assistance contact Customer Care, India Today Group, C-9, Sector 10, Noida (U.P.) - 201301; Tel: 0120-2479900 from Delhi & Faridabad; 0120-2479900 (Monday-Friday, 10 am-6 pm) from Rest of India; Toll free no: 1800 1800 100 (from BSNL/ MTNL lines); Fax: 0120-4078080; E-mail: wecarebg@intoday.com
• Sales: General Manager Sales, Living Media India Ltd, C-9, Sector 10, Noida (U.P.) - 201301; Tel: 0120-4019500; Fax: 0120-4019664
• Printed & published by Manoj Sharma on behalf of Living Media India Limited. Printed at Thomson Press India Limited, 18-35, Milestone, Delhi-Mathura Road, Faridabad-121007, (Haryana). Published at K-9, Connaught Circus, New Delhi-110 001. Editor: Rajeev Dubey

NOVEMBER
17, 2019

VOLUME
28

NUMBER
23

CONTENTS

COVER BY
Nilanjan Das

PHOTO IMAGING BY
Amarjeet Singh


PHOTOGRAPH BY MONEY SHARMA

20

COVER STORY

REINVENTING KIRANAS

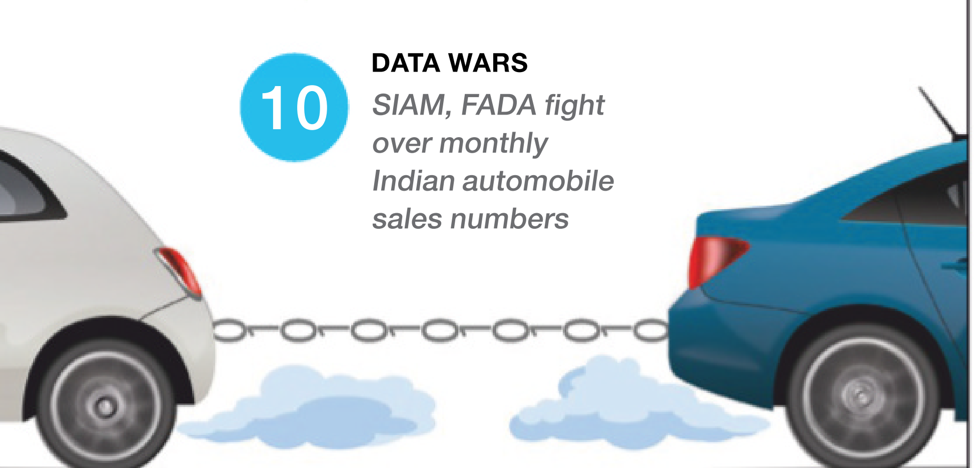
Reliance, HUL, Amazon, Flipkart and Grofers are hooking neighbourhood stores as force multipliers

THE BUZZ >

10

DATA WARS

SIAM, FADA fight over monthly Indian automobile sales numbers



12

NARROWING INTEREST RATE WINDOW

Rising inflation means the RBI will have limited space to bring down rates further

THE HUB

34

OPERATION REBOOT

Sixteen CEOs and economists lay out a roadmap to revive the economy

SECTOR REPORT: AVIATION

78

HITTING AN AIR POCKET

The aviation sector is facing strong headwinds due to economic slowdown and spike in costs

THE BREAKOUT ZONE

104

DON'T BREATHE DIRTY AIR

Air pollution could badly affect your health... Here is how to stay safe when you are indoors or travelling in a car

BUSINESS-TODAY.IN

STAY CONNECTED WITH US ON
www.facebook.com/BusinessToday@BT_India

Business Today BUZZ

How Consumer Durables Brands Are Wooing Millennials

Brands have not only started segmenting their offerings as per consumer profiles, they have also become more careful about ensuring that there isn't much difference between their online exclusive and regular offerings

businesstoday.in/consumerdurables-brands

PERSPECTIVE

Why OYO Hotels' Recent Funding Round Is Like a Face-saving Act of SoftBank

The existing investors, including SoftBank, Airbnb and Greenoaks Capital, want to plough another $800 million in the start-up. They see more potential in OYO's valuation, as it has doubled from $5 billion to $10 billion in just over a year

businesstoday.in/oyo-investment

NEWS

Insurers' Honeymoon with Fasal Bima Yojana Seems to Be Getting Over

The insurance companies initially raked in good profits, but things are changing now. The first one to bid goodbye to crop insurance is one of the largest players, ICICI Lombard General Insurance Company

businesstoday.in/pmfby-insurance

IUC Tussle: It's incumbents versus Reliance Jio; key takeaways

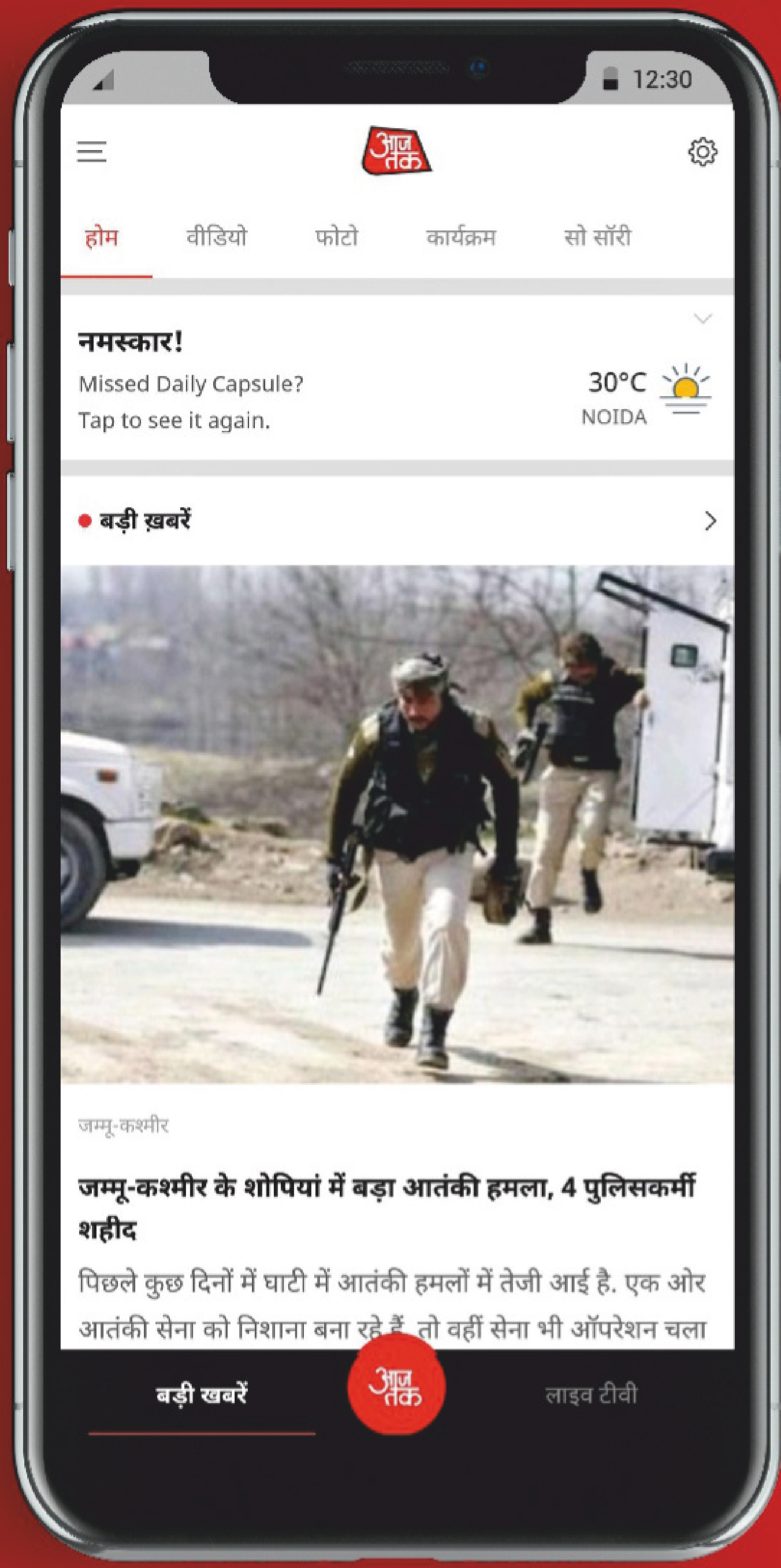
If TRAI continues with IUC charges beyond January 1, 2020, Jio will definitely lose money, but Airtel is going to be a beneficiary

businesstoday.in/telecom-iuctussle

Right Time to Buy a Flat! Houses in India More Affordable Now

While buyers in Mumbai had to shell out 11 times their annual income to buy a house in 2010, the figure is now down to 7.2 times

businesstoday.in/realestate-buyers



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

THE BUZZ

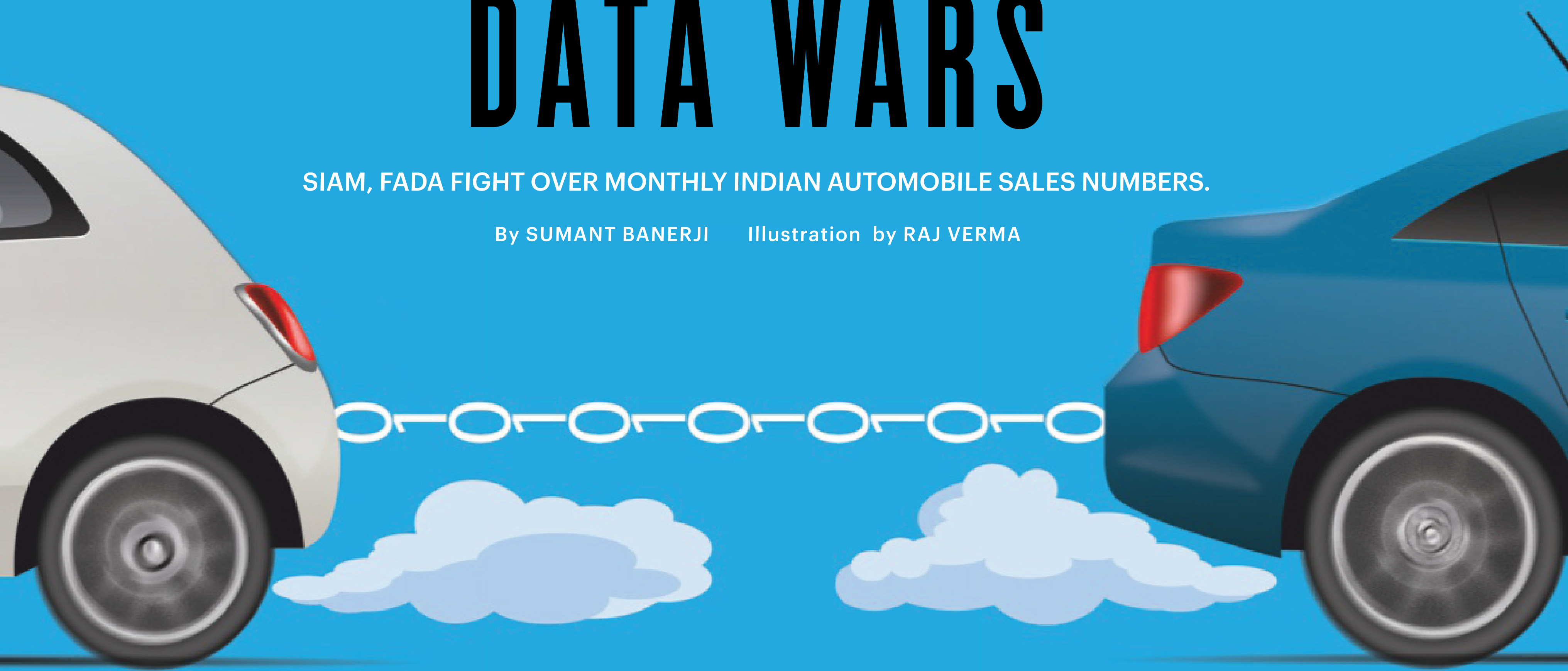
P.12 RBI'S INTEREST RATE WINDOW IS NARROWING
P.14 INDIGO TUSSLE GOING GLOBAL
P.15 BSNL-MTNL MERGER: NO REAL BENEFIT

NUMBERS GAME

DATA WARS

SIAM, FADA FIGHT OVER MONTHLY INDIAN AUTOMOBILE SALES NUMBERS.

By SUMANT BANERJI Illustration by RAJ VERMA



EVEN AS THE Indian automobile industry grapples with an unprecedented demand slowdown, a war over data has ensued between two industry bodies—Society of Indian Automobile Manufacturers (SIAM) that represents OEMs (original equipment makers) and Federation of Automotive Dealers Federation (FADA), the body of over 15,000 dealers. SIAM releases auto sales figures in the first fortnight of every month. Over the past 12 months, FADA has been releasing its own data, sourced from the government's Vahan website.

The SIAM data is on the number of vehicles dispatched from factories to dealers while Vahan provides the actual number of vehicles registered in the country in a month. Typically, the two should even out over a period of time. In the last six months, as the slowdown has deepened, there has been a divergence. As manufacturers took double-digit cuts in production, SIAM's data showed an over 20 per cent decline in sales. FADA's data is a bit more optimistic and shows a mid-single digit decline in most months. FADA wrote to SIAM urging it to start reporting retail data as well, as the true barometer of trends in the industry. SIAM rubbished the suggestion saying Vahan data is unauthentic. There is some merit to that. Vahan data is updated on a daily if not hourly basis and fluctuates wildly. For September, when SIAM pulled out data from Vahan on October 11, it showed an 8 per cent increase in passenger vehicle sales over the last year. A week later, on October 18, when FADA released data for the same month, it showed a steep 20 per cent decline. Just like there is no consensus on reasons for the slowdown in the sector, it seems there is now confusion over which data to follow. The logjam only makes matters worse. BT

@sumantbanerji

RBI

NARROWING INTEREST RATE WINDOW

ILLUSTRAION BY RAJ VERMA

THE RESERVE BANK Of India's (RBI's) interest rate easing window is narrowing with a sharp rise in consumer price inflation (CPI) by 71 basis points to 4 per cent in September.

There are also concerns of higher fiscal deficit after the recent corporate tax rate cut where the government is expected to suffer revenue losses of ₹1.45 lakh crore. The fiscal deficit target for the Centre is 3.3 per cent for 2019/20. Another looming danger is from state finances which are not in good shape. India Ratings last week said the combined fiscal deficit of states for 2018/19 will be 2.9 per cent instead of the budgeted 2.6 per cent due to expansionary policies followed by state governments. Farm loan waivers and social schemes for the poor are being promised by almost all political parties.

Benign inflation during the last 12 months and falling GDP numbers have encouraged the RBI to reduce the repo rate by 135 basis points to 5.15 per cent in the last few quarters. Many suggest the window for another 100 basis points cut, expected earlier, has closed. Clearly, the focus of the RBI will shift to transmission of rates. In the last monetary policy review, the MPC had noted that the transmission had only become worse. **-Anand Adhikari**

IBC

SECOND THOUGHTS

THE GOVERNMENT is finally realising that the insolvency and bankruptcy system has been choked by frivolous and unnecessary cases and that it needs an alternative resolution mechanism to rescue the Insolvency and Bankruptcy Code (IBC).

Right from ministers and the MCA secretary to Insolvency and Bankruptcy Board of India Chairman, everyone has been saying that all default cases should not be referred to the National Company Law Tribunal (NCLT), the adjudicating authority under the IBC. The refrain now, it seems, is that since it is a rigorous process, only cases which involve large outstanding amounts should be referred to the IBC. According to the government, so far, 21,000 default cases have been referred to the NCLT. Of that, 10,000 cases have been settled — 8,500 cases settled prior to admission and 1,500 cases settled through resolution or liquidation.

The government is also mooting some kind of a threshold, especially for class borrowers like home and debenture buyers, so that a single borrower does not drag an operational company into the insolvency process. – Dipak Mondal

BIOLOGICS

BETTER TIMES AHEAD

THE WORLD HEALTH Organisation Expert Committee on Biologic Standardisation is looking to update its 10-year-old Guidelines on Evaluation of Similar Biotherapeutic Products at its upcoming meeting in Geneva. The Committee will take into account the technological advances for characterisation of biotherapeutic products and may look into the possibility of demonstrating the quality of the medicine through well-designed pharmacokinetic and pharmacodynamic studies instead of expensive large-scale clinical trials. If the jury is convinced of the robustness of this method, it will bring down the cost of developing biosimilar drugs significantly. Indian biogeneric manufacturers will definitely benefit, but more than that, it will be a critical step to expedite access to biologic medicines, especially those included in the WHO Model List of Essential Medicines. Given the prohibitive cost of life saving biologics, it is time to support such initiatives that will lower development costs and, hence, retail prices of drugs. **Joe C. Mathew**

INDIGO TUSSLE

Going Global

The fight between IndiGo's co-founders – Rakesh Gangwal and Rahul Bhatia – has gone global. In the latest salvo fired by Bhatia, he has accused Gangwal of breaching the shareholders' agreement and causing loss to him by making the dispute public. For this, Bhatia has knocked on the doors of London Court of International Arbitration (LCIA). It seems that Bhatia's move is aimed at resolving the issue in the short-possible time, avoiding public attention on the matter, and creating pressure on his friend-turned-foe who just refuses to smoke a peace pipe with him. Going to London also means that Bhatia also wants to stay away from the scrutiny of public authorities – SEBI, corporate affairs ministry – who would possibly intervene if the matter is contested in NCLT (National Company Law Tribunal) given that Gangwal has already written to them alleging corporate governance slippages in the airline. Even though Gangwal stands on thin ice if the powers entrusted in the shareholders' agreement are considered; Bhatia has much more to lose if this matter escalates further.
– Manu Kaushik

RETAIL SHAREHOLDING

Investors Avoid Expensive Scrips

ARE COMPANIES failing retail investors or are retail investors failing themselves? Latest shareholding pattern data suggests retail holding in 81 of the top 100 companies by market value is less than 10 per cent. Some companies such as Avenue Supermarts, Kotak Mahindra Bank, the Bajaj twins and Nestle India have been consistent performers in earnings over the last few years, and their stocks have also been rewarding – rising up to 95 per cent in the last one year. Yet retail investors find them expensive. Instead, they chased companies where news commentary has been detrimental. Cox & Kings, DHFL, Kwality, Reliance Infra and YES Bank have seen retail holding rise at least 10 per cent in a year even as these stocks have fallen 60-95 per cent in the same period.

Not every stock is a turnaround story. Investors need to distinguish whether the fall in prices is a sign of a permanent derating or a lucrative opportunity. A recent study by ICICI Securities suggested that only eight of 228 stocks that corrected more than 75 per cent from their peaks over a two-year period since 2010 have returned to their previous high levels. At the end of the day, fundamentals are what matter. The concept of what is 'cheap' needs to be understood, else professional advisers are always there to help out. **– Aprajita Sharma**

RETAILING

OPEN TO FUEL

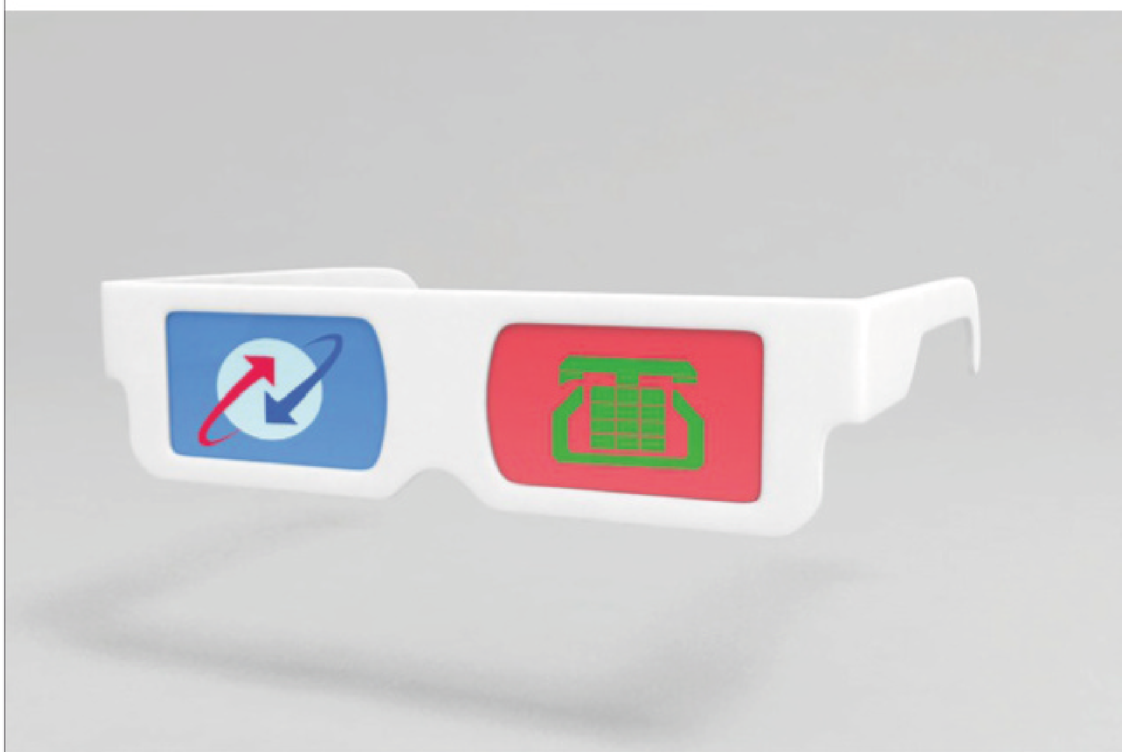
IT'S A CASE OF INCREASED competition in fuel retail. The petroleum ministry is working on a strategy to set up 78,493 more fuel retail in the outlets in next few years, more than doubling the existing 64,624 outlets. It has for the first time opened fuel retail to non-oil companies and lowered the net worth restrictions to ₹250 crore. The state-owned oil marketing companies –IndianOil, Bharat Petroleum and Hindustan Petroleum could face renewed competition over a period of time from the new entrants.
What this means is that like in the developed world, one could see large retailers set up fuel outlets at their large stores. More importantly, as the focus shifts towards electric vehicles, these outlets could offer fast charging facilities too which the current fuel outlets do not offer.
All said, there could be a sharp change in the way fuel is retailed in India over the next few years.
– Anilesh S. Mahajan

BSNL-MTNL MERGER

NO REAL BENEFIT

THE GOVERNMENT move to merge state-owned telecom service providers Bharat Sanchar Nigam Ltd (BSNL) and Mahanagar Telephone Nigam Ltd (MTNL) is a classic case of doing too little, too late. The merger is unlikely to revive the former Maharatna. The merger plan is supplemented with administrative allocation of spectrum for 4G services. That again is happening at a time when private operators have already rolled out 4G and are looking to start 5G services. However, the contentious proposal relates to reducing employee costs through a VRS (voluntary retirement scheme). That's key since employee costs account for more than 75 per cent of its revenues. It could also become an issue with the powerful trade unions. It remains to be seen whether the government can push through the proposal. But, one thing is sure, BSNL is not getting out of the hole.

– Anup Jayaram



IBC VS ED

Contentious Issues

THE INSOLVENCY and Bankruptcy Code (IBC) has been tested many times in different courts, since its inception in 2016. But the move of the Enforcement Directorate (ED) to attach the plant and property of Bhushan Power and Steel (BPSL), for which JSW Steel emerged as the lead bidder in the resolution process, has bewildered investors in distressed assets. ED had attached the assets worth ₹4,025 crore under Section 5 of the Prevention of Money Laundering Act, 2002, for alleged loan fraud and money laundering, involving earlier promoter Sanjay Singhal. Eventually, it has become a battle of commercial law and criminal act. The Delhi High Court, in its ruling in April, had held that relevant laws on money laundering take precedence over the bankruptcy law. If that is so, why should any buyer take up the financial risk of acquiring a bankrupt asset, in which criminal investigations are on? Here, lenders should be blamed for taking such cases to resolution.

– Nevin John

DOMESTIC DRUG SALES

Monsoon Pick-up

THANKS TO AN extended monsoon, drug sales in India are on the recovery path, while leading companies are struggling with sales in major export markets, especially the US. Domestic pharmaceutical sales recorded a growth of 11.5 per cent during July-September, the best growth in the past four quarters as local drug sales stagnated to single-digit growth. While sales grew 3.2 per cent in volume terms, price wise growth was 5.5 per cent, said drug sales tracking agency firm AIOCD Awacs. Leading drug maker Sun Pharma's domestic sales grew over 11 per cent during the period, compared to a 3 per cent negative growth in the corresponding quarter of last year. Domestic sales of Dr Reddy's, Torrent and Lupin grew 10 per cent, for Glenmark it grew 12 per cent. Anti-diabetic drugs sales grew the most at 14.2 per cent, followed by cardiac drugs at 13.7 per cent, pain and analgesics at 12.6 per cent, neuro-central nervous system drugs grew by 11.9 per cent and anti-infectives by 10.9 per cent.

Post GST, drug companies had to revise labels, affecting sales for months.

– P.B. Jayakumar

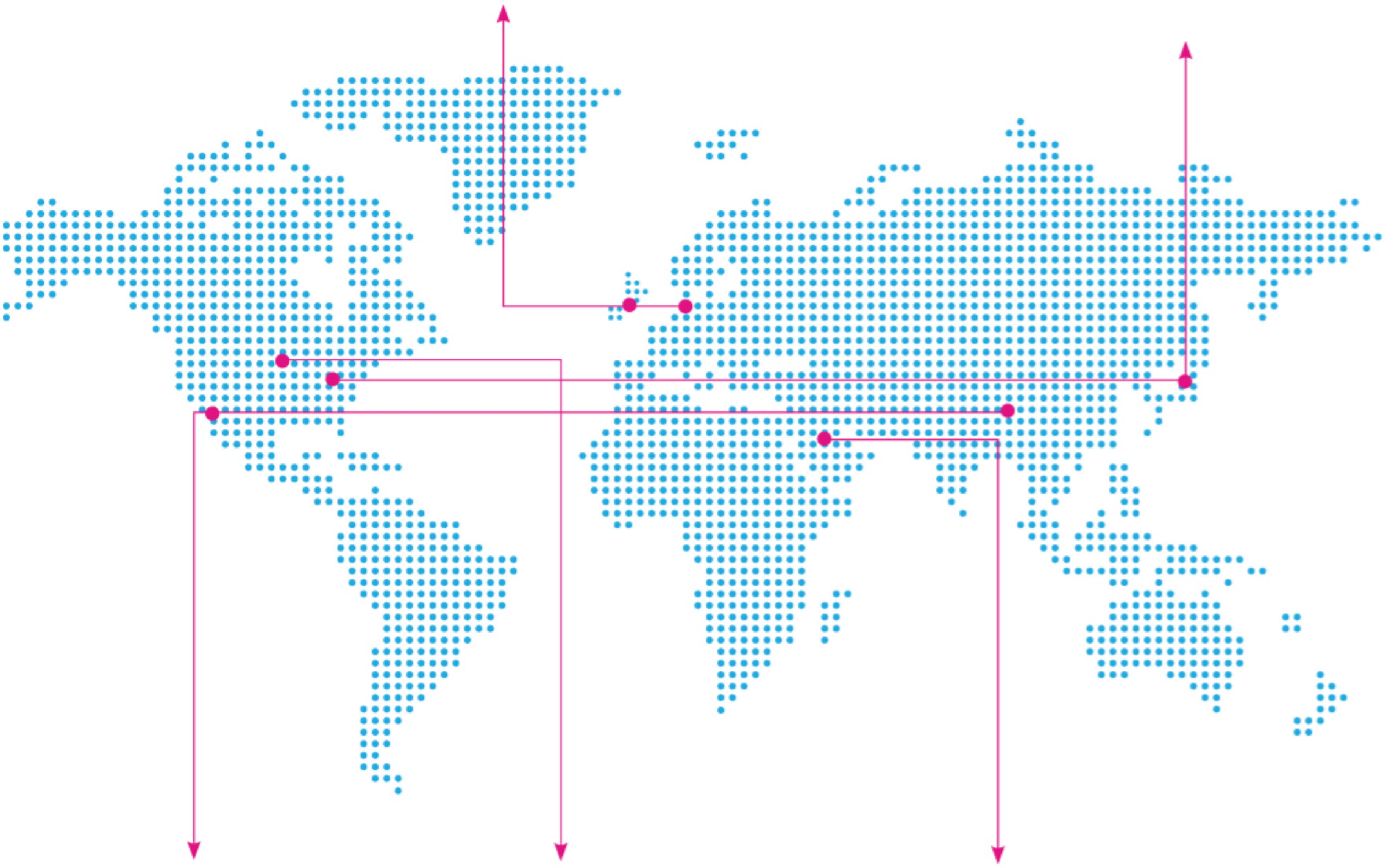
GLOBAL BUSINESS

BREXIT PLAN STALLED AGAIN

The UK parliament voted in favour of Prime Minister Boris Johnson's Brexit deal but rejected his proposal that they should give it their final approval within three days. In retaliation, the PM threatened to withdraw the deal and go for early polls. Johnson said lawmakers could continue their debates on Brexit if they would agree to a December 12 election. He, however, agreed to talk to EU leaders before making his next move. Britain was scheduled to leave the bloc by October 31 but is likely to miss that deadline. The country has already requested a three-month delay, but it is not clear whether all 27 other EU leaders would agree to it. If they do, Britain will be postponing its departure date for the third time. Earlier, Johnson had a major parliamentary victory as lawmakers backed his newly negotiated Brexit deal 329-299.

SOFTBANK RESCUES WEWORK

Japanese conglomerate SoftBank, the biggest investor in New York-based WeWork, has taken over 80 per cent of the troubled co-working giant post a recent deal that includes an offer to buy $3 billion of existing shareholders' stock. According to Marcelo Claure, the new Executive Chairman of the company, SoftBank invested a total of $18.5 billion in the company. WeWork badly needed the bailout as it would have run of cash by next month. The We Company, WeWork's parent, expected to raise upwards of $3 billion at an IPO and twice of the amount with the extra borrowing power it would have gained. But it did not happen. Meanwhile, as many as 4,000 WeWork employees may lose their jobs in the revamp exercise. Claure confirmed reported layoffs at a recent all-hands meeting but declined to give more details about the number of jobs to be slashed.



US-CHINA TRADE DEAL MAY HAPPEN SOON

After an acrimonious trade war spread over months, hopes are rising for a US-China deal that could be signed in Chile at a meeting next month, a *Bloomberg* report says. According to U.S. President Donald Trump, China has indicated that negotiations are advancing. The Asian giant has already started buying U.S. agriculture products that Trump had insisted upon as part of the deal. But the "actual meat" of the deal will be worked out in additional two phases, as per U.S. Commerce Secretary Wilbur Ross.

AMAZON POSTS MUTED PROFIT IN 3RD QUARTER

Amazon's stock dropped by as much as 9 per cent in extended trading after the e-commerce behemoth reported muted profits and weak holiday guidance. Even then, its third-quarter revenue of $70 billion was higher than expected, helped by 24 per cent e-commerce growth in the US and 18 per cent globally compared to the same period last year. But revenue at the company's highly profitable cloud computing arm only grew 35 per cent, less than predicted, and is one of the reasons its profit missed estimates.

ARAMCO'S MEGA IPO GETS DELAYED

Saudi Aramco, the world's largest oil company, will delay its long-planned mega IPO until at least its next quarterly earnings statement, according to media reports. The recent attack on the Saudi oil infrastructure has led the state-owned energy company to defer its public listing. The company was poised to sell 1-2 per cent of its shares on the country's domestic exchange and the rest of a 5 per cent stake globally. Offered at a valuation of $2 trillion, the IPO could raise as much as $100 billion, four times the largest IPO in history.

START-UP

NIROGSTREET
Care by Ayurveda

THE NEW DELHI-BASED COMPANY HAS CREATED A COMMUNITY OF AYURVEDIC DOCTORS AND IS EMPOWERING THEM WITH BETTER ACCESS TO KNOWLEDGE AND QUALITY MEDICINES.

By Aprajita Sharma
Photograph by Rajwant Rawat

(L-R) NirogStreet Co-founders Abhishek Gupta , Ram N. Kumar and Shrey Jain

1) Founders
Ram N. Kumar, Abhishek Gupta and Shrey Jain. A graduate in Computer Science from Sikkim Manipal University, Kumar used to run a digitech firm called Marketech before launching NirogStreet (registered as Hi Nirog Healthtech). Gupta, Founder of Brahm Ayurved (NirogStreet acqui-hired it), and Jain, an investment analyst at a start-up studio called Technology 9 Labs, joined as Co-founders in 2018.

2) The Trigger
Kumar experienced the power of ayurveda when he contracted Hepatitis C and recovered fully, thanks to ayurvedic treatment. At the time, he was wondering why ayurveda had not been included in mainstream medical care. He understood from his doctor that patients do not trust ayurvedic doctors and the medicines they recommend. "As I had benefited immensely from ayurveda, I decided to bridge this trust gap."

3) How It Works
NirogStreet is a digital platform where ayurvedic doctors can connect to share their knowledge and discuss treatment methods in real time (registration is free). Besides helping them with customer management, the company also runs a supply chain of ayurvedic medicines and sells those on its e-commerce site, thus providing easy access to traditional drugs. Legally, ayurveda doctors are eligible to own pharmacies, but they can sell medicines only to their patients. Due to limited opportunities, they cannot buy drugs in bulk from big, multibrand manufacturers and procure small amounts from sub-standard local suppliers. "We sell the doctors quality medicines as per their requirement," says Kumar. For this purpose, NirogStreet has tied up with 20 manufacturers such as Ayurchem, Kerala Ayurveda, Arya Vaidya Pharmacy, Innoveda, Shree Dhootapapeshwar and Arya Vaidyashala Kottakal. The start-up currently operates in north and western India and has three warehouses in New Delhi, Varanasi and Kolhapur.

The company also certifies ayurvedic clinics for adhering to quality standards. Doctors running these clinics must hold a bachelor's degree in Ayurvedic Medicine and Surgery and should be practising for at least three years. "We have developed a patient charter that they need to sign. It involves issuing digital receipts, maintaining online records of prescriptions and selling quality medicines," says Kumar. Its digital platform also helps patients search for doctors in their locality.

4) The Way Ahead
The start-up had as few as 15 doctors on the platform in May 2017 and the number rose to 100 by January 2018. As of now, only 200 clinics on the platform are NirogStreet-certified. Kumar aims to have 3,00,000 doctors on its platform in the next two years. He is also looking to raise $1.5 million by December 2019. BT

KEY NUMBERS

FOUNDED IN
May 2016

FY19 REVENUES
₹1.75 CRORE
as per company

FUNDING
$1 MILLION
in seed round from Spiral Ventures, Subho Ray, Samir Kumar and Avinash Basavrajappa

DOCTORS ON PLATFORM
50,000

TEAM MEMBERS
80

SOCIAL UNIVERSE

BRAIN-TUNED

ASMR videos are the latest craze on YouTube and similar platforms. Their sound triggers can affect our minds.

By Sonal Khetarpal
Illustration by Raj Verma

WHEN BACARDI launched its recent Sound of Rum campaign, it flung upon us an element of surprise. In the video, there was no traditional music track. Instead, people were dancing to the rhythmic sounds of bottles clinking, drinks pouring and chopping of tropical fruits, recreating the ambience of watering holes. In doing so, the brand has leveraged the autonomous sensory meridian response (ASMR), the latest trend on social media. By now, you must have come across plenty of ASMR videos which use audio stimuli such as soft music, sounds of nature, human whispers and more, which could range from relaxing to invigorating to spine-tingling, depending on the context.

Siddharth Deshmukh, Senior Advisor and Adjunct Professor at MICA, says that ASMR is a kind of biohack. It is essentially hacking your brain by instantly connecting it to a place, time or atmosphere. "It is a mild kind of self-hypnosis where people often use these videos to relax or to fall sleep." A study by Emma L. Barratt and Nick J. Davis, published in the *PeerJ* journal, shows that 98 per cent of the users watch ASMR videos to relax, 82 per cent to help sleep, 70 per cent to deal with stress and 5 per cent for sexual stimulation.

Is it the latest fad that may fade away soon? Karthik Nagarajan, Chief Content Officer at digital media agency Wavemaker India, does not think so. These videos have been popular long enough to be a fad. "From the content perspective, I would say that they have become popular because users know what they are seeking and what to expect, unlike a cricket match or a movie where there is a surprise element," he explains.

As per Google Trends, the topic has gained traction in India over the past one year, and the number of users seems to be rising in the north-east. Some of the biggest stars in this space, known as ASMRtists, include Heather Feather with five million and GentleWhispering ASMR with 1.7 million subscribers. India, too, has its share of ASMR videos with people whispering in different Indian accents or doing head massages or making eating sounds (biryani and pani puri seem most popular).

Skoda India recently launched a social experiment campaign called Peace of Mind and created a couple of videos where a car was driving through the rain and friends were conversing as they went out for a drive. Each got more than five lakh views on YouTube, a proof of their growing popularity.

Varun Duggirala, Co-founder and Content Chief of The Glitch, a creative agency, says ASMR videos are not mainstream yet and brands are still figuring out a way to add this layer of sensory experience to their content. Companies are also experimenting with ASMR-embedded branded content in Glitch studios. "As most of us have our earphones on throughout the day, this is the right time to jump on the bandwagon," he adds. BT

@sonalkhetarpal7

TikTok Under Fire, Again

TikTok is under the scanner again. This time, U.S. Senators have alleged that the short video-sharing platform could be a security threat due to its censorship, data insecurity and link to the Chinese government. “TikTok reportedly censors materials deemed politically sensitive to the Chinese Communist Party, including content related to the recent Hong Kong protests, as well as references to Tiananmen Square, Tibetan and Taiwanese independence, and the treatment of the Uighurs,” they wrote. They also think TikTok has the potential to influence the next general election in India. TikTok, in its statement, said it had never received any request from the Chinese government, and even if it does, it will not comply.

INSTA ALERT

IMAGE-SHARING APP INSTAGRAM MAY SOON PUT A LIMIT ON THE TIME SPENT ON THE PLATFORM WITHOUT SIGNING IN. IT HAS NOT MADE A FORMAL ANNOUNCEMENT YET, BUT ITS PARENT FIRM FACEBOOK HAS CONFIRMED IT. INSTAGRAM IS REPORTEDLY LAUNCHING A NEW LABEL CALLED ‘FALSE INFORMATION’ TO MAKE FALSE NEWS EASIER TO IDENTIFY. IF IT DETECTS A USER SHARING FALSE INFORMATION, A POP-UP WILL SAY, "INDEPENDENT FACT-CHECKERS SAY THIS POST INCLUDES FALSE INFORMATION. YOUR POST WILL INCLUDE A NOTICE SAYING IT’S FALSE. ARE YOU SURE YOU WANT TO SHARE?" INSTAGRAM WILL ALLOW YOU TO POST IT, BUT THE LABEL WILL BE ALONGSIDE.

NOT AN EASY TASK

Social media firms should not expect standard industry guidelines any time soon. The Indian government recently told the Supreme Court it would require three more months to finalise the intermediary guidelines and come out with a stringent legal framework. Earlier, the apex court allowed the government a three-week time frame for the same. The Ministry of Electronics and Information Technology, in an affidavit, said that social media platforms have led to the rise in fake news, hate speech and are a threat to democracy. The ministry is consulting several stakeholders so that the current guidelines can be revised for regulating social media companies more effectively.

11.9 lakh

THE NUMBER OF CONTENT PIECES TAKEN DOWN BY SHARECHAT, A REGIONAL LANGUAGE SOCIAL MEDIA PLATFORM. IT HAS ALSO BANNED 5,696 ACCOUNTS FOR VIOLATING ITS COMMUNITY AND CONTENT STANDARDS. IN ITS TRANSPARENCY REPORT, THE COMPANY REVEALED THAT IT HAD SHARED INFORMATION 33 TIMES FOR 41 REQUESTS MADE BY DIFFERENT LAW ENFORCEMENT AGENCIES. IT ALSO REMOVED 31 CONTENT PIECES AT THE BEHEST OF THE ELECTION COMMISSION DURING A 13-MONTH PERIOD THAT ENDED IN JUNE 2019. BT


milk
APPLE

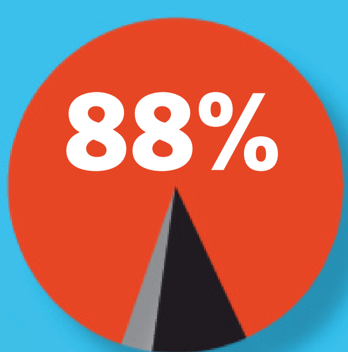
REINVENTING KIRANAS

RELIANCE, HUL, AMAZON, FLIPKART AND GROFERS ARE HOOKING NEIGHBOURHOOD STORES AS FORCE MULTIPLIERS.

BY AJITA SHASHIDHAR
ILLUSTRATION BY RAJ VERMA

AT A GLANCE

INDIAN RETAIL MARKET - $795 BILLION



- UNORGANISED **88%**
- ORGANISED **7-9%**
- E-COMMERCE **3%**

Source: Deloitte

R

ESIDENTS OF NAVJIVAN Cooperative Society, a quiet mid-market residential complex in the western suburbs of Mumbai, have in the past few months got used to a small Flipkart truck entering their premises between 10 am and 10.30 am every day. "It's a bit of a nuisance for us, but at least Mahesh gets to make extra money," murmurs an elderly resident, as Mahesh Gamre, owner of Deepika General Stores, rushes out of his 200 sq. ft-store. The Flipkart truck offloads 45-50 packages, which Gamre quickly keeps in his store, the ground floor of his one-room flat where he lives with his wife and parents. Gamre's wife, Geeta, takes charge of the shop, which stocks rice, dal, sugar and even detergent or soap. Soon, Gamre sets out on his scooty wearing a Flipkart delivery cap. He delivers 30-40 packets within a 5 km-radius of his shop and makes ₹7,000-8,000 per month, in addition to the ₹25,000 he earns from the kirana store. "I got married recently and I was looking for additional income; the Flipkart partnership came as a blessing," he says.

In Vadodara, 62-year-old Samun K. Campwala, owner of a cake shop, signed up with Amazon a couple of years ago. The additional space in his 600 sq. ft-store has turned into a micro warehouse, from where he delivers packages to addresses within 2-3 km of his store, earning an additional ₹15,000-20,000 every month. "Not only have I been able to repay my debts, this additional income has helped me spend on my kids' higher education."

Some of the biggest consumer giants — including HUL, Reliance Retail, Amazon, Walmart-Flipkart, Grofers, Big Basket and Metro Cash & Carry — are vying for the attention of India's 12-million strong kiranas and neighbourhood stores. They propose to empower (read leverage) the humble kirana store, the neighbourhood tailor, that beauty parlour

PHOTOGRAPH BY BANDEEP SINGH

MUKESH AMBANI
CHAIRMAN AND MD, RELIANCE INDUSTRIES

"Our merchant Point of Sale (POS) Solution – Jio Prime Partner POS – is integral to our plan to create an ecosystem around small merchants"

PHOTOGRAPH BY LANTERN CAMERA

AMIT AGARWAL,
SVP AND COUNTRY HEAD,
AMAZON INDIA

"We are excited by their evolution as digital entrepreneurs and as integral partners in our journey to transform how India buys and sells"

next door or even the mobile shop, the gift store or the cloth merchant through technology, mostly apps, which will manage the inventory, accounting, billing, payments, and even customer management. Whether it's Reliance's point of sale (PoS) machines, HUL's Shikhar app, Metro's 'Digital Shop', Big Basket's app or Amazon and Flipkart's customised apps, their aim is to partner with these stores anyhow. Their technology is meant to leverage these stores to deepen their reach in a manner that would have been unimaginable otherwise. The kiranas are, after all, 88 per cent of India's retail universe. The motto: Instead of fighting the kiranas, embrace them. And with that the chatter that kirana stores would die a slow death is passé.

The ₹1.3 lakh crore domestic giant, Reliance Retail, has raced ahead in this journey with 2.5 million kiranas on its network. The Big Basket app has 50,000 users in 10 cities. American e-tail giants Amazon and Flipkart are picking up pace with 23,000 and 17,000 local retailers on their network, respectively. Flipkart's fashion arm Myntra has another 15,000 stores on board. If Reliance aims to tap 5 million kiranas by 2021, an average Flipkart sales person onboards 10-15 local partners per day. Metro has about 2,000 kiranas.

Reliance is the most ambitious of the lot. Just as it wooed telecom users by offering free handsets and cheap data plans, it is offering perpetually cash-strapped local retailers PoS machines at a nominal price. "Our merchant Point of Sale (POS) Solution — Jio Prime Partner POS — is integral to our plan to create an ecosystem around small merchants. This user-friendly digital platform is designed for inventory management, customer relationship management, financial services and other services. This will modernise even the smallest neighbourhood kirana shop to become a future-ready digitised store," Mukesh Ambani, Chairman, Reliance Industries, said at the company's annual general meeting in July this year.

"The main purpose of new commerce is to completely transform the unorganised retail market... The three crore merchants and kirana shop owners, who generate direct and indirect livelihoods for over 20 crore people, form the backbone of India's commerce ecosystem. These highly energetic and self-motivated entrepreneurs have suffered in recent years because of their inability to invest in technology and infrastructure. In the true Reliance ethos, we are working towards enriching and empowering them with our end-to-end digital and physical distribution stack," Ambani said.

Unlike Reliance Retail, which being a domestic company has a free run, laws don't allow Walmart (Flipkart) and Amazon to have a multi-channel presence. So they are partnering with the good old kirana stores. "We continue to work to solve consumers' pain points. Kiranas will be one of the most impactful initiatives in offering fast and personalised last-mile services to our customers and also help evolve the kirana ecosystem," says Kalyan Krishnamurthy, Group CEO, Flipkart.

Amazon India has a similar reason. "The kirana ecosystem symbolises the entrepreneurship spirit of India. We are already seeing a strong willingness to embrace technology with tens of thousands of stores across the country acting as our last-mile delivery partners or assisted shopping points, enabling millions of remote customers to experience online shopping, while simultaneously increasing their earnings and scaling with Amazon," says Amit Agarwal, Senior VP and Country Head, Amazon India.

The 12-million strong kirana stores account for over 90 per cent of the country's largest FMCG company, HUL's sales. For Sanjiv Mehta, Chairman and MD of HUL, it has been a dream to reinvent the traditional stores with technology and analytics. While the company's Shikhar app enables kirana partners to order their inventory directly, it is just one part of the digitisation story. The company also wants to understand consumption patterns in each store through data analytics. "Technology provides an opportunity to wire up and connect these stores, as well as bring the science of retailing to them," points out a senior HUL spokesperson.

It's not the first time an attempt is being made to organise the kiranas under one banner, though this is undoubtedly the biggest scale in India's retail history. Most of the earlier initiatives backfired.

Well ahead of the curve was Future Group Chairman Kishore Biyani who launched Big Bazaar Direct way back in 2013. The project was withdrawn within a couple of years due to ill-conceived planning and poor participation. The company had onboarded kirana stores and provided them with tablets on which they could take orders from customers and Future would deliver the products to their homes. The exercise was not just a logistical nightmare as the company didn't have enough warehouses at that point, the kirana stores also took advantage of the Big Bazaar branding to push their own products.

According to a company insider, the retail major's kirana partnership is now limited to running the about 5,000 public distribution stores in Rajasthan and West Bengal, which have been rebranded as Annapoorna Bhandar. The company manages their inventory and 70 per cent of the brands sold are their own brands.

Future has its own chain of neighbourhood stores under the EasyDay, Nilgiri and Heritage brands, through which it caters to around 11,000 pin codes. A company insider says that it prefers to set up its own neighbourhood stores rather than partner with kiranas.

Online grocery company Grofers, too, met with failure with its initial model of partnering with kiranas. "We used to pick up from the stores and deliver to customers. They were our supply centres. Kiranas were not a good fit because they didn't have the inventory fit," says Albinder Dhindsa, Co-Founder, Grofers. For example, he says, often the order would be for 5 kg detergent, but the kirana would have just 2 kg. "You can't go to three places and collect, as your cost goes up. Unless you can fulfil the entire order from a single store, you are losing money," he adds.

However, past failures haven't deterred the new flag bearers.

The neighbourhood general store holds a lot of inventory, offers speedy delivery, and knows its consumers choices. These advantages are what attract consumer giants that are tapping the kiranas for a variety of tasks: deeper penetration into markets they can't reach themselves, consolidating demand to offer better prices, last-

WELCOME ONBOARD

2.5 MN

Reliance Retail's kirana partners. It hopes to join hands with 5 million kiranas by 2020/21 and double that to 10 million by 2021/22. All its current kirana partners use the company's PoS machines

17,000

Kirana retailers that Flipkart has partnered with

23,000

Amazon's kirana network across 350 cities under its 'I Have Space' Programme

PHOTOGRAPH BY RACHIT GOSWAMI

VALUE-ADD
Owner of a general store in Mumbai also delivers Flipkart packages to nearby addresses

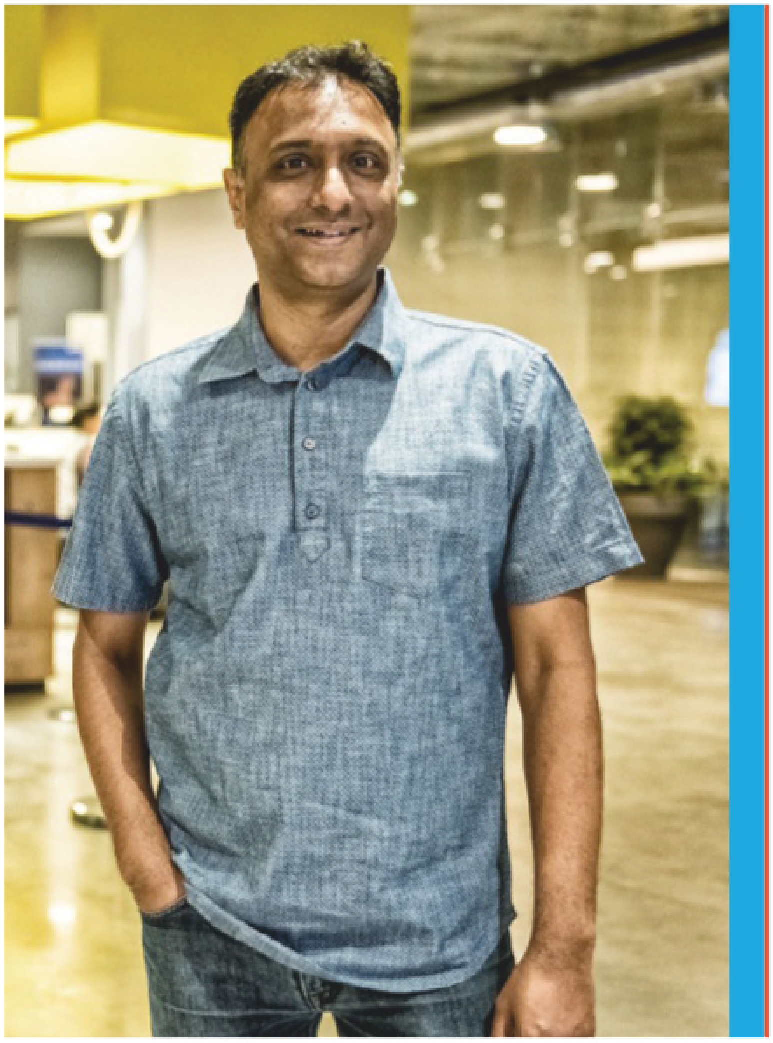
mile delivery, lower cost of delivery, and information on consumer choices. In turn, kiranas benefit in the form of better margins, inventory management, payments, billing, and even GST compliance.

The way the retail companies are approaching kiranas differs. "It's no longer a retail versus retail battle, the game is moving towards one platform versus other. Every retail platform will try to onboard more and more local retailers on its platform," says Govind Shrikhande, retail expert and former MD, Shoppers Stop.

Those stores that have linked up with Reliance Retail have to order their goods via the PoS. The device allows the store to take orders online as well as generate GST-compliant bills. It alerts in case there is a shortfall of inventory at the stores and enables faster replenishment. In return, since the PoS machine is linked to Reliance's cash and carry ecosystem, one may see the neighbourhood stores selling Reliance's private brands. For the retail major, it's a good way to win the loyalty of a local store.

Apart from these, the PoS is also a way of tracking customer consumption habits, which in the long run can help retailers with their private brands strategy. The catch in installing a PoS is that the stores are forced to buy stock from only Reliance Retail.

HUL has linked up with kiranas through its Shikhar app, which enables stores to order directly, bypassing distributors. In return, the company is able to penetrate further into the market and also improve customer service. "General trade with over nine million stores contributes to about 90 per cent of the FMCG industry. It serves over 95 per cent of the shoppers. From a



KALYAN KRISHNAMURTHY,
CEO, FLIPKART

“Kiranas will be one of the most impactful initiatives in offering fast and personalised last-mile services and also evolve the kirana ecosystem”

ALBINDER DHINDSA,
CO-FOUNDER, GROFERS

“Kiranas offer convenience, not saving... We have sourcing power. We are able to take that price and give it to local retailers too”

PHOTOGRAPH BY RACHIT GOSWAMI

social perspective, the survival of these outlets is critical for the country and technology provides an opportunity to wire up and connect these stores, as well as bring the science of retailing to these stores,” points out a senior HUL spokesperson.

Metro has a Smart Kirana programme, under which it has digitised operations of close to 2,000 kiranas across the country. The retailer has also partnered with fintech start-up ePayLater to co-create a mobile app called Digital Shop. “It transforms kiranas into a digital shop instantly using their existing smartphones. By downloading this app, kiranas can digitally track their daily and monthly sales, manage their inventory, place orders to Metro and also offer digital payment options to customers on their smartphone,” says Arvind Mediratta, MD and CEO, Metro Cash & Carry.

Online grocery retailer Big Basket had initially planned to use the kirana store as a last-mile delivery agent, but later decided to opt for the online cash and carry model. “The problem in our case is that we are dealing in a different category; it’s not one shirt or one phone or one charger. In grocery, our average order has 20-21 items and these include perishable items. The retail store will most often not be equipped with the right

NEWS तक
NewsTak.in
AN EXCLUSIVE
MOBILE NEWS CHANNEL
YouTube /newstak
/newstakofficial
/newstakofficial

SHEER DOMINANCE

India has **about 12 million kirana and neighbourhood stores.** That's about one store for every 100 Indians

The traditional kirana stores have a competitive advantage due to their **low operating costs and intrinsic knowledge** about the local community, which allows them to have limited product choices in their outlet

Customers prefer shopping at kiranas as they **get extended credit** due to the personal relationship between the store owner and the customer

WHY KIRANAS?

Retailers and **FMCG companies are pushing kirana stores to digitise** so that the stores can capture the spending patterns of customers, which is valuable information. Using this data, companies can supply the right SKUs

Last-mile delivery is a big cost and challenge for all retailers. The **cost of delivery of each packet to a consumer's home is about ₹100**. There are difficulties in locating addresses, maintaining stock points and fulfilling deliveries. There is also the additional cost of picking up return packets. By getting a kirana partner to do the delivery, the delivery cost is reduced by at least ₹20. Plus, as the kirana also knows the locality well, locating an address is easier

The **store also serves as a pick-up point for consumers** in case they are not at home at the time of delivery

The **kirana store owner is paid ₹20-25 per delivery,** which can amount to an additional income of ₹7,000-8,000 per month

infrastructure to carry all these items," says Abhinay Choudhari, Co-Founder, Big Basket. He claims that by being an online B2B cash and carry retailer, he is able to fill the gaps left by the traditional distributors as well as the physical cash and carry retailers. "Big Basket gives the kirana access to multiple brands as opposed to dealing with multiple distributors from various companies." The company already has a network of 50,000 kirana users across 10 cities. The plan is to foray into tier-2 towns over the next one year.

The best thing that has happened in the last one year, according to Raman Sharma, owner of Park Super Market in Gurgaon, is his partnership with Grofers. Now a Grofers branded store, Sharma says that over 65 per cent of his merchandise is not just sourced from the online grocery company but his inventory is also managed by them. "Earlier, my net margin was 9.5 per cent. Now, with Grofers, it has increased to 11 per cent. This has helped to competitively price necessary items such as rice and detergents, which not only get more footfall in the store but also help retain customers and get them back to the store." Sharma claims that the footfall at his store has increased 25 per cent.

Grofers also has a cash and carry model, but with a tweak. It has converted around 200 stores in and around Delhi into Grofers branded stores and manages their inventory. It also has 7,000 network stores, which could be kiranas, beauty parlours or gyms, which it uses as micro warehouses and delivers to customers from there. "We know that the customer is always on the lookout for savings at a local level, which the regular kirana store is unable to offer. The kirana offers convenience, not saving. So, we get new entrepreneurs who want to open a store, or go to an existing store and tell the owners that we will be responsible for stocking their entire store. We have sourcing power, as we mostly buy directly from manufacturers. We are able to take that price and give it to local retailers too," explains Dhindsa of Grofers.

Metro Cash & Carry has also launched 'Kirana Success Centre'. "It empowers the kirana community with a one-stop moderni-

sation and digitisation solution to help them attract more footfall and profitability, and compete with the modern retail landscape. We have helped remodel the traditional closed format kiranas into open format ones to make them more modern and competitive," says Mediratta. The company has not onboarded kiranas for B2C business but for B2B.

E-tail giants, Amazon and Walmart-Flipkart, on the other hand, need the kiranas most for speed of delivery and to leverage their customer relationship skills. Plus, save on delivery costs. Amazon has a programme called 'I Have Space', under which it partners with local store owners across different cities to deliver products to customers within two-four kilometre radius of their store. "The programme is open to all store owners who have the ability to service on foot or a two-wheeler. The only requirement to be a 'I Have Space' partner is that the store owner should have sufficient time to make local deliveries during their off-peak hours, and space to store packages," says an Amazon India spokesperson.

The e-commerce retailer has store partners in over 350 cities, with more than 23,000 such retail outlets partnering with them. "We are excited by their evolution as digital entrepreneurs and as integral partners in our journey to transform how India buys and sells," says Agarwal of Amazon India.

In addition to this, Amazon, also has an assisted shopping programme called Amazon Easy across 21 states, for which it has partnered with distribution companies such as Vakrangee and StoreKing as well as local retailers to help consumers in smaller markets set up Amazon accounts, order on the website as well as make online payments and initiate refunds. "Amazon Easy is going to be transformational as it uses technology and empowers local entrepreneurs to break down complexities and barriers for new-to-ecommerce shoppers using assisted shopping. Amazon Easy will play a significant role in enabling the next 100 million customers in India to enjoy shopping on Amazon.in starting with this upcoming festive season," says Kishore Thota, Director, Customer Experience and Marketing, Amazon India.

Apart from the 17,000 kirana and neighbourhood retailers that Flipkart has onboarded on its network for last mile delivery, during the recently concluded Big Billion Days sale, it partnered with another 10,000 general stores under an initiative called 'Flipkart Authorized BuyZone', through which it hand-held first-time consumers in almost 700 cities, across 20 states.

"We feel that along with digital payments, e-commerce is going to usher in the next big revolution in the kirana space which will re-position and re-invent

PHOTOGRAPH BY RACHIT GOSWAMI

ARVIND MEDIRATTA,
MD AND CEO, METRO CASH & CARRY

"By downloading this app (Digital Shop), kiranas can digitally track their sales, manage inventory, place orders and also offer digital payment options to customers"

REALITY DIFFERS

Though the partnership between **organised and unorganised retailers** seems like a win-win for both, kirana store owners are not convinced. Here's what they say:

I don't understand this business

I have a small store, **where will I keep additional merchandise?**

I am the only person at the store, **how can I leave my store** and go to deliver their products?

If I order through the app, they **most often don't have the SKUs I want**

Most organised retailers don't give extended credit

They also **don't accept returns** while the traditional distributor does

the stores as convenience stores from an e-commerce perspective, while offering them a new source of revenue, making it a win-win situation for all," says Krishnamurthy of Flipkart.

However, the more immediate benefit of having a kirana network is saving on delivery costs. One of the biggest costs of most organised retailers, especially e-commerce retailers, is delivery — on an average 6-12 per cent of the price of the product. If a customer in Mumbai orders a T-shirt or a book from Flipkart or Amazon, the delivery cost will be in the region of ₹70-100. "Everyone is looking at collaborating with the existing kiranas so that delivery becomes faster and easier. If I have to pick up an order of ₹500 from a warehouse at Bhiwandi and deliver it to the consumer, my cost of delivery itself will be over ₹100. If the consumer were to pick up from a nearby store, or even if the local retailer drops it at the consumer's home, the delivery cost will be substantially lower," explains retail expert Shrikhande.

In this system, the organised retail company delivers all the orders of a particular locality to a small retailer there, who in return becomes the last-mile delivery agent. So, if the delivery cost of a packet that is delivered from the warehouse to a consumer's house is ₹70, by delivering it to the kirana store, the retailer's cost of delivery could dip to ₹50. "If the retailer pays the kirana store owner ₹25 per delivery, he saves ₹25," says Choudhari of Big Basket.

Not just deliveries, there is the cost of picking up returned purchases. Almost 30 per cent of the products delivered by e-commerce retailers are returned by consumers. "A point of pick-up can also become a point of return. The delivery cost and the return delivery cost are almost equal. If the returns also happen at these stores, the online majors can reduce the overall cost by almost 50 per cent," says Shrikhande. For the kirana store owner, it is an additional income with hardly any investment, and retailers get efficient delivery at lower cost. Most local stores are family-run and have very low operational costs. "If an e-commerce retailer wants to do multiple dispatches and it sets up hubs in various parts, each of those will have to be manned by salaried employees. But if they have tied up with kiranas, the possibility is that business will increase at a much lower investment," says Kumar Rajagopalan, CEO, Retailers Association of India.

Though the likes of Reliance Retail, Amazon Flipkart and other organised retailers are upbeat about their respective hyper local strategies, they are facing enormous challenges on the ground.

One of the major hurdles is convincing store owners. While kiranas have multiple apps on their phone, be it HUL's Shikhar, Big Basket, Metro or Best Price, there is often reluctance to use them to replenish the store's inventory. Those in tier-2 markets can be especially reluctant. "Who has the time to order on an app? If I keep looking at the app, I can't attend to customers," says Anuj Agarwal, owner of Vilas Kirana in the Palda locality of Indore. Yudhisthira Bhatia, owner of Sri Sainath Provision Store in the Manish Baugh locality of Indore, says that he always prefers a traditional distributor as opposed to ordering on an app because not only does the distributor come to his store and he can order his stock as he attends to his customers, the apps don't give him credit, something that he gets from the distributor. Choudhari of Big Basket admits that while

WAYS TO CONNECT

Big retailers and e-commerce companies use various approaches such as B2C and B2B apps as well as point of sale (PoS) devices to onboard kirana stores.

HUL's Shikhar app: Enables kirana partners to order their inventory directly

Reliance PoS device: Inventory, customer relationship management, financial services and other services

Metro Cash & Carry app: Digital tracking, inventory management, digital payments

Big Basket app: Access to multiple brands

he offers the convenience of shopping, he doesn't offer the extended credit that traditional distributors offer. "He (kirana owner) will not buy everything from us; he will continue to buy from the distributor. He buys small quantities from us, may be 20 per cent of his purchase. This is typically stuff he needs to replenish at once," he explains. Vipul Shah, owner of Chheda General Store in Andheri, Mumbai, says, "If I install their PoS machine, I have to order from them. I don't want to turn away the traditional distributors. They give me credit and also take back stock that I don't need."

Then there is the matter of understanding the complexities or details of the various processes. "Most of the time, the apps don't have the SKUs I need. I am not too literate either, so I don't understand the schemes the manufacturer offers unless someone explains them to me," says Bhatia.

Prakash Shah, who runs a kirana-cum-medical store in the western suburbs of Mumbai, says that he has been approached by Reliance several times to install the company's PoS machine, but has refused. "I can't understand their business model," he says

The reluctance has other reasons too, one of which is not wanting to declare their income. "Currently, the biggest issue that small retailers have is that it will expose their business. The reason why they don't adopt technology is not because they are naive," points out Rajagopalan of Retailers Association of India.

Besides, a vast universe of neighbourhood stores still remains untapped as barely 2-3 million of the 12 million stores have been onboarded. However, the level of acceptance of these app-based services is higher among kirana retailers in large cities and metros. For instance, Praveen Bhai, owner of Maru General Stores, in Andheri, Mumbai, uses apps such as that of Big Basket when he urgently wants to replenish stock. "On days I feel that the app offers me better schemes than the distributor, I order from the app. There are days when I urgently need stock and if the distributor doesn't turn up, I prefer the app as their speed of delivery is faster."

Also, the kirana store may not need what the retailers have to offer.

"The kirana caters to a small catchment area but with experience has been able to know what his customer wants and keep only those products. They don't need IT to tell them that they only have, say, 2,000 SKUs. They know exactly who their customer is," says Arvind Singhal, Chairman of retail consultancy, Technopak, who feels that organised retailers need to offer strong reasons for the kiranas to be part of their network. "As of now, everything sounds good on paper, but I am not sure how fruitful it will be," he adds.

There is also the fear of big retail crushing small retail. "The bigger guys are going to become bigger and bigger. In the kirana model, everybody works within their perimeter of geography and delivers within the geography," says Shrikhande, who believes that in the long run, kirana empowerment could lead to elimination of the value chain. "The traditional distributors will need to reinvent themselves in order to stay relevant. Having said that, I am not too sure how soon that will happen," he adds.

Ashwani Mahajan, National Co-Convenor, Swadeshi Jagran Manch (which has firmly opposed FDI in multi-brand retail), says, "I know e-commerce companies are doing tie-ups with kirana stores in different parts of the country, but we suspect this to be a mere facade."

It is early days still but the success of the model will depend on whether the consumer giants can keep kiranas interested with a proposition they can't refuse. **BT**

With inputs from Sonal Khetarpal and Anilesh Mahajan.

@AjitaShashidhar

THE HUB

POLICY

46 **THE RCEP GAMBLE**

Why India dithers on the mega trade deal

50

POLICY

THE OUTLIERS

The corporate tax rate cut may have enthused a large section of India Inc, but there are still many companies that do not intend to accept the largesse.

56

CORPORATE

Redux at Infosys

Whistleblower allegations fall in four buckets – questionable accounting standards; ethics of top management; disclosure standards; and ethnic slur.

60

FINANCE

No Exit

Most real estate funds, set up a decade back to help developers with land deals, are facing an existential crisis. They need to take a re-look at their investment strategies to generate positive returns for investors.

70

INTERVIEW

"WE WANT OUR SWAGGER BACK"

Brian Humphries

THE HUB **POLICY**

OPERATION REBOOT

Sixteen CEOs and economists lay out a roadmap to revive the economy.

OVER THE PAST five quarters, most economic indicators have been on a slide. In the first quarter of 2019/20, GDP growth slumped to a six-year low of 5 per cent. Private consumption decelerated to an 18-quarter low of 3.1 per cent in the June quarter. Then, the Reserve Bank of India trimmed the 2019/20 GDP growth projection from 6.9 per cent to 6.1 per cent. To provide a booster shot to the economy, Finance Minister Nirmala Sitharaman announced a series of measures, including cutting the corporate tax rate to 22 per cent. Yet, sentiment is weak. Private investment has slowed considerably while exports are on a slow track. In the first half of 2019/20, exports, at $159.6 billion, were 2.4 per cent below the $163.5 billion achieved in the first half of 2018/19.

So what should the government do to revive growth? Sixteen CEOs and economists lay out the roadmap. Here's what they prescribed.

Make Divestment Top Priority

ANIL AGARWAL, Chairman, Vedanta Resources

"IT IS CRITICAL THAT A SECTOR LIKE MINING IS OPENED UP FOR PRIVATE INVESTMENTS"

THE DIVESTMENT process should be top priority for the government in the absence of which the fiscal deficit is expected to widen in the next couple of quarters. The government must play its role as a facilitator and enabler of big-ticket projects to attract investment from private players. It is critical that a sector like mining is opened up for private investment so that India starts producing a lot of metals, minerals and oil, cut its import dependence, generate lakhs of jobs and create an ecosystem of ancillary industries.

The string of recent decisions such as sharp cut in corporate tax rates is expected to give impetus to investments and propel the economy to attain its true potential of 8-9 per cent growth. The sustained growth in the Indian economy, amid the sluggish global outlook, has made the country an ideal destination for copious investment flows. The recent World Bank's Ease of Doing Business ranking, where we have jumped 14 places to 63, will further cement India's position on the global investment destination map. Further, despite the pressure on revenue, the government has shown strong commitment to reducing the fiscal deficit by deciding to strategically divest its stake in various public sector companies.

India has emerged as among the fastest growing economies in the world under the leadership of Prime Minister Narendra Modi and is on course to be among the top three economies of the world in the next decade. Backed by strong fundamentals, robust policies and seamless partnership between government and private players, India is well on the way to becoming a $10 trillion economy by 2030.

Fire Up All Cylinders of Growth

AMITABH CHAUDHRY, MD & CEO, Axis Bank

THE GLOBAL growth environment has been challenging. Multiple factors have resulted in deceleration of growth in the Indian economy: many manufacturing sub-segments slowed due to slowdown in private sector capital expenditure. Goods export growth has been low and financial services have seen erosion in confidence.

Challenges in banking and non-banking finance companies require calming of markets to restore trust. Authorities have responded. Both fiscal and monetary levers have been put into action to give confidence to market participants. The sharp cut in corporate tax rates has boosted sentiment. The Monetary Policy Committee has responded with large cuts in the repo rate, has kept system liquidity in surplus and shown readiness for further rate cuts.

Any financial dislocation requires capital to come from 'strong' hands to give confidence to 'weak' entities. An active market for corporate control can allow leveraged promoters to exit. Takeover of financial institutions may be constrained by shareholding restrictions for financial institutions. Regulatory provisions, which create a caveat for concentrated holdings for some time, can offer opportunities for large private equity funds or strategic investors to commit capital to troubled financial institutions.

The key lies in firing all cylinders of growth: consumption, investment and exports. If tax cuts result in new investments and lowering of rates brings back consumer and business confidence, growth in jobs and consumer confidence is likely. India has a low share in global exports. It should identify industries that can benefit from global trade-wars and aim to increase export market share.

"IDENTIFY INDUSTRIES THAT CAN BENEFIT FROM GLOBAL TRADE WARS"

PHOTOGRAPH BY VIVAN MEHRA

Put More Money in Consumer's Hands

ANIL RAI GUPTA, CMD, Havells India

CONSUMPTION HAS sustained the Indian economy in recent times despite slow growth in other segments. India represents an enormous opportunity with a favourable demographic profile and aspirational consumers. The consumer is value conscious, well informed, and willing to experiment with new ideas. The slow growth in industrial and service sectors has left its imprint on consumer sentiment as well. The consumer is conscious of conserving capital and is delaying purchases until clarity emerges on overall growth. The government may consider, subject to fiscal commitments, putting more money in hands of the consumer through direct relief or similar interventions. India holds tremendous potential to attract investments owing to its skilled manpower, democratic governance, independent institutional mechanism and vast market. The infrastructural bottlenecks require streamlining to facilitate movement of goods. The contractual framework and its legal protection could be further strengthened through time-bound disposal of commercial disputes.

GO FOR ASSET MONETISATION

ASHU SUYASH, MD & CEO, CRISIL

WHEN INDIA'S GDP GROWTH slumped to 5 per cent in the first quarter of this fiscal, the government stepped in with a slew of measures, the most significant of which was slashing of the corporation tax rate. CRISIL surveyed 850 companies after this. While most foresee benefits, a chunk intends to retain savings to reduce funding constraints and strengthen balance sheets. That could prime them for fresh capex once demand revives. The cut will bring medium term, rather than immediate, benefits. In such a milieu, and given the political capital enjoyed by the government, the current crisis can be used to execute divestments and asset monetisation to relieve fiscal pressure.

We see a gradual uptick in growth, and not a 'V' shaped one, given that a direct fiscal stimulus is unlikely and monetary easing will impact with a lag. Medium-term prospects are promising as strong consumption demand will play out because of demographics and technological facilitations. Deleveraging and the clean-up of the financial sector will support investment recovery over the medium term. Disruptive digitalisation, too, augurs well, as it promises benefits for the government, companies and citizens.

"DISRUPTIVE DIGITALISATION PROMISES BENEFITS FOR GOVERNMENT, COMPANIES"

PHOTOGRAPH BY MANDAR DEODHAR

Need to Increase Liquidity

ASHWANI MAHAJAN

National Co-Convenor, Swadeshi Jagran Manch

AS DEMAND HAS SLOWED in some sectors, economic sentiment has been badly affected. Many economists are averse to terming it a recession. However, they feel that to get out of this slowdown, serious efforts are needed. We can improve sentiment by increasing private consumption, investment, government expenditure and exports. Developed countries do it by giving bailout packages and tax concessions. In India, it is not possible to give bailout packages to households and firms. Banks and non-bank financial institutions can do that by increasing liquidity in the system.

The government can encourage consumption and investment by tax concessions. It has done that by reducing the corporate tax rate. But this cannot be done on a very big scale as it may hit the fiscal balance. Much depends upon banks and the Reserve Bank of India to improve sentiment by creating more liquidity in the system and reducing borrowings costs.

If we look at consumption demand in India in recent past, we do not find any big slowdown in the fast moving consumer goods sector. Sales of refrigerators and air-conditioners have grown; the automobile sector has been an exception. In the last three decades, the new economic policy of liberalisation, privatisation and globalisation has resulted in gross inequalities and unemployment. These problems cannot be solved overnight. We need to change the mindset of policy makers. The reason why demand is not picking up is that income of the poor and, therefore, their purchasing power, is not increasing.

STATE SPENDING NEEDS TO RISE

C.P. GURNANI, MD & CEO, Tech Mahindra

THERE IS NO 'one-stop' approach to reviving the current economic sentiment. Government and public sector spending has to increase. There is a need to define a big-bang approach to leverage new technologies like 5G, Network of the Future, Artificial Intelligence and Quantum Computing to accelerate growth.

But much more needs to be done to boost consumer confidence. While the government has been focusing on the supply side (increased thrust on manufacturing), it needs to ensure there is enough demand to achieve the right economic balance. There are two growth drivers – consumption and investment. The key to boosting consumption is putting more disposable income in hands of consumers. Urban areas have a higher propensity to consume, therefore, a comprehensive policy on urbanisation would enhance the consumption function.

The government needs to devise an economic stimulus package for SMEs. It needs to continually invest in improving existing infrastructure to drive future growth. Additionally, social security schemes can increase the productive capacity of the economy and purchasing power of people.

The recent cut in corporate tax is a welcome move. The government needs to address industry-specific issues on priority. Digital has the potential to transform India's economy. Digitalising sectors, including agriculture, education, energy, financial services, healthcare, logistics and retail, as well as government services and labour markets, could each create $10 billion to $150 billion of incremental economic value in 2025 as digital applications in these sectors will help raise output, save costs and time, reduce fraud, and improve matching of demand and supply.

Don't Take Too Many Radical Measures for Growth

ESTHER DUFLO
Winner of the 2019 Nobel Prize in Economics

INDIA SHOULD NOT WORRY about the slowdown in economic growth. It is caused by two phenomena — worldwide circumstances and the impact of the fast growth in recent years. While you cannot do anything about global conditions, India's fast growth for many years was the result of a lot of catching up. Now that low hanging fruits have been picked up, growth is expected to slow down. It does not mean India is going to become poor, as it's still growing. One shouldn't take too many radical measures to have growth come back. You need to find a way to say growth is going to come at a slower rate but we need to make sure that the standard of living of people is up. One should make sure not to create huge demand and induce a crisis. The point now is not to be too concerned about growth but to manage consequences. India should not raise taxes as it could have a multiplier effect. Slashing taxes is risky because, if you do so, where will the money you need to spend on public expenditure come from? Cutting public expenditure in the middle of a crisis is not a good idea. I don't see any quick solution. There are two issues. One is slowdown, which I don't think we need to worry about. The other is that today there is something close to a crisis and we have to learn from what we've done in the 2008 crisis. The key is to manage, keep public expenditure right. Our book (*Good Economics for Hard Times*) will tell you that when growth goes down, you need to be effective at how you spend the money you have. It's not just about public expenditure but increasing effectiveness. Universal Basic Income could be tried out. It gives people assurance. That, I think, will give people confidence to do new things to improve their lives. We should give it a try.

Macro-level Growth Will Drive Consumption

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

IF THERE IS A SLOWDOWN, it is a global phenomenon. What is important is to recognise it and take some corrective action. While the government has rolled out some stimulus measures, the industry outlook could get vastly positive if these are followed up with steps to address some industry-specific pain points. In pharmaceuticals, the industry where we operate, the move towards price control and the uncertainty around it are hurting. What the industry needs today is a greater enabling environment with suitable policies to encourage investments in research and development. All these could go a long way to improve business sentiment. If the macro takes care of itself, consumption will also pick up because consumption is a function of confidence, and it grows when the economy is doing well. Investments, however, are driven by growth opportunities. But in the pharma sector, we are not bound so much by macro-cycles as medicine consumption does not fall under discretionary spending.

Mega Sentiment Boosters Needed

KIRAN MAZUMDAR-SHAW, Chairman and MD, Biocon

THE ECONOMIC slowdown in India has been driven by lack of demand and consumption. Until that is squarely addressed, any effort to revive market sentiment may not work. Investment and consumption sentiment took a beating at the time of the Union Budget as some expectations were not met. Since then, the government's efforts to course correct have been welcomed, but are yet to move the needle. Had these measures been embedded in the Budget, it would have created a feel-good factor. Besides, a few good measures announced post factum had been negated by several scams such as IL&FS and PMC Bank. The middle class needs to be assured that their money will be safe when they invest in registered banks and the ecosystem will not be fraught with high risks which will wipe off their savings. As for the industry, measures should be taken to help create a more enabling atmosphere for investing. This is crucial, especially when IIP numbers are pointing towards a decline in industrial production that may kick-start a vicious cycle of layoffs and job losses. Right now, the economy needs mega sentiment boosters. We should seriously look at putting money in consumers' hands. For instance, the government can consider lowering personal income tax and ensure that people have more money to spend. This also calls for doing away with the 'rich tax'. A further reduction in GST is required. These measures cannot be incremental. So, the only challenge before the government is to do these while ensuring that tax revenues continue to support its social welfare schemes. The government should look at improving revenue collections and correct cost inefficiencies.

PHOTOGRAPH BY DEEPAK G PAWAR

"THE GOVERNMENT CAN ENSURE THAT PEOPLE HAVE MORE MONEY TO SPEND"

As for industry, the trust deficit needs to be bridged so that investments can happen.

In exports, the only thing that can be attempted is to strike as many free trade agreements as possible to benefit India.

NEW BUSINESSES WILL DRIVE JOB GROWTH

PHOTOGRAPH BY DEEPAK G PAWAR

KRIS GOPALAKRISHNAN
Chairman, Axilor Ventures, and Co-founder, Infosys

THERE ARE issues with business and consumer sentiment and a growing concern over short-term and long-term growth, job creation and NPAs. A slew of reforms took place within a short period, and there are change management and implementation issues in the short term as companies modify their systems accordingly. The movement from a cash economy to a digital economy is a major transition for the country.

These changes have an impact on people and organisations. Some companies have addressed it quickly – like those in the IT services. Even start-ups have managed the transition much better than other sectors. So, if you want good jobs to be created, new business creation must be the single focus in the medium term. New businesses are faster, better and cheaper and bring innovative products to the market.

In addition, the government has to clean up the financial system so that credit flows are available, especially for the MSME sector. A deep dive into sector-specific issues, with a focus on real estate, construction and automotive sectors, would also help. Then again, our agriculture should be export-driven and must cater to the world value-added produce.

INCENTIVISE DOMESTIC FIRMS

MANISH SHARMA, President and CEO, Panasonic India and South Asia

THE FESTIVE season is crucial for consumer durables companies. The industry passed on the benefit of reduced GST to consumers. This helped revive sentiment to a certain level. NBFC schemes are growth drivers for consumer durables. The decision to continue funding sound NBFCs will create more liquidity.

India is among the largest growing electronics market in the world. The industry has seen a slowdown over the last two years due to poor consumer sentiment and high import duties and GST tax slabs. The ensuing rupee depreciation, uncertain climatic conditions and increase in input costs also resulted in a slowdown. Along with this, the drop in consumer demand owing to lesser purchasing power also affected consumption patterns.

The government has been working towards reviving consumption and there have been some positive developments. There is an urgent need for the Appliance and Consumer Electronic (ACE) industry to minimise cost of operations, create local demand and increase economies of scale. A dedicated (government) department can help address these challenges.

The rural market is becoming a key growth driver. With growing internet connectivity, rural markets have seen a surge in demand for better products.

To improve India's export performance, it is essential to incentivise local firms and establish an ecosystem for domestic manufacturing while establishing beneficial trade agreements with consumption economies. It is essential for the government to reduce basic customs duty for essential components and strengthen a component-manufacturing ecosystem.

"REDUCE BASIC CUSTOMS DUTY FOR ESSENTIAL COMPONENTS"

PHOTOGRAPH BY SHEKHAR GHOSH

INDUCE GOOD NBFCs TO LEND

MOHANDAS PAI
Chairman, Aarin Capital and Manipal Global Education

THE MOST important reason for the current crisis is the lack of liquidity in the system. At the time of the IL&FS crisis, around 40 per cent of consumer spending used to be financed by NBFCs, but it has come down drastically. NBFCs used to raise funds through mutual funds or bonds. Banks also lent them money. But everything has stopped now. Many NBFCs are staring at bankruptcy due to short-term liquidity concerns. The government must make sure that good NBFCs are induced to lend and banks should refinance them. NBFCs know how to lend, they market credit, but most banks have lost their ability to lend to consumers. They have expertise in rationing credit, not marketing it. Earlier, many banks were over-generous to crony capitalists, and they are now paying the price. Some private banks have done well, but overall, the government is living under a delusion, thinking it can tell banks to lend, and that will solve the current crisis. Moreover, the RBI should reduce interest rates. The real interest rate is very high – MSMEs are paying 13-14 per cent. How can they compete when they pay such high real interest rates and that, too, without enough credit?

The Prime Minister should meet industry leaders, listen to their concerns and help ease their burden. There have been too many shocks and changes to the system. It started with demonetisation. Then came GST, IBC, RERA, the NPA and the NBFC crises, the auto slowdown and the shift to Bharat VI. Tax terrorism is another big issue. Companies are no longer able to respond to changes. The industry is in a state of shock and needs healing. Of course, reform is necessary, but there is only so much change that the industry can absorb without growth coming down. Stalled reforms such as coal linkages and power plants stuck due to approvals have to be restarted as well.

Consumer sentiment can be revived when there is adequate liquidity in the market. The real estate sector is a huge job creator, but now it is in deep trouble. Why can't states cut registration charges for a couple of months to improve sales? Also, the Modi government must be more proactive because this is the first year of his second tenure.

Good Monsoon Should Improve Rural Demand

M.M. MURUGAPPAN, Executive Chairman, Murugappa Group

THE GOVERNMENT has held many consultative meetings and announced stimulus measures across various fronts. Since overall demand in India has declined, we need to wait for some months to see the impact of such announcements. With good rains we expect a good kharif crop and indications are that rabi will also be good. This should improve rural demand and sentiment. Since global markets are not buoyant, export growth will be muted. There are many dimensions to this and we need to focus on working closely with customers. Across our businesses we are focused on building efficiencies and enhancing capabilities, particularly with the use of interdisciplinary technologies. These are challenging times but we remain positive and focused on the long term as far as investment is concerned.

SIMPLIFY TAX REGIME, IMPROVE COMPLIANCE

MOTILAL OSWAL,
Managing Director and CEO,
Motilal Oswal Financial Services

THE INDIAN economy weakened in the past few quarters. Real GDP growth decelerated to 5 per cent in the June 2019 quarter, marking the slowest growth in past six years. While a slowdown in investment has been there for over five years now, the recent softness in consumption has made the slowdown broad-based.

A revival in consumption is essential for a quick economic recovery because investment revival could be long drawn. One way would be to rationalise the personal income tax structure. There are about 80 million personal income taxpayers in the country, accounting for less than 15 per cent of the total working population. Since a large section of our society is in entrepreneurial activities, it is important to simplify the tax regime and ensure compliance.

The government must also look at employment. The economy is dominated by informal employment. Tax incentives could help these small companies to shift to the formal sector. It is a win-win for all – companies take advantage of lower borrowing costs and government gets taxes from legitimate businesses.

In investments, the government has been leading by example. Fiscal investments in roads, railways and incentives to the housing sector are just some examples. But without the private sector, the investment cycle is unlikely to revive.

Encouraging long-term foreign and domestic capital into equities helps companies raise risk capital, which is essential for investment cycle as well. A re-look at capital gains and dividend taxes will enable positive sentiment. A positive capital market enabling wealth creation plays a key role in driving demand for consumption.

Lastly, real interest rates in India remain high. Effective transmission of rate cuts by RBI has been very limited. Any steps to lower the cost of capital will be a welcome move.

NEED TO REVIVE BIG PROJECTS

S.N. SUBRAHMANYAN
CEO & Managing Director

R. SHANKAR RAMAN
CFO, Larsen & Toubro

THE INDIAN economy has been facing stress for the past few months. Many infrastructure projects were halted. If these alone are revived, it can provide employment to at least one lakh people.

A few things need to be done urgently to revive overall economic activity and business sentiments. The government has to prioritise allocation of funds for various projects in the infrastructure sector. The need is to rediscover credit flow to companies to keep momentum going.

Banks and other financial institutions have a liquidity surplus, which if brought into the system, can support in creating another $2 trillion economy. NPAs are part of business and can happen any time in the business cycle. Credit on hold fearing NPAs is not the answer. The government and banks have to be enablers in reviving the business sentiment and consumption.

In the last few months, we have seen a noticeable slowdown in economic activity, mainly in private consumption and industrial capex. Private sector investments were less in areas of industrial capex, private sector projects, construction, etc.

If we look at infrastructure, the revival of commercial and real estate sector is important. Projects like new hospitals as part of Ayushman Bharat, new IITs or new AIIMS have to happen to revive construction projects. In the EPC road sector, there is a slowdown and if projects are pushed and funds are released on time, it can ensure more employment. BT


9:41
INDIA TODAY
LIVE
TOP NEWS
VIDEOS
PROGRAMMES
TOP STORIES
Congress-mukt India
in Lok Sabha
for President
address.
STAY UPDATED
INDIA TODAY

THE HUB **GRAPHITI**

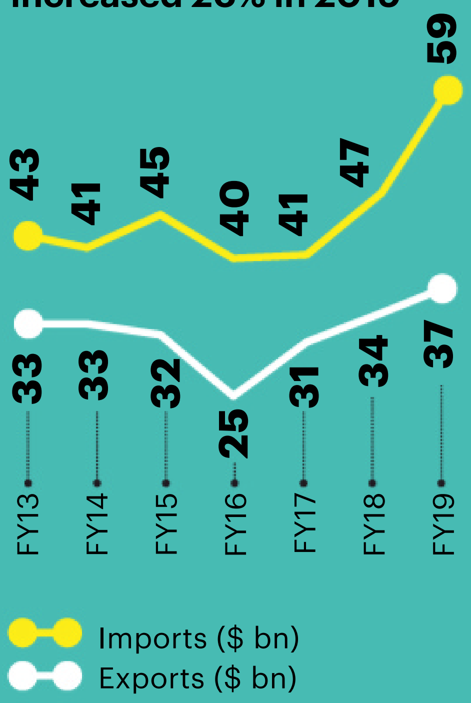
TRADE WINDS

WITH REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP (RCEP) AND TRADE TALKS WITH THE US AT ADVANCED STAGES, HERE'S A LOOK AT WHERE INDIA STANDS.

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

THE WIDENING TRADE GAP

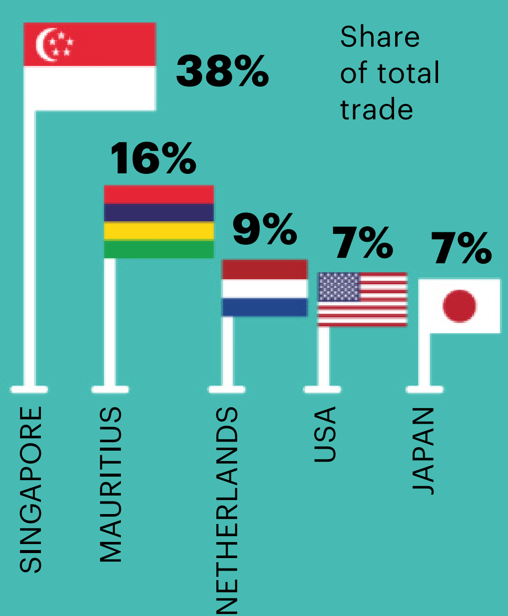
India's imports from Asean countries increased 26% in 2019



Source: CMIE

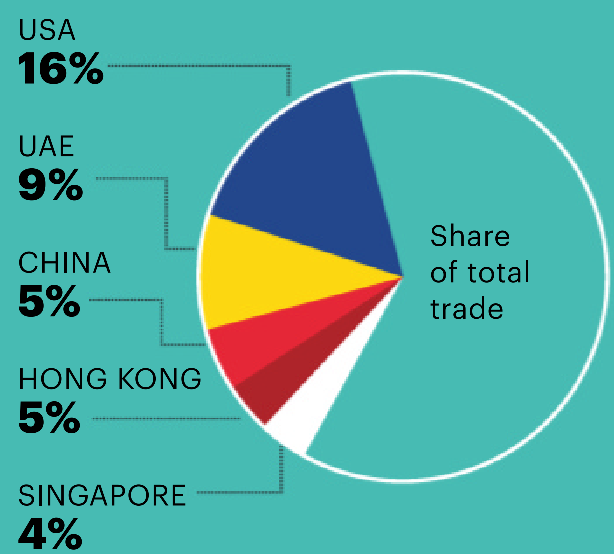
SINGAPORE ADVANTAGE

FDI inflows into equity from top five investing nations



THE AMERICAN DREAM

The country is the biggest destination for India's exports



$184
BILLION
India's trade deficit in 2018/19, with exports worth $330 billion and imports of $514 billion

$115
BILLION
Trade between India and the EU in 2018/19. The EU is India's top trade partner, followed by the US with total trade of $88 billion

22.3%
Share of Maharashtra in exports from India. Gujarat follows at 17.2 per cent and Karnataka at 12.7 per cent

34%

Share of raw material in imports. It is followed by intermediate goods (33 per cent), capital goods (22 per cent) and consumer goods (11 per cent)

$208

BILLION

The expected services exports in 2019/20, an year-on-year increase of 6.6 per cent. Imports are projected at $126 billion, a y-o-y increase of 7.2 per cent

THE RCEP

Why India dithers on the mega trade deal.

By JOE C. MATHEW

ON NOVEMBER 4, Prime Minister Narendra Modi will join heads of 15 other nations, negotiating partners of a mega free trade deal, the Regional Comprehensive Economic Partnership (RCEP), in Bangkok for the third Leaders Summit under RCEP. The meeting is expected to mark the finalisation of RCEP, a trade deal being negotiated among the 10-country Association of South East Asian Nations (ASEAN), China, Australia, New Zealand, Japan, South Korea and India for the last seven years. If signed, RCEP, whose countries' cumulative gross domestic product (GDP) is $49.5 trillion, or approximately 39 per cent of global GDP, will be the world's largest economic bloc.

One glitch, though.

Unlike most other partners, India is yet to make up its mind on whether or not it should join. As things stand now, it may join immediately, opt out temporarily with a promise to join later or join and not ratify the deal (which will make it inoperational for

GAMBLE

Commerce Minister Piyush Goyal (4th from right) with delegates at the 7th RCEP Ministerial Meeting in Bangkok

all practical purposes). In all likelihood, at Bangkok, India will be uncertainty personified.

Why is India finding it tough to make up its mind even after seven years of negotiations and hundreds of stakeholder consultations? Why can't it say yes if the deal is good, or no if it is bad? The answer lies in the very nature of the deal and its sheer size and scope. India's dilemma arises out of the possible impact – both opportunities and threats – on internal and external trade, investments, intellectual property rights, manufacturing capability and ability to frame and enforce laws to control the flow of data from electronic transactions. Further, India's experience with past free trade agreements (FTAs), including with ASEAN, South Korea and Japan, has not been encouraging. But the biggest trouble is the presence of China, India's biggest trade partner with which it already has a huge trade deficit. With the hit the domestic industry is taking from cheap Chinese imports, opening up a tariff-free route for it is the last thing India can afford. "India ran a merchandise trade deficit with 11 out of the 15 other members of RCEP in 2018/19 totaling $107 billion. India's overall merchandise trade deficit was $184 billion. China is the biggest trade partner among these countries. In 2018/19, 34 per cent of India's imports were from this region, while only 21 per cent of India's exports went to this region," Soumya Kanti Ghosh, Group Chief Economic Adviser, State Bank of India, has said in a report. For example, in agri imports, India imports only a meagre amount in milk and dairy products. "However, imports of these products could rise if New Zealand and Australia succeed in negotiating reduced duty on dairy products. Also, there is a fear that imports of cheaper electronic and engineering goods from China could increase further," he says, adding, "Alternatively, if other countries go ahead without India, we could miss becoming part of global supply chains for high-end goods such as electronics and engineering. India will reap the benefits of this deal only if it builds its capabilities."

The odds seem tilted in favour of a no or delayed deal, at least for now.

WHAT IS RCEP

In 2011, ASEAN leaders decided to explore the possibility of an umbrella trade agreement covering all its members and ASEAN's FTA partners. The negotiations began in 2013. After missing a 2015 deadline, the countries decided to conclude a modern, comprehensive, high quality and mutually beneficial RCEP by 2019. "At present, the RCEP participating countries (RPCs) are negotiating 25 chapters, which include issues such as electronic commerce, competition and disciplines on small and medium enterprises which have not been included in the World Trade Organization, largely because developing countries have argued that the proposals for inclusion of these are detrimental to their interests. Thus, when formalised, RCEP will be the most expansive regional trade agreement that India has ever negotiated," says Biswajit Dhar, a trade policy expert who teaches at the Jawaharlal Nehru University.

Trade agreements, whether bilateral, regional or multilateral, are about reducing tariffs and non-tariff barriers to facilitate trade. And that is what the RPCs have been trying to do through 28 rounds of negotiations and nine RCEP intersessional ministerial meetings. The last official communication from India's commerce ministry said that by the end of 28th round of negotiations at Da Nang in Vietnam, from September 19–27, there was agreement on 21 of the 25 chapters. Only chapters on investment, electronic commerce, rules of origin and trade remedies were left. The government, however, is silent over the level of tariff reduction that has been agreed upon. Two persons associated with the negotiations hint that India is likely to have agreed to bringing down all tariff lines (from 11,000-plus tariff lines or different product categories that are traded globally) that carry an import duty of 0-5 per cent. While 90 per cent tariff lines will bear concessional rates if not zero duty for products originating from ASEAN nations (Brunei, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam), it will be 80-90 per cent for other countries except China. And the rates will be effective immediately after the agreement becomes operational in India. In case of China, India will offer duty concession on 80 per cent of tariff lines, but in several phases spanning 20 years. The authenticity of the tariff plan could not be independently verified. Officials declined to speak saying the consultation is on. Last heard, on October 22, there was an agreement on some pending chapters, too, particularly e-commerce.

$2.7tn
The combined trade of RCEP members

THE BENEFITS

The most visible benefit for Indian exporters will be better access to markets of RCEP members, particularly China, Australia and New Zealand, as India already has trade deals with the other RCEP countries. Representatives of Indian pharmaceutical companies say they are anticipating market opportunities in China as it is the second-largest medicine market in the world after the US. However, they are not willing to come on record as the specifics of the deal – both tariff and non-tariff concessions – are not known. Cotton yarn exporters also say that prospects of exporting to China may improve as there will be a level-playing field for them vis-a-vis other importers. "As an exporters' organisation, we are for RCEP. The RCEP members' combined trade is $2.8 trillion. If we do not join we will be at a disadvantage in such a big market. We are all for market access," says Ajay Sahai, Director General & CEO of the Federation of Indian Export Organisations. This opinion cuts

REVENUE LOST

Import duties forgone during three years (2016/17 to 2018/19) were $10.3 billion, almost 57 per cent of customs revenue receipts in 2018/19

	2016/17	2017/18	2018/19*
Revenue forgone due to preferential rates under FTAs (In $ billion)			
From ASEAN	0.9	1.9	**3.7**
From Korea	0.5	1	**1**
From Japan	0.3	0.4	**0.6**
Total	1.7	3.3	**5.3**
Customs revenue receipts	31.3	19.7	**18.1**
Total revenue forgone as share of customs revenue (%)	5.3	16.8	**29.3**

*Provisional; Source: Statement of Revenue Impact of Tax Incentives Under the Central Tax System, Annex to the Union Budget Document

THE STUMBLING BLOCKS

As on October 10, RCEP negotiating countries had reached consensus on 21 out of 25 issues. The four chapters that were not concluded dealt with Investment, Electronic Commerce, Rules of Origin and Trade Remedies. Here are the key stumbling blocks:

BASE YEAR

India's Stand: Should be 2019; India has raised tariffs between 2014 and 2019

Majority's Stand: Should be 2013, when talks began

RATCHET CLAUSE

India's Stand: Freedom to increase tariff rates

Majority's Stand: Once reduced, tariffs should only go down

RULES OF ORIGIN

India's Stand: Strictly from the country of import

Majority's Stand: Anywhere within the RCEP region

TARIFF LINES

India's Stand: Country-specific negotiation

Majority's Stand: Should be more or less uniform

DATA LOCALISATION

India's Stand: Control over flow of e-data

Majority's Stand: Free flow of data, except for national security purposes

SAFEGUARD MECHANISM

India's stand: Auto trigger in case of import surge

Majority's Stand: Only in exceptional cases

across sectors, he says. "If you are looking at pure exporters, they cannot have any problem. If you are required to import inputs, you are getting it duty-free, and assuming you are exporting, you are getting better market access. So, it is not a sector-specific issue. Every sector will be comfortable if the companies have substantial exports. The actual concern will be for those who are only in the domestic market or predominantly in the domestic market," he adds. The FIEO has not gone overboard with its support to RCEP as it wants the government to safeguard the interests of industries that cater to local markets, too.

THE CONCERNS

While none of the specific industry players is willing to openly endorse RCEP, there are many who are voicing concerns. Automobile makers are disappointed, the dairy sector, especially Amul, is rebellious, and every industry association, including the Confederation of Indian Industry (CII), are cautioning the government against going ahead without sufficient safeguards. The call is for cautious engagement with sufficient safeguards to protect the domestic industry as much as possible. The problem, as former commerce minister Suresh Prabhu says, is that there cannot be global trade if every country tries to protect the domestic turf from imports. A middle path – give and take – is inevitable.

One problem India has been trying to sort out is the issue of base year. Majority RCEP negotiators want tariff reduction to happen from rates prevalent in 2013, the year the negotiations started. India finds this problematic as during 2014-19 it has increased import duties on dozens of products to give protection to its industries. If the base year is not 2019, these protections will prove to be short-lived. The second issue is rules of origin. The current provisions make circumvention easy. Several Chinese products are suspected to be reaching Indian shores through countries with whom India has a free trade agreement. Post RCEP, China could route its products (on which India maintains high tariffs) through other member nations, trade experts fear. The Ratchet provision is another contentious issue. While India wants freedom to increase tariffs if there is a surge in imports from other RCEP members, not many are supporting this. They want lowering of tariffs to be unidirectional. India is also raising a demand for localised data storage and permission to keep agriculture and dairy sectors in the exclusion list. These are yet to be sorted out.

If industry is okay with RCEP if it takes care of their concerns, civil society groups, especially the Swadeshi Jagran Manch (SJM) – a constituent of the RSS, are not. Ashwani Mahajan, Co-convenor, SJM, and one of the strongest critics of RCEP, wants India to have no truck with the deal. The SJM had organised a nationwide protest against RCEP between 10th and 20th October in all district centres. "RCEP will effectively function as an FTA with China. The trade deficit with China is an alarming $54 billion. It is a well-known fact that non-tariff barriers are the main reason for denial of market access to India. There is nothing in RCEP to effectively discipline non-tariff barriers (such as Mutual Recognition Agreements). The exclusive focus on tariff reduction will bring an end to Indian manufacturing," says Mahajan. Terming India's suggestion for an auto trigger safeguard mechanism to trim import surge as too optimistic, Mahajan wants India to abort plans for safeguard mechanisms after giving up its policy space on tariffs.

In another two weeks, it will become clear whether India has listened to totally anti-RCEP voices or moderate voices. The last thing that every Indian stakeholder wants is signing of RCEP for political gains or under geopolitical compulsions. BT

@joecmathew

The Outliers

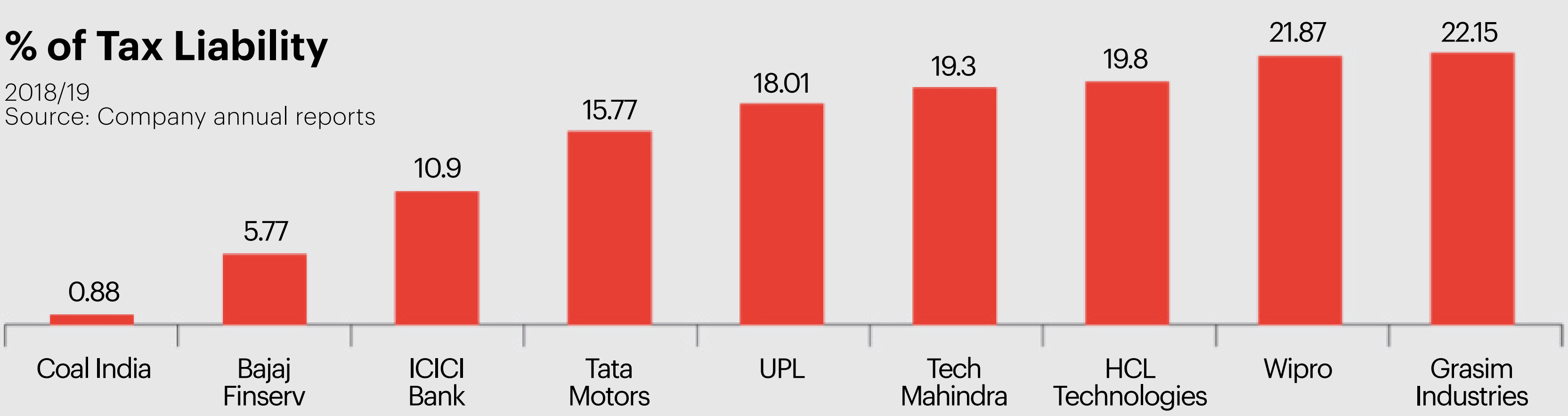
THE CORPORATE TAX RATE CUT MAY HAVE ENTHUSED A LARGE SECTION OF INDIA INC, BUT THERE ARE STILL MANY COMPANIES THAT DO NOT INTEND TO ACCEPT THE LARGESSE.

By DIPAK MONDAL
Illustration by Ajay Thakuri

The corporate tax rate cut announced by Finance Minister Nirmala Sitharaman in September is not turning out to be the silver bullet the government thought it was. The decision, under which the government offered companies a tax rate of 22 per cent if they did not avail of incentives or exemptions, has been unable to enthuse many big names of India Inc. "At present, for Infosys standalone, the India effective tax rate is less than 25 per cent. We are close to 23-24 per cent. So, I think at the moment, we are staying in the current regime. We will start evaluating as we look ahead through the next few years, but for now, we're continuing with the existing tax holiday regime," Salil Parekh, Chief Executive Officer and Managing Director, said in an analyst call after the company's second quarter results. Infosys is not alone. For many, the move to cut the basic corporate tax rate from 30 per cent to 22 per cent (after adding surcharge and cess, the new effective tax rate is 25.17 per cent as against 35 per cent earlier) will not make any difference as their present effective tax rate is lower than the new rate. And some of these companies are the who's who of India Inc. For example, Reliance Industries (RIL), the country's most valuable company, may not immediately avail of the new rate. In the second quarter, on a standalone basis, RIL's effective tax rate was 20.8 per cent compared to 25.4 per cent in the previous quarter. In year ended March 2019, it was 26 per cent, and that too when

Out of Reckoning

Nine companies in the Nifty50 pay an effective tax rate of less than 25%



we include its deferred tax liabilities. On current tax basis, it was just below 20 per cent.

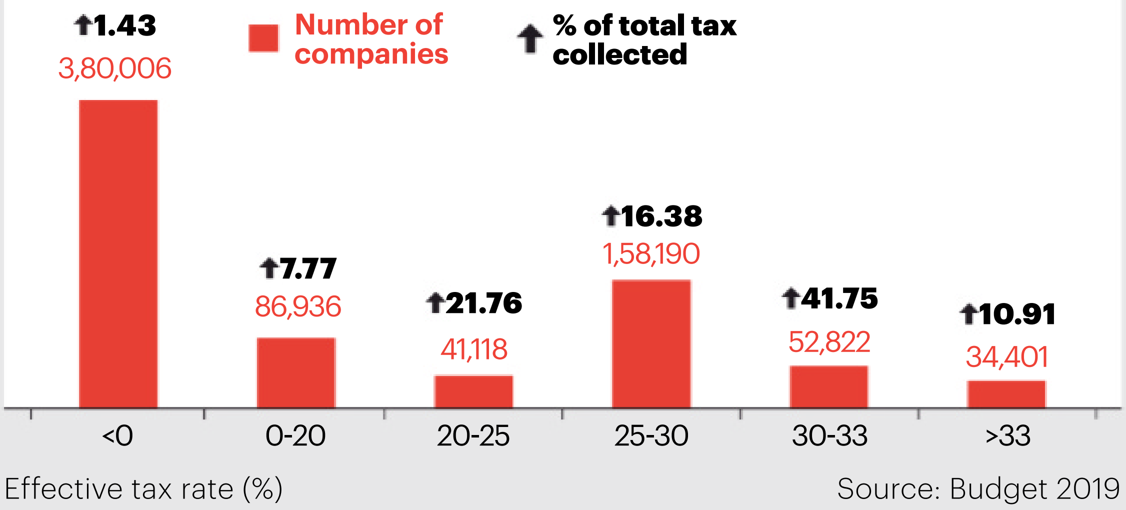
There are others, too. Tata Motors paid an effective rate of 15.77 per cent in the previous financial year, while Mahindra & Mahindra paid 24.77 per cent, Adani Enterprise 22.66 per cent and HCL Technologies 19.32 per cent. Even Tata Consultancy Services (TCS), the country's second-largest company with a market cap of over ₹7 lakh crore, paid 26 per cent. In the second quarter, it was around 23.5 per cent.

The companies can shift to the new rate whenever they want, but once they do so, they cannot go back to the old system. The government also did away with minimum alternate tax (MAT) for companies that do not avail of exemptions and incentives and reduced the MAT rate from 18.5 per cent to 15 per cent. It also reduced the basic tax rate for domestic companies incorporated on or after October 1 which make fresh investments in manufacturing to 15 per cent.

While most welcomed this as a big reform, the government spoiled the mood by putting several conditions. Apart from an end to exemptions, the companies opting for the new tax rate will not be eligible for setting off their brought forward losses on account of accelerated depreciation. They also cannot use MAT credits accumulated over the years.

Uneven Spread

Companies with 30-33% effective tax rate pay the most corporate tax



Source: Budget 2019

Making the Cut

The transition, say experts, could take place over a few years. A Crisil survey of 850 large (by revenue) companies found that one-third – from capex-heavy sectors such as power and oil & gas – wanted to continue with the older regime. Manish Gupta, Senior Director, Crisil, says for companies which avail of a lot of exemptions and deductions, the effective rates are less than the new rate of 25.17 per cent. This, he says, will make them wait and watch. Unavailability of MAT credits and carry forward of losses are also dampeners.

So, how many companies will not make the switch? Budget data on revenue forgone due to tax exemptions and incentives to companies show that close to five lakh companies (out of 8.5 lakh), accounting for 31 per cent of the total tax paid to the government, paid less than 25 per cent in 2017/18. Many show net losses but still pay MAT. There are as many as 1.45 lakh companies which pay 25 per cent or more. They accounted for 69 per cent of the tax collected in 2017/18. The overall effective tax rate was 29.5 per cent with average of 27.83 per cent for the manufacturing sector and 30.55 per cent for the non-manufacturing sector.

Though companies that are not going to avail of the new rates immediately are from all the sectors, a big chunk are from manufacturing. "In the manufacturing sector, companies which are primarily into production of industrial goods and consumer durables, etc, which get a lot of tax incentives, are the ones which will wait before shifting to the new tax rates," says Sudhir Kapadia, National Tax Head, EY. He says export-oriented companies in SEZs are also likely to be paying less than 25.17 per cent tax and will weigh all options before taking a call.

₹92,000 CRORE

The benefit on account of export profits of SEZ units and accelerated depreciation in 2018/19

The Crisil report, which predicted that 2/3rd of the (850) companies it surveyed would avail of the new rates immediately, also says that "a majority of them from sectors such as auto, chemicals, textiles, gems & jewellery and retail are likely to shift immediately".

On service sector firms, Kapadia says, "The effective rates for most services firms, apart from the export-oriented ones in SEZs such as software companies, would be higher than 25.17 per cent because generally the entire services sector now avails of very few specific (tax) benefits and, therefore, it makes sense for them to immediately switch to the new rates."

A look at the effective tax rate for Nifty 50 companies shows that service sector companies like financial services players paid an effective tax rate of 30 per cent or more in 2018/19. Zee Entertainment Enterprises (the only service sector company in Nifty 50 other than banks and software companies) paid an effective rate of 36 per cent in 2018/19. Most large software companies are around the mid-20 per cent figure. Kapadia of EY says the reason is legacy SEZ benefits. Companies in SEZs get a tax benefit for 15 years.

Exemptions & Incentives

The government expects to forgo around ₹1.09 lakh crore (excluding net MAT collections) due to tax exemptions and incentives to corporates in 2018/19. The Budget 2019 listed 28 such exemptions, of which two – deduction of export profits of units in SEZs and accelerated depreciation – account for ₹92,000 crore or 85 per cent of the ₹1.40 lakh crore total exemptions given to companies. "The two large items will continue in 2019/20. With continuation of the exemptions, the effective tax rates (for many companies) will be lower than the announced 25.17 per cent," says a Kotak Economic Research report. These exemptions are mostly available to manufacturing and export-oriented companies. Shifting to the new system will make them ineligible for these exemptions. However, most of these exemptions have a sunset clause. For example, deduction of SEZ export profits is allowed for 15 years – 100 per cent deduction in the first five years, 50 per cent in the next five years and an amount not exceeding 50 per cent export profit for the next five years. Only when a company has used up these benefits will it look to shift. For example, a company can establish a new unit in an SEZ by March 31, 2020, and benefit from the deduction for the next 15 years.

Many companies having both SEZ and non-SEZ units are considering restructuring their business by moving non SEZ units into a separate company. There are no provisions which restrict such restructuring. However, Krishan Malhotra, Partner at Dhruva Advisors LLP, points out that companies considering such restructuring will need to be mindful of General Anti Avoidance Rules (GAAR), which may be invoked by the tax authorities. Non-availability of MAT credits and carry forward of losses are also holding back companies from taking the plunge.

The government, on its part, has advised the companies that since there is no deadline for the shift, a domestic company having MAT credits and carried forward losses on account of additional depreciation may exercise the option after utilising MAT credits and setting off its accumulated losses.

MAT is applicable on companies which show losses or zero profits as per the income tax laws but profits as per the Companies Act. These companies are liable to pay tax on profit calculated as per the Companies Act and pay a MAT of 18.5 per cent (effective rate 21.55 per cent after factoring in cess and surcharge). The new MAT rate is 15 per cent (effective rate 17.47 per cent). MAT credit is the difference between the tax the company pays under MAT and regular tax. It is allowed to be carried forward for 15 financial years. Unabsorbed MAT credit can be accumulated for 15 years. According to Union Budget 2019, companies availed of MAT credits worth ₹15,300 crore in 2017/18.

"The companies which have been paying MAT can avail of MAT credit for the next 15 years against future profit. They will wait for the credit to get exhausted before opting for the new rates," says Nand Kishore, Partner, DSK Legal.

Similarly, accumulated losses due to additional depreciation can be set off against future profits. This is not allowed if one opts for the new rate. So, companies may first like to fully set off such losses against future profits and then opt for the new regime.

In the end, companies have to weigh all the options, make future profit projections and then take a decision. "You have to project profits and see if you can avail of MAT credits and additional depreciation. For that you need to know what your profits are likely to be, which in today's volatile environment is not easy. That is why many companies may wait for some more time before taking a call," says Sudhir Kapadia of EY. BT

@dipak_journo

"In manufacturing, companies which are primarily into production of industrial goods and consumer durables, etc, which get a lot of tax incentives, are the ones which will wait"

Sudhir Kapadia, National Tax Head, EY India

"Companies fear that GAAR could be used to reject any restructuring and hence may avoid it"

Krishan Malhotra, Partner, Dhruva Associates

'DEV-BHOOMI' HIMACHAL PRADESH

THE LAND OF GODS

A humble invite to the Global Investors' Meet-2019

'Himachal' meaning snow-laden, is often called the 'Switzerland of India' as it is the home to spectacular snowy peaks, river valleys, thick forests and beautiful mountain ranges. I, on behalf of the people of Himachal Pradesh, extend a warm welcome to investors from India and abroad to come and visit our maiden Global Investors' Meet on 7th & 8th November, 2019 at Dharamshala.

With coming to power of my government, there was a generational change in the state leadership and change in the mindset as well. With an aim to accelerate the economic growth of the state and make it an attractive destination for investors, my government is hosting Global Investors' Meet on November 07th and 08th, 2019 at Dharamshala with investment target of Rs 85000 crore.

The state is bestowed with natural beauty, salubrious climate, peaceful law & order and labour situation, abundant hydro electric power, unharnessed renewable energy potential, raw material for food processing, besides skilled and diligent manpower. With this in mind, we identified eight focus sectors for boosting investment in the state, namely, manufacturing & pharmaceuticals; agri-business, food processing & post harvest technology; tourism, hospitality & civil aviation; hydro & renewable energy; wellness, healthcare & Ayush; housing, urban development, transport, infrastructure and logistics; information technology, ITeS & electronics; education & skill development.

We took several initiatives to improve the ease of doing business by relevant policy interventions and simplification of procedures for clearances and approvals. To encourage balanced development of industrial and service sector, we brought out the State Industrial Investment Policy 2019 and my government is in the process of further liberalising our policies to make investment in various sectors more rewarding.

To tap our abundant tourism potential, we released the State Tourism Policy 2019 and Sate Film Policy 2019. To improve connectivity, my government is making earnest efforts to develop a new greenfield international airport in Mandi, expand the existing airport in Dharamshala to cater to wide bodied aircrafts, spread the network of ropeways and add 11 new helipads in the state. Currently, we are undertaking tourism infrastructure projects worth Rs 1900 crore with financial support from Asian Development Bank. Under a new scheme named Nai Raahein Nai Manzilein, we have identified virgin destinations and plan to turn them into tourism hubs namely, Bir-Biling for paragliding, Chanshal for skiing, Pong Dam for water sports and Jhanjehli for eco-tourism.

I led a delegation to Germany, Netherlands and UAE and we organized six domestic road shows at Bangalore, Hyderabad, Mumbai, Delhi, Ahmadabad and Chandigarh. We hosted Ambassadors' Roundtable meeting at Delhi, in which diplomats of more than 60 countries participated. During these events there was an overwhelming response to invest in Himachal.

With the blessings of Shri Narendra Modi, our Hon'ble Prime Minister, we are sure that the Himachal Pradesh Global Investors' Meet will be a roaring success. Union Ministers, Ambassadors and foreign delegates, policy makers, captains of Indian and global industry will be joining us. I invite you to Himachal Pradesh to avail this great investment opportunity and become a partner in our development.

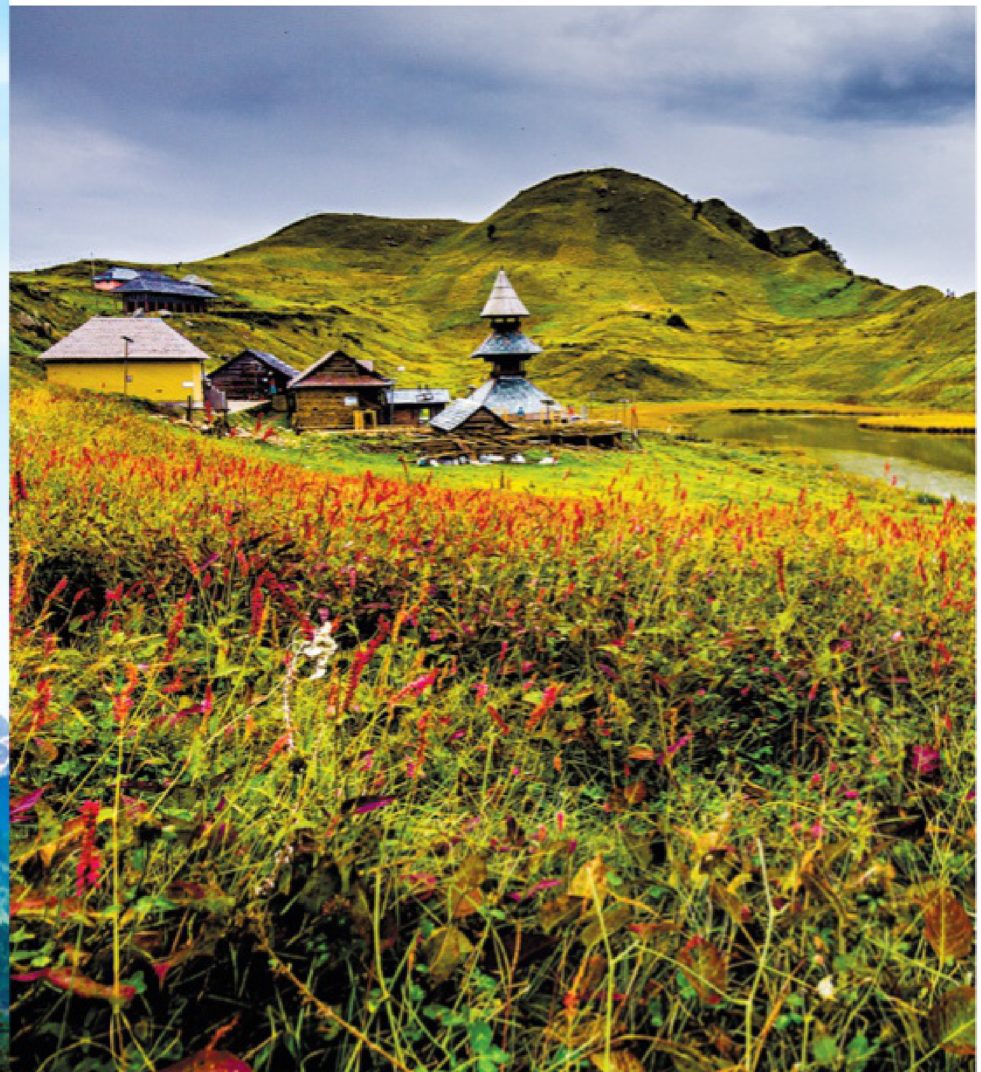
JAI RAM THAKUR, *Chief Minister*

RISING HIMACHAL

INVESTORS' HAVEN

GLOBAL INVESTORS MEET
07-08 NOVEMBER 2019
DHARAMSHALA

Welcome to the land of lucrative investments. Welcome to Himachal!



Shri Jai Ram Thakur
Chief Minister, Himachal Pradesh

Advantage Himachal

- Power surplus state with lowest power tariff
- Proactive & supportive government
- Harmonious industrial relations
- Empowering policies and incentives for the investors
- Salubrious environment for high productivity

0177-2622059

Email: investments@risinghimachal.in
Website: www.risinghimachal.in

Economic Diplomacy & States Division
Ministry of External Affairs
Partner Ministry

Ministry of Commerce & Industry
Partner Ministry

Follow us on

REDUX AT INFOSYS

Whistleblower allegations fall in four buckets – questionable accounting standards; ethics of top management; disclosure standards; and ethnic slur.

By GOUTAM DAS and RUKMINI RAO

Salil Parekh, Chief Executive Officer of Infosys, has been accused by whistleblowers of following unethical practices to boost the company's near-term revenues and profitability

THE INVESTOR page of Infosys' website welcomes you with a quote from its legendary founder, N.R. Narayana Murthy. "Good corporate governance is about maximising shareholder value on a sustainable basis while ensuring fairness to all stakeholders: customers, vendor partners, investors, employees, government and society." The company is committed to defining, following and practising the highest level of corporate governance across all its business functions. "Integrity and transparency are key to our corporate governance practices and performance...," Infosys says.

But recent turn of events cast a shadow on the company's corporate governance practices. Murthy's "fairness to all stakeholders" statement is under question. The company's lily-white image appears tinged, and not for the first time.

The latest, first. A group of employees, likely from the company's finance team, wrote to the Infosys Board of Directors and the US Securities and Exchange Commission (SEC) alleging unethical practices by the company's Chief Executive Officer Salil Parekh. "In the last quarter, we were asked not to fully recognise costs like visa costs to improve profits," the mail, from the group identifying itself as 'Ethical Employees' and dated September 20, 2019, stated. "This quarter, there is a lot of pressure to not recognise reversals of $50 million of upfront payment in FDR (First Tier, Downstream and Related Entities) contract, which is against accounting practice," the mail added.

It goes on to say that critical information relating to large contracts was hidden from the auditors and the Board and that large deal approvals have irregularities. "(The) CEO is bypassing reviews and approvals and instructing sales not to send mails for approval. He directs them to make wrong assumptions to show margins. CFO (Nilanjan Roy) is complaint and he prevents us from showing in Board presentations large deal issues," the mail alleged. "Several billion dollar deals of last few quarters have nil margin." The company, in short, was allegedly trying to boost its near-term revenues and profitability prospects under the direction of its top management.

Analysts were quick to respond. In a note, Harith Shah of Reliance Securities called out the corporate governance breach. "Deputy CFO (Jayesh Sanghrajka) has also quit. This in itself is an indirect admission that something is rotten. The stock will now languish 10-15 per cent lower in the near term," he stated. "The market is very unforgiving of companies that have corporate governance issues and while it would not be fair to directly jump to conclusions, this issue appears quite ugly at least on the surface. While we await developments on the Board investigation, given the stock is so widely held, it is very likely that some investors will vote with their feet and sell at least some of their holdings," he added.

The allegations broadly fall into four buckets: questionable accounting standards; ethics of top management; disclosure standards, and ethnic slur. While Shah sniffs trouble, there are many others who feel Infosys' current accounting practices are merely aggressive, not fraudulent.

When *Business Today* contacted Infosys for comments on the above issues, the company replied: "We don't have any additional information to share at this time, other than our statement, which was sent to exchanges this morning."

Questionable Accounting?

A former CFO of another IT services company told *BT* that accounting standards don't prescribe any rules on how visa costs should be treated. "It's usually left to the company – some take a hit in one-two quarters while others prefer to spread the costs over the life of the visa," he says, requesting anonymity.

THE ALLEGATIONS

- Costs like visa not fully recognised last quarter (Q1) to improve profits
- Pressure to not recognise reversal of $50 million in FDR contract in Q2
- Large contract revenue recognition not as per accounting standards
- CEO's travel expenses to Mumbai paid by the company – unauthorised personal claims and non-compliance by the CEO
- Large deals and important financial information not completely shared with Board members
- CEO and CFO preventing others from making key disclosures in 20F and annual reports

ROUGH GOING

The company's stock price has fallen sharply

Source: Ace Equity

On the pressure to not recognise reversals of $50 million of upfront payment in certain contracts, the former CFO says the treatment depends on how the contracts are structured: "Several factors such as visibility of the contract lifecycle and risks are taken into consideration before recognising such costs upfront. If it's a high-risk contract, then usually companies try to recognise it in one go, else it's usually spread over the tenure of the contract. There is no set treatment prescription by accounting standards."

Similarly, big deals with low margins appear to be less of an accounting issue and more of a management call. Haitong Securities mentioned in a note around the Infosys saga: "The practice of bidding at low margins is quite common across industry, especially with large deals to get a large client at the start and then optimise profitability."

One would, therefore, have to wait for the finer details to emerge on how these contracts were being structured in Infosys' case. But since the allegations come from whistleblowers within Infosys, there could be merit in them, industry watchers feel.

The whistleblower complaints, meanwhile, are a reflection of the tensions that large IT services companies face. A range of exponential technologies such as Artificial Intelligence is making companies re-skill their employees. Many Indian IT companies are taking time to make this pivot, which is putting pressure on revenues.

"Most traditional IT services companies are slower to change on account of well-established (albeit dated) services and practices that continue to deliver a large chunk of numbers," says Sanchit Vir Gogia, Founder and CEO of Greyhound Research, a technology advisory firm. "Having said that, these companies are also putting their weight behind new-age technologies and investing in skills to build practices that are important to be in line with the changes at the clients' end. Naturally, this balancing act between traditional services and new-age competencies is no cakewalk... and creative financial techniques are the most natural way out to keep investors at bay while the company quietly develops skills... Think of it like a duck that is paddling hard below the surface while appearing calm above the water," he adds.

Ethics at the Top

This isn't the first time questions are being raised about Infosys' exalted status in corporate governance. During the reign of Parekh's predecessor Vishal Sikka, whistleblowers had alleged that he overpaid for acquisitions, and Murthy himself spoke up against the huge severance packages of some employees (Rajiv Bansal and David Kennedy). Sikka's own compensation spiked over 50 per cent, something that was unheard of at Infosys. His insistence on lavishness during stays abroad and flying private jets for business trips irked the founders, who believe in frugality.

Infosys' trouble with corporate governance, however, started even earlier – in 2013, when Rohan Murty, Narayana Murthy's son, joined the company as an Executive Assistant to the Executive Chairman. At that point, Shriram Subramanian, Founder and MD of InGovern Research, a corporate governance advisory, noted that "there are solid reasons why recent observations at the company raise question marks about its adhering to corporate governance in spirit". The appointment, he added, was an "act of nepotism, broke an oft-repeated statement by the company founders that their children would not aspire for roles within the company".

In the latest whistleblower complaint, Parekh is the target. "The CEO spends two and half days in a week in Ecity (Electronic City in Bangalore) and the rest in Mumbai. All his travel expenses are paid by the company, for these weekly personal trips," the whistleblower letter alleges.

The question mark around ethics, together with the doubts created around the company's accounting practices, can lead to indecisions even within Infosys, analysts say. Credit Suisse noted that whether proven or not, the allegations can lead to a lot of uncertainty. "The nature of the allegations and the fact that they are coming

HOW THE WHISTLEBLOWER SAGA UNFOLDED

September 20
Whistleblowers write to Infosys accusing the company of following 'disturbing unethical practices'

September 27
They write to SEC on accounting irregularities

September 30
A board member receives two anonymous complaints

October 3
Whistleblowers again write to SEC; send e-mails and voice recordings as additional information

October 10/ 11
Complaints placed before the company's Audit Committee and non-executive members of the board

from its own employees make this a serious matter. If proven, this can lead to the CEO and CFO being fired with potential SEC investigations against them. Even if these are not proven, this can kick-start a period of potential uncertainty amidst management ranks and clients. It will not be unreasonable to assume that such issues eat significantly into management bandwidth which may have a bearing on growth and execution for a company of Infosys' scale," the financial services company stated.

SEC has initiated an investigation around the whistleblower complaints. Infosys, in a statement, said that it would cooperate with the investigation.

October 21
Infosys acknowledges complaints in a statement to stock exchanges

October 23
SEBI seeks clarification for non-disclosure of information about the whistleblower complaint

October 24
Infosys says SEC has initiated an investigation on the complaints

Disclosure Standards

While the whistleblower letter was dated September 20, the news broke and became public only a month later, on October 21. Investors dumped the stock, as expected. Infosys' shares slid over 16 per cent on October 22, wiping out ₹53,000 crore of its market cap.

Infosys knew of the charges but did not inform its shareholders on time — another corporate governance lapse, according to some.

On October 22, Nandan Nilekani, Chairman of the company, finally released a statement to the stock exchanges. One Board member had received two anonymous complaints on September 30, 2019, he stated. "Pursuant to our whistleblower practice we have placed both complaints before the Audit Committee on October 10, 2019, and before the non-executive members of the Board on October 11, 2019. These complaints are being dealt with in an objective manner," the statement reads. The company's audit committee has retained the law firm of Shardul Amarchand Mangaldas & Co to conduct an independent investigation. To ensure independence in the investigations, the CEO and CFO have been recused. Sources in Deloitte, Infosys' auditors, meanwhile, told *BT* that all auditor decisions will be also up for review by the audit committee.

Infosys may have followed the established protocol in setting up the investigations but being late in informing investors isn't something activist shareholders are willing to ignore. Subramanian of InGovern Research says that at the end of the day, if information is hidden from the Board, information is also hidden from investors. "Infosys, knowing that it is under tremendous scrutiny, should have been extra careful and should have informed investors in a timely manner. Otherwise, it is a question of hubris. That is why they have opened themselves up to class action lawsuits in the United States – the Board knew but did not inform the shareholders in a timely manner. Over 10 law firms have reached out to shareholders," he says.

At the time of going to press, one securities class action lawsuit had been filed in the US federal court.

Infosys may have to deal with insider trading headwinds as well. Once the whistleblower's letter became public, stock market observers started pointing towards several positions taken by traders indicating the possibility of insider trading. In the derivatives space, exchange data indicated unknown traders taking large 'put' position in contract series ending in September and holding their positions through October for a certain 'strike' price. In a 'put' option the buyer makes a profit if the price falls below the strike price before the expiration. The suspicion of insider trading is because these positions were created in a week's time, around the date mentioned in the whistleblowers' letter.

Ethnic Slurs

In their complaint, the whistleblowers mention: "CEO told us, 'No one in the Board understands these things. They are happy as long as the share price is up. Those two *Madrasis* (Sundaram and Prahalad) and Diva (Kiran) make silly points. You just nod and ignore them'."

On the face of it, this appears colloquial. But it doesn't project the Infosys CEO in good light. In fact, what he said, if proven, can be construed as ethnic slurs. The US particularly has low tolerance for any such comments.

All the three independent Board members referred to have a long, successful association with business. Kiran Mazumdar-Shaw is the Chairperson and Managing Director of Biocon. D.N. Prahlad is the Chairman of EdgeVerve, while D. Sundaram is the Vice Chairman and MD of TVS Capital Funds.

The audit committee's report that will unravel the indiscretion, the allegations, seen jointly with the ones made since 2013, do raise doubts around the company's systems, processes and culture – the same systems and culture that once made the company the poster boy of brilliant governance. **BT**

@Goutam20 @rukminirao

FAR BEHIND

Schemes that have extended their original closing dates as they were unable to fully exit from all investments

FUND	LAUNCH DATE	ORIGINAL CLOSING DATE	REVISED CLOSING DATE	AMOUNT RAISED (₹ crore)
Indiareit Fund Scheme IV*	Jun-10	Jun-17	Jun-19	**889**
Indiareit Mumbai Redevelopment Fund	Apr-12	Apr-19	Apr-20	**500**
Indiareit Fund Scheme V	Jul-13	Jul-19	Jul-20	**1,000**
Reliance Yield Maximiser AIF Scheme I	Sep-14	Mar-19	Mar-21	**718**
Reliance Yield Maximiser AIF Scheme II	Dec-15	Sep-20	NA	**233**
Aditya Birla Real Estate Fund	Aug-10	Aug-16	Closed in August 2019	**1,057**

*The fund has not been able to exit two out of eight investments as yet
Source: Companies, investor updates

NO EXIT

Most real estate funds, set up a decade back to help developers with land deals, are facing an existential crisis. They need to take a re-look at their investment strategies to generate positive returns for investors.

By RASHMI PRATAP
Illustration by Raj Verma

THE YEAR WAS 2005. Massive growth in IT services in the late 1990s had pushed up demand for residential and commercial real estate. While the demand was rising, there wasn't enough capital to meet the realty requirements of residential and corporate users. The government decided to open real estate to foreign direct investment (FDI) to help the capital-starved sector.

Alongside, in 2006, the banking regulator, the Reserve Bank of India (RBI), prohibited banks and housing finance companies from funding land purchase transactions of developers. Real estate players did not feel the pinch immediately as the gap was bridged by global private equity players, which were using the FDI window to pump in money.

Not surprisingly, between 2005 and 2008, close to $12 billion came into real estate from marquee global investors and went into futuristic projects like Special Economic Zones and luxury hotels. But the global meltdown in 2008 brought this capital inflow to a grinding halt. And the RBI's direction to banks not to fund land hit developers hard.

It was at this time, when both banks and global investors had pulled out of Indian realty, that a new breed of funds came up to meet early stage capital requirements of developers – domestic real estate funds. This regulatory arbitrage, where banks stayed away from lending for land, led to the birth of about 20 domestic real estate funds between 2009 and 2013.

With global investors focusing on the more steady commercial real estate segment, domestic funds became the saviour for residential realty developers, which make up for 80 per cent of the market.

As per Anarock Research, domestic real estate funds pumped in close to $10 billion into the sector between 2015 and third quarter of 2019, of which nearly 70 per cent was in the residential segment while the remaining was across commercial, logistics, warehousing and retail.

"Most of these funds raised domestic money to fund developers," says Sharad Mittal, Director and CEO of Motilal Oswal Real Estate (MORE). These include funds raised by ASK Property, MORE, ICICI Prudential, IIFL, Piramal Group's India REIT, Reliance Capital and Aditya Birla group. The money was raised primarily from high net worth individuals, family offices and institutions and all these funds are of the 2008-14 vintage.

But 10 years from then, most real estate funds are either staring at negative returns for investors, have exited their investments at a loss or continue to extend the exit deadline hoping to close at a better valuation.

PHOTOGRAPH BY RACHIT GOSWAMI

"You need the same people, who raised the capital, to deploy and monitor it continuously and see it through the exit. That's where our domestic industry failed terribly"

Sharad Mittal, CEO,
Motilal Oswal Real Estate

Funds in the Red

The Piramal group's Indiareit Fund Scheme IV, Indiareit Fund Scheme V and Indiareit Mumbai Redevelopment Fund have all extended their original closure dates due to the inability to exit fully from all investments. The same is true of Reliance Yield Maximiser AIF Scheme I and II.

"Exit risk is the biggest concern for

BEST PERFORMERS

Funds that have given returns of more than 20 per cent

Source: Companies, investor updates

FUND MANAGER	NO. OF SCHEMES	VINTAGE	AMOUNT INVESTED (₹ cr)	AUM (₹ cr)	NO. OF INVEST-MENTS	FULL EXITS	GROSS IRR OF EXITS (%)
Motilal Oswal Real Estate	4	2009-19	2,743	3,500	50	28	**22**
ASK Property Investment Advisors	4	2008-19	2,200	3,600	29	10	**26**
ICICI Pru	2	2012-19	2,600	1,700	38	17	**21**
IIFL	4	2013-19	1,800	3,900	20	3	**20**

us. Our returns are adversely affected if we can't exit in a timely manner," says a Mumbai-based fund manager (anonymity requested).

Real estate is a cyclical industry and if investors are not able to exit a project, due to delays or other reasons, then it gets tougher to get good returns as troughs follow peaks.

There are many factors behind why most funds have not been able to give positive returns. "One of the critical factors is the fund manager and the key team personnel," says Amit Bhagat, CEO and Managing Director, ASK Property Investment Advisors.

MORE's Mittal agrees that the team is the most important ingredient in the investing business. "Globally, too, there is a strong focus on getting the right team and retaining them for a long period. Unlike cases where there is yearly gratification, the results here are out only over a long period of seven to eight years. So, you need the same people, who had raised the capital, to deploy and monitor it continuously and see it through the exit. That's where our domestic industry has failed terribly," he says.

There are two main reasons why any professional will put in a 10-year-cycle at a fund. "One is independence and second is alignment of interest. Globally, performance fee is shared with the team, but in India, the practice is selective," adds Mittal.

Fund managers of all successful funds have seen the investments pass through all the three stages. Vipul Roongta, MD and CEO of HDFC Capital Advisors; MORE's Mittal; and ASK's Bhagat, for instance, have been around since the funds were raised. This kind of stability at the helm partly explains the 20 per cent-plus returns that these funds have generated.

This stability was, however, missing in the case of Aditya Birla Real Estate (ABRE) Fund, a six-year closed-ended fund which was due to mature in August 2016. It wound up in August 2019 after extension of the tenure by three years and gave a return of -2.66 per cent over the nine-year period. The fund was overseen by three portfolio managers during its tenure.

Shobhit Agarwal, Managing Director and CEO, Anarock Capital, says one of the key reasons behind domestic funds not being able to generate good returns is that their focus has been on residential projects. "This segment has been under severe stress due to issues like delayed or stalled units, low sales and fairly low yields, thereby making it difficult for investors to exit with any substantial gain," he says.

Over 1.3 million flats are lying unsold across the country, an inventory that will take over 40 months just to clear up.

In contrast, the commercial segment has been doing significantly well, giving positive returns to foreign investors, who invested close to $13.7 billion in Indian real estate between 2015 and the third quarter of 2019. Of this, nearly 64 per cent was in the commercial segment.

Strategy Reboot

Another major factor behind the low returns of some funds has been the choice of projects, which were either in far-flung locations with low job and growth prospects or were with developers that could not deliver. ABRE Fund I, for example, could not exit from some projects – bankrupt builder Amrapali's Noida Golf Homes is one of them. It is time that funds tweak their investment strategies in line with market demand.

Bhagat says poor partner selection and investment in long gestation projects pulls down returns. "The location should be in proximity to job growth corridors," he says.

Mittal says: "We decided to stay out of Delhi and Mumbai as these markets are frothy and speculative. We always ensured that we do business with large developers because we knew that whenever the Real Estate (Regulation and Development) Act or RERA is implemented, it would clean up the bottom 70 per cent of developers."

Besides, all the successful funds have been focused on mid-income and affordable housing. "That is what sells in India – a house between ₹40 lakh and ₹80 lakh – and that's where the bulk of the housing market is," adds Mittal. MORE has executed 52 transactions so far and the average selling price of its portfolio is ₹5,200 per sq. foot.

While ASK focuses on equity structures for investment, MORE is focused on mezzanine debt structures wherein the investment carries a fixed

Why some funds are in the red...

- Frequent change of fund manager and key team personnel
- Investment in long gestation projects
- Lack of financial closure planning
- Reliance on price appreciation in the finished product
- Poor underwriting standards, lack of 'margin of safety'
- Incorrect selection of market segment (like concentration of investments in segments such as luxury or extended suburbs)

...and some are minting money

- Investing in projects in job growth corridor areas
- Focus on affordable and mid-segment housing
- Robust risk management framework
- Direct involvement with developers
- Steady fund manager and team

[redacted]

coupon rate like debt but also has an upside earned through superior project performance. These strategies can help funds keep risks in check.

INVESTOR OPTIONS

While fund managers are expected to invest in projects that can maximise returns, investments are always fraught with risks. And investors, who need a minimum of ₹1 crore to participate in a real estate fund, do not have many options if a fund is unable to keep its promise.

The CEO of a wealth management service provider (anonymity requested) says he stopped recommending real estate funds about five years back due to lack of transparency in sharing data by most funds. "We observed that barring a few funds, there was no way to access critical information about portfolios and investments. It is a black box. And the sector itself was in the bubble zone with highly leveraged players. We stayed away due to opacity of many of these funds," he says.

While the funds are monitored by the Securities and Exchange Board of India (Sebi), the market regulator is yet to standardise disclosure norms for real estate funds.

Once an investment is in the loss zone, investors don't have many options. There is a provision for in-specie distribution, which means the instrument of investment at the project level can be distributed physically on a proportionate basis to investors.

Bhagat, however, says that despite this provision, the most viable alternative for investors is to extend the term of the fund. "This is needed so that the fund manager, who has an understanding of the assets and inherent risks, can find the most viable exit option in the extended period," he says.

The individual negotiation of investors with developers will only erode their bargaining power, making extension a better option.

Anarock's Agarwal says the residential segment, which is in dire need of funds, is seeing minimal investments, particularly from foreign investors. "Several delayed projects need to see completions. It has become more of a chicken and egg situation, where funds are not available to complete projects, making it difficult for investors to make an exit."

"It is about location, buying at a value that has a margin of safety, monitoring cash flows, ensuring RERA compliance and then making a margin on it"

Amit Bhagat, CEO and MD, ASK Property Investment Advisors

$10 BN

Investment by domestic real estate funds (2015 to Q3 2019)

70%

Residential segment's share in this investment

The result of all this is that investors for residential real estate funds are diminishing. "The sector is still reeling under a severe liquidity crisis. Amid low yields, most investors are shying away from it," he adds.

As per Anarock data, residential segment received only $295 million private funding in the first three quarters of 2019 as against $210 million during the corresponding period last year. Though it saw nearly 40 per cent yearly gain, it is much lower than its earlier peak levels.

In the last one year, there has not been any new major fund launch. "There is now almost no appetite among investors for real estate funds as they have not done justice to all investors," says Mittal.

With liquidity drying up for most developers and some others saddled with excessive unsold inventory, the sector now requires curated solutions. "They are not operating under stringent regulations like non-banking financial companies. The cash flows are not predictable and binary and so there is a large scope for structured credit or structured equity deals," says Mittal.

An investment strategy for real estate funds can no more be one-size-fits-all, says Bhagat. "It is about location, buying at a value that has a margin of safety, monitoring cash flows, ensuring compliance with RERA and then making a margin on it," he explains.

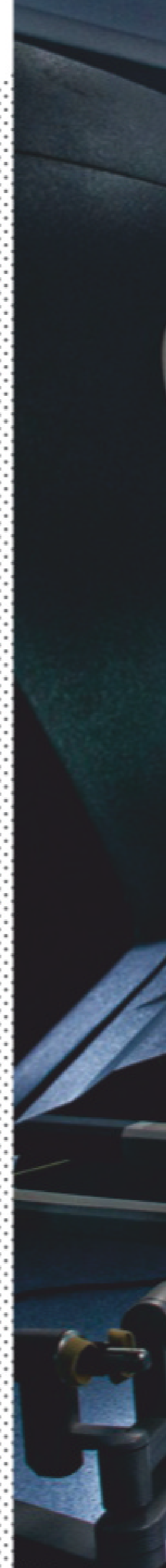
With increasing regulations as well as uncertainties, investors would be better off trusting their money with professional fund managers who have a proven track record rather than going by fancy brochures. And real estate funds should take a cue from their successful counterparts to realign their focus towards investing in mid-income housing projects of marquee developers at accessible locations. They must also stay involved at various stages of every project they invest in. BT

@RashmiPratap3

ROBO DOC

Robots are changing the world of surgery, including in India.

By P.B. JAYAKUMAR
Photograph by Rachit Goswami



AT INDIAN SPINAL Injuries Centre (ISIC) in New Delhi's Vasant Kunj, a team of spine surgeons led by Dr H.S. Chhabra, Medical Director-cum-Chief of Spine Services, is performing a complex surgery At the centre of action is a robot with four arms. While the patient is surrounded by the surgical team, the surgeon, seated four-five metres away, is directing the robot by moving the sticks on the console. He is focussed on viewfinder, the fourth arm of the robot, which gives a three-dimensional image of the surgical area that is magnified on a screen. The robot has done small incisions, pre-set earlier by the surgeon and his team. Its arms are capable of filtering out any shaking of the surgeon's hands and ensure up to 99 per cent precision. In manual surgeries, which were the only option until two decades ago, this is 70-90 per cent.

Last December, Dr Tejas Patel, a renowned interventional cardiologist and Chairman of Apex Heart Institute in Ahmedabad, created history through telerobotics. He performed angioplasty on a woman while sitting behind a console at the Akshardham temple complex in Gandhinagar, 32 kilometres from Ahmedabad. Apex is said to be among the first hospitals outside the US that use Vascular Robotic Technology for coronary intervention using next-generation robots made by US-based Corindus.

New-age robotic-assisted surgeries are changing the world of health care as roles and skills of surgeons change. And Indian hospital chains are at the forefront of this. Such surgeries can now be done in as many as 100

5,000
Robot-assisted surgery systems globally

100-plus
Number of machines in India

39,000
Number of surgeons trained in robot-assisted surgery globally

600
Number of surgeons trained in robot-assisted surgery in India

hospitals in India, including in many Apollo and Fortis hospitals as well as Medanta Medicity in Delhi-NCR.

"The surgeon's hand, wrist and finger movements are transmitted through the computer console to instruments attached to the robot's arms. The movements have the same range of motion as the surgeon, allowing maximum control," says Dr Amolkumar Patil, a Consultant Urologist and Transplant Surgeon at Apollo Hospitals, Navi Mumbai. The robot's arms can work in areas that are difficult to reach by hand such as the pelvic region.

> "The surgeon's hand, wrist and finger movements are transmitted through the computer console. The movements have the same range of motion as the surgeon, allowing maximum control"
>
> **Dr. Amolkumar Patil,** Transplant Surgeon at Apollo Hospitals, Navi Mumbai

Advantage Surgeon Robot

"Robotic surgeries are going to change the way surgeries are done. We already have eight to nine centres equipped with advanced robotic systems," says Dr Prathap C. Reddy, Chairman, Apollo Hospitals, India's largest hospital chain. He says he has requested executives of Medtronics, a new-age robotic surgery system provider which is likely to launch its advanced robotic surgical units in a year or two, to supply them at least 30 such machines that it is going to produce initially in a year.

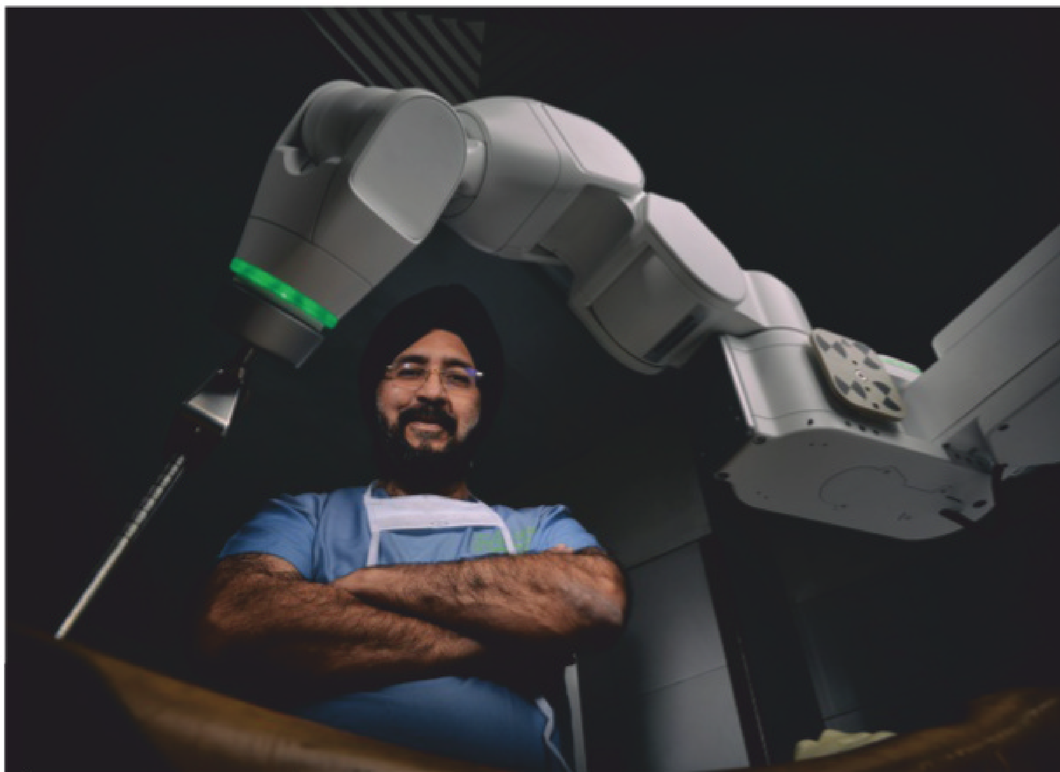
The hospitals spend $1-2 million per robot unit. For the patient, these surgeries are expensive by 25-30 per cent. Still, it is a win-win for both. For the hospital, the surgery time is less. Another advantage is less blood loss, less use of life saving machines and ease of planning. And the success rate is high. For the patient, this means higher chances that the surgery will be successful, shorter stay at the hospital as even a complex surgery can be done with a small cut and thus less expenses on medicine, room and post-operative care. The chances of infection are also less.

Suneeta Reddy, Managing Director, Apollo Hospitals, says at least 30 per cent surgeries at Apollo hospitals are now minimally invasive, including robotic surgeries. "We inform patients and relatives in advance about the advantages of robotic surgeries and the cost factor. But mostly these are complex surgeries and, therefore, relatives of patients are usually willing to go for such surgeries," she says. "With more and more machines and options coming in, their price will fall, and help patients and hospitals go for more robotic surgeries," says Suneeta Reddy. She says though the initial investment and cost is higher, early discharge of patients can help hospitals increase their average revenue per occupied bed. "The average length of stay will be less, just two-three days even in case of cardiac surgeries, and there are other advantages such as less bleeding, higher accuracy, speedier recovery and lesser post-operative care," she says.

"Robotics is a recent advancement in spine surgery, which is very complex, and allows surgeons to plan in advance from home or office with higher accuracy," says Dr H.S. Chhabra, President of the Association of Spine Surgeons of India. The latest robots use infrared cameras to track movement of instruments and implants. The customised arms can perform extremely difficult manoeuvring to enable complex procedures with high degree of precision, says Dr Chhabra.

"We now have robotic systems in Chennai, Bangalore, Hyderabad, Kolkata, Delhi and Mumbai hospitals. The Apollo Main Hospital at Greams Road in Chennai performs more than 500 such procedures a year. We have performed more than 320 robotic colorectal surgeries and found that as expertise builds up, patient volume increases and per patient cost comes down," says Dr Venkatesh Munikrishnan, Consultant Gastroenterologist and Robotic Surgeon at Apollo Hospitals in Chennai. "The robot's 'hands' have a high degree of dexterity, allowing surgeons the ability to operate in very tight spaces in the body that will otherwise only be accessible through open (long incision) surgery," says the surgeon.

The robotic system manufacturers, mostly from the US, see India as a crucial market. Intuitive Surgical, which started selling its robotic surgery units in 2000 after being the first to get the US Food and Drug Administration clearance, has had a distributor in India since 2011 – Vattikuti Technologies, promoted by US-based Indian serial entrepreneur Raj Vattikuti. Sources say India had only about 50 surgical robots and 300 trained robotic surgeons in early 2017. The numbers have doubled in two years. Intuitive's da Vinci Systems, which are now in the fourth generation and cost $1-2 million, had



PHOTOGRAPH BY RAJWANT RAWAT

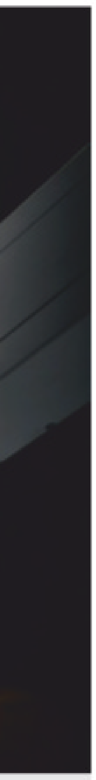
"The latest robots use infrared cameras to track movement of instruments and implants. The arms can perform extremely difficult manoeuvring with high degree of precision"

Dr. H.S. Chhabra, Medical Director-Cum-Chief of Spine Services, Indian Spinal Injuries Centre

PHOTOGRAPH BY SUDHIR DAMERLA

"We have installed our machines in over 65 hospitals and are getting tremendous response from hospitals across the country, whether metros or Tier-II or Tier-III cities"

Mandeep Singh Kumar, VP & General Manager, India, Intuitive Surgical



WHY NO INDIAN ROBOTS

Robotic surgery was pioneered by US-based Intuitive Surgical in 2000. It has a lion's share of the market. It is now making fourth-generation da Vinci Systems. Patent protection (20 years in the US) was one reason the others could not invest into the area. "The technology is complex and investments required are big. India does not have the ecosystem, technology and scientists in this field and still majority of the companies are in the US, and some in Europe like France," says Mandeep Singh Kumar, VP and General Manager, India, Intuitive Surgical.

Gloabally, once the big pharma and other technology companies saw the opportunity, they started acquiring start-ups in the area. Johnson & Johnson (J&J) made its foray four years ago when it formed Verb Surgical, a joint venture with Google parent Alphabet's subsidiary Verily. Though Verb Surgical is yet to reveal its product platforms, the JV is expected to bring to the market improved and affordable robotic surgery platforms by 2020 and give competition to da Vinci Systems. In last February, J&J had bought a medical technology firm, Auris Health, for about $3.4 billion. Auris has approval for a digital medical device platform called Monarch, which can help physicians access nodules in patients' lungs to diagnose various diseases, cancers and perform robotic surgeries. Earlier, J&J had acquired Orthotaxy, a privately held developer of robotic-assisted surgery software. Last year, another global medical device major Medtronic bought Mazor Robotics, which makes spine surgery robots, for $1.6 billion. In September, Medtronic unveiled its robotic surgery platform Hugo-RAS, likely to come to the market within two years. This modular upgradable system has four robotic arms with surgical tools. Each arm, mounted on a separate cart, can be wheeled to different operation theatres for different surgeries. The FDA recently cleared medical device maker Stryker's Mako robot for total knee reconstruction. Stryker had acquired Mako Surgical in 2013 for $1.65 billion.

an installed base of 5,270 machines worldwide as on June 30 this year. Of this, 689 were in Asia, including 100-plus in India.

The Market & Future

The global surgical robot market is expected to rise from $3.9 billion in 2018 to $6.5 billion by 2023, growing at a compound annual growth rate of 10.4 per cent, estimate market experts. The major vendors are Intuitive Surgical, Stryker and Mazor Robotics. Market leader Intuitive, a NASDAQ-listed company with revenues of $2.1 billion in the first half of 2019, saw 18 per cent growth during the period.

"We have installed our machines in over 65 hospitals and are getting tremendous response from hospitals across the country, whether metros or Tier-II or Tier-III cities," says Mandeep Singh Kumar, VP and General Manager, India, Intuitive Surgical. Intuitive acquired its Indian distributor Vattikuti Technologies in May last year and started direct operations with Bangalore as its sixth global office. "The adoption and advancement of robotic-assisted surgery have been enabled by critical contributions from professionals from India," Intuitive CEO Gary Guthart had said while announcing direct operations in India last year.

2%
Proportion of surgical procedures globally that are being done with the help of robots

$3.9 bn
The global surgical robot market in 2018

$6.5 bn
Expected market size in 2023

Intuitive has about 5,800 employees across the globe. Close to 100 of them are in India. Numerous Indian doctors in the US and Europe are now well versed in robotic surgeries and are training their juniors across the globe, says Mandeep Singh Kumar, adding that at least 400 surgeons in the country have been trained to carry out complex robotic surgeries. Intuitive has two training centres in the country for surgeons and support staff at Bangalore and Kochi. Singh says Intuitive's Indian business is expected to grow over 25-30 per cent in the coming years, while global growth is predicted to be in the range of 17-19 per cent.

The potential is huge, say experts. About 39,000 surgeons around the world are trained in robotic surgery. Only a fraction are performing such surgeries. More than 5,000 robotic-assisted surgery systems have been installed globally but most are used on less than one case a day on average. Globally, only 2 per cent surgical procedures are being done with the help of robots. BT

@pb_pbjayan


PHOTOGRAPH BY REUBEN SINGH

THE HUB **INTERVIEW**

"WE WANT OUR SWAGGER BACK"

Brian Humphries took over as the Chief Executive Officer of IT company Cognizant in April 2019. While the company is based out of New Jersey, Humphries visits India every few months. The reason isn't hard to see – Cognizant has 2,00,000 employees in India. The country is also emerging as a large business opportunity. *Business Today's* **Goutam Das** caught up with Humphries on his most recent visit.
Edited excerpts:

Q: The global economy is cooling. How does that impact the services business?

A: It depends. I am not of the opinion that services necessarily follow macro demand cycles. Very often, it is counter cyclical. So if people are tightening belts, they will outsource certain tasks to others. But (one must) also recognise that services is a cottage industry and nobody has more than 3-4 per cent share. Regardless of the macro demand, I will always want my team to spend more time with customers than our competitors to make sure we get a fair share of the market, to make sure that we gain share. Due to the shift to digital transformation and because of the agendas of the C-suite (beyond the CIO), growth will be in digital.

How is economic nationalism playing out in various parts of the world in terms of countries mandating that people are hired within their borders? Is it slowing your offshore?

More and more, it is becoming a complicated world because of Brexit, and because of what is happening in the US political environment, which has pressure of H-1 and L-1 visas. We are spending a lot of time with Nasscom (India's IT lobby), as also with other chambers of commerce to make sure we showcase the relevance of companies like Cognizant to their specific economies. To take the example of the US, the amount of money we give back to the society – last year, the Cognizant Foundation US gave $100 million to North America. It is really important to stand back and acknowledge the skills required for corporations to go through digital transformation and the relevance of India to that programme. We are certainly vocal in that regard.

The traditional strengths of Cognizant were BFSI and healthcare. What could revive growth?

BFSI and healthcare represent 63 per cent of our business. We need to foster greater growth in those areas. Some of that comes down to a refresh of talent just to get new ideas, fresh perspectives. Strong partnerships are something I have been trying to drive as well. Many of our partners such as Amazon and Microsoft have explicit interest in those verticals. So we can go to market with them. I have also been looking at increased branding and making sure we pivot to digital even in these verticals. We are also focussing on solutions that can be replicated across multiple customers. But digital is going to be the key to our future.

What have been the shifts in Cognizant after you joined?

I don't know about the shifts because I wasn't there in the past. And to be clear, it is a company with 25 years of track record. What Frank (Francisco D'Souza, the previous CEO) and the team have done is truly remarkable. Shareholder value created is second only to a few. One could argue that in recent years things have slowed down a bit. I am very focused on reinvigorating

Cognizant and unlocking the true potential once again. This is a company that has growth at its core – it is the DNA of the company. We are highly customer centric. I have tried to accentuate those values. I have taken an explicit lens on being extremely client centric, getting out in front of customers all the time and leading by example.

> **"WE ARE OUTGROWING THE INDUSTRY IN DIGITAL"**

What went wrong? What explains the slowdown we have seen in recent years – from double to single-digit growth?

I am focussed on getting back to a growth agenda and that starts with two things. An employee agenda, or making sure that all associates are skilled, motivated and engaged. These are the employees who sell and deliver to our customers. Second, making sure we are in a position where we are investing in growth. This takes all forms, shapes and sizes. Since I took over, we have approved the addition of 500 revenue generating sales support people to accelerate the growth. I want to make sure that in the more traditional businesses, we support our growth agenda. Some of that will be focussing on geographies where we have a strong footprint but it is a smaller portion of our business than the rest of the industry. Geographies like Europe. I also want to make sure that I surround myself with strong revenue and customer centric executives. So, in North America, I appointed D.K. Sinha (Head of North America), who is a veteran of 23 years in Cognizant. We also put Pradeep Shilige as in-charge of delivery. Last week, I appointed Ramkumar (Ramamoorthy) as Chairman and Managing Director, Cognizant India. It is a very important appointment for us – I can't be here every single week and Ramkumar has my blessing to be my extension locally. On top of that, we have to move much more aggressively towards digital. The great news is we are outgrowing the industry in digital. However, our mix of digital is smaller than for many of our competitors. My interest is to scale that even further. As digital becomes a bigger portion of our mix, the whole tide will rise, and Cognizant's growth rate will accelerate.

What is the growth rate target you have set for the company?

(Cognizant was in a silent period during the interaction.) We are sitting in a growth market. The services industry is seeing solid growth. The world is getting divided into software companies and services companies. We have a huge part to play. The services market is a $1.3 trillion addressable opportunity. I joke internally that if you party with children and throw candy in the air, the big children tend to get more than a fair share. It is the same for a $1.3 trillion TAM (total addressable market). We have a fantastic brand; we have talented employees; and customers genuinely love Cognizant. We are highly credible and reliable. That gives me confidence that we will get back to a much faster growth trajectory.

In the last earnings call, you spoke on cost optimisation. How is that going to play out because you have also put in a huge hiring engine?

Cost is not the same as investment. If I paint a wall, that could be a cost. If I re-skill somebody, that is an investment that will pay back over time. The real story is Cognizant is investing once again in growth. We want to get our mojo back. We want to get our swagger back. If you see any of the messages that I send internally to Cognizant employees, every single message is around embracing change, being client centric, the importance of having a winning attitude, and the importance of investing in growth. That will again be the story of Cognizant in the coming years.

Does an aggressive top line mean a compromise on margins? In that case, how do you balance shareholder aspirations?

It is always a balance. You don't want to go to one extreme or the other. We look at every opportunity and also make sure we create shareholder value. One of Cognizant's incredible strengths over the years has been our ability to please customers. As I think about going on a growth trajectory, I am also thinking of new customers that we can get after. We are deploying new methodologies; the so-called RAD model – Retention, Acquisition, Development. The model segments customers into different tiers based on potential buying power. It segments customers into whether they are acquisition customers versus development customers, meaning where we have sold them something and we have an opportunity to expand. We have a large wallet share in retention customer. I am very interested, from a pricing point of view, to recognise the economic value of customers over the life cycle of their relationship with Cognizant. Not a here and now deal. Such is my confidence in Cognizant's talent and in our delivery capabilities. My mantra, internally, is getting back to revenue acceleration and getting back our mojo.

Does this mean that even if the margin is low, you would pick up the business and mine the customer over a period?

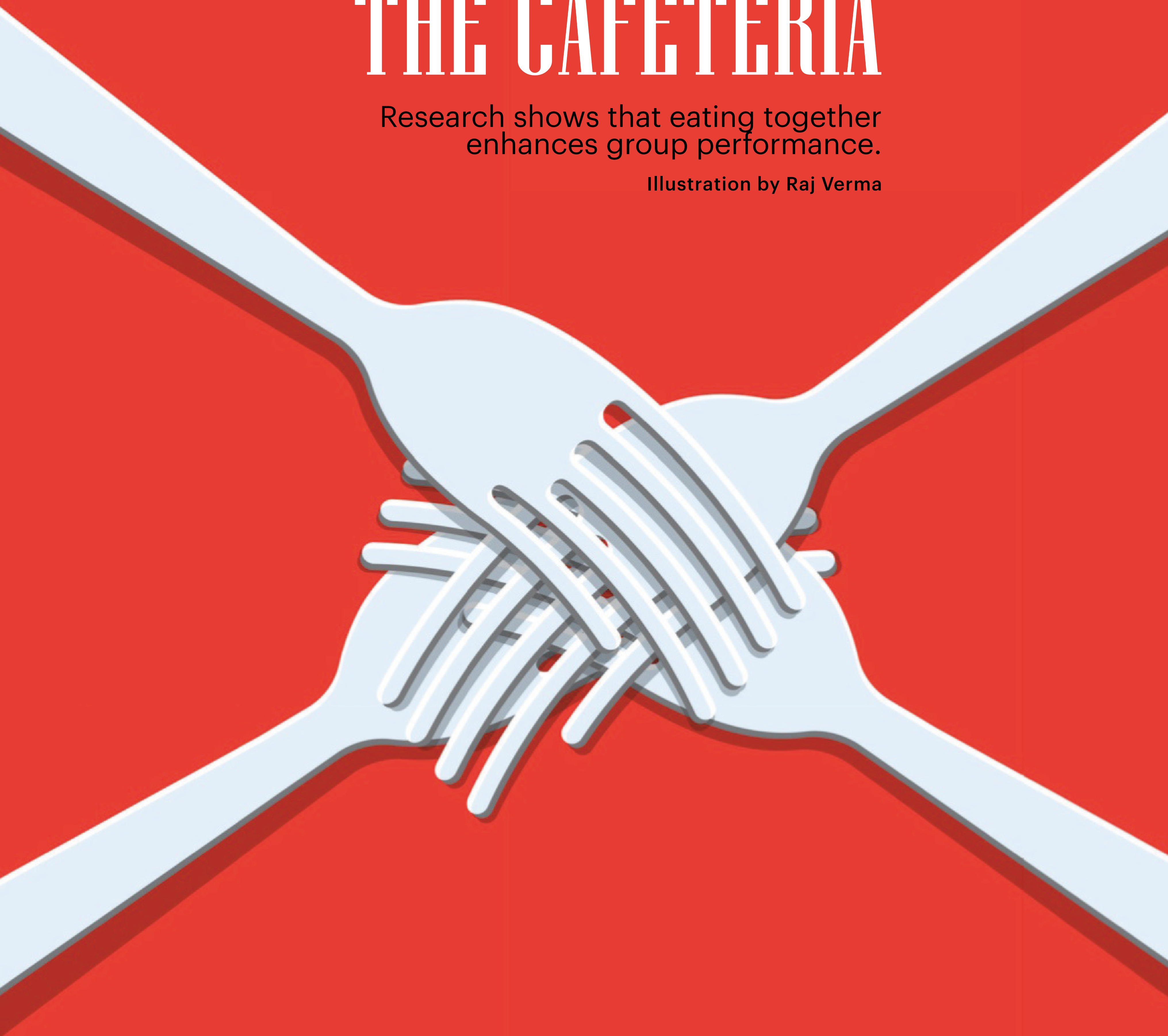
Yes. BT

@Goutam20

TEAM BUILDING IN THE CAFETERIA

Research shows that eating together enhances group performance.

Illustration by Raj Verma



SOME COMPANIES go to extraordinary lengths to build bonds among workers. At disk-drive maker Seagate Technology, for example, former CEO Bill Watkins used to take groups of 200 employees on a 40-kilometre adventure race through the middle of New Zealand. *Fortune*'s Jeffrey O'Brien described Seagate's "Eco week" as a pep rally that existed not as a reward but as an attempt at extreme team building. Watkins, O'Brien wrote, "thinks Eco week...helps build a more collaborative, team-oriented company."

Most efforts at team building are considerably more mundane. Many corporations plan outings that include such things as ropes courses, trust falls, and gameplaying. Even those consume time, attention, and money. Worse yet, many participants find them to have no value; trust falls have become a frequently mocked, Dilbertesque symbol of managers' wrongheaded attempts to create intimacy among employees.

Everyone understandably wants to build higher-performing, more cohesive teams, but there has to be a better way to do it. And now it seems there is. Researchers led by Kevin Kniffin, of Cornell University, say they've found a deceptively simple method: Encourage teams to eat together.

Some might regard preparing and eating food together – academics call it "commensality" – as too mundane to merit research or management interest. But Kniffin and his colleagues point out that eating is such a primal behaviour that it can be extraordinarily meaningful, even if most of us do it three (or more) times a day.

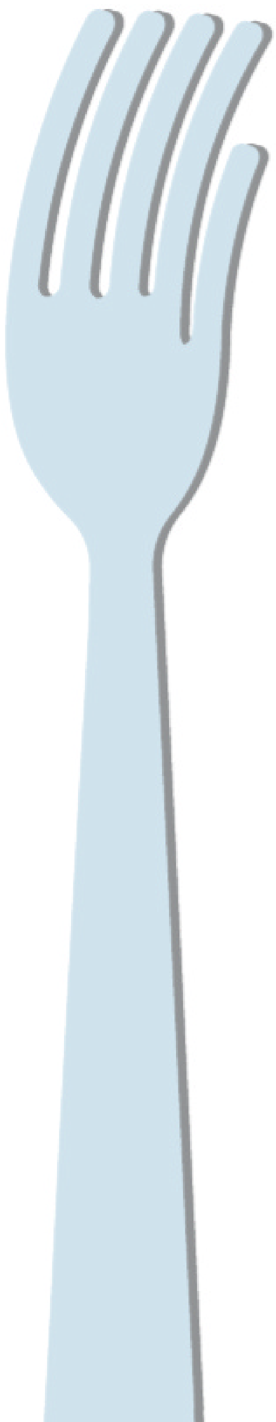
In one study, the researchers asked people to imagine how jealous they or their best friends would be if a romantic partner engaged in a range of everyday activities with a former partner. The idea of a partner's eating a midday meal with an ex elicited far more jealousy than the thought of the two engaging in e-mail or phone conversations or, tellingly, having face-to-face interactions that don't involve eating.

The result shows that there's a special kind of intimacy involved in sharing a meal. But what does it mean for team building?

In their paper, Kniffin and his colleagues focussed on firefighters who prepare and eat meals together during their shifts. The communal firehouse dinner is a tradition that has spawned a near mythology (along with a raft of firehouse-themed cookbooks). The researchers wondered: Do firefighters who eat together do their jobs better than those who don't?

Kniffin visited 13 firehouses in a midsize American city and later surveyed the 395 officers of the firefighting force.

"EATING IS SUCH A PRIMAL BEHAVIOUR THAT IT CAN BE EXTRAORDINARILY MEANINGFUL"



Although the city provides kitchen and dining areas inside its firehouses, it does not supply any food, so the firefighters pool their funds, work out cooking schedules and menus, and prepare the food themselves. Participating is not required, but in many firehouses the social norm is to do so. In fact, some married firefighters eat at home and then eat a second meal at the firehouse. One vegetarian firefighter brings his own food to prepare at work so that he can eat meals alongside his teammates.

The firefighters reported that eating together is a central component of keeping their teams operating effectively. It makes a team feel like a family, they said, and creates a focus when members aren't out on the job.

When subsequently surveying the fire department's officers, Kniffin found support for the firefighters' instincts. The officers identified significant positive correlations between eating together and team performance. Cooperative behaviour, for example, was considerably greater – about twice as high – among team members who ate with one another than among those who didn't. Kniffin and his colleagues argue that the cooperative behaviours underlying the firefighters' meal practices – collecting money, planning, talking, cleaning, and, of course, eating – all enhance group performance on the job. They write: "Behaviour that might seem superfluous or wasteful to outside observers ultimately carries significant importance for organisational performance."

Companies would do well to think carefully about investing in and facilitating where, when, and how employees eat at work. Although many large employers provide on-site cafeterias (often serviced by outside catering companies), others, such as Google, famously go much further, offering free, high-quality, abundantly varied meals. By using free food to entice employees to stay on campus, such companies not only increase productivity (because workers aren't spending time in transit), they also increase the odds that coworkers will eat with one another.

Even companies that don't have a cafeteria or management support for daily subsidised food can take advantage of the research findings. Team leaders can spring for takeout food in a conference room or organise a walk to a nearby lunch place. Another way to leverage the findings: When planning your next offsite, ditch the trust falls and have team members cook an elaborate meal together instead.

But be careful not to overdo it, the researchers caution. Communal eating can have downsides. The first and most damaging is insularity. Team members, who socialise only with one another, risk becoming disconnected from the rest of the organisation or from the outside world. Second, new members may feel overly pressured to conform; tightly bonded teams can be scary things to join. And third, teams may use cliquish meal practices (think of a high school cafeteria) to ostracise and "manage out" low performers – a phenomenon Kniffin observed among the firefighters.

In the end, however, for many teams the potential advantages of sharing meals exceed any disadvantages. Architects and office designers like to talk about the importance of spaces that promote serendipitous encounters (or "collisions") among employees, which enhance collaboration. (One frequently cited example is Steve Jobs's desire that the only bathrooms at Pixar's new headquarters be located in the central atrium, so that workers from different parts of the building couldn't help but mingle.) Although serendipity plays a role in collaboration, devoting space, time, and resources to communal eating may be more effective.

ABOUT THE RESEARCH "Eating Together at the Firehouse: How Workplace Commensality Relates to the Performance of Firefighters," by Kevin M. Kniffin, Brian Wansink, Carol M. Devine, and Jeffery Sobal. This article was first published in the December 2015 issue of *Harvard Business Review* **(www.hbr.org).**

"COOKING LINES UP WITH THE WAY WE WORK"

Mira Anderson, a lead recruiter at the Chicago-based online lender Enova, belongs to a team of 25 employees that gained several members after a departmental merger. To help new colleagues get to know one another, she organised an afternoon off-site at a culinary school. *HBR* spoke with Anderson about the experience.

Why did you choose a cooking event?

Our company regularly holds team-building activities. We try to be creative with them – my team has done a pub crawl and taken a trapeze class. We've found that events involving a casual environment and food build the best camaraderie and get people to open up. The cooking event brought everyone together to create something – it really encouraged collaboration. And there's something fundamental about sitting together over a meal. I'd say it was the best event we've done.

A lot of team-building activities – ropes courses, for instance – reward athleticism. Is that a problem?

Exactly. The trapeze event was fun, but it wasn't a level-playing field, and it was more of an independent activity. Cooking lines up better with the way we work. Everybody could do it. I actually don't cook very much or very well, but another employee – someone new to our team – is really comfortable in the kitchen. It was an opportunity for her to step up and lead. That's translated well back in the office; she's shown increased comfort with speaking up.

Are not food allergies and dietary restrictions an issue?

They weren't in our case. I had the biggest issue – I'm a vegetarian – but we were able to work with our vendor on a suitable menu. And the way the kitchen is set up, we could have prepared multiple dishes to suit different diets.

What did you cook?

Mushroom risotto, a salad, and pastries. It was delicious. A chef held our hands throughout the process. It would have taken real effort for us to mess it up.

HITTING AN AIR POCKET

The aviation sector is facing strong headwinds due to economic slowdown and spike in costs.

By MANU KAUSHIK

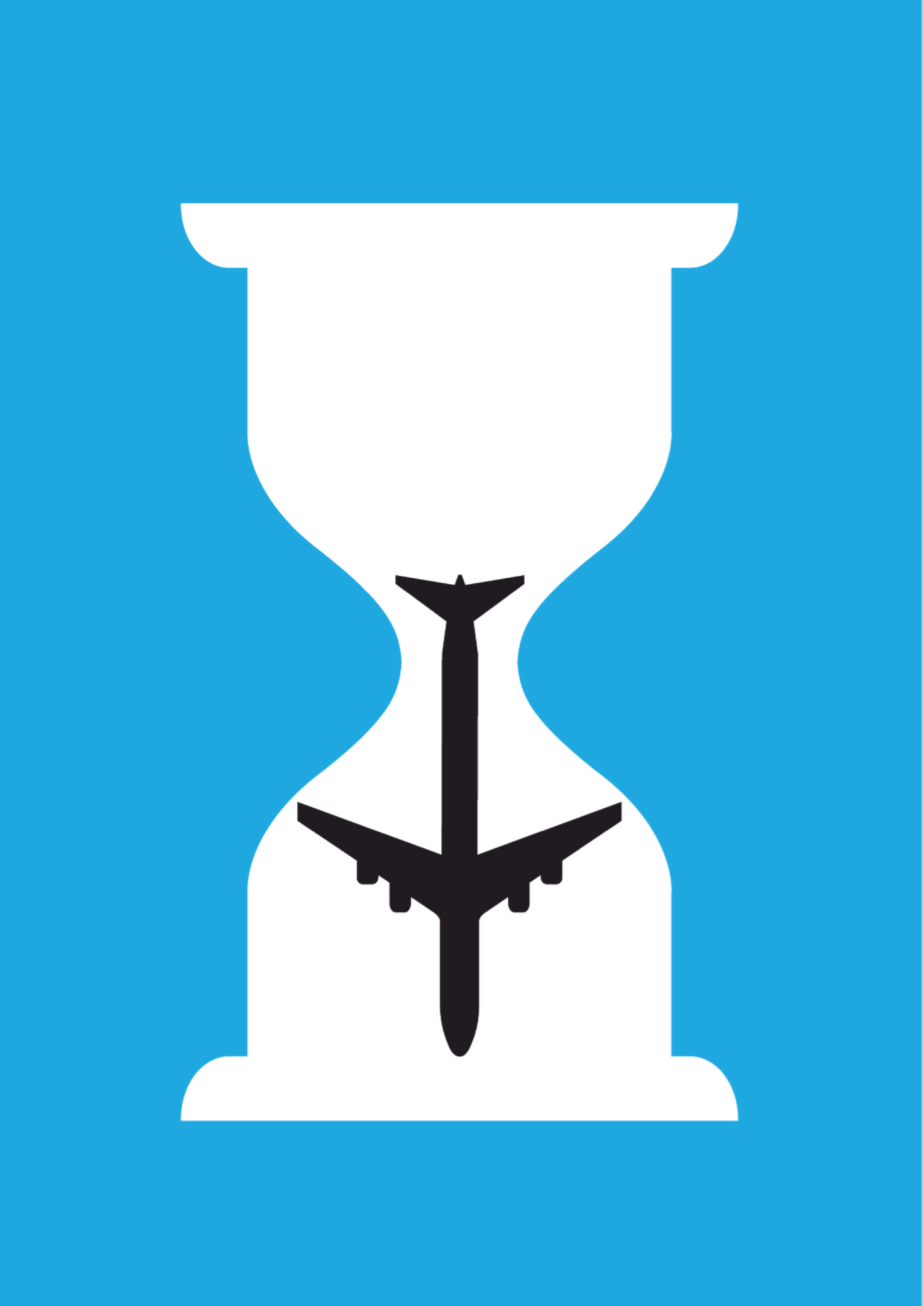
ILLUSTRATION BY RAJ VERMA

IN JUST one quarter, the fortunes of the aviation sector have gone from best to worst. The second quarter earnings of India's largest carrier, IndiGo, have come has a shock. Low-cost carrier (LCC) IndiGo, which controls 48.2 per cent of the market, posted a net loss of ₹1,062 crore in the July-to-September period, which is in sharp contrast to its record-high net profits of ₹1,203 crore in the previous quarter. The LCC blamed the falling rupee for its losses.

The second quarter results of other carriers in all likelihood are going to be equally disappointing.

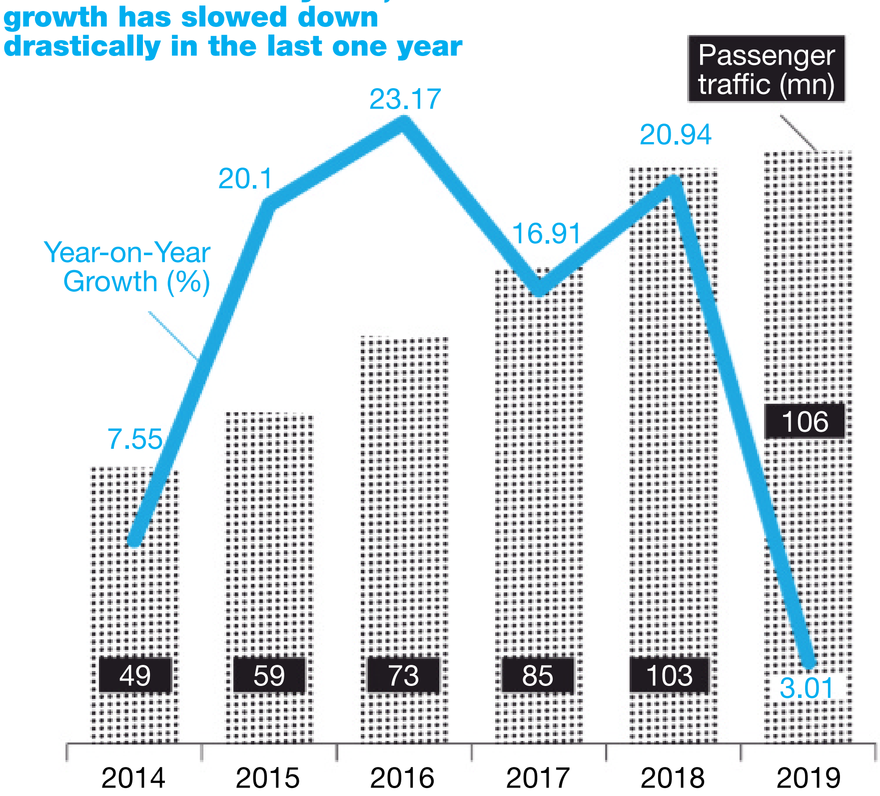
The chain of events that contributed to the (now what seems like a short-lived) revival of the sector is beginning to reverse: ATF (aviation turbine fuel) prices are rising, rupee is depreciating, and benefits from Jet Airways' grounding have stopped. As if these didn't pose a big enough challenge, there are new reasons that the beleaguered sector has to worry about: the slowdown in the economy and the aggressive capacity additions being planned by some airlines.

Take ATF prices. Domestic ATF prices have been moving up since early this year. Between January and October, the price of ATF sold by Indian Oil Corp (IOC) in Delhi rose



PASSENGER TRAFFIC OVER THE YEARS

While passenger traffic has more than doubled in six years, the growth has slowed down drastically in the last one year



Jan-Sept data for all years. Source: DGCA

over 9 per cent to reach ₹63,295 per kilolitre. Though the prices are not yet as high as last year, the tense geopolitical situation due to deteriorating Turkey-US relations could affect crude oil prices in the near future.

"The changes in geopolitical scenario are not good for the economy. The first casualty has always been the aviation sector," says Mark Martin, CEO of Dubai-based Martin Consulting. ATF is 30-35 per cent of the overall cost of an airline.

The volatility in the rupee-dollar exchange rate is bad news too because it impacts crude oil prices (and thus ATF) in addition to increasing the cost of maintenance and spare parts. IndiGo, for instance, has reported a jump in maintenace costs in the September quarter to ₹319 crore.

The airlines have been candid about the gains from Jet's grounding, which took place in April. IndiGo, for instance, reported positive impact on unit revenues and increase in cargo revenues in the June quarter.

Many of Jet's planes have changed hands – taken over on lease by Vistara and SpiceJet. So, while Jet's void is gradually being filled, the mess it had created will take time to be cleaned up. On the domestic side, Jet's slots are yet to be fully re-distributed. It will be a gradual process for the entire capacity to get absorbed. "By thumb rule, if Jet had 20 per cent of the total airline capacity, it will take at least 20 months to replenish it. Even if some capacity has come back, what matters more is the sectors where the capacity has been added. If you take a plane away from Mumbai in a specific slot and put it in Amritsar, it doesn't help," says Amit Sinha, Partner at Bain & Co.

Slowdown Blues

A bigger worry is the economic slump which is affecting both leisure and business travel. An average corporate traveller takes 150-200 flights a year. This has come down as the focus is to plan in advance and defer travel. For instance, a corporate traveller, who would otherwise go to Mumbai and Bengaluru separately in a particular week, is now clubbing these to reduce travel spends. This has affected the airlines' ability to increase yields (yield is the average fare per passenger per kilometre).

Airlines generally sell tickets at a lesser price to passengers booking in advance and maximise yields from passengers who book in the 0-15-day window. The demand slowdown has put pressure on fares even in the 0-15-day booking window.

"People are being wary about discretionary spending. There's caution in the minds of corporate and leisure travellers," says an aviation analyst.

In the September quarter earnings call, IndiGo's CEO Ronojoy Dutta said that there were signs of weakness in September. In October, which is typically a strong month for airline companies due to the festive season, Dutta said that two of its competitors announced flash sales which was unusual. "That shows weakness. Revenues in the festive season (in October) remain subdued. We are seeing decline in yields in metro-to-metro markets. In the last quarter, we reported unit revenue growth of 5.7 per cent but it's going to be flattish growth in the third quarter," Dutta said.

Short-term Outlook

Jet's grounding created a demand-supply imbalance and spiked the overall fares across sectors. But the fares remain high even after more than six months of grounding. In a price-sensitive market, this can lead to travellers further reducing travel-related spending. "Aviation is a highly elastic market. When the capacity

PLANS IN DOLDRUMS

Overall economic slowdown has affected the aviation market as well with consumers cutting back on corporate and leisure travel

The sharp drop in capacity following Jet's shutdown led to rise in fares, which is affecting ticket sales

Aggressive capacity addition of domestic airlines is expected to bring down fares gradually, and could result in losses for airlines

The market is expected to recover in about six months if the liquidity situation improves, consumption grows and the job market revives

goes down, the fares go up. Airlines are fast in increasing fares but bring them down slowly – balancing demand and supply trends," says Bain & Co's Sinha.

However, that's set to change. The capacity additions being planned by many airlines are going to put further pressure on fares, especially in the economy class. "Being a full-service carrier, Jet's capacity had more business seats as compared to LCCs. Since that kind of capacity will take a longer time (than economy capacity) to be added, business class fares are unlikely to come down even during times of general overcapacity," says a consultant.

IndiGo, for instance, plans to increase capacity by 25 per cent in 2019/20, which means that the airline will take its total fleet to about 260 planes. As per IndiGo's website, its current fleet is 245. In the June quarter, the airline had projected 30 per cent capacity addition in 2019/20 but the numbers were revised downwards on account of problems in the aircraft supply chain.

Its archrival SpiceJet has inducted 36 planes between March and October this year, and plans to induct aggressively over the course of this financial year. Vistara, too, has higher-than-normal capacity induction plans for 2019/20.

According to experts, such moves by various airlines would result in overcapacity – a problem that plagued the sector for the whole of 2018 and got resolved to an extent when Jet was grounded.

Overcapacity leads to lower fares, and airlines enter a vicious battle of profit-less growth. The aviation sector has historically been brutal for carriers that are not cost efficient. Every three-four years, an airline goes bust. It was Kingfisher Airlines in 2012, and this year, Jet succumbed. "The current demand is just enough for airlines to fill up their seats. Their capacity addition plans are unsustainable over a long period of time," says Devesh Agarwal, an aviation blogger.

Slow Recovery

The air passenger numbers over the past one year are weak. The nine-month passenger growth (January-to-September) stood at 3.01 per cent as compared to 20.94 per cent in the same period last year. This is the lowest growth in at least six years. Typically, the aviation sector grows at twice the rate of GDP growth which means that if economy grows at 6.1 per cent in 2019/20 (as projected by the International Monetary Fund), the aviation should grow at 12 per cent. But that seems unlikely at the moment.

For a possible rebound, a host of factors will have to come together. "For the situation to change, the economy needs to improve first. Passenger growth is going to stabilise at 2-5 per cent until the economy looks up," says Martin.

According to Sinha, it will take six months to a year for the aviation sector to recover. "It requires liquidity in the market, job creation, high-value transactions to pick up, and salary growth. If we are lucky, we might see some improvement in six months," he adds.

As a sector that has been hurtling from one downcycle to another, this period is perhaps the best for aviation companies. They might be in for a trouble later but they will continue to make the most of good times till they last. BT

@manukaushik

WORLD'S FIRST AUTOMATED PASSENGER BOARDING BRIDGE

TOKYO -- Japan's ShinMaywa Industries has developed technology that uses artificial intelligence to automatically position passenger boarding bridges as close as 10cm to aircraft doors, significantly closer than existing bridges. The technology is expected to help airports deal with a shortage of ground staff as the new bridges do not require highly skilled operators. ShinMaywa has a large share of the Southeast Asian market for passenger boarding bridges, including all in use at Singapore's Changi Airport. The company plans to sell the new bridges to large Japanese and overseas airports and will begin taking orders this spring. The company successfully vetted the technology in a series of tests starting in November 2016 at Tokushima Awaodori Airport on the western Japanese island of Shikoku. The more than 2,600 tests on different aircraft models included 1,050 trials on the Boeing 767, a midsize passenger airplane.

ShinMaywa's current bridges are designed to automatically move within 0.5 to 1 meter of aircraft doors, but require manual operation to close the gap. Cameras and a Laser Gauge help position the new bridge, with the 10cm gap so small that the bridge does not require a great deal of skill to complete the operation, according to Kunihiro Atarashi, general manager of ShinMaywa's airport equipment department. AI is used to process image data from the cameras, allowing the bridge to operate in diverse environments, including at dusk or in inclement weather. The bridge can also adapt movements to suit different types of aircraft. By 2020, ShinMaywa hopes to have developed a bridge that can fully connect to airplanes without human assistance.

ShinMaywa

Brighten Your Future

Building PAXWAY since 1969

Email: mail@shinmaywa-india.co.in, Tel: 011- 41519757, 45122918

LONELY AT THE TOP

Leadership talent deficit is affecting the domestic aviation sector.

By MANU KAUSHIK

ILLUSTRATION BY SAFIA ZAHID

WHEN JET AIRWAYS was about to shut down, just after the resignation of its then Chairman Naresh Goyal, the aviation sector looked around for professionals who could turn around the airline. Nearly all the people whose names came up, it turned out, were foreign professionals, including Michael Swiatek (former chief planning officer of IndiGo), Neil Mills (former CEO of SpiceJet), Mark Dunkerley (former CEO of Hawaiian Airlines) and Fred Reid (of Airbnb).

The lack of local leadership talent and dependence of expat CXOs have been a matter of concern for airlines in India. IndiGo, the largest airline by market share, has hired a number of expats. For instance, its COO Wolfgang Prock-Schauer, and CCO Willy Boulter are foreign nationals. The current CEO, Ronojoy Dutta, has spent most of his work-life outside India. SpiceJet and GoAir don't have professional CEOs and are managed by promoters Ajay Singh and Jeh Wadia, respectively. The full-service carrier, Vistara, has been getting CEOs from parent Singapore Airlines. AirAsia India is the only airline with a local CEO, Sunil Bhaskaran, a Tata Steel veteran. And if Jet is revived, the chances are that the new promoter will struggle to find a CEO as there is hardly any local talent available.

Though experts say there is nothing wrong in hiring people

CHALLENGES

IndiGo is hiring many expats to run its operations. Its current CEO, Ronojoy Dutta, is an Indian but has spent most of his work-life outside India

Airlines like SpiceJet and GoAir don’t have professional CEOs and are managed by promoters themselves

The only private full-service carrier Vistara has been sourcing its leadership from the talent pool of parent Singapore Airlines

If Jet finds a buyer, the chances are that the new promoter will struggle to appoint a new CEO from within India

"I consider myself as a lead recruiter. **I'm talking to people, creating relationships,** because some of these relationships can take time to fructify"

RAJ RAGHAVAN
Senior Vice President, HR, IndiGo

"The aviation sector never had **a readymade talent base like FMCG,** where talent has been developed over years"

MOHIT MOHAN
Managing Partner, Heads Global

from abroad, it is worrying that Indian airlines have been unable to groom talent in spite of the sector being open to private players for 29 long years. "The aviation sector never had a readymade talent base like FMCG, where talent has been developed over years," says Mohit Mohan, Managing Partner, Heads Global, a boutique search firm.

"The depth of talent is low. That's due to fewer positions at the CXO level across the sector. The sector size is small," says Kris Lakshmikanth, Founder-Chairman of executive search firm, The Head Hunters India. Lakshmikanth recalls an AirAsia India assignment three years ago and how it was difficult to hire senior management personnel for the airline. "We had to go outside India to hire people, including Gulf countries, where there was Indian talent available in airlines like Emirates," he says.

A part of the reason for the shallow talent pool is the nature of the sector where professionals are required to have deep understanding of customer service, global networks and aircraft acquisition. "It's a highly specialised job, which is why not many CXOs from other areas venture into aviation," says an aviation consultant. Also, the turbulent nature of the business requires promoters to have a hands-on approach to tide over the crisis it faces every now and then. This gives professionals little elbow room to run the airline on their own.

The Learning Curve

Domestic airlines are slowly realising the importance of succession management. IndiGo, for instance, is doing several things to tackle the issue. Raj Raghavan, Senior Vice President (Human Resources), IndiGo, says when he came on board last year, the board asked him, among other things, to look at the top 50 roles and ensure a succession plan for each. Raghavan says this is a problem with many companies globally as the velocity of growth in smart companies outpaces their ability to get some of their top jobs filled when needed.

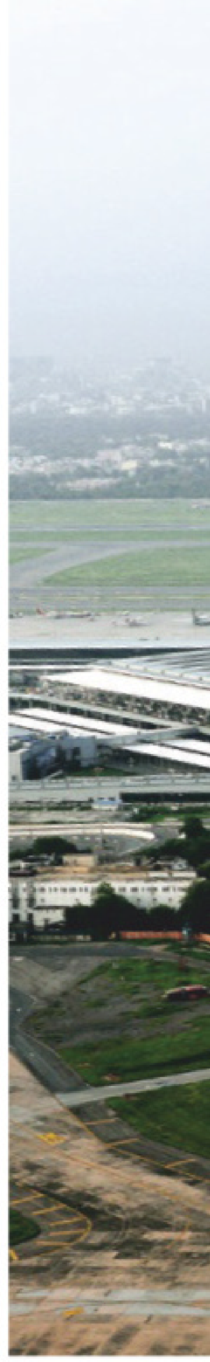
"I spend a lot of time on this. I keep meeting several people. I consider myself as a lead recruiter. I'm just talking to [these] people, creating relationships, because some of these relationships can take time to fructify. There is no one way to get this done. There has to be multiple ways. We need to do our own harvesting as well as buy from outside. My sense is that it's not buy versus build but buy as well as build," he says.

For example, there's a chief of staff role at IndiGo. The incumbent works directly with CEO Dutta. The role was started by former president Aditya Ghosh. The people in this job are smart analysts who go for all the meetings with the CEO – almost act like their shadow – and in a year get to know about the business in a great detail. The person who was Ghosh's chief of staff is now head of revenue management (a critical function) at the airline. In addition, IndiGo has a management trainee programme started about two years ago. These trainees spend six months in each function. After two years, when their training is over, they can pick a role within the organisation.

"There is so much that goes on in an airline and often we don't get someone who knows a lot of things. We want people who have done network planning, revenue management, financial planning and analysis, customer operations to lead big functions in the airline in six-to-eight years' timeframe. These people can reach the CXO level. We want to see one of these management trainees becoming the CFO. These are things that the aviation industry hasn't done well. That's where the modern HR leadership comes into being," says Raghavan.

Succession planning and management have been a huge challenge in practically every industry but it's starker in aviation. Hopefully, this will change soon. BT

@manukaushik



GROUND REPORT

Large metro airports are suffering from bad planning, but operators can still fix the problems.

By AMEYA JOSHI
PHOTOGRAPH BY SHEKHAR GHOSH

JET AIRWAYS' suspension in April this year led to a scramble among airlines for slots at most major airports. The rush was for a reason. Over the past few years, airports at metros have been gradually running out of slots. Mumbai has run out of capacity. The last airline to add slots at Mumbai on domestic routes was AirAsia India, and what it got was an odd slot around midnight. In New Delhi, the country's largest and busiest airport, the situation is much the same. The airport had to operationalise the decommissioned Terminal 2 to enhance capacity.

While Mumbai and Delhi are old airports, with the former being the world's busiest single-runway airport, surprisingly, capacity constraints have hit the greenfield airports at Bengaluru and Hyderabad too, both of which were commissioned a little over a decade ago.

Bengaluru has faced more challenges than any other city. The airport has closed its runway twice for repairs. Its terminal structure also underwent a redesign and expansion. The sole runway in operation is without a Category III Instrument Landing System (ILS), which leads to diversions during foggy days. It got Rapid Exit Taxiways only recently to increase aircraft movement. The airport, which was owned by a GVK-led consortium, changed hands in 2017 and

PROBLEMS

Capacity constraints and runway issues

Reliance on historical growth data

Finalising plans takes years

Inadequate growth in greenfield private airports. This will affect the airport privatisation programme

SOLUTIONS

More benefits to the aviation sector. This will have a ripple effect on logistics and e-commerce

More exceptions to the earlier rule of not allowing a second airport within 150 kms

Faster construction of additional infrastructure at existing airports as well as second airports

Timely decision on a master plan for Delhi airport (in picture) would have meant India becoming a regional powerhouse in aviation

is now owned by Fairfax India Holdings Corp.

Hyderabad has been grappling with terminal constraints as well. The airport, operated by a GMR-led consortium, which also runs the Delhi international airport, has been more proactive. It has got its parallel taxiway certified as a runway so that it does not have to close the airport for maintenance. It uses the two runways alternately. To tide over the shortage of check-in counters, an interim terminal has been built for international departures. It has been adding additional bays.

Mumbai does not have the capacity to accommodate any more flight movements. This winter, the airport will see its primary runway closed for eight hours, six times a week, and the traffic being accommodated on the secondary runway, which does not have Rapid Exit Taxiways.

What's common in all these cases is a mismatch between runway capacity, apron space and terminal capacity. The airports, especially the greenfield ones, could have been planned better to be in sync with the expected demand.

What Went Wrong?

The growth in the Indian aviation market has been unprecedented in the last couple of years. India's air traffic grew at nearly triple the GDP growth rate last year.

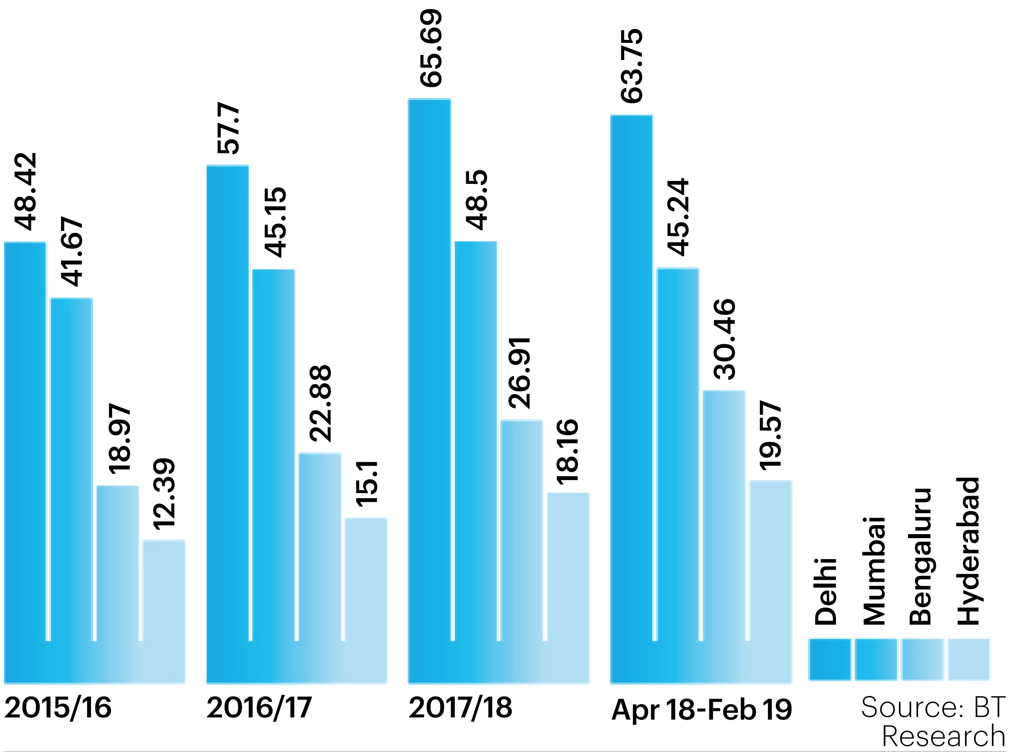
While the traffic growth was quick, corresponding growth in infrastructure took much longer. Moreover, GMR and GVK, which run these airports, were under tremendous debt pressure and so unwilling to loosen their purse strings to invest and expedite infrastructure growth.

Mumbai was constrained due to land unavailability to add a parallel runway. And Delhi took years to finalise a master plan. The time lost led to the Delhi airport losing a golden opportunity to become a regional powerhouse in aviation. The airport still lacks land to establish a full-fledged maintenance, repair and overhaul facility an airport of its size should have.

Bengaluru and Hyderabad failed to anticipate the growth that would come to them in absence of capacity at other airports. For years, they got a share of traffic increase after airlines exhausted options at Mumbai and Delhi, something they were not prepared for.

"The impact of slower infrastructure growth has created inefficiencies. The cost of extra fuel, manpower and delays is phenomenal. While the country aims to have 100-plus operational airports with focus on

PASSENGER TRAFFIC HANDLED (IN MILLION) AT MAJOR AIRPORTS



Source: BT Research

level-2 and -3 airports, their connectivity to metro airports will be necessary for traffic to grow. The focus, thus, has to be on building capacity at metro airports," says Kaushik Khona, former CEO of GoAir.

Mumbai and Delhi saw growth of 6 per cent and 9 per cent, respectively, in air traffic in 2018. Bengaluru and Hyderabad grew at 29 per cent and 22 per cent, respectively – more than the country's air traffic growth of 18.6 per cent that year.

Finding Solutions

Every airport has come out with a different solution, except Mumbai. The Delhi airport is in the midst of a multi-phased expansion plan which is seeing an extension of Terminal 1, an additional runway, a new general aviation terminal and eventually a dedicated Terminal 4 for international operations freeing up more bays in Terminal 3 (which is now a mixed terminal, though it was envisioned as a full-service terminal).

While the airport's plan for a fourth runway is being criticised as it won't be used while other runways are being used as it is within the one-nautical mile of an existing runway, it could help the airport have both in operation in a staggered manner and remove dependency on the non-parallel runway during maintenance.

Bengaluru, on the other hand, will see its second runway start operations in the next couple of months. But the terminal is yet to take shape as the design was finalised just a few months ago. The operations on the new runway will lead to increased taxi time for airlines and passengers will not get any respite from congestion. Bengaluru is also building a second runway and a second terminal, which will get 60-70 million passengers annually. The estimate should have been 100 million.

"The rapid growth in aviation traffic is exerting pressure on aviation infrastructure, translating into aggregate overutilisation (around 120 per cent in 2018/19) of capacity. Given the lack of timely capacity enhancements, there is an urgent need to upgrade infrastructure, including that of privatised airports and those owned or managed by the Airports Authority of India (AAI)," says Sachin Sachdeva, Vice President (Ratings) at ICRA.

While the solution for Mumbai and Delhi is second airports and construction for both has started (though behind schedule), there are concerns that Bengaluru and Hyderabad have large land banks but have not expedited construction.

Future Flight Path

"If investments had been made proactively with forecasts and projects five years in advance, the industry would have grown faster, pushing the economy far ahead," says Khona.

The aircraft that crisscross Indian skies have helped the parcel and express courier industry speed up deliveries. This has increased the reach of e-commerce majors. All of this has generated employment, but when it is time to invest, aviation is looked at in isolation. The government can give more benefits to the airport sector as its benefits impact the economy as a whole.

Recently, the government gave the contract for operations and maintenance of six airports to Adani Enterprises — an airport privatisation drive after 13 years. But the whole premise of privatisation will fall flat if greenfield private airports don't grow fast enough to match demand. As privatisation of airports enters the second phase, serious questions will be asked on the erstwhile rule of not allowing a second airport within 150 km of the first one. In case of the upcoming airport at Goa, an exemption has been made. Competition between airports will be beneficial as they would compete to attract airlines and get their business – all in the interest of passengers. BT

Ameya Joshi is founder of aviation analysis blog NetworkThoughts

CELEBRATING MP'S BUSINESS LEADERS
Pg 92

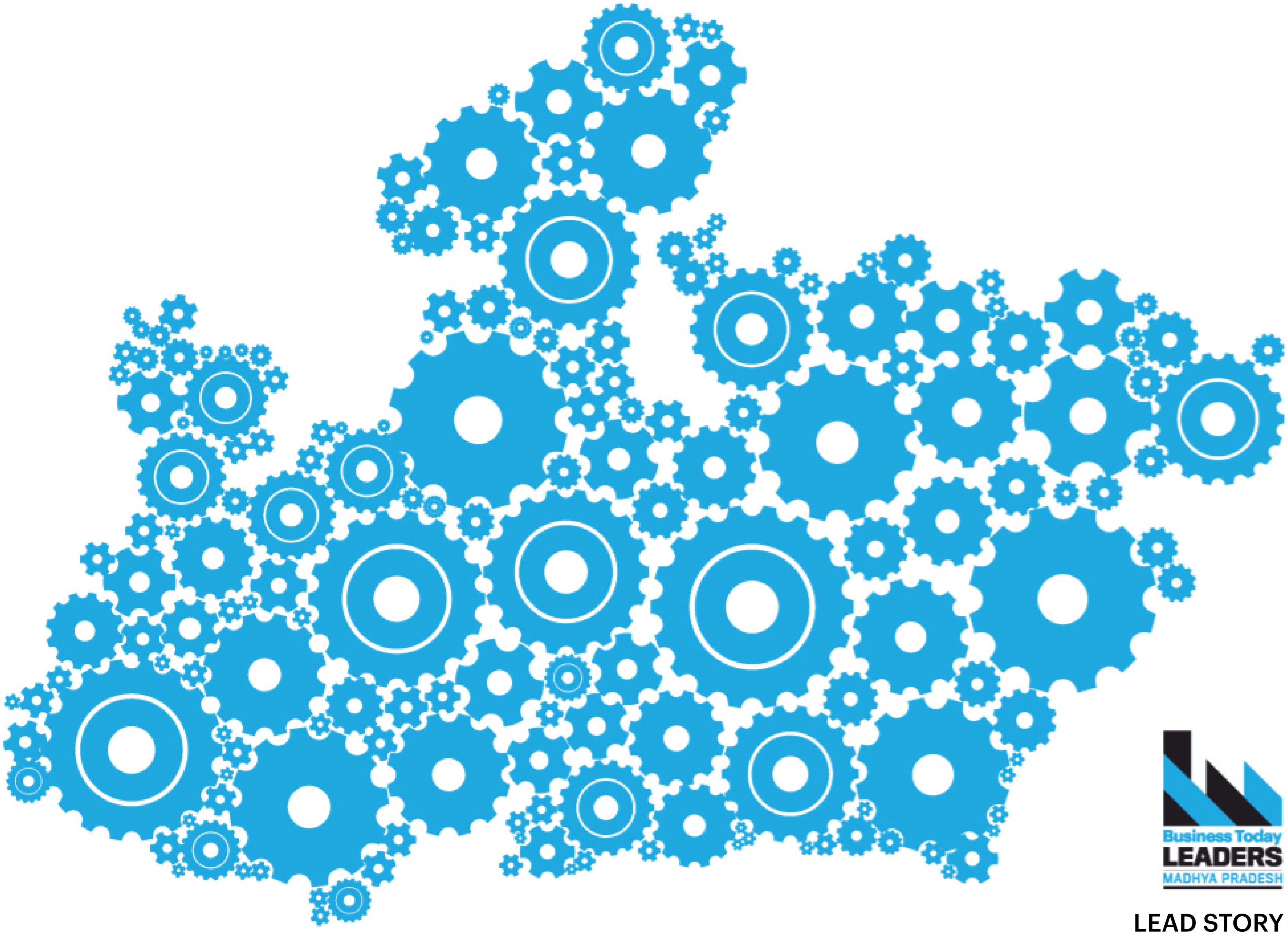
MAKING MADHYA PRADESH MIGHTY
Pg 100

Business Today LEADERS MADHYA PRADESH

FUTURE READY

The state's locational advantage can help make it an economic powerhouse

PHOTOGRAPH BY VIKRAM SHARMA



LEAD STORY

CELEBRATING MP's BUSINESS LEADERS

The state's economic resilience and development potential make it the preferred choice.

BY JOE C. MATHEW

THE GST implementation blues may be far from over but that is not preventing Madhya Pradesh (MP) from making it a unique selling point for investors. And the idea is championed by none other than Chief Minister Kamal Nath. "We are in the GST regime and there is no state that is better located (than MP). We have the biggest logistical advantage. We view this as a never before opportunity," says Nath. The state highlights its geographical advantage – being centrally located – to woo manufacturing companies to set up production bases and logistics and warehousing hubs to cater to the entire country's demand within 24 hours. If the feedback from the participants of the just concluded investment summit, 'Magnificent MP', organised by the state government in Indore is any indication, the pitch has generated interest.

In recent years, MP has made more headlines due to the progress in agriculture than in industrial production. The state is a leader in production of pulses, soybean, gram, onion, garlic, etc, and the agriculture sector contributes about 38 per cent to the GSDP (gross state domestic product), way above the sector's 17 per cent share in India's GDP. Even though industrial development is not as visible, industry in the state has been growing 9 per cent annually and now accounts for a 23 per cent share of GSDP. The industrial activity is mainly concentrated in regions like Indore, Bhopal, Gwalior, Jabalpur and Reva and covers a range of sectors from IT to automobile manufacturing and mining. In other words, while GST is a trigger, MP has more to offer than just its location. For instance, it is one of the most resilient states and seems to be less impacted by the economic slowdown that has engulfed most of India. While the state administration cites continued growth of car sales (elsewhere the sales have slowed down significantly) as proof of the state's economic soundness, there are more economic indicators that suggest that MP has been faring well.

The state has consistently been revenue surplus since 2004/05; it clocked 8 per cent compound annual growth rate (CAGR) in GSDP over the last decade and 7.3 per cent in 2017/2018. The state's own tax revenue (excluding share in central taxes) registered a CAGR of 16 per cent from 2003/04 to 2017/18; and its outstanding debt at 23.31 per cent of GSDP in 2017/18 was far below the 34 per cent limit set under the Fiscal Responsibility and Budget Management Act. The chief minister plans to build on this by making the state an attractive destination for investments in industrial sectors that provide more jobs. Automobile and engineering, textiles, pharmaceuticals, agri-business and food processing, renewable energy, real estate and tourism are all among the potential sectors identified for the growth push.

The state's economic resilience and development potential weighed in its favour when *Business Today* looked for a state to kick off its ***Business Leaders of the State*** series to identify and award best performing companies from a state.

THE METHODOLOGY

We began the search to identify the winners by listing all Madhya Pradesh registered companies that had regularly reported their annual financial statements for the last four fiscals (2014/15 to 2017/18). Of the 776 companies thus selected from the CMIE database, we chose the ones with annual revenues of over ₹500 crore and those that were profitable in all the financial years. These were categorised under three revenue scales - large companies (with income more than ₹2,500 crore), medium companies (₹1,000 crore to ₹2,500 crore) and small companies (₹500 crore to ₹1,000 crore).

Finally, a list of chosen firms with their three-year income CAGR, three-year profit CAGR and three-year average growth for PAT, was provided to a jury that comprised Praveen Agarwal, Chairman, CII MP, Radha Sharan Goswami, President, Federation of MP Chambers of Commerce & Industry, Himanshu Rai, Director, IIM Indore, and N.S.N. Murty, Partner and Leader, Smart Cities, PwC India for ranking the best companies. .

On October 16, the winners were felicitated by the chief minister at an award function in Bhopal. In the following pages, we profile eight companies that have registered consistent growth in times of adversity. **BT**

@joecmathew

THE WINNERS

Best of Best
Dilip Buildcon

Best Manufacturing Company (>₹2,500 crore)
Grasim Industries

Best Manufacturing Company (>₹1,000 crore but < ₹2,500 crore
Prataap Snacks

Best Manufacturing Company (>₹500 crore but < ₹1,000 crore)
Vectus Industries

Best FMCG & Food Company (>₹1,000 crore but < ₹2,500 crore
Prataap Snacks

Best FMCG & Food Company (> ₹500 crore but < ₹1,000 crore
Kriti Nutrients

Best Services Company (>₹2,500 crore)
Agarwal Coal Corporation

Best PSU
NHDC

Best Exporting Company
InfoBeans Technologies

HOW THEY FARED

	TOTAL INCOME (₹ cr)	PAT (₹ cr)	INCOME CAGR (%)	PAT CAGR (%)
Grasim Industries	16,632	1,769	31.5	49.4
Dilip Buildcon	7,785	620	43.6	65.3
Agarwal Coal Corp	3,871	99	2.5	74.0
Prataap Snacks	1,045	48	22.8	131.3
NHDC	741	4	5.7	25.2
Vectus Industries	581	31	9.1	19.7
Kriti Nutrients	463	16	13.9	40
InfoBeans Technologies	82	17	32.5	46.1

Total income and PAT for 2018; CAGR numbers are for three financial years. Source: CMIE

Business Today LEADERS MADHYA PRADESH

DILIP BUILDCON – BEST OF BEST

CREATING ASSETS

A good track record in building roads and low debt make Dilip Buildcon a name to reckon with.

BY DIPAK MONDAL

Dilip Suryavanshi, CMD, Dilip Buildcon

DILIP Suryavanshi, the CMD of the Bhopal-based ₹5,500 crore road construction company Dilip Buildcon is like a typical first generation entrepreneur who has built a fortune. Suryavanshi is a man of few words, but his work in road construction speaks volumes. Dilip Buildcon, a 32-year-old company, has expertise in building roads and highways under the Engineering, Procurement and Construction (EPC) model. It has built roads across 17 states, and has running projects in 11 states.

The company prides itself for being among the few construction companies in the country that have never delayed any project. In its investor presentation ahead of the first quarter results this year, it claimed that 90 per cent of its projects were completed ahead of time.

Suryavanshi credits this to its team's preparation and ability to pre-empt possible problems and resolve issues that can cause delays.

While most construction companies in India faced the problem of mounting debts, to its credit, Dilip Buildcon managed to keep its debt under check; its debt/equity ratio is 1. Brokerage firms expect healthy rise in its order book and close 2019/20 with an order book of over ₹32,000 crore, an increase of 10 per cent. Revenues are expected to grow 20 per cent in the current financial year.

Suryavanshi continues to be bullish on road construction as he says that this would continue to be a top priority for any government in power for quite some time in the future. With the Modi government aiming at spending₹100 lakh crore in the infrastructure sector, Suryavanshi believes a large part of it would come to the road construction sector.

PRATAAP SNACKS

BEST MANUFACTURING COMPANY AND BEST FMCG & FOOD COMPANY (>₹1,000 CRORE BUT < ₹2,500 CRORE);

Munchin' Away

At a time when industry peers are struggling, widespread manufacturing has helped Prataap Snacks bounce back. BY AJITA SHASHIDHAR

Apoorva Kumat, Arvind Mehta and Amit Kumat

GRASIM INDUSTRIES

BEST MANUFACTURING COMPANY (>₹2,500 CRORE)

Weaving Success

Increased focus on specialty portfolio puts Grasim in the forefront. BY NEVIN JOHN

GRASIM Industries was incorporated just 10 days after independence and Nagda village in MP became a prominent supplier of cotton and fibre. Within 16 years, Grasim became the world's first completely integrated Viscose Staple Fibre (VSF) maker. Dilip Gaur, MD, Grasim Industries, says the Aditya Birla Group has invested about ₹30,000 crore in manufacturing in Madhya Pradesh, which includes UltraTech's investments in Dhar and Hindalco's in Mahan, besides Grasim's investments. "The replacement value of the facility at Nagda will be around ₹15,000 crore today," he says. It is now largely into specialty products, which form 30 per cent of the basket, and includes the Liva brand. The company plans to strengthen the pulp and fibre business and specialty portfolio towards value-added, green textile solutions. They also plan a third-generation fibre plant. "We look forward to produce 200 tonnes, with an investment of ₹2,000 crore," Gaur says.

PHOTOGRAPH BY MILIND SHELTE

Dilip Gaur, Managing Director (Grasim) at Aditya Birla Group

PHOTOGRAPH BY RACHIT GOSWAMI

THE SNACK food business always attracted the Kumat brothers, Apoorva and Amit, who founded Indore-based ₹1,160 crore Prataap Snacks along with Arvind Mehta. The company's Yellow Diamond brand of chips started with a seed capital of ₹15 lakh in 2003 and a contract manufacturer. Then they started their own operations and the first-year revenue was ₹22 lakh. A decade later, it hopes to clock ₹1,500 crore (end of 2019/20). It had been growing at a robust 15-20 per cent year-on-year until the slowdown last fiscal when growth tapered to 8 per cent. But in the first quarter of FY20, its overall revenue grew 23 per cent. "We started recovering from the first quarter and now we are back on track," says Amit Kumat, MD and CEO. However, what turned around the business was the company's decision to manufacture closer to the market. The trigger was the slowdown in the auto and consumer durables segments. Lower auto deliveries meant fewer empty trucks to transport their goods. They now have more wide-spread manufacturing. Plus, they have always been a national brand.

Business Today
LEADERS
MADHYA PRADESH

BEST PSU

NHDC

Power On

NHDC, a joint venture between NHPC and MP government, has been profitable since inception.

BY DIPAK MONDAL

Arun Kumar
MD, NHDC

UNLIKE MOST other government-owned companies, NHDC (earlier Narmada Hydroelectric Development Corporation) is leaner and meaner. Not only does it have relatively fewer employees (595 in all), it has been generating profit from the very first day.

NHDC, a joint venture between central government-owned NHPC (51 per cent) and MP government (49 per cent), was incorporated in August 2000 to build and run two hydropower plants — Indira Sagar (1,000 MW) and Omkareshwar (520 MW) — in the Narmada river basin. It built the two plants in less than four years, 2004 and 2007, respectively. "We have given the MP government much more in dividend than its equity investment," says Arun Kumar Mishra, Managing Director.

NHDC's expertise is in constructing and running mega hydro power projects, but since MP has little scope for more hydro power projects, it has been trying to diversify into other areas such as renewable power. It is now hoping that the MP government will allow it to explore hydel power project opportunities in other states.

PHOTOGRAPH BY RACHIT GOSWAMI

Saurabh Mehta, Executive Director, Kriti Nutrients

KRITI NUTRIENTS

BEST FMCG & FOOD COMPANY
(> ₹500 CRORE BUT < ₹1,000 CRORE)

WELL-OILED BUSINESS

The company has become a big player in edible oils.

BY RAHUL NORONHA

POLICY CHANGES in the aftermath of the balance of payment crisis in 1991 mandated that a company that imported raw material would have to have an equal share of exports of any commodity. Kriti Industries, which was set up in 1982 by Shiv Singh Mehta, and manufactured pipes, imported large quantities of PVC as raw material. In 1992, Mehta zeroed in on branded edible oil as an option that would generate enough opportunity for exports and set up a plant at Dewas under Kriti Industry's newly created oil division. Twenty seven years later, Kriti Nutrients has a market share of about 13 per cent in the total edible oil market in Madhya Pradesh. Its share in branded edible oil is about 40 per cent.

"In 2018, the company invested in modern extraction processes that are compliant with international norms," says Saurabh Mehta, Executive Director, and Shiv Singh's son. Kriti Nutrients only allows packaged oil to leave its factory to prevent its oil being as sold as another brand.

Apart from oil (60 per cent of product line), Kriti Nutrients also makes soya-based protein and soya lecithin at the Dewas plant.

"In the last 20 years, the entire soybean processing sector has undergone a massive change. Many players aren't around while newer ones have come in," says the 38-year-old Mehta. "We have changed our business model in the last eight years. The idea now is to add value wherever possible," he says, adding that GST provides further opportunity to expand. "We are now focussing on extending our reach to more cities."

According to Mehta, Madhya Pradesh should consider uniform taxation. "Madhya Pradesh has *mandi* tax while Maharashtra doesn't. With soya consumption high in states adjacent to Maharashtra and Rajasthan, and with no tax on purchase, these states have an advantage over MP," he mentions.

Mehta feels that since India is a protein deficient country, soybean could be a solution. Therefore, more R&D in developing newer seeds and enhancing productivity is needed.

AGARWAL COAL CORPORATION

BEST SERVICES COMPANY (>₹2,500 CRORE)

Here to Stay

One of India's largest coal importers scores high on most performance parameters.

BY RAHUL NORONHA

Vinod K Agarwal, MD, Agarwal Coal Corporation

PHOTOGRAPH BY RACHIT GOSWAMI

INDORE has a special place in Vinod Agarwal's heart. Back in 1965, his father brought his family to Indore after they suffered a downswing in fortunes in their hometown Rohtak. Agarwal's brother set up Agarwal Coal Corporation in 1973, which he took over. Today, the company has a turnover of ₹7,000 crore and handles about 12 million tonnes coal. It is also one of the largest importers of coal in India.

In the initial days, the company traded in coal through Coal India and its subsidiaries. The turning point came in 2000 when coal was placed in the Open General License. The decision proved to be a game changer as industrial units close to ports benefitted. Logistics is about 40 per cent of the cost in the business.

Agarwal Coal works on an asset light model but has long-term trading tie-ups and operates through 15 ports. The company has an inventory of 1.5 million tonnes. It has a working capital surplus — a rarity — and is A-rated by CRISIL.

Is the thrust on green energy a challenge? "Coal is not going anywhere, especially in a developing country like India," says Agarwal confidently. "About 65 per cent of power comes from coal. In fact, even the planned shift to electric cars cannot be imagined without coal producing electricity for them," he adds. "Wind and solar energy don't offer the flexibility in power generation that coal does," says his son, Tapan, 24.

Business Today LEADERS MADHYA PRADESH

VECTUS INDUSTRIES

BEST MANUFACTURING COMPANY (>₹500 CRORE BUT < ₹1,000 CRORE)

Strong Flow

Vectus Industries plans to achieve a revenue of ₹1,500 crore by 2023

BY MANU KAUSHIK

PHOTOGRAPH BY SHEKHAR GHOSH

Atul Ladha & Ashish Baheti, Managing Directors, Vectus Industries

VECTUS INDUSTRIES, a manufacturer of water storage tanks and pipes and fittings, operates in 16 states, with Madhya Pradesh and Uttar Pradesh being its largest markets. MP contributes 20 per cent to its overall revenues of ₹750 crore. "We have three manufacturing units in MP out of a total of 13 across India. In MP, our production capacity is ₹300 crore," says Atul Ladha, Managing Director. The company claims to be the second-largest water tank manufacturer in the country after Sintex in terms of both volumes and revenues. Ladha says they benefitted from GST implementation — it depressed demand but also enabled the company to shut eight depots and warehouses in some states. Demonetisation, however, was tough. Ladha, who started Vectus with his cousin Ashish Baheti in 2004, says, "My 99 per cent sales are B2C. After demonetisation and GST, there has been an impact on demand but we are hopeful of 15 per cent growth for the entire year," says Ladha. The economic slowdown has affected even the consumption of sanitary products. The company plans to achieve revenues of ₹1,500 crore by 2023.

Avinash Sethi, Co-founder & CFO, InfoBeans

INFOBEANS TECHNOLOGIES

BEST EXPORTING COMPANY

End-to-end Solutions

With acquisition of Philosophie, Indore-based InfoBeans extends its offering from product development to high-end innovation.

BY JOE C. MATHEW

IN SEPTEMBER 2019, Madhya Pradesh-based InfoBeans Technologies, which specialises in enterprise software development, acquired Philosophie, an innovation and design consulting US firm. This was the company's first overseas acquisition, one it had been chasing ever since it raised ₹37 crore through a public listing on the NSE two years ago. Philosophie, which registered an annual revenue of $10 million (about ₹70 crore), is expected to help InfoBeans touch the ₹200 crore-turnover milestone in 2019/20. It had registered a compound annual growth rate of 29 per cent EBITA and 33 per cent PAT in the last four years from a business segment known for cut-throat competition. "We are growth hungry people. We have been aiming to double our revenues every two years. In 2014/15 our revenue was ₹43 crore. It touched ₹120 crore in 2018/19. With the acquisition (of Philosophie), we will touch ₹200 crore this year," says Avinash Sethi, Co-founder and CFO of InfoBeans. The other co-founders are Siddharth Sethi and Mitesh Bohra.

"Our strategy's to work with select customers with high growth potential. We go for larger enterprise accounts. We got three Fortune 500 companies as new customers last year."

Business Today
LEADERS
MADHYA PRADESH

EVENT

MAKING MADHYA PRADESH MIGHTY

AT A POWER PACKED evening in Bhopal, on October 16, *Business Today*, India's largest circulated business magazine felicitated the Business Leaders of Madhya Pradesh. The eight winners – Grasim Industries, Prataap Snacks, Vectus Industries, Kriti Nutrients, Infobeans Technologies, Agarwal Coal Corporation, Dilip Buildcon and NHDC, represented the state's best manufacturing companies, best food processing and FMCG companies, best services firm, best PSU, best services exporter and an overall (best of best) winner. Chief Minister Kamal Nath, in his key note address before giving away the awards to the winners, listed out the reform measures his government has undertaken after taking charge 10 months ago to address and arrest slowdown in the economy. He also said the state had a logistical advantage. "We are in the GST regime and there is no state that is better located (than MP)," he said.

The awards function, the first in the *Business Today*'s Business Leaders of State (BLOS) series, also saw three power-packed panel discussions on industrial clusters, food processing industries and manufacturing in Madhya Pradesh.

Setting the tone for the discussions, in his opening address, S.R. Mohanty, Chief Secretary of Madhya Pradesh, listed out the achievements and plans of the Kamal Nath government to spur investments and generate employment in the state. Mohanty said the government's just announced real estate policy has brought down the list of clearances needed for a project from 27 to just five. Hinting at the industrial policy that was unveiled at the Indore summit, Mohanty said the policy is just the beginning of the government's reform measures as it is calibrating the incentives offered to specific industries to the potential jobs those investments will create. "The global skill park coming up in MP is going to be a state-of-the-art skill park and second only to the one in Singapore," he said.

Addressing the first panel discussion on industrial clusters, Rajesh Rajora, Principal Secretary, Industries, MP, said the state was one of the first movers in the country in terms of industrial clusters. "The Pithampur automobile and pharmaceutical clusters are very successful. More than ₹25,000 crore worth of pharmaceutical products, including high end products are manufactured from here," he said, adding that clusters should be close to raw material sources, and markets. "We have already established industrial water supply facilities to meet the requirement for the next 50 years. Connectivity from Indore and Bhopal are showing an upward swing," Rajora said.

R.S. Goswami, President, Federation of Madhya Pradesh Chambers of Commerce and Industry (FMPCCI), said he wanted the government to move away from a licence renewal system for establishments and towards a licence retention system for ease of doing business. Avinash Sethi, Nasscom SME Council (MP Lead), and Co-Founder and CFO, InfoBeans Technologies, illustrated how MP government's IT park in Indore has helped develop a software services cluster in the state.

The second panel on 'making MP the heartland of food process-

PHOTOGRAPH BY SHEKHAR GHOSH

Award winners with MP Chief Minister, Kamal Nath (centre), who is flanked by Aroon Purie (right), Chairman, India Today Group, and Raj Chengappa, Group Editorial Director

"WE ARE IN THE GST REGIME AND THERE IS NO STATE THAT IS BETTER LOCATED (THAN MP). WE HAVE THE BIGGEST LOGISTICAL ADVANTAGE"

KAMAL NATH, CM, MADHYA PRADESH

ing' saw industry veterans and experts deliberate on the need to build on the existing ecosystem for food processing. Amit Kumat, MD and CEO, Prataap Snacks, stressed the need for faster regulatory approvals and incentives to promote agri-practices. Nikhil Rathi, Regional Manager, Madhya Pradesh and Maharashtra, Agri Business Division, ITC, highlighted the importance of end-to-end engagement of corporate players to make farmer engagements sustainable and successful.

S.S. Sundaram, representing EY, called for more investments in testing labs, farmer training, input quality, etc. He also wanted agriculture universities to play a bigger role. Rudra Pratap Singh Chauhan, Founder and MD, Fresh-O-Veg, said a portion of *mandi* cess should go towards the creation of Madhya Pradesh brands of agriculture produce.

P.C. Sharma, Cabinet Minister, Law and Legal Affairs Department, Government of MP, who addressed the 'Make in MP' session, highlighted the government's plans to create huge skill development centres to provide quality labour for the industry. He said the government will leverage the state's unique location advantage. Dilip Gaur, MD, Grasim Industries, said the state should utilise its inherent advantages to promote social forestry for renewable feedstock, and use its natural resources for developing green power and green alcohol. Himanshu Rai, Director, IIM Indore, stressed the need for processes and called for the development of a culture that focuses on industry-academia linkages. Rohan Suryavanshi, Head-Strategy and Planning, Dilip Buildcon, said absence of vendetta politics and stable policies can create an investor friendly image for the government.

Mohammad Athar, Partner-Economic Development and Infrastructure, PwC India, moderated the first and last sessions.

Raj Chengappa, Editorial Director, Publishing, Indian Today Group, welcomed the chief guest. Rajeev Dubey, Editor, *Business Today*, welcomed the gathering and explained the selection criteria for the awards. BT

THE BREAKOUT ZONE

P.104 DON'T BREATHE DIRTY AIR THIS FESTIVE SEASON

P.114 LEADERSPEAK: MARZIN R. SHROFF

AI IN PLAY

WHEN TOYS GET SMART

Toys powered by artificial intelligence present a huge business opportunity, but unsurprisingly, warning bells are going off in the adult world.

Illustration By Safia Zahid

ARTIFICIAL INTELLIGENCE (AI) is now found almost everywhere – in smartphones and smart homes, in schools, on factory floors and even in big-scale 3D printing units (the latest revelation is that AI robots can 3D-print entire rockets). So, it is not surprising that your kids' toys will also get a big dose of AI.

The market for AI toys is expected to grow at a CAGR of more than 35 per cent till 2026, as per a study by The Research Insights, a Pune-based analytics and advisory firm. Another report by digital publication *TechRadar* pegs it at $54 billion by 2024. Connected toys come in all shapes, sizes and colours, and many are already within your easy reach, like the intelligent robots sold on Amazon. But there are no benchmarks yet regarding their intelligence or their humanlike abilities to react and engage.

Given this scenario, it is understandable to have qualms about outfitting toys with AI and Internet connectivity as children are the most vulnerable of technology users. Why should parents buy intelligent toys instead of leaving their children to play with simple ones which have existed for decades? There are several reasons. Not all children have companions to play with due to nuclear families and social circumstances. But more importantly, the use of smart toys helps children learn from a very early age and gain from customisation of the learning procedure. Going by what a child is saying, AI-embedded toys and apps can assess his or her level of knowledge and come up with the kind of exercise or interactions that will encourage further learning. This not only brings down unproductive screen time but also helps a child get a taste of the high-tech future. Besides, those with learning difficulties often interact better this way; a few others have shown a rise in empathy.

AI toys have so much potential that the World Economic Forum (WEF) is taking the 'Internet of Toys' seriously. In fact, it is conducting a project with UNICEF to accelerate the deployment of AI in education. But it is also looking to mitigate risks from a technology we do not understand fully. Kay Firth-Butterfield, Head of AI and Machine Learning at the WEF, voiced some of these concerns when she said, "With regular schooling, you know what the curriculum is. With AI applications, parents don't know what the curriculum is and who owns it or even to what standard it has been created." All AI applications need to start with a strong foundation of ethics, and that is the difficult part. Therefore, Firth-Butterfield is trying to work with multiple stakeholders, including governments, businesses, civil societies and academia.

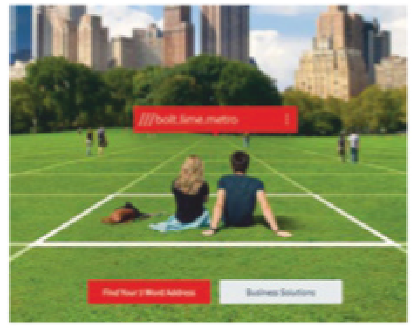
WE DO NOT HAVE PRECEDENTS FOR HOW AI APPLICATIONS AFFECT CHILDREN'S EMOTIONAL, PERSONAL AND SOCIAL GROWTH

The route via smart toys is a smart one as natural language processing, computer vision and machine learning have the potential to make them engaging as well as powerful. Nevertheless, we do not have precedents for how such applications affect emotional, personal and social growth. Children may learn faster, more readily and with much enjoyment, but the impact on their cognitive development is unknown. Already, many of them learn to speak to Alexa rather early in life. But will their digital intelligence quotient take precedence over other important areas of growth?

Privacy, of course, will be another big concern. The lines are blurred between a toy/app interacting with children and marketing things to them. Would it be possible to regulate this aspect as things have already gone haywire in the connected adult world?

KEEP IT SHORT

THREE WORDS TO THE RIGHT ADDRESS



WEDDING-Horseshoe-Broccoli, Trample-Punctuate-Supper, Dives-Topped-Scenes – no, not gobbledegook but a unique way of outfitting the planet with precise addresses. A London-based start-up, what3words, says it has assigned a unique address to each 3x3m square in the world. The words are generated using the company's app and guide the location seeker to the precise place. "Three-word addresses are easy to say and share, and are as accurate as GPS co-ordinates," says the company's website. The start-up encodes geographic co-ordinates into three dictionary words and the encoding is permanently fixed. The company helps with situations where there are no precise addresses or where Google does not lead straight to the spot. The app claims to have rescued lost people as well. According to the company, its revenue comes from charging businesses for high volume use of the API. For other users, the services are free.

Technology adviser and 'digital troublemaker' Terence Eden, however, says that it is not based on open technology and uses proprietary algorithms. You need to understand its policy and pay if usage is above 10,000 addresses. Also, English words are not universally understood and if words from another language is translated for address coding, the location could turn out to be quite different. **BT**

PERSONAL TECH

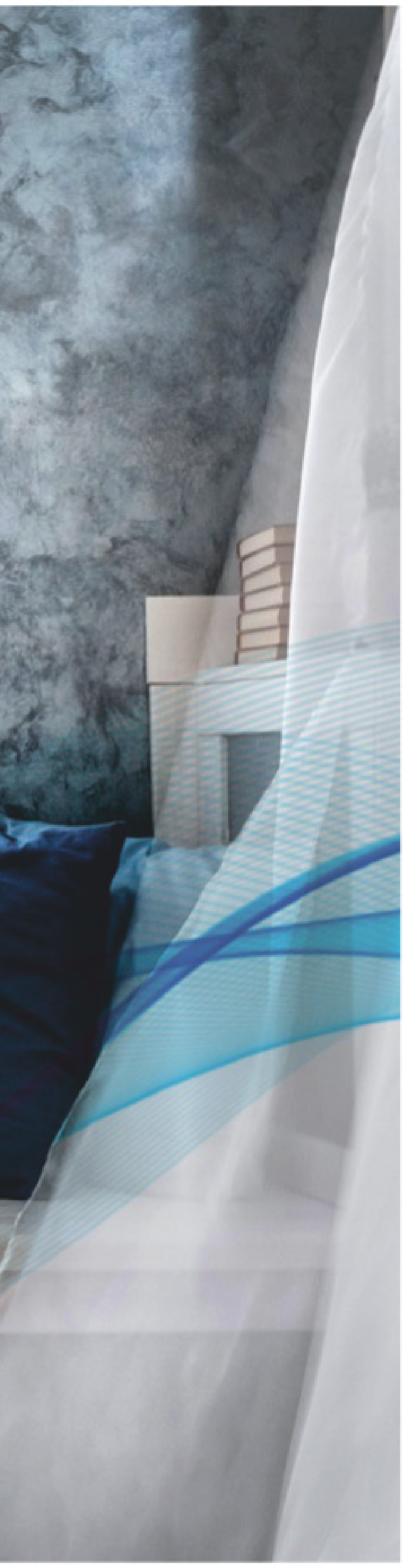
DON'T BREATHE DIRTY AIR

AIR POLLUTION COULD BADLY AFFECT YOUR HEALTH AS DIWALI CRACKERS AND WINTER SMOG MAKE A DEADLY COMBINATION. HERE IS HOW TO STAY SAFE WHEN YOU ARE INDOORS OR TRAVELLING IN A CAR.

By NIDHI SINGAL
Illustration by RAJ VERMA

It is that time of the year again when Diwali crackers, open-air stubble burning and smog make breathing difficult. In fact, the air quality in Delhi-NCR is already fluctuating between poor and very poor. Add to it dust particles, chemical and organic emissions, bad smells and pet dander, and it becomes imperative to invest in a good quality home air purifier. There are a number of such products available in the market to capture particulate matter (PM) and gas pollutants. While home/room air purifiers remain the most popular choice, you will also come across portable personal air purifiers and filters for air conditioners. Plus, there are devices that keep the air inside your car clean.

Before buying one of these products, consider a couple of things. First, check out what types of filters are used in the machine. For instance, HEPA (high-efficiency particulate air) filters are most commonly used to remove PM



while activated carbon filters remove odours and chemical vapours. You may also come across terms such as UV technology and ioniser (for killing bacteria and other pathogens) or ozone generator. Some machines also have a pre-filter section to capture larger floating particles. Second, buying an air purifier will result in recurring costs as filters must be changed regularly, depending on usage. Therefore, you should check out the cost of filter replacement before buying. Finally, go for smart products which are Wi-Fi-enabled, can be paired with mobile apps for anytime-anywhere control and can provide additional information such as indoor air quality, filter life and more. Now that you know the drill, let us look at what all you need.

Air purifiers for rooms: Most ideal for home set-ups, these are designed to improve indoor air quality by removing air pollutants. The function is simple: It will suck impure air, pass the same through various layers of filters and push out clean air. One of the most popular products in this space is Mi Air Purifier 2S. It comes with a three-layer filtration process and a clean air delivery rate of 310 cubic metres per hour. It has a circular OLED display for real-time information. You can also pair it with the Mi Home app to know about indoor air quality, temperature, modes and filter life. Priced at ₹7,999, this one is quite affordable and handy. If you are looking at a more high-end product, try Blueair Sense+, priced around ₹30,000. It claims to capture 99.97 per cent of airborne particles, down to the size of 0.1 micron (the average cross-section of a human hair is 50 microns). In a room size of approximately 194 sq. ft, it can purify the air five times in an hour. It comes with two filters, each comprising a particle filter and an activated carbon filter for removing heavy gaseous pollutants. It can be controlled via a mobile app and has a built-in motion sensor so that you can swipe your palm to change the fan speed.

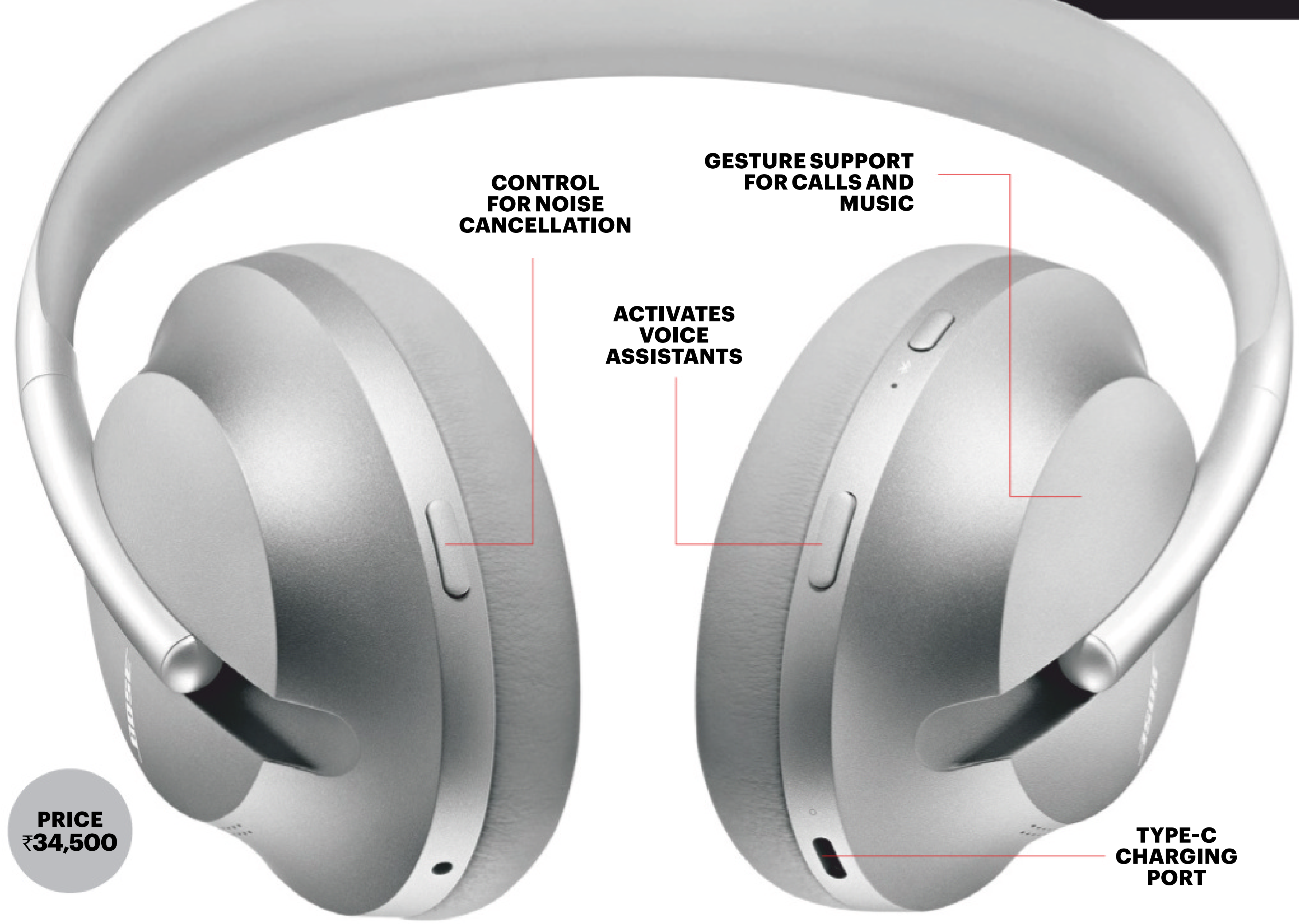
AC filters: If you do not wish to invest in an additional gadget, try filtering the air churned out by your air conditioner. The electrostatic filter from 3M, priced at ₹375, is designed to complement existing AC filtering screens. According to 3M, it can remove 83 per cent of PM 2.5 and other micro-particle content from indoor air within an hour. It uses electrostatic technology to trap the pollutants inside and allows clean air to flow through. Several Indian start-ups have also come up with similar AC filters. For example, Nasofilters' Nanoclean AC filters come in a pack of three for ₹1,099 and claim to clean 90 per cent of a room's air in an hour. The only downside: These additional filters may reduce AC airflow.

Personal purifiers: These small gadgets projects enough clean air to push away pollutants from the breathing zone. Dyson's Pure Cool Me (₹27,900) has a radically designed fan that blasts out a stream of clean air directly at you; the high-velocity airflow (230 metres per second) removes the ambient air. There is a stocky circular base with holes which sucks the polluted air and passes it through a sealed filter that combines activated carbon and glass HEPA layers. The clean air is then pushed through the circular dome at the top. Dyson uses Core Flow technology where jets of air meet on a convex surface and converge to create a high-pressure and focussed airflow. Then there is AirTamer A310 (₹6,499), a personal and rechargeable air purifier that claims to emit negative ions to force pollutants away from the breathing zone. As per the company, it uses electrostatic purification and projects a three-feet orbit of safe air across all directions, creating a sphere of protection against harmful pollutants.

BUYING AN AIR PURIFIER WILL RESULT IN RECURRING COSTS AS FILTERS MUST BE CHANGED REGULARLY, DEPENDING ON USAGE

Air purifiers for cars: You may think that the air inside your vehicle is comparatively clean as the windows are rolled up, but it isn't. When doors and windows are opened now and then, the outside air gets in and gets trapped inside. Moreover, unlike our homes which are mopped and cleaned every day, our cars are deep cleaned occasionally. Hence, buying specially designed filters for cars may help. These are relatively compact devices which should be plugged into the car charger – a 12V power socket, popularly known as the cigarette lighter socket. Honeywell's Move Pure car air purifier (costs less than ₹5,000) features a high-grade HEPA filter that removes dust, PM 2.5 and external particulate pollutants. Plus, it has an advanced double-layer activated carbon filter for removing formaldehyde, cigarette smoke, bacteria, virus, toxic gases and odour. The filter life is close to 360 hours and costs ₹1,100. Philips GoPure Compact 100 Airmax (₹5,299) is another car air purifier worth considering. BT

@nidhisingal



BOSE NOISE CANCELLING HEADPHONES 700

AUDIO DELIGHT

By NIDHI SINGAL

BUILDING ON its expertise, Bose has come up with a pair of noise-cancelling headphones which look good and boast excellent audio quality (more on that later). The lightweight steel headband is covered with soft foam and connected to angled ear cups, making it very comfortable to wear for long duration. Plus, a combination of buttons and gestures makes it intuitive to use. The left ear cup houses a noise-cancellation button while the buttons in the right are for turning it on/off and activating voice assistants. You can activate Siri when the headphones are paired with an iPhone, but they are also optimised for Google Assistant and Alexa. I was able to choose them from the Bose Music app. A gesture area has been added to the front of the right ear cup and works for both music and calls. Double-tapping the front of the right ear cup plays/pauses audio, swiping up and down increases and decreases the volume, and swiping forward and backwards takes you to the next and the previous track, respectively. Long-pressing the same area gives you battery status via voice.

However, it is the sound output which is bound to wow you. I tested it by playing my regular list of international and Bollywood tracks, including *Something Just Like This* by The Chainsmokers and Coldplay, *Afreen Afreen* by Nusrat Fateh Ali Khan and more. The vocals were well pronounced and the sound was well balanced. It had deep bass, and everything from highs and lows was clear even at high volume.

The noise cancellation (NC) technology is excellent, but there are times when you should not turn it on, especially when you are driving or walking or at a railway station/airport. Bose has beautifully addressed this issue as users can control the level of NC. At zero, one can hear almost all ambient sounds; at 10, the NCH cuts off nearly everything. Using the app, I was able to choose the desired level. Taking calls was also convenient as double-pressing the front of the right ear cup answered or ended the call. Again, tap and hold for a second to decline a call. I could also mute the call by pressing and releasing the dedicated voice assistant button. It also features the company's augmented reality platform called Bose AR.

Unlike previous editions, this one has graduated to the Type-C port – it is on the right ear cup. A 15-minute quick charge juiced it enough to last three hours while a full charge spanning three hours lasted me close to 18 hours. The headphones come in a hard case with a hidden compartment that stores the charging cord and the ear cups lie flat when placed in the case. **BT**

@nidhisingal

0.95-INCH OLED DISPLAY

CAPACITIVE BUTTON FOR PREVIOUS SCREEN

PRICE ₹2,299

HEART-RATE SENSOR

LONG BATTERY BACKUP

MI SMART BAND 4

One Band, Many Benefits

By NIDHI SINGAL

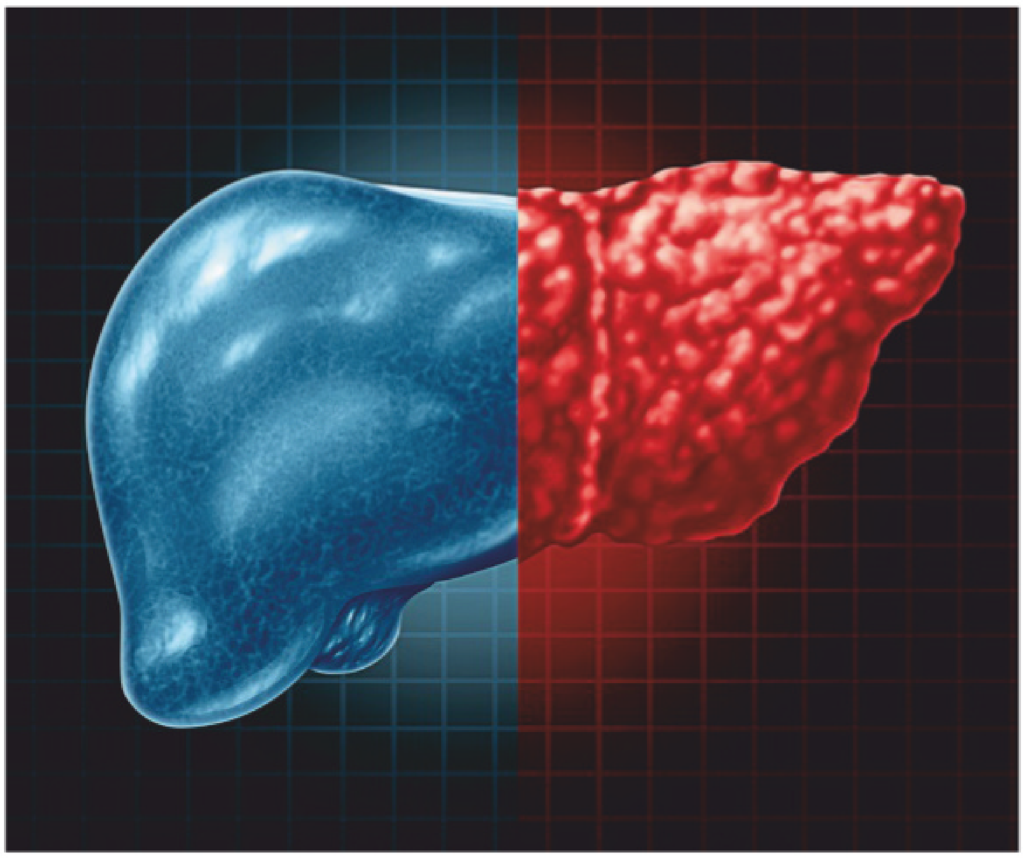
XIAOMI HAS DONE an excellent job this time in terms of utility, precision and affordability. This fitness band is lightweight, much like the previous editions, has a simple design but has loads of features and a power-packed battery. At the centre of the capsule-shaped body is a 0.95-inch OLED screen with good touch response and excellent sunlight legibility. Just below the display is a circular capacitive touch button for going back to the previous screen. The silicon straps are comfortable, and you can sport a new band face now and then, choosing from a long list of options.

To get started, I paired the device with the Mi Fit app. The home screen displays time, date and day along with battery status and step count. I could access a host of features such as status, heart rate, workout, weather, music control and notification by swiping up and down the screen. Status shows the number of steps, distance in km, calories burnt and 'idle time' alert (after an hour of inactivity), all pretty much accurate thanks to the gyroscope sensor. It also allows your phone's GPS to track outdoor runs, cycling or walking. This fitness band is 5ATM water-resistant, which means you can wear it during swimming. The built-in heart rate sensor is quite impressive, and when I tallied the data with the reading, I had from an Apple Watch (Series 5), they came very close. It can also track sleep cycles and even woke me up with a subtle vibrating alarm. Mi Band 4 further enables users to receive call notifications, reminders, app alerts and more. I was able to turn on these settings from the app.

The band comes with a proprietary charger and its battery life is awesome. I used it for more than a week without worrying about charging, although the heart rate sensor, sleep tracker and call and app notifications were running all the time. **BT**

@nidhisingal


SPORTS
तक
SportsTak.in
AN EXCLUSIVE
SPORTS MOBILE CHANNEL
YouTube /sportstak
/sportstak
/sports_tak



EXECUTIVE HEALTH

THAT LIVERISH FEELING

NON-ALCOHOLIC FATTY LIVER DISEASE IS EMERGING AS A MAJOR HEALTH CONCERN IN INDIA.

By E. Kumar Sharma

LIVER DISEASES CAUSED by excessive alcohol consumption are quite common all over the world. But a new and growing worry is the non-alcoholic fatty liver disease, or NAFLD, that has got nothing to do with drinking. This condition usually results from high build-up of fat in liver cells and is often linked to obesity and type II diabetes.

"My studies over the past decade show that fatty liver disease is emerging as a major health concern in India. In fact, one in three adults from major urban areas of relatively richer states gets affected. I have also seen this condition among adolescents and it is very worrying," says Dr V. Mohan, a specialist in diabetes care for nearly three decades and Co-founder of Dr Mohan's Diabetes Specialities Centre headquartered in Chennai. Experts in this field attribute the disease to unhealthy diet and lifestyle, lack of physical activity and specific medical conditions such as obesity and diabetes. According to Dr Mohan, at least 33 per cent of NAFLD patients are in the early stage of the disease, but eventually, they may suffer from severe health problems, including liver cancer in some cases.

"Fatty liver has emerged as a major trigger for a liver transplant, which was not the case two decades ago," says Dr K. Ravindranath, Chairman of Gleneagles Global Hospitals and a gastroenterology and laparoscopy surgeon.

"Genetically, Indians are more prone to fatty liver disease and they are increasingly falling victims to an unhealthy lifestyle," says Dr D. Nageshwar Reddy, a gastroenterologist and Chairman of Hyderabad-based Asian Institute of Gastroenterology and AIG Hospitals. "The number of patients doubled over the past few years. Now I see about 30-40 fatty liver cases every day," he adds.

AT LEAST 33 PER CENT OF NAFLD PATIENTS ARE IN THE EARLY STAGE OF THE DISEASE, BUT EVENTUALLY, THEY MAY SUFFER FROM SEVERE HEALTH PROBLEMS, INCLUDING LIVER CANCER IN SOME CASES

"Our liver normally stores some amount of fat, but when it becomes excessive, it is described as a fatty liver condition," explains Dr Reddy. This condition also results from insulin resistance. Typically, the fat deposited in the liver goes into circulation within the body. But that does not happen if the body already has excess fat. Consequently, liver cells try to absorb the fat within them, get inflated and end up damaging the liver and causing fibrosis (formation of scar tissue). This condition may slowly progress into cirrhosis of the liver, thus causing extensive damage to the liver tissue.

New treatment: It can be difficult to cure fatty liver disease as symptoms are not there during the initial reversible stage. However, advanced technology and new medicines may soon control liver deterioration. According to Dr Reddy, some genes have been identified and research is on to understand their possible association with obesity and related disorders. For instance, the ADIPOQ gene is responsible for adiponectin, a protein hormone that controls glucose level and fatty acid breakdown. Then there are new drugs currently under trial and technology-based new treatment techniques.

Take, for example, endoscopic duodenal mucosal resurfacing, which is being used in India for about a year. This is a minimally invasive procedure to bring down insulin resistance and control fatty liver. But the best remedies are all about dietary management and a healthy lifestyle. In case you are overweight, get an annual fibroscan done. It is a simple ultrasound test which examines the liver condition and alerts you early on. BT

LUXURY

CLASSIC AND VIBRANT

UNFORGETTABLE EXPERIENCES ARE THE ULTIMATE IN LUXURY, BE IT STAYING IN A HERITAGE HOTEL, GETTING IMMERSED IN RARE PERFUMES OR SPORTING AN ICONIC WATCH.

BY PRACHI BHUCHAR

Magnificent Makeover

IT HAS TAKEN more than two years for the iconic Raffles Singapore to return in a new avatar. The heritage hotel reopened in August this year after a grand refurbishment. And if reports are to be believed, the old-new hotel dazzles all. The flagship property is part of Accor's luxury portfolio and was first opened in 1887. Its restoration was led by interior designer Alexandra Champalimaud, founder of the design firm Champalimaud, and supported by Aedas, a global architecture and design firm. With nine suite categories, curated experiences and fine dining concepts aimed at attracting discerning travellers, this heritage hotel remains deeply rooted in the local culture, with global flavour melded harmoniously.

ROYAL **ALLURE**

BIOTIQUE was one of the first Indian brands to harness the goodness of ayurveda and put it in a bottle. Even then, it was always considered a 'masstige' range. Not anymore. The brand has entered the luxe space with its all-new Royal Allure Collection that draws upon the Vedic sciences practised 5,000 years ago and uses many of the ancient formulations made of homegrown wonders. After years of research, the company has created a new product range that is truly stellar so that you always look your magnificent best.

GREEN FASHION

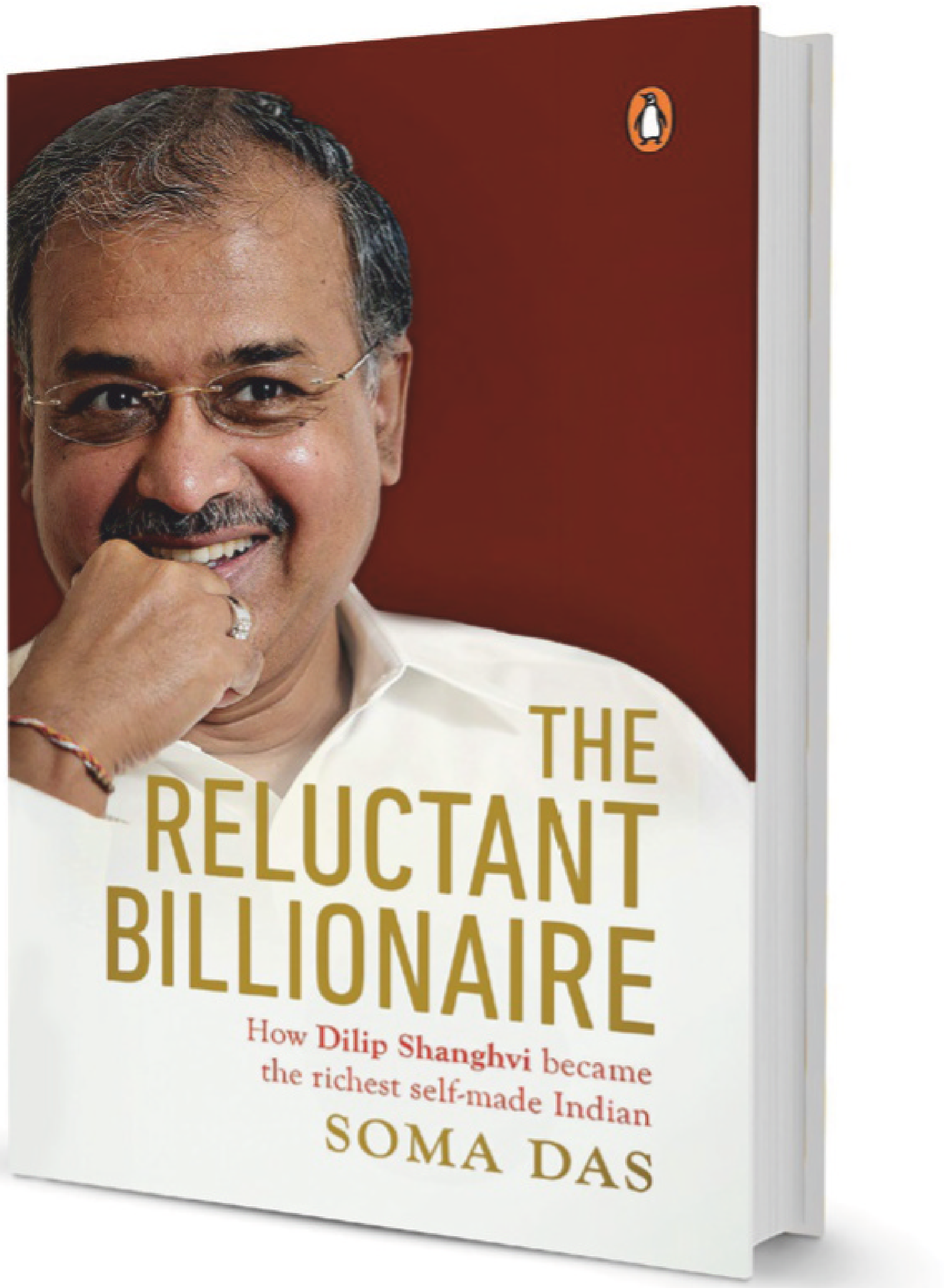
DIESEL AND COCA-COLA may not seem to have much in common. But the brands have collaborated to create The (Re)Collection – a vibrant, classy and sustainable capsule that uses recycled materials like PET derived from plastic bottles and recycled cotton to create fun clothes. A global first showcasing of The (Re) Collection took place at the renowned department store, Galeries Lafayette, in Paris. How is that for green fashion?

CONNOISSEUR'S CHOICE

CHRISTIE'S FALL watch auction in Geneva on November 11 will be watched closely by fans of Swiss luxury watchmaker Patek Philippe. The auction house is planning to present American multimillionaire and sportsman Henry Graves Jr.'s exquisite yellow gold tonneau minute repeater wristwatch of 1927, the first and earliest in his outstanding collection of approximately 30 watches, all made by the iconic brand. This is also the earliest-known minute repeater by Patek Philippe, according to Christie's. The unique watch is estimated to fetch $3-5 million when it goes under the hammer.

NICHE PERFUMERY

IF YOU ARE always looking for the next boutique fragrance, this one is for you. Scentido runs a niche fragrance store in Fort, Mumbai, and another in Delhi, and offers a skilfully curated range of rare perfumes. Its launch offer last year was equally fascinating as the perfumery introduced the Atkinsons London 1799 fragrances which are quintessentially English and have a lineage to match. Rare, luxurious and priceless, the perfumes it offers have come to symbolise the fine taste of its patrons. BT



The Reluctant Billionaire: How Dilip Shanghvi Became the Richest Self-Made Indian

By Soma Das

Publisher: **Penguin Portfolio**

Pages: **520**

Price: ₹**799**

EX-LIBRIS

A JOURNEY EXTRAORDINAIRE

THE SPECTACULAR RISE OF A RETICENT MAN WHO HAS PUSHED HIS COMPANY TO THE TOP BUT STILL AVOIDS MEDIA GLARE AND LIMELIGHT.

By Joe C. Mathew

IN THE LATE 1970s, a young man called Dilip Shanghvi, son of a Calcutta-based (now Kolkata) wholesale distributor of medicines, decided to set up a drug company. As for assets, he had his father's medicine shop (the sole Calcutta stockist of Torrent, the only Indian pharma company that focussed on psychiatry at the time), a few friends and a big dream.

Shanghvi started his business with a psychiatric drug, sourced from a local manufacturer, added more products in that speciality, and by 1983, set up his plant in Vapi, Gujarat. In 1994, Sun Pharmaceutical Industries became a public enterprise through stock exchange listing. Over the years, the company grew by leaps and bounds through innovative marketing, new products and specialities, expansion in new geographies, global and local acquisitions and highly rewarding investments. In 2013, after Sun acquired its domestic rival Ranbaxy, it became the country's biggest pharma company and the fifth largest speciality generic drug maker in the world. By 2015, its market cap swelled so much that Shanghvi became India's richest person, dethroning Reliance Industries Chairman Mukesh Ambani for a short while. *The Reluctant Billionaire* is the story of Shanghvi and the company he founded, passionately narrated by journalist Soma Das.

The '70s and the '80s provided a fertile ground for the country's first-generation entrepreneurs, many of whom built their businesses around medicine manufacturing, thanks to the change in India's patent law in 1970 that favoured generic competition. Sun was one of the many drug companies – Glenmark (1977), Biocon (1978), Dr Reddy's Laboratories (1984) and Aurobindo (1986), to name a few – which came into existence during this period. But none of them grew as big as Sun or made their respective promoters as rich as Shanghvi.

Is Sun's business model so different? Is Shanghvi, who prefers to shun press conferences and social networking, so special? The book attempts, somewhat successfully, to find answers to both questions. The biggest challenge that the author faced was to get a reluctant (hence, the title of the book) Shanghvi to talk about himself and narrate his version of his company's journey. When she realised his "inability to open up anymore in front of a stranger than what was required", she tried to understand his journey from his 'co-passengers'. The book is, thus, a neatly arranged compilation of the thoughts of over 150 friends, extended family members, rivals, present and former aides and business associates of Shanghvi.

The book has three parts. The first section (nine chapters) talks about Shanghvi's childhood, his friends and early partners, and the birth and growth of Sun Pharma. It offers a few glimpses of his business acumen, especially his ability to redefine the relationship between a physician and a pharma company by making it more personal, a practice that remains a grey area even today. The second part (six chapters) captures the company's growth and the pivotal role played by Shanghvi's brother-in-law, Sudhir Valia, a chartered accountant and a financial wizard. It was Valia who helped structure Sun Pharma's major acquisitions and almost all other profitable investments. Valia also identified some perfectly legal loopholes in existing laws which enabled Sun Pharma to pay fewer taxes while reaping huge profits, the book tells us. The third and final part describes the efforts that went behind the three major acquisitions which helped Sun Pharma grow. The fact that all three were distressed assets at the time of Shanghvi's takeover makes these narratives even more intriguing. The target companies mentioned here are Caraco in the US, Taro in Israel and Ranbaxy in India. Valia was there all along, but his presence is more strongly felt in the second part of the book.

Das has done an excellent job of putting together the information she could gather – both ups and downs of Sun and Shanghvi – in a reader-friendly format. She has also added a list of *dramatis personae* but failed to provide a detailed timeline of either Sun's or Shanghvi's growth trajectory. In fact, the actual timeline was not always there. For instance, Shanghvi got married in 1982, a year before Sun was officially incorporated. And given the expanse of names, facilities and locations, there should have been photographs as well. I would have loved to see the Kolkata location of Sun Pharma – the address (57/2A, Paddapukur Road, Calcutta 700025) printed on the first strip of tablets manufactured by the company.

It is a definitive book by Das, not a hagiography. But is it a definitive biography of Shanghvi? It seems so, although, given the little endorsement he has given for so many observations in the book, he can always discount it as the handiwork of an overenthusiastic author, a well-known and stock defence. **BT**

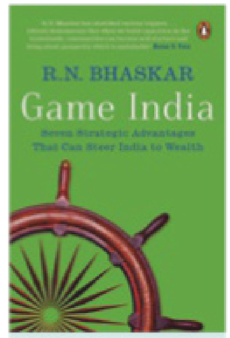
SHELF VIEW

FROM THIS ISSUE OF *BUSINESS TODAY*, WE WILL BE FEATURING MICRO-REVIEWS EVERY NOW AND THEN TO REVEAL WHAT LIES AT THE CORE OF SOME HIDDEN GEMS.

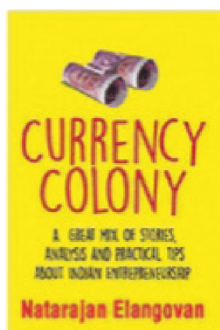
→

Game India: Seven Strategic Advantages That Can Steer India to Wealth

By R.N. Bhaskar
Penguin Portfolio
₹499



A FEEL-GOOD BOOK that details how India's resourceful people can lead the country to incredible wealth. The author, a former journalist, focusses on seven strategic and inherent advantages that India can leverage. And the entire book is filled with overly simplistic yet pleasing solutions, mind-boggling data points and interesting anecdotes. To make his point, Bhaskar uses the example of 'wealth in waste'. With the use of a table titled Big S**t Spells Big Money, he shows how India can generate 2,62,631 million cubic metres of biogas (one cubic metre of biogas is equal to one litre of diesel). This could be huge because India's annual diesel consumption amounts to 69 million cubic metres. Read the book for some intriguing but little-known stories of successful business models but beware of the data sources (one link did not open, and some data have been credited to Wikipedia). – ***Dipak Mondal***



←

Currency Colony

By Natarajan Elangovan
Andhimazhai
₹150

A NICE MIX OF STORIES, analyses and practical tips about Indian entrepreneurs. The author has decoded entrepreneurship using real-life stories and incidents, making it a good read for those who want to start on their own and readers who love those real-life stories. Among those covered are Sunil Bharti Mittal, Kishore Biyani, Dr Kallam Anji Reddy, Anu Aga, Sanjay Lalbhai, Raghav Bahl, Jaswantiben Jamnadas Popat, K.M. Mammen Mappillai and Walchand Hirachand Doshi.
– ***Anand Adhikari***

MARZIN R. SHROFF

MD AND CEO, EUREKA FORBES

Under his leadership, the company is evolving from a direct sales entity to an omnichannel, tech-focussed brand. It is a category leader in vacuum cleaner and water purifier segments, with 85 per cent and 59 per cent market shares, respectively.

Q. The biggest challenge in your career

A. Every day is a challenge, and I will tell you why. Businesses tend to get disrupted every five-six years and many of them are wiped out. This is true for all industry sectors, not just companies. Although we lead in every category where we operate, we keep that in mind and believe that 'good' is the enemy of 'great' and boundaries must be pushed. My current challenge is to reinvent ourselves for the future. We are undergoing a transformation exercise to leverage our strengths, strengthen our relationships, digitise, build leadership capabilities and get closer to our customers and partners.

Q. Your best teacher in business

A. I learnt the importance of values from my grandmother. My retired boss taught me how to be proactive and see around corners. But I learnt most from my team and customers. You also learn from crises. Four years ago, I was hit by two deadly cancers and given three months to live. Now I feel that was the best lesson I ever had. It made me stronger, more resilient, eternally grateful and purpose-driven.

Q. Two key lessons for young people

A. Life is a marathon, not a sprint. Nowadays, I find some young people a tad impatient and looking for instant gratification at any cost. Winning in the short term at the cost of the long term is not an option. Secondly, you are a smartphone generation who prefers to text instead of talking. I would not say it is wrong, but you tend to lose out on human-to-human communication.

Q. Essential qualities of a leader

A. At Eureka Forbes, we have five 'purpose principles' and I want to share those. Be better every day in every way. Dare to care – not superficially, but genuinely. Be ready for tomorrow – watch out for threats and opportunities. Be prepared with the right competencies. And build relationships of trust and grow together – not at the cost of each other. BT

"LIFE IS A MARATHON, NOT A SPRINT. WINNING IN THE SHORT TERM AT THE COST OF THE LONG TERM IS NOT AN OPTION."

Vol. 28, No. 23, for the fortnight Nov 4 - 17, 2019. Released on November 4, 2019. Total number of pages 116 (including cover)


9:41
INDIA TODAY
LIVE
TOP NEWS
VIDEOS
PROGRAMMES
TOP STORIES
STAY UPDATED
INDIA TODAY
DOWNLOAD THE APP NOW
AVAILABLE ON