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Forbes INDIA

PRE-BUDGET SPECIAL

BACK TO THE FUTURE

A four-year scorecard of the NDA government, and what it has in the tank in the final lap ahead of the general election

PLUS

AGRI AND SME'S GREAT EXPECTATIONS

SBI: IS THE WORST FINALLY OVER?

QUOTA POLITICS, BUT WHERE ARE THE JOBS?

HOW TECH IS GIVING VOTERS A STRONGER VOICE

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Welcome to the

Forbes INDIA

Tablet Edition

On Budgets and Off-Budgets

Over the past three decades, India has had six interim budgets. On February 1, Finance Minister (FM) Arun Jaitley will present the seventh. The thing with interim budgets—typically the last one in a government's five-year tenure unless elections are forced—is that that they're inevitably looked upon with suspicion. With the general election just a few months away, what should essentially be a spending plan for the next three to four months is looked upon as a platform for governments to play to the gallery and tinker with financials to play down overspending ahead of the polls.

Consider, for instance, how the opposition slammed the Congress-led United Progressive Alliance's (UPA's) interim budget in 2014 as an election budget, accusing FM P Chidambaram of "juggling" with numbers to keep fiscal deficit in control. The accusations involved keeping the total subsidy bill at the previous year's level, without accounting for rolled over fuel subsidy of some ₹35,000 crore. Also, a 3.3 percent revenue deficit indicated that the government had failed to "contain its fiscal profligacy," as one BJP stalwart put it.

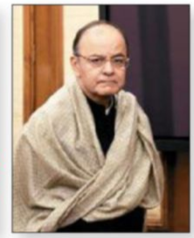
Five years later, the boot is on the other foot. Last fortnight, the Narendra Modi-led NDA government earned the ire of the Comptroller and Auditor General of India (CAG), the nation's auditor, for borrowing through off-budget channels to bankroll capital and revenue spending. Off-budget financing, according to the audit report presented in the Parliament, was used to cover the deferment of fertiliser bills through special banking arrangements. It also came to the rescue in food subsidy bills and for implementing irrigation schemes. "Such off-budget financing is not part of calculation of the fiscal indicators despite fiscal implications," noted the CAG.

The government refuted the CAG charges, but the reality is that such financing patterns before a big fat Indian election are par for the course. Government data, for its part, shows that subsidy as a percentage of GDP is at one of its lowest since 2008-09. But that may be only half the story, writes *Forbes India*'s Pooja Sarkar. Go to page 14 to know why.

Appeasing the electorate in the last lap of a five-year tenure is akin to the last dash in a marathon

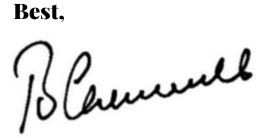
Appeasing the electorate in the last lap of a five-year tenure is of course akin to the last dash in a marathon. Still, voters wouldn't have forgotten the promises made in the manifesto of the winning party before the race began. Was enough done in that period to usher in the good days and development that were promised at the outset? In our cover story this fortnight, *Forbes India*'s Samar Srivastava takes a look at the NDA scorecard. His verdict: It's a glass half full, with the government doing well on, for instance, unravelling non-performing assets in the banking system. But it has miles to go on fronts like 'Make in India', its smart city mission and simplifying the tax regime.

As the electoral dust begins to stir, *Forbes India* kicks off its poll coverage, tracking stories at the intersection of politics, policy, technology and business. We begin with a feature by Divya Shekhar on how a clutch of tech platforms is attempting to strengthen the voters' voice by analysing candidate and constituency data, and helping citizens register on the electoral rolls. To read about tech-enabled power to the people, turn to page 28.


▲ (Top left) Technology platforms step in to help people have a stronger voice in political conversations; (top right) FM Arun Jaitley will present the government's interim budget on February 1; (above) Farmers in drought-hit Marathwada will be looking to the budget for succour

Best,



BRIAN CARVALHO
Editor, *Forbes India*

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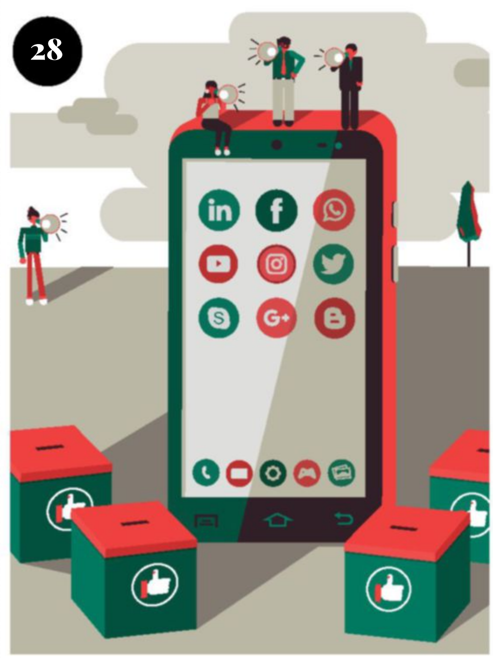

Political parties are wooing voters in different ways in a smartphone-savvy democracy

Sanjeev Bikhchandani, executive chairman of Info Edge, started the company in 1994

Vishal Bali has started a new chapter in his 23-year journey in the health care industry

Rishi Khosla, co-founder of OakNorth, says he loves to scale fast, and profit excites him

CROSS BORDER

FORBESLIFE

Restaurateur Bhupender Nath says the food scene in Mumbai is amazing

The Casino de Monte-Carlo in Monaco is a buzzing gambling destination

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Editor: Brian Carvalho

REIMAGINING EDUCATION TO PREPARE OUR CHILDREN FOR THE JOBS OF TOMORROW

COLLÈGE DU LÉMAN
École Internationale – International School

While education is our greatest lever for social change, the current system is increasingly falling short. Unacceptable gaps in academic attainment, poor social mobility, rising mental health issues and a failure to provide young people with the skills they need for life in the 21st century are consequences of an education system rooted in the needs of a bygone era.

Pioneers are beginning to present exciting glimpses into a reimagined view of education - one with "whole-person learning" at its centre. These pockets of innovation, however, have not moved away from the prevailing system, organised around a narrow set of exams. As we think about the urgent and increasingly complex global issues that must be solved, we must focus not only on innovating but also on driving timely system wide change.

A century ago, the standardized model of education was aimed at teaching children basic literacy and numeracy skills needed in manufacturing. Since then, although the education system has been somewhat modernised, changes have been modest and largely incremental:

- Content has been expanded to include modern subjects like computer science, and competencies such as social and emotional learning, yet the focus is still primarily on foundational literacies (i.e., reading and maths).
- New pedagogies have emerged, e.g., the use of project-based learning, but their uptake has been limited.
- Increased attention is being given to accountability and progress for disadvantaged students. Performance, though, is still measured primarily along the same industrial standards.

Thomas Schädler, Director General

These modern trends do have significant implications for education, but the changes are incremental and inadequate. The needs of young people must come first, to prepare them for the reality of the world beyond the classroom. If this doesn't happen:

- Individual wellbeing will suffer, with a reduction in productivity.
- The needs of the economy will not be met; the skills mismatch between workers and the job market will contribute to high youth unemployment.
- Communities will continue to fracture; with both a rise in disenfranchisement and isolationism.
- Complex modern problems requiring advanced thinking and collaboration will remain unsolved, with individuals ill-equipped to address key issues effectively. As communities fracture and divisions become increasingly prevalent across borders, the need to come together anew and act on time sensitive global challenges is increasingly urgent.

Whether viewed from a moral, economic or social angle, we need to reimagine education from the perspective of what young people, communities and businesses really need.

In doing so, we must dare to question WHAT students learn, HOW they are taught, HOW their learning is measured and WHO is teaching them.

Thomas Schädler, *Director General – Collège du Léman International Boarding School, Geneva, Switzerland.*

About Collège du Léman

Collège du Léman is a prestigious international day and boarding school in Geneva, Switzerland, which hosts students from all over the world and offers individual growth, academic excellence and lifelong learning in a safe and secure environment. The school offers the International Baccalaureate(IB), IGCSE, and other options. F

Two-week summer programme for students ages 8-18 years

On the 20 acre campus near Lake Geneva, students create an exceptional experience from over 24 activities like robotics, leadership, Juilliard performing arts, football with Juventus and excursions etc.

Geneva-based education advisor Asija Safigulina will be in New Delhi February 12-14 and Mumbai February 15-18, 2019.

For an appointment or further information please contact:
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Forbes INDIA

LEADERBOARD

Is The Budget Subsidy Data Telling You The Real Story?
CAG pans Centre for rolling over subsidy data **P/10**

New Names For Old Loans
Report picks holes in the claim of Mudra loans creating jobs **P/11**

Year Of Unicorns
Eleven Indian startups entered the coveted $1 billion-valuation club in 2018 **P/12**

QUOTA CONUNDRUM

Reservation's Fine, But Where Are The Jobs?

Without job creation, the government's nod to a 10 percent reservation for poorer sections may end up compromising efficiency

SONU MEHTA / HINDUSTAN TIMES VIA GETTY IMAGES

Blast from the past: Members of the Jat community protest in Delhi in March 2017, demanding OBC status, and reservations in jobs and educational institutions

PRIME MINISTER NARENDRA MODI has pulled a masterstroke ahead of the general elections. The government has given its nod to a 10 percent reservation in government jobs and higher education for the economically weaker sections in the general category. The new law categorises those who earn less than ₹8 lakh a year or have less than five acres of land as economically weaker. The latest offering will be over and above the existing 50 percent reservation for Scheduled Castes and Scheduled Tribes and Other Backward Classes that is already in place.

The question is how will the government navigate through the plan? At a time when India has not been able to create new jobs, it is unlikely that the government will create them to accommodate the latest requirements for reservation. "There certainly won't be any new jobs that will be created," says Madan Sabnavis, chief economist of Credit Analysis & Research Limited. "What will happen is that existing jobs will have to accommodate those who fall in the new reservation category, and that could lead to concerns over efficiency. What the government needs to do is to ensure that such policies are accompanied by better training to those who get the jobs so that efficiency won't be affected. The policy is more progressive than caste-based reservations, but there will be lesser jobs available for people outside of the categories."

India's job growth turned bleak in the past year, as almost 11 million Indians lost their jobs, according to a report by the Centre for Monitoring Indian Economy. Individuals belonging to vulnerable groups were worst hit. "An estimated 9.1 million jobs were lost in rural India and 1.8 million in urban India. Rural India accounts for two-thirds of India's population, but it accounted for 84 percent of the job losses," the report said.

"What the government is doing is, taking things away from the left pocket and giving it to the right," says Pranay Swain, chairperson, School of Humanities and Social Sciences at the National Institute of Science Education and Research. "There won't be any new jobs that are likely to be created. What the government can do, however, is ask the private sector to accommodate some jobs, and in turn, provide them some benefits."

—MANU BALACHANDRAN

10% Quota Could Increase Vacancies

Ahead of the 2019 elections, the government has pushed a 10 percent quota Bill through the Rajya Sabha in record time, which is likely to have a big impact on the country's higher education system.
The Bill is being challenged in the Supreme Court by NGO Youth For

Equality. However, if it comes into effect, 10 percent of seats in higher education institutions are likely to be reserved for 'economically weaker' students, over and above the 50 percent that is already reserved for the SC/STs and OBCs. This will be mandated at all universities and educational institutes that are recognised by the University Grants Commission, whether government-run or privately-owned. Reports say the ministry is working out the number of seats that need to be increased at these institutes to accommodate an additional quota, so as not to disturb the current batch intake. While there is little clarity on the exact nature of this process, experts estimate that about 10 lakh seats will have to be added across the country, including those at the IITs, IIMs and central universities. "Education should be available to

all, and your financial background should definitely not be in the way of opportunity," says Ashok Wadia, principal, Jai Hind College, a leading college affiliated to the University of Mumbai. "However, the implementation of such a quota will become key to how it impacts education. Currently, there are many course areas in which demand outstrips supply, but the exact opposite is also true. If there's a blanket increase, it would only lead to more vacancies."

Wadia adds that while such reservation could help students gain admission, it may not help them earn their degree. "Scholarships that offer full cover might be a better option, because often students drop out because they can't afford the costs of a course," he says.

For R Venkata Rao, vice chancellor of the National Law School of India University in Bengaluru, the question should not arise. "I'll be most surprised if the Bill is able to withstand judicial scrutiny. It alters the basic structure of the constitution and I don't think it will be able to pass legal filters," he says.

—PANKTI MEHTA KADAKIA

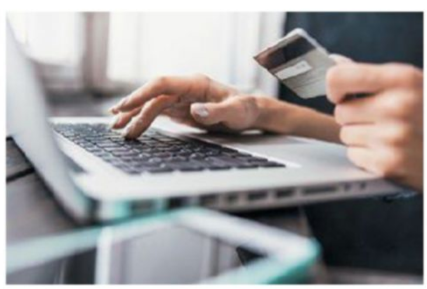
FALLING IN LINE

Filling The Ecommerce Gaps

Government issues note to provide clarity on FDI policy for sector; protects interests of brick-and-mortar sellers by cracking down on discounts

ECOMMERCE BEHEMOTHS FLIPKART and Amazon could end up spending the better part of 2019 solving riddles posed by the government. On December 26, 2018, the government issued a press note in which it sought to "provide clarity to FDI [foreign direct investment] policy on the ecommerce sector".

The government had allowed 100 percent retail in marketplaces through the automatic route in 2016, but also mandated that discounting, a major draw for online shoppers, had to stop. Also, no single seller could account for more than 25 percent of the sales on a marketplace. Until then, WS Retail was one of the biggest sellers on Flipkart while Amazon had Cloudtail. Discounting continued unabated and the likes of Flipkart and Amazon propped up a number of sellers to reduce dependence on



WS Retail and Cloudtail. Amazon also formed a joint venture (JV) with Patni Group, called Appario Retail.

The press note, which seeks to provide respite to brick-and-mortar traders who form a significant part of the vote bank, implies that none of the big sellers—Cloudtail, Appario, WS Retail and the likes—can trade more than one fourth of their stock on one platform.

Second, any entity which is an investee of a marketplace cannot sell on that particular marketplace. Meaning: Amazon's JVs are likely to be barred from selling on Amazon.

A person involved in the government's decision-making says: "The fresh clarifications are largely intended to plug the gaps, which were exploited by ecommerce companies. With so much money at stake, ecommerce companies will also voice their concerns. They can certainly try to find a way around these regulations, but some of the mandates, especially around seller structure, may create some short term impact."

It is not immediately clear if other sectors, such as grocery, food delivery and ride hailing, also come under the ambit of the ecommerce policy. Industry executives believe grocery delivery startups such as BigBasket, Grofers and Amazon Retail, its food retail arm, need not be rattled as the government has already allowed 100 percent FDI in retail trading of food products manufactured or delivered in the country.

—SAYAN CHAKRABORTY

ILLUSTRATION: CHAITANYA DINESH SURPUR; FALLING IN LINE: SHUTTERSTOCK

1.57

Indian government's subsidy outgo for 2017-18 as percentage of GDP

Is The Budget Subsidy Data Telling You The Real Story?

CAG report punches hole in Centre's claim of reduced subsidy expenses, says government resorted to off-budget financing

SUBSIDY HAS ALWAYS BEEN A touchy topic for governments as no one likes to be seen as imprudent. Data from budget documents indicate that the government's spending towards subsidies has been falling significantly over five years. However, the Comptroller and Auditor General of India (CAG) has panned the government for missing fiscal deficit targets and using creative accounting methods to roll over subsidy data.

Government data shows that subsidy as a percentage of gross domestic product (GDP) has come down to 1.57 percent for 2017-18 and stands at ₹2.34 trillion, one of the lowest since 2008-09, when subsidies formed 2.35 percent of the GDP.

A CAG report released on January 8 says the government has increasingly resorted to off-budget financing for revenue as well as capital spending. In terms of revenue spending, off-budget financing was used for covering deferred fertiliser arrears, food subsidy bills and arrears of the Food Corporation of India through borrowings and special banking arrangements.

The CAG report says that during 2016-17, the government's expenditure towards food subsidy was ₹78,335 crore and it rolled over ₹81,303 crore as carry-over liability. It was the first time that the carried over amount was higher than the actual expense shown by the government. To put it in context, during 2015-16, the government's food subsidy as a percentage of GDP stood at 1.01 percent, the highest in the last 18 years (*see chart*).

Although food subsidy goes up every year because the minimum support price for farmers increases and the FCI cannot refuse buying from farmers, the carryover liability of the government is ballooning.

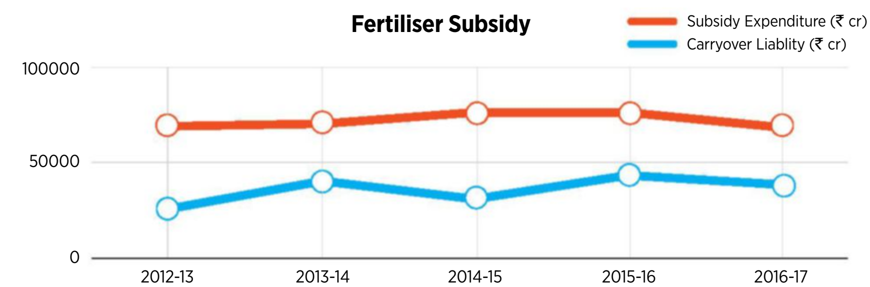
The report also points to how the rollover number in the fertiliser subsidy has been increasing. In 2013-14, the last budget of the UPA II saw a 52 percent jump in carryover liability for fertiliser at ₹40,341 crore, which has remained consistent during the NDA regime. According to *Forbes India* research, during 2016-17, the fertiliser subsidy as a percentage of GDP stood at 0.43 percent, the lowest since 2008-09 when the government paid ₹70,100 crore and carried over ₹39,057 as future liability.

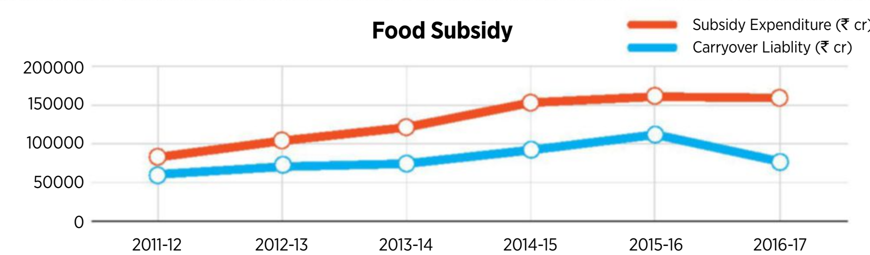
"Most governments have been rolling over substantial amount of subsidy... but the number is now ballooning. It is yet to be seen what the implications in the coming years," says a chief economist from a ratings agency.

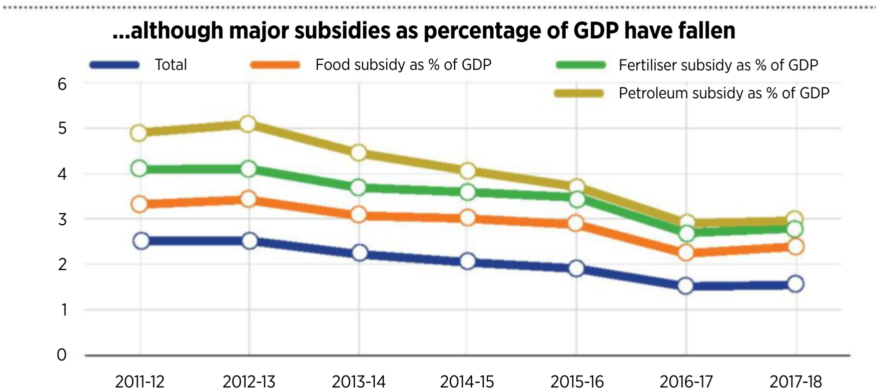
The only saving grace for this government has been its luck around the petroleum subsidy as globally crude prices have crashed since 2014.

—POOJA SARKAR

Rolled-Over Subsidies Have Been On The Rise...







Source: *CAG report, India Budget and RBI*

SHUTTERSTOCK

LEADERBOARD

₹1.59 lakh cr

Amount of Mudra loans disbursed by banks in FY2018-19

JOB CREATION

New Name For Old Loans

Mudra loans were offered previously too, and if they are creating jobs now, they must have done so in the past as well

LOANS CATEGORISED AS MUDRA loans have been one of the big talking points of the Narendra Modi government. It has repeatedly said that loans under the Pradhan Mantri Mudra Yojana have led to large scale job creation, but no data has been provided to substantiate the claim.

A recent answer to a question raised in the Lok Sabha, along with the reading of the annual reports of the Micro Units Development & Refinance Agency (Mudra) Ltd, punches holes in the claim of Mudra loans creating jobs. These loans are basically a classification: Loans of up to ₹10 lakh, given by banks (public and private sectors), small finance banks, regional rural banks, cooperative banks, microfinance institutions and non-banking finance companies to non-corporate, non-farm, small and micro enterprises, are categorised as Mudra loans.

There are three further sub categorisations: Shishu (up to ₹50,000), Kishore (above ₹50,000 and up to ₹5 lakh) and Tarun (above ₹5 lakh and up to ₹10 lakh).

The accompanying table shows:

1 In the current financial year, Shishu loans formed around 89 percent of the loans categorised as Mudra loans. Between 2015-2016 and now, Shishu loans have formed 89 to 93 percent of Mudra loans.

2 In 2017-2018, the average size of a Mudra loan was ₹52,739. But this does not show the true picture because a bulk of the loans are Shishu ones. An average Shishu loan in 2017-2018 was ₹24,883.

Looking at the past growth, it is fair to say that the average Shishu loan in 2018-2019 would be in the range of ₹26,000-27,000.

3 Given this, it is worth asking: Does it just take an average loan of ₹26,000-27,000 to create jobs? And if that is true, why does India have all the unemployment and underemployment that it does?

4 Mudra loans are a classification, launched in April 2015. Even prior to them, financial institutions were giving out Mudra loans but they weren't classified as Mudra loans.

The larger point is that if these loans are creating a lot of jobs now, they must have been doing the same then too.

5 As the Micro Units Development & Refinance Agency puts it on its website: "Mudra is a refinancing institution. Mudra do [sic] not lend directly to the micro entrepreneurs/individuals."

In 2017-2018, loans worth ₹253,677 crore were categorised as Mudra loans. Of these, loans worth only ₹7,501 crore (2.96 percent) were refinanced at a lower rate of interest. Although that's an improvement from previous years, the figure is very low. What this means is that even the basic idea behind loans being categorised as Mudra loans is not being fulfilled.

These loans were always given out, just that they have a new name now.

—VIVEK KAUL

(Vivek Kaul is the author of the Easy Money *trilogy)*

Average Size of Shishu Loans

Year	Number of Shishu Loans (accounts in ₹ lakh)	Percentage of loan accounts out of total Pradhan Mantri Mudra Yojana loans	Average loan amount (₹)
2015-2016	324.01	92.89	19,411
2016-2017	364.98	91.93	23,317
2017-2018	426.69	88.65	24,883
2018-2019*	259.68	88.84	Not available

** Up to December 21, 2018*

Source: *http://164.100.47.190/loksabhaquestions/annex/16/AS249.pdf and annual reports of Mudra*

PHOTOGRAPHS: SHUTTERSTOCK

$138.6 bln

The total market capitalisation of all cryptocurrencies as of November 2018, down more than 80% since its January peak

NEW BILLIONAIRE

Bubble Beater

Cryptocurrencies keep swinging wildly in value. Brian Armstrong's Coinbase just keeps getting bigger

UNCERTAINTY DEFINES THE cryptocurrency market. But here's one thing that's for sure: Amid all that mania and volatility, Brian Armstrong—the co-founder of Coinbase, a crypto broker and exchange—is a billionaire.

Before co-founding Coinbase in 2012, Armstrong was a computer-science and economics student at Rice University and then, briefly, a software engineer at Airbnb. Coinbase attracted around 30,000 users its first year; today it has more than 20 million.

At one point last year, Coinbase was the most downloaded iPhone app in America, and it reportedly generated $1 billion in revenue in 2017. Investors valued the business at over $8 billion in October—an increase of more than 400 percent in a little over a year—making Armstrong's stake in the firm worth an estimated $1.3 billion. Coinbase achieved that lofty valuation despite the latest crash in cryptocurrencies, with bitcoin, the largest crypto asset, down nearly 71 percent this year as of November 30.

—NATHAN VARDI

CHRISTIAN PEACOCK/THE FORBES COLLECTION; TOP: SHUTTERSTOCK

STARTUPS

Year Of Unicorns

Eleven startups entered $1 billion-valuation club in 2018

UNICORNS WERE THE FLAVOUR OF 2018. Eleven startups entered the coveted $1 billion-valuation club last year, including the likes of PolicyBazaar, Paytm Mall and Swiggy, according to the *Annual Tech Startup Funding Report* by Inc42.

Though last year might not have been the best in terms of the number of deals or funding compared to 2017—there was $11 billion worth of funding in 2018, compared to $13 billion the previous year—it marked several milestones, including the biggest acquisition in India's startup history: Walmart's buyout of Flipkart.

However, 2018 also happens to be the second consecutive year to witness a huge funding gap in the startup ecosystem. If nine startups—which together secured $5.4 billion in funding—are removed, $5.6 billion funding took place through 728 deals. The equivalent numbers for 2017 were equally disturbing: Four startups cornered $6.9 billion in funding. "What's even more concerning is a drop of 40 percent in seed deals and investor participation by 17 percent in 2018," says Pooja Sareen, co-founder of Inc42. What this essentially means, Sareen adds, is that with fewer startups being supported in the seed stage and fewer investors jumping into the fray, India might see a crunch in the growth-stage startup ecosystem in the coming years.

—RAJIV SINGH

The Funding Scenario

$11 bln	Funding raised by startups in 2018
743	Total number of deals
637	Number of startups funded
125	Mergers and acquisitions
20%	Fall in number of deals; investments plunged by 16% compared to 2017
40%	Drop in seed stage funding compared to 2017
18%	Increase in late-stage funding
$2.4 bln	Amount raised across 232 deals in growth stage
$8 bln	Amount raised across 106 deals in late stage

FINTECH
Top funded sector of the year; fintech start-ups secured $1.4 billion

BENGALURU
Top hub of the year; 247 deals and $4.75 billion in total funding. Funding amount fell by 31%, from $6.86 billion in 2017

ACCEL PARTNERS
Most active VC with 28 deals, followed by Sequoia Capital (24) and Blume ventures (18)

Report Card Of Various Segments

EDUTECH
Witnessed 85.29% increase in funding

ECOMMERCE
Witnessed 85.29% increase in funding

CONSUMER SERVICES STARTUPS
Investments surge by 324.14%

HEALTHTECH
Number of deals decreased by 40.51%, from 116 in 2017 to 69 in 2018

LEADERBOARD

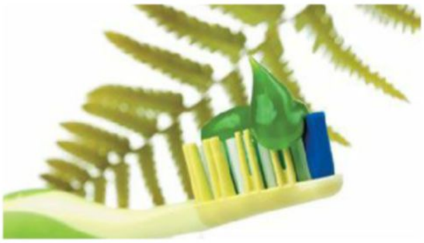
₹18,500 cr

The value of the personal care product market that is made of natural, herbal or ayurvedic ingredients, according to Nielsen

FMCG

A Tight Squeeze

Can Amway stand out amid the clutter with its herbal toothpaste?



AMWAY INDIA, THE LOCAL ARM of one of the largest direct selling companies in the US, is the latest big player to jump onto the herbal bandwagon with its toothpaste Glister.

"Glister Herbals is an expansion of our flagship brand and indigenously developed for Indian consumers," said Sundip Shah, chief marketing officer, Amway India, in a media release. The industry for herbal oral care products, Shah added, has grown significantly in recent years, fuelled by consumers' preference for herbal solutions.

But can Amway squeeze its way into India's cluttered herbal toothpaste market, worth over Rs 2,000 crore and dominated by the likes of Patanjali, Colgate and Dabur? Brand strategist Harish Bijoor says herbal products have a pull factor and consumers are progressively gravitating to non-chemical products. The segment, however, is cluttered. "Amway stands a chance to stand out as its distribution and market percolation format is totally different from others," he says.

But even if Amway stands a chance, the going might not be easy. The challenge would be to counter the arguments with which manufacturers of chemical products position themselves. Can word-of-mouth help Amway grab a bigger share of Indian consumers? It's still early days, and it would need to muster all it can to squeeze out the biggies.

—RAJIV SINGH

LIFESTYLE TECH

'Well-Being Is Not A Luxury, But A Competitive Advantage'

Media mogul Arianna Huffington hopes to quell India's problem with professional burnout with her wellness startup, Thrive Global

Q Why did you choose India as your first international market?

It's my favourite country in the world. I believe that ancient Indian wisdom has a lot to teach the modern world. In order to disrupt the way we work and live, we need both data and ancient philosophy. I studied comparative religion at Santiniketan when I was 17, which really shaped me. I learned from the *Gita* that there are three kinds of lives, and the ideal is a life of light, in which you can connect with yourself with strength and wisdom. That's at the centre of Thrive Global's philosophy, and what is exciting is that this has now been validated by modern science.

Our media platform launched in India two months ago, and it already has 25 million users. In India, where 60 percent of millennials suffer from anxiety and depression, there's a huge need and want for a platform like ours.

Q India has a tradition of working hard, not smart, driven largely by our education system. How do you hope to counter that?

In India, 80 percent of professionals have experienced burnout. In much of the world, we believe that long hours are a sign of dedication. The way Thrive is countering that is with science, which conclusively shows that high performance is about how we work, not how much we work. Our approach is to show businesses that well-being isn't a luxury, but a competitive advantage. And yes, like the US, burnout is often learned during school and at university. That's something we need to change. Getting adequate sleep has a profound effect on academic performance. However,

we are seeing signs of the culture shift, like with the recent HRD ministry directive to regulate homework for students in Classes 1 and 2.

Q What does it take to build a digital business that encourages people to switch off?

There's nothing wrong with digital platforms—this is the future, and this is our life. What matters is setting boundaries so we're not constantly engulfed by them. Making digital media addictive is a problem, and 2017 was a big awakening in that sense. To be sustainable, companies will have to take into account the public good as well as their own profits. The Thrive Android app helps you set a new relationship with your phone. If you're having dinner with your family, you can put your phone in 'Thrive Mode'. So if you try to contact me, you'll get a text saying 'Arianna is in Thrive mode'. Our new iOS app will nudge you to make small daily changes, depending on the area you want to improve—sleep, exercise, nutrition etc.

—PANKTI MEHTA KADAKIA

ARIANNA: MEXY XAVIER; FMCG: SHUTTERSTOCK; TOP: SHUTTERSTOCK

BJP Manifesto Promises

1/10

- **Rationalise and simplify the tax regime**

Little progress made. 'Vodafone issue' still not resolved. Promise of a stable and predictable tax regime not met

3/10

- **Increase public investment in agriculture and rural development**

Money pumped in has gone up, but the government needs to think of the sector more holistically. Needs to be looked as a source of jobs and livelihood rather than as a place from where people are moved to manufacturing and services

6/10

- **Strictly implement fiscal discipline without compromising on funds available for development work and asset creation**

Fiscal consolidation has been a signature achievement of this government. At a time when the private sector couldn't invest, it rolled out a lauded roads and ports programme

7/10

- **A massive low cost housing programme**

The Pradhan Mantri Awas Yojana that provides interest subvention on home loans has been well received. Developers building affordable housing have also been incentivised

Tracking the MODI-METER

Fixing its balance sheet was the BJP-led government's biggest hit, and the inability to get faster GDP growth its biggest miss

By **SAMAR SRIVASTAVA**

2/10	4/10	2/10	7/10
The building of 100 new cities	**The last health care policy dates back to 2002. The BJP will initiate the New Health Policy**	**Accord high priority to the growth of manufacturing so that we can create enough jobs in the country**	**The BJP will take necessary steps to reduce NPAs in the banking sector**
No new city proposed or built. The smart cities programme has allowed for infrastructure upgrades to existing cities	Ayushmaan Bharat has on the whole received good reviews. Roll-out to be seen. Almost nothing has been done for primary health care where majority of the out of pocket expenses are	Make in India has received very little investment. Manufacturing supply chains that have moved out of China following the US-China trade tensions have mostly relocated to Indonesia, Vietnam and the Philippines	The Insolvency and Bankruptcy Code is working its way through the bad loan mess. Generally seen as a well-drafted legislation. Government lost two years as the Code only became effective in late 2016

Sacrifice the short term, focus on the medium to long term and things will work out fine. This government mantra has meant that it hasn't shied away from taking difficult (some may argue flawed) decisions with the firm belief that it put the country's economic future on the right path.

At times this has meant longer wait times—for instance, for resolving bank bad loans the government chose to enact the Insolvency and Bankruptcy Code and is patiently waiting for the courts to evolve the first set of jurisprudence around it. In other cases it has also waited for the pain that restructuring of how markets work entails—as evident in the implementation of the Real Estate Regulation and Development Act. Votaries argue that this has sacrificed short-term growth for a long-term future that is no doubt bright.

"An error that people make when assessing this government is that they think it has been a redux of the first NDA government. It has been anything but that," says Venugopal Garre, director at Bernstein, a brokerage. He points out that 1999 to 2004 was all about big-ticket reforms, from the opening up of telecom to the reform of state electricity boards and the implementation of public private partnerships. There was a view that the NDA government then was too urban-focussed.

In contrast, the Narendra Modi-led government approach has been to patiently implementing a set of measures that can best be defined as incremental with no reforms of factor markets like land and labour. At the same time the government hasn't ignored rural India. The Employment Guarantee Scheme is intact and new programmes have made electricity and cooking gas cylinders available. "There will probably be one big bang announcement to take care of the distress in agriculture," says Garre.

As the government gears up to present its last budget, *Forbes India* spoke to a cross section of economists and business people to understand whether its record leaves a glass half full or empty. How has it stacked up on the implementation of its promises? Has it achieved its promise of ushering in 'acche din'? And what can the electorate expect in the run-up to the elections? As one economist puts it, "While one can argue on whether enough has been achieved, the biggest takeaway is that we haven't sacrificed future growth like we did in 2010-12 to achieve our present numbers."

"THERE WILL PROBABLY BE ONE BIG BANG ANNOUNCEMENT TO TAKE CARE OF THE DISTRESS IN AGRICULTURE."

VENUGOPAL GARRE,
DIRECTOR,
BERNSTEIN

THE POSITIVES

If there is one area where this government received an A rating it is in its ability to keep consumer price inflation under control. While its task was aided by the fall in oil prices, the low rate of growth in minimum support prices for wheat, rice and pulses also contributed to a large extent. In addition it mandated the Reserve Bank of India (RBI) to make targeting inflation its primary goal. The government also held firm in the drought years of 2014 and 2015, refusing to grant loan waivers and instead spending money on building roads. "What people don't realise is that high inflation hurts the poor more. In hindsight, the 2009 fiscal stimulus proved to be damaging. Low inflation coupled with keeping home prices in check have resulted in substantial savings for the less well off," says the head of research of a large foreign institutional investor.

Low inflation paved the way for the government to clean up its balance sheet with this year's fiscal deficit target of 3.5 percent down from 4.9 percent in 2014. The budget numbers are now a lot more believable and investors on the whole have invested in government debt at lower rates through its tenure. There are still some items like the highway bonds

ILLUSTRATION: SAMEER PAWAR

Finance Minister Arun Jaitley will present the government's interim budget on February 1

ARVIND YADAV / HINDUSTAN TIMES VIA GETTY IMAGES

Sadly, this was accompanied with little reform on how government banks work. Getting them to lend again mostly proved to be a non-starter, crimping GDP growth, as did the enactment of the Goods & Services Tax (GST), another signature legislation.

Unlike what supporters had hoped, careful spending did not result in a pullback in spends on the Employment Guarantee Scheme or rural health—two signature UPA schemes. If anything, government spending moved up in areas as diverse as providing subsidised cooking gas, electrifying rural homes, keeping our cities clean and opening zero balance bank accounts. At the same time, it's too early to comment on the success of programmes like Make in India and Skill India.

One area where the government scored well was in foreign policy. "It made it a lot more commercially oriented," says Abheek Barua, chief economist at HDFC Bank. This led to cheap money coming in from Japan International Cooperation Agency and KfW (the German government development bank) to fund a host of metro projects as well as the proposed bullet train.

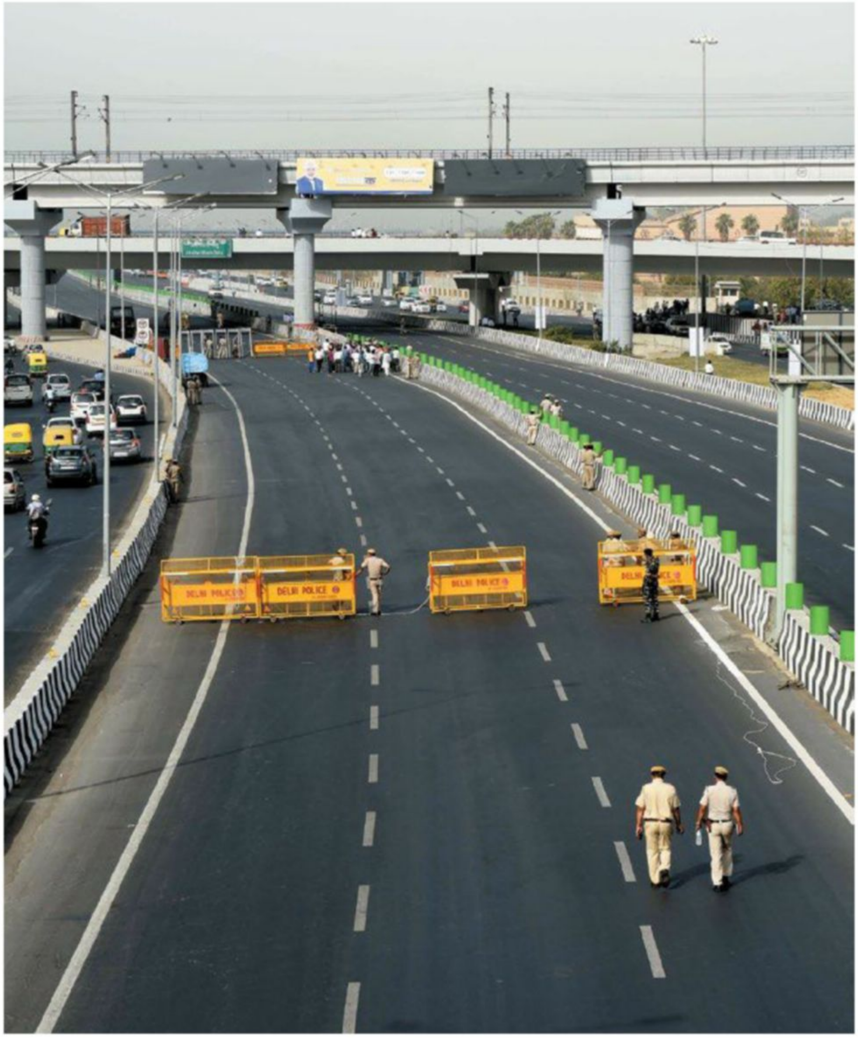
WORK IN PROGRESS

A clear miss for this government has been its failure to rein in the taxman. Their targets, if anything, have increased and at a time when nominal GDP growth is the same as gross value added, tax collections have not shown the buoyancy they did during inflationary periods. Direct tax collections rose by 14 percent in April-December 2018 and GST collections have mostly been below the ₹100,000 crore a month target.

There has been no resolution of the 'Vodafone issue' and every month

that are off the government balance sheet but the number is much lower than with UPA-II. The biggest risk in 2019 investors point to is the election resulting in a coalition government that, due to the pushes and pulls of its various constituents, has to loosen the purse strings.

Its philosophy of making every spent rupee count also had a drawback. It meant that there was no across the board bank recapitalisation that had been expected post May 2014. Instead it took its time in getting in place what many believe was its single biggest legislative achievement: The Insolvency Code put in place a clear path on how to deal with defaulters and backed the RBI in getting banks to declare the true extent of the problem.



ARVIND YADAV / HINDUSTAN TIMES VIA GETTY IMAGES

sees Indian and foreign investors dealing with new tax demands like the angel tax or KYC compliance for foreign investors. Even for individual tax payers, cesses and surcharges are added, increased or deleted every other year. The government hasn't scored well on getting a predictable tax regime in place with the introduction of long term capital gains tax on equities being particularly capricious.

Instead of granting loan waivers, the government spent money on building roads

Sectors that took a regulatory hit also received inadequate attention. Power and coal remained comatose. Several power plants are expected to go down the insolvency route while the coal auctions done in record time have failed to live up to promise. The lack of availability of coal has led to an increase in coal imports. Mining hasn't restarted in

"THIS GOVERNMENT MADE FOREIGN POLICY A LOT MORE COMMERCIALLY ORIENTED."

ABHEEK BARUA, CHIEF ECONOMIST, HDFC BANK a meaningful manner and corporate balance sheets haven't allowed the resumption of private sector capex. Little has been done to incentivise companies to invest and the fear, as articulated in the Economic Survey, is that an investment slowdown can persist for decades and doesn't usually reverse itself automatically. As a result, GDP growth hovered at about 7 percent for much of this period.

Agriculture has been another signature failure. The sector was viewed as a backwater—a place from where people had to be moved to manufacturing. The lack of investment has meant stagnating incomes and a poor start to the promise of doubling farmer incomes by 2022. Several market voices argue that with India having largely missed the manufacturing bus, its high time the government starts seeing agriculture and low-end services as an engine of growth, and starts the long task of asset creation in the sector.

The over reliance on the prime minister's office and bureaucrats for policy making took a toll on both the quality of ideas as well as their implementation. "They couldn't replicate the Gujarat model at the Centre. A country as large as India requires many more focus areas and it can be argued that primary health and education lost five years," says a policy maker. In addition, lateral talent that had joined the government with much fanfare has left.

Agriculture has been a significant failure of the government

Barua disagrees with the notion that their departure harmed policy making. "There was this impression that these were crusaders who took a couple of years off from their cushy jobs in the US and came to save India from the darkness. It takes two to tango and there was a lack of receptivity on their part as well as an inability to understand the workings of the Indian system and bureaucracy," he says.

LEADING UP TO THE ELECTION

The months leading up to the election are being keenly watched for two reasons. What does Modi go with to the electorate? Clearly he's managed

AMIT DAVE / REUTERS

What to Expect In The Interim Budget

- **AGRICULTURE PACKAGE:** Improvements to crop insurance scheme, income support and input price reductions
- **SMALL AND MEDIUM ENTERPRISES:** Forbearance in loan payments as well as debt restructuring
- **FURTHER REDUCTION IN GST RATES:** Everything apart from sin and luxury goods to be removed from 28 percent GST slab

to get a conversation going with them. Schemes like Swachh Bharat, which may have had a limited impact in the metros have worked in smaller cities like Surat and Indore, and citizens take pride in keeping their cities clean. He's also put his weight behind the rural electrification programme and subsidised cooking gas. Whether this amounts to 'acche din' is up for debate, but it is unlikely that the government will use the slogan for the 2019 campaign. Expect a lot of 'acche din' memes from the opposition.

Fiscal Deficit

**Projected*

What remains to be seen is if the government goes to the electorate on the strength of its performance in the last four years or if there is a big bang farm announcement. It clearly does not have the fiscal space that UPA-I had when it announced a farm loan waiver in 2009. "I've been heartened by the fact that the prime minister has said waivers don't help. It shows that they are probably thinking about a longer term income support scheme where the state doesn't necessarily bear the full burden," says an economist.

One option being considered is the Telangana model where landowners get ₹4,000 per acre per season. A national rollout would cost ₹140,000 crore and mean an increase in the fiscal deficit next year. Add to that ₹50,000 crore in interest subvention schemes for loans plus adding fertiliser subsidy to make the size of the package look bigger. Hiking of minimum support prices has for the time being been ruled out on account of its inflationary impact. "If they don't come up with a big bang announcement, the story is over for them," says Garre. There has also been some relief given to small and medium enterprises that have had to bear the twin shock of demonetisation and GST.

For now, it remains to be seen how the government markets its slow and steady approach at the hustings. Past records—Chandrababu Naidu's 2004 defeat being a prime example—have shown that good economics does not always make for good politics. Equally, freebies—Rajasthan voted out Ashok Gehlot in 2013—also don't always mean election wins. With a strong fiscal base in place, a 2019 NDA win could pave the way for faster growth in the decade ahead and take India to middle income status without the boom-bust cycles that have plagued many developing economies. F

GREAT EXPECTATIONS

Forbes India travels to three hubs of agriculture and small & medium enterprises to gauge the extent of pain, and their expectations from the interim budget

When Finance Minister Arun Jaitley rises in Parliament on the first day of February to present his government's last budget of its five-year term, there will be at least two key constituencies of the economy that will be listening closely: The micro, small and medium enterprises and agriculture. Demonetisation and the Goods & Service Tax resulted in plenty of pain for the former, which will be hoping for incentives and relief in the interim budget. The beleaguered farm sector, too, will be hoping for relief in terms of loan interest waivers, lower insurance premiums and income support. *Forbes India* travels to three agri and small enterprise hubs to gauge the extent of pain of business owners and workers, and farmers, and their expectations from the last budget before the general elections. Here's what our writers discovered. First stop: The perennially drought-hit Marathwada in Maharashtra, where farmers are on the brink.

Wanted: Loans, Not Just Waivers

By **MONICA BATHIJA**

Marathwada, Maharashtra

Farmers of Marathwada have a term for how they use bank crop loans disbursed during the July-October kharif season—"*Nava juna*", meaning 'new old'. They take the new loan to pay off their old loan, which they had taken the previous year from the shopkeeper of the store from which they buy seeds, fertilisers and the like.

Bank loans usually come too late for sowing purposes. Besides, farmers get only agricultural loans from banks. But since agriculture is reliant on the vagaries of nature, they also want general loans to develop their farms or start small businesses. Farmers want these loans to be based on their land value and proposals to develop their farms, rather than having banks think they will eventually seek loan waivers.

Banks, say farmers, do not entertain them for anything other than agricultural loans. "If a villager has 10 acres of land, the bank can mortgage his land and give him a loan of, say, ₹25 lakh to develop his farm as he pleases, and do some side business," says a farmer from Georai taluka in Beed district. "Give us the money, without telling us how to build something or which buffalo to buy," adds another farmer.

Some have managed to use

SATISH BATE / HINDUSTAN TIMES VIA GETTY IMAGES government subsidies for installing drip irrigation systems or for digging ponds; but the subsidy amount comes only after the irrigation system or pond has been built.

In a good monsoon year, farmers wouldn't even think of having loans waived. But for the past four years, the region has been reeling under drought, with 2018 being the worst—it received only about three days of rain, as against the normal of 25-30 days. Acres of dry farmland stand barren, with most farmers skipping the rabi crop (sown in mid-November), or sowing only a part of their land.

Location ▾
Jalna, Beed and Aurangabad districts in Maharashtra

Sector ▾
Agriculture

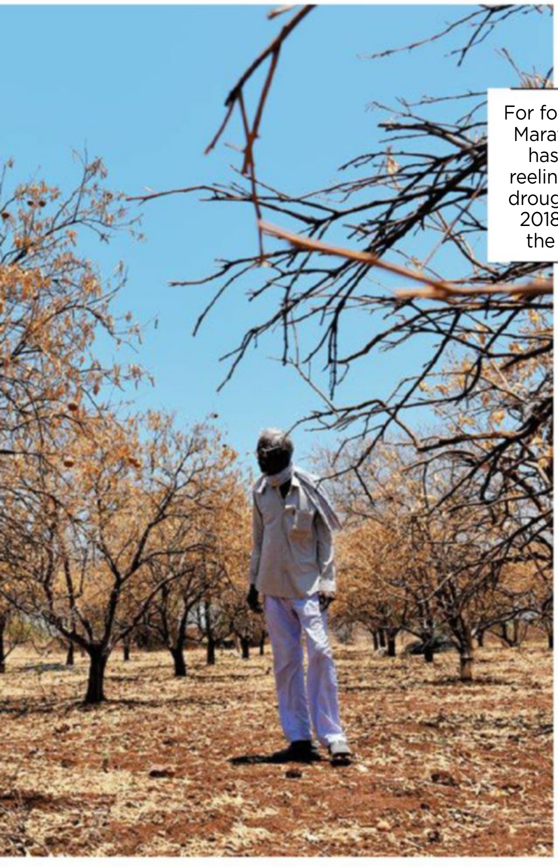
Size ▾
24,77,600 hectares of cultivable land

The problem ▾
Access to finance, drought, lack of procurement centres to buy crops at MSP, low insurance claim payouts

The expectation ▾
Access to general loans, subsidies on solar pumps, government storage facilities

Gangaram Bandurao Kapsi, whose family has 25 acres, took a bank loan of ₹3 lakh to dig a well a few years ago. Today, it has doubled to ₹6 lakh, and there is no way he can repay it anytime soon. "I used to produce nearly 50 tonnes of sugarcane each year, but right now there is nothing to sell. I am growing food only for personal consumption," he says, adding that he cut down 4 acres of sweet lime trees in 2017 because of the drought.

To get the ₹1.5 lakh loan waiver under the Chhatrapati Shivaji Maharaj Shetkari Sanman Yojana, announced in 2017, Kapsi has to first repay the remaining ₹4.5 lakh. The All India Kisan Sabha has been demanding a one-time waiver of all loans from public sector banks, cooperative banks and all private money lenders.



For four years, Marathwada has been reeling under drought, with 2018 being the worst

In 2014, the Pradhan Mantri Krishi Sinchayee Yojana was approved with an outlay of ₹50,000 crore for a period of five years (2015-16 to 2019-20) to extend irrigation coverage and improve efficiency of water usage. In Marathwada, the scheme is also focussed on sugarcane farmers, and the state government made drip irrigation mandatory for the water-guzzling crop in July 2017.

Lack of water, and the need to build conservation and storage systems are not limited to drought-affected areas, and will remain a major demand in other regions too, says Milind Thatte, an activist who works with tribals in Palghar district. "The ground water is at good levels in the Konkan region,

KUNAL PATIL / HINDUSTAN TIMES VIA GETTY IMAGES

Marathwada received only about three days of rain in 2018, as against the normal of 25-30 days

but it is difficult to reach it because of the terrain. So the government has to intervene."

Another area that requires intervention and can help increase a farm family's income, according to Thatte, is a farmer's ability to sell seeds. "There should be a national seed production mission, where the farming sector can get indigenous, good quality seeds produced by farmers. If a small farmer is, say, farming onions, and the market falls, he can grow onion seeds and make money by selling them the following year. So, for a huge chunk of small farmers, seed production can be a great boon," he says.

In Marathwada, farmers are also facing a kharif crop loss. The Indian Meteorological Department had forecast 100 percent rainfall in 2018, and farmers had planned their sowing accordingly. "I faced losses because of that," says a farmer in Padali village in Badnapur taluka of Jalna, who lost all the money he had invested in sowing.

Although crops are insured and premiums are deducted from the crop loan amount, the claims paid out, say farmers, are too little. "The insurance should at least cover the crop loan," says Harishchandra Surashi, a farmer from Pagirwadi village in Jalna district.

Surashi and others list the approximate cost per acre of growing cotton: ₹2,000 for seeds, ₹3,000-4,000 for fertilisers, another ₹4,000-5,000 for pesticides, ₹3,000 for weeding, and ₹8,000 for picking. These add up to ₹20,000-22,000 per acre. The yield varies from 8 to 10 quintals per acre. With a minimum support price (MSP) of around ₹5,400 per quintal, in a good year they would recover the input costs, but in 2018, says a farmer, his yield was 2 quintals per acre.

The government is mulling three options to help alleviate the crisis: A revamped crop insurance scheme, a direct income support plan, and a cash handout to cover the difference between the sale prices and the MSP.

Shweta Saini, senior consultant at Indian Council for Research on International Economic Relations, says the monthly income support option works the best right now as a quick fix, because loan waivers only benefit those farmers who have taken loans from institutional lenders. A 2016-17 study by the Nabard All India Financial Inclusion Survey found that only about 30 percent of farmers who take loans, do so from institutional lenders. Saini adds that monthly income support has to be targeted well, after correctly identifying beneficiaries. When it comes to paying the difference between the sale price and MSP, there is a possibility of large-scale rigging, she says.

With no government procurement centre for maize in Aurangabad district, farmers often end up selling to traders at prices lower than the MSP. A 'producers company' of farmers, set up by the NGO Savitribai Phule Mahila Ekatma Samaj Mandal (SPMESM) in 2016, helped farmers get the same rate as, or better than, the MSP, in 2018, says Yogesh Singare, an agronomist with SPMESM. The idea is to work towards a farm economy, where the overall farm income goes up, rather than a crop economy, which is focussed on how much a single crop is earning, adds Suhas Ajgaonkar, secretary, SPMESM.

Crop warehouses, subsidies for solar powered pumps and a pension scheme for farmers with a lower retirement age are some of the other concerns they want addressed. The Kisan Urja Suraksha Evam Utthaan Mahabhiyan, a ₹1.44 lakh crore scheme proposed in Budget 2018 provided for 17.5 lakh off grid solar pumps to begin with, according to Minister of Power RK Singh.

But the basic problem remains: The inherent bias against the farmer, and declining farm incomes. "Farmers need to be looked upon as businessmen. A businessman buys at wholesale prices and sells at retail, while a farmer buys at retail prices and sells at wholesale. To look at it as a businessman, we need to give them a conducive stable environment," says Saini. "The bias towards consumers is inherent... it has to be neutralised."

The prices of fertilisers, pesticides and seeds have gone up, but not the price of produce. "A bag of fertiliser that cost ₹700 four years ago, today costs ₹1,300. Whereas the rates of maize are the same," says a farmer. "Only our produce has no worth."

Silk Sulk

By **NAANDIKA TRIPATHI**

Ramanagara, Karnataka

SHUTTERSTOCK

Ramanagara became famous in the 1970s when the blockbuster *Sholay* was shot there. As you enter the town, about 50 km from the southwest of Bengaluru, a huge sign greets you: "Welcome to Silk City, Ramanagara". Almost half of India's raw silk production takes place here, with Karnataka accounting for 60 percent of the total production. This is not all. Asia's largest silk cocoon market is in Ramanagara where sericulture farmers from all over India sell their cocoons in the Government Cocoon Market. To extend support to the farmers and silk reelers, this market works 363 days a year except on January 26 and August 15. India is the second largest producer of silk in the world after China.

Prices of silk cocoons have fallen since September 2018

The market at Ramanagara is essentially a huge hall, with hundreds of large metal trays piled with cocoons. This is where farmers sell their cocoons to silk reelers, who produce raw silk from these cocoons. The silk reelers stop at each tray to inspect the cocoons and bid on them using a mobile phone app built for e-auctioning of the cocoons. Two types of cocoons are sold in this market: Cross-breed and bivoltine.

For the past few months, however, the farmers have been unable to fetch desirable prices for their cocoons. The average price of cross-breed silk and bivoltine silk cocoons, which used to be ₹380 and ₹490 respectively till September 2018, has dropped to ₹280 and ₹350. "We used to get good prices for our cocoons but now the prices have gone down so much that we incur a loss. I have to transport my cocoons from Maharashtra to Karnataka, which involves a lot of expenses. To sell all our produce we have to compromise on the price

THE PRICE OF RAW SILK IN INDIA DEPENDS ON THE SELLING PRICE OF CHINESE SILK AND IT VARIES ACCORDINGLY

and accept the price offered by the silk reeler for our cocoons," laments Shahji Keshav Mile, a farmer from Solapur district in Maharashtra.

The biggest reason for the lower demand and consequent fall in prices is availability of cheaper and higher quality raw silk from China. Import duties on Chinese raw silk stand at 11 percent, and the landed cost works out to ₹4,800 per kg. Local raw silk is available for ₹4,600 per kg. The price of raw silk in India depends on the selling price of Chinese silk and it varies accordingly.

Location
Karnataka (Ramanagara district)

Sector
Silk

Size
Turnover at the Government Cocoon Market, Ramanagara (2017-18): Approx ₹500 crore

Number of people employed
2 lakh

The problem
Lack of technology, unorganised, silk reelers need market for selling their raw silk, cheaper and high-quality Chinese imports

The expectation
Promoting technological upgradation in the silk industry, increasing exports

At the Government Cocoon Market in Ramanagara, reelers inspect cocoons and bid on them using an app

DOMINIQUE BERBAIN / GAMMA-RAPHO VIA GETTY IMAGES

Farmers and silk reelers are also unhappy with a 5 percent GST on silk yarn and fabric. GST is not applicable on cocoons and raw silk, but farmers and silk reelers have to bear the extra burden because it is passed down the supply chain. Munshi Basaiah, deputy director of sericulture in Ramanagara, explains that all these problems arise because things are not organised at the farmer and silk reeler level. "The government is extending as much support as it can by providing support prices to the farmers for their produce. The production is good, we're receiving almost 30 metric tonnes of cocoons every day at the market. But the demand for silk has gone down."

The introduction of GST has made it difficult for the reelers to sell raw silk out of Ramanagara. "Before GST was introduced, we used to put material in our trucks and try and sell it to the traders directly in Tamil Nadu, Andhra Pradesh and other neighbouring states. It is hard to convince the GST officials that GST is not applicable on raw silk. The biggest problem is the GST officials don't have sufficient knowledge about raw and twisted silk. The fact is that 5 percent GST is applicable on silk yarn and not on raw silk; it is hard to explain this to them," says Mohammed Tanzeem, a silk reeler from Ramanagara.

Earlier there were 14,000 silk reelers in the state; now there are only 6,540. The silk reelers have been demanding an organised market where they can sell their raw silk. Habeeb Ulla, another silk reeler from Ramanagara, says: "We struggle to sell our raw silk. Middlemen buy raw silk from us and take a commission of ₹100-150 per kg and sell it to the traders, twisters and weavers. We also want our raw silk to be purchased by twisters directly; we don't want any middlemen."

The state used to have organised silk exchanges in reeling centres to enable the sale of raw silk. Under the Karnataka Silkworm Seed, Cocoon and Silk Yarn (Regulation of Production, Supply, Distribution and Sale) Act, 1959, it was compulsory for reelers to transact the silk only on the silk exchanges. "The silk

transaction became optional with the Central Silk Board Act (Amendment) 2006. Due to this only 30 percent raw silk is transacted on the silk exchanges and the rest through the open market," adds Ulla.

Silk reelers use traditional methods to produce raw silk. There are different types of reeling devices used by reelers in Ramanagara—charkha, cottage basin, multi end reeling and automatic reeling machines (ARMs). Most reelers use cottage basin devices. "We cannot afford anything more than the cottage basin machines for which the government gives us subsidy when we purchase them," says Ulla.

But it is the raw silk produced using ARMs that is of international grade. If more raw silk is produced using these machines, India may not need to import silk from China. "Of 1,100 silk reelers in Ramanagara, only nine use ARMs. In Channapatna (a town in Ramanagara district) and Ramanagara, we have already selected 21 reelers and given ₹1 crore subsidy per unit. We're waiting for the beneficiaries to take up these ARMs. In India 72 members have ARMs, of which 27 are in Karnataka. With ARMs, more employment will be generated and the quality of silk will be elevated. China imports will be prevented," says Basaiah.

Indian silk has attracted global interest since ages. The principal buyers are the US, Canada and Europe. But exports of raw silk are negligible (less than ₹1 crore annually), even as imports spiralled to ₹1,218 crore in 2017-18, up from ₹1,092 crore a year ago, according to data compiled by The Indian Silk Export Promotion Council (ISEPC).

ISEPC Chairman Bimal Mawandia points out that exports have been declining by 15-18 percent each year for the past five years. "In India, silk demand has gone up but supply of raw silk is reducing due to which India is unable to fulfil the demand of the domestic market so there is a lot coming in from China and other markets."

ISEPC's demand is that the duty on raw silk imports should be brought down from 10 percent to zilch. "Once this is done, our product after value addition and conversion can be cost-effective in international markets. Also, there are a lot of transactional costs, which should be studied and these should be brought to zero," adds Mawandia.

Currently, India relies on the import of high-grade bivoltine raw silk from China, which is classified as 4A grade silk. India has reached the level of production of 3A grade silk; if exports are to be boosted, India has to step up production of the higher grade bivoltine raw silk.

Diamonds Aren't Forever

By **NAINI THAKER**

Surat, Gujarat

OLIVIER POLET / CORBIS VIA GETTY IMAGES

Over 90 percent of the world's diamond production, says the Surat Diamond Association, takes place in the city of Surat in Gujarat and yet nothing about the city screams 'bling'. Perhaps the twin jolts it has received—the Goods and Services Tax (GST) rolled out by the Centre and the tightening regulations following a bank fraud perpetrated by diamantaire Nirav Modi—in recent times explain the muted sheen of the ₹1 lakh crore turnover industry.

Before the GST, though, came demonetisation in November 2016, when the government withdrew currency notes of ₹500 and ₹1,000 as legal tender. With liquidity being choked, some small and medium enterprises that survived on cash faced closure for a few months, while bigger players faced shrunken profit margins. "Demonetisation happened in the Diwali season [of 2016], which is why a lot of smaller businesses took two or three months to run smoothly," says Priyansh Shah of Ankit Gems, one of the largest players in the Surat diamond industry, with a turnover of $310 million (₹2,185 crore) last fiscal and exports to over 25 countries.

The cutting and polishing of diamonds require skilled labour, which now has a GST of 5 percent

Demonetisation was a temporary setback for only the smallest units that couldn't pay its workers, and the industry at large fought back quickly enough with its large roster of international clients who preferred cashless transactions. But the implementation of the GST from July 1 of 2017 has many of the companies still reeling. Initially, a 3 percent GST was levied on the sale of cut and polished diamonds, but the GST Council later slashed the rate to 0.25 percent. That gave the traders more working capital, but it was more than offset by a 0.25 percent tax on the import of rough diamonds as well as a 5 percent GST on labour. That's about ₹800-900 crore that goes to the government, says Dinesh Navadiya, regional chairman, Gems and Jewellery Export Promotion Council. "This is working capital locked with the government."

"Ever since the diamond industry was set up, there was never a time when GST was implemented on labour. This tax has led to the rise of costs, particularly for the smaller players who are, eventually, forced to shut shop," says Amrut L Patel of Vishwas Diamond, one of the smaller traders in the market.

If the going wasn't tough enough, the Nirav Modi scam that unfolded last February proved to be the proverbial last nail in the coffin. Ever since the jeweller was accused by the state-owned Punjab National Bank of defrauding it of over ₹14,000 crore, banks have tightened loan regulations for the entire diamond industry. "Till now, banks used to give loans to exporters with a 5 to 5.5 percent interest rate, but now they are not giving loans at all. We are all dependent on banks [for working capital]," says Kalpesh Doshi, CEO, Manya Gems that clocked in a turnover of ₹15 crore in the last fiscal. Manya's profit margins have shrunk from 5-6 percent to 2 percent in the past year.

The depreciating rupee, which has fallen 10.3 percent in the last year, has further shrivelled the margins of the industry, heavily reliant on imports of rough diamonds from across the world, including Russia, South Africa, Belgium and Dubai. At present, about half of the business for smaller players has been trimmed and some haven't opened since Diwali, says Patel of Vishwas Diamond. A lot of workers have been asked to leave since jewellers, apprehensive of the rupee weakening further, haven't bought enough rough diamonds.

Location
Surat, Gujarat

Sector
Diamonds

Size
Approx ₹1 lakh crore

Number of people employed
10 lakh

The problem
Stricter bank loans, GST on labour, weakening rupee

The expectation
Eliminate 5 percent GST on labour; levy a 2 percent tax on turnover

Says Navadiya of Gems and Jewellery Export Promotion Council, "For all the orders placed during Diwali, each dollar equalled about ₹69; post Diwali it went up to ₹75, and every diamond merchant made a loss of about ₹5 on every dollar. Considering we import rough diamonds in lakhs, these fluctuations have led to a huge loss for us."

The diamond industry was established in Surat in the 1960s, and till 2000, it was only growing. It was after the recession in 2008 that growth came to a halt. "No new workers entered the market and no new units were set up. Many of the companies that existed around that time shut down in 2008 and moved to other businesses like embroidery and textile," says Damji Mavani, secretary, Surat Diamond Association. "Companies start selling at prices that are lower than their cost of production, simply because they need the money immediately to pay for rough diamonds, salaries etc. This goes on for years, and eventually it shuts down."

ABOUT 3 LAKH PEOPLE HAVE LEFT THE INDUSTRY IN THE LAST 10 YEARS, AND HAVEN'T BEEN REPLACED

As per data provided by the Surat Diamond Association, about 3 lakh people have exited the industry in the last 10 years. The workforce hasn't been replenished as the younger generation, except for those from among the bigger players, are shying away from the business.

The same can be said of the blue-collar staff. While expensive machines can replace manual work, a high premium is placed on skilled labourers. "Every diamond is different and only an experienced worker can work on it. Hence, labour in the diamond industry will always be important. But many small traders are struggling to find and retain labour," says Savji Dholakia, chairman, Hari Krishna Exports. The company clocked a turnover of ₹8,000 crore in exports last year. Adds Doshi of Manya Gems, "While the cost of labour is rising, there are very few workers in the industry [which is struggling]."

The Surat merchants are now banking on the diamond bourse (worth ₹2,400 crore) being set up by the government in the first quarter of 2020 to bring down its spiraling costs. "We incur additional costs by sending goods to Mumbai and then exporting them. With the sales offices moving from the Bombay Diamond Bourse to Surat, we are hoping things will be a lot easier," adds Doshi.

The industry is also hoping for a 2 percent turnover tax—rather than a tax on income—to be levied in 2019. "The IT department does not understand that although the rough diamond imports are the same for companies, the yield per company is very different since every rough diamond varies. With a turnover tax, this problem will be solved as you will have to pay taxes based on your turnover," says Navadiya. F

POWER TO THE PEOPLE

From helping citizens register into the electoral rolls to analysing data on candidates and their performance, technology platforms are reshaping political conversations to give voters a stronger voice

By **DIVYA J SHEKHAR**

CHAITANYA DINESH SURPUR

Every vote counts. If that is difficult to believe, consider how in Mizoram Lalchhandama Ralte of the Mizoram National Front (MNF) won the Tuival constituency seat with just three votes more than Congress legislator RL Pianmawia. Consider how, in Rajasthan, at least 15 constituencies had more NOTA (None of The Above) votes than the victory margin of the winners. In Asind, for example, Jabbar Singh Sankhala of the Bharatiya Janata Party (BJP) defeated Manish Mewara of the Congress party by only 154 votes, while NOTA votes stood at 2,943. Finally, consider how, in Madhya Pradesh, so close was the fight between the BJP and the Congress that the winning margin in about 73 assembly constituencies was less than 5 percent.

Long story short, electoral victories can be a game of small margins. This possibly explains why political parties operating in a smartphone-savvy democracy are going all out to woo individual voters in various ways, including setting up war-rooms for social media campaigns, SMS or WhatsApp alerts, or targeted video/audio messaging. On the other hand, helping voters get past the propaganda blitzkrieg are technology platforms that teach them how to navigate the electoral system and make informed, data-driven choices.

As the general election nears, these websites or mobile applications are conducting detailed background checks on political candidates, or helping voters—predominantly urban—understand the enrolment process and timelines. Some are getting citizens to interact with their politicians directly, while others are parsing and simplifying public data to provide information about socio-political trends.

BY AND FOR THE PEOPLE

"Technology is making citizenship cool by simplifying civic data that is relevant to people. This will ultimately make people's participation in governance more meaningful," says Sapna Karim, head, civic participation at Janaagraha, the Bengaluru-based non-profit that runs I Change My City (ICMyC). With a registered user base of 10 million people, the website and mobile app connects people facing common civic issues with their local political representatives or agencies.

By the end of January, ICMyC, which is also the technology back-end for the Swachh Bharat app, will launch a digital campaign that will help citizens get registered on the voter list. It will also address concerns regarding addition, deletion or modification of enrolment data. "We will get people to download forms, get additional documents together and direct them to the state-level site where they can register their names," explains Karim.

ICMyC, which launched in 2012, has also submitted a voter list manual to the Election Commission (EC), which looks at how the constitutional authority can systematically update its rolls in order to maintain high accuracy levels. "The recommendation has already gone to them. Now it is up to the EC to pilot it in at least one or two states to see how it can be scaled." Till such time that this is done, Karim adds, it is important to get more people to register to vote so that "the pressure created by increasing demand will shock the system into taking action."

Other civic technology platforms operating in this space, like the Delhi-headquartered Association for Democratic Reforms (ADR), are leveraging the increasing social media

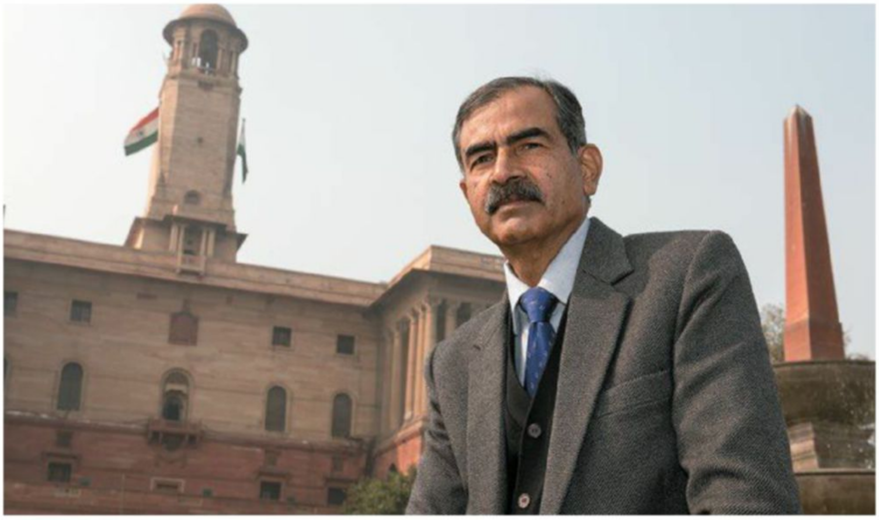
2019: TIME FOR YOUNG VOTERS

- In 2019, 13.3 crore youngsters (twice the population of France) will vote for the first time, of which 7 crore are men and 6.3 crore are women. About 73 percent of this population lives in rural areas
- About 3 crore Indians aged 10 in 2011 will turn 18 and be eligible to vote in 2019. The EC will publish the final electoral rolls on January 21
- As of April 2018, more than two-thirds of first-time voters in the 18-19 age group had not enrolled in the voter list. Data across 21 states indicated that enrolment was consistently less than 30 percent

Source: *Election Commission; The Indian Express*

> "Technology is making citizenship cool by simplifying civic data that is relevant to people."
>
> **SAPNA KARIM,** HEAD, CIVIC PARTICIPATION, JANAAGRAHA

SELVAPRAKASH LAKSHMANAN FOR FORBES INDIA



MADHU KAPPARATH

"The road to electoral reforms is a long one. No government or political party wants to improve on its own."

RETIRED MAJOR GENERAL ANIL VERMA, NATIONAL COORDINATOR, ASSOCIATION FOR DEMOCRATIC REFORMS (ADR)

usage among Indians. According to market research firm Statista, there will be an estimated 258.27 million social network users in India by 2019, up from close to 168 million in 2016. This number is expected to reach 370.77 million in 2022. Capitalising on this reach, ADR, which runs the MyNeta website, is putting out survey-based election trends, easy-to-understand infographics and videos on political candidates with their financial, educational and criminal backgrounds.

According to Retired Major General Anil Verma, national coordinator of ADR, the site has data pertaining to over three lakh political candidates who have contested in state and general elections. People can also dial a toll-free number to get specific information about their constituency and candidates. "We have roughly 7,000 hits every day. When we release election reports, the hits go up to 12,000. People accessing this data are not only voters, but researchers, academicians and politicians themselves," Verma says.

ADR's election survey reports highlight important trends in voter behaviour, like the gradual shift towards picking candidates over political parties and the decreasing role of caste in electoral decision-making. For example, in the Karnataka assembly elections, 86 percent people voted for the candidate, while those voting for a political party, religion and caste stood at 67 percent, 37 percent and 36 percent, respectively.

In Rajasthan, the survey highlights an interesting trend of how 61 percent people voted on their own, while 18 percent were influenced by their spouse, followed by 18 percent voting because of other family members. Only 1 percent voter behaviour was influenced by caste or community leaders.

Verma admits that while they do not have the resources to determine the impact or reach of their data, their aim is to put as much information in the public domain as possible, in order to build collective awareness. "The road to electoral reforms is a long one. No government or political party wants to improve on its own. Today, most of the reforms we see are because of judicial interventions or court judgements," he explains. "So, along with making sense of data, we also have a legal team that keeps filing Public Interest Litigations (PILs)."

While ICMyC and ADR are non-profits functioning on donations and grants, individuals like Pratham Mittal are channelising this data to build companies that provide metrics based on which people can judge candidates. This way, they also generate data to predict and quantify voter behaviour. Mittal's Neta app (available on Android and iOS platforms) helps people rate their local candidates on parameters like law and order, governance, economic reforms and corruption. People can also leave video messages for politicians.

Since its launch in January 2018, Mittal claims that over two crore people have rated their leaders on the app, with the platform polling over 35 lakh and 45 lakh votes in the recently-concluded elections in Madhya Pradesh and Rajasthan respectively.

POLITICIANS & TECHNOLOGY

- **2014:** PM candidate Narendra Modi utilised Facebook and Twitter heavily, apart from a combination of satellite, DTH, internet and mobile to interact with voters through his 'Chai Pe Charcha' campaign
- **2015:** The Aam Aadmi Party (AAP) used InviteReferrals (referral program software) to collect donations up to ₹1.8 crore online. Each donor was asked—via messaging apps—to convince at least 10 friends to contribute. Close to 3,500 people donated
- **2015:** During the Bihar assembly polls, jokes, memes and comics (like 'Munna se Nitesh; Munna being the childhood name of the Bihar CM) were forwarded to target smartphone users
- **2017:** Over 1,200 college students joined the Congress party's Coffee with Captain campaign that used social media to promote Amarinder Singh as a youth icon
- **2018:** In Karnataka, parties claimed to have over 50,000 WhatsApp groups. While the platform is generally used for ordinary campaign propaganda, it has also led to the spread of false news and inflamed sectarian tensions
- Party war rooms train thousands of volunteers in data analytics and digital communication. BJP is said to have approximately 1.2 million volunteers

Source: *Media reports*

Mittal aims to clock 10 crore votes on the app before the general elections.

"Citizen ratings can actually be early indicators of a leader or party's performance in the polls," he says. Giving an example of the neck and neck battle in Madhya Pradesh, Mittal explains how citizen rankings polled on Neta proved to be 98 percent accurate when they indicated that the Congress will win 112 seats and the BJP will have 106 seats (final results had Congress win 114 seats and BJP bag 109 seats). Similarly, the app clocked a 96 percent accuracy rate in Rajasthan.

"The infrastructure barrier, which existed two-three years ago, is now gone with better internet penetration. The next-level challenge is voter education, which often leads to user experience issues on the platform. The focus is to address this first," says Mittal. As an engineering and political science student at the University of Pennsylvania, he had launched Outgrow, a platform that enables polling on websites. He does not plan to similarly monetise Neta right away, but is seeking strategic investments in media companies, which, he believes, is a "neutral way of getting into the data business."

INDIA & THE INTERNET

India's internet user base is second-largest after China globally. By 2020, it is estimated that:

- India will remain the fastest-growing internet market
- There will be 730 million internet users in India
- 75 percent new internet user growth will be from rural areas
- India will have an estimated 702 million smartphones in use and 70 percent ecommerce transactions will be through mobile phones
- 75 percent of new internet users will consume data in local languages

Source: *Nasscom - Akamai Technologies Report, 2016*

GETTING THE ACT TOGETHER

Experts say that while technology-enabled participatory democracy is a good idea on paper, on-ground implementation is not without its practical troubles. Arun PS, a Kerala-based lawyer who has done extensive research on pre-legislative public consultation, believes that people have traditionally been kept out of the policy-making process, which is why today they do not know the extent to which they can engage with or influence lawmakers.

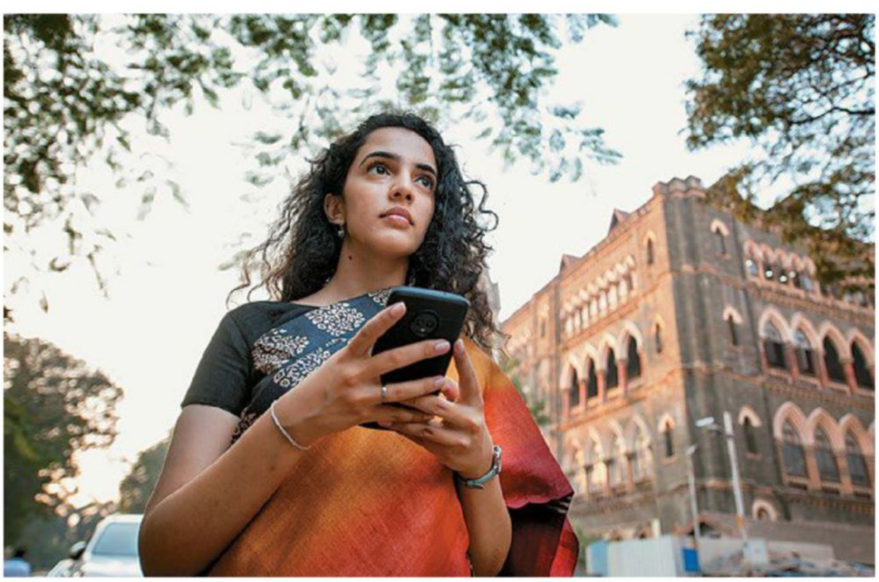
Public participation has never been a top priority for the government, he explains, giving the example of the pre-legislative consultation policy. Introduced by the United Progressive Alliance (UPA) government in 2014, the policy directs government departments to simplify draft legislations and invite public comments or objections. "This policy is hardly implemented, because even recently the government moved to introduce major bills like Triple Talaq Bill, RTI Amendment Bill and Aadhaar Amendment Bill without public consultation. Many stakeholders are not even aware that they could register their opinions or objections," points out Arun.

According to him, technology platforms can become powerful intermediaries. "They can bridge the gap between people and politicians, and ensure that citizens have a say in law-making," he says. "Then again, these organisations have their own limitations and cannot be very impactful if the government itself does not welcome or streamline the process."

Ruben Mascarenhas agrees with Arun. His team at the Litmus Test Project (a collective of change-makers) had successfully launched the Operation Black Dot (OBD) campaign in 2017 to encourage young voters in the municipal elections in Mumbai. With the support of the Maharashtra Election Commission, they had a Facebook bot targeting first-time voters, Twitter campaigns that reached over one crore people, and collaborations with filmmakers and stand-up comedy groups to help the message grab more eyeballs.

"We have to find solutions that will engage people in multiple languages, which gives platforms like ours a wider scope."

ANTARAA VASUDEV, FOUNDER, CIVIS



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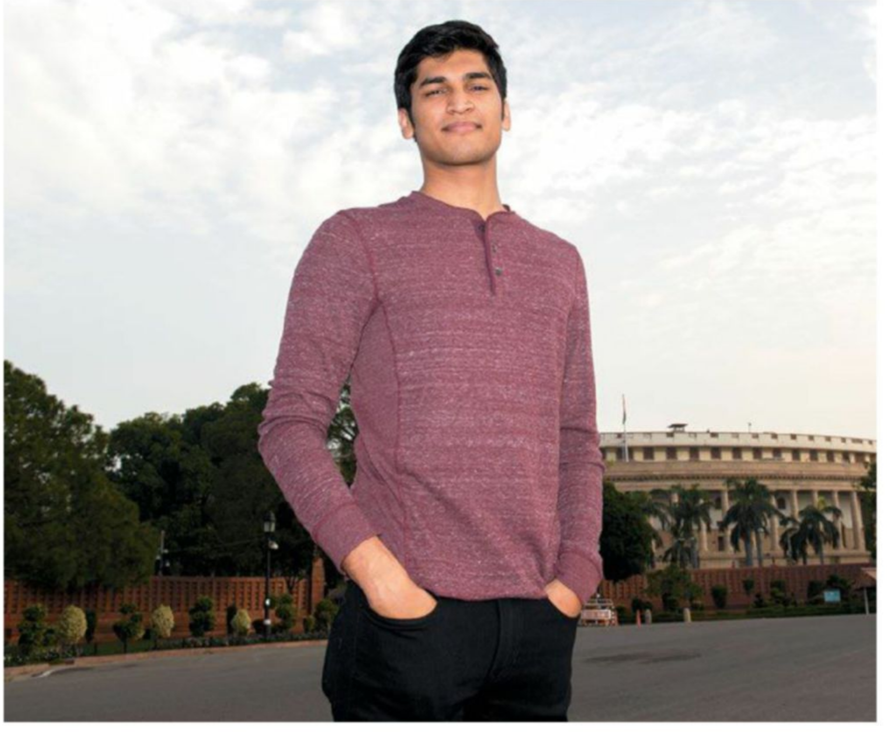


AMIT VERMA

"The infrastructure barrier is now gone with better internet penetration. The next-level challenge is voter education."

PRATHAM MITTAL, FOUNDER, NETA APP

The result was that Mumbai registered a 55.53 percent voter turnout, the highest since 1992. "To scale up or replicate such projects, we would need institutional backing, like the Jaago Re voter awareness campaign that was bankrolled by Tata Global Beverages Limited. Alternatively, there must be full support from the Election Commission of India (ECI), which is not easy to obtain," says Mascarenhas, who is also the national joint secretary of the Aam Aadmi Party (AAP).

It is not easy for ventures dealing with legislation and elections to get ample funding because most people tread carefully when matters of the government are concerned, says Antaraa Vasudev, founder of Civis. The online platform helps citizens understand legislation and share their feedback. The website highlights policies that are open for public consultations, simplifies them and eventually shares comments received from the people with relevant government authorities.

While ventures like Civis use publicly-available data through government records, think tank studies and policy statements, they also find collaborators in like-minded data scientists or analysts who volunteer to work with the numbers, identify trends and produce user-friendly reports. "One cannot expect volunteers to work for free all the time, which is why it is important to find investors or other means that will help us survive the long haul," Vasudev says.

One of the motivations for the 25-year-old to launch a website on legislation rather than just elections is because she believes that voter engagement is a long-term process and not something that should be dealt with just a month or two before the elections.

"The advantage of working in a demography like India is the diversity. In the developed parts of the world, such platforms cater to a largely homogenous population, which will not work here," she says. "We have to find solutions that will engage people in multiple languages and mediums, which gives platforms like ours a wider scope for being replicated worldwide." Since the launch in September 2018, Civis has a registered user base of 150 people.

While internet seems to be the future, experts point out that the electoral process in India continues to be driven by human connect. Political analyst Preethi Nagaraj finds technology platforms limited in scope. "Thinking that an app or a website will get legislators closer to voters is lazy politics. A large section of rural voters are not comfortable with mechanised communication. They might not trust any of these platforms immediately, unless it is linked to rewards," she says. "In India, technology is alien for many citizens and might remain so during their lifetime. So while we push for digital interventions, we must make sure that we do not alienate a whole generation of people."

Sunil Abraham, executive director, The Centre for Internet and Society, believes that while such platforms could increase official accountability, they could also be manipulated by vested interests because they are under-resourced. "This is a systemic problem in many parts of the world," he says. According to him, such platforms must be careful to insist on KYC in order to avoid fake online activity and trends. "And in order to simultaneously crack both the sustainability and the manipulation challenge, these platforms must migrate to free and open-source projects so that the digital infrastructure built by some stakeholders can be taken forward by others when the fatigue sets in." F

STATE BANK OF INDIA

Performing Asset

SBI Chairman **Rajnish Kumar** is provisioning for bad loans and forecasting increased profitability for the bank, but has risk of default been exorcised?

By SALIL PANCHAL

It's the last fortnight of 2018. There's a flurry of activity on the 18th floor of the State Bank of India (SBI) headquarters in the commercial district of Nariman Point in South Mumbai. SBI Chairman Rajnish Kumar, 60, has just completed a round of risk management meetings. There's not a hint of fatigue on his face though. He swiftly walks into the chamber sporting a slight smile and extends a firm handshake. This was hardly his demeanour when he succeeded Arundhati Bhattacharya as the head of India's largest lender, on October 7, 2017. But then, circumstances were such.

When Bhattacharya quit, the gross non-performing assets (NPAs) ratio—bad loans as a percentage of total loans—rose to 10.91 percent in March 2018 from 4.95 percent in FY14. The mega six-way merger of five of SBI's associates—State Bank of Patiala, State Bank of Bikaner and Jaipur, State Bank Of Hyderabad, State Bank of Mysore, State Bank of Travancore and Bharatiya Mahila Bank with SBI in 2017—which was touted to boost the bank's profitability, hurt its earnings. In fact, it ended up ballooning losses and NPAs for the parent bank during 2017.

There could not have been a more challenging time for Kumar, an SBI veteran of over 38 years. He chose to handle the situation in his own calm way. Two days after taking over, he sent an email to all employees, addressing "a severe trust deficit" in India's financial system and the need for SBI staffers to "promote moral and ethical grandeur unconditionally" in their daily decisions. He also urged them to educate and functionally update themselves in a fast-evolving, technology-led world.

Fifteen months into his three-year-term, Kumar has been able to arrest quarterly losses (and move the bank into a net profit), lower the gross NPA ratio, ensure sustained growth in the loan book and accelerate the bank's digital presence through the launch of SBI Yono (You Only Need One), an integrated application across all banking functions. Considering improved credit growth and the need for more capital in the future, the SBI board in November 2018 approved plans to raise equity up to Rs 20,000 crore through various modes.

> **"There has been a clear progress on NPAs and stressed assets; it has been the singular development over the past 15 months."**
>
> **RAJNISH KUMAR,** CHAIRMAN, STATE BANK OF INDIA

"There has been a clear progress on NPAs and stressed assets; it has been the singular development over the past 15 months. The upfronting of provisioning and recognition of NPAs were critical for us. The approach has helped...we have removed the fear of worrying about the impact on the P&L account," Kumar tells *Forbes India*.

For any bank, provisioning is an amount which it estimates as a potential loss due to non-payment of dues and is shown as an expense; hence higher provisioning for bad loans hurts a bank's profitability directly.

Kumar insists that SBI, which reported a net profit of ₹945 crore in Q2FY19, will see an improved performance quarter after quarter in terms of profitability.

Most banks, including SBI, have seen an improvement in their gross NPA from Q1FY19 to Q2FY19, due to reducing 'numerator' (amount of slippages and bad loans) and rising 'denominator' (credit growth in advances).

The Reserve Bank of India (RBI), under the leadership of then governor Urjit Patel—who quit abruptly in December without completing his three-year term—had in February 2018 tightened the norms for resolution of NPAs. As per rules, a loan becomes an NPA if interest or the principal is unpaid for a period of up to 90 days. Banks have also been told to kick-start the resolution process even if there was a default of a day in accounts of ₹2,000 crore and above. The process is expected to be completed within 180 days of the default.

Kumar calls these norms, along with the Insolvency and Bankruptcy Code as game changers. He insists that "this discipline" was required, although it may appear harsh.

There was a time when several departments of SBI were tackling the NPA problem simultaneously. "We had a stressed asset vertical but our NPAs were all over—being tackled by the corporate account, mid-corporate and stressed assets teams. Hence credit growth suffered," explains Kumar, who started as a probationary officer with SBI in Uttar Pradesh in 1980 and rose through the ranks to become managing director (compliance and risk) and even headed SBI Capital Markets previously.

From June 1, the bank created a stressed asset resolution group, under the leadership of its deputy managing director Challa Sreenivasulu Setty. All accounts, estimated to be of size ₹139,667 crore, have been transferred to this group.

The RBI has maintained a stronghold on banks to follow these norms, and so, SBI has to deal with NPAs in a time-bound manner. At the last analysts' meeting on November 5, 2018, Kumar said he saw "no concern that there will be any impact [to SBI] of past credit costs on future earnings".

Overall, SBI has filed 378 accounts with the National Company Law Tribunal (NCLT), worth ₹110,000 crore. Over the past year, SBI has raised its provisioning coverage ratio on the corporate book to 58 percent; 64 percent on the NCLT 1 list (which has 12 of the largest stressed asset accounts worth ₹48,000 crore) and 78 percent on NCLT 2 list (29 accounts worth ₹28,000 crore). Overall provisioning for the bank improved by 655 basis points to 53.95 percent in the quarter ended September 2018, against 47.4 percent for the corresponding quarter a year earlier.

The NCLT 1 list includes a provision write-back of ₹6,000 crore in one account and it is aligned for all other accounts. As and when resolution happens, the gross NPAs will go down further; in the NCLT 2 list the provision is 80 percent and

SBI Chairman Rajnish Kumar believes that there will be no impact of past credit costs on SBI's future earnings

Kumar expects a recovery of over 30 percent—over ₹30,000 crore from NCLT cases alone this fiscal year.

Anil Agarwal, head of Asian financial research at Morgan Stanley, expects credit costs for SBI, currently at over 200 basis points of loans to drop to below 100 bps in FY2020. "Loan growth at SBI has been anaemic between FY17 and F1H19, but is now picking up. The bank is entering the period of falling provisioning, stronger loan growth, higher net interest margins and controlled costs," he says.

Thirty-five of the 41 brokerages now rate the SBI stock a 'buy' or 'outperform', while another five suggest 'hold' while only one has placed a 'sell' call, according to analysts' recommendations tracked by Reuters.

A ROBUST LOAN BOOK

Most private and public sector banks are continuing to see a pick-up in retail banking, at a time when non-banking financial companies

(NBFCs) continue to be impaired with problems of their own ranging from liquidity to building a more robust business model.

There is no magic lending formula that SBI is adopting. As lending to private sector projects remains sluggish, its focus has been towards retail lending (personal, home, auto, agriculture and SME sectors) and government-led projects. Retail constitutes 58 percent of the loan book and corporate constitutes the remaining 42 percent. This was about equal during Bhattacharya's regime.

SBI had a domestic loan book of ₹17.78 lakh crore, as of September 2018, which grew by 11 percent from a year earlier. "I now expect a 12 to 15 percent rise in our total loan book this fiscal year," Kumar says.

SBI's managing director PK Gupta, who heads the retail and digital banking operations, says, "Our strongest growth is in the unsecured personal loans space, where we grew by around 20 percent year-on-year in September 2018." The personal loan book of ₹129,764 crore size grew by 20 percent in September 2018, from a year earlier. The average ticket size for such loans is ₹1-3 lakh.

While the income for the young in India continues to grow, their ability to service larger loans will also increase. However, household indebtedness is on the rise with Indians taking multiple loans for different lifestyle needs. And there is room for more growth. As per the Bank for International Settlements data, India's household credit (proxy for retail loans) to GDP ratio was 11 percent, compared to 78 percent in the US in 2017.

Housing loans are the second-fastest growing segment for SBI, with a 13 percent year-on-year growth across India. In the case of automobiles, where the sector continues to witness poor sales in passenger cars, loan growth has been muted at around 8 percent as of September 2018. Agriculture and

ADITI TAILANG

"Our strongest growth is in the unsecured personal loans space, where we grew by around 20 percent year-on-year in September 2018."

PK GUPTA, MANAGING DIRECTOR, STATE BANK OF INDIA

SME lending are the weak links in the loan book, with the former muted at 2.30 percent and the latter at just 5.2 percent year-on-year in the September-ended quarter. In the SME segment, though SBI has a market share of nearly 20 percent, it faces strong competition from NBFCs and microfinance firms.

SBI's agriculture-linked NPAs are high at 11 percent. Farm loan waivers announced by the state governments of Madhya Pradesh, Rajasthan and Chhattisgarh are likely to have an impact on the way banks lend to this sector. Recurring loan waivers have a clear impact on credit costs and disrupt repayments by farmers.

"We will have to see how it [loan waiver] impacts us," says Gupta. In the near term, SBI could see a rise in NPAs in agriculture loans, but these levels will come down when the government decides to release money to the banks.

THE MODERN DIGITAL BANK

As the cobwebs of NPAs are shredded, SBI has moved faster than other government-owned banks to build itself into a technology-savvy bank, which is keen to automate and streamline operations.

Its digital transformation can be understood through this statistic: Only 17 percent of SBI's customer-related transactions take place at an SBI branch; 30 percent are at an ATM and six at a kiosk/business correspondent. The balance, and maximum, 40 to 45 percent are through online and mobile banking. The share of UPI/BHIM transactions in SBI's total digital transactions is 21.31 percent.

Its singular consumer-facing application is SBI Yono, where pre-approved personal loan can be placed within a minute. Housing and car loans are also immediate and paperless, but for one leg of the process where customers will have to visit an SBI branch or processing centre for verification and signatures. "But this process up to disbursement of a loan will be digitised by April this year," claims Kumar.

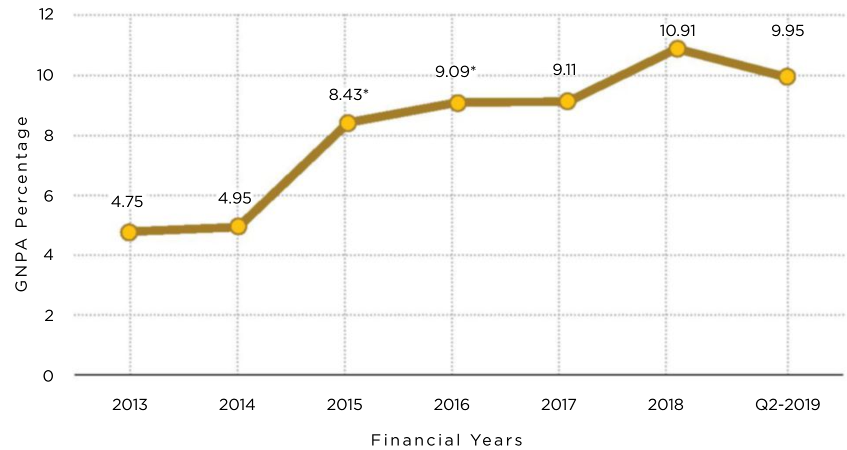
Yono offers a range of activities from online shopping, banking, investments, bill payments, tax saving and bookings through nearly 100 e-retailers ranging from Amazon, Jabong and Myntra to Tata Cliq, Yatra, IRCTC, Oyo, BookMyShow, Ola and Uber. The idea is to take on private banks such as Kotak 811, DBS Bank, ICICI Bank and Axis Bank through one integrated platform.

Yono has 5 million customers and an additional 10 million on SBI, the mobile banking application.

SBI will soon introduce Yono cash, wherein one can make a request to withdraw cash completely cardless. This can be done on the Yono application by keying in the amount and creating a PIN. On reaching the ATM, the customer has to key out the PIN and mobile number to receive cash.

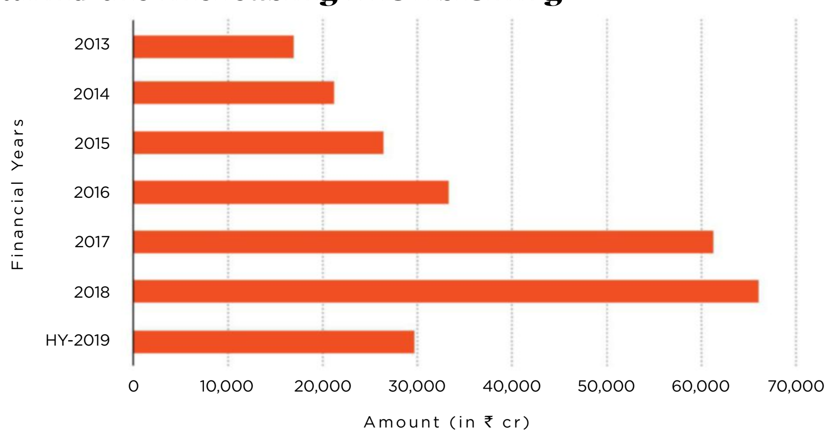
Both Kumar and Gupta agree that

SBI - The Bad Loans Journey...



** These ratios are the Gross NPA and standard restructured account*

...And the Increasing Provisioning



Source: *SBI Annual Reports; analyst presentations*

as SBI forays further into the digital space, there will not be a need to set up more physical branches. The bank, post the mega merger with associates, has already rationalised the branch network with 22,414 branches as of March 2018. "We will continue to have 22,000 to 22,500 branches across India," says Gupta.

Digitisation, however, will raise the sensitive issue of hiring. Following the merger, SBI has 258,000 staffers across India. Kumar says the bank will look to hire 8,000 to 10,000 people each year as another 12,000 to 13,000 of its employees retire annually. This means an extremely gradual lowering of staff as it goes more digital. The fear is that the pace of labour attrition should not control digitisation.

NOT WITHOUT CHALLENGES

There is plenty of room to improve at SBI, and analysts have raised some pressing concerns.

"One of the key issues I would be worried about is governance and reportage. Take the IL&FS case. The bank had a nominee director on the preceding IL&FS board, but like several others, did not do the necessary due diligence," says Hemendra Hazari, an independent banking analyst who publishes his writings on Singapore-based research platform Smartkarma.

Hazari extends this rationale to its current proceedings, indicating concern about whether due diligence relating to these had been done.

Hazari also points out segments that the bank catered to—personal and housing loans—are both not stress free. "Its lending activity is growing at a time when urban unemployment is on the rise," says Hazari. India's estimated unemployment rate increased to a 27-month high of 7.38 percent in December 2018 after the total number of people employed in India fell by 1.09 crore, according to the data from the Centre for Monitoring Indian Economy (CMIE).

While SBI's lending universe is different, the risk of defaults even in retail banking cannot be ignored, considering Indians are highly leveraged at the moment. Kumar is aware that the bank has to do more to strengthen post-sanction processes in retail lending.

The SBI Chairman says "keeping pace with evolving technology, while managing data and cyber security" will be a constant challenge.

The next 15-18 months for SBI could also see further unlocking of shareholder value through stake sales in SBI General Insurance and SBI Cards.

What Kumar would probably wish for, like Bhattacharya before him, is more time. His rivals at private sector banks such as HDFC Bank, Kotak Mahindra, ICICI Bank and Axis Bank have had long tenures to stamp their vision on the bank.

Nearly halfway into his three-year term, Kumar—seen by insiders as a decisive decision-maker—has ticked off most of the boxes. Some of the huge concerns which the bank faced when he took charge—rising bad loans and the overhang of a mega merger—appear to be behind him. With digitisation gathering pace, Kumar is now thinking like how no other state-owned banker does. "Banks will have to benchmark against SBI and not the other way around," he says.

(From left) Hitesh Oberoi, the chief executive and managing director of Info Edge, and Sanjeev Bikhchandani, the founder and executive chairman

INFO EDGE

Getting the Job Done

Naukri.com has worked wonders for Info Edge. But can its success be replicated at the company's other ventures?

By SAYAN CHAKRABORTY

He helms an almost ₹20,000-crore (by market capitalisation) public company that has diligently churned out profits every quarter, for a decade, a rarity among home-grown internet businesses. That this has been achieved with a measly ₹7 crore in venture capital (VC) funding is an even bigger rarity in India, where chasing investors to clinch billion-dollar fundings almost every year is as much a part of a unicorn CEO's job as running the office.

But ask Hitesh Oberoi, 46, chief executive and managing director at Info Edge, if the company's cash counters were ringing right from the beginning, and he says, "At that time, nobody really understood how to make money."

The time that Oberoi refers to is circa 2000, when he quit his job at Hindustan Unilever to launch Baachao.com, an online deals platform, with Sanjeev Bikhchandani, the founder and executive chairman of Info Edge. Bikhchandani had started the company in 1994, and had only one offering—Naukri.com, launched in 1997—when Oberoi joined him. This was an India where high speed internet was a pipe dream, and venture capital a novelty. The likes of MakeMyTrip, Indiaplaza and Contests2win, the early birds of India's dotcom story, were beginning to take wings, but it wasn't clear how long their flight would last.

The US markets, however, were a different story. The dotcom bubble was only growing bigger, with companies such as search engine eXcite, and grocery delivery startups Kozmo and Webvan. Bikhchandani and Oberoi could only hope that some of that enthusiasm would spill over to India as well.

Naukri and Baachao aimed to bring online a part of the classifieds ads of newspapers. A team of executives would spend their days rummaging through newspapers, spotting relevant ads, and posting them online. But there wasn't much money to be made in the land of 55 lakh internet users. "Bachaao wasn't making any money. In the three years since [Naukri's] launch in 1997, we had gone from zero to ₹3 lakh a month, and nobody could even imagine how it would go to ₹30 lakh a month," recalls Oberoi.

> **"There may be thousands of internet businesses in India, but, only Naukri is generating cash."**
>
> **HITESH OBEROI,** CEO AND MD, INFO EDGE

Today, Info Edge has business verticals in recruitment (Naukri), real estate (99Acres), matrimony (Jeevansathi) and education (Shiksha); in FY18, it posted ₹182.2 crore in profit after taxes on net sales of ₹915.5 crore. Its stock trades at a multiple of over 100 times earnings, far in excess of the 41 times the mid-cap index trades at.

Apart from its own verticals, the company has invested about ₹1,500 crore in 20-odd startups. Two among them, Zomato, where Info Edge has a 27 percent stake, and Policybazaar, where it has 13.5 percent, are unicorns (valued at more than $1 billion). Both can add significant heft to the firm's balance sheet—cash and cash equivalents stand at ₹1,500 crore—once Info Edge sells the stake, adding to the optimism around the company in the bourses. The stock was up 15 percent in 2018 even as the broader market was down 20 percent.

"Overall, the business is in amazing shape because it generates good cash flows, which can be channelled into initial investments in companies to help them grow; they can then exit at the right time. Zomato and Policybazaar have grown significantly. These factors also contribute to Info Edge's valuation," says Milan Desai, analyst, information technology at IIFL Securities.

Info Egde, it seems, has mastered the maths of running online classifieds in India. Industry observers attribute

AMIT VERMA

this success to the fact that consumers don't pay anything to use the platforms, except for Jeevansathi. From listings of jobs, real estate and education, Info Edge earns most of its revenue from businesses, advertisements, listing fees and subscription products. This is in sharp contrast to the likes of OLX and Quikr, where a consumer (individual or enterprise) has the option to buy a paid listing, but the vast majority of users don't pay to have their products listed; consequently, they have also burnt through millions of dollars to acquire new consumers.

"You need people who are consistently willing to pay, and recruitment is a strong opportunity. Info Edge is not a customer-to-customer business, where companies are trying to handle fulfilment and get consumers to pay. That is the way of life for most classifieds companies, and that is how most of them are burning cash... figuring out how to make money from transactions," says Vinod Murali, managing partner at Alteria Capital Advisors, a venture debt firm.

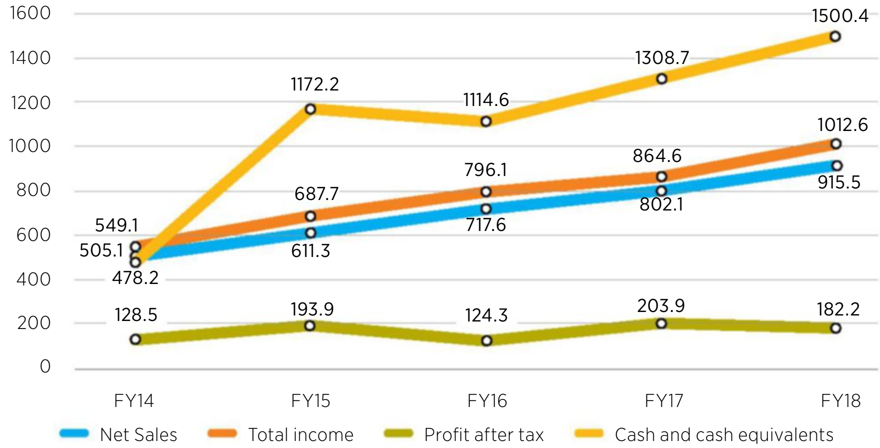
With 57 million resumes in its repository, Naukri is a market leader, ahead of home-grown rivals Shine or Timesjobs. The business accounted for ₹668.8 crore (73 percent) of Info Edge's overall net sales in FY18, while operating Ebidta margins stood at 56 percent.

But for the halcyon days to last, it is possibly time for Info Edge to reinvent the wheel, and not remain a one-trick pony.

"We have invested in 20 businesses outside, and have four businesses inside Info Edge, and only Naukri is generating cash. There may be 1,000 internet businesses in India, but only Naukri is generating cash," grins Oberoi. Although this says a lot about Naukri, it also hints at a few causes for concern.

On the investment front, Info Edge bought a stake in Zomato in 2010 and in Policybaazar in 2013, and they have

ROBUST FINANCES (₹ cr)



(Standalone)

Source: *Company, BSE*

become its biggest successes. It hasn't got as lucky again. None of its bets ever since have scaled such heights. In fact, in 2018, Info Edge wrote off ₹53 crore in startup investments and provisioned for another ₹133 crore. "We haven't really measured the returns because we don't look for exits. We want to be part of good businesses," says Bikhchandani, 55. "Clearly, Zomato and Policybaazar have done extremely well for us. The likes of Happily Unmarried and Meritnation have also begun well."

On the business front, while Naukri is at the top of its game, the other verticals, which were launched around the time Info Edge filed for an IPO in 2006, have barely borne fruit: 99Acres earned ₹135.4 crore in sales, while Matrimony.com raked in ₹68.4 crore in FY18. At an Ebitda level, both verticals together lost ₹54 crore. Shiksha, however, posted an Ebidta of ₹2.8 crore on revenues of ₹42.5 crore.

Unlike Naukri, which is head and shoulders above competition, 99Acres, Jeevansathi and Shiksha are still scrambling for leads over their rivals. With ₹87 crore in net sales in the first two quarters of FY19, 99Acres lags Magicbricks' turnover of ₹103 crore. Jeevansathi significantly trails Matrimony and Shaadi. Matrimony, the segment leader, posted ₹308 crore in revenue in FY18, about ₹50 crore more than Jeevansathi's cumulative revenue of about ₹260 crore for the last five fiscals. The company, says Oberoi, has ploughed in about $35 million in 99Acres and $10-15 million in Jeevansathi over a period of 10 years.

What did Info Edge get right with Naukri, which it could not with its other portals? "What they have done with Naukri, they haven't cracked fully with others. It isn't like they are not doing well, but they are not exceptional either. At every stage they have competitors, and that is why it becomes harder to build," says Shivakumar Ramaswami, founder at investment bank IndigoEdge.

Naukri survived and thrived at a time when competition was low and, more importantly, capital was scarce. Burning cash to acquire consumers wasn't common practice. But times have changed. Between 2013 and 2016, VC funding was abundantly available, triggering a mushrooming of players in the real estate sector, Info Edge's biggest vertical after jobs. Backed by the likes of NewsCorp, SoftBank and Tiger Global Management, startups such as Proptiger, Commonfloor, Housing, Quikr, OLX, Indiahomes and Indiaproperty started giving 99Acres a tough fight.

"When money gets raised, people start advertising, giving services for free. We were under pressure, because till 2013-14 we were running a very tight ship. Till then the total investment in 99Acres was ₹25-30 crore," says Oberoi.

The real estate market, too, has remained subdued for about half a decade now, first because of the 2008 economic slowdown, then demonetisation and then the introduction of the Goods and Services Tax (GST) and the Real Estate Regulation and Development Act (Rera). Also, according to industry executives, Google and Facebook account for a significant portion of online advertisement spends in a vertical such as real estate.

For 99Acres, however, the silver lining is the fact that most of its competitors from a few years ago have either folded up, been sold at scrap value or reduced to a has-been as the euphoria of VC funding died down. "We are hopeful that 99Acres will get somewhere very quickly. All we need is a good market for real estate for two to three years," says Oberoi.

For Jeevansathi and Shiksha, it is a work in progress. "Marriages are happening, but nothing is happening to our business because we are No. 3 nationally," says Oberoi. "We did a smart thing there: We decided to exit the South, and focus instead on the Hindi-speaking belts. We are a strong No. 2 in the north and west, after Shaadi. As a strong No. 2, you have a chance, but as a weak No. 3 you don't." For Shiksha, the challenge is to grow faster. "We haven't been able to figure out as yet as to how to make Shiksha a ₹500-crore business."

Oberoi's strategies will be a test of whether he can repeat the success of Naukri.

In 2000, when he quit Unilever to join Info Edge, a fledgling internet company started by Bikhchandani, Oberoi had applied his learnings from the FMCG giant to steer Naukri past impending pitfalls.

In 2000, when Naukri was still limping along, JobsAhead, a jobs portal founded in 1999 by Puneet Dalmia (now the managing director of Dalmia Bharat Ltd) and Alok Mittal (he runs Indifi Technologies), upped the ante by raising ₹33 crore from Chrys Capital. What followed wasn't any different from what happens now. "JobsAhead was very aggressive. They built a good product, hired a lot of people, started doing job fairs, and even advertised on TV," says Oberoi. "We were in two minds. Life was easy, life was good. If you take money, then you need to grow fast. But, when JobsAhead raised money, we were taken by surprise. We were also a little scared of what would happen to us. Eventually, we also decided to take money."

In May 2000, Info Edge sold a 15 percent stake to ICICI Ventures for $1.7 million (about ₹7 crore), the only time it would ever raise money from a VC firm. (A 2014 QIP raised ₹750 crore.) Naukri, which barely managed to make ₹3 lakh a month, set itself the rather audacious goal of generating ₹22 crore in sales in five years. To counter JobsAhead, it spent ₹70 lakh in advertisements over the next couple of months, exhausting about one-fourth of the first tranche of ₹3 crore from ICICI Ventures. But, still, the needle didn't move.

What followed next defied the basic tenets of building an internet business, which were characterised by asset light models and remote sales, as pursued by US peers Jobstreet and

INFO EDGE'S SECTORAL REVENUES (₹ cr)

Source: *Company, BSE*

What worked for Naukri is that the company deployed an army of on-ground salespeople to walk up to clients and pitch their products

SHUTTERSTOCK

Stepstone. Naukri, instead, adopted the FMCG model of marketing and distribution, and deployed an army of on-ground salespeople. They recruited graduates from small colleges, paying them a fraction of what it would have to pay graduates from premium business schools, to walk up to prospective clients—recruiters and human resource managers—to pitch Naukri products.

The success of this model is proven by the fact that Info Edge has stuck to its guns ever since. At ₹393 crore in FY18, employee benefit expenses comprise about 60 percent of its overall expenses, followed by advertising and promotion costs, which, at ₹116 crore, account for 19 percent.

"They [the competitors] could not sell, or just didn't have the sales network. They were all good products, but they could not go beyond the top 50 or 100 companies. They all exited between 2001 and 2004," recalls Oberoi. "Had we not invested in a field sales force, and instead followed the Western philosophy, business wouldn't have happened because the market needed people on the ground."

While global peers withered in India, Naukri began to blossom. Oberoi says Naukri cruised to ₹47 crore in sales by fiscal 2004-05, double the initial target of ₹22 crore, riding on the back of a 400-strong sales team.

"What they have done with Naukri, they haven't cracked with others. At every stage they have competitors, and that is why it's harder to build."

SHIVAKUMAR RAMASWAMI,
FOUNDER, INDIGOEDGE

The threat from JobsAhead, however, continued to loom although in a different form. The firm was acquired by Monster, one of the biggest global online job portals in 2004. Monster, however, couldn't upstage Naukri. "Once you have a dominant player, to displace it is very difficult, or the cost to do so is very high," says Ramaswami of IndigoEdge. "We had warded off the Monster threat to a large extent but it was a strong No. 2. If we had a 45 percent market share, they had 35 percent. In information technology jobs, which was the biggest vertical, we were neck-and-neck."

The race continued until the sub-prime crisis of 2008 hit US stocks. While Naukri felt the tremors of recession in India, Monster's global business took a hit, and it was subsequently reduced to a pale shadow of its former self.

Oberoi, however, is not resting on his laurels. The plan is to transition Naukri from a job portal to a careers platform, replete with engaging content, apart from entering segments such as blue-collar and premium hiring, and strengthening its campus recruitment business. "All of these will play out in the next one year," he says, but won't elaborate.

"It isn't much different with today's startups," says Murali, of Alteria Capital. "There are areas of stability, and areas where they are pushing for growth. For Info Edge, it is not so much of burn but investment from the balance sheet in high-risk or experimental situations. Recruitment is their core strength but with real estate and matrimony, there has to be significant investments ahead."

For Naukri, and Info Edge, however, there is no looking back. And Oberoi would like to keep it that way. "We will do whatever it takes to win."

VISHAL BALI

A Specialty Touch

With the backing of private equity major TPG, **Vishal Bali** is scripting a new chapter in his three-decade journey in India's health care industry

By ANSHUL DHAMIJA

Vishal Bali relinquished his duties as Group CEO of Fortis Healthcare in March 2014 after heading the company for four years. It also led to a new chapter in his 23-year stint in the Indian health care industry. The 52-year-old had started out as a management trainee at Wockhardt Hospitals in 1991 and had worked his way up to the chief executive's post. In 2009, Fortis Healthcare acquired Wockhardt Hospitals for ₹900 crore and thus began Bali's association with the chain of hospitals which had operations across Southeast Asia, Australia and New Zealand.

"In health care delivery, particularly in India, you need a combination of soft and hard skills. You are dealing with clinicians, a unique group of people who have to be handled very well…many operating executives don't have the expertise to deal with them day in and day out," says Ankur Thadani, vice president, TPG Growth, an investment unit of private equity (PE) major TPG.

The US-based PE firm has $100 billion in assets under management globally, of which $15 billion has been invested in health care. "Vishal, though, has great respect among doctors and has a strong strategic focus in terms of what he wants to build," adds Thadani. It didn't come as a surprise then that he sought Bali's help when he decided to invest big bucks in the country's health care delivery space.

In India, TPG has invested about half a million dollars in the health care space through its two investment arms, TPG Growth and TPG Capital. The latter holds a minority stake in Bengaluru-based Manipal Hospitals. Last April, British buyout fund Apax Partners bought TPG Growth-owned Healthium Medtech, a leading Indian medical devices company, for about $300 million. "Health care is a strategic sector for us," says Thadani.

Following his stint at Fortis Healthcare, Bali was keen on doing something different in health care instead of just building and operating 250-bed multi-specialty hospitals. "If you keep on doing the same humdrum stuff, what's the point of having spent over two decades in the sector?" quips Bali. While availability of hospitals beds is still woefully low in India, Bali says, "putting together large format hospitals is not only becoming capex heavy, but the return on invested capital behind them is going down substantially."

"Vishal has great respect among doctors and has a strong strategic focus in terms of what he wants to build."

ANKUR THADANI, VICE PRESIDENT, TPG GROWTH

He was of the opinion that India would begin to the ape the West with regard to health care delivery at home because of compelling factors such as an ageing population, rise of chronic diseases and insurers feeling the pinch of bloating hospital bills. Thus, in April 2014, Bali bought a Bengaluru-based at-home health care service provider Nightingales through an investment firm Medwell Ventures, which he co-founded.

From a handful of caregivers serving a few suburbs in Bengaluru, Nightingales is now present across six cities with 1,200 clinicians on its rolls. It has raised over $35 million in venture capital. "My 100 percent concentration then was to see Nightingales grow because I was passionate about it," says Bali, who today spends just two to three days a month taking stock of its operations.

His focus presently is on Asia Healthcare Holdings (AHH), of which he is executive chairman. AHH runs a network of small-format, single-specialty oncology, and mother and child hospitals under the American Oncology Institute (AOI) and Motherhood brands, respectively. Founded in mid-2016,

Vishal Bali, executive chairman, Asia Healthcare Holdings (AHH), says, "If you keep doing humdrum stuff, what's the point of having spent over two decades in the sector?"

NISHANT RATNAKAR FOR FORBES INDIA

it is 100 percent funded by TPG Growth and also runs a diagnostics business under the brand Ampath.

"There is nobody in the health care business that has his broad focus and direction," says Thadani of Bali. "It's tough to get people who are operationally intensive and have a numerical backbone."

To date, TPG Growth has invested about $70 million in AHH, which has built its business by buying out small single-specialty health care businesses and scaling them. "We already have 12 Motherhood and 11 AOI centres, and are knocking on the doors of being the largest [health care providers] in both the specialties," says Thadani. "A lot of our peers, be it single-specialty or multi-specialty hospitals, struggle for many years with profitability. Our business has broken-even across verticals."

While Bali was busy scaling Nightingales (which is not a part of AHH), he joined TPG Growth as senior advisor in May 2014 and helped it find companies to invest in. However, it was easier said than done. Having seen multiple health care assets and conducted due diligence on at least five of them between 2014 and 2015, no deal was in sight. "Valuations were crazy—people were talking about 30 times their Ebitda, which was nonsensical. Even today it is the same," says Bali. "If your entry price is that, what would your exit price be?"

He gave TPG Growth an alternative plan instead. Bali suggested that it invest in early-stage companies, about four to five years old, by taking majority control and growing their businesses. This was contrary to the PE firm's practice of investing in more mature, high-growth-oriented companies. Bali, however, was happy to lead such an initiative as the delivery of health care in India was changing. "There are [medical] specialties that can be taken out of a [multi-specialty] hospital, which are far more scalable, have much better unit economics, and bring health care closer to the consumer," says Thadani. It was on this premise that AHH was born: One health care delivery platform under which there would be multiple single-specialty medical companies.

In May 2016, AHH bought a majority stake (68 percent) in Cancer Treatment Services International (CTSI), which operated a single 250-bed hospital in Hyderabad under the AOI brand. It remains the only AOI hospital with a large bed count. AHH operates 10 AOI hospitals across cities like Ludhiana, Jalandhar, Nagpur, Hisar, Bhubaneswar, Vijayawada, and Guntur, and one hospital in Sri Lanka. These are all approximately 25,000 square feet standalone towers in the campuses of larger multi-specialty hospitals. For example, in Ludhiana, AOI is in the campus of Dayanand Medical College & Hospital, which is owned by the Hero Group.

"What the partners provide is the real estate. We don't want to take ownership of the land as we want to keep our balance sheet light. We come in with all the technology and clinical expertise," explains Bali. All the clinicians and staff are AOI personnel, the hospitals follow AOI medical protocols, and the day-to-day running of the centres is done by AOI.

Interestingly, CTSI was a US-based entity in which University of Pittsburgh Medical Center (UPMC) was a shareholder and technical partner. Today, UPMC, which is a $19 billion non-profit health enterprise and a leading provider of cancer treatment, is a minority shareholder in AHH-owned Cancer Treatment Services Hyderabad Pvt Ltd (name changed post acquisition) and continues to have a deep technical collaboration with the AOI.

"It [AOI] is the only cancer network which has an international tumour board wherein we have specialists [from UPMC] sitting down with our doctors to deliberate on cases where the diagnosis and treatment protocol are not straightforward or the outcome of the treatment protocol needs to be altered mid-way," says Jagprag Singh Gujral, CEO, AOI. Typically, when hospitals prescribe cancer treatments to patients, the treatment is first vetted by an in-house tumour board that comprises a surgical, medical and radiation oncologist along with a pathologist and nuclear medicine specialist.

Between November 2017 and November 2018, 1,500 cancer cases were reported to AOI's international tumour board due to the complexities involved. The UPMC association, believes Gujral, helps AOI differentiate itself from other hospitals by offering better accuracy of treatment.

Similarly, for another AHH entity Ampath, a diagnostic service provider to 800 hospitals and polyclinics in India, UPMC overlooks its technical know-how, undertakes audit checks and even overlooks the onboarding of its clinicians. Ampath, acquired by AHH as part of the CTSI deal, later spun-off into a standalone diagnostics entity. While Ampath does extensive work for AOI and Motherhood, Dr Sushant Agrawal, CEO, Ampath, says, "75 percent of our business is outside of the AHH platform."

VIKAS KHOT

"There is every possibility of Bali's success. Having said that, health care is a long-term play and needs patient capital."

SUNEETA REDDY, MD, APOLLO HOSPITALS

Through AHH, Bali is looking to better address critical factors in running a health care business such as speed of execution, efficient capital deployment and strong clinical impact. And for that to happen, he believes that single-specialty, small-format hospitals are the way forward.

Consider Motherhood, which AHH acquired in August of 2016. From three centres in Bengaluru, it has grown to 12 centres across metros like Mumbai, Chennai, Pune and Coimbatore. Importantly, Motherhood's singular focus of offering boutique birthing experiences (akin to a 5-star hotel experience) has dramatically changed, with the focus now being on high-end mother and child care.

"At almost all centres we have highly trained women surgeons [with 20 to 25 years of experience] performing complex surgeries like laparoscopic uterus removal and vaginal prolapse repair, which take anywhere between four to seven hours," says Vijayarathna V, CEO, Motherhood. "We have also operated on six babies suffering from diaphragmatic hernias (where the diaphragm of a baby moves up into the lungs, causing breathing difficulties) in the last one year. In one case, we had to operate on a baby after the second hour of birth," adds Vijayarathna.

Overall, AHH has grown from a mere $5 million in revenue when it

AHHEAD OF THE HEALTH CARE CURVE

INVESTORS

TPG Growth
$70 million

Teamasek
$50 million

REVENUE

$83.3 million
or
₹542 crore
(based on exchange rate of INR=₹65)

BUSINESS VERTICALS

MOTHERHOOD

•Women and Child Hospital•

Operational	Revenue
12	₹210 cr

AMERICAN ONCOLOGY INSTITUTE (AOI)

•Cancer Hospital•

Operational	Revenue
11	₹277 cr

(to go up to 20 by end of FY20)

AMPATH

•Diagnostic Centres•

Operational	Revenue
9	₹55 cr

(to go up to 20 by end of FY19 and 40 by end of FY20)

(From left) Dr Jagprag Singh Gujral, CEO, American Oncology Institute; Vijayarathna Venkatraman, CEO, Motherhood Hospital; Dr Sushant Agarwal, CEO, Ampath

NISHANT RATNAKAR FOR FORBES INDIA

started in mid-2016 to about $83.3 million at the end of December 2018. And in just 30 months of its operations, Singapore's sovereign fund Temasek is investing $50 million in AHH for a minority stake. "The idea of the Temasek funding is to get more money into the platform to grow the business," says Bali. The AOI brand, for one, will be taken to Bangladesh, Nepal and Myanmar. "At the unit level (at each hospital), all our businesses which are more than one year old are Ebitda positive," he says.

Apart from oncology, mother and child care, and diagnostics, ophthalmology is an area of interest for Bali. "A lot of technological advancement has happened in ophthalmology and it is a space of interest for us," he says, adding that it lends itself to being a small-format, single specialty business.

Friend, competitor and health care veteran Suneeta Reddy, MD, Apollo Hospitals, gives Bali the thumbs up but also has a few words of caution. "I am sure there is every possibility of [his] success. Having said that, health care is a long-term play and needs patient capital," she says.

The Indian health care landscape, according to Reddy, will have two addressable markets: One that is significantly premiumised and another where there is an opportunity to play the volume game without compromising on clinical quality. "Serious players will need to look at these carefully and position themselves along this spectrum," she says. "Finding the right price point and value proposition will be key."

For now, the only spectrum visible to Bali is AHH. And as Thadani says, "I would argue that we have the best operating team in the country."

RISHI KHOSLA

‘What Excites Me Most is That We are a Profitable Unicorn’

OakNorth co-founder **Rishi Khosla** on Indian unicorns, launching lending operations here and why the startup ecosystem in Britain is less buoyant than in India

By RAJIV SINGH

What would give a startup founder the biggest kick? Would it be when the venture gets billed as the fastest unicorn (with a billion dollar valuation) in European history? Or would it be when it becomes just the third company in the United Kingdom (UK) to get a new banking licence in 150 years? For Rishi Khosla, co-founder of OakNorth, it is none of these. “What excites me the most is that we have a profitable unicorn,” he says. OakNorth, a UK-based digital banking upstart focussed on lending to small and medium enterprises (SMEs), was valued at $2.3 billion when it raised $100 million in September 2018. The digital lender had reached a cash flow break-even just 11 months after starting operations in September 2015, and had made over $13 million in profits in only the second full year of operations.

“Being profitable is important, but being profitable and having high growth is an interesting mix,” says Khosla, who was in India recently. India happens to be the biggest market for OakNorth in terms of headcount. Though the startup does not lend in India, it has offices in Gurugram and Bengaluru, which form the core of its global operations.

In an exclusive interview with *Forbes India*, Khosla talks about his India connect, Indian unicorns and the startup ecosystem in Britain. Edited excerpts:

Q You happen to be the quickest unicorn in European history, within two years of launching operations...

The unicorn tag does not excite me. What drives me most is our achievements as a business rather than the unicorn tag. Ultimately, valuation should be a function of the result of a business rather than a function of any potential hype. So for me, what matters most is the actual business. The fact that we got the third new banking licence in the UK in 150 years is a big positive. That we made a net income of over £10 million in the second year of operations is again a big positive. Obviously, we are going to significantly make much more in the third year. We are operating at four times the original plan (we had) when we launched. All these things are the core drivers that make me more excited than being a unicorn.

Q But there is a difference. You are a profitable unicorn, aren’t you?

(Laughs) Yes, and that indeed makes me excited. I used very little money to build my last business. That’s my background. When you are building things in a traditional way, brick by brick, then it’s hard to waste money. Ultimately, my business is my positive cash flow because that’s the basic. Being profitable is important. But being profitable and having high growth is an interesting mix.

Q In India, almost all unicorns are bleeding. What’s your take on trade-off between scale and bottom line?

High-growth companies would say that they would need to lose more to grow faster, and that focusing on

“Because of excessive capital flow in the startup world, including India, the narrative is not about building a fundamental business. It’s about land grab, and a frenzy of burning a significant amount of money.”

Rishi Khosla, promoter and co-founder of fintech firm OakNorth Holdings, says being profitable is important, but being profitable and having high growth is an interesting mix

MADHU KAPPARATH

profitability would be the wrong thing. It's an interesting dynamic. I just finished reading *Blitzscaling* by Reid Hoffman and Chris Yeh, which tells this story beautifully. Fundamentally, because of so much capital flowing into the market, there is a perception that unless you grab the market you are going to lose the game. Grabbing the market, in turn, means how well-capitalised you are and how much money you can throw to get that share. And then, it becomes a race. The significant increase in capital flow in the startup world has created a dynamic where it is not about a fundamental business. It's about land grab, and a frenzy of burning significant amounts of money.

Q You were an early-stage investor in PayPal some 17 years ago. And that was a time when it used to bleed...

Yes. It was losing several millions a month, which, in those days was an unbelievable amount. But what they were clear about is that once they switched on the revenue generation business by charging for transfers, they would be able to turn the curve. And that worked perfectly. The bigger issue is when you don't have strong unit economics and you go for land grab. That defies logic. The function of so much capital

OakNorth's India operations, based out of Gurugram and Bengaluru, are a critical part of its overall operations. Khosla says India is a core contributor to its mission of changing SME lending globally for growth companies

MADHU KAPPARATH

coming in has somewhat distorted the basic fundamentals of business.

Q At OakNorth, did you ever try flirting with the 'scale fast, fail fast' theory?
We have been scaling fast (laughs). I don't like 'fail fast'. On a micro basis, one does fail in lots of things every day. That's fine. But I love to scale fast, and if you are doing that with profit, it's even better.

Q OakNorth is not operational in India in terms of lending but you have an office here which happens to be your biggest in terms of headcount...
India operations, based out of Gurugram and Bengaluru, are a critical part of OakNorth's overall operations. We are solving the problem of bespoke SME credit, and within that space, the most important part is the credit. We are combining strong credit skills with technology and data science. India operations are at the core of our credit skills, and they help us drive the roadmap for our technology development and data science evolution.

OakNorth India is a core contributor to our mission of changing SME lending globally for growth companies. The team here constitutes some of the best credit analysts in India, along with a team of engineers and data scientists who integrate into a global product team, all focussed on developing the OakNorth Analytical Intelligence platform. Today, the platform is being used by banks across Europe, North America and Asia, who have a combined balance sheet in excess of $800 billion. In the UK, the platform has helped us build a profitable loan book of over $2.3 billion with no defaults to date. Today, the India team is made up of 200 people and we plan to scale it to 300 by the second quarter of 2019.

Q You are of Indian origin...
Yes. Being of Indian origin gives me a strong affiliation and connect with the country. It's an important part of who I am. Though I live in the UK and am a British national, I still view myself very much as an Indian.

Q You are focussed on SME lending globally. In India, demonetisation was a fatal blow to this segment...
Pulling the SME, which was over 90 percent about cash dealing, into the formal economy was a great and bold move. It took a few months for SMEs to re-adjust. Overall, demonetisation made the economy stronger by bringing them into the formal economy. This also increased the SMEs' ability to borrow money as they are now into a formal system.

Q Indiabulls was reportedly planning to sell their stake and exit from OakNorth. Is that happening?
Indiabulls was an investor in Copal Partners, which was the previous venture of the founders of OakNorth. The venture was sold to Moody's Corporation in 2014 after scaling to 3,000 employees, and Indiabulls did well on the investment. We have strong relations with them. Indiabulls was the first major institutional investor in OakNorth, investing $100 million in the company in November 2015. Ultimately it's for them to determine what's most appropriate for them to do, based on their requirements. They have brought down their stake to under 20 percent from a high of 40 percent. The single biggest ownership still rests with the founder group.

Q There were also reports of SoftBank planning to invest in your company.
I also got to know about that from the media (laughs). Any transaction requires both parties to have the right terms. From where we sit today, we have got a fully-funded business plan and have no urgency to raise money.

Q How does the UK startup ecosystem differ from India's?
The Indian startup scene is much more buoyant than the UK. Back there in the UK, there is almost no capital to start a business and get it off the ground. So, getting angel and seed kind of funding is really hard. Once you reach Series A level, then you have got funding kicking in from Series B onward.

India is a different story. You get angel, seed, Series A, B readily. It's a much deeper capital market. Secondly, India is a high-growth market, and such markets attract investors. So we see large number of unicorns coming out of India and China. The markets in these countries are big, and they are growing. This explains why there are relatively fewer unicorns out of the European market, which are generally low-growth. The depth of people who have the entrepreneurial drive to establish themselves is obviously bigger in India. In terms of our family office, most of our recent investments in fintech and tech startups, all undisclosed, have been in India.

Q Flipkart sold out to Walmart, and most founders of unicorns and big startups in India have a low, maybe single-digit stake in their ventures. As a startup grows, the founders keep diluting their stake. Your comments?
Having worked with Lakshmi Mittal [Khosla ran the venture fund for LNM Internet Ventures from 2000 to 2002] and having seen how much he didn't dilute was a big lesson for me. The standard thing is that a small percent of a bigger pie makes sense. But what ends up happening, and I find this in India and the Bay area, is that people start chasing hype. What's my next valuation? Who can I go next to raise? How can I pump up the value and create more noise around the company? These ultimately leads to the question: How can I ultimately sell and exit? As a strategy (there is) nothing wrong in it. But in my view, it's a high risk strategy. My view is to build a fundamentally strong business which you can run for life. This focus helps in building a business with high unit economics.

> **"Foreign versus domestic capital is a non-argument. The winners in this battle, even if we presume there are any, are the local, domestic companies."**

Q Do you think most startups in India are into the high-valuation game?
It's an infectious environment for an entrepreneur. If you are an early stage entrepreneur and get money from a venture capitalist (VC), your mind starts thinking about the value, and then one ends up chasing more value. I do think that people get caught up in this massively.

Q You started as a VC. How much blame should VCs take for fanning the valuation game?
It's all about supply and demand. You have entrepreneurs on one hand and capital on the other. When the capital providers are going to beat each other up for the best opportunities, then that's going to increase valuation. Is that rational? Probably not. But that's how even public markets work.

Q What's your take on the colour of the money? I mean, sporadically, some Indian entrepreneurs have voiced concerns about foreign players dumping capital in India, which doesn't result in fair play for the local players.
On international basis, all money is green (laughs). The currency of the world is still the dollar. Foreign versus domestic capital is actually a non-argument. If the best guys are attracting foreign capital, then it's fair. What's there to complain about? Sorry, I am a capitalist person (laughs). The winners in this battle, even if we presume there are any, are the local, domestic companies.

Q When do you intend to start lending operations in India?
India is on our high-priority list. But I don't want to get into a cash burn environment. Right now, the focus is on building the UK operations, and the India business, and scaling it even higher.

91SPRINGBOARD

Work, Play, Spring

From providing co-working space to acting as incubator and helping build a network, 91springboard has turned out to be a community space for entrepreneurs

By RAJIV SINGH

PHOTOGRAPHS: EDRIC GEORGE FOR FORBES INDIA

On a balmy evening in November 2018, the auditorium at a co-working hub at Santacruz in suburban Mumbai was brimming with a discerning audience of roughly 100. Lucy Plummer, head of content and community at Clap Global, a platform that enables a unique exchange of cultures by helping international travellers visit local classrooms and engage in conversations with students, had just 400 seconds to make her presentation. The topic of the talk, at an event hosted by 91springboard, was: 'How travel helps transform bias'. It was a Japanese storytelling event called PechaKucha—or chit-chat—that lets speakers use 20 pictures, each that's on screen for not more than 20 seconds, to narrate their story.

"The more I travel, the more opportunities I get to come face to face with my biases," Plummer told the audience. For instance, in 2015, an unexpected encounter with an elderly lady in a Tibetan refugee camp in North Karnataka made Plummer uncover a bias she didn't know she was harbouring: 'Good people (the West)' and 'bad people (the East)'. "That bias ends with me," she said, as the audience sprang to its feet and cheered.

Like Plummer, Manish Singhal too was exploring his space at one

91springboard co-founders: Anand Vemuri (left), Pranay Gupta (centre) and Varun Chawla

of the hubs of 91springboard. The founding partner at pi Ventures, an early stage venture fund that focuses solely on areas of applied artificial intelligence (AI), machine learning (ML), and the Internet of Things (IoT), was doing something that venture capitalists are not used to: Pitching his firm to entrepreneurs (it's usually the other way around).

"We find, fund and support the best teams who are using AI, ML and IoT to solve real-world problems," Singhal told entrepreneurs working out of the co-working hub. He was part of Reverse Pitch, one of the events organised by 91springboard where investors pitch to startups.

So what exactly is 91springboard? Well, it doesn't quite fit in the conventional definition of co-working. From providing space to work to being an incubation centre that invests and nurtures startups to evolving as a networking hub for entrepreneurs and corporates to emerging as a cultural hub that hosts events, 91springboard has carved a niche for itself in a cluttered me-too market where co-working has attained a connotation of being a 'plug and play' area, marked by funky interiors, wide space to place some pool tables, a café and, in a few cases, a bar.

"Co-working is not just a space to work. It's to co-work, network and grow," says Pranay Gupta, head of sales and partnerships, and one of the four co-founders at 91springboard, which started in 2013 in Delhi, and now has 20 hubs across nine cities, including Bengaluru, Hyderabad, Pune and Goa. "While others might be infrastructure-focussed

"Co-working is not just a space to work. It's to co-work, network and grow. While others might be infrastructure-focussed, we are community-focussed."

PRANAY GUPTA, HEAD OF SALES & PARTNERSHIPS, AND CO-FOUNDER

SPRINGING INTO ACTION

FOUNDED
In 2013 by Anand Vemuri, Varun Chawla, Pranay Gupta and Deepak Sharma

WHY '91' IN THE NAME
It's the country code of India

TOTAL FUNDS RAISED
$33 million; last funding round in September 2018

REVENUE
₹45 crore in March 2018; ₹19.8 crore a year earlier

PRESENCE
9 cities via 20 hubs, through which it has invested in 16 startups

NUMBER OF SEATS
12,500; target is to reach 1.5 lakh by March 2020

co-working, we are community-focussed co-working," says Gupta, who along with his partners relocated the company headquarters to Goa a year and a half back. Reason: Not to hunt for another differentiation, but to find the 'right' space.

DELHI TO GOA

Delhi pollution, avers Varun Chawla, head of expansion and co-founder, was taking a toll on productivity and happiness of the employees. The parameters for selecting a new headquarters were simple: Quality of life, ability to attract talent, and a place where they wouldn't be disconnected from the pan-India action. The initial shortlist, after a few months of brainstorming, had Chandigarh, Vizag, Kochi, Jaipur and Ahmedabad. All of them, however, lacked one of the three requisite qualities.

Goa popped up as a wild card, and was selected after a recce that lasted a few months. "It was a unique choice, and has paid off handsomely," says Chawla, adding how Goa succeeded in attracting senior talent from Mumbai, the United Kingdom and Australia.

91springboard, insists Chawla, is not the odd one in selecting Goa for its base. A handful of high-growth companies such as Delhivery have started to look at non-traditional and non-metro markets to set up their headquarters. "More new-age founders are starting to think this way," he says.

The goal, Chawla asserts, is to empower and enable entrepreneurs in their journey. Take, for instance, Reverse Pitch, which has seen participation from investors such as like Accel Partners, Saif Partners, Matrix Partners, M&S Partners, Sequoia Capital, Kae Capital and Lightbox. The venture capitalists, for a change, speak about their operational experience, sector focus, portfolios, ticket size and key aspects that go into investment-making decisions. Then there is the 'Startup Open House', where select entrepreneurs showcase their products and get qualitative feedback from potential consumers, partners, investors and mentors.

"We offer this hybrid of accelerator, incubator and co-working at one place, and this is quite unlike any co-working company."

VARUN CHAWLA, HEAD OF EXPANSION AND CO-FOUNDER

Music gigs, stand-up comedy, pop-up shops, investor meets, mentor and unwind hours are some of the other events that the co-working-cum-incubation hybrid undertakes to build a vibrant network of the startup and entrepreneur-driven community.

Collaboration is another crucial ingredient in fostering strong ties among the startup community. Take, for instance, the tie-up with Google in 2018 to train women entrepreneurs across tier II cities. The aim is to educate and upskill female entrepreneurs over a period of two years, with 24 engagements planned across the country. There are more corporate tie-ups with companies such as Facebook and HDFC as well.

It's the out-of-box thinking of the co-founders that has made 91springboard stand out in a country that been experiencing a co-working boom over the last few years.

SPACE EVERYWHERE

Since 2006, co-working space in India has doubled every year. Last year, the country had over 350 co-working operators with 1,000 centres in urban India. The world's third biggest startup nation also managed to attract New York-headquartered co-working giant WeWork, which opened its maiden centre in Bengaluru in partnership with the Embassy group in 2017.

Demand for co-working space

> **“Scale or size is not going to bully anyone in this market. We are not in the business of making offices hassle free. We are into making work easier.”**

ANAND VEMURI, CEO AND CO-FOUNDER

MORE THAN A CO-WORKING HUB

How 91springboard is different from other co-working spaces

NETWORKING
Reverse Pitch, mentor hour, investor meet, funding

KNOWLEDGE TIME
Workshops, seminars, roundtables and panel discussions on ecosystem and current issues

UNWIND
Music gigs, stand-up comedy, pop-up shops, meetups, startup bash

is set to skyrocket in India. Over 13.5 million people are estimated to work out of co-working spaces by 2020, according to JLL, a real estate services company. In India, the growth of flexible office space was expected to grow at 40–50 percent in 2018. Released in 2018, the report: ‘Spotting the opportunities: Flexible space in the Asia-Pacific’ claimed that demand for flexible offices is growing faster in Asia-Pacific.

Out of an estimated 13.5 million users by 2020, half will be from enterprises, which are expected to take up 10.3 million seats. Freelancers and small & medium enterprises (SMEs), the report points out, are expected to contribute 1.5 million users. The startups, on their part, will demand up to 100,000 seats by 2020. While the top six cities will require an estimated 5 million seats in co-working spaces, 8.5 million of the projected demand will be in tier II and III cities.

For 91springboard, operating out of Goa with an eye on the rest of the country came with its set of challenges. If getting hold of investors in the early phase was a tough task, seeding the idea that co-working could double up as incubators was equally challenging. In three years, the startup managed to log a meagre ₹1.3 crore in revenue in the March 2016 ended fiscal. The big leap came a year later, with revenue growing to ₹19.8 crore. The momentum persisted and the startup closed the year ended March 2018 with a top line of ₹45 crore. The company is now set to open centres in Chennai, Ahmedabad, Kolkata and Chandigarh over the next 12 months.

In terms of funding, 91springboard has managed to raise over $33 million so far from investors, including Sandway Investment. The latest round was in September 2018 when it raised $10.2 million from investors such as Singapore-based marketing technology company FreakOut and Shinsei Bank of Japan.

Though 91springboard has managed to find a sweet spot with investors and entrepreneurs, the challenge is to take on the financial might of the big global guys like WeWork, which intends to expand at a breakneck pace and double its co-working space to 6 million square feet in India by 2019. Then there is another homegrown player Awfis, the most funded Indian player in this space, having reportedly raised a total of $51 million.

While acknowledging the deep pockets of MNC rivals, Anand Vemuri, chief operating officer and co-founder of 91springboard, is confident of maintaining and expanding the ‘differentiated space’ for his startup. 91springboard, he reckons, is in a long-term game, where infrastructure is just one part of the story. “Scale or size is not going to bully anyone in this market,” avers Vemuri. “We are in the business of making work easier and building a community.”

ADVENT OF CO-WORKING BOOM

(Projections for co-working market by 2020)

13.5 million seats
Potential market size of co-working across India by 2020

10.3 million seats
Estimated users from enterprises

1.5 million seats
Slice that freelancers and SMEs are expected to carve out of total market

100,000
Seats that startups are likely to have

Source: Forbes India; *91springboard*

TOP 6 CITIES

They will require an estimated **5 million** seats in co-working spaces

TIER 2 AND 3 CITIES

8.5 million of the projected demand will come from these places

Source: *JLL report: Spotting the opportunities: Flexible space in the Asia-Pacific*

CLASSPLUS

Classroom Confidential

Classplus makes it easier for tutors to manage students and assignments through an app

By MANU BALACHANDRAN

In September 2018, when Aditya Sisodia and his wife, Priyanka, who run Percentile Classes coaching centre in Bhopal, realised it was becoming somewhat tedious to keep track of the performance and attendance of their growing numbers of students, they knew it was time to embrace technology.

The Sisodias started Percentile Classes in 2012 to prepare aspirants for CAT and GMAT exams, and have over 200 students. But as is the case with such coaching centres, they functioned out of brick-and-mortar classrooms, and tackled everything, from lectures and attendance, on their own on paper.

"We had numerous batches to take care of," Priyanka says. "Parents were worried about their children's attendance, and wanted to monitor their performance. Students also wanted to access lectures when they were not in the classrooms."

That's when they found out about Classplus, a New Delhi-based startup by Mukul Rustagi and Bhaswat Agarwal, that helps tutors manage their classrooms through a mobile app. Classplus, which was launched in January 2018, operates in 28 cities and has signed up more than 1,200 coaching centres; in 2019, it intends to increase that number to 10,000.

Classplus has developed a technology-based platform that can help institutes eliminate time-consuming activities such as creating assignments, learning videos, and tracking attendance. They also have a data analytics tool to track students' performance. Coaching centres have to pay a subscription fee of ₹15,000 to ₹50,000 per year, depending on their requirements. They can then download the app for tutors, parents, and students.

The platform can provide tutors with insights about the learning patterns of students, their strengths and weaknesses, says Rustagi, 26, co-founder of Classplus. "Our target is the small-and medium-sized coaching centres across the country. We want to ensure that activities such as fee payments, dissemination of content, tests and queries can be made available online so that tutors can focus on teaching."

The increase in the number of smartphone users signals an opportunity for companies like Classplus

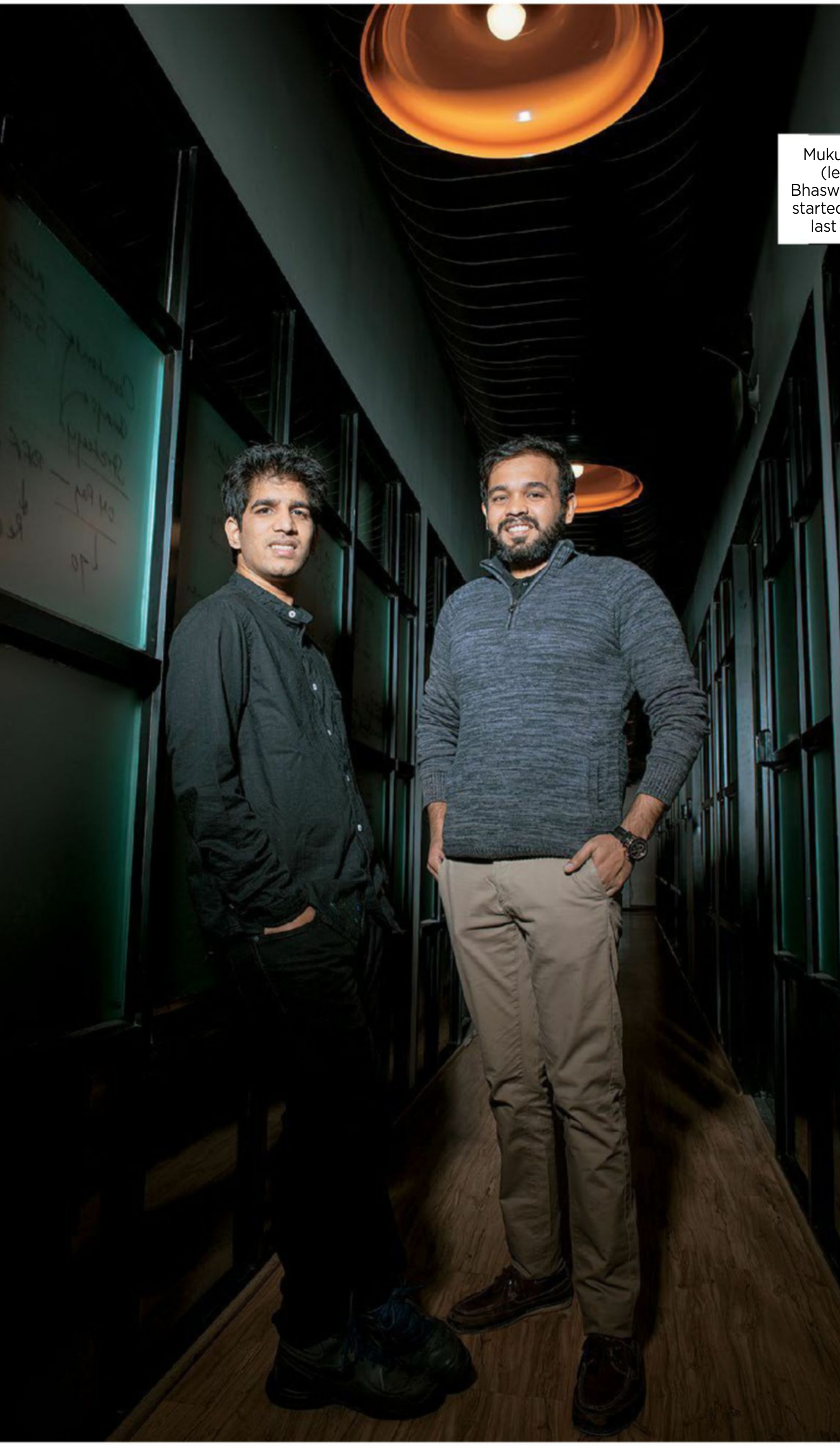
The bulk of the company's operation is centred in New Delhi and Kota, in Rajasthan, a coaching hub for aspirants to the IITs. "These days, everybody has a smartphone, and user engagement is fastest on mobile phones," Rustagi says.

Incidentally, Rustagi and Agarwal had met at a coaching centre in Delhi in 2007 when they were preparing for their Joint Entrance Examinations. While Rustagi went to IIT-Roorkee, Agarwal went to Netaji Subhas Institute of Technology in Delhi; both of them studied electronics and communication engineering. After graduation, Rustagi worked at Futures First, a derivatives trading company, while Agarwal at Microsoft.

In 2015, they teamed up to work together, and launched Classplus by 2018. They have raised over $500,000 from investors including LetsVenture, Manish Amin, founder of Yatra.com, and Pallav Pandey, founder of Knowlarity and Fastfox. Classplus applied for, and was selected by, Amazon's EdStart programme, a global initiative under which the latter provides technical support to education technology startups.

According to the National Sample Survey Office, India is home to the largest after-school tuition market in the world, with more than 7.1 crore of the country's 30 crore school-going students taking supplementary coaching classes; in some states, more than three out of every four students opt for it. The increase in the number of smartphone users in India—expected to reach 990 million by 2020, up from about 800 million in 2015, according to Cisco—signals a growing opportunity for companies such as Classplus.

Although firms such as Delhi-based Proctur, Nagpur-based Techior and Classcare offer similar class management services online, Rustagi claims these services focus on colleges and schools, and not on small tutors.



Mukul Rustagi (left) and Bhaswat Agarwal started Classplus last January

"Many of the companies offer only one-way communication on their platforms," he adds. "What differentiates us is the technology, the multimedia abilities, and the two-way communication, in addition to the focus on mobile first." Classplus features allow communication between students, parents and teachers on issues such as doubt resolution and performance management. Tutors can also store content on the cloud and multimedia platforms.

"There are no dominant players in the industry they are in," says Aurobindo Saxena, who heads education practice at Technopak Advisors. "The industry is unregulated, and has a compounded annual growth rate of 20 percent. The tutoring industry in India is worth $11.5 billion, and is highly fragmented."

"Their business model is very easy to replicate," adds Saxena. "That is a cause for concern. There are very low entry barriers, and over a period of time, the subscriptions can become cheaper. But considering the fragmentation, they have the potential to emerge as a big player and perhaps make themselves attractive to large edu-tech companies. They also have to ensure that they have a strong innovation pipeline to be on top."

Rustagi believes he has a strong pipeline and the goodwill to scale up. "The beauty is that we have a common tech platform that can be scaled since we aren't customising them for tutors," he says. "We are also working on identifying patterns and predictive analysis for the coming years. This year, between 10 and 15 percent of our business came from referrals; we want to take this to 50 percent in 2019."

But what about competition? "This is a very fragmented market, and we are the only funded company here," says Rustagi. "It is not an easy task to get tutors on board, and we have already laid the groundwork by winning their trust."

AMIT VERMA

TIM PANNELL FOR FORBES

CASINOS

Billionaire, Bust And Back

Bill Boyd built an empire of budget casinos and became one of Vegas's original godfathers. But as the city transformed into a luxury gambling mecca, he tried to reinvent himself and nearly lost it all. Now he is doubling down on his low-stakes roots

By ABRAM BROWN

Summer usually quiets Las Vegas. But on a 101 ºF day in June, gamblers stream into the downtown California Hotel, the original property of publicly traded Boyd Gaming. Bill Boyd, the company's co-founder and executive chairman, is walking the casino floor, winding up a routine he's been honing for 40 years.

He passes the blackjack tables, nodding to his veteran dealers, then ambles past the video-poker machines and the Buffalo Stampede slots. Like all Boyd properties, the California caters to budget-conscious gamblers, mostly locals and middle-class out-of-towners. So it packs in slots and low-limit table games. "The atmosphere here is different," Boyd says. "If I was at the Wynn"—the shard-shaped luxury casino on the Strip created by his former business partner, the billionaire Steve Wynn—"I'd be busy looking around." The California is not where Diana Ross comes to play. Or where you dine on a $100 steak.

Near the front entrance, Boyd, 87, pauses next to a six-foot koa-wood statue of a grinning, twirling Buddha, a gift several decades ago from a group of happy customers. "That's for good luck," he says, rubbing the Buddha's well-worn belly and completing a long-standing ritual at the California.

A little good fortune goes a long way in Vegas. So do cool-headed decisions when luck runs out. When Boyd took his company public in 1993, it owned six strongly profitable casinos, which generated over $430 million in revenue. All fit the same mould as the California. They were inexpensive places to gamble. Over the next 15 years, a rising stock price made Boyd a billionaire and emboldened him to roll the dice by building higher-end casinos: The Borgata in Atlantic City in 2003 and Echelon Place on the Strip three years later.

The moves suffered from exceptionally poor timing. Both Atlantic City and Las Vegas had become increasingly saturated markets. And then the Great Recession hit. In 17 months, Boyd Gaming's stock lost 94 percent of its value, falling to nearly $3 a share in November 2008.

To stave off bankruptcy, Boyd was forced to make a number of humbling decisions. He shelved plans for luxury casinos, instead doubling down on adding budget ones across rural America. And since his actions had gotten the company into this mess, he reasoned, maybe he could use some advice on getting out of it. With that in mind, he elevated the company president, Keith Smith, to CEO, giving himself a partner for the first time since the death of his father—the other co-founder of Boyd Gaming—in 1993. "At the beginning of our existence, my dad and I were risk-takers, and you needed that," says Boyd, a white-haired man with a gold, diamond-studded pinkie ring. "We didn't need that anymore. We needed somebody that was more conservative than I was."

"The biggest change for the company over the past decade is that they've become quite a bite more disciplined," says David Katz, an analyst at Jefferies, an investment bank. "I don't want to say 'risk averse'. ... They've become a bit more 'risk appropriate.'"

Since November 2008, Boyd Gaming stock has risen over 700 percent, almost triple the S&P 500's increase. Boyd himself is nearly a billionaire again (estimated net worth: $700 million-plus), and his company has swung from a $223 million loss in 2008 to nearly $200 million in profit last year. Revenue sits at $2.4 billion. "When the Great Recession hit, it was very difficult," Smith says. "We made some very tough decisions to shut down projects, refine our business and work our way through."

Boyd sinks into a cushioned banquette at the California's Redwood Steakhouse, positioning himself comfortably to recount the origins of his company, which started here with the California. Tens of thousands of dollars could be won and lost on the California's blackjack tables in the time it takes Boyd to tell his story, one that dates to the mob-connected Vegas of Bugsy Siegel in the 1940s. "Incidentally," he says, "the movie Bugsy said the Flamingo was the first hotel on the Strip. It was actually the third."

Boyd moved to Vegas when he was in elementary school. "As I'm growing up, my mom and dad would always to say me, 'Billy, you don't want to grow up to be a dealer like your dad, so get an education.'" After serving in Korea, he received a law degree from the University of Utah and worked as a lawyer for several decades; by that point, his father, Sam, had become an established casino manager. In the early 1970s they pooled their money to buy a piece of land on Fremont Street and then built and opened the California there. All told, it probably cost them $11 million (over $50 million in current dollars), the funds coming from the Boyds, outside investors (many of them the California's employees) and a Bank of Las Vegas loan. In 1979 they opened Sam's Town on a 13-acre lot on Boulder Highway, far from downtown and designed to lure gamblers coming to or leaving the city. The Stardust, an aging gem on the Strip whose mob history

"At the beginning of our existence, my dad and I were risk-takers, and you needed that."

would inspire Martin Scorsese's Casino, was bought for $115 million (about $280 million today) in 1985.

His father's death left Boyd to guide the company alone, and he took it in a different direction: Atlantic City, which was already long into a boom. The number of casinos there had grown from zero in 1976, the year gambling became legal, to a dozen 20 years later. And before legalised gambling spread throughout the East Coast, the so-called "casino win"—the revenue generated from gambling—across Atlantic City casinos neared $4 billion.

AC beckoned Boyd in the form of a 1997 phone call from Steve Wynn. The two had joined forces a decade earlier to spruce up part of Fremont Street in downtown Vegas. Now Wynn had a different idea: A 50-50 partnership in a new casino he wanted to put up in New Jersey. The 2,000-room Borgata would ultimately cost $1.1 billion. It was nice—stocked with 300-thread-count sheets, gold-tinted windows and 13 Dale Chihuly glass chandeliers—but still just another casino in an increasingly crowded city.

Back in Vegas, Boyd soon envisioned something even grander than the Borgata and readied plans to redevelop the Stardust, drawing up a blueprint for four hotels, a casino and a spa on a 63-acre lot that would be rechristened Echelon Place.

Like the Borgata, the Echelon faced a slew of established competitors. The Mirage had opened in 1989, and since then the city added a number of upscale casinos, including the Luxor (1993), MGM Grand, (1993), the New York-New York (1996), the Bellagio (1998), the Venetian (1999) and the Wynn (2005).

Nevertheless, the Stardust was torn down, and by the time Boyd Gaming halted construction on the Echelon in 2008, it had already spent $1 billion. Estimates showed that completing it could cost at least five times that amount.

Boyd and Smith thought work on the Echelon could resume within a year. It never did. "It was worse than we thought it could be," Smith says. "Three years later, we finally said, 'Okay, it's not three or four quarters. This thing isn't getting any better.'" In 2013, the Malaysia-based casino company Genting Group bought the Echelon property for $350 million. "It was very disappointing. It was going to be the crown jewel of the company," Boyd says. "As much as we didn't want to stop construction, as much as we didn't want to sell it, we knew that we had to in order to survive."

Things were grim in Atlantic City, too. By 2013, more than a dozen states beyond Nevada and New Jersey had casino-style gambling, and total gaming revenue in AC had fallen from a record high of $5.2 billion in 2006 to under $3 billion. By one measure, the number of out-of-towners visiting AC fell by more than 20 percent in that same period. The Borgata wasn't immune. Since 2006, its revenue had declined by almost a third, to roughly $700 million. Boyd and Smith decided to walk away, dealing its 50 percent stake to MGM Resorts for $900 million in 2016.

With the luxury plans gone, Boyd returned to what had made his company successful in the first place: Cheap casinos serving low-stakes gamblers. Rather than expand in crowded Vegas, Boyd cast his eye around America. Building new casinos would require a level of risk he no longer wanted to stomach; besides, he had Smith at his side emphasising new construction's drain on their barely recovered cash flow. Better to grow through acquisitions.

In the last six years, Boyd Gaming has purchased 13 casinos, spending $2.9 billion. To make those deals, Smith studied the numbers on prospective purchases and targeted casinos with $10 million to $15 million in Ebitda, eventually moving on to ones closer to $20 million—basically pinpointing places that dominated their local area. "If there are five competitors in the market, we don't want to buy the fifth [best] asset or the fourth [best] asset," he says.

The little gambling empire now stretches from Pennsylvania (the Valley Forge Casino Resort) to Illinois (the Par-a-Dice) to Louisiana (Sam's Town Shreveport). In October, Boyd Gaming completed its latest deal, a $575 million purchase of four casinos in Missouri, Indiana and Ohio from Pinnacle Entertainment.

"They've put some good financial rigour around what they're doing," says David Katz, the Jefferies analyst. Wall Street is upbeat on Boyd Gaming; a majority of analysts suggest buying the stock. Observers see the rural casinos as less susceptible to broad changes in consumer spending. Vegas, on the other hand, proved vulnerable in the

Sam Boyd's California hotel and casino

GEORGE ROSE / GETTY IMAGES

2008 recession—the economy there shrank for three years straight, a year longer than the country as a whole.

Boyd and Smith now meet several times a week, frequently on the floor of one of the Vegas casinos. They find an empty card table and light up cigars, usually long, fat Churchills. "That's where we go over all of our business," Boyd says.

Despite his advancing age, much of Boyd's life is unchanged. He still drives a Mercedes sedan that has ECHELON spelled out on its vanity plates. "I always ask, 'Dad, why don't you take those off?'" his daughter Marianne says. "He says, 'It just reminds me that everything doesn't always go perfect.'" Boyd has never sold a share of Boyd Gaming since it went public, and he lived in the same house for 40 years before recently moving closer to Boyd Gaming's offices. "I've had friends ask, 'That's your grandfather?'" recalls his 31-year-old grandson Sam Boyd Jr, an HR executive at the company. "They're expecting something super-elaborate, like bodyguards."

"The Boyds have put some good financial rigour around what they're doing."

Higher up in the company are two more Boyds, Marianne and her brother Willie. She is vice chairman, he is a vice president, and both sit on the board with their father. Those three Boyds control a sizable portion of Boyd Gaming stock, about 26 percent of the firm. Neither Marianne nor Willie sees a time when a Boyd isn't leading the business. "Willie and I will probably try our best to carry on that sort of family feeling within the company," Marianne says.

And they have plenty of their dad in them.

"I think it would really, really help the company a lot if we had a property on the Strip," Marianne says. "Because people—that's what they want to do when they're in these smaller towns and they like to gamble. They want to come to the big city, and I think they would like to be on the Strip."

The thought is almost impossible for her to shake once she brings it up. "I'd love to just have a property on the Strip one day," she repeats.

"I would too," Willie says.

Then, as if suddenly reminded of her father's travails, she adds, "If the price is right." F


FROM
"YOU DON'T
KNOW A THING."
TO
"I TAUGHT HIM
EVERYTHING
HE KNOWS."

LOTTE'S BET

Joker in the Deck

Lotte Tour's new casino resort on Jeju Island aims to cash in, despite South Koreans not being allowed to gamble there

By MUHAMMAD COHEN

At the center of South Korea's Jeju Island rises the nation's tallest mountain, Halla, an icon attracting millions of visitors annually. In the centre of Jeju City, Jeju Dream Tower is rising as the island's tallest building. At 38 storeys, it can be a new icon in Asia's increasingly crowded gambling resort space. Making this $1.4 billion bet pay off requires that developer Lotte Tour draw the right cards in local politics, international affairs and the tricky foreigners-only casino business.

That last consideration is the joker

Jeju Dream Tower resort complex: Twin buildings that will be Jeju Island's tallest at 38 floors (rendering of the finished buildings, left)

in the deck. Only foreign passport holders can enter 16 of South Korea's 17 casinos. The lone one open to domestic players, Kangwon Land, a 3.5-hour drive from Seoul, raked in $1.3 billion in casino revenue last year, more than the 16 others combined. Sheldon Adelson's Las Vegas Sands and Wynn Resorts founder Steve Wynn said they would build integrated resorts on the grand scale of Singapore's $5.7 billion Marina Bay Sands, if only South Korea would allow its citizens to play there.

"We want to be the Marina Bay Sands of Jeju," Lotte Tour COO Lawrence Teo says, hoping to appeal to the Korean majority of Jeju visitors who can't gamble. Its twin towers will host Asia's largest Grand Hyatt hotel with 1,600 rooms, Korea's biggest pool deck and a top floor observation area with dining and nightlife. Standing 169 metres, three times Jeju's normal height limit, the towers will have unobstructed views of Mount Halla and the sea. Under the "modern Korean lifestyle" theme, Dream Tower will feature 24-hour Korean barbecue, hip takes on the Korean diner and jjimjilbang spa plus a Korean designer fashion mall open deep into the night. All told, that should amount to 3,000 jobs and, Lotte Tour says, the biggest source of taxes on Jeju.

Lotte Tour arranged a complex financing deal for one Jeju Dream Tower, to open in late 2019, with China's Greenland Group. The Korean firm, which was born in 1971 as a separate entity from the country's larger and better-known Lotte Group (*see sidebar*), is handling the cost of the other tower and the eight-level podium building.

For decades, Lotte Tour has catered to Korean and foreign travellers, including Jeju shore excursions for cruises. "We know what tourists want," says Teo, who ran Melco Entertainment's VIP-focussed Altira Macau for Lawrence Ho.

There's one big non-construction challenge ahead: In July, Lotte Tour purchased a casino elsewhere on Jeju, whose licence it hopes to transfer to Dream Tower. This would set up a full competition with the island's first integrated resort, Shinhwa World. It opened a half-hour drive away last year and got its casino licence transferred only in February.

A volcanic island 90 kilometres off the Korean peninsula's southern tip, Jeju has all the makings of a resort rivalry: A milder climate than the peninsula and three UNESCO World Natural Heritage sites amid stunning landscapes with dozens of golf courses, hiking trails and museums. The 50-minute Jeju-Seoul air route is the world's busiest, averaging 490 flights daily. Jeju International Airport also connects to 19 cities in six jurisdictions, and, unlike the rest of Korea, allows travellers from mainland China and all but a handful of other places to enter visa-free. (Jeju has a special self-governing-province status.) Flights to Jeju from Shanghai (one hour), Osaka (one and a half hours), and Beijing and Tokyo (two and a half hours) are shorter than to Macau and less complicated for Chinese, since they need a visa to enter Macau.

There's one hitch in that appeal. In 2016, Jeju set records with 15.9 million total visitors and 3.6 million overseas arrivals, 85 percent of them from mainland China. But then South Korea installed the US-produced THAAD missile defence system, which triggered an official reaction by Beijing that has dramatically discouraged Chinese visits—only 323,000 in the first seven months of 2018.

Despite those grim numbers, Shinhwa World demonstrates the financial appeal of integrated resorts. The $1.5 billion IR, developed by Hong Kong-listed Landing International, includes a theme park based on Korea's Larva cartoons, a water park, 1,450 guest rooms under Marriott, Somerset and Landing brands, plus 880 rooms under construction. Jeju's largest convention centre with accommodations is on-site, plus there are condos and villas for sale that qualify buyers for Jeju residency.

Shinhwa World has 154 tables and 239 gaming machines, a quantum leap beyond typical Jeju casinos' few dozen tables and machines in leased hotel lobby space. For the first six months of this year, even with China's no-shows, Landing reported $307 million in gross gaming revenue (GGR). In contrast, during all of 2017, Jeju's eight casinos' GGR totalled barely $200 million. Shinhwa World also reported $44 million in non-gaming revenue from hotel rooms, attractions, restaurants and property sales, as Korean domestic visits to Jeju picked up.

"Shinhwa World's early results help to vindicate the potential return story at Jeju Dream Tower," says Grant Govertsen, head of Asia equity at Union Gaming, a boutique investment bank and advisory.

(Landing International, the parent company, had an apparently unrelated issue beginning in August when its founder-chairman, Yang Zhihui, disappeared, reportedly into police custody, in China. A developer from Anhui Province, he had succeeded in recruiting Chinese VIP gamblers to make the crossing to Shinhwa. Yang reappeared in November, and the company stated that he'd been "assisting the relevant department of the People's Republic of China with its investigation".)

Participants at a Jeju International Casino Policy Forum last month suggested that any impact on the island's attractiveness to Chinese will prove temporary. But local attitudes the other way may be a different story.

Jeju has a dialect, culture and cuisine distinct from those of the peninsula, and its residents can be cool to tourism—even as island officials promote it—and especially casinos. Most Jeju casinos were created in the early 1990s by Seoul, as South Korea emerged from military rule but before Jeju received self-governing status. Faced with slowing export growth, Seoul expanded Jeju casinos to earn foreign currency, according to Kyung Hee University integrated-resort expert Won-Seok Seo, a Forum chairman.

The ban on Korean play makes casinos mysterious to locals, depriving them of personal experiences to offset gambling's negative image, Jeju National University sociologist Jun Pyo Kim says. Casino taxes mainly fund the promotion of tourism, isolating residents from perceived benefits, Kim adds.

The consensus among Forum participants was that Jeju needs integrated resorts to remain competitive in regional gaming, particularly with Japan expected to open the world's most expensive IRs within a decade. "We have to prepare for this situation. Rather than status quo or [business as usual], we need to set up more resort type casinos," Korea Culture & Tourism Institute researcher Kwang-min Jeong says. "We will have regulation but we have to have more lenient policies to transform casinos into integrated resorts."

The Other Lotte

Lotte Tour was created by a branch of the Korean clan that is behind the famous brand name Lotte Group, but the two Lottes today are run as entirely separate entities.

Founded by Shin Kyuk-Ho, now 96, the Lotte Group is South Korea's fifth-largest conglomerate by assets and has interests that include food, finance, retail, tourism, chemicals and construction. With $64 billion in domestic sales last year, it is giant compared to its former subsidiary Lotte Tour, which also operates the country's longest-running Dongwha Duty Free Shop.

Together, the two smaller companies, which are now controlled by Shin's brother-in-law Kim Ki-Byung and sister Jung-Hee, 80 and 72, respectively, generated some $340 million during the same period.

Kim Ki-Byung

Shin Jung-Hee

Lotte Tour split off from the conglomerate in 2005 but retained the well-known name. Two years later, however, following a joint venture with Japan's JTB, the Lotte Group entered the tourism industry and ordered Lotte Tour to drop the brand's logo, essentially three L's in Roman Script, which is now becoming obsolete. A refusal led to an injunction against the latter, resulting in a public feud. Lotte Tour maintained its name but was ordered to relinquish the Lotte logo.
Today the two entities compete directly in the duty-free sector—where Lotte Duty Free reigns with global sales reaching $5.5 billion in 2017, according to the Moodie Davitt Report. Donghwa trailed with $280 million.

—Grace Chung

TCI

Big Swallow

Founder's protégé has brought "bioscience design" to a nutricyclicals maker in Taiwan

By JOYCE HUANG

We're a group of fanatics, says TCI CEO Vincent Lin

CRAIG FERGUSON FOR FORBES

After Vincent Lin, an early supersalesman for Taiwan's TCI, was made its CEO in 2010, he decided to take the maker of private-label dietary supplements up a considerable notch. He would invest in what he called "integrated bioscience design" (IBD) to come up with proprietary ingredients to differentiate itself across a product line addressing everything from sleep promotion and weight loss to countering depression and skin ageing.

TCI would unlock and extract new substances—such as from agricultural wastes like longan shell and banana peel—through its laboratory work. That IBD is being carried out by PhDs among a team of 200 researchers employing biology, agronomics, industrial engineering and consumer behaviour studies to attract premium-brand clients. Since 2013, the effort has expanded into genomics in one of the nine labs, with the promise of tailoring personalised needs to nutricyclicals.

That last effort is a $6.5 million multi-year push on top of what is now an annual $6 million R&D budget. Lin's gamble is that this will keep the 500 corporate customers in 48 countries wanting to put their labels on TCI wares without much haggle room over price. That's the basis for a repeat 2018 appearance for his outfit on *Forbes Asia*'s Best Under A Billion companies list—and the genomics could lead to TCI's own retail lines as well.

The company's trove of novel formulas underlies its 41 percent gross margin, says Donald Lee, an analyst with JihSun Securities in Taipei. "Its strength lies in its fast-paced development of key ingredients, its capability of manufacturing a comprehensive array of dosage forms and its perfect timing of product launch, just to name a few," he says.

Lin, 42, has led the push and as of mid-2017 took over as chairman as well from William Yang, who founded TCI in 1980 as a trading company in textiles and assorted other goods. (TCI originally was Tai Chiang—or "big river"—Industrial.) An ironsmith's son who majored in plant pathology and once sold orchid seedlings, Lin was a dynamo from the start for Yang's foray into preventative potions, doing seven sales calls a day in Hong Kong. By 2005, supplements were a majority of TCI's sales.

Soon Lin was in executive roles, driving a manufacturing process crimped by false economies to third-party plants that didn't fulfil orders or had quality gaps. He redirected—when slimming capsules became discoloured, Lin would issue a recall, hang the cost. He soon figured it was better for TCI to build its own factories, starting in 2008 and today totalling five—three in southern Taiwan and two in Shanghai. A zero-defect standard on stuff like bottle sealants to prevent contamination is a selling point to Japanese and other clients.

The result is today's humming operation, whose $134 million in latest annual sales boasts 30 percent annualised growth over the past five years. (This has jumped to a 76 percent pace year-on-year in 2018 so far.) The biggest slug of that is in "functional drinks", primarily a collagen mix for such results as firmer skin or more limber joints, and on which several leading Chinese direct sellers, including Melalueca, are known to have scored big. The mainland accounts for three quarters of TCI's total revenues.

Food supplements, in the form of tablets, capsules and powder, make up nearly another 40 percent of revenues, and the remainder is in skin care products—namely, facial masks. These are constituted of liposomes, which aid in the absorption of a proprietary essence into skin pores over a 15-minute application and sell at the likes of Sephora for several dollars a pop.

Along the way, there were of course those who doubted Lin's product instincts. In 2011 his idea for using the forsaken peels in what became the popular Happy Banana compound (for better disposition and sleep) drew strong internal resistance. So the CEO brought in would-be buyers to settle the matter. "Some had sought

William Yang founded TCI in 1980 as a trading company dealing in textiles and other goods

a radical way to challenge me before they built faith in me. But over the years, many have come to realise that I'm not a capricious person and most of my ideas are well thought out. More important, I'm a doer, who sets an example," he says.

Founder Yang, 74, a believer in separating ownership from management in sustaining businesses, saw what he wanted in Lin. (Yang maintains control over a larger stake than the combined 3.6 percent by Lin and Lin's younger brother, who runs the Shanghai operation.)

"What I do best these days is tap the potential in young people and make them believe that anything is possible."

Now TCI, like others in the nutricyclicals business (including food giant Nestlé), is on the genome quest to give customers custom-made supplements. By the Lunar New Year, Lin plans to deploy robot testing of the RNA "messengers" from DNA samples to determine ideal remedies. (In TCI's layman's terms: DNA is like your overall genetic book, while RNA shows which page your health is on. So RNA results can indicate where one could get sick and thus flag products that could interdict the ailment. So not everyone may need the banana peels.)

Even minor breakthroughs can have big potential market effects. The IBD model has yielded emulsified fish-oil liquids that are odourless. That matters in a sizeable product category where both very young and old find it hard to swallow capsules that weren't palatable if breached. Lin credits the white-coated thirty-somethings who populate his R&D labs.

Rebecca Chan, head of TCI's nutrigenomic department, says the boss has allowed her team ample room to experiment. More important, he trains researchers to have a marketing mindset. "Vincent asks for more than scientific data from us, which is basic. He pushes us to deliver unique selling points for any given ingredient so that our sales can easily persuade buyers," Chan says.

Lin saw market cues for hot sellers, be they collagen-based products or fragrant pomegranate enzyme masks—that Chan says caught her team by surprise. "What I do best these days is to tap the potential in young people and make them believe that anything is possible," says Lin, father to three daughters and a newborn son himself. "We may not have the best talent, but we're a group of fanatics, who focus on doing one thing right."

His single-minded goal is a 1 percent share of the global food supplements market by 2030, which would take TCI to near-$7 billion in sales. Asia is a hub for "natural" boosters and remedies, ensuring plenty of competition ahead. TCI sees Nutri Biotech, a wholly owned subsidiary of Korean cosmetics maker Cosmax, as a prime rival. "We've excelled in intercepting the future," says Lin. "[Product] efficacy, instead of cost, is what will enable us to compete for the future and where our value lies."

TRANSFIX

18-Wheelers at App Speed

As a child Drew McElroy learnt about freight brokerage. At 36, he's doing to the $700 billion trucking business what Uber did to the taxi industry

By AMY FELDMAN

At 12, Drew McElroy was in trucking. His parents ran a freight brokerage operation out of a spare bedroom in Milltown, New Jersey—connecting truck owners to companies that needed to move goods—and he helped out by working the phones.

Fifteen years later, a light bulb went off. Weren't truck brokers doing the same thing that Uber and Lyft do? They match rides to vehicles, minimising wasted miles, and use algorithms to set prices based on supply and demand. "I realised, Holy crap, no one is doing this," McElroy says. "There is a clear path to changing this entire industry that isn't that complicated."

Trucking is a $700 billion market, and the bill for moving full truckloads in the US runs to more than $500 billion a year. In 2013, McElroy co-founded Transfix, an online freight marketplace that uses algorithms and machine learning to give full-load shippers better prices and truck owners better routes. Truckers, largely middle-aged men, had recently begun carrying smartphones and were willing to instal the Transfix app.

Some shippers—companies that need to move stuff—have their own fleets of trucks driven by their employees. Walmart is one. But these are exceptions. Most trucking is done by contractors, and the vast majority of that by small operators who are desperate to keep their rigs full to cover the financing on those trucks.

Transfix, based in New York City's Garment District, is on track to collect $100 million in shipping charges for 2018. It will remit the lion's share of this gross revenue to people who own the vehicles.

With venture funding of $78 million from such firms as New Enterprise Associates and Canvas Ventures, the 140-employee business is worth roughly $800 million, gaining it a spot on *Forbes*'s 2018 list of Next Billion-Dollar Startups, one of two trucking companies to make the cut. McElroy, the company's chief executive, and his co-founder, Jonathan Salama, its chief technology officer, have stakes that are probably worth $50 million each.

McElroy believes the company can reach $1 billion in revenue, with double-digit operating margins, by 2021, helping customers like Anheuser-Busch and Unilever manage their logistics while also enabling truckers to make more money by reducing the time they travel empty.

Since trucking was deregulated in the 1980s, some 18,000 freight brokerages have sprung up; the largest player, publicly traded CH Robinson, has less than 3 percent of the market. The potential for technology to streamline this work explains why digital freight brokerage is irresistible to venture capitalists.

Which means, of course, that Transfix faces competition, not just from Robinson but from newcomers like Convoy and Uber Freight. "This is one of the industries that venture loves," says Ben Narasin, a venture partner at NEA, who personally invested in Transfix's seed round. "I'm always surprised when I see any industry this big and antiquated."

McElroy, 36, was born in Paterson, New Jersey, where his father, Danny, who had served as a marine, was a dockworker on the midnight-to-8 am shift. The family struggled when McElroy was young, but his parents' freight-brokerage business eventually became successful enough for them to send him to the Lawrenceville School.

McElroy never quite fit in at the aristocratic institution, but its academic rigour made Georgetown, from which he graduated in 2004, seem easy. "It is still today, even with Transfix, the hardest thing I have ever done," he says.

McElroy returned to the family business after college. His dad was diagnosed with cancer in 2009 and died less than a year later. McElroy shelved his dream of an Uber-like startup long enough to help his mother get back on her feet—she's still running the business—and then left.

Trucking By The Numbers

Total trucking industry revenue
$700 billion

Total freight moved by trucks
10.8 billion tonnes

Percentage of carriers that operate six or fewer trucks
91%

Total VC funding to digital freight over the past five years
$2.2 billion

Sources: *American Trucking Associations; Pitchbook*

McElroy took a 50-page business plan to San Francisco and slept on friends' couches while he learnt how to start a tech company. "I hustled," he says. "It was my real-world MBA." In 2013, a venture capitalist at Venrock who had also attended Georgetown introduced him to Salama, a Paris-bred consultant at the firm.

Salama, now 32, had worked for Gilt, an online retailer, and Cherry, an on-demand car wash startup (subsequently acquired by Lyft). At Cherry he worked on building a marketplace that incorporated GPS tracking to match people who needed a car wash with those who would do the job. But his ideas for new companies went nowhere. "They were either good ideas but not in a big enough space or simply bad ideas," he says with a laugh.

McElroy met Salama one evening in Brooklyn and pitched him on the idea for a digital freight brokerage. "It was like a great first date," McElroy recalls. "I said, 'Let's talk in a couple of days'. He was like, 'You do all the thinking you want, I'm going home to start building the technology, and you tell me if I should ever stop'." A week later they incorporated the business and split ownership 50-50.

McElroy updated his LinkedIn profile to say that he was chief executive of Transfix. The company was scarcely more than an idea, but within 30 minutes his cellphone rang. On the other end was Angelo Ventrone, then head of global logistics for Barnes & Noble. Ventrone, who is now vice president of logistics at the shipping-supply company Uline, says that as soon as they spoke he was ready to become Transfix's first customer. "It was the dinosaur era for the longest time," he says. "I said, 'That solves a huge issue at Barnes & Noble. When can we start?'"

Transfix got a regular shipment of books from a printer in Indianapolis to a warehouse in New Jersey for $1,700 a load a few times a week, despite having no software in place. Salama was solving that problem, holed up in his apartment writing 10,000 lines of code.

McElroy raised $250,000 from friends and family. In January 2014, Salama finished the first version of the product.

To get rig owners to sign up, McElroy hung out at truck stops and went to the annual Truckers Jamboree at the Iowa 80 Truckstop. He offered drivers pork chops and beer if they'd download the Transfix app. One year the company set up a tank for a game of dunk-a-broker, a lighthearted way to make fun of the industry's distrust of brokers. So far, 56,000 drivers have signed up.

Transfix co-founders Drew McElroy (right) and Jonathan Salama in a Freightliner truck

Historically, freight pricing has been both complex and opaque, which allowed brokers to squeeze smaller shippers and truckers and profit from a bigger spread. Transfix's pricing algorithm, by contrast, spits out a rate without human bias, relying on information from thousands of data points. The company takes the risk that occasionally its rate will fall below breakeven and uses each new piece of data about cost to improve the pricing formula. Its matching formula, meanwhile, forecasts which truckers are most likely to want a shipment based on their current location, stated preferences and historical driving patterns.

Carriers need to make $1.70 per loaded mile to break even and lose money if their truckers drive empty, as they do for more than 50 billion miles a year. McElroy figures he can increase their take-home pay by routing them more efficiently. For shippers, the advantage is a better, more reliable price. Brokers earn money on the spread between what they make from shippers and what they pay truckers, typically around 16 percent.

"The beauty of this is it takes a lot of the cost out," says Jay Pickett, transportation manager at Ravago Americas, the US division of the Belgian plastics giant, which relies on Transfix for an increasing number of its 200,000 shipments a year. "I don't think the big guys are ready to take that cost out and share it with shippers."

Transfix's real-time tracking allows shippers to better plan loading and unloading schedules, and occasionally catch fraud. In one instance, Transfix's data indicated that a truck filled with aluminium ingots had gone off course; it ended up stopped at the side of the road in a bad neighbourhood for hours, a red flag for a driver-enabled hijacking.

McElroy's expansion will be aimed first at international growth; later the company hopes to target shipments smaller than a full truckload. After a year spent focussed on profitability, McElroy says, he can redirect his attention to growth. "I believe I am the luckiest man alive," he says. "My mother would slap me if I ever lost sight of how lucky I am." F

HARRY FELLOWS FOR FORBES

CRACKDOWN

Game Off!

Beijing is balking, and developers big and small are pinched in one of China's premier sectors

By YUE WANG

The future is uncertain for PlayerUnknown's Battlegrounds, a game that has been criticised for being too violent

CHESNOT / GETTY IMAGES

Jim Lee is a veteran in China's video game industry. The 40-year-old entrepreneur once worked for America's Electronic Arts as general manager of its China division. In 2014 he gave up this well-paid job to launch his own gaming studio in Beijing. And as the country's online games market took off, Lee's company scaled up rapidly, with revenues growing by 100 percent in 2017.

But after China suspended giving out operating licenses to potential and some existing games in March, his business was suddenly in disarray. "It has been really, really hard for us," says Lee of his Elevation Point Entertainment. "Our products are delayed because we can't get licenses. We are now trying to adapt some titles into streaming video to find a new growth point."

China, with a most opaque regulatory system, halted games approval in the name of reorganising two government departments responsible for the process. But analysts say Beijing's real intention is reducing the money and time spent on online games. Authorities are drafting much harsher regulatory measures, as they blame the video game industry—China's is the world's largest, expected to generate $38 billion in domestic sales by year-end—for fomenting a wide range of social ills. "From the government side, there have been concerns about how games influence people," says Tom Wijman, senior market analyst at consultancy Newzoo.

Analysts say Beijing's real intention is reducing the money and time spent on online games

Now, amid the unprecedented wait, smaller studios like Lee's are frantically searching for a way out, and midtier developers are laying off employees to cover for lost profit, while larger firms from Tencent to NetEase have shed hundreds of billions of dollars in market value amid warnings of much slower growth.

Tencent, once regarded as a national tech champion, is now in hot water. State media have singled out its flagship *Honor of Kings* mobile game for fueling online addiction among minors, prompting the company to introduce identity checks and playtime curbs that limit underage players to 2 hours a day. In August, authorities also announced their intention to curtail the total number of online games as part of a national plan to tackle growing rates of myopia associated with screen overuse. Beijing hasn't explained how the limits would work, but analysts say the number of circulating titles could eventually be reduced by half. Currently, as many as 7,000 games have been backlogged for regulatory review, according to Cui Chenyu, an analyst at research firm IHS Markit.

"Even after China resumes approvals, the process would be slow and not many games can receive licenses," Cui says. Some of Tencent's most popular games are being held up. It can't obtain approvals to make money from two mobile versions of the *PlayerUnknown's Battlegrounds* (PUBG) battle royale game, which is estimated to have attracted 160 million active players in China, or to bring the desktop version of the *Fortnite* game into China. PUBG, which has also been criticised for being too bloody and violent, faces a particularly cloudy outlook.

This is because Tencent licenses the title from South Korean developer Bluehole for distribution in China. Beijing is still blocking cultural imports over Seoul's decision to host the US-developed Thaad missile-defense system. Thaad can potentially reach into Chinese territory, presenting a military risk.

Amid this hostile environment, PUBG may not receive the needed licenses even by end of 2019, says Charlie Chai, an analyst at Shanghai firm 86 Research. Currently, it is free to play but needs approvals to start charging players for in-app purchases. The loss of potential revenues has sent growth at Tencent's smartphone game business to a record low of 7 percent in the third quarter, spooking investors and wiping out $110 billion in market value this year.

Gaming represents about half of Tencent's overall Web take, and the company is further enhancing its anti-addiction system by requiring, in late November, some players to go through facial recognition checks before logging into Honor of Kings. But Tencent is also pushing ahead with game development abroad, such as signing a distribution partnership with Singapore's Sea and launching mobile versions of the PUBG game in the US. Meanwhile, it is wringing additional revenue streams from newer business lines like streaming video and cloud computing, though heavy investments in these areas are expected to suppress the company's once lucrative margins.

Risks are also building up for Chinese Web rival NetEase, which is even more game-centric. In November the company signed an agreement with American developer

"The entire industry won't just be killed. It is a winter time for us, and companies will [adapt] their best to survive."

JIM LEDD, FOUNDER, ELEVATION POINT ENTERTAINMENT

Blizzard Entertainment to make mobile versions of the popular Diablo desktop franchise. But if China doesn't resume games approvals, it would be a "massive issue" for both companies because the mobile titles are designed for the China market in the first place, according to Newzoo's Wijman. So far this year, NetEase has shed 32 percent of its market value. To make up for shortfalls, the company has been pushing its ecommerce business and is also launching more games in overseas markets. In the third quarter, it generated 10 percent of its games revenues from outside China, thanks largely to the recent success of its *Knives Out* battle game in Japan.

For all the challenges, Tencent and NetEase are weathering the storm much better than smaller firms. Companies that are hardest hit include developers of card and poker games. This year, state media has exposed massive gambling schemes that it says were linked to Hong Kong-listed game developers Ourgame and Boyaa Interactive. Boyaa didn't respond to repeated requests for comment. In a May 11 filing, Ourgame said six employees of its poker gaming unit had been detained by police and subject to prosecution for "utilising the company's games platform to engage in personal activities contrary to the gambling laws of the PRC". In a separate emailed statement, an Ourgame spokesperson said the company had no further comment on the matter.

Amid this challenging environment, Boyaa has reduced its workforce by almost 30 percent this year, according to its online filings. Meanwhile, Ourgame has laid off 40 percent of its employees. The company has experienced a "substantial downturn on revenue and profitability" in the first half of 2018, a recent regulatory filing shows. In another emailed statement, the aforementioned spokesperson confirmed that the layoff "was related to the current regulatory environment".

The negative impact has spread to startup finance. Song, a young entrepreneur who only agreed to give his last name, runs a Shenzhen software company that develops additional gaming formats to enhance existing titles. So far, revenues have slid by one third, with fewer and fewer projects to work on, he says. Hu Bin, a partner at Chinese investment firm Qiming Venture Partners, says he is getting cautious and invests less in the gaming sector. "We now have higher requirements on a team's sustainability," he says. "We are only looking at companies with truly innovative games."

Still, this is an adventuresome field. "I am sure people can figure out a way," says Elevation Point Entertainment's Lee. "The entire industry won't just be killed. It is a winter time for us, and companies will [adapt] their best to survive."

AFTER DISCOVERY BAY

No Company is an Island

The Cha family is recognised for developing a signature variation on Hong Kong living. Now it's ramping up other business interests

By RON GLUCKMAN

Two of Shanghai's hottest new hotels, Middle House and the Sukhothai, are bundled in spiffy Taikoo Hui. This mall and office complex sprawls nearly 3.5 million square feet and includes a Tesla dealer and the world's largest Starbucks Roastery. Like Willy Wonka's chocolate factory, the latter showcases the entire process: Beans circulate overhead in a maze of metal tubes before being roasted in massive two-story copper vats etched artistically with Chinese characters. And it's not just targeted at java fans. Upstairs is a lavish tea laboratory with glass beakers brewing premium leaves.

Taikoo Hui offers the gamut of hip-luxury brands, the commercial glitz contrasting with the sole relic, a meticulously restored century-old mansion used to commemorate long-ago textile merchants. With memorabilia on view inside, it represents a homecoming of sorts for Cha Chi-ming, who, after his dyeing factory was destroyed by bombs in the run-up to World War II, remade his fortune from Africa to Hong Kong.

It is in Hong Kong where his sons run the far-flung enterprises of HKRI (Hong Kong Resort International). That's also where the elder Cha, who died in 2007 at age 93, was known for both his political influence and his signature development: Discovery Bay.

Cha rebuilt his textile business in unusual fashion, but in its subsequent development mode his clan has had another distinction in Hong Kong. In a city renowned for its hypercharged and showy can-do spirit, the low-key Chas have been happy to move at a snail's pace.

The Taikoo Hui Shanghai complex sprawls over nearly 3.5 million square feet and features hotels, offices and even a coffee roastery

"We have heard the criticism," concedes Victor Cha, 69, deputy chairman of HKRI, when we meet at Taikoo Hui. "Even our shareholders have expressed some concern, but we just prefer to operate at our pace, with slow but steady growth." And who can question the results? *Forbes Asia* estimates the family's wealth at $2.6 billion. Yet that pace may be picking up, as the hubbub around him suggests.

The soft-spoken Cha details the history of China Dyeing Works, founded by his father 70 years ago. But the roots go back further, to Zhejiang Province, where Cha Chi-ming was born. He worked at his in-law's Changzhou Dacheng Textile & Dyeing until constant raids in the Sino-Japanese War forced him to evacuate the plant, along with 100 looms, to Chong-qing and later move to Hong Kong.

Fast forward to the splendid Shanghai of 2018: HKRI spent a decade and a half developing this $2.48 billion mall in a prime Jing'an site. Moving the restored Cha House (actually that of another dye family) and relocating all the residents took time. Hence, by the time Taikoo Hui opened last year, the 50-50 partner, Swire Properties, had already completed two similar mixed-use developments in China launched after this one. With Swire now identified with its San Li Tun in Beijing and Taikoo Li in Chengdu, many think Taikoo Hui is another of its solo projects. Not that HKRI minds.

"We are quite happy to operate out of the spotlight," says Victor Cha. "That has always been our style." But back home the Cha name is inescapably associated with Discovery Bay. For decades, Hong Kong's largest privately planned community has been the cash cow and driver of the company *(see sidebar)*. It has given HKRI, with revenue exceeding $284 million in the year ending in March, and the Chas the foundation for entering a new phase of expansion. And, perhaps, recognition.

"We are going to make a big splash, no doubt," vows Victor, who runs the firm with his older brother, CEO Payson Cha. He is referring to HKRI's next project, another homecoming, in Bangkok. He shares plans for a lavish waterfront hotel on a 400-metre stretch of Bangkok's Chao Phraya river designed by starchitect Bill Bensley. "It will be small, maybe 200 units in the hotel," Cha says. But behind will rise thickets of towers, perhaps 1,500-2,000 residences.

"We're still juggling the total number, so that's not cast in concrete," Cha notes cautiously. Bangkok's River of Kings is in the midst of a building boom, with a slew of five-star properties on the way from Four Seasons, Capella, Langham and Six Senses. Still, this would be one of the biggest projects in Thailand, putting HKRI back on Bangkok maps. Again.

"The Sukhothai [built by HKRI] defined luxury in Bangkok. It is still considered one of the top hotels in Bangkok."

BILL BARNETT, MANAGING DIRECTOR, C9 HOTELWORKS

One of central Bangkok's most beloved properties is the Sukhothai Hotel, whose Thai design is widely credited with redefining boutique hotels in Thailand and across Southeast Asia. In an era where grandeur was measured in massive marble lobbies and chandeliers, the Sukhothai took a different tack, with traditional Thai wooden buildings set on flower-filled ponds, kitted out with Thai art and artifacts. Even today, few Thais know that this local landmark was actually built by Hong Kong's HKRI.

"The Sukhothai really defined luxury in Bangkok," says Bill Barnett, managing director of Asia consultancy C9 Hotelworks. "It is still considered one of the top hotels in Bangkok." Leveraging that success clearly hasn't been a pressing priority for HKRI. The new Sukhothai Grand on the river would become just the third Sukhothai in nearly three decades. The original debuted in Bangkok in 1991. The second opened in Taikoo Hui this year, 27 years after the original.

Look for the rollout to pick up speed. "We have several other projects in discussion, for different cities in China," says Cha. Why now, after so many years? "Hotels really don't make money," he explains. At least, not as much as real estate, and therein lies an explanation for a seeming change of course.

"They had seemed to be retreating from hotels," says Robert Hecker, managing director of the Singapore office of hospitality consulting firm Horwath HTL. "They sold the Sentosa [Resort & Spa] in Singapore

"We will make a big splash": Victor Cha in the White Chapel, part of HKRI's flagship development Discovery Bay

PHOTOGRAPHS: LUCAS SCHIFRES FOR FORBES

and everything else overseas" except Sukhothai. In the 1990s, HKRI claimed two small hotel brands, Beaufort and Rafael, with properties in Asia, Europe and the US. For a time, HKRI planned to expand, but with the father ageing and the sons taking hold, the family eventually disposed of the inns. "We're real estate developers," Cha says, and there was a continued build-out at Discovery Bay to manage as well as other Asian projects. (The Chas still have a small textile operation, but the China Dyeing Works building in Tsuen Wan has become a commercial complex comprising a shopping mall and office tower.)

Today the Sukhothai name has additional currency as the real estate market centres on upscale properties. Barnett notes that mixed-use developments nowadays are often anchored by a name-brand hotel. "All the big projects mix residential towers with luxury hotels. They get a premium, maybe a 30 percent boost in the price if they add a luxury hotel."

Actually, that was how it worked with the original Sukhothai in Bangkok, which was designed by an all-star team including Asian hotel guru Adrian Zecha, founder of Aman Resorts. HKRI developed the hotel and, equally important, adjoining residences, which sold briskly to Hong Kong buyers. Cha says HKRI is also planning to add a second phase of residences at the first Sukhothai and has other projects in mind for the sizeable Bangkok land bank they have assembled—quietly, of course. "The time is right," he says.

Timing has figured in the Cha clan's opportunistic rise before. As Cha Chi-ming had re-established the textile business in Hong Kong, rivals there were gradually moving production to China. He took a different approach, expanding to Africa. Cha House in Shanghai shows pictures of him being feted in Africa, where he opened 14 factories in Nigeria, Ghana and Togo. His workforce

'Disco Bay': The Ill-Fated Resort That Went Residential

Discovery Bay's pioneering Headland Village during its construction in the 1970s

For over two decades since the British left Hong Kong in 1997, there has been one country, two systems. And then, locals sometimes joke, there is Discovery Bay.

Set on Lantau Island, the development has always seemed an oddity, an island upon an island. That was the intention in the 1970s, when the Hong Kong government authorised an unusual plan for what essentially was to be a self-contained resort community, or wealthy retreat, cut into the hills of what was then the remote and largely undeveloped Lantau, nearly twice the size of Hong Kong Island.

Instead, Discovery Bay became more mainstream, and has grown through over a dozen phases to include a population of 20,000 people living in apartment towers or townhomes, commuting to Hong Kong by ferry, and driving around in golf carts (cars are not allowed) in a setting that seems straight out of some Arizona suburb or a satirical movie like *The Truman Show*.

Love it or hate it, there has never been any middle ground for Discovery Bay, or Disco Bay, as it's often called. Residents rave about the space and serenity, while critics call it a soulless bubble, offering inconvenience with little real charm. Especially in the early going but even more recently as closer-in living has become stratospherically expensive, it has been a cheaper-by-the foot, green alternative in a congested megalopolis.

"It's been popular with expats with families, people working at the airport, retirees," says David Faulkner, a Colliers International managing director with 34 years in town. "It's only 30 minutes from central Hong Kong, and then you are at this kind of holiday resort destination, with good services, pools, shops, golf course. They don't have everything. There is no hospital, for example, but pretty much everything else is there."

The project almost never got off the ground, bankrupting the original developer and nearly doing the same to the Cha family. But over the past 40 years, it has become a keenly valuable asset to its operators, even more so after the government backtracked on the original mandate that Discovery Bay should be served only by ferries. After the new airport opened near Lantau in 1998 and Disneyland opened in 2005, a road was cut through to connect Discovery Bay to those hubs as well as to Lantau proper.

The initial plan for Discovery Bay came from Edward Wong, a Hong Kong merchant who proposed setting up a holiday enclave with hotels and a cable car system. Following two years of

Cha Chi-ming with colonial official David Akers-Jones and Tung Chee-hwa, Hong Kong's first chief executive negotiation, a master plan was signed in 1975 between the Hong Kong government and Wong's Hong Kong Resorts company. Wong signed over property in the New Territories in exchange for the much larger Lantau land grant.

This was a great experiment in private, planned development, and it nearly failed disastrously. Wong was responsible for everything at Discovery Bay, from the water, sewage and power lines to maintenance of roads and fire crews. He borrowed heavily and almost immediately was headed to default.

Next came a rescue operation that was considered controversial but wound up not only guaranteeing the survival of the project but transforming the lifelong textile business of Cha Chi-ming.

Victor Cha recalls that his father had no development experience relevant to Discovery Bay. Nonetheless, with connections in Beijing and the ear of colonial officials such as Sir David Akers-Jones, he wound up with the title to the project and, as Cha tells it, a decades-long to-do list, with escalating expenses and little initial cash flow. "It nearly bankrupted him."

Much mystery still surrounds the process by which Cha took over Discovery Bay. But what is clear is that Wong's major debts included $7 million owed to Moscow Narodny Bank—Soviet-owned, of course—which filed a writ to seize the collateralised land in Hong Kong on April Fool's Day 1977.

This was no joke to the British authorities in Hong Kong, nor to the Chinese. It set off a frantic race to find an alternate buyer rather than have a strategic chunk of Hong Kong fall into Russian hands. Media accounts from the time mention numerous local negotiations. "The government had gotten around to asking every single reputable developer to take Discovery Bay until they got to my father," Cha says. "And he took it!"

Nothing happened overnight. "We knew that it was not going to be an easy project, because it had nothing, literally zero. We had to build the reservoir and do everything else," Cha says. "It was tough. That was understood from the get-go." The worst times, he says, came in the 1980s, when the real estate market collapsed in one of Hong Kong's periodic dips, leaving the company with huge debt.

Yet Discovery Bay's potential for profitability was apparent from the start. The first phase of flats went on the market in 1980 and sold out in a day. The attraction became clearer as enormous wealth accrued to the city from which Discovery Bay has always been a respite—today a centrally located home can be three times as expensive.

—RG

Discovery Bay now has some 20,000 residents (no cars allowed, just golf carts)—and ferry isn't the only way in

numbered 25,000, and Victor Cha says he laid claim to be the largest employer in sub-Saharan Africa.

Victor wound up liquidating most of the family textile business soon after returning to Hong Kong in 1985, following his studies at Stanford and years working in venture capital in Silicon Valley. By then his father had already staked the family's fortune, and future, on Discovery Bay, and all available cash was needed to develop that 6.5-square-kilometre site.

Official hearings later looked into the decision to grant development rights to the elder Cha, which was spearheaded by David Akers-Jones, secretary for the new territories and a proponent of developing new towns in Hong Kong. No wrongdoing was determined. A lifelong Hong Kong civil servant, Akers-Jones later joined the board of Mingly Corp, a development company controlled by the Chas.

Cha Chi-ming may have had to depart the earlier textile business on the mainland, but in his later years he also enjoyed strong connections to Beijing and helped draft the Basic Law governing Hong Kong after its return to China. He worked on other advisory committees and in 1997 became one of the first to win the Grand Bauhinia medal, Hong Kong's highest honour. Pictures at the Cha house show him in meetings with many Chinese officials, but in keeping with the family's modest approach to publicity, he was rarely seen at Hong Kong society events. Chief Executive Donald Tsang spoke at his funeral, where pallbearers included tycoons like Li Ka-shing and officials from Hong Kong, China and Africa.

Since his death, Payson, the oldest of three sons, and Victor have worked to diversify HKRI. As Discovery Bay reaches a mature buildout—still with occasional controversies—they have pursued the other developments in Asia (as well as the US.) while expanding into health services in Greater China and the Philippines. With most projects, like in Taikoo Hui, they seek out partners, not only for expertise but also to mitigate risk.

Hedging bets is simply smart business, says Victor Cha, especially with the volatility of exchange rates and global crashes. That's also a reason for the expanding and ranging portfolio itself.

But little else has changed for this turtle-like company from Hong Kong. "We're going to continue on this same path," he promises, "with steady development." Just a bit more of it.

Additional reporting by Alex Fang

WHEN LIFE GIVES YOU LEMONS...

Bhupender Nath *rose from the middle-class lanes of Patna to the swish set of Dubai, and is now taking Indian food into new realms*

By **Pankti Mehta Kadakia**

My mind is a jumble, first because of what I am tasting, and then because of what I am hearing. I'm processing the story that is coming at me from the other side of the table, which is much at odds with what's on it. I've just sampled a smidgen of stone-cold, deeply savoury khandvi gelato—and liked it. My Gujarati heritage isn't certain of what feelings to allow, but it involuntarily nods to the cleverness of an airy, sophisticated—wait for it—dhokla gazpacho that comes next.

I'm at the uber-cool Trèsind in Dubai, stealing a few hours from a family holiday to meet with its owner, Bhupender Nath, 46, who I've been chasing since I heard the restaurant is making a Mumbai debut—and who has quite the story to tell.

Nath arrives late, and apologising, leaving me to first acquaint myself with Trèsind's dim elegance, fitted in Dubai's swanky and storied Nassima Royal Hotel. He now sits across from me at a quiet corner table, in a natty patterned shirt and casual blazer. It's a little after noon on a Saturday, and diners haven't yet begun to pour in. He has called various times over the past few minutes with regrets for his tardiness—he was out till 4 am flitting from one flashy party to the next—and now shakes his head at the mounting social obligations his wife and he have to scale in Dubai.

"Here, no one comes for lunch before 2 pm on a Saturday," he gestures to the empty restaurant. "In this season, on a Friday, everyone in Dubai is out partying until late."

That's part of the reason we're here today. The rest is a long-winded tale that begins back in India. In Patna.

I come from a middle-class family back in Patna, Bihar," says Nath. "In the 1980s, I grew up and got a job as a stock trader and lost a heavy amount of money. There was a time when I would wonder: If I jump from a building, would I die of electrocution from the wires that hung around the terrace first, or from the impact of the fall? One day, I asked my mother this question, and she became very worried. She realised I needed to get out."

Nath's father had a small eatery in Patna back in the day, which he lost in the '70s because of financial struggles. "It was just opposite the historic Gandhi Maidan, where Independence rallies had taken place. When he lost the eatery, he was heartbroken," Nath recalls. "I had decided then that I would work, earn money, and open a restaurant in Patna to gift my father. But destiny had other plans."

Amid his depression, Nath's mother called in favours with family friends, and found him a job in Nigeria. "I had an MBA from Patna University, but that didn't mean anything. Bihar has not been treated well in that sense. If you wanted a good job, you had to be from Delhi University or University of Mumbai, or Benares University in those days. I was the first in my family to look for work outside the country," Nath says, as we are served a carefully constructed potato-straw dome that encloses a dahi kebab, with a side of spiced muhammara chutney and edible purple flowers as garnish. "My cousins would grow up and start a department store or invest in farm land. We are a hardcore *baniya* [trader] family."

Struggling against his father's mounting debts and his own misfortune, Nath left for Nigeria in 1994 with his savings. "Back then, I didn't even know what a dollar was," he recalls. "I remember clearly that I had ₹52,000 in hand and it was ₹26 to a dollar. I didn't understand

ADITI TAILANG

exchange rates. I thought I would get $52,000 in return for my money. When I got only $2000, I thought I was cheated! That was my level of ignorance. I was so ashamed back then, but now I laugh about it."

Nath worked an entry-level job as a credit analyst for a trading company, and for the first six months, didn't get paid. "I didn't even know what my salary was," he recalls. He slept on the sofa of the family who helped him get the job, with a table propped against the couch to prevent him from falling over its slim edge. He lived out of a suitcase. "The pressure was on from Day 1, because I had my dad's debts to pay off. I was never free," he says.

In the late '90s, his family back in India had their bets on a trading tyres business that wasn't going well. "There was a lot of goonda-ism [hooliganism] in Bihar at the time, so I asked my brother to join me in Nigeria," Nath says. "Our goal was always to spend a few years and earn enough to set up a restaurant in Patna for our father." He estimated that it would cost ₹25 lakh to ₹30 lakh, which could take more than a decade to make and achieve this dream.

In 1999, Nath—now married and living with his wife Sakshi in Lagos—saw an opportunity and set up a fisheries business, called African Fish (Nig) Ltd, in the Nigerian capital; it has been a successful venture that he continues to run today. In 2010, he set up a freshwater fish farm in Ras Al Khaimah, among the top two Emirates for aquaculture, but that shut subsequently.

"I would come to Dubai often, but my trips were usually all about work and a little shopping," Nath says. "The more I came, the more I realised that here, everybody goes out to eat. This was not the culture in Africa, where people would stay home even on Sundays because their children had school the next morning. I thought about it and did a lot of research."

Nath's initial plan was to bring a franchise of modern Indian restaurant

Masala Library—owned by Zorawar Kalra's Massive Restaurants—to Dubai, but that deal didn't go through. Eventually, he decided to launch his own, home-grown restaurant brand that would take Indian food out of the greasy naan-and-butter-chicken cliché and serve it up to a global audience.

"I want to show our foreign audience here that India is big, and in every state there are different delicacies," says Nath. "It took me a few years to build the confidence to do this. In those days, when someone would visit me in Dubai, I would take them to fancy Japanese or Italian restaurants. I realised that no one ever takes guests to Indian restaurants to impress them. That's what I wanted to change."

"I had big plans, but I didn't have an F&B [food and beverage] background. In Dubai, it's impossible to get space at a five-star property without that," Nath says, as a chef sets up an incredible live station by our table, whipping up Trèsind's signature Birbal khichdi—cooked with 46 ingredients, from broccoli to pomegranate to crunchy onions, such that each bite is different.

"This restaurant was an Indo-Thai place that was not doing very well. I made my pitch and after a couple of meetings, the owner called the hotel general manager saying, 'The place is his, give it to him'. The GM hesitated because of my lack of experience, but the owner said he trusted in my dream, let's do it."

Nath and his team made a formal project report, tweaked and perfected the plan, and launched Trèsind in 2014. But it didn't do well right at the start.

Trèsind's fortunes changed with the arrival of chef Himanshu Saini, who, in his mid-20s back then, decided to come onboard. Saini had already worked with chef Manish Mehrotra at Delhi's Indian Accent, and was part of the launch teams of Massive Restaurants' two modern Indian properties, Farzi Café and

Masala Library. Nath had sought him out from the beginning, but at that time Saini was helming a kitchen at an Indian restaurant in New York City.

"Mr Nath had called me to encourage me to follow my dream, but to keep him in mind for the future," Saini recalls. "As it turned out, I wasn't enjoying myself in New York. When I began to acknowledge that, I called Mr Nath to ask whether the offer was still open."

Saini had only spoken to Nath over the phone thus far, but took a leap of faith and moved to Dubai to work with a man he had never met. "I didn't ask about my salary, job description, anything," Saini says. "I had the feeling that Mr Nath was making an honest effort and knew I wanted to be part of it. He had heard about my work, and eaten at my previous restaurants and said he knew I could deliver. That's the validation I needed at the time. I had learnt by now that any chef needs just one thing—a free rein in the kitchen. I felt that trust with Mr Nath, and continue to feel it today, four years later."

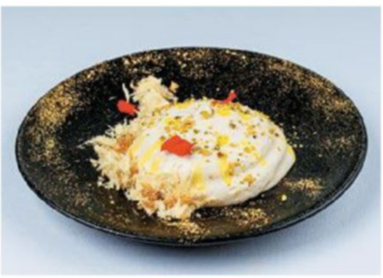
"My philosophy is very clear—for your team, either you create or you allow," says Nath. "For Himanshu, I've managed to create a position, a brand and various formats that let him showcase his talent. If I were not able to, I would allow him to move on to better things."

"His working style is more inclusive than exclusive," agrees Zamir Khan, vice president of Passion F&B, Trèsind's parent company. "He believes that the power isn't under his chair, which is a breath of fresh air in the restaurant business. It works well for us, but you can see that everyone knows Trèsind and chef Himanshu, but few people know about Mr Nath, because he lets his team take the limelight."

Trèsind never served sabzis in

Nath wanted a restaurant brand that would take Indian food out of the greasy naan-and-butter chicken cliché




(Clockwise from left on the facing page): The khichdi at Trèsind BKC, Mumbai, prawn ghee roast, a lava lamp mocktail, kaju katli and apple tart

kadhais or rotis in bread baskets, but focussed on telling food stories. “We had no elephant statues at the entrance,” laughs Nath. “We wanted to package Indian food for a global diner, and now, when I see people—of all nationalities—come in the evening, dressed to impress, for a business meeting or a dinner date or a meal with family, I can say we have made a difference. Trèsind takes you on a culinary journey, an experience where, for two hours, you forget the world outside and let the chefs take over.”

Our conversation is interrupted by a mini-tandoor that is now placed at our table, featuring generously marinated Portobello steaks; a chef is concocting with a mortar and pestle a chimichurri sauce, a layered, tangy-green condiment, to go with my fleshy vegetarian steak. The marinade flavours are familiar, but it all comes together to form an entirely unique identity.

“Our chefs travel extensively, and not just across India,” explains Nath. “For instance, this tandoor concept is Indian, but chimichurri has its roots in Argentina. Food is food—why limit it with boundaries?”

After its December launch in Mumbai’s BKC, Trèsind now has three outlets in three countries—the UAE, India and Kuwait. In Dubai, Passion F&B also has a casual resto-bar called Carnival by Trèsind, which dishes up similarly inventive Indian bar snacks, with Instagram-worthy cocktails. The main Trèsind restaurant in Dubai now also houses a small but exclusive culinary studio, where the chef stirs up a 16-course meal for guests paying top dollar. “We’re also in the process of launching another brand at a sprawling Dubai resort, for world tapas,” says Nath. “We have had many enquiries to bring Trèsind to London and Sydney, but we’ll wait for the right opportunity.”

“Mr Nath is clear that he doesn’t want to get into a partnership model,” says Saini. “We have several offers on the table from Europe and the US, but we’re happy with opening one new restaurant in a year. We want to earn enough money to expand ourselves slowly, which allows us to serve the best experience to our diners, instead of stuffing people into a small space and trying to do table-side experiences. That’s a mistake many Mumbai restaurants end up making. Money will come, but doing right by our diners is our top priority.”

At a time when Indian restaurateurs are venturing out into markets like Dubai and London, Nath’s Trèsind is going against the tide, coming from Dubai into Mumbai. The city is a tough market by any standard, and has seen its fair share of modern Indian establishments, featuring many tricks and theatrics that diners are now tiring of.

“Ours is a different category,” Nath says. “Businesses open and close all the time, but that can’t be the benchmark for a market. Someone’s loss can be another’s opportunity. You have to believe in your product. For instance, in Dubai, we compete with the world’s top restaurants, even Michelin-starred chefs. But we built a brand from nothing, and not just because we cook a good khandvi.”

The decision to come to Mumbai was calculated, he adds, and not a mad rush to get a slice of India’s rapid growth story. “It’s a growing economy, but that’s not the only reason why we’re here,” he says. “We have a lot of traffic at Trèsind Dubai from Mumbai, many of whom have asked us to bring the experience there. Our Mumbai restaurant is in a building owned by Adani Realty. Mr Gautam Adani [founder and chairman of the Adani Group that has business interests ranging from power to real estate and commodities] himself had dined at Trèsind in Dubai, and said we have to be there.”

The food scene in Mumbai, says Nath, is “amazing”. “Even on a Wednesday, restaurants do double sittings. People really go out here, and I’m very excited to bring our showcase back to India, where it all began. We want to show the world that we are Indian, and we understand the breadth of that term in a way that no one can compete with us.” F

LAVA LAMP MOCKTAIL: ADITI TAILANG

PARADISE CITY

Monaco's uber luxury hotels, restaurants and casinos justify its image of being the playground of the rich

By **Uday Benegal**

My arrival into Monaco this past November could not have been better designed. It was as if the planning and organisation teams had managed to convince the weather gods to ensure that the sun was exactly at the right place in the sky and the winds carrying just the right amount of waft as they welcomed me on my first visit to the French Riviera.

After taking off from Nice airport, the helicopter rose over the languid Mediterranean Sea, as the sun rolled out a golden carpet over its cerulean waters. The aircraft's nose then tilted sharply downward as it dove straight ahead towards Monaco, the independent city-state that lies off the coast of France.

Nature's magnificence quickly gave way to human imagination and

Panoramic view of Monaco (top); Shankar Mahadevan (second from right) and John McLaughlin (centre) at the Monte-Carlo Jazz Festival 2018

ingenuity on the seven-minute ride as my whirly-bird banked to reveal what looked like a gorgeously built-up little coastal town. I had come to attend a musical event featuring the pairing of two world-renowned musicians: A Carnatic vocalist (and Bollywood singer) from India and a British jazz guitarist. But I had also come to experience a remarkably unique lifestyle, of a type of luxury that most people only get to dream about.

The world's second smallest nation after The Vatican, Monaco's total geographical area is contained within 2.02 sq km. That's smaller than the neighbourhood of Bandra (West) in Mumbai, where I live. So is its population. At last count there were 38,400 residents in Monaco, of whom around 9,000 would be considered Monégasque—people either born or naturalised in the country. The rest are divided mainly between French and Italians, with a smattering of other nationalities. An additional floating population of 50,000 commuters come in to work every day.

The words 'rich and famous' have long been associated with Monaco. But this honeypot for the super-wealthy began, as nations usually do, with a fair amount of tumult. Following its founding at the turn of the 13th century, Monaco was buffeted for a few hundred years between Italian and French rulers and protectorates before it finally found its permanence as an independent constitutional monarchy in 1861. But its real fortunes began to turn only in the late-19th century, soon after the French casino magnate, Francois Blanc, was invited by Prince Charles III of Monaco to run the country's first gambling venue.

The absence of any income tax, coupled with easy access to this nearly always balmy Mediterranean settlement, and an infallible commitment to its visitors' privacy (long before the Las Vegas doctrine, 'What happens in Vegas...') ensured that the world's wealthiest would frequently return to spend and to

FROM TOP: SHUTTERSTOCK; PHILIP DUCAP

The Casino de Monte-Carlo (top) is the world's most-sought-after gambling destination; Hôtel de Paris offers spectacular views of the Côte d'Azur

TOP: SHUTTERSTOCK

play. And there began the journey that transformed a minuscule agrarian colony into a nation that boasts the world's lowest poverty rate as well as the largest number of billionaires per capita. Also, inevitably, some of the world's most expensive real estate, where, not so long ago, a one-bedroom waterfront apartment in the Fontvieille neighbourhood was listed at $8 million.

My cab made its way down the Rue Grimaldi—the boulevard is named after the family that founded and tenaciously fought for the parcel of land they were to turn into a country—and up the Avenue d'Ostende, before halting in front of one of the country's most historic buildings: The magnificent Hôtel de Paris Monte-Carlo. That was going to be my home for the next few days. I took in the splendour of its gorgeous façade, and then went up to my room to drink in the staggering views of the Côte d'Azur.

The year 1863 was a watershed period for the then nearly bankrupt country. It was when Prince Charles III issued a royal decree founding the Société des Bains de Mer (The Society of Sea Baths), or SBM, an association of entrepreneurs, bureaucrats and the monarchy. Under the guidance of Francois Blanc, the organisation's first mission was to transform a little plot of olive and citrus trees into the world's most luxurious resort destination. The SBM is still responsible for Monaco's image, and owns and manages many of the country's finest properties. The current prince, Albert II, is a shareholder.

When Blanc was handed the reins to the casino, he renamed it Casino de Monte-Carlo, after the ward that the transformed olive grove sat upon, and soon turned it into the world's most-sought-after gambling destination. Its catchier moniker was to contribute to the tiny nation's rapid ascent as a prized ultra-luxury resort. The Hôtel de Paris, built by Blanc and his wife Marie, was to house and cater to the desires of the casino's most valued players and the country's most eminent visitors, which included the likes of the Prince of Wales, Alexandre Dumas, Charlie Chaplin and Salvador Dalí.

The hotel also became home to one of the world's finest restaurants. Almost 120 years after its opening, Prince Rainier III issued a challenge to Alain Ducasse, a 31-year-old rising star in the French culinary world, to run Le Louis XV, the hotel's flagship restaurant, on the premise that he bring it three Michelin stars within four years. Ducasse achieved this feat in just under three, making it the first ever hotel-based restaurant to win the coveted imprimatur. It still has them. And it was the venue of my first dinner on the Riviera.

Helmed by Ducasse's protégé Dominique Lory, the restaurant's philosophy centres around the region: Fish and seafood from the Mediterranean, vegetables and herbs from neighbouring farms, meats, poultry, cheese and olive oil from local artisanal producers. Every morsel I bit into—from the amuse-bouche comprising tiny pieces of fresh, unmessed-with fish paired with the most delicate of herbs and condiments, through the main course featuring lamb with red squash and glasswort, to the expansive cheese platter bearing the region's finest fromages, all the way down to the gâteau molleux au chocolat (a chocolate cake so divine it needs to be spelt in its original language)—were formidable, redoubtable and exquisite, bearing all the standards that a tri-starred restaurant is held up to.

It was a pretty good start to the main reason I was there: To experience another spectacular pairing of sorts. The following day, Bollywood composer and virtuoso Carnatic singer Shankar Mahadevan was to be the star guest performer with the legendary British jazz guitarist John McLaughlin at the Monte-Carlo Jazz Festival. The collaboration was to take place in another iconic building—the Opéra de Monte-Carlo. The gr and concert hall, exquisitely designed by French architect Jean-Louis Charles Garnier, already famous for Paris's celebrated opera house the Palais Garnier, opened in 1879 as an extension to the Casino de Monte-Carlo, with the intention of offering refined culture and entertainment to the nation's visitors and high rollers. As I took my place in the 500-seater hall, I felt as if I had time-travelled to a long-past era.

A large chandelier presided over the ornate figures and frescoes that adorned the ceiling and walls. Tightly placed rows of burgundy, velvet-covered seats sat patiently in wait for the audience to occupy them. The band made its way on to the stage to enthusiastic applause—McLaughlin has long been loved in the European jazz scene. The audience sat in thrall as they were treated to an hour and a half of two diverse musical traditions by some of the world's most proficient exponents of those forms.

Classical Indian modes and ragas interleaved adroitly with Western jazz voicings and rhythms as Mahadevan and McLaughlin revisited their past collaborative explorations with the band Remembering Shakti along with some of Mahadevan's own work, as well as newer interpretations of material from McLaughlin's pathbreaking '70s jazz-rock outfit The Mahavishunu Orchestra. The guitarist's touring band, The 4th Dimension, comprising Etienne Mbappé on bass, Gary Husband on keyboards (and drums for one song) and Mumbai's own musical stalwart Ranjit Barot on drums, displayed a collective tightness and individual virtuosity that left the audience demanding encore after encore, to which the band graciously obliged. It was a truly memorable concert in an appropriately unforgettable setting.

For the rest of my stay I made the most of the Riviera's salubrious climes. While much of Europe chills over in winter, Monaco's perennially temperate weather welcomes visitors all through the year—it rarely exceeds 24 degrees Celsius during its hottest months or drops below 10 degrees Celsius on its coldest days.

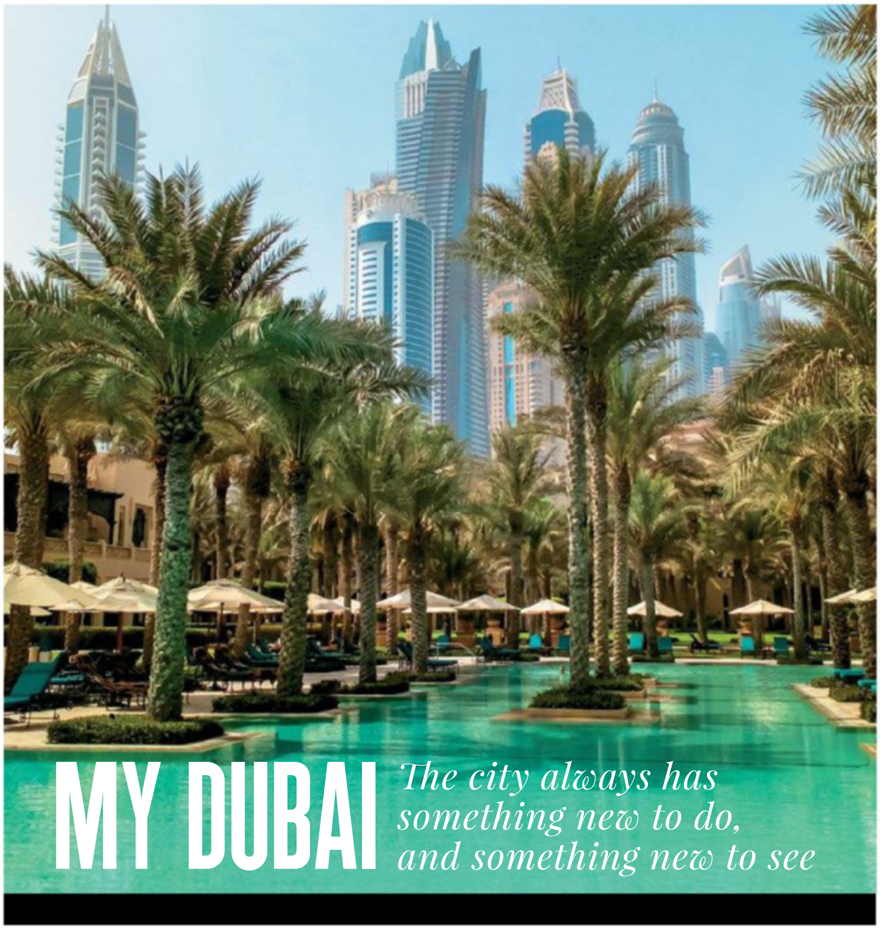
Walking along the marina, I gazed at tricked-out yachts. I slurped down fresh Mediterranean oysters on the half shell and chewed on calf's liver with bacon at the famed Café de Paris while quaffing glasses of champagne with new friends.

At the Casino de Monte-Carlo, I briefly channelled my inner spy—though there were no martinis in view or rogue governments to plot against—given that the James Bond classics *Never Say Never Again* and *GoldenEye* were filmed in these hallowed high-stakes rooms. Or was it my imagination stoked by those old-world rooms that once carried the fragrance of Cuban stogies and expensive French parfums? Maybe it was triggered by one of the many cars parked outside that could well have been Bond's Aston Martin.

As I took in the chill evening air, I could see why anyone with a betting spirit and a bank balance that can handle the stakes would want to return to this haven of luxury, taste and privacy. You don't even have to set your fortunes on the table. Those 2 sq km contain plenty of ways to slake your most rarefied desires.

Beyond The Casinos

- A guided tour of Les Caves took me into the vast wine cellar beneath the Hôtel de Paris that houses around 400,000 bottles of wine, servicing not just the hotel's restaurants but also their properties around the country. Gennaro Iorio, a passionate man who has spent 30 years working in and running the exhaustive hoard, patiently walked me through the subterranean corridors, home to some of the world's finest and rarest vintages. The tour included a visit to a sacred room named after the cellar's founder and promoter: The Réserve Marie Blanc. It contains a particularly treasured cache—wines so valuable they have no price. Because they can't be bought.
- The Suite Princesse Grace is a two-storey tribute to Prince Rainier III's glamorous American wife. Before becoming the beloved princess of Monaco, she was Grace Kelly, American theatre, TV and movie star, and her Hollywood connections lured tinsel town's shiniest stars to this coastal paradise, helping further illumine its position in the world. The suite is fitting of royalty, with all the understated elegance of an entitled soul. It is also commensurately priced, costing up to 40,000 euros a night during high season.



One & Only Royal Miraj is a property located on a kilometre of private beach overlooking the Palm Island bay

Over the years, work has primarily taken me to London, New York or Singapore. Increasingly, however, I find myself in Dubai very often for work, especially with the construction boom in the region, and many internationally-renowned architects and design consultants having offices there. The first thing you notice about the city is its innovative and out-of-the-box modern architecture. It has a harmonious blend of age-old tradition with a modern lifestyle.


ASHISH R PURAVANKARA

RECOMMENDATIONS

I would recommend the One & Only Royal Miraj, which is located on a kilometre of private beach overlooking the Palm Island bay. Its restaurant offers fresh seafood and international cuisine by the beachfront. Another hotel I would recommend is Vida Downtown, about 10 minutes from Burj Khalifa. The boutique hotel is ideal for short business trips. It has a conducive business centre and an outdoor pool where meetings can be scheduled. The Armani Hotel, nestled within the Burj Khalifa, reflects pure elegance and grandeur. I like its Italian-styled detailing—from the Eramosa stone flooring to bespoke furnishings and zebrawood panels.Another great place to stay is the Bvlgari Resort on Jumeirah Bay Island, which is like an urban oasis.

In Dubai, you are spoilt for choice when it comes to working lunches and dinners. Some of my preferred venues are the Al Muntaha restaurant on the 27th floor of the Burj Al Arab, which serves exquisite European cuisine. At.mosphere, on the 122nd floor of the Burj Khalifa, overlooks the Persian Gulf and has the option of booking a private dining room for meetings over dinner. For a casual business meeting, you can hop into Hendricks Bar at the Four Seasons Hotel.

Among restaurants, COYA Dubai has a stylish Friday night vibe inspired by the Latin American culture. Their ceviche is a must-have. La Serre, located in the heart of Downtown Dubai, has a boulangerie on the ground floor and the ambience of an uptown French café. From its Mediterranean-inspired menu, I like the burrata and tomato salad.

GETTING AROUND

Cabs are what I would depend on. But Dubai also has a robust transport system of metro-rail, tram, and shuttle buses that are efficient and quick. The busses connect all major landmarks and tourist spots. The metro holds the record of being the world's longest fully automated metro rail network.

AFTER HOURS

There is always something new to do, and some new place to see. For an adrenaline rush, you could skydive, or visit the Formula One circuit in Abu Dhabi. For a more relaxing time, you can visit a beach club and relax by the water with some good food and a beautiful view.

For shopping, Dubai Mall is a good place to start. It is extensive, and ranges from haute couture to high-street stores. It has patisseries that are great for taking short breaks from all the shopping.

TIPS

Sometimes, the traffic can be very heavy. You could plan your trips carefully to avoid being stuck whilst on a vacation. Give yourself enough time to enjoy the city; there are quite a few unique experiences to be had.

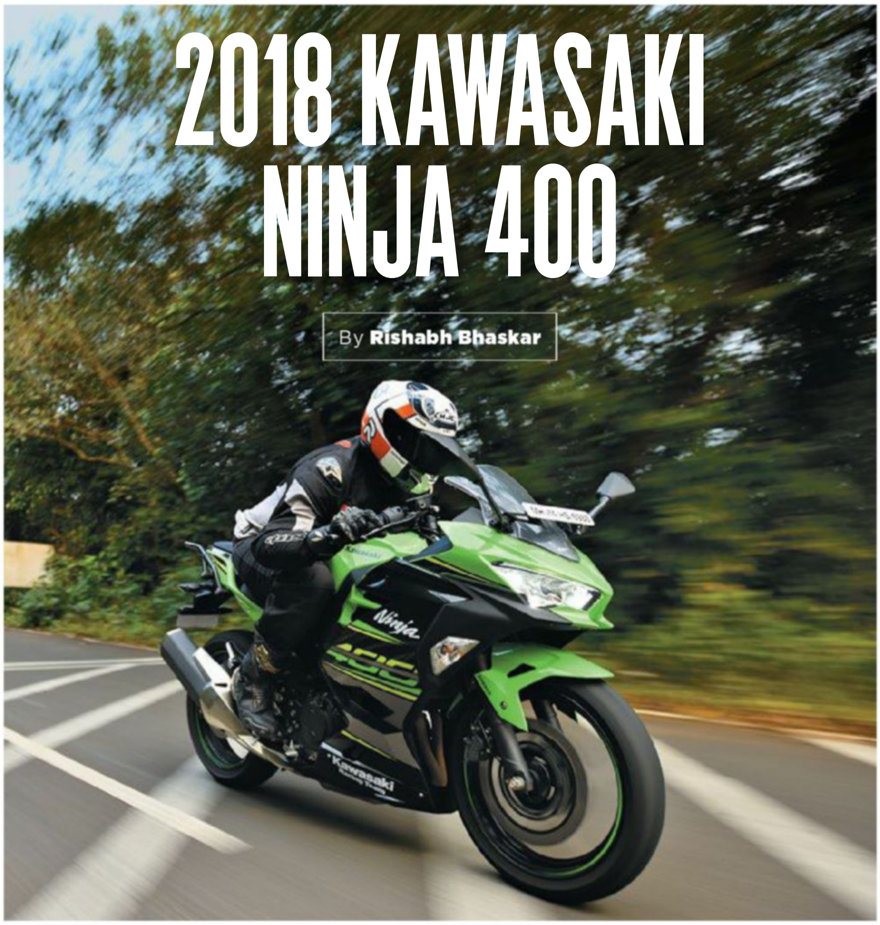
The writer is managing director, Puravankara Ltd

Coordinated by Jasodhara Banerjee

FROM TOP: SHUTTERSTOCK; MEXY XAVIER

2018 KAWASAKI NINJA 400

By **Rishabh Bhaskar**



Good beginner motorcycles are important in a developing market like ours. The Ninja 400 belongs to this category of fast yet friendly beginner motorcycles, but also promises to offer enough thrills for more experienced riders.

The Ninja 400 has a nice mix of design languages that have trickled down from the Kawasaki Ninja H2 and the ZX-10R flagship superbikes. The sharp fairing, with the H2-inspired fangs and the twin LED headlamps, lend the right amount of aggression to the face. The side panels have their own set of creases, but the bold decals, and bright green and yellow stickers liven up things. The overall design is attractive and this special Kawasaki Racing Team (KRT) colour scheme ensures that everyone notices the bike.

The instrument panel has a negative LCD display and an analogue tachometer that takes pride of place. The Ninja 400 is as well-built as its more expensive stablemates. For a bike that looks like a focussed track bike, the ergonomics are relaxed and comfortable. The low, 785-mm seat height makes it accessible to a wide range of riders. The only gripe is the lack of adjustable levers, especially considering the price.

TECH SPECS

TYPE	399cc, liquid-cooled, parallel-twin
MAX POWER	49 PS@10,000rpm
MAX TORQUE	38 Nm@8,000rpm
PRICE	₹5.75 lakh OTR Mumbai

\+ Engine, performance, handling and styling

\- Price

The new 399 cc, liquid-cooled, parallel-twin motor makes 103 cc more than the Ninja 300's engine on which it is based. The motor produces 49 PS at 10,000 rpm and 38 Nm at 8,000 rpm respectively.

Power delivery is crisp and linear, and what helps is the generous amount of torque in the low-and mid-range, unlike the Ninja 300's engine that is always hungry for revs. What this translates into is great tractability.

This is a Ninja, so the actual fun begins only past 7,000 rpm. The 0-60 kmph time of 2.45 seconds, and a 0-100 kmph sprint in 5.4 seconds tell just how quickly the bike accelerates. The Ninja also impresses with its fuel economy. In the city, it returned 25.5 kmpl, while on the highway, it delivered 32.4 kmpl.

The Ninja 400 employs an all-new tubular steel trellis frame that's stronger yet lighter than the 300's diamond type chassis. The front forks are beefier at 41mm, while the uni-track, gas-charged monoshock at the rear is adjustable for preload. The Ninja 400's ride quality remains unfazed by potholes or undulations.

The steering geometry is sharper, with a 24.7-degree rake, and the short wheelbase at 1,370 mm makes it super flickable as well. But this hasn't come at the cost of mid-corner stability, thanks to the longer swingarm. These attributes, along with the feedback-rich chassis and Dunlop Sportmax tyres, makes the Ninja 400 a poised and precise corner carver.

The Ninja 400's friendly character allows riders of varying experience to simply hop on and go for it. It looks good, rides well on our roads and is comfortable over long distances. It's handling is what is most appealing. But with the astronomical ₹5.75 lakh (OTR Mumbai) price tag, it is tantalisingly close to the Kawasaki Z650, another sweet motorcycle with a lot more power.

COURTESY: OVERDRIVE

A pick of the best, the latest, the greenest, the quirkiest, the most luxurious that money can buy

Travel

WORK-LIFE BALANCE

Skybags' Techno collection—the Techno Business Rolling Tote and the Techno Pro Rolling Tote—has bags that are compact-yet-spacious, merging business with style. They have a premium finish and come with an international warranty of five years. The collection checks all the boxes for a perfect business travel luggage bag, combining options to accommodate both mobile offices and garments, with minimal creasing and maximum flexibility.

skybags.co.in

Style

STARRY STARRY NIGHT

The **Excalibur 36 Shooting Star** timepiece from Roger Dubuis has alternative techniques, and features a choice of blue, white and pink interpretations. Devoted to miniaturising the existing X42 single tourbillon, while retaining all of its lightness and airy dimensions, the new RD510SQ Poinçon de Genève-certified calibre is a diminutive-yet-bold work of art, ideally suited to smaller wrists. Shining in a starry sky set against a white mother-of-pearl, blue PVD-treated or pink translucent varnished background, the 18K gold shooting star timepiece loops around the Roger Dubuis signature, trailing its diamond-studded tail and complemented by colour-coordinated enamel stars.

rogerdubuis.com

Work

AT HOME, AT WORK

Ecosystems, from Script, is designed to create a comfortable workspace at home, with an assortment of furniture pieces that are both functional and aesthetically appealing. Available in four variants—each with its own design aesthetics, colour scheme and utilities—each Ecosystem comprises spaces to work and rest, along with storage solutions.

scriptonline.com

Style

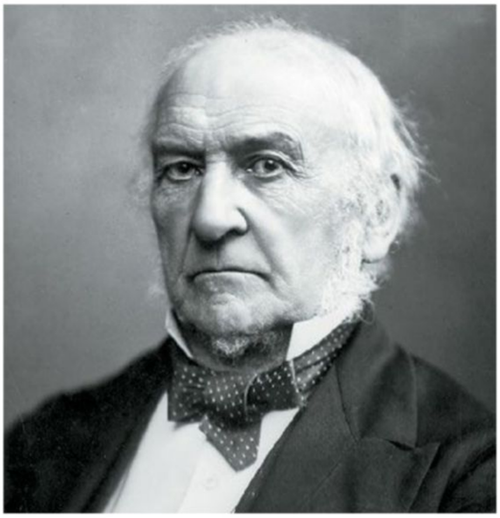
TRUNK CALL

These trunks from luxury leather brand **Da Milano** are handcrafted from Italian calf leather, and are made at the company's state-of-the-art facility in India, by trained craftsmen. The trunks are exclusively designed by the company's international team based out of Italy, and are available in different textures, colours and sizes.

damilano.com

At home, at work, courtesy *Better Interiors*

Thoughts ▸ *on Budgets*



Budgets are not merely affairs of arithmetic, but in a thousand ways go to the root of prosperity of individuals, the relation of classes and the strength of kingdoms.

—WILLIAM E GLADSTONE

It's clearly a budget. It's got a lot of numbers in it.

—GEORGE W BUSH

The budget should be balanced not by more taxes, but by reduction of follies.

—HERBERT HOOVER

If taxpayer money was limitless, we wouldn't need a budget at all.

—BETSY DEVOS

The next time someone tells you we can trim the budget by cutting aid, I hope you will ask whether it will come at the cost of more people dying.

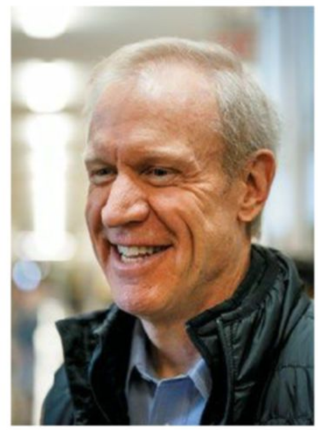
—BILL GATES

If you want creativity, take a zero off your budget. If you want sustainability, take off two zeroes.

—JAIME LERNER

A budget tells us what we can't afford, but it doesn't keep us from buying it.

—WILLIAM FEATHER



Voters want conflicting things. They want a lot of government spending, but they don't want higher taxes.

—BRUCE RAUNER

What's the point of creating a budget if it's not possible to follow through?

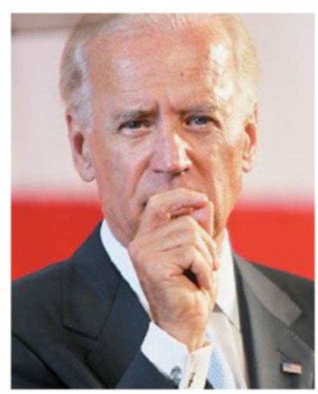
—ALEXA VON TOBEL

The budget doesn't have much control over the government. Then again, the government doesn't have much control over the budget.

—PJ O'ROURKE

The budget evolved from a management tool into an obstacle to management.

—FRANK CARLUCCI



Don't tell me what you value, show me your budget, and I'll tell you what you value.

—JOE BIDEN

BUSH: MOHAMMED JALIL / REUTERS; GLADSTONE: HULTON ARCHIVE / GETTY IMAGES; GATES, RAUNER, BIDEN: SHUTTERSTOCK;
DEVOS: YURI GRIPAS / REUTERS; CARLUCCI: BETTMANN / GETTY IMAGES

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