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February 25-March 10, 2019

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Business India

Corporate India is going through major changes. First it was the entry of large foreign players into almost every sector of the economy. And the bankruptcy code has shaken up large sections of the business community. Several industrialists have lost control of their companies often for a pittance and, sometimes, even in cases when the sickness was induced by government policies and actions over which they had no control. And now, in the past weeks, particularly post the IL&FS saga, corporate governance has been pushed into the forefront.

Corporate governance, or should we say mis-governance, covers a wide variety of acts of commission or omission. These range from plain simple fraud to diversion of funds, even when disclosed from one company to sister companies, to rash business and financial decisions – often taken without board approval. And now the latest practice being frowned upon is borrowing in excess by promoters by pledging their shares – even though the consequences hurt the promoters the most, who could, in the event of a severe downturn in the markets, even lose control of their companies!

Several of these issues have emerged over time, as our corporate sector grew, acquired global ambitions and, most important, when markets started giving almost mind-blowing valuations to many listed companies. New rules were gradually implemented and as markets became more transparent and competitive, they gave rise to greater expectations, particularly from the leaders. The rise of Indian financial institutions like mutual funds, private sector banks and insurance companies saw Indian industry becoming more reliant on institutional money, domestic or from overseas. Also, as India caught up with global markets, global practices began to be adopted here. So, what might have been acceptable behaviour in the past, or even in accordance with social norms then, many practices are unacceptable today.

As problems have surfaced, we have seen the usual cry for tighter regulation and controls by government and the regulators. And while several areas of our laws need to be modernised in accordance with current needs, *Business India* has always argued that more regulation is not always the answer. Take, for example, th pledging of shares by promoters. sebi, a while ago, had insisted on disclosure by promoters. But despite disclosure, ambitious entrepreneurs still chose to pledge their shares often for diversification, but equally often to plough more funds back into their own companies for faster growth when few other sources of funds are available. Surely, when the market looks askance at, the biggest losers are the promoters themselves! Extra regulation is hardly called for and it certainly is not the way forward. The markets have their own way of enforcing discipline and good business practices.

Ultimately, in any open society, it is the social norms and self-control that are the right guides. And, as a business publication, we have always argued that shining the light of openness is the best and most effective regulator.

Ashok H. Advani

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FOCUS

CORPORATE REPORTS

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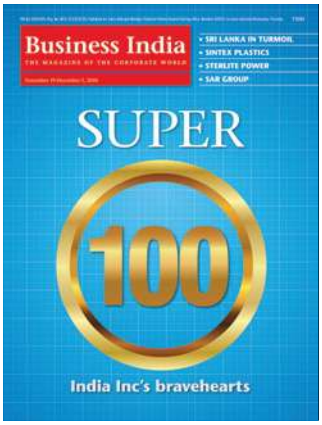

◆ Motivating

'Super 100: India Inc's bravehearts' (Cover Feature, 19 November-2 December) was a multi-coloured tassel of down-to-earth indices meant to motivate the Indian industry to make strides on the positive dimensions. And, 'RBI vs finmin' (Editorials, 19 November-2 December) evoked adumbrations on the responsibilities of both the finance ministry and the RBI as they are increasingly crossing swords with each other at the risk of hurting Indian financial systems. Also, 'Not so sunny' (Cover Feature, 22 October-4 November) put the facts in perspective about the solar power target and the tardy achievement towards its utility in India.

B. RAJASEKARAN
Bengaluru

◆ Manipulative

'Set to race' (Cover Feature, 19 November-2 December) reveals that the government had re-estimated the GDP linked to the 2011-12 prices, which lowered the growth rates. The GDP being the barometer of overall economic growth, these changes in methodology in calculating it are only manipulations to serve vote-bank politics, which ignore the welfare of people completely.

MAHESH KUMAR
Delhi

◆ Good move

The announcement by the RBI (Editorials, 19 November-2 December) is to be seen as a conciliatory move towards the finance ministry, which was pressing the central bank to part with more of RBI's surplus reserves to boost the economy. And, if the new governor uses his *shakti* to counte such moves the way his predecessors did, then the government is in for another skirmish. This time at least, the autonomy and independence of the RBI has to be protected! Politicians and governments may come and go, but financial institutions go on forever.

C.K. SUBRAMANIAM
Navi Mumbai

◆ In doldrums

Please refer to 'RBI vs finmin' (Editorials, 19 November-2 December). Unfortunately, at present, political factors overshadow economic concerns. The government has ignored economic concerns for vote-bank politics. The funds are badly needed for 2019 elections and, almost every day, schemes are announced for the so-called poor, which necessitate good revenue with the government – which is why, as the reports suggest, the government has an eye on Reserve Bank of India's reserves. And, if the government succeeds in putting its hands on it, the nation's economy would soon be in the doldrums.

M. KUMAR
Delhi

◆ Crisis over

The share of gross NPAs in total advances of banks, both in the public and private sector, which peaked in March 2018, has declined since then -- in both the June and September quarter of the current fiscal year (Editorials, 19 November-2 December). The NPA crisis was more widespread in the public sector banks. These developments, good news on the macro front from a growth perspective, could also mean a tightening of the inflation scenario. Given the fact that non-food inflation in the economy has been consistently high, it could build the case for a hike in lending rates by RBI in the near future.

M.R. JAYANTHI
Navi Mumbai

◆ A fleece

With reference to 'Honest to God' (Column, 19 November-2 December), I feel the web check-in at additional cost by private airlines is a new way to loot the passengers. Even the policy of surge pricing -- based on the demand-supply of tickets in trains, planes, taxis, etc -- must be done away with, as it is against the travellers' interest and tantamount to exploiting the common man. Also, the fares displayed must be inclusive of all taxes and other charges.

MAHESH KAPASI
Delhi

◆ Hit back

Almost every day, our two national parties are trying to get at each other's throats (Editorials, 19 November-2 December), while claiming that they are *the* pro-poor party. They should realise that throwing the past blunders and failures on each other's faces is not going to help matters. The country is watching the travesty and mockery of democracy and may retaliate vehemently in the elections.

SHANMUGAM MUDALIAR
Pune

◆ At the top

The text and layout of 'Not so sunny' (Cover Feature, 22 October-4 November) was truly impressive. The article was an incisive, in-depth, intelligent account of what has gone wrong in the solar power, wind power and coal sectors, crippling the Indian economy and industry as a whole. Also, the write-ups on Blue Dart, Mirc Electronics and Thejo Engineering made this a wonderful issue and will help you maintain your pole position in your chosen field.

RAMESH BHOJWANI
Mumbai

◆ Best bet

This refers to 'Not so sunny' (Cover Feature, 22 October-4 November). Alternative energy cannot contribute substantially to our growing energy needs now, because it has cost and capacity limitations. Also, volatility in oil prices and failure to enhance domestic oil production is killing us. So, we should seriously think of putting up more nuclear power plants. Though challenged in terms of cost, safety, locational issues, etc, it is still our best bet, because it is the cheapest and the cleanest energy.

UMESH SHAH
Mumbai

◆ Come on!

The Cellular Operators Association of India's reaction to the new movie, *2.0*, was weird. The association apparently wants to go back to the days of 'monopoly' and protection. If anybody has apprehensions about the unfettered advent of technology, why can't he/she communicate such fears through an article, a story or a film? All the association has to do is to defend its case through counter-expressions.

A.A. VARMA
Kochi

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Pulwama and after

Isolate Pakistan but keep channels open

It is obvious now that the terror strike on CRPF personnel in Pulwama was meant to provoke, perhaps even polarise. Possibly, it was also meant to put the ruling Bharatiya Janata Party in a bind on the eve of the general election for it needs to now respond but can't allow a full-blown conflict with a nuclear-armed neighbour. Acting from an updated playbook, the Jaish-e Mohammed (JeM) terrorists planned the incident to the smallest detail – getting information on the movement of the 78-bus convoy carrying about 2,500 soldiers from Jammu to Kashmir, smuggling in a large quantity of RDX, using a suicide bomber to execute the task and getting him to time his attack. This has raised disturbing questions on intelligence gathering, dissemination and coordination in the Valley.

So far, New Delhi's response has not played into the terrorists' plans with reflexive and precipitate official action. Post-Uri, the air has been always thick with calls for retributive cross-border strikes. The past history of limited, if any, returns from such action must serve as a cautionary check. Instead, the effort must be to isolate Pakistan for its support to the JeM, which has orchestrated numerous strikes in the Kashmir Valley and has taken responsibility for the incident. More importantly, we must take substantive action to effectively upgrade intelligence and plug security gaps, and to win the confidence of the local population in the Valley. The last objective is critical. As the attack was meant to provoke and polarise the country, our response must be to isolate the perpetrators and keep the peace on Indian Territory.

It is Pakistan's tragedy that no leadership worth its salt, whether civilian or military, has been able to fully rise above the temptation of using terror to keep parts of India unsettled. Not much was expected from cricketer-turned-politician Imran Khan, despite his popularity in India, given the covert support that he got from the military during his campaign. Hope lies in the younger, educated generation of Pakistan. This is a segment that India must target. It could be a long haul. That is why it is important to keep channels of communication, including Track-II and sports, open.

But the problem for the ruling dispensation in New Delhi is that Pulwama is no longer just a national security or foreign policy issue. It is now a full-blown domestic political issue. The first of the government's tentative steps was the withdrawal of the most favoured nation status in trade to Pakistan. Will this hurt Pakistan? As it is, efforts to increase trade, right from the days of Manmohan Singh, had come a cropper. Out of the $2.2 billion bilateral trade, Pakistan's share (of exports) is a mere $400 million. A lot of unofficial trade is happening via Dubai which will continue. With friends like China and Saudi Arabia, Pakistan does not need a helping economic hand from India.

Coercive diplomacy is likely to continue but to be effective the effort needs a wider net. Is that possible at a time when the U.S. is seeking Pakistan's help in firming up a deal with the Afghan Taliban? There is no question that while Pakistan bears the onus to explain why Masood Azhar, the leader of JeM, enjoys such freedoms on its territory, if not outright support from the establishment. Then there is the diplomatic backing by China has been crucial in defeating efforts at the United Nations to put him on the list of banned terrorists.

Finally, in dealing with Pakistan, one needs to factor in the fact it is also a victim of terrorism (though the counter-argument against this line goes that this is a problem that our neighbour alone needs to fix). As per an Islamabad-based think tank, at least 595 people, including security officials, were killed and 1,030 others injured in 262 terror attacks in the country during 2018. The deadliest attacks took place in the run-up to the July 25 general elections which saw Imran's party assume power.

Pakistan's tryst with terror began with Zia-ul-Haq's controversial "Islamisation" policies of the 1980s, which saw the country's involvement in the Soviet-Afghan war. With ideologically-driven mujahideen heading to the tribal areas, there was an increased availability of guns and drugs from the Golden Crescent. The trend continued with the zamindaars (landlords) seizing power and business disputes/political rivalries exacerbating the gun culture. The arrival of Al-Qaeda members and the ISIS in the mountainous area of Wazirstan and the Afghan border made things worse. The use of terror groups by the Deep State, namely the ISI, to trouble India began after Indira Gandhi militarily prised away East Pakistan from its western mass and liberated Bangladesh. Pakistan will have to get over this troubled history to turn a new leaf. ◆

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Topple, topple....

BJP should rein in Yeddyurappa

Karnataka has for long taken pride in being home to the Silicon Valley of India. The state's economy has become as big as oil-rich Qatar, riding on the growth of software services. At 10 per cent, it's the third-highest contributor to India's GDP after Maharashtra and Gujarat. Yet, the political machinations that have recently gripped the state would be making the average Kannadiga hang his head in shame.

It is well-known now that all is not hunky-dory between the Congress and the Janata Dal (Secular) in Karnataka. Their alliance formed with the sole intention of keeping the Bharatiya Janata Party out of power clearly has more than its share of stress and strain. The pressures on the post-poll tie-up are from multiple points. The BJP believes it was robbed of its mandate, and has been looking to win over some of the MLAs of the alliance to topple the government. Congress MLAs, especially those owing allegiance to former CM Siddaramaiah, feel that the chief ministership should not have been handed over to the junior partner. The leadership of the JD (S) is trying to assert itself within the alliance and expand the party's base at the Congress's expense. With the Lok Sabha election approaching, the stakes are high for all. It is also a free for all. The JD (S) wants to ensure it gets a good share of the seats as part of the alliance; the Congress realises it will have to concede ground to the JD (S) to keep the BJP out of the political turf but is trying to resist it, and the BJP knows the importance of being in power at the time of polls.

In the past few months, one has witnessed the BJP and the Congress herding their MLAs in resorts to protect them from poaching. Seven Congress MLAs and one JD (S) MLA stayed away from the assembly proceedings, raising the suspicion that the BJP was actively wooing them to bring down the government. All these machinations have so far come to naught.

The BJP ought to be worried over the manner in which its strongman B.S. Yeddyurappa has been behaving. After being forced to step down in 2011 as CM in the wake of corruption charges, Yeddyurappa may have seen the 2018 Assembly election as his chance at political redemption. The BJP finished as the single largest party, but a post-poll coalition of the Congress and the JD (S) robbed him of the chance to form the government. The prospect of sitting out another five years in the Opposition has now prompted the use of underhand methods to return to power.

The H.D. Kumaraswamy government has now announced the appointment of a Special Investigation Team (SIT) to go into the veracity of an audio clip in which someone is heard offering money and ministership to win the support of a Janata Dal (Secular) MLA. Yeddyurappa has admitted it is his voice in the clip, but claims that it has been edited and doctored. Another BJP leader was allegedly recorded as having said that the Speaker of the House, K.R. Ramesh Kumar, had been 'booked' for ₹50 crore to rule favourably on dissident legislators of the ruling coalition.

The BJP has opposed the constitution of the SIT; instead, it has called for a judicial inquiry or a probe by a House panel. Experts feel that since the statements made in the audio recordings allude to transactions that are criminal in nature, law enforcement agencies are better-equipped to uncover the truth. The Congress-JD (S) alliance will now use the report of the SIT to justify accusations that the BJP was trying to buy up dissidents in the Congress. BJP leaders may end up being the victims of their own design, as points of contact have recorded conversations offering money and giving assurances for switching sides.

The Congress-JD (S) government is by no means a cohesive unit, but the BJP's covert attempts to engineer defections have so far certainly backfired. The wiser course for the BJP would have been to politically capitalise on the internal contradictions of the coalition government rather than resort to covert means to destabilise it. Desperate measures are aimed at immediate rewards, but these invariably result in long-term damage. The Congress has so far been outsmarting the BJP, which will be better served by time and patience, not money power and corruption. Karnataka may be the gateway of the BJP to the south but the educated voters of this southern state will surely not approve of such shenanigans. The BJP must also remember that Karnataka is one of the economically frontline states of India and attempts at creating political instability there do not bode well for its status as the hub of technological developments. ◆

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Let Mallya pay up

An opportunity for banks to recover debt

Kingfisher boss Vijay Mallya, who is currently contesting India's successful extradition bid in British courts, has sent a message to prime minister Narendra Modi on Twitter, offering to settle his dues to banks. "I respectfully ask why the Prime Minister is not instructing his banks to take the money I have put on the table, so he can at least claim credit for full recovery of public funds lent to Kingfisher," he said in a series of tweets. This is not the first time that Mallya has offered to pay back the money he owes to a consortium of Indian banks, led by State Bank of India. Specifically, Mallya claims he has offered to settle through a Recovery Tribunal has already attached assets of his, worth ₹13,000 crore against the loans. This wasn't a 'frivolous' offer, he said of the latest development, but an 'honest' and 'tangible' one.

Earlier too, Mallya had offered to pay back '100 per cent of the principal loan amount' he owes to banks. Clearly, he doesn't want to go down as the 'poster boy of money-laundering', as the enforcement agencies and a section of the media would like to paint him.

There is no harm in taking him up on the offer. After all, it is the government's duty to ensure that the money he owes banks be recovered. As for the banks, the primary concern should be the bad loans on their books, and if Mallya is offering to settle the full amount, they should grab the opportunity. The case of Kingfisher Airlines is a different one. It defaulted on loans worth about ₹9,000 crore primarily because the losses for the company mounted due to rising aviation fuel prices after crude prices moved north, touching the highest-ever level of $140/ barrel.

The purpose of that litigation was to recover the money and Mallya, who reportedly seemed disinclined to pay up then, has since offered to pay the money back. If this is the case (and the government has ways of finding out the genuineness of the offer), the banks (or since the biggest among them are state-owned, the government) would do well to think afresh about the offer. Of course, one reason the offer has not been taken seriously so far is clearly political. With the elections approaching, the Congress, among others, has been accusing Modi of being complicit in turning a blind eye to supposedly errant businessmen like Nirav Modi, Mehul Choksi and Mallya leaving the country. There is also a view that the government wants to make an example of Mallya.

It is no one's argument that a fugitive economic offender be allowed to get away. But if one has defaulted on loans and now offered to settle (even under duress), the option should be examined. Otherwise, confiscating and auctioning Mallya's properties would involve a lengthy procedure, including another round of court hearings. The court will have to consider the views of all the parties and stakeholders involved in confiscating of the properties, as these parties are likely to include joint-owners and share-holders.

A host of entities have filed applications to intervene in the proceedings, before any order is passed to confiscate properties worth almost ₹4,235 crore belonging to the beleaguered businessman. The entities include his stepmother Ritu Mallya, Heineken NV and the official liquidator appointed by the Karnataka High Court (HC), among others. Mallya's stepmother, through her lawyer Annapurna Bordoloi, has filed an intervention application, claiming the ED had falsely attached 17 per cent of shares of two companies that belonged to her. She has sought to be heard before the ED confiscates it. This is a long haul where the outcome is not guaranteed.

Besides, it is the government's duty to ensure that the money he owes banks be recovered expeditiously. If this is not the case, and there is no offer, or the value of assets attached isn't enough to meet all of Mallya's debts, the government should say so and let the law take its own course.

Sure, Mallya has other cases against him related to his debts — by the Central Bureau of Investigation, which alleges he and some bank officials conspired to get his company the loans; and another by the Enforcement Directorate, alleging money laundering. While these cases originated from the defaults, they have taken on a life of their own, and will probably carry on. Of course, Mallya should be allowed to contest these, like any citizen of this country. ◆

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Ramping up presence

John Deere is betting big on the rapidly growing Indian market. The US tractor & farm equipment major has shown robust growth in the last 3-4 years, while expanding its product offering according to the Indian need. Having grown by 34 per cent in the last four years, the company, which sold about 100,000 tractors in 2018, has been following a new strategy. Keeping in mind the Indian market, the company, which mostly had its presence in the higher HP tractors in the past, is now enhancing its presence in the lower HP bracket. Besides, it is also increasing its geographical presence in the country and now building its dealer network in the northern states, such as Bihar and UP. In the last couple of years, it has added over 125 dealers to its network. Overall, the tractor major is looking to increase its market share in the domestic market, where it supplies almost 70 per cent of its tractor production. In the last four years, the company has ramped up its market share (domestic market) by about 3.4 per cent. John Deere's India operation is also exporting to 110 countries including North America and Europe apart from South America, South East Asia and Africa. The company's technology centre in India is at present one of the largest in the world. In 2017, John Deere strengthened its presence in India with the acquisition of the Wirtgen Group, the world's largest road construction company, which also has a factory in Pune.

Going it alone

The spat between the Modi government and Mamata Banerjee is hotting up, even as the date of the national election is approaching. Recently, the Bengal chief minister announced that her government would develop the proposed deep-sea port at Tajpur in East Midnapore on its own and will no longer involve the Central government. "The Tajpur port will generate employment opportunities in the state," Banerjee said. "It will boost the state's economy too". The chief minister is unhappy over the delay incurred by the Union government in developing the port and expressed her displeasure at a meeting of the cabinet sub-committee on industries and infrastructure at the state secretariat. In 2017, the state government had given 74 per cent stake to the Centre for the development of the port at a project cost of ₹13,000 crore. A feasibility study is awaited so that a detailed project report can be prepared, but the state government feels that the Calcutta Port Trust is taking a long time to complete the study. It's this dilly-dallying that has infuriated the chief minister and forced her to decide that the development of the port should be accomplished without the Central government's help.

Maintaining momentum

Bharat Gears, one of the largest manufacturers of gears and other components for tractors, commercial vehicles and off-road construction equipment, is all set to maintain its growth trajectory in the current fiscal as well, having made a turnaround last fiscal after over three years of a difficult phase. The company, clocking a turnover of around ₹514 crore (FY18) has been on track in the first three quarters of the current fiscal and looks to achieve a growth of around 20 per cent for the fiscal in the backdrop of a continued revival in demand in the target sectors. While the chips were down, the company, in the past took a conscious decision to strengthen its production, product offering as also customer base. The company invested around ₹100 crore in the last two years in improving its production efficiency through retrofitting as also adopting newer technologies. The company, which caters to OEMs like John Deere, Ashok Leyland, Force Motors, JCB and Man group, has also upgraded its workforce (2,000 people) which can work in tandem with changing market conditions. Besides, the company is also expanding its exports business which is currently 35 per cent of the total business. A better presence in the exports market, will provide the company with a better risk-hedging capacity to face the vagaries of the market.

Play safe

According to a source, the Nashik-based Cupid Ltd, a listed entity that makes condoms, has received the nod for a big splash into the most highly regulated markets and is working on a strategy to foray into the largest B2C segment in the world. The grapevine has it that this Omprakash Garg-run company has received USFDA approval. Besides, the company has bagged an all-time high order from a South American country, amounting to ₹130 crore (roughly 18 months of its annualised sales) worth of shipment. At present, the company has been exporting and has entered new geographies like Central African Republic, Guatemala, Honduras, Jordan, Tajikistan, Morocco, Tanzania and Uzbekistan, to name a few. Meanwhile, there are also talks doing the rounds that the promoters are scouting for a strategic investor.

More gas

The demand for gas is expected to grow at 3.5 per cent CAGR between 2017-18 and 2022-23 to touch 191-193 MMSCMD. The main push for this incremental demand is expected to come from the fertiliser and city gas distribution (CGD) sectors. According to a source, the conversion of naphtha-based urea plants, commissioning of new capacities under the New Urea Investment Policy, and the revival of urea plants are projected to drive the demand for gas from the fertiliser sector. Additionally, the reintroduction of regulatory reforms, along with improved domestic gas supply, is necessary to revive gas demand from the power sector. "It is noteworthy that, although the demand for gas by the power sector increased 3.5 per cent on-year to 32.9 MMSCMD in 2017-18, from 31.8 MMSCMD in 2016-17 (despite the absence of any government policy support for the sector), this was most likely because of lower spot prices of LNG", states a CRISIL report. ◆

The next big step

In October 2015, **Business India** *had written about Saint-Gobain India's expansion plans, its range of products and outlook on the construction industry and other sectors. The company has now inaugurated its third float glass plant and other facilities*

To meet the demand and cater to its customers – in both domestic and international markets – Saint-Gobain has set up its third plant with world class manufacturing facilities at Sriperumpudur in Chennai. The plant was inaugurated by Edappadi K. Palaniswami, chief minister, Tamil Nadu. With an investment of ₹1,200 crore for all these three facilities (third float glass manufacturing plant, an advanced magnetron coater and glass solutions line and a 72 million capacity rainwater harvesting reservoir) taking the cumulative investment in the glass complex to more than ₹3,000 crore. "I am happy that Saint-Gobain has made a major contribution to the state of Tamil Nadu among its global investments," Palaniswami said in his inaugural speech. At the recently concluded Global Investors Meet in Chennai, Saint-Gobain had also committed an investment of ₹750 crore.

"As one of the fastest growing economies in the world, India is an important market and investment destination for Saint-Gobain," said Pierre-André de Chalender, chairman & CEO, Compagnie de Saint-Gobain, France. "As a global leader in the construction industry, we see immense opportunities in India. Over the past two decades, we have consistently invested in developing new markets, in building new world-class manufacturing facilities, in technology and in human capital. The brand recall of Saint-Gobain in India is as good as that in France".

A Fortune 500 company, with global revenues of more than €40.8 billion in 2017, Saint-Gobain operates in 67 countries, 945 production sites with over 179,000 employees. In India, Saint-Gobain group has made significant investments in excess of ₹7,500 crore, and built a strong brand. Today, it is a leader in all its major businesses, with sales of over ₹7,000 crore in 2018. Its other two manufacturing plants in India are at Jhagadia in Gujarat and Bhiwadi in Rajasthan. "India is amongst the best performing regions for Saint-Gobain," said Anand Y. Mahajan, chairman, Saint-Gobain India Pvt Ltd. "And, it has been in constant endeavour to develop the markets by bringing the best technologies. About 95 per cent of our local sales are of products manufactured at our plants in India".

Saint-Gobain is a leader in exports as majority of its products are preferred in most of the countries. In the automotive sector in India, the company is currently supplying products to all major players including new entrants i.e. Kia Motors and MGM. It started supplying its products only in 2005, but is slowly gaining ground in this segment. This will help further increase its market share in this segment from both new and existing automotive players in India.

"We strongly believe in India's future and have consistently invested ahead of time in capacity, capability, technology and innovation," said B. Santhanam, MD, Saint Gobain India Pvt Ltd. "It has been an interesting journey. With more than 20 years of operations behind us and with 6,000 employees, we have a strong brand in India. For us, everything begins with the customer".

The company has set its target to grow three times by 2030.

◆ S.M. BOOTHEM

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GOVT. & POLICY

RBI to pay interim dividend

The Reserve Bank of India (RBI) has agreed to give ₹28,000 crore as interim dividend to the government. Last year, the central bank gave an interim dividend of ₹10,000 crore. The government has budgeted ₹74,140 crore in dividends from the RBI and public sector banks for the current financial year ending in March.

Finance Commission sticks to 2011 census

The 15th Finance Commission will not alter its approach on solely using the 2011 Census for population figures in its calculations for allocations to states, says its chairman N.K. Singh. However, other measures would be included that would ensure that states that have performed well by controlling population growth would not be penalised, he adds.

Venezuela courts India

Venezuela's oil minister Manuel Quevedo has offered India a barter deal to keep its oil flowing as the country battles hyper-inflation caused by collapsing crude prices and US sanctions. The US, its largest customer, has blocked imports of its crude. Quevedo said his nation wants to sell more crude to India, and that US measures have resulted in a $20 billion loss to the country's economy.

MSP under-reported?

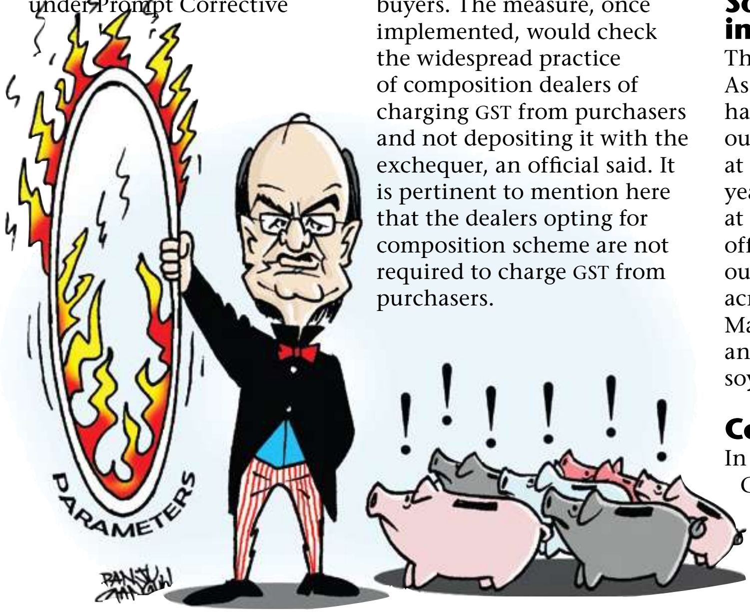
Canada and the US have accused India at the World Trade Organization (WTO) of under-reporting of market support price (MSP) for pulses (chickpeas, pigeon peas, black matpe, mung beans, and lentils). India's minimum MSP for the five pulses is about 26 times higher at ₹69,923 crore instead of the notified ₹2,667 crore, says a joint submission made by Canada and the US. India, however, has consistently maintained at the WTO that eligible production for MSP must be that part of the total production of a crop that is actually procured by the agencies and nothing more as the support to farmers is only restricted to that amount. It is expected to continue this line of argument at the Committee on Agriculture of the WTO.

Banks asked to improve parameters

The Finance Ministry has asked the six remaining public sector banks, currently under Prompt Corrective Action (PCA), to improve on seven parameters to get the government's support for coming out of the PCA framework. Out of a total of 11 banks put under PCA last year, three (Bank of India, Bank of Maharashtra and Oriental Bank of Commerce) have already moved out, while the other two – Dena Bank and Vijaya Bank – will be merged with Bank of Baroda. This leaves six in the list of banks under PCA, which would face restrictions on lending.

Funds sought from RBI

The finance ministry has sought from the RBI ₹27,380 crore that was withheld by the central bank towards risks and reserves in the previous years. The RBI had retained ₹13,190 crore towards risks and reserves during 2016-17. This allocation was increased to ₹14,190 crore in 2017-18. Together, the retained amount now comes to ₹27,380 crore.



No tax from buyers

The revenue department is planning to make it mandatory for composition dealers and service providers to declare their GST registration status in invoices to ensure that they do not charge any tax from buyers. The measure, once implemented, would check the widespread practice of composition dealers of charging GST from purchasers and not depositing it with the exchequer, an official said. It is pertinent to mention here that the dealers opting for composition scheme are not required to charge GST from purchasers.

Imports go higher

Imports in January 2019 were $41.09 billion which was a tad higher over imports of $41.08 billion in January 2018. Cumulative value of imports for the period April-January 2018-19 was $427.73 billion as against $384.42 billion during the period April-January 2017-18, registering a growth of 11.27 per cent. Exports in January 2019 were $26.36 billion, as compared to $25.41 billion in January 2018, implying a growth of 3.74 per cent. Cumulative value of exports for the period April-January 2018-19 was $271.80 billion as against $248.18 billion during the period April-January 2017-18, registering an increase of 9.52 per cent.

IIP grows at 2.4 per cent

The Index of Industrial Production (IIP) rose by 2.4 per cent in December 2018 as compared to December 2017. In December 2017, IIP rose by 7.3 per cent. The cumulative growth for the period April-December 2018 over the corresponding period of the previous year stands at 4.6 per cent. The growth during the corresponding period last year stood at 3.7 per cent.

Soyabean output improves

The Soyabean Processors Association of India (SOPA) has pegged the soyabean crop output for the *kharif* 2018-19 at 11.48 million tonnes. Last year, soyabean output was at 8.36 million tonnes. SOPA officials attributed the rise in output to both an increase in acreage and yield of the crop. Madhya Pradesh, Maharashtra and Rajasthan are major soyabean cultivating states.

Cotton output falls

In its latest estimates, the Cotton Association of India (CAI) has further trimmed the crop size by 500,000 bales to 33 million bales of 170 kg each for the season 2018-19, because of major loss in output in the key producing states of Gujarat, Telangana and Karnataka. The association released its monthly crop estimate for January 2019, where it lowered the crop estimate for the third time in a row. The latest crop estimate for the year 2018-19 sees output at the lowest level since 2010-11, when India's cotton crop was 33.23 million bales. The association has estimated the cotton crop for Gujarat (the largest grower in the country) at 8.35 million bales as against 10.5 million bales reported last year.

Tea exports fall marginally

Tea exports have come down to 249.11 million kg during

January to December 2018, as against 251.91 million kg during the corresponding period of the previous year, says Tea Board of India. The value of exports during 2018 touched ₹5,132.37 crore, as against ₹4,987.59 crore, the board adds.

A national minimum wage suggested

A government appointed committee has proposed doubling the national-level minimum wage for a worker in the country to ₹9,750 a month, up from a floor of ₹4,576 at present. The committee has alternatively proposed a national minimum wage at various regional levels in the range of ₹8,892-11,622 a month (depending on local factors) and suggested an additional house rent allowance for urban workers. The labour ministry has put up the report, titled "Determining the Methodology for Fixation of the National Minimum Wage", on its website for initiating stakeholder consultations.

REGULATORS

Independent body to vet economic data

The Centre for Advanced Financial Research and Learning (CAFRAL) a body of the central bank, wants the government to form an independent body to vet official data after questions were raised about the credibility of the nation's statistics. CAFRAL's views comes after the government pegged budget deficit target at 3.4 per cent of the gross domestic product (GDP) for the current fiscal year ending in March as well as the next. CAFRAL estimates the government's budget deficit to be closer to 3.7 per cent of the GDP.

Repo rate lowered

The six-member monetary policy committee (MPC) headed by the RBI governor lowered the repo rate by 25 basis points to 6.25 per cent in a 4-2 vote. RBI has thus cut rate for the first time in 17 months. The last rate cut happened in August 2017.

Payment gateways split on regulation

The RBI's intention to regulate payment gateway service providers has received a mixed response from industry players, with some welcoming the move and others cautioning. The central bank had recently announced that it will release a white paper for discussion and consult companies before introducing regulations.

Norms issued on secretarial audit

The SEBI has issued new norms on secretarial audit for listed companies. Every listed entity and its material unlisted subsidiaries have to undertake secretarial audit and also submit a secretarial audit report along with its annual report with effect from the year ending 31 March 2019. The secretarial audit and the report has to be done by a practising company secretary. Currently, secretarial audit is still done at companies, the report is submitted to a company's management is not in an elaborate format.

Commodity indices mooted

The SEBI has proposed creation of commodity exchanges to come out with indices on which futures contracts can be introduced. Such indices can be based on the most liquid contracts traded on the bourses and have to be diversified with the weightage of a single constituent capped at 20 per cent according to a consultation paper by the SEBI.

Consumers' deadline extended

The Telecom Regulatory Authority of India (TRAI) has extended the deadline by which consumers should select the television channels they want to pay for to 31 March. Consumers were required to migrate to the new tariff regime by 31 January after the earlier deadline of 28 December 2018 got extended by a month. "Out of the total 170 million TV homes (which includes 70 million DTH homes and 100 million cable TV homes), about 90 million homes have already registered their choice with the operators," says R.S. Sharma, chairman, TRAI. Under the authority's new tariff order, consumers can select and pay only for the channels they want to watch.

Viewership data to be shared

Broadcast Audience Research Council (barc) India has announced it will share the weekly tv viewership data with those that have subscribed to its service. The audience measurement firm has taken this decision in light of the trai's new tariff order, which kicked in on 1 February.

LANDMARKS

APPOINTED Pramod Chandra Mody, as chairman, CBDT
Ashwani Lohani, as CMD, Air India
Devendra Chawla, as MD & CEO, Spencer's Retail
Christopher O'Connor, as CEO, Persistent Systems
Ashutosh Raghuvanshi, as CEO, Fortis Healthcare, w.e.f. mid March 2019
Salil Gupte, as India head, Boeing, effective 18 March 2019
Brian Humphries, as CEO & board member, Cognizant, from April 2019
Analjit Singh, founder, Max Group, as chairman, Max India and Max Life Insurance from April 2019

RESIGNED Cornelis Vrieswijk, as CEO, GoAir
Harshil Mehta, as CEO, Dewan Housing Finance Corporation
Harish Krishnaswamy, as COO, Tata Trusts & R. Venkataramanan, as managing trustee of the Trusts

ANNIVERSARY The Indian Cashew industry commemorates the 100th year of Indian cashew export

TERMINATED Services of Chanda Kochhar, former CEO & MD, ICICI Bank. She had resigned as CEO & MD of the bank in October last

COMPANIES

Infosys pays consent fees to settle Bansal case

Infosys settled a case pertaining to the severance package for former chief financial officer Rajiv Bansal by paying ₹34.35 lakh as consent fees to SEBI. An investigation by the regulator prima facie found that Bansal's severance payment was not in accordance with the remuneration policy. Infosys had filed a settlement application with SEBI in November 2017. Consent order is a negotiated settlement between the market regulator and the listed entity. It is similar to out-of court-settlement.

NGT order to re-open plant set aside

The Supreme Court (SC) dismissed the National Green Tribunal (NGT) judgment, which allowed reopening of Vedanta's Sterlite Copper in Thoothukudi, on maintainability. The apex court observed that the tribunal did not have the jurisdiction to entertain Vedanta appeals against Tamil Nadu government order and asked Vedanta to approach Madras High Court for interim relief. The Tamil Nadu government, in its petition challenging NGT judgment, said that the main contention was the maintainability of Sterlite plea before NGT and its subsequent order. ◆

OpenTap, the Chennai-based alternate finance (AltFin) growth stage start-up, has announced its tie-up with ITI EdVest, the education-focussed initiative of the Investment Trust of India Limited (ITI). The partnership will conservatively add loans worth ₹25 crore over the next six months. To begin with, the partnership will focus on lending to parents for payment of their children's education and related fees. Open Tap and ITI will then foray into other segments to infuse liquidity in the lives of the blue-collared workforce. The partnership is looking at building a portfolio of about ₹150 crore over the next 24 months. In fact, OpenTap aims to reach ₹100 crore and add 40,000 customers by March 2019. "The partnership with ITI EdVest is a huge milestone for us," said **Senthil Natarajan**, co-founder & CEO, OpenTap. "Our vision of financial inclusion begins with building a better tomorrow, together for our customers. And, we strongly believe that their tomorrow starts with a good educational foundation. ITI EdVest's focus on delivering customised financial solutions to catalyze growth for students and educational institutions will greatly help towards this. We're excited about what we can achieve together." OpenTap is also talking to private banks and leading NBFCs for further expansion to reach more customers in the areas of education, medical and personal loans. The AltFin start-up currently focusses on providing short term credit for the vastly underserved population of the blue-collar workforce, whose monthly income is below ₹25,000. ◆

Mahindra Truck & Bus (MTB) division, a part of the Mahindra group, has launched Furio, its brand-new range of intermediate commercial vehicles (ICVs) with an unprecedented guarantee of 'more profit or truck back'. Furio, with a starting price of ₹17.45 lakh, marks the company's entry into the ICV segment. "The launch of the new Furio range of ICV trucks, with an unprecedented customer value proposition of getting more profit or giving the truck back is a unique and pioneering effort, which reflects our commitment to the segment and confidence in our product," said **Pawan Goenka**, MD, Mahindra & Mahindra. "Today, we are probably the first and possibly the only CV brand in the world to have an end-to-end presence from three-wheelers to 49 T truck. With Pininfarina design, the Furio is set to be a game changer for us". Added **Rajan Wadhera**, president, automotive sector, Mahindra & Mahindra: "The ICV category is highly competitive, making the entry of a new player seem difficult. However, we are confident of making our mark with an unprecedented customer value proposition, focusing on maximising earnings and ensuring the peace of mind of our customers." ◆

India's largest luxury car maker **Mercedes-Benz** has launched V-Class in India catering to the 'luxury multi-purpose vehicle' (MPV) segment. With this launch, Mercedes-Benz now offers a world-class 'luxury multi-purpose vehicle' that combines the highest standards of a passenger car with the functionality of an MPV. "We are excited to kick-start 2019 by introducing an exciting product from our global portfolio, the V-Class," said **Martin Schwenk**, managing director & CEO, Mercedes-Benz India, at the launch of V-Class in Mumbai. "The launch of the V-Class in India firmly underscores our pioneering spirit, as we introduce the 'Luxury Multi-Purpose Vehicle' segment for our discerning Indian customers. The V-Class combines exemplary functionality with luxury appeal, unsurpassed comfort, efficient driving dynamics and uncompromised safety, all of which characterise a Mercedes-Benz. The versatile V-Class is targeted at a wide array of potential customers comprising large families, sports enthusiasts and businesses. In 2019, Mercedes-Benz completes 25 years in India and this milestone will be marked with a wide range of product offensives starting with the V-Class." It will create a new benchmark in luxury travel in India. ◆

Kangana Ranaut and **Ankita Lokhande** were surprise guests at the **BSE** recently. Coming mid-day during the screening of the movie, *Manikarnika*, a ₹100 crore-starrer based on freedom fighter Rani Laxmi bai of Jhanshi, Ranaut came straight from a flight from Germany to be with the staffers. Candidly admitting she did not follow anything about what goes on at the exchange, she said, "This is a totally new experience for me." **Ashishkumar Chauhan**, flanked by his wife and Malini Sanghvi a BSE broker, appreciated Ranaut's commitment and told his staffers to emulate her. "After the movie, all of you should go back to work," he jokingly said. Screening movies at the rotunda off and on for staffers, their families and well wishers is a new initiative taken by Chauhan to keep his employees motivated. ◆

Bank of Baroda has been awarded the Finnoviti Award for '**Fintech Initiatives**' at the **Banking Frontiers' Finnoviti Conference 2019**, held in Mumbai. The award was presented to Akhil Handa, head, Fintech & New Business Initiatives, Bank of Baroda, in the presence of esteemed jury members Anuj Bhargava (consultant, IFC) and M. Narendra (former CMD, Indian Overseas Bank). "Digital Transformation has engulfed the entire BFSI sector," said **Akhil Handa**, as he received the award. "We believe our partnerships with Fintechs would provide a win-win for quick go-to-market. Sure, harnessing the potential of the digital kaleidoscope has been a challenge, but each of the innovations or transformations is aimed at enriching customer experience and en route provides scope for monetisation." ◆

Last fortnight, **Tata Motors** launched its much-awaited SUV, the Harrier. With a starting price of ₹12.69 lakh, the Harrier is truly a global SUV, offering a perfect combination of design and excellence. Engineered on Optimal Modular Efficient Global Advanced (OMEGA) Architecture, it promises to offer exemplary driving dynamics on varied terrains. "We showcased the H5X Concept at the Delhi Auto Expo 2018, with a promise to bring it to the Indian market in early 2019," said **Guenter Butschek**, CEO & MD, Tata Motors, on the occasion of the launch. "I am elated to present to you the Harrier today. With this product, Tata Motors has rightfully entered the premium mid-size SUV segment. The Harrier is a strong proof of our Turnaround 2.0 strategy and it will be a game changer in the market." Added **Mayank Pareek**, president, passenger vehicle business unit, Tata Motors: "The all-new Harrier is our most premium offering yet and will attract aspiring buyers with its stunning design and exemplary performance. The passenger vehicle business is going from strength to strength on the back of new products and the Harrier promises to further strengthen our market presence." ◆

XLRI – Xavier School of Management – one of India's premier B-schools, has laid the foundation stone for **XLRI Amaravati** – its new campus in Andhra Pradesh. The new campus of XLRI Amaravati is being set up in Inavolu Village in Thullur Mandal in Guntur District, Andhra Pradesh, covering a sprawling area of 50 acres. "It is our belief that in emphasising value-based management education, we will be grooming business leaders who will serve as catalysts of change and become responsible leaders of tomorrow that will carve the destiny of a new India," said **Fr. E Abraham, S. J.**, director, XLRI Jamshedpur, on the occasion. "As we recall XLRI's historic legacy of 70 years of shaping global business leaders, we need to look towards the future." ◆

Toshiba, a global leader in manufacturing electrical systems for water supply and sewerage facilities for over 40 years, has announced the name change of its 100 per cent Indian subsidiary – UEM India (UEM) to **Toshiba Water Solutions**. Toshiba acquired a 100 per cent stake in UEM in March 2018. "UEM is already an international company having executed over 400 projects in over 30 countries. With offices in five countries, UEM provides complete, single-source services from design and engineering, to construction and installation of bespoke water, wastewater and municipal water and waste-water treatment facilities across the world. Now with the formal adoption of the Toshiba name, the company will have access to a wider customer base in India and overseas, while reiterating the Japanese quality and commitment that the Toshiba name carries." ◆

Dr Agarwal's Healthcare Ltd (DAHCL) has raised a ₹270 crore investment from Temasek, a global investment company headquartered in Singapore. The investment will be used to expand the Indian geographical footprint of the international eye care chain, along with significant investments in the latest technology for super specialty eyecare. "The Agarwal group is excited to welcome Temasek as an investor. We believe their expertise and support will help our company expand our network of clinics and operations to better meet the growing demand for affordable and quality eye care across India," said **Prof (Dr) Amar Agarwal** (*right*; MS, FRCS, FRC Ophth), chairman, Dr Agarwal's Group of Eye Hospitals. Added **Dr Adil Agarwal**, CEO: "We are looking at adding anywhere between 50-75 hospitals to our network over the next 3-5 years with a major focus on metro cities as well as Tier II and III towns. The expansion will be done through a mix of strategic partnerships, acquisitions and greenfield hospitals. Innovation and technology will continue to be at the forefront of our growth, and we will be investing more in cutting edge technology across our centres. Our aim is to deliver high quality eye care at affordable prices at people's doorsteps." The Dr Agarwal Eye Hospital group has been at the forefront of innovation in the field of ophthalmology. ◆

IIT-**Madras** has joined hands with **Bosch** to launch its centre for data science & artificial intelligence in its campus. Further, the company would be investing ₹20 crore (€2.5 million) over the next five years, to address core challenges in the field. The **Robert Bosch Centre for Data Science & Artificial Intelligence** (RBC-DSAI), inaugurated last fortnight, aims to increase Bosch's AI skill set while creating

societal impact through multi-disciplinary interactions and industrial collaborators on core challenges in Data Science and AI. Speaking at the inaugural function, **Michael Bolle,** member of Bosch's board of management said, "Artificial Intelligence is a core technology for all areas of connected life – from connected mobility to buildings, factories, and cities. The expertise of our Indian engineers contributes to expanding the AI skills set of Bosch." To promote a holistic learning experience for the students, the new RBC-DSAI will undertake foundational research in many areas of AI and data science, namely deep learning, reinforcement learning, network analytics, interpretable machine learning, and domain aware AI. While the primary focus will be given to activities such research projects, knowledge management and setting up collaborative facilities and laboratories. ◆

French software company **Dassault Systemes** has inaugurated a new '3DEXPERIENCE' Executive Centre, in Chennai to showcase software platforms and applications to its customers such as Royal Enfield and Ashok Leyland – with real-time visibility throughout the product development cycle, right from the design to the end result. **Sylvain Laurent**, executive vice-president and member of the executive committee, Dassault Systemes, said that today it is not about 'Make in India', but 'Create in India', and the digital world can improve the real world. This experience centre will offer Dassault's expertise and solutions to help customers digitally re-invent their approach not only to advanced product development and manufacturing but also how the business is run as a whole, said Laurent. Samsonn Khaou, managing director, Dassault Systemes India, said Chennai was the fifth location to host the experience centre. ◆

Manuel Quevedo, oil minister, **Venezuela**, was in the country last fortnight at an energy event in India. He was seeking closer ties with major crude customers to tide over the crisis of US sanctions. Quevedo said his nation wants to sell more crude to India, and that US measures have resulted in a $20 billion loss to the country's economy. He's also the head of state producer Petroleos de Venezuela SA. His arrival in India coincides with speculation over the future of the Venezuelan oil industry. India is set to emerge as Venezuela's preferred customer due to the nation's willingness to pay for crude in cash. Quevedo, who met Union minister for petroleum, Dharmendra Pradhan, said his country's production is now at 1.57 million barrels per day. Venezuela, which currently holds the OPEC presidency, has a healthy

relationship with India, he said at the Petrotech conference. ◆

Mauricio Macri, President of **Argentina**, who was in the country last fortnight said his nation looks at New Delhi as a "partner for the future." Addressing a trade summit Macri said he has had five meetings with his counterpart Narendra Modi in a relatively short time. "We see India as a partner for the future," he said, stressing the relationship is based on complementarity, where the Latin American nation can help with food and energy resources for India's large population. He marked out services, information technology, tourism, mining and renewable energy as the potential areas to deepen the trade ties between the two nations. Macri said Argentina is fast integrating with the world and its attempts have been appreciated by the world at large which is embracing it. He asked businessmen on both the sides to seize the opportunities that exist, affirming all the support from the policy makers. He said companies should also look at opportunities beyond their domestic borders while taking their calls on investing, including addressing the broader opportunities in Asia and the Americas. ◆

"Make in India' is not about protectionism but a programme that gives incentives to foreign companies to easily invest in India and makes greenfield projects easier to establish and is profitable," said **Francesco Pensabene**, trade commissioner, **Italy**, who was in the country to attend the India International Leather Fair 2019 (IILF). "While 'Make in India' does not represent protectionsim, there are some duties and tariff that do not incentivise other sectors to better establish in the country. These penalise companies that can do better in food, machinery and automotive," he added. Industrial and commercial trade between Italy and India is performing well. Italy is attaching the greatest importance to India because "we are really working to become much stronger partners. Partnership is the key to strengthen our bilateral relationships," he said. "We will finish the year with 13 per cent increase in bilateral trade," he said. The backbone of Italy's exports to India is machinery, which constitutes about 41 per cent of exports, he said. He added that Italy is the 17th largest investor in India ◆

Visiting

Škoda and **Volkswagen group India** have inaugurated a new Technology Centre in Pune. The opening ceremony was attended by **Andrej Babiš**, Prime Minister, **Czech Republic**, and other government officials. On behalf of the Volkswagen group, Škoda is leading the 'India 2.0' project, which sets out the Volkswagen group's model campaign on the Indian market. At the new Technology Center, 250 engineers will be developing vehicles tailored to the needs of customers in the subcontinent. Andrej Babiš and other members of his government travelled to Pune for the inauguration ceremony. The delegation was received by **Christian Strube**, member, Board of Management for Technical Development, Škoda Auto, and **Bohdan Wojnar**, member, Board of Management for Human Resources Management, as well as **Gurpratap Boparai**, head, Volkswagen group India. "I am delighted that Škoda Auto is expanding its presence and involvement in India with such significant investments and promising projects. The fact that Škoda is creating great opportunities for the high potential market here in India demonstrates the long-term strategy of the brand," Babiš said. "By opening the Technology Center, we underline our determination to make the India 2.0 project a success," added Strube. ◆

The **Abu Dhabi National Oil Co** (ADNOC) is looking to expand its presence in India by investing in refining and petrochemicals and strategic petroleum reserves, said **Sultan Ahmed Al Jaber**, minister of state, United Arab Emirates (UAE), and CEO, ADNOC. Speaking to the media on the sidelines of Petrotech 2019, Al Jaber said, "India is high on our strategic agenda and expanding our strategic reserve in India will be an item on the agenda to be discussed with our friends and counterparts in India." India, the world's third largest energy consumer, has drawn the UAE's attention. "We are looking at the expanding investment portfolio in downstream sectors, refining and petrochemicals. We are only looking at strategic partnerships given that we can also bring our own crude. India is not just an important market for us, it is our strategic partner. And, we will continue to always look for ways to enhance our avenues of co-operation," Al Jaber said. ◆

Bangladesh's foreign minister **Abdul Momen**, who called on Prime Minister Narendra Modi last fortnight, briefed the PM on recent developments in the bilateral relationship. "The prime minister said India-Bangladesh relations have been on an upward trajectory in the last few years. He reaffirmed India's commitment to work with Bangladesh to build on this momentum during the new term in office of Prime Minister Sheikh Hasina," a press release stated. Momen, who is on his first foreign visit following his appointment as the foreign minister last month, met his Indian counterpart Sushma Swaraj and also attended the Fifth India-Bangladesh Joint Consultative Commission meeting. ◆

Swiss flavour and fragrance company, **Givaudan** inaugurated a flavours manufacturing facility in Pune last fortnight. The CHF60-million (almost $60 million) plant is designed to deliver a superior level of flavours and taste solutions. "After acquiring nine companies in the last four years, we are looking to expand our base in India. Growth for the flavour and fragrance market in India is balanced and growing," **Gilles Andrier**, CEO, Givaudan said. "Our new plant will enable Givaudan to collaborate even more closely with our customers to deliver differentiated solutions and great taste experiences to the Indian market,"

he added. Givaudan's APAC commercial head, Flavours, Monila Kothari, said, "Over the last few years, there has been tremendous growth in the food and beverage industry in India and we have seen sustainable growth in this market. ◆

The three-day trade show of OTM 2019 was inaugurated by **Anil Kumarsingh Gayan**, minister, tourism, **Mauritius,** in the presence of dignitaries from India and abroad. Participants from 55 countries and 29 Indian states exhibited their destinations at the Bombay Exhibition Centre during 23-25 January. The show was a gateway to India's 22 million outbound travellers and allows

travel professionals to showcase their business in India. "I have been visiting a number of countries to attend fairs, and am very impressed with the OTM show in India, and this is my first visit to India. The OTM is one of the important platforms to showcase tourism to the world," said Gayan. Talking about Mauritius tourism, the country is known as a sea destination and he welcomed all Indians to visit the country without a visa. ◆

Goa at crossroads

The mining industry dependents' woes continue

SANJAY BORADE

As the Supreme Court order to shut mining in Goa completes one year (7 February 2018) the Goans are at crossroads. Almost 25 per cent of Goan population has nowhere to go if something is not done soon. The mining companies can sustain the support system to certain extent only. With no revenue forthcoming, the mining firms cannot keep paying salaries and continue with the social investment (CSR) that includes running school, supplying of drinking water, supporting sports and much more.

In the last 10-12 months, the political class promised a lot – including changes in the Mines & Minerals (Development and Regulation) Act (MMDRA) so that the contentious issue of extending the leases can be addressed (the point on which the Supreme Court ordered the closure). One other option promised was to change the Goa, Daman & Diu Mining Concession (Abolitions & Declaration of Mining Leases) Act – Abolition Act. Either of the option would need a stamp of Parliament.

With the last session of Parliament before the general election is over, the feasibility of bringing in the amendments either in MMDR Act or the Abolition Act looks dim, until unless there is a political will to bring an ordinance and help more than 300,000 (25 per cent of population) who are staring at a hopeless future. If an ordinance is brought in then the mining companies, truckers, barge owners and of course the mining industry dependents will get some breathing space.

If the ordinance is not brought in before the model code of conduct (MCoC) kicks in preceding the general elections, then the only option left is the long and painful judicial route. Probably that is what the prime minister hinted on 20 January 2019, when he said that the Centre would not 'lag behind in taking the judicial route' to restart mining operations in Goa. If that is the case, then the Goans can now only sit and pray that the Supreme Court takes up the case on the Abolition Act, which is pending for two decades now.

Legal maze, step by step

- Erstwhile Portuguese government gave concessionaires – valid till perpetuity
- Goa liberated in 1961 – Concessionaires were brought under the earlier MMDRA on 1 October 1963
- Concessionaires challenged the governent's rent and royalty under MMDRA in Bombay HC
- Bombay MC prohibited government of India to levy royalty and rent
- The government brought in Abolition Act and again started levying rent and royalty retrospectively
- Goans went to court and the courts allowed the levies but but prospectively from 1987
- Issue of validity of mining leases for 50 years (till 2037 – starting from 1987) is still pending.
- Concessionaries filed an appeal in Supreme Court in May 1998

Legal maze In this 20-year-old case, the crux of the problem lies with the Abolition Act. The contest under this act is about whether the mining concessions granted by the erstwhile Portuguese government can be considered as leases under the MMDRA, which was extended to Goa on 1 October 1963 after its liberation from Portuguese rule in December 1961.

A part of the Abolition Act was addressed by the Bombay high court when it allowed the government to collect levies retrospectively from 1987. However, the issue of changing the concessions to leases was unaddressed. In 1998, the Supreme Court directed that these appeals would need to await the decision of another set of litigation, which is the *Property Owners Matter* and referred it to a larger constitutional bench that remains pending till date.

The Supreme Court also passed an order in civil appeal no. (1413/1998) and connected matters, to await the judgment in the *Property Owners Association vs. State of Maharashtra (2013) 7 SCC 522*. The matter is since pending.

Unfortunately, in 2018, in a completely unrelated issue, because of no clarity on the issue of leases (or concessions) the Supreme Court shut all mining operations (drawing the legal aspect from the 2015 amendment of MMDR Act).

Whilst the legal entanglement is bewildering on one hand, irreplaceable damage is being caused to the mining industry dependents in Goa on the other due to critical loss of livelihood of masses wholly dependent on mining for sustenance.

In view of the urgent concerns arising out of the plight of the mining dependents, Goa Mining People's

Front (GMPF) has already approached The Supreme Court, seeking justice and protecting their right of life and livelihood, which is enshrined in the Constitution of India. GMPF is pleading to the Court to urgently pick up and decide these 1998 appeals, which is possibly the last strand of hope if the Central government fails to bring an ordinance to amend the MMDRA or the Abolition Act and give an interim relief before the Courts settles the issue.

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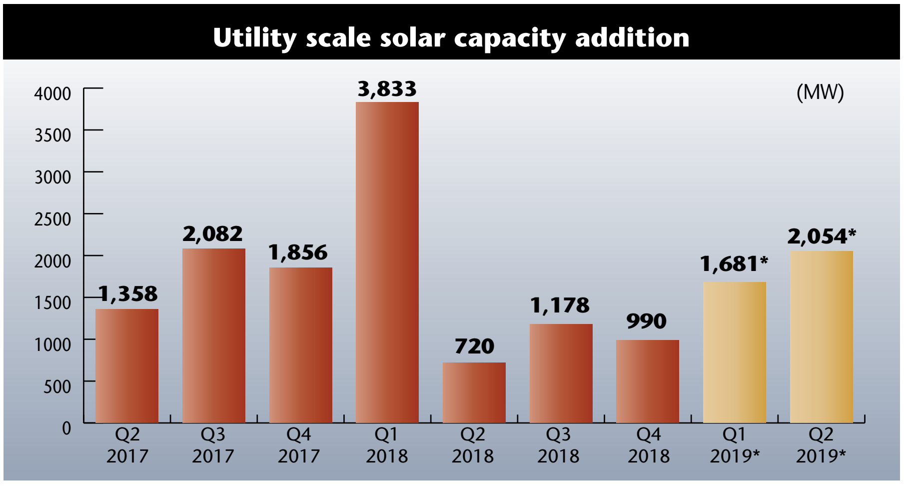

*Estimated; Source: BRIDGE TO INDIA research

SOLAR ENERGY

Momentum lost?

There is no denying the fact that during the initial years of the present NDA government, the aggressive push to the renewable energy sector was one of the key showcasing points reflecting its development agenda. The gigantic target of 175 GW set-up to be achieved by 2022 (solar in the forefront, with 100 GW target) had undoubtedly created an unprecedented buzz making India the flag-bearer of the global drive to align with the non-fossil sources of energy. And there were willing buyers of the government's assurance that India would eventually become a renewable and particularly solar energy powerhouse with private players, including the Chinese module manufacturers, jumping on the bandwagon. But, as the NDA government's tenure inches close to the finishing line, the overwhelming enthusiasm of the recent past has been taken over by some serious concerns. Momentum lost is the defining sentiment prevailing amidst the stakeholders today. "The way things have unfolded in 2018, I don't think the country will be able to achieve the ambitious target of 175 GW by 2022," says Vinay Rustagi, CEO, Bridge to India, a Gurgaon-based solar energy think tank.

The findings of a recent report by the agency lend credence to the momentum lost theory. In the last quarter of the previous calendar year, the total utility capacity addition stood at 990 MW – almost half of 1,856 MW added in the same quarter in 2017 (see graph). The day was somewhat saved by the rooftop segment, which registered a positive growth of 47 per cent, with an addition of 456 MW. But it is no secret to that rooftop is a relatively too small a piece of the pie in the Indian solar business.

Tender blunder What is making the players nervous is the continuing cancellation of tendering by the government. The report points out that "tender design has not met market expectations – 16,725 MW of tenders were cancelled in 2018 and another 9,238 MW of tenders were undersubscribed." For instance, in July Solar Energy Corporation of India (SECI) cancelled 2.4 GW out of a 3 GW Interstate Transmission System (ISTS). Similarly, the Uttar Pradesh New & Renewable Energy Development Agency (UPNEDA) cancelled the 1 GW auction for grid-connected capacity building across the state and a 500 MW project auctioning was also put on hold by the Gujarat Urja Vikas Nigam Limited (GUVNL). "The government agencies, which are auctioning these projects, are expecting tariffs to fall further," points out a senior executive of a leading firm. "But after the initial rush of price-undercutting, the serious players have stopped using low pricing as a tool to make their bids attractive. Their quotes are now more pragmatic aligned to make their projects sustainable in the long run". Reasons Sunil Jain, CEO, Hero Future Energies, "Further tariff decline is not possible. Two years back, when it was happening, the dollar was cheaper (at ₹64) and there was no safeguard duty on solar modules. Those supporting factors have gone. The government should not try to control the tariff. Let the market forces decide". He also points out that states, such as MP, Rajasthan, Andhra Pradesh and Telangana have gone slow in auctioning of new tenders. The report by Bridge to India confirms the absence of price-linked cushions, when it says, "Module prices have fallen to $0.20/ W – down 44 per cent over the previous year. But most of this fall has been offset by a 25 per cent safeguard duty and 5 per cent GST, as well as more than 10 per cent rupee depreciation."

The recently emerged irritants, as Rustagi points out, have made players quite cautious now. "Two years back, we used to notice 30-40 bidders for any large-scale or even medium sized project. Now that number has come down to 8-10. It is not that players have run away. But most of them are watching the unfolding scene from the sideways," says he, while adding that impending elections have added to the uncertainty since not much action is expected in the first half of this year. Jain concurs that the sector will need special attention from the new government after the elections. "I won't say that it would need a fresh push. What will be needed is a more comprehensive ecosystem which should have the answers for the challenges ensuring long-term sustainability of the projects in a financial sense."

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Struggle for funds

Modicare's slashed outlay hits staff sentiment

SANJAY BORADE

A fund squeeze is reported to be stalling the rollout of the Pradhan Mantri Jan Arogya Yojana (PM-JAY) popularly known as Ayushman Bharat or Modicare. One of the NDA's flagship schemes of the government, it is receiving a lesser slice of the pie than it has demanded from the Centre. The scheme aims to provide free health care to 500 million people encompassing different dimension of family health care needs.

According to officials, the scheme's budget has been slashed by at least ₹800 crore. While the National Health Agency (NHA) – the implementation agency of PM-JAY – had demanded ₹7,400 crore to meet the expenditure for 2019-20, the Ministry of Finance initially agreed to allocate close to ₹7,200 crore. But, a fortnight before the interim budget, the Ministry of Health and Family Welfare (MoHFW) wrote to the Ministry of Finance asking it to further cut down PM-JAY's budget, as it was eating into the funds meant for other schemes. The Finance Ministry accepted MoHFW's plea and further reduced PM-JAY's budget to ₹6,400 crore.

While the NHA implements PM-JAY, the National Health Mission (NHM) implements a majority of health schemes like immunisation, setting up health and wellness centres, managing communicable and non-communicable diseases and so on. Separately, the NHM had demanded ₹35,000 crore in 2019-20, of which the Finance Ministry has finally sanctioned ₹26,945 crore.

The MoHFW has been kept on a tight leash by the Ministry of Finance, despite demanding more budget. Last year, the MoHFW had demanded over ₹70,000 crore to meet its expenditure, but was allocated ₹52,800 crore (a decrease of 24.57 per cent over the previous year). This year, it demanded ₹80,000 crore but was given ₹63,538 crore.

Interim finance minister Piyush Goyal now says that the government may provide more funds next year for what was being billed as the world's biggest health care scheme. The government has been claiming that in the last four months of its launch, the scheme has already benefited over 1 million people.

After the funds were slashed, the sentiment in the NHA office was subdued. "Given the way we are ramping up beneficiaries, and also as more states join in, we expect to spend up to ₹12,000 crore in 2019-20," an official said. "And, 60 per cent of it – ₹7,200 crore – is the Centre's share. We need these funds."

Incidentally, the scheme has been struggling for funds in the current financial year (2018-19) too. Ayushman Bharat was announced in last year's Union Budget and the Cabinet had allocated ₹3,135 crore for 2018-19. The NHA planned to spend this amount but suddenly the allocation was reduced to ₹2,400 crore. Of this reduced amount, ₹1,000 crore is yet to be received.

Financial strain

How is this impacting the rollout of Modicare? Slow inflow of funds is delaying the Centre's payments to the states. Up to 28 states and Union Territories are on board currently, and at least 14 states have sent SOSs to the NHA requesting release of funds due to them. Till last month, the Centre had released close to ₹766 crore to states, falling short of the current additional liability of over ₹1,700 crore.

This has put a financial strain on some of the states. Tamil Nadu had written to the Centre requesting reimbursement of close to ₹360 crore, which it paid as premium, on behalf of the Centre, to United India Insurance, earlier in January. "Till date, we have received only a tenth of the total funds demanded from the Centre. They have paid us ₹25 crore for premium amount and ₹11 crore for covering administrative costs, a total of ₹36 crore. We are operating the scheme on state funds," said P. Uma Maheshwari, TN Health Systems' project director.

In another instance, Madhya Pradesh had demanded over ₹100 crore but has been given ₹15 crore till date. NHA officials fear that non-disbursement of Central funds in a timely manner can have a domino effect, if states cease to co-operate.

NHA officials admit that this may have a staggering effect on last-mile delivery to the patient, if states, and then hospitals that provide services, are not paid on time. Incidentally, this was the biggest grouse in the Rashtriya Swasthya Bima Yojana too, the scheme that preceded PM-JAY. Some things never change.

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Ruling low

Food inflation spans worries

SUMEET SAWHNEY

Food inflation has been ruling below general inflation for the last 29 months. This is an unprecedented development in the country's history with both economic and political implications.

Experts point out that the economic impact is reflected, among other things, in the RBI, not only softening its monetary policy stance from "calibrated tightening" to "neutral", but even cutting benchmark interest rates by 25bps on 7 February. This is good for India Inc., among others.

The political fallout of low or negative inflation is agrarian unrest. This is worrying for the ruling dispensation which has sought to redress part of the farmers' grievances though the interim budget. To woo farmers in the rice-growing states, the Centre via the Food Corporation of India has also embarked on an aggressive procurement drive at a higher MSP.

The rural backlash against the Modi government began roughly after May 2017, when the *rabi* crop planted just after demonetisation was getting marketed. The three months from May 2017 to July 2017 periods that saw food inflation sliding into negative territory. A similar episode of negative food inflation has been witnessed since October 2018, which led to the BJP tasting defeat in assembly elections in Madhya Pradesh, Rajasthan and Chhattisgarh. This trend in food prices held lessons for the BJP in the coming months leading to the Lok Sabha polls.

Some experts say that persistent low food inflation is also the reason for the RBI getting its inflation forecasts wrong in the past. The latest CPI numbers for January 2019 show the overall year-on-year retail inflation rate at 2.05 per cent, the lowest in 19 months. Even lower, though, has been the consumer food price index (CFPI) inflation, at minus 2.17 per cent. Indeed, if one were to exclude the CFPI, which has a 39.06 per cent weight in the CPI, the "core" non-food inflation works out to roughly 4.8 per cent. That is more than the RBI's own comfort level of 4 per cent.

As the RBI's latest monetary policy resolution statement has pointed out, "food inflation has continued to surprise on the downside with continuing deflation across several items". While that has, of course, enabled the central bank to reduce its "repo" or overnight lending rate, which wouldn't have been possible in the normal course, the fact is that the central bank continues to get its inflation forecasts dramatically wrong.

In FY17, CPI was 4.5 per cent versus the 5 per cent forecast while CPI rose 3.6 per cent in FY18 as compared to the 4.5-5 per cent forecast. In H1FY19, CPI inflation rose 4.3 per cent versus the last projection of 4.7-5.1 cent; the first projection for H1, made in the 7 February policy review, was an even higher 5.1-5.6 per cent.

In which case, the real question is whether the RBI was hasty in changing its stance from 'neutral' to 'calibrated tightening' in the last policy. Apart from the high repo rate, by keeping liquidity too tight – for fear of inflation – the RBI ensured yields remained elevated. This time around, the RBI has changed its stance back to 'neutral' as it needs to ensure there is enough liquidity in the economy.

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For the RBI to get its inflation-forecast right, apart from re-calibrating its model, it needs to take a careful look at how it forecasts food inflation. Some part of the contraction is due to global commodity prices remaining subdued. But more than this is the skewed surge in domestic food basket production. Wheat and rice production has risen 6-7 per cent over that five years ago, but pulses rose 38 per cent, sugarcane 29 per cent, vegetables 11 per cent and fruits 19 per cent.

Combine this with the large stocks of 16 million tonnes for rice (that is 14 per cent of annual production), 33 million for wheat (33 per cent of annual production) and 3.7 million tonnes for pulses (15 per cent of production) – and the government's willingness to use this to control prices, unlike in the past –and it looks as if India is looking at a secular dampening of food prices; more so since, despite all the promises, there is little procurement by government agencies and, as a result, it doesn't look as if the MSP plan is going to work.

The RBI's new food model, according to experts, will have to build in the impact of high stocks, look at ratios like stocks-to-consumption, and so on. Till the RBI gets its food inflation forecasts right, it will continue to get its CPI forecast wrong.

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Balancing act

Saudi prince's visit underlines challenges

The visit of Saudi prince Mohammed bin Salman to India is seeing both countries do a balancing act, reflective of each other's geopolitical compulsions.

M.B.S. came to India via Pakistan, a country that voiced support for the prince during the international outcry after the killing of *Washington Post* columnist Jamal Khashoggi by Saudi agents. The kingdom has long provided aid to Pakistan, and signed an agreement for a $6 billion assistance package after Prime Minister Imran Khan attended an investment conference in October that saw a wave of cancellations linked to the Khashoggi killing. At a news conference on the eve of the visit, Pakistan Foreign Minister Shah Mahmood Qureshi said he hoped Saudi Arabia will make "a huge and extraordinary investment in Pakistan as a result of this visit".

On his maiden trip to India, M.B.S. was accompanied by a high-level delegation comprising ministers, senior officials and leading Saudi businessmen. The visit by Prince Salman, who is also the vice-president of Saudi Arabia's council of ministers, follows the trip of Prime Minister Modi to Saudi Arabia in April 2016, during which the two sides agreed to further elevate existing strategic partnerships. In recent years there has been significant progress in bilateral cooperation in key areas of mutual interest, including energy security, trade and investment, infrastructure, defence and security. During 2017-18 bilateral trade stood at $27.48 billion, making Saudi Arabia India's fourth largest trading partner.

Saudi Arabia contributes significantly to India's energy security needs by supplying about 20 per cent of crude requirements of the country. Recently, Saudi ARAMCO in partnership with ADNOC of the UAE entered into a joint venture worth $44 billion for Ratnagiri Refinery and Petro-Chemical Project Ltd.

Diplomatic sources point out that M.B.S.'s keenness on ties with India is driven, at least in part, by his desire to box Iran into a corner. With the Trump administration re-imposing sanctions on Iran, the Saudis want to prevail upon countries like India to minimise their dependence on oil imports from Iran, and so squeeze the latter. India has got a waiver from the Trump administration – but this might turn out to be only a reprieve. In any event, India can hardly afford to allow its ties with Iran to erode against the backdrop of the endgame in Afghanistan.

Not a big issue

Though it is unclear what role the Saudis will play in the unfolding negotiations with the Taliban, India has vital stakes in Afghanistan. But the Pakistanis are keen that the Saudis weigh in – not least because of Islamabad's own travails with Washington.

With the 2019 general elections looming, it is also not clear the Modi government has the time and attention to make significant progress on any of these fronts. Also, India would not like to make a big issue of the Saudi prince's visit, considering the different political agenda that the Bharatiya Janata Party's cadres are espousing in states like Uttar Pradesh, where Muslim voters hold some sway.

There is another challenge awaiting Modi. The centrepiece of the Saudi investment plan is the massive refinery complex – capable of processing 1.2 million barrels of crude oil daily – being planned in the Ratnagiri district of Maharashtra. Saudi oil giant ARAMCO and the Abu Dhabi National Oil Company have acquired a 50 per cent stake. But this win-win project has faced serious local resistance. Farmers cultivating the region's famous Alphonso mangoes have refused to give up their land for this project. Besides, there are wider concerns about its impact on cashew plantations and fisheries. Not only have opposition parties like the Congress and the NCP backed the protestors, but ruling coalition partner Shiv Sena has also been vociferous in its criticism of the project. In November 2018 Maharashtra Chief Minister Devendra Fadnavis told the legislative assembly that the process of land acquisition has been stayed. Now if the Modi government is unable to press ahead with the project in a BJP-ruled state, its credibility in attracting further investments from the Saudis (or the UAE) will surely be called into question.

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On a dangerous short fuse

A military conflict may be around the corner between India and Pakistan

BRIJ KHINDARIA

Foreboding is rising in major Western capitals because of the Indian public's rage and Prime Minister Narendra Modi's tough reactions after the 14 February suicide bomber attack in Kashmir that killed and maimed dozens of police personnel. Washington and West European governments immediately accepted that Pakistan's military and Inter-Services Intelligence (ISI) had a hand in the massacre conducted through their proxy terrorist group Jaish-e-Mohammed (JeM). So, everyone roundly condemned the attack while pointing the finger at Pakistan (but they avoided directly placing full responsibility at official Islamabad's door).

The growing fear now is that ISI and its proxies are becoming reckless. Despite the diplomatic language of Western condemnations, ISI can no longer convince anyone that the attack was not its work. It was too well planned, complex and huge for home-grown Kashmiri terrorists. A home-grown militant drove the truck but the logistics, explosive materials and bomb carried the hallmarks of military planning. A few days later, Indian forces killed the senior Jaish commander, who organised the attack and recruited the bomber. The evidence is clear and the Indian narrative of the entire episode is not being doubted by anyone.

The danger arises because, unlike in India, a Pakistani decision to go to war lies with the military alone, since civilians have no say

This is in itself a diplomatic victory for India because, in the past, Delhi has always had to shout loudly to persuade Western powers to accept that Pakistan is the aggressor. President Donald Trump's reaction was immediate and strongly pro-Indian. "The United States calls on Pakistan to end immediately the support and safe haven provided to all terrorist groups operating on its soil, whose only goal is to sow chaos, violence and terror in the region," the White House said.

A two-line Pakistani statement tried to reject the blame, saying Islamabad has 'always condemned heightened acts of violence' in Kashmir. But this kind of shrug-off will not fly because even Britain, France and Germany no longer believe Islamabad.

Western foreboding is heightened because of growing expectations that Trump is preparing to withdraw US troops from Afghanistan in the coming months, which Islamabad and the Taliban will interpret as defeat. That will clear pathways for a Taliban re-conquest of most of Afghanistan. At the same time, Trump is downgrading military relations with Pakistan and may simply leave it to fester in its internal messes. It could limp along as a failing state or fall into China's hands as a subservient satellite.

That would be negative for Delhi, but Trump is fed up. "The US has foolishly given Pakistan more than $33 billion in aid over the last 15 years and they have given us nothing but lies and deceit, thinking of our leaders as fools. They give safe haven to the terrorists we hunt in Afghanistan, with little help. No more!" he tweeted.

Against this incendiary backdrop, nobody wants to see a new India-Pakistan war but much depends on China's actions. If Beijing tries to muscle into Pakistan as the US retreats, some strategists may prefer to see more military skirmishes and battles on the Kashmir border. They think that would indirectly bleed China for a long time because it would then be Islamabad's chief financier and supplier of weapons.

The role of Saudi Arabia, the other great supporter of Islamabad, is causing less concern in Washington and European capitals because Riyadh's rulers are known to dangle grand carrots – such as the $20 billion offered to Islamabad this month – but without following through. Riyadh is also deeply embroiled in a hopeless war in Yemen, trade war with Qatar, defeat of its proxies in Syria and a high-risk Cold War with Iran.

Unlike China, it does not have money and weapons to spare for Pakistan's hostilities with India. In fact, Saudi Crown Prince Mohammed bin Salman is more interested in obtaining Pakistani soldiers for his Yemen war and obtaining missile technology and, perhaps, nuclear weapons know-how through the backdoor, in exchange for the investments he has offered to Islamabad. He would also have to compete with Beijing for influence.

Still, a military conflict may be around the corner between India and Pakistan because of a dangerous short fuse in Pakistan that can lead to devastation. The danger arises because, unlike in India, a Pakistani decision to go to war lies with the military alone, since civilians have no say. Faced by Indian superiority in conventional weapons, a reckless military might decide to 'save its honour' by using some of its stockpiled tactical nuclear weapons. A tit-for-tat escalation would then be uncontrollable. ◆

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Panju's Page By Panju Ganguli

THE SPENDING ON PRADHAN MANTRI KISAN SAMMAN NIDHI YOJANA OR THE TAX REBATE GIVEN TO THE MIDDLE CLASS IS NOT A BURDEN ON THE GOVERNMENT, IT SHOWS THE RESPECT THE COUNTRY HAS TOWARDS THEM

PIYUSH GOYAL
Finance Minister

WHEN WE LAUNCHED HDFC BANK, WE SAID WE WILL BRING THE BEST OF THE NATIONALISED BANKS AND THE BEST OF FOREIGN BANKS TOGETHER...OURS IS A COMPOUNDING STORY WHERE WE GREW IN GEOGRAPHY, ADDED PRODUCT AND MAINTAINED MARGINS...

ADITYA PURI
CEO
HDFC BANK

The Achilles' heel

Corporate governance issues plague Indian companies

Corporate governance issues have become the bane of India Inc, with company after company getting engulfed in the vortex, especially over the last few weeks. IL&FS, DHFL, Sun Pharma, Zee Enterprises, Raymond, Vedanta, ICICI Bank and Jubilant Food are amongst the companies which have come under the scanner of regulators and investors alike. The latter have become so jittery at even a hint of mis-governance that they dump the shares first and think about the rationale later.

It started with the IL&FS crisis, which erupted in September 2018. The institution, rated triple A by rating companies, went belly up due to a liquidity crisis triggered by the imprudent management policies of borrowing short and lending long. Its myriad layers of subsidiaries and associate companies only helped in obfuscating the real picture. And the rating companies too didn't add up the total group debt. Its inability to meet the interest

borrowings was the immediate trigger, which put the institution's operations under the scanner. (see *Business India,* 24 September-7 October 2018). The subsequent dismissal of the board of directors, replaced by a new board, did not assuage the fears of the lenders (and the shareholders!). Even as the lenders to IL&FS are ruing their bad luck, there has been a demand for a parliamentary probe. Many provident funds and risk-averse investors, who had invested in IL&FS are staring at huge losses in their investments.

The collapse of IL&FS saw fear spreading to other lending companies, such as NBFCs, including specialised ones like housing finance companies. Dewan Housing Finance Corporation, the fourth largest housing finance company, has come under the investors' focus. This time around, the rushed sales pressed by DSP Blackrock Mutual Fund of DHFL's debt paper, held by its various schemes, created scare amongst investors – especially, as the sales were effected at a discount over the prevailing yields. While the real reason for the sales being effected by the fund house is not clear, the rationale put out by DSP MF was that liquidity was required to meet any possible redemption pressure emanating in the post IL&FS crisis. There was no reason to believe otherwise, as the debt paper continued to have an AAA grade, given by CARE in September.

DHFL's decline

The stock market, which has an uncanny sense of smelling trouble miles ahead, however, did not buy the argument, leading to the DHFL share price dipping sharply by more than 42 per cent on 21 September. The shares, which had touched ₹667 on 31 August, tumbled to ₹275 by 28 September. The management bravely assured investors of having sufficient funds to tide over immediate liquidity problems. DHFL raised over ₹16,000 crore from September till December. This included ₹11,000 crore through securitisation of its receivables, with the balance coming through fixed deposits, debentures and drawing down on bank lines. It repaid liabilities, largely commercial paper worth ₹18,000 crore till December, even as it raised money from alternate sources and planned to reduce more through divestment of its non-core assets like its mutual funds and insurance companies.

In a bid to conserve its resources, the company sacrificed growth, disbursing only ₹510 crore, a 96 per cent drop over its earlier quarter. While the stock ended at a little under ₹250 on 31 December, the pace of decline again gained momentum over the next few weeks on unsubstantiated reports surfacing that the company has lent nearly ₹30,000 crore to its promoter entities through shell companies, without making adequate disclosures. The funds, it alleged, were used to acquire assets overseas. While the management denied the allegations and termed it 'mischievous misadventure', it also set up an enquiry into the allegations made by *Cobra Post*, an investigative, not-for-profit, media venture. The enquiry is expected to be conducted by an independent chartered accountant. There were also reports that MCA would be looking into the complaint.

Earlier, investors holding 100-200 shares would just sell in the market and get out. Institutions cannot, however, do that

Amit Tandon

IIAS

The jittery market, however, did not wish to take any chance – so much so that the share prices collapsed to a 52 week low of ₹97 on 4 February. Currently, it has recovered to ₹110. There were more jitters on reports of a notice received from the investigative branch of the Income Tax department on 7 February. While there is a general level of discomfort amongst investors about the operations of the company, rating companies are apparently unperturbed. In February, CRISIL rated the short-term borrowings of the company A1+, with a negative implication. In its note dated 2 February, while rating its ₹8,000 crore commercial paper and ₹1,000 crore short-term deposit, CRISIL had stated that, amongst other factors,

Independent directors

Do independent directors really make a difference to the corporate governance of companies?

Satyam, which was a historic case in law, had a envious board of high-profile people. They were still not able to sniff out the fraud taking place over the last 7-8 years. In some other recent cases too, there was no dearth of good independent directors.

It is well to say that a board can be as effective as the quality of information being provided to them. But there is nothing to stop the luminaries from asking for relevant information from the CEO or MDs. As a promoter-run company would; Subash Chandra has listened to the board saying no to the proposal of taking over Videocon DTH or for that matter diversifying personally into an unrelated area like infrastructure? Probably not. The role of the independent director is certainly not to rein in the promoters from pursuing the growth opportunities. But when undue risks are taken by pledging promoters' shares to take on additional risks, the risk-reward opportunities have to be weighed by the board.

"We are trying to simplify it too much," says Nitin Potdar, Partner, M&A, J. Sagar & Co, a leading law firm. "Independent auditors cannot be expected to be detectives or ask for authentication of information supplied." While refusing to comment on any particular case for want of proper information, Potdar however says, "In general any transactions benefitting or tilted or designed to benefit promoters more than anyone else, should be disclosed and as a matter of good practice, consent of shareholders should be

"DHFL has reported healthy asset quality till date, as reflected in low reported gross NPAs of 1.12 per cent as on 31 December 2018 (0.96 per cent as on 30 September 2018). The company's GNPAs, on a two-year lag basis, stood at about 1.6 per cent as on 31 December 2018. Its asset quality in the housing loan segment is supported by a relatively low-risk, granular loan book, supported by focus on low- and middle-income customers in Tier-II and Tier-III cities. The average ticket size being ~₹15 lakh, the loan book is granular."

Related parties' transactions

The stock market, however, acts on perceptions. And, amongst the many hats it wears, one is that of a monitor, which punishes on perceptions and wears the hat of a fact-finder later. In case of Raymond, a report by a newswire agency that the company was selling the fabric to a promoter group company, JK Investors (Bombay) and taking it back at a substantially higher price, saw the share prices dip to a low of ₹693 on 2 February from ₹830 on 23 January. The management of Raymond gave out a two-page explanation to counter this allegation. "All related party transactions are transparently disclosed and are at an arm's length to the ordinary course of business," it said (*see box*).

Related party transactions are proving to be a bone of contention between the promoters' actions and the investors at large. One major grouse is that the promoters, with less than 40 per cent stake, continue to behave as if they own 100 per cent of the cash

Blaming independent directors is easy whenever some issues surface. Everyone has to be made accountable in the system

Janmejaya Sinha
Boston Consulting

generated. They, according to one source, feel that shareholders are mere irritants and the less information the company gives to them, the better. Sometimes, they genuinely believe and argue that their actions are in the best interests of the company and, therefore, the shareholders.

In the case of Vedanta, the issue revolved around the rationale underlying the promoter using the funds of Cairn India Holdings, a publicly listed company and a subsidiary of Vedanta, for funding the purchase of shares of Anglo-American from the unlisted company, Volcan Investments, belonging to the promoter, without taking the consent of the shareholders.

In 2017, Volcan Investments, a private holding entity through which he controls Vedanta, Anil Agarwal, using a clever financial structure, invested in 21 per cent stake in the blue chip Anglo-American plc, a mining company, with a market cap of £27.28 billion, which had interests in gold, diamonds, platinum, copper and coal. This was funded through an issue of notes (purchase of equity via mandatory exchangeable bonds), bearing an interest of 4 per cent, which would get converted into shares at the end of three years – one due on 31 March 2020 and the other on 30 September 2020. The underlying securities were Anglo-American plc shares and benchmarked to a price of Anglo-American, with an upside that if the price goes beyond the marked rate, the investors of the bonds would get the shares and a fixed interest on the notes. The bonds (POEMS) have been guaranteed by JP Morgan, which in turn has secured their interest against a pledge of one-third of the shares held by Anil Agarwal in Vedanta. Anil Agarwal's Volcan used the funds from these notes to buy 21 per cent stake, to become the single largest shareholder in Anglo-American. At maturity, if the shares go above the reference price, Volcan would keep 10 per cent of the upside, with the remaining going to POEMS investors.

Cairn India Holdings, a subsidiary

taken, whether mandated or not by the regulators."

"It is easy to blame independent directors and rating agencies," says Janmeyjaya Sinha of Boston Consulting. "Reacting is not the solution." The regulatory has to give rulings expeditiously and even judiciary should move fast when any lapse of fraud comes to light. "The top man has to be good and no one should be allowed to stay in the position for too long. A method to determine the tenure should be institutionalised depending on the stake held by promoters. And exceptions can be made only in case the promoters hold the majority."

"Financial penalties must be levied quickly in case of lapses. In other countries regulators are sharp on financial frauds. SEBI has to beef up its team to give undivided attention at all times," comments a leading corporate watcher. "There are lapses globally, but unless boards are made criminally liable, the board members will not work diligently and always side with the promoters," is another view. Leveraging limits on pledging of shares should be introduced is another. "Independent directors need to be adequately compensated for the time they are required to put in," says Sekhar Purohit, who feels that "the solution lies in having better alignment with shareholders".

In other countries, hostile funds play the role of watchdogs and pounce on boards where serious lapses occur. They come in and create value for shareholders. India has yet to see such funds making a mark. Shareholders activism is still in a nascent stage and unless it picks up, corporate governance issues which crop up every now and then will not really help in cleansing corporate India. ◆

of Vedanta, invested \$200 million in December 2018 in this structured transaction, with a commitment to invest another \$300 million later, even as the voting rights of Anglo-American plc would continue to rest with Volcan. "The investments has full capital and downside protection to ensure that the interests of Vedanta Limited shareholders are protected." Clarified Vedanta's management. Agarwal rationalised that, in the structured transaction, with the downside protected, Cairn would earn better returns – of 4 per cent – on its cash surplus. And being a cash management transaction, there was no requirement to take the permission of the shareholders either, as the investment was, in any case, below the 10 per cent of the total net worth of the group.

Markets did not buy this agreement. They reasoned that in effect, however, funds from a publicly listed company was used to fund investments of the promoter. Vedanta shares were sold in a big way soon. From a 52-week high of ₹344 on 27 February, 2018 the shares tumbled to a 52-week low of ₹147 on 11 February. The fund managers' grouse was that, with the upside of 10 per cent already enjoyed, Vedanta could only expect to get 4 per cent returns on the huge investments, while the shares would be in the private company of Agarwal. "While the promoters hold about 50 per cent of the stake, can they continue to think that they have control of 100 per cent of the cash reserves?" they ask. The management should have passed a resolution to ensure that no allegations of misallocation of resources were made, said one analyst, not wishing to be named.

In general any transactions benefitting or... promoters more than anyone else, should be disclosed... consent of shareholders should be taken

Nitin Potdar

J Sagar & Co

"We view it as an imprudent capital allocation, as it neither confers voting rights nor ownership of underlying Anglo-American shares to Vedanta Resources," says Edelweiss Securities, in its report titled: *Vedanta – capital allocation concerns surface*, dated 11 February 2019. "And, that amounts to Vedanta shareholders funding its parent and raises concerns of related parties' transactions in the future.

Stricter enforcement

There are lapses all across – in India as well as globally. "What has brought more lapses to the surface is the changing shareholding pattern," says Amit Tandon, co-founder & MD, Institutional Investment Advisory Services. He explains that institutional holdings in companies have gone up markedly, in some cases, having as much as 50 per cent, with the promoters holding 35-40 per cent. "Earlier, investors holding 100-200 shares would just sell in the market and get out. Institutions cannot, however, do that. Regulations to check governance lapses are also tightening up and issues of mis-governance are quickly brought to the fore by advisory bodies like us."

"What happened in the US earlier is happening in India now," says Sekhar Purhoit, MD, First Mumbai Consulting, pointing out to the IL&FS downfall. "In India, the problem goes deeper. What we see is just the tip of the iceberg," he adds. An MBA from Chicago, Purohit has founded the consultancy, which offers advice to boards of directors on compensation services and corporate governance. The problem is not having more laws; it's in implementing the existing laws effectively, he says.

Promoters frequently borrow short-term loans to create long-term assets, says one private equity partner. The lack of funds for putting in more equity results in more borrowings, with them often resorting to inflating capital cost, raw material cost and debt write offs to take money out of the company – in effect, funding the promoter shareholding. "It is clearly a balance sheet mismanagement issue," he points out. "Only in debt-ridden companies do we see problems surfacing; there are no major lapses in debt-free companies."

While this can be true for most companies, even in a cash-rich company like Jubilant Foodworks, the master franchisee of Domino's Pizza, the decision to hike royalty to promoters, including Bhartias (who hold 45 per cent), by 0.25 per cent was not taken kindly by the investors. The rationale of the promoters, that they use the royalty to protect and further the interests of Jubilant, was opposed by proxy advisory firms, who said that people were buying pizzas based on Domino's brand and not Jubilant. And the share prices dropped by 6 per cent to ₹1,293 on 6 February. Though the promoters decided to retract the decision, the share prices have not climbed back to the pre-announcement level.

"Online transparency and the protection given to whistle-blowers is also leading to more cases surfacing," says H.V. Harish, former partner, Grant Thornton, who is now with an ESG fund, partnering Quest in raising funds. "Markets goes by perception and does not wait till problems surface," he adds, pointing out that many companies enjoy a lower P/E when compared to the peers, when markets do not totally feel comfortable with the promoters. Satyam, even at its peak, was always trailing Tata Consultancy, Infosys and HCL.

Pledging of shares

SEBI as yet does not have any provision for regulating mutual funds and NBFC's investments in unlisted companies. Most promoters have set up holding companies in various tax jurisdictions and exercise control through these entities. While a promoter's right to pledge shares is unfettered the impact in case of non-payment of interest or capital can have a destabilising effect of the share prices. This was witnessed recently in case of Reliance ADAG group companies which pledged shares to various NBFCs. Mutual funds also have a big exposure to IL&FS, an unlisted entity. In case of ZEE the promoter has sought time to ensure payment. The point, however, is should the mutual funds be taking such risks. The continuation of this practice will only lead to investors becoming nervous and start monitoring investments of MFs.

Old mindset

The problem in India is that many promoters of listed companies continue to think like the *lalas* of yesteryears and do not align their interest with the general shareholders at large. With markets taking a dim view of such companies, promoters are often forced to take remedial action and furnish reports of such action taken to the shareholders.

In the case of Sun Pharma, a whistle blower's complaint saw the company's share price dip sharply in December and January (it was already declining, due to regulatory problems). The share prices touched a 52-week low of ₹375 on 18 January from a 52-week high of ₹678, touched in September 2018. The main allegations against Sun Pharma was that the audit firm of Valia and Tambadia, which was involved in the stock market rigging case 20 years ago, still continue to audit the accounts of some of Sun Pharma's subsidiaries. Sun Pharma had lent money without security to units like Aditya Medisales, a related company, which was acting as a super stockist for distribution of the company's pharma products.

Dilip Shanghvi went on to clarify several issues – both to the regulator as to the investors. Claiming that the minority shareholders were not disadvantaged by the arrangement with Aditya Medisales, he said that the company was open to unwinding this arrangement and look at direct sales through Sun Pharma or buy out Aditya Medisales at a cost. The audit firm has been changed; anyhow, they only audited subsidiaries whose total contribution was 0.6 per cent. Also, the loan of ₹2,238 crore given to one Atlas Global Trading, where the promoters had significant influence at one time, has been called back. The promoter also denied that Sun Pharma had lent money or stood guarantee for Suraksha Realty, a firm in which Sudhir Walia – Sanghvi's brother-in-law who was on Sun Pharma's board was also a director on board. However,

End of an icon

In March 2018, a whistle-blower's letter resurfaced against ICICI Bank's erstwhile CEO Chanda Kochhar alleging favours towards the Videocon group, a borrower of the bank, in return for private business dealings by the Kochhar family. The board of ICICI Bank initially supported Kochhar against whom the RBI as well as the bank did not find any evidence of wrongdoing. The Justice Srikrishna panel was appointed to look into the allegations after market regulator Sebi stepped into the picture, and Kochhar was asked to go on leave to facilitate the process.

Explanation and answer: On 30 January 2019, following the receipt of the enquiry report, the board of directors of ICICI bank decided to treat the separation of Kochhar from the Bank as a 'Termination for Cause' under the bank's internal policies, schemes and the Code of Conduct, with all attendant

consequences (including revocation of all her existing and future entitlements such as any unpaid amounts, unpaid bonuses or increments, unvested and vested and unexercised stock options, and medical benefits), and require the clawback of all bonuses paid from April 2009 until March 2018, and to take further actions as may be warranted in the matter.

Independent directors on the bank are Rama Bijapurkar, Uday Chitale, Dileep Choksi, Neelam Dhawan, Hari L. Mundra, Radhakrishnan Nair, V.K. Sharma and B. Sriram. It has no promoter shareholding. ◆

Regulatory requirements in place

Apart from the Company's Act, SEBI has put in place a framework for listed entities. Called the SEBI Listing (Obligation & Disclosure Requirement; LODR) Regulations 2015, and amended from time to time, deals a lot with good corporate governance practices. In chapter 2, on principles governing disclosures and obligations of listed entity, it clearly states that: The listed entity shall make the specified disclosures and follow its obligations in *letter and spirit,* taking into consideration the interest of all stakeholders. In the case of Vedanta while the promoters may not be technically correct in explaining that the investment over 10 per cent of the gross turnover was not breached and, hence, neither shareholder needed to be informed nor his sanction taken, but the market feels that the management has clearly breached SEBI's LODR Regulations. It clearly states that, in case of any ambiguity or incongruity between the principles and relevant regulations, the principles specified in this Chapter shall prevail.

despite good performance and solutions provided to vexatious issues, in January itself, the price of Sun Pharma hovered around ₹430 levels.

Independent directors of Sun Pharma included Kalyanasundaram Subramanian, Vivek Chaan Sehgal, Rekha Sethi and Gautam Doshi. The promoters hold 54 per cent.

Zee Entertainment, another bluechip company, was also mired in issues of its own. Having gone into an unrelated area of infrastructure, the Essel group had accumulated huge debts for which servicing could become a problem in the near future. Subash Chandra admitted that they had made mistakes, leading to Essel Infra losing as much as ₹4,000-5,000 crore.

The acquisition of D2H from Videocon was also a mistake. Admitting his mistakes, he has put his jewel in his crown, Zee Entertainment, up for partial or complete sale of his holdings. The jury is still out on whether entering into an unrelated business was a governance lapse or merely a bad business decision on the part of the promoter.

However Chandra's admission and decision to bring in a partner in Zee has been taken by the markets as a sincere gesture on the part of the promoter to pay up his dues. The shares, which had dipped to ₹289 on 26 January 2019 from a 52-week high of ₹610 in May 2018, have recovered. This could be a rare case – of a promoter selling his stake wholly or partially in his crown jewel to meet the payment liabilities of his group company voluntarily.

What has been surprising many corporate watchers is the fact that the companies were getting into mess, despite having good boards and celebrity independent directors. When promoters get into new businesses, are the decisions discussed threadbare in the company's board meeting and is an informed decision taken? While promoters have full rights over their shares, the markets are questioning whether they can pledge the shares with banks and NBFCs to get into unchartered businesses and risk their entire capital. More important, does it put the companies at risk. The promoters' holding is a little under 42 per cent.

In another case of over-leveraging promoters' shares, the entire Reliance ADAG group is at risk, with the lenders selling shares in a fallen market, when the promoter failed to bring in more margins to provide to the borrowers.

Equity funding

One of the issues that historically faced the promoters is equity funding. Given the punitive tax structure of the past, it was almost impossible to get promoter equity. Historically, almost the whole post-independence Indian industry, as we know it today, was in reality built on over-invoicing. Given that the promoters did not have total rights on the cash in the company, their only source of income is dividend and directors' fees. The only way in which they could legally raise capital is through reducing their own stake. Tatas historically had low promoters' holding in the companies. As J.R.D. Tata used to say, "Tatas enjoy their presence due to their rapport with the shareholders. If we don't perform they can well replace us."

However, JRD was held in such respect by shareholders that the legendary industrialist could make such a statement, which none of today's breed of promoters can even think of

It is a clearly a balance sheet mismanagement issue, Only in debt-ridden companies do we see problems surfacing; there are no major lapses in debt-free companies

Sekhar Purohit

First Mumbai Consulting

emulating. The fear of losing a company because of low stock is a serious issue and borrowing funds to beef up equity is not the answer to the problem.

"Equity funding cannot come from borrowed funds," says A. Balasubramanian, CEO, Aditya Birla Sunlife Mutual Fund. "If there is no fear of takeovers, promoters would be happy to dilute their stakes". The free pricing of listed equities, finally allowed only in the 1990s, alleviated the problem. The longer-term solution for this could be differential voting rights. But somehow this concept has not found favour with investors in India and the ones floated by Tata Motors are trading at nearly 50 per cent discount.

Boards under fire

The boards' decisions are invariably intriguing, to say the least. Some of them have the best boards. In the case of Vedanta, its independent directors included K. Venkatraman (earlier MD, L&T), Lalita Gupte (earlier DMD, ICICI), U.K. Sinha (former CMD, UTI and SEBI) and Ravi Kant (former MD, Tata Motors) and Aman Mehta (former COO, HSBC). DHFL had independent directors of the status of G.P. Kohli (former MD, LIC), M. Venugopal (CMD, Bank of India) and Vijay Kumar Chopra (CA and earlier CMD, Corporation Bank). The board of Zee Entertainment has Adesh Kumar Gupta (a CA and CS, who was earlier with Birla) and Manish Chokhani (one of the most respected persons in stock market, who was earlier with Enam). Its other independent directors include Sunil Sharma and Nirharika Vora. The point is that, with such distinguished members on the board, people are today asking 'why was not some restraint exercised on the promoters?'

Many companies enjoy a lower p/e when compared to the peers, when markets do not totally feel comfortable with the promoters

H V Harish

Consultant

Giving a perspective on how boards are composed in the US and how companies are run, Keshav Murugesh, group CEO, WNS Holdings, an NYSE listed company, says that there is a well-articulated board charter there, which each company has to follow. "The board charter is the Bible," he explains, pointing out that a lot of time is spent on selecting a board member, focussing on the type of talent that is required and care given to composing a board that has contemporary knowledge. While board meetings are held quarterly, monthly performance appraisals are given to each member, which actually get discussed at the boards' meetings on strategy, all the time. The three heads of the sub-committees – on audit, compensation and general consul – are held separately and each head spends around 45 minutes trying to explain the decisions taken. "A strong board ensures that there is no *prima donna* monopolising time at the board meets." In the US, there is "serious commitment by board members, who are made accountable for lapses".

Equity funding cannot come from borrowed funds. If there is no fear of takeovers, promoters would be happy to dilute their stakes

A Balasubramaniam,

Aditya Birla Sunlife Mutual Fund

Unlike in the US, the composition of boards here is made sometimes on the basis of a past favour received by promoters or companies. Retired bureaucrats often adorn the board. Celebrity board members, who have never read a profit & loss account end to end, also find place on boards.

The major problem in India is that boards are not made accountable to stakeholders, says a partner with a private equity firm. Till date, no criminal action has been taken against any board. "Boards should be required to align their interest with all stakeholders, including shareholders," says Ajay Garg, founder & MD, Equirus Capital, a full service providing investment bank." The market continues to give better value to well-run boards, with no whiff of governance issues, such as Titan Industries.

It is not just the promoter-run companies that are in the limelight. Even in a professionally managed company like ICICI Bank, with all non-execs being independent directors, the board's actions are somewhat quixotic. The earlier board of ICICI gave a clean chit to its erstwhile chairperson Chanda Kochhar in a related party transaction, which was alleged to be a *quid-pro quo* from the promoters of Videocon. In a filing to the BSE, the board had then stated: "After questions were raised on ICICI Bank chief's involvement in loans given to Videocon group, the bank's board had reviewed the internal process, finding that no individual employee, whatever may be his or her position, has the ability to influence the credit decision at the bank." The clean chit was given by the board a year back in March 2018.

SANJAY BORADE

Boards should be required to align their interest with all stakeholders, including shareholders. The market continues to give better value to well-run boards

Ajay Garg

Equirus Capital

A strong board ensures that there is no prima donna monopolising time – In the US, there is serious commitment by board members, who are made accountable for lapses

Keshav Murugesh

WNS Global

In 31 January 2019, Chanda Kochhar was dismissed by almost the same board in an ignominious manner. Dubbing it as a termination for cause, over alleged links with borrower Videocon, the board asked her to return bonuses received from 2009 to March 2018.

In the case of Satyam, one of the most high-profile cases in recent years, the board was the envy of any other companies, but proved to be ineffective in the face of outright fraud.

What is the solution?

"We are just reacting to a crisis, which is not the right way," says Janmejaya Sinha, India chairman, and a member of Boston Consulting Group. He feels blaming independent directors is easy whenever some issues surface. Everyone has to be made accountable in the system. Regulatory rulings should be expeditious, judicial action has to be much faster. "About 80 per cent of the business wants to do the right thing, despite it being not so easy. We cannot blame every one". The top man has to be good, he adds and the term of the CEOs should have a specified tenure of, say, 8-10 years. In case promoters with majority stakes, this can be relaxed; however, in many cases, problems occur, when the CEOs stay for too long."

Are independent directors adequately compensated for the time they are required to devote? In most cases, the sitting fee for attending board meetings is not adequate and only a fraction of the market cap or turnover or profit earned. But that is a subject for discussion later.

SEBI as yet does not have any provision for regulating mutual funds and NBFC's investments in unlisted companies. Most promoters have set up holding companies in various tax jurisdiction and exercise control through these entities. While a promoter's right to pledge shares is unfettered the impact in case of non-payment of interest or capital can have a destabilising effect of the share prices. This was witnessed recently in case of Reliance ADAG group companies which pledged shares to various NBFCS. Mutual funds also have a big exposure to IL&FS, an unlisted entity. In the case of ZEE the promoters has sought time to ensure payment which the mutual funds have obliged. The point, however, is should the mutual funds be taking such risks either by investing in non-listed companies of promoters or the debt instruments of these companies? The continuation of this practice will only lead to investors becoming nervous and start monitoring investments of MFs.

Currently, markets are the best collective monitors. Till such time as shareholder activism picks up and regulators get their act together, one can depend on markets to punish errant companies.

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The sops saga

Pro-poor politics and socialist slogans are back, as the Congress ups ante and the BJP showers sops on the electorate

In the run-up to the 2014 election, Narendra Modi and his aides had never thought of Rahul Gandhi as a serious political challenger. In fact, Finance Minister Arun Jaitley was, during this period, quoted by *The Economist* magazine as describing the Gandhi scion as an 'empty suit'. Later, the Bharatiya Janata Party (BJP) revelled in calling him 'Pappu' – one who is not smart enough.

The 'Pappu' has now thrown down a fiscal gauntlet by promising, as the aggressive president of the Congress party, a slew of expensive sops for the poor, if his coalition wins the upcoming general election in May. Cashing in on the success of the farm loan waiver card that it used in the assembly elections in Madhya Pradesh, Rajasthan and Chhattisgarh, the Congress is now wooing voters for the upcoming general election with a minimum income guarantee, a pan-India farm loan waiver and an urban employment dole, among other things. This is forcing Modi and the BJP to fashion its economic strategy on similar lines.

Normally, election-eve interim budgets are meant to be a report card on the income and expenses made during the year gone by and the proposed expenses likely to be made in the next few months until a new government takes over. Till now, no interim budget has tinkered with income tax rates. But the interim budget for 2019-20 goes well beyond the niceties of conventional restraint, with the BJP-led National Democratic Alliance (NDA) unabashedly addressing key voter constituencies to shore up its electoral prospects.

The first target, of course, was the middle class, which was beginning to get restive over the last one year. This class had rooted for Modi in 2014. After the 10 per cent reservation in central education and employment opportunities for economically weaker sections in the general category, Modi moved in with new tax provisions to allay their concerns. The budget fully rebates income tax on incomes up to ₹5 lakh a year and also increases the standard deduction from ₹40,000 to ₹50,000. There are other tax cuts as well – on capital gains on property sales, bank and post office deposits, and rent payments – and all are again aimed at the middle class. The finance ministry's calculation is that 30 million tax payers will benefit from the move.

The second target is farmers. For years now, India has been in the grips of an obstinate agrarian crisis, brought about by inclement weather, shoddy agri-infrastructure and by supply outstripping demand, at a time when local and global food prices are at record lows. Food inflation at the wholesale level in India, a good proxy for farm-gate prices at which farm produce is sold, has been negative for months now. The direct income transfer scheme (PM-KISAN) involves disbursal of ₹6,000 a year, in three installments, to farmers with land holdings of less than two hectares. It is expected to benefit 120 million farm households. Assuming that each household has at least two votes, it will amount to 240 million votes. The scheme is to be entirely funded by the Central government – making it possible for the BJP and its allies to exclusively derive political capital from it.

The third is workers in the informal sector, those hit hardest by demonetisation and the implementation of the Goods & Services Tax. By announcing a pension scheme for such workers (including household help) – the Centre will pitch in and match the contributions of individuals – the NDA has sought to address another important constituency. In his budget speech, stand-in FM Piyush Goyal estimated that 100 million informal sector workers will benefit from this scheme.

The pension scheme and the direct income transfer to farmers are effective from this financial year itself (the second, in fact, from 1 December 2018). And the tax sops will kick in from 1 April 2019 The parliamentary election is likely to be held in the second half of April-May. While voters may have been the primary audience, the Interim Budget 2019-20 was targeted at, there was a secondary audience as well – the BJP's own cadre and its allies. Since last summer, things haven't gone the BJP's way – it just managed to retain Gujarat, saw the tables being turned in Karnataka, despite trumping the Congress in the number of seats won, and, finally, lost three key Hindi heartland states, and also some allies. The momentum seemed to be with the opposition. The BJP needed to change the narrative and instill a 'feel-good' factor among its cadres and allies, as they brace up for the coming battle.

The shower of sops is not limited

Goyal: shoring up electoral prospects

to the Central budget alone. There is an unseemly scramble among states to beat the Election Commission's code of conduct, which will kick in soon, by using their state budgets to announce more concessions to win over key constituencies. What's striking about these state budgets is that most political parties believe the best way forward is an expanding welfare state, accompanied by the assumption that growth will take care of itself. This doesn't bode well for the future, as the foundations of our growth remains fragile.

There are reports that the relatively prosperous BJP-ruled states such as Gujarat and Maharashtra are set to 'enhance' schemes for farmers and their budgets will reflect the spirit of the interim Union budget. The Jharkhand government has already promised cash payments to farmers which, along with a similar amount from the PM-KISAN scheme, would give each farmer about ₹12,000 a year. In its annual budget, Karnataka announced another farm loan waiver and simultaneously increased taxes on liquor.

While the cash-transfer model may be popular and politically rewarding, it is unlikely to solve the crisis in agriculture, primarily because the crisis is not just of low incomes in agriculture

Tamil Nadu, once the pioneer of the welfare model, this time saw a budget relatively low-key on sops. A highlight was the state government's intent to lower revenue deficit and borrowing in 2019-20. One thought that perhaps the state's modest economic performance in recent times had served as a wake -up call. But three days after the budget was presented, Chief Minister Edappadi K. Palaniswami announced *suo moto* in the assembly that ₹2,000 will be given to each of the 6 million families living 'below-the-poverty-line' in the state. This would cost the state exchequer ₹1,200 crore. The new scheme came a month after the government had, in an unprecedented measure costing ₹2,000 crore, distributed ₹1,000 cash to every ration card holders as Pongal festival gift.

Genesis of the crisis

With the general election looming large, clearly no party is interested in reforming the structural aspects of government spending. Schemes such as NDA's pension for unorganised sector or West Bengal's financial assistance for unemployed youth overestimate state capacity to deliver and provide opportunities for corruption at implementation stage. It is also well established by now that farm loan waivers are the least effective way of ameliorating rural distress; that's why ruling regional parties such as Telangana Rashtra Samiti (TRS) and the Biju Janata Dal have switched to what are supposed to be cleaner income support package, which the NDA has replicated in the Union budget.

But, "while the cash-transfer model may be popular and politically rewarding, it is unlikely to solve the crisis in agriculture, primarily because the crisis is not just of low incomes in agriculture," points out Himanshu, associate professor, Jawaharlal Nehru University, and an economics analyst. "The genesis of the current crisis lies in the faulty and ad hoc export-import policy, lack of infrastructure and cartelisation and collusion in agricultural markets, which have prevented farmers from realising the market prices for agricultural produce. It is the combination of these, along with the twin droughts of 2014 and 2015, which created the crisis in the first place. It is also true that the crisis worsened due to the sudden shocks of demonetisation and the hasty implementation of GST, which affected the rural economy adversely. Cash transfers do nothing to resolve any of these, nor are they any guarantee of protection against unforeseen events, whether natural or

The challenge of Rahul-nomics

If there is one politician outside the Congress party who has the ear of Rahul Gandhi, it is Sitaram Yechury, the general secretary of the Communist Party of India (Marxist). Though Yechury, like his predecessor Prakash Karat, was never a mass-based politician, Rahul for some strange reason is known to take his advice seriously. Some Congressmen have even heard him address Yechury informally as 'chief'.

Rahul's policy stance in its fundamentals appears no different from his mother Sonia's

So, has Yechury played a part in influencing Rahul's economic thinking? Possibly, say these Congressmen. But then, say these folks, his pro-poor, socialist pitch is also reminiscent of the halcyon days of the UPA, when entitlement-based welfare politics ruled the economy. Rahul's policy stance in its fundamentals appears no different from the Congress of his mother, Sonia, whose early upbringing in Europe gave her the trappings of a social democrat, and famously the Congress fashioned by his grandmother, Indira, who coined slogans like *garibi hatao*. At an election campaign meeting in Gujarat September 2017, Rahul actually listed Indira's bank nationalisation (along with the green and white revolutions) as a major accomplishment of the Congress!

At the same time, Rahul is a great believer in the Chinese development model. He is fond of quoting figures related to employment generated in China, compared to India (under Modi). But China had junked socialism long ago to embark on a market economy strategy.

At a plenary session of the Congress, the party adopted an economic resolution that, among other things, pledged to impose a 5 per cent cess on the incomes of the richest 1 per cent of Indians. The move of 'soaking the rich' has never worked anywhere. The idea that by imposing higher taxes (and cesses) on them, you're seen to be doing your bit for the poor is just the unimaginative manifestation of a 'tax populism' that will keep out taxmen in thrall- and lead to abuse. Also, the Congress needs to remember that the peak income tax rate in India in the 1970s was effectively 97.75 per cent, which took away any incentive to earn beyond a threshold. The effort to boost overall revenues is advanced better by expanding the direct tax base. And, in any case, advancing equity through the tax structure addresses only

policy induced."

Analysts also feel that the cash sops will blow a small hole in the finances of the world's fastest-growing large economy. It is possible that had Rahul's Congress party not upped the ante on populist measures, first in the recent assembly elections and now for the upcoming general election, the BJP would perhaps not have gone for broke. Apart from the Congress-induced sops, there was TRS's Rythu Bandhu scheme, which caught the attention of the Modi dispensation. The scheme, which provides a financial help of ₹4,000 each in both *kharif* and *rabi* seasons to farmers for every acre they own, was said to be instrumental in the TRS's runaway victory in the recent assembly election in Telangana.

Of course, there is no question that Modi needed to address distress in the rural economy, where income growth has fallen sharply under his watch. Half of India's workforce depends on agriculture and it is a key vote bank. Earlier, his government had ruled out a pan-India rural debt waiver, revealing some keenness not to stray too far from a target to bring the deficit down to the planned 3 per cent by March 2020. However, the country will now have to stretch its public finances to accommodate this generosity. India's debt to GDP ratio currently stands at 48.9 per cent. New Delhi's current fiscal position is deceptively tight: off-balance sheet funding is not new but has been steadily rising since 2016, say Ritika Mankar Mukherjee and Sumit Shekhar of local brokerage Ambit. They reckon that more than half of last year's capital expenditure, or about 2.5 per cent of GDP, was funded through state-owned companies in everything from power to railways and estimate that the true fiscal deficit in current financial year is closer to 4.2 per cent.

Equity and debt market investors had been betting on a return of the BJP in some form. With new state-specific one half of the challenge: just as important as determining where the money comes from is directing it productively.

Domestic manufacturing has figured in Rahul's speeches but he seems to be subscribing to the theory that small is beautiful. During his much-publicised tour of the US in 2017, organised by family friend and technocrat Sam Pitroda, Rahul harped on the importance of small business and criticised the large scale manufacturing firms as envisaged in the Modi government's 'Make In India' scheme. In a recent interview to *Hindustan Times* also, he said that India is not going to get jobs from 15-50 biggest industrialists alone: jobs will be generated by 'unleashing the huge potential' of micro, small and medium industries.

This fixation on small being better, a legacy of the 'poor economics' of Mahatma Gandhi, appears to be a retread of failed socialist policies, unless the strategy is injected with concrete steps to create large-scale meaningful employment and get India back to a high growth trajectory. However, in the same interview, he spells out his vision for the same: "Every single district in India has some special skill, capability and a unique product they produce. There is huge amount of skill in India – you go to Moradabad, Kanpur, Surat, Ludhiana, Sriperumbudur. Link these to the manufacturing structure. Give them access to banks, give them support, protect them and see what happens." He cited the example of China, which has taken its traditional knowledge hubs and connected them to the global value chain.


Yechuri: influencing Rahul?

Rahul has advocated state intervention in critical sectors like healthcare and education. In the past, he raised the issue of privatisation of education in Gujarat under Modi, followed by other BJP-ruled states. Of late, he has emphatically argued that healthcare and education cannot be left to the private sector because the country cannot progress without offering this basic support to vulnerable sections of society. "This is a myth that the private sector is better. This is not true. Best institutions in India are set up by the government. Private sector can't match; public sector institutions don't run after profit," Rahul said in an interaction with professionals in Udaipur, in a clear signal that he did not plan to deviate drastically from the Nehruvian philosophy of a mixed economy.

"Which superpower does not offer proper healthcare and education to its people? The goal is that every citizen should feel assured that they will get proper treatment and good education. The problem with this government — and schemes like Ayushman Bharat — is that enough money is not given. For service delivery, infrastructure of public health is required." He has promised more money for healthcare and education in states ruled by the Congress.

Rahul is right in focussing on the need to give thrust to education and healthcare. India's key challenge in fighting poverty is to ensure sustained income growth for majority of its workforce – and that cannot happen until the human development indices improve. This will require a significant hike in education and health expenditure along with a drastic improvement in delivery. This in turn requires prolonged effort and resources without a promise of political benefits in the short-term. It also requires the involvement of the private sector.

But all is not lost. To tackle the hot-button issue of unemployment, Rahul is reportedly seeking ideas from several experts on employment generation and agriculture for his party's election manifesto. According to Congress sources, he has spoken with former RBI governor Raghuram Rajan twice in the recent past, one of which was during his trip to the UAE. It is reported that Rajan has sent a note to Rahul. Many in the Congress, at least those who have been in government, will be hoping that he will make use of the note. ◆

alliances of Opposition parties coming up and threatening to pose a stiff challenge to the BJP, such an eventuality looks less certain. Either way, any largesse promised in the run up to the polls will hamper the next administration's ability to spend on productivity-enhancing reforms that can make a positive long-term difference. That is why Rahul's economic philosophy and its counter-effects assumes an importance that analysts are surprisingly not putting under the scanner.

In keeping with the poll promises, the Congress governments in Madhya Pradesh, Rajasthan and Chhattisgarh did not blink an eyelid in announcing farm loan waivers. While the new MP government announced loan waivers worth ₹50,000 crore, in the neighbouring Chhattisgarh it is about ₹14,000 crore and, in Rajasthan, it's about ₹18,000 crore.

Farm sops

The move has engendered fears that it will adversely impact the combined capital spending of these states and raise their fiscal deficit. States' capital spending is a major driver of investment growth which drives the economy, and historically, it has been higher than capex undertaken by the Centre. For the current fiscal, states' capex is budgeted to be higher by 37.5 per cent. The upshot is that less money will be spent on creating fixed assets like road, schools, infrastructure etc.

However, P.L. Punia, a retired IAS officer, who was Congress general secretary in charge of Chhattisgarh, explains the rationale behind the farm sops. "The situation is such that no political party can ignore genuine demands of the farmers," says Punia. "People used to consider farmers part of the unorganised sector and ignore them. A farmer is a producer of food grains but the cost of their produce gets decided by someone else which is the government. Even if someone

Half of India's workforce depends on agriculture and it is a key vote bank

makes a needle, they decide its cost but a farmer cannot."

"This (Union) government was not willing to listen to their genuine concerns and so, uneconomical farming is happening, which is leading to loans spiralling and they are not able to pay it," Punia adds. "This, too, is the responsibility of the government because they have failed to give them a fair MSP, which can support and meet their expenditure. If farmers are not able to pay their loans because of government's policies, then it is our responsibility to waive off their loans and so we took that decision."

Congress leaders argue that this was one of the party's key poll promises and therefore had to be fulfilled. They say that one should wait for the unveiling of the party's election manifesto. An election manifesto committee, headed by former finance minister P. Chidambaram, is to be compiling ideas which will go into the document. "It will be a people-centric agenda," says a senior Congressman in the loop.

The Congress has now promised a minimum income guarantee (MIG), involving direct cash transfer to the poor, if it comes to power after the 2019 elections. While the political benefits from such an announcement will only be known after the results, the economics behind this appears to be the newly-fangled version of Keynesianism. Congressmen say that deterioration of terms of trade for agriculture, liquidity shock due to demonetisation and squeeze on the informal sector after the implementation of Goods and Services Tax have all contributed to squeeze on the incomes of India's poorest people. All this justifies some sort of stimulus. "We think that giving assurance of a minimum income for every poor family is a way to wipe out poverty. It is after careful consideration that the Congress president has made the announcement," says Chidambaram. He adds that a growing economy like India can easily set aside 1.5 per cent of its GDP for the purpose.

However, the BJP and senior government functionaries have lost no time in debunking the plan, which could cost ₹3 lakh crore (1.4 per cent of GDP). "If you add ₹3 lakh crore to your expenditure, you will once again have double-digit inflation, fiscal deficit will hit the roof, the dollar will be worth ₹100 and the country will once again become a fragile economy. What is the Congress trying to say?" asks Piyush Goyal.

If farmers are not able to pay their loans because of government's policies, then it is our responsibility to waive off their loans and so we took that decision

But an MIG is not all. During a much-publicised public rally in Patna's Gandhi Maidan last fortnight, Rahul announced that, if the Congress comes to power, it will implement a nationwide waiver of farm loans which, according to Edelweiss, could cost another ₹3 trillion crore. The pan-India loan waiver for farmers will be much bigger than the ₹60,000-crore (raised to ₹71,680 crore a few months later) waiver announced by the UPA in the 2008-09 budget. Over 30 million marginal and small farmers were to benefit from the government's amnesty. It is a different thing, as Modi recently revealed, that just ₹51,000 crore out of the promised sum was disbursed.

Critics point out that MIG payouts or loan waivers could actually go against the long-term income share of workers in the economy. For one thing, the outgo won't change with a slump or boom in the labour market at least in the medium term. MGNREGS, if

Palaniswamy: will freebies work?

Punia: can't ignore genuine demands of the farmers

implemented scientifically, has the potential to augment asset creation in India's villages. This compensates for the scheme's inflationary impact on wages. An MIG will increase the reservation wage for unskilled labour without any such positive externality. Poor workers will get some money whether or not they work. In an age where automation is already threatening the growth of labour intensive industries, this could be counter-productive.

Pro-poor posturing

Besides, there is the significant fiscal cost of MIG, which will put pressure on other expenditure heads. Recall the UPA years when the Congress-led government was lauded for providing some relief to the poorest sections of the population? It also reaped political benefits from these policies. But the party ended once global financial crisis created strong headwinds for economic growth, and hence, revenue generation.

Public pronouncements by Rahul, Chidambaram and other Congress leaders on the government's handling of the economic situation have been mostly adversarial, aimed at picking holes in the Modi dispensation. Rahul's first big battle with Modi came on the Land Acquisition Act when he stuck to his guns and won the battle after a bitter political and parliamentary fight. The strategy of allegations of Modi's intimacy with top industrialists, the suit-boot controversy, bank frauds, rising bad loans and the Rafale deal has been crafted to position the Congress president as a pro-poor crusader.

A senior Congress leader says: "Neither Sonia nor Rahul has ever spoken against economic reforms; in fact, both have acknowledged that high growth is a pre-requisite for a sustained poverty alleviation programme. But please remember, both cut their political teeth in a climate that did not allow them to dilute their pro-poor posturing. Rahul's leadership has evolved in difficult times, when the Congress was at its nadir, and he has adopted stridently pro-poor politics to position himself as the antithesis to Modi, whom we think is guilty of crony capitalism."

Some analysts have argued that the ruling BJP under Modi moving away from its putative centre-right position and affirming a centre to centre-left commitment to building a welfare state had actually opened up the political space for Rahul to stake out a more reformist terrain. While Modi deserves credit for several major reforms, in particular, the monetary policy framework agreement, the goods & services tax, and the Insolvency & Bankruptcy Code, it had some time back signalled that the era of reforms on their watch has run its course. And the order of the day will be a push on social welfare.

Rahul could have easily reclaimed the mantle of economic reformer for his party. This could have been a natural corollary to Rahul's criticisms of Modi's handling of the economy, in particular his recent blistering attack on demonetisation and his accusations that the Modi government has failed to create jobs and improve living standards for average Indians. It is one thing to engage in negative messaging. It is another matter to convey a positive message of what he would do better. The commitment to renewed economic reforms should blend with the commitment to social justice. His criticism of Modi would then have carried more credibility. But given the fact that this is the season of sops, it is unlikely that he would don the role of moderniser. As for Modi, the BJP's renewed emphasis on *antyodaya* (empowering the underpowered) indicates that welfarism is back with a bang. So, pro-poor politics alias socialism are back – at least till the elections are over!

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Gaining momentum

SANJAY BORADE

The domestic realty market is all set to consolidate further amidst reform impact

The year 2018 was a crucial period for the domestic real estate sector, as the industry looked to settle down after a series of reforms such as Real Estate (Regulation and Development) Act, 2016 (RERA) and Goods & Services Tax (GST) initiated in the past couple of years. Impacts and results of these reforms were gradually getting felt, even as the industry stakeholders adapted to the changing scenario, where transparency and accountability remained paramount. Reforms such as the Insolvency & Bankruptcy Code 2018, setting up of a dedicated Affordable Housing Fund and the government's nod to allow 100 per cent foreign direct investment in single brand retail under the automatic route have improved the market sentiment further.

The real estate market kept gaining depth and maturity, ushering in an improved sentiment for actual buyers, as also investors who had long been longed for an organised set-up for this imperative asset class. The market entered a consolidation phase and the pace of consolidation is likely to gain momentum further in the current year. Going forward, one can expect to see a more consolidated and organised market, with serious and reputed players delivering quality offerings. Established names are likely to further capitalise on their brand to strike joint development deals with smaller players.

Backed by the impetus on affordable housing, the residential market witnessed a distinct recovery, even as the overall situation remained range bound. The NBFC-crisis adversely impacted the overall sentiment and the overall demand-supply equation. While affordable housing took centre stage in the residential sector, coworking emerged as the new poster boy of commercial real estate. Logistics and warehousing saw significant growth too. Despite minimal new supply in 2018, the retail real estate sector held its own, on the back of favourable FDI norms. Besides conventional sectors, 2018 also saw the emergence of alternate asset beyond senior living. Student housing and co-living, barely mentioned or considered in previous years, drew considerable interest not only from industry watchdogs but also institutional funds.

Roller coaster ride

"The year 2018 was a veritable rollercoaster ride for the Indian real estate," says Anuj Puri, chairman, Anarock Property Consultants. "Despite signs of recovery across segments, the liquidity crunch – further exacerbated by the NBFC crisis – put all industry stakeholders on tenterhooks. Consolidation through mergers and acquisitions was rife in all sectors, completely redefining the concept of 'financial health' among players and drawing clear lines on who will survive the heat. This process will continue throughout 2019, as well".

"The real estate industry experienced the protracted impact of structural reforms undertaken over the last 24 months, such as RERA, GST and demonetisation, which collectively changed the way business is conducted in the country," explains Shishir Baijal, CMD, Knight Frank India. "The Indian real estate sector, while remaining largely optimistic, had its sets of woes to deal with during the year, with various asset classes reacting differently to the global and domestic stimuli".

M. Murali, CMD, Shriram Properties (a part of the Chennai-based Shriram group, in which, PE players have shown significant interest), feels that 2018 was an important year for the real estate industry, after a series of significant reforms. These reforms have definitely put the industry on a consolidation mode, which is seen in several takeovers, mergers, acquisitions of distressed assets and real estate projects. In 2018, mid-income and affordable housing drew a lot of interest and accounted for around 65-70 per cent of the demand. "Government schemes announced in 2017-18 such as 'housing for all' served as an accelerator to the sector, particularly for mid-market and affordable housing categories," adds the Bengaluru-based developer. "However, the real estate industry had its own share of turbulence in the form of the NBFC crisis and the consequent liquidity crunch faced by some of the marginal developers". The developer is now putting up a mega township project (saleable area: 33 million sq ft) at Uttarpada near Kolkata.

"The Mumbai realty market in 2018 reflected a bearish–to-steady trend, with the second half witnessing tighter liquidity situation in general," argues Babulal Varma, MD, Omkar Realtors & Developers. "However, few project offerings with great value within city's micro markets attracted encouraging customer attention. I expect the demand for such value offerings, as awaited by homebuyers, will be positive during 2019. The industry too looks forward to having a more positive liquidity situation during 2019, considering its high relevance to country's economic growth".

SANJAY BORADE

The industry too looks forward to having a more positive liquidity situation during 2019
– Babulal Varma, MD, Omkar Realtors

"The real estate market has proved to be resilient in 2018," observes Irfan Razack, CMD, Prestige group. "Despite witnessing several major policy changes with the implementation of RERA and GST, we have still managed to do well as an industry. There is stress in certain quarters, but the developers who are established, show commitment to corporate governance and transparency are succeeding. With GST and RERA stabilising, the real estate sector is on the cusp of a complete makeover. The buyers and the developers have reconciled themselves to the additional costs, and the market is all set to witness further growth".

Ashish R. Puravankara, MD, Puravankara Ltd, another south-based realtor, is of the view that the recent governmental impetus for affordable housing has started giving results but continued policy stability is imperative in order to derive more pronounced benefits for both home buyers and the economy in general. Real estate industry is one of the most important economic drivers and hence needs to be nurtured with a long term policy framework.

Niranjan Hiranandani, national president, NAREDCO, feels that 2018 had witnessed the sign of revival, with the disruptive impact of policy reforms fading away early. The industry has evolved extremely, with an optimistic impact in terms of accountability, transparency and compliance mechanism balancing the scales with consumer becoming paramount. "The residential segment faces challenges to cope up from the rippling effect of liquidity crisis hit by NBFC blow. Locking up of 70 per cent funds in escrow and postponement in logging sales to save tax burden on under construction property, has created urgency to source out alternative fund avenues for the on-going projects and relieve liquidity-crunched sector on priority," he adds.

Constantly evolving

According to Shailesh Puranik, CMD, Puranik Builders Ltd, a Mumbai-based realtor, the realty market is constantly evolving with consistent progressive policy reforms, new emerging trends and innovation. While most of the reforms were taken back in 2017, the results of it have manifested in 2018. "Overall, the residential market has seen an upward movement and an enhanced investor sentiment. Homebuyers, who were earlier fence-sitters, are now actively looking for homes in cities, as they are sure about their finances. Developers have also gone above and beyond to give a holistic living experience to their valuable clientele. We are optimistic about the future of the industry and look forward to brighter days ahead," adds Puranik.

Kamal Khetan, CMD Sunteck Realty, Mumbai, is of the view that 2018 was a year of progression for real estate towards revival, after facing reforms such as demonetisation, RERA and GST over the past couple of years. With RERA gaining foothold, the sector's identity got transformed as a more organised, mature and professionally managed sector. Within the housing segment, affordable housing has gained the most attention due to the government's proactive policies. "We are hopeful to see a turnaround in the real estate sector

Government schemes served as an accelerator to the sector, particularly for mid-market and affordable housing categories
– M. Murali, CMD, Shriram Properties

in the medium-term, as new launches will only be seen from organised developers with a strong balance sheet and execution track record," adds Khetan. "This will positively impact the luxury residential market as well. Increased buyer confidence and stable prices will ensure strong volume growth being witnessed by the housing market".

Puri of Anarock Property Consultants informs that, though the fallout of RERA and GST was still visible in 2018, the dust had begun to settle. With developers and brokers accepting the new market realities and beginning to fall in line, the residential sector began to regain visibility and viability. Transparency and accountability – never the defining characteristics of Indian real estate – became the 'new normal' during the year, and the market reacted positively. Almost 81 per cent respondents in Anarock's Consumer Survey, which covers both resident and non-resident Indians (NRIs), believe that Indian real estate has become more credible and efficient.

"Though sales and new supply picked up q-o-q across the top cities, the issue of stalled projects showed few signs of resolution in 2018," the consultant feels. "However, a number of landmark court judgments strongly indicated that the Indian legal system is awake and aware of the problem. 2018 was a year where consumers, previously held hostage by lack of efficient regulation, finally felt that they are being heard and represented. As is always the case, the process of resolving a problem starts with acknowledging that a problem exists". The average property prices remained largely static across the top seven cities in 2018, he adds. In fact, average property prices at the pan-India level saw only 1 per cent increase in 2018 to ₹5,545 per sq ft, from ₹5,491 per sq ft in 2017. At a city-level too, average property prices hovered mostly around the same levels in 2018, when compared against what was recorded last year. Q-o-q trends also suggest that there was no headwind change across cities – remaining well within 3 per cent.

Emerging areas

According to the data by Anarock, the new launch supply across top seven cities is estimated to be over 193,000 units by the end of 2018, as against over 146,000 units in 2017 – thus, there was an increase of 32 per cent, despite all headwinds. Affordable housing accounted for a lion's share of this supply, with over 41 per cent of the new supply coming into this category. Housing sales in 2018 are estimated to be about 245,000 units, as compared to about 211,000 units in 2017 – an annual increase of 16 per cent. Unsold housing stock saw a decline of a modest 8 per cent at 687,000 units in Q3 2018. Ready-to-move-in properties garnered maximum buyer interest, with Anarock's Consumer Survey indicating that 49 per cent of the property seekers are intent on buying RTM homes.

"With the government's recent proposal to rationalise GST in residential real estate, we believe the under-construction segment is going to see further traction in 2019," remarks Ramesh Nair, CEO & country head, JLL India. "However, housing prices are likely to remain range-bound across most key markets. Other than affordable and mid-segment housing, evolving segments such as student housing and co-living are increasingly attracting investors. With a millennial population of over 40 crore these housing models hold significant potential in the Indian market".

SANJAY BORADE

Continued policy stability is imperative in order to derive more pronounced benefits for both home buyers and the economy in general
– Ashish R. Puravankara, MD, Puravankara Ltd

The office market exhibited a healthy growth of 16 per cent in 2018, with net absorption estimated to cross 33 million sq ft during the year. This trend, according to Nair of JLL India, is likely to continue, with net absorption expected to surpass 37 million sq ft by the end of 2019. Signalling good news for occupiers and investors, demand for offices remained high across key markets. The demand traction was supported by a strong supply pipeline with new completions in 2018 estimated to be at 38 million sq ft, resulting in stable vacancy levels. The new completions, the global property consultant believes, are expected to further strengthen in 2019 and cross 43 million sq ft.

Bengaluru has dominated the net take-up in office spaces, followed by Mumbai and Delhi/NCR. These three markets accounted for 66 per cent of the demand in office spaces across the top seven cities in the country.

Structural reforms and a refined framework for establishing Real Estate Investment Trusts (REITs) have propelled developers to build quality offices. Positive developments such as the listing of REIT by Blackstone-Embassy JV, which is likely to happen in early 2019, will open the market for similar REITs by other players. "As the focus gradually shifts to the development of modern offices that meet the aspirations of new age occupiers, the market will see more such supply in the coming quarters," says Nair. "Hence, there will be a change in the proportion of Grade A stock in the decentralised markets. This would result in the emergence of alternate central business districts (CBDs) in and around cities".

"In terms of market traction, commercial real estate has retained its status as the most buoyant sector in 2018 across major cities," informs Anarock's Puri. "Demand for Grade A office space saw new highs and vacancy levels declined in prime locales. India's first REIT listings, now expected to happen in early this year, will result in massive liquidity infusion into commercial office spaces. This, in turn, will prompt commercial property developers to focus more on this segment to fulfil demand from occupiers across the IT/ITeS, BFSI, manufacturing and co-working sectors".

"The year 2018 has seen the real estate sector finally on the road to recovery with the effects of the progressive policy reforms gradually manifesting," says Vinod Rohira, MD & CEO, commercial real estate & REITs, K Raheja Corp. "The current market is more mature, owing to the enhanced transparency and accountability and the trust deficit between home-buyers and developers has been largely alleviated paving the way for long-standing relationships. The vast industry, which includes commercial – office spaces, retail, logistics and warehousing – and residential spaces have seen improvement in the demand and sales velocity".

After a subdued 2016 and 2017, India's retail market has seen a revival in 2018. In the past, growth of the retail segment had slowed due to a weak consumer and investment sentiment. However, favourable policies from the government, consolidation of large as well as small e-commerce players, technology disruption and ease of shopping, increasing consumer base, and the entry of foreign retailers have made the environment conducive for growth, says Nair of JLL India.

Reformative policies

As per the JLL estimates, the retail segment has witnessed the completion of 3.1 million sq ft of new space during 2018. Against this, almost 3.9 million sq ft of space was absorbed during the year. While the net absorption is expected to almost double in 2019 as comparison to 2018, new completion is likely to be over three times in the coming year. This would significantly add to the existing supply.

SANJAY BORADE

Consolidation through mergers and acquisitions was rife in all sectors, completely redefining the concept of financial health
– Anuj Puri, CHAIRMAN, Anarock Propertiy Consultants

"Reformative policies such as clarity in taxation through the introduction of GST, easing of entry norms for single-brand retail, rationalisation and consolidation of mall space, and omni-channelling by retailers have added to the overall growth of this segment," says Nair. And, as per Anarock data, the top cities with significant retail growth in 2018 included MMR, NCR, Bengaluru and Hyderabad. New retail supply in 2018 was limited to 5.1 million sq ft. Interestingly, Tier 2 & 3 cities too have played a significant role in India's retail growth story in 2018. Saturation of the metros due to limited space availability, mounting rental values and escalating infrastructure issues fuelled retail growth in smaller cities like Ahmedabad, Thiruvananthapuram, Bhubaneswar, Jaipur, Lucknow, etc.

The logistics & warehousing sector also has transformed rapidly in 2018 after the government granted the coveted infrastructure status to logistics in November 2017. In fact, warehouse stock supply is expected to see substantial increase over the next two years owing to implementation of GST, the government's determined infrastructure push and increased interest from national and international investors. Overall, strong economic fundamentals, proactive reforms and increasing use of technology will continue to boost the sector.

"While 2018 saw consolidation in the Indian real estate market, as the stakeholders adapted to some irreversible paradigm shifts and initiatives aimed at streamlining the sector, the new year will be much better year for business," Bijay Agarwal, MD, Salarpuria Sattva group, Bengaluru. "The primary focus for developers in 2018 was to dispose existing inventory and launch few new projects, however in 2019 we are optimistic to launch more projects across metros".

Madhusudhan G., CMD, Sumadhura group, another south-based realtor, says that the government has also taken steps by announcing certain amendments in the taxation and regulatory features which will definitely help the Indian real estate grow. RERA is streamlining the real estate, ensuring that the buyer gets full value for the money spent in buying a home. The Central and various state governments are also announcing single window approvals for real estate. If the same becomes effective, it will contribute significantly to the growth of the industry. "Though the expectation of the real estate industry was quite high, developers have been facing challenging times due to GST, extra surcharge and non-availability of funding," comments Manju Yagnik, vice-chairperson, Nahar group. "On the buyer segment, the sentiment has been inclined towards compact and affordable housing projects. But, due to a lot of affordable housing projects being still under construction stages, the buyers have been adopting a wait-and-watch policy, due to high tax components on under-construction homes."

"The year 2019 will be both challenging and opportunistic and the ones likely to succeed are those who embrace the changing market dynamics," forecasts Surendra Hiranandani, founder & director, House of Hiranandani. "The lack of credit off-take, compounded by the current NBFC crisis, has been a cause of worry for stakeholders in the sector. Despite the concerns, the economic indicators have remained positive with India's GDP growth rate pegged at 7.3 per cent and inflation been reined in at 4.8 per cent in 2018. However, more efforts will have to be put in 2019 to maintain the existing momentum. To sum it up, 2019 will start on a cautious note due to the upcoming elections, but will pick up significant momentum thereafter, in all real estate segments."

With GST and RERA stabilising, the real estate sector is on the cusp of a complete makever
– Irfan Razak, CMD, Prestige Group

All in all, the current year will be range-bound, with liquidity crunch to continue until H1 2019. Consolidation to gain momentum, even as new housing project launches will be muted. Affordable housing will be the area of interest for most of the builders. Ready-to-move-in housing will remain centre-stage, while the rental and managed living model (such as co-living) will gain traction. New sub asset classes such as warehousing and logistics will gain further prominence.

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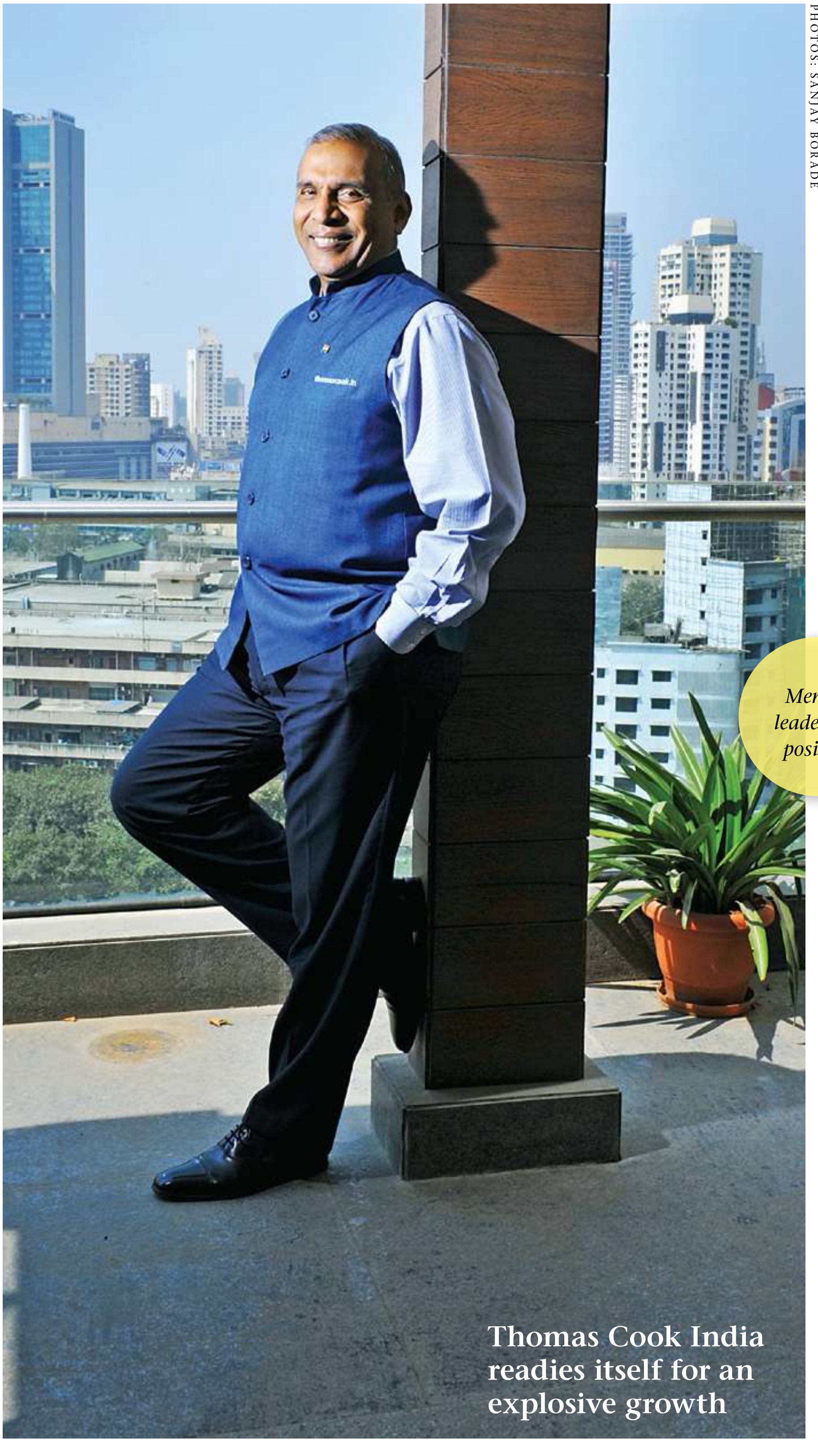
Scripting a new story



PHOTOS: SANJAY BORADE

Thomas Cook India readies itself for an explosive growth

Though it did not lack positive indicators, the third quarter results for the current fiscal did not bring comforting moments for the top brass at Thomas Cook India – the country's leading firm in the integrated travel play. The deconsolidation of Quess, a group company, in the concluding quarters of the previous fiscal had added substantial exceptional earning to its kitty last year. But with that piece missing this time, questions were raised on its current performance. "The number which we have announced does not compare with the number we announced a year earlier for a variety of reasons," Madhavan Menon, CMD, Thomas Cook India, had commented in a television interview. "In consolidated number a year ago, we had Quess being consolidated into its entirety in our numbers. But this time, we are not consolidating its entire number as they have become an associate partner".

Menon: leadership position

Senior officials of the company also strongly underline that the number puzzle should not be seen as a momentary irritant, as many analysts have resorted to while explaining its recent performance. "We are a debt-free company on a sound wicket in the midst of synergising our operations, which have significantly expanded after 2012," asserts Mahesh Iyer, CEO, Thomas Cook India. The year 2012 had indeed been critical for Thomas Cook India, as the Canadian firm Fairfax Financial Holdings, led by Prem Watsa, had stepped in during this period, buying the controlling rights from the British parental firm Thomas Cook. And, since then, there have been a spate of mergers and acquisitions both within the country and outside which have significantly expanded the operational ambit of the company. "Both Thomas Cook and Cox & Kings, with the original stronghold of foreign exchange services and decades of existence in India, have contributed immensely in the growing travel and tourism business. Thomas Cook has grown significantly in recent years aggressively, taking the inorganic route, while the latter has grown more through organic means," observes Subhas Goyal, former president, IATO, and a travel industry veteran. "Thomas Cook, though essentially a foreign exchange company, has invested heavily in technology and consolidation of other verticals in recent years," adds Navin Berry, founder, SATTE, South Asia's biggest travel show.

Horizontal & vertical expansion

"Today, you can call us an Indian MNC, with our footprint in 25 countries across four continents," says Abraham Alapatt, group president, marketing, Thomas Cook India. Talk to anybody in the travel business and he will tell you that, prior to change in controlling hands, the company was broadly recognised as a subsidiary of global travel giant Thomas Cook, with India-centric services in foreign exchange, outbound and inbound services. But, from being part of a larger global piece, to changing into an evolving global player in its own rights and adding smaller pieces across several countries, has resulted in a dramatic change in terms of market positioning.

If the topline numbers are to be considered as the basic parameter to judge Thomas Cook India's post-2012 growth, the company would certainly pass with flying colours. The consolidated revenue of the company has shot up to ₹11,412 crore at the end of 2017-18, as against ₹1,305 crore in 2013 (see graph: *Consolidated financial highlights*). Its bottomline level has also managed a similar kind of spike during the course of the last five-six years.

The sudden growth in size for the enlisted firm was mainly the result of a spate of acquisitions it has made, almost across its verticals – forex, outbound, inbound, destination management services (DMC) and also

Iyer: we are on a sound wicket

domestic, where it is seeking to make larger penetration. The notable acquisitions which it has made in the recent past include: Quess (now deconsolidated but a strong player present in five verticals) in 2013; Sterling Resorts in 2014; and Kuoni's travel business in India and Hong Kong in 2015. The deal brought two formidable names into its fold – SITA and SOTC, earlier held by Kuoni, the Swiss travel major, which had decided to exit tour operating businesses globally. "Thomas Cook and SOTC were legendary rivals in the outbound space earlier," recalls Berry. In the same year, TCI had acquired luxe Asia (Sri Lanka). The year 2017 saw another round of aggressive buying – this time primarily of destination management companies across Asia-Pacific, the Middle East and Africa (see chart: *Brands under Thomas Cook India*). These companies have typically been partners of Thomas Cook in the past, providing support on the ground to its outbound customers. By end 2017, there was another significant decision on acquisition made – the buyout of Tata Capital-owned Tata Capital Forex and TC Travel and Services. "Our acquisition of Tata Capital's Forex and travel companies serves to further strengthen the Thomas Cook India group's leadership position in the travel & foreign exchange sector in the country. This also gives us the opportunity to continue to serve the strong corporate portfolio of both Tata Capital Forex and TC Travel Services – covering large corporate houses, including flagship Tata group companies, as also a set of new retail customers," Menon had commented then.

On a cumulative basis, Thomas Cook India has spent about ₹1,500 crore since 2012 in acquiring companies. And, according to Abraham Alapatt, their approach in selecting a company has been driven more by the analysis of their management quality than financial numbers. "These decisions have been taken after the analysis of their management strength," says Alapatt. "Earlier, we had to partake a substantial part of the outbound deal margins with local partners in different countries. But after acquisition, the margin is coming to our kitty". In most of the cases, the basic team or the original promoters of the acquired firms have been retained, he adds.

As it appears, Thomas Cook India today is a conglomeration in the travel business, with several components being added from outside. "I think the basic challenge for them is to consolidate the mergers and acquisitions they have done in the recent past. But the two things that work for them are – one, their parental firm is deep-pocketed and, two, they have good managers in their pool to run the show," observes Goyal. And, according to Iyer, synergising all the collected components through the buyout route is the basic task before the management right now and it has considerable success on this front. "Most of the companies which we have acquired for destination management services abroad have begun doing well," he points out. "Our revenue on this service has grown by 16 per cent in the recent year. Our Dubai, US and Hong Kong units are profitable. And we expect our units in Africa

Financials *(₹ in million)*

	2013	2014-15	2015-16	2016-17	2017-18
Revenue	13,054	32,863	61,570	88,468	114,116
Expenditure	12,031	31,153	60,623	86,483	111,629
Ratio (%)	92	95	98	98	98
PBT	1,022.6	1,710	9.3	1,986	60,908
PAT	687	1,123	(585)	861	61,314
Equity shareholders' funds	6,888	13,337	12,477	19,863	86,714
EPS (Basic)	2.64	3.56	(1.60)	1.18	163

to become profitable by the end of the current year".

In terms of customer base, the company claims to have served nearly 1.8 million retail customers last year and has nearly 4,500 corporate clients. "Our B2C to B2B business is currently in the ratio of 60:40," informs Iyer. And verticals like MICE are increasingly gaining in strength. "MICE is a steadily growing business for us and we have become a dominant player in the space. For leading Indian corporates and MNCs, it has become an effective tool to incentivise their employees by taking them out and we are making the most of this trend," points out Alapatt, while informing that the company had recently organised a large trip for 2,800 employees of a client.

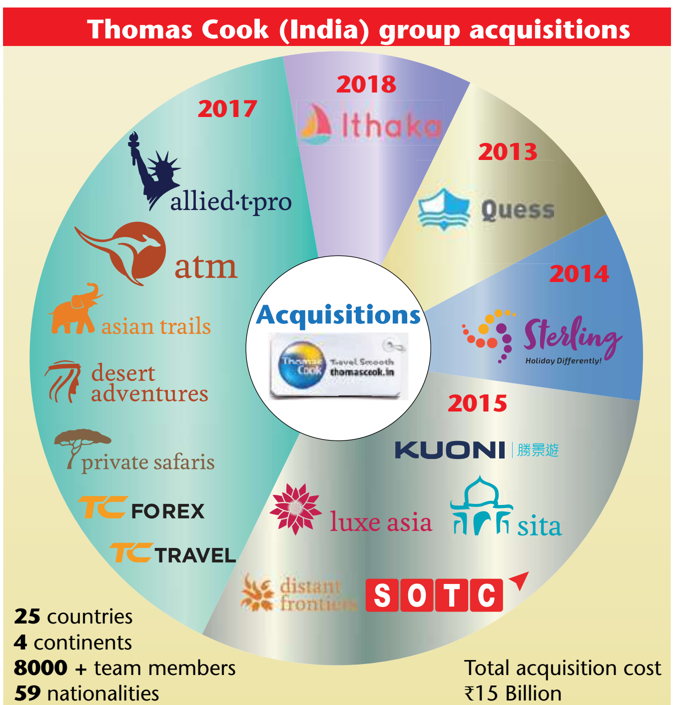
Blessing in disguise

A popular perception in the travel & tourism circle is that, even with formidable presence for a long time, companies like Thomas Cook has been laggards in adopting technology and efficiently integrating it in their interface with the customers. Coming from nowhere, a company like MakeMyTrip (MMT) and others in the OTA (Online Travel Agencies) space have completely changed the dynamics for travel bookings for consumers in the last one-and-a-half decades. It is no secret that a player like MMT, which is credited to have ushered in online retail sales in the country is more popular today and also that OTAs have expanded their offering portfolio significantly to include hotel, railways, and even complete holiday package.

Alapatt admits that the company was somewhat late in showing its technological inclinations. "Yes, we were late," he acknowledges. "And there are two primary reasons for it – the parental firm was not big in technology even in its own backyard before 2012; and, secondly it did not have enough funds to give us to cover the huge marketing cost involved". The opportunity to build a sound online base emerged after the Fairfax entry. Alapatt, however, underlines that the late moves vis-à-vis technology adoption could well have been a blessing in disguise. "By then, we had seen what had happened in the market," he explains. "We realised focussing on low-cost airlines ticket for the domestic sector is a zero sum game. The players are buying in bulk and then they are discounting it. And they are spending tonnes of money in marketing. We decided we will not go after selling airlines or hotels, we will sell the packages". A customer still has the option to buy an airline ticket on the Thomas Cook platform but the company is not aggressively promoting it, he adds. "While building a technological base, the company has done well to stick to its core of selling end-to-end holiday packages and not some components of the travel value chain. Comparing them with MMT is unfair," concurs Berry.

The company claims it has initiated a host of technology driven functionalities in the recent years. These include an integrated customer self-service module for both the holidays and the forex apps (the customers can track their booking status, visa applications, etc); a dynamic FIT package building platform called Voyager; a web-based self-booking tool Click2Book; a unique travel management tool called iBook for corporate clients; a new SOTC customer service app named Engage, which claims to provide personalised service to travelers; etc. Earlier, the company had also taken a lead in launching pre-paid multi-currency forex cards. On the back end technology side, the company has initiated Tejas, a sales analytics programme, in partnership with Accenture, and a CRM integrated app – iLead, for holiday sales agents.

"Our digital initiatives have begun showing results," informs Iyer. "Today, 24 per cent of our short-haul packages are sold online". Adds Alapatt, "Online is a new addition for us and we are committed to harness it further. But our strength lies in our omni-channel strategy, the facility for customers to walk in our physical stores if they have any issue. Visa and forex facilitation requirements can't be completely fulfilled online. Even online players are realising this and some of them are talking of also going offline," adds Alapatt. The company is at present operating over 550 physical stores worldwide (inclusive of 13 airports) across its 25 countries footprint. In India, it is managing 432 stores (inclusive of 11 airport counters), 218 of which are operated by its partners.



The new frontier

Traditionally, players like Thomas Cook and its nearest rival Cox & Kings have been believed to be travel firms averse to getting too aggressive in the domestic tourism business. Fragmented with the overwhelming presence of local players and low margin business character were cited as the key reasons for these firms playing the domestic game on a low base. But not anymore. "Three-and-a-half years ago, we decided to aggressively get onto the domestic tourism bandwagon and we have invested in creating a momentum," Iyer underlines. "We know this is a big-ticket opportunity". Reasons Goyal: "In terms of volume, our inbound arrivals have crossed 10 million, outbound is close to 25 million and domestic is over 200 million. It includes large pieces like ‘religious’ and ‘budget’. Who would like to miss this opportunity, even if the margin is still low in the business?” According to an analyst one of the key reasons for inclination towards domestic is the not-so-encouraging numbers on the inbound front, despite the India growth story finding buyers in the international market. And that has compelled firms like Thomas Cook to toy with opportunities in the domestic circuit.

Integrated holiday packaging players are finding more customers opting for their domestic offerings, observes Pavethra Ponniah, VP & sector head, hospitality, ICRA. “The rise in disposable income is opening new opportunity for pure holiday players,” she says. “A recent study indicates that about 70 per cent occupants of 4-star and above category hotel rooms in India are now locals. So, there is an increasing tribe of customers who are willing to shell out more for better experience in the domestic circuit”. Alapatt says the company in the domestic circuit is leveraging on its reputation for delivering better quality services on the outbound. “Our own analysis says that the upper middle class or the affluent class is going out on two vacations every year – one, a long-haul vacation to a foreign destination and, two, a short holiday to some domestic location,” he points out. “And those who have experienced our services on an outbound trip are likely to avail our domestic offerings too. We are targeting this class of travellers”.

“We have a host of products ranging from Group Tours to FITs,” says a senior functionary of Cox & Kings India. “We are in the education space, where we take school children for holidays within India. In the last two years, we have opened up new verticals to tap into the domestic market”.

Thomas Cook on its part is seeking larger penetration in the domestic segment based on packages drawn around adventure destinations, festivals, religious and cultural events (it also offers Kumbh Mela package), honeymoon, etc. “Today, we have the largest portfolio for domestic holiday packages,” claims Iyer. “We understand that

Alapatt: online is a new addition

domestic travelers are moving from sight-seeing to experience, considering the growth in millennial volume. And we are responding to that demand through our offerings in the domestic circuit”. The domestic business for Thomas Cook India, however, is at present small. “ Right now, its contribution to our topline is in single digit but the segment is going through the roof and we will further build momentum through more innovative offerings,” adds Alapatt, exuding confidence.

Along with making a larger penetration into the domestic tourism segment, Thomas Cook is eyeing breakeven level for its e-commerce business. “We are likely to reach there by the end of the next fiscal,” says Iyer. “About 26 per cent of our holiday package sales and 12 per cent of the overall retail sales come through online. It will be further strengthened. We are looking at larger incubated online business”. And, as per an internal strategy drawn by the company, the broader target is to double in size (topline) by the end of 2021-22, he adds.

Quess impact

The deconsolidation of the Bengaluru headquartered Quess, which is present in five business verticals (industrials, integrated facility management, people services, global technology solutions and internet business), however, is likely to have some impact on Thomas Cook India’s balance sheet in the near to medium run. The stepdown subsidiary of Fairfax Financial Holdings, held through Thomas Cook India, had affected its numbers in Q3, 2018. The company’s stake has come down to 48 per cent from 72 per cent and in the 11 month period for the previous fiscal, Quess’ contribution to Thomas Cook India’s kitty (before deconsolidation came into the effect) was as robust as ₹5,689 crore out of its total income figure of ₹11,412 crore. With the stake now going below 50 per cent, a smaller portion of Quess future earnings would be contributing to Thomas Cook India’s topline. “It may have a bearing on our topline,” admits Alapatt. “But our bottomline would continue to grow robustly. Look at our Q3 numbers and you will find our core verticals doing well in increasing profitability on several parameters,” he adds. The company reported consolidated PBT for Q3 2018-19 (post deconsolidation of Quess Corp) increasing by 42 per cent to ₹21.6 crore from ₹15.2 crore in the corresponding quarter in the previous fiscal and by 16 per cent to ₹71.4 crore from ₹61.7 crore for the nine month period, on a comparable basis. While announcing its Q3 results recently, the company had also strongly emphasised that its core businesses continue to grow in a robust trajectory – holiday packages (29 per cent), MICE (31 per cent) and Corporate Travel (31 per cent).

And, with its core businesses remaining intact, a much expansive structure and significantly expanded footprint both within and outside the country, thanks to a spate of acquisitions, as also superior technological support system, Thomas Cook India is convinced of scripting a new chapter (its first shop in India was set up in 1881) with explosive growth propositions projected in the tourism business. According to a 2018 economic impact report by the World Travel & Tourism Council (WTTC), India is likely to become the third-largest tourism economy in the next 10 years – becoming close to a $500 billion business.

◆ RITWIK SINHA

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Building up steam

Thermax consolidates operations, while also underlining its status as a global operator

Pudumjee and Unnikrishnan have taken the company global

The only red marks in the Thermax group's third-quarter financial statement are an 'exceptional item' of ₹88 crore for the 'impairment of goodwill' related to its step-down subsidiary Thermax Denmark ApS, which it had acquired in 2010, when it began its drive to go global, and the recognition of deferred tax assets of ₹94 crore relating to brought-forward losses of another subsidiary, Thermax Babcock & Wilcox Energy Solutions Private Limited (TBWES). Despite these, the group's consolidated operating revenues of ₹1,437 crore for the quarter are 28.6 per cent higher than the ₹1,117 crore in the October-December 2017 quarter, thanks to a strong carry-forward of orders. Group profit after tax (PAT) was ₹75 crore, also 29 per cent higher than the ₹58 crore it recorded in Q3 of the last financial year.

The goodwill 'impairment' was a result of the reduction in valuation of the Danish subsidiary in Thermax's books, says M.S. Unnikrishnan, MD & CEO, Thermax. Any company, he explains, is valued on two major counts – physical assets and goodwill. Another item was the slump sale of the energy and environment solutions major's boiler and heater (B&H) business to TBWES, where it had earlier held a 51 per cent stake and has now acquired total ownership. This has resulted in the B&H business being classified as 'discontinued operations' in the standalone financial statements – which will not, however, impact the consolidated group accounts.

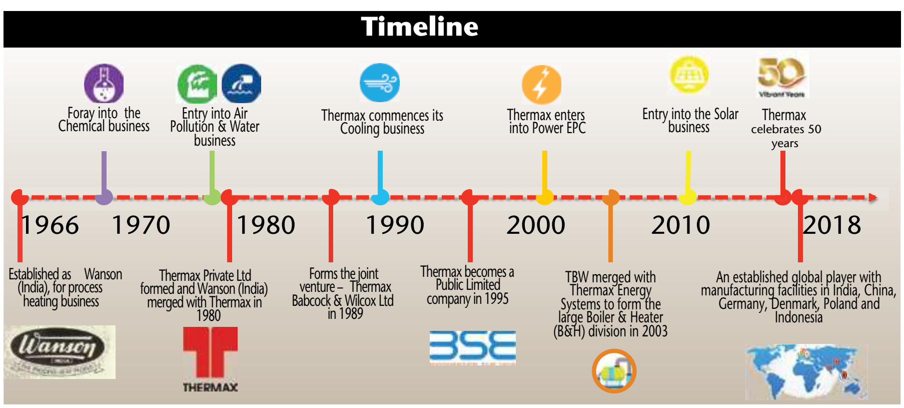
The group's order balance of ₹6,475 crore as on 31 December 2018 was 16.5 per cent higher than the figure of ₹5,556 crore a year earlier, with order booking for the quarter at the consolidated level having been marginally up at ₹1,480 crore (₹1,413 crore). This, Unnikrishnan explains, was due to ongoing sluggishness in new investments in several sectors of the economy.

Thermax's order booking, however, has hit an all-time high in 2018, marking it as a turnaround year after a continued period of challenges. While steel, cement, oil & gas, fertiliser and power have traditionally accounted for about two-thirds of the group's revenues, these orders dried up because hardly any new capacities came up in these sectors – and even existing facilities saw their capacity utilisation drop by half. "This meant that the capital goods industry was in the doldrums. Capacity building everywhere had taken a back seat, as almost every equipment maker was going through bad times," he says. "This obviously affected everyone's topline. But we at Thermax managed to maintain a good balance sheet by increasing our efficiencies and tightening our belts. Our internalisation, operational excellence and productivity improvement helped us to not just survive but even meet our profit expectations."

On a standalone basis, Thermax posted an operating revenue of ₹847 crore for the quarter, compared to ₹658 crore in the corresponding quarter of the previous year. Profit after tax for the quarter was ₹26 crore, down 43.5 per cent from last year's ₹46 crore. The company's facility for making absorption chillers at Sri City, a special economic zone near Chennai, was formally inaugurated on 31 January 2019, and has commenced commercial production.

Pioneeing service

What Meher Pudumjee, chairperson,



Woman power

Having been brought up in a family where education has been given the strongest value, Meher Pudumjee follows her parents in the belief that education is the best gift you can give anyone. Then she found VIVEC (Vivekanand Institute of Vocational & Entrepreneurial Competence), being run by the Shroff Foundation Trust (SFT) in Vadodara. It was a natural fit: both were working to provide equal opportunities to women and establish gender equality in traditionally male-dominated industries.

They worked together to develop the course contents, VIVEC enrols the trainees from the tribal areas in Chhotanagpur and other places around Vadodara; Thermax gives them actual working experience with handholding support during the training period itself, followed by a job in its plant.

A classic case study is of Ramila, the eldest of four children of a tribal family in Gankhajuri village of Gujarat's Dahod district, who began working on her father's farm because she couldn't get admission in a nursing course she wanted to do. One of her cousins had been trained at VIVEC, so she too applied there for a course of bedside assistant.

She was, however, counselled to join the welding course in its *URJA* project for training tribal girls in various professions. There, she learned not only techniques of welding but also soft skills. "This has transformed my personality and equipped me to face life's realities with great confidence," she says. Her father, thinking that she was studying to become a nurse, was upset when he learnt about this switch – but was convinced as Thermax gave her a job. Ramila now aims to do another course to qualify as a boiler attendant.

Both the company and the NGO found it tough to enrol women trainees for the welding technician course. Priyanka and Divya, sisters who decided to join, had to work hard to persuade their father to allow them to qualify for what was seen as men's work. Najera, who had seen her father working on old-age welding machinery, says she was surprised when she saw the modern welding lab at VIVEC. "Even when I finished the course and joined Thermax the male workers told me that I would not be able to work at the machines. Perseverance paid off: after three months' training, she was rated the best worker.

And so a handholding exercise between a manufacturing company and an NGO strike another blow for the recognition of gender equality. ◆

Thermax, is particularly proud of, however, is the recently-launched Thermax Onsite Energy Solutions Ltd (TOESL), which offers a pioneering service to the ₹4,602-crore ($750 million) company's customers. "We install our own equipment at the client's premises, and bill them every month according to the use," she explains. "We recognised the fact that every industry wants to put its money into its own core business, not utilities. Such outsourcing allows them to focus on their core manufacturing processes."

TOESL is only one of the nearly 30 group companies under the Thermax group umbrella, offering energy and environment equipment services to a range of industries in India and globally. This business accounts for more than three-fourths of its business, with its other two groups – environment and chemicals – contributing under 15 per cent and 8 per cent, respectively.

Besides the Sri City facility, the year also saw Thermax's new manufacturing plants at Dahej and Indonesia stabilise their operations. All these investments were fairly large, but had to be made because they had been committed to prepare the organisation to capture a good share of the global market. "Our strategy since 2010 has been to internationalise our global business selectively, to take advantage of the geopolitical shifts that have been happening of late," he explains – hence, the change in the group's website from www.thermaxindia.com to www.thermaxglobal.com.

The company has zeroed in on the ASEAN region because of its similarity to India in size and growth rate; it also allows any manufacturer to move goods without duty, allowing companies to be competitive. Concentrating on its heating, cooling, water treatment and air pollution control chemicals businesses in the region, Thermax has bagged a market share of 25 per cent to 30 per cent. The Indonesia plant, set up in 2017, was part of a move to localise operations in and near the customers. Beginning with heating, then other areas, it is now 'seeing traction'.

Dahej in Gujarat also took off during the year

Thermax, which now sells its absorption cooling systems in 80 countries around the world, is also one of the few Indian companies that have overtaken China in the old pecking order of Europe leading the world followed by China. "The business is only 8 per cent of the company, but our brand equity and visibility are high," says Unnikrishnan. It has also progressed well on its strategy of devolatilising its projects businesses and linearising its revenue spikes. 'Thermax 3.0' is leveraging this reversal trend to launch the next phase of its growth.

Transformational journey

The product businesses are also working towards creating a new brand with differentiated offerings and superior services, targeting the commercial sector. A major initiative in the offing is digitising its entire business processes, starting with customer acquisition

Youth to the fore

The company has started internal training substantially to tackle the problem of 'too many engineers but less skilled ones', says Meher Pudumjee. This, according to Sharad Gangal (executive vice-president, people processes, & member, executive council, human resources division, Thermax) consists of leadership development programmes (LDPs) at various levels. First, there are the graduate engineer trainees Thermax hires from the IITs and NITs.

Then come the young managers with four-five years' experience, for whom there is 'basic' general management programme on communication, team handling, organising and planning. Among the middle-management cadre, who have put in about six years, those who show potential move on to working with others from different businesses and functions – 'to develop business acumen', Gangal explains. "This puts them on the cusp of becoming leaders." The managers who finish the programme go back for different projects and take up positions at business groups to test how much they have learnt.


Gangal: catching them young

At the next level, for strategic business heads, Thermax has tied up with ISB, Hyderabad, to run a programme to get a 'really international flavour' of five functions: manufacturing, globalisation, strategy, finance and people. This programme is spread over nine days in three segments, to create future executive council members, each now managing a business worth from ₹300 crore to ₹1,300 crore. Groups of 10 youngsters then work with Unnikrishnan and Gangal, who give them projects at the organisational level.

Apart from these, there are other generic training programmes, to which everyone has the right to nominate himself or herself. All these contribute to creating what Thermax calls the 'Voice of Youth'. ◆

to lifecycle management and providing value-added services as well as upgrades. "This transformational journey should take us ahead of the competition, bring us closer to our customers and elevate us as a smarter Thermax," Unnikrishnan adds.

Yes, he admits, there are global challenges to meet. Climate change, of course, is visible; but there are pockets which continue to be dependent on fossil fuels. Hybrid solutions are the answer, adds Pudumjee. "We want to be first, ahead of the world, in moving away from coal much faster than anyone else," she explains. As a company, Thermax already had a vision of a clean and green path long before the power generation industry using waste water energy pushing green solutions. The company is into biomass conversion, and has become a leader in captive generation using waste energy as well as renewable fuels like biomass.

It was Thermax which brought the absorption cooling system to India more than 35 years ago, Unnikrishnan points out. "This is one of the cleanest solutions possible for industrial cooling and chilling," he says. "We also pioneered the concepts of zero liquid discharge through total recycling of waste water."

"And the company is looking at more and more," Pudumjee adds. "Technological development is related to low-potency energy, which was not getting utilised otherwise. People don't extract heat through expensive recovery systems; Thermax is creating solutions to do this economically, recovering about 10 per cent, which is totally wasted currently, by making absorption chillers that work on low load temperatures and using heat pumps to upgrade the heat." One such system is working in Copenhagen currently, she points out. It is providing water at 34 degrees Centigrade during peak winter, when the temperature goes down to minus 20. It draws water from two geothermal wells and purifies it, then upgrades it to 90 degrees C and pumps it through the district heating systems.


The new plant in Indonesia stabilised its operations in 2018

She regrets, however, that Thermax missed the solar energy bus by betting on only thermal. Photovoltaics have taken over with massive capacities in the world, even though solar energy is inefficient – just about 10 per cent or less in the first-generation panels and 15 per cent in the second generation, going up to a maximum of 25 per cent the third generation – all this, against thermal power, which can give 50-60 per cent for heating. "We are working on three areas: renewables, waste to value and energy efficiency. Our purpose, in the future, is to conserve resources and preserve the future," she adds.

With its eyes on achieving a possible 75-80 per cent capacity utilisation in most commodity areas, Thermax aims to increase the number of its overseas manufacturing facilities from two at present to a dozen plus, introducing a high level of automation and modern platforms in its engineering activities. "Growth will happen equally from outside India and within the country," Unnikrishnan adds.

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Marketing with permission, should be your mission

JAGDEEP KAPOOR

In today's world, we are flooded with pesky calls, and sales and marketing messages which sell various products and services at odd times.

Sometimes, you are in the middle of a meeting, or in the middle of important work, or even on Sunday evenings or early mornings, or late nights, sales and marketing messages and calls keep coming and disturbing you at your work, or when you are with your family. All these sales and marketing messages at odd times, disturb the peace of the consumer and actually give a bad name to the brand that is being promoted.

My recommendation is to use the 'Mission Permission strategy' – *Marketing with permission, should be your mission.*

Let us look at the facts and the bad experiences.

Firstly, sensitive data and the mobile numbers and coordinates, which consumers have shared confidentially are being misused or sold without the consumers' consent or permission. This is wrong. Apart from it being irritating and disturbing, it is truly unethical. How can data of a consumer, which is being shared in confidence by the consumer be sold, shared and then misused without his permission? This is truly wrong. It is the mistake of both – the organisation sharing and selling it and the organisation that is procuring and misusing it.

Secondly, contacting and presenting and pitching your goods and services without your consent is blatantly a wrong marketing practice. Instead of consumers liking your brand, consumers will detest it, because you are intruding in his or her privacy.

Thirdly, there have been cases, where all types of agencies and organisations have access to your contacts, because of your vendor having shamelessly shared all information and even recommended to contact you. All these are done without checking up with you or taking your permission. This is like trespassing.

Will the consumer not get irritated and upset when such a thing happens? Obviously, the consumer will start disliking the brand and the organisation – both who has shared the information and the one who has misused the information.

My recommendation is to use my 'Mission Permission' strategy. Hence Marketing with permission, should be your mission

Fourthly, these bad experiences, leave a bad taste in the mouth of the consumer. The consumer then is motivated to spread bad word of mouth against both – the one who has shared the information and the one who misuses the information. In simple terms, this kind of sale and marketing tactic backfires.

My recommendation is that in today's world, where people value their privacy and are sensitive to unwarranted solicitation, it may be better to take permission before trying to market and sell things.

In one case, under the pretext of giving a reference to someone, a service provider of an existing customer to another service provider. This is wrong. The other service provider obviously asked for references, so that they could enhance their business.

The current service provider should not have divulged the sensitive contact details of his customer. When a new service provider called up the customer, the customer should ask how did he get his number. When the customer came to know that his current service provider had disclosed his details, he was very upset and pulled up the existing service provider.

Either, he should have not divulged the details or he should have sought permission of the customer before giving the details. This happens day in and day out. This is wrong. In fact, one should not only seek permission, but should also have the sensitivity to know whether permission should be sought or not.

Many customers value their privacy and do not like it to be intruded.

Whether you are selling products or marketing your services, whether it is industrial products or consumer goods, whether you are a chartered accountant, lawyer or a doctor, whether you are an Indian company or a multinational company, confidentiality is extremely important. Customers do not like to have their confidential information broadcast without their permission. ◆

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Transformative journey

Bosch India continues to strengthen its smart solutions portfolio beyond mobility

Bosch Ltd is strengthening its smart solutions portfolio beyond mobility, in line with its group strategy. Over the last few years, 'beyond mobility' solutions have gained over 35 per cent of the portfolio and have contributed greatly to the group's overall turnover. The company, a leading supplier of technology and services in the areas of mobility solutions, industrial technology, consumer goods, and energy and building technology, is boosting its beyond mobility business with smart solutions, based on growing infrastructure and consumer demand in India.

The Indian operation, led by its flagship Bosch Ltd, posted a turnover of ₹11,690 crore in 2017-18, registering a growth of over 12 per cent. It clocked a PAT of ₹1,464 crore (growth of 1.4 per cent) during the period. On the global front, the group's sales in 2017 rose to a new record of about €78 billion from €73.1 billion in 2016 – a growth of 6.7 per cent. In India, a majority of its revenue comes from the mobility solutions catering to the automotive industry, even as, in the group's overall sales, mobility contributes about 65 per cent.

Over the last few years, Bosch has been aggressively building up its capability in Internet of Things (IoT) and Artificial Intelligence (AI) to transform it into a technology-led entity. For the company, Bengaluru has turned into one of the three major locations for its Bosch Centre for Artificial Intelligence (BCAI) across three continents.

"Our business is in a process of profound transformation from a hardware focus to models that concentrate more on services and data," says Soumitra Bhattacharya, managing director, Bosch Ltd & president, Bosch Group, India. "We have the capability to develop greenfield technology that can power industries in a new-age manner". Fuelled by the impetus from the government of India amid structural reforms, such as the Goods & Services Tax (GST), the country is undergoing rapid transformation as well. It is changing conventional business areas to digital by transforming businesses beyond mobility and the company is all prepared to leverage these events by looking beyond mobility solutions.

Bhattacharya: improving quality of life

Bosch's initiatives in India are leading it into formations of new verticals with digital solutions in the core. The company, be it in connected industry, energy efficiency, smart home or other areas, is making big strides through successful collaboration of its cross-divisional teams, engineering heritage and strong presence in the Indian market. It is integrating local talents into the development of solutions for the market. "The key to success will be partnership with local players to drive connectivity forward and a localised strategy to meet consumer demand," adds Bhattacharya.

He was delivering his keynote address at the company's Beyond Mobility 2.0 event (second edition) in Bengaluru, conducted in tandem with the core management team. The event showcased the company's connected solutions in verticals beyond the mobility space and highlighted how it was embracing digital solutions in sectors such as Industry 4.0, connected transportation as also energy and efficient solutions.

As a leading IoT company, Bosch offers innovative solutions for smart homes, smart cities, connected mobility, and connected manufacturing. It uses its expertise in sensor technology, software, and services, as well as its own IoT cloud, to offer its customers connected, cross-domain solutions from a single source. "The Bosch group's strategic objective is to deliver innovations for a connected life," explains Bhattacharya. "Bosch improves quality of life worldwide, with products and services that are innovative and spark enthusiasm. In short, Bosch creates technology that is invented for life".

Boosting productivity

A key component of Bosch's beyond mobility offerings is Industry 4.0 technologies. Bosch is building smart factories with the focus on automation, digitalization, AI and IoT that are boosting productivity, quality and safety. Bosch leverages a unique dual-strategy of being a leading user and provider of Industry 4.0 solutions on the market and is thus well-placed to build an ecosystem of business and technology partners to create affordable digital solutions for SMEs and customers.

"We are in the midst of a revolution called connectivity, which is disruptive and very fast," says Andreas Wolf, joint managing director, Bosch Ltd. "By 2020, about 90 per cent of the world's population will be digitally linked with over 50 billion connected devices". India is creating an enabling ecosystem for smart manufacturing fuelled by various government initiatives like 'Make in India', 'Digital India', 'Start-up India' and 'Smart Cities', among others, he adds.

All this will boost manufacturing to be fit-for-the-future. Bosch India has produced solutions Made in India for India and the world – with 161 completed projects – and is a leading provider as well as leading user. With India's strength in IT – Bosch has the largest development centre in India outside Germany and over 14,000 R&D associates of the total 31,000 headcount in India – the country has the right megatrends to support the digital transformation of manufacturing and the future is smart, connected and exciting.

Bosch is gaining increased relevance by implementing robotics and automation solutions that augment its smart manufacturing and connected industry solutions in the country. This is being achieved by developing solutions that include collaborative robots, IoT and machine learning. With its goal to make the "Factory of the future" a reality, Bosch India is partnering with OEMs across industries, and also implementing robotics and automation solutions across its manufacturing facilities, to deploy modern solutions that are improving productivity and safety.

"We are constantly looking at ways to link smart factories with virtual reality and digital solutions," says Hans Bangert, managing director, Bosch Rexroth. "India is a great market for these implementations as we have the volumes and diversity of portfolios to achieve our vision of an automated future linked with IoT". Bosch Rexroth, a group company, is one of the world's leading suppliers of drive and control technologies, ensuring efficient, powerful and safe movement in machines and systems of any size.

"Robotics and automation are changing how we work and how we live, and there is enormous potential here to improve productivity, competitiveness, quality and safety," adds Bangert. "Bosch Rexroth India is excited to make a lasting impact here with its solutions that can be used across Bosch facilities and in partnership with external industry players".

Through its seven years of successfully enabling customers to achieve their sustainability goals and reducing energy costs, Bosch Energy and

Wolf: connectivity revolution

Building Solutions (BEBS) is offering services for commercial and industrial facilities, with the objective of decreasing their energy consumption. The company also offers value added solutions for easy monitoring and controlling of energy consumption. BEBS is thus becoming the energy partner of choice as enterprises are increasingly switching to more energy efficient methods of operating their facilities.

Commitment to India

Bosch is providing affordable and localised solutions for the Indian market to improve working conditions, performance and businesses of tradesmen, contractors, carpenters, artisans and other industrial and institutional customers. Innovative cordless technology, connected power tools and connected work sites ultimately benefit end customers. With other new business models, such as rental power tools and digital services for customer support, channel partners and sales force, the company is boosting construction industry's growth and employment.

The company is becoming a 'Hardware Plus' company and is reiterating its commitment to India by offering personalised home appliances and digital services to suit the requirements of every Indian household. Bosch Home Appliances will invest €100 million over the next 3-4 years into personalised solutions, brand building, strengthening its technology centre, and setting up a robust refrigerator factory to bring its best-in-class German technology to India. With localised offerings in the household appliances area, Bosch is transforming itself into a Hardware Plus company, says a company spokesperson.

Bosch is also transforming the face of the nation's security systems by providing connected solutions. The country's population of more than 1.3 billion people is constantly on the move, metro stations and airports are crowded and require smart security solutions with big data analysis to increase people's safety. Bosch's security solutions, such as intelligent cameras, public address systems and other technologies, are helping cities solve the urban transportation and safety issue by providing seamless digital platforms, says a company spokesperson.

The company is accelerating the digital transformation of enterprises and developing solutions that are designed for the usability and affordability needs of Indian customers. Its digital consultative arm is using the 3Ss – sensors, software and services – to enhance existing products and processes in all industry domains. As the company operates under its unique Lead User-Lead Provider strategy, the company perfects digital solutions by first running them at its own plants and facilities, and then partners with customers to enhance their products and processes with the help of digital technology and new-age solutions.

By collaborating and leveraging synergies within and outside Bosch, combined with capabilities in integrating hardware and software, the company is well on its way on a transformative journey to become a leading service provider in the age of digitalisation and automation.

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Rough road rider

Tata Motors posts a ₹27,000 crore loss in a single quarter. Can it emerge stronger from the storm?

Last fortnight automobile and truck manufacturer Tata Motors announced its largest ever quarterly loss of ₹26,961 crore, impacted by a non-cash asset impairment at its subsidiary Jaguar amounting to ₹27,838 crore. "We are announcing a non-cash exceptional charge to reduce the book value of our capitalised investments," Said Ralph Speth, chief executive officer, Jaguar Land Rover.

Capitalisation, in accounting, is when the costs to acquire an asset are expensed over the life of that asset rather than in the period it was incurred. It is an accounting rule used by capital-intensive companies, such as manufacturing or construction, where depreciation can be a large portion of total expenses. But given the muted demand scenario and the associated impact on the financials, Tata Motors has said that the value of Jaguar Land Rover's capitalised investments had to be adjusted down.

Disruptions in the auto industry have necessitated a review of Tata Motors' product development cost capitalisation policy. Tata Motors had earlier reviewed its tangible and intangible assets to ensure a "fit for future" strategy, and taken a charge of ₹1,641.38 crore in fiscal year 2018. All of this has reflected in the share price that slid to ₹140 a share, with a market capitalisation under ₹50,000 crore, in spite of being one of India's largest companies that owns premium brands overseas. The share price peaked at ₹600 apiece in September 2016. Jaguar Land Rover is Britain's largest automobile company engaged in designing, manufacturing and selling of premium cars. The two iconic brands of the company are Jaguar, which includes a portfolio of sedans, sports cars and Sport-Utility Vehicles (SUVs), and Land Rover, with a range of all-terrain vehicles. Jaguar Land Rover made its mark in the Chinese automotive market with Chery Jaguar Land Rover Automotive (CJLR), a 50:50 JV between Chery Automobile and Jaguar Land Rover.

Sales, however, have slowed down in China, but partially offset by a pickup in sales in North America and the UK. For the third quarter, worldwide retail sales stood at 144,602 vehicles, down 6.4 per cent year-on-year. The company's sales in Europe were up slightly, despite an 8 per cent drop in the overall market. Against uncertainties regarding Britain's exit from the EU where Tata Motors' subsidiary Jaguar Land Rover is based, as well as a 4,500 employees reduction across the global workforce of Jaguar Land Rover, can Tata Motors get back on track? The global automobile industry is undergoing a structural shift due to technology-led business and market disruption, evolving consumer preferences, market cyclicality, regulatory overhauls and geopolitical uncertainty. Moreover, substantial doubt prevails over the political and economic future of the UK and the legal structure applicable to companies that have a business presence in the country. Tata Motors has said that it on track to launch an electric vehicle that can travel up to 200-250 kms per trip in less than two years.

Brexit bomb

It is perhaps, the Brexit uncertainty that looms large over the company. Jaguar Land Rover, which accounts for the majority of Tata Motors' earnings, has a production bias to the UK despite a geographic diversification in its sales mix. "Trade barriers and logistic issues arising upon a disorderly Brexit could have an impact on Jaguar Land Rover's competitive positioning, and lead to significantly lower sales and profitability and higher working-capital needs," says an India Ratings report. Care Ratings too has downgraded the company's credit rating, citing deterioration in Jaguar Land Rover performance and increase in leverage due to ongoing capital expenditure planned for Jaguar Land Rover's research and product development.

Depending on the outcome of the negotiations, the UK could lose access to the single EU market and EU customs area and to the global trade deals negotiated by the European Union on behalf of its members. A decline in trade could affect the attractiveness of the United Kingdom as a global investment centre and, as a result, could have a detrimental impact on the level of investment in British companies. The uncertainty concerning the terms of Brexit could also have a negative impact on the growth of the UK economy and cause greater volatility in the British pound against foreign currencies in which Jaguar Land Rover conducts business. Moreover, Jaguar Land Rover won't be able to hire and fire personnel from all over the EU like it could prior to Brexit.

There also exists uncertainty with respect to the laws and regulations that will apply as the UK determines

which European Union-derived laws to replace or replicate. In particular, changes in taxes, tariffs and other fiscal policies could have an impact on Jaguar Land Rover business; 22 per cent of retail sales volume in fiscal year 2018 was to customers based in the European Union (excluding the UK) and a substantial portion of its suppliers are situated there.

Tata Motors acquired Jaguar Land Rover from Ford Motor Company for $2.3 billion in 2008. In that year, Jaguar Land Rover produced 65,000 cars. In 10 years unit sales have increased threefold to over 600,000 units, and revenues have grown five-fold in as many years (the Tata Motors group cumulatively sells over 100,000 units a month). The manufacturing footprint has expanded to UK, China, Brazil and Slovakia, and employment has trebled to over 43,000.

Jaguar Land Rover is a premium European brand that is a 100 per cent owned subsidiary of Tata Motors. Rival Aston Martin, which operates within similar segments, listed in October 2018 on the London Stock Exchange at £19 a share, valuing the company at £4.33 billion. Aston Martin makes only 5,000 sports cars a year.

Win some, lose some

In September 2018, Volvo Cars, owned by China's Geely, said it had no plans for a potential stock market listing. But it had for sometime been working on an initial public offering that valued the company at $16 billion to $30 billion. Volvo produced about 571,000 units in 2017. Both deals are indicative of what Jaguar Land Rover can be valued at should it be listed in the future.

For Tata Motors, up till now, Jaguar Land Rover had defied the normal pattern of the parent company making money and the overseas company losing money. This is true in the case of Indian Hotel's overseas acquisitions or that of Tata Steel. Moreover, Jaguar Land Rover seems to be run independently with limited inputs from India. So far the learnings of Jaguar Land Rover had not transferred to Tata Motors, except for the recently launched Tata Harrier. Tata's flagship SUV, the Harrier, is the brand's first SUV in a while. It is based on OMEGA-ARC architecture, a derivative of the Land Rover Discovery Sport's D8 platform.

The company's CEO and MD Guenter Butschek has said that he is pleased with the turnaround exercise underway at the company over the past three years. Through quality and service improvements and cost optimisations. Slowing sales in China coupled with a shift in mobility requires continuous investments which might or might not pay off in the long run. And trade disruptions due to Brexit will continue to affect Jaguar Land Rover. But for the share price to rise again, investors will continue to keep an eye out on sales and profits.

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Losing a founder

On Friday morning, as the news spread that Dilip Shah, 77, one of the most towering figures of the Indian drug industry had passed away, one of the first thoughts to cross everyone's mind was: what will happen to the 4th India Pharmaceutical Forum scheduled in Mumbai on 26-27 February? The Forum is being hosted by the Indian Pharmaceutical Alliance (IPA), which Shah had founded in 2000, and currently serves as its Secretary General. However, at the time of this writing, the word is that the Forum may not actually be cancelled, but the curtain raiser scheduled to be held on 26 February is not going to take place.

For the longest part of his career, Shah worked with Pfizer India, where he rose to become a member of the Board. In the later years, he was already becoming known within his company and pharmaceutical industry as a whole for his contribution to policy making and his close relations with the Union government. "He provided important inputs to the government on issues of pricing policy, and other significant matters," says Kewal Handa, his colleague at Pfizer, who went on to become the MD.

Those were turbulent times for the pharmaceutical industry with the 1996 Pharmaceutical Policy and resultant focus on drug price control, as well as the numerous tussles over intellectual property rights between MNCs and Indian-origin drug manufacturers. It was also a period when Indian companies began offering stiff competition with the generic (off-patent) medicines, not just in India, but in the developed markets as well. "He was very knowledgeable about everything related to pharma and very forthright in his very views. At times, he was quite fearless in his opinion about government intervention in certain issues," says Daara Patel, secretary general, Indian Drug Manufacturers Association (IDMA).

In fact, it is believed in some industry circles that Shah decided to quit Pfizer in 1997 at the end of a three decade-plus career when Handa beat him to the corner office. While Shah himself rarely spoke about this, he set up Vision Consulting in 1997 to provide strategic consulting services to the pharmaceutical industry.

Dilip Shah

(1942-2019)

He founded the Indian Pharmaceutical Alliance just three years later with Cipla, Ranbaxy, Wockhardt, Lupin and Dr Reddy's in the belief that the pharmaceutical industry bodies in existence at that time were not able to do full justice to the industry's needs.

All the while, he sharpened his knowledge in the area of IPR (Intellectual Property Rights) and acted as a spokesperson of the pharmaceutical industry both in India and abroad. As India grew in stature as a supplier of good quality generic pharmaceuticals in different industrialised countries, IPA continued to gain prominence on the global stage. As recently as 12 February, Shah urged the US Trade Representative (USTR) to remove India from their watch list for medicines and drugs.

While IPR has always been an area of prime importance for Shah as a person, the IPA under his guidance and direction has become a formidable voice in other prickly issues such as spurious drugs. In an interesting move, the IPA has joined hands with Julio Ribeiro, the former director-general of Punjab Police to run a continuing campaign against spurious drugs. With his help and the cooperation of drug control authorities in different states, the problem of spurious drugs has started coming under control.

Likewise, Shah has time and again prodded the Indian drug manufacturers to improve the quality of their products, without which he would say, it was difficult to maintain their position in the international marketplace. One of the long standing objectives of the IPA Quality Forum has been to "be the conduit of change in the industry, through leadership, knowledge development and sharing of global best practices". It is a tenet that Shah has followed and prompted others to follow throughout his five-decade old career in pharmaceuticals.

Most of all, Shah was always approachable by media persons and others, always read with a quote when an industry story was breaking and reporters were struggling to meet their deadlines. "Most times, he was the only one who would speak to us," said the editor of a pharmaceutical industry journal in her WhatsApp group. A colossus of the Indian industry by any standards, he has ensured a permanent place in the annals of pharmaceutical history.

Over his career

- Member of the Expert Review Committee of Access to Medicine (ATM) Index (www.atmindex.org)
- Member of the CPhI International Advisory Board
- Member of the Board of Advisors of Pharmabiz.com (Weekly)
- Member of Task Forces and Expert Groups constituted by the Government of India for accelerating growth of the Indian pharmaceutical industry
- Chair of the International Generic Pharmaceutical Alliance (IGPA) for two terms (2005-07) and (2010-11)
- Independent director on the Boards of Fresenius Kabi Oncology Ltd, Anuh Pharma Ltd, Shaily Engineering Plastics
- CEO of Vision Consulting group
- Member of the Board of Directors of Pfizer-India with whom he worked for 30 years

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Alternate solutions

Mahindra Electric launches two e-rickshaws

With air pollution increasing uncontrollably in all metro cities, major automotive manufacturers are working on alternate mobility solutions. One of the best options currently available is to produce more Electric Vehicles (EVs). The government of India is also pushing hard and has set the target for automakers to go electric by 2030.

Mahindra Electric, a leader in EVs has products already available in the market – e2oPlus hatch, the eVerito sedan and the eSupro mini-van and panel vans. Two more EVs joined in its portfolio recently, the Treo and Treo Yari – the company's first li-ion electric three-wheelers developed in India. With an investment of ₹100 crore, the company also launched its first electric technology manufacturing hub in Bengaluru, to design, develop and manufacture all types of EVs in the new facility. Under the Mahindra Electric brand, the new facility will manufacture battery packs, power electronics and motor assembly which are integral part of an electric power train. The plant uses global standards of manufacturing processes and will increase the manufacturing capacity to 25,000 units per annum. So far, the company has invested ₹500 crore in its EVs business and is planning to invest another ₹500 crore for future expansion. Currently, there are 600 people working in the plant and the new facility will create additional employment for 200 people.

"EVs will define the future of mobility – shared, affordable and accessible," says Pawan Goenka, MD, Mahindra & Mahindra and chairman, Mahindra Electric. "EVs are well-poised to make this happen. India can be the hub for the world for manufacture and export of EVs. And we have all necessary technologies."

The Treo is a modest three-wheeler with potential to redefine last mile connectivity in India. Currently, there are 4 million three-wheelers plying on the roads, and 50,000 sold every month. The company strongly believes that there is a potential in the segment, even if half of them convert into electric three-wheelers. Fully designed, developed and manufactured at the Bengaluru plant, Mahindra is committed to electric mobility and wants to touch every segment in EVs and working on mobility solutions for both commercial and personal use.

Still evolving

There are other players like Lohia Auto, Okinawa and TVS Motors in this segment. However, the electric three-wheeler market is still evolving. Most of them are used for last mile connectivity and feeder routes. The vehicles are at present fabricated by local players with largely imported content like capacitor and led acid batteries from China. For the first time, Mahindra Electric has introduced e-auto with lithium ion batteries and sees that it has an advantage, being a first mover in this segment. It is also believed that Bajaj Auto, the largest three-wheeler player in the passenger segment is also working on e-auto.

"At Mahindra Electric, our aim is to bring about a monumental change in the way India moves by enabling more EV products on the road through our +ME technology solutions," says Mahesh Babu, CEO, Mahindra Electric. "Reiterating our strong faith in EVs, we have now invested in technologies that are core to EVs and have set up manufacturing of battery packs, motors, power electronics, etc, in our new facility at Bengaluru." The company recently signed an MoU with Three Wheels United, under which, Mahindra Electric and TWU will work together to accelerate the adoption of electric three-wheelers in India. This will include the identification and financing facility for auto drivers, so that 2,000 Mahindra Treos are rolled out across the country, by next year.

The new three-wheelers offer 'best-in-class' comfort for passengers, with one of the most spacious interiors in the segment and for the driver through its clutch-less, noiseless and vibration free drive, thereby reducing the overall fatigue of the journey. The other highlights of these two models are: low running cost of 50 paise per km, zero maintenance of battery, quick charging and good support by the Mahindra Electric service team. The vehicles will be available at select dealerships across Bengaluru and Hyderabad and later in other cities in a phased manner. Treo Yari and Treo are priced ₹1.36 lakh and ₹2.22 lakh (ex-showroom Bengaluru).

The success of EVS in India depends on the availability of proper infrastructure to set up charging stations by government, which will boost sales and help customers to go for EVS. Subsidies from the government and financing options from banks with zero-interest rate (currently banks are reluctant to provide loans) will further fuel the growth.

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Opening the private-finance gusher

With public funding of infrastructure about to hit natural limits, it's time for private investment

VIVEK SHARMA

The past couple of years have seen an unsustainable development in the India Build-Out story: the government doing the heavy lifting in terms of infrastructure investments. Those efforts aren't enough, because the money required to create essential infrastructure remains a gargantuan ₹55 lakh crore in the five fiscals through 2022, estimates CRISIL.

This, even as the share of private investments in infrastructure drops to a 10-year low of ~25 per cent in 2017-18 – or down ~1200 basis points from the halcyon decade between fiscals 2008 and 2017. The goings-on are reflected well in the scores of CRISIL InfraInvex, India's first investability index.

The highways sector saw the biggest rise in CRISIL InfraInvex score – from 6.9 in 2017 to 7.4 in 2018 – because of revived private interest under the hybrid annuity model (HAM) and successful debut of asset monetisation. The scores of power transmission and renewables, last year's top sectors, declined, while ports and airports saw improvement. They remain attractive, but were affected by high suo motu allocations to the public sector in the former, and policy and pricing headwinds in the latter. However, conventional generation, power distribution and urban infrastructure continue to lag.

Infra Invex: 2018 vs 2017

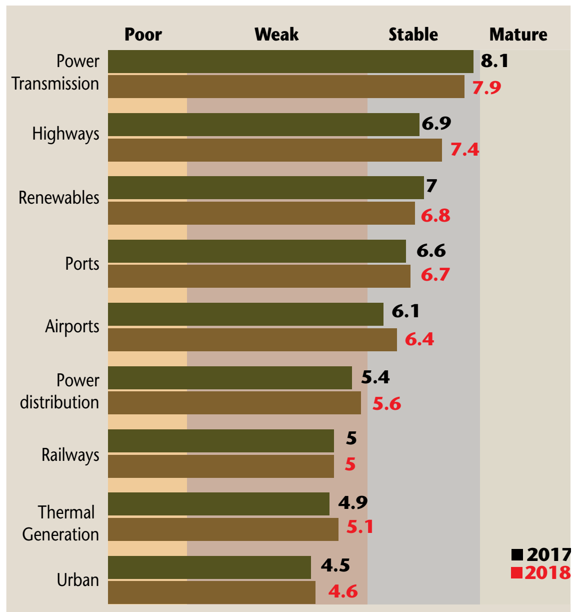
Asset monetisation is a win-win:
A sustained push to monetisation of operational assets can augment resources for higher public spending, given the continued reluctance of the private sector to take on green-field risk. But this would require recalibration of public private partnership (PPP) models and it's time to facilitate that.

Done effectively, asset monetisation can help raise ~Rs3 lakh crore in just highways, power transmission and airports over three years, according to a calculation by CRISIL. States, cumulatively, could have similar potential.

Also, it's time to move away from the conventional build-operate-transfer models to annuity and investment-light performance contracts. That will need reworking both the risk-sharing math and contracts by including performance metrics and flexibility to handle changes and exits.

The importance of private investments:
Anecdotal evidence says private sector participation in infrastructure delivery helps deliver tangible cascading benefits if government wherewithal is constrained. For example, development of highways, airports, ports and renewables under PPP has wrought a dimension change in citizen facilitation. In addition, there is increased accountability compared with the public sector, where band-aid solutions are the idiom of problem-solving. PPPs have done well to restore trust in public utilities by ensuring both, service delivery of reasonable standards, and sustainability.

India thus needs deployment of a wider range of PPP models, including asset monetisation and investment-light structures that reflect sector-specific nuances, recalibrate risk-sharing, and redraw PPP contracts to broad-base them beyond the power and transport sectors.



The concomitant criticality of capacity-building:
Which brings us to another huge dearth – capacity, sans which, there is little execution. That's why equal focus must be on capacity building in areas of lack. This can be done by creating a bankable pipeline of strategic projects worth $100-150 billion annually in such areas.

That, in turn, will require developing specialist capabilities, ring-fenced budgets, empanelment and hiring of experts as advisors, and best-in-class diligence ecosystem. Creating a 3P think-tank, as recommended by the Vijay Kelkar Committee long back, would be timely here.

Another way to release capacity is by reviving

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stalled projects by nursing private developers and financial institutions back to health. Here, building certainty and capacity to implement the Insolvency & Bankruptcy Code is crucial.

Sector-wise facilitations

While the drags are by now well-known, here's a look at what can be done to improve investability in some key infrastructure sectors:

Power transmission:
Needs the creation of a pipeline of projects with open bidding.

Roads and highways:
Needs regulatory separation and addressing of land acquisition issues.

Renewables:
Safeguard duty has last a long shadow. Workarounds are now necessary.

Ports:
Needs rehaul of the Tariff Authority for Major Ports regime and implementation of the new Major Port Authorities Bill.

Airports:
Needs sharper focus on development of smaller airports and reducing procedural delays.

Power distribution: Needs better governance and stepping up on technology to improve the health of discoms. Also, it's time for privatisation and new PPP models.

Thermal power generation:
Needs competitively bid PPAs, centralised power procurement and equitable distribution of fuel.

Railways:
Needs faster progress on PPPs, along with an improvement in operating ratio.

Urban:
Needs institutional strengthening, revenue enhancement measures, and faster execution.

The spending boom of the early part of this decade was overdone and ricocheted on the private sector such that they turned shy twice over and yet to dip toes again in a meaningful way. It's a no-brainer that getting private monies interested, to crowd-in, as it were, will require the establishment of win-win ecosystems where risk-taking has proportionate rewards. That can also change the jobless growth narrative. ◆

Making the right call

SLCM plans to consolidate the fragmented agri-warehousing market

In a country like India, where over 58 per cent of the rural households depend on agriculture as a principal means of livelihood, every farmer becomes a potential customer for agri-solutions. The challenge, however, is to devise a business model that taps into this potential. And that is what Delhi-based agri-warehousing solutions provider, Sohan Lal Commodity Management (SLCM), has managed to devise through an asset-light model and its expertise in scientific management of warehouses, wherein, irrespective of warehouse condition, it has resulted in the reduction of post-harvest losses from 10 per cent to a mere 0.5 per cent.

Today, SLCM has handled a variety of 890 commodities globally. This includes cotton, barley, *bajra*, castor seeds, wheat, pulses, maize, spices and aloe vera, to name a few. It manages a technology-enabled network of more than 2,863 warehouses and 19 cold storages pan India, with a total space of 48.93 million sq ft and throughput of more than 686.60 million tonnes.

"Ours is a unique model, which works on quality warehousing management, which uses our proprietary 'AGRI REACH' software, complemented by services like farm credit undertaken by Kissandhan, acquired to provide agri- credit to farmers," explains Sandeep Sabharwal, CEO, SLCM group. "AGRI REACH combines a series of crucial processes, audits and real-time tracking of facilities to fetch error-free results and minimise risk of crop damage. It uses techniques like geo-fencing, real-time tracking and bar-coded storage receipts to avoid thefts and also a 79 internal audit along with a 'Maker & Checker' policy at each level," Sabharwal adds.

"In short, it is the culmination of defined processes, deviation-free execution and comprehensive monitoring," explains Ankur Jaipuria, chief business officer, warehousing, SLCM. "We use vacant infrastructure and even open spaces as warehouses as our proprietary technology operates agnostic to infrastructure. We have time and again proved that through a distinguished mindset, we can address the concerns of the sector." In this, SLCM has brought a positive and scientific change in the agri-warehousing scenario of India.

Sabharwal: unique model

Put simply, SLCM has cracked the code of warehousing management through technology. After eight years of research, SLCM has ensured that it takes merely 48 hours to step in and commence warehousing operations, irrespective of infrastructure, location and commodity. "The company is constantly updating and evolving the AGRI REACH software to make it more efficient," informs Joydeep Saha, vice-president, risk & policy, SLCM. "It has already filed for a patent four years back and is awaiting approval. With AGRI REACH we are all set to become the code running underneath multiple industries. We are also getting request from other countries to license this software."

Encouraged by customer demand to manage their collateral in not just agri, but also in other products like steel, SLCM is now diversifying beyond the management of agri goods to provide warehousing services for steel ingots and billets end of this year. "We are hoping to handle 300,000 tonnes of steel billets and ingots over the next 3-5 months. We have a database of 300 odd customers, who are looking to utilise our services," discloses Sabharwal. He does not think he has to make any changes to the existing infrastructure to allow steel warehousing. "If I am handling wheat for a location and in the same location there is demand for steel, the artificial intelligence (AI) system can handle the steel without changing anything in the warehouse," he adds. Sabharwal plans to consolidate the fragmented agri-warehousing market and add about 2,000 new warehouses to its fold to double its capacity, in next 18 months.

Agri financing

Currently, most of the warehouses do not have scientific warehousing management system and hence are unable to scale up their operations. Some of the players want to quit the industry as the demand for scientifically managed warehouses is increasing. "We intend to consolidate this market," informs Sabharwal. "We are talking for several such players. These smaller warehouses include standalone facilities, as well as those aligned with the exchanges".

SLCM also sees collateral management demand coming from financial institutions like banks. Agri-financing banks usually outsource the management of their collateral to third-party managers. "In the past two months, several banks have approached SLCM seeking collateral management services in over 100 locations," says Namrata Suri, CFO, SLCM. "We also expect to be managing as many as 500 locations in the next one-and-a-half quarter. Each location would have an average capacity of 1,200 tonnes".

Agri-financing in India is still at a nascent stage and has not yet evolved to cover small and marginal farmers. It does not give farmers and agri-intermediaries the benefit of using crop as collateral delinked with their credit worthiness. Today, credit is abundantly available but the terms of lending do not take the agriculture business into consideration. Agri-intermediaries do not have a balance sheet but they do have standing crop and/or harvested produce.

To address this situation, in 2006, SLCM diversified from being an agri-warehousing company and acquired Kissandhan – India's first agri-NBFC which, since commercialisation in March 2014, has played a critical role in providing an enabling ecosystem for farmers and making agriculture a safe and viable profession for them. "This move, apart from being the business model, has given SLCM a significant edge over other firms to address the challenges of the farming community but in a piecemeal manner," says Sabharwal. Given SLCM's expertise in crop management, it expects to be able to provide loans purely on the basis of standing crops as collateral. In a short span of time the company has disbursed ₹1,651.88 crore in loans through Kissandhan and serviced over 40,733 storage receipts at 217 warehouses.

SLCM has also launched Kissandhan App, which is the first mobile platform in the agri-warehousing industry for farmers and commodity traders. The unique feature of this mobile application is that it enables distributors to do e-KYC using Aadhar, thereby enabling seamless end-to-end customer onboarding. The app is currently available on Google Play.

The objective of the mobile app is to enable farmers and commodity traders to take informed decisions by accessing customised agricultural information related to their need. This application provides access to information on latest *mandi* prices, weather forecast, agricultural advisory, best practices tips related to agriculture, etc. It also acts as a buyer and seller platform and provides all agriculture related news, government schemes, agriculture alerts and agriculture advisories in English and Hindi for the convenience of the farmers. "It's a win-win, as farmers and traders get comprehensive information through this app, which helps them get better price for their produce," acknowledges Sabharwal.

He has entered into an agreement with the BSE for supporting its much-awaited launch of agri-commodities trading. Under the agreement, SLCM shall provide warehousing, assaying services, crop management services to BSE for the purpose of storage of various food grains, pulses and other agro-based commodities at various places in India. SLCM will also carry out a rating exercise at the warehouses as per its rating system and make arrangements for the display of commodity balances and price information necessary. The rating system will be recognised for borrowing from the banks and other lending institutions and it will act as a yardstick for the purposes of trading and delivery on commodity exchange.

Funding rounds

Financially speaking, SLCM posted consolidated revenues of ₹3,569.37 crore, with a profit after tax of ₹19.72 crore in 2017-18. From 2012-13 to 2017-18, SLCM has registered 151 per cent CAGR in operating profit (EBIDTA) and a 253 per cent CAGR in PAT.

Sabharwal has had seven rounds of funding and raised ₹370 crore. The sources include Nexus Venture Partner (May 2010), Mayfield (March 2011), Everstone Capital & Emerging India Fund (a fund under ICICI Bank: November 2012) and Creation Investments Capital Management (September 2015). It also got a joint investment of $20 million from Incofin Investment Management of Belgium and ResponsAbility Investments AG of Switzerland in 2017.

"SLCM's uniqueness lies in its integrated approach towards agri value chain, top quality management team and best in class governance structure," observes Aditya Bhandari, partner & co-regional director, Asia, Incofin Investment Management. "We are excited about the innovation that SLCM is creating in the post-harvest agri space, especially with its patented technology and unique NBFC proposition. We hope to assist the team in unlocking value from the financing verticals, both in India and Myanmar".

"Although servicing agriculture is a difficult business, Creation invested in SLCM because of its high quality of operations, systems and intellectual property. This is all well-documented and replicated via AGRI REACH, which is a real national treasure for India in my opinion", discloses Ken Vander Weele, co-founder & partner, Creation Investments Capital Management, LLC.

"SLCM has built a unique business proposition for agricultural value chains, driving financial inclusion through its innovative technology products, and we are convinced that SLCM has the capability of not only serving the Indian agri-environment, but also other major emerging markets," says Sarah Djari, investment director, ResponsAbility Investments AG, which as a player in the impact investment field for emerging economies, has for the past 15 years been investing in businesses across the globe which combined market-based returns with a clear development impact.

"In the next 4-5 years, we do not plan to expand to other geographies. We would like to first stabilise our operations in one country and then only venture into another country," informs Sabharwal. SLCM's wholly-owned subsidiary started operations in Myanmar in April 2014 to engage in warehousing and other allied services. Sabharwal now intends to replicate its business model in other ASEAN countries like Vietnam, Laos and Cambodia, as also African countries, where it is exploring opportunities currently.

◆ LANCELOT JOSEPH

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A perfect beauty formula

Understated beauty brand Kama Ayurveda looks to scale up fast

Are you a carrier of Bringadi? Unusual as it may sound, many residents of Delhi or Mumbai would testify that Bringadi hair oil treatment is easily one of the most requested 'gifts', especially from India's vast hinterlands! Word of the efficacy of this Kama Ayurveda's hair oil has 'gone viral', with those in love with their tresses, or indeed, want to see them regrow, rushing in to order. The brand unsurprisingly lists it as its bestseller.

Kama Ayurveda was launched in 2002, though co-founder Vivek Sahni still regards it as a bit of a start-up. Its growth rate certainly puts it closer to the start-up range. It has recorded 600 per cent growth in the last four years, says Sahni. Given its much gushed-after products, it comes as a fair revelation that Kama Ayurveda is perhaps not the best known in its set of wellness/ cosmetics brands. Kama Ayurveda is now looking to correct that impression, and expand rapidly.

Authentic ayurveda

Kama Ayurveda plays strongly on its USP – totally natural and tradition-based. Authenticity has played a major role in getting Kama Ayurveda to where it is today, with 27 own boutiques in 10 cities across India, besides being stocked in some of India's best-known lifestyle stores such as Good Earth and Taj Khazana among others.

"We offer pure, holistic and efficacious treatments for beauty and wellness based on authentic Ayurvedic prescriptions," says Sahni. "The key here is 'authentic' – pure and classical ayurveda is at the heart of everything we do. Our purpose is to bring authentic ayurveda to the world through effective formulations as well as elegant and contemporary packaging. We focus on creating a complete solution that treats not just the symptoms but also the cause – this is in keeping with our deep roots in authentic ayurvedic prescriptions that are time-tested."

This means the treatments are all natural and 100 per cent vegetarian. The brand claims to use no artificial colours, fragrance, petrochemicals, parabens, urea, propylene glycol or other harmful additives. "Our products are our pride and joy and it is heartening to find more and more consumers discovering that Ayurveda is not only natural, gentle and safe but also truly works." It associated with Arya Vaidya Pharmacy (AVP), Coimbatore, to source ingredients for its products.

Sahni, along with partners Rajshree Pathy, Vikram Goyal and Dave Chang, wanted to promote the message of true ayurveda, universally. "We built a brand and a business around our conviction and faith in bringing ayurveda to the world and the world in turn

loved our products," stresses Sahni.

To make any brand successful, it is imperative to gather consumer insights to understand market trends, points out Sahni. "Our marketing and R&D teams continuously try to assess the gaps in the market place and brainstorm on solutions that are inventive and authentic at the same time." He cites the example of the brand's Natural Sunscreen, launched in June 2017. "It took us five years of intensive research to create this authentic product that combines all-mineral, broad spectrum SPF 21 actives. We work closely with ayurvedic doctors, which help in creating products which our market research shows are missing."

Competition is increasingly fierce in the herbal cosmetic industry as Indians seek more 'natural' cosmetics options. Indeed, authenticity is what Sahni stresses is the differentiator for the brand in an increasingly crowded ayurveda-based wellness market in India. "Though many brands today draw on ayurvedic ingredients, processes and even take inspiration from ayurvedic philosophy, we create the complete natural remedy," he says.

In a report published late in 2017, ASSOCHAM and research agency MRSS India estimated the herbal cosmetic industry to grow at a rate of 12 per cent in India annually till 2035. Shripad Naik, Union minister of state, AYUSH, estimated a three-fold increase in market size of ayurvedic products to $8 billion by 2022. While precise market shares are not available, leading ayurveda based cosmetics brands include Himalaya Herbals, Forest Essentials, Ayur and Lotus Herbals among others.

"Competition is always good, it is incredible and fascinating how fast the category is growing," says Sahni. "This shows the growing awareness of the consumers about using natural, ayurvedic products. More the choices, more informed they are, the increasing awareness is thus urging them to

look into factors such as quality, efficacy and purity. It is a good time to be in the business."

BTL years

Kama Ayurveda was launched with a rather small line of nine products. The idea of launching an authentic Ayurvedic beauty brand came to us after I worked closely with natural personal care products while spearheading a packaging project for the Khadi (state-owned KVIC) brand, recollects Sahni. "While working on this project, we worked closely with Indian cooperatives and this project strengthened my belief that ayurveda and a return to traditional Indian values and crafts is something that held great power for the modern-day consumer."

The first brand store came only a decade later, in Delhi's tony Khan Market. "As we developed products over the years, we had a large enough portfolio to open our first flagship store," says Sahni, even as leading lifestyle stores and spas stocked Kama ranges.

The stores are a haven for the typical Kama Ayurveda consumers, largely women. "The typical Kama consumer is a woman of 25 years of age and above, discerning about her lifestyle choices, well-educated and well-travelled, who consciously chooses holistic alternatives in her day to day life, looks for safe, gentle and highly effective remedies for their beauty and wellness needs who are also conscious about reducing chemical or non-natural elements in their lives," reveals Sahni. The online consumer is younger and diverse, from the ages of 18-25.

Reluctant to share turnover figures, Sahni says that due to increased awareness about the category, the maximum sales come from the larger metros. "But the smaller Tier 2 cities too, have been picking pace and growing fast."

Not just skin deep

Today, the product ranges across seven major categories – skin, hair, bath & body, mother & child, men's care, gifting & wellness and are priced between ₹225 and ₹2,295. Top sellers such as Bringadi Intensive Hair Treatment, Kumkumadi Miraculous Beauty Fluid and Extra Virgin Organic Coconut Oil form part of the flagship range.

Kama's stores are destinations in themselves, perhaps not surprising given that Sahni, an alumnus of Parsons School of Design, New York, started with a graphic design company! Design has played a crucial role in the brand's growth story. As the products were nicely designed, we were able to put them up at the Park hotels, The Oberoi hotels and such places, says Sahni. "The more you see a product present in such places, it comes across as a luxury brand. We wanted to hammer this thought into the customers' mind. Customer experience theoretically is to perceive and receive information through five senses, at our stores we try and stimulate at least four of these."

The brand raised an undisclosed amount from Lighthouse Emerging India Investors in 2014. The funds are used for new stores, expansions and increasing our retail footprint, which is the focus of expansion in the short term, says Sahni.

Besides a growing domestic market, Japan, the US and Europe are the biggest international markets for the brand. "While looking to continue increasing our retail footprint, our focus remains on listening closely to our consumers, finding new ways to delight them and continuing to be a strong voice in taking pure and authentic ayurveda out into the world."

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High stakes

For everyone in the skilling ecosystem

SHAIFALIKA PANDA

India's unique demographic reality – 62 per cent of the population is in the working age group – poses an unprecedented challenge: skilling the millions who are ready to join the workforce every year and providing them employment. According to the World Bank, India needs to create 8 million jobs every year just to keep employment rates constant.

Cognizant of this urgency, the government has set up several skilling programmes at national and state levels. Ironically, however, there is growing evidence that government Industrial Training Institutes (ITIs) and skill schemes are undersubscribed and mobilising youth in these schemes poses a massive challenge.

This underutilisation is the first symptom that the skilling ecosystem needs resetting in critical areas. Furthermore, while the reasons behind the lack of 'pull' need to be urgently investigated systematically, for now, each stakeholder – government, skilling agencies, industry and the youth themselves – need to begin by changing the mindset towards skilling.

Take industry first. A skilled labour force is a prerequisite for commercial viability. Indian industry, therefore, needs to 'own' this manpower challenge and share responsibility with the government to train employable high-quality talent. At the moment, only a few large companies follow the concept of inhouse training. Industry should also consider paying a placement fee for formally skilled employees they hire from institutes and Project Implementation Agencies (PIAs), and also participate in offering high-quality training assistance, curriculum development and placement opportunities to the relevant trained talent. Further, while dignity of labour cannot be codified, creating a work environment where youth, including those trained under short-term sector skill council programmes, are compensated better than unskilled labour and treated as valuable assets is the need of the hour.

Second, policymakers and skilling institutions need to focus on both redesigning programmes that create industry-ready talent as well as addressing the psychological impact of new placements on youth who leave home for the first time. Counselling and handholding are imperative at every stage of the process from mobilisation to placements. Farflung placements, especially in the big cities which have maximum demand for a skilled workforce, often come with a high cost of living and fewer savings to send home. This further adds to reducing placement numbers and developing an aversion to skilling and placement overall. Strategic placements closer to home, as far as possible, can be planned through accurate mapping of job placements along with some forward thinking from industries to set up factories closer to the supply of their workforce.

Third, it is imperative for the youth to 'own' their skilling and job seeking journey. To achieve this, it is essential to embed the concept of beneficiary co-ownership in all 'free' training programmes. There is significant evidence from the development field that shows community/beneficiary participation leads to the success of programs which are sustainable. These learnings should be adopted into the skilling framework. Currently, none of the state-funded skill programmes allow for even a small participation fee to be paid by the trainee or, for that matter, a penalty if the trainee changes his or her mind and opts out of the placement. A small, symbolic participation fee can go a long way in changing the perception of these schemes in the minds of young people, creating a sense of personal ownership and even evaluating, upfront, the long-term commitment of participants.

Fourth, state governments need to actively support the incentivisation and communication efforts of skilling mobilisation. While certain subsidies are imperative for some sections of the population, there is a growing trend of ad-hoc subsidies, waivers, and freebies, especially during the election cycle. This sends a mixed message to youth in that it conveys there is no need to be self-sufficient and strive for a sustainable livelihood which, in turn, impacts their appreciation of the importance of being skilled. It may be utopian to say so but the state governments should be mindful of the counter-productive impact of such subsidies and freebies which will affect skilling mobilisation efforts.

Finally, it is hard to distinguish a stakeholder from a beneficiary in the skilling ecosystem for the success of one depends on the other. A skilled youth is a potential employee of tomorrow and trainer thereafter. Similarly, the quality of human resources will determine the growth of companies and thereby our nation. Over time, the government's finite resources will also have to balance the quality and volume of people it can train. We need to, now, collectively ensure that the skilling framework and all related activities across the spectrum send an unambiguous message about the importance of ownership and sustainability. Only then will India be able to benefit from our unique demographic reality. ◆

The author is Trustee and CEO, Bansidhar & Ila Panda Foundation

Team @Swamy39, naive or knave?

History is replete with numerous examples of many a do-gooder, either being thoroughly misled or turning rogue

CHIRAG M. SHAH

Dr Subramaniam Swamy's formidable team has taken on many a powerful enemy, over the years, with all guns blazing. They have struck right chord amongst the befuddled public. The list is too long and there is no point trying to burnish their already stellar reputation as activists and crusaders; suffice to say that the statistics do favour Swamy.

The most recent one, where they have taken on P. Chidambaram & Co, which has been aptly called C Company is a book recently authored by Swamy's acolyte one Sree Iyer, it deserves some discussion. There can be no quarrel with Swamy's crusade against C Company and the recent successes have been widely and rightly cheered. But as a always happens, there will be some unintended consequences. The recently launched book C Company once again makes a case as to how P. Chidambaram targeted Jignesh Shah of 63 Moons Technologies to favour the National Stock Exchange.

I was aghast to learn what Swamy and Sree Iyer conveyed through their erudite comments. I must admit that I have some advantages while writing on this subject. I have been a markets professional for nearly 25 years and have lost sizable personal savings in the NSEL scam.

"NSEL was killed so that NSE could survive, it was one man operation," Swamy, MP, told reporters at a crowded press conference to launch a book, *P Company: How Jignesh Shah became No1 Target of P Chidambaram*, in the Indian capital on 5 March 2018.

"... so that NSE could survive" is classic Swamy hyperbole. Anyone interested in verifying the hollowness of this claim may check the daily turnover of the NSE and all of Shah's exchanges put together.

"I have completed all my investigations into the NSEL payment crisis and seen all documents related to the case and will file the case on the basis of the documents," said the BJP MP, whose relentless campaign against corruption has caused discomfort to a host of politicians – mostly from the Congress party – in India. Among his investigations were the 2G, National Herald case, Aircel-Maxis and INX.

"The biggest mistake committed by the UPA government was to direct NSEL to stop launching any fresh contracts leading to an abrupt closure of the Exchange in July 2013. Do you close down an exchange if there is a crisis, did the government close down PNB?"

"Then, NSE was no match to NSEL. But with his interference, he ensured NSEL started slipping. And then, in one shot, he killed what was considered among the finest examples of Make in India," said Swamy.

"Jignesh Shah created great magic for India, and created some of the finest exchanges across the world and what do we see, P.C. and his men hounded him out of those very exchanges. He was thrice put in jail and yet, the judge said there was not a penny traced to him. How painful that can be for a creator of great exchanges, a creator of jobs," said Swamy.

What is not answered by either Swamy or Iyer: where did commodity stocks worth ₹6,000 crore disappear?

Swamy is welcome to give a clean chit to Jignesh Shah. But had he paused to peruse the "Fit & Proper" order of the Forward Markets Commission, which lists all the acts of Jignesh Shah and his lieutenants before the NSEL scam surfaced, he would not have rushed to judgment. It would be worthwhile to highlight that two divisional benches of the Hon'ble Bombay High Court as well as a Bench of the Hon'ble Supreme Court did not grant an injunction on the "Fit & Proper" order and actions initiated on the basis of the report.

We are disappointed at the slow pace of progress in the courts, however, we can say in all humility that the courts have seen through the veil, which is likely to be lifted soon.

Swamy is being disingenuous when he says that "... there was not a penny traced to him". Being such an accomplished lawyer himself, it confounds me that he's quoting from a Bail Order.

What is not answered by either Swamy or Iyer: where did commodity stocks worth ₹6,000 crore disappear? The CJ of Bombay High Court had rightly quipped whilst hearing the writ petition, "Did NSEL keep the warehouse doors closed and the windows open?", "Was there a tsunami that made all stocks disappear?"

We wish Team Swamy all the very best in their fight against P. Chidambaram. He has a quiver full of arrows to choose, but using Jignesh Shah as a crutch, only exposes the sheer irony of the matter. ◆

The author is Advocate, Financial Markets Veteran

The Lakme Fashion Show 2019

(Un)folding

A grey study, with slashes of snow, a feeling of silver rain. Towering girls dwarfed by a curly stairway to heaven. Twirls and yards of billowing curled fabric, silver glitter, cantilevered forms, long trains and the truly gorgeous tent on top of which emerged the poetry reader – a teller of tales, a maker of magic and a creator of the unfolding drama. The stage was draped in rivers of white and at the top stood this statuesque beauty reading words, words and more words. She stood close to the high ceiling, while her huge white gown, a tent really, covered most of the stage. Structure, greys, the ethereal city, a future built with whispers of silks and rain drips from the past. This could describe the '(Un)folding': **Gaurav Gupta**'s sensational show at The Royal Opera House which opened the Lakmé Fashion Week Summer/Resort 2019. It had fantasy, exhilaration really, along with drama, dance and design and the gorgeous **Karan Johar** and **Tabu**! Johar wore a rose coloured one-button jacket with black lapels, corded epaulets and black trousers. The spiral staircase was like the beginning of a grand ramp and it brimmed with poetry, words, dancers, and gowns that glittered as Gaurav brought his expertise with origami folding and fluid cantilevered silhouettes. Amazing work! Far simpler but somehow reassuring was Lucknowi Chikankari for dresses in yellow, 'Basanti' for spring time and Banarasi brocades for lehengas. The show began with pale blue which darkened to a mysterious black, then the dawn colours of pink followed by ecru, ivory and rich brocades. The final unbelievably constructed vibrant yellow, wired, curved gown was truly incredible. One wondered: how did he do this? Unfolding by Gaurav Gupta was a memorably grand opening for the Lakmé Fashion Week Summer/Resort 2019.

A collection of dresses, pantsuits, 'sari gowns' and classical party wear were dappled with zardosi, Chikankari and hand-woven brocades. The embroidery, specially crafted as 3D flowers in delicate organza and soft georgette, blossomed all over the garments along with a frothy splash of crystals. The construction was extreme 'with a scaffold-like inspiration', while the Chikankari craft had long beloved and trusted pastels like yellow, ivory, rose and powder blue.

The tucked, draped and folded skirts, asymmetric minis, embroidered yokes and sleeves for slinky gowns, the variations on saris with beaded blouses and the floaty sari gowns were wonderful. The swirling cape over a pant suit and a pair of black and red gowns flashed by like flames of fire. Sleeves floated upward from shoulders, while jackets were worn with trousers. Bridal wear had heavy, embellished skirts with 3D appliqués with unusual blouses. At times, a discreet transparency added a cool mist. Menswear had glittering black tuxedos, with shimmering lapels, zip up tailcoats, a red biker's jacket, brocade dinner jackets and pleated lapels and moulded shoulders. Then, there was the beloved sherwani, sometimes de rigueur for weddings.

Helena Bajaj Larsen's prints in swirling golds, reds, maroons were in beautiful, (wearable!) creations. Her sense of style and colour is appealing, dramatic and really gorgeous.

Saris and dhotis, of course, never get wasted: they are handed down to daughters as heirlooms or to maids for rough use. Ultimately they are made into quilts, pillow covers or curtains and finally used as rough cloth or dusters. Waste is not waste until you make it so. Several designers had chosen to use waste material and still give us wonderful fashionable, wearable clothes and shoes. Cut out pieces of cloth from designers were used by one, while another used wasted but still good, old clothes.

The Rig Veda-led 'Aquesthetic' by Ajay Kumar Singh offered silhouettes that showed style, carefree flamboyance with the colour of water and jewels: turquoise, emerald, coral, and white, with a hint of seashores.

Yadvi Agarwal showed the designer herself depicted in her inspiration: the parallel universe with who knows? Dark matter, anti-time? Her work was about the upside down and the surreal, objects amalgamated into silhouettes, using structured and moulding eccentricity!

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The golden key

Good governance based on law will open the door of opportunity for all citizens

GANAPATI RAMAKRISHNAN

Franchise does not guarantee good governance. The case of today's government is an instance in point. Modi had said during his campaign in 2014 that he would give good governance and got elected. Tragically, the recent BJP electoral reverse clearly shows that he has not given good governance. Nor, for that matter, did even Nehru, Indira Gandhi and Vajpayee, during their regimes. Franchise is political, good governance is evolutionary. This is universal law. Those who pin their hopes on Rahul Gandhi are doomed to frustration, because his party ruled for 10 years from 2004 to 2014 and did not do any good to voters either.

In clear contrast to India, Singapore did not boast any claim to democracy, but had embraced capitalism whole-heartedly since inception. Yet, it is a success story. So also is the case of Hong Kong. If only India had embraced capitalism, the country would have been rich like Hong Kong or Singapore, with zero corruption and zero poverty. Surging prosperity would have given only minor rule to politics. No one knows who heads Singapore or Hong Kong, but these countries are rich and clean.

Franchise is an open invitation to corruption and mediocrity. Recently Jack Ma said that he is a member of the Communist party. Though China has one party, it has built the nation on merit. India bade good-bye to merit in 1947 and the results are too obvious to see. Since 1991, India is doing well economically, but politically it remains stagnant.

There is a way to rejuvenate Indian politics to make it corruption free, prosperous and just. And that is to rejuvenate Indian politics to embrace capitalism wholeheartedly. As a first step, reduce public sector to zero level. Secondly, the Central government should not have more than six Cabinet ministers, as in the US and the UK. And the total size of the Central bureaucracy should not exceed 1,000 IAS officers. This small government can be run on 3 per cent GST uniform. It will have budget surplus. Economy will grow at 10 per cent at constant prices. Interest rates will come down to 3 per cent.

At this tax and interest level and zero inflation, every venture will be profitable, reducing non-performing assets to zero. Ease of doing business will be pure heaven, leading to full, fuller and fullest employment. There will be no poverty at all. India will look like Hong Kong and Singapore. There will be zero incentive for politics and parties will merge into one or two. If the ruling party is abiding by the rule of law, there will be no need for an Opposition.

The magic lies in the constitutional spirit. Law will ensure prosperity and justice. Government will give the vision and remain humble. The judiciary and police will be 24 carat gold and keep all the flaws of business under check. India will remain on a par with China under a democratic label.

Law is the embodiment of democracy, not elections. Capitalism will be fair exhibiting animal spirits for the enrichment of society. Law is the magic wand that will unite capitalism and justice in a single social fabric.

India should be depoliticised and relegalised. Elections too will come under the constitution and parties will see the light and behave honestly. Money will not be needed to get elected only track record. Also, when people are rich, why would they take money? Electoral victory will depend on persuasive talent and administrative acumen. The politician will be a mentor to the capitalist. His constituency will prosper by his extraordinary talent.

Capitalism will generate that kind of politics. We have snuffed out honest and ideal politics. When law comes to the fore, capitalism and politics will become thick friends, reinforcing each other to mutual benefit.

India has to get away from the tokenism of elections and move to good governance. Modi has failed to give good governance. If Rahul sees the writing on the wall, he can rule the country all his life without any elections. The money spent on elections can be spent on education and health. Ernest Gellner's conditions of liberty will be met and India will be the freest country in the world. The real path to freedom is law not electoral politics. For India, election was a fatal illusion in 1947. At least now, we should come out of it.

If India attaches itself to the ideal of good governance, politics will become clean, with judiciary upholding the law. There will not be a single case pending in the courts. Imagine how companies and citizens can become productive and creative, enjoying the freedom it will give. For this, even the West is not the role model. India will be a role model for democracy and liberal order. Within a moral frame, India will flourish and will show the path of political illumination and economic innovation. Politics will become a noble profession, providing good leadership, based on merit and nothing else. Good governance based on law is the golden key that will open the door to opportunity for all citizens. ◆

The author is director, Governance Center

Fighting a good war

Isolated efforts towards conservation and community engagement make their mark, slowly but surely

In a country where its environment and wildlife are withering under a relentless onslaught, it is often left to citizens to look beyond the government to try and pull the situation back from the brink. And, every year, the Sanctuary Wildlife Award, which was constituted in 2000, recognises and celebrates unsung heroes it calls the Earth Heroes, for their significant contribution to biodiversity conservation and community engagement.

So it was this year, when an overtly supportive capacity audience at a Mumbai venue cheered the eight awardees who were selected for making a difference through their committed activism and inspirational mission. "Each year, in the process of unearthing inspiring people who have been contributing to protecting Planet Earth, our home, we come across an incredibly diverse set of brave men and women who do not let fear or uncertainty deter them," mentioned Bittu Sahgal, founder, Sanctuary Nature Foundation, which has institutionalised these awards. The awards event was sponsored by Mumbai-based IndusInd Bank and financial services firm DSP Group, and supported by Hyderabad-based independent power producer GreenKo.

Sahgal is also the founder-editor of *Sanctuary* Asia, India's first wildlife magazine, and the awardees were selected by way of nominations sent in by its readers, as also supporters and associates from across India. The award categories were Lifetime Service, Wildlife Service, Young Naturalist, and Green Teacher.

The Lifetime award went to 'bio-piracy activist, food-sustainability advocate and change-maker' Vandana Shiva, who is 'indisputably one of India's most powerful voices for eco-feminism and for the long overdue agri-environmental revolution'. Sixty-six-year-old Shiva had in 1982 established the Research Foundation for Science Technology and Ecology to reverse the ill-effects of India's Green Revolution. A crusader for sustainable agriculture and against the formidable purveyors of genetically modified (GM) seeds, Shiva founded Navdanya in 1991 to work with farmers across the country to conserve the diversity of native seeds and to promote organic farming practices.

According to Shiva, though the Green Revolution has been widely lauded, it has led to an over-dependence on fertilisers and pesticides, wide use of hybrid seed strains and neglect of indigenous seed varieties. Shiva's efforts have led to the creation of 60 seed banks in 16 states. She has served on such national and international boards and committees as the National Board for Organic Standards in India, Prince Charles' Expert Group on Sustainable Agriculture, International Forum on Globalisation, and Commission on the Future of Food.

The Wildlife Service awards were conferred on Rohit Choudhury, Imran Siddiqui, Iho Mitapo, Govardhan Meena and Puja Mitra. Maitreya Sukumar was bestowed the Young Naturalist award and Nikita Pimple, the Green Teacher award.

Described as a 'determined campaigner, activist and committed environment protector', Choudhury, who was born and bred in Bokakhat in Assam, has contributed hugely to his state's rich and threatened biodiversity. The wildlife activist resorts to Right to Information Act (RTI) to protect the biodiverse Kaziranga National Park, Manas National Park and many lesser-known protected areas. He wages his conservationist's battle by gleaning information through reams of case documents and reports, and leverages it to buttress his case, as he did whilst working to put a halt to the unregulated dumping of trash from Guwahati city at the perennial freshwater lake of Deepor Beel.

Save tigers

Disregarding the threats he faces from those he brings to task, Choudhury has countered the unlawful diversion of the Beki river in the core of the Manas National Park and similarly opposed the destruction of prime elephant habitats in the Kaziranga-Karbi-Anglong landscape by illegal mining. He has besides petitioned the National Green Tribunal (NGT) to address the issue of roadkills on NH37, where wild animals frequently come under the wheels of speeding vehicles.

Siddiqui has devoted his life to tiger conservation, starting out by raising and selling poultry to fund his wildlife obsession. He has served on the Telangana State Board for Wildlife, and has been an external expert for tiger monitoring in Andhra Pradesh (AP) and Telangana, besides founding the Hyderabad Tiger Conservation Society (HyTiCoS). Wildlife isn't intimidated by human-drawn borders, and neither is Siddiqui. He collaborates with state forest departments and with his support team of over 400 volunteers and 60 associates across 10,000 sq km of non-contiguous wilderness in AP and Telangana. Siddiqui's efforts have compelled the implementation of compensation schemes by the government and the initiation of a voluntary relocation

Shiva receiving Lifetime award

project for landless tribals. He is also largely credited with the declaration of Kawal wildlife sanctuary as Kawal Tiger Reserve in north Telangana in 2012.

Having spent his childhood swimming in the fast-flowing rivers and scaling the sylvan heights of lower Dibang Valley – Dibang Valley being the largest but least populated district of Arunachal Pradesh – Mitapo now strives to protect them. Born into an Idu Mishmi tribal household in this eastern Himalayan state, he dropped out of high school to partner anthropologist Sahil Nijhawan by spending two years deploying hundreds of camera traps through the remotest parts of the valley and stewarding explorations of its undocumented biocultural diversity. He subsequently founded i-Clean Roing, an initiative by volunteers for door-to-door refuse collection in collaboration with local authorities in the town of Roing. When the opening of a bridge over the Brahmaputra in 2017 led to a surge in unruly tourism and the resultant pollution and degradation, 25-year-old Mitapo and his friends convinced the district administration to prohibit the use of rivers and forests by non-local tourists. He also founded the start-up, Dibang Adventures, which provides sustainable income for community members while safeguarding the culture and bio-diversity of the region.

Thirty-eight-year-old Govardhan Meena has, for years, single-mindedly averted man-animal conflict between his fellow Meena tribal community and wild animals like tigers in the vicinity of their villages on the outskirts of Rajasthan's Ranthambhore Tiger Reserve. A chance encounter with tiger conservationists Valmik Thapar and Fateh Singh Rathore changed the course of his life, transforming him from a passive observer to one of India's quietest under-the-radar tiger defenders. Today, he is the 'Pied Piper of Ranthambhore', hero-worshipped by over 15,000 children from 45 forest villages. He serves as a vital link between locals and park authorities, defusing tensions and communicating information, thereby narrowing what used to be a grim people-park divide.

As the founder of conservation enterprise Terra Conscious in Goa, Oxford-educated Puja Mitra is leading ethical boat operators to a livelihood of conscious tourism. Through the fishing community of coastal Morjim, she is providing tourists a better understanding of marine life by following international best practices for dolphin watching, while ensuring boat operators a dignified living. Terra Conscious also extends this experience to students from schools in Goa and other states and hosts field activities and awareness workshops on marine conservation for them. Puja besides coordinates and trains the members of OceanWatch – a stranding, monitoring and response network established in collaboration with the Goa Forest Department and IUCN, India. This collective of life-guards works with Drishti Marine, which provides crucial data on marine mammal and turtle deaths in the state. It also responds to wildlife emergencies.

GenX green warrior

The Young Naturalist awardee, Maitreya Sukumar, is a 15-year-old Class X pupil at the Shri Ram School in Moulsari, New Delhi, but has already personally identified 850 of the over 2,000 bird species found on the Indian subcontinent. "We at Sanctuary believe he is a generation-next green warrior, the kind that gives us hope for the future," his citation reads. This young naturalist's love of birds began when he was four, though his parents have been non-birders and initially hesitant to support his passion. Over the years, he has astounded ornithologists and naturalists alike, and celebrated children's book author Deepak Dalal was so taken up with this young prodigy that he named one of his characters Maitreya. A conservationist by conviction, he has raised money for the Hornbill Nest Adoption Programme at Pakke run by the Nature Conservation Foundation, mapped the birds of Jabarkhet, in Uttarakhand, for WWF-India and added four new birds to their list.

Green Teacher award winner Nikita Pimple has expanded the scope of the Rishi Valmiki Eco School (RVES), which she co-founded in 2010 and which is run from four classrooms rented from a government school in the Mumbai suburb of Goregaon. Starting out with just nine pupils, the school now has 525 children from financially-challenged families, learning in shifts from nursery through grade nine. RVES has a holistic approach to learning, replete with story-based teaching modules and activity-based learning, and an imaginatively crafted wildlife syllabus, which adjuncts the mandated state board curriculum. Pimple set up the Kids Green Klub in 2014 and in association with Sanjay Gandhi National Park, leads nature trails and workshops for the children of Mumbai, and also conducts wildlife camps in protected areas across the country.

The life's purpose and respect for nature of these 'Earth Heroes' stands out as an inspiration to others in a country where ecology and conservation have been lost sight of in the doctrines of governance.

◆ SAROSH BANA

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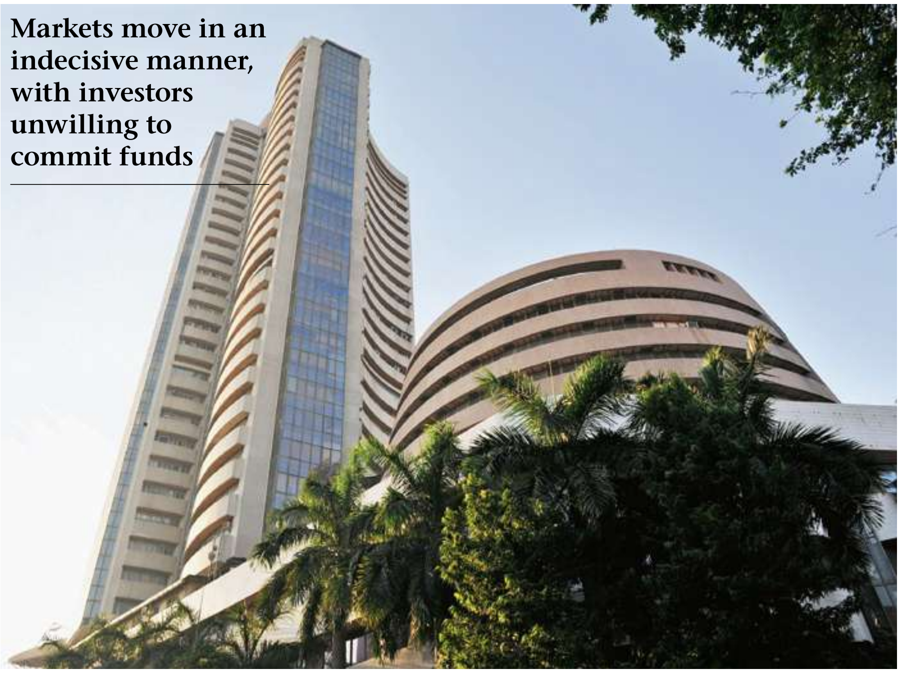
OVERVIEW

Uncertain times, uncertain trends

Markets move in an indecisive manner, with investors unwilling to commit funds



The stock market continued to move in a narrow range. From a level of 35600 on 30 January, the Sensex crawled to close at 35756 on 20 February. The yo-yo movement is restricted within a narrow range of 2,000 points. Events on the domestic front, politics and corporate cleansing initiatives continued to weigh on the investors' sentiment even after the announcement of the interim budget.

The biggest of these events was the country's outrage over the killing of 45 soldiers in Pulwama attack on 14 February and the stern retribution promised by Prime Minister Narendra Modi – 'The sacrifices of the *jawans* will not go waste' – led to a considerable uncertainty. 'Will there be a swift surgical strike on Pakistan-sponsored terror camps?' or 'will the armed forces strike when least expected?', were some of the questions which were being debated.

While the country is baying for revenge, poll alliances are being put in place by various parties ahead of the elections. In Uttar Pradesh, the alliance inked by SP and BSP has virtually kept the Congress out of UP, which holds 80 seats. In Tamil Nadu, with DMK and AIADMK also becoming major partners with Congress and BJP respectively, the stage is now all set for a show-down. Maharashtra, the second largest state, has also seen BJP sealing its alliance with its long-standing ally, Shiv Sena. Before the first week of March, all alliances are likely to fall in place and markets will again focus its attention on elections. The nervousness is over the regional parties making a comeback and one can expect the markets to go comatose, if a *khichdi* government is formed at the Centre. Investors do not get swayed by poll forecasts but make their own assessment. As of now, the BJP-led NDA is still the favoured one. While short-term issues may surface in the run-up to the elections, investors are being increasingly advised to take a long-term view of the stock markets.

Another area of concern is the increasing reports of mutual funds exposure to the vulnerable companies and their promoters. Anil Ambani-led ADAG group companies' pledge of shares with NBFCs and the MF exposure of Subhash Chandra's ZEE are creating jitters amongst investors.

Pledging of shares of promoters and over-leveraging of companies are two other issues gripping investors. SEBI may soon come out with guidelines, limiting the pledging of shares of promoters or their holding companies to the extent that this does not destabilise the share prices. IL&FS shockwaves have still not subsided and the banks are staring at a hit of ₹30,000 crore, says one report. It is in this context that the government's initiative to recapitalise the banks has to be seen.

All these concerns have pressured FIIs' net sales to ₹5,815 crore during the calendar year till 22 February. Companies are also in the process of revisiting their growth plans. And the IT companies are in the process of returning excess capital to their shareholders.

Buybacks: IT companies to the fore

In a bid to reward investors and also stabilise the share prices in a volatile markets, several companies have opted to go in for buy-backs, as opposed to giving hefty dividends to shareholders. Dividend attracts tax at source, while buy-backs, if done through the platform of stock exchanges, do not – and

are tax-free sales as far as the investors are concerned. Infosys plans to buy 103.2 million (2.36 per cent of its capital) shares at ₹800 per share from the existing shareholders as on 25 January (record date). The company would be returning ₹8,260 crore to the shareholders. In 2017, it had undertaken its maiden buyback shares, returning ₹13,000 crore by purchasing shares at ₹1,150 per share. In less than a year-and-a-half, the company will thus be returning more than ₹25,000 crore (including special dividends) to its shareholders.

This fortnight, Tech Mahindra also announced a similar buy-back and dividend policy. It proposes to buy back 20.5 million shares at ₹950 a share for a total amount of ₹1,956 crore. The record date for determining the entitlement is 6 March. The aim is to provide tax efficient rewards to both shareholders and companies.

Persistent Systems (market cap: ₹5,041 crore), another IT company, announced a buy-back in the last week of January, while TDS Power Systems, Selan, Natcom Pharma, Cyient are other companies where buy-backs are still open. On the NSE, NHPC, ONGC and SKF India have just completed buy-back offers. Small shareholders are, however, put to hardships because, in certain cases like ONGC, shareholders without brokers on NSE were not able to tender shares, as shares had to be tendered through brokers to avoid tax payment. Maybe SEBI needs to relook at this.

Telecom: Jio juggernaut on the roll

There is considerable action in the telecom sector, with Jio continuing its growth momentum. Like in an *ahwamedha*, the Reliance Jio stallion continues to travel across territories. In December, it amassed 4.5 million new subscribers, taking its overall subscriber base to 280 million. Its market share is now 23.2 per cent – within striking distance of Bharti Airtel's overall market share of 28.9 per cent. It has a total subscriber base of 340 million. Vodafone-Idea, despite being the number 1, with a subscriber base of 419 million, has been steadily losing ground, having lost about 2.9 million subscribers in the last eight months. Jio's growth has been at the cost of Vodafone-Idea and Bharti Airtel to a large extent. What is however a point of concern is the low average revenue per user across the industry. Reliance Industries' share prices have been a steady feature and have moved in a narrow range, despite the volatility seen across the market.

Some companies are, however, facing the ire of shareholders. **Mahindra & Mahindra** (market cap: ₹77,873 crore) touched a 52-week low at ₹616 on 18 February. The shares have been on a steady decline since it touched a 52-week high of ₹992 on 30 August 2018. Earlier, the shares were buoyed up on the grounds that it is a great proxy play for the rural consumption growth story. The country's largest tractor company would be a big beneficiary of the government's largesse to the rural population. And a good monsoon would see a rerating of the shares. The shares, which were steady at about ₹800 levels at the beginning of the year, have been steadily losing ground and had dipped to ₹678 by end January. It is now hovering around ₹630 levels. A lower operating profit margin was one of the reasons for the disappointment. The growth in PAT has also not grown in line with the double digit growth in revenues in the third quarter ended December 2018.

Even as the market is waiting for some news on the political front, it makes sense for investors not to be swayed by day to day movements of the markets and have a focussed strategy to invest in shares with a long term perspective in mind. Chasing momentum stocks or tipsters influenced stocks is unlikely to yield any relief. Holding on one's portfolio makes more sense. Capital protection should be the short-term strategy rather than being overtly adventurous.

◆ DAKSESH PARIKH
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Dynamic outlook

Favre-Leuba has announced the appointment of Vijesh Rajan as business head and the new spokesperson for the brand. After the successful tenure of Thomas Morf, CEO & spokesperson of the brand, under whose leadership the brand was relaunched with a modern dynamic outlook yet retaining its rich legacy. Rajan has come onboard with a vision to position Favre-Leuba as an iconic brand in the Swiss watch industry, a status that befits its rich and glorious history and legacy. He has previously been a part of the parent company of Favre-Leuba and has successfully worked for Titan in the watch industry for close to two decades. Having worked in several leadership positions he has handled multiple facets of the watch industry across all key global markets.

Diverse experience

Marico Limited has appointed Koshy George as chief marketing officer, Marico India. In his new role, George will be responsible for leading the brand marketing initiatives of the company and will report to Saugata Gupta, MD & CEO, and will also be a part of Marico's executive committee. Koshy George brings with him more than 17 years of sales and marketing experience across diverse categories such as personal care, home care, and foods. He started his career with Marico India in 2001 as a management trainee and was an area sales manager before moving to Hindustan Unilever. His most recent role was as global marketing director, skin cleansing. During his tenure with Unilever, George has worked across building and transforming various brands and categories.

Guiding future

Centum Learning Limited, a leading player in the skill development and corporate & vocational training space, has announced the appointment of Rajeev Vasudeva, former global CEO, Egon Zehnder, as chairman. In addition to guiding Centum's future direction, Vasudeva will also be a major investor in the company, acquiring a

Vasudeva: creating an ecosystem

20 per cent equity stake in Centum Learning. The existing shareholders of Bharti Group will stay fully committed to Centum for its future growth. Given his vast global experience in unlocking the potential of human capital, Rajeev will help Centum build and create an ecosystem that facilitates development of future-ready skills that are aligned with industry needs and ensure a ready market place for these skills. As one of the promoters of Centum, he is expected to chart the direction for aggregating the demand and supply of employable skill by leveraging technology and expanding its partnership with the corporate sector.

Veteran enters

Vinaya Varma, 50, will take over as managing director & CEO, mjunction services limited, an equal joint venture of Tata Steel and SAIL, and India's largest B2B e-commerce company. Varma has served the company since inception in 2001, his last held position in the company being its CEO. Varma has been elected co-chairman, CII Eastern Region ICTE Sub-Committee, for 2018-19. He has also been an elected member of CII Eastern Regional Council and CII West Bengal State Council for 2018-19 and an elected member, Internet, Mobile & e-Commerce Council, NASSCOM, for 2017-19.

Wealth of experience

Entrepreneur First (EF), a pioneering UK-based global talent investor, has announced its launch in India; and the appointment of Esha Tiwary as general manager. EF has also announced its first-ever cohort of 50 founders in Bengaluru, its sixth global location. Tiwary has a spent several years in the start-up ecosystem in India and has a deep understanding of the space. She brings a wealth of knowledge and experience in building and scaling start-ups, and will be an asset for EF.

Building teams

Adding muscle to the Delhi office, FCB Ulka has announced the appointment of Shreekant Srinivasan as senior vice-president & business director. In his role at FCB, he will be heading iconic brands like Horlicks, Hero MotoCorp, Hamdard, along with Boeing. With a career spanning almost 20 years, Srinivasan has worked across agencies like BBH, Leo Burnett, McCann Worldwide and Wieden and Kennedy in leadership roles. He has played a key role in launching new offices, building cohesive teams and managing some illustrious brands such as GM, Tinder and Royal Enfield, to name a few.

Varied experience

The VIP Industries Ltd's board has approved the appointment of Sudip Ghose, currently CEO, VIP Industries, as the company's new managing director, with effect from 1 April 2019. Ghose, was also appointed as an additional director of the company with effect from 8 February 2019, will work as CEO till 31 March 2019, He will assume charge of managing director from 1 April 2019. Prior to joining the company, Ghose had worked with Samsonite South Asia, Onida, Whirlpool India, Reliance and Bausch & Lomb. He has over two decades of experience in sales and marketing, with expertise in strategic planning, integrated brand marketing, consumer behaviour and insights. ◆

THE KENESETH ELIYAHOO SYNAGOGUE HAS BEEN RESTORED TO ITS FORMER GLORY

Rejuvenating the Jewish community

Jews have a long history in India – the one place where, for thousands of years, they were welcomed and given refuge. The earliest known record (on metal plates) in ancient Vatta Eratha (a mix of Tamil and Malayalam), shows the privileges granted to Joseph Rabban by Bhaskara Ravi Varma, the 4th century ruler of Malabar. Continuing this tradition, Nehru (and separately the Jam Sahib), welcomed them during the Second World War, although India was fighting for independence against the British rule and faced a famine.

In 1948, when Israel was created as a Jewish homeland, the Jews of India said they were already home…. Later, in an India completely impoverished by colonial rule, some went to Israel seeking prosperity and a doorway to the west.

Recently, the JSW group donated Rs4 crore to renovate Mumbai's Keneseth Eliyahoo Synagogue. Designed by Gostling and Morris and protected under the Heritage Regulations for Greater Bombay since 1995, its original grandeur is now restored by architect Abha Narain Lambah. This was funded mainly by the JSW group (along with the Sir Jacob Sassoon & Allied Trust, the Kala Ghoda Association and the World Monument Fund). Lambah has beautifully and carefully restored this part of India's culture – a significant Jewish synagogue for the Baghdadi and Bene Israelis.

Solomon Sopher, with Sangita and Sajjan Jindal, dedicated the lovely, gleaming synagogue to the Jewish community in the presence of Governor Vidyasagar Rao. "We are extremely happy to have been entrusted the opportunity to restore one of the most important temples of worship," Mrs Jindal, chairperson, JSW Foundation, said. "This synagogue has been a significant part of Mumbai's heritage and culture. The team working on the restoration of the Keneseth Eliyahoo Synagogue was handpicked from India and around the world. Over the last 20 months, this team was dedicated to restoring every original aspect of the synagogue. I hope it will provide visitors a visual celebration of the Jewish culture in India."

Added architect Abha Narain Lambah: "The Keneseth Eliyahoo Synagogue was an extremely challenging and fulfilling restoration project. The entire structure, right from the external architecture to the detailing of the religious symbols used in the interiors, is enchanting and tells a story of the years gone by. We are happy that we could restore this iconic monument of Mumbai to its former glory."

Solomon Sopher, chairman & managing trustee, Sir Jacob Sassoon & Allied Trust, said, "We are grateful to Mrs Sangita Jindal, Ms Abha Narain Lambah and others, who have worked tirelessly in restoring our beautiful synagogue…. We are confident that the restored synagogue will rejuvenate the Jewish community and serve as a source of blessing to all who visit it."

Non-conformity Synagogues have never conformed to stylistic rules anywhere and show considerable variations in many details, with no unique or recognisable features. This synagogue, built in the Classical Revival style, has decorative Victorian interiors. It has a large pediment crowning the western facade over the large semicircular fenestration housing three unique stained-glass panels flanked by fluted Corinthian columns. The stained glass was painstakingly restored by Swati Chandgadkar. The hall has an east-west orientation, with entry doors on the east and the Bechal or Ark facing west towards Jerusalem.

The sanctuary has a central podium (a Sephardic tradition) for conducting services. The surrounding wooden benches are set on Minton tiles from Stoke-on-Trent, England, while women sit in the upstairs galleries. Interventions ranged from roof repairs, terrace waterproofing, splice repair of damaged sections of timber rafters, etc. all while supporting the structure. The damaged terracotta tiled roof was replaced with new tiles to match the original profile of timber boarding. The synagogue's original symbols: grape vines, citron fruit, and the Star of David, were stenciled on the walls. The original colour, earlier under years of blue washes, was restored.

The major donor, the $13 billion JSW group, has played a key role in India's growth and culture. Ranked among the top business houses, JSW works with steel, energy, cement & infrastructure, aiming at excellence, while focussed on sustainability.

◆ SWAPNA VORA

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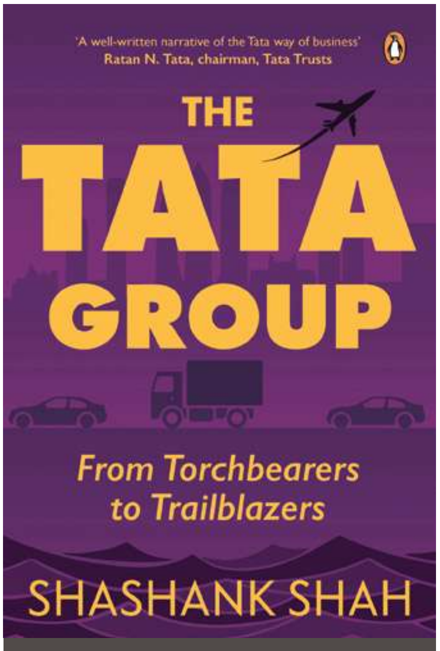
In-depth look

An excerpt from the book



THE TATA GROUP
from torchbearers to trailblazers
Shashank Shah
PENGUINRANDOM HOUSE
₹699; Pp 393

After over a decade of research, meetings and interviews, Dr Shashank Shah, visiting scholar, Harvard Business School; fellow, Harvard University; and consulting editor, *Business India* Publications, recently launched his book *The Tata group: from torchbearers to trailblazers*.

Following the acquisition, newspapers ran headlines such as 'The Empire Strikes Back', 'Jaguar Is Now an Indian Beast' and 'Tatas Rule Britannia'! Some had more tongue-in-cheek comments – 'So what if the Queen of England still has the Kohinoor, the diamond and most famous jewel taken from India during colonial times? The Tatas now have Jaguar and Land Rover (JLR), the icons of British luxury. The British citizenry felt discomforted that India, a former colony, had acquired two of Britain's most iconic brands. In a conversation with MBA students at Stanford University, Ratan Tata remembered the fiery and vocal reactions from Brits expressing their displeasure. "When Ford had not been able to make a profit with JLR, what was Tata, with no experience in the premium car segment going to do?" said some. Many others felt that the Tatas would shut down the plants in Britain, move them to India, and convert the Birmingham/Coventry plants into a real estate project. Another spicy rumour was that the Tatas were going to have Tandoori chicken restaurants all over the Midlands! But the Tata approach was very different from what they had expected. The Brits would soon realise the Tata way.

...And the global financial gloom descended.

On 15 September 2008, three months after the Tatas' acquisition of JLR, Lehman Brothers, a global financial services firm, and the fourth-largest investment bank in the USA, filed for bankruptcy. Many others soon followed. It was the beginning of a global financial crisis that affected almost every continent. Decline in consumer wealth was estimated in trillions of dollars. The interconnectedness of nations in a globalised world, and its negative fallout were visible in full measure.

> **"When Ford had not been able to make a profit with JLR, what was Tata, with no experience in the premium car segment going to do?" said some. Many others felt that the Tatas would shut down the plants in Britain, move them to India, and convert the Birmingham/ Coventry plants into a real estate project"**

This indirectly contributed to the European sovereign debt crisis that began in the last quarter of 2009 and affected most nations of the European Union. It became apparent that Tata Motors couldn't have picked a worse time to make an acquisition of this magnitude. With the collapse of the mortgage market in the USA and the subsequent financial crisis, anyone who had cash was no longer in the mood to lend it. With severe liquidity crisis, the demand for luxury cars in Europe and North America – JLR's two biggest markets – hit its nadir.

Already burdened with a debt of ₹21,900 crore, Tata Motors was forced to put more money into JLR after it failed to secure financial aid from Britain in the crisis scenario. It spent an additional ₹4500 crore to keep the struggling brands afloat. This was an awkward position for a company that had been virtually debt-free. 'We were bleeding. Banks were not giving any money. And we needed money,' recalled a senior Tata Group executive. For the year ending 31 March 2009, Tata Motors posted an annual loss of ₹2505 crore, compared to the profit of ₹2168 crore in the previous year. The JLR unit made a pre-tax loss of ₹1800 crore.

Tata Motors adopted a threefold strategy for dealing with the crisis and turning around JLR: cash management, cost control, and new product development. It was reminiscent of the efforts Tata Motors had made between 2000 and 2006 to turn around the parent company with great success. It was now replicating the strategy at a global level. It hired KPMG and Munich-based Roland Berger Strategy Consultants to advise on cost-cutting and cash-flow management at JLR. Their mandate was to make JLR profitable. The globally renowned consulting companies suggested the formation of cross-functional teams to manage liquidity and contain costs at various levels within the business. The implementation efforts were successfully spearheaded by a young team, just as it was done in India in

'I feel strongly that in later years we can look back on the JLR acquisition and say to ourselves that this was a very worthwhile strategic acquisition and one which has brought us considerable technology and global presence"
– Ratan Tata

2001. The anticipated savings were an astoundingly high amount.

On the labour front, the company undertook a multi-pronged strategy to manage costs. One was to send several hundred employees on a sabbatical. Secondly, the permanent workforce was rationalised by 32 per cent and the labour force was trimmed by 2000. In February 2009, the company also managed to negotiate with thousands of workers on a pay freeze (until 2010) and a shorter four-day working week to avoid compulsory job losses during the financial crisis. Salaried staff also agreed to a three-hour extension of the working week to 40 hours and a pay freeze. The deal with its workforce saved about L68 million for the company. Several other cost-saving initiatives were implemented with success.

...By 2017, Jaguar tripled its sales compared to 2009 and the JLR revenue topped by $34 billion (₹2.31 lakh crore) within the consolidated Tata Motors revenue of ₹2.74 lakh crore. With 2600 dealerships in 170 countries, JLR employed 35,000 people globally of the 79,500 employees within the Tata Motors group. Considered to be the largest employer in the UK's automobile sector, JLR often ranked in the top five 'best employers to work for' list in the UK. Tata Motors' success in acquiring and eventually turning around JLR surprised analysts and investors alike. In 2008, many critics had commented that Tata Motors was making an expensive mistake by acquiring JLR, which had little synergy with Tata Motors' mass-market image. Past examples of similar acquisitions that weren't successfully integrated prompted many of these doomsday scenarios for Tata Motors. The Daimler-Chrysler merger that had happened a decade earlier in May 1998, where a high-end brand was combined with a set of more mass-market brands, was a case in point.

One of the reasons for failure was that US-based Chrysler's employees always perceived it as a takeover with major decisions taken by Daimler headquartered at Germany. Consequently, many employees left Chrysler in the initial days post-acquisition. Ultimately, Chrysler was sold to a PE fund in 2007.

The Tatas handled the acquisition very differently by granting autonomy to managers in England. Speth pointed out that synergies between JLR and Tata Motors were limited to processes. 'The business and science of luxury cars is completely different from that of mass vehicles,' he said. Though JLR was a wholly owned subsidiary of Tata Motors, it consistently kept the brand identity of JLR distinct. It did not try to impose its culture on JLR in any significant manner. The Tatas' hands-off policy of achieving integration was executed with great finesse and success. In later years, Ratan Tata remarked that Speth had done a terrific job of leading the team of people. In the long term, JLR helped Tata Motors improve its financial results when the company's commercial vehicles business was yet again going through a cyclical downturn and some of its passenger cars were underperforming in Indian markets.

...The JLR acquisition portrayed the Tata Group as an entity willing to take tremendous risks. These were not blind risks, but calculated ones. The acquisition was for the long-term, independent of the financial crisis. It was executed with clear vision and conviction, immense courage and systematic implementation. It wasn't a reckless approach to extract maximum value from a venture. Attributing the long-term success of the JLR acquisition to the Tata culture, Gandhi said: 'We have not had a single legal battle with Ford under any of the original agreements. It is the Tata code of ethics – keeping our word under all circumstances – which has been the key to our success in all transactions that I have done for Tata Sons.'

In a letter to shareholders in 2009, Ratan Tata had written, 'I feel strongly that in later years we can look back on the JLR acquisition and say to ourselves that this was a very worthwhile strategic acquisition and one which has brought us considerable technology and global presence.' A decade later, his words proved to be prophetic. ◆

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Taking root

Wipro Limited, a leading global information technology, consulting and business process services company, has organised the eighth edition of the **Wipro earthian awards** for the year 2018. The annual awards recognise excellence in sustainability within the education process in schools and colleges in India. Wipro Earthian is one of India's largest sustainability education programmes for schools and colleges. The 2018 edition of the Wipro earthian programme received 1,300 entries, out of which winning entries from 14 schools and 10 colleges were selected by an independent jury. The Wipro earthian awards have seen a threefold increase in the number of participants since inception in 2011. The programme has engaged with over 55,000 schools and colleges, 130,000 students and 13,000 teachers from across India. The awards were given away by **Azim Premji**, chairman, Wipro

Mitigating risk

Tata Power, India's largest integrated power utility, has constantly worked towards creating a robust regulatory compliant business by building a highly efficient risk management team. Adding another feather to its cap, Tata Power was bestowed with two awards – the '**Best Risk Management Framework & Systems, Power**' and '**Business Continuity**' – at the fifth Edition of The India Risk Management Awards. Kenneth Rogoff, an American economist, the Thomas D. Cabot Professor of Public Policy and Professor of Economics at Harvard University, presided over the ICICI Lombard & CNBC-TV18 India Risk Management awards function and felicitated the winners. "We are ecstatic to receive this prestigious award and feel honoured to be felicitated for our efforts by an esteemed American economist. This award will encourage us to continue managing risk and ensuring safety thereby creating a secure working environment," said **Praveen Sinha**, CEO & MD. The CNBC TV18 India Risk Management Award, organised by ICICI Lombard and CNBC TV18, is a grand event, which witnesses the coming together of the entire management whose prime focus is mitigating risk. The awards provide a unique platform that honours organisations and teams that have developed the best risk management practices and capabilities across business categories. ◆

Committed relations

Last month, **Tata Steel** won the prestigious **Golden Peacock HR Excellence Award** (GPHREA) 2018 for its commitment to healthy employee relations, growth and development, while ensuring work satisfaction. "As one of the leading producers of steel in the world, Tata Steel has over the years pioneered initiatives in the context of employer-employee relationship that have become industry standards. We are pleased to receive the 'Golden Peacock HR Excellence Award 2018' in acknowledgement of our commitment towards employees' well-being. This award will further motivate us to continue our journey of innovative HR and people management practices," said **Suresh Dutt Tripathi**, vice-president, human resource management, Tata Steel, on receiving the award. Over the last 100-plus years, Tata Steel has emerged as one of the most employee-friendly companies in the world, and is known for creating industry standards in the field of human resources. The company has been a pioneer in employee welfare schemes and community initiatives, even before legislation mandated them. A few of these include the 8-hour work day, Leave with Pay scheme, and the Workers' Provident Fund Scheme. ◆

Limited, as part of a day-long event at Wipro's campus in Sarjapur, Bengaluru. ◆

Commemorating healthcare

Apollo Hospital Enterprise Ltd announced that Banwarilal Purohit, Hon'ble Governor of Tamil Nadu formally released a postal stamp on Preventive Healthcare. The commemorative stamp honours and acknowledges the Chairman of Apollo Hospitals, **Dr Prathap C. Reddy**'s (second from left) pioneering efforts in encouraging preventive healthcare in India. "Our Chairman, Dr Prathap C. Reddy's dream is to do all that is needed, to ensure that everyone has good health and happiness. His life's objective has been to not just make advanced medical care accessible to patients, but also, to prevent the onset of disease. Apollo's Preventive Healthcare initiatives have been working tirelessly for almost four decades to ensure that his dream is realised. We take pride in having touched 20 million lives through our preventive healthcare endeavours. It is a very significant moment for the entire Apollo family as a special preventive healthcare commemorative stamp is being released, in recognition of our efforts," said Preetha Reddy, vice-chairperson. In 1983 Dr Prathap C. Reddy made a pioneering endeavour by launching India's first corporate hospital – Apollo Hospitals in Chennai. ◆

Determined effort

The **Helping Hands Foundation** (HHF), founded with a vision to support kids who are cancer patients at the **Tata Memorial Hospital** (TMH), presented the opening of the renovated Paediatric OPD at Tata Memorial Hospital in Mumbai. "I am delighted to be present here at the inauguration of Paediatric Oncology Division at the Tata Memorial Hospital and to be associated with Helping Hands," said Bollywood actor **Anil Kapoor**, on the occasion. "Their work over the past few years has directly impacted the lives of thousands of children and their families, providing them with means to get treated in situations where many would have lost hope. The 'accommodation project' is another huge step forward in child care, considering the sobering fact that many children used to be on the streets whilst treatment was being administered. I urge all of you to support the upcoming fundraiser on the 13th of February at St Regis and hope all of Mumbai supports, attends and donates generously towards this fabulous cause by this determined NGO". Kapoor was the guest of honour of the function. HHF works in conjunction with TMH, primarily with the TMH Paediatrics, Impact Foundation, to garner funds towards the various projects supported by the NGO. Since their involvement, the number of donors has taken a significant jump. ◆

Perfect ensemble

Mumbai witnessed the first ever **Los Polistas International Women's Polo Cup** 2019, that introduced the first ever all-women polo match at ARC, Mahalaxmi. The tournament also witnessed the launch of **Rhea Parekh**'s polo fashion brand – Los Polistas. On the perfect winter evening, a rarity in Mumbai, Shetal and **Chirag Parekh** (CMD, Acrysil Group) with daughters Ashley and Rhea Parekh, played gracious hosts to Mumbai's elite over Ciroc and canapes. Commissioner Subodh Jaiswal and US Commissioner Jennifer Larson flagged off the chukkas with opening balls. There were three polo chukkas interspersed with the fashion show of the Los Polistas collection designed by young Rhea Parekh. The polo and sporty wear is in tandem with the athleisure trend which is a global phenomenon. "I have always been enamoured by polo as a sport from a young age as I started riding," said Parekh, who comes from a legacy of success and innovation. "My father is a polo aficionado and has great regard for the players as well. While he initiated the polo league to celebrate the players, it was my sister and my responsibility to take this tradition forward. She is the youngest polo player in India. I decided to contribute by looking for the perfect way to bring the sport and my passion for design together. That's how Los Polistas was born, it celebrates the sport and the player, offering designs that fit everyone's personality." ◆

'Budget an effort to help everybody'

Stand-in Finance Minister Piyush Goyal, who presented the last budget of the Narendra Modi-led government in the absence of Arun Jaitley, allays some concerns about the numbers and offers clarity on other issues

SANJAY BORADE

On concerns expressed by economists about possible fiscal slippage

I don't think there is any concern. We have been the most honest government in many years...whatever you see is the real picture and we have stuck to it.

The number (fiscal deficit) is 3.36 per cent of the GDP... anybody would have made it 3.3 per cent. My Prime Minister said whatever the number, you declare it. If 3.36 per cent becomes 3.4 per cent, so be it. We have been honest in our budget, in our reporting.

The world is seeing consistency in our numbers. The fact is that we have stuck to fiscal prudence all our five years...some people were expecting 3.9-4 per cent...We have actually gone through the numbers and the real picture in great detail, and have stuck to the real picture.

On how ₹6,000 annual payout can help a farmer

We don't understand what the value of ₹6,000 is to a farmer who has half acre or one acre. It is a valuable additional support. You may have looked at it as ₹500 a month. We have not because we believe that belittles the farmer. We have looked at it as an honorarium. We have also done it without touching any other subsidy. So, farmers will continue to get fertiliser subsidy, power subsidy, all of those other things. I have been told it has been very well received across the country.

On the thrust behind the budgetary exercise

The emphasis of the budgetary exercise is on maintaining the economic reforms road map set over four-and-a-half years by Prime Minister Narendra Modi and Union minister Arun Jaitley so that India could continue to be the world's fastest growing major economy. The budget gives a better future to every section of society – the poor, middle class, the farmers, organised labour, and unorganised labour. Also, sections previously not taken care of, like animal husbandry and fisheries workers, nomadic and semi-nomadic tribes. This is one holistic effort to make a difference.

On NDA's failure to reduce corporate tax rate to 25 per cent for all companies

See, 99 per cent of the companies are already covered under the 25 per cent corporate tax rate. Small companies are eligible for presumptive taxation. New manufacturing companies are also eligible for 25 per cent rate. For the present, we have achieved the larger objective. After the elections, when the final budget will be presented, the finance minister will decide how to go forward. Besides, the corporate tax cut is linked to the removal of tax exemptions. It is a work in progress.

On doubling IT exemption limit if NDA comes back to power

I cannot say right now what we will do if we are re-elected. But we hope that the task force's recommendation comes out quickly. We want the income tax law to be a lot simpler. I have also announced the intention for a new regime of income tax administration for which we have approved the funds. Tax assessment will be IT-driven and be completely anonymous.

On jobs crisis and the National Sample Survey Office controversy

Had the crisis been of the magnitude that some people are trying to project, then there would have been unrest on the streets. The nature of thinking about jobs is changing, as job creation is a continuous process. There are 60 million retail traders in the country. Is that being captured in jobs or employment? Two hundred million toilets didn't get built out of thin air, people worked to create them. LED bulbs are being made in India. All this is not happening out of thin air. In my vision, I have crafted jobs in newer areas. Artificial intelligence, modern technology, renewable energy, healthcare, exploration of oil and gas will be the big areas.

As for NSSO controversy, many things have changed, but data is being compiled by traditional methods. The world is changing and moving so fast, but data compilation has not kept pace with the evolving nature of work.

On comparison with UPA budget

Our tax proposals are aimed at helping poor and middle class living on a tight budget. Unlike the previous UPA dispensation, the interim budget did not reduce levies on SUVs, which are used by rich persons. ◆