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Why FTAs are backfiring

Brace up for moratorium NPAs

Business Today

June 28, 2020 ₹100

REINVENTING RELIANCE

HOW MUKESH AMBANI IS PIVOTING RELIANCE INDUSTRIES FROM A PETROLEUM COMPANY TO A TECHNOLOGY CORPORATION

From the Editor

Metamorphosing Reliance

Companies age just like humans. They get stiff and unresponsive, decision-making slows and stubbornness grows. Disabilities eventually consume the human body but firms have the good fortune to carry on. Provided, they change with the times. Yet, organisations are the toughest to change. The older they are, the harder it gets. Those that manage to transition often have longevity way beyond their peers.

One such dramatic transformation is underway at the 54-year-old Reliance Industries, India's largest and most valuable firm that could enhance its longevity beyond the oil business. The company's 63-year-old Chairman Mukesh Ambani – at the helm since 2002 – is in a tearing hurry, driving the metamorphosis of the oil and petrochemical giant into a technology firm. He has ploughed in more than ₹6 lakh crore in a short span of six years to take his new businesses – Reliance Retail and Reliance Jio – to top of the pecking order in India's retail and telecom industries.

As a result, Reliance Industries – until recently a B2B firm dominated by oil and petrochem – already generates more than a third of its cash flows and revenues from B2C businesses. And now a new thrust with Jio Mart into e-tail promises to leverage the expansive presence of both retail (11,784 stores across India) and telecom (387 million subscribers) to lead the way for consumer businesses to eventually overtake oil in revenue and profits.

Such transformation is rare in world corporate history. The cover story this issue by my colleague Nevin John puts together all the pieces of the Reliance puzzle – the rapidfire stake sales in Jio Platforms during lockdown; the launch of Jio Mart and the ongoing negotiations to bring Saudi Aramco on board the petrochem business. It's a must-read to decipher the Mukesh Ambani gameplan.

From organisation transformation to brand transformation: Pressure on margins is forcing carmakers to try every new trick in the trade to innovate for new revenue streams. One of those is cross-badging of identical vehicles. Maruti-Toyota, Hyundai-Kia, Renault-Nissan, VW-Skoda have not just shared vehicle platforms but even cross-badged their vehicles. But why does cross-badging fail? Read Sumant Banerji's analysis on page 74.

Meanwhile, an interesting battle is brewing between India's 20 lakh restaurants and restaurant aggregators such as Swiggy, Zomato and others. Restaurants allege aggregators manipulate the market and impose usurious charges. They have decided to take charge of their fortune with the National Restaurant Association of India – the country's largest restaurant body with five lakh members – launching an App of its own, Dotpe. Can it wean away the business once lockdown opens? Read Manu Kaushik's report on page 80.

And just as the Centre presses the pedal on creating robust local supply chains to enable Indian firms to export "Made-in-India" products, ongoing negotiations for bilateral and multilateral trade will need to create an enabling environment. That's why it's vital to ensure we do not repeat our mistakes of the past. Joe C. Mathew explains why most previous trade agreements have been to India's disadvantage. That's on page 16.

Last, but not the least, on page 86, Niti Aayog CEO Amitabh Kant explains when India should realistically expect to get back into growth mode.

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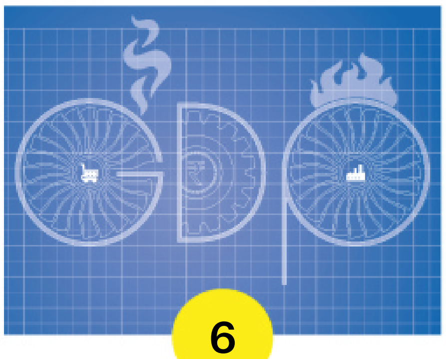

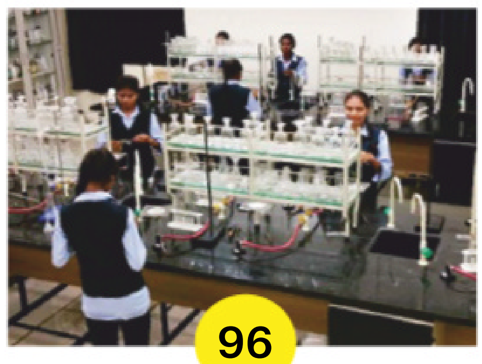

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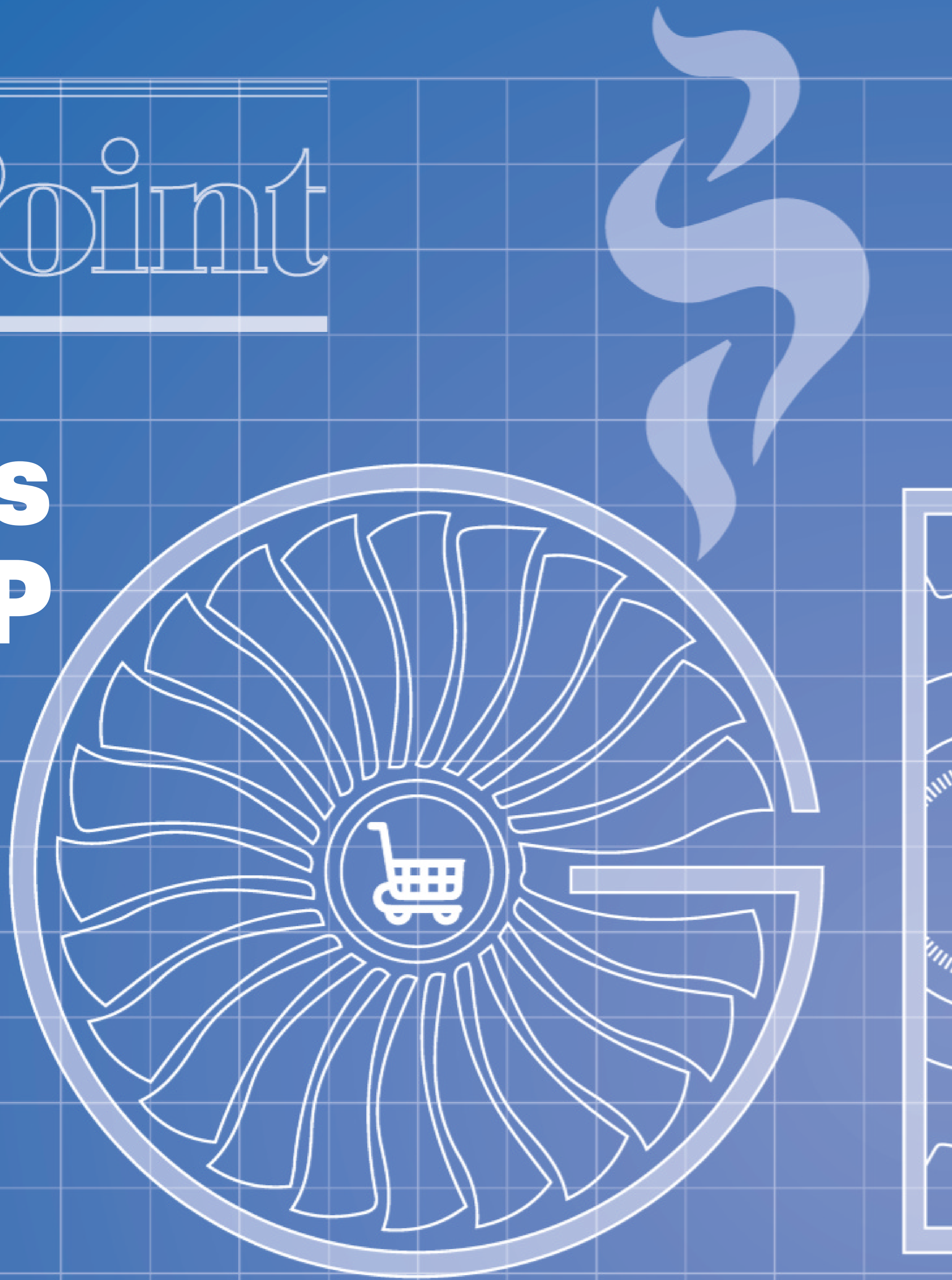


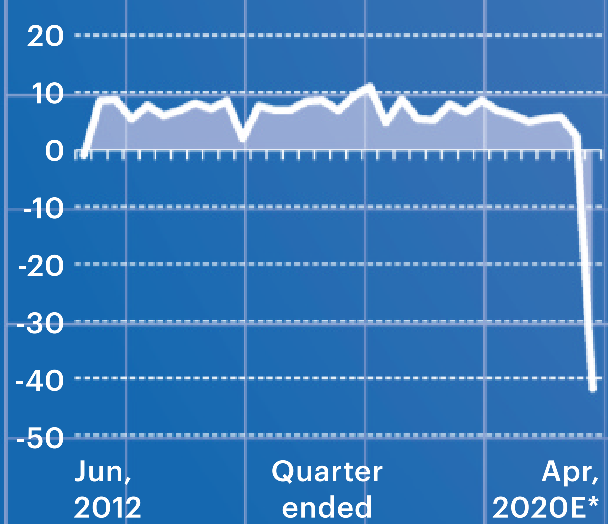
Snag Hits Twin GDP Engines

Consumption and investment growth have been falling for several quarters. The lockdown seems to have made things worse

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

Private Consumption in Negative Zone

Private Final Consumption Expenditure may dip 42% in April as more than half the consumption basket was hit by lockdown



Private Investment Suffers

Gross fixed capital formation growth (%) shrinks for three quarters in a row

The Stalled Core

Most components of the core sector shrink in FY20

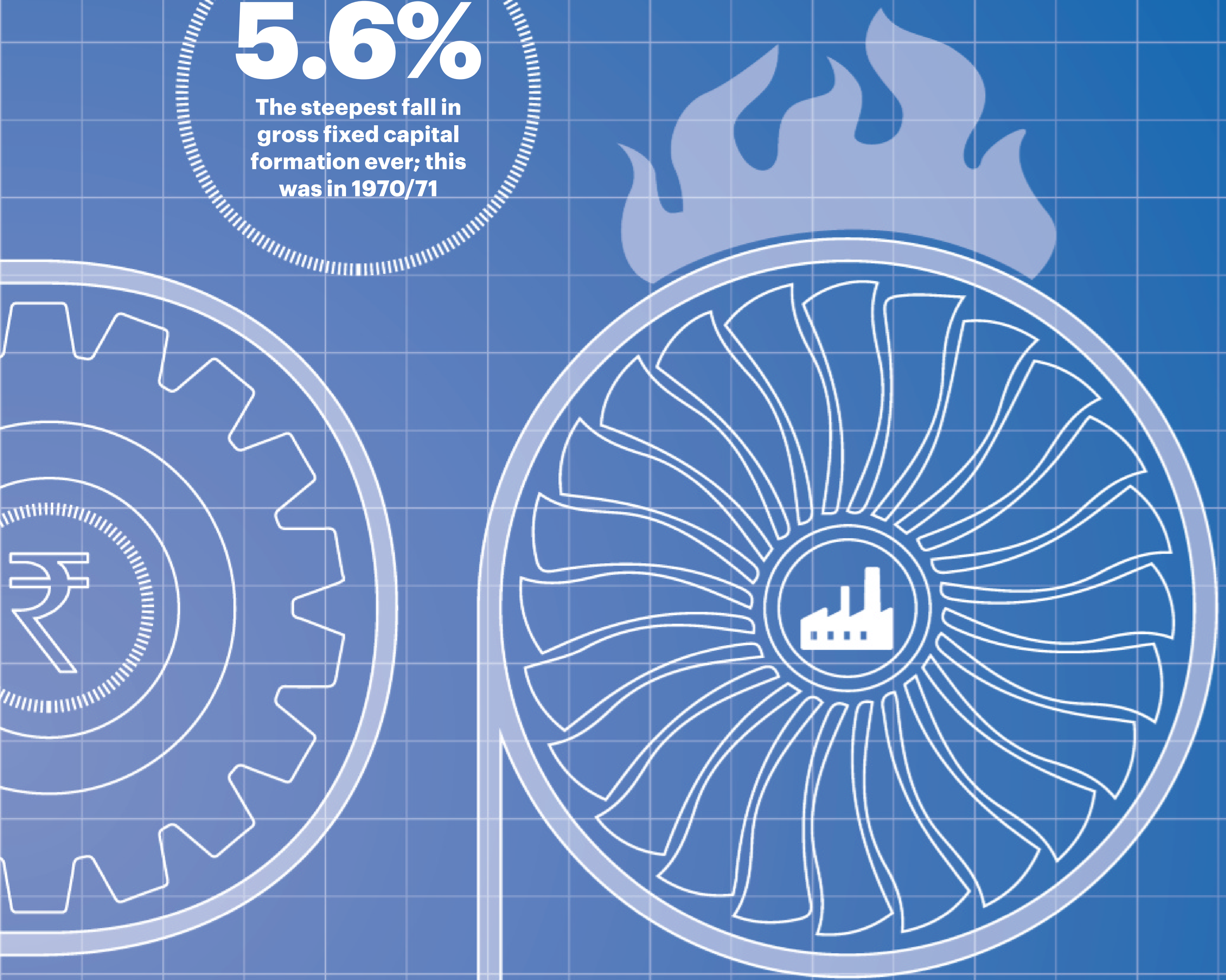
Coal **-0.5**	Crude Oil **-5.9**
Natural Gas **5.7**	Refinery Products **0.2**
Fertilizers **0.2**	Steel **4.2**
Cement **-0.8**	Electricity **1**

Y-o-Y growth%

*E is expected: Source : RBI. MOSPI, CMIE, Bloomberg

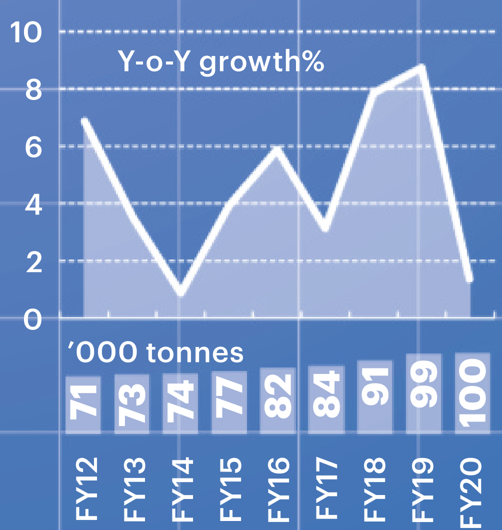
5.6%

The steepest fall in gross fixed capital formation ever; this was in 1970/71



Steel Demand Turns Weak

Growth in finished steel consumption nears zero

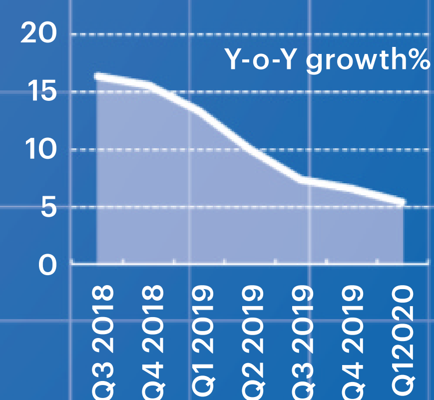


Automobiles in Reverse Gear

Sales shrink 15 per cent in FY20

FMCG Awaits Buyers

Sector sees a muted fourth quarter; Q1 of FY21 worse as lockdown impact looms

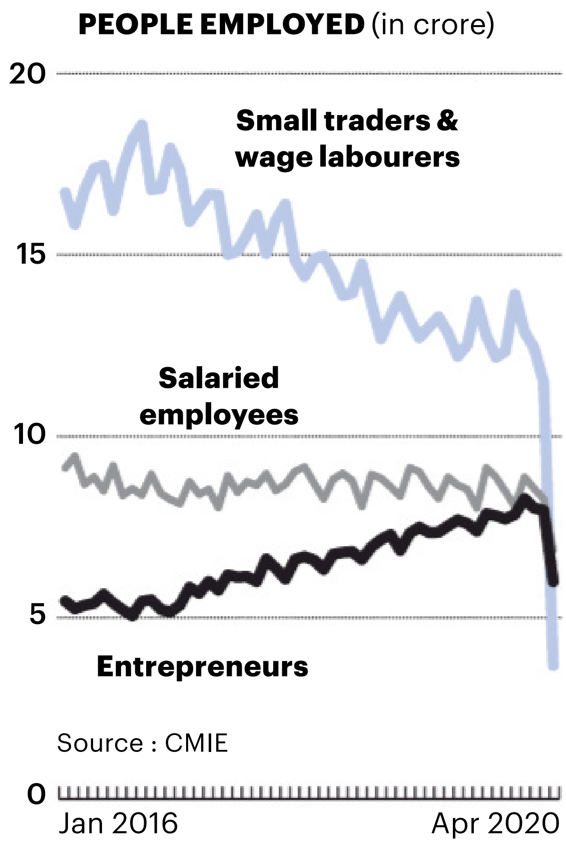


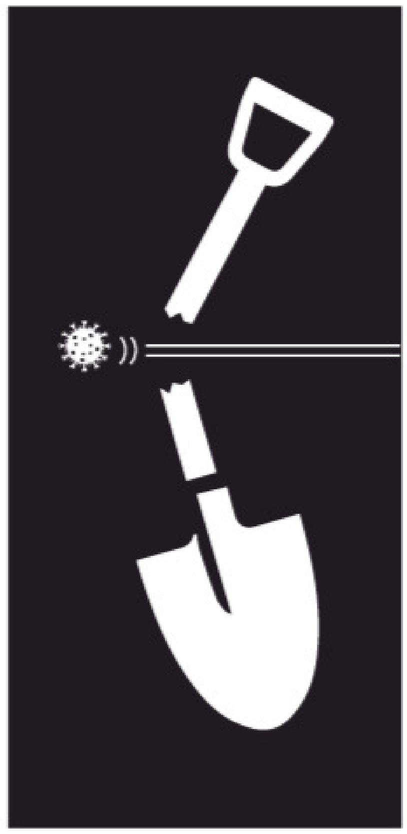
APRIL SEES 11.4 CRORE JOB LOSSES...

➘ The number of people employed fell a massive 11.4 crore in April, according to the Consumer Pyramids Household Survey by the Centre For Monitoring Indian Economy (CMIE)

➘ The worst hit were small traders and labourers, whose employment numbers fell from 11.56 crore in March 2020 to 3.66 crore in April 2020

➘ The overall unemployment rate rose to 27.1 per cent in May, the highest so far. In April, it was 23.5 per cent



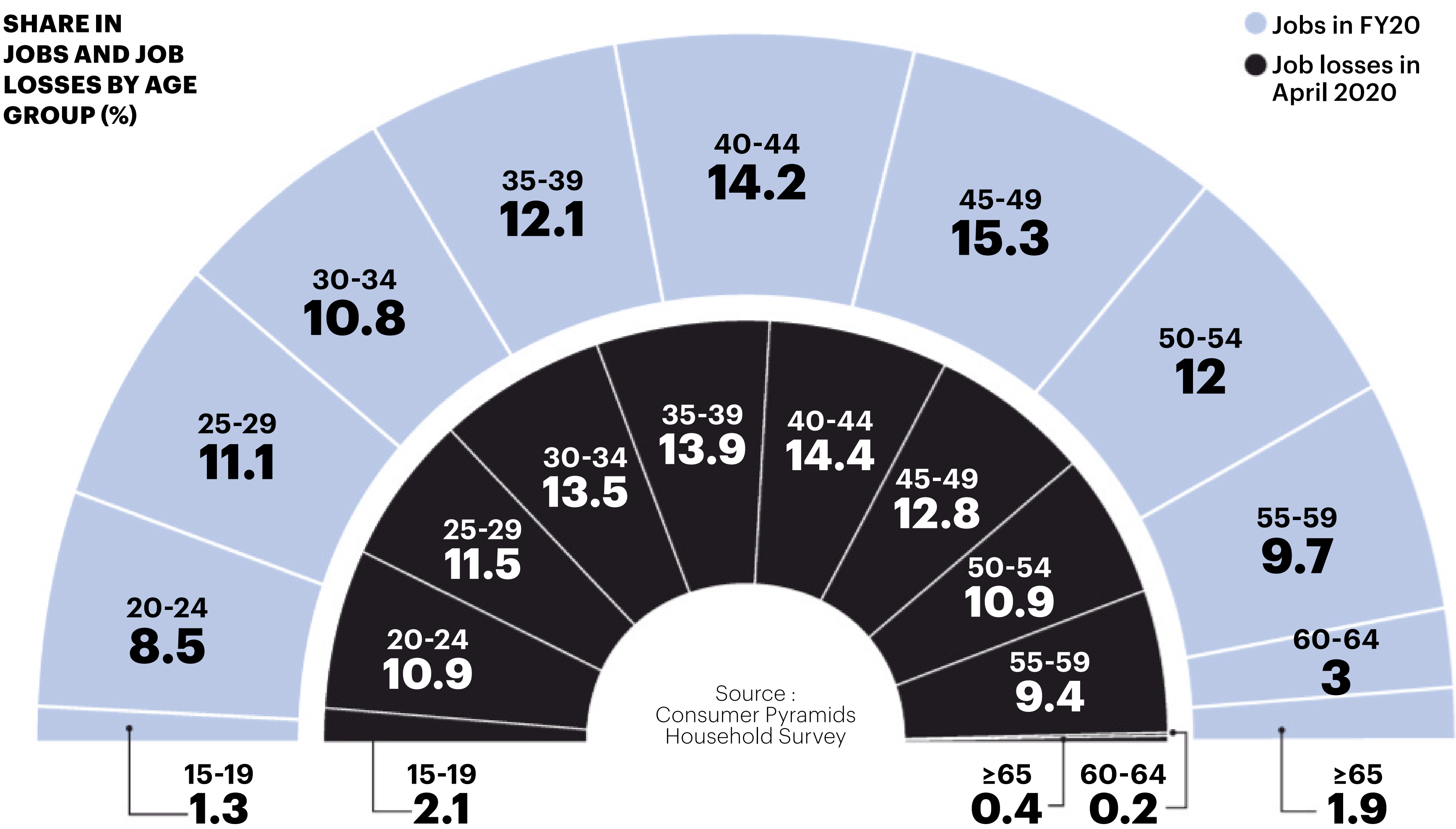


...With Youngsters Hit the Most

➘ Those in the 20-24 year age group were 8.5 per cent of the total employed in FY20. But they accounted for 10.9 per cent job losses

➘ Job losses in 25-29 age group were also disproportionately high

➘ A total of 3.3 crore people in their 30s lost job in April

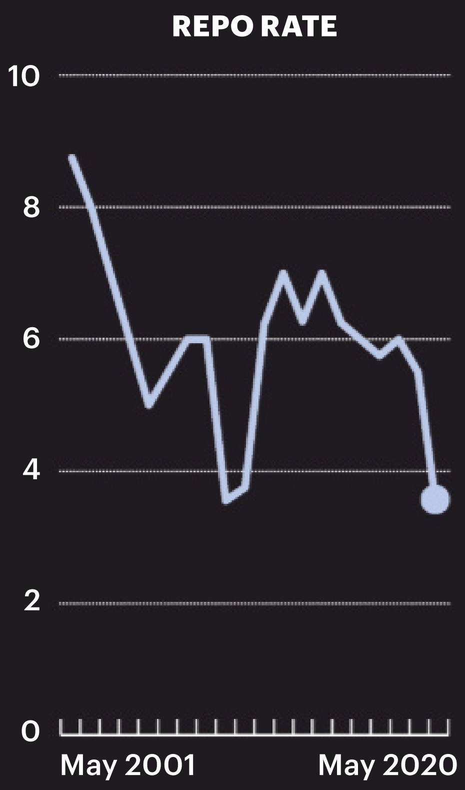


REPO RATE AT MULTI-YEAR LOW

↘ The Monetary Policy Committee of the RBI has reduced the repo rate by 40 basis points to 4 per cent to prevent the economy from crashing due to the lockdown

↘ It also brought down MSF, bank and reverse repo rates

Source: RBI



	Latest Rate	Previous Rate
REPO RATE	4%	4.4%
REVERSE REPO RATE	3.35%	3.75%
MARGINAL STANDING FACILITY	4.25%	4.65%
CASH RESERVE RATIO	3%	4%
BANK RATE	4.25%	4.65%

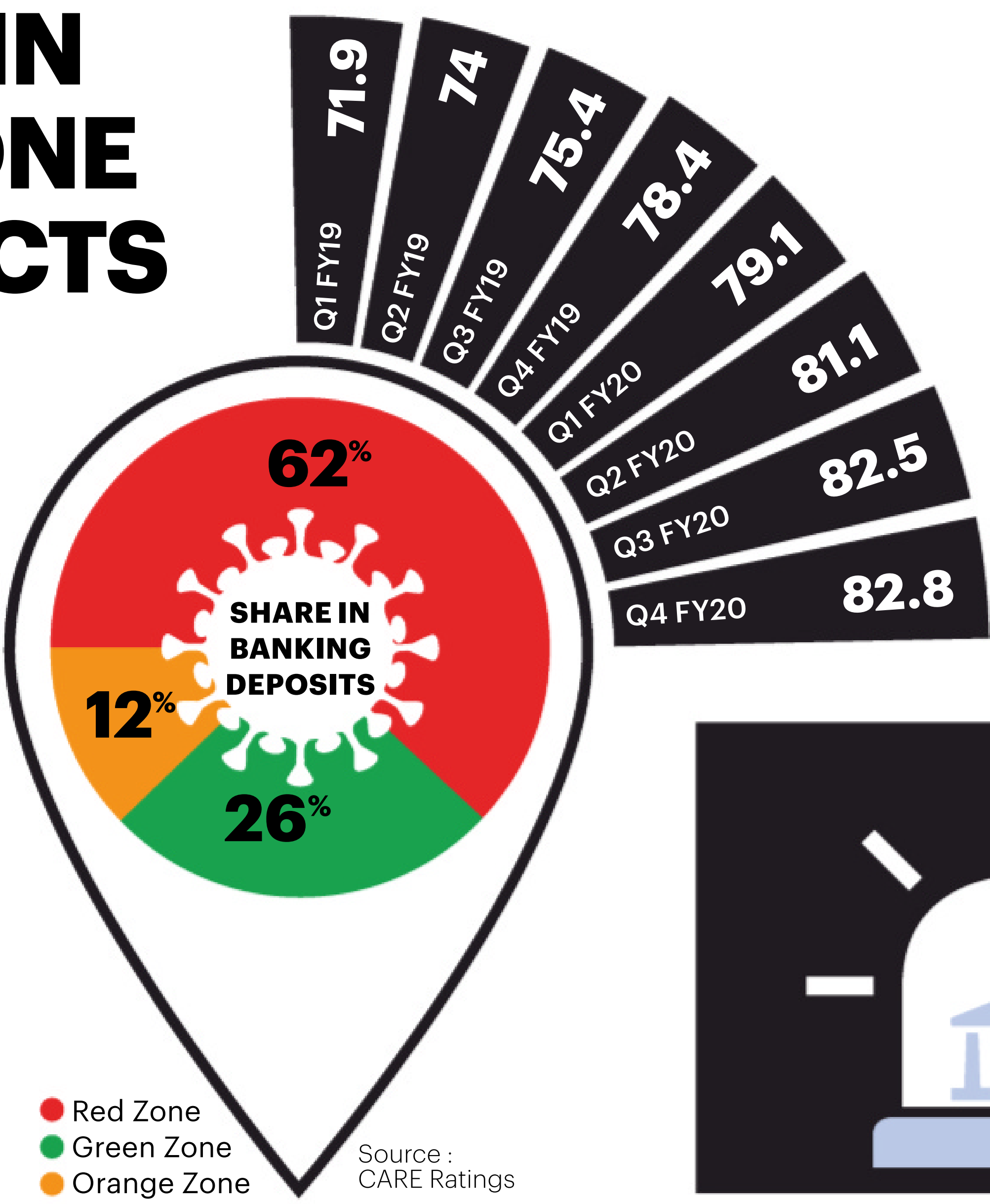
BANKING ALERT IN RED ZONE DISTRICTS

↘ The share of bank deposits in districts that are in the red zone due to large number of Covid-19 cases is 62 per cent, according to RBI data

↘ The slump in economic activity in these areas will put pressure on bank balance sheets

↘ In the red zone, the western region accounts for the largest share of deposits at 35%, followed by southern region (23%) and northern region (22%)

DEPOSITS WITHIN RED ZONE (₹ lakh crore)



Source : CARE Ratings

₹10 LAKH CRORE

Rise in bank deposits in the Red Zone in the last eight quarters

IEC University is committed to make India a Global Manufacturing Powerhouse

Dr. Abhay Kumar - Vice Chancellor IEC University

India is all set to emerge as the next global manufacturing hub as multinational companies are looking to shift their operational bases out of China. And India has emerged as the top destination of choice. This, coupled with Prime Minister Narendra Modi's clarion call for 'Make in India' makes for the ideal setting to realize this dream. Nonetheless, this dream can only be fully realized if India creates a pool of well-trained and academically sound engineering and technical professionals.

Contributing to this fact, IEC University, a multi-course institution of excellence with the legacy of over four decades, has reaffirmed its commitment to train and produce world class technical pool by providing training, internships and placements in renowned companies like Eicher, IBM, Honda, Okinawa ARB Bearings, Shiv Naresh etc. In addition, IEC University is now offering a 3-month fully-paid internship in Canada. For this, special industry-institute interactions, industrial visits and personality development classes are also being organized to cherish the skills of students.

IEC University reaffirms its commitment to make India a global manufacturing powerhouse and committed to produce and train world class technical and engineering hands to suit the Indian manufacturing hub. Recently, a prestigious national magazine also acknowledged and celebrated the excellence achieved by the university in the field of education and bestowed with "Excellence in Education - 2020" award.

The renowned IEC University, which has a 100% placement record, has also tied up with multiple banks to ensure speedy availability and disbursal of student loans for admitted candidates. This, in practical terms means that students who are selected for admission to this university in career-oriented courses at graduate and post-graduate level, becomes eligible for student loans. This ensures that no meritorious student is devoid of promising career opportunity at this prestigious university for want of funds.

IEC University is well aware of the global changes and possible capital movement, and considers this as an opportunity for India to emerge as the global manufacturing hub. Therefore, to provide the best technical pool for the emerging requirements, IEC University is already educating and training students with skills that has real applications in the practical world. Further, the university's location with elaborate facilities, thoughtfully designed course structure, top quality dedicated faculty, and a very reasonable fee structure has put IEC in an ideal position to contribute to India's much needed technical pool.

Talking about the present scenario, Vice-Chancellor of IEC University, Dr Abhay Kumar said that we cannot estimate how much the COVID-19 interruption will affect learning. But we are always ready to face the challenge to provide quality education to aspiring and deserving students who are looking for over all development of the personality. IEC University, a leading private sector university in North India, has always equipped students with the knowledge, skills, and ideas for living and working successfully in the world of rapid social and technological change.

Dr Kumar also added that IEC University will be keeping a sharp eye on the latest technical and engineering requirements that are going to have high demand, so that a win-win situation is created for both the students and the corporate.

IEC University aims at laying a strong foundation to ensure quality education since the beginning and to do that IEC University is training, grooming and educating students to ensure full growth from all aspects. IEC University is already providing education in the field of Engineering, Computer Application, Business Management, Basic Sciences, Humanities, and Social Sciences, Pharmacy, Law, Hotel Management and Travel & Tourism, Journalism and Mass Communication, Art and Fashion etc., in a congenial environment for the holistic growth and all-round development of the student through suitably designed teaching-learning processes to become globally acceptable personalities with exceptional communication skills, proper attitudes and aptitudes, problem-solving capabilities and to work in as a team. Due care is also taken to imbibe not only technical skills, but also the values and social adaptability.

IEC University is focused on all aspects needed for a bright future of students. The idea is that teaching must be replaced by learning. The student must be made to learn how to learn, how to unlearn, how to relearn, learn to know, learn to do and learn to achieve.

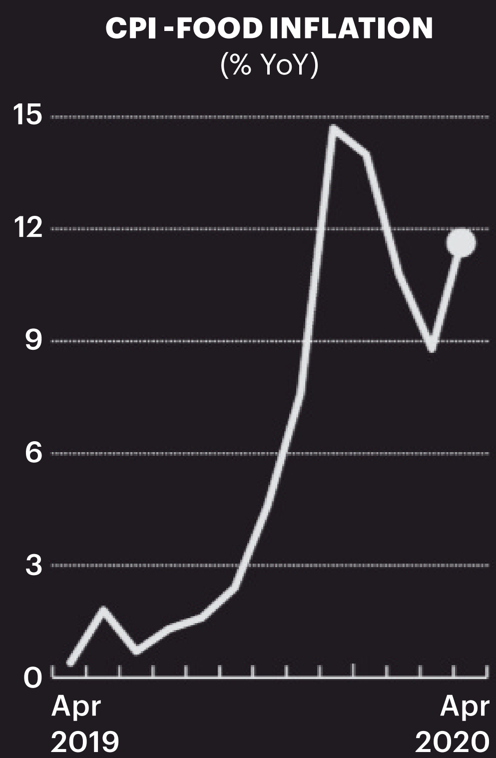
The renowned IEC University, which has a 100% placement record, has also tied up with multiple banks to ensure speedy availability and disbursal of student loans for admitted candidates.

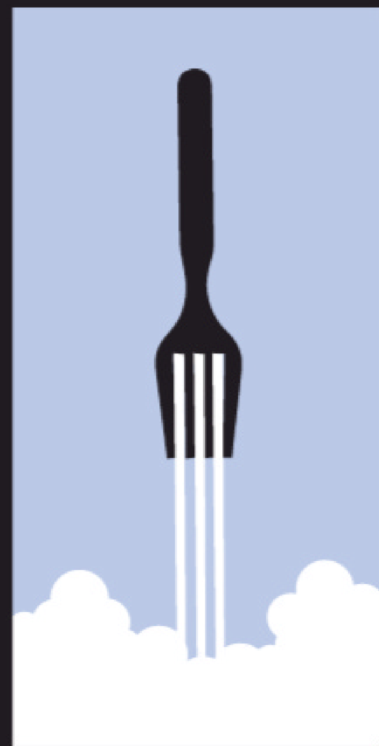
IEC
UNIVERSITY
THE KNOWLEDGE EXPERTS

Food Inflation Soars to 12%

- Food inflation touched 12 per cent in April compared to 8.8 per cent in March
- Inflation in "cereals and products" rose to a 71-month high of 7.8 per cent and in "pulses and products" to a 45-month high of 22 per cent
- Inflation in "vegetables" was 23.6 per cent, much higher than the 18.6 per cent in March

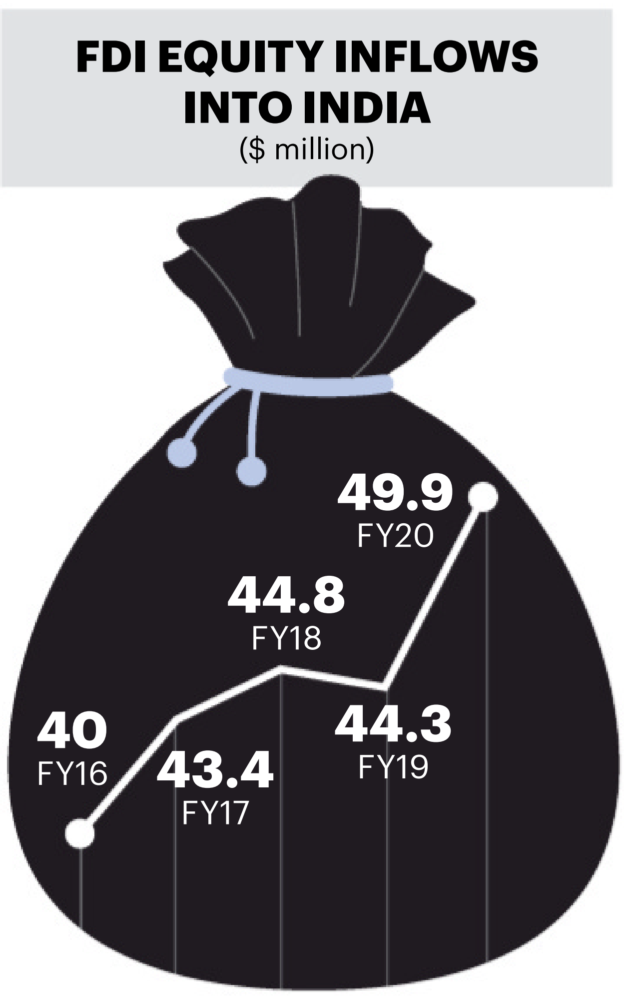
Source : MOSPI



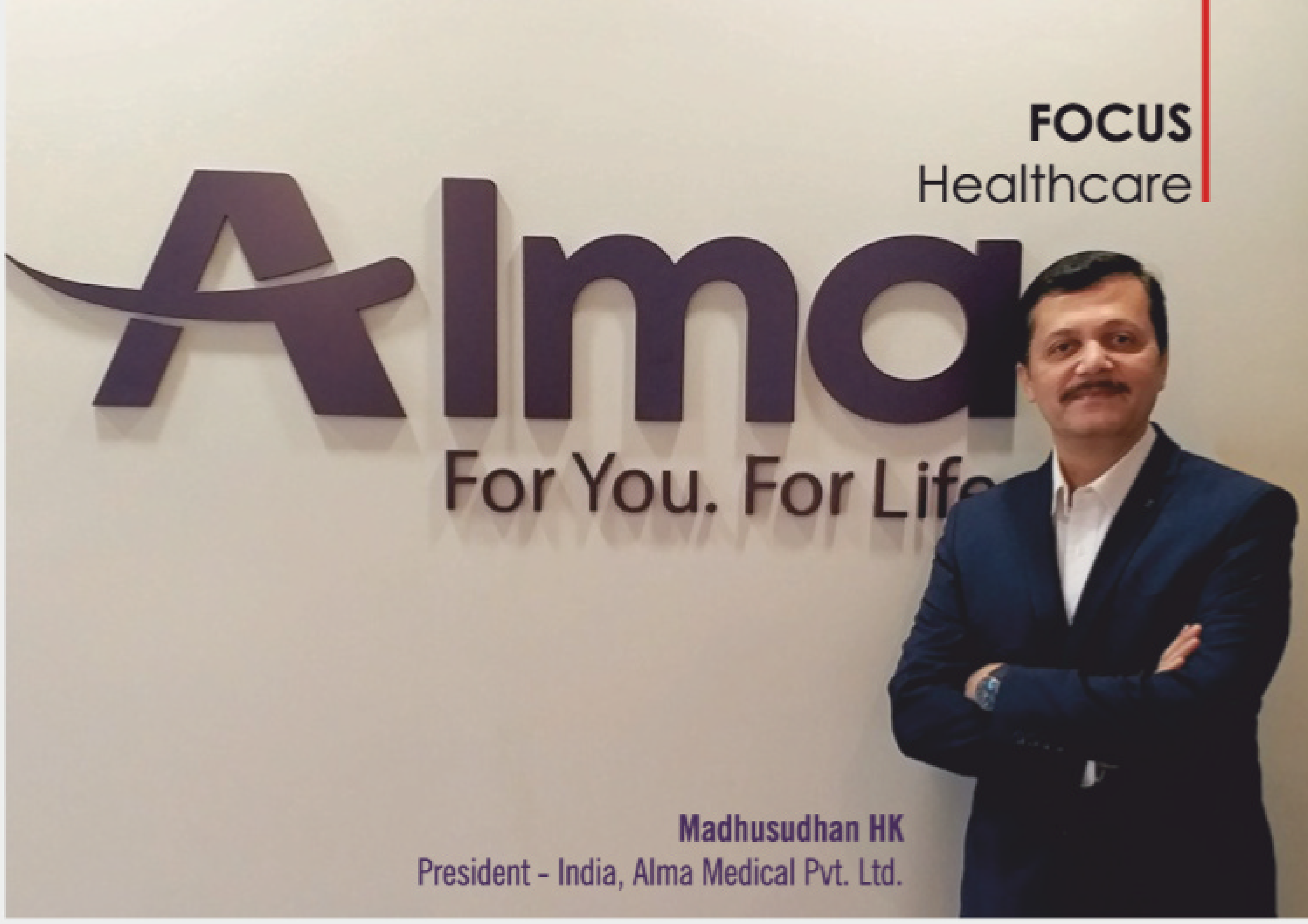


FDI in India Jumps 13% to $49.9 billion in FY20

- Foreign direct investment into India has been steadily rising for years as the country improves its position on the Ease of Doing Business Index
- Singapore remained the top source of FDI, accounting for $14.67 billion, followed by Mauritius at $8.24 billion, according to the data released by the Department for Promotion of Industry and Internal Trade



Alma, a revolutionary global innovator shaping the future of the Aesthetic Industry



Madhusudhan HK
President - India, Alma Medical Pvt. Ltd.

Alma is an Israel-based global innovator of aesthetic lasers and radiofrequency devices for Surgical, Medical Aesthetics and Beauty providers. We are the world leaders in providing energy-based solutions and aesthetic lasers for these markets, and deliver excellence through our cutting-edge technologies to our customers.

Our Journey So Far:

Our 20-year-old journey has been the outcome of our relentless efforts to achieve our goals through constant innovation and offering our best products and services globally. In 2019, we celebrated our 20th anniversary. We have sold more than 28,000 platforms to over 80 countries and are a pioneer of SHR technology (the power behind Soprano)—the strongest hair reduction platform in the world. In 2017, a brand new chapter was written for Alma Lasers. Sisram medical, owner of Alma, was successfully listed on the main board of Hong-Kong Stock Exchange on Sep. 19, 2017 (1696.HK SISRAM MED)

Our Vision and Mission:

Our brand's vision is to accompany people throughout their life journey by enabling their desired transformation, allowing more women and men to enjoy a modern way of living, one that brings them closer to their mind, body, and environment. We believe that every human being deserves to live a fulfilling life and our knowledge-based solutions, tools, and methods help people do so. Our core brand values of Well-Being, Knowledge, People First, Daring and Modern Life are centered on some key aspects of self-care and increasing the overall quality of life. Our mission is to dare to explore technologies that improve wellbeing, looks, and self-esteem of people everywhere, inspiring a better quality of life.

Whom Do We Cater To?

Our target audience for aesthetic products includes Dermatologists, Cosmetologists, Aestheticians, and Plastic Surgeons from around the world. Gynecologists and Plastic Surgeons are our target audience for surgical product segment.

A Glimpse of Our Global and Indian Footprint:

Alma ranks top 5 globally in the global high-end aesthetic energy-based device segment. We are a global investor of laser, light-based, radiofrequency and ultrasound solutions for the aesthetic and surgical markets.

Alma entered the Indian market in 2005 through a distribution network after analyzing the need and opportunity in Indian market. Thereafter, Alma directly started its subsidiary in India around 2015. Since the last 5 years, Alma has been directly present in India and has a strong team of service and sales network to support our customers. Today, with over a 1000 installations in India, we are present in Tier I, 2, and 3 cities across India. With a team of skilled experts and quick turnaround time our service is regarded as best in industry and has been our strong backbone in this growth journey. Our platforms are being used by the leading KOL's globally as well as in India, we are able to disseminate the best in class trainings. We are associated with the best dermatological clinics across India and currently our hair reduction platform, Soprano our flagship brand is a market leader. India has always been a great market to be a part of and our aim is to expand our network and establish our presence in all the major cities in India.

Our Products & Services:

We offer over 50 different product platforms and over 100 different applicators. Our portfolio includes Soprano Titanium, Soprano Platinum, Harmony XL Pro, Accent Prime, PICO CLEAR, ALMA-Q, Pixel CO2, 308 EXCIMER, FemiLift, BeautiFill by LipoLife, VascuLife, and ENTelligence. Our platforms are used for treatments such as Hair Removal, Skin Rejuvenation, Scars & Acne Scars, Acne treatment, Hyperhidrosis, Psoriasis, Vitiligo, Transepidermal Delivery, Body Contouring, Face Contouring, Small Areas, Cellulite Treatment, Stretch Marks, Vascular Lesions, Pigmented Lesions, Tattoo Removal, Skin Resurfacing, Carbon Peel, etc. Our surgical treatments include liposuction, vaginal tightening, gynecological health, post-delivery rehabilitation, ENT, skin tightening, fat grafting and varicose veins.

What Makes Us Unique?

We attribute our uniqueness to the perfect combination of cutting-edge technologies, the best equipment available and the best talent available in this industry. Alma believes in being first and doing things differently, challenging the status quo, being proactive crafting the future of how people feel about themselves.

What makes our brand unique is our ability to deliver consistent results and make our customers happy each time they choose us for any of their needs. Most importantly, our ability to be constantly attuned to the needs of the people by observing market trends has enabled us to offer the best products and services in the medical, surgical, and beauty markets.

Research &Development forms the core of our success. Over 16% of our employees are R&D specialists of which over 25% hold PhD and advanced degrees. Having the best talent on board has served as the solid foundation for us to become an industry leader with the shortest time to market (1-2 years vs. 3-4 years as the industry standard when it comes to Alma Israel).

Our Short- & Long-Term Goals:

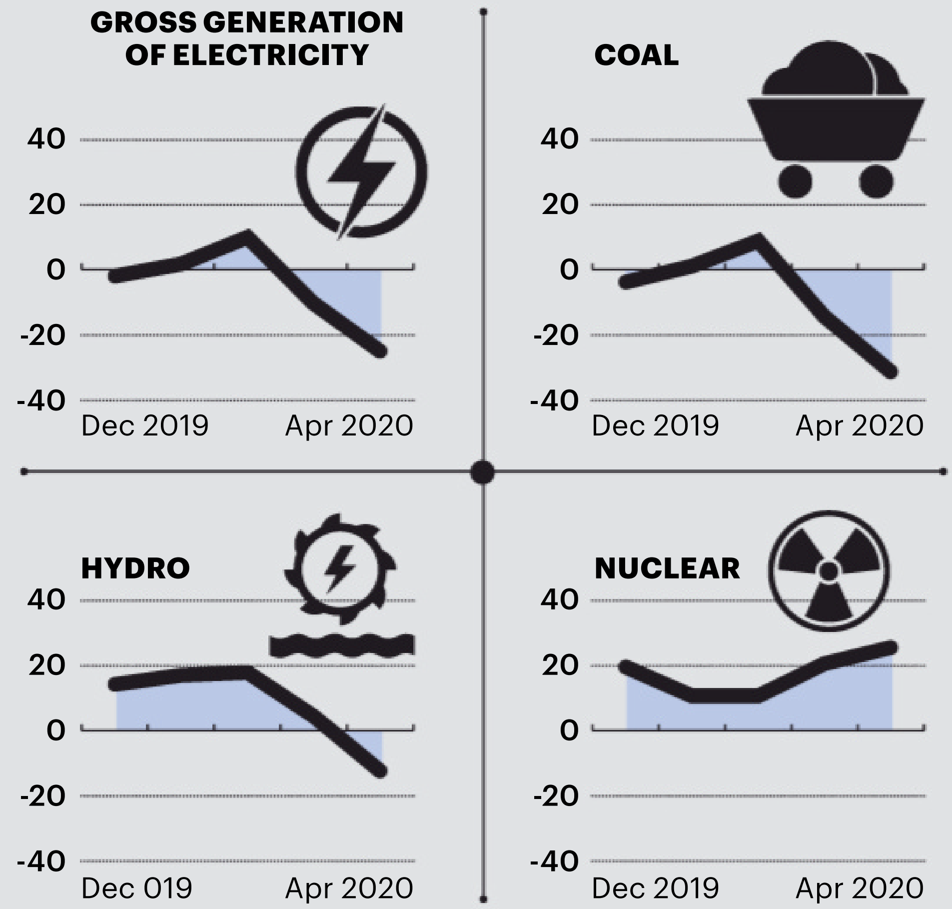
We want to increase our footprint in India and grow further in terms of market share. Our aim is to become a household name when it comes to aesthetics services and we are rapidly getting there as many of our products and services are being used by professionals in the aesthetics industry the world over. In India, we have been steadily growing and we plan to increase our growth and footprint in this country.

Synergizing with AI and IOT:

Alma uses Smart Clinic, a cloud-based businesses development tool. It empowers better management process, reflecting the real-time status of platforms, applicators, and productivity. Smart Clinic drives optimization and standardization, empowering decision making. We are in sync with the latest developments in AI and IOT and are looking forward to using more of it in our daily operations and services.

POWER GENERATION FALLS 25%, DEMAND DOWN 22%

- Gross electricity generation declined 25.4 per cent in April
- Production of coal- and diesel-based thermal as well as hydro electricity fell in double digits; they account for 80 per cent generation
- Demand declined 22 per cent as several factories and commercial establishments remained shut due to the lockdown

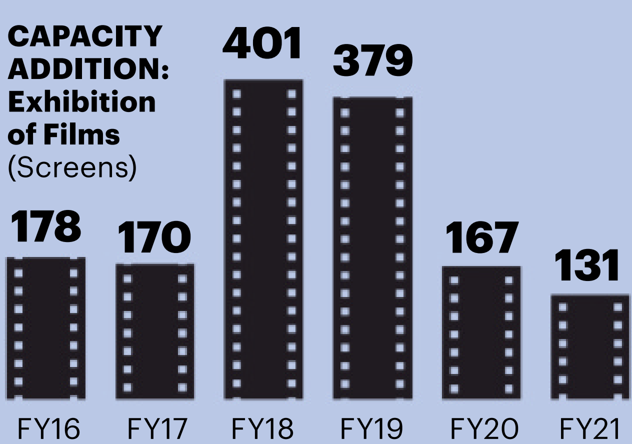


Fugures in %; Source: Central Electricity Authority

Screen Additions to Drop Sharply

- Cinema industry is facing turmoil amid the nation-wide lockdown. Capacity addition is expected to drop to 131 screens in FY21
- Merely 45 screens were added in the March 2020 quarter compared to 69 in March 2019 and 252 in March 2018 quarters

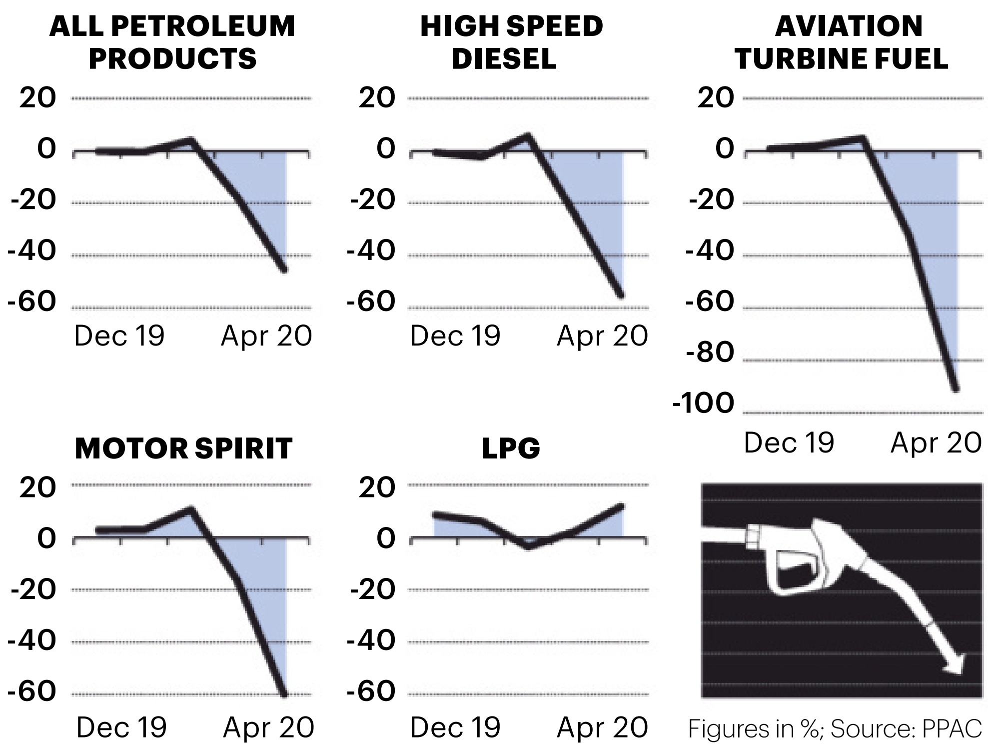
CAPACITY ADDITION: Exhibition of Films (Screens)



Source: The Multiplex Association of India, Industry Outlook

INDIA CONSUMES 45.8% LESS FUEL IN APRIL

- Demand for petrol, diesel and aviation turbine fuel fell 60.4 per cent, 55.6 per cent and 91.3 per cent, respectively
- LPG was the only fuel whose consumption rose (12.2 per cent)



Figures in %; Source: PPAC

IN TALKS WITH GIRISH NAYAK

Chief – Service, Operations , Technology at ICICI Lombard

Q From Technology standpoint, what are some of the key initiatives introduced by your organisation that helped to drive business as usual?

We at ICICI Lombard have always been committed to provide a healthy, safe and flexible working environment for each of our employees and at the same time committed to serving our customers, channel partners and our stakeholders. In view of the current covid-19 pandemic, we at ICICI Lombard have enabled IT infrastructure that will help most employees work remotely. Employees across locations were assigned laptops and access to systems over VPN or cloud proxy that would help them to carry out their regular business. At the first signs of the virus spreading, even before the lockdowns were announced, we had moved half of our employees to start supporting business from home and ramped it up in accordance with both state and central government directives.

For most of our sales partners including distribution tie-ups, agents, brokers we always had digital platforms for most of their day-to-day work such as quotes, policies and other transactions, they are also able to gather all the information that they need in terms of products, processes and even payments. A lot of our service partners had also been using digital platforms for servicing customers e.g. during a claim. Obviously, the lockdown accelerated the adoption of some of these platforms. Additionally, the technology teams worked round the clock to enable the larger workforce to be able to work-from-home and to support our customers and business partners in this moment of crisis. Our various teams continued to help customers in their time of need through phone, email and chat platforms.

Q With employees working from home, how are you managing security and tracking their productivity?

We all know that any disruption to normal ways of working has its own set of challenges and in the case of the covid-19 pandemic, it was very important that technology was up to the task. The very first thing that we did as an organization was to roll out a comprehensive Work from Home (WFH) policy. The policy was created to ensure that employees were enabled to work from home and be able to fulfil their work commitments, stay connected with their managers, their teams and the broader organization. As a part of the policy, there were guidelines on how to handle confidentiality of data and work, safety and security of personal computers and access to specific applications using VPN or cloud proxy.

As an organization, we already had established comprehensive policies and guidelines in place to ensure a secure computing environment. To transition to a WFH environment we added significant software controls on applications as well as end-points to ensure security of the company data. We have a strong information security team that monitors these controls on a regular basis to ensure compliance. As a part of the WFH policy, there were guidelines that teams and managers follow for both tracking and monitoring productivity of employees.

Q As ICICI Lombard was working remotely, how were the employees trained to work with the newer technologies?

Majority of our workforce already had laptops assigned to them for carrying out their daily work. However, there was still a significant number that needed to be enabled for working from home. The first challenge for us was to now obtain enough laptops for the remaining workforce that were essential for business continuity and the second challenge was to ensure that each of these employees had access to systems over VPN or private cloud. For those employees where we have not been able to give laptops, we have been enabling the required applications to be available on their mobile devices in order to allow them to discharge their duties in a WFH environment. The second challenge had our technology and partner teams working round the clock to enable applications and systems over the VPN or cloud proxy to help employees get the requisite access to help them support business. Migrating to a work-from-home scenario was fairly smooth since employees were already familiar with the applications that they had been using to fulfil their work commitments.

Additionally, we are using Microsoft Teams to help ensure smooth collaboration between different employees and various teams as well as various external partners that we work with. It is a very useful platform for keeping communication and information flowing across various sets of people. It is very easy to remain connected through voice and video conferences. It also helps us also in collaborating across different documents – presentations, spreadsheets, visualizations and coding just to name a few.

Q How has COVID-19 helped you to take the technological leap and utilize the existing tech infrastructure to its full potential?

Covid-19 has definitely accelerated the adoption of digital technologies for most organizations. Many organizations are also considering the implementation of a long-term WFH strategy. From our perspective, since we had already enabled a large portion of our sales partners via digital platforms, we had a head start. From a servicing perspective, we are starting to utilize more digital tech infrastructure to service our customers. Some of our early investments in the development of technology solutions is helping us during this time. However, it's important for all organizations, including us, to stay ahead of the curve and leverage technology to the fullest. As we speak, the safety and security of our employees, customers and partners continue to be a priority. We continue to focus on improving seamless and secure remote operational capabilities including IT security, enablement of cloud and data center infrastructure as required. Services & support that is essential for business to continue functioning smoothly continues to be top priority in times like this. Our decision to move some of our applications to the Cloud a few years ago is helping us in times like this. We are also utilizing this time to prioritize our technology initiatives that will support us in the long-run.

Q How are you planning to resume IT operations as we have ventured into 'Unlock 1.0'?

IT operations never stopped during the lockdown. In fact, they were the backbone of the entire WFH enablement and continued to operate through the lockdown.

Having said that, as the country begins to venture into Unlock 1.0, the responsibility of every corporate organization is to continue to ensure the safety, security and well-being of it's employees. We will be constantly monitoring the situation across the country, and take decisions that are in accordance with both state and central government directives. Our IT operations will continue to support the WFH infrastructure that we have created both in terms of security and in ensuring that employees are able to service stakeholders through all the necessary infrastructure and applications. Our immediate IT budgets continue to be focused on improving seamless and secure remote operational capabilities including IT security, and enabling cloud and data center infrastructure as required. For those employees that will return to office, once office resumes, our IT operations team will continue to support them as we did in a pre-covid scenario. We are also exploring a long-term WFH option that will help both the organization and the employee work with increased flexibility.

We believe that this is a great opportunity for organizations to test the work-from-home concept. Many organizations already allow this for a some portion of their workforce but this is an opportunity for other organizations, including us, to test if this concept works. I am sure that all organizations will be keeping an eye on the overall productivity of their workforce to make sure this concept works out. Think of it in the long run, if productivity stays the same or improves, employees will actually spend less time traveling, will have fewer sick days and therefore take less time off, be less distracted and take smaller breaks. Overall it should also reduce the carbon footprint driven by lesser use of cars. There will still be people who would want to go back to their routine in terms of meeting people in an office and have face-to-face meetings. However in the long run, these new ways of working will hopefully highlight benefits of working from home and might lead to increased flexibility for both organizations and individuals.

Policy

HOW TO MAKE FTAs WORK

India's experience with free trade agreements has been bitter. Can the country learn from its mistakes?

BY JOE C. MATHEW
ILLUSTRATION BY RAJ VERMA

On March 6, Commerce and Industry Minister Piyush Goyal made a candid admission on the floor of Parliament. He told the Rajya Sabha that India's Free Trade Agreement (FTA) with the 10-country ASEAN (Association of South East Asian Nations), its biggest trade pact so far, has increased the country's trade deficit with them. India's trade deficit with ASEAN was $5 billion at the time of implementation of the FTA (FY11). In FY19, it was $21.8 billion, a four-fold increase, he said.

The discomfort with large trade agreements like the one with ASEAN was visible in November 2019 too when India walked out of talks for the Regional Com-

FIXING THE TRADE IMBALANCE

ISSUE: Asymmetrical tariff commitments; India gives too much without commensurate gains

SOLUTION: Renegotiate tariff rates

ISSUE: Non-tariff barriers like phyto sanitary measures, residue limits, etc

SOLUTION: Mutual recognition of standards

ISSUE: Entry barriers in services

SOLUTION: Reciprocal visas, job permits, recognition of degrees and certificates

ISSUE: Insufficient data, especially in the case of services sectors like tourism

SOLUTION: Be ready with data to understand strengths and weaknesses

ISSUE: WTO-plus rules

SOLUTION: Stay away from provisions that can have long-term adverse impact

prehensive Economic Partnership (RCEP) – seen as leading to create the world's largest economic block – signed among 16 East Asian economies, including ASEAN members.

However, worries about older existing trade deals are not preventing India from exploring new trade pacts. The RCEP may have been aborted, but the country has been in discussion for a trade agreement with its biggest trade partner, the US. The commerce ministry has also hinted that the country will explore opportunities arising out of shakeup in global supply chains due to trade wars (especially US-China) and outbreak of the novel coronavirus (Covid-19) influenza.

India has till date signed about two dozen trade agreements – from FTAs to preferential trade pacts - with countries and groups of countries. It is negotiating an equal number of deals with others. It seems to be confident that it can make future deals work. This is only possible if it can learn from its mistakes.

Global Minnow

Goyal says asymmetrical tariff commitment is the biggest reason for India's rising trade deficit with ASEAN countries. "Non-tariff barriers in many FTA partner countries are also an important factor contributing to this. While exports and imports vis-a-vis FTA partners continue to grow, the utilisation rate of FTAs, both for India and its partners, has been moderate," says Goyal. India accounts for just 2 per cent of global trade. Its plans to engage with economic giants are driven by a desire to increase its global footprint.

Incidentally, India's cumulative trade with its FTA and bilateral trade agreement partners adds up to 15 per cent of its total global trade, with ASEAN member nations such as Singapore and Malaysia, and South Korea and Japan, accounting for a bulk of this. On the other hand, its top five trade partners - US, China, UAE, Saudi Arabia and Hong Kong - with whom it does not have a trade pact account for 35 per cent of its $844 billion goods trade (in FY19). India hopes to find more opportunities in markets like the US, where it already has a bigger presence, if trade pacts facilitate better market access. But for that, it needs to understand what went wrong with the earlier FTAs.

15%

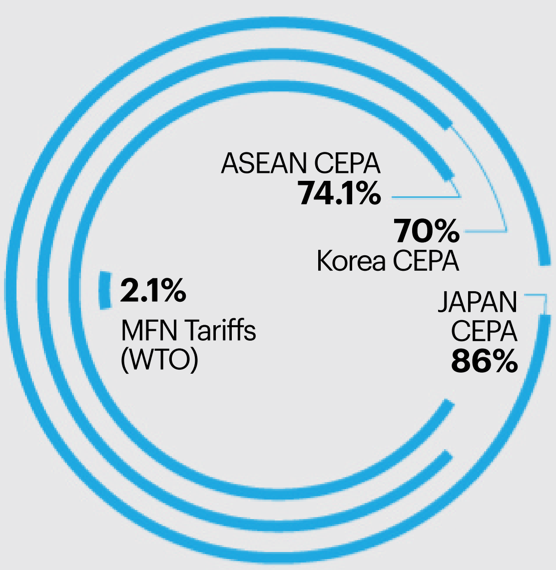
Share of ASEAN, South Korea and Japan in India's trade basket

Steep Tariff Cuts

Biswajit Dhar, a trade expert associated with the Jawaharlal Nehru University, New Delhi, says India failed to take advantage of market access offered by comprehensive economic partnership agreements (CEPA) with ASEAN, Japan and South Korea. "The absolute value of exports to the Republic of Korea and Japan fell from FY11. Exports to ASEAN rose initially but declined until FY16. Import trends from CEPA partners are in contrast with trends in exports. Imports increased for all countries; increasing nearly 130 per cent for ASEAN and 50 per cent and 60 per cent for Japan and Korea, respectively," says Dhar. "CEPA partners exploited

AN UNEQUAL BALANCE

Under WTO, India has agreed to remove tariffs on 2% of imports, but for key (CEPA) nations, this figure is far higher

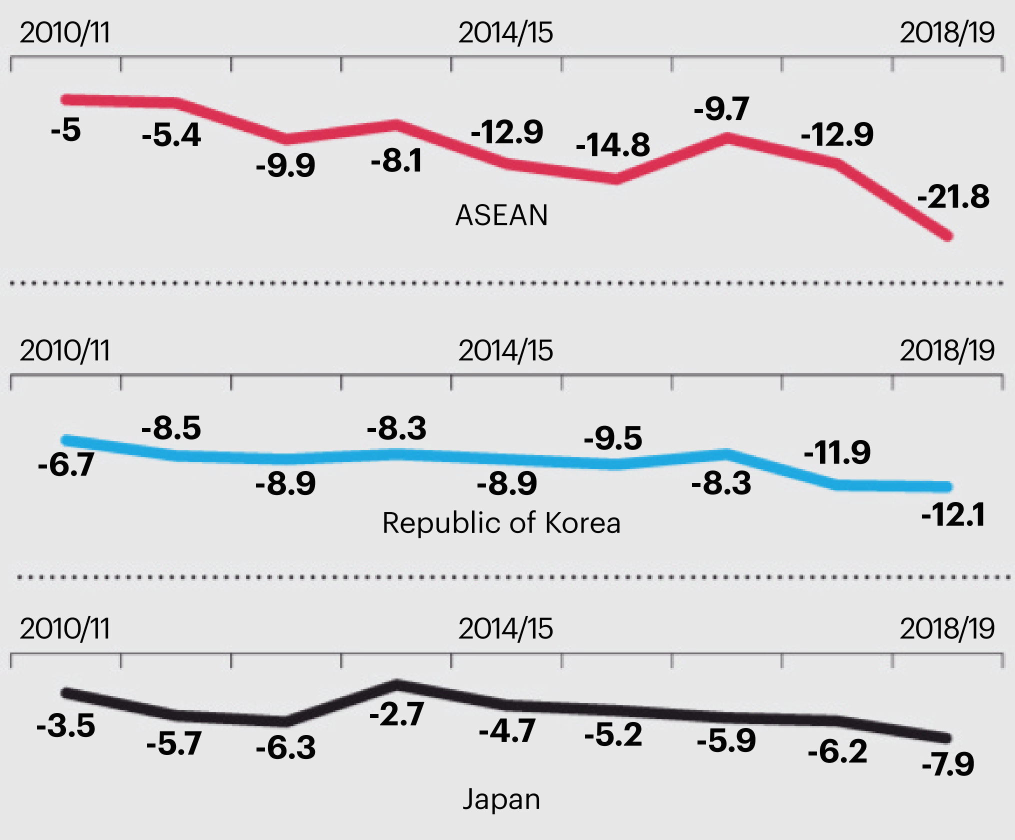


Zero tariffs
(as % of total tariff lines)

MFN: Most favoured nation; WTO: World Trade Organization; ASEAN: Association of Southeast Asian Nations
Source: Madhyam Briefing Paper

WORSENING TRADE BALANCE

India's trade balance ($billion) has been worsening vis a vis countries with which it has entered into CEPA



CEPA: Comprehensive Economic Partnership Agreement
Source: Madhyam Briefing Paper

India's markets easily. Indian exporters were unable to leverage the lower tariffs offered by the partner countries," he says.

One of the major findings of studies by Dhar is that India gave up much more than what was needed. In all three cases, ASEAN, Korea and Japan, India agreed to deep cuts in tariffs. "While India's obligation under the WTO was to remove tariffs on just 2 per cent imports, the range of tariff cuts it offered was in the range of 74 per cent to 86 per cent," he says.

Non-Tariff Barriers

In the run-up to India's hectic talks with ASEAN and its FTA partners such as China, Australia, New Zealand, Japan and Korea for the RCEP deal, New Delhi-based PHD Chamber of Commerce and Industry (PHDCCI) had identified non-tariff barriers as causing harm to India-ASEAN trade. It noted that "proliferation of non-tariff measures in the ASEAN market has contained the economic integration of Indian products in ASEAN". The measures cited included import controls, import permits, sanitary and phyto-sanitary measures, product standards and technical barriers. It cited the example of gems and jewellery, where India is competitive, saying that shipments to Thailand had to be routed through Hong Kong due to high Customs duty and complex Customs procedures. This added to costs. ASEAN markets have stringent regulations, including different marking/labeling/packaging requirements, testing/quarantine requirements, pre-shipment inspection by authorities, etc. The cost has to be borne by exporters.

The PHDCCI's fear has a solid base. Take Japan, with which India has an FTA. The World Bank's database, World Integrated Trade Solution, says Japan's imports have a coverage ratio of 76.18 per cent and a frequency ratio of 61.20 per cent for non-tariff measures. In other words, 76 per cent products exported to Japan face some non-tariff regulation. In comparison, India's imports have a coverage ratio of 45.52 per cent and a frequency ratio of 43.71 per cent.

PHOTOGRAPH BY BANDEEP SINGH

"Non-tariff barriers in many FTA partner countries are an important factor. The utilisation rate of FTAs, both for India and its partners, has been moderate"

Piyush Goyal, Union Minister for Commerce and Industry

Services Stuck

The comprehensive agreements are not only about goods trade. They have a services component too. Services is considered India's strong area but its performance here is hampered because mutual recognition agreements (MRAs), which allow qualified personnel in one region to automatically qualify for offering services in any partner country, are either absent or not implemented in spirit. The slow pace of implementation even in cases where MRAs exist further affects Indian exporters. A trade expert associated with the commerce ministry says there isn't even a proper way to understand the quantum of services trade among FTA partners. "We do not have bilateral services data. Some of these FTAs had a built-in promise for negotiating MRAs. That process has been slow and far from complete. With ASEAN, I think we have an MRA for nursing services. Similarly, with Singapore, we have MRA for some areas, but it took decades to negotiate. The government missed the opportunity to finalise MRAs while FTA negotiations were on and left it for a later date," says the person, who did not want to be named.

"If you're not competitive in, say, 70 items, and you open up those items, only they gain. See what gives you competitive advantages and make deals accordingly"

Ashwani Mahajan
Co-convenor,
Swadeshi Jagran Manch

"CEPA partners exploited India's markets easily. Indian exporters were unable to leverage the lower tariffs on offer"

Biswajit Dhar
Trade Expert

The Way Ahead

One way to make FTAs work is to negotiate the new ones in a more informed manner and re-negotiate (if possible) the existing ones. Minister Goyal says "impact assessment of FTAs is a continuous process which is undertaken both in terms of data analysis and stakeholder consultations". He also says that awareness about FTAs is spread through outreaches across the country so that we can enhance the utilisation rate of preferential exports. Further, to protect the interests of the domestic industry and agriculture, FTAs provide for maintaining lists of sensitive, negative or excluded items on which limited or no tariff concessions are granted. He also says that in case of surge in imports and injury to the domestic industry, India can take remedial measures such as imposing anti-dumping duty and safeguards.

These routine safeguards may not be enough. In fact, whatever you do, FTAs may not work for India, says Ashwani Mahajan, National Co-convenor of the Swadeshi Jagaran Manch (SJM). He says a very cleverly and intelligently negotiated bilateral agreement may be a possibility but a blanket free trade agreement or a regional trade agreement can never work. "In bilateral trade discussions, we talk to each other. Take the case of the US. We can tell them we are purchasing oil or aircraft from them. We cannot bring up individual trade matters while talking to a group of countries, which means hard bargain is not possible. That's why we favour bilateral trade deals over FTAs. The experience shows that plurilateral and multilateral agreements are not doing the country any good," says Mahajan. He says India failed to reap benefits of bilateral agreements with Korea and Japan due to bad negotiation tactics. "The problem was not with the bilateral in principle but because we didn't heed to our competitive advantage. If you're not competitive in, say, 70 items, and you still open up those items, only they gain. See what gives you competitive advantages and make deals accordingly," says Mahajan, adding that "the fact that ASEAN, Japan and Korean agreements were bad is evident from the absence of an exit clause."

To government's credit, it has taken a decision to review 'bad' FTAs. While some countries such as Singapore have agreed to a review, one cannot expect too much change, as all such decisions are based on mutual agreement. India's plans to pursue a deal with the US and continue talks with the European Union may take a backseat in the wake of the Covid-19 threat. But talks are set to resume once matters settle down. It will be interesting to see how India can negotiate a bilateral deal with the global majors with a long list of non-negotiable items from its side.

For instance, as far as the India-EU FTA talk is concerned, any discussion on dairy will be met with stiff resistance in India. Intellectual property rights will remain a thorny issue, so will agriculture. Sectors such as medical devices, stents, etc, will remain a problem in concluding talks with the US too. Talks for a comprehensive FTA that encompasses all products and services seems to be extremely difficult at the moment. A truncated, limited deal, as was talked about during the first visit of US President Donald Trump to India early this year, seems to be the only possibility.

Coronavirus days are not the best time to reach out. However, once social distancing gives way to global integration, governments will begin to talk to each other. Better strategy will have to be prepared. That alone will tell if preferential trade will have a role in the post-coronavirus world and, if so, whether India can benefit from change in the global supply chain dynamics. BT

@joecmathew

G4S India offers a comprehensive range of solutions under the work assurance program in the Post lockdown era

Rajeev Sharma, MD of G4S India

Rajeev Sharma, MD of G4S India

This year so far has been quite unprecedented for people, businesses, economy and the government. Safety and care for all lives has taken a centerstage and a preventive approach is the most sought-after behavioral change. Everything that we used to do prior to Covid-19 is being questioned from a safety stand point and simple things that were routine have become important now e.g. Working from office, restarting of a business, strict safety compliance of government policies and the personal fears of people beyond the realms of business. Workplace hygiene and employee mental well-being, will no longer be a good-to-have component; instead it will become a must-have in the post-lockdown world, likewise going digital too will be a basic necessity for survival in all spheres like communicating, working, educating, supporting etc.

Post Covid-19 life would require every individual to take extreme care of personal health & hygiene, educating our resources on personal safety, drive social distancing behaviour, focus on mental well-being, helping employees with anxiety and provide assurance to employees, their families and the government while we get to business as usual. This is good to have but the businesses which are under financial stress due to continued lockdown will prefer to have an asset light model in absence of available cash for deployment.

During the period of lockdown, G4S continued to provide all its customers the required level of security, protecting their facilities and employees from the adversity. Through our global expertise and innovative IP technology solutions, we have provided support to many customers and help them resume their business.

Uncertainty about the future

Leadership will be expected to define new rules of working, provide direction and comfort to the employees to get them back to work, motivate and energize the teams by actively engaging with them. It will take a while for the employees to get away from social distraction and focus on their work, hence the managers will be expected to increase collaboration and provide direction to the team for meeting the desired performance. This unprecedented situation has taught us to be more resilient and I am sure going forward we will charter our own territory and define the path to success amidst all that may continue to happen around us. The world's dependence on Artificial Intelligence based tech solutions to manage the work environment will increase multi fold and it will be multi-dimensional.

How has G4S been ensuring the safety of the employees and customers during and post the lockdown?

G4S India, an industry leader in security solutions is also offering a wide range of integrated solutions spanning security; facility services and technology to support customers carry on their business with minimum disruption and increased productivity. We are also preparing workplaces for the safe return of employees in a safe and hygienic environment. Highly trained G4S Security personnel were entrusted the responsibility of securing more than 18000 client sites in India 24X7 equipped with personal protective gears ensuring their own safety as well. G4S did sense the potential damage Covid-19 can cause early in the year because of our global presence and prepared to minimize the impact on our employees and clients by preparing well in advance.

We invested heavily on training our workforce in temperature screening, social distancing, sanitizing and adopting safe practice both at home and at work.

We ensured adequate stock of PPE, masks and hand sanitizers even before they went out of demand to equip our Security personnel with them. We swiftly moved and created a Command Centre to tackle dynamic update on Covid-19, provided alerts, reports and advisories to our clients and employees on regular basis to keep them informed. We continuously learned and engaged with our clients to keep them updated with central and state Government advisories and orders ensuring all our customers remained compliant to all such orders.

G4S has also launched G4S Return to Work Assurance program, a new comprehensive range of solutions developed to assist organizations with security planning and facility readiness as they prepare the reopening process post the lockdown.

What are some of the possible solutions companies can implement?

- G4S Intensive Infection Control Solution is one specialized disinfecting and sanitizing service for office facilities, private, public and other commercial spaces including company vehicles used to ferry employees.
- Thermal fever screening and detection solutions are one of the easiest ways of detecting a high body temperature. G4S Integrated Fever Screening Solution helps detect elevated body temperature, which is a key symptom of Covid-19.
- Application to monitor social distancing at office, wearing of face masks, and temperature screening on the go are few asset light solutions which are well received by our clients. We also provide a Covid Compliance application with real time dashboard for the management.

G4S will continue to provide security and facility readiness services to customers and closely monitor the latest development of the outbreak, and ensure that employees delivering essential services on ground have the support, awareness and adequate protective gear, to continue delivering high standards of service.

The Ecosystem

3,009
registered insolvency professionals

69
registered insolvency professional entities

3,030
registered valuers

1
Information Utility

Source: IBBI
Date as of 31 March 2020

SUSPENDED AMMUNITION

With the insolvency and bankruptcy law suspended, the ecosystem of professionals around it faces disruption and uncertainty

BY DIPAK MONDAL
ILLUSTRATION BY RAJ VERMA

The government's move to suspend the insolvency and bankruptcy law for six months to one year has put stakeholders of the insolvency regime in a bind. Many of them – insolvency professionals (IPs), insolvency professional entities (IPEs), valuers, lawyers and others – face uncertain times.

An IPE is a legal entity of IPs, who are its partners/directors. Its objective is to provide support services to IPs, who run companies under insolvency and are appointed by the Committee of Creditors. Many of these professionals/entities have invested a lot in creating infrastructure, systems and networks to deal with insolvency cases. Over the last four years – the Insolvency and Bankruptcy Code (IBC) came into effect in June 2016 – thousands of professionals, including chartered accountants (CAs), company secretaries, lawyers and other professionals, have launched exclusive insolvency law-related practices. Many accountancy, company secretary and law firms have also created wings to deal with insolvency matters.

In fact, India has 3,009 registered IPs, around 69 IPEs, 3,030 registered valuers and 29 valuer entities. Besides, there is an Information Utility, which collects financial information about a corporate entity and gets it authenticated by various sources, and a host of lawyers, auditors and other professionals directly or indirectly linked to the IBC.

This entire ecosystem is staring at a disruption in case the insolvency law is suspended for a year.

The Fineprint

The government has announced suspension of Section 7, Section 9 and Section 10 of the IBC as part of measures to help businesses fight the impact of the lockdown. This effectively means no new cases will be initiated under IBC for a year from the date of notification of the change.

Section 7 allows financial creditors such as banks, and Section 9 allows operational creditors, including vendors, suppliers and employees, to initiate insolvency proceedings against corporate loan defaulters. Section 10 allows promoters to initiate insolvency proceedings against their own firms.

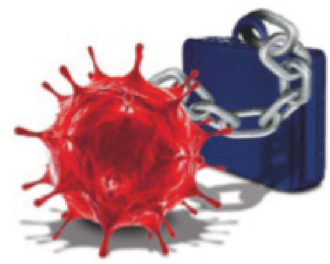
Apart from suspension of the IBC, the government also announced a couple of more relief measures for businesses. These include raising the minimum threshold to initiate insolvency proceedings from ₹1 lakh to ₹1 crore, largely to insulate micro, small and medium

Changes in IBC

Suspension of fresh insolvency proceedings up to one year depending upon the pandemic situation

Threshold to initiate insolvency proceedings increased from ₹1 lakh to ₹1 crore (this largely insulates MSMEs)

Special insolvency resolution framework for MSMEs under Section 240A of the Code to be notified soon



Covid-related debt to be excluded from the definition of default for purpose of triggering insolvency proceedings

industries (MSMEs) from the process, a special insolvency resolution framework for MSMEs and exclusion of Covid-related debt from definition of default.

While legal experts and insolvency professionals say there are contradictions in these announcements – for example, if the IBC is suspended for a year, what is the need for increasing the threshold for insolvency proceedings? – they admit these exemptions will help businesses in general, even if they cause temporary distress among insolvency and bankruptcy professionals.

"I am certainly one among the 3,000 people who will be left high and dry, but then, 3,000 is not a large enough number compared to lakhs of jobs involved in companies that may get protection from insolvency. There will be some collateral damage," says Sanjeev Ahuja, Founding Director, Ensemble Resolution Professionals – an IPE.

But then, not everyone is equally optimistic.

There are concerns about drying up of revenue streams and breaking up of professional networks and associations. Indrajit Mukherjee, a Mumbai-based insolvency professional and a lawyer, says even if the suspension comes into effect immediately, it will be six-seven months before cases dry up and the lean phase sets in. "Even if the ordinance comes and no new fresh (insolvency) cases are allowed, by the time the backlog (of pending cases) is cleared, six to seven months will lapse. So, the effect of the suspension will be felt only later," he says.

15

Number of NCLT branches, where over 2,000 cases are being heard

The backlog can happen in two scenarios – First, due to ongoing insolvency cases, and second, because of thousands of applications filed before the National Company Law Tribunal (NCLT), the adjudicating authority.

According to data compiled by different branches of NCLTs – there are 15 such branches across the country – over 2,000 ongoing insolvency cases are being heard by different benches, and thousands of applications for initiating insolvency proceedings are awaiting nod. It typically takes the NCLT six months to one year to admit a case.

This huge pendency will ensure no immediate impact on workflow for professionals associated with insolvency practices, says Mukherjee, but there will be a decline in number of cases not just due to the suspension but also because of increase in threshold for initiating the proceedings from ₹1 lakh to ₹1 crore. "There are many cases in the range of ₹25 lakh to ₹50 lakh. There are many IPs who handle such cases. These cases will go out of the system for the moment," he adds.

Breaking the Chain

This one-year hiatus will break many networks and associations. Professionals from different backgrounds – CAs, company secretaries and lawyers – have cleared exams to become IPs. Also, many lawyers and CAs, who

“As professionals, we have alternatives. Our job is to advise companies on restructuring, M&As, buying and selling. Whether the IBC is there or not, you cannot stop M&As, you cannot stop buying and selling. These things will continue”

Sutanu Sinha,IP, and Partner, Business Restructuring Practice, BDO Restructuring Advisory

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Sanjeev Ahuja
Founding Director, Ensemble Resolution Partners

are not IPs but provide legal and audit services associated with insolvency proceedings, will see weakening of their networks. Many may have to go back to their old practices to survive the lean period. The relationship between IPs, CAs and lawyers will be halted, says Sonam Chandwani, Managing Partner, KS Legal, a law firm.

In a standard IBC case, which is not very complex and does not involve a very large firm, an IP takes help of five to seven other professionals –auditors, valuers and lawyers. Similarly, a lawyer working on a particular case may seek help from other professionals.

Chandwani says when her firm works on a particular case, it also hires a CA or an IP. “Now, we won’t be able to give them any work. Not that they are on our payrolls, but their income depends on work assigned to them. For example, if I have to do a forensic audit, I have to approach a CA or a company secretary. That is how it works in our industry,” says Chandwani.

IPEs, law firms and audit firms have all built infrastructure and manpower around bankruptcy resolution. For example, many law firms have hired a lot of in-house IPs, people have given IP exams, and many have resigned from their previous work to become IPs. All those investments and efforts will go waste for a year or so. Some people may even lose jobs.

Says Chandwani: “Our revenues will be affected as we get a number of recovery suits. The IBC is used by many operational creditors as a recovery tool. Now, with its suspension, creditors will have to go through civil suits, which will take a lot of time.”

Disruption of Ecosystem

So, even if temporarily, many professionals engaged in insolvency-related work may have to seek alternative sources of revenue to withstand a likely lean business phase. This will break the chain, and rebuilding could take time.

“As professionals, we have alternatives. Our job is to advise companies on restructuring, mergers and acquisitions (M&As), buying and selling. Whether the IBC is there or not, you cannot stop M&As, you cannot stop buying and selling. These things will continue. As professionals, we have a number of roles to play,” says Sutanu Sinha, IP, and Partner, Business Restructuring Practice, BDO Restructuring Advisory.

Insolvency professionals are mostly CAs, cost accountants, company secretaries and lawyers, and many have other practices running in parallel. But, as Mukherjee puts it, most of those who work on insolvency practices focus only on this area. So, going back to old practices from their current jobs may not be that easy.

Though the proposed suspension and other changes in the insolvency law were announced to provide relief to businesses unsettled by the lockdown, they could well end up unsettling the entire ecosystem built around the IBC. BT

@dipak_journo

Pernod Ricard India

CREATING SHARED VALUE

and shaping a more resilient future for its communities

Pernod Ricard India Foundation envisions Creating Shared Value – for the local communities, the environment and the business in a bid to transform lives as sustainable responsible organization. It aims to institutionalise the socio-economic benefits to the people and integrate the idea into the company's business strategies to evolve a new business model which is inclusive and relevant in the changing world.

Construction of 77 farm ponds with water storage capacity of more than 30 million litres have helped in transforming the lives of farmers

Vikalp, a WAL program **in Shivpuri, Madhya Pradesh** in collaboration with SRIJAN, is currently being implemented in 75 villages and impacting more than 28,000 community members in the district

Pana Bai, and her husband, Baldev Adiwasi, members of Sehariya Tribe hail from the semi-arid village of Piproniya in Shivpuri, Madhya Pradesh. Given the paucity of water due to unpredictable rainfall, they could manage one Kharif crop a year. It was untenable to grow a second winter Rabi crop. A farm pond on her ancestral three-acre land changed this. Last winter, she grew mustard and pea in the Rabi season, apart from the Kharif crop. Under the **WAL (Water, Agriculture, Livelihoods)** program, Pernod Ricard India has been working with rural communities engaged in Agriculture and allied activities with a special focus on women stakeholders to foster community-driven sustainable agriculture and water conservation and agri-innovations. WAL currently encompassing 5 integrated development projects in Rajasthan, Maharashtra, Punjab, Madhya Pradesh and Telangana is driving tangible social impact with water resource creation, sustainable agri-practices and businesses of non-timber forest produce (NTFPs) to facilitate increase in disposable incomes for small and marginal farmers.

"We aim to shape a better future for our communities by focusing on water resource management, education, livelihood generation, healthcare, and empowering social change makers. A better future through "Creating Shared Value" for our communities by bringing society and business together to drive transformational growth and development of the country."

– Thibault Cuny,
Managing Director & CEO,
Pernod Ricard India

PRI's WATER TRANSFORMATION AGENDA

Water isn't merely a means to augment the livelihoods of the communities. Within the fence too, water remains a key focal point to enhance sustainability, cost efficiency and drive long term viability for communities and the business

The 4R principle of water management – Reduce, Reuse, Recycle, and Recharge – is an integral part of the company's manufacturing and bottling operations.

A standardised water recycling process is rigorously followed in all the operational locations. **At present, the company recycles a fourth of what it consumes, and this figure will only scale up in the near future.**

BECOMING WATER POSITIVE

Water Recharge is taken up at the community level in the same watershed level of Operations. A combination of 30 rainwater harvesting and recharge structures, and 50 ponds, dams, and de-silting projects have helped PRI in recharging more than 900 million litres near their various operations.

With the net water consumption in Operations sitting at 760 Million Liters, the company has recharged close to 1.2 times the water it has withdrawn in 2018-2019, effectively becoming Water Positive.

On its way to achieve the ambitious target of becoming water neutral by 2021, the company has reduced its consumption by over 50% through initiatives and innovations in its operations.

A surface storage farm pond in Shivpuri, MP


Community members in queue at PRI Water ATM

CLEAN & AFFORDABLE DRINKING WATER FOR ALL

With the vision to serve the underserved and deprived communities who do not have access to safe and affordable drinking water, **PRIF has deployed 45 such ATMs in states such as Haryana, Rajasthan, Delhi, Jharkhand, Maharashtra, Odisha, and West Bengal which provide clean and subsidized water to 150,000 people.**

The company's vision and mission are aligned to global indicators of sustainable development and an ambitious Global Sustainability and Responsibility Strategy 2030 at group level focussing on important subjects like Circular Making and Environmental Preservation.

"Our Vision is to Give back to society and address social, economic & environment sustainability by delivering on corporate social commitments while partnering in India's development initiatives. The Company's mission is to be recognized as the leader of responsibility in the alcohol industry through the company's commitment to promoting responsible drinking, protecting the planet, developing communities, engaging partners and empowering employees, all with an entrepreneurial spirit."

– Sunil Duggal, VP - Corporate Affairs, Sustainability & Communications

Healthcare at the Doorstep of Rural Poor

PRI's healthcare vision is to provide quality healthcare, primary and preventive health protection, at the doorstep of the poor in rural India, and for those who do not have access to reliable healthcare. Its first dispensary was set up in 1996 through Seagram One Rupee Fund in Gurgaon and now today, four dispensaries in Nashik, Behror and Gurugram act at quality primary healthcare hubs for communities around them offering professional services and free of cost medicines having treated more than a million patients till date.

Leaving No One Behind in the Battle against COVID-19

In the midst of the national challenge posed by the COVID-19 pandemic in the country, Pernod Ricard India pledged unwavering support to communities and Healthcare facilities. Before the outbreak worsened, PRIF Mobile Health Vans conducted mass sensitization camps on COVID-19 prevention in 9 states reaching out to more than 5000 community members.

Since the announcement of nationwide lockdown, PRIF has worked in public-private partnerships in 16 states to ensure preventive protection for the frontline communities, and preparedness of critical healthcare system to deal with the crisis. Up till now, State Health Departments were supported with more than 350,000 litres of IPA based hand sanitisers, 400,000 medical and N95 masks, Thermal Scanners for use by Healthcare professionals and Frontline Forces for taking care of the affected persons, enforcing social distancing norms and personal prevention. In a bid to strengthen the critical care infrastructure, more than 60 adaptive ventilators 100 ICU beds have been provided in government hospitals to ensure best-in-class critical care for COVID-19 patients.

The recently launched Mobile Healthcare Program called "Project Sanjeevani" with Wockhardt Foundation has deployed 15 Mobile Medical Vans equipped with qualified doctors, medicines and path lab services on the move to serve the rural and semi-rurual underserved communities and groups especially women, children, elderly and persons with disabilities in 9 states. The program is estimated to serve more than 425,000 people over the coming year.

Patients being treated at the PRI Mobile Health Vans, Kamrup, Assam

Talking about the various initiatives, **Mr. Rajesh Mishra, CFO, Pernod Ricard India,** said, "As a responsible corporate citizen, Pernod Ricard India remains resolute in leaving no stone unturned to contributing to the ongoing efforts to deal with the COVID-19 pandemic in India by supporting our healthcare systems and frontline communities.

In these unprecedented times, it's very crucial for all of us to come together and contribute in any way to our frontline force, maintain law, order and sanity. We are very grateful to the healthcare professionals who are at the forefront against this fight with COVID-19. These masks and sanitizers will be used by the health department for the protection of our COVID healthcare warriors, who are still on duty. We are committed to fill the demand-supply gap for preventive, protective solutions, including sanitizers and masks for all our health care workers and frontline workforce."

– Rajesh Mishra, CFO, PRI

EMPOWERING WOMEN CHANGEMAKERS

With a strong diversity and inclusion outlook, Pernod Ricard India is committed to "involve, enable, and empower the women in our communities" with significantly impact the overall economic and social empowerment of the society, states, and nation. ***"Our programmes position women as key stakeholders and decision-makers in all the processes. Thus, women do not remain passive beneficiaries, but the drivers of social change even beyond our programme in larger community space," explains Duggal.*** This implies overall empowerment, both within the society, and within the families. Studies show that if women are financially independent, they are much more adept.

ART FOR ALL: A GENDERED DIALOGUE

In 2019, Pernod Ricard India collaborated with the Aravani Art Project, a transwomen art collective with aim to initiate a community dialogue on gender and inclusivity at the rural grassroots. With wall art at the centre of the dialogue, transwomen artists created a splendid display of daily life and cultural ethos of local communities in Nashik, Behror and Gurugram with larger than life wall art murals on key community places such as community hall, dispensaries and Swachh Abhiyan washrooms build by Pernod Ricard India Foundation.

Moving forward with a strong social impact strategy aligned with company's business priorities and the unwavering impetus of Pernod Ricard's Global Sustainability and Responsibility Roadmap of 2030; Pernod Ricard India aims to scale its social impact footprint around its operations. The company aims to fully integrate its programs with UN SDGs, NITI Aayog priorities in order to cement its position as the steward of social responsibility, business ethics and corporate citizenship in the country.

Pinki: Educating the Girl Child

Pinki epitomises the quintessential girl across the country, every girl who dreams to achieve un-scaled heights in life, profession, and income through better education. Unfortunately, in India, more than 40% of adolescent girls don't go to schools. PRI is committed to "reach every Pinki across the country and enable her to empower herself and touch countless lives". The program currently supports more than 3300 girls with educational scholarships and 30 girls with Boxing Talent Sponsorship with Mary Kom Foundation.

Incubating Women-Led Enterprises

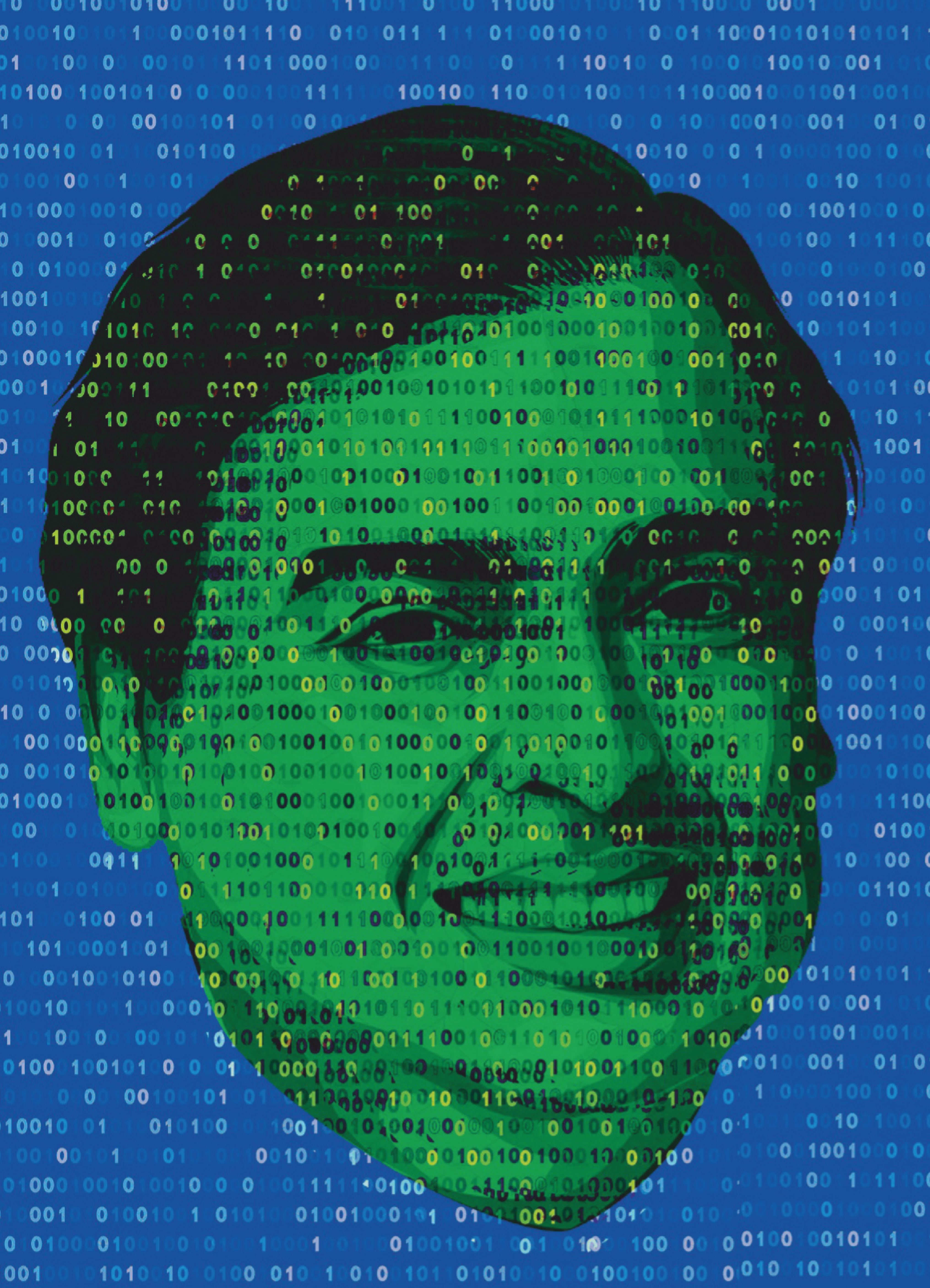
PRIF's flagship social impact incubator program, the WE incubator is a standalone incubation platform for women social entrepreneurs and women-led social enterprises working exclusively with women as the core impact group.

Currently running in partnership with IIM Calcutta Innovation Park and CIE – IIIT Hyderabad, the program serves an excellent opportunity for women changemakers providing access to mentorship, business development support, technology and more than □6 crores of incubation and fellowship support fund.

Moving forward with a strong social impact strategy aligned with company's business priorities and the unwavering impetus of Pernod Ricard's Global Sustainability and Responsibility Roadmap of 2030; Pernod Ricard India aims to scale its social impact footprint around its operations. The company aims to fully integrate its programs with UN SDGs, NITI Aayog priorities in order to cement its position as the steward of social responsibility, business ethics and corporate citizenship in the country.

Enabling Rural Women Farmers

In Madhya Pradesh, as part of PRIF's WAL(Water,Agriculture, Livelihoods) program; 2600 women farmers have collectivised to form 130 Women Producer Groups and have been working to enhance the incomes and livelihoods of marginal communities through innovations in traditional agri-value chains and sustainable businesses of Non-Timber Forest Produce (NTFPs).. In Maharashtra, women-led Self-Help Groups manage water ATMs. Community ownership models like these imply that there is commitment, passion, and zeal among the locals to maintain the quality conditions.



REINVENTING RELIANCE

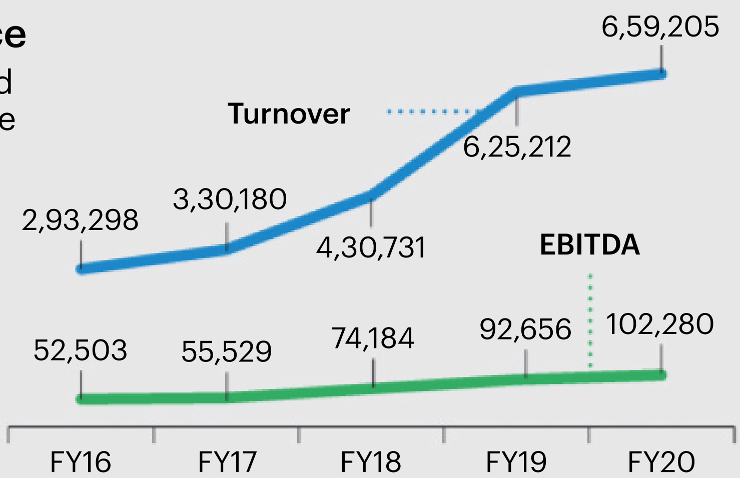
How Mukesh Ambani is pivoting RIL from a petroleum company to a technology corporation

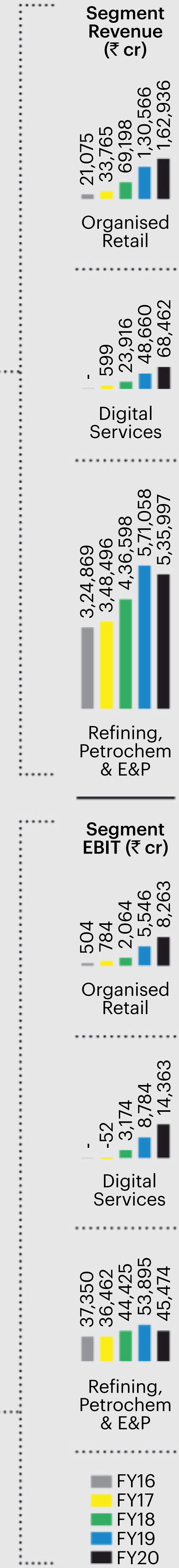
By NEVIN JOHN
ILLUSTRATION BY NILANJAN DAS

Rising Reliance

Both turnover and EBITDA have more than doubled since FY16

Since RIL subsidiaries have been doing inter-commercial deals with each other, added revenues of individual companies will be more than group revenues





Retail and digital have grown much faster than oil over the years

Source: Ace Equity

In

a quarterly video conference with executives in 2012, Reliance Industries (RIL) Chairman Mukesh Ambani started with a warning — "What has brought us here will not take us to the future." He was concerned that Reliance's mainstay business of crude oil refining and petrochemicals could lose sheen amid push for renewable energy, electric mobility and growing global trade tensions.

So what should RIL do? About a year back, in 2011, Ambani's daughter Isha had sowed the seed of a new business, though. Home from Yale University for a holiday, Isha decried poor broadband speeds in India. Until then, even though Ambani had already planned entering telecom by acquiring Infotel Broadband Ltd in 2010, his mind hadn't quite zeroed in on the huge digital and telecom opportunity due to pent-up demand. Isha's statements connected the dots.

Ambani concluded 'Data is the New Oil'. Thus began the relentless transformation of RIL that continues till date. The company took four years to build the digital infrastructure to launch Reliance Jio in September 2016. Today, it's the country's largest network with 387 million 4G subscribers. It was in the process of building Jio that Ambani understood how modern retail is intertwined with technology, a realisation that generated an idea to build India's very own Amazon/Alibaba around Reliance Retail.

In the next five years, while Reliance Retail quadrupled its footprint from 2,621 stores to 11,784 stores, it also created an ideal launchpad for an ambitious e-commerce platform, Jio Mart, launched in 200 cities on May 23.

Thanks to the thrust on these consumer businesses, the company, which was primarily an oil and gas and petrochemicals player, generated 35.1 per cent of its cash flows from consumer businesses in FY20. RIL's revenue and profit jumped 70 per cent to ₹6.59 lakh crore and ₹39,880 crore, respectively, in this period.

35.1
PER CENT
Proportion of cash flow generated by RIL's consumer businesses in FY20

Veteran investment banker Hemendra Kothari, a family friend of the Ambanis since Dhirubhai's time, recalls his chat with Mukesh five years ago. The billionaire spoke about progression in digital evolution, future software offerings and business opportunities. "He is a dreamer and foresees changes in human life and society much before time. He is capable of converting dreams into reality," says Kothari.

So, what is this transformation all about?

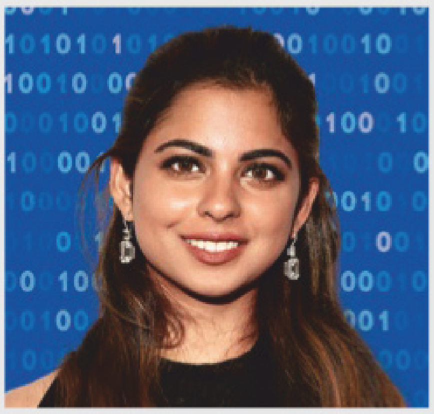
Petrochemicals and refining have been RIL's core for decades (contributing close to 90 per cent cash flows). This is changing. Consumer businesses now account for more than one-third cash flows. Ambani now calls RIL a technology company. But the larger objective behind the transformation is: build three strong pillars of global scale in refining & petrochemicals, digital & telecom, and retail; untangle their financial inter-dependence; and create debt-free balance sheets. And, perhaps, slowly hand over businesses to the next generation.

His twin children, Isha and Akash, joined Reliance Jio and Reliance Retail boards in 2014. People in the know say Ambani gave just four days break to elder son Akash after his graduation to join the company. The youngest son, Anant, joined the Jio Platforms Ltd (JPL) board a little late, in March. Isha and Akash work out of the corporate office in Navi Mumbai's Reliance Corporate Park. Akash heads strategy and leads acquisitions along with Isha, who is part of branding and marketing. The twins were practically living out of private jets — Ambani owns Boeing Business Jet 2, Airbus A319, among others — early this year as they led negotiations with Facebook and others in the US for investing in JPL.

Those investments were critical to retire mounting debt. RIL invested ₹6 lakh crore in the last six years in its three business streams. Nearly ₹4 lakh crore of this went to digital and telecom businesses. This burdened the company with gross debt of ₹3.36 lakh crore (as on March 31, 2020) and doubled net debt to ₹1.61 lakh crore. However, the entry of Facebook and six other investors in JPL for aggregate investment worth ₹97,885 crore for 21.06 per cent stake has alleviated those debt concerns. The deals valued JPL at ₹4.9 lakh crore. The transfer of ₹70,000 crore debt to two infrastructure investment trusts in tower and optical fibre, pending capital expenditure payments of ₹50,000 crore and spectrum fee of ₹20,000 crore are not included in the gross debt number.

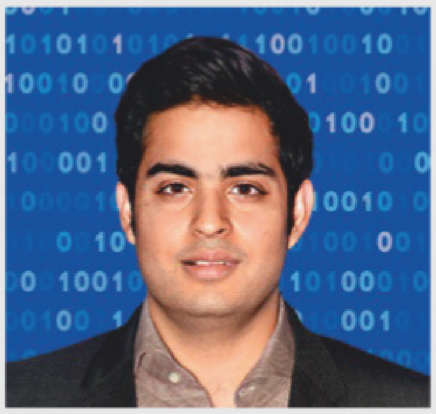
Next in Line

Mukesh Ambani's three children – Isha, Akash and Anant – are now actively taking leadership roles



ISHA AMBANI: Branding Princess

It was Isha Ambani's complaint about slow internet speed at home in 2011 that made Mukesh Ambani realise the full potential of data business. She was also the force behind Reliance Retail's fashion portal Ajio.com.
A graduate from Stanford & Yale, Isha is on the Schwarzman Center Advisory Board at Yale. She is in charge of branding and marketing at Reliance Jio and Reliance Retail. She is passionately involved in customer experience. Isha and her twin brother, Akash Ambani, presented Reliance Jio's business plan at the AGM in August 2019. She recently set up Reliance Arts Foundation to showcase the best of Indian art. Isha has also taken over some of her mother's responsibilities at Reliance Foundation.



AKASH AMBANI: Tech Buff

Over the last couple of years, RIL has completed 15 acquisitions. Most of these were negotiated by the team led by twins Akash and Isha Ambani. They flew down to Facebook headquarters in Menlo Park, California, multiple times to seal social media giant's ₹43,574 crore investment in Jio. He is a key member of Jio's strategy team and also looks after technology aspects at Jio Mart. According to sources, he will be trained in the refining and petrochemicals business.

Both Akash and Isha complement each other in their roles in Reliance Retail and Reliance Jio.

Akash graduated from the Brown University and joined RIL within days of graduation. He is a sports lover who collects Arsenal jerseys and memorabilia.

ANANT AMBANI: Latest Entrant

Anant, the youngest son of Mukesh Ambani, recently joined Jio Platforms as director without fanfare. Sources say Anant will be groomed to take over operational roles in other businesses as well.

The 25-year-old passout of the Brown University has been leading the foundation's initiatives in providing Covid–19 relief along with his sister Isha. He is an animal lover. It has been reported that RIL, which is building a luxe resort in Mumbai's Bandra-Kurla Complex, plans to brand it Anantvilas.

Anant has also been appointed a member of the Badrinath-Kedarnath Temple Committee.

Harsh Goenka, Chairman, RPG Enterprises, says Ambani is a combination of exceptional vision, matchless ambition, unwavering commitment and outstanding execution. Even as coronavorus sent shock waves in economies and industries worldwide, Ambani was striking one deal after another. In one and a half months, JPL has signed deals with private equity investors Silver Lake Partners, Vista Equity Partners, General Atlantic, KKR, Abu Dhabi sovereign fund Mubadala and Abu Dhabi Investment Authority (ADIA). RIL also launched India's largest rights issue of ₹53,125 crore in May-June, which was subscribed 1.59 times. By end of June, 25 per cent of the issue proceeds, or ₹13,300 crore, will be realised. The rest will flow in 2021.

At a time when share prices of most companies are under pressure, RIL has risen 80 per cent since the crash of March 23. Market capitalisation has topped ₹10 lakh crore, for the second time ever.

Ambani's deal-making spree hasn't ended, though. He is working on sale of 49 per cent stake in Jio-BP fuel retailing business to British oil giant BP plc for ₹7,000 crore. The deal could be concluded in the June quarter itself. These deals and the rights issue will reduce RIL's net debt by ₹1 lakh crore. Ambani's plan to make RIL debt-free will be achieved three months before the target (by December 2020). More deals are in the offing. These include 20 per cent stake sale in Reliance O2C, the newly-formed subsidiary, to the world's most profitable company, Saudi Aramco, for ₹1.14 lakh crore.

Unlocking Interdependence

The group has now been restructered for strategic in-

NEW-LOOK RIL

Reliance, which began 54 years ago in Bombay, has four pillars today — hydrocarbons, communications, retail and media

HYDROCARBONS

RELIANCE O2C LTD

(Saudi Aramco to pick up 20% stake for ₹1.14 lakh crore)

Petroleum Refining & Marketing

Revenue
₹3,87,522 crore

EBIT
₹21,334 crore

EBIT Margin
5.5%

Refinery Throughput
70.6 million tonnes

Gross Refining Margin
8.9%

Petrochemicals

Revenue
₹1,45,264 crore

EBIT
₹25,547 crore

EBIT Margin
17.6%

Production
38.4 million tonne

Jio-BP Fuel Stations

BP Plc. will pick up **49%** stake while Reliance O2C will have **51%**

EXPLORATION AND PRODUCTION

Upstream oil and gas exploration and production blocks in India – BP Plc holds **30%** stake

SHALE GAS IN US

Marcellus: Pioneer holds **46.4%** stake

Eagle Ford: Chevron Upstream holds **60%**

Revenue	EBIT	EBIT Margin
₹3,211 crore	-₹1,407 crore	-43.8%

Production
119.2
Billion Cubic Feet Equivalent

vestments. In the new structure, RIL will be the holding company like Tata Sons. Under it, there will be four major subsidiaries — Reliance O2C Ltd (RO2C), JPL, Reliance Retail Ventures Ltd (RRVL) and Network 18 Media and Investments Ltd.

The refining and petrochemicals businesses come under RO2C and JPL is the holding company for Reliance Jio Infocomm as well as digital businesses such as applications MyJio, JioTV, JioCinema, JioNews, JioSaavn and content-generation ventures. Grocery, lifestyle and fashion, digital and e-commerce business JioMart have been housed under RRVL.

The aim of forming these holding companies under the parent is to bring strategic investments in each and later unlocking value by offering shares, either in India or abroad. For instance, the unlocking the JPL that is under way will allow RIL to pay off a major portion of debt. To make JPL attractive for investors, RIL had last year injected ₹1.08 lakh crore in return for optionally convertible preference shares (OCPS) and made it debt-free. This has enabled JPL to bargain for a higher valuation with Facebook and private equity companies. In oil and gas, the Aramco deal will multiply the value of RO2C, as it has huge cash flows with limited liabilities. RRVL will also see strategic investments soon.

However, the new structure means the entities will have to generate own capital, besides servicing debt from own cash flows, as they will have separate governance structures with different investors.

RIL subsidiaries have been doing inter-commercial deals all along. The petrochemical business was buying refined crude oil from refineries and Jio was buying mo-

DIGITAL & TELECOM

JIO PLATFORMS LTD

It recently sold **21.06%** stake — Facebook **9.99%**, Vista Equity Partners **2.32%**, KKR **2.32%**, Silver Lake **2.08%**, Mubadala **1.85%,** General Atlantic **1.34%**, ADIA (1.16%) for a total ₹**97,885** crore

Revenue	EBIT
₹68,462 crore	₹14,363 crore

EBIT Margin	Mobile subscribers
21%	387.5 million

Reliance Jio Infocomm Ltd – Home, Enterprise and Wireless Broadband Services

Cloud (with Microsoft), IoT, Blockchain, Big Data, Games, Apps & Content

Payments and Finance

MEDIA

NETWORK18 MEDIA & INVESTMENTS

Revenue	EBIT
₹5,357 crore	₹351 crore

EBIT Margin
6.6%

TV18 Broadcast and other media businesses

Hathway Cable, Datacom and Den Networks

Financials for FY20; Source: Company

RETAIL

RELIANCE RETAIL VENTURES LTD

Revenue	EBIT
₹1,62,936 crore	₹8,263 crore

EBIT Margin	No. of stores
5.1%	11,784

Area covered
28.7 million sq. ft.

Reliance Retail: Grocery, fashion and lifestyle, electronics

Jio Mart: e-Commerce platform

Reliance Brands

Retail Stores: **11,784**

Distribution Centres: **100, across 23 States**

Warehousing Space: **10 million sq.ft.**

PHYSICAL FORMAT

Reliance Mart - India's largest Cash & Carry Chain: **52 stores**

Reliance Digital: **8,249 stores**

Fresh & Reliance Smart: **621**

Reliance Trends: **777 stores**

Reliance Brands: It partners with **45 international brands** and has **682 stores**

Reliance Jewels: **93 exclusive showrooms** and **110** shop-in-shops

bile phones for subscribers from Reliance Digital. Almost 43 per cent of Reliance Reatail's revenue comes from connectivity business (billing and sim card sales for Jio) and retailing of fuels. This will change if new investors in RRVL seek commercial terms for inter-subsidiary businesses at standard market margins, say experts.

RIL has been using cash flow from the petroleum business to build telecom and retail subsidiaries as well as acquire shale gas assets in the US, apart from media companies. RIL has spent about ₹4 lakh crore to build Jio and about ₹1 lakh crore for expanding the petrochemicals business in the last five years. This will change too. "In the new structure, all companies are expected to be independent entities under a holding company. They will have separate balance sheets and governance structures. The liability of one company will not affect the other. They cannot utilise each other's cash flows. The investor will have the freedom to choose the sector rather than investing in a bouquet of companies," says an expert.

Dance to Digital

Three years ago, Ambani went past the government's retirement age of 60 years. It was at this stage that he drew up the plan to build a software company inside RIL which can provide e-commerce, cloud storage, entertainment, home automation and high speed broadband services for businesses. JPL is developing projects around Internet of Things, Blockchain, big data, artificial intelligence, machine learning, robotics and drones. The ecosystem will be supported by cloud, edge and super-computing.

People who work closely with Ambani say he is a transformed man, focusing on thought leadership, while leaving execution to the team led by Manoj Modi, the Meswani brothers (Nikhil and Hital), Executive Director P.M.S. Prasad, CFO Alok Agarwal, and children Isha and Akash.

A reluctant public speaker, he has been appearing at leadership summits of other firms — recently at summits of Mahindra & Mahindra and Microsoft — speaking on national interest, humanity and how technology changes life.

Shekhar Bajaj, Chairman and Managing Director of Bajaj Electricals, calls Ambani an execution specialist. "Ambani plans projects on a huge scale such as Walmart, Microsoft and Google. RIL has deep pockets to convert business plans into success," adds Bajaj. It is this ambition, risk-taking and desire to build global scale that makes analysts compare him with Jack Welch, former CEO of General Electric (GE). Welch expanded GE from a $12 billion revenue company to an engineering conglomerate with $410 billion revenue during his 20-year stint as CEO. The key for Welch was diversification and growth, while in Ambani's grand scheme of things, digital and retail businesses are interlinked, and can drive growth for years to come. By creating the nationwide broadband and wireless infrastructure, he has built the highways. Now, he has to build businesses along these highways with online service offerings. The third step will be local manufacturing of products. For instance, if Jio Mart is the shopping complex on the digital highway, the products will be grocery, electronics and apparel of Reliance Retail. Selling products to retailers and customers will be the next step. Shopkeepers, largely *kiranas*, will be provided software and financial credit to connect with customers and wholesale merchants. Customers will get advantages of credit and crypto currency too. Serial entrepreneur Ronnie Screwvala says, "Most of us

From Oil to Digital

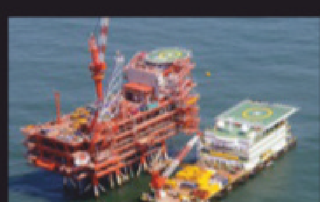
RIL has switched focus from oil to digital and retail. Here is the journey

July 2002 Founder Dhirubhai Ambani passes away at 69. Mukesh Ambani appointed RIL Chairman and Anil Ambani Vice Chairman

June 2005 Ambani brothers split businesses. Mukesh gets refining and petrochemicals and Anil gets power, telecom and financial services

Nov 2006 RIL enters organised retail, launches first Reliance Fresh store in Hyderabad

Sept 2008 Announces oil production from Krishna Godavari Basin MA field and starts gas production from D1 and D3 in April 2009



Dec 2008 RIL commissions second refinery at Jamnagar, Gujarat. It becomes the world's largest refining hub

April 2010 RIL gets into US shale gas exploration and production

June 2010 Buys 95 per cent stake in Infotel Broadband (promoted by Mahendra Nahata) for **₹4,800 crore** soon after it wins broadband wireless spectrum across India

August 2011 BP acquires 30 per cent stake in exploration and production assets for **₹32,400 crore**

get confused and waylaid thinking that while building a global scale business, you can't do it for your local market first. RIL and Mukesh have shown the way on that, time and again."

The Facebook Deal

The most striking of the six investments in JPL was Facebook's acquisition of 9.99 per cent equity for ₹43,574 crore. In the absence of details from either side, it has caused a lot of curiosity and speculation regarding the long-term plan. The most obvious being that Jio can tap WhatsApp's 350 million users in India while Facebook will be able to enhance its base among the 387 million Jio subscribers and even sell them financial products, including crypto currency Libra. Kothari says Jio is not just an online shopping and telecom company. "It will touch various aspects of human life in coming years."

The back-to-back deals will help JPL become independent with surplus capital. JPL will use ₹28,000 crore from the Facebook deal to redeem OCPS of parent RIL and retain ₹15,000 crore on its books. JPL, which has a debt of around ₹23,000 crore, may also consider listing in the US market where tech companies get exponential valuations, say company sources.

In FY20, Jio posted a 87.65 per cent rise in standalone net profit to ₹5,562 crore, as against ₹2,964 crore in FY19, driven by subscriber additions and tariff increase in the third quarter. Morgan Stanley analysts say Jio's subscriber additions picked up in January as Airtel maintained its run rate and Vodafone Idea's base declined. "Jio held about 58 per cent of the wireless data subscriber market share as of January 2020, followed by Airtel at 22 per cent and Vodafone at 18 per cent," they add.

At launch, Jio offered free lifetime voice calls and free

Dec 2015 Reliance Jio soft launches mobile services with a beta version for partners and employees

Sep 2016 Jio commercially launches 4G operations across India

Hamleys

July 2019 Reliance Brands acquires British toy retailer Hamleys for ₹620 crore

Aug 2019 Mukesh Ambani announces at AGM that Saudi Aramco will pick up 20 per cent stake in oil and chemicals business for ₹1.14 lakh crore. He details plan to reduce net debt to zero

Dec 2019 BP Plc signs agreement to pick 49 per cent stake in Jio-BP fuel retailing business for ₹7,000 crore

Jan 2020 Brookfield acquires tower infrastructure investment trust of Reliance Jio Infocomm for ₹25,215 crore

Brookfield

Feb 2020 RIL acquires 37.7 per cent stake in bankrupt textile company Alok Industries for ₹250 crore

Apr 2020 RIL board approves proposal to raise up to ₹25,000 crore through non-convertible debentures

May-June 2020 Huge investments in JPL — by Facebook, Silver Lake, Vista Equity Partners, General Atlantic, KKR, Mubadala, ADIA, amounting to ₹97,885 crore

May 2020 Jio Mart launches e-commerce business in 200 cities

June 2020 ₹53,125 crore RIL rights issue subscribed 1.59 times data for three months. The offer was extended. This decimated the telecom industry. Vodafone and Idea merged. Tata Teleservices shut shop and Anil Ambani's Reliance Communications filed for bankruptcy. Norway's Telenor sold its Indian operations to Bharti Airtel. Russia's Sistema also exited the market.

Does this mean smooth sailing for Jio? The chief architect of India's data privacy law, Justice B.N. Srikrishna, has raised a red flag over lack of a data regulator to oversee privacy concerns related to the Reliance Jio-Facebook deal. "It is a strategic investment. A strategic investment means it is an investment intended to further the business interest of the investee as well as the investor."

Both firms say they will not share data. But critics say some sharing will happen naturally when they work together. The deal may invite new social media regulations. In that case, Ambani will be able to play a guardian angel for Facebook in India.

Jio's rivals allege it has got undue advantages from the telecom regulator. The wireless spectrum that Infotel Broadband bought never had a licence for voice. It also got an extended field trial period which was objected to by rivals. In this period, it allegedly grabbed customers from rivals by offering free data.

India's Own Alibaba

Mukesh Ambani's retail universe is often compared with Jack Ma's Alibaba multi-channel ecosystem. Apart from e-commerce and physical retail, Alibaba has its own version of Facebook, Messenger, YouTube and WhatsApp. It also has a film production arm. Ant Financial, which owns Alibaba's escrow service, AliPay, valued at $150 billion, is among the world's highest valued companies.

When the coronavirus pandemic brought retail business to a standstill, even a strong physical retailer such as DMart experienced a 45 per cent dip in sales in Q4FY20. Reliance Retail saw an opportunity and launched its e-commerce grocery platform, JioMart, with 50,000 SKUs. It has been rolled out across 200 towns to capitalise on the surge in online shopping across the country. The initial feedback is far from encouraging, though. Social media is abuzz with complaints about quality standards and delivery efficiency. This is hardly an indication of things to come. "Reliance's greatest advantage is financial capacity to sustain, which allows it to go wrong and then correct itself," says Ashok Maheshwari, who was part of the founding team of DMart.

"HE IS A DREAMER AND FORESEES CHANGES IN HUMAN LIFE AND SOCIETY MUCH BEFORE TIME. HE IS CAPABLE OF CONVERTING DREAMS INTO REALITY"

Hemendra Kothari
Founder, DSP Investment Managers

"AMBANI PLANS PROJECTS ON A HUGE SCALE SUCH AS WALMART, MICROSOFT AND GOOGLE. RIL HAS DEEP POCKETS TO CONVERT BUSINESS PLANS INTO SUCCESS"

Shekhar Bajaj
Chairman & MD, Bajaj Electricals

Reliance's game plan is to create a consumer ecosystem through its 'new commerce' initiative. This involves creating a super app, which will offer data and telephony and enable users to shop online across Reliance's retail formats and consume entertainment. Consumers will be encouraged to pay through JioMoney, which is expected to expand into financial services. In order to strengthen this digital ecosystem, it has bought technology companies that offer solutions in artificial intelligence (Haptik for ₹700 crore), voice recognition (Reverie for ₹150 crore) and virtual reality (Tesseract for ₹10 crore).

It also owns a host of entertainment businesses such as Viacom 18, Balaji Telefilms, Eros and Saavn and so can sell its entertainment offerings on JioTV and JioMovies, available on JioApp. In fact, Facebook's second agreement – the commercial partnership agreement between JPL, Reliance Retail and WhatsApp — is expected to give further impetus to this new commerce initiative. The synergies give Reliance Retail a clear advantage over peers such as DMart or Future Retail and global biggies such as Amazon and Walmart (Flipkart), which are not allowed to have physical presence in India.

Retail Presence

Jio Mart will piggy ride Reliance Retail, the country's biggest retail network with 11,784 stores (Reliance Digi-

Key Drivers

MANOJ MODI

Modi is Director of Reliance Retail and Reliance Jio. However, he is de facto CEO of the conglomerate. Modi, Ambani's classmate from engineering college, was in charge of building the Jamnagar refinery and petrochemicals complex. After setting the stage for Reliance Retail growth, he moved on to build the digital ecosystem for Reliance Jio

NIKHIL MESWANI

Nikhil, the elder son of Dhirubhai Ambani's cousin Rasiklal Meswani, is in charge of the petrochemicals business, which became the largest cash flow generating vertical last year. He spearheaded the ₹1 lakh crore expansion of the petrochemicals business over the last three years. Meswani has been on RIL board since 1988

HITAL MESWANI

The younger brother of Nikhil joined RIL in 1990 and has been on the company's board since 1995. He was instrumental in execution of the world-class petrochemicals complex at Hazira and the Jamnagar refinery complex. The soft-spoken Wharton graduate oversees refinery and manufacturing operations

ALOK AGGARWAL

Aggarwal heads treasury operations of RIL where he has to shield the company from global fluctuations in currency, crude oil and interest rates. An IIM graduate and a former Bank of America executive, he has an uncanny knack of raising funds even in a bad market. He spearheaded the recent ₹53,125 crore rights issue

P.M.S. PRASAD

He is a Reliance veteran who started working closely with Dhirubhai Ambani in 1981. He joined RIL from Schlumberger's Africa unit. Prasad, 67, is also on board of RIL, and oversees its oil and gas business. He had taken additional responsibility for rollout of Jio. His project execution skills are incomparable, seen in the first refinery at Jamnagar

tal, Reliance Trends, Reliance Smart, Reliance Fresh and Reliance Mart) in 6,700 towns and cities. While JioMart is the new kid on the block, its other ecommerce businesses such as Ajio (fashion) and *Reliancedigital.in* have also started contributing substantial revenue. Reliance is the first Indian retailer to be in the top 50 on Deloitte's Global Powers of Retailing 2020 Index, which ranks 250 retail firms on their revenue. It was 94th last year. "If you take the entire Reliance Retail ecosystem, including JioMart, you really can't say they are competing with one individual company. They are going after consumers' wallet share. Their business is multi-channel, including cash and carry," says Arvind Singhal, Chairman, Technopak Advisors.

A significant part of Reliance Retail's multi-channel strategy involves partnering with local grocery stores. It plans to have an ecosystem of over five million *kirana* stores as last-mile delivery points. The idea is to penetrate the unorganised retail market (90 per cent of the retail market) by helping them digitise through mobile PoS (MPoS) devices. This will enable better inventory management for *kiranas* and also help them take orders online.

However, the challenge here is that a large chunk of *kirana* store owners don't want to use the Reliance Mpos fearing they will be forced to order from Reliance in place of the traditional distributor they have been dealing with for years. "They have given PoS devices for free but *kiranas* don't trust Reliance as they are competing with them in the B2C space," says the CEO of a leading retail company. "A *kirana* may adapt to Reliance, but if he is forced to buy from Reliance, he may exit. *Kirana* store owners are smart businessmen. It won't be easy to dictate terms to them," says DMart's Maheshwari.

RRVL, the holding company of all retail businesses, plans to go for a public issue, besides bringing in a strategic investor. "RRVL will get listed. The operating companies, Reliance Retail and JioMart, will be part of it," says Dinesh Thapar, Group CFO, Reliance Retail.

Reliance Retail has been growing using RIL's cash flows. Its growth has been exponential after the launch of Jio, whose connectivity revenue (billing and SIM card sales) contributed 34 per cent to revenue and 13 per cent to EBITDA in FY20. Petro retailing added 9 per cent to revenues and 2 per cent to EBITDA.

Grocery, fashion and lifestyle are success stories in Reliance Retail. If you take out petroleum and Jio, physical retail was around ₹95,000 crore in FY20. Dmart's ₹24,870 crore (FY20) and Future Retail ₹20,165 (FY19) crore revenues were way behind.

Reliance's platform strength, cash and carry arm, physical retail businesses and partnership with *kirana* retailers give it a huge multiplier effect but the $800 billion Indian retail market has room for multiple players. Retail experts say if there is anyone who has the financial might to give Reliance a run for its money in the platform business, it is Jeff Bezos-owned Amazon. The American ecommerce giant is known to be in talks with Bharti Airtel for a 5 per cent stake. If this happens, Amazon will emerge a formidable competitor with a combination identical to Jio-Jio Mart.

However, the Indian retail market has seen more misses than hits. Indian retail's poster boy, Kishore Biyani, is staring at bankruptcy because of debt. Biyani was in a similar situation in 2012 when he was forced to sell his most profitable venture, Pantaloons, to Aditya Birla Retail. In 2015, Bharti Airtel exited its loss-making joint venture with Walmart and eventually sold its grocery retail business, EasyDay, to Future Retail. In 2018, Aditya Birla Retail sold its unprofitable grocery retail business, More, to Samara Capital and Amazon. Last year, the Godrej Group ended its tryst with retail by selling its premium grocery retail business, Nature's Basket, to Spencer's Retail. The only retail success story has been stock-market tycoon Radhakrishna Damani's ₹24,870 crore DMart, which has emerged as the most valuable retail business in India. Its retail arm Avenue Supermarts Ltd is valued ₹1.6 lakh crore in the stock market.

Some analysts allege the retail FDI policy has been framed in such a way that it suits RIL. It doesn't allow FDI in multi-brand retail, which means the likes of Amazon and Walmart can't have physical presence in India. Walmart tried to fulfill its B2C aspiration by acquiring Flipkart in 2018 for an astronomical $16 billion, but its wings have been clipped, as it is allowed only

"AMBANI HAS SUCCESSFULLY PIVOTED RIL TO A RETAIL AND TECHNOLOGY ORGANISATION. IT REQUIRES EXTREME COURAGE AND DETERMINED MIND TO PUT THE WORLD IN THE PALM OF YOUR HAND"

Harsh Goenka
Chairman, RPG Enterprises

"MOST OF US GET WAYLAID THINKING THAT WHILE BUILDING A GLOBAL SCALE BUSINESS, YOU CAN'T DO IT FOR YOUR LOCAL MARKET FIRST. RIL HAS SHOWN THE WAY"

Ronnie Screwvala
Serial Entrepreneur

to function as a marketplace. Both Amazon and Walmart are not allowed to sell their own brands legally, except in categories such as food. This gives Reliance an upper hand, as it can push private brands, which account for 90 per cent of all merchandise offerings in categories such as apparel and jewellery.

Recharging Petrochem

Anticipating demand destruction in crude oil refining, Ambani had decided to invest ₹1 lakh crore in expanding the petrochemicals business four years ago. In mid-May, after two months of lockdown, RIL exported a shipload of petrochemical products to China for the first time. The ship Sana of Maersk sailed with 2,611 containers of 68,000 tonnes from Jamnagar. It was possible only because of transformational projects in petrochemicals, says an RIL executive.

Harsh Goenka says Ambani has successfully pivoted RIL from an oil and petrochemical giant to a retail and technology organisation. "It requires extreme courage and determined mind to put the world in the palm of your hand," Goenka says, referring to Reliance India Mobile's 2002 advertisement, *kar lo duniya mutthi mein*.

The shift to consumer businesses started with gross refining margins (GRMs) — the margin earned for turning every barrel of crude oil into fuel — in petroleum falling three years ago, and pricing instability in the hydrocarbon business. There was also uncertainty in oil supply due to heightened geopolitical tensions in West Asia and sanctions on Iran. The crisis escalated in March 2020, when crude prices crashed to record lows. In FY20, RIL's GRMs fell to $8.9 a barrel from $9.2 in FY19. However, according to research analysts at Bernstein, these are still higher than the Singapore benchmark GRM at $7.7 a barrel. However, with the lockdown still in place and crude oil storage nearly full, the current quarter may be much more challenging, they say.

While refining was stronger than expected, petrochemicals faced pressure on margins due to contracting GDP growth and declining demand. The earnings before interest and tax (EBIT) margins for the petrochemicals business fell for the fourth consecutive quarter to $67 a tonne during Q4FY20, the lowest since 2016.

"The outlook on margins is challenging given start of new units in China and weak demand for chemicals. However, a strong recovery from the virus could see margins rise," says an analyst.

The petrochemicals business had surpassed the EBIT of the refining business in FY19. But revenue from petrochemicals decreased 15.6 per cent to ₹145,264 crore in FY20 due to lower price realisations and weaker demand in well-supplied markets. The EBIT for the petrochemicals segment was ₹25,547 crore, down 21.1 per cent compared to the previous year, due to lower margins in key products. However, Ambani is bullish on petrochemicals. He has prepared a blueprint for its oil-to-chemical (O2C) play as negotiations progress with Saudi Aramco. He had, in fact, discussed his plans with the Crown Prince of Saudi Arabia, Mohammed bin Salman, in February 2019, when the de-facto leader was visiting India.

₹97,885 CRORE
Investment commitment in JPL in one and a half months

₹1.14 LAKH CRORE
The amount RIL is expected to raise by selling a 20 per stake in Reliance O2C to Saudi Aramco

RIL wants to convert 70 per cent of its output from the Jamnagar refinery and petrochemical complex to chemicals. At present, the complex produces 90 per cent fuels — primarily petrol, diesel, naphtha, kerosene and liquefied petroleum gas — and 10 per cent chemicals.

Convinced by Ambani's concept, Saudi Aramco has expressed its desire to be a strategic partner. The deal includes stake in material assets such as the two refineries and a petrochemical complex in Jamnagar, besides stake in fuel retailing. "As the world migrates from fossil fuels to renewable energy, we will maximise O2C conversion and upgrade fuels to high-value petrochemicals. This will be done in a phased manner over the next decade to meet the rapidly increasing demand for petrochemicals, in India and the region," Ambani said in the company's last annual report.

The O2C strategy involves new ways to upgrade the refinery intermediate streams by value, according to company officials. "Furthermore, RIL has developed a disruptive technology, a multizone catalytic cracking process, which converts a wide range of feedstock to high-value propylene and ethylene," they add.

The Jamnagar complex has also commissioned the world's first fully-integrated refinery off-gas cracker and petcoke gasifiers. Aramco will supply 500,000 barrels of crude oil every day to RIL's Jamnagar refinery (28 per cent of its requirement) on a long-term basis. Ambani is focussing on converting RIL's O2C business into one of the top five petrochemicals companies in the world.

Struggling Segments

The turnaround of hydrocarbon exploration & production (E&P) and media is a pain point. The RIL-led consortium has committed nearly ₹80,000 crore in the KG Basin — ₹45,000 crore 10 years ago and ₹35,000 crore (this is continuing) for three fields.

The E&P business has also been making losses for the last four financial years. RIL roped in BP in 2011, selling 30 per cent stake for $7.2 billion, to revive the business. It helped it cut losses, but BP had to write-off a part of its investments.

The Bernstein report says E&P remains weak as domestic gas volumes continue to decline. Production in US shale operations increased 14.4 per cent during quarter ended March, but due to low gas prices in the US, profitability remains low.

"While production remains on a downward trend, the KG-D6 project is on track to deliver significant production growth," according to the report. The project will on stream more than three trillion cubic feet of gas. RIL has been in talks with overseas funds to sell stake in optical fibre InvIT to further reduce debt. Sources say it is also in talks with Microsoft for another deal in JPL. The IPOs are not Ambani's immediate priority.

RIL is also scouting for buyers for some of RIL's real estate assets (might include land RIL bought for special economic zones in Mumbai), and some financial investments. Ambani said in the last AGM that RIL is "de-emphasising" its shale gas business in the US and will focus only on India. RIL may eventually consider selling the shale gas business.

Ambani doesn't want a bad apple in the basket. Ronnie Screwvala says the assumption is that if you have access to unlimited capital, you can think big, but most lose their way when it comes to executing ideas. Perhaps Mukesh Ambani is different. BT

(With inputs from Ajita Shashidhar)

@nevinjl

Finance

Ticking Time Bomb

Up to ₹40 lakh crore worth of loans of banks are under six-month moratorium. The risk of default looms large

BY ANAND ADHIKARI
ILLUSTRATION BY RAJ VERMA

Sanjiv Bajaj is not known to mince words. The 50-year-old Bajaj family scion, who runs India's largest non-banking consumer finance company with 43 million customers, has been vocal in opposing the six-month moratorium on loan payments announced by the Reserve Bank of India (RBI) to help borrowers tide over the cash crunch due to the Covid-19 lockdown. "It can alter credit behaviour of customers," warns the younger son of industrialist Rahul Bajaj.

This vice chairman of Bajaj Finance has a point. Consider the moral hazard created by massive farm loan waivers that has affected credit discipline of farmers. "A longer moratorium does bring a risk if things are bleak on the economic front," says Chandan Sinha, a Director on board of State Bank of India, India's largest bank. But Sinha, who has had a long stint with the RBI, says, "Things have to look up."

This is what every banker must be praying for considering the huge loan payments that are stuck because of the moratorium. Under the moratorium, which ends in August this year, banks and non-banking finance companies (NBFCs) do not have to classify loans that turn bad during this period as non-performing assets (NPAs). This means the first batch of Covid-related NPAs will hit the street in the December quarter. The exact damage will be known only by January next year.

New NPA Cycle

Bank NPAs fell for the first time in seven years in FY19, when gross NPAs settled around ₹9 lakh crore, roughly 9 per cent of advances. But before bankers got any breathing space, the lockdown set the ball rolling for a new NPA cycle.

"The banking sector is looking a lot more exposed today than in the previous NPA cycle," says Saswata Guha, Director at Fitch Ratings. The reasons are likely negative GDP growth in FY21, low credit growth, high NPAs, shrinking capital and lower profitability. "The banking system was in a better shape when it had entered the last NPA cycle," says Guha.

The numbers bear this out. Some public sector banks (PSBs) have reported that 65-70 per cent of their loan book is under moratorium. For most private sector banks, the figure is one-third. The outstanding term loan book was ₹59.52 lakh crore on December 31, 2019. As per RBI estimates, ₹38.68 lakh crore is under the six-month moratorium. In a worst-case scenario, 20 per cent of this, or ₹8 lakh crore, can turn bad. This will double bank NPAs (9 per cent at present).

Agencies have made various estimates of how each loan segment will behave. India Ratings and Research has estimated FY21 corporate slippages alone at ₹3.4 lakh crore. "The incremental stress is mainly from power, infrastructure, construction, hospitality, iron & steel, telecom and realty sectors," it says. The MSME segment, with loan outstanding of over ₹15 lakh crore, is next in line. "MSMEs have been enjoying benefits of past restructuring also. The current guarantee and other support will also help. Their problem (loans turning NPAs) will get postponed for a year or two," says a banker. PSBs are more exposed to the MSME segment than private sector banks.

In retail, the biggest worry for large private banks such as ICICI Bank, HDFC Bank and Axis Bank is unsecured loans, especially personal loans and credit cards.

The Prescription

Banks and NBFCs' strategies to deal with moratorium book

Take Federal Bank. Its 35 per cent loan book is under moratorium. Its assessment has found that 5-6 per cent of the retail book under moratorium is at high risk. In case of Bandhan Bank and small finance banks, almost 90 per cent of the micro loan book is under moratorium. Bandhan is very active in the small loan space. But R. Baskar Babu, MD & CEO of Suryoday Small Finance Bank, is positive and says small finance banks have a much better personal touch with customers than other institutions and so will emerge out of the crisis relatively unscathed. "This is a crisis which tells you about the personal connect with customers if you are in retail lending," says Babu. NBFCs are on a much weaker wicket than banks as most of their customers have irregular incomes.

The stress will unfold after the lockdown opens. Experts say considerable pain awaits financial services companies.

Prudence & Conservatism

The moratorium will certainly make borrowers more indebted as lenders add interest for the period the payments are stopped. The interest accrued to banks but not paid is estimated to be ₹2 lakh crore for the six-month period. "Creditworthiness of a borrower is also likely to fall because of depressed economic activity," says Saswata of Fitch Ratings.

Banks are clearly in uncharted territory considering that the economy will shrink this year after growing for several decades on a trot. At present, special mention accounts (SMAs), the potentially risky accounts with less than 90 days default, add up to ₹4 lakh crore. The RBI has, as a precaution, has asked banks to make 10 per cent provisioning for these accounts in March and June quarters. However, no provisioning is needed for a large part of the ₹40 lakh crore moratorium book, where there is high possibility of fresh NPAs considering that those who have opted for delayed payments are under a severe cash crunch. These include companies in aviation, real estate, construction, hospitality sectors, all of which have been badly hit by Covid-19. Similarly, a number of individuals who have opted for the moratorium are workers of mid-sized enterprises that have announced job and salary cuts.

Banks know they will have to make extra provisioning to keep themselves safe from these future NPAs. ICICI Bank has already made Covid-related provisioning of ₹2,725 crore against standard assets. This includes ₹607 crore for SMA accounts, as per the RBI rule, for the March quarter. Bandhan Bank has made a provisioning of ₹690 crore for FY20, of which ₹64 crore is for SMA accounts. In fact, Bandhan made the entire 10 per cent provisioning for SMA accounts (5 per cent each for March and June quarters) in March quarter itself. Axis Bank and Small Finance Bank Equitas also made the entire SMA provisioning in March quarter itself.

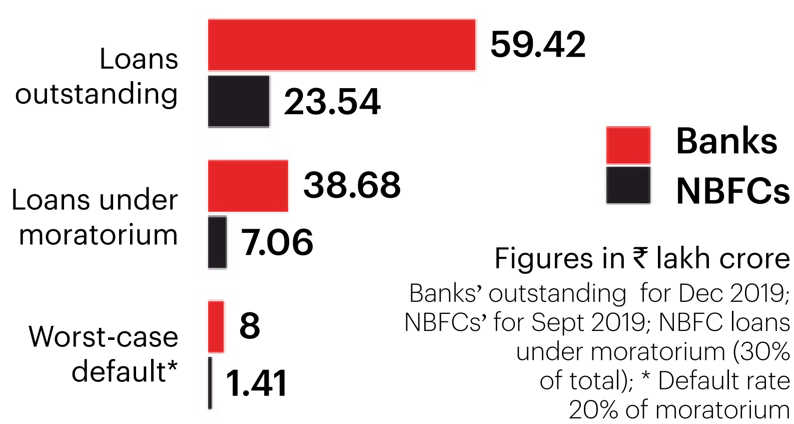
Stress Testing

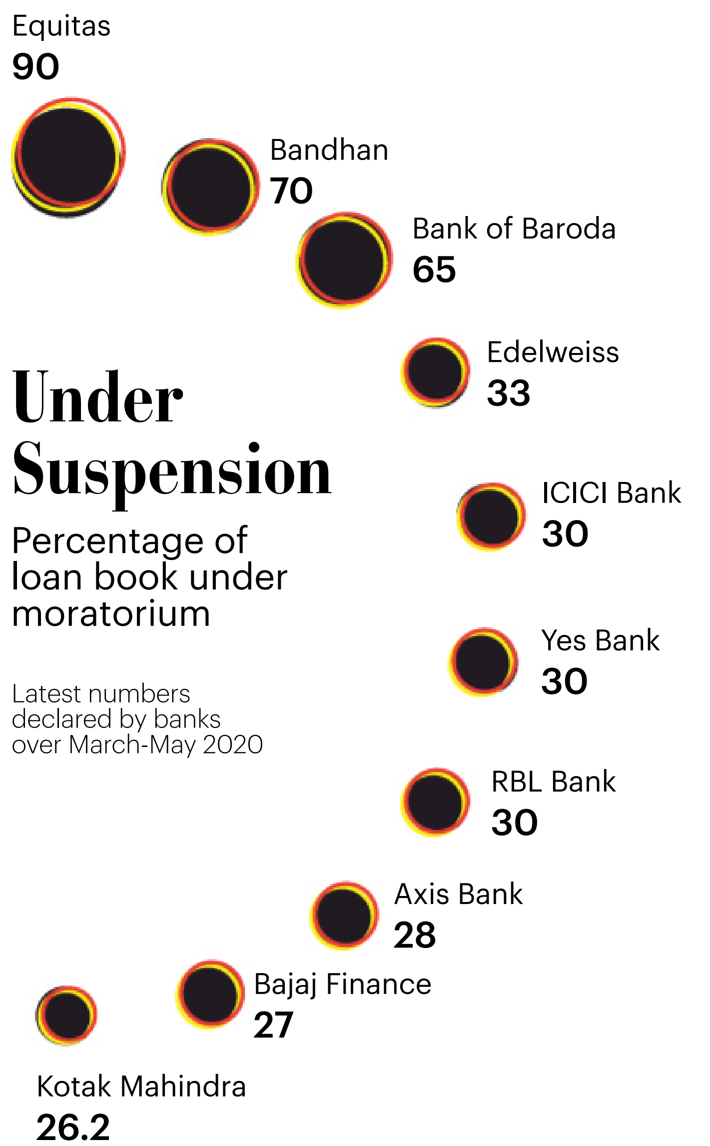
The worried banks have started testing the moratorium book for stress. They are analysing borrowers based on past default, age, leverage, company profile (level of Covid impact), geography (green, orange, red or containment zone).

A young borrower who has taken the moratorium will be seen as a lower risk as he or she is likely to work for more years. Banks are working with credit bureaus

Payments on Hold

A staggering 65% bank loans are under moratorium





like CIBIL and Experian for this. "We have the capability of identifying and creating segmentation of borrowers," says Sathya Kalyanasundaram, Managing Director, Experian India. So, banks doing fresh lending after the moratorium period will be able to know if the customer has taken the moratorium option in the past. The will become a starting point for fresh lending.

Banks are also segmenting their loan book under different sub-segments. Take the retail book, where micro loans, commercial vehicle loans, personal loans and credit card dues are more prone to default. Similarly, in the MSME book, Mudra loans and farm sector loans require closer scrutiny. These are the segments where banks have seen high moratorium requests. Amitabh Chaudhry, MD & CEO of Axis Bank, recently assured investors the bank has stress-tested its entire portfolio. Banks are also making an assessment of collateral considering that its value will fall if GDP shrinks. Experts say PSBs will be the hardest hit due to high proportion of book under moratorium (65-70 per cent) as against 25-30 per cent for private banks, though they add that corporate book of PSBs may face more headwinds but retail book of PSBs is in a far better shape than that of private banks. "Our retail book mostly comprises home loans," says Samuel Joseph Jebaraj, Deputy MD at IDBI Bank.

Capital Buffer

Uday Kotak, the promoter of Kotak Mahindra Bank, which recently raised capital from the market, has said the banking sector will need recapitalisation of ₹3-4 lakh crore. The capital will be required for loss of cash inflows via EMIs, higher provisioning for NPAs and delay in recoveries because of suspension of the Insolvency and Bankruptcy Code. For PSBs, which control two-third of banking, this will be an urgent requirement. Their low valuations mean the equity sale option is ruled out. Also, given the fiscal constraints, immediate government support is unlikely. Experts say the government can issue bonds to PSBs and pump in the money raised into PSBs as capital. The regular outgo for the government will be the interest paid, though this will create a big future liability during the bond redemption stage. "The future capital requirement will depend on loan repayment, recoveries and likely delinquencies in the moratorium book. It is quite possible that the banks will need capital," says Sameer Narang, Chief Economist at Bank of Baroda.

Ratings downgrade is another risk for banks which can hit their ability to raise resources, says Gopalkrishna Tadas, former Executive Director at IDBI Bank. Moody's has already downgraded close to a dozen banks. More downgrades are likely as the economy shrinks.

So far, banks are putting up a brave face. They are conserving liquidity and sitting on cash rather than lending. Most are saying that their moratorium customers have money in their accounts. But banks, as custodians of public money, have to prepare for the worst. BT

@anandadhikari

Policy

PHOTOGRAPH BY CHANDRADEEP KUMAR

PHOTOGRAPH BY JAISON G

THE LABOUR LAW CONUNDRUM

States have proposed radical changes in labour laws post lockdown. But those cannot trigger an economic revival

BY SONAL KHETARPAL

PHOTOGRAPH BY RAJWANT RAWAT

Fast-moving consumer goods major ITC was under attack recently reportedly for sending a notice to workers of its two food factories in Maharashtra and Karnataka, threatening "disciplinary action" and salary cuts if they didn't turn up for work despite social distancing and safety precautions at workplace. An ITC spokesperson denies, saying the company paid full wages to its 50,000 workers in April. However, the case raises interesting questions about the rights of workers, especially under the prevailing circumstances with states planning unprecedented changes in labour laws.

Employment lawyer Atul Gupta, Partner at law firm

KEY CHANGES SOME STATES HAVE PROPOSED

ASSAM

Extension of working hours to 12 based on agreement between employer and employee

Overtime wages to be paid for extra hours

Above changes applicable for three months from May 8

Factories Act, Shops and Establishments Act

*As per the Factories Act 1948, a worker cannot work for more than nine hours in a day and 48 hours in a week

GOA

Extension of working hours to 12 in a day and 60 in a week

Overtime hours to be less than 75 in a quarter

Workers can't work overtime continuously for more than seven days

Overtime charges apply if a person works more than 48 hours in a week

Above changes applicable till July 31

Factories Act

HIMACHAL PRADESH

Extension of working hours to 12 in a day and 72 in a week

Women workers permitted to work night shift (between 7 pm and 6 am)

Current minimum wage to be paid for extra work hours

Above changes applicable till July 20

Factories Act

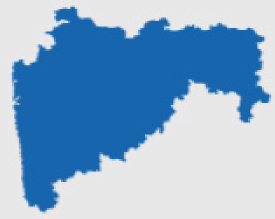
HARYANA

Extension of working hours to 12 in a day

Wages for overtime to be double the existing wage rate

Above changes applicable till June 30

Factories Act



MAHARASHTRA

Extension of working hours to 12 in a day, 60 in a week

Overtime to be paid for extra four hours

Above changes applicable till June 30

Factories Act

Trilegal, says in the last one month, 20 of his clients have expressed concerns about non-availability of labour. "I am getting queries from corporates - Can I take disciplinary action against workers refusing to work? Can I refuse to pay them? Can I terminate their contract?, says Gupta.

With Unlock 1.0 kicking in and companies looking to ramp up production to make up for losses over the last two months, manpower shortage has emerged as a key concern. A number of employees have gone back to their villages and home towns. Some are not showing up due to fear of getting infected.

To enable companies to kick-start production, several state governments have announced relaxations in labour and employment laws. These changes are in two broad categories. First, exemptions from provisions of labour laws (Uttar Pradesh, Madhya Pradesh and Gujarat). Second, extension of working hours under the Factories Act, 1948 (Assam, Goa, Himachal Pradesh, Haryana, Odisha, Maharashtra, Uttarakhand and Punjab). Though some of these changes are being reviewed, state governments say flexibility in labour laws will help companies revive production with lim-

"Labour codes are about both job seekers and job givers. You cannot fluctuate from one extreme to another where legislation supports only one side for a few years and then another"

Lohit Bhatia, President, Indian Staffing Federation

PUNJAB

Extension of working hours to 12

Overtime charges for extra three hours

Above changes applicable for three months

State government withdraws a notification revising minimum wages

Factories Act, Minimum Wages Act

UTTARAKHAND

Extension of working hours to 11

Overtime wage rate to apply for the extra three hours

Overtime work limited to 18 hours per week

Above changes applicable for three months from April 28

Factories Act

GUJARAT

Extension of working hours to 12 in a day and 72 in a week

Regular wage rate for extra four hours

No labour laws for new industries in services and manufacturing sectors for 1,200 days, except three basic Acts — Minimum Wages, Act, Industrial Safety Rules and The Employee Compensation Act (President approval awaited)

The Contract Act will be applicable to establishments and contractors with 20 or more workers (earlier it was 10)

Factories Act, Contract Labour (Regulation and Abolition) Act

MADHYA PRADESH

Extension of working hours to 12 in a day and 72 in a week for a period of three months

Overtime wage rate to apply

For all industries, relaxations from all provisions of the Factories Act for next three months, barring the safety clause

Registration, licence for industries to be given in one day (earlier it was 30); authorities to be fined for delay

Factory licence to be renewed once in 10 years, not annually

Under the Contract Labour Act, licence to be valid for the entire duration of the contract rather than for a calendar year

Exempted 11 industries (such as textile, leather, cement, iron and steel, among others) from the Madhya Pradesh Industrial Relations Act

Factories Act, Madhya Pradesh Industrial Relations Act, Contract Labour Act

UTTAR PRADESH

All industries, old and new, exempt from all labour laws, barring provisions related to women and children, bonded labour, minimum wages and payment of wages, for the next three years (Awaiting President's approval)

ited staff and encourage them to invest.

While industry has welcomed the initiatives, the changes have not gone down well with trade unions and workers. Even economic experts say government's view that labour law reforms as remedy for all economic ills will not help. A lot more is required to be done, they add.

The Two Sides

Labour is in the Concurrent List of the Constitution. Almost 10 states have announced labour law reforms. In fact, Union Labour and Employment Secretary Heeralal Samariya had reportedly asked states to undertake these measures.

Considering that most bold reforms have been undertaken by states ruled by the BJP, experts say they are likely to have the Centre's support. "Reforms announced by Uttar Pradesh, Madhya Pradesh, Gujarat, Himachal Pradesh and Assam are based on a common template. It is unlikely that they don't have the Centre's backing," says Ravi Srivastava, Director, Centre for Employment Studies, Institute For Human Development (IHD).

Last month, the Uttar Pradesh government proposed suspension of all labour laws for the next three years, barring three (related to payment of timely wages, prohibition of bonded labour, and health and safety of workers). "The ordinance issued by the UP government is extremely wide. You cannot have no law," says Srivastava of IHD. The proposal is awaiting approval from the President. If passed, employers will be able to choose whether to pay for overtime or not. They will also be able to decide whether to give paid holidays, gratuity or maternity benefits, or even compensation for termination. Workers will no longer have legal rights to approach the court. "Different codes under labour laws complement each other — Trade Union Act, Factories Act, Industrial Disputes Act, Contract Labour Act. They cannot be seen in isolation," says Srivastava. For instance, if there is an accident in a factory, workers will not have any recourse to settle their grievances because reconciliatory machinery under the Industrial Disputes Act will be defunct.

Niti Aayog Vice-Chairman Rajiv Kumar agrees. He said recently that abolition of labour laws is not a reform and the

Central government will protect interests of workers. Lohit Bhatia, President, Indian Staffing Federation (ISF), says, “Labour codes are about both job seekers and job givers. You cannot fluctuate from one extreme to another where legislation supports only one side for a few years and then another. It has to be collective bargaining. The reason for having tripartite agreements is that everyone — labourers, staffing firms and employers — is reasonably protected.”

While the ordinance passed by the Uttar Pradesh government doesn’t differentiate between old and new firms, Madhya Pradesh’s amendments focus on incentivising new factories. The new factories would benefit from Industrial Disputes Act exemptions, one of the biggest pain points for companies. This means as long as new factories set up a fair mechanism to investigate and settle disputes, they will enjoy significant flexibility without worrying about prosecution. Till August 2020, all industries will get relaxations from all provisions of the Factories Act, barring the clause on safety.

In addition, eight states (Maharashtra, Odisha, Goa, Uttarakhand, Assam, Punjab, Haryana and Himachal Pradesh) have given flexibility to companies under the Factories Act regarding number of daily and weekly working hours. Most of them have extended the hours from eight to 12 per day. The difference is that some are paying for the extra work while others aren’t. The 72-hour working week violates the International Labour Organization’s (ILO’s) Hours of Work (Industry) Convention, 1919, to which India is a signatory. India can have up to 60 working hours per week under the convention.

Among states, only Karnataka has adopted a balanced approach. It has proposed up to 10 hours of work a day (within ILO norms), and 60 hours (not 72) a week, for three months ending on August 21. Overtime wages will have to be paid (double the usual wage rate).

The changes have not gone down well with many, and have already been challenged in court. The country’s 10 largest Central trade unions have written to the ILO’s Director-General, Guy Ryder, highlighting the “virtual nullification of most of the substantive laws ... through state governments.”

Amarjeet Kaur, General Secretary, AITUC, says, ″Without labour laws, all responsibility and accountability towards workers will be negated. It will give a free hand to organisations to exploit them.” According to Kaur, the Central government is using the lockdown to reduce bargaining power of workers and trade unions. Twelve hours of work plus travel time will put considerable pressure on workers and discourage women from entering the workforce, she adds.

A PIL filed by Pankaj Kumar Yadav in Supreme Court has challenged the decisions of Madhya Pradesh, Uttar Pradesh and Gujarat governments. The UP government withdrew the working-hour notification after a notice by the Allahabad High Court. The Rajasthan government also withdrew the notification extending working hours.

Flexibility Is Key

Change in laws via administrative orders or ordinances is susceptible to legal challenge and can lead to policy flip-flops, which discourages investors from making long-term bets on the country, say experts. “A consultative process by the Union government with states would have ensured uniformity of laws and buy-in from all stakeholders such as worker organisations and unions right in the beginning. This might have minimised scope for opposition and paved the way for acceptance of these changes,” says Virag Gupta, Supreme Court lawyer and Partner at law firm VAS Global.

Bhatia of ISF says flexibility in working hours is important as manpower shortage is likely to peak in July. “If the current pace of reverse migration continues, 2.5-3 crore workforce would have gone back to their villages and home towns. Sectors like manufacturing, construction and transport employ 9-11 crore people. So, every third employee would have gone back by the end of June. To restart work in these sectors in full shifts, flexibility is needed, but as long as the extensions are time-bound, and reforms do not impinge on workers’ rights.”

Most notifications for work-hour extension are applicable for the next two to three months.

Action

The home ministry, in its order dated March 29, 2020, directed all employers to pay full wages to all its workers, contract workers, casual workers during lockdown. If not, the state could take necessary action. The notification was revoked with effect from May 18, and hence was valid for 54 days

Reaction

This order was challenged in court by several companies, industries and associations – Ficus Pax, Hand Tools Manufacturing Association, Indian Jute Mills, Workmen of State Trading Corporation, Tecknomin Construction, Garments Export Manufacturing Association

PHOTOGRAPH BY BANDEEP SINGH

> **"The problem for the last two-three years has been the demand side, that people don't have money. Even before Covid-19, many companies were working at 20-30 per cent capacity"**
>
> **Ritu Dewan,** Vice President, Indian Society of Labour Economics

Longer working hours is not a new thing. Earlier, workers would willingly put in longer hours to earn extra money. "If laws provide workers an avenue to get paid for extra hours, it will work in their favour," says Gupta of Trilegal.

Also, longer shifts will help firms implement social distancing norms. "Running at full capacity and implementing social distancing norms will make it difficult to have three shifts of eight hours. Instead, have two shifts of 11 or 12 hours each," adds Gupta. There is a provision for a one-hour break between shifts for sanitising the premises.

But payment of overtime wages will put additional stress on firms, already grappling with cash crunch, says Vikas Sapra, Vice President, Technology Operations, PeopleStrong. "It will be difficult to pay extra immediately. Many firms might have to take additional loans to pay higher salary costs."

Unified Approach

The big question is -- will it help firms? Labour law reforms are required but they need to be looked at holistically. Sougata Roy Choudhury, Executive Director, Confederation of Indian Industry (CII), says the number of changes is a concern. "Organisations work across the country and cannot have a variety of labour laws. There is a need to centralise them. Even labour laws under states should be based on a unified model."

> **60**
>
> Maximum working hours in a week that India can opt for under the ILO convention

"If you add all permutations and combinations of all the Central and state laws, there are more than 20,000 sections for which firms need to submit applications for," says M.S. Unnikrishnan, Chairman, CII National Committee on Capital Goods and Engineering, and MD, Thermax.

The Centre has been working on four Labour Codes that will subsume all 44 Central laws. The Code on Wages has been adopted by Parliament; the rest are awaiting approval. "We need to make these codes strong and flexible," says CII's Roy Choudhury. But one cannot forget the burden of compliance, which is one of the biggest reasons why more than 85 per cent companies in India prefer to work in the unorganised space.

Focussing only on labour laws is a lopsided approach. "The government is assuming that reforming labour law is a panacea for economic ills," says K.R. Shyam Sundar, Professor, Human Resource Management, XLRI Jamshedpur. "The government needs to think of the human development index, infrastructure and literacy rate, among other things," he adds.

Take the case of Tamil Nadu, Maharashtra and Gujarat, which have attracted FDI not because of relaxed labour laws but due to availability of skills, infrastructure, energy, port connectivity and cheap land. Ease of doing business is not about rigidity of only labour laws, says Sundar.

Ritu Dewan, Vice President, Indian Society of Labour Economics, says government's focus has been on the supply side. "The problem for the last two-three years has been the demand side, that people don't have money. Even before Covid-19, many companies were working at 20-30 per cent capacity. They were not producing as people were not buying."

The consumption expenditure survey by the National Statistical Office shows that in FY18, consumer spending fell 3.7 per cent (for the first time in last 40 years) due to weak rural demand. The unemployment rate was at its highest since 1970s, at 6.1 per cent, between July 2017 and June 2018.

Since global demand has been hit hard, the country needs to think of ways to revive domestic demand. "It will come from public expenditure. The government has to look for ways to put money in pockets of those people who have the propensity to consume," says Srivastava of IHD. **BT**

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Industry

THE INDIAN HAND

Whether India develops a Covid-19 vaccine/drug or not, Indian companies will be preferred partners for global pharma to make and distribute the life-saving drug globally

BY P.B. JAYAKUMAR
PHOTOGRAPH BY RAJWANT RAWAT

10
Vaccines in human clinical trial stage

124
Projects globally in hunt of Covid-19 vaccine

20
Projects in India at pre-clinical stage

By **Winter. This is the ambitious target set by scientists to defeat Covid-19.**

Regulators, scientists and life sciences companies are working at break-neck speed in what has become the largest and fastest vaccine/drug hunt in human history.

Biotech specialists are using all available platforms or vehicles – dead, artificially engineered and live viruses, apart from DNA- or RNA-based ones – to transport virus-killing antigens into human cells. Big pharmaceutical companies such as Pfizer, Novartis and GlaxoSmithKline are collaborating with each other. They have also opened their patented libraries of drug knowledge to researchers and academia. Governments and philanthropists are pumping in billions of dollars into promising projects. Scientists are attempting hundreds of treatment options from novel plasma and antigen injections to reusing old molecules right from Made in India anti-malarial hydroxychloroquine to HIV anti-virals to psoriasis or hepatitis drugs.

Normally, it takes four-six years to launch a vaccine right from developing a candidate and animal trials to three-stage human trials. The time to bring a drug to market is ten years. Scientists screen lakhs of chemical compounds, identify the candidate and develop it for two-three years before starting clinical trials. Only one or two out of ten candidates reach the human clinical trials stage.

But these are not times. In taming Covid-19, time is of essence. The do-or-die efforts of life sciences companies across the globe have ensured that ten out of 124 vaccine projects on Covid-19 have advanced into the human clinical trials stage within three months.

The efforts, whenever and in whatever form they succeed, will see Indian companies and laboratories play an important role in both development and production of these drugs and vaccines.

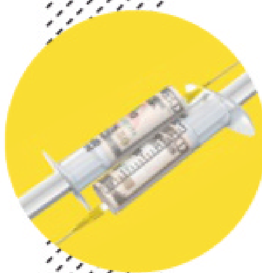
In India, many leading companies such as Sun Pharma, Biocon and Glenmark are attempting treatments with known molecules or therapies. At least a dozen Indian companies are also attempting to develop vaccines – from well-known names such as Serum Institute of India (SII), Zydus Cadila, Bharat Biotech, Indian Immunologicals and Hester Biosciences to relatively unknown Mynvax, Neuberg Supratech and Premas Biotech, besides many government-run labs. India is working on 30 projects by big industry, startups and academia, says the government. "There are at least eight candidate vaccines, of which four are relatively ahead. Our national science laboratories are working on six candidate vaccines, of which we are very hopeful about two-three," Dr. V. K. Paul, Chairman, Empowered Group – I and Member (Health), NITI Aayog, told the media on May 28. "This is such a huge pandemic that there is no meaning in saying who will come first or second. There is enough room for those going slow and steady also," Dr.Paul said when asked about where India stands in the race.

India's generic drug development capability, ability to make finished drugs or vaccines cheaper than anyone else, numerous manufacturing sites in other countries and marketing presence across the globe will force big

Why India Will Be Key for Covid 19 Drugs & Vaccines

DRUGS

They have extensive distribution set-ups in almost all countries



India has over 150 plants approved by the USFDA, the most outside the US

Making drugs in India is 30-40 per cent cheaper compared to the Western world

Leading Indian companies have plants in almost all geographies

India has huge formulation development capability and is now focussing on securing its own API supply chain

VACCINES

Over 70 per cent of vaccines used across the world are Made in India

Half-a-dozen Indian vaccine makers have global standard manufacturing capabilities and distribution set-ups

Serum Institute of India is the world's largest vaccine maker in volume terms

India supplies over 60 per cent vaccines required by the UNICEF and has an established supply chain

A new vaccine plant is capital intensive and requires four-five years to take off

Vaccines in Clinical Trials

PLATFORM	VACCINE TYPE	PARTNERS	PROGRESS SO FAR
Non-Replicating Viral Vector	AZD1222	University of Oxford/AstraZeneca	**Phase2b/3, Phase 1/2**
Non-Replicating Viral Vector	Adenovirus Type 5 Vector	CanSino Biological Inc./Beijing Institute of Biotechnology	**Phase 2, Phase 1**
RNA	LNPencapsulated mRNA	Moderna/NIAID	**Phase 2, Phase 1**
Inactivated	Inactivated	Wuhan Institute/ Sinopharm	**Phase 1 and 2**
Inactivated	Inactivated	Beijing Institute/Sinopharm	**Phase 1 and 2**
Inactivated	Inactivated	Sinovac	**Phase 1 and 2**
Protein Sub-unit	Glycoprotein Nanoparticle	Novavax	**Phase 1 and 2**
RNA	3 LNP-mRNAs	BioNTech/Fosun Pharma/Pfizer	**Phase 1 and 2**
Inactivated	Inactivated	IMB China and Chinese Academy of Medical Sciences	**Phase 1**
DNA	DNA Plasmid Vaccine	Inovio Pharmaceuticals	**Phase 1**

Source: WHO, as of May 30, 2020

Indian Vaccines in Preclinical Trials

PLATFORM	VACCINE TYPE	PARTNERS
DNA Plasmid Vaccine	DNA Plasmid Vaccine	Zydus Cadila
Live Attenuated Virus	Codon Deoptimized	Codagenix/Serum Institute of India
Live Attenuated Virus	Codon Deoptimized	Indian Immunologicals Ltd/Griffith University
Non-Replicating Viral Vector	Recombinant Deactivated Rabies Virus	Bharat Biotech/Thomas Jefferson University / ICMR
Protein Subunit	Adjuvanted Protein Subunit (RBD)	Biological E
Replicating Viral Vector	Measles Vector	Zydus Cadila
Replicating Viral Vector	Influenza Vector	UW–Madison/FluGen/Bharat Biotech
Avian recombinant vector	Avian Paramyxovirus	Hester Biosciences/IIT Guwahati
D-Crypt technology	Triple Antigen Vaccine	Premas Biotech
Recombinant Vaccine	Developing Markers Now	Neuberg Supratech/Gujarat Biotechnology Research Centre
Sub unit-Based Vaccines	Candidate Immunogens	IISc Bangalore/Mynvax

Source: WHO & BT Research

pharma and new vaccine/drug developers to rope in Indian partners. That is already happening.

Hunt for Partners

Take SII, the world's largest vaccine maker in volume terms, and the most promising 'Oxford vaccine', being developed by the Oxford University's Jenner Institute with the Oxford Vaccine Group. The Oxford Research Group is relying on a time-tested way — antigens developed from mild cold causing infections in chimpanzees and containing genetic material of Covid-19 spike proteins that replicate the virus in humans. A section of experts had initially doubted results of trials on monkeys. However, the vaccine is being tested on 1,000 patients in the first two phases. Over 320 people have been given a dose. The results are encouraging.

The group was in discussions with several companies to make the vaccine, including India's SII, but US multinational AstraZeneca licensed the vaccine a few weeks ago. "AstraZeneca is in discussions with Serum Institute of India and other potential partners to increase production and distribution," the company said on May 21. "Our discussions with AstraZeneca are on and we will be able to comment further once the deal is concluded. In addition to this, we are working on multiple vaccine candidates in the US, the UK, Europe, and not relying on one," Adar Poonawala, promoter and CEO of Pune-based SII, told *Business Today*.

The US government's Biomedical Advanced Research and Development Authority has given AstraZeneca $1 billion for development, production and delivery of the vaccine. The Phase III trial will involve 30,000 participants.

AstraZeneca is taking a big risk. It has signed manufacturing and supply deals for initial 400 million doses and total manufacturing capacity for one billion doses, with first deliveries to begin from September 2020. Pascal Soriot, Chief Executive Officer of AstraZeneca, says more agreements and several parallel supply chains are in the pipeline.

Apart from AstraZeneca, SII and US-based vaccine maker Codagenix are also developing a vaccine, in the pre-

"Our discussions with AstraZeneca are on and we will be able to comment further once the deal is concluded. In addition to this, **we are working on multiple vaccine candidates in the US, the UK, Europe,** and not relying on one"

Adar Poonawala
CEO, Serum Institute of India

"We expect Indian generic majors to benefit by supplying more to the US and the EU by further **leveraging our low-cost base, high throughput and quality standards** and availability of the required skill set"

Nilesh Gupta
Managing Director, Lupin

"Nafamostat has shown promising results in studies c**onducted by three independent groups of scientists in Europe, Japan and South Korea**, and we believe it holds promise in the treatment"

Dilip Shanghvi
Managing Director, Sun Pharma

clinical animal trials stage. SII is also trying a recombinant Bacillus Calmette-Guerin (BCG) vaccine variant for Covid-19 containment.

Novavax, a US-based late-stage vaccine development maker, has an advance candidate vaccine NVX-CoV2373 that is undergoing Phase I human trials in Australia. It has got $388 million from the Coalition for Epidemic Preparedness Innovations to further develop the vaccine. Novavax has chosen an easy way to manufacture the vaccine if its candidate clears human trials. The company acquired SII's unit, Praha Vaccines, at Bohumil in Czech Republic last week in an all-cash transaction for $167 million. Stanley C. Erck, President and Chief Executive Officer of Novavax, says this will help them produce more than one billion doses per year. SII will help it augment production at Bohumil by the end of this year. "After acquiring the Czech Republic plant (in 2017 for €72 million), we had spent an additional $100 million to upgrade it to a world-class facility producing one billion vaccine doses. We have only recovered what we had spent," says Adar Poonawala. He says he decided to sell the plant to focus on own manufacturing efforts in India and also because Serum has another manufacturing plant in Europe, in the Netherlands.

"At least half-a-dozen leading Indian companies such as Serum, Bharat Biotech, Zydus Cadila, Indian Immunologicals, Biological E and Wockhardt have global standard manufacturing capabilities and can supply to different parts of the globe," says Dr R.B. Smarta, Chairman and Managing Director of Interlink, a pharmaceutical consultancy. Of this group, five are trying to develop own vaccines for Covid-19. Zydus Cadila, which had developed India's first tetravalent inactivated Influenza vaccine VaxiFlu-4, is developing two Covid-19 vaccines on its own. Bharat Biotech is also developing two vaccines, with ICMR and overseas universities.

A Helping Hand

Even if an Indian company is not the first to develop a Covid-19 vaccine, the country has both expertise and capacity to make the vaccines once they are developed, especially for the developing world, considering that it is not easy to start a new vaccine making unit.

It requires at least four-five years to commercialise a vaccine plant. India supplies over 60 per cent or above 1.25 billion doses of vaccines out of 2.4 billion doses required for the UNICEF's global immunisation programmes. About 70 per cent vaccines used globally are made in India. SII alone

Repurposed Drugs

COMPANY	DRUG	INDICATION
Sun Pharma	Nafamostat Mesilate	Pancreatitis
Glenmark	Favipiravir and Umifenovir	Anti-viral Drugs, influenza
Strides Pharma	Favipiravir	Influenza
Biocon	Alzumab, CytoSorb	Psoriasis, Blood Purification
Jubilant, Cipla and Hetero Drugs	Remdesivir	Yet to approve anti-viral drug
Cipla	Tocilizumab	Rheumatoid Arthritis
Zydus Cadila, Ipca, Dr Reddy's, Laurus Labs	Hydroxychloroquine	Anti-malaria
NovaLead Pharma	NLP21	Undisclosed

Source: BT Research

makes over 1.5 billion doses and supplies to over 150 countries. "We have low manufacturing cost and skilled manpower. However, we now need to focus on development, technology and innovations, and that requires government support," says Adar Poonawala.

Repurposed Drugs

Indian firms are also at the forefront of testing and making re-purposed drugs for Covid-19. Sun Pharma is going to test a drug, Nafamostat Mesilate, on Covid-19 patients. It has been approved in Japan for improvement of acute pancreatitis and small blood clots, found in many Covid-19 death cases. "Nafamostat has shown promising results in studies conducted by three independent groups of scientists in Europe, Japan and South Korea, and we believe it holds promise in the treatment," Dilip Shanghvi, Managing Director, Sun Pharma, said in a statement. Sun Pharma has developed the Active Pharmaceutical Ingredient (API) and the finished product in India using technology from its Japanese subsidiary Pola Pharma.

Glenmark, the first company to receive approval from the Indian drug regulator to conduct clinical trials of anti-viral drug Favipiravir against Covid-19 in India, is attempting a combination of viral drugs Favipiravir and Umifenovir in hospitalised patients who are showing moderate symptoms of Covid-19 in India. "Combining antiviral agents that have a good safety profile is an effective approach to rapidly suppress initial high viral load," says Monika Tandon, Vice President and Head, Clinical Development, Glenmark Pharmaceuticals. Similarly, Biocon has got permission to use blood purification drug-device CytoSorb to treat Covid-19 patients admitted in intensive care units with confirmed or imminent respiratory failure. It is also working on its psoriasis drug Alzumab to control Covid-19 infections. When US-based Gilead Sciences decided to out-license its new antiviral drug under development, Remdesivir, and modified it for use in Covid-19 patients, it chose three Indian partners – Cipla, Hetero Drugs and Jubilant Life Sciences – to manufacture and supply in 127 countries.

All this is not a coincidence. Experts say India has over 150 US Food and Drug Administration approved plants, the highest outside the US. Most leading Indian manufacturers have multiple plants in almost all geographies, besides marketing setups in most countries, to sell generic drugs. Indian companies, well-versed in making finished formulations, are also now concentrating on developing APIs and the entire value chain in products for treating Covid-19. Above all, Indian companies can make drugs 30-40 per cent cheaper than what it costs in the western world. All this will come in handy in quick manufacturing and supply of Covid-19 solutions. "It is a massive opportunity for the Indian pharma industry to emerge out of this crisis as a preferred sourcing hub for the world. Being the largest provider of generics globally, India has always been called the pharmacy of the world," says Umang Vohra, Managing Director and Global CEO, Cipla. The Covid-19 crisis showcases the importance of the Indian pharmaceutical industry, says Nilesh Gupta, Managing Director, Lupin. "With more emphasis on global drug supply security, we expect Indian generic majors to benefit by supplying more to the US and the EU by further leveraging our low-cost base, high throughput and quality standards and availability of the required skill set," he says.

However, it is not easy to rule out China, which supplies 40 per cent of global API requirements. India is trying to catch up but will require many years to reach the scale of the Chinese API ecosystem. More than that, five out of ten Covid-19 vaccines under human clinical trials are from China. Will they partner with Indian companies?

China will not require India's support in manufacturing and considering the current situation, Indian companies will also refrain from dealing with China, says Adar Poonawala, who predicts that China will be able to produce a Covid-19 vaccine. "I really hope they do as all of us are in the race to save lives and produce vaccines for as many people as possible," he says. That is the truth, whether India or China or the US, the aim before humanity is to beat the virus for survival. BT

@pb_pbjayan

LEADERS IN SOLAR INDUSTRY

Q Could you share the journey and evolution of Zodiac Energy Ltd, Since its establishment till date?

Zodiac Energy Limited is a brainchild of a young engineer called Kunjbihari J. Shah. After graduating in 1990, Kunj Shah has worked for 2 years as an application Engineer for Kirloskar Diesel Engines. On opening of the economy by the then Union Finance Minister Dr. Manmohan Singh, Kunj Shah grab the opportunity and decided to go for entrepreneurship and started Zodiac Gensets Private Limited in 1992 at the age of 25 years, to manufacture Diesel Generators. In 2004, Zodiac Gensets Private Limited started working in Gas Based power plants and in 2007, Zodiac Gensets Private Limited has changed its name to Zodiac Energy Private Limited. From 2004 to 2012, Zodiac Energy has executed more than 150+ MW capacity Gas based power plants with or without co-generation across the country.

A visit of Kunj Shah to USA as a part of delegation led by US Dept. of Commerce to Washington International Renewable Energy Congress (WIREC) in February 2008 created immense interest in solar energy and in 2012 Zodiac Energy Private Limited has started working in that spectrum. In 2017, Zodiac Energy Limited become Publicly listed company by successfully carrying out its maiden IPO in November 2017 and successful listing on NSE in December 2017. It is worthwhile to note that the IPO of Zodiac Energy Limited was oversubscribed by 104 times showing tremendous faith investor community have in renewable energy sector.

Till now, Zodiac energy Limited has installed more than 56000 KW of rooftop and ground mounted solar power systems with more than 5000 satisfied and delighted Clients.

Today, Zodiac Energy Limited is India's number one installer of residential rooftop solar systems with 4500+ clients and 20000+ KW of installation. The management team of Zodiac Energy Limited has experience of installing more than 450+ MW of solar power plants across India.

Q How supportive has the government been to encourage solar power companies?

India was heavily dependent on imported energy resources for its energy requirements, be it coal, liquid fuel or Natural Gas. At the same time, India is blessed with abundant sun light through out the year across entire country. These factors make solar energy a fitting contender to be the leading source of energy in India and to ensure energy security for India. The Govt. of India realise these facts and set up huge targets to deploy solar energy in the country. The Government of India started the Jawaharlal Nehru National Solar Mission of India in 2009 to bankroll the solar energy deployment in the country offering higher tariff for solar energy and giving favourable treatment to solar energy projects. The initial target set by Govt. of India was 20,000 MW by 2022.

Gujarat had stolen the march by rolling out its own Gujarat Solar Power Policy 2009 and deployed 1000 MW from 2010 to 2012. When Shri Narendra Modi took over as prime minister of the country in 2014, the initial target of 20,000 MW had been revised to an ambitious 1,00,000 MW by 2022, which was again corrected to 150,000 MW by 2022 in 2018. Out of these, 40,000 MW has been targeted from Rooftop Solar Systems.

Gujarat has again stolen the march by rolling out huge residential rooftop solar program with net metering in 2015 and set the example for the

MR. KUNJ SHAH, Chairman & Managing Director

country. In 2019 Gujarat rolled out residential rooftop program with target of deployment of rooftop solar on 8.00 Lacs home by 2022.

The Govt. of India has also introduced KUSUM (Krishi Uthan and Svayam Urja Maha Abhiyan) by which solar energy on massive scale shall be deployed in farm sector for empowering the farmers and with aim of doubling the farmer's income by 2023.

Govt. of India, in partnership with France, formed the International Solar Alliance (ISA) which now has 130 member countries to push the deployment of solar energy on worldwide scale. Today, due to technological advances and massive deployment of solar energy, the prices of solar power are the lowest among all the sources of energy. With recent tenders for 24 hours energy from solar power plant with help of storage, which discovered the LCOE of approximately Rs. 3.50 per KWh, Govt. of India is making massive push to deploy solar energy as the main source of energy.

Hence, one can say that Govt. of India is very committed and supportive in deployment of solar energy across country and it is pushing heavily to make solar energy as main source of energy by 2030. The Govt. of India targets to install 450 GW of Solar Energy by 2030.

Q The automobile industry is revamping from fossil fuel to EVs. How does your company envisage to leverage this opportunity?

Zodiac Energy Limited has always embrace the emerging technologies, be it co-generation, solar energy, Building Integrated Photovoltaic (BIPV), solar desalination, Energy storage or Electric Vehicles. Zodiac Energy Limited plans to be in Electric Vehicle segment by venturing in to its eco system and infrastructure like Fast Battery Chargers, Battery packs and drive systems. The experience of Zodiac Energy Limited to work in the power electronics sector and energy storage devices, Zodiac Energy Limited is poised to take mammoth step in EV market. Zodiac Energy Limited also wants to be in EV rental services for commercial vehicles. All the plans of Zodiac Energy Limited are in drawing board stage and soon we will announce something for market.

Q Which are the major industries and clients that Zodiac is catering to?

Any consumer who is using electricity is possible client for Zodiac Energy Limited. Zodiac Energy is offering solar energy solutions to clients in all walks of life. Be it industrial, commercial, residential or Farm sectors. The major clientele of Zodiac Energy Limited is manufacturing industries having huge power requirements, the big commercial establishments like Clubs, Hospitals, Hotels etc. Govt. Depts. and PSUs are also among the major clienteles of Zodiac Energy Limited.

Last but not the least, Zodiac Energy Limited has served the farmers communities thru various schemes like KUSUM and SKY.

Q How feasible is solar power installations in costs and savings?

The cost of setting up solar power plant has been reduced from Rs. 15.00 Crores per MW in 2010 to Rs. 3.50 Crores per MW in 2020.

The solar power is cheaper than any other source of power and hence, solar power is being deployed at breakneck pace. Due to the conducive Govt. policies and economies of scale, the cost of setting up of solar power plant is all time low today.

Considerable Govt. subsidy for residential rooftop solar systems and accelerated depreciation for solar power plants for industrial and commercial systems added with most competitive prices have made the solar power plants economically more viable than coal based plants. Typically, the cost of solar power plant having life of 25 years is being recovered in 3 to 4 years with present electricity rates. With no fuel required to generate the power, solar power plant can generate almost free energy once it is being paid back in 3 to 4 years.

Q What is the target set by Zodiac for fiscal 2020-2021?

Zodiac Energy Limited is growing at almost 100% CAGR since FY 2015-16. The company turnover was Rs. 8.16 Cr. in FY 15-16 and it increased to Rs. 16.87 Cr in FY 16-17, Rs. 38.25 Cr in FY 17-18, Rs. 63.66 Cr in FY 18-19.

The company envisages to have the turnover of INR 200.00 Cr for FY 20-21. The company believes that the new influx of money into the system by the Govt. stimulus packages, the need for industry to cut the operating costs and Govt. push for deployment of solar energy to achieve its target of 150 GW of solar energy by 2022 will boost the solar energy sector. The company is also eyeing various big projects outside the country, particularly in MENA (Middle East and North Africa) region to make itself a global player.

Q The Covid-19 pandemic has shaken the economy. How much has it affected the solar industry and what are you doing to revive it?

The COVID-19 pandemic has an adverse effect on the economy and the solar sector too has been affected. The disruption of supply chain due to lock-down in China in the month of February and March 2020 followed by lock-down in the country from March to June 2020, The reverse migration of skilled and unskilled labour have affected the solar sector of India.

Zodiac Energy is doing its part in combating the pandemic by implementing lean systems across the company to do more work with the current resources and also introducing work from home systems.

Q What are the future plans and projections on expanding Zodiac Energy?

The company has tremendous growth potential with its experienced board members and management team, and it envisages to establish itself as a global brand in solar energy.

The company has following plans for near to medium future,

1. To set up solar power parks to facilitate setting up of small captive/IPP solar power plants in the range of 1-4 MW.
2. Zodiac Energy has introduced "WHITE SOLAR", a BIPV product in partnership with SOLAXESS of Switzerland to be used as active façades which can generate electricity. This product will change the landscape of Indian Construction Industry and green buildings.
3. Focus more aggressively on residential rooftop market.
4. To replicate the success, it has achieved in residential rooftop solar market in Gujarat on all India level and to retain its number one position in residential solar rooftop market.
5. To develop and deploy solar desalination plants for interior parts of India where water resources has been depleted and even a clean drinking water is scarcely available.
6. To venture in to the energy storage and electrical vehicles segment.

Zodiac Energy is poised to take off on its wings to achieve newer heights of success in coming days.

The Solar Mirage

India's solar capacity addition is slowing as viability of projects and host of other issues trouble developers

BY P.B. JAYAKUMAR
ILLUSTRATION BY RAJ VERMA

ACME Solar, one of the largest solar power companies in India, shook up the sector three years ago. It bagged a contract from state-run Solar Energy Corporation of India (SECIL) to set up a 200 megawatt (MW) plant in Rajasthan with a bid of ₹2.44 per unit. This was the lowest tariff quoted for solar power in India. It triggered a price war and steeply reduced solar energy prices in India.

In the first week of May, ACME decided to terminate the contract by invoking the "force majeure" clause citing coronavirus. The reasons it gave included over 15 months delay in land acquisition, impact of coronavirus outbreak on suppliers of solar cells and modules from China and delay in setting up of transmission networks. It is reportedly trying to monetise some of its projects.

In another development a month ago, Shapoorji Pallonji Infrastructure (SP Infra) sold its five operational solar energy assets, including 169 MW in Maharashtra and 148 MW in Tamil Nadu, to global investment firm KKR, for ₹1,554 crore. It was one of the largest deals so far in India's solar power segment involving a private equity player.

On February 6, billionaire Gautam Adani-promoted Adani Green Energy sold half its stake in 2,148 MW solar power assets to Total Gas & Power Business Services SAS for $510 million. It was one of the largest deals in India's solar energy space, after Tata Power's acquisition of Welspun Renewables for ₹9,249 crore in 2016.

Despite the move to bring in a new Electricity Act to reform the power sector, all is not well with the country's hyped solar energy sector, which started adding huge capacities after 2014 following an ambitious government plan. To top this spree of asset sales, there are no takers for new projects. Capacity addition plans have gone for a toss. Power demand has shrunk, demand-supply gap is narrowing, growth is slowing, developers are finding it difficult to raise funds, land acquisition is still an issue and debt-laden state procurers want to sign fresh power purchase agreements (PPAs) at a lower cost (they say earlier bids were too high and costs have fallen since then).

Losing Power

Against the target of 8,500 MW installed capacity for FY20, India had achieved only 5,855 MW as on January 31, 2020

There are constraints related to funding, revision of power purchase agreements, land acquisition, evacuation infrastructure and non-conducive state policy

India is dependent on China for 80% photo voltaic module capacity and other equipment

India has 8 GW of module manufacturing capacity, but most of this is unutilised due to Chinese imports

If projects continue to falter like this, India's capacity addition will be way short of the 100 GW target by 2022. The Covid-19 crisis is adding fuel to the fire. The Paris-based International Energy Agency (IEA) has estimated that India's solar photovoltaic (PV) sector additions will fall 23 per cent in 2020. Power demand has seen a 25 per cent drop due to the lockdown, and IEA predicts a 6 per cent year-on-year decline this year, worsening the plight of solar sector companies.

Though the government has announced a ₹90,000 crore low-cost loan facility to bail out state distribution companies as part of the Covid-19 package, the issues the sector is facing are deep and require fundamental changes, say experts.

Government Attempts

The draft amendment to the Electricity Act 2003 is expected to bring in a new tariff policy. The government is also working on a policy for the solar sector to balance the interests of different stakeholders.

Such interventions are needed. In recent years, many states have picked up legal battles with solar project developers for entering into fresh PPAs at lower costs than in the original agreements. The reason is simple. The current solar power tariffs (₹2.50-2.87/kWh) have stabilised at 20-30 per cent below the cost of existing thermal power in India, and up to half the price of new coal-fired power, says a study by Institute for Energy Economics and Financial Analysis.

India is seeing a big shift towards higher share of variable renewable energy, which is leading to system integration issues, says the IEA. "Decarbonising existing fossil fuel plants, thrust on renewables like solar, digitising and upgrading the transmission and distribution network and decentralising power to the last mile should be priorities," says Sunil Mathur, CEO and Managing Director, Siemens India. Thrust on hybrid power and latest energy storage solutions are necessary, say experts.

The fight against climate change is helping the solar cause, but that is not enough. Though energy and emission intensities of India's GDP have decreased by more than 20 per cent over the past decade, total energy-related carbon dioxide (CO_2) emissions continue to rise. "India's per capita emissions are 1.6 tonnes of CO_2, well below the global average of 4.4 tonnes, while its share of global total CO_2 emissions is some 6.4 per cent," says the IEA.

Bhaskar Rakshit, Principal, Lead-Power, Kearney India, says renewable capacity under different stages of construction is about 30 GW (18 GW solar and 10 GW wind); the supply chain and labor shortage challenges emanating from the current crisis will lead to delays in new renewable project construction. According to one estimate, these projects are worth ₹3.5 lakh crore.

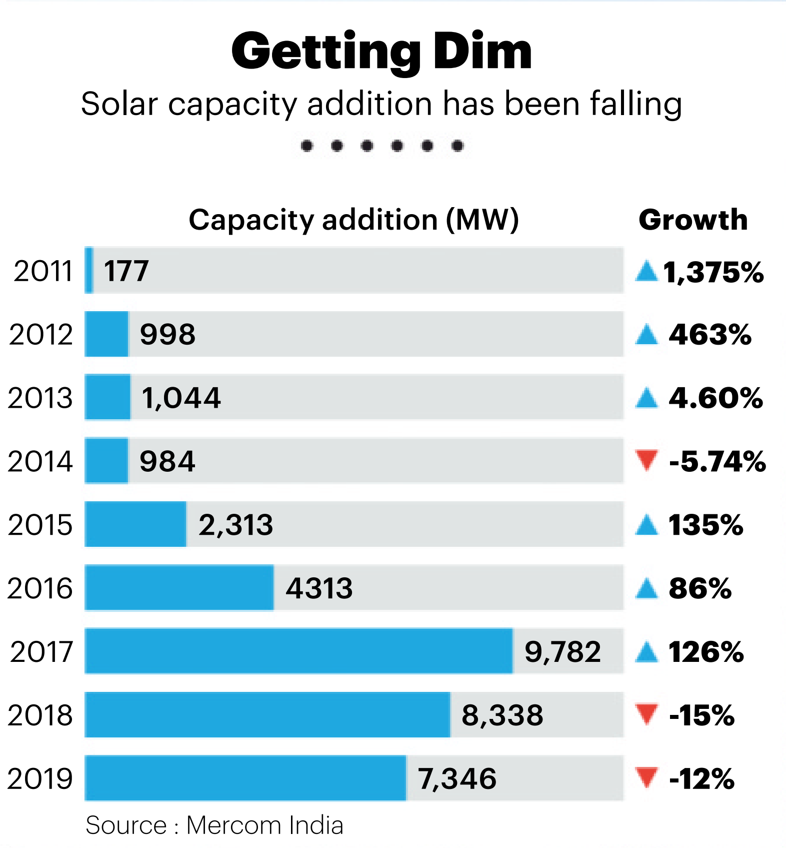
The crisis can also be an opportunity. "In renewables, where digital is being used to manage project construction and plant operation and maintenance, the current crisis will accelerate use as companies look to minimise the impact on construction and operations due to potential labour shortages," he says.

Domestic Manufacturing

A lion's share of modules required for India's solar capacity is imported from China. India has failed to create an environment for large-scale local manufacturing.

Though solar capacity has increased 13 times since 2014, local manufacturing of equipment has not kept pace. By December 2019, India had deployed 84 GW of grid-connected renewable electricity and is targeting 175 GW by 2022. India's electricity mix will eventually include 450 GW of renewable energy capacity. Still, India sources 80 per cent of its solar modules from China, and business has been impacted due to measures implemented to combat the spread of the virus, says a study by ratings agency Crisil.

A policy framework that ensures long-term off-take at sustainable prices is necessary to boost domestic solar equipment capacity, says Shailendra Roy, MD & CEO, L&T Power and Whole-time Director, L&T. "As an example, China changed its focus from generation to manufacturing and went on to set up large solar plants that offered it economies of scale, helping it lower costs and capture the global market," he says. Apart from China, Southeast Asian nations such as Vietnam, Taiwan and Korea can supply modules. But India's solar ecosystem is mostly centred around the ability of China to supply equipment at very low prices with its mass manufacturing capacities and research and development already in place. "It may not be economically viable for most developers to switch to alternate sourcing options as they have bid for projects on the basis of the Chinese module cost structure," says Bhaskar Rakshit. It takes about ₹4,000-5,000 crore per GW of capacity addition.



"DECARBONISING EXISTING FOSSIL FUEL PLANTS, THRUST ON RENEWABLES LIKE SOLAR, DIGITISING AND UPGRADING THE TRANSMISSION AND DISTRIBUTION NETWORK AND DE-CENTRALISING POWER TO THE LAST MILE SHOULD BE PRIORITIES"

Sunil Mathur
CEO and MD, Siemens India

India's current installed module manufacturing (the main component of solar equipment) capacity is close to 8 GW, but most of it is underutilised due to lack of demand. India, European nations and the US have made attempts to prevent "dumping" by China with higher import duties but not succeeded. "Even with the new duties, solar panels imported from China ($0.16-0.20/watt) are cheaper than domestic modules ($0.25-0.28/watt). Solar panels from Korea are priced at $0.22-0.24," says Gyanesh Chaudhary, Managing Director, Vikram Solar, a leading domestic solar equipment maker. He adds that while Korea and Vietnam are building solar manufacturing capacities, they are far from matching China's scale, financial support, skilled manpower and prices.

Of the $1.5 billion worth of solar equipment imported by India in the first nine months of FY20, $1.2 billion was

Big Numbers

7,346 MW

Total solar capacity installed in CY19 in large-scale and rooftop solar projects, a 12% decline from the 8,338 MW installed in 2018

23.7 GW

Large-scale solar project development pipeline; 31.5 GW has been tendered and is pending auctions (Q4 2019)

$8.2 billion

Investments made in Indian solar sector in CY19, 16% lower than the $9.8 bn in CY18

87.6%

Share of large-scale projects (31.3 GW) in cumulative solar installation of 35.7 GW; rooftop solar installations accounted for 12.4% (4.4 GW)

from China. India had imposed a 25 per cent safeguard duty on import of solar cells in July 2018, but this was later reduced to 15 per cent. It is applicable until July 2020. A basic customs duty of 20 per cent was also announced on import of solar cells and modules in Budget 2020.

Utkarsh Sinha, Managing Director, Bexley Advisors, says external factors like falling oil prices and Covid outbreak are likely to cause stress in sectors like alternative energy. "Particularly, transactions that were on the verge of culmination may face reassessment and re-evaluation," he says. Total global corporate funding, including venture capital funding, public market and debt financing into the solar sector in Q1 2020 was $1.9 billion, 31 per cent lower compared to $2.8 billion in Q1 2019, says a Mercom Capital study.

Falling Growth

India's target is 175 GW clean energy capacity by 2022, of which 100 GW is solar, with investments of around $80 billion. But as on January 31, 2020, installed solar capacity was only 34 GW. Solar installations dropped 12 per cent in 2019 to 7,346 MW from 8,338 MW in 2018. While large-scale solar projects, which accounted for 85 per cent of installations with 6,242 MW capacity, saw a 7 per cent decline, only 1,104 MW of rooftop solar was added, a drop of 33 per cent year-on-year.

At the end of 2019, cumulative solar installations reached 35.7 GW – 31.3 GW (87.6 per cent) by large-scale projects and 4.4 GW (12.4 per cent) by rooftop solar installations (according to Mercom). The Parliamentary Standing Committee on Energy, which expressed its dissatisfaction over missing of yearly solar energy capacity addition targets, said in a report that the MNRE has the huge task of "commissioning the remaining 65 GW of solar energy capacity in just about two and a half years to meet the 100 GW solar energy capacity target by 2022". This means an average of more than 26 GW per year. The ministry claims it can meet the targets and that 9,000 MW capacity is likely to be commissioned in FY21.

The fact, however, is that not many have bid for projects in the recent past. In November last year, 734 MW of solar tenders were floated, about 49 per cent less that November 2018's 1.4 GW. There were no auctions in November 2019. In October, 2.7 GW was tendered, but only 1.3 GW was auctioned. January 2020 saw an increase of 70 per cent growth month on month solar projects, which included two big tenders – a 1.2 GW tender from SECI and a 1.5 GW retender by Rewa Ultra Mega Solar in Madhya Pradesh.

The sector is grappling with a host of other issues, too. The overall economy is slowing down, there are delays in payments by distribution companies, PPAs are being renegotiated, production is less, there is difficulty in forecasting and scheduling, apart from funding issues, reimbursement delays, tariff caps, higher cost of participating in tenders, and evacuation infrastructure availability... the list is long. Investments are also falling. In CY 2018, they totalled $9.8 billion compared to $11.5 billion in CY 2017. Investments in the Indian solar industry were $970 million in the Q1 2020, 66 per cent lower than the $2.8 billion recorded in Q1 2019.

Most large economies are shut and there is minimal activity in solar markets. "Solar project M&A was the bright spot in this time of uncertainty, proving once again that solar is a safe long-term bet. The worst maybe yet to come but hope is that activity picks up in the second half of the year," says Raj Prabhu, CEO of Mercom Capital Group. A few fixes can turn around the situation. Removing tariff caps in reverse auctions, timely payments by government agencies and facilitating loans can get the solar power sector moving again. Realistically, solar installations are estimated to be 65-70 GW by 2022, way below the 100 GW mirage. BT

@pb_pbjayan

"INDIA, THE EU AND THE US HAVE SOUGHT LEGAL INTERVENTION FOR CHINA'S "SOLAR DUMPING" IN THEIR MARKETS. HOWEVER, EVEN WITH NEW DUTIES, SOLAR PANELS IMPORTED FROM CHINA REMAIN CHEAPER THAN THE DOMESTIC MODULES"

Gyanesh Chaudhary
Managing Director,
Vikram Solar

"The ISA wants a solarised hospital in every district"

The International Solar Alliance (ISA) took shape at the United Nations Climate Change Conference (COP 21) held in Paris in 2015. Its formation was spearheaded by Prime Minister Narendra Modi. Headquartered in India, ISA has 86 signatories, 67 member countries, and 48 partners. It plans to facilitate more than $1,000-billion investment in solar energy by 2030. **Upendra Tripathy,** Founding Director General, ISA, and former secretary, Ministry of New and Renewable Energy, spoke to **P.B. Jayakumar** about the alliance's future plans. Edited excerpts.

The ISA was launched as the first international treaty-based body in India. Global solar powers such as the US and China are yet to be part of the ISA. How soon will all countries join?
The Secretariat of the ISA got legal personality on June 6, 2018, after the ISA and India signed the host country agreement, the basis for establishment of headquarters of a treaty-based intergovernmental body. So far, we have 86 signatory countries. Among them, 42 countries are from Africa, 20 from Asia-Pacific, three countries from Europe and 21 countries from Latin America. The membership will be soon open to all UN member countries even outside the Tropics. We are waiting for countries like the US, China and Germany to become members. Germany has expressed interest to join, as soon as the amendment comes into force. We need ratification by three more countries to bring the first amendment into force.

How will the ISA make meaningful changes in energy security for member countries?
We are assisting countries and the solar business community in a number of ways. One is by bringing in corporate and other organisations as networking partners in a public-private partnership. We have a strong network of 48 partners, including private corporate partners such as SoftBank (Japan), CLP (Hong Kong) and India-based public corporate partners like IREDA, SECI, NTPC, PGCIL, REC, CIL, PFC, ITPO, SBI, NHPC, and EESL. We have partners in UN bodies like the UNDP, UNIDO, and UNEP, etc., and multilateral development banks such as the World Bank and the Asian Development Bank as powerful partners. The ISA is running six programmes in areas, including agriculture, rooftops, mini-grids, storage, electric vehicles, solar parks, solar cooling and heating (proposed), to create ecosystems in member countries. We have aggregated demand for 270,000 solar pumps, 10,000 MW solar mini-grids and 1,000 MW solar rooftops worth $5 billion in the initial phase. Plans for the year include demand aggregation for 47-million solar home systems, 250-million LED bulbs, 50,000 primary health centres, five-million solar cookstoves, 10,000 solar-powered HFC-free cold storage, 10,000 MW of solar parks and five-million solar powered street lights.

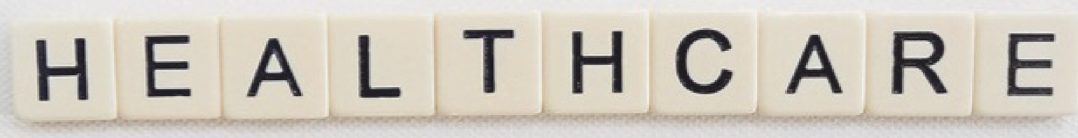
We are facilitating two "freedom solar parks" – 500 MW in Mali and 218 MW in Togo in West Africa, with NTPC acting as the consultant and arranging grid connectivity, low-cost loans and securing 25-year power purchase agreements on a transparent and competitive basis. Another 10 countries have been identified to set up such parks.

Covid-19 is redefining the sector. India investments were only $970 million, a 66 per cent drop in the first quarter of 2020. Global solar capacity addition is predicted to go down by 20 per cent in 2020. How do you assess the situation?
Bad times indeed, but economies will overcome this downturn in the medium-term. The ISA has launched an initiative called ISA-CARE to solarise primary health centres in member countries, which require cold storage for vaccines and medicines. We plan to launch a project, during our World Solar Technology Summit this year, for solarisation of hospitals in the 46 SIDS/LDC member countries. ISA wants to have all un-electrified Primary Health Centres and hospitals solarised in every district of member countries. BT

@pb_pbjayan

INSURING AGAINST COVID-19

'Insurance - A Must for All'



The Covid-19 has come as a deadly spanner in the cycle of healthcare across the globe. With more than 4 lacs perishing and close to 7 million being infected as of now, the number succumbing to it is still mounting. The world is grappling to control and take charge on many fronts ranging from economic recovery, healthcare and exploring options to counter such pandemic which may rear its head in future. All this while research for an anti-vaccine is going on at a frenetic pace across continents. One issue that has caught attention of the state and people is insurance cover for treatment by health insurance agencies, who are now vying with each other to sell their exclusive covid-19 pandemic relief packages.

Since the lethal contagion Covid-19 was first discovered in Wuhan, China and reportedly sneaked out to engulf over 205 countries like bushfire, people have been left in the lurch for want of treatment even as heart wrenching stories are doing the rounds on social media, highlighting that misery and pain in the face of the pandemic is the same universally. Healthcare systems and governments were caught unawares and this pandemic exposed their unpreparedness to fight an invisible enemy. Soul searching, resurrective and corrective measures across the board is being delved into.

Like every business segment across the globe, Insurance Industry in India too witnessed a decline in April 2020 due to the pandemic and the lockdown. It has temporarily slowed down healthcare treatment costs projected to grow exponentially by at least 15 percent year on year. However, unlike any other sector, this industry is insured against any further drop as the lockdown is being eased or lifted in many parts of the country.

The corona virus pandemic has forced a vast majority of the population to realise the importance of financial security and insurance. life and general insurance are key elements for your personal and business security. It is anticipated that post-lockdown, we will witness a reverse of the current scenario and will see an upsurge in the number of people and businesses opting for insurance.

The insurance industry in India has seen a major growth in the last decade along with an introduction of a huge number of advanced products. Post-lockdown, this dynamic sector is envisaged to witness a host of new innovative products being launched. As per the latest revised data of Global Data, India's life insurance market is forecasted to grow at a compound annual growth rate (CAGR) of 5.3% during the forecast period 2019-2023.

The selling and distribution of various insurance products (both life & non-life) too will change in the due course. Currently Bancassurance and agency channels account for over 90% insurers' new business premiums in India. Due to the lockdown restrictions, sales through these channels have been severely impaired. There will be a significant growth in the contribution from web aggregators. Web aggregators such as Policy Bazaar have reported 20% growth in the sales of life insurance products in March 2020.

However, amidst the global frenzy, the need to evaluate risks and create financial contingency to meet medical costs incurred during hospitalization and treatment of people having contracted the virus by institutions has emerged to be the need of the hour and of utmost importance. For coming out unscathed through the pandemic and allying common apprehensions looming in the present scenario, a response in the form of a standard insurance cover against the pandemic is being worked out and offered by insurance agencies. It is during such times of uncertainties, having a health insurance cover comes as a boon to mitigate problems of medical emergencies.

As COVID-19 expenses can go up to Rs. 5 lakh, and private hospitalization could go further in terms of costs, the Insurance Regulatory Development Authority of India (IRADI) has already advised insurance companies to offer medical coverage in the existing plan for corona virus patients in the country. ICICI Lombard has come up with an 'IL Take Care' app having 24x7 Hello Doctor feature to tele-consult a doctor easing the tension of finding a doctor in this Covid-19 crisis. These app-based conveniences can be accessed sitting in the safety of your homes.

Aegon Life has reportedly launched a 1-year term insurance with Covid -19 cover with the objective to provide a comprehensive cover against the viral infection treatment for Flipkart customers. 'Corona Care', an insurance policy for corona infected people, is a brainchild of Digital payments company PhonePe in collaboration with Bajaj Allianz General Insurance to meet hospitalization and treatment costs of patients diagnosed with covid. Priced at Rs 156, the policy will reportedly provide an insurance cover of Rs 50,000 for people who are under 55 years of age and will be valid at any hospital that is offering treatment for those affected by the virus. Besides, bearing treatment costs, the policy will also take care of one month's expenses on pre-hospitalization and post-care medical treatment. In the wake of the pan India lockdown to break the chain of the corona spread, the Corona Care insurance policy was envisaged to be people-friendly simplifying processes which includes not having to undergo medical tests, which is otherwise mandatory, while not risking one's life by venturing out to get the policy.

Another popular agency, the Bharti AXA General Insurance, in partnership with Airtel Payments Bank has reportedly announced the launch of two health insurance plans-one offering a flat amount of Rs 25,000 and the other with daily benefit starting at Rs 500 per day-to provide cover for COVID-19 treatment expenses.

Star Health Insurance's has reportedly launched 'Star Novel Coronavirus' aimed at providing health insurance for COVID-19 positive patients needing emergency hospitalization. The unique feature of this policy is that it covers even those people who have any history of having travelled

abroad. Anyone between the age group of 18 and 65 years can purchase this policy while dependent children under the age group of 3 months to 25 years can be covered under this plan along with any one of the parents.

Strengthening efforts to counter the medical cost challenges faced by covid-19 to customers, the Edelweiss General Insurance, in an exclusive offer has reportedly decided to cover hospitalization for not only those with confirmed diagnosis of having corona infection but also those who have been quarantined in specific facilities identified by the government.

Some other credible health insurance companies transforming the landscape of protective cover for leading life with dignity and have medical access in the face of any exigencies including medical expenses are HDFC ERGO Health Insurance Company (formerly known as Apollo Munich Health Insurance), which is known for its comprehensive plan offers covering family, individuals and the aged. Future Generali India Insurance Company Ltd a collaborative venture with Future Group, Bajaj Allianz General Insurance Company Limited in tie-up with Allianz S in Germany, Manipal Cigna Health Insurance Company, National Insurance Company Limited, IFFCO Tokio General Insurance Company Limited, New India Assurance Company Limited, Oriental Insurance Company Limited, Reliance General Insurance Company Limited. United India Insurance Company Limited, Royal Sundaram Alliance Insurance Company Limited, TATA AIG General Insurance Company Limited, Cholamandalam MS General Insurance Company Limited, SBI General Insurance Company Limited, Religare Health Insurance Company Limited, Magma HDI General Insurance Company Limited, Shriram General Insurance Company, Max Bupa Health Insurance Company Limited are some of the go to companies to seek medical insurance cover.

The pandemic has not only brought the topic of health insurance cover centre stage in the face of unforeseen circumstances, but has particularly signalled out the senior citizens who are said to be at higher risk of contracting the infection. Though slightly expensive, it is advisable to buy a feature packed comprehensive health insurance plan with no limitations. HDFC Ergo's Health Suraksha – Silver, Religare's NCB Super Premium, Star Health's Health Optima and Max Bupa's Go Active are reportedly among some of the most popular health policies for the aged. One can opt for cheaper plan specifically designed for Senior Citizens such as Religare's Red Carpet and Care Senior.

As the pandemic rages on, there has been a spurt in the number of queries on whether existing health insurance policy covers hospitalization expenses related to COVID-19, and many people are also approaching insurers to buy a policy for themselves and their family members. Those suffering from ailments such as Diabetes or High BP or some cardiac problems are hesitant to take a policy thinking that they would be denied a policy by the insurance company as they have some pre-existing health conditions, or the cover provided in case of any hospitalisation would be negligible.

However, this is not the case as their have been several new approaches by insurance companies accompanied by corresponding new directives led down by the regulatory body.

Do not neglect medical help or wait for things to aggravate, instead go for a health insurance plan which in fact are quite affordable. As the corona virus has not spared even the young, it makes more sense to start early in life with a health insurance for your own sake and that of your near and dear ones against any unpredictable medical situation. It is times like these that reminds us of the importance of a robust health insurance policy, resulting in deeper penetration of health cover in the country offering good health insurance plans and worth the investment.


CHALLENGES
MAKE US STRONGER
Gross Premium
₹ 44,238 Crore
Net Worth (with Fair Value Change Account)
₹ 52,765 Crore
Total Assets
₹ 118,884 Crore as on 31.03.2019
Ratings
• Financial Strength: A-(Excellent) by A.M. Best Company
• Claims Paying Ability: "AAA (In)" by CARE
• 11th Ranking as per S&P Global ratings 2019.
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Industry – Automobile

LET'S CROSS IT

In a bid to contain costs, a number of carmakers, including Hyundai, Kia, Renault-Nissan, VW-Skoda and Maruti-Toyota, have shared platforms and even cross-badged products in India. Almost all have failed but the strategy continues

BY SUMANT BANERJI

When 39-year-old Kushagra Gupta took delivery of his Kia Seltos in February, it was after months of deliberation. Gupta, who runs a pharmacy store in West Delhi's Paschim Vihar, started out with a long list of potential options in November and finally zeroed in on Hyundai Creta and Kia Seltos. In a photo finish of sorts, Seltos won owing to its more modern styling, and also because a newer version of Creta was on the anvil. He was also aware that the two cars are essentially the same.

"There were hefty discounts on Creta and if I had opted for


CRETA
SONET
TAIGUN
VISION IN
VENUE

a 2019 model, I would have saved over ₹1 lakh compared to Seltos. But the car would have been outdated in a matter of months once the new Creta hit the roads," he says.

"Also, Seltos comes with BS-VI engine while Creta is still BS-IV, so the resale value of Kia will be higher. Besides these, and a few additional features that Kia offers, the two cars felt the same to me."

The entry of Seltos in the compact SUV segment in August last year had a direct impact on Creta, which had till then led the segment since its launch in mid-2015. Between August 2019 and March 2020, Seltos logged cumulative sales of 81,984 units, far outstripping Creta's tally of 47,604 units, which was a steep decline of over 42 per cent over the same period in the previous year. "The decline in sales of the old Creta is normal as the new version is around the corner. It does not compete with Seltos directly," says S.S. Kim, MD and CEO, Hyundai Motor India.

But as Gupta's example testifies, the two cars, Seltos and Creta, have ended up cannibalising each other even though they both come from the same parent company. Hyundai is the largest shareholder in Kia with a 34 per cent stake.

It is a classic case of cross-badging that sounds great on paper as it allows companies to minimise development costs of a product that can then be spread over multiple products across different brands. In markets like India, though, it does not quite play out as per script.

Doing More with Less

"Creating a new platform for a product or a range of products is very expensive and a long-term investment. So, typically manufacturers try to amortise the costs efficiently and one way to do that is by sharing it with other companies," says Ravi Bhatia, President and Director, JATO Dynamics – an automotive research firm. "In all these cases, a bit of cannibalisation does not matter as ultimately they

CROSS-FIT

India has seen a number of products from the same parent company competing against each other...

Kia Seltos-Hyundai Creta: Seltos' debut in India took an immediate toll on the segment leadership of Creta

New Creta-Kia Seltos: Launch of the new Creta is Hyundai's revenge on Kia for Seltos

Maruti Baleno-Toyota Glanza: Perhaps the only one that is doing reasonably well. Glanza has brought some additional volumes to Toyota with no impact on Baleno so far

Nissan Sunny-Renault Scala: Both have been non-starters

Nissan Micra-Renault Pulse: Ill-advised cross-badging exercise that served neither of the companies

Renault Duster-Nissan Terrano: Before the entry of Creta hurt Duster, the launch of Terrano was also an irritant. Both brands suffered at each other's hand

Skoda Fabia-VW Polo: Based on the same platform, Fabia died a premature death, while Polo could not live up to its early promise

VW Vento-Skoda Rapid : Another classic case of a failed cross-badging exercise

Datsun RediGo-Renault Kwid: Both share the same platform and engines but carry different styling. Datsun didn't do well, but Kwid is a moderate success

...And there are more in the making

Kia Sonet-Hyundai Venue: Like Seltos, Kia's upcoming compact SUV Sonet is likely to hurt Hyundai's Venue

Maruti Brezza-Toyota Urban Cruiser After Baleno and Glanza, Maruti is set to lend Brezza to Toyota. It is likely to be badged as the Urban Cruiser, powered by Maruti's new 1.5 litre mild hybrid petrol engine

VW Taigun-Skoda Vision IN: Compact SUVs from the VW group will again compete with each other

Toyota Corolla-Maruti: The next step of the collaboration will see Corolla cross-badged as a Maruti coming out this year. Other cars likely to be shared in future include the Ciaz sedan

PHOTOGRAPH BY RACHIT GOSWAMI

are owned by the same parent firm. It is a matter of achieving marginal gains. If a Creta on its own sold, say, 10,000 units every month, then it is not like the addition of Seltos means both will sell 10,000 units each. But if together, the volumes go up to 15,000 units, then Hyundai's hold in that segment increases and profitability also improves. That is what they are looking at."

The launch of the next-generation Creta in March could lead to a repeat of what Seltos did to the Hyundai's SUV last year. The story does not end there. Kia's next product, the even more compact Sonnet SUV, will once again lock horns with its sibling Hyundai's Venue. This sibling rivalry is just warming up.

Hyundai and Kia are not the first to try bringing in similar products in same segments from different brands owned by the same company. In the past, a number of companies, including Renault-Nissan, Volkswagen and Skoda, Datsun and Renault, Maruti Suzuki and Toyota Kirloskar Motor, have tried out the model.

As part of a larger global tie-up, Maruti and Toyota would increasingly cross-badge each other's products. They started the process with Toyota Glanza, which is a carbon copy of Suzuki Baleno. Next in the line is Maruti's compact SUV Brezza, which will be badged as the Toyota Urban Cruiser; its mid-size sedan Ciaz is also likely to don Toyota colours. In return, Toyota's executive sedan Corolla could find its way to Maruti's Nexa branded showrooms.

"Many alliances in the past have failed due to various reasons. We are not thinking about that but are focused on how to make this alliance work. We may end up getting some new premium customers who may not have looked at Suzuki otherwise"

Kenichi Ayukawa
MD and CEO, Maruti Suzuki

"From a sales point of view, we are competitors. But this alliance is like a marriage. There are good and bad points. Of course, many alliances in the past have failed due to various reasons. We are not thinking about that but are focused on how to make this alliance work. It should benefit both of us," says Kenichi Ayukawa, MD and CEO, Maruti Suzuki. "Toyota has loyal customers, too. They don't buy our cars. But if our products are sold by Toyota and their loyal customers have a good experience with those products, then probably they will come to us directly for some of our cars. That is a possibility. We may end up getting some new premium customers who may have not looked at Suzuki otherwise."

Others that have tried this include Renault and Nissan with the SUVs Duster and Terrano, sedans Scala and Sunny, hatchbacks Pulse and Micra, and mini cars Kwid and RediGo (from Nissan's sub-brand Datsun). All of them, barring the Duster and Kwid to some extent, have been duds. The cross-badged products have not found any traction whatsoever and have only ended up hampering prospects of the original product.

The outcome for the Volkswagen Group with its Skoda Fabia and Volkswagen Polo, Rapid and Vento, and Octavia and Jetta, has been equally depressing. Fabia died a premature death in India with entry of Polo, while Rapid and Vento ended up eating into each other's plate without bothering the likes of Honda City or Maruti Ciaz.

The benefits of sharing products aside, cross-badging is still fraught with challenges. Products vying for the same set of customers results in intense competition between sales executives of the two companies that can get unhealthy at times. As

"The real muscle players in India are only Maruti and Hyundai. So, if they gain about 3,000 unit volumes by pooling resources, others would gain by only 200 units. It is not a problem with sharing as bigger players are much more successful with it. It has to do with the inherent weaknesses that small players have in the market"

Ravi Bhatia
President and Director, JATO Dynamics

was the case with Volkswagen and Renault-Nissan, it can end up benefitting rivals.

"It is difficult to carry off if volumes in general are not large. On our own, if we design each product, then the cost is huge. If we share, we keep it down but also run the risk of dividing the customers," says a senior executive who worked with Nissan India in the past. "Our dealer network was still separate and each dealer had his own business case. They were the ones who took the hit and as their balance-sheet weakened, so did our market position."

Making It Work

It is a catch 22 situation. In a high volume game, stronger players like Maruti and Hyundai have a better chance of pulling it off even though it is the marginal players that need this more.

"The real muscle players in India are only Maruti and Hyundai who have double-digit market share. Everybody else is a fringe player. So, if Maruti and Toyota gain about, say, 3,000 unit volumes by pooling in resources, others would only gain by 200 units because that is how much penetration they have in the market in the first place," says Bhatia of JATO Dynamics. "It is not a problem with sharing as bigger players are much more successful with it. It has to do with the inherent weaknesses that any small player has in the market."

Analysts also blame the poor strategic planning of some of the cross-badged products in the past for their failures. "Any customer in any part of the world always wants something unique in his car, so the timing of the launches is very important. If there is less gap in the introduction of the two cars, then the impact on at least one of them will not be very big," says Puneet Gupta, Associate Director, Automotive Forecasting, IHS Markit. "In the case of Creta and Seltos, for example, the gap between the launches was quite good. Creta was launched back in 2015 and Seltos came only in 2019. Now, the new Creta has also arrived almost eight months after Seltos. Same is the case with Venue and Sonnet as also Glanza and Baleno."

47,604
Units

Creta's sales between August 2019-March 2020, 42 per cent lower than in the same period a year ago, mostly due to Seltos, which logged cumulative sales of 81,984 units

Despite the mixed bag of results in India, there will be even more of platform sharing and cross-badging of products in future. Like in the case of Maruti and Toyota, the Volkswagen group's second coming in the country banks on a bouquet of SUVs. The first of them would be VW Taigun and a similar product designed by Skoda based on its Vision IN concept vehicle.

"It (cross-badging) is only likely to increase and is as much a compulsion as a strategy now. The industry is witnessing widespread disruption with more stringent emission norms, connectivity solutions and electrification of powertrains. The cost of these changes is massive so manufacturers need to pool resources. Collaboration is the way to go," says Gupta of IHS. BT

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Corporate

Whose Food Is It, Anyway?

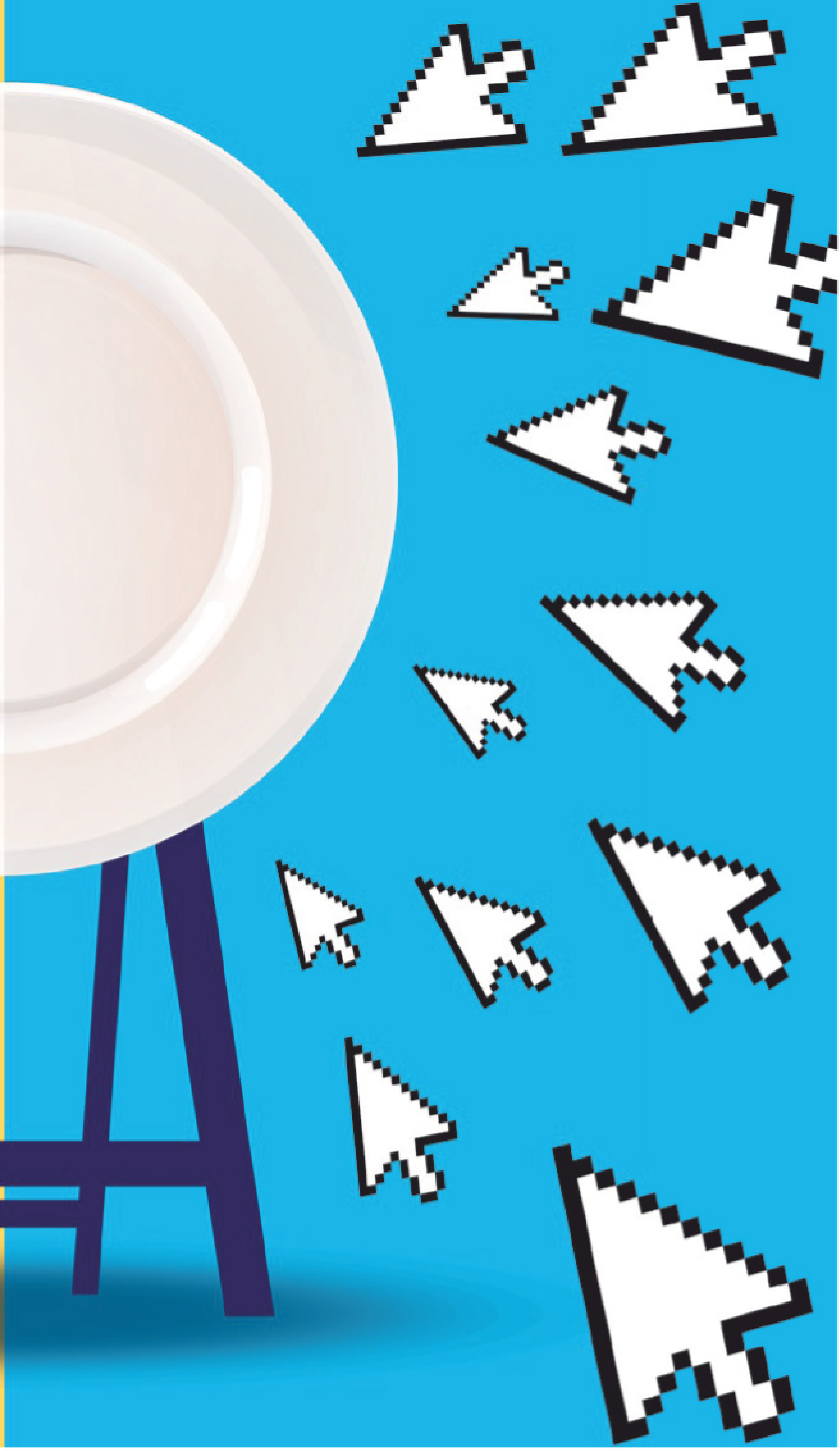
There's a new war brewing in the kitchen between restaurants and online food aggregators

BY MANU KAUSHIK
ILLUSTRATION BY RAJ VERMA

Delhi-based Thomas Fenn has been running speciality restaurant Mahabelly and two cloud kitchens for the past five years. A fairly small operator among lakhs of restaurants, Fenn is leading from the front in the fight against online food aggregators such as Zomato and Swiggy. Fenn is clear – aggregators have manipulated the market for long, and it is time restaurants take back control.

Last month, the National Restaurant Association of India (NRAI), the country's largest restaurant body, tied up with O2O (online-to-offline) commerce platform Dotpe to "empower small and large food and beverages (F&B) entrepreneurs with digital technology". Dotpe will provide digital solutions (integrated with a payments system) to restaurants.

Take an example. A group of friends go to a restaurant, and in-



stead of picking up a physical menu, they scan a QR code. It opens a mobile interface containing the digital menu. The items are selected, after which, the interface gets directed to a third-party payments gateway, and the order is placed. A notification of the order goes to the restaurant's point of sale (PoS) machine. At the table, the friends are directed to a WhatsApp window, where they can do transactional communication (order updates, invoice copy, feedback, etc.) with the restaurant.

Consumers these days are wary of touchpoints inside restaurants (menu cards being most risky), a behavioural pattern that is giving rise to "contactless dining". Chains, including Haldiram's, Social, Smoke House Deli, Cafe Delhi Heights and Fab Café, are already using this service.

18-25%

Commission charged by Zomato and Swiggy from restaurants on every online delivery order

Anurag Katriar, President, NRAI, says the idea to create an alternate channel was in the works for over four months. The virus outbreak only accelerated the launch. "Contactless dining is the future. The way the digital game has progressed is not in favour of small restaurants. With this step, we will free them from the clutches of digital landlords," he adds.

So, while contactless dining service is also being offered by Zomato for its partner restaurants, the real action is going to take place in the delivery and online ordering space – the new battlefront for restaurants and online aggregators. At the moment, the industry body is close to signing up deals with logistics partners who will support delivery functions. An NRAI member says the association will advise its members to engage with these service providers (logistics and tech) to bring down their dependence on aggregators. "We will rope in two-three partners in each area (tech, logistics) so that members can choose who is best for them. We want to assure our members that we have gone the extra mile to secure the best deals for them. Obviously, we will not impose upon members to mandatorily opt for these services. But service providers can offer cheap rates only if we give them scale," says an NRAI official.

The Story of a Tussle

It all started last August, when restaurants launched the "logout" campaign under which prominent brands opted out of table booking services of aggregators, including Zomato and Dineout. Zomato Gold offered flat discounts (like 1+1 on food and drinks) throughout the year. This irked restaurants as they were discounting from their own pockets.

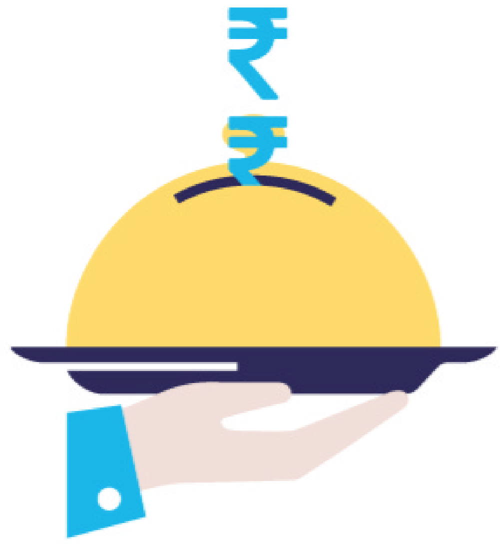
As losses mounted, restaurants sent a five-point charter to Zomato that included consulting with restaurants before launching such aggressive schemes. Later, Zomato changed its model to a variable discount-led structure. But that didn't improve things. Problems on the delivery side continued, and restaurants finally found a way to deal with it.

Mahabelly's Fenn says even though the NRAI has

Restaurants Claim...

Online aggregators are non-transparent, charge exorbitant fees, and their deep discounting is actually funded by restaurants

Consumer data is monetised by Zomato and Swiggy to promote their own kitchens



...Their Gameplan

The National Restaurant Association of India is partnering with tech companies and logistics players for its five lakh members

It has tied up with tech partner Dotpe for digital commerce and payments solution

More partnerships for delivery services are also on the cards

five lakh members, large restaurants would be the early adopters of tech. "We believe that if large players endorse these services, there will be a trickle-down effect. It took Zomato and Swiggy seven years to reach where they are today. Our curve will be quicker, but it will still take time," he adds.

India currently has over two million restaurants (organised and unorganised) generating revenues worth ₹4.24 lakh crore annually.

Restaurant owners say the reason to launch an alternate digital platform is four-fold: non-transparency, exorbitant commissions, lack of restaurants' control, and anti-partner activities.

Initially, the relationship between restaurants and food aggregators was mutually beneficial. It helped restaurants grow their markets. For example, if they were doing self-deliveries over a 2-km radius, aggregators expanded it to 5 km. Commissions were also comparatively lower at 15 per cent. Over a period of time, commissions went up to about 25 per cent, while orders went down. For the restaurant industry, which operates on wafer-thin margins (about 5 per cent EBITDA at the chain level), the partnership made little sense.

But the real friction happened when aggregators started their own cloud kitchens. Swiggy has four private labels – The Bowl Company, Homely, Goodness Kitchen and Breakfast Express – which compete with restaurant partners on its platform. For restaurants, these are anti-partner activities because these private kitchens are fed with a lot of data that aggregators have gathered over a period of time from restaurants' order histories and customers' behaviour. Aided by algorithm and data science, this gives aggregators access to the demand and pricing situation across regions and localities.

"Swiggy and Zomato never share customer data with restaurants – not even names and phone numbers. Aggregators could open lots of kitchens without anyone knowing about them," says Ankit Mehrotra, Founder and CEO, Dineout. The ownership of customer data is crucial because it helps restaurants strengthen loyalty programmes, and do targeted marketing.

NRAI's Katriar says the association came close to signing a pact with Swiggy for sharing data, but it didn't go through. In an email response, a Swiggy spokesperson said it always had open dialogues with restaurant partners and NRAI, and have worked together in mitigating their concerns.

Gaurav Gupta, Founder and COO, Zomato, said his restaurant partners are fully aligned to collaborate for the long-term growth of the sector. "We have been working very closely with them to introduce different offerings. For instance, food delivery has fuelled the sector's growth by leaps and bounds and helped restaurants reach more consumers and bring in more employment," he said in an email reply.

India's Online Food Delivery Space

9.5%
Expected revenue growth rate between 2020 and 2024

$5.4 billion
Market size of restaurant-to-consumer delivery segment

203.6 billion
Number of users

14.8%
User penetration in the online food delivery segment

₹2,634*
Average revenue per user

*In the restaurants-to-consumer segment; Source: Statista

"CONTACTLESS DINING IS THE FUTURE. THE WAY THE DIGITAL GAME HAS PROGRESSED IS NOT IN FAVOUR OF SMALL RESTAURANTS... WE WILL FREE THEM FROM THE CLUTCHES OF DIGITAL LANDLORDS"

Anurag Katriar
President, NRAI

Discounting is another problem area. A restaurateur told BT that aggregators currently force restaurants to offer discounts even if they don't want to. If, for instance, during an IPL season, Zomato approaches the top five restaurants in a locality with discounting deals, the other five restaurants in the area have no choice but to join the bandwagon. "Some restaurants do it from their pockets, which hurt their profit and loss statements. Aggregators, on the other hand, are well funded by venture capitalists which allow them to burn cash," he adds.

Agrees NRAI's Katriar. "In most cases, there's no profit in the business that comes from aggregators. Restaurant brands want to be on these platforms because of the fear of missing out," he says. Also, large chains with bigger order sizes end up subsidising smaller restaurants and even private kitchens of aggregators. For instance, a large restaurant paying 20 per cent commission on a ₹1,000 order is not same as a 20 per cent commission paid by a smaller restaurant on a ₹100 order value.

"Aggregators are violating e-commerce norms since they are not allowed to operate their own kitchens as marketplace companies. They bundle services, and restaurants have to compulsorily take all of them, including delivery services, to be on their platform, which is against rules," says a leading restaurant operator. "Their commissions are opaque. We don't know how much we are paying them for."

Globally, new-age businesses such as ride-hailing services (Uber, Ola), food aggregators, and hospitality chains (like OYO) are facing severe issues with their partners. The fight between restaurant owners and aggregators is also playing out globally in countries such as the US, Singapore and the UAE. "Whether it's Talabat and Zomato in the UAE or Uber Eats in Singapore, problems are everywhere," says Anurag Gupta, Co-founder, Dotpe.

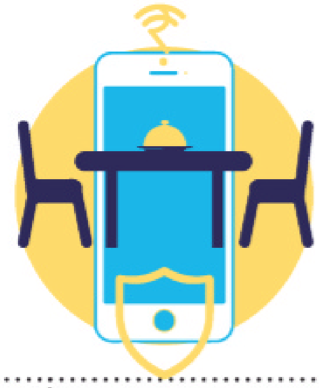
The Opportunities

It's not that the restaurants don't already have a digital presence. The large 9,000-odd chain restaurants have invested substantially in digital tools (websites, PoS machines) in some form or the other. Large restaurant chains such as Jubilant FoodWorks (which operates Domino's in India), Sagar Ratna and KFC India also do digital campaigns. But now, for the first time, restaurants, especially smaller ones, have a list of "trusted" tech partners whom they can tie up. And since it's about economies of scale, if more restaurants avail services, it will drive down the costs of these services for everyone.

However, a large part still operates offline. Dotpe's Gupta says nearly 97 per cent of small and medium enterprises (SMEs), including F&B outlets, are still offline. "For them, digital is largely about being present on YouTube, TikTok and WhatsApp. We are targeting to sign up half-a-million brick-and-mortar outlets by the end of 2020," he adds.

Restaurants say it is their marketing efforts (offline and online) that are currently fuelling the growth of Zomato and Swiggy. For instance, when restaurants advertise on online channels such as Google, Instagram and Facebook, they usually direct their customers to aggregators for online deliveries. With tech and logistics partnerships, restaurants can now integrate their online advertising with the Dotpe-enabled interface and deliver directly. This will save costs, and lead to higher profitability and better marketing.

In Delhi, for example, the total cost of delivering food works out between ₹35 and ₹60 within a three-km radius. The commission charged by Zomato and Swiggy on one such order is around 18-25 per cent. Now, if restaurants go digital using the tools suggested by NRAI, their overall cost, including delivery, will add up to 6-7 per cent. So, on a ₹1,000 order, a restaurant can save any where between ₹110 and ₹180. They can use this to give direct discounts to customers, and drive profitability.



Why the Digital Boost?

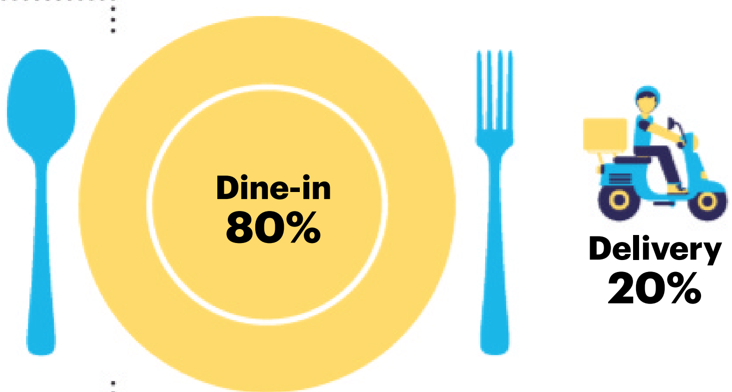
Restaurants are investing in 'contactless dining' to counter the effects of Covid-19

A restaurant typically generates 80 per cent of its delivery revenues from Swiggy, Zomato. The latter have raised their commissions, hurting restaurants' profitability

Online aggregators have refused to share customer data (even names and phone numbers) with restaurants

Restaurants feel building their own digital presence would bring down costs, improve profit margins

Restaurants' Revenue Break-up



Size of Online Food Delivery Market

(in revenues)

CHINA
$51.51 billion

US
$26.52 billion

INDIA
$10.19 billion

Map not to scale

"By going digital, restaurants will have a lot of flexibility. They will have a bigger room to give discounts, given the difference between aggregators' commissions and the cost of doing it on their own. And when they are giving discounts on their own, they can stop discounts through aggregators since Zomato/Swiggy are required to take permission from restaurants to give discounts," says Mahabelly's Fenn.

So, a restaurant can either give a flat discount (which could likely be higher than aggregators because of the 11- 18 per cent savings on commissions) or absorb the delivery cost if the order value is high. "The restaurant can have a wide variety of promotions and discounts compared to the rigid commission structure of aggregators," adds Fenn.

And with coronavirus biting into bottom lines, saving costs and protecting margins are becoming crucial. Already restaurants are facing the triple blow of lesser footfalls due to safety concerns among consumers, government-imposed restrictions within outlets (50 per cent capacity is allowed, social distancing, bars cannot open, etc.), and a depressing demand scenario.

According to Dineout, the F&B sector contributes around 3 per cent to the country's GDP and employs around 7.3 million people. Due to the virus outbreak, nearly 30 per cent of those employed are at risk of losing jobs, and the monetary loss could be as high as ₹1 lakh crore.

It's not that aggregators are any well off. Last month, Zomato laid off 13 per cent of its employees and announced 50 per cent salary cuts for the remaining staff. Swiggy, too, retrenched 1,100 employees out of its 8,000 full-time workforce, as the outbreak-induced lockdown resulted in lower orders.

A shift towards digital ordering also means costeffective marketing campaigns and more loyalty programmes. At the moment, the cost of acquiring a new customer and existing customer is literally the same for small restaurants, because they can't differentiate between the two digitally. With tools offered by tech partners like Dotpe, restaurants can store customer data, and target them better.

The NRAI's plan is also expected to boost restau-

"SWIGGY AND ZOMATO NEVER SHARE CUSTOMER DATA WITH RESTAURANTS. AGGREGATORS COULD OPEN LOTS OF KITCHENS WITHOUT ANYONE KNOWING ABOUT THEM"

Ankit Mehrotra
Founder & CEO, Dineout

rants' revenues in smaller towns as well. Even though Zomato claims to be present in over 300 cities, its focus is largely the big metros where the bulk of its business is concentrated. That's why Uber Eats India (acquired by Zomato in January) went to smaller cities and towns such as Chandigarh, Agra, Pune and some parts of Kerala to create a niche market for itself. "There's a pent-up food ordering demand in smaller towns that needs to be tapped. Restaurants don't have the wherewithal to do this on their own, and hence they need handholding from the industry body," says another NRAI official.

The Challenges

According to NRAI's Katriar, these plans don't mean that aggregators will be completely shunned. At present, 80 per cent of the delivery traffic at a typical restaurant is handled by aggregators. Beside this dependency, restaurants don't really know if their digitalisation efforts would work. To top all these, there's a new aggregator in the market – Amazon – which started food delivery services in Bengaluru recently.

"Without having an end-to-end offering like delivery, payments and back-end support, this plan would just fall flat," says Siddharth Thaker, Managing Partner, Prognosis Global Consulting – a consulting firm.

One of the biggest reasons for the popularity and success of aggregators is the ease of doing transactions – everything can be done on a single platform, including seeking after-sales support, which is crucial for repeat orders. If restaurants were to do digital ordering and delivery through third-parties, the integration of the entire purchase journey of a consumer on a single platform is essential. Consumers would not simply want to engage with two-three different entities if they have issues with their orders. "The delivery partner will be integrated with the mobile ordering interface," says the NRAI official quoted above.

The NRAI says all of this is being worked out at the back-end since logistics partners are still getting finalised. Take the case of complaints. Who would take care of quality- and payments-related issues once an order is placed, and delivered? So, while restaurants would be the single point of contact for all customer grievances, there's a system under development to further smoothen the process.

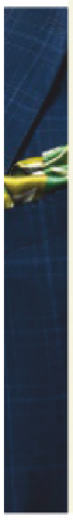
Generally, 90 per cent of consumer complaints are similar. There can be divided into two categories: real-time and legacy. While real-time complaints would be handled by restaurants themselves, legacy complaints (payment or quality-related) could be handled by bots – an option that is still being explored. Zomato and Swiggy also ask customers to write emails to claim settlements.

Also, even after building a digital presence, restaurants would continue to face challenges on the discoverability part, which is where Zomato and Swiggy are likely to score, according to experts. Aggregators work on converging traffic in one place. For customers, they serve as platforms for discovering new restaurants. But the counter-argument to the "discoverability" problem is that most consumers have a limited pool of restaurants from which they order, and once those restaurants have tapped them with their deeper discounts, they will keep flocking to them. "Which is where the role of WhatsApp becomes crucial because once a customer has ordered with our partner restaurant, they can do repeat orders from WhatsApp itself," says Dotpe's Gupta.

Even as the restaurant industry prepares to wage a war against aggregators, one thing needs to be kept in mind – for customers, it doesn't matter who's serving them, as long as the ordering experience is seamless, and prices are reasonable. So, for large restaurateurs who have already made the plunge, the litmus test has begun. How things shape up from here will determine the future of the industry, to a large extent. BT

@manukaushik

Interview



GROWTH SHOULD PICK UP FROM SECOND HALF OF THE FISCAL

India's economy is expected to shrink in FY21. The government has come out with several reforms of late to make the country a global manufacturing hub and push jobs and growth. Niti Aayog CEO **Amitabh Kant,** while speaking with Business Today's **Nirbhay Kumar,** says that foreign companies are strongly considering the possibility of shifting manufacturing to India given its low costs and a huge market. Kant talks about plans to attract foreign investment, boost local demand and reforms kick-started by the government. Edited excerpts:

PHOTOGRAPHS BY BANDEEP SINGH

India's economy is expected to shrink in FY21. Most economists predict India will enter recession by September. What is your assessment?

Not just India, but the world economy will shrink in FY21. However, most analysts estimate the fallout in India will not be as severe as in other countries. In April, the International Monetary Fund had stated the Indian economy will grow in FY21, albeit at a slower pace. Even high frequency indicators, such as the Purchasing Managers Index (PMI), showed improvement between April and May. June might be better, given that the economy is opening up. If India does see a full-year recession, it is not likely to be very deep, and we should see the economy bounce back in the next fiscal.

In which quarter do you expect India's GDP to start growing instead of shrinking?

We have started opening up the economy over the past month. As more data starts flowing in, we will be able to make an informed assessment of growth prospects. Early indications from PMI data suggest contraction in manufacturing and services may have bottomed out. The PMI services index fell to 5.4 in April, and touched 12.6 in May. Business optimism for the year ahead remains positive, as recorded by these surveys. In my opinion, we should see growth starting to pick up from the second half of this fiscal.

What has stopped the government from taking demand-stoking measures instead of working on the supply side?

On demand, EPFO contributions for both employers and employees have been re-

duced, which increases take-home salary. Similarly, TDS/TCS rates have been reduced, which has increased take-home income. The allocations to MGNREGA have been increased by ₹40,000 crore, which will boost rural demand. Through the reform measures, a balance has been struck between demand and supply. The government is taking many much-needed steps such as production-linked incentive schemes for mobile manufacturing and APIs and constitution of an empowered group to facilitate investments in India. These measures will ultimately pave the way for making India as a sought-after manufacturing destination.

How will Moody's downgrade of India's sovereign rating impact the country? It cited weak implementation of reform measures since 2017 as one key reason. Do you agree?

As long as India's economic fundamentals remain strong in the long term, we shall continue to see foreign investment pouring in. We must recognise that several historic reforms have just been announced. The agriculture sector has been unshackled from APMC & Essential Commodities Acts. Commercial mining has been announced. Our defence sector has been opened up to foreign investment. We need to recognise that many reforms are being pushed at the state level. I am sure rating agencies will soon realise that we are pushing for radical reforms and growth.

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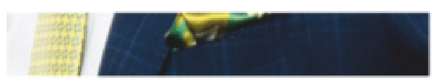

The Atma Nirbhar Bharat package is being seen as addressing medium and long-term issues, not immediate concerns facing millions of people. How will it effect an economic turnaround?

Atma Nirbhar Bharat is about laying the foundation for competing globally. So, inherently, it is forward looking. The relief and stimulus measures announced are also part of the Atma Nirbhar Bharat Abhiyaan. The package is nearly 10 per cent of GDP, and is likely to lead to pick-up in growth. It contains provisions for credit and liquidity. It covered historic reforms. Almost 43 per cent of our 500-million odd workforce is in agriculture. Their incomes will get a huge fillip from deregulation of agriculture trade outside *mandis*. FDI limit in defence has been raised substantially as well, a huge bonus for our domestic industry.

So, the package is wide-ranging and growth enhancing in the near and short term. The future lies in sunrise areas such as mobile, pharma and APIs, battery storage and electric vehicles. Even prior to the crisis, we had announced production-linked incentive schemes for mobile and API sectors. We have laid down robust measures to chart India's economic turnaround.

A record number of people have been laid off during the pandemic so far, salaries have been cut and future remains uncertain for many workers and professionals. What can the Centre do to improve the job scenario?

Every crisis should be seen as an opportunity. We must be quick to adapt to the changing nature of demand. Our adaptability should be even better because the impact of Covid-19 in India has been very muted compared to the US and Spain. So, we are in a better position to leverage the opportunity. I believe we must explore sunrise areas of growth.

In March, the Cabinet had approved production-linked incentive schemes for mobiles, select electronic components, pharmaceuticals and APIs. Further, the ease of doing business rankings have seen a sharp rise.

Atma Nirbhar Bharat is not protectionist. On the contrary, it will integrate India better into global value chains and exposure to superior technologies and investments through the FDI route will make us competitive globally.

An empowered group has been constituted for facilitating investments and evaluating investment proposals. Hence, I very strongly believe that we are now moving in the right direction and will emerge a much stronger nation post this crisis. We will end up as the most favourable destination for investment.

Atma Nirbhar Bharat seeks to boost local manufacturing but are the steps announced so far enough to attract foreign investments, especially those exiting China? The biggest issue facing manufacturers is last-mile procedures. What can be done to improve this?

Our focus is to improve capability and competitiveness further. This is possible only when we integrate ourselves with the global value chain. We have to not just attract FDI but create an enabling environment. Land and labour have been constraints and archaic labour laws are being codified into four labour codes. On land, large tracts are being identified and developed. An empowered group has been constituted to facilitate investments and identify investment opportunities. This will boost our efforts to invite investments and increase India's competitiveness. The Cabinet has approved a proposal to amend the IBC so that companies are not forced into resolution proceedings due to the Covid crisis. When we look at all these developments, and existing mechanisms such as the National Infrastructure Pipeline, GST, IBC, reduction in corporate tax, there is a very strong case for attracting investments. We must work with states and leverage competitive federalism to make this a reality.

We are a relatively low-cost destination with huge domestic demand. Land, labour issues are being looked into

Ever since the US-China trade war began, there has been hope that global firms would shift their base to India. Since the Coronavirus outbreak, the hope that companies would move towards India has multiplied. It has been over five months of the epidemic. How has been the response from investors?

Companies from various countries are strongly considering the possibility of shifting manufacturing to India. We are a relatively low-cost destination with huge domestic demand. Land and labour, which have been constraints, are being looked into.

There has been unanimity among all stakeholders on labour law reforms. But, do you support the way in which some states changed labour laws or proposed to suspend them altogether?

Our complex labour laws were one of the factors preventing large-scale manufacturing from evolving. It is surprising that labour laws, which were meant to protect rights of labourers, led to a situation where almost 90 per cent of our workforce was informal. This meant laws enacted to protect rights of labour did not cover most of them. The labour codes are important to strike a balance between expectations of employers and employees to maximise economic activity and ensure that interests of workforce are protected.

Does the Centre agree with UP and other states' ordinances to suspend labour laws and rights for three years?

I would not like to comment on individual cases but we cannot have a situation where laws are not protecting the people they have been enacted for and are hindering large-scale manufacturing.

Revenue collection has been quite low. Yet, there is need to substantially scale up government spending. How can India tackle this?

The government's revenue collection goes hand in hand with growth. With slowing growth, tax revenues will dip. However, as growth picks up in the second half of the fiscal, we should start to see rise in tax revenues. Going forward, we need to complement tax revenues with non-tax measures such as asset monetisation and disinvestment. In the short term, the government has already raised the borrowing target from ₹7.8 lakh crore to ₹12 lakh crore this fiscal to boost spending.

Should the RBI print money to tide over the crisis?

The RBI has already provided liquidity to ease financial stress in the economy. It has also raised borrowing limits for both Central and state governments. The policy stance of the RBI remains accommodative as well. This makes clear that, when needed, the RBI will provide liquidity to steer the economy. The RBI is also going to monitor inflationary pressures in the economy closely. It will have to maintain a tighter balance to manage high growth with stable inflation. We must recognise that we are in an evolving situation, and as mentioned by the FM, the government is keeping its options open.

Is the government open to sector-specific stimulus? Have those been considered at all?

The reforms announced do not necessarily apply to one sector, and to my mind, that should be the way forward. We have 6.3 crore MSMEs in India. Some of these are in the hospitality space. So, reform measures apply to them. The definition of MSMEs has been changed and a company with up to ₹50 crore investment and up to ₹250 crore turnover is a medium enterprise. This will enable more companies to avail benefits that have been announced. BT

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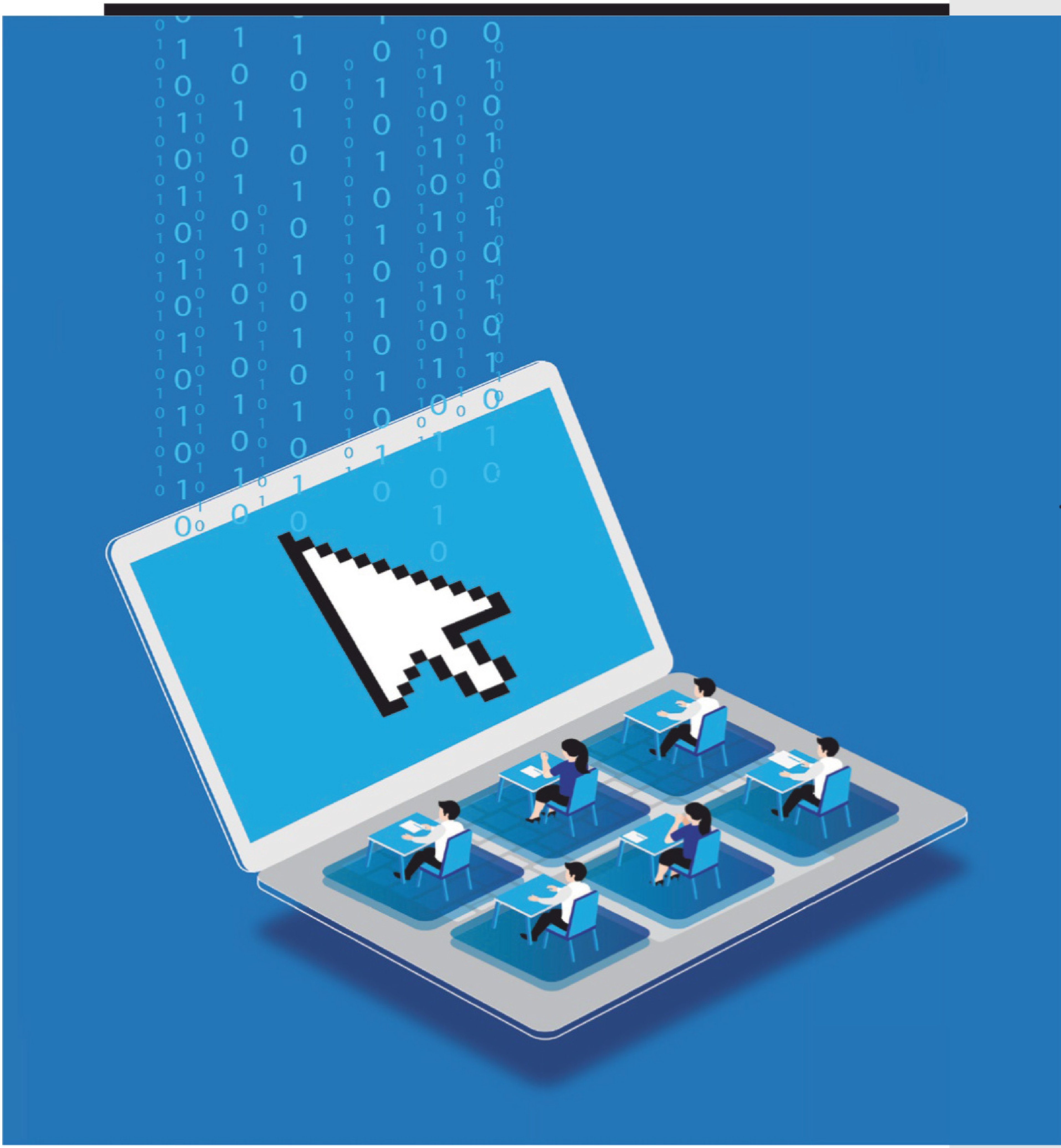
Management



Reimagining Work

In a world that has changed, businesses are looking at new organisational structures

BY E. KUMAR SHARMA
ILLUSTRATIONS BY RAJ VERMA

Andrew Poon, Hong Kong-based partner at global leadership advisory firm Egon Zehnder, while talking to the CEO of an insurance company from the Asia-Pacific (APAC) region, heard about his plans to change the structure of his organisation. Instead of the traditional architecture, led by a set of leaders, he was thinking about organising the company on the basis of customer-focussed areas.

Poon, who advises companies on senior leadership issues, is not surprised. He is facing a unique set of questions from clients these days as businesses try to get back on track after a prolonged slump due to Covid-19. Most of the queries revolve around changes in organisation structure that companies want to undertake to become more agile and strong.

For instance, one big lesson from the Covid crisis is the need to plan ahead and think out of the box. Also, everyone, right from business leaders and academicians to sector experts, sees a rise in gig workers, led by more agile teams. Apart from this, as companies embrace new technologies, and virtualisation catches on, new roles around IT and analytics are likely to emerge.

Customer-centric Models

The insurance company from the APAC region is planning to create agile teams sourced from three broad streams – first, the people stream focussing on human resources (HR) and employee engagement; the second, a business-enabler platform covering all the functions that enable a business such as operations, digital, research and supply chain; and finally, the customer stream covering anything and everything related to the end-user, be it managing customer assignments, types of products or marketing propositions. Crowd-sourced teams will work on project mode, focussing on customers and deliverables. The idea is to have shared resources instead of a rigid structure.

Though companies have been talking about this kind of flexible structure for some time now, the virus outbreak has increased the urgency and fast-tracked implementation.

According to Poon, though it is hard to generalise about this trend, on a scale of 1 to 10, where 10 is the totally transformed organisational structure and 1 is the status quo, we are currently at level three. Things will become clearer as more and more employees return to work and companies prepare themselves for the road ahead.

More Tech-focussed

What is hard to miss in this journey towards a new business structure and changing executive roles and responsibilities is presence of more technology. For instance, a person in a marketing role is no longer expected to know just the 4Ps (product, price, promotion and place). He should also be tech-focussed and have the ability to use data and remain customer-centric.

Also, it is no longer just about work from home, but is getting to be more about how the team structure should be like. People in the IT sector, who did not want to be quoted, told *Business Today* about companies' plans to reduce use of real estate by at least 30 per cent and revisit learning, upskilling and training since many of these programmes can now be delivered online.

Learning on the Go

An IT leader with global operations told *BT* on condition of anonymity that one of the biggest disruptions will be around learning and development, forcing companies to rethink the huge learning infrastructure that they have created to accommodate 25,000 to 30,000 people. The organisational architecture, he says, will be fluid. The recruitment process is itself expected to undergo major changes with rise in gig work. What this will mean is that you can assemble a team from anywhere across the world to come together to work on a solution or a project and then dismantle it after the job is done. Some even argue that changing labour laws in some states, allowing a hire and fire policy, will increase this trend.

Real estate planning will be a new element in companies' overall design plans, more so for the Indian IT sector which, compared to non-Indian companies, owns large real estate. They could face new challenges with only one-third to one-fourth of their employees operating from campuses. In fact, IT giant Wipro's move to hand over one of its campuses in Pune (currently not in use, according to a company representative) to the Maharashtra government for use as a Covid-19 hospital for a year has got some within the IT sector wondering if Wipro will really be needing it back to run a fully campus-staffed operation there after a year. Especially as IT companies, led by TCS, are thinking of having more people operate from home.

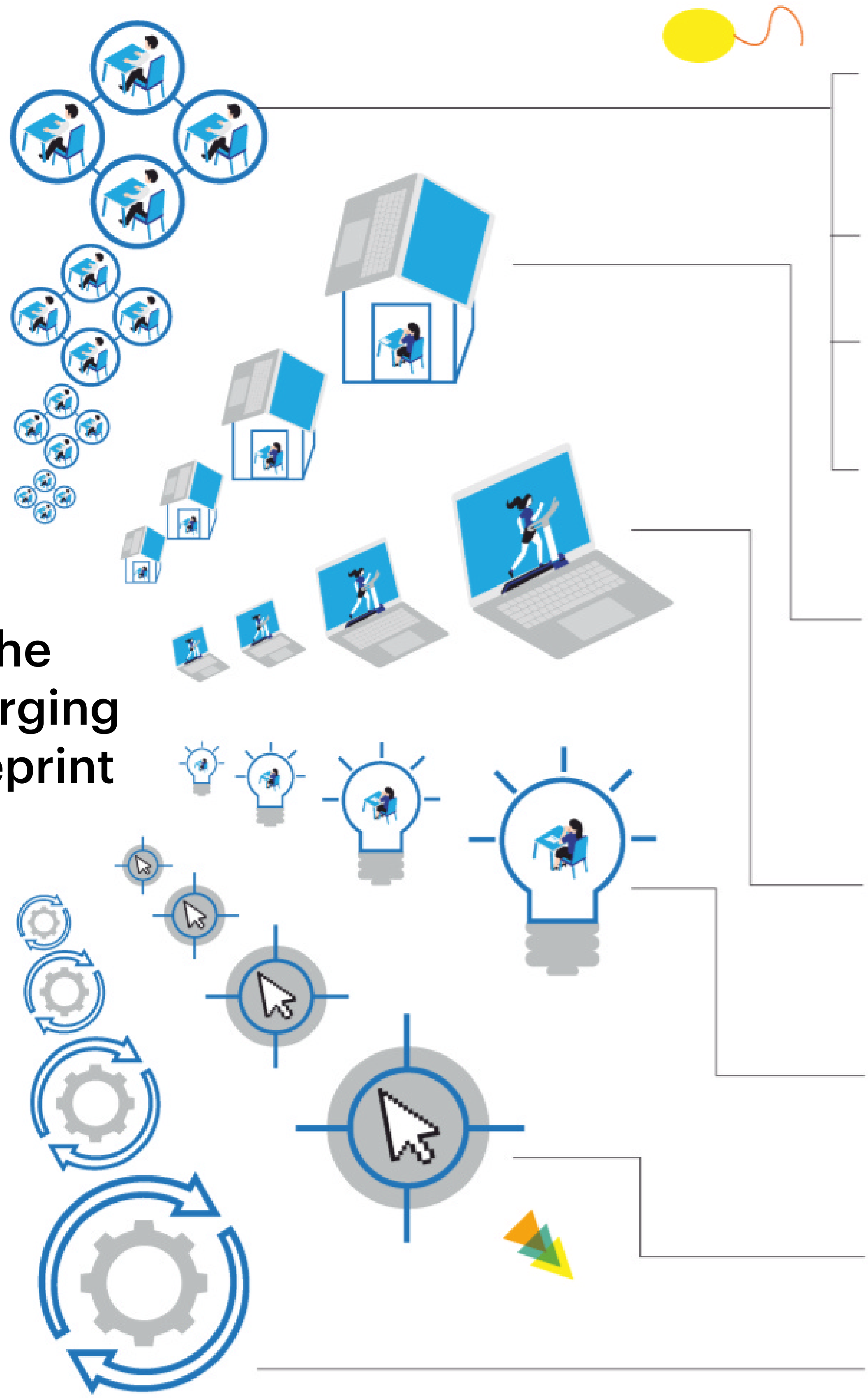
Intrapreneurial Management

If real estate and remote working are going to guide the emerging organisational architecture in knowledge industries, issues around efficient factory operations and intrapreneurial capabilities of team heads are engaging leaders in other industries. Ullas Kamath, Joint Man-

"Though it is hard to generalise about flexible structure, on a scale of 1 to 10, where 10 is the totally transformed organisational structure and 1 is the status quo, we are currently at level three"

Andrew Poon, Partner, Egon Zehnder

The Emerging Blueprint



Structural Shifts
No more division of roles on classical lines under the CEO. Crowdsourcing on the basis of projects will be the new normal. The teams will broadly include three categories:

People stream covering human resources, employee engagement, hiring and talent sourcing

Enablers stream, including those who handle functions that enable the business – operations, analytics, technology

Customer stream dealing with all things related to end-users – managing assignments, marketing propositions and products

Remote working:
More focus on work from home, especially for the IT industry. New ways to analyse impact on productivity and distribution of work, monitor output, engage with teams and enter into collaborations. Working from Tier II, III cities to be easier

Flexible workforce:
Shift towards a more flexible workforce in select areas, especially services, which means the traditional recruiting process will change with rise in gig components

Redefined roles:
From stores to factories, managers expected to be more entrepreneurial and flexible, to enable them to manage employees effectively during uncertain times

Digital focus: Training and learning to move to the digital medium, freeing real estate. Anywhere, anytime learning programmes will be in demand

Change in manufacturing: In the long run, there could be multipoint manufacturing with assembly at point of sale

aging Director, Jyothy Laboratories, the FMCG player known for brands like Ujala and Margo, says: "The factory manager today is face of the company and expected to be entrepreneurial enough to manage internal and external people engagement. All this to ensure safety of the workforce while driving efficiencies but being mindful of social distancing needs." Kamath expects changes in roles and responsibilities to some extent based on abilities that people have demonstrated during the Covid crisis. A number of new roles are also expected to emerge, especially those linked to technology. "Newer roles will emerge around data analytics and mapping of consumer behaviour in the post-Covid world to get a better grasp of how the consumer will behave with the brand, and use that to launch products and position brands accordingly," he adds.

But one of the most crucial skill set needed to quickly adapt to the emerging environment is centred around intrapreneurial attributes – the ability to work like an entrepreneur in a large organisation. India's pioneer in denim products, Sanjay S. Lalbhai, Chairman and Managing Director of Arvind, the $1.5-billion garment conglomerate, says: "The crisis is unprecedented. A lot of fundamental things will change. Everyone will have to look at different models to adapt to this new environment. There will be more automation, digitisation and robotics, but more than that people will need to become more entrepreneurial."

And entrepreneurial roles will be expected at crucial points – be it a store manager or a factory manager. Retail industry veteran B.S. Nagesh and Founder of public charitable trust TRRAIN (Trust for Retailers and Retail Associates of India), says: "We will see entrepreneurship as you will have to allow stores to take own decisions as store managers are more aware about local laws and zones and hotspots."

"Different zones will behave differently depending on the catchment area. So, retailers will have to allow their store managers to operate very differently than in the past. That is one big change. Online and multichannel will play a bigger role. There also, the role of a store manager in running an omnichannel business will expand," adds Nagesh. He says, "Technology will morph into engineering and digital. So far, the recourse has been only enterprise resource planning (ERP). Now, we will need multiple interfacing at the customer end and, therefore, many ERP and management layers are likely to come down, which in any case was happening since last year, a slowdown period. But it will get accentuated now."

The big question this will raise is around what will happen to the supply chain? "If apparel shops do not do well, what happens to tailoring, fabric, yarn and cotton growers, starved of working capital?"

New Business Alignments

If questions around back-end and supply chain realignment matter, so do business networks that are emerging on the front-end. Harbir Singh, Co-director of Mack Institute for Innovation Management, Wharton School, University of Pennsylvannia, US, whose areas of interest include corporate governance and corporate restructuring, says: "Virtualisation of the corporation is the way forward. The focus of most will be not to waste the crisis but use it to invest in building networks and relationships."

"In times of deglobalisation and rise of nationalism, talent with international perspective will be in demand. This will help companies identify where to direct resources and which partnerships to build to ensure greater global visibility and higher local competitive advantage for both homegrown and global brands," he adds.

According to him, management teams will use this opportunity to invest in innovation. He cites the example of Microsoft, which has announced plans to invest more in artificial intelligence and Cloud. The power of networks and drive to seize new opportunities in last-mile delivery will see organisations realign themselves. Uber, for example, despite having its own food delivery platform Uber Eats, is attempting to acquire Grub-

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Sanjay S. Lalbhai, CMD, Arvind Ltd

hub, apparently driven by the belief that the time to market in the last-mile delivery is a major opportunity, thereby building synergies and dominance in the food delivery business.

In this architecture where business alignments will be made, Singh of Wharton School feels professionals who can stay ahead in the game will be in demand, apart from Internet security and data privacy experts who can ensure safety to virtualised corporations.

Market Dynamics to Drive Changes

New opportunities notwithstanding, immediate concerns still centre around the extent to which current businesses will be affected. A. Vellayan, Member of the Murugappa Group and its former Chairman, says: “What is still unknown in this journey towards a new organisational architecture is the nature of consumer behaviour post-Covid. In that scenario, it boils down to what organisations can afford, and the picture will get clearer only after the lockdown is over and one can see how demand moves.”

“Based on that, people may look at right-sizing the organisation,” he adds. There is, however, “no clarity as yet as to what level of capacity utilisation industries will gain, though as things stand, some sectors such as agriculture will be less affected, while others like auto and finance will see a greater impact”.

Sector and Job Roles

According to an IT industry leader and a leading consumer business honcho, sectors such as metals, minerals, mines and even utilities will find it difficult to change their organisational architecture since most of them are tied to specific locations.

But manufacturing could see new patterns, according to one of the leaders quoted above. “We could get to automisation of processes. Today, manufacturing happens only at one place. Tomorrow, with the help of 3-D printing, we can have multilocational manufacturing, guided more by the location of the available talent or raw material, and assemble parts at point of sale. Things need not be done only in a certain fashion, by a certain set of people, at a set location and distributed only in a certain manner. All of these will change.”

A new element of fungibility is also likely to creep in. For instance, someone looking at international sales may not be loaded with work now and so can look at other things. Campus hiring and onboarding of new talent, especially freshers, may see some slowing down as they may not be immediately productive and will need buddies, induction, acclimatisation and handholding to be effective. Existing people within the organisation could also take up additional responsibilities, strengthening the business structure. BT

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Network

THE EDUCATOR

A.M. Naik, Chairman, L&T group, has fond memories of his childhood in Gujarat's Endhal where his family was called the '*Master Kutumb*'. His father was a teacher. So was his grandfather.

In 2009, Naik set up two trusts. One was the Nirali Memorial Medical Trust to build hospitals, diagnostic centres and a healthcare campus. The other was Naik Charitable Trust (NCT) to spread learning."Both trusts are connected to life. One saves life, the other transforms it," says Naik. "Education is the bridge to opportunities for all sections of society, both rich and poor."

Naik's effort has transformed schools in Gujarat's Endhal and Kharel districts. He re-built the school where he had studied. He also set up a science resource centre and constructed hostels for faculty and students at a number of schools. The NCT has also set up mobile laboratories called 'Science on Wheels' for 12,000 students of 40 schools in Kharel district.

With a large number of girls dropping out of school because of lack of separate toilets, the NCT has constructed toilet blocks for 41 schools in three backward talukas of Navsari, Gandevi and Chikli. It is also setting up an ICSE school in Mumbai's suburb Powai.

The NCT was the first to bring skill training to villages of south Gujarat through the Anil Naik Technical Training Centre in Kharel.

– P.B. JAYAKUMAR

Sporting Touch

Playing a sport helps one become a better leader. Ask **Brian Moynihan**, Chairman of the Board and Chief Executive Officer at Bank of America. Moynihan, who took over the reins of BofA in 2010, was co-captain of the Brown University rugby team. Like for many others in the US, for the young Moynihan, rugby was a way of life. He played fly half and inside centre. He was not imposing athletically but was fast. "You can win in rugby only if you play as a team. I mean, every person has to carry the ball, every person has to tackle, every person has to pass the ball, so you have to work as a team," he said to the *Brown Daily Herald*

The lesson has come in handy now that Moynihan leads one of the world's biggest banks at a time coronavirus has shut down large parts of the economy. He is undeterred and has gone public saying that consumer spending is picking up and the American economy is beginning to recover from the shutdown. That should be good news for a banker who learnt his first leadership lesson on the rugby field.

Meditation A Way of Life

Tarun Katial, CEO of ZEE5 India, always starts his day with an hour-long session of Vipassana. The oldest of Buddhist meditation practices, Vipassana is also known as insight meditation movement, a direct and gradual cultivation of awareness. Vipassana, says Katial, not just rejuvenates him for the entire day, it has also taught him to ignore insignificant frills. "Vipassana meditation is the anchor of my life. I was in my raging 20s when my aunt gifted me S.N. Goenka's book, *The Art of Living.* It taught me to be introspective and look for solutions within myself rather than outside. This book has transformed me into a softer, less-selfish person."

Vipassana has especially helped him stay calm and focussed during the lockdown. "It has helped me rediscover myself and lead life in a better way."

Meditation, claims Katial, has also helped him stay grounded. He was among the young achievers of the media industry but says he got all that glory because of his good *karma*. Vipassana has taught him not to be scared of the future. "Nothing is permanent in life," he says. "I never get too excited with success or too depressed with failure. So, this attitude sort of keeps me rooted," he says.

– AJITA SHASHIDHAR

Best Advice I Ever Got

"WE NEED TO COUNT UPON THE 'COLLECTIVE WISDOM' OF OUR TEAM"

MANISH SHARMA, PRESIDENT AND CEO,
PANASONIC INDIA & SOUTH ASIA

PHOTOGRAPH BY RAJWANT RAWAT

Q: What was the problem you were grappling with?

A: We are all grappling with unforeseen times. My biggest worry remains well-being and safety of colleagues and health of every stakeholder associated with me or my organisation. This pandemic has not only had an unfavourable impact on businesses and economy but also a lasting impact on people. It has forever changed the way we used to live.

Q: Who did you approach for advice?

A: I have always followed the philosophies of our founder Konosuke Matsushita. The way he tackled the business during the 1929 economic depression, as a result of which Panasonic sailed through the difficult time, and how he kept employees' interests at heart – this is something I draw inspiration from.

Q: What was the advice?

A: From him, I've learnt the art of practising resilience to sail through tough times and creating opportunities out of adversities. To do this, we need to count upon the 'collective wisdom' of our team and take informed decisions. This is what I have been doing. It is because of his inspiring words that I've always taken a "people-first" approach. We need to be cautiously optimistic and consciously prepare for adverse conditions while simultaneously planning to explore the opportunities ahead.

Q: How effective was it?

A: Going by the impact of Covid-19 on the world, I believe practising resilience and bringing people together is the way forward. We will see the impact of our approach in a year or two. But with "collective wisdom", I find myself more in control, with teams better aligned to organisation goals. We are committed to Make in India and elevating consumers' trust in us. BT

–NIDHI SINGAL

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