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September 6, 2020 ₹100

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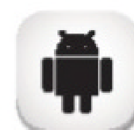

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From the Editor

Infrastructure fault lines

First it was exports. Around 2013, when the slowdown-induced economic nationalism and protectionism was taking roots, globalisation was slowly getting uprooted. India — forever a fringe player in global trade — bore the brunt of the de-coupling as merchandise exports began to flatten for the next seven years.

With one major economic engine practically flat since 2013, India was still chugging along. Then, with domestic economy beginning to slow down, the second engine — private investment — started sputtering.

Neither of these two major engine failures got undue attention as the economy continued to grow at a reasonably healthy 6 per cent plus rate, still among the fastest in the world, barring China.

But the big blow came when the third engine of the economy — consumption — began slowing and eventually buckled just before coronavirus hit the Indian shores in March, 2020. With 16 consecutive quarters of relentless slowdown, GDP growth too collapsed from more than 8 per cent to just about 4 per cent.

The spotlight then fell on the fourth — and by now the only functional engine of the economy; public expenditure via infrastructure building. After all, it represented the only hope to prevent the Indian economy from slipping into a deep-deep slowdown. Perhaps, with higher investments, even pull off a quicker economic recovery.

It appears, those hopes are dashed as India's infrastructure spending is faltering. The Centre which is supposed to spend about 40 per cent of the proposed ₹111 lakh crore froze investments in FY20, particularly in the last quarter of the fiscal. Rating agency Crisil says, in FY21, capital expenditure on infrastructure is projected to be 7 per cent lower, while finance ministry has ordered a freeze on new schemes starting June 2020.

States — which are supposed to spend another 40-odd per cent — have drastically pulled back capital outlay in FY20 with 12 of the top 15 states reporting lower outlays — ranging from -1 per cent to -60 per cent — than the previous year. Covid-hit economies at both the Centre and the state level will be lucky to meet revenue expenditure. Capital expenditure on infrastructure which could potentially trigger a multiplier effect in the economies is going to be few and far between. Punjab and Kerala have already deferred capital expenditure planned for FY21 to the following fiscals.

And finally private sector, which is projected to spend the remaining 20-odd per cent of the ₹111 lakh crore outlay, is least enthused about new infrastructure creation right now because of a dramatic collapse in demand. Particularly, in areas such as airports, ports, power and even highways.

All these pose a grim picture of any hopes of a public expenditure-led economic recovery. *Nirbhay Kumar* captures those fault lines in an extensive account in our cover story this issue.

For those who may have forgotten the intrepid, loquacious Rahul Sharma of Micromax fame, he's all set to make a comeback. Once the biggest player in India's handset market, even overtaking the mighty Samsung briefly, Micromax had to beat a retreat with the advent of smartphones and the onslaught from Chinese mobile sellers.

But he wants his mojo back. Riding on the prevailing anti-China sentiment, the Centre's determined push for local manufacturing under Atma Nirbhar Bharat and his own resolve, Micromax is re-entering the market. *Sumant Banerji* explains why Sharma is in the midst of the fight of his life.

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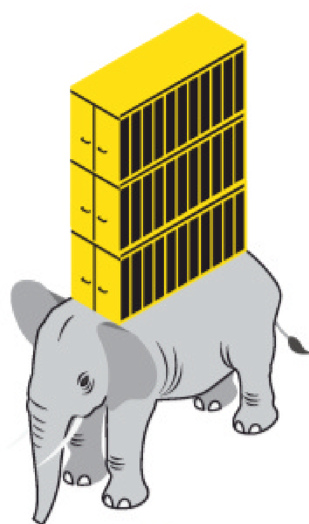
Financial Stress

The Financial Stability Report of the RBI presents a grim picture of the country's financial services sector



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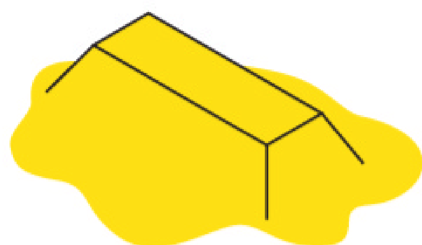
Trade Surplus After 18 Years

India recorded a merchandise trade surplus of $3.9 billion in June (except crude oil and petroleum products)



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Gold Imports Lowest in Two Decades

Gold imports fell 26.7 per cent in FY20 as compared to 2.86 per cent growth in FY19

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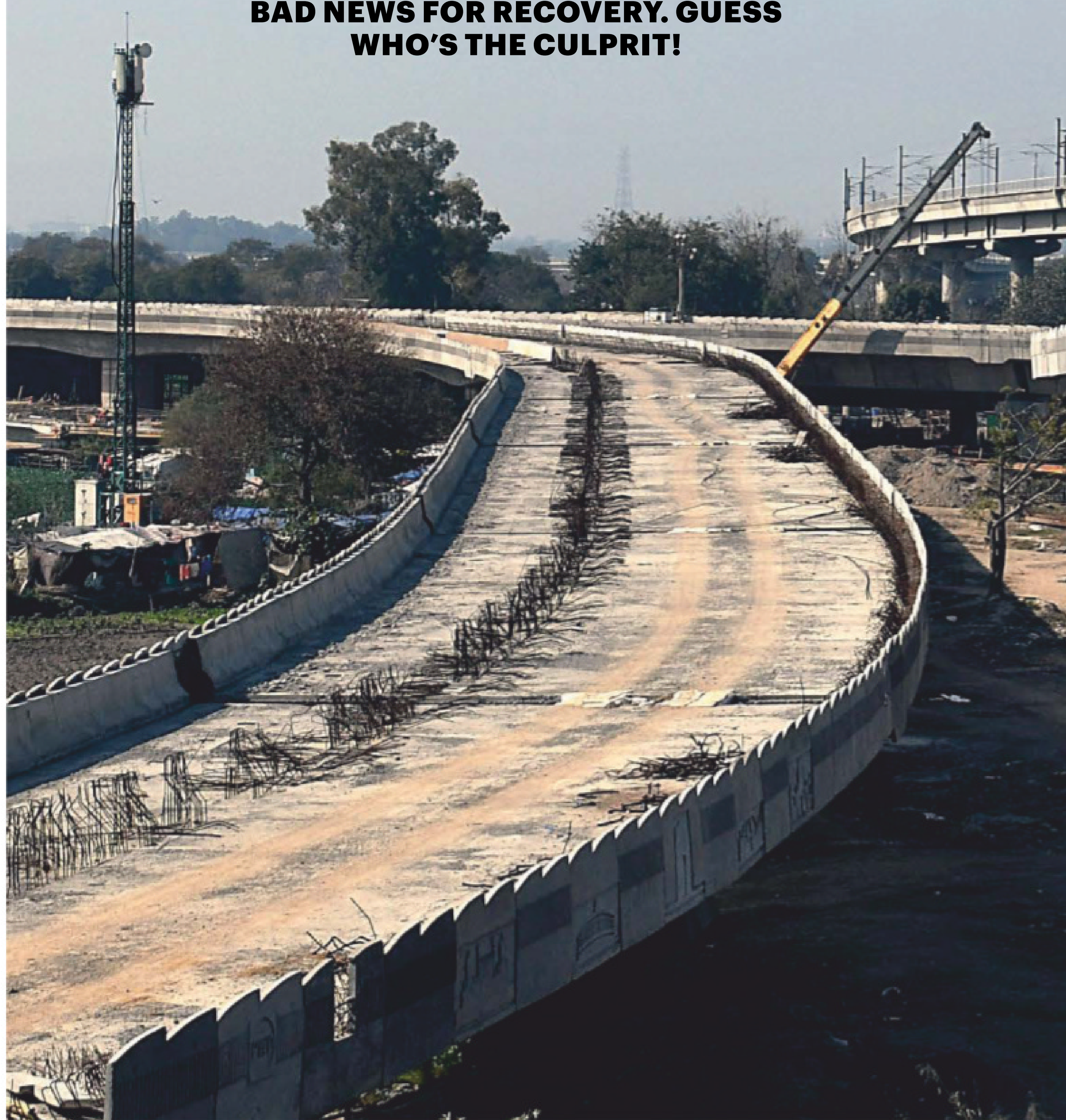

PHOTOGRAPH SHEKHAR GHOSH

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Asia's largest Rated 4 Datacentre

CtrlS: EMERGING AS THE WORLD'S LARGEST RATED-4 HYPERSCALE DATACENTRE

Growth in adoption of cloud, a rapid rise in e-commerce, digital transactions and social media, digitisation of data, the Internet of Things (IoT), edge computing and the impending personal data protection policy 2019 together are vital drivers leading to an explosive growth of data requiring large storage capacities in India. CtrlS Datacentres which has over a million square feet of rated-4 data centre space in India is expanding its footprint to six million square feet and emerging as the world's largest rated-4 hyperscale datacentre. The company is all equipped to absorb the rising demand for colocation in India. **Sridhar Pinnapureddy, Founder and CEO, CtrlS,** reveals why data centres are likely to play a vital role in a disruptive global economy, and how the company is playing a pivotal role in powering India's data and the economy.

MR. SRIDHAR PINNAPUREDDY, Founder and CEO CtrlS Datacenters

The world has changed significantly. In the way we work, in the way we conduct business, in the way education is imparted, in the way healthcare is delivered. Work from home has become a norm, watching movies from home is the new normal, classrooms have shifted out of schools to becoming digital classrooms at home; employees are no more working from office desks, they are, instead, working from home and leveraging new-age technology tools; and not everybody is going to shops to buy vegetables and groceries; instead, they are ordering groceries and vegetables to be delivered home in a contactless way, at the simple click of a button. The world has moved

to a contactless economy, and payments are being made not in cash but via mobile apps. Growing online transactions are giving rise to a large amount of data. Data has, therefore, become the lifeline of the world economy, transforming data centres into data powerhouses and becoming the backbone of data-driven economies.

CtrlS is said to be emerging as the world's largest hyperscale rated-4 data centre. Tell us about it.

We commenced our journey as India's First Tier-4 (now Rated-4) data centre 13 years ago while the industry had established players enjoying a major market share. Today, we enjoy a 25 per cent market share in the country, own and operate 1 million sq ft of Rated-4 datacentre space across Mumbai, Delhi, Bengaluru and Hyderabad, spanning across seven datacentre facilities and are emerging as the world's largest hyperscale Rated-4 datacentre player. We are also in the process of initiating our construction activity for our 5 million sq ft facilities in Mumbai, Hyderabad and Chennai.

India is poised to become a digital economy with Digital Healthcare, Digital Homes, Digital Manufacturing, Digital Banking etc at the fore... Datacentres appear to be a sunshine sector with great potential...

Well, this has to do with the way the Indian citizens and businesses are embracing digital technologies. As a country today, India is home to 627 million internet users, 450 million social media users, 500 million smartphone users, 70 million online shopping households and approximately, 100 million OTT subscribers. This has enabled the high growth of digital transactions, mobile-based payments, social media consumption, digital banking. This apart, new technologies such as cloud, internet of things (IoT), 3D printing, robotics, RPA are revolutionising the way businesses are aligning technology with organisation strategies to deliver value to their respective customers. As a case in point, in the times of the ongoing Covid-19 pandemic, physical bank branches have given way to digital banking, including digital enrolment of banking customers, digital KYC, and online loan disbursements. Education sector too has undergone an unbelievable transformation: instead of students going to school, we have schools going to students via digital classrooms. Workplaces also have witnessed an incredible change: instead of employees going to an office, are working from home and working as a Digital Workplace–work from anywhere, anytime. This transformation accelerated by Covid-19 is here to stay. It is important to state that digital classrooms, e-commerce portals such as Flipkart, Tele-Medicine, Cloud, IoT, Mobile (Smartphone-based) payments, Artificial Intelligence, online banking are all powered by datacentres. It is my belief that datacentres are the true nerve centres of an economy.

What factors have contributed to CtrlS consolidating its position as a market leader in the Indian datacentre industry?

Operation Excellence, Innovation, a Customer-First approach combined with a robust Governance-driven process have helped us establish ourselves as the market leaders. We have had 200 innovations since inception, 80 of them focused on energy efficiency which has helped us reduce PUE (power usage effectiveness) and deliver an industry best PUE of 1.38, thus enabling our customers save costs anywhere between 20 per cent to 30 per cent. Besides, our customer delight is a key focus area; this we achieve through our operational excellence model powered by our processes and practices such as Lean Six Sigma, ITIL, COBIT, PMP, Agile, MUDA, TQM, safety management, GRC (Governance, Risk, and Compliance), a strong governance framework encompassing strategy, management and business processes, audits, policies and procedures, controls, performance management and risk management; and service orientation focused on excellence in operations including efficient financial management, policy management, service delivery, resource management. This has helped us deliver an industry best uptime SLA of 99.995 per cent resulting in zero downtime since the commencement of our datacentre operations and an enviable Net Promoter Score (NPS) of 67 which reflects customer satisfaction and delight. This is the very reason why 60 of the Fortune 500 Global Multinationals, 120 of the ET 500 Indian Businesses trust us. Their faith and trust has helped us evolve from an underdog in 2007 to becoming a market leader. We owe it all to our customers and employees both – they have been the pillars of our growth.

What are the key drivers and trends in the data centre space today?

Undoubtedly, the key drivers of datacentres include cloud, social media explosion, growth in smart phone users, digital transactions such as online banking, online purchase of rail tickets, hotel bookings, groceries, vegetables, books, consumer durables and other online services, rapid deployment of IoT, higher consumption of online entertainment – be it movies on demand (OTT) or online gaming. As far as trends in the datacentre space are concerned, automation is becoming key – robotic process automation of all manual processes to enhance efficiency, productivity to surpass customer expectations. This apart, we have new technologies such as innovative cooling technologies, adoption of clean energy such as solar energy instead of conventional sources of energy, edge computing, virtualisation and hyper-converged infrastructure. However, India's Personal Data Protection (PDP) Bill 2019 will be an additional key driver of growth as multinationals storing data outside the country will have to localise the data, thus resulting in growth of datacentre footprint from the current 5 million to about 30 million by 2035 and creating millions of jobs across the country.

What would you say have been some of CtrlS' key differentiators?

As shared earlier, at CtrlS we offer an enviable uptime SLA of 99.995 per cent - that's a near zero downtime. This why Fortune 500 Global Multinationals and mission critical applications such as banking, e-commerce, payment transactions, telecom, businesses using ERP such as SAP, cloud platforms prefer us as their datacentre of choice. Going forward, our other differentiators include – industry lowest PUE of 1.38, carrier neutrality, N+N infrastructure, and ability to operate the data centre even in case of war like situation; we have sufficient power and water resources to continued uninterrupted without any external support for a week. One key differentiator is that most of our datacentres are situated in locations that have no history of any natural calamities; at the same time, our datacentres are quake-proof and pollution-free – for instance, our Noida datacentre is 100 per cent quake-proof and 100 per cent air pollution-free.

Sustainability is the need of the hour. What role is CtrlS playing in being an earth-friendly datacentre company?

As India's most energy-efficient datacentre, we consume 20-30 per cent less power than any other data centre in the country as our PUE is the lowest at 1.38. This has resulted in our Mumbai datacentre being certified the world's 1st LEED Platinum certified v4 O+M datacenter–meaning we are a green datacentre and earth- friendly. In fact, all our datacentres are LEED Platinum-Certified. Our new Mumbai DC2 facility is fully covered by solar, integrating solar panels on all four walls of the facility–this building is now the world's 1st Solar Covered Rated-4 Datacentre. We have received CII energy-efficiency awards over the last decade. We are also planning a 200 MW solar plant spread across 100 acres to support our power consumption to reduce carbon footprint. In the near future, we plan to power 100 per cent of our facilities primarily through clean energy majorly through solar power. You will be happy to note that through our green initiatives, we have successfully eliminated carbon footprint equivalent to 17,134 passengers driven in a year, equivalent to 30 million litres of diesel consumed in a year, besides eliminating 28,148 tons of waste per year.

Finally, what are your plans for the future?

We are planning to deploy 500 edge datacentres across Tier-2 and Tier-3 cities in India and expanding to 25 countries outside India – we will be building our own Rated-4 datacentres as most of these countries do not have such world-class facilities. In India, we are expanding footprint to 5 million sq ft, 2 million in Mumbai and in Hyderabad each, and 1 million in Chennai.

The Point

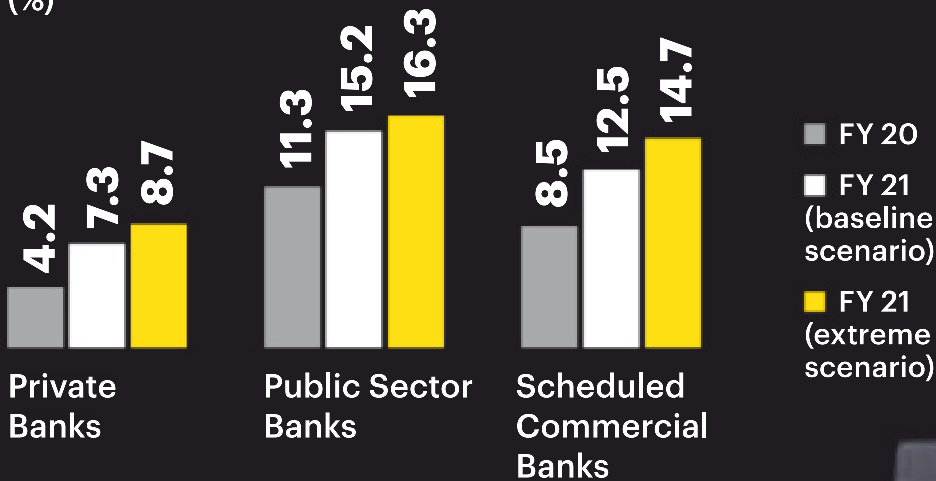
FINANCIAL STRESS

The Financial Stability Report of the RBI presents a grim picture of the country's financial services sector

By **Shivani Sharma**
Graphics by **Tanmoy Chakraborty**

SHARP SPIKE IN GROSS NPA RATIOS...

(%)



	FY 20	FY 21 (baseline scenario)	FY 21 (extreme scenario)
Private Banks	4.2	7.3	8.7
Public Sector Banks	11.3	15.2	16.3
Scheduled Commercial Banks	8.5	12.5	14.7

...WITH INDUSTRY AS THE BIGGEST CONTRIBUTOR

Sector-wise Banking Gross NPA Ratio FY20

Agriculture
10.01%

Industry
14.1%

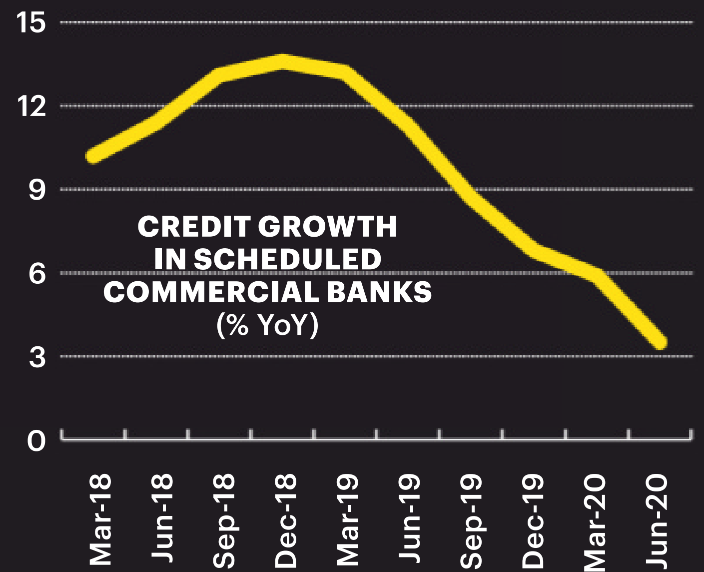
Service
7.2%

Retail
2%

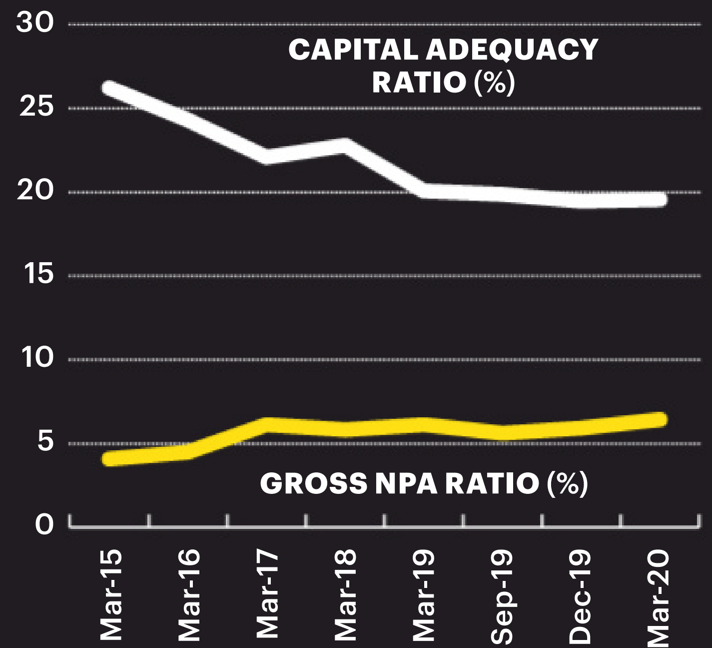
$6bn

Funds that State Bank of India, Punjab National Bank, Bank of Baroda and Canara Bank plan to raise in order to keep capital at adequate levels

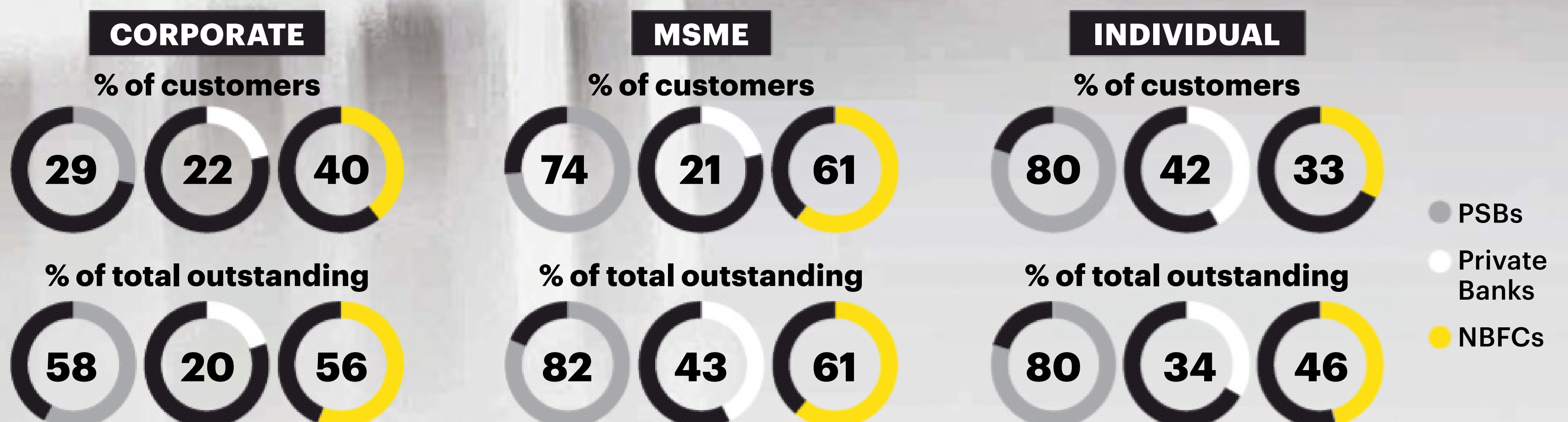
BANK CREDIT GROWTH DIPS SHARPLY



NBFCs TOO FACE ASSET QUALITY ISSUES

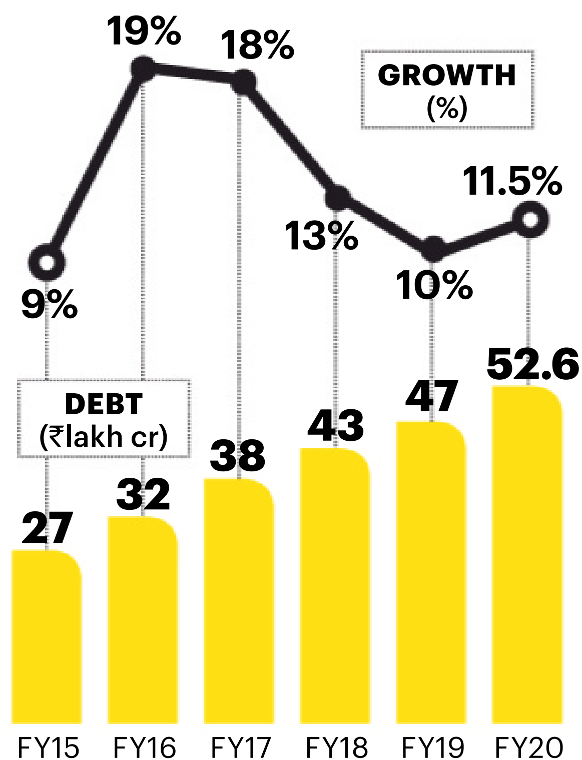


MSME/RETAIL ACCOUNT FOR BIGGEST CHUNK OF LOAN MORATORIUM



State Governments' Debt Rises 11.5%

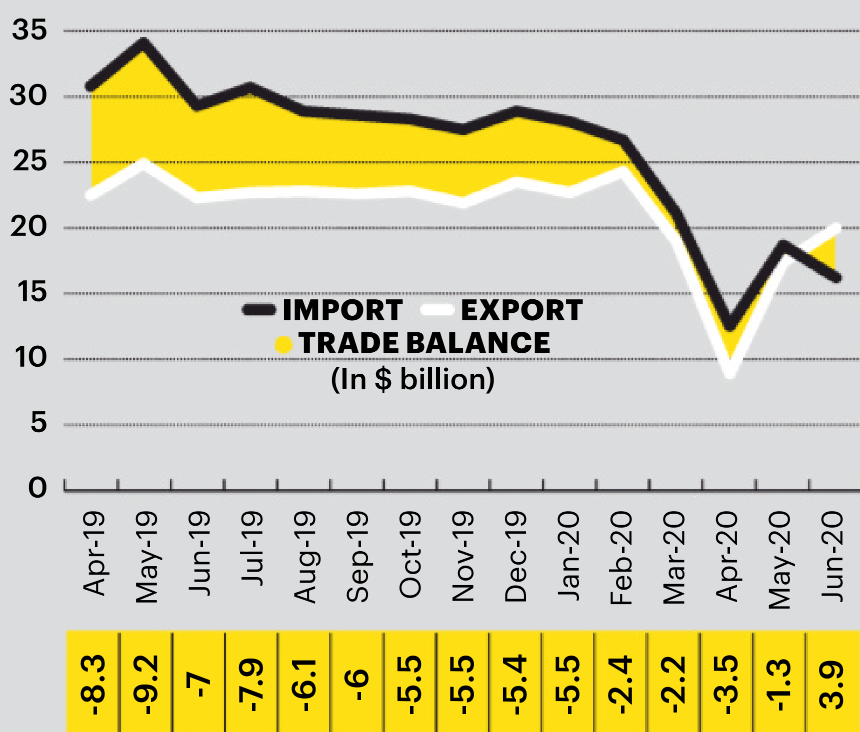
- Lower GST collections due to slowdown and delay in GST compensation by the Centre forced state governments to borrow 11.5 per cent more in FY20 compared to FY19
- The total outstanding debt of states at the end of FY20 was ₹52.6 lakh crore
- This includes market borrowings, UDAY bonds, loans from National Small Savings Fund, banks and other financial institutions, ways and means advances, loans from Centre/provident fund



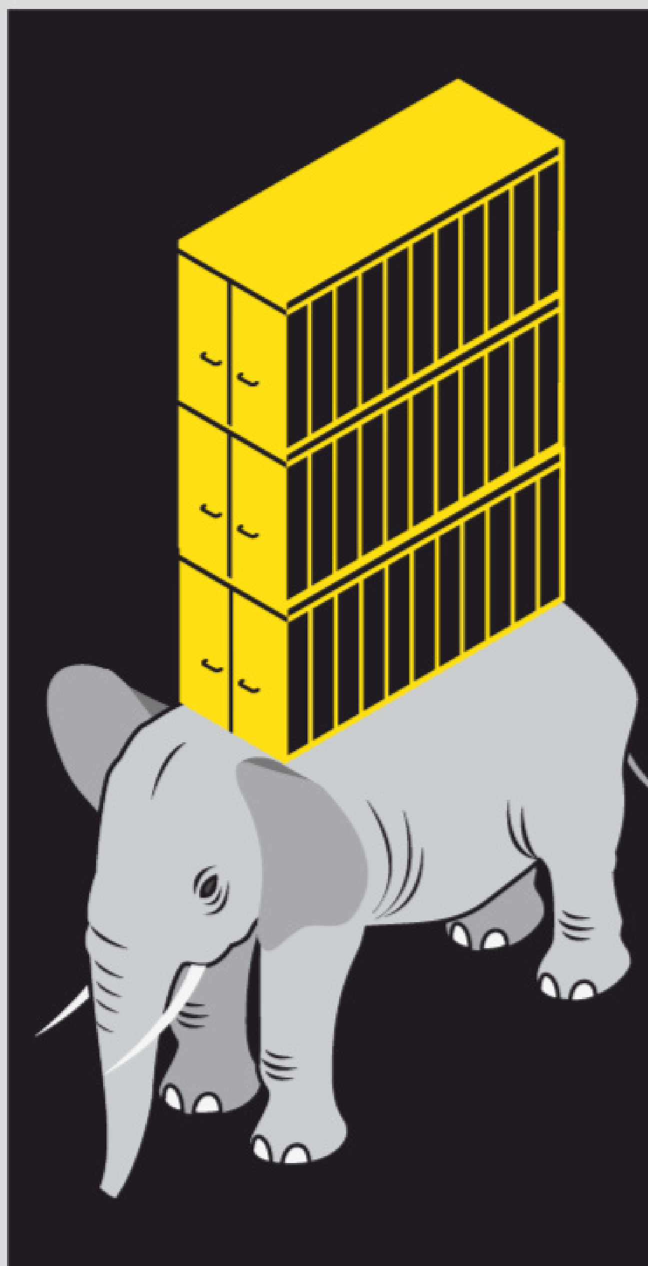
Source: RBI

TRADE SURPLUS AFTER 18 YEARS

- India recorded a merchandise trade surplus of $3.9 billion in June (except crude oil and petroleum products)
- This was the first time since January 2002 that India was a net exporter
- Exports rose 14.9 per cent MoM while imports shrank nearly 13 per cent

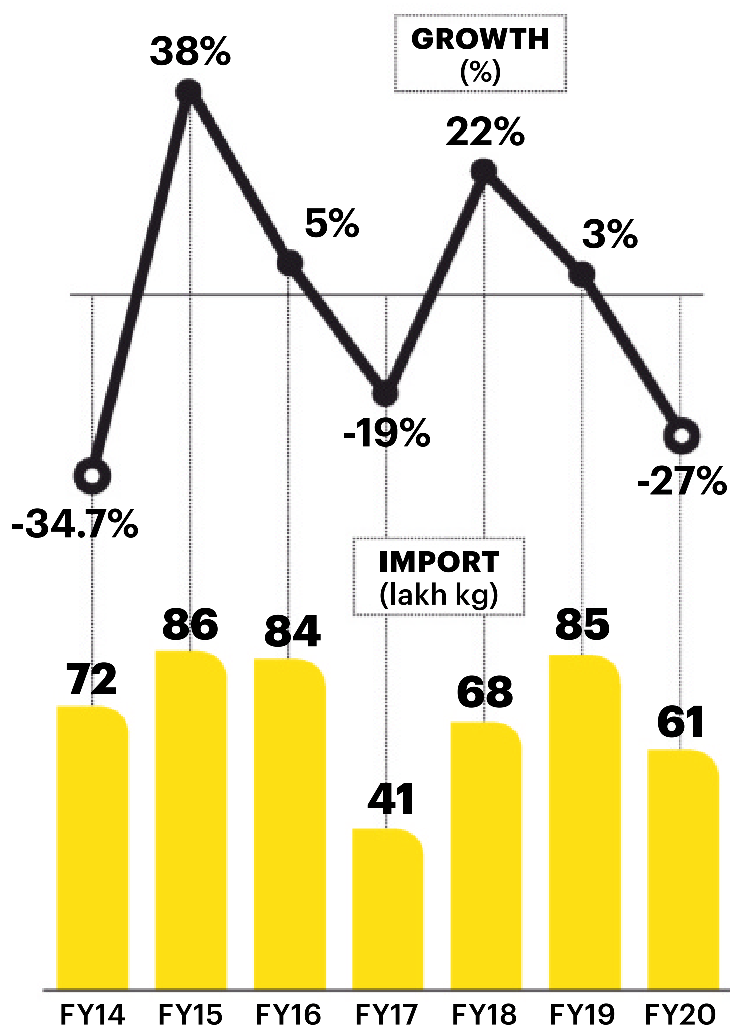


Source: Commerce ministry



GOLD IMPORTS LOWEST IN TWO DECADES

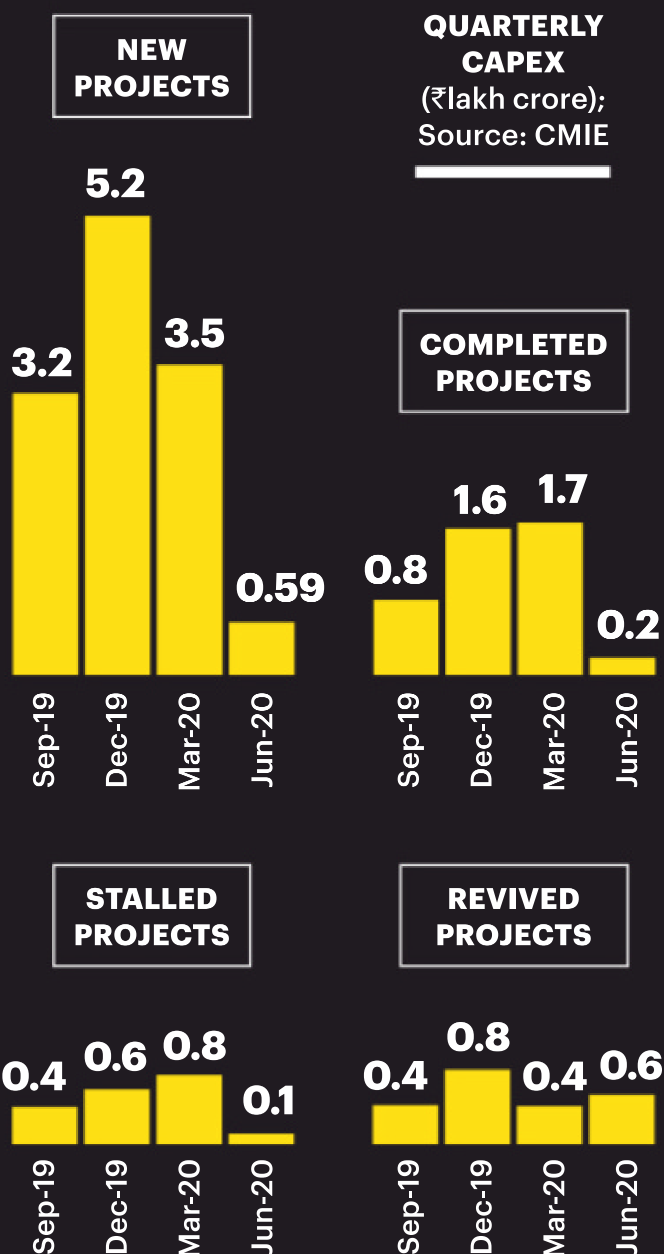
- Gold imports fell 26.7 per cent in FY20 as compared to 2.86 per cent growth in FY19
- India is expected to import a mere 443.6 tonnes of gold in FY21, 38.4 per cent less than in FY20, according to the World Gold Council
- This will be the lowest gold imports in more than two decades.



Source: World Gold Council

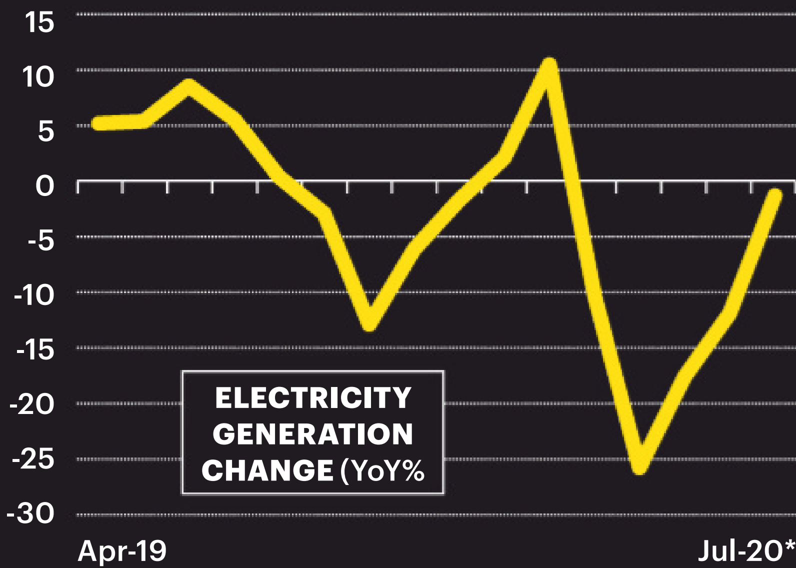
Investment Proposals Plummet In April-June

- The value of new projects proposed in the first quarter of the financial year was only ₹59,000 crore
- The value of completed projects was Rs 19,000 crore compared to ₹1.71 lakh crore in January-March quarter
- The value of stalled projects was ₹11,000 crore compared to ₹77,000 crore in the January-March quarter

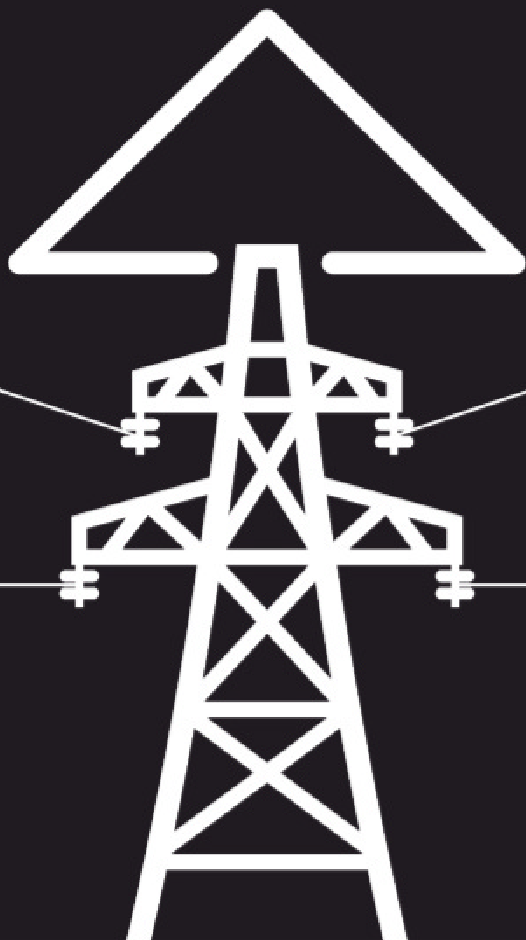


Conventional Power Generation Dips 1.3% in July

- In the first 20 days of July, 69.4 billion KwH of electricity was generated from conventional sources. This was a marginal decline of 1.3 per cent on a year-on-year basis
- The generation had fallen 25.8 per cent in April

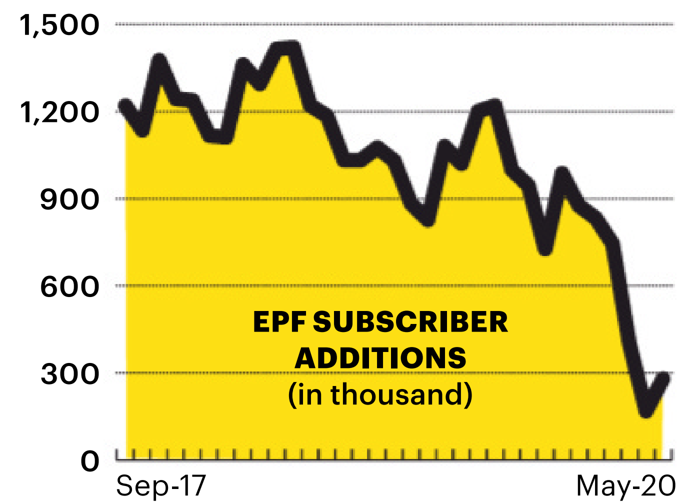


*for first 20 days: Source: MOSPI

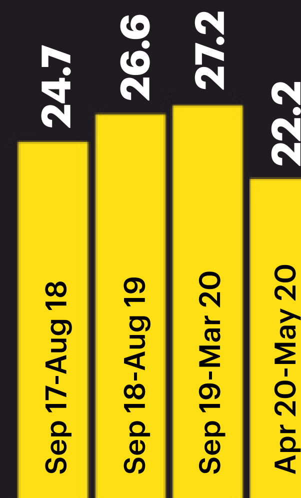


FEWER YOUNGSTERS JOIN FORMAL JOB MARKET

- The past few years had seen a robust rise in people joining the formal economy, according to Employee Provident Fund data
- The trend slowed sharply after the March lockdown
- The proportion of people who are less than 21 years old in total formal job additions has fallen in the last few months



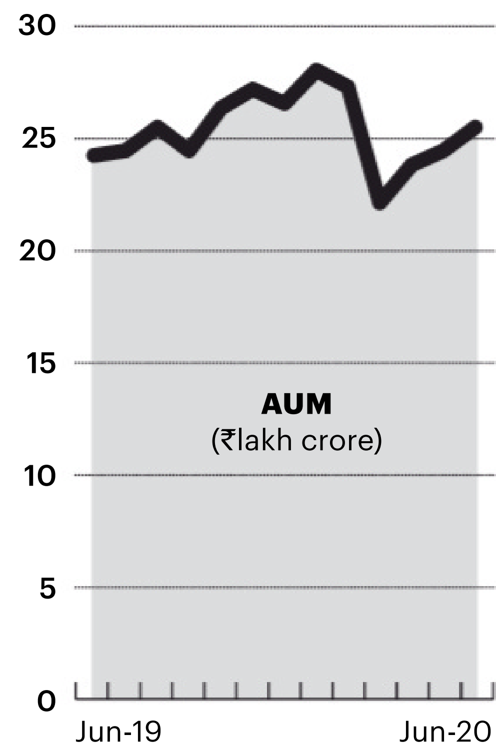
SHARE OF THOSE LESS THAN 21 YEARS IN NEW EPF REGISTRATIONS (%)



Source: CMIE

AUM of MF Industry Rises 3.8% MoM

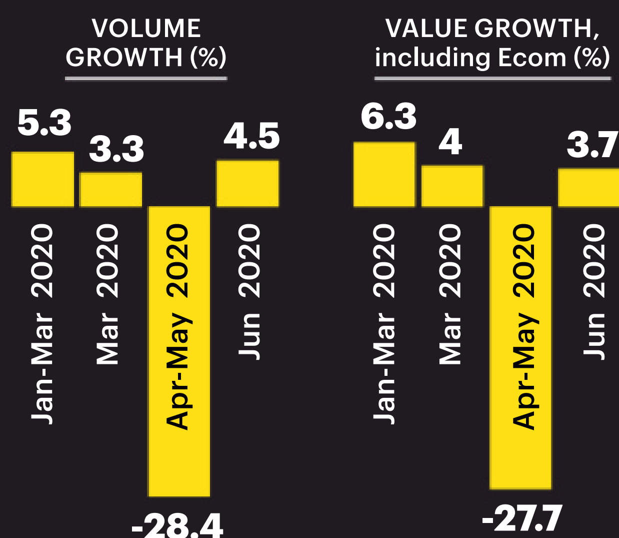
- Assets under management (AUM) of the mutual fund industry rose 3.8 per cent sequentially to ₹25.5 lakh crore in June
- The AUM rose 5.1 per cent year-on-year (increase of ₹1.2 lakh crore)
- Equity schemes have the largest number of folios at 63.7 million, 70 per cent of the total
- They are followed by hybrid schemes with 9.5 million folios (10 per cent) and debt schemes with 6.4 million folios (7 per cent share)



Source: AMFI

FMCG Gets Back Its Moorings

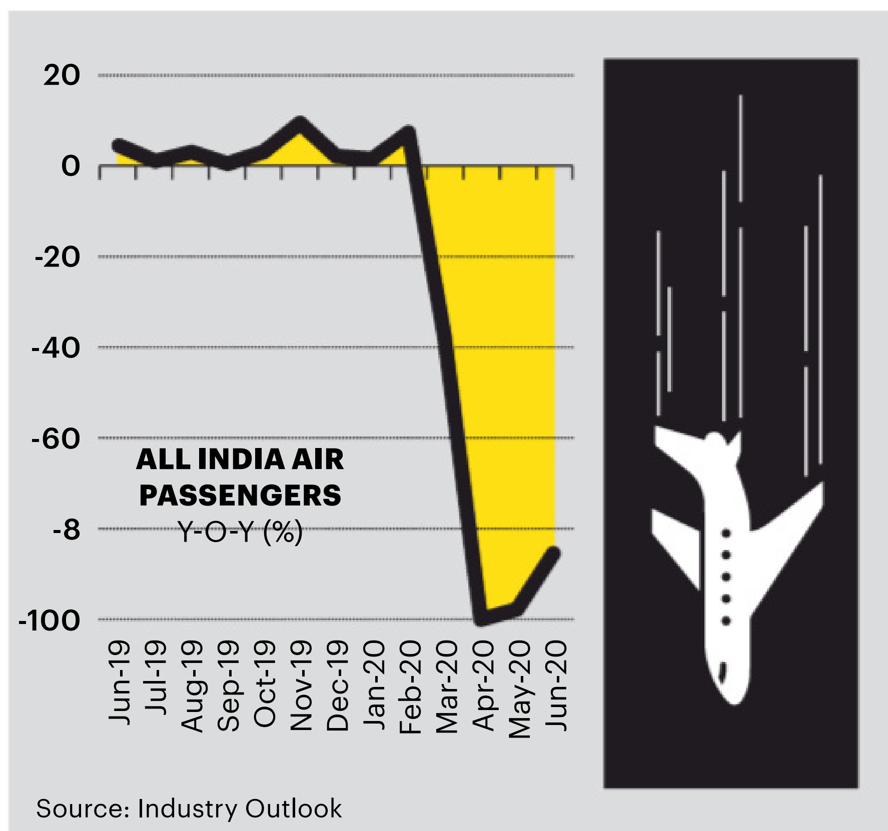
- The FMCG industry had shrunk 28.4 per cent year-on-year in the April-May period
- Unlock 1.0 in June triggered a revival with the industry clocking 4.5 per cent growth
- The monthly average number of store closure days fell from 11-12 days in April-May to five days in June



Source: Nielsen

AIR PASSENGER TRAFFIC FALLS 85.3% IN JUNE

- Total air passenger traffic fell 85.3 per cent year-on-year in June to 19.84 lakh
- This was slightly better than the 97.5 per cent fall in May and 99.7 per cent in April



Source: Industry Outlook

INDIAN CONCERNS

Withdrawal of zero duty GSP benefits to 2,000 products

Increasing tariffs on steel under the national security clause

Restrictions on H1B visas impacting IT firms

Inclusion in the Priority Watch List of United States Trade Representative

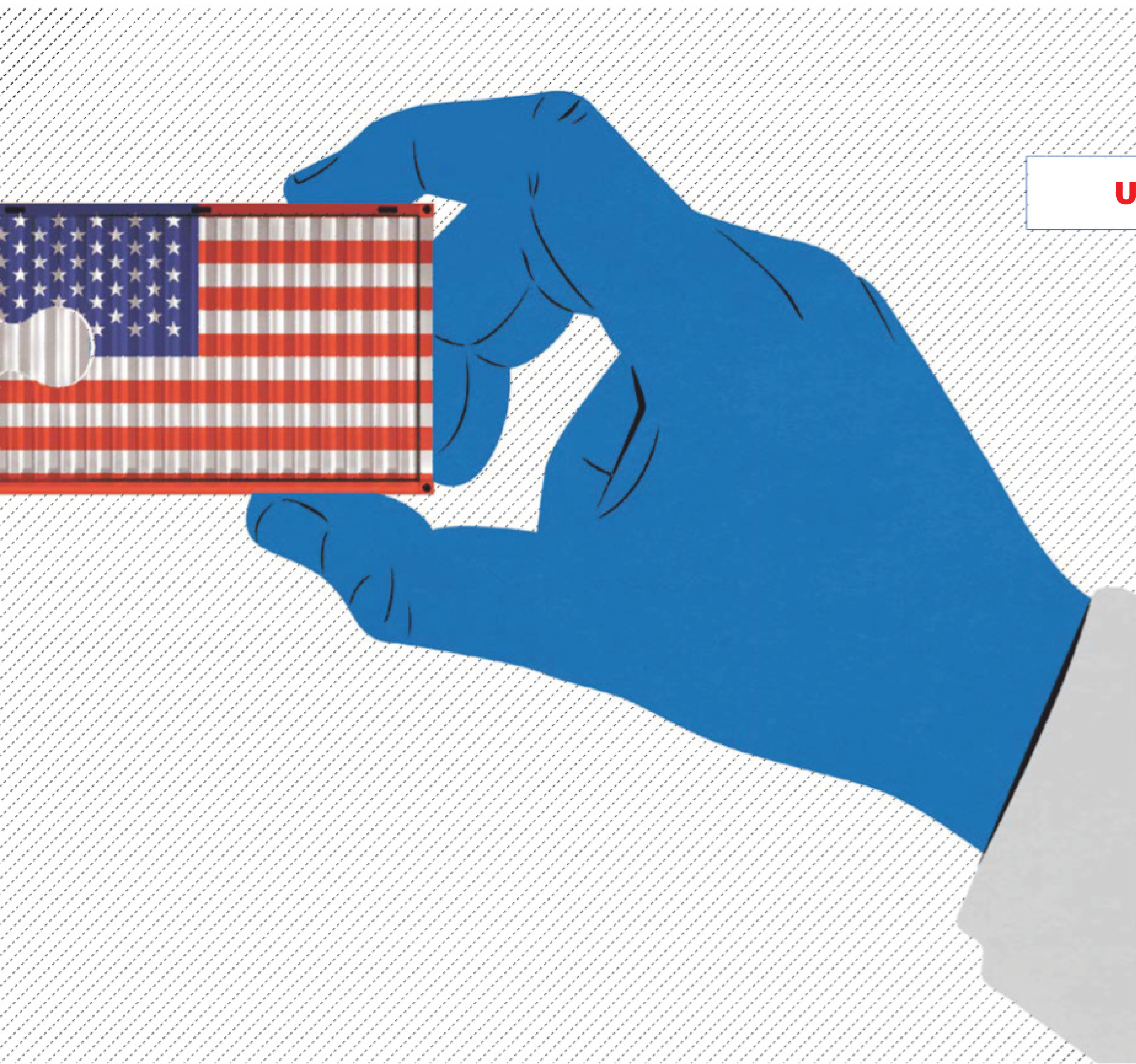
FTA template containing contentious non-trade issues

Policy

Willing Partners

On **July 22,** Commerce Minister Piyush Goyal tweeted a video with a message that India and the US are on the cusp of a limited trade package. "I believe we have a quick trade deal, which has some of the pending matters, built up over the last couple of years, which we need to get out of the way quickly. We are almost there, another couple of calls and we should be able to sort them out," Goyal said.

The minister's words, which signalled the beginning of the end of retaliatory trade, lifted the spirit of hundreds of Indian exporters. It brought back hopes of regaining some of the export incentives such as zero tariff, which had given



US CONCERNS

Restrictions in cross-country data flow

Restrictive patent laws

High tariffs on Harley Davidson bikes, chickpeas, walnuts etc

Cap on prices of medical devices

Digital Tax on e-commerce

India and the US are likely to restore some trade concessions, but an FTA is still years away

BY JOE C. MATHEW
ILLUSTRATION BY RAJ VERMA

sections of Indian manufacturers an edge in the US market until recently. A possible truce means more opportunities for Indian exporters in the US, the world's largest export market, and the only major export destination where India enjoys a trade surplus. The partnership plan also comes at a time when both countries are trying to distance themselves from China, their biggest trade partner, and opens up the possibility of US companies shifting base from China to India.

A bigger trade deal between the two countries is also on the cards, Goyal said in the video. "I don't know if that can

be done before the (US Presidential) elections (due in November) or post the elections, but we need to work towards a much more sustainable, robust, enduring partnership in the form of a Free Trade Agreement (FTA) to which India is willing to work with an open mind, with a willingness to open our hearts and our markets with a corresponding opportunity for Indian businesses in the US."

The message comes at a time when India's foreign trade — exports and imports — are going through tough times. Exports, which were struggling to grow even before Covid-19 induced trade disruption struck, saw a downward spiral in the April-June quarter. The decline in the value of imports was much bigger. In June, for the first time in almost two decades, Indian merchandise exports fell 12.4 per cent, while imports fell 47.6 per cent, resulting in a trade surplus for the month. The India-US partnership plan, therefore, is part of the larger strategy to revive the country's external trade through a series of agreements, including those with the European Union (EU) and Britain.

Limited Deal

As Goyal himself indicates, the imminent announcement will focus on clearing the ground for larger talks. Both countries will make some concessions in their current tariff and non-tariff positions to provide a conducive environment for future talks.

"They (US) will want to show they are getting some duty cuts. We may get them to reverse their decision on GSP (Generalised System of Preference, which allowed India to export nearly 2,000 products at zero tariff to the US) at least partially, and both countries may withdraw the retaliatory measures they have taken," says Manoj Pant, Director, Indian Institute of Foreign Trade (IIFT).

The US had begun the tariff war with an increase in import duty on steel and aluminium in 2018. It wasn't India specific, but Indian exports were also impacted. The withdrawal of GSP benefits came next, which altered the duty-free status of Indian goods worth $5.7 billion. In retaliation, India imposed hefty duty on imports, including Harley Davidson motorcycles, walnuts, chickpeas and lentils. It didn't end there. The US measures to curb H1B visas hit Indian IT firms, while India's decision to levy duty on medical equipment harmed the interests of US medical technology majors. Some of these measures may see a reversal once the limited trade deal is announced. And going by the allegations made by a coalition of farmer groups, India has taken the first step. Rashtriya Kisan Mahasangh, in letter to Prime Minister Narendra Modi opposing the India-US trade deal,

"I believe we have a quick trade deal, which has some of the pending matters, built up over the last couple of years, which we need to get out of the way quickly. We are almost there, another couple of calls and we should be able to sort them out"

Piyush Goyal, Commerce Minister

PHOTOGRAPH BY BANDEEP SINGH

links the Centre's June 23 decision to reduce the import duty on maize and milk powder as the first step in this direction.

Exporters, however, are a happy lot. "The India-US mini deal is a good move. For export sectors, particularly labour-intensive ones, the US is one of the very important markets. And though GSP is not a major concern for most products that were in that list, it could have made a difference for handicrafts, textiles and leather product exports," says Ajay Sahai, Director-General, Federation of Indian Export Organisations. According to Sahai, due to the rising anti-China sentiment, India is likely to align with countries like the US, Japan, EU and Australia to move towards an economic bloc. "It will take time, but strategically our interest lies more with the US, so it makes sense to cement it with some kind of agreement. The India-UK deal is also important as India can gain a lot in services. The UK's import of services from the EU was around $300 billion, so once the UK comes out of the EU, and the free visa regime ends, India will have a chance," adds Sahai.

WHAT AN INDIA-US DEAL MAY INCLUDE

Limited trade agreement involving the restoration of concessions withdrawn by the US and India in recent years

Initiation of FTA talks soon after US elections

An early harvest preferential trade agreement

• • • • •

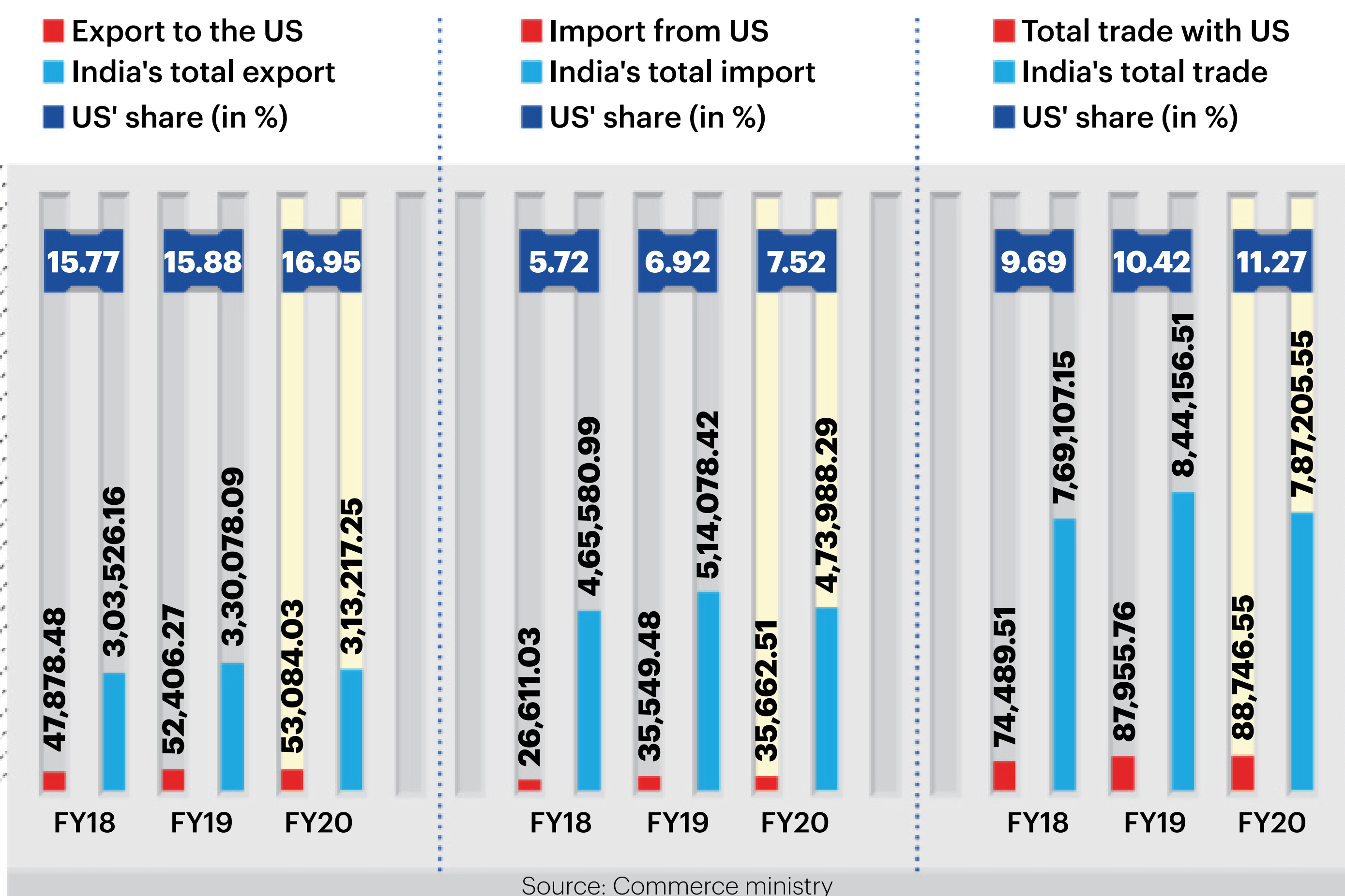
A Bigger Gameplan

The direction India is taking is clear. The objective is to move towards bigger trade deals that can enhance the country's access to developed Western markets. And the move has come despite existing trade agreements, mostly with Asian countries, failing to work in the country's favour. The new strategy, therefore, has its advantages as well as disadvantages.

"Since 1985, India has been using regional trade agreements (RTAs) as political instruments. The peace we have in our neighbourhood in the last so many years is a lot due to the SAARC (South Asian Association for Regional Cooperation) agreement. We offered very good deals to Maldives, Nepal, Sri Lanka, etc, though we knew it was going to make losses for India on the economic front. The India-ASEAN (Association of Southeast Asian Nations) trade agreement is also a very bad deal. The purpose of that was also political — the Look East Policy. The most effective economic instruments, hence, are RTAs with countries you already trade," argues IIFT's Pant. According to him, RTAs are a consequence of trade, they do not create trade. India's trade with ASEAN is less than 10 per cent of the country's total trade. India's trade with Japan and South Korea in commodities is negligible. And that is why RTAs with these countries did not work in India's favour.

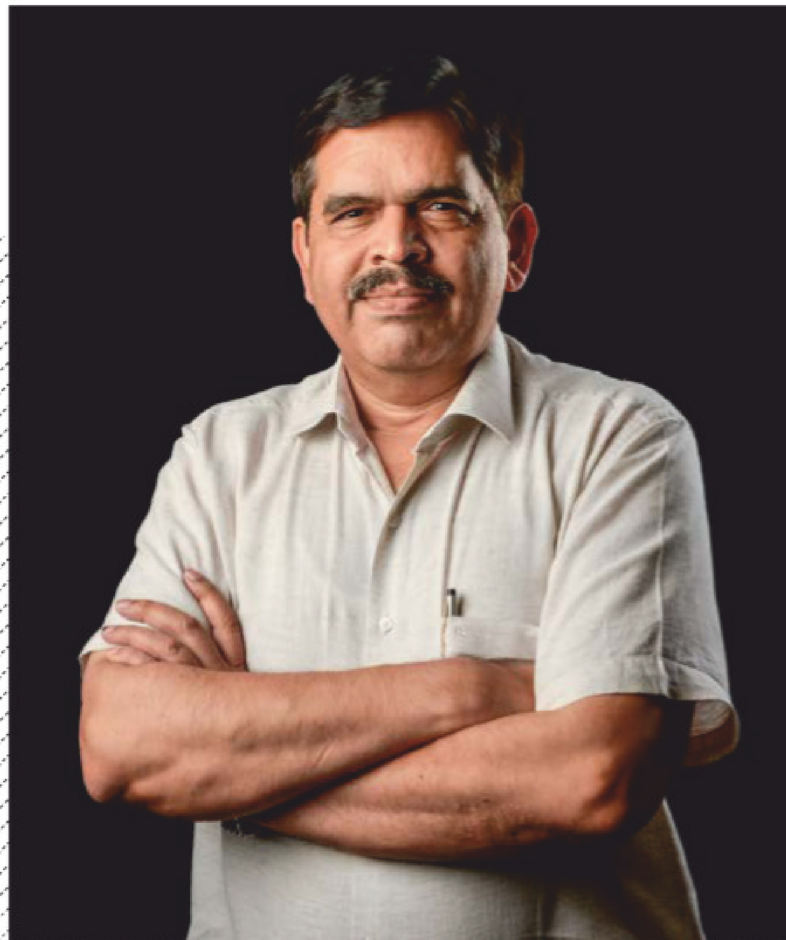
"If the government wants to make economic decisions,

Indo-US trade in last 3 years
(in $ million)



SJM is not against global trade agreements, but those agreements should be in the best interest of the country. What the US wants from us, India is not in a position to give. I don't think the India-US FTA wll see the light of the day in the present form"

Ashwini Mahajan, National Co-convenor, Swadeshi Jagaran Manch



PHOTOGRAPH BY VIKRAM SHARMA

where should they look? Who are your major trading partners? The US, Europe and the UK. You should have agreements with them. The added advantage is that you also trade heavily in services with them and you have an edge. Bring services also on the negotiating table," says Pant.

The Road Ahead

The India-US FTA will provide a template for India to negotiate with major trade partners. But the problem with negotiations with developed nations such as the US is that they already have a template when it comes to trade agreements. In other words, the broad contours of the US demands are well known. And it may not be easy to carve out a fresh negotiation path.

According to trade experts, the FTA template of the US include rules and disciplines around tariffs, services, e-commerce, government procurement, intellectual property rights, labour standards, etc. Each of these will have to undergo tough negotiation as it will decide the transition period for phasing out tariffs, flexibilities in deciding the services that can be excluded from the deal, level of autonomy of central banks, etc.

2000

Number of products that India used to export to the US at zero tariff under the GSP. The US excluded India from the programme in 2019

Ashwini Mahajan, National Co-Convener of Swadeshi Jagaran Manch (SJM), the affiliate organisation of the RSS that advocates self-reliance over global trade, says a bigger FTA with the US may not be possible at all if the latter sticks to its template. "We know the items on the US menu. E-commerce is there, digital economy is there. So are IPR, agriculture and dairy, capping of prices of medical equipment, tax on Harley Davidson motorcycles, and other items. But India's stand on these issues is also very clear and non-negotiable. That is why the India-EU FTA has not progressed despite four dozen bilateral meetings," he adds.

According to SJM, India and the US may announce a limited trade deal, but not a bigger FTA. "SJM is not against global trade agreements, but those agreements should be in the best interest of the country. What the US wants from us, India is not in a position to give. What face will the government will show if we accept the US terms of e-commerce? How can we accept the US demand for free flow of data when the government has already taken its position on data localisation? How can we allow 3D (the clause that restricts the patentability criteria) to be abolished from the Indian Patent Act? How can we allow the US to have free access to Indian markets when our agriculture is facing so many problems? How can we give in to their demand for lifting the cap on medicines? I don't think the India-US trade deal will see the light of the day in the present form," says Mahajan.

Goyal seems to have a different view, at least for now. In fact, he proposes an interim solution in the video message. "We believe there should be an early harvest in the form of a preferential trade agreement so that rather than waiting for the gains of an FTA, which may take several years to conclude, we may look at an early harvest of may be 50-100 products and services where we can engage with mutual trust and an open spirit so that the partnership between India and US can kick start much faster," he said.

The progress of India-US FTA, beyond the limited deal that will be announced soon, will therefore depend on how quickly India can take a position on how to deal with the US template, and not the other way round. **BT**

@joemathew

ACCELERATE YOUR BUSINESS

"Every growing business has issues, problems and bottlenecks. we help our clients deal with them, effectively and efficiently"

Mr. Jayaprakash M

Mr. Jayaprakash M is the most sought-after consultant for Oil & Gas Industry, Retail, FMCG and Telecom sector, with a Honorary Degree of Doctor of Advance Studies (DAS) in Administration and Management by Azteca University, Mexico, He has been awarded as Business Leader of The Year 2019 By Economic Times at Mumbai, Most Influential Food Industry Professional Award for 2019 by CMO Global at Mumbai , The Most Admired Global Indian 2019 Award by Passion Vista at Los Angeles, USA, with his expertise

He has been helping big companies like Shell India Markets, Bharat Petroleum, Hindustan Petroleum, Indian Oil, ONGC-MRPL, GAIL, Indian Oil – Oil Tanking, Reliance Petroleum, Nayara Energy (formerly Essar Oil), Aegis Gas, Leader Gas, Total ELF Gas, AGP, NHAI, Kapci Coatings India (Subsidiary of Kapci Coatings, Egypt), WIPRO, Shell Technology Centre Bangalore, Millipore (India), Nestle India, Reliance Infocom, Airtel, Himalaya Drug Company, Tata Teleservices, Citycom Networks / Spectra Net (Punj Lloyd Group), Finetech Commercials (Reliance Group), Indus Media and Communication, JICA (Japan) ODA Loan Project, Goa, Medreich, MEP – Olbo India,. Mitsuba Sical India, Mott MacDonald, Sinclair Knight Merz Consulting, VRL Logistics, Water Resources Department, Goa, Phoenix Cars India (Volkswagen Car Dealers), Alcott Town Planners, Continental India, amongst hundreds of other organizations with issues that are critical to their business or projects and helping them resolve their critical problem through his extraordinary skills.

His firm JAY JAY Consultants provides value consultation and project managment services to these companies, they provide comprehensive analysis, creative strategies and reliable, pragmatic solution to clients. Mr Jayprakash adds, India being a very vast and diverse nation to be able to run a successful business its not easy one has to be aware of all applicable laws and have necessary clearances for any project to be executed. This is one area that no big business is ever fully prepared for. This is even more true when these businesses venture into a new geographical area or a new line of business altogether and this is where we come and help those clients with our experienced consultation and project management skills our team has been doing this for over fifteen years now for big businesses across pan India. Whenever they launch a new project, we are called for our expert advice and services, as we can foresee the hurdles that they might face and study the applicable laws and local administrative issues very carefully. We tell our clients what needs to be done for the project to be successful. Efficient and timely execution of their projects depends very much on the permits and licenses that we help them procure. This not only helps in keeping them on the right side of the law but also in ensuring there are no unnecessary stoppage due to local Statutory issues.

Apart from oil, gas and energy projects, Mr.Jayaprakash M. has also worked with a number of companies in the Real Estate sector including Godrej Project, SPL Housing, Fortune Builders & Developers, Monarch Property, Lily Realty (Pashmina Developers), Sattva Developers, Salarpuria Real Estates, Kirloskar Business Park, Brigade Enterprises, Azur Developers, Prestige Developers, Esteem Group and Lakepoint Builders.

Mr.Jayaprakash M. has also worked extensively with leading hospitality companies like, TAJGVK Hotels and Resorts, McDonalds, KFC, Pizza Hut, Tata StarBucks, Inter Globe Hotels, Tata Cha, Tata Cliq, BuSaGo, Artiraa, Tablez, Shadow fax, Brown House Baking (Onesta), Barbeque Nation Hospitality, Savis Retail (KWIK24), Hungry Wheels, Hypercity Retail, Paradise Food Courts and more

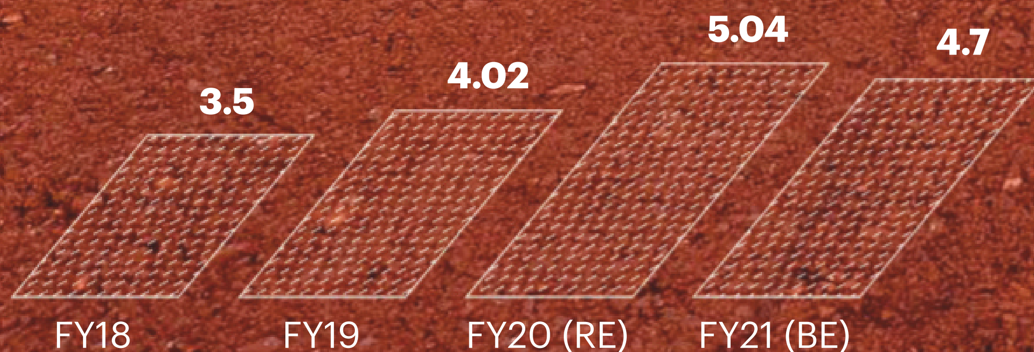
With such an illustrious career as a business trouble-shooter and the long list of big clientele he handles, he is moving in the right direction. His own business has seen huge spike in growth over the last decade and he manages several business entities including Jay Jay Consultants (Proprietor), J S Associates (Managing Partner), Jay Jay Consultants Ltd, Mauritius (CMD), Jay Jay Capital & Investments Pvt. Ltd. (CMD), CRESCO Design Studio Pvt Ltd. (CMD), Hani Agri Food & Hospitality Pvt. Ltd. (CMD), Qualatus Limited, Mauritius (MD), Jay Jay Hotels and Restaurants and Entertainment Pvt. Ltd. (CMD), GJC Hospitality Pvt. Ltd. (CMD) and S4 Tech Ventures Pvt. Ltd. (Director).Mr. Jayaprakash says "Every growing business has issues, problems and bottlenecks. We help our clients deal with them, effectively and efficiently"

COVER STORY

INFRASTRUCTURE

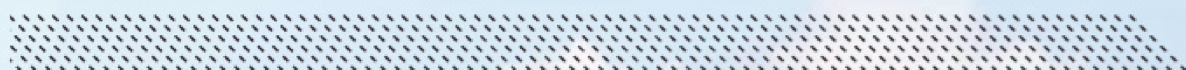
INFRA FALTERS

PHOTOGRAPH BY SHEKHAR GHOSH

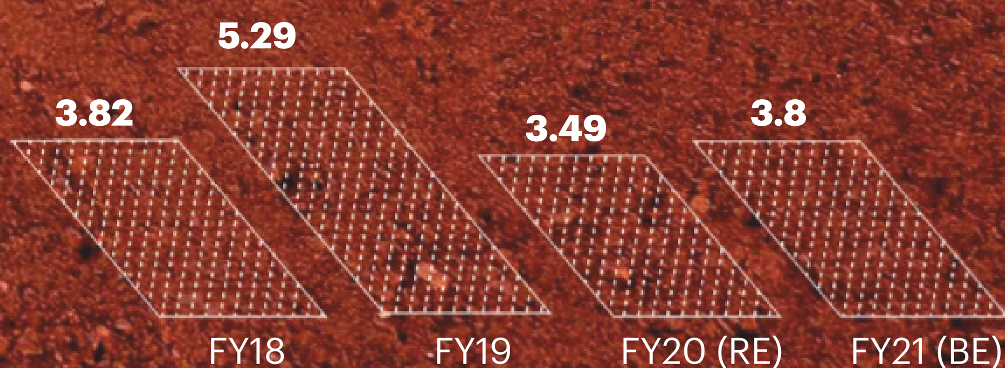


DESPITE AN AMBITIOUS TARGET, PUBLIC EXPENDITURE ON INFRASTRUCTURE — THE ONLY FUNCTIONAL ENGINE OF THE ECONOMY — IS DWINDLING. THAT SPELLS BAD NEWS FOR ECONOMIC RECOVERY

BY NIRBHAY KUMAR



...MAJOR STATES TO SEE LOWER CAPEX



On July 10, Virendra D. Mhaiskar, Chairman and Managing Director of Mumbai-based IRB Infrastructure Developers, was enthused. IRB had emerged the preferred bidder for the ₹2,193-crore build, operate and transfer (BoT) project for six-laning the 63.83-km stretch of NH-19 from Dankuni to Palsit in West Bengal under the Bharatmala Pariyojana.

His joy was short-lived. On July 21, the National Highways Authority of India (NHAI) annulled the bids. Its rationale: it expected a premium or upfront payment from private developers while IRB asked for a grant. Bids for another BoT project were cancelled for similar reasons amid tepid market sentiment.

The development hurts NHAI equally badly as it prefers to award projects on BoT (toll) mode instead of Engineering, Procurement and Construction (EPC) or Hybrid Annuity Model (HAM) where it has to shell out funds upfront. This chicken-and-egg situation represents the dilemma — of government agencies as well as private companies, both starved for funds — in the roads sector amid demand destruction due to the Covid crisis.

Unruly combinations such as these brought down spending on road construction from ₹1,37,354 crore in FY19 to ₹85,275 in FY20 (till November 2019, as per latest data released), slowing road building from 10,855 kilometres a year in FY19 to 6,940 kilometres in FY20 (up to December 2019, as per latest data released). That's a run rate of 84 per cent of target in road building and 93 per cent in spending.

THE CHALLENGES

With state finances impacted by the pandemic, public spending has been hit

Centre, states divert funds to healthcare and social sectors; it could leave infra high and dry

Prolonged weak demand may raise risk for private developers, investors and banks

Risk-averse banks likely to shun lumpy infrastructure projects

But roads is only one of the several areas of infrastructure where public expenditure has fallen despite the government's intent to push the pedal and spend ₹111 lakh crore on infrastructure by 2025. According to latest data released by the Controller General of Accounts (CGA), which tracks government accounts in real time, in FY20, the Ministry of Power spent only 89 per cent of its planned capital expenditure, while the Ministry of Roads spent 93 per cent. In the first quarter of FY21, the situation is far worse. The Ministry of Power spent only 2 per cent of its annual budgeted capital expenditure in the quarter, while the Ministry of Roads spent 21 per cent. The figure for the Ministry of Housing and Urban Affairs is a mere 9 per cent (see *Spending by Infrastructure Ministries Not Up to The Mark*).

The crisis is unlikely to spare even the prime minister's signature Smart City project. The project got ₹18,810 crore support from the central government till February this year, 39 per cent of its share since the launch of the scheme in June 2015.

One silver lining has been Indian Railways. It spent ₹67,825 crore on infrastructure in FY20, up from ₹52,844 crore in FY19. In the first quarter of FY21, it spent 29 per cent of the amount budgeted for the entire financial year.

In Covid-hit FY21, infrastructure spending by Centre is projected to be 7 per cent less than the previous fiscal, according to ratings agency Crisil.

₹1.7
LAKH CRORE
Expected infra capex of 10 major states in FY21, according to Crisil

States, which were expected to spend at least 40 per cent of the ₹111 lakh crore National Infrastructure Pipeline (NIP) till 2025 (Centre will spend 39 per cent and private sector 21 per cent), also drastically reduced capital spending in FY20. Only three of top 15 states by size of GSDP increased capital spending in FY20 (of these, UP by just 1.8 per cent). The other 12 scaled down capital outlay by 0.1 per cent (Tamil Nadu) to 60 per cent (Andhra Pradesh). The infrastructure capex of 10 major states could stagnate at ₹1.7 lakh crore, it says.

And private sector interest is already muted. One reason is sharp drop in demand for airports, ports and power, with recovery appearing far away. With this, India is staring at a downward slope in infrastructure building, especially as revenue collection of both Centre and states is expected to be hit badly due to the Covid crisis.

Four infrastructure sectors — roads, energy, urban infrastructure and railways — were to account for 71 per cent of the NIP investment. Of that, energy is 24 per cent, followed by roads (18 per cent), urban infrastructure (17 per cent) and railways (12 per cent).

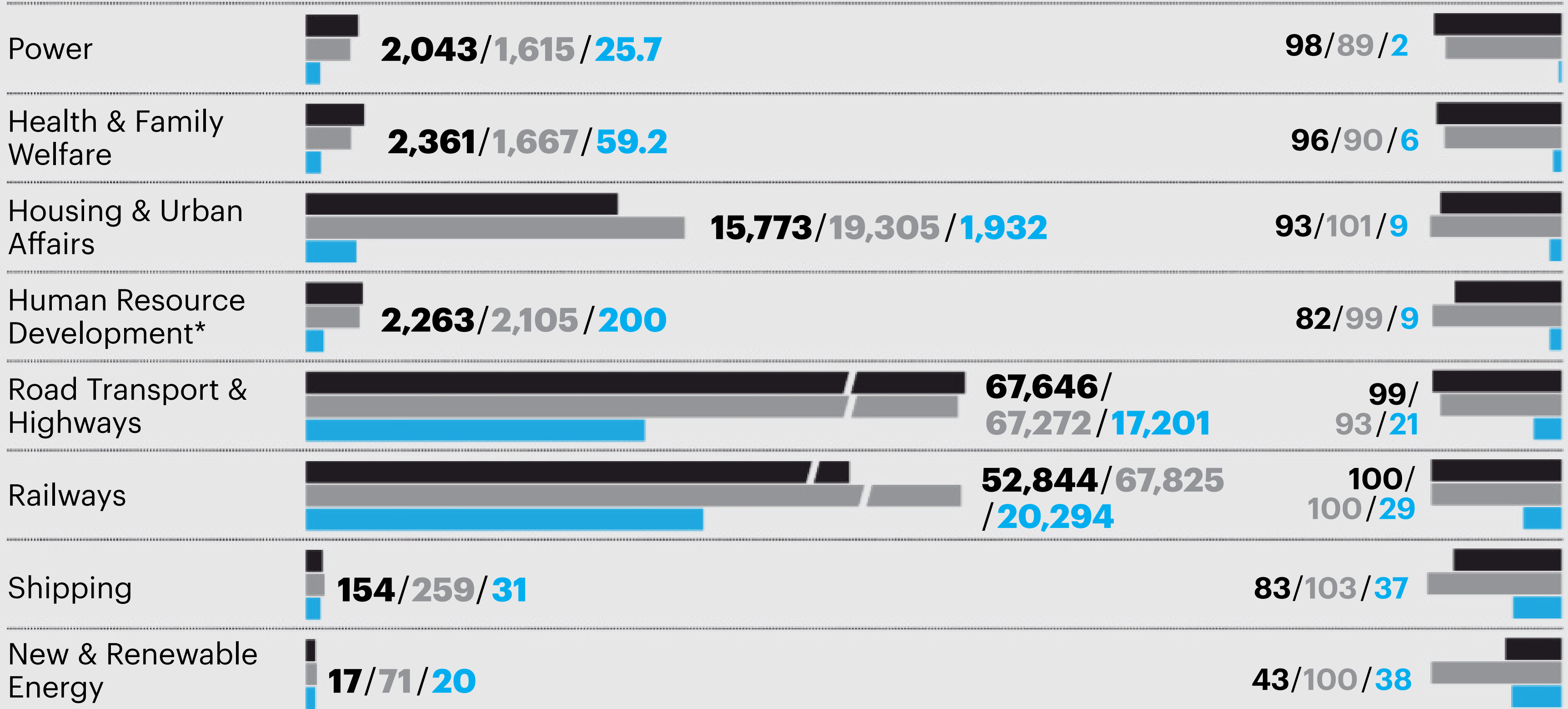
M. Govinda Rao, former Member of the PM's Advisory Council, expects a significant cut in public spending on infrastructure as resources will be needed to augment public health facilities and save lives and livelihoods. Further, states will see a decline in own revenue,

THE ROADBLOCK

SPENDING BY STATES AND CENTRE UNDER PRESSURE EVEN AS DELAYED PROJECTS RISE

GRAPHIC BY TANMOY CHAKRABORTY

SPENDING BY INFRASTRUCTURE MINISTRIES NOT UP TO THE MARK

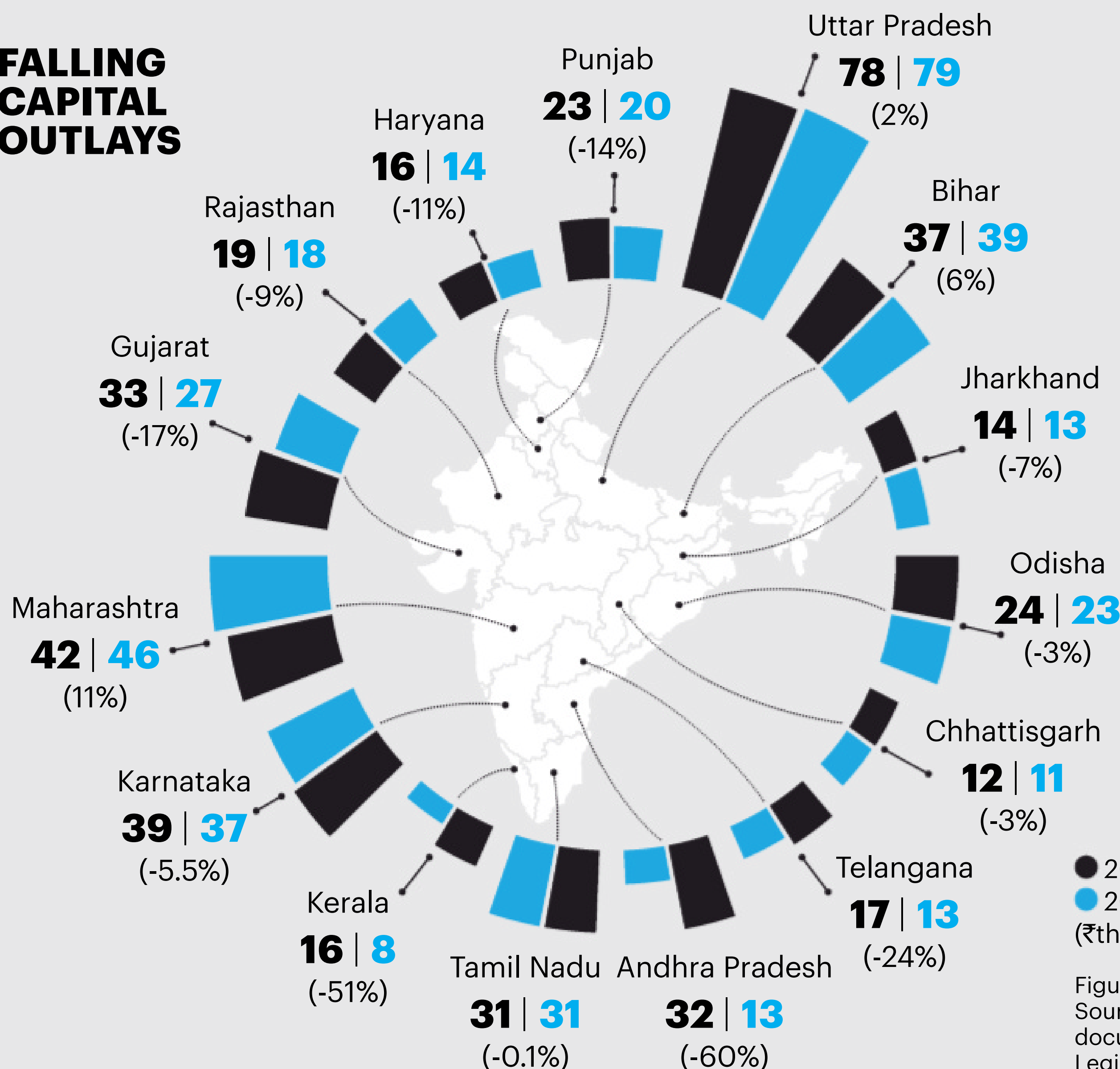


Capital expenditure (₹ crore) ● FY19 ● FY20 ● Apr-Jun '20

FY 19 % of actuals to RE ●; FY20 % of actuals to RE ● Apr-Jun FY21 % of actuals to BE ●

*Department of Higher Education; RE: Revised estimates; BE: budget estimates; Provisional data In ₹crore; Source: CGA & Union Budget documents

FALLING CAPITAL OUTLAYS



● 2019/20 BE
● 2019/20RE
(₹thousand cr)

Figures rounded off; Source: State budget documents and PRS Legislative Research

7.6

GW Renewable energy capacity commissioned in first nine months of FY20; target is 175 GW BY 2022

THE DELAYED PROJECTS

Ongoing Central projects*

Road transport & highways
● 865
● 140

Railways
● 312
● 130

Petroleum
● 137
● 50

Coal
● 110
● 33

*Greater than ₹150 crore

Urban development
● 73
● 33

Power
● 64
● 23

Health and family welfare
● 24
● 10

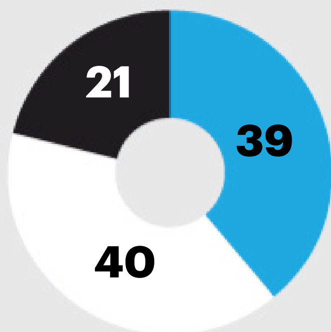
Civil aviation
● 13
● 4

● Projects on Monitor
● Delayed Projects

Source: MOSPI

WHO FUNDS THE NIP

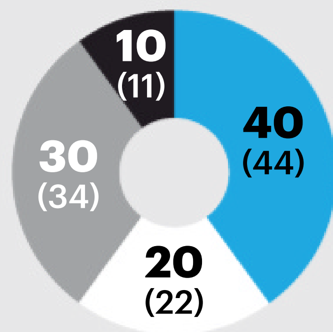
Share in NIP (in %)



● Centre
● States
● Private sector

NIP IMPLEMENTATION STATUS

% Share of projects (Value in ₹lakh crore)



● Under implementation
● Under development
● At conceptual stage
● Uncategorised

devolution from Centre and GST compensation. "There will be huge revenue shortfall, and the entire borrowing will meet revenue expenditure. There will be very little left for capital spending," he says.

That is bad news for India's hope for an early economic revival. With three of the four engines of the economy — exports, private investment and consumption —non-functional or delivering negative growth, revival hopes rest on the fourth engine: public expenditure on infrastructure creation. Its downstream effect on a host of sectors such as steel, cement and construction was expected to create a multiplier effect on allied industries, triggering a recovery. Now, with public spending cuts lurking, this lone growth driver will slow down as well. The Union finance ministry, in a June 4 circular, asked central ministries to put on hold new schemes in FY21 stating there was unprecedented demand on public financial resources and the need to use them prudently. "No new proposal for a scheme/sub-scheme should be initiated this year except proposals announced under the Pradhan Mantri Gareeb Kalyan package, the Atma Nirbhar Bharat Abhiyan package and any other special package/announcement. In-principle approval for such schemes will not be given in this financial year," it said.

In the states, acute funds shortage is forcing them to defer infrastructure projects. "We are under extreme stress and have deferred capital expenditure to the next fiscal. We will be happy if we can pay salaries, pensions, debts, subsidy on account of electricity and old age pensions. The committed expenses leave us very little resources," says Punjab Finance Minister Manpreet Singh Badal. He adds his government will provide funds for projects nearing completion. Similarly, Chhattisgarh Commercial Taxes Minister T.S. Singh Deo says lower tax collections will impact infrastructure development as reduction in salaries or pensions is not an option.

The ability of states to raise funds differs. Finances of Punjab and Kerala have traditionally been weak. The pandemic has brought stress in state finances to the fore. Rating agencies are apprehensive of Centre facing a similar problem. "Punjab, Kerala and West Bengal are historically known to have a weak fiscal situation. That's why when Kerala went to the market, it had to borrow at 8.96 per cent, almost 200 basis points more than the repo rate. Maharashtra and Gujarat borrowed at less than 6 per cent," says N.R. Bhanumurthy, Vice-Chancellor of Bengaluru Dr. B.R. Ambedkar School of Economics University. So, clearly, poor state finances are making a bad situation worse.

Getting the country out of the economic crisis due to coronavirus depended on rise in public spending due to its multiplier effect on GDP. Infrastructure offered the best bet to boost demand and create more jobs. After all, when GDP growth was sliding over the last few years, public

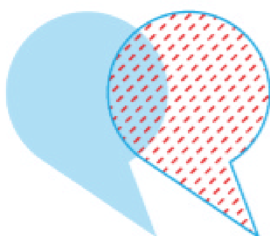
spending was saving the day — government's final consumption expenditure (GFCE) grew 13.6 per cent in the fourth quarter of FY20, as per National Statistical Office data released in May. GFCE rose 11.8 per cent in FY20 compared to 10.1 per cent in the previous fiscal.

PHOTOGRAPH BY REUBEN SINGH

States Face Strong Headwinds

Faced with lower-than-expected revenues, states cut capital outlays in revised estimates for FY20, even before coronavirus struck. The downturn and the pandemic together have roiled public finances. Government data shows GST collections slumped 41 per cent in April-June 2020. States have complained about delayed GST compensation affecting expenditure.

With states expecting a huge dip in revenues, they will look at Centre to bridge the possible investment gap. Research firm Crisil says infrastructure capex will decline this fiscal as more funds will be diverted towards health and social sectors. Budget estimates for infrastructure capex fell for the first time in FY21; spending by states is, in any case, seen stagnant during the year.



WE ARE UNDER EXTREME STRESS AND HAVE DEFERRED CAPITAL EXPENDITURE TO THE NEXT FISCAL. WE WILL BE HAPPY IF WE CAN PAY SALARIES, PENSIONS, DEBTS, SUBSIDY ON ACCOUNT OF ELECTRICITY AND OLD AGE PENSIONS"

MANPREET SINGH BADAL, Finance Minister, Punjab

"Centre will have to play a bigger role in infrastructure as states don't seem to have the bandwidth to invest. There is a lot of stress on state finances but it is difficult to say what will be the deficit due to Covid disruptions and uncertainty about growth," says D.K. Joshi, Chief Economist, Crisil.

Inordinate Delays The Norm

As on April, 446 out of 1,682 central projects (₹150 crore or more) were running behind schedule. The average time overrun is 43 months. In 117 projects, the delay is 25-60 months, while in 101 projects, it is five-plus years. Majority of delayed projects are in road transport/highways, railways, energy and urban development.

As a result, the cost of implementing these 1,682 projects has shot up 20 per cent from ₹20.59 lakh crore to ₹24.66 lakh crore. "Expenditure incurred on these projects till April 2020 is ₹11,01,020 crore, 44.63 per cent of the anticipated cost," says a report on central projects by the Ministry of Statistics and Programme Implementation.

Long Road To Growth

In early July, the crisis-hit IL&FS, which has put assets on sale to avoid bankruptcy, reported that an Italian company has pulled out of a deal for the Pune Sholapur Road Development Company Ltd because of Covid-related financial crisis back home. Another project — Hazaribagh Ranchi Expressway — was taken off the table due to a legal dispute. The previous month, Canadian pension fund CDPQ put on hold purchase of seven toll roads worth more than ₹3,000 crore from Global Infrastructure Partners.

There is no end to the flow of bad news for the road sector. Private players, which once bet heavily on the segment, have been shying away from toll-based BoT projects for six-seven years now, after years of bidding aggressively on assumption of high traffic growth. The share of BoT projects had risen during 2008 to 2012. Road building jumped ten-fold during 2009-2012. Private sector interest, however, started waning from 2013 as high interest rates, delay in statutory clearances and land acquisition, lower-than-

expected traffic and economic slowdown came to haunt the developers. Private investment continued to slide from a high of 42 per cent in FY12. As things started worsening, NPAs piled up, and many projects got stuck. Having burnt their fingers, banks turned away from funding road projects and highway construction came to a near-halt. That's when the government introduced HAM in FY16, a cross between EPC and BoT (annuity), taking away a part of the construction risk and the entire traffic risk. HAM kick-started the sector and put highway construction back on track. Most highway projects being executed at present are on EPC or HAM mode. Still, in FY20 (up to November), private sector investment in roads was 15 per cent of what was spent by the central government.

NHAI has been borrowing from the market to fund EPC and HAM projects. Its total debt swelled nearly 10 times to ₹2,28,252 crore in FY20 (till February) from ₹24,188 crore in FY2015. That is why it wants to award projects on BoT (toll) mode. But private players are not ready to inject money and take traffic risks.

₹2.28

LAKH CRORE NHAI debt in FY20, a rise of 10 times since FY15

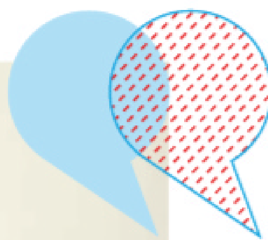
However, undeterred by coronavirus playing havoc on the economy and poor investor sentiment, Centre has raised its highway construction/award target. This fiscal, it plans to award contracts for 20,000 kilometres and build 15,000 kilometres of highways. Even during the nationwide lockdown and surge in coronavirus cases, the Ministry of Road Transport and Highways spent ₹17,200 crore on road building. This accounts for 22 per cent of FY21 Budget Estimates. Government spending in the sector rose from ₹50,752 crore in FY18 to ₹67,271 crore in FY20.

Demand Crash In Urban Infra

The precipitous drop in demand has put a question mark over the viability of current and future urban infrastructure such as airports, ports and power plants. Recovery seems far, at least 2023 by some estimates. This could force many private operators to put work on hold or go slow in the initial phase and shift new projects to the next fiscal.

The bigger worry is aviation, where passenger traffic has collapsed and there are no green shoots. After being grounded for two months, domestic carriers ferried 19.84 lakh passengers in June 2020, a tenth of the 120.25 lakh in June 2019. Crisil does not see traffic at pre-Covid levels even in the next fiscal. Without enough passenger demand, private airport operators are likely to go slow on expansion.

Similarly, the power sector has seen low off-take. All-India electricity demand declined 16.2 per cent during April-June due to the lockdown. While demand recovered from a Y-o-Y decline of 23.1 per cent in April 2020 to 10.9 per cent in June 2020 and further to 3.9 per cent in the first 15 days of July 2020, this was slower than expected. Research firm ICRA has said that electricity demand will fall 5-6 per



FOR TRIGGERING AND SUSTAINING ECONOMIC RECOVERY, IT IS IMPORTANT THAT BOTH CENTRE AND STATES RETAIN NIP PROJECTS TO THE EXTENT POSSIBLE"

RAJIV KUMAR, Vice Chairman, Niti Aayog

PHOTOGRAPH BY SHEKHAR GHOSH

NIP UNDER STRESS

To counter the slowdown, the Union government accorded priority to infrastructure building. Prime Minister Narendra Modi last year announced a ₹100 lakh crore infrastructure plan. The National Infrastructure Pipeline (NIP) followed; it was revised in April this year to peg total investment at ₹111 lakh crore.

The Centre had projected infrastructure investment of ₹14.4 lakh crore in FY20 but the number is unlikely to be anywhere close to it. Actual figures have not been made public. A query to the finance ministry went unanswered.

Projects worth ₹21.5 lakh crore – more than the Atmanirbhar Bharat stimulus– have been lined up under NIP for FY21. But financial conditions pose a challenge.

"For triggering and sustaining economic recovery, it is important that both Centre and states retain NIP projects to the extent possible," says Niti Aayog Vice Chairman Rajiv Kumar.

Infrastructure experts see NIP timelines getting pushed back by two-three years, though social and health infrastructure projects are expected to be fast-tracked. "State governments are staring at a huge revenue deficit because of lower tax collections. Unless there is funding from multilateral agencies or some state corporations achieve financial closure through a consortium of lenders, there will be problems for projects dependent on state budgets. Given the pressure on government finances, meeting the overall outlay is going to be a challenge this year and to some extent next year also," says Rajeshwar Burla, Vice President, Corporate Ratings, ICRA.

Out of total projects in NIP, 40 per cent are under execution. These are likely to be impacted by non-availability of labour, supply chain issues and financing challenges.

"Centre and state government budgets for at least current and next fiscal will remain severely constrained and fresh public infrastructure spending may have to take a back seat. Private sector investments will remain muted in capex heavy industries due to excess capacity and in the infrastructure space due to financing challenges," says Sanjay Sethi, Managing Partner & CEO, Nestor Capital Consulting LLP. "Banks and NBFCs are facing headwinds and are cutting down on wholesale lending. Bond markets are neither wide nor deep enough to lend meaningful support to infrastructure. Implementation of identified projects may get pushed back by two-three years," he adds.

"In case of PPP (Hybrid Annuity Mode) projects, there are issues over banks supporting the infrastructure sector. Of late, bankers do not want to support the sector through bank guarantee and financing. So, banks' stand will decide growth of PPP projects in the highway sector," says Satish Parakh, Managing Director, Ashoka Buildcon.

₹14.4

LAKH CRORE Infrastructure investment projected for FY20 under NIP

cent in FY21. This is expected as GDP is set to shrink. The International Monetary Fund, in its June update of the World Economic Outlook, projected a 4.5 per cent decline in India's GDP in FY21.

"At this juncture, we will not undertake financing of any new project. We would want to see that the present issues of contractors, concessionaires and financial institutions are addressed," says Hemant Kanoria, Chairman, Srei Infrastructure Finance.

Kanoria has advised the government to put in abeyance new projects envisaged under NIP till immediate problems of infrastructure players are addressed. "One major issue is outstanding bills with the government, both Centre and states. Funds blocked in arbitration awards or disputes should be released. Then companies will have the financial stability and capability to undertake new projects. Financial institutions involved in financing infrastructure projects should be strengthened. This is the time to set the house in order and prepare for the future," he says.

Signs of tepid investor sentiment in aviation are visible

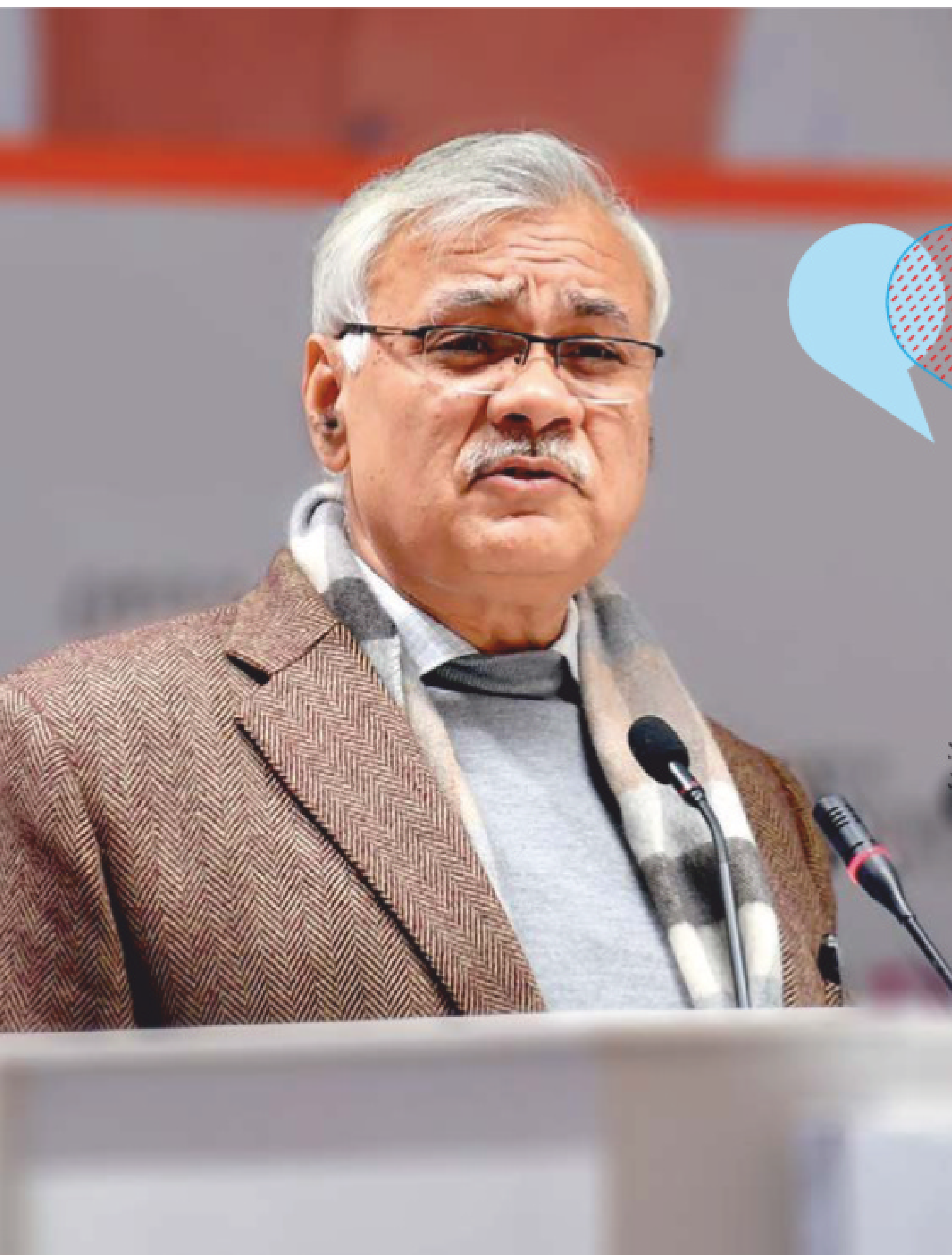
with the Adani Group seeking time to take over Lucknow, Mangalore and Ahmedabad airports after winning the bids and completing most formalities for transfer of these assets. The proposed Navi Mumbai airport has missed several deadlines and lead partner GVK Group is dithering on fund injection given its poor financial position. The ₹15,754 crore Greater Noida (Jewar) airport project has also extended the date for signing the concession agreement. "We expect to complete pre-construction activities in the first half of 2021. Following that, we will commence construction work. Despite the current challenges, Zurich Airport is extremely motivated to develop this concession, and we are fully committed to invest in Uttar Pradesh and India," says Daniel Bircher, Chairman and Managing Director, Yamuna International Airport Private Ltd (a subsidiary of Swiss airport major Zurich Airport International AG).

The Indian Ports Association says major ports which handle more than half of India's seaborne trade reported a near 20 per cent fall in traffic in the April-June quarter. The 12 major state-run ports handled 141.9 million tonnes of cargo compared to 176.7 million tonnes in April-June 2019.

Push For Renewable; Thermal In Dark

In the power sector, both private players and government had projected rising demand on the back of growing GDP. Due to the prolonged slowdown, the projections went haywire, resulting in excess capacity in coal-fired power plants. Thermal power plants are running at 50-60 per cent capacity and are under stress. This means risk-averse banks refuse to provide them funds. That is why no greenfield thermal power project has come up over the last five-seven years, say experts. Then there are late payments by stressed discoms which, despite the UDAY rescue plan, have seen their dues to power producers rise. The government recently announced a ₹90,000 crore liquidity injection in discoms under Atmanirbhar Bharat.

"Over the next 8-10 years, few new thermal power plants will be built. Renewables, doing well till now, may also go through stress due to lack of demand, confusion over sourcing equipment and overall financial health of discoms," says Debasish Mishra, Leader (Energy, Resources and Industrials) at Deloitte India. PSUs and private players have planned ₹9.53 lakh crore capex in the next five years.



EVERYTHING IS DELAYED, IMPACTED, BUT WE WILL TRY TO COVER THEM OVER A PERIOD OF TIME. URBAN INFRASTRUCTURE PROJECTS SUCH AS METRO, WATER, SEWER, ETC, ARE DIRECTLY LINKED WITH PEOPLE'S LIVES"

DURGA SHANKAR MISHRA, Secretary, Housing and Urban Poverty Alleviation

Renewables have been reporting record capacity growth due to government support. But government plans to restrict import of solar power equipment from China may cause a steep cost escalation. Solar power firms import almost 80 per cent of their equipment, primarily panels and modules, from China. In April-December 2019, they had imported equipment worth $1.17 billion from China.

Against the target of 175 GW renewable energy capacity by 2022, 8.5 GW was commissioned in FY19. In the first nine months of FY20, 7.6 GW was made operational. Another 34.16 GW is under various stages of implementation.

At cumulative installed capacity of 86.32GW in renewable energy, it is still way short of the target.

However, Union Power Minister R.K. Singh is bullish on renewables. He says 15,000 MW solar power projects have been bid out in the last three-four months. Jyoti Kumar Agarwal, Director - Finance, JSW Energy, says recent years have been challenging for the power sector. The exuberant growth prospects led to excess capacity between 2012 and 2017. This was compounded by weak discom financials, lack of long-term power purchase agreements and time and cost overruns. All this lowered investor appetite. "However, over the medium to long term, with sanguine outlook for GDP growth, power demand is expected to grow at a healthy pace, with impetus from rural demand," says Agarwal.

Big Push To Rail Infra

Parag Jain, Secretary of the Railway Cables Development Association, is hassled these days. Indian Railways has told association members to defer supply of signalling cables to March 2021. "About 8-10 members have apprised us about their hardships due to deferment of orders," says Jain.

While Indian Railways has maintained that the financial crisis will not affect its major works, it has sent a communication to zonal managers on at least two occasions to put on hold new projects and rationalise expenses. Indian Railways' capital expenditure was ₹67,825 crore in FY20 as against ₹52,844 crore in FY19. For FY21, it has projected a massive jump to ₹161,042 crore, a bulk of which is proposed to be financed through extra-budgetary resources (52 per cent), followed by budgetary support from the central government (44 per cent). It will fund only 5 per cent capital expenditure from internal resources, continuing the trend of previous years. In April-June, it spent ₹20,294 crore on capex, 29 per cent of the budget estimate. But meeting the capex target for the year will be an uphill task thanks to revenue loss of ₹30,000-35,000 crore due to limited passenger services during the lockdown.

Railways have been investing big time in upgrading existing infrastructure and building new one with government providing bulk of the funds. A capex of ₹13.67 lakh crore is planned over five years. The railways have also kicked off a ₹30,000 crore privatisation plan by inviting private companies to run passenger trains on 109 pairs of routes.

All's Not Lost

But not all may be lost on infrastructure just yet. Given the multiplier effect of infrastructure spending on private investment and jobs, Centre has been pushing all agencies to accelerate capex. In his Independence Day speech, Prime Minister Narendra Modi announced that the government will connect all six lakh villages with optical fiber cable over the next 1,000 days.

"Everything is delayed, impacted, but we will try to cover them over a period of time. Urban infrastructure projects such as metro, water, sewer, etc, are directly linked with people's lives. They are priority of both Centre and states. In the next six-nine months, we will be moving towards the target. These are the projects for which funding is tied up," said Durga Shankar Mishra, Secretary, Housing and Urban Poverty Alleviation.

So, while urban infrastructure and projects with high dependence on investment by states such as irrigation, rural roads and sanitation could be hit significantly, projects undertaken by Indian Railways, Ministry of Road Transport and Highways, NHAI are expected to be less impacted.

"AT THIS JUNCTURE, WE WILL NOT UNDERTAKE FINANCING OF ANY NEW PROJECT. WE WOULD WANT TO SEE THAT THE ISSUES OF CONTRACTORS, CONCESSIONAIRES AND FINANCIAL INSTITUTIONS ARE ADDRESSED"

HEMANT KANORIA, Chairman, Srei Infra Finance

Projects getting financial support from multilateral agencies such as the World Bank and the Asian Development Bank will progress. Central projects are better placed due to the Centre's ability to better manage its budget. "A significant push to infrastructure investment was envisaged under NIP. Its time profile during FY2020-'25 indicates an investment bulge in FY2021-'22. If this investment plan can be met fully or nearly fully, the multiplier effects on the overall economy will be very large," says D.K. Srivastava, Chief Policy Advisor, EY India. Srivastava suggests low interest rates, higher borrowing by Centre and states and encouraging FDI to support the investment bulge.

On the other hand, some marquee rail projects such as the dedicated freight corridors (DFCs) and high-speed trains are unlikely to face any funding issues. The DFCs are being financed by a mix of debt from bilateral/ multilateral agencies, equity from Ministry of Railways and limited PPP. The ₹1.1 lakh crore Mumbai-Ahmedabad bullet train project is getting 81 per cent of funds from Japanese International Cooperation Agency as soft loan.

PHOTOGRAPH BY SHEKHAR GHOSH

Since the Modi government laid emphasis on building new rail infrastructure, most projects would continue to get funding. But some projects would face funding issues given that the financial position of Indian Railways has turned precarious due to sluggish demand for freight and truncated passenger services. "I am not worried about funds but constraints related to project readiness, contracting delays, execution of contracts, operational issues, among others, which have become more challenging due to Covid and lockdowns," says Manish Agarwal, Partner, PwC India. "The government would want to spend at the Budgeted level. On extra budgetary resources, that is where IRFC (Indian Railway Finance Corporation) and LIC come, there will be caution. But a lot of borrowing is on the basis that railways is effectively central government," he added.

On enhancing availability of funds, Shailesh Pathak, CEO, L&T Infrastructure Development Projects Ltd, says state governments should emulate asset monetisation and asset recycling success of NHAI's TOT (toll-operate-transfer) and AAI (Airports Authority of India). "There are so many assets that state and city governments can monetise in the next six months," he said.

A SIGNIFICANT PUSH TO INFRASTRUCTURE INVESTMENT WAS ENVISAGED UNDER NIP. ITS TIME PROFILE DURING FY2020-'25 INDICATES AN INVESTMENT BULGE IN FY2021-'22"

D.K. SRIVASTAVA, Chief Policy Advisor, EY India

The low revenue mop-up in the wake of the pandemic, coupled with the need for directing more funds towards healthcare, has severely dented state finances. Experts have suggested that state governments set up task forces to prioritise projects in hand and provide adequate funding for timely completion of projects.

Kshitish Nadgauda, Senior Vice President and Managing Director - Asia, Louis Berger, says states will need to identify and develop alternative resources and models to fund projects, including seeking financing from multilateral lending agencies. He suggests accelerating monetisation of infrastructure, raising capital through infrastructure and municipal bonds, and setting up financial institutions for development of urban infrastructure.

As the government faces an unprecedented economic and public health crisis, it has fewer funding options to find innovative ways to finance infrastructure projects. But deferring spending could compound the problem, now and for the future. BT (*With inputs from Niti Kiran*)

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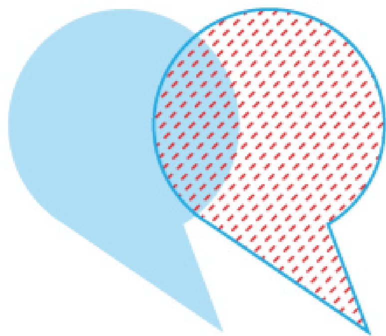

I DON'T THINK PEOPLE SHOULD PLAN NEW THERMAL UNITS"

The power sector is one of the key growth drivers of the economy. While there has been fast capacity addition in renewables, the excess capacity in thermal power has weighed it down. Union Minister for Power, New and Renewable Energy, **R.K. Singh,** spoke to *Business Today's* **Nirbhay Kumar** on challenges and opportunities in the sector. Edited excerpts:

PHOTOGRAPH BY BANDEEP SINGH

emand for power dropped in recent months and is likely to remain subdued. How will it impact the sector?
The major dip was during the April lockdown. Now we are back. Energy is a function of demand from consumers, both households and industries.

In the National Infrastructure Pipeline, power accounts for 20 per cent of investment during FY20-25. How has the progress been?

If you look at capacity addition from 2014/15, in renewables alone, capacity addition and projects under implementation have been about 100GW. That entails investment in power generation alone of about ₹5 lakh crore. Then, we have thermal and hydro. Our capacity addition has been satisfactory. When we started off, we, in fact, had a power deficit. We did not generate enough power to meet demand. Today, our installed capacity is double the demand. Our maximum demand is 185GW and installed capacity is 377GW. We increased transmission by almost 1,25,000 circuit kilometres to cover the entire country. Now, we are one country, one grid. We also added 2.7 crore new consumers under the Saubhagya scheme connecting every house. So, availability of power is not an issue.

Imports from China have been impacted from the last week of January. To what extent has the solar power sector suffered?

We continued with the bids despite the lockdown. The bids have been well subscribed. During the lockdown, we finalised bids for almost 5,500 MW. Apart from this, another bid has been finalised by NTPC recently. We have continued with capacity addition. The tariffs have again come down, with the last bid by NTPC at ₹2.43 per unit. In fact, a Bloomberg stud- noted that we had the fastest growth in renewable energy capacity addition globally. We are the most attractive market in the world for renewable energy.

SOME STATES WANT TO ADD CAPACITY. BUT THEY WILL FIND IT MORE COST EFFECTIVE TO BUY RENEWABLE POWER

It is said that a mega solar power tender is in the pipeline...

The government had set a target to establish 175GW of renewable capacity by 2022 with 100GW being solar. We have already established 88GW and another 45GW is under installation. That makes it 133GW. Capacity addition of about 30GW is under various stages of bidding. So, by and large, we are on track. As I said, we are the fastest growing market for renewable capacity in the world.

While there has been capacity addition in renewables, there is excess capacity in thermal power and dozens of plants are stressed. Do you think more thermal capacity will be needed?

Only the capacity under implementation will come up. Some states want to add capacity. It is an unlicensed sector, so they can add capacity. But they will find it more cost effective to buy renewable power. In any new thermal power plant you set up, including fixed charge and energy charges, it will not be less than ₹4 per unit. However, renewable energy is available for ₹2.40 a unit. I don't think people should be planning new units. I don't think anybody in the private sector will plan.

Once the storage cost for solar comes down further, coal-based plants which are grounded will remain grounded. That's why I have been telling Coal India to reduce coal prices. What they cannot sell now, they will not be able to sell later.

While many thermal plants remain grounded, operational ones have a low PLF of 50-55%, making them also unviable...

We are already surplus and our thermal generation PLF is dropping because of renewable energy capacity that we have added. We have said that you (thermal plants) must be flexible to bring it down to 55 per cent. Many plants have done it, while others are going to do it. This is essential because we have to add renewable capacity as we pledged to the world that we will reduce our carbon footprint. Incidentally, as far as that pledge is concerned, we are on our way. We pledged to the world that by 2030, 40 per cent of our capacity will be non-fossil fuel. We are already at about 38 per cent.

India is being projected as a major investment destination. But investors complain about the high cost of factors of production with electricity being more expensive.

There is a provision for cross-subsidy. The Electricity Act said cross-subsidy must be reduced and eventually eliminated. In 2007, the word elimination was removed. But, the Act continues to say that cross-subsidy should be reduced. The tariff policy of 2016 says cross-subsidy shall be reduced to 20 per cent. It has not happened so far. Because of cross-subsidy, the cost of power for industry is high. The new tariff policy which we have sent for Cabinet approval and approved by the Group of Ministers lays down the trajectory for reducing the cross-subsidy. BT

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Policy – AAR

Fixing AAR

The advance ruling mechanism under GST is fraught with many gaps, which is compounding the problems of taxpayers

BY DIPAK MONDAL
ILLUSTRATION BY RAJ VERMA

In

June, the Karnataka Authority for Advance Rulings (AAR) for Goods and Services Tax (GST) ruled that Malabar Parota is not the same as ready-to-eat *chappati/roti* as it has be processed further for consumption, and hence should be taxed at 18 per cent and not 5 per cent (tax rate for *chappati*). There was outrage and, soon, memes around the ruling started doing rounds of social media.

Blame it on flaws in the way AARs are constituted or complexity of India's tax laws, the Karnataka AAR is not the only one that has been in news of late for wrong reasons.

Take the issue of tax on compensation paid to directors of an incorporated entity. Two state AARs — Karnataka and Rajasthan — came up with different interpretations and rulings on the issue earlier this year. The Rajasthan AAR said directors are not employees and so their fee should attract GST under the reverse charge mechanism (the company will pay the tax on behalf of directors). The Karnataka AAR, however, noted that an 'executive' director sells services as an employee, and therefore, his or her remuneration will not attract GST. However, it also said that remuneration to a non-executive director will attract GST. What is more perplexing is that the Karnataka AAR had, last year, given an opposite ruling on this issue. All this is adding to confusion of taxpayers.

AARs have been set up to help taxpayers seek clarity, in advance, on tax to be paid on certain transactions, and in doing so avoid long-drawn tax litigation that is so common in India.

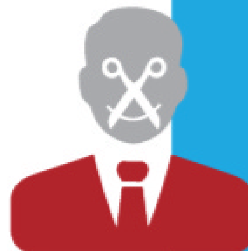
However, the fact that every state/Union territory has one AAR, manned by 'junior' tax officials, means that the rulings at times lack maturity, consistency and are often pro-revenue, say tax experts.

Design Flaw

Every AAR has two members, one state and one central tax officer. They are mostly additional and joint commissioner level, too junior to handle complex matters that can potentially affect businesses across the country, say experts. Also, both are technical members (there is no judicial member). The composition of AARs is such that they are not fully independent or immune to government revenue pressures. "AARs should be such that they can resist the government's revenue pressures. Here, you have put two additional commissioner-level officers who know that after two-three years they have to go back to the department

Challenges Facing AAR

LACK OF JUDICIAL MEMBERS: AARs have two members, both technical. Lack of judicial members shows in quality of judgements



LACK OF SENIORITY OF MEMBERS: Members are additional commissioner-level tax officers, too junior to man such an important tribunal

PRO-REVENUE APPROACH: Since both members are from the tax department, the rulings are mostly pro-revenue

CONTRADICTORY RULINGS: Since every state has an AAR, often authority from one state gives a ruling that is contradictory to the ruling given by the AAR of another state

LACK OF APPEAL MECHANISM: Once the appellate tribunal of a state has pronounced a judgement, the taxpayer has no higher forum where he or she can appeal

and work under the same commissioner against which they might be passing orders today," says Kamal Agarwal, Founding Partner & Governing Council Member, SARC & Associates, a chartered accountancy firm.

Experts say the rulings suffer from lack of maturity or consistency primarily because of absence of judicial members, who can be either retired Supreme Court or High Court judges, people from the Indian Legal Service, or senior lawyers. "If we look at the period prior to GST, we had a Central regime where there was a single AAR for customs, excise and service tax. It had both judicial and technical members. As the central AAR in the pre-GST era had judicial members too, its rulings were more reasoned and judicious," says Saloni Roy, Senior Director, Deloitte India.

However, she admits that having AARs in every state has ensured timely disposal of advance ruling applications. "The new system has improved the time taken for the rulings as there are so many benches. But the composition of the benches is such that most of the rulings are in favour of the revenue department," says Saloni Roy.

"We had a single advance ruling authority for customs, excise and service tax. As the central AAR in the pre-GST era had judicial members too, its rulings were more reasoned and judicious"

Saloni Roy, Senior Director, Deloitte India

Take the case of Sanofi India where the Maharashtra AAR held that input tax credit would not be available on expenses on goods procured for sales promotion. Tax experts say the ruling clearly shows the pro-revenue attitude of the authority.

Again, in case of remuneration to directors, there are two rulings — one by the Karnataka AAR and another by the Rajasthan AAR — that directors are not employees and that services rendered by them to a company for which consideration is paid under any head will attract GST under the reverse charge mechanism. "Fueled by these contrived advance rulings, businesses are being served notices for payment of GST on all forms of remuneration to directors. Companies must note that an advance ruling is binding only on the person who has sought it and so does not have any binding efficacy, especially when it has been delivered in another state," says Ranjeet Mahtani, Partner, Dhruva Advisors LLP. As per the GST law, an advance ruling by an AAR is binding only on the applicant and the tax officer concerned. This means it is not applicable to other people in the state as well. Saloni Roy of Deloitte says a pan-India company with different GST registrations in different states may have to approach multiple authorities for clarity on the same issue.

"Because there was a central authority earlier, one decision was applicable across the country. But now, since each state has its own bench, the decision of one bench may not be binding in another state, though its ruling can be used as a precedent to convince the other bench," she says.

When *Business Today* talked to a member of a state

Numbers that matter

36
Number of AARs in all states and union territories

1,486
Applications state AARs had received till June 2020

1,004
Rulings by different state authorities till June 2020

PHOTOGRAPH BY YASIR IQBAL

Taxability of solar power plants, intermediary services, liquidated damages, etc, are a few examples where contrary advance rulings by different state authorities have added to the quandary of industry"

Harpreet Singh, Partner, KPMG

AAR, he said on condition of anonymity (as he is not authorised to talk to the media) that AARs are quasi-judicial bodies whose decisions are not final. If a taxpayer or the tax department does not like the ruling, they can move appellate tribunals.

Each state/Union territory also has an Appellate Authority For Advance Ruling. These also have two members -- one central tax officer at the level of chief commissioner and one state commissioner-level officer. There is a question mark over their independence too as both are from the tax department. There is no judicial member.

The Way Forward

There have been talks of setting up a central AAR for over two years as the Central Board of Indirect Taxes and Customs has had to intervene several times to clarify issues arising out of rulings by state AARs.

125
Rulings by appellate tribunals of states

283
Applications at the Maharashtra AAR, the highest in any state

For example, after the Goa AAR ruled that alcohol-based sanitisers should be taxed at 18 per cent, all hell broke loose. People took to social media to criticise the move as sanitisers have become essential goods due to Covid-19. The government had to issue an explanation as to why a lower GST rate on sanitisers may prove to be counterproductive. A central AAR might save the government such blushes. However, despite the talks, there has been not much progress in this regard as yet. "Taxability of solar power plants, intermediary services, liquidated damages, etc, are a few examples where contrary advance rulings by different state authorities have added to the quandary of industry. Formation of a centralised AAR could perhaps provide some respite from the dilemma," says Harpreet Singh, Partner, KPMG.

However, a central authority alone may not make things better unless the government addresses the 'design' flaw of AARs.

"Unless the structure changes, this problem will persist. Amend the GST Act because this structure is in the GST law. It should not be under the Ministry of Finance. It should be under the Ministry of Law," says Kamal Agarwal of SARC & Associates. He further says that the state AARs should have at least one judicial member and two technical members. The appellate authority should be a national body headed by at least a high court judge.

Some experts believe that one should become a member of such a tribunal only after resigning from existing posts to maintain the independence of the body.

Saloni Roy of Deloitte says state authorities also need to have a slightly senior officer on the benches, at least a commissioner level officer.

Taxpayers and other stakeholders have been pointing out these shortcomings but no steps have been taken so far to address their issues. It is now up to the government and the GST authorities to bite the bullet and bring the needful reforms to make the advance ruling system work more effectively. **BT**

@dipak_journo

Atmanirbharta: The Magic of Rebuilding Micro Businesses

Dr. Renu Khosla

The magic of community happens when people organize into collectives and collaborate to transform their habitats and lives. The magic of self-reliance happens when people also trust one another and form relationships of mutuality. Trust is at the core of sustainable development. In a post covid world, strong trusting relationships will help build back businesses and means for achieving the goal of an Atmanirbhar Bharat.

Laxmi, resident of a resettlement colony in Delhi says, two in ten neighbours have gone home. An equal number are without work, in 'desperate' employment or work limited hours due to physical distancing norms. Mukul, a shoe upper maker in Agra has some residual work. He is confident his specialized shoe-making skills will be in demand soon. Many others in Agra - tour guides, auto drivers, souvenir makers, vendors, dhobis etc. are waiting for the tourists to flock back. Women have been hit particularly hard. Demand for their domestic work skills is low. They also lack the means of transport to move about safely.

Unthinking the Reset: Trust, Technology and the Ecosystem

Post covid economic architecture needs a reset that is based on Trust between the user, the buyer, the supplier, the worker, the employer and their intersectionality. This Trusting Ecosystem must also include the poor – helping them cope with and recover from the stresses and shocks of the epidemic, maintain or enhance their capabilities and assets, and have opportunities for their next generation.

The Centre for Urban and Regional Excellence (CURE) is a development organization that has been working with urban poor and vulnerable communities, transforming lives by bringing in taps and toilets at home, ensuring healthy, safe and clean habitats and building ecological resilience. CURE has also helped the poor construct and reassemble livelihoods and micro-enterprises using an 8M strategy - Money, Material, Markets, Mobility, Mastery (skills), Means (IT), Medium (environment) and loads of eMpathy. Small businesses supported are urban and aspirational, embedded within a city's core economy for sustainability, bookended to the private sector, and helped beat pathways out of poverty.

Money, or the lack of it, is often the reason for businesses to go under. It is even more true for fragile micro businesses. Recognizing this, CURE has set up a financing facility – a Livelihood Revolving Fund (LRF) with a tiny corpus and dollops of compassion. Unlike a conventional micro-credit service, small entrepreneurs can borrow money at no interest to procure, manufacture, deliver, fulfill multiple orders, and repay as paid. The intent is to ensure money does not become a reason for the poor to stop work. It is also about ensuring they are not indebted. The LRF is based on Community Trust. It is managed by the community and not a microfinance institution. The community writes the rules and localizes these to needs. Post Covid, the LRF is being rewritten and is permitting borrowing for back rents, hiring temporary local labour, sanitizing equipment, setting up deliver systems, etc. etc.

The poor are also poor because of their low access to technology – both instruments and user skills. People or the rich with good IT skills and technology have been lucky to be able to work from home, but not the poor. Technology is the means by which CURE has remained in contact with slum communities through the lockdown – bundling people into digital communities, using IT to identify the most affected populations - delivering rations and health messages, enabling people to access clean water and hygienic

toilets, etc. Technology can also help rescue poor people's businesses by reconnecting micro-entrepreneurs with their customers, markets, and each other. Route mapping has been used to stitch together supply and delivery chains. This combining and resource sharing is doing many important things; lowering transportation costs, reducing contact, helping expand transport choices (from over charging vehicles to youth driven motorbikes) and generating employment locally.

Local and virtual market places are being co-created. CUREs' geo-spatial platform URBGOV that is helping cities to take appropriate and effective decisions in delivering services to the poorest households has a spin off. Its virtual connection idea is being expanded to help the poor geo-locate new opportunities – explore demand locally and make new Business to Business (B2B) connections such as Dhabas to spice grinders, paper bag makers to corner stores, etc. These connections are not just cost trimmers for both the businesses, but also make products re-affordable for the customer – pushing up demand. Localized mutuality is good for business. Hiring locally, using the virtual platform is a useful way to find missing workers or new talent.

Work and Work Spaces: Basic Infrastructure for Micro Businesses

A reimagined business ecosystem must incorporate access to basic water, sanitation and health services. Taps and toilets are no longer just existential needs. When delivered at home these produce significant productivity and health impacts. Slum living on occupied lands, legacy based supply norms to slum communities and their geo-spatial challenges of narrow gallies and organic growth, intersect to create an experience that is highly unequal. COVID is an opportunity to unthink and reimagine the service delivery protocols. Time spent on accessing a shared toilet or filling, carrying and storing buckets of water or being sick and out of work from the unhealthy garbage piles in the drains, equals less work, less money and intergenerational poverty. CURE has incubated innovative, de-engineered social infrastructure that can deliver taps and toilets at home – such as galli water pipelines, simplified sewers, shared septic tanks, decentralized waste water treatment systems, rainwater harvesting systems and other innovative and de-engineered solutions. These low cost options are designed to equalize, include and create safe living spaces – where households have taps and toilets at home and can maintain good hygiene and social distance.

The corporate sector must step in here. Many of CURE's initiatives are privately resourced. These have funded the de-engineered innovations and digital platforms for good governance. They have provided the gap investments and technical knowhow to help reach the most vulnerable communities that have produced sustainable impacts on people's lives and community resilience. There is good return on investment as a population is made healthy and prepped to go back to work.

The Magic of Atmanirbharta

Like all businesses, the micro businesses of poor will also need help to escape from the shock and desperation of a temporarily disrupted economy. A just working space must be created at the intersections of Trust, Empathy, Agency, Integration and Equality. It is the collective responsibility of big businesses, with their better access to knowledge and technology, to connect with these micro enterprises, mentor and nurture the micro entrepreneurs, share their big business stories with these small enterprisers. It can lay the foundation of an organized effort for change. As Mahatma Gandhi once said, "The true measure of any society can be found in how it treats its most vulnerable members." In moving towards an Atmanirbhar Bharat, we must ask ourselves Growth Yes, But How? Trusting relationships between the big and the small can unleash the magic of inclusive community and growth.

Dr Renu Khosla
Director, CURE India

About the author: Dr. Renu Khosla is the Director of the Centre for Urban and Regional Excellence (CURE), a development organization that works with urban poor and informal communities, transforming lives and living habitats. They co-create with communities solutions that are innovative, simplified, de-engineered, integrational, inclusive and equalizing, to bring taps and toilets at home, upgrade houses and support livelihoods.

Finance

FINTECHS FACE RBI RED FLAG

Fintechs' ties with banks and NBFCs have come under the Reserve Bank of India's scanner for shoddy practices. Here is the inside story

BY ANAND ADHIKARI
ILLUSTRATION BY RAJ VERMA

[O]**ne bad apple spoils** the entire basket," says the founder of a Mumbai-based financial technology company that is into digital lending. This young start-up entrepreneur is talking about overambitious fintech players who are chasing unbanked customers without proper risk assessment just to gain volumes and resorting to unethical collection and recovery practices. He gives an example of a Gurgaon-based fintech company they were planning to buy a year ago and which they found was accessing borrowers' contact details at the time of onboarding through its app. "People, when they need money, give permission to apps

Practices Under Radar

Charging very high interest rates

Complicated interest rate calculation

Use of harsh recovery tools

Unauthorised use of personal data of consumers

Violation of RBI's outsourcing guidelines

that seek access to contacts, SMSes, location," he says. The company was using these details for loan recovery by calling up borrowers' friends and family members. When the start-up founder questioned the company executives saying the practice was against the Reserve Bank of India's (RBI's) fair practices code, the response was: "Nobody notices. So far, we haven't faced any issue with the regulator on this."

Such over-confidence stems from the fact that fintechs registered as NBFCs are loosely regulated whereas pure technology companies (which generate business leads for banks and NBFCs) are not even required to register with the RBI.

This is about to change. The RBI is slowly realising the extent of these malpractices as fintechs, with passage of time, come to occupy a bigger and bigger space in the financial services industry.

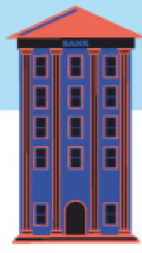
RBI's Red Flag

The casual approach of a few fintechs may be bringing a bad name to the industry but fast growth of digital lending is indeed throwing up challenges for banks, NBFCs

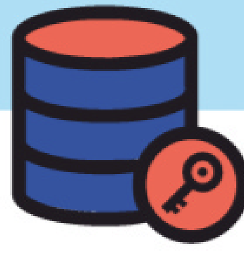
HOW RBI CAN END MALPRACTICES

Creating entry barriers, increasing NBFC net owned fund requirement from ₹2 crore

Extensive due diligence and oversight of fintechs by banks



Building strong compliance culture in NBFCs


Taking data leakages seriously

Sharing grievance redressal mechanism

and RBI. The first two were in a hurry to tie up with as many fintechs as possible for lead generation or co-lending to underwrite personal and MSME loans; not all such partnerhips have proved to be fruitful or without blemishes. The regulator is, as a result, flooded with complaints against banks, NBFCs and fintechs. "The issue is with unregistered fintechs or technology companies. Low entry barriers have led to mushrooming of such entities. Some players have weak governance structures and a short-term view of the business," says Santanu Agarwal, Deputy CEO at Paisalo Digital Ltd, which has a co-origination loan agreement with State Bank of India (SBI).

Two months ago, RBI shot off a letter to banks and NBFCs citing specific instances of violations. One of the points it raised was that the fintechs were masquerading themselves as lenders without disclosing the lending arrangement (co-lending or only lead generation) with banks and NBFCs. The strongly worded letter also listed other shoddy practices such as charging of exorbitant interest rates, non-transparent method of calculating interest, harsh recovery methods, unauthorised use of personal data of customers and bad behaviour.

The fintechs are not being transparent enough. For instance, processing charges are not disclosed upfront

This is the first time the decade-old fintech industry, especially the lenders, have come under RBI's scanner. The market has, in general, always hailed fintechs as disrupters and complimented them for offering frictionless experience and seamless customer onboarding. These tech-savvy companies were seen as bridging the gaps in credit markets by giving small unsecured loans to urban/rural poor, gig workers, those without credit history, people with low credit scores, small shopkeepers and traders. The entire digital lending space, which also includes lending by banks to salaried and big corporates, is expected to reach $1 trillion by 2023, according to a BCG study. This explains venture capital and private equity interest in these start-ups. In fact, many of these players will be candidates for small finance or payments bank licences in the near future. Clearly, India can ill-afford to see the fintech revolution getting derailed. That is why RBI is trying its best to put the sector back on track.

Exorbitant Rates

The first big charge against digital lending platforms is the high interest rates of 24-32 per cent that they charge. The entities on RBI's radar are fintechs offering collateral-free digital loans, especially small unsecured personal loans, loans for paying credit card dues or loan against salary, targeting people who are new to credit or have poor credit history. They are innovative in reaching out to gig workers, security guards, tea sellers, micro entrepreneurs by lending on the basis of cash flow in bank accounts instead of tax returns. "Fintechs have been taking relative risk to increase access to credit to cover segments of the population without access to formal credit," says Vijay Mani, Partner at Deloitte India. Experts agree that some of the lending has been a little reckless and not backed by adequate controls. "There has been hunger for customer acquisition and growing the loan book," says another consultant.

A digital head of a private sector bank says these fintechs first attract customers with small personal loans and then give additional facilities and then offer conversion of loans to 'no cost EMIs.' Many charge 2-2.5 per cent per month, or 24-32 per cent annualised, but customers

don't bother as the amounts involved are small. "The rates charged by fintechs are lower than those demanded by alternatives such as money lenders," says Mani. In fact, the risk taken by the fintech is also very high as these customers are new to credit or have been turned away by banks.

The issue got flagged when interest rates softened in the past one year but fintech customers didn't benefit. "That's when they started complaining and started knocking on doors of regulator," explains a banker.

The fintechs also have a co-lending model where they lend along with banks by taking 5-10 per cent exposure per loan. The eligibility criterion is strictly set by the bank. In addition, there are fintechs, including technology companies (not registered as NBFCs), which support banks with business leads. This is a fee-based model like the earlier direct sales agent model but with a difference that the fintech offers technology and data analytics at the front end when a customer walks in. "We manage the entire end-to-end customer journey. This includes recovery and collection. The entire servicing is done through an app," says Pallavi Shrivastava, Co-founder and Director, Progcap, which operates as a marketplace for lending to small merchants and shopkeepers. Some customers say this model of fintechs managing the entire loan servicing without the customer interacting with banks is also a reason for existence of business malpractices in retail loans.

$1 TN
The size of the fintech market by 2023, according to BCG

Lack of Transparency

Many experts say fintechs which lend from their own books have a very complex interest rate structure that customers do not understand. Fintechs generally disclose rates such as 2-3 per cent per month. "Customers do not understand annualised interest rates," says a banker. RBI says this should be explained in FAQs and by examples. The advice is largely ignored.

The fintech community is also not making enough efforts to make interest rates and charges transparent. For instance, in the direct lending model, processing charges are not disclosed upfront. These are very short-term loans but with high processing charges of 3-5 per cent. "There should be transparency in processing charges and other costs," says a banker. In fact, there are also things such as pre-payment charges and penalty for late payments which are often not conveyed at the time of onboarding. There are also issues of changes in "terms and conditions" during the tenure of the loan which are not communicated properly to customers.

In some cases, banks tie up with the loan sourcing fintech or the technology company without communication with the customer.

The fintechs, on their part, play down such issues. For instance, Shrivastava of Progcap says there is complete transparency in the marketplace model. "There are flexible repayment models which take into account cash flows of borrowers. Credit is also flowing to last-mile stores or shop-

Low entry barriers have led to mushrooming of such entities. Some players have a short-term view of the business

Santanu Agarwal,
Deputy CEO, Paisalo Digital Ltd

Fintechs have been taking relative risk to increase access to credit to cover segments of the population without access to formal credit

Vijay Mani,
Partner (Fintech), Deloitte India

keepers not covered by banking channels," she says.

Undoubtedly, fintechs use a lot of tech such as data analytics, algorithms and social media tools to find a borrower's credit worthiness. That is their biggest defence too. They say they use risk-based pricing models to offer differential rates based on credit worthiness of the borrower and nature and duration of the loan.

In addition, they rely largely on funds from founders and private equity investors (who, of course, expect decent returns). They have limited options to raise money from sources such as banks and debt markets. This means high cost of funds. After Covid, many fintechs that had taken loans from banks did not get a moratorium, even as their own customers pressed them for relief.

24-32%
Annualised interest rates charged by some digital lending players

Harsh Recovery Methods

Fintechs get huge data through their apps as customers do not mind giving them access to contact lists, SMSes, photos. "There is nothing wrong in giving access to data but its misuse is an issue," says a consultant. In the bank-fintech co-lending model, or where fintechs generate leads, the regulated entity needs to do a comprehensive due diligence. RBI insists on robustness of internal controls, compliance, audit and grievances redressal, things that many fintechs lack. "SBI did an extensive stress test on our apps to see how much load they can bear. They also looked at our APIs to see the foundation of our codes. They also did a thorough check of the KYC process," says Shantanu of Paisalo. Other banks need to adopt a similar approach.

The lending fintechs have also suddenly come under the scanner because of growing delinquencies due to which they are resorting to harsh recovery methods such as use of social media tools to defame defaulters. "Fintechs do not have collection infrastructure. Lending is the easiest thing to do. You create an app and start giving loans to customers not covered by banks and NBFCs. But a sustainable business involves other elements like loan restructuring, understanding customers' cash flows, recovery and collection," says a banker. "There are softer ways of reminding a customer," says Neel Juriasingani, CEO and co-founder at Datacultr, a technology provider to NBFCs.

Many fintechs are violating RBI's fair practices code by using social media tools for collections. RBI guidelines clearly say that lenders should not intimidate or harass customers. "These 'new to credit' customers need to be educated. They should be treated differently or told about repayments, advantages of good credit behaviour , credit score, etc " says Juriasingani of Datacultr.

Given the rise in digital lending and spread of fintechs, RBI is already looking at setting up a separate department of fintech to oversee the entire gamut of banking technology players in different segments such as lending, payments and value-added services. Another medium-term solution can be increase in minimum net owned fund criterion from the current ₹3 crore. "Be it a technology company or a registered fintech, RBI should create a deterrent by heavily penalising wrongdoers, including partnering banks," says an independent director in a bank. BT

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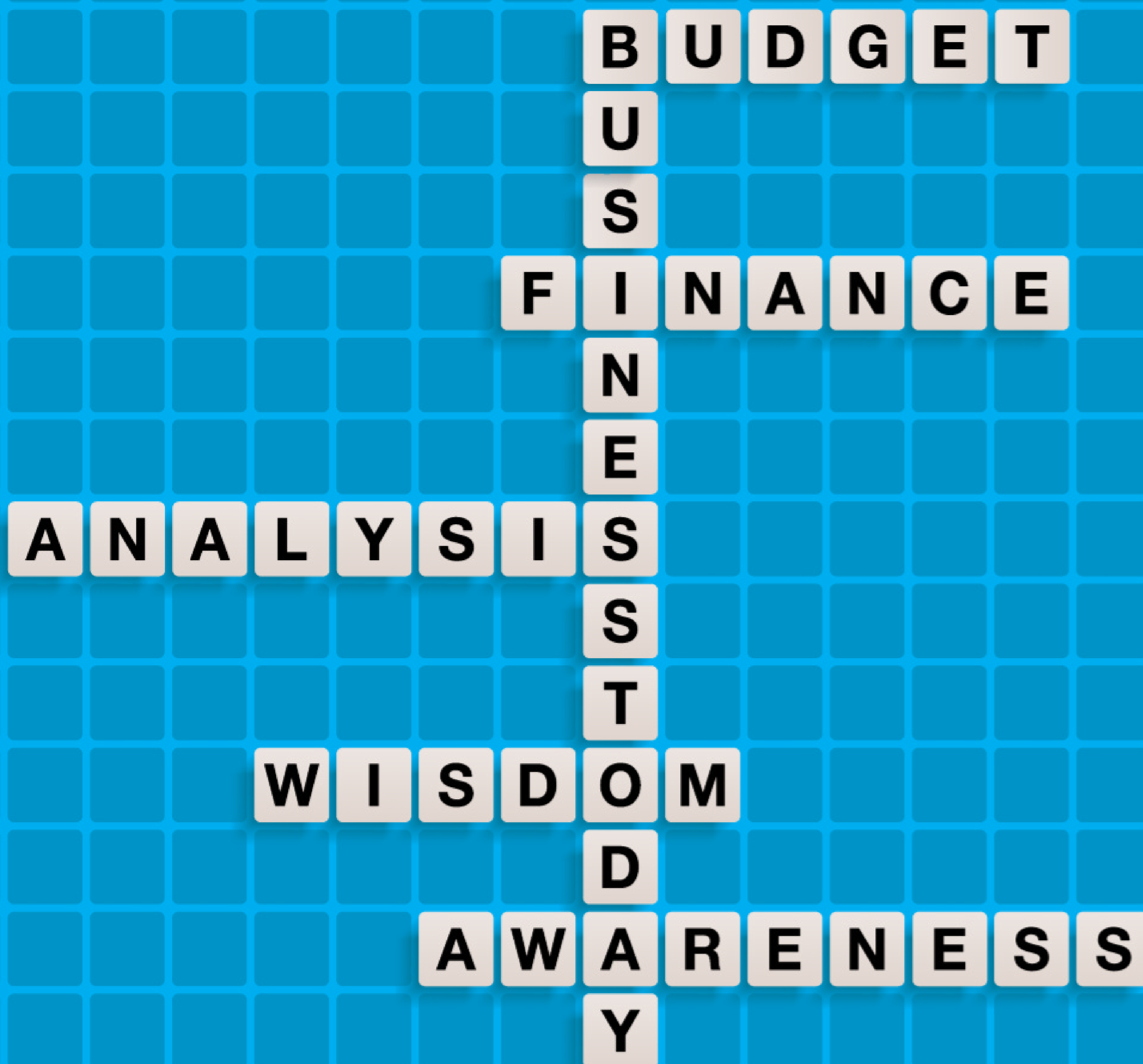

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THE RETURN OF MICROMAX

After getting blitzed out of the market by Chinese smartphone makers, desi brand Micromax is making a comeback. Aided by a rising anti-China sentiment, it wants to regain its old position. Will it succeed?

BY SUMANT BANERJI
PHOTOGRAPH BY RAJWANT RAWAT

We want our old position back. That is the target, else we would not be making this comeback."

Rahul Sharma, Co-founder, Micromax Informatics

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icromax Co-founder Rahul Sharma is not superstitious. But when he re-focussed his attention on the struggling consumer electronics firm, one of the decisions was to go back to the company's old office in Udyog Vihar Phase V in Gurgaon. Earlier, when the going was good, Micromax had shifted base barely a kilometre away to a bigger office in the adjacent Phase IV. Going back to the same building where it started its journey in smartphones more than a decade ago and where it scaled dizzying heights, is symbolic of what the company is aiming to do ahead — script the same success story all over again.

"We want our old position back. That is the target, else we would not be making this comeback," says Sharma. "We understand the sweet spot of this market and you will have a Micromax product disrupting all of these sweet spots. We have the infrastructure and manufacturing set-up in place and are investing big time in R&D. We are here to disrupt."

As any market leader will testify, getting to the top is not an easy task. What is more difficult is staying there. And since 2015, Micromax has discovered just that. The decade gone by was one of the contrasting halves for the firm that was founded in 1991 as a distributor of computer hardware.

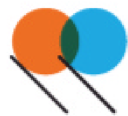
An early entrant in the smartphone market in India in the late 2000s, the firm had a meteoric rise in the first half of the last decade. By the end of 2014, it had overtaken long-time market leader and South Korea's Samsung as the country's largest smartphone maker. It was akin to David taking down Goliath, but it did not stay that way for long.

"Usually people come to shop without any preference for a brand. They list their requirements and budget and depend on us to guide them. Before the Chinese entered the market, Samsung was the only brand people would ask for. And then Micromax joined that league," says Amol Rajwade, who runs a multi-brand mobile phone outlet in Kanpur. "That is the time you knew Micromax had made it big."

The entry of deep-pocketed Chinese players such as Xiaomi, Oppo, Vivo, OnePlus and India's rapid shift from 3G to 4G aided by cheap data plans launched by Reliance Jio queered the pitch for the company. It could not withstand the onslaught. Micromax's descent over the second half of the decade was as dramatic and rapid as its journey to the top. From 19 per cent in 2014, its marketshare had slid to just 0.5 per cent in 2019 in India's 158-million-unit smartphone market — the second largest in the world.

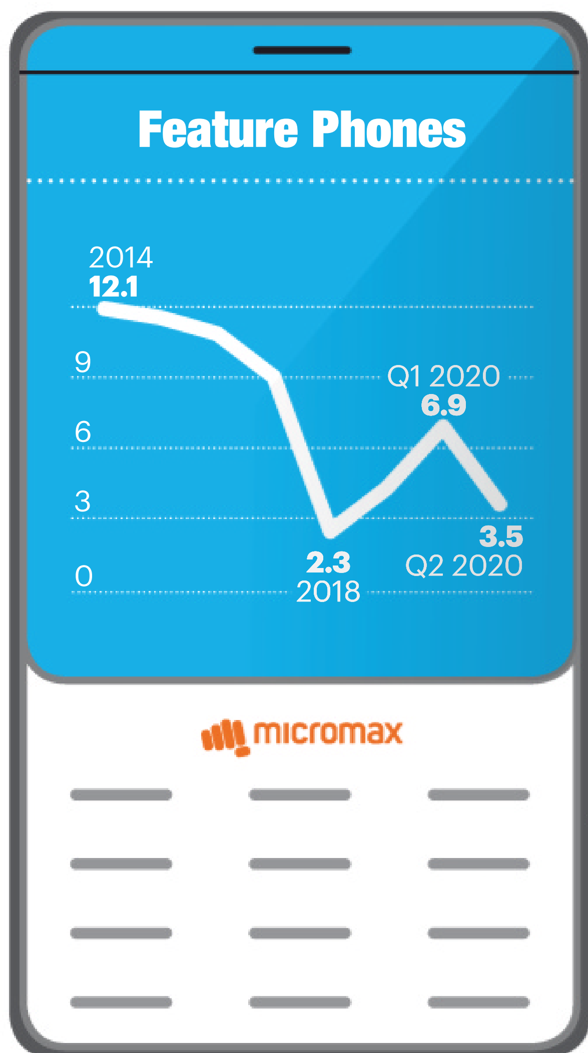
In the process, the company's revenues, profits and valuation nosedived, while PE investors also cashed out. In 2015, the unlisted firm was valued at ₹21,000 crore, but today it is less than ₹1,500 crore. Revenues in 2014-15 were ₹10,451 crore and it was generating a profit of ₹364 crore. By 2018-19, revenues had shrunk to less than a fourth at ₹2,443 crore, with a profit of ₹145 crore.

"It is not us alone. Everybody else lost business to the Chinese as well," says Sharma. "What was happening was we were getting peppered with a volley of bouncers and

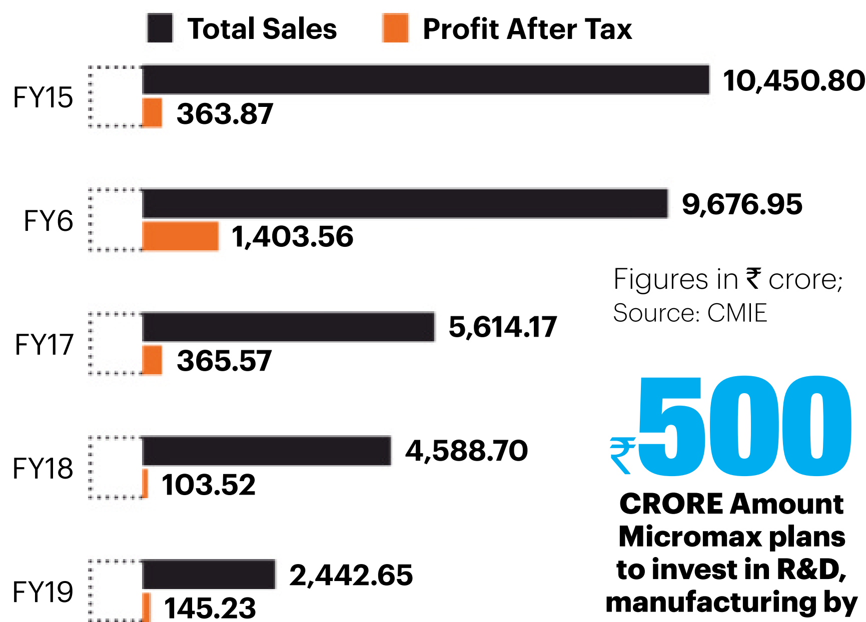


Scale doesn't come overnight. Just because the situation is suddenly in your favour doesn't mean you can make two million phones overnight. That needs investments and commitment"

Navkendar Singh, Research Director, IDC



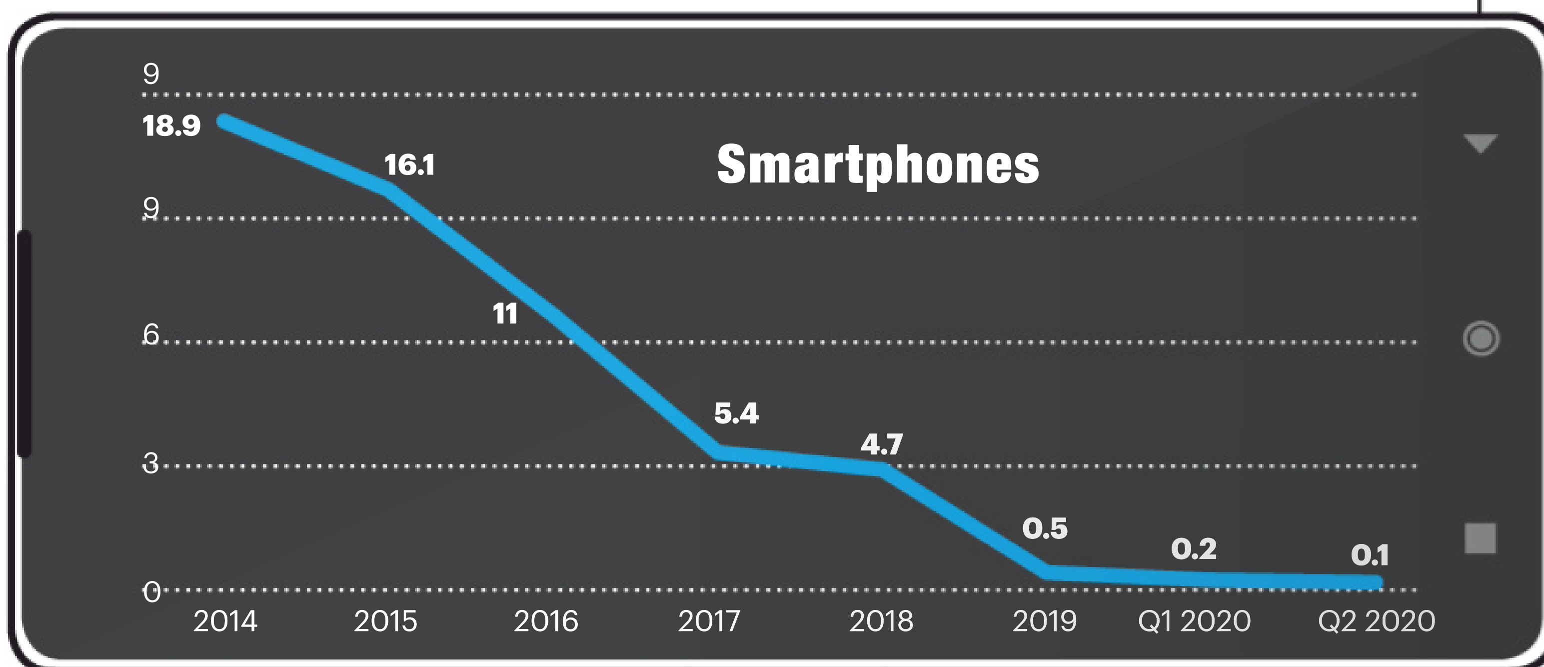
Source : Counterpoint Research



₹500 CRORE Amount Micromax plans to invest in R&D, manufacturing by the end of FY22

Micromax's marketshare in feature and smartphones

(figures in per cent)



could do nothing but duck. They came in hordes and it was difficult to identify the real players. They were not making money, but were buying market share. We did not have the bandwidth to compete so decided to step back. To use a cricket analogy, I knew we will get a full toss at some point. We needed to wait and hit that out of the park."

Micromax is padding up for its second innings and the full toss has come in the form of an intense anti-China sentiment following the clash between the two countries at Galwan province of Ladakh on June 15. Most of the focus is on smartphones, a product that has come to symbolise China's growing influence in India. Any real dent in demand, however small, for Chinese products here, will throw up a sizable opportunity for Micromax. The timing seems just right for the company to script a grand comeback, but will it be able to follow up on this premise?

The Nationalism Card

The impact of the anti-China sentiment is already beginning to show in the market. In the second quarter of 2020, the share of Chinese smartphone makers fell to 73 per cent, from 82 per cent in the first quarter. Sharma says they started working on the comeback plans more than a year ago when the US and China were embodied in a global trade

war. That relations with India would suffer a meltdown and sentiment against Chinese goods would turn negative just as the company would be ready to embark on its second innings was, however, unforeseen. "It is more of a coincidence. You can't make things like phones and create an ecosystem so quickly. It takes a lot of time," says Sharma. "We have been working on this for a year now. The geo-political tension has been going on for the last two years. Separately, we have been working very actively with the government here to work towards building the whole ecosystem."

The ecosystem refers to hundreds of components that go into smartphones, which are either not manufactured in the country at all, or where the scale is low. India imported $28 billion worth of electrical components and machinery from mainland China and Hong Kong last fiscal.

Policymakers want India to reduce its dependence on China and become self-sufficient. In April, the Ministry of Electronics and Information Technology launched a product-linked incentive scheme for manufacturing smartphones, which provides a 4-6 per cent incentive on incremental sales over FY20 levels. The scheme specifically favours local brands. International firms have been excluded entirely in case of phones that cost less than ₹15,000, a category that constitutes 75 per cent of smartphone volumes. There is no such condition for local firms. Also, domestic firms need to invest just ₹50 crore initially and ₹200 crore incrementally over four years to avail the incentives, while for others, it is ₹250 crore initially and ₹1,000 crore over four years. Sharma believes this will help create a level-playing field for local brands against cash-rich Chinese companies.

"It is a great scheme and makes us competitive in the market," he says. "It is not that everything is coming from outside. Even today at least 50-60 per cent of the supplier ecosystem is already here. This scheme will help push MSMEs to invest more."

While that takes care of the manufacturing side of the business, Sharma believes the current mood of the nation will save him a lot of dollars on marketing — a key area where the Chinese have dwarfed everybody else, including Samsung.

"This whole anti-China thing is going to take care of a lot of dollars on the marketing side for us," says Sharma. "This time it's not just business alone, but about the country and something that I feel from the heart. Within a week after the lockdown was lifted all our smartphones were sold out — whatever we had, including stocks 2-3 years old. That is when we started wondering what's happening. Then we realised people only wanted Indian products. We want somebody from India to come and be successful."

"Consumers are buying Chinese phones because they do not have an option. But if I give you a great product, which is as good as competition with our secret sauce of better features and it is from Micromax, an Indian brand, it will be different now."

The Chinese are no pushovers. The opportunity is there right now but the window will close soon. After that it is a hard grind in the market where every rupee will have to be earned."

Tarun Pathak, Associate Director, Counterpoint Research

What the company is aspiring for is to reclaim its lost glory when it was one of world's top 10 handset companies. It even had Hollywood star Hugh Jackman as its brand ambassador. To regain that position, Micromax plans to launch at least 20 smartphones over the next two years, and has prepared a war chest to fund its expansion plans. Besides the Chinese onslaught, the company had suffered due to the transition from 3G to 4G. Its dependence on supplies from China left it with a major overhang of 3G phones in its inventory when the market graduated to 4G connectivity in 2016. And when it got ready with its own devices by the end of the year, demonetisation exposed its weakness in the digital domain.

"I don't want to focus too much right now on what went wrong, but we have had our learnings. We are going to focus a lot more on R&D and invest there. We will have minimum dependence on outside (imports). First we are going to focus on the software side of it and we will do it 100 per cent

out here in India. Then slowly within 12-18 months we will start building up other hardware capacities," he admits.

While the focus right now is firmly on the mobile handset market, the company is looking at the television segment as well. It is not very different from the strategy adopted by other smartphone makers, including Xiaomi, Oppo and Realme, which have diversified into smart TVs. It is seen as a logical extension, and Micromax was one of the first to do so back in 2012 itself. But like in smartphones, its presence in this category, too, has been dwarfed by Chinese firms, something that it wants to rectify. Across its two factories in Bhiwadi and Telangana, the firm has a capacity to produce 20 million handsets annually and 4 million televisions.

"At present, we have 25 models, of which 15 are smart TVs with price points ranging between ₹8,500 and ₹50,000. We have a 3 per cent share in the market right now, but wish to be among the top five players as we were a couple of years ago," according to the company's spokesperson.

In the past, the company dabbled with other consumer electronic products such as tablets, air coolers, air conditioners, refrigerators, water purifiers and even washing machines. These are all products that demand high investment, scale and relatively low margins. Not surprisingly, the flirtation was short lived and barring air conditioners it does not produce any of the other products anymore. Even in ACs, it does not have plans of major expansion. "They thought the strategy to bring in these high-ticket purchase items and selling them in India will work just like it did in smartphones," says an industry insider. "Consumer durables are not use and throw in India. Consumers demand after-sales and service where the credibility of the brand counts. Micromax had none."

73%

Share of Chinese smartphone firms in the Indian market in Q2 2020

20

Number of smartphone models Micromax plans to launch in next two years

An Uphill Task

The Indian smartphone market has changed in the last few years and going forward, due to the onset of 5G, it will remain dynamic. So, the prospect of Micromax upstaging its bigger and more technology oriented rivals is suspect.

"It's a matter of scale now. The only non Chinese brand to have any real scale is Samsung. Do you expect Micromax to start making 100 million smartphones annually a year-and-a-half from now when 5G would be around? I don't think that is possible, so the numbers don't stack up," says Navkendar Singh, Research Director, IDC. "Scale doesn't come overnight. Just because the situation is suddenly in your favour doesn't mean you can make two million phones overnight. That needs investments and commitment. If local brands start this journey and plant the seeds today and remain disciplined, they can see the fruit of their efforts after two years."

How long will consumers continue to shun Chinese products is also not known. Geo-politics has impacted consumer sentiment in the past as well, but it has never sustained beyond a point.

"It is something that we asked ourselves and I discussed this with multiple people. The conclusion is that this time it is different," says Sharma. "This is not for the short term. People have lost jobs and livelihood, or have seen earnings reduce. On top of that, the Ladakh issue happened, which is linked to the safety and security of the country. That is another emotional topic."

Another issue that plagued the company in the past was its lack of focus on the core business as it sought to diversify into other domains such as televisions and air conditioners — products that are still part of its portfolio. A former employee with the company told *Business Today* the lack of focus cost the company dearly when the Chinese onslaught had begun. He isn't convinced that it is any different today.

"The distraction cost the company. There were differences in opinion between the CEO (Sanjay Kapoor, ex-Airtel) and promoters and it affected the morale," he adds. "What I am hearing from colleagues still in the company is that they just want to use the current sentiment to scale up and make a quick buck out of this. The long-term vision and plan is lacking."

Experts believe competition in the smartphone market will only get more intense in the coming days.

"The Chinese are very competitive. They will not just go away at the first bump in the road. Xiaomi has surprised by not only maintaining its leadership in the market, but at a high share — almost a third of the market. Vivo has also consistently risen. They are no pushovers," says Tarun Pathak, Associate Director, Counterpoint Research. "The opportunity is there right now, but the window will close soon. What lies after that is a hard grind in the market where every rupee will have to be earned. If they have a reasonable strategy, are willing to struggle and fight, they may crack it." **BT**

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Industry

STUCK IN REVERSE GEAR

THE PANDEMIC IS SET TO PUSH THE AUTO INDUSTRY BACK BY OVER A DECADE. PARTIAL RECOVERY IN JUNE AND JULY HAS RAISED HOPES, BUT WILL IT SUSTAIN?

BY SUMANT BANERJI
PHOTOGRAPH BY RAJWANT RAWAT

On

March 29, four days after the country went into the lockdown, Ram Krishna Pal, a machine operator at a component unit in Dundahera village of Gurgaon was told his services were no longer needed. Going back to his home in Sitamarhi in Bihar was not an option. Now, he is finding it increasingly difficult to make ends meet. "My contractor said the company has reduced the output due to new regulations and, hence, does not require as many people as before. Factories have opened up all around but employment has shrunk," he says.

Dealerships, the front end of the automobile industry, tell a similar story of despair and loss of optimism. Cut to the last fortnight of March, the first phase of the lockdown, when sales executives were putting in extra hours to liquidate stocks of BS IV vehicles by the end of the month, before BS VI emission norms kicked in from April 1. "There was a lot of pressure on us and we had stiff targets but at least the business was good," says Ambuj Sahu, who works in a two-wheeler dealership in Gonda in Uttar Pradesh. "The lockdown was a major disruption. The showroom remained shut till May 12 but the momentum had been lost. I am lucky to have the job even though I got half the salary for April. I know so many people who were doing well in March but were jobless in May."

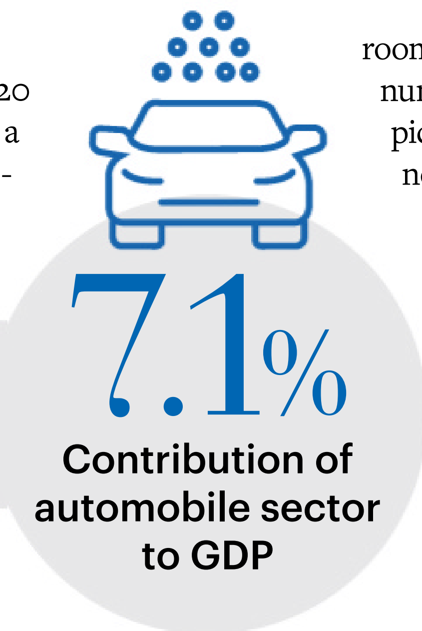
Like Pal and Sahu, millions of others who earn their livelihood from the automobile industry had hoped at the start of the year that the new decade would bring an end to an excruciatingly long and dark period (the unprecedented slowdown was already 18 months old by December 2019). The successful culmination of the biennial Auto Expo in the first week of February, under the shadow of the coronavirus, was seen as a bold show of confidence by an industry eager to move on. The onset of the pandemic the very next month felt like a cruel joke. A complete lockdown in the last week of March, which continued till the end of April, meant not a single automobile could be sold in the first month of the fiscal year. That was a harbinger of the industry logging its worst-ever performance in a quarter; less than 1.5 million vehicles were sold in the first quarter of FY21, over 75 per cent less than in Q1 of FY20. Passenger vehicle market leader Maruti Suzuki registered its first-ever loss in a quarter since it was listed on the Bombay Stock Exchange in July 2003.

The months after April have given the industry a little hope. As governments eased lockdown restrictions in May, factories sprung back to life. Dealerships opened a tad slower but by July almost all showrooms across the country had switched on their neon lights. Monthly sales have improved in tandem with resumption of business activity, and by some estimates, the recovery has been better than expected. Decline in passenger vehicle sales, for example, improved from over 80 per cent in May (when only 36,576 cars were dispatched from factories) to 47.2 per cent in June when 1,16,928 units reached dealers. In July, the numbers improved to 1,82,779, down less than 4 per cent compared to a year ago (1,90,115 units). Two-wheelers mirrored the trend. Sales declined almost 90 per cent in May but recovered partially in June (40 per cent fall). In July, the numbers were short of the July 2019 tally by 15.24 per cent. Sale of motorcycles that account for bulk of two-wheeler sales were less by only 5 per cent.

"If we see it in the context of the current scenario where supply chain was disrupted and resumption was staggered in many parts of the country, the recovery has been remarkable. These are unusual times but it gives us hope," says Tarun Garg, Director (Sales, Marketing and

Service), Hyundai Motor India Ltd.

However, considering the low base of 2019/20 — when sales had declined 18 per cent – even a recovery to the same level in the rest of this fiscal will not mean much in the larger scheme of things. The industry will still end the year with second straight double-digit decline in sales. It will signal that things have bottomed out after two years. The bigger question is whether it will sustain. There are no clear answers.



7.1%

Contribution of automobile sector to GDP

Another False Dawn?

The initial revival is largely due to two factors — robust demand from rural markets and assumption that a section of consumers is avoiding public transport to reduce the risk of contracting coronavirus.

A bumper rabi crop, harvested post-spring (in April), has kept up demand in the hinterland. Near normal rains this year and higher kharif sowing augur well for the future too. Also, villages and small towns have not been as badly impacted by the pandemic as big cities like Delhi, Mumbai, Pune, Ahmedabad, Chennai or Bangalore. “The rabi crop has been good and farm incomes will be higher. The effect of Covid-19 seems to be more in urban clusters than in rural areas. So, that is also positive,” says Shashank Srivastava, Executive Director, Marketing and Sales, Maruti Suzuki.

A good harvest is great news for the two-wheeler industry. India’s largest two-wheeler maker, Hero MotoCorp, says it has been a beneficiary of the upbeat sentiment in rural markets. “A major part of demand is emanating from rural and semi-urban markets. A combination of factors, including forecast of a normal monsoon, bumper rabi crop and upcoming festive season, are expected to keep the momentum going over the next few months,” says Pawan Munjal, Chairman & CEO, Hero MotoCorp.

There are a number of caveats, though. The dealer community, for one, isn’t fully convinced by the narrative dished out by manufacturers. They say footfalls in showrooms do not reflect the euphoria of wholesale numbers. “The manufacturers are painting a rosy picture. Maybe that is what they need to do but it’s not something we are seeing on the ground right now,” says Vinkesh Gulati, Vice President, Federation of Automobile Dealers Association. “June was of course better than May and July was better than June but that is because the pipeline was dry and dealers were building up stocks. This month onwards, we will have to see. It doesn’t look that great in terms of offtake.”

Experts say wholesale data by manufacturers does not give the full picture and needs to be seen with retail data by dealers. ″The wholesale numbers are encouraging to the extent that they show as to what level manufacturers are able to produce and ship automobiles. But it should be tempered with retail sales data as that is a better barometer of demand,″ says Vinay Piparsania, Consulting Director, Automotive, Counterpoint Research.

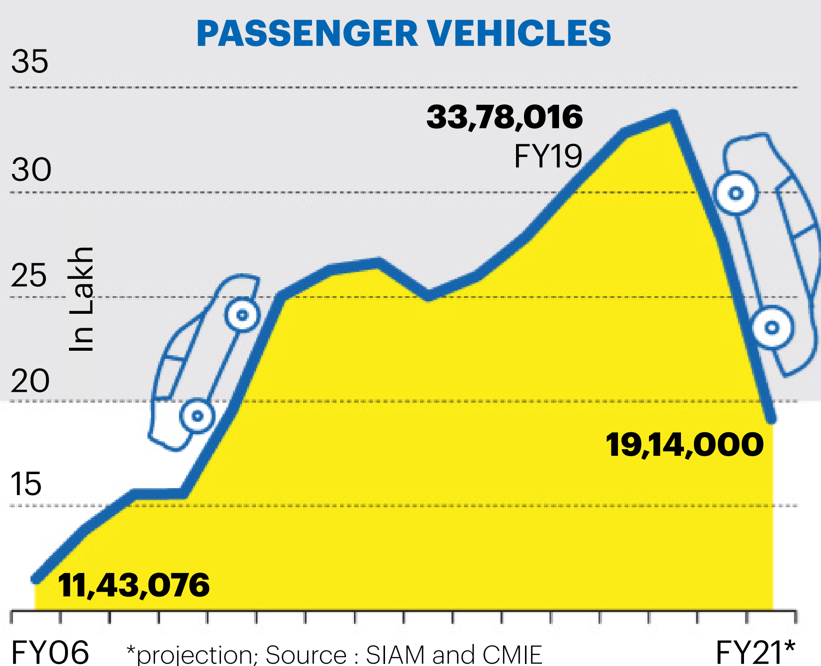
Pushed Back by a Decade

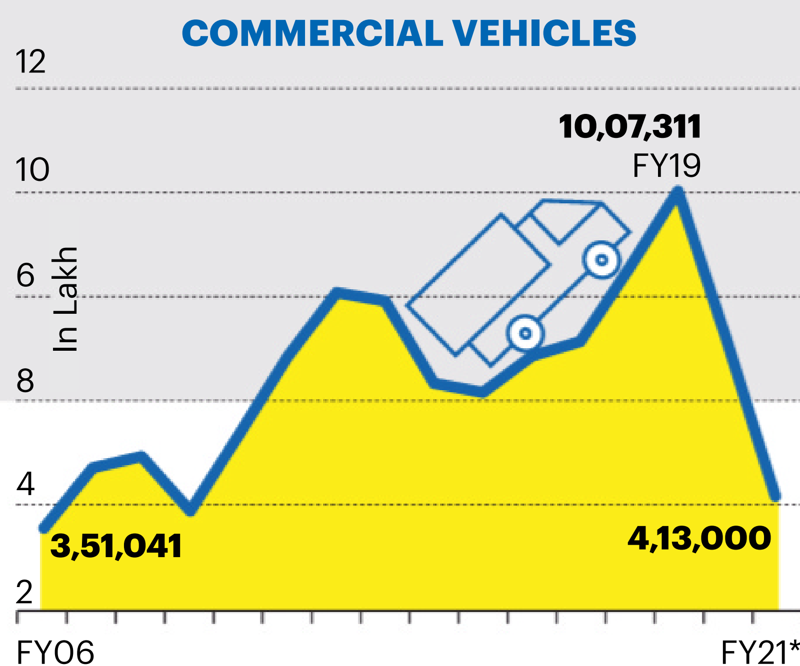
Claims of a quick recovery notwithstanding, the outlook for the fiscal year remains downcast. Industry body Society of Indian Automobile Manufacturers (SIAM) has said the industry is set to post 26-45 per cent decline in sales across segments. For one, it will be nearly impossible to offset the massive sales dip in the first quarter in the remaining months of the year. Further, there are numerous uncertain-

“THE INDUSTRY WILL TAKE AT LEAST THREE YEARS TO RECOVER. THIS IS AN OPTIMISTIC PROJECTION. WE NEED SOME SUPPORT FROM THE GOVERNMENT. GST CUT WILL DEFINITELY HELP”

GAKU NAKANISHI, PRESIDENT AND CEO, HONDA CARS INDIA LTD

SALES SET TO NOSEDIVE TO DECADAL LOW





ties as the pandemic is yet to subside and its full impact on economy — loss of employment, salary reduction, consumers choosing to save more — haven't been factored in yet.

"We are staring into a deep slowdown. According to the most optimistic scenario, production levels are at 40 per cent as of July," says Rajan Wadhera, President, SIAM. "We do not foresee normalcy any time soon. There are too many uncertainties. It is going to take at least three-four years to go back to the peak of FY19 and this is a very aggressive assumption. For many, survival is going to be difficult."

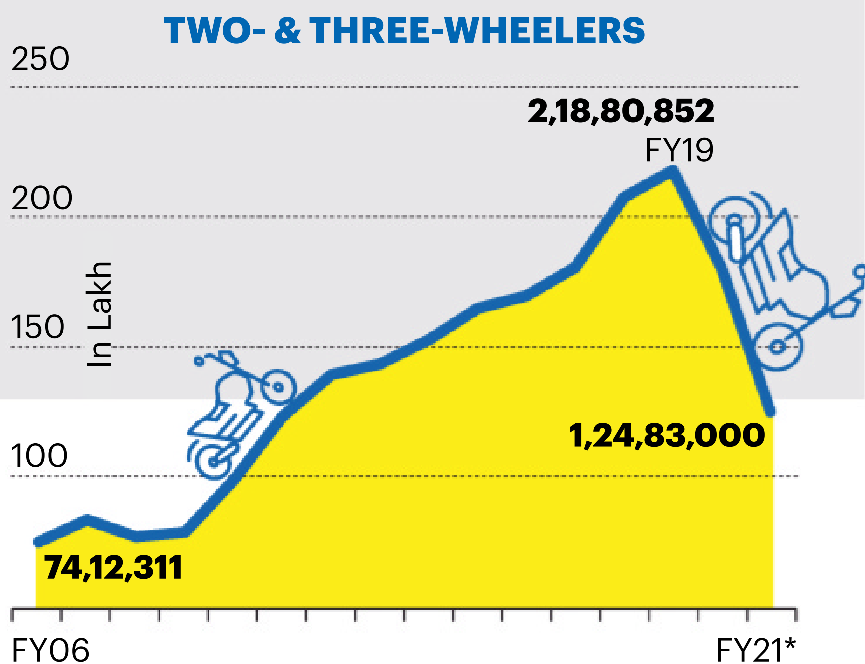
Coming on the back of an 18 per cent fall in sales in FY20, which itself was the worst in nearly two decades, the industry would see a nearly 50 per cent contraction in just two years. "Automobile sales are running out of steam as urban incomes wilt under the pandemic. We assessed 26,000 companies that have a total employee cost of ₹7 lakh crore. Our study indicates that over 60 per cent of this cost resides in companies expected to see a sharp reduction in revenue growth, and where employees are a meaningful cost head," says Hetal Gandhi, Director, CRISIL Research. "This is expected to lead to higher risk of job losses/pay cuts."

CRISIL says the pandemic has intensified the headwinds the industry had been facing for the last two years. Passenger vehicles, where 60-70 per cent sales involve replacing the vehicle, are expected to be hit badly. Also, close to 70-80 per cent cost is met by loans, and given the income uncertainty, fewer consumers will be willing to take a loan to buy a car.

In the commercial vehicle space, which has still not recovered from the new axle-load norms that allowed trucks to carry more load, the sentiment is equally bearish. The reason: freight demand is low. Two-wheelers and tractors are likely to recover faster because of low dependence on finance in rural markets. But if the pandemic spreads to the villages, even the expected buoyancy in rural markets may come under a cloud. Having run out of ideas, the in-

"THE INDUSTRY WILL NOT RECOVER TO PEAK LEVELS SOON, SO THE COMPONENT INDUSTRY NEEDS TO BE FLEXIBLE. EXPORTS PRESENT A GOOD OPPORTUNITY TO OFFSET SOME LOSSES"

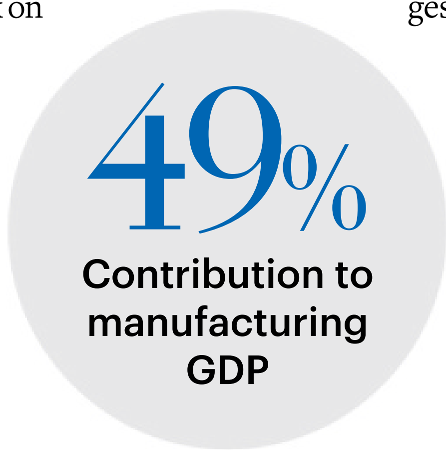
SUNJAY KAPOOR, CHAIRMAN, SONA COMSTAR



dustry is looking for government support. "It will take at least three years for the industry to recover. That is an optimistic projection," says Gaku Nakanishi, President and CEO, Honda Cars India Ltd. "We need some support from the government."

Clamour for Lower Taxes

The industry's biggest demand from the government is reduction of taxes under the GST regime. Automobiles fall under the highest tax slab of 28 per cent. Cess of 1-22 per cent takes the effective rate to 29-50 per cent. This is the highest rate for manufactured goods. The demand for lowering this rate has been rejected on many occasions in the past, most notably last September, when state governments stonewalled the Centre's rate cut move in the GST Council meeting. With the industry feeling the need for a demand stimulus, a rate cut has come back on the table. "Across the world, governments are being supportive of the industry by way of direct stimulus to demand. Even in India, we got stimulus in December 2008 after the global financial crisis and also in September 2014. As of now, we have not seen any action, but the government is listening to us," says Wadhera of SIAM. "What we are asking for is simple, a 10 per cent reduction in GST across the board."



The industry's another long-pending demand has been a scrappage policy that encourages replacement of old commercial vehicles. The industry says it will create demand for new trucks while removing older polluting vehicles from the road. Such schemes have been in place in developed economies for decades now. In India, it has been talked about since 2008."It is in the interest of the government that the industry recovers soon. It earns much more revenues from taxes than what companies earn through profits," says Vinod Aggarwal, MD and CEO, Volvo Eicher. "It is high time the scrappage policy is introduced. It has been in the making for a long time. We are told it is now in final stages and will hopefully come before it is too late."

Temporary Fix

Even before the virus struck, the component industry was in doldrums. It witnessed its worst-ever performance in almost two decades in the first half of 2019/20, the period for which latest figures are available, when revenues contracted 10.1 per cent to ₹1.79 lakh crore. This resulted in around 1,00,000 people losing their jobs and an estimated investment loss of about $2 billion (that would have happened had the industry continued to grow). Revenues are estimated to have declined 20 per cent to ₹3.4 lakh crore by the end of 2019/20. Another 30 per cent fall over this in the current fiscal will wipe out a big chunk of the industry.

"This is the most challenging period we will see in our lifetimes," says Soumitra Bhattacharya, Managing Director, Bosch India. "We were struggling even before Covid-19. We were losing three-four years due to the slowdown in industry volumes. Now, you can add another one-two years to that. So, we are looking at well beyond 2024 for full recovery. All of that, of course, will change if government acts fast and announces sops or if GDP grows fast."

There is, however, a ray of hope in export potential. Relatively stable demand in the US, along with a number of companies now looking at re-aligning their global supply chains to reduce dependence on China, have opened up opportunities for those flexible enough to exploit it.

"The domestic industry will not recover to peak levels any time soon. The component industry needs to be flexible," says Sunjay Kapoor, Chairman, Sona Comstar. "Exports present a good opportunity to offset some of the losses. We have always been open to exports and have the know-how to make parts for all markets. That is the biggest takeaway from the pandemic; you cannot put all your eggs in one basket."

However, beyond Tier-I firms such as Bosch or Sona Comstar, not many have either the vision or the capital to quickly shift gears and cater to new customers. "It is a matter of scale and that comes only from the domestic market. Exports can be a cushion but only for the short term. A businessman will not invest only thinking about exports as our policies do not encourage that," says the owner of a forging business in Gurgaon.

Yet, as always, the industry remains confident in India's long-term potential. "In the near term, the situation will be very painful, but in the medium term, I anticipate a quick rebound for India as well as for our company, while in the long term, this remains one of the markets to be in," says Bhattacharya of Bosch.

The vehicles may not be flying off the shelves but optimism is not in short supply. **BT**

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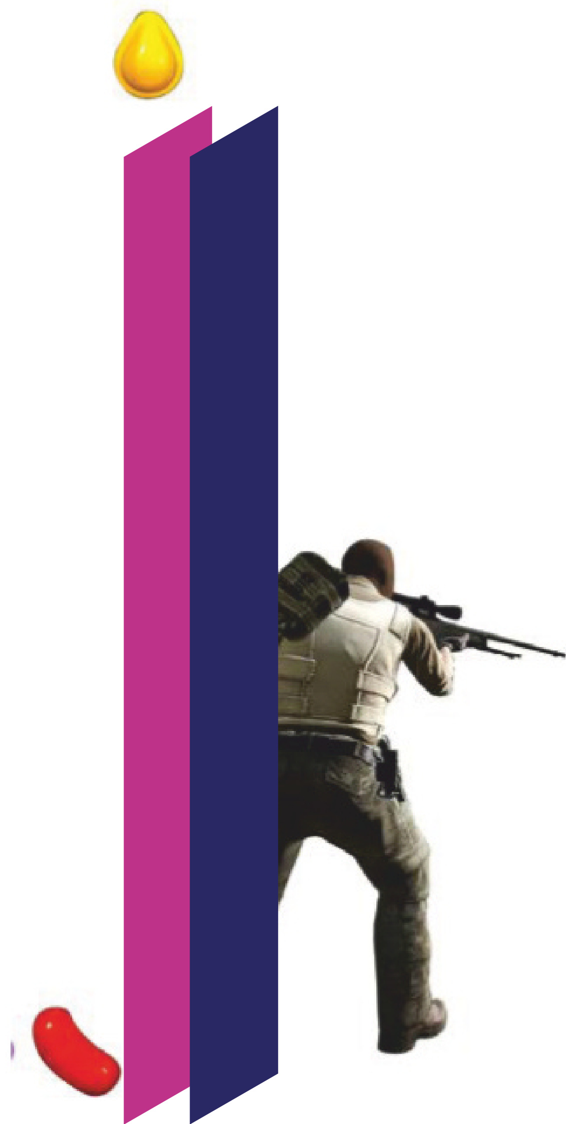
ONLINE GAMING: Show Me The Money

STUCK AT HOME WITH LIMITED SPORT AND ENTERTAINMENT OPTIONS, MANY ARE TAKING TO ONLINE GAMING. WHILE COMPANIES HOPE TO RETAIN THE SURGE IN USERS, GAMING IS YET TO MAKE BIG MONEY IN INDIA

BY RUKMINI RAO
ILLUSTRATION BY RAJ VERMA



ndians love anything that's free. The number of cashbacks, extended promotional offers and discounting by start-ups bear testimony to this. Online gaming, too, is no exception — most games are free-to-play mobile applications, part of subscriptions (bundled offering by telecom operators to existing subscribers), gaming events and streaming e-sports. Subscription revenues, therefore, are way lower as a percentage of advertising revenues in India.

Revenue Models

Globally, online gaming is a $150-billion industry with nearly two billion users across all forms. The gamers use mobile devices, personal computers or gaming consoles — Xbox, PlayStation and others. Games on these platforms are either real money games (RMG), e-sports (tournament games) or casual games played on different mobile devices.

While companies in India are still largely dependent on advertising revenues, alternative models of monetisation are emerging. "This year we are looking at launching a new monetisation model. In addition to advertising, we are creating opportunities for users to pay on the app. They will pay for live sessions, for gifting subscription, which we believe will become a pretty formidable business," says Piyush Kumar, CEO and Founder of sports fan community content platform Rooter.

Bhavin Pandya, Co-Founder and CEO, Games 24X7, which runs Rummycircle.com, explains how things have changed in the last four months. In the days before the lockdown, millions of young and not-so-young Indians were daily hunched over their mobile phones in public transport across the country. While many watched videos, quite a few would be playing online games. Today, with everyone stuck at home, with limited entertainment, sports or outing options, online gaming companies are seeing a surge in users and time spent on gaming platforms. In fact, in the last few months, online gaming in India has seen 80-90 per cent growth depending on the category, compared to the average annual growth of 40 per cent, according to experts.

However, despite a large user base, gaming revenues in India are minuscule compared to the US, China, Japan or South Korea. India does not figure in the top 10, while Canada, Italy and Spain with 30-50 million users generate upwards of $2.6 billion. According to Newzoo's 2020 Global Games market report, of the total revenues

"IN THE LAST FOUR YEARS, INDIA HAS BUILT CAPABILITIES AROUND GAMING TECHNOLOGIES IN MOST CATEGORIES. LUDOKING, ONE OF THE MOST DOWNLOADED GAMES, IS ENTIRELY INDIAN"

ROLAND LANDERS, CEO, All India Gaming Federation

18+

WHAT IS
AVAXHOME?

AVAXHOME -

the biggest Internet portal, providing you various content: brand new books, trending movies, fresh magazines, hot games, recent software, latest music releases.

Unlimited satisfaction one low price
Cheap constant access to piping hot media
Protect your downloadings from Big brother
Safer, than torrent-trackers

18 years of seamless operation and our users' satisfaction

All languages
Brand new content
One site

We have everything for all of your needs. Just open https://avxlive.icu

RISING NUMBERS

(market size of Indian gaming industry in ₹ crore)

FY15 | 2,430
FY16 | 2,760
FY17 | 3,240
FY18 | 4,380
FY19 | 6,200

THOSE WHO PLAY

(Number of online gamers in India in million)
*Estimated; Source: KPMG

FY2018 269
FY2020 365
FY2019 300
FY2022* 440

of $147.5 billion in 2019, 73 per cent came from in-game purchases. Globally, in-app purchases account for nearly 80 per cent of revenues. In India, in app purchases are at less than 10 per cent, while advertising accounts for 90 per cent. Says Raghav Anand, Digital Media Leader, EY, "In India, many companies like Jio, Paytm give bundled pricing, which is very low, while volume uptick is very high. This parity is not going to vanish very soon."

Changing Times

According to boutique investment firm Maple Capital Advisors, India's gaming industry is currently valued at $930 million, and is expected to grow at 41 per cent annually due to the growth of digital infrastructure and a rise in quality and gaming content. By 2024, it is projected to reach $3.7 billion. While real money games have shown substantial growth and profitability, other platforms, too, have demonstrated good unit economics and 10-30 per cent EBITDA margins. In India, online fantasy sports (OFS) companies operate on a platform fee model (10-15 per cent depending on the market and popularity of the sport) for paid contests hosted on the platform. A KPMG report on Online Fantasy Sports puts the total revenue of OFS operators at ₹920 crore in FY19, which trebled to ₹2,470 crore in FY20, driven by growth in user engagement and contest entry amount.

Pankaj Karna, Managing Director, Maple Capital Advisors, believes venture capitalists have started making meaningful investments, and it is likely that private equity will enter gaming in a more meaningful way. "We have seen growing investment traction in gaming with over $350 million of investments. With growing Internet penetration, compelling economics, usage statistics and increasing ecosystem of entrepreneurs and developers focusing on this space, we expect good growth in investments. It is likely to at least double in this space in the

next 1-2 years," he says.

For instance, Rooter, which has a strategic partnership with Paytm First Games, raised a Pre-series A round of $1.7 million from key investors such as Paytm, leAD Sports, Adidas Family-backed Fund, Rockstud Capital, and Founder Bank Capital Anthill Ventures, Venture Catalysts, among others, amid the lockdown in May.

Today India has around 400 gaming start-ups. Out of the 300 million online gamers in India, an estimated 85 per cent are mobile gamers. However, Bhavin recalls the early days when no one wanted to work out of a basement or a garage. "These days it's in vogue because of the success stories of start-ups. That wasn't the case in 2006-07" he says.

It took Bhavin nearly three years to launch its rummy game in 2009. Today developers roll out games in a few months because of talent, capital and maturing game developer ecosystem. Apart from casual gaming, e-sports and online fantasy sports are also seeing a huge surge in numbers.

The KPMG report states that e-sports audience globally is expected to grow at a compounded annual growth rate (CAGR) of 13.6 per cent over 2017-2021, reaching 250 million people. India particularly will see considerable growth. Occasional viewers and e-sport enthusiasts are expected to grow five-fold to 10 million by 2021. Sidharth Kedia, CEO of Gurugram-based NODWIN Gaming, South Asia's leading e-sports company, which creates intellectual properties around games and streams across platforms, says users of the platform earlier were in the 18-24 age group. "That's becoming younger every year. Now it's more like 16 years," he says. NODWIN's marquee property India Premiership, which runs for nine months (three seasons), has four games — FIFA, Counter Strike, Clash of Clan and PUBG across all platforms (PC, Mobile, Console). Last year's Premiership saw nearly 3,000 registrations of professional competitive gamers.

Siddhartha says that this year's first season has already seen over 16,000 registrations. Rooter, which was seeing huge engagement on live sports, surprisingly didn't see any significant dip in user engagement despite no live matches. NODWIN, which also hosts the PUBG Mobile India Series (PMIS) championship for Tencent in India, increased the number of qualifying teams from 228 to 992 this year, with nearly 1.5-2 lakh people registering for PMIS, with a prize money of ₹50 lakh. On the back of this success, the company is in talks to jointly own the IP with Tencent.

Despite the lack of live sports after the lockdown, fans continued engagement on videos and other topics of their favourite stars, says Kumar of Rooter, which upgraded into gaming and eSports recently. "The time spent by users has gone up 1.8 x because of gaming and sports coming together. The number sessions have gone up by 1.5x and the user base has grown 1.3 x since March," he adds.

The increased penetration of online gaming has had a positive impact on game developer or publisher landscape. Roland Landers, CEO, All India Gaming Federation, says from just a handful of tech companies a few years ago, India today has over 300 companies developing games. "In the last four years, India has built capabilities around gaming technologies in most categories. LudoKing, one of the most downloaded games, is entirely Indian" he says. Experts believe with the current

"THESE DAYS IT'S (ONLINE GAMING) IN VOGUE BECAUSE OF THE SUCCESS STORIES OF START-UPS. THAT WASN'T THE CASE IN 2006-07."

BHAVIN PANDYA,
Co-Founder and CEO, Games 24X7

talent, even mobile games development could see increased off-shoring.

Retaining Users

While the gaming user base may have grown substantially during the lockdown, the question is, is the momentum sustainable? "We believe once people go back to work and other things start opening, the growth rate might not be sustained and revert to 40 -45 per cent. But, the number of new people on gaming platforms will be significant, with a net 10-15 million users," says EY's Anand.

Gaming companies are going all out to retain new users. Yash Pariani, Founder and CEO, Indian Gaming League, says it would be important to segregate games which target different age groups and schedule the tournament at a suitable time for the masses.

IGL says it saw over 1,000 per cent growth in total views and watch time on its YouTube channel, which broadcasts its daily PUBG Mobile and Call of Duty Mobile live streams and over 3,000 hours of watch time in May. "Since the surge in growth during the lockdown, the aim is to retain users via engagement by offering grand tournaments with high prize pools held over a few weeks," says Pariani.

9stacks, which runs online poker, saw 100 per cent jump in new users and an overall 40-50 per cent increase in paid activity, feels that an uplift of 30-40 per cent of users is here to stay. It has now introduced voice-enabled tables, where players can talk to each other while they play, whereas earlier, it was just a chat feature. "When you consider that feature along with our industry-leading promotions and private tables for users to play only with their friends and relatives, we think we have a recipe for lasting retention beyond the lockdown" says Sudhir Kamath, CEO & Co-Founder, 9Stacks.

It's still early days for gaming in India. The trends are in the right direction. Things will fall into place once the Indian gamer is willing to spend. That will happen as younger Indians get the gaming bug. BT

@rukminirao

Major Industries That Use Blockchain

Banking and finance
Brings efficiency, simplicity and transparency in operations; reduces transaction time from hours to seconds; automates inter-bank processes like trade finance and remittances; reduces use of paper at an industry level

Governance
Helps to track a large pile of data like land records or citizen's records like birth certificates; eliminates need for reconciliation

Telecom
Helps share data for solving complaints of mobile number portability and unsolicited calls and messages; helps in standardisation and implementing transparency across the ecosystem

Supply chain
Helps asset tracking; eliminates data fraud; and eases supply chain finance

Joining the Blockchain

From banking and logistics to governance, the public ledger technology is helping cut cost and time, enhancing efficiencies

BY K.T.P. RADHIKA
ILLUSTRATION BY RAJ VERMA

$2.2 billion GLOBAL MARKET SIZE IN 2019

$176 billion PROJECTED GLOBAL SIZE BY 2025

$289 million MARKET SIZE IN INDIA IN 2019

$4 billion PROJECTED SIZE BY 2025

Source: Gartner, Researchandmarkets, Statista

very bank's core banking system does a lot — it records all transactions and updates customers' accounts and other financial records. But what it can't do is view a customer's relationship with other banks. A customer could submit tax relief documents (Form 15 G/H and others) at multiple financial institutions, and this poses a challenge for banks while validating the customer's tax documents. The absence of real-time reconciliation among financial institutions can lead to potential tax pilferage.

This was a hurdle that DCB Bank, a new generation private sector bank with 334 branches across India, faced. "The challenge was to verify tax certificates issued by the tax department and authenticate tax returns," says Prasanna Lohar, Head of Technology, DCB Bank. The bank thought of implementing a secure platform where the tax department, various banks and other financial institutions could collaborate and share data in real-time without compromising privacy of customers or revealing a bank's business-sensitive information.

DCB approached IT major Infosys in mid-2019. The bank decided to implement a blockchain-based solution. "This has a single version of data that all stakeholders can access collaboratively. The blockchain smart contract (a self-executing contract that controls the data and makes transactions trackable and irreversible) provides a consolidated summary of an individual's transactions across financial institutions and provides a single view of certificates available to the (tax) assessing officer and deductors. This eliminates discrepancies, over-utilisation and tax leakages," says Gopikrishnan Konnanath, Senior Vice-president and Service Offering Head-Blockchain and Oracle Services, Infosys.

The DCB solution is in the pilot stage. Once it becomes fully functional, the bank will be able to collaborate with income tax systems without any impact on current workflows or processes and without compromising on security and privacy. "Also, tax authorities will be able to track income and assets information in near real-time. They will also be able to monitor the usage of rebates provided to taxpayers through tax deductors," says Lohar. "This also helps us lend confidently as income-related information provided by taxpayers is authenticated instantly over the network by authorities. We can procure online approval in real time from tax authorities when properties of corporates are mortgaged," he adds.

DCB is just one of the many companies to have jumped on to the blockchain bandwagon. Recently, retail giant Walmart said it was piloting blockchain technology for end-to-end traceability of shrimp sourced in Andhra Pradesh and shipped to the US. This will help the shrimp supply chain and reinforce customer trust in the product, it said. More information can be a step towards promoting India as a preferred source of seafood, while also enhancing food traceability and transparency for consumers. Walmart has been collaborating with IBM for use of blockchain for enhancing global food traceability since 2017.

Why Blockchain

Blockchain is a shared ledger that provides high visibility. "It is an append-only ledger that is not owned by any single entity. Therefore, the system enables trust across multiple parties," says Hirak Kayal, Vice President-Cloud Applications,

"TRACKING UTILISATION OF BENEFIT DISTRIBUTION PROGRAMMES, BIRTH, DEATH AND MARRIAGE CERTIFICATES, POLICE CLEARANCES... WILL WORK IN A MORE FOOLPROOF WAY WITH BLOCKCHAIN"

Gopikrishnan Konnanath
Senior VP and Service Offering Head-Blockchain and Oracle Services, Infosys

Oracle India. “Blockchain builds secured blocks of unaltered records linked together in a chain, distributed among all the participants.” This structure allows it to be used in financial institutions, telecom, retail companies, supply chain, logistics, and more.

Subramanian Gopalaratnam, CTO, Resulticks, a blockchain solution provider, says: “Each block in the chain of transactions is immutable; this means a transaction once recorded cannot be altered or deleted. If any errors have occurred, an additional transaction can be entered to correct the error.” While all records secured on a database are centralised, each participant has a secured copy of all records and all changes so that each user can view when and where the data was entered in a blockchain. Thanks to this inherent quality of blockchain, a big advantage it offers is fraud elimination.

“At present, the reconciliation cost is 30-50 per cent of transaction costs in many sectors. Blockchain can eliminate this,” says Gopalaratnam. It is a complementary technology so “it does not replace any system such as an ERP (enterprise resource planning) or core-banking,” says David Ben Kay, Chief Legal Counsel, Pundi X, a Singapore-based blockchain company.

Decommissioning of legacy systems and infrastructure and significant reduction in IT needs helps in overall cost savings. A fintech study by Banco Santander SA (a Spanish multinational commercial bank) says distributed ledger technology could reduce financial services infrastructure cost by $15-20 billion per annum by 2022. Aggregating, amending and sharing data manually is eliminated so employees can focus more on adding value by increasing efficiency. “Since record-keeping is performed using a single digital ledger, there is no need to reconcile multiple ledgers, and the companies end up with less clutter, and more time and energy,” says Kay.

As is folklore now, secured distributed ledgers were first developed for the popular cryptocurrency bitcoin. “While the idea of blockchain came around 2008, most of the industry adoption started picking pace after 2015. People became excited because of real case implementation,” says Sajal Singhal, AVP Engineering, GlobalLogic, a digital product engineering services firm based in California.

According to research agency International Data Corporation, the global spending on blockchain was around $1.5 billion in 2018. This is going to grow immensely in the coming years, according to experts. Gartner predicts that the business value added by blockchain will grow to slightly more than $176 billion by 2025 and exceed $3.1 trillion by 2030. In India, the market size for blockchain is much smaller. ResearchandMarkets estimates the spend on blockchain

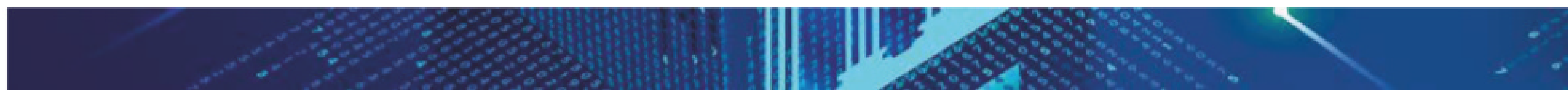
Major Benefits

- A single blockchain transaction can perform multiple asset exchanges between different parties in a single transaction
- Eliminates risks that come with data being held centrally
- Increases efficiency, security and transparency while reducing fraud
- Accelerates information and money flow
- Improves auditability and streamlines paperwork

Source: Primechain Tech

Challenges

- Maintaining a blockchain ecosystem is complex and time consuming
- There are multiple blockchains and distributed ledger systems to choose from
- Building solutions from the ground up is expensive and takes time
- There is a severe shortage of skilled blockchain developers



technology was $289 million in 2019 and is expected to grow at over 47 per cent (CAGR) to reach more than $4 billion by 2025.

Putting It To Work

Blockchain is an emerging technology, so its market is nascent and fragmented. Large-scale industry implementation is just beginning. The technology is suited for sectors with specific transactions involving multiple entities where the transactions have to be recorded and verified transparently. Sectors such as banking and finance, consortium banking, telecom, KYC supply chain, government, payment systems such as UPI, intellectual property, and so on, would be the ideal beneficiaries.

Banking and finance: One of the early adopters, the sector now has matured users of blockchain. Banks and financial institutions deal with a high number of ledgers. The industry is also highly regulated and risk-averse. Blockchain brings efficiency, simplicity and transparency to banking operations. It reduces the transaction time from hours to seconds, and reduces use of paper at an industry level. The banks use the technology to automate inter-bank processes like trade finance and remittances. "Blockchain's initial promise was cost reduction. But banks now rely on it to reduce risk, build stickiness within their ecosystems, and even generate revenue," says Rajashekara V. Maiya, VP, Global Head-Business Consulting, Infosys Finacle, a digital banking solution suite from EdgeVerve Systems, a wholly owned product subsidiary of Infosys.

"Blockchain-based eKYC, trade/supply chain finance and payments solutions will open up new sources of revenue for banks. Working capital finance for small and medium enterprises is a good example. Typically, an SME customer receives money after intensive scrutiny and paperwork; it takes more than 20 days for approval. Blockchain offers a secure environment to digitise, automate and approve documentation. Now, many banks have started disbursing funds against invoices of a certain value and tenor, within a day or less," explains Maiya.

In 2018, Infosys Finacle came up with a blockchain-based trade network and partnered with seven Indian banks to address their trade finance process requirements. IBM also came up with a blockchain-linked loan system for small and medium enterprises. It tied up with 11 banks, including HDFC Bank, ICICI Bank, Axis Bank, State Bank of India, Bank of Baroda and IndusInd Bank. The company is currently testing the solution.

Governance: Various government departments involving things such as revenue and land records are using blockchain. Telangana and Andhra Pradesh governments are bringing all their revenue and land records under blockchain technology. The idea is to enhance security of digitised revenue/land records. Telangana is also implementing the technology for its Motor Vehicle Department to track vehicles' lifecycle — from manufacturing to the end of the warranty period. West Bengal has implemented blockchain-based issuance of birth certificates. Tamil Nadu plans to utilise the technology for e-governance and issuing of birth and death certificates. Karnataka is planning blockchain-based certificate management for universities and colleges. "Tracking the utilisation of benefit distribution programmes, birth, death and marriage certificates, municipal authority approvals and permissions, police clearances, etc., will work in a

"BEING AN APPEND-ONLY LEDGER THAT IS NOT OWNED BY ANY SINGLE ENTITY... THE SYSTEM ENABLES TRUST ACROSS MULTIPLE PARTIES"

Hirak Kayal
Vice President - Cloud Applications, Oracle India

"THE ANSWER TO EVERY BUSINESS PROBLEM DOES NOT LIE WITH THE BLOCKCHAIN. WE HAVE TO FIRST VALIDATE THE MARKET AND ECOSYSTEM"

Jitan Chandanani
Blockchain Leader, IBM India-South Asia

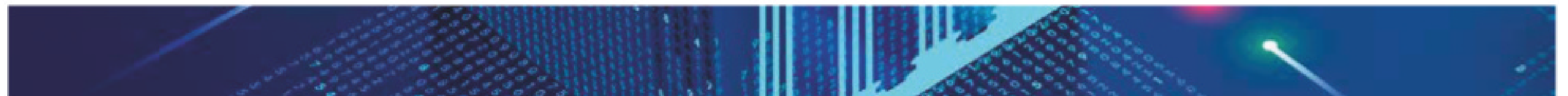
Use Cases in India

DCB Bank:
The challenge was to verify tax certificates issued by the tax department and authenticate tax returns without compromising privacy. The bank decided to go for a blockchain-based solution to avail a single version of data for all stakeholders. The bank gets a consolidated summary of an individual's transactions across financial institutions and provides a single view of certificates to the tax assessing officer. This also allows the bank to lend with more confidently as income-related information provided by taxpayers is authenticated instantly. The blockchain solution helps in corporate lending as well since online approval comes in real-time from tax authorities for mortgaged properties.

Walmart:
The retail giant has a blockchain pilot for end-to-end traceability of shrimp sourced from Andhra Pradesh and shipped to the US. It helps seafood farmers strengthen the supply chain while also enhancing food traceability and transparency for consumers. Walmart has been collaborating with IBM to use blockchain to enhance global food traceability since 2017.

Mahindra Group:
In 2017, a blockchain-based supply chain finance solution was implemented to enable all parties involved in the transaction to act on the same shared ledger. Each party could update its part of the process, ensuring efficiency, consistency, trust and transparency, while safeguarding sensitive information.

State governments:
The Tamil Nadu government is implementing a blockchain platform, 'Nambikkai Inaiyam', that will allow it to create a fraud resilient system that the public can use to access government services like obtaining certificates and subsidy. It plans to use it for issuing birth and death certificates. Telangana and Andhra Pradesh governments are bringing revenue and land records under blockchain. West Bengal has implemented blockchain-based issuance of birth certificates to newborns. Karnataka plans blockchain-based certificate management for universities and colleges.



more foolproof way with blockchain," says Gopikrishnan of Infosys. Telangana is setting up the country's first 'Blockchain district' to create an ecosystem for all start-ups and institutes working in this space.

Telecom: Blockchain is useful for mobile number portability, curbing unsolicited calls, and more. "It helps share data for solving complaints and to bring in standardisation and transparency across the telecom ecosystem," says Jitan Chandanani, Blockchain Leader, IBM India / South Asia. IBM has deployed blockchain solutions for the Telecom Regulatory Authority of India (Trai) and Bharti Airtel, which helps curb spam calls.

Companies in retail and manufacturing such as apparel manufacturers, automobile manufacturers, FMCG companies and others are using blockchain for asset and supply chain tracking. Discussions are under way with companies in aviation, telecom, towers, healthcare and pharma. "The sports industry is also evolving with various use cases like crowd-funding budding sportspersons and teams," says Shinam Arora, CEO of Bangalore-based blockchain start-up Primechain Technologies. "Smart ticketing also help end counterfeit tickets."

Not a One-stop Solution

Blockchain can improve a lot of things but it is not for everyone. Many businesses overestimate the capabilities and short-term benefits of blockchain as a technology. "The answer to every business problem does not lie with blockchain. We have to first validate the market and ecosystem before jumping into a blockchain," says Chandanani of IBM. Validation starts with the use case, a problem statement and a check to see whether you can bring participants in an ecosystem together and whether the technology will make it better.

"Technology is the easiest part. It's probably about 20 per cent. The remaining 80 per cent depends on the kind of market it is, which is the toughest part," he says.

While blockchain can help in some processes that have a large amount of data, it may not work everywhere. Currently, most blockchains present in the market work in silos. So, the system is incapable of sending or pulling information from another blockchain.

Still, the industry is witnessing transformative developments on the blockchain front. Experts say that by 2023, blockchain platforms will be scalable and interoperable. They will then support smart contract portability and cross-chain functionality. When the systems are in place, India's blockchain market will go mainstream in full steam. **BT**

The writer is a Chennai-based freelance journalist

Money Today

Managing Finances in Sunset Years

SENIOR CITIZENS HAVE BEEN HIT HARDEST BY RECORD LOW INTEREST RATES SINCE THAT IS THEIR MAIN SOURCE OF REGULAR INCOME DURING RETIREMENT YEARS. THERE ARE ALSO VERY FEW HEALTH INSURANCE PLANS AVAILABLE ABOVE 65, AND THOSE THAT ARE THERE COME WITH HIGH PREMIUMS. HERE'S HOW THEY CAN TIDE OVER THIS CRISIS

BY NAVEEN KUMAR
ILLUSTRATION BY RAJ VERMA

• • • •

R**etirement years** are meant to be stress free. But managing retirement incomes may not be so. One has to keep in mind various challenges that could crop up in such times of crisis like the one we are witnessing. It presents a dual challenge – preventing one's regular income from falling, and making sure that any health emergency does not erode a significant part of the retirement corpus. There are plenty of investment options available, but since most of them involve a fair amount of equity exposure, most senior citizens prefer to stay away, given the kind of corrections seen recently.

Where are interest rates headed?

The level of interest rate is the biggest factor that determines the return on investment and the amount of regular income that a senior citizen can expect. Barring some exceptions, interest rates have been declining for the last one decade, with the sharpest fall coming in the beginning of the year. "So far in 2020, the RBI made reductions in the policy repo rate

twice, reducing it from 5.15 per cent to 4 per cent" says Archit Gupta, Founder and CEO, ClearTax.

"Given the current situation where economic activities have been impacted, consumption is low and revenues are unlikely to pick up in the near future, the RBI will try to keep the interest rate low to support growth. The repo rate may reduce by 0.25 per cent to 0.50 per cent from 4 per cent if the lockdown continues in its current state. Interests on savings account, liquid funds and fixed deposits could also reduce for two to three quarters and are expected to rise thereafter as economic activities start stabilising," says Harshad Chetanwala, Co-Founder, MyWealthGrowth.com. While there may not be a significant fall in interest rates, any revival looks at least three to four quarters away.

What Should Senior Citizens Do?

A wait-and-watch approach could result in a long wait, and one will lose the best-offered rates in the current situation.

Options On The Table

	Pradhan Mantri Vaya Vandana Yojana (PMVVY)	Senior Citizen Savings Scheme (SCSS)	RBI Floating Rate Bonds	Post Office Monthly Income Scheme (MIS)
Tenure	10 years	5 years	10 years	5 years
Interest rate	7.6 per cent (fixed for the period)	7.4 per cent (fixed for the period)	7.15 per cent (floating rate, linked to NSC with 0.35% premium)	6.6 per cent (fixed for the period)
Qualifying age	60 years and above	60 years and above	No restriction	No restriction
Payment frequency	Annual, half yearly, quarterly and monthly	Quarterly	Monthly	Monthly
Investment limit	Minimum ₹1,000, Maximum ₹15 lakh	Minimum ₹500, maximum ₹15 lakh	Minimum ₹1,000, No maximum limit	Minimum ₹1,000, maximum ₹4.5 lakh
Tax benefit	Interest income is taxable in the hands of the depositor	80C benefit on deposit amount, Interest income is taxable	Interest income is taxable in the hands of the depositor	Interest income is taxable in the hands of the depositor
How to get	Available at branches of LIC, online application available on LIC website	Available at select branches of India Post and public sector banks	Available at select public sector bank branches, HDFC Bank, ICICI Bank, IDBI Bank and Axis Bank	Available at select post offices
USP	Highest interest rate with sovereign guarantee	Higher interest rate with sovereign guarantee	Unlimited deposit, high interest rate with sovereign guarantee	Liquidity, can be withdrawn after one year

"In such a situation, anyone with an investible surplus can look at an allocation-based strategy instead of investing in a staggered manner. The maximum allocation should be in the short-to-medium term (1 – 3 years) options. Avoid locking investments in long-duration options currently," says Chetanwala.

Senior citizens therefore should divide their investable surplus into long-term and medium-term investments. While long-term investments will bring stability in regular incomes, medium-term investments can be used to cash in on any opportunity arising due to rising interest rates.

Some banks offer attractive interest rates for senior citizens. Besides, many small saving schemes also offer good returns. "Senior citizens generally look for risk-free returns such as deposits in banks or post offices. Banks generally offer special rates for senior citizens, which are higher than regular deposits. Also, interest rates on savings schemes are unchanged in the second quarter until September 31, 2020. Senior citizens can accordingly base their investment decisions on prevailing interest rates, investment amount and rate of return," says Gupta of ClearTax.

4%

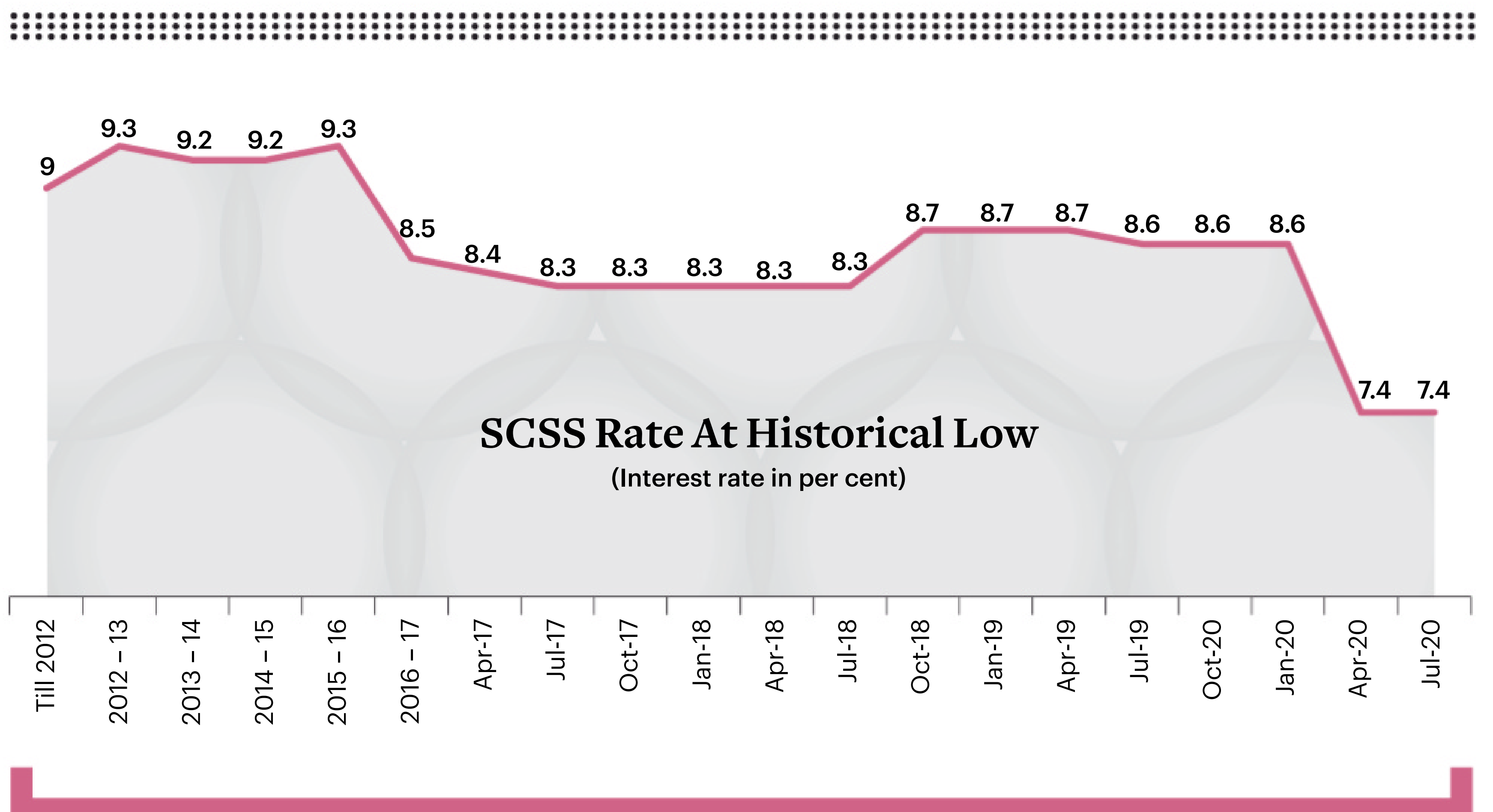
The RBI's policy rate. It has been reduced twice in 2020 from 5.15 per cent in the beginning of the year

Senior Citizens Savings Scheme

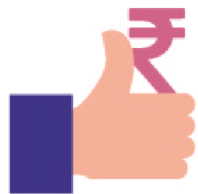
Senior Citizens Savings Scheme (SCSS) is the one of the must have options for senior citizens since it ticks all the right boxes. "Despite the decrease in interest rates, Senior Citizens Savings Schemes are a good investment avenue for risk-averse senior citizens for a number of reasons —the interest is a little higher compared to the rest, you can avail an exemption of up to ₹50,000 on interest earned from SCSS under section 80TTB of the Income Tax Act, and the interest is payable on quarterly basis that can help in maintaining cash flow," says Rishad Manekia, Founder & Managing Director, Kairos Capital Private Limited, a Mumbai-based financial planning firm.

So, should you invest the entire money at one go or in parts? "This product gives the highest sovereign, safe rates of return. Since most senior citizens get their money in bulk on retirement, if they don't park it here, any other safe avenue is likely to be give low interest. Hence, I recommend them to park their intended amount at one go," says Col Sanjeev Govila (Retd), a Sebi-registered investment adviser (RIA).

The maximum investment limit for this scheme is ₹15 lakh, which much less than what many people accumulate by the time of retirement. At the current rate of 7.4 per cent, it gives a quarterly income of ₹27,750 (₹9,250 monthlyo, which may not be sufficient. The five-year tenure is also not very long, so one should not mind utilising the maximum possible amount of SCSS in his/her retirement portfolio.

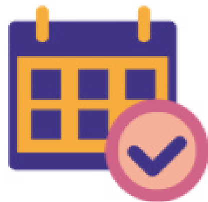


Making FD Ladder for Regular Income



FD laddering reduces the risk of the entire FD getting renewed at the lowest interest rate

For a ladder of 5 years, investment amount is divided in five equal parts



In the first year, five FDs of different tenure from 1 year to 5 years are booked

For the next four years, one FD matures every year and gets rebooked for five years

In the next five years, a FD ladder, or 5 FDs, for 5 years is created, which matures every year

Interest earned can be used as regular income, while original amount is reinvested again

Pradhan Mantri Vaya Vandana Yojana (PMVVY)

It is a Central government scheme managed by Life Insurance Corp (LIC) as an immediate annuity product. It gives the option to receive monthly, quarterly, half yearly or yearly payout. At present, it offers the same interest rate as SCSS — 7.4 per cent on monthly payout. The maximum amount one can invest is ₹15 lakh, which gives a monthly pension of ₹9,250.

"Unlike SCSS, PMVVY scheme does not provide a tax deduction benefit under Section 80C of the Act and there is no exemption from tax on returns in this scheme. So, senior citizens should think of investing in PMVVY only when they exhaust the investment limit under SCSS. A longer lock-in period of 10 years, compared to five in case of SCSS, is also a deterrent for PMVVY," says Manekia of Kairos Capital.

It is a good product when it comes to interest rate, but being a long-term product of 10 years, one should invest only a part. "If interest rates rise subsequent to investment, as in the current scenario where interest rates are almost at the rock-bottom, there will be a notional loss involved. However, considering the current crisis, it may be quite some time before rates rise again. Hence, staggered investments may actually be less advantageous due to the long intervening periods anticipated before rate hikes," says Col Govila. What it means is that if it takes two to three years for interest rates to rise, one may end up losing a significant amount just by waiting for rates to rise.

While PMVVY is one of the most recommended products, one should go for other immediate annuity options provided by life insurance companies. If one is getting a good annuity rate and looking to invest some part of the corpus for a lifelong stable income, one should consider it. However, it is not for those planning to invest a major part of their retirement corpus.

"It has many disadvantages, which should make it one of the least options for retirees. Low rates of return, typically in the 4-6 per cent range, and full taxability place it much lower in the pecking order. No access to original capital or even facility for premature withdrawal of capital, inability to give positive inflation-adjusted returns, and simple interest payment vis-a-vis compound interests for most other instruments make it a not-so-good option," says Col Govila.

0.35%

Difference in the rate of return between RBI Floating Rate Bonds and NSC. The former offers higher interest rate

RBI Floating Rate Bonds

RBI Floating Rate Bonds are one of the popular investment options for regular income. Though it does not give any special privilege to senior citizens, it has one of the highest interest rates. "Floating Rate Savings Bonds issued by the RBI is a good investment option for senior citizens considering the fact that it is sovereign guaranteed and returns are 0.35 per cent higher than NSC" says CS Sudheer, Founder & CEO, IndianMoney.com.

Though it gives one of the best rates compared to bank fixed deposits, it lacks liquidity. "There are two concerns – one, there is no liquidity since those who are aged between 60 and 70 will be able to withdraw only after six years, 70-80 after five years, and above 80 after four years. And second, there is no monthly interest payout. It is paid once in three months. The RBI is compensating these two concerns by offering higher returns than NSC," adds Sudheer.

Unlike SCSS and PMVVY, these bonds offer floating rates of interest. So, one can take advantage of interest rate

Health Plan Choices

Insurer	Plan Name	Monthly Premium	Co-Pay	Room Rent	Waiting Period
Religare Health Insurance	NCB Super premium	**2,957**	20% Mandatory co-payment is there	Up to single private room permissible for hospitalisation in this plan	There is a waiting period of 4 years for coverage on conditions declared and existing at the time of first purchase
Max Bupa	Health Companion	**3,837**	Full claim paid by Insurer	All Categories; Except suite and above	3 years waiting period for pre-existing diseases; means early coverage for all ailments
HDFC Ergo	My Health Suraksha Gold Smart	**3,655**	Full claim paid by Insurer	You get an option to choose any room during hospitalisation	3 years waiting period for pre-existing diseases
Aditya Birla Health Insurance	Activ Assur Diamond	**2,366**	20% Mandatory co-payment is there	Up to single private room permissible for hospitalisation in this plan	There is a waiting period of 4 years for coverage on conditions declared and existing at the time of first purchase
Manipal Cigna	ProHealth Protect	**3,245**	20% Mandatory co-payment is there can be waived off by Opting Rider	All Categories; Except suite and above	There is a waiting period of 4 years for coverage on conditions declared and existing at the time of first purchase

For a 65-year-old male living in a metro, looking for a ₹10-lakh cover

Source: Policybazaar.com

hikes. In the current scenario when interest rates are at record lows, this offers a good option since there will be no notional loss if rates rise.

FDs and Post Office Monthly Income Scheme

Many people who do not want to lock in funds for 10 years in PMVVY or RBI Bonds, or are still left with surplus funds after all investments could consider the Post Office Monthly Income Scheme. It currently offers an interest rate of 6.6 per cent.

Some part of the retirement corpus should be kept in easily accessible funds. Fixed deposits offer the desired flexibility to liquidate at will and at the same time earn a good interest rate. "Senior citizens can invest the special fixed deposit scheme of various banks, which offer interest of 6.5 per cent for senior citizens. The amount and tenure of deposits vary from bank to bank. The interest is higher than the interest offered on regular fixed deposits," says Gupta of ClearTax.

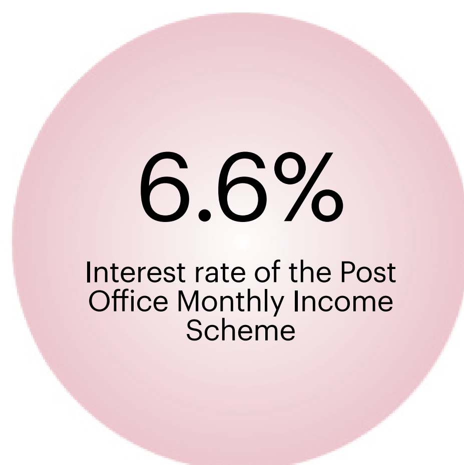
Debt Mutual Funds

When it comes to keeping some part of your liquid investment, which can also earn regular income, one can consider debt mutual funds. "Investing in safe debt mutual funds

like Money Market funds, and carefully chosen Banking & PSU debt funds, and Ultra Short-Term funds, and then choosing the Systematic Withdrawal Plan (SWP) option for pension would be more efficient tax-wise, and give more flexibility in regular or bulk withdrawals" says Col Govila.

Monthly Income Plans (MIPs) from mutual funds are specially designed to meet the needs of senior citizens. They give regular income in form dividend. However, due to changes in the Dividend Distribution Tax (DDT) it is better to go for growth options. "I don't suggest them to go with the dividend option, but instead opt for the growth option and then go for the Systematic Withdrawal Plan so that one can have a steady income and will save a decent amount of tax as well," says Sudheer of IndianMoney.com

"Withdrawal from debt funds can be planned after three years or more holding to take benefit of indexation. This also helps in reducing the tax burden," says Chetanwala.



Health Insurance

A medical emergency can erode a big part of the retirement corpus, which in turn can jeopardise one's retirement planning. A health insurance plan can help one manage this risk at a much lesser cost. An active health plan with adequate cover is the best suited. Opt for one immediately if you do not have inadequate coverage.

There are certain things that one should keep in mind while choosing a health insurance plan. Insurance premiums increase with age options get limited. The insurance regulator, IRDA, has asked health insurers to offer plans till the age of 65.

"Senior citizens must look out for clauses like co-payment, sum-limits and extent of coverage for pre-existing diseases along with waiting period," says Amit Chhabra, Head, Health Insurance, Policybazaar.com

One also needs to check whether the policy offers a lifelong renewal option or not. "Age plays an important part while investing in health insurance. You should choose a plan that goes well with your age and needs as well. Choose a plan that offers coverage for a longer tenure. Some insurance companies provide health insurance plans for those below 65. Only some companies offer coverage without any limitations," says Naval Goel, CEO & Founder, PolicyX.com.

So, pick a good cover amount as early as possible. "The sum insured is another vital aspect that one should consider while investing in a senior citizen's health insurance policy. With growing age, health risks increase, and hence senior citizens need high health insurance protection," adds Goel.

Make sure that your plan covers all major disease threats based on your personal and family history. "The chosen plan should cover a broad range of illnesses, particularly critical illness as chances of the same are higher with age. One must check all the terms and conditions related to exceptions," says Goel of PolicyX. Add the coverage of pre-existing diseases and applicable waiting period.

Co-payment is the facility in which the policyholder pays a part of the claim amount each time a claim is made. "Co-pay is the fixed amount that the policyholder pays from his pocket for services covered. Normally, all insurance plans come with a co-payment clause depending on the treatment and medication required. Senior citizens should opt for a plan that charges a lesser percentage of a co-pay," says Goel.

Co-payment helps you get a policy at a lower premium. So, it is a good option if one does not have any medical complication or family history, and do not expect any near-term hospitalisation. "Senior citizens without any pre-existing diseases and who are unlikely to get hospitalised in the coming few months must go for plans that come with a co-payment option," says Chhabra.

Earlier, there were hardly any health policy options after the age of 65, but that's not the case anymore. "There are multiple health insurance plans that a person can opt such as Bajaj Allianz Silver health senior citizen health insurance plan, Religare Care Senior, HDFC ERGO Health Optima Senior, Star Health Senior Citizen Red Carpet Plan and much more," says Goel of PolicyX.

Income Tax Leakage

One should make sure that no TDS is deducted if one is eligible. "In the case of bank deposits, SCSS and post office monthly income schemes, there is no TDS on the interest earned from each of them, up to ₹50,000 per financial year. Senior citizens who have nil tax liability can also file Form 15H with the respective bank or post office to claim income without TDS," says Gupta of ClearTax.

Besides the usual income tax deduction, senior citizens also get an additional deduction. "The interest earned is taxable income of the senior citizen. A tax deduction up to ₹50,000 is available on the aggregate interest income earned in a financial year from banks and post offices under section 80TTB," adds Gupta.

SCSS is a pure investment option where you can enjoy section 80C deduction. "An investment in SCSS is also eligible for tax deduction under Section 80C in the year of making an investment. The maximum deduction available is ₹1.5 lakh," says Gupta. For health insurance policy, you get a deduction of up to ₹50,000 under Section 80D. BT

@naveenkumar

Money Matters

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

REAL ESTATE

Pankaj Arora

I am yet to take possession of the property from the developer. Now that the government has extended the deadline for completion of projects by six months, how does it impact my rights? Will I get any rebate from the bank on my home loan?

Adhil Shetty, *CEO, BankBazaar.com*

Delay in possession has significant financial implications for buyers. Since Covid-19 is being considered as force majeure, developers are currently not required to pay any compensation for the delay for six months. As far as the home loan is concerned, you will have to continue paying pre-EMIs. A six-month delay in the project means you will be paying pre-EMIs on the entire amount drawn without reducing your principal amount for six more months. If you have already started repayments, you can opt for the moratorium to reduce your current burden. However, do bear in mind that this will also increase your interest outflow significantly, and you will typically need to prepay 1.2X of the availed moratorium a year down the line to mitigate the impact.

INSURANCE

Nishant Jain

I am a 26-year-old. My father is 62 and my mother 59. I want to buy a family floater health policy covering the three of us. Should I go for it or should I buy an individual policy covering myself and a family floater only for parents? Please advise.

Naval Goel, *CEO & Founder of PolicyX.com*

Given your situation, it is advisable to buy an individual health insurance policy for yourself and a family floater plan for your parents. Age is an important factor for considering the health insurance premium. So, it is advisable to go for an individual plan. Make sure to choose an adequate sum assured for yourself and your parents.

INVESTMENT

Himanshu Verma

I am an NRI based in London and want to invest ₹20 lakh each for short-term and long-term in India. Is NRE term deposit a good choice? What could be the other options? I have no other source of income in India.

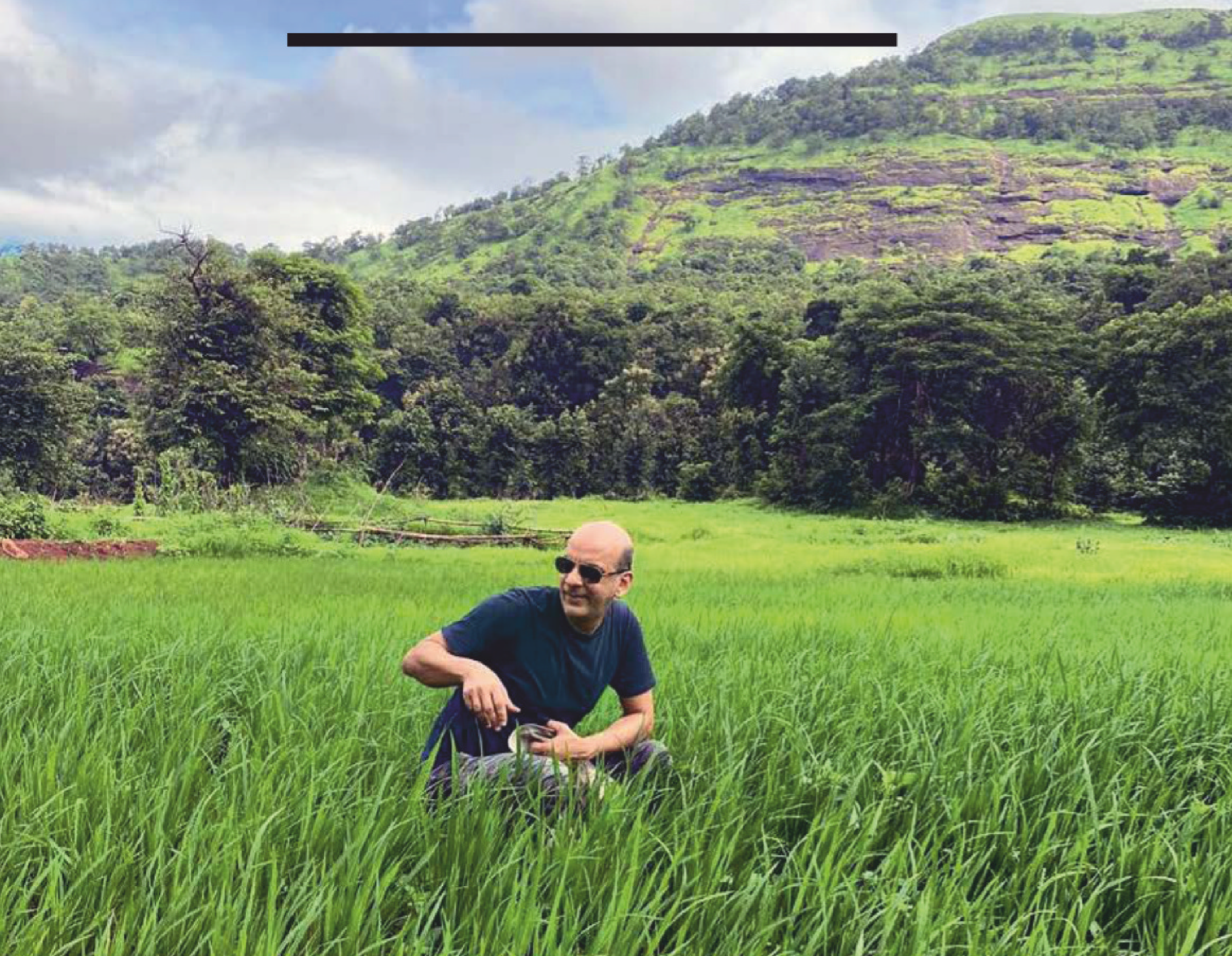
Suresh Sadagopan, *Founder, Ladder 7 Financial Advisories*

NRE fixed deposit (FD) is a good option. It is tax free in India. But one needs to consider the impact of global income taxation in the country of residence. This is something many people don't factor in and think the income is non-taxable as it is tax free in India. For the long-term, equity-oriented investments are a good bet. It can be through mutual funds, PMS products or any other equity-oriented investment products. BT

Please send your queries to moneytoday@intoday.com

ILLUSTRATION BY RAJ VERMA

Network



A RICH AND FULFILLING HARVEST

For a seasoned lawyer like **Sridhar Gorthi,** Founder and Managing Partner of law firm Trilegal, learning from the law of nature has been a humbling experience. A few years ago, Gorthi acquired some land in Raigad district of Maharashtra, with plans of building a fruit orchard. But, he soon realised the land was not suited for an orchard. "The land was very flat and hard-packed. When I asked, I was told that this land had been historically used to grow paddy. The area received plenty of rain and the conditions were ideal for paddy farming."

It was then that Gorthi realised he had approached farming with the urban notion that the best use of land was to grow fruits or cash crops, without considering what local farmers had been doing for generations and why. And soon, he and his wife were drawn towards understanding the nitty-gritties of paddy farming.

This is his third season of planting, and Gorthi admits it is now more an education than a hobby. Families of local farmers take care of his land, but Gorthi makes special efforts to be there during the crop season.

"It is a very enriching and rewarding experience," he adds. His biggest lesson from farming is humility. There are also other takeaways for businesses — skill and success in one area do not automatically translate into another. Also, while foraying into a new area, listen to those with more experience in that particular sector. –DIPAK MONDAL

The Oracle Who Plays The Ukulele

Warren Buffet, The Oracle of Omaha and CEO of Berkshire Hathaway, is by far the most successful investor ever. His stake in Apple recently tripled to more than $100 billion. But, apart from investing, Buffet has many interests, including playing bridge and the ukulele, a four-stringed musical instrument made from wood that resembles a small classical guitar. He picked up playing the ukulele while wooing his first wife, Susan. That's a passion that is still there now at 90 years. Buffet has performed duets for charity with rock band Jon Bon Jovi and actress Glenn Close. He has played the ukulele on live television, at charity events and even in front of investors. Many studies have shown that playing a musical instrument benefits the brain and works towards reducing the effects of aging. More importantly, the ukulele is among the easiest musical instrument to learn to play, and is also quite inexpensive to buy. That's how one should start one's investment story.

High On Guitar Strings

Mayank Kachhwaha, Co-Founder and COO, IndiaLends, has been passionate about music since childhood, but gave his heart and soul to it during his four years in college. "Belonging to a small town, I couldn't find a teacher during school days, but just when I cleared JEE and went to IIT Madras, I volunteered to become part of various college bands and learned guitar all by myself with the help of my trained friends. My understanding of music is entirely based on guitar." Kachhwaha now has his own band, The Dry Days, which has four original tracks to its credit. He is the lead guitarist and vocalist. "After college I had stopped accepting gigs, but continued practicing at home. I created my own home studio. Only last year we recorded these four songs. We had plans to do live shows in 2020, but due to the pandemic, we now hope to start doing this from 2021," he adds.

There's a story behind the band's name though. "We were to release our album on October 2, which is a dry day. My initial thoughts were to only call the album 'The Dry Days', but we liked the title so much that we decided to call our band by the same name." Kachhwaha doesn't miss a single day with his guitar. "Music acts as an outlet for me to explore my creative side. It gives me a positive high. I find great pleasure in writing lyrics," he says.

—APRAJITA SHARMA

CATERING TO CHANGING DEMAND

DoT policies soon to improve broadband connectivity

BY TEAM BT

K RAMCHAND
Member (Technology) DoT

AKHIL GUPTA
Chairman of the Board, Bharti Infratel

ANAND AGARWAL
Group CEO, STL

As millions of Indians have been working from home for well over four months, the big challenge is to ensure robust broadband connectivity at all times. Considering that broadband traffic has shifted from business districts in cities to residential areas, providing high-speed connectivity is definitely a challenge. Addressing a virtual roundtable organised by Business Today on 'Leapfrogging Digital Infrastructure', K Ramchand, Member (Technology), Department of Telecommunications (DoT) stated that work is on to ensure improved broadband connectivity across the country.

To cater to that, DoT is coming up with multiple policies. That includes a new spectrum policy, a new work-from-home (WFH) policy and encouraging internet service providers (ISPs) and telecom service providers to install millions of miniature Wi-Fi hotspots across the country.

Ramchand said DoT is working to ensure that telecom subscribers can move across hotspots irrespective of the service provider. He said,

"While some policies are being drafted, others are at the approval stage." On the spectrum policy, the DoT official stated that the 15-20 page policy document can be summarised in just one sentence. On investment by telecom operators, Akhil Gupta, Chairman of the Board, Bharti Infratel pointed out that while telecom operators have invested huge amounts, it has not gone into infrastructure because spectrum has eaten all that up. Re-

PARAG NAIK
CEO, Saankhya Labs

sponding to a query on public investment by Anand Agarwal, Group CEO, STL, Ramchand pointed out that much of the government investment today is in rural areas and in areas that are still uncovered.

On the proposed WFH policy, the DoT official said that there are requests now to work from anywhere. In this regard, DoT is looking to ensure that people can work from anywhere so long as there is adequate geo-fencing. However, the limits for WFH would be restricted to within the country and ensure that it complies with the needs of the Ministry of Home Affairs. The DoT is also looking to delicence additional bands for providing Wi-Fi services.

On the debate between the Telecom Regulatory Authority of India (TRAI) and DoT on registration versus licence, he

MANOJ SINGH
CTO, Indus Towers

pointed out that people should not be afraid of a licence. "It's not Licence Raj anymore. In fact, licensing has become much easier. The unified licence is now online."

Ramchand also highlighted the DoT is considering the recommendations from TRAI regarding infrastructure providers (IP-1) being able to provide both passive and active infrastructure without the need for a licence. In August 2019, TRAI floated a consultation paper to review the scope of IP-1. The recommendations in March 2020 said infrastructure providers can deploy both active and passive infrastructure on the current registration that they have. DoT, however, feels that to provide active infrastructure, these players must have a licence.

Currently, infrastructure providers like Bharti Infratel and Indus Towers are not allowed to install active infrastructure such as antennas, radio access networks (RAN), Node B, and transmission systems. Manoj Singh, CTO, Indus Towers says, "The moment we say provide infrastructure as a licence, it is micromanagement of licensing. I would request DoT to ensure that only end-service provider should take a licence." Responding to a question by Parag Naik, CEO, Saankhya Labs on ensuring that a critical portion of digital infrastructure is indigenous, the DoT official said the government is working on giving priority to Class I suppliers. DoT is working on what all telecom products can be included in this.

Ramchand also pointed out that depending upon the feedback from industry, regulations can be modified to improve the ease of doing business. The virtual roundtable was sponsored by STL.

Best Advice I Ever Got

"THE CULTURE OF THE ORGANISATION WILL TAKE IT TOWARDS SUCCESS"

PIYUSH PATNAIK, MD, CARGILL'S OILS BUSINESS IN INDIA

Q: What was the problem you were grappling with?

A: In the food and agri-products industry, we are seeing rapid changes in customer choices. There are also remarkable technology-led changes in the way we compete and the players we compete with. We need to build new ways of working and embrace things that do not make us comfortable. It has also meant changes in teams and people.

Q: Who did you approach and why?

A: As we navigate these transformations, I have been facing numerous people-led issues, where logic and emotions get entangled. Sometimes, your ability to see things clearly is clouded by differing perspectives or accumulated experiences. I approached a senior leader of Cargill, David Webster, for coaching on this. He has seen a lot of such transformations and has a unique and authentic way of simplifying complex problems that helps you build the answer.

Q: What was the best advice you ever received?

A: His advice was: Eventually, it's the culture of the organisation that will take it towards success and it will take multiple years of sustained effort. But what gets set quickly is how we hire, fire and reward people. That sets the basic norms for the culture.

Q: How effective was it in resolving your problem?

A: It has been useful in more ways than one. I must add that it's rather tough to be consistent on this advice. I have benefitted immensely, and in many discussions, it becomes my north star for navigating the situation. BT

—ANAND ADHIKARI

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