Business Today

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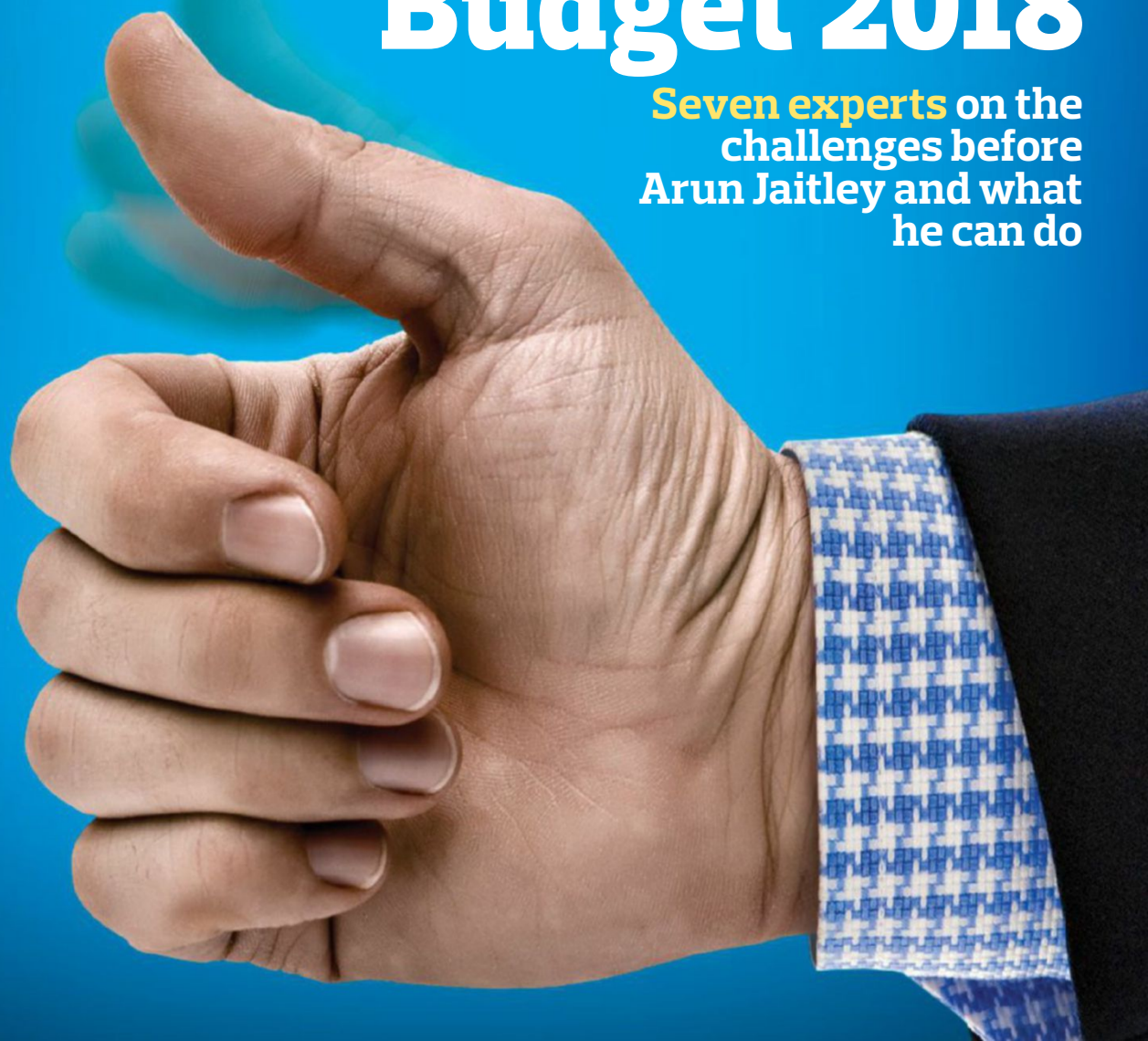
What to Expect in Budget 2018

Seven experts on the challenges before Arun Jaitley and what he can do

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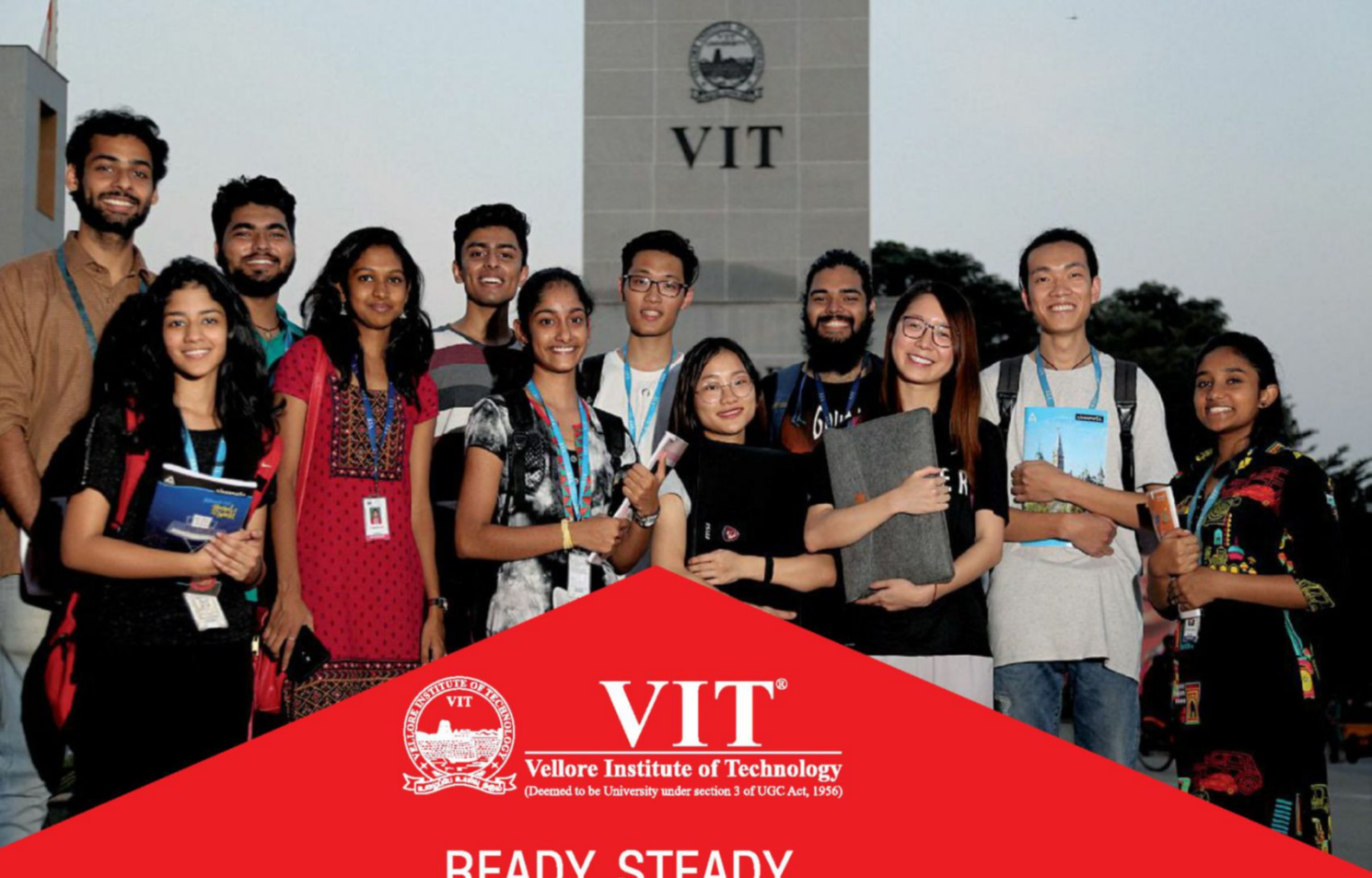

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WALKING A TIGHTROPE

Finance Minister Arun Jaitley will present the last full Budget of this government on February 1. Next year, there will be a vote on account before the General elections (assuming the elections are not advanced to this year-end or early next year).

What is he likely to do? What kind of a Budget can we expect? Let us first take a look at the state of the economy that forms the backdrop of this Budget. The Central Statistics Office (CSO) advance estimates for the full year show that the worst of the slowdown might well be over for the economy. After touching a low of 5.7 per cent growth in the first quarter and then recovering to 6.3 per cent in the second quarter, the CSO expects the GDP growth for the remaining two quarters to average 7 per cent, so that the full year's growth comes in at 6.5 per cent. Almost all economists say that the worst disruptions caused by demonetisation in 2016-end and the introduction of the Goods and Services Tax (GST) on July 1 of 2017 are now behind us. The Index of Industrial Production has looked up in the past two months, and even the Purchasing Managers Index for manufacturing shows an uptick. Exports are picking up (though a lot of it is because of higher prices of oil). There is a general expectation that both manufacturing and services will do better from now on. Agriculture should post a decent growth for the year, given that the rains have been near-normal for the second year in a row. Consumption in some industries – automobiles, fast-moving consumer goods and consumer durables have moved up sharply.

Those are the good news. But there is also bad news. Crude oil prices have been hitting new highs, and if they stay over $70 a barrel, it will wreck havoc on government finances. GST may be settling down, but the indirect tax collections have been lower than expectations and will probably be much under the target set by the government for the year. Consumer price inflation is up once again, led by a surge in food prices, and that could mean that there will be no interest rate cuts by the Reserve Bank of India in the rest of the year at least. Rates might even go up, say some analysts. Despite the second consecutive year of good monsoons, agricultural distress is at a high and rural incomes have stagnated or even fallen in some parts of the country. Many economists say that given the past pattern, we should prepare for a year of bad monsoons after two good ones. Private investment shows no signs of picking up. Because of lower revenue collections, the fiscal deficit target of 3.2 per cent this year looks difficult to achieve. And trade deficit is growing. Finally, job creation has been slower than what is required.

The finance minister does not have much choice when he stands up to present the Budget in the Parliament. He will need to announce measures that can help agricultural growth and also job creation. So he cannot cut expenditure – he might well have to increase it. He can hope that GST revenues will finally grow as per expectations, but he cannot count on it. So, he has to find newer avenues of revenue generation if he wants to stick to a path of fiscal prudence. And he needs to create conducive conditions for growth despite the many challenges he faces. Expect some tightrope walk from him – and perhaps some innovative ideas – in this year's Budget.

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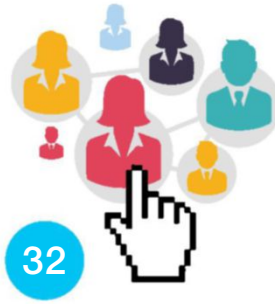

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INTERVIEW:

Robotic Process Automation Failure Rate Is 30-50%

*The ExlService Holdings CEO **Rohit Kapoor**, in an interaction with BT's **Goutam Das**, tells why the BPO industry is expanding despite its "cannibalisation" by robotic process automation*

businesstoday.in/bpo-automation

NEWS:

Robust Growth in FMCG Sector Likely

Reduction of prices in several categories post GST and direct distribution by big retail firms in the rural sector are the main factors behind the FMCG industry growth

businesstoday.in/fmcg-growth

Big Battle for Binani Cement: Jhunjhunwala Joins Forces with Damani

Binani Cement – facing insolvency proceedings in NCLT – had an outstanding debt of ₹3,608 crore at the end of the last financial year

businesstoday.in/binani-nclt

Humble Cafeterias Go High-tech As Companies Eye Digitisation

Foodtech firm HungerBox brings the cafeteria on the app so the employee can order from his desk, saving time and the hassle of long queues

businesstoday.in/HungerBox-vc.investment

Premature to Attribute Increasing FDI to Make-in-India Initiative: Study

The link between FDI and success of "Make-in-India" programme may not be as strong as the government would want people to believe

businesstoday.in/fdi-makeinindia

COLUMN:

Bad Loans to Remain a Thorn in Indian Banks' Side for Now

*While the rate of growth in NPAs is showing signs of slowing down, the overall problem is still far from any sort of quick resolution, says BT Editor **Prosenjit Datta***

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THE BUZZ

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AIR INDIA

Clipping Wings

AFTER MUCH DEBATE AND DISCUSSION, THE GOVERNMENT FINALLY REVEALS HOW IT WILL SELL AIR INDIA.

By MANU KAUSHIK

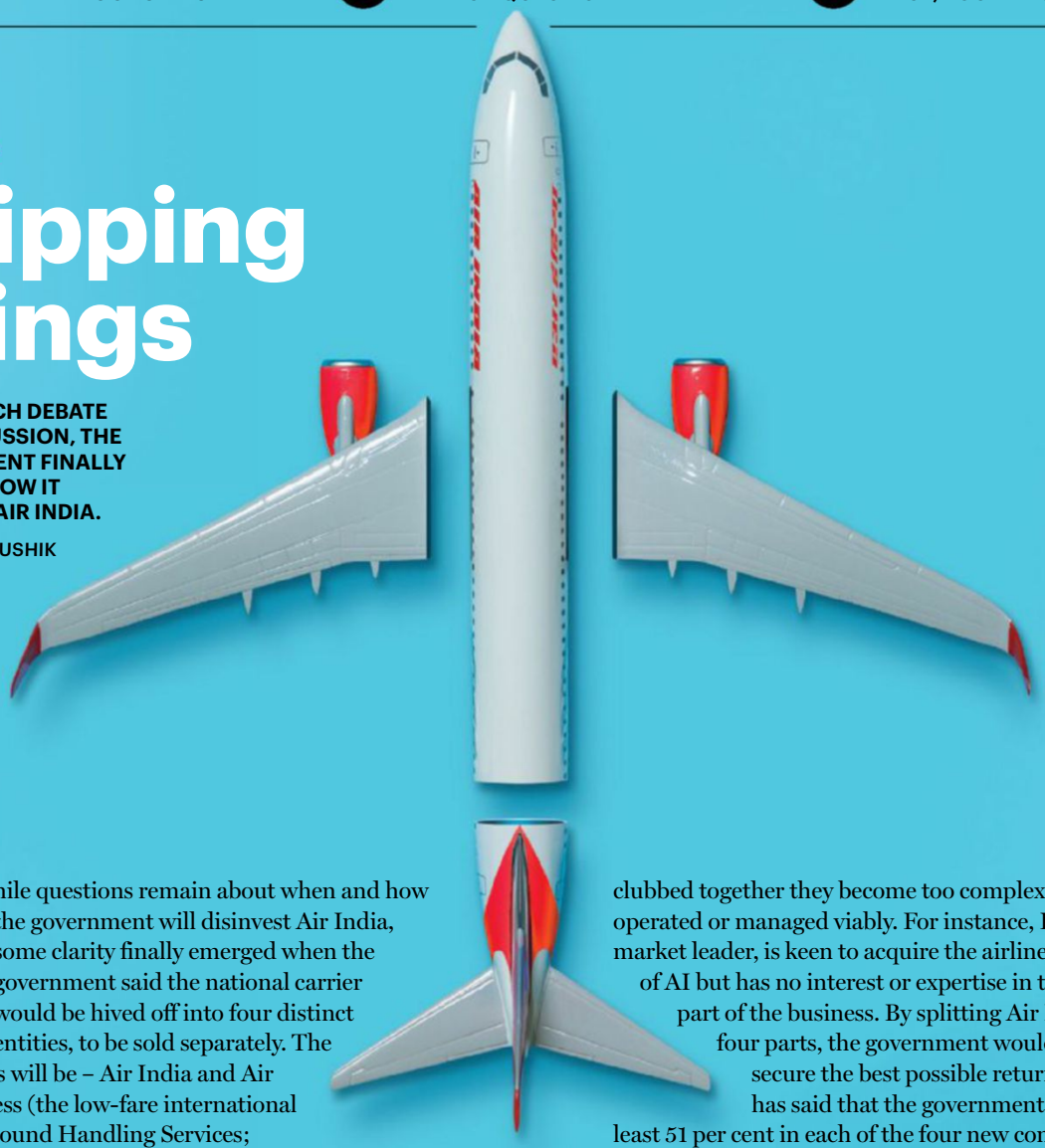

ILLUSTRATION BY RAJ VERMA

While questions remain about when and how the government will disinvest Air India, some clarity finally emerged when the government said the national carrier would be hived off into four distinct entities, to be sold separately. The four entities will be – Air India and Air India Express (the low-fare international carrier); Ground Handling Services; Maintenance, Repair and Operations; and Alliance Air (the regional arm), said Minister of State for Civil Aviation, Jayant Sinha.

To sweeten the deal and attract potential buyers, the government will retain Air India's debt on its own balance sheet while borrowings linked to core operations will be passed on to new investors. Creating separate entities is a sound decision because the envisaged entities, despite being part of the aviation business, are all vastly different from each other. Moreover, while each has a strong business identity, clubbed together they become too complex to be operated or managed viably. For instance, IndiGo, the market leader, is keen to acquire the airline operations of AI but has no interest or expertise in the MRO part of the business. By splitting Air India into four parts, the government would be able to secure the best possible returns. Sinha has said that the government will sell at least 51 per cent in each of the four new companies.

At the end of March 2017, Air India's aircraft loans stood at ₹17,360 crore, whereas its working capital loans were ₹31,517 crore. The airline has been registering losses since 2007 when the government merged its international and domestic operations.

It now remains to be seen whether the government's plan to absorb larger debts and hive off debts on core operations with the four new entities will be enough to tempt investors. BT

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STEEL IMPORTS

TIME TO OPEN THE FLOODGATES AGAIN

WHAT A DIFFERENCE a couple of years can make! India's steel exports surged nearly 53 per cent in the first nine months of this fiscal to 7.6 million tonnes. This followed a 102 per cent jump in 2016/17. Back in 2014, when China was dumping steel, India was struggling to cope with overcapacity. But a slew of measures, including the imposition of safeguards, anti-dumping duties and minimum import prices, resulted in restricting imports. India has been a net exporter since 2016/17. The decline in imports, however, led to a gradual rise in domestic steel prices, bolstering the profitability of steel mills. This, in turn, increased costs for user industries such as engineering goods and automobile companies. It is said steel companies are charging domestic firms 20-25 per cent higher than export prices. With the threat of China receding, it is, perhaps, time for the government to start looking at cutting back on import restrictions. – **Sumant Banerji**

NETANYAHU'S VISIT

Tapping the Israeli Innovation Potential

INDIA AND ISRAEL inked nine MoUs during the recent visit of Israeli Prime Minister Benjamin Netanyahu. These range from co-operation in cybersecurity and space to film co-production and oil and gas. Last year, the two countries also announced an 'India-Israel Industrial R&D and Technological Innovation Fund'. Business leaders from both countries think bilateral trade can touch $20 billion in the next five years from current $5 billion. While Indian firms hope to tap into Israel's innovation ecosystem and technology, Israeli companies see a potential market here in areas such as agriculture, smart cities, clean energy and water management. – **Goutam Das**

FDI

INFLOW QUALITY, IMPACT QUESTIONED

With $60.08 billion foreign direct investment, or FDI, coming in during 2016/17 (an all-time high), India's ability to attract foreign investors is indisputable. The government rightly deserves credit for the policy tweaks – liberalising and simplifying norms for investors – to attract FDI in a big way. These numbers, however, are not reason enough to celebrate. The quality of inflows and their contribution to the growth of the economy, job creation and manufacturing capacities need to be carefully analysed. Two Delhi-based economists examined the FDI inflow to India over the last three years. The preliminary finding raises concerns that several of these investments will not be able to trigger additional economic growth. Also, it debunks the government's claim that FDI has benefited 'Make in India'. India needs policy measures that can trigger real change.
– **Joe C. Mathew**

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AADHAAR TWEAKS

ADDED SECURITY LAYERS MUST BENEFIT ALL

THE UNIQUE IDENTIFICATION Authority of India (UIDAI), in charge of issuing the 12-digit Aadhaar number to citizens, has added several new features to its digital identity platform. These include things like virtual ID (VID) that masks your Aadhaar number and allows you to use a temporary 16-digit, randomly generated number for authentication purposes.

Besides fingerprint and iris verification, UIDAI has also started allowing facial recognition. It took these measures even as the Supreme Court started its final hearing on a bunch of petitions challenging the Aadhaar Act, raising privacy and data protection concerns. Adding new features are fine as long as it makes lives easier without any privacy or security threat to individual beneficiaries and industry stakeholders. Winning the legal war should not be the only objective.

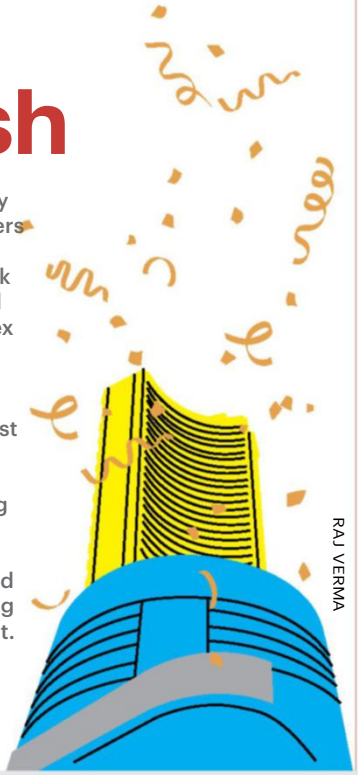
– Joe C. Mathew

MARKETS

Penny Wise, Pound Foolish

THE FEAR OF MISSING out, commonly known as FOMO, is gripping the Indian equity market. Early warning signs are evident with penny stocks (shares of companies whose stocks prices are lower than their face value) gaining momentum. In the past three months, stock prices of 36 such companies have gained over 50 per cent, of which 12 companies gained more that 100 per cent. In comparison, the BSE Sensex rose 6.7 per cent. With large-cap riding high on sustained liquidity flows, especially from mutual funds, players looking to make a quick buck are getting into junk stocks, hoping these will rally. With the BSE Sensex touching 35,000 for the first time on January 17, 2018, the price/earnings ratio in India is the highest among its peers across the globe, including developed and emerging markets. In such a scenario, one should refrain from trading in penny and junk stocks to avoid being caught on the wrong foot.

– Mahesh Nayak



RAJ VERMA

BANKRUPTCY

EQUITY WRITE-DOWNS UNDER LENS

VERY LITTLE has been said about equity restructuring in companies facing bankruptcy proceedings at the National Company Law Tribunal (NCLT). In fact, there is a very strong probability of lenders approaching the NCLT for share reductions to bring in new promoters with fresh equity capital. The value of equity in these companies is technically zero because of unsustainable debts and subsequent erosion of net worth.
If these companies are liquidated, in many cases, equity shareholders will get nothing. Share capital can be reduced by trimming the number of shares or reducing the face value. Either way, there will be a reduction of paid-up capital. Recently, there has also been considerable interest from investors in ailing firms such as Monnet Ispat, Bhushan Steel, Amtek Auto, Electrosteel and Jaypee Infratech.

– Anand Adhikari

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GRAPHITI

STAND AND DELIVER

All eyes will be on Finance Minister Arun Jaitley when he rises to present the Union Budget — the Modi government's last — on February 1. He has his task cut out.

Graphic By: **Ajay Thakuri**
Research by: **Niti Kiran**

6.5%
Estimated growth in GDP in 2017/18, according to CSO

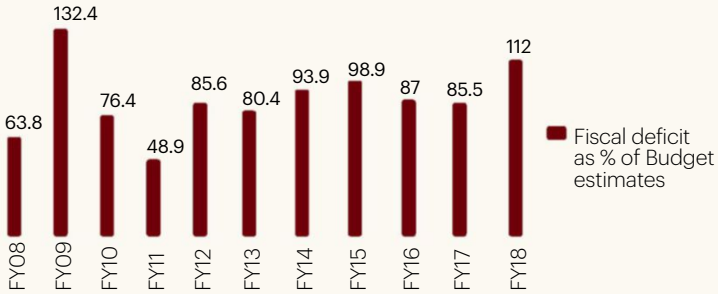
3.2%
The Budget estimate of fiscal deficit in 2017/18

12.1%
Growth in exports during April-December 2017

$22.2bn
India's current account deficit in H1FY18 compared to $3.9 billion in H1FY17

MOUNTING DEFICIT

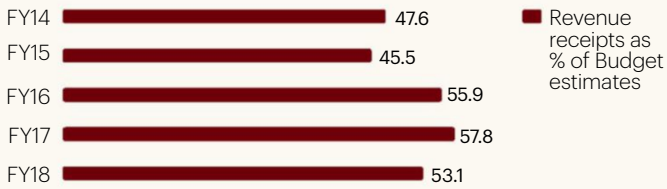
Fiscal deficit is a problem again. The government has already overshot its target of ₹5,46,532 crore for 2017/18



Figures up to November for each financial year

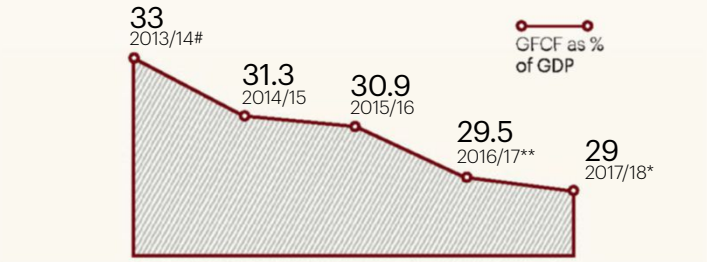
RESOURCE CRUNCH

Revenue collection has been lower than estimates...



Figures up to November for each financial year

... and investment growth has been lacklustre



* 1st advanced estimates; **Provisional estimates; # 2nd revised estimates
GFCF: gross fixed capital formation

BALANCE OF PAYMENTS SNAPSHOT

1.8%

The current account deficit as per cent of GDP in H1 of 2017/18 compared to 0.4% in H1 of 2016/17

$74.8bn

Trade deficit in H1 of 2017/18 from $49.4 billion in H1 of 2016/17.

6.3%

Fall in FDI inflows in the first half of 2017/18 compared to the year-ago period

$14.5bn

Portfolio investments in H1 of 2017/18 compared to $8.2bn in the corresponding period a year ago

Source: Ministry of Finance, Mospi, RBI

ELECTRIC VEHICLES

AUDI READY FOR EV LAUNCH IN 2019/20 IF INFRA IN PLACE

German luxury carmaker Audi can drive in electric vehicles (EVs) into the Indian market by 2020 provided there is charging infrastructure in the country by then. "Globally, Audi will launch three EVs until 2020. We will be ready to launch an EV in 2019/20 in India but for that charging infrastructure needs to be there," Audi India Head Rahil Ansari told PTI.

₹1,00,000 CR

The value of the 9,400 enemy properties that the government plans to sell to raise revenue

MARKETS

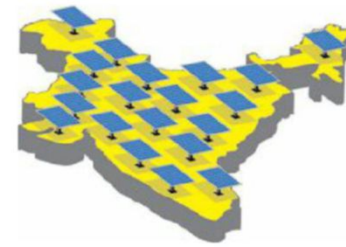
HDFC BANK MCAP CROSSES ₹5 LAKH CRORE

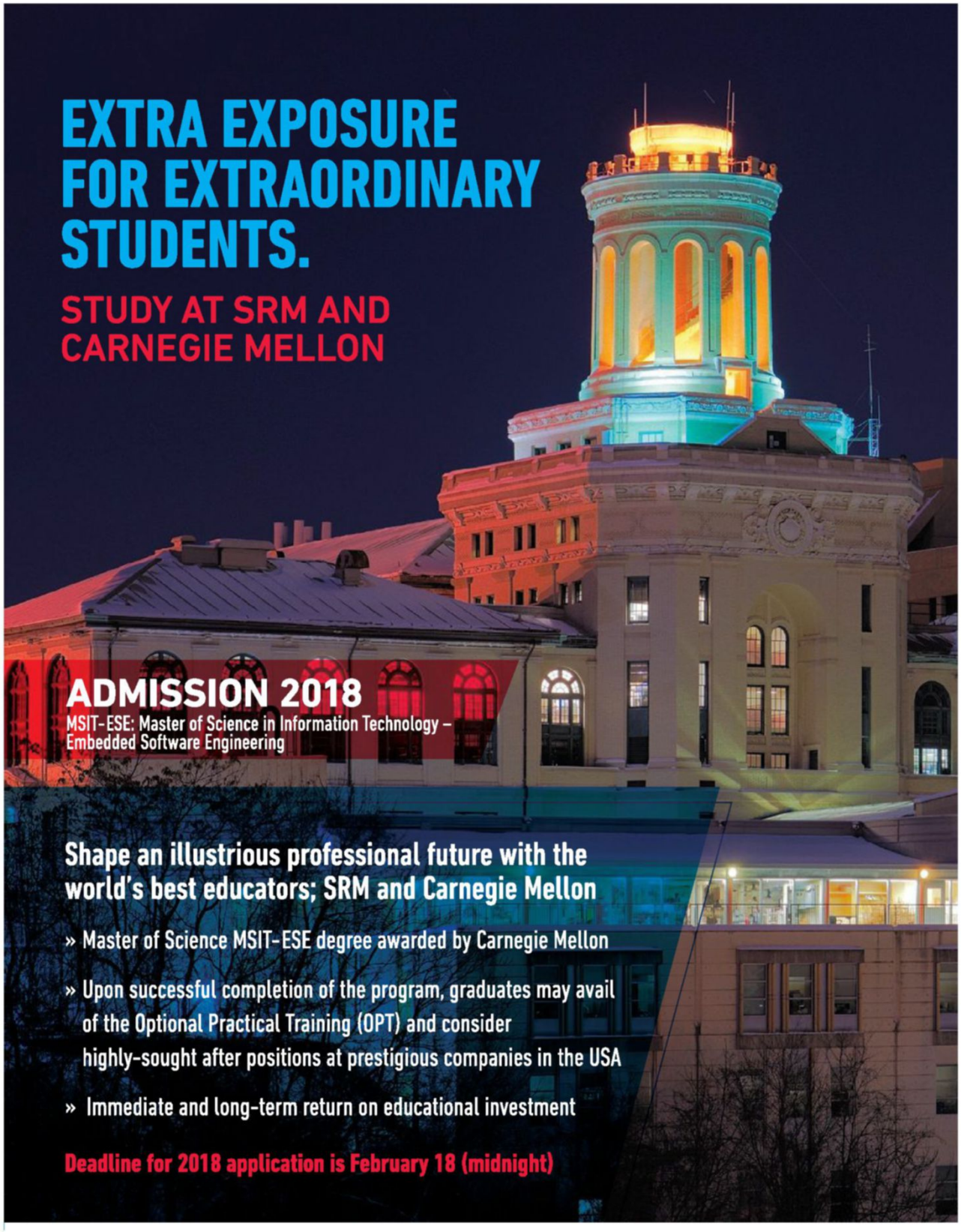
HDFC Bank's market value crossed the ₹5 lakh crore mark after the stock hit a new high of ₹1,931 on January 18. After replacing ICICI Bank as India's largest private sector lender in terms of standalone assets, HDFC Bank has become the third company after Reliance Industries and Tata Consultancy Services to achieve this milestone. The rally in bank stocks was triggered by the government's decision to trim additional market borrowing from ₹50,000 crore to ₹20,000 crore.

POWER

$350 MN Fund for Solar Projects

India will set up a $350 million fund for financing solar projects under the International Solar Alliance, or ISA, a treaty-based inter-governmental alliance of 121 solar resource rich countries. Power and New & Renewable Energy Minister R.K. Singh said this at the ISA's first outreach programme at Abu Dhabi's World Future Energy Summit 2018. "Over the years, renewable energy has become cheaper, and is set to replace conventional energy... the country will achieve its target of 175 GW installed renewable energy capacity well before 2020," Singh said.





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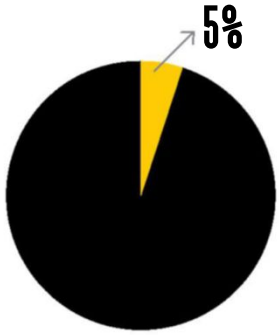
DEAL STREET

AMAZON ARM TO BUY 5% IN SHOPPERS STOP

Shoppers Stop has given the go-ahead to a proposal to sell 5 per cent stake for ₹179.25 crore to Amazon NV Holdings, the investment arm of Amazon Inc. This values the firm at ₹407.78 per share. Shoppers Stop plans to use the money to expand physical and online businesses. Shoppers Stop has also entered into a partnership with Amazon Seller Services to sell its private labels and brands that have tied up exclusively with the retailer on a dedicated microsite for Shopper's Stop on Amazon.in.



SATYAM SCAM

PW Ban puts 3,000 jobs at risk

The Securities and Exchange Board of India's (SEBI's) decision to ban Price Waterhouse (PW) and its network firms from auditing listed companies for two years can put at risk jobs of over 3,000 employees involved in the firm's audit practice. The stock market regulator, SEBI, has found a network firm, PW Bangalore, involved in gross negligence and fraudulent misrepresentation in the Satyam Computers case in which the Hyderabad-based company inflated revenue through fake invoices. PW has appealed to Securities Appellate Tribunal (SAT) but SAT has refused to lift the ban and only permitted PW to finish audits it has taken on for CY2018.

MUTUAL FUNDS

ASSETS FROM SMALL TOWNS DOUBLE IN A YEAR

Contribution of small towns to mutual funds' assets rose 46 per cent between November 2016 and November 2017. The assets under management (AUM) from B15 locations – small towns beyond top 15 (T15) cities – grew from ₹2.81 lakh crore to ₹4.1 lakh crore, according to data with the Association of Mutual Funds in India. This comes even as high inflows into mutual funds powered the Sensex to 35,000 on January 17. B15 towns account for 18 per cent assets of the industry.

FOOD START-UPS

ZOMATO VALUED AT $2.5 BN

Morgan Stanley's research unit has valued Zomato at $2.5 billion. The figure is almost three times the valuation that the Indian restaurant search and discovery service had got in the last funding round. Zomato will report a revenue of $1.3 billion, including delivery fee, and 27 per cent Ebitda margins, the report said.

QUOTE

"I am delighted to be here. The world knows about iPads and iPods, there is one more i that the world needs to know about, that is iCreate"

Israeli Prime Minister Benjamin Netanyahu
at the inauguration of iCreate (International Centre for Entrepreneurship and Technology) to nurture entrepreneurs by providing them funds, mentoring and technology.

Kitchen Se Plate Tak

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Stable Trade Policy May Bring Agri Cheer

DROUGHT, LOW PRICES HAVE HAUNTED INDIAN FARMERS FOR LONG; THE KEY TO GROWTH LIES IN SEEKING NEW EXPORT MARKETS.

COLUMN BY
SIRAJ HUSSAIN

The year 2017 would go down in history as a year of acute distress for a large number of farmers in India. After two consecutive drought years, they were hoping to realise a good income in 2017/18, but low prices of most agricultural produce left them high and dry. The central government has introduced several schemes in the last four years for the farming sector, but it has not found a solution to non-realisation of remunerative prices by farmers for their produce.

Sugar cane farmers are best placed in terms of profitability as they are assured of buyers in the form of sugar mills, and they realise at least the fair and remunerative price (FRP) fixed by the government of India (GoI). In some states, they get the state-advised price, which is higher than the FRP. Cotton farmers are also better off as cotton is procured at minimum support price (MSP) through Cotton Corporation of India when prices are below MSP. While Punjab and Haryana have efficient procurement systems in place, other states, including Madhya Pradesh, Chhattisgarh, Andhra Pradesh, Odisha and Uttar Pradesh, have also improved their procurement infrastructure for wheat and paddy in the last 10 years.

SAFIA ZAHID

However, the farmers growing perishable crops depend entirely on market forces. Those growing pulses, onion, potato, soybean and groundnut often sell at lower prices in many states. In Madhya Pradesh, farmers' agitation took a violent turn, and the government procured 8.76 lakh tonnes of onion at ₹800 a quintal, which was then disposed at a loss of about ₹785 crore. Finally, it prompted the government to bring in the Bhavanter Bhugtan Yojana for eight kharif crops under which, by March 2018, payment of ₹2,000 crore might be made to farmers who sold their crops at less than modal prices.

So, what worries Indian farmers in 2018? Other than the monsoon, it is the spectre of low prices that haunts them. Data shows that annual retail food inflation rose 4.96 per cent in December 2017 and vegetable inflation touched 29.1 per cent. As the RBI is now mandated to keep retail inflation in the 4-6 per cent range, in case of price rise, there is a possibility of export bans, minimum export pricing, setting up of stock limits and even raids by police or the Income Tax department. Weak monsoon in 2018 may also affect prices. It is believed in the finance and consumer affairs ministries that price rise is caused by manipulation and hoarding by 'unscrupulous' traders. The Indian Council for Research on International Economic Relations (ICRIER) has also found that between 2004/05 and 2013/14, prices of rice, groundnut, cotton, buffalo meat, onion, banana and potato were below export parity prices in most of the years. Although cotton farmers benefited from booming exports in that period, restrictions on the export of rice and edible oils harmed others by depressing domestic prices.

In November 2017, import duties were raised on chana, tur, and crude and refined edible oils. It has not seen a rise in domestic prices so far but that may happen during the year. India's policy on agricultural trade will be tested in such an event. While other schemes will take several years to materialise as their implementation lies with states, the trade policy is entirely in the central government domain. Increased production of agro-commodities can be absorbed either by finding new markets for exports or by using the product in the food processing industry. Therefore, the government should have a stable trade policy and should consider at least a threefold expansion of the budget of the Ministry of Food Processing Industries. BT

The *writer is Visiting Senior Fellow, ICRIER, and former Secretary, Agriculture, GoI*

TAPMI

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"What is incremental?"

- *Sharad Agarwal,*
Head – Lamborghini India
& TAPMI Alumnus (Class of 1999-2001)

At TAPMI, while teaching sales promotion, our professor would ask the question - 'what is incremental sales...and what is the cost per incremental sale?' It is deceptive to look at unit cost of the promotion scheme in contrast to total cost applied on incremental sales. Without sizeable customers from competition or incremental consumption, sales promotion spend could well be money down the drain. The insight is amazing and I now task my team to apply the incremental impact in evaluating options.

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CALENDAR

15

TOURISM PUSH

WHAT: Conference on Tourism & Hospitality

WHEN: February 15, New Delhi

WHAT TO LOOK FOR: This conference will provide a platform for charting the path for tourism and hospitality infrastructure development. The focus will be on raising funds and new-age marketing techniques for making India the most preferred tourist destination. This conference will focus on different financing facilities, and models available and acceptable to all.

20

THE ART OF PRESENTATION

WHAT: CII Workshop on 'Business Presentation Skills for High Impact'

WHEN: February 20, Chennai

WHAT TO LOOK FOR: When a business presentation is unable to create the desired impact or leave a good impression, it becomes a challenge. This one-day workshop is framed to provide exposure on making purposeful business presentations.

21-22

UP WOOS INVESTORS

WHAT: Uttar Pradesh Investors' Summit

WHEN: February 21-22, Lucknow

WHAT TO LOOK FOR: The event, hosted by the state government in partnership with CII, will have conferences, panel discussions, round tables, and B2B and B2G meetings. It will bring together investors, senior state government officials and local business community for deliberations on investment opportunities in UP.

UP INVESTORS SUMMIT 2018
21-22 Febuary, 2018

5-6

PARTNERING EUROPE

WHAT: 4th India-Europe 29 Business Forum

WHEN: March 5-6, New Delhi

WHAT TO LOOK FOR: The forum is an effective and institutionalised platform to promote business links between India and European countries. It is intended to help Indian businesses tap new technologies for supporting a highly skilled workforce besides optimising operations.

5-7

IMPROVING DEVELOPMENT

WHAT: Fragility Forum 2018

WHEN: March 5-7, Washington, DC

WHAT TO LOOK FOR: The World Bank's 2018 Fragility Forum will bring together policymakers and practitioners from development, peace and security communities to share practical solutions and explore innovative ways for improving development approaches. The objective is to foster peace and stability.

fragility forum

14-15

OPPORTUNITIES WITH ADB

WHAT: 9th ADB Business Opportunities Fair 2018

WHEN: March 14-15, Manila, the Philippines

WHAT TO LOOK FOR: The ADB Business Opportunities Fair (BOF) is a one-stop forum for consultants, contractors, manufacturers and suppliers looking to provide goods and services for Asian Development Bank projects. It has proven to be an excellent opportunity to network.

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GLOBAL BUSINESS

KODAK RIDING CRYPTO BULL

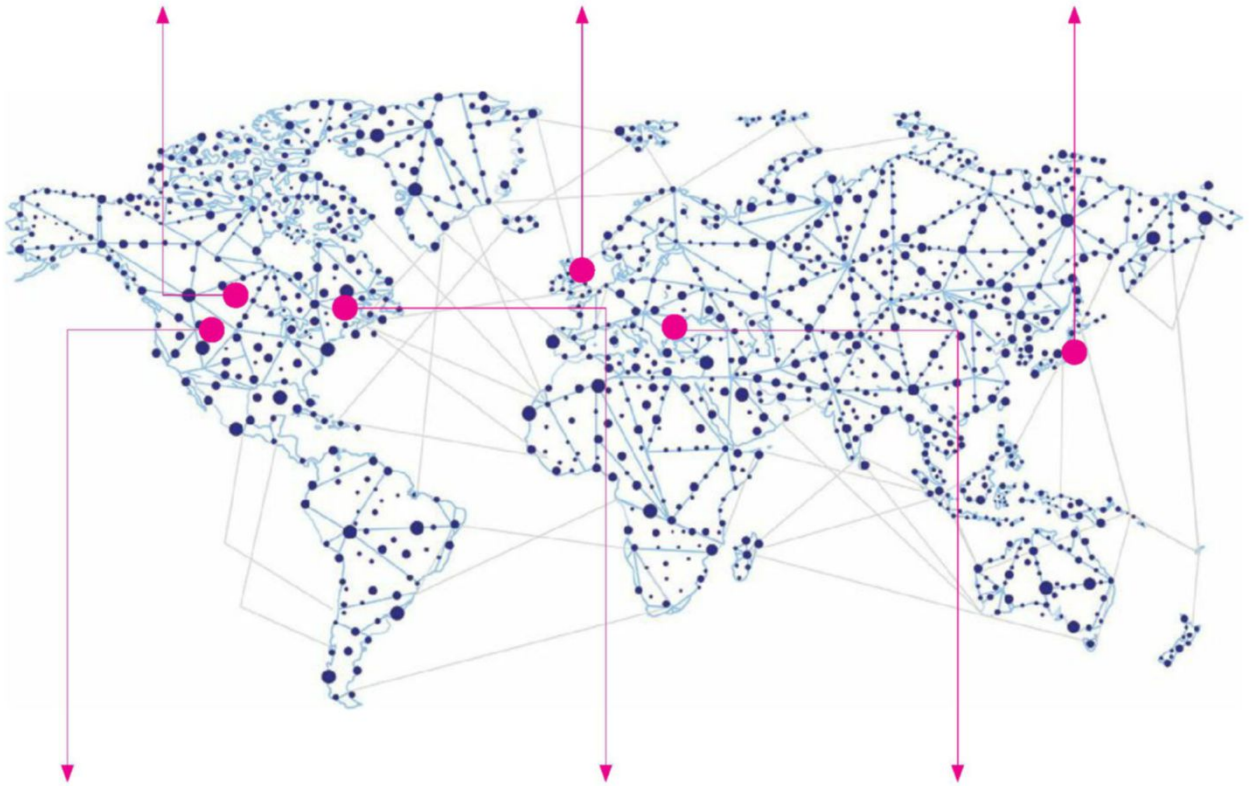
Kodak is developing KODAKOne, a blockchain-based platform for image rights management, and KODAKCoin, a cryptocurrency to pay lensmen for selling and licensing their works on the platform. It will also rent systems to mine bitcoin. A Kodak licensee will charge $3,400 for two years' use and keep half of the bitcoins a renter generates.

CARILLION COLLAPSE SHAKES UP UK

Carillion, UK's second-biggest construction services company, has gone into compulsory liquidation after the government and the lenders failed to reach a bailout deal. The century-old firm has incurred debt and liabilities of around £1.5 billion. It employs 43,000 people globally and services key sectors, including public sector contracts.

SOFTBANK FOR SPIN-OFF, $18 BN IPO

Masayoshi Son's SoftBank Group may list its Japanese telecom business and raise around $18 billion through 30 per cent stake sale. The move will help SoftBank invest more in tech firms. The group's market cap stands at around $92 billion, but its debt reached around $100 billion in the September quarter.



APPLE PLANS TO PAY $38 BN IN TAX ON OVERSEAS MONEY

In response to the new U.S. tax law, Apple says it will bring hundreds of billions of dollars back to the US from overseas and pay about $38 billion in taxes on the money. It will also spend $30 billion in the US over the next five years, setting up another campus and creating 20,000 jobs. Apple will further hand out bonuses of $2,500 in restricted stock to most of its employees.

DROPBOX GOING PUBLIC, FINALLY

San Francisco-based Dropbox, the 10-year-old file-sharing and storing company valued at $10 billion, has confidentially filed for its long-awaited IPO with Goldman Sachs and JPMorgan Chase leading the potential listing. A year ago, founder-CEO Drew Houston said it had reached annualised sales of $1 billion-plus. As of August 2017, it had 500 million users, including 200,000 businesses.

PANAMA, 7 OTHERS OFF EU'S TAX BLACKLIST

The EU will soon remove eight countries from its tax haven blacklist to the grey list as they have agreed to improve their tax policies. The countries off the hook are Panama, South Korea, the UAE, Barbados, Grenada, Macao, Mongolia and Tunisia but nine others will remain on the blacklist. The blacklist was adopted by EU members on December 5, 2017.

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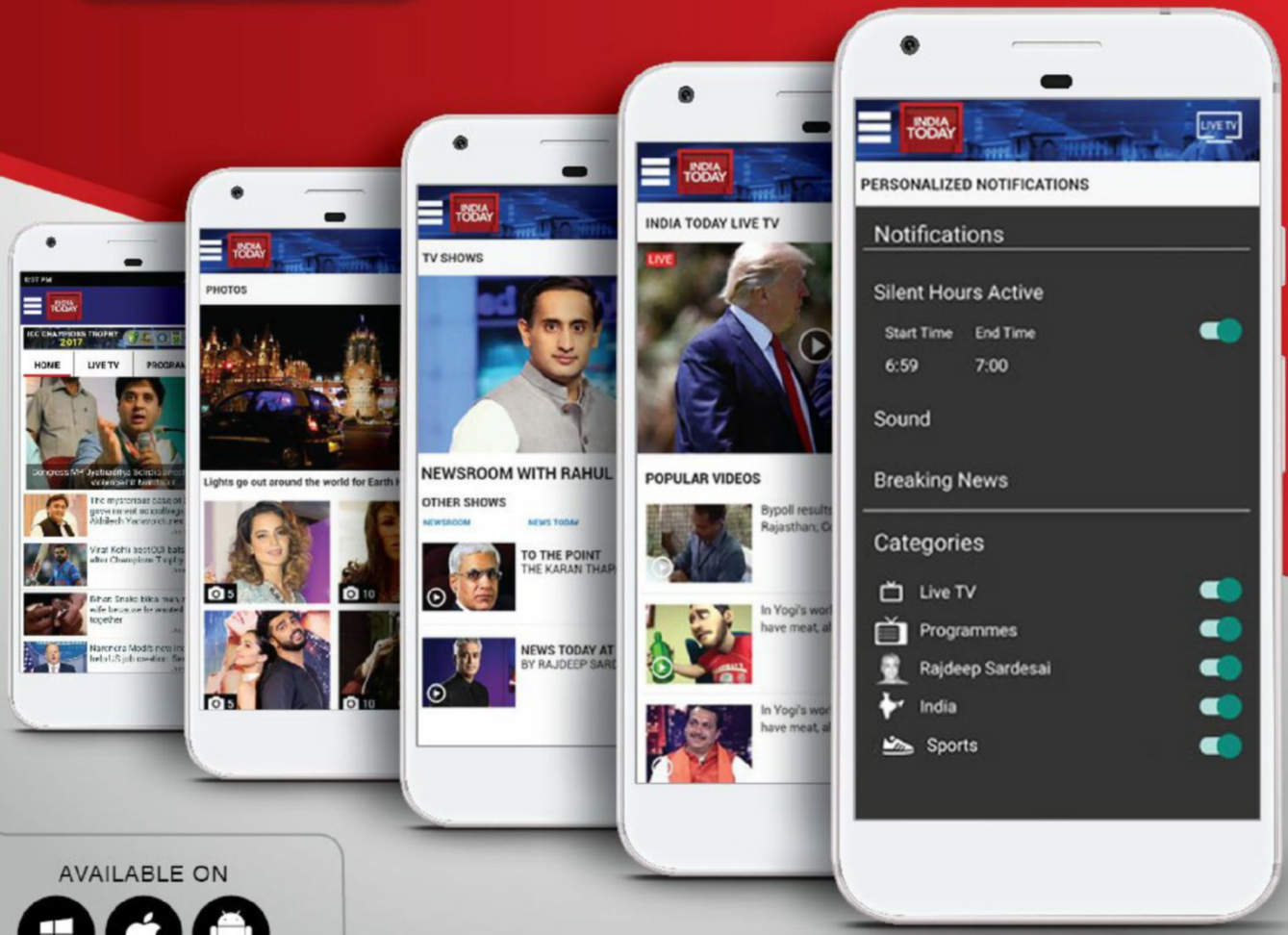

AVAILABLE ON

SOCIAL UNIVERSE

SOCIAL INTELLIGENCE

Knowing users' likes and interests can help connect better online and offline.

BY SONAL KHETARPAL

ILLUSTRATIONS BY RAJ VERMA

WHEN AN ENGLISH movie channel wanted to create buzz around its launch in India, it identified women who consumed a great deal of English language content, based on the information gathered from their social media profiles. The channel then contacted them to be a part of an exclusive 'invite-only' club. As a member of the club, the women would get passes to movie premieres and free merchandise and collectibles. On special occasions, such as birthdays and anniversaries, the channel started sending members of the club cakes and other freebies. This helped the brand earn brownie points – through brand advocacy and word of mouth, piquing others' interest in the channel and the 'exclusive' club.

"A lot of other people started sending requests to be a part of the club," says Chetan Asher, Founder of digital media agency Tonic Worldwide. From a mere transaction-based relationship, the channel had managed to evoke brand love.

Companies are no longer just segmenting social media profiles based on tastes and interests for better ad targeting, but also working towards leveraging the data for offline engagements. These include customer connect programmes, building communities or generating word-of-mouth, informs Asher.

Segmenting the customer base is a pre-requisite for sales. Earlier, the sales team of a company would work on the segmentation based on the appearance of customers. "Now, with an online and offline presence, brands are using the same data available online to cross-sell and up-sell through offline touchpoints, making the customer experience seamless," says Tina Garg, Founder and CEO of Pink Lemonade, a digital media agency.

This type of profiling involves using social media tools to understand customer behaviour across multiple channels through a single window. Marketers have access to a 360-degree view of the customer's journey with the brand on social media and this helps plan the next best move on how to approach a particular customer, says Praveen Rao, VP, Marketing, Arvato Bertelsmann India, a CRM and marketing technology provider.

COMPANIES ARE SEGMENTING SOCIAL MEDIA PROFILES FOR BETTER AD TARGETING AND OFFLINE ENGAGEMENTS

Ena Bansal, Chief Digital Strategist of online retailer Vajor, says that if a customer who has signed up with the company calls, the software throws up his/ her social media profile in front of them. Details such as the history of transactions with the brand and their demographics are visible on the software. The company is working at adding personality insights to the profiles available on various social media platforms, Bansal adds. BT

@sonalkhetarpal7

PRIVACY RULES

HIKE MESSENGER has launched Hike ID, a unique identification, that will allow users to send messages and chat with friends on the platform without sharing their mobile numbers. The move is aimed at safeguarding users' privacy.

87% ASIA-PACIFIC COMPANIES TRACK AND MEASURE THE EFFECTIVENESS OF SOCIAL MEDIA BUT ONLY 26% TIE IT TO BUSINESS OBJECTIVES, SAYS A REPORT BY SOCIAL MEDIA MANAGEMENT PLATFORM HOOTSUITE

ALL IN ONE

SOCIAL MEDIA app Sprouter, launched in Bengaluru recently, will aggregate all social media accounts of a user – Facebook, Instagram, Twitter, Snapchat, LinkedIn, Spotify, Pinterest – in one mobile app. It has been developed by Daniel Everist, a student of University of St. Thomas, Minnesota, US, along with his teacher and now co-founder Manoj Patil.

FRIENDSHIP FIRST

FACEBOOK has announced a change to its News Feed algorithm that will give preference to posts from friends and family, and keep posts from news publishers and brands out of your feed. The rationale is to give users a sense of community, but brands and news publishers who depend on Facebook for reach may be affected.

12.6%

RISE IN AD SPENDS IN INDIA THIS YEAR, AS AGAINST 15 PER CENT IN 2017, ACCORDING TO GLOBAL AD SPEND FORECAST REPORT 2018 BY DENTSU AEGIS NETWORK

On a Golden Streak

FOR LARGE GOLD LOAN NBFCs, BUSINESS MODEL REVAMP PAVES THE PATH OUT OF A SLUMP.

COLUMN BY
KRISHNAN SITARAMAN

Profitability of large gold loan non-banking finance companies (NBFCs) rebounded to peak levels seen before the regulatory tightening began in 2012 and eroded returns. FY2016/17 saw their return on assets zoom to over 4 per cent from around 2.5 per cent in FY2013/14.

The improvement started as large NBFCs made two changes to their business model in early 2014. One, they started a periodic collection of interest and second, they lowered product tenure.

Earlier, gold loans had a one-year tenure with a bullet repayment that included interest. Borrowers had the option to repay any time, and over 80 per cent of them did so within six months. However, in the past couple of years, forced by a decline in gold prices, lenders started to collect interest from borrowers at periodic intervals. It was reflected in balance sheets, and interest receivables fell to 3-4 per cent of assets under management (AUM) as on March 31, 2017, compared with the previous 6 per cent or so.

RAJ VERMA

Periodic interest collection also ensured that the loan-to-value ratio remained intact and decline in gold price did not result in interest loss, which was the **primary reason for** declining profitability. It also reduced **the chances of delinquency** because a borrower's equity **in pledged gold did not** come down.

As for tenure, more loans are now disbursed for 3-9 months as against the earlier tenure of 12 months. It enables financiers to react swiftly to any decline in gold price.

Under the Reserve Bank of India's norms, gold pledged by delinquent borrowers can be auctioned only after the due regulatory procedure. Shorter maturity helps lenders do this sooner, if necessary.

Also, the interest accrued on loan spanning 3-6 months is less than that of 12 months. So, interest recovery, even through auction, has been higher. It is reflected in the 2-5 per cent increase in interest yields of financiers in FY2016/17 compared to FY2015/16 due to lower interest income reversals.

In July 2016, CRISIL had upgraded the ratings of two large gold loan NBFCs, factoring in the improved business model and profitability.

To be sure, a one-year loan with a provision to repay at any time and without periodic interest payment provided great flexibility and convenience to borrowers. The shorter tenure of products now takes some sheen off this aspect, which had earlier contributed to its popularity. Therefore, a fine balance between risk management and customer orientation is crucial to sustained growth in business and profitability.

In FY2016/2017, industry AUM grew 13 per cent compared to 5 per cent during FY2014/15 and FY2015/16. CRISIL expects the growth rate to remain moderate over the next couple of years.

While growth in the first half of the last fiscal was supported by favourable gold prices, the economic slowdown after demonetisation impacted businesses in the second half.

The overall share of NBFCs in **the gold loan pie** has increased by around 5 per cent over **the past two fiscal**s as banks went slow.

With a focussed approach, faster turnaround time, established systems and processes, and widespread branch network, NBFCs are expected to maintain their niche in the segment. However, banks, with their cost advantage, will continue to retain two-thirds share of the gold loan market. On the other hand, efforts by large gold loan NBFCs to diversify into mortgage, microfinance and vehicle financing will help mitigate risks arising from their monoline business model. BT

The writer is Senior Director, CRISIL Ratings

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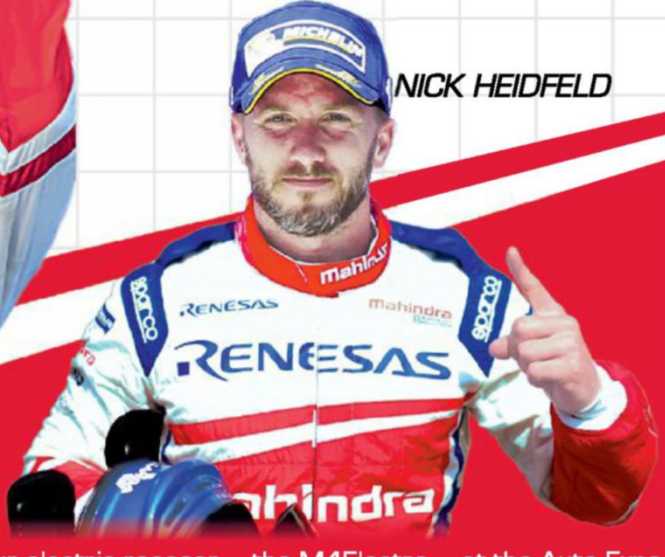

Catch our electric racecar – the M4Electro – at the Auto Expo, India Expo Mart, Greater Noida from 9th – 14th Feb.

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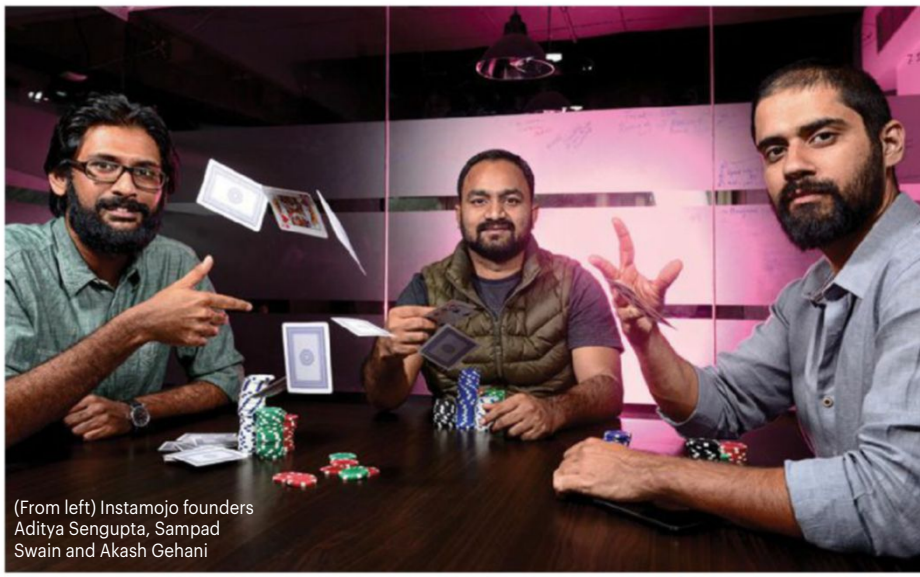
START-UP

INSTAMOJO: PAYMENT ON DEMAND

THE BENGALURU-BASED START-UP OFFERS A QUICK AND EASY DIGITAL PAYMENT SOLUTION FOR MICRO, SMALL AND MEDIUM ENTERPRISES.

By Devika Singh



(From left) Instamojo founders Aditya Sengupta, Sampad Swain and Akash Gehani

KEY NUMBERS

Founded: **2012**

Employees: **60**

Registered SMEs: **3,00,000**

Funding: **$5 MN IN SERIES A & UNDISCLOSED PRE-SERIES B ROUND**

Revenue in FY2016/17: **₹6.3 CRORE**

Instamojo's Bengaluru office

PHOTOGRAPHS BY NILOTPAL BARUAH

1) Founders
In 2010, Sampad Swain, an active blogger, needed some monetary help from regular site visitors but discovered there was no quick and easy digital payment solution available for individuals or even MSMEs. Two years later, he got together with Akash Gehani and Aditya Sengupta to start a company that would address the pain point.

2) Big Idea
Instamojo Technologies offers a hassle-free, affordable payment gateway across India that enables MSMEs to generate payment links, share the same with their customers via WhatsApp, SMS, e-mail or Facebook, and collect payments. For every successful transaction, the seller is charged 2 per cent of the transaction value.

3) Backers
The company raised an undisclosed sum in pre-Series B round from Japanese payments firm AnyPay in August 2017. Earlier, it had raised over $5 million from Kalaari Capital, Blume Ventures, 500 Startups and Rajan Anandan, among others.

4) Rivals
Initially, it did not have many competitors. But the spurt in digital wallets, as well as mobile and Internet banking, could be a major threat.

4) Growth
According to a filing with the Ministry of Corporate Affairs, the company earned ₹6.3 crore in revenues in FY2016/17 and incurred losses of ₹3.3 crore. It claims to have turned EBITDA positive last July and seen 10-15 per cent growth month on month.

5) The Road Ahead
Right now, Instamojo is not focussing on profitability. Instead, it aims to grow the business three to five times and expand its client base by 400 per cent in 2018. It will also diversify into lending, e-commerce enabling services, compliance, logistics and promotions. BT

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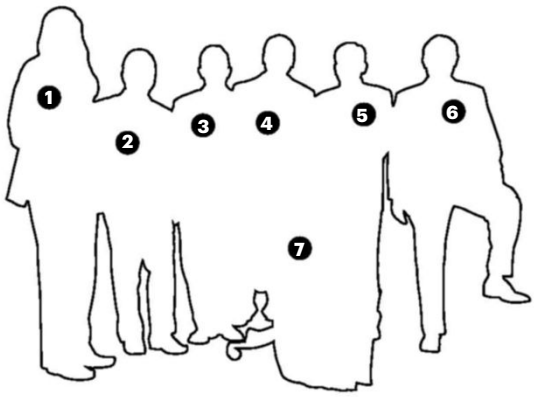
WHAT TO EXPECT IN BUDGET 2018

BT'S PANEL OF EXPERTS TAKES A CLOSE LOOK AT WHAT TO EXPECT IN ARUN JAITLEY'S LAST BIG BUDGET

Photographs by Yasir Iqbal

FINANCE MINISTER ARUN JAITLEY is all set to unveil the fifth and last Union Budget of the Narendra Modi-led NDA government. There are finally some signs of a turnaround in the economy post demonetisation and GST. While small businesses were hit by demonetisation, it helped the BJP win elections in Uttar Pradesh, Uttarkhand and Goa. The focus of the discussion at the pre-Budget panel discussion at *Business Today* was on the stress in rural India and lack of employment opportunities. The discussion moderated by BT Editor Prosenjit Datta included Abhijit Sen, former member, Planning Commission; D.K. Joshi, Chief Economist, Crisil; Rahul Garg, Leader, Direct Tax, PricewaterhouseCoopers; Bidisha Ganguly, Chief Economist, Confederation of Indian Industry; Ashwani Mahajan, National Co-convenor, Swadeshi Jagran Manch; Sunil Sinha, Principal Economist, India Ratings and Mukesh Butani, Managing Partner, BMR Legal. The panel was clear that the focus of the Budget would be on agriculture and could also include out-of-the box ideas to reduce rural stress. Excerpts:



THE PANEL: **1. Abhijit Sen,** former member, Planning Commission; **2. Rahul Garg,** PwC; **3. D.K. Joshi,** Crisil; **4. Prosenjit Datta,** Business Today; **5. Ashwani Mahajan,** Swadeshi Jagran Manch; **6. Sunil Sinha,** India Ratings. **7. Bidisha Ganguly,** CII **Mukesh Butani** joined the discussion from Mumbai

BT: What is the state of the economy?

Prosenjit Datta We will take a quick stock of the economy and options before the finance minister (FM) given that there is angst in the rural economy. How do you see the economy after the CSO announced advanced GDP growth at 6.5 per cent?

Abhijit Sen: The advanced GDP numbers show a certain amount of optimism, and some reservation. Optimism means the first half was 6 per cent and the second was 7 per cent – that's a pretty significant jump. However, 6.5 per cent I think is below expectations of a lot of people, certainly not mine. If we go deeper, the CSO said things might be even worse. If you take out errors and omissions the rate of growth will be 5.5 per cent. It is the errors and omissions which is driving it to 7 per cent.

As the world economy is looking up, the Indian economy is not. We have done better than the world economy for some time now. When it has been going up, we've been growing faster. After a long time we are going in the opposite direction. Exports of countries in our neighborhood are picking up, while our exports average is pretty low. There are sectors – auto and some parts of FMCG – who are quite optimistic. A very large number of our traditional exporters are not optimistic. They see the woes of demonetisation and GST continuing.

Finally, it is assumed that inflation in the second half will be lower than in the first half. That would fly contrary to what has been happening up to now. Inflation is trending a little bit upward. These numbers tell you that the CSO expects it to come down. The second is that the indirect tax realisation, the difference between GDP and GVA (gross value added) figures, is actually going to increase quite sharply – from around 8 per cent to about 13 per cent per annum. This means indirect tax collections will start booming in the second half. That is contrary to what we are observing with GST collections. So, there is optimism built into both these things.

> "WE HAVE DONE BETTER THAN THE WORLD ECONOMY FOR SOME TIME NOW. **WHEN IT HAS BEEN GOING UP, WE'VE BEEN GROWING FASTER. AFTER A LONG TIME WE ARE GOING IN THE OPPOSITE DIRECTION"**
>
> ABHIJIT SEN

"MUCH OF THE FISCAL DEFICIT CAN BE HANDLED IF SOMEHOW WE CAN MAKE BANKS SELF FUNDED ... **UNLESS WE HAVE INNOVATIVE IDEAS TO GET MORE REVENUE, IT WON'T HAPPEN."**

RAHUL GARG

Ashwani Mahajan: I agree with Dr. Sen on numbers, but I am more optimistic about future numbers. Last year, and earlier, we have been making structural adjustments be it demonetisation or GST. Indirect tax collection numbers are not very encouraging, but there is optimism on the future. We are getting ₹90,000 crore of GST collections a month, but it has to be raised to ₹1 lakh crore. This year, I'm optimistic because the PMI Index is showing better results. When we compare it with previous three-four years, we find better performance in the industrial sector which indicates better demand and manufacturing output. These are the drivers of economic growth. Yes, farm output is not good, but, as far as future numbers are concerned, as Dr. Sen rightly pointed out, we have picked up from 6 per cent to nearly 7 per cent in the second half. In the coming year, if the government is able to encourage demand by increasing its own capital expenditure, encouraging private investment and improving private consumption demand, I will look at the future on the brighter side. I don't think the next year there should be any problem. If all goes right, we can reach up to 8 per cent growth.

₹6.89 LAKH CRORE

Direct tax collections (up to 15 January, 2018),which is 18.7% higher than the corresponding period of last year

Bidisha Ganguly: This 6.5 per cent for the full year is reflex reality. But it masks the fact that growth actually bottomed out in the first quarter at 5.7 per cent. Second quarter was much higher at 6.3 per cent; and going up from 6.3 to 7 per cent, I don't think is a difficult task. There are indicators that the economy has been doing well in the past few months. The core sector has been showing good numbers. So I'm a little surprised that manufacturing is estimated at a fairly low rate of growth for the full year. I think manufacturing would do better. What we see in different sectors is that capacity utilisation is going up. As it reaches 80-85 per cent, people will start investing. One can't say when, but at some point in the next financial year, you'll start seeing investments being put on the ground. There are ifs and buts. But, overall, I don't see any reason why the economy should turn down further from this point onwards.

Sunil Sinha: The current view is that have we reached a stage from where the economy will take off. In other words, essential structural reforms have been carried out. So the economy should take off from there. While it is difficult to say when that would take place, various commentators are expecting the economy to do very well, maybe next or next to next fiscal. They are pinning their hope on this kind of take-off.

I believe that the pick up will be gradual for several reasons. On expenditure, out of four engines, only two are firing. Investment and exports are just not firing. To be optimistic on exports is somewhat misplaced, particularly when protectionism has gained ground. The kind of play you could've had during 2004-2009 is unlikely to be there from here onwards. Growth has to come from the domestic sector, but consumption is a worrisome area. We had tried to finalise the balance sheet of roughly 500 Indian companies and found that in most, a process of deleveraging is taking place. The most optimistic scenario tells us that this will take another two years or so. As this process will be gradual, so will be the pick up.

Mukesh Butani: The debate is whether you see the glass half full or half empty. I echo Sunil's view that the pick-up, if any, is going to be fairly calibrated. I

ILLUSTRATIONS BY RAJ VERMA

THE BIGGEST EXPECTATION IS THAT POLITICALLY YOU WILL SURVIVE IF YOU ADDRESS THE PROBLEMS OF THE RURAL SECTOR

SUNIL SINHA

do recall, whether it was the budget of 2016 or 2018, we were hoping to touch this magical figure of 8 per cent to go straight into 2019. I see the probability of levels of 8 per cent in 2019, are to be less likely. In opportunities, India would gain from the growth in the global economy. The biggest challenge before the government is holding back any expenditure because my feeling is that when the design of the budget for 2017 was laid out, the thinking was that let there not be a let-up insofar as public expenditure is concerned. Given where private sector lies, growth will come from the public sector. I hope the government does not let up as far as public expenditure is concerned. There seems to be a contradiction. Is the government going to resort to incremental market borrowings or is it going to hold back some of the expenditure because it wants to stick to the 3.2 per cent fiscal deficit target as it fears rating agencies may climb down on India insofar as our ratings are concerned. There would be an increase in the fiscal deficit attributable to the rise in petroleum prices. That could impact inflation figures, so policy makers find themselves in a tight spot. I feel confident tax collection figures would settle down. So you would see a far more stable and less overtiring tax collection in fiscal 2019 than in 2018. I see stability in tax collection and exports.

₹20,000 CRORE

Additional borrowing by the government could mean overshooting of the fiscal deficit target

D.K. Joshi: 2017 has been a year of repair. It has been a year of reforms because we had GST and it has also been a year of disruption. These things create headwind for growth in the short run but over the medium run things will continue to improve because of the reform pay off. The biggest disappointment has been trade. If you look at the GDP data, exports are projected to grow at 4.5 per cent in 2017/18, exactly the same as last year. Imports however, have shot up from 2.3 per cent to 10 per cent. Now, we have a global environment wherein GDP picked up significantly from 3.2 to 3.6 per cent. World trade growth is projected at 4.2 per cent.

This is the first time in six years that world trade is growing faster than GDP. So while trade intensity of global growth has increased, we have not been able to take advantage because domestic disruptions did not allow us. I think that there is a temporary setback to that. I would be optimistic on the trade front next year. World GDP is expected to grow and trade is expected to do well. Since demonetisation problems are almost over and GST glitches are getting sorted, next year we will be able to take advantage of that. Net trade will contribute much better. Also, there has been certain rebalancing taking place. Earlier consumption was going very fast. Now consumption has slowed and investment has started picking up. But investment as a percentage of GDP is still falling. Unless that starts rising there's going to be no decisive pick up in investment. Companies are using their profits to cut debt. They are still in a deleveraging mode.

It is reflected in the improved credit rating of companies despite the economy slowing down. Since spare capacity in manufacturing is still quite high, the private entrepreneur will not put money in investments. There is investment in roads and renewable energy because that's policy-led and the private sector is quite active there. But capital heavy sectors are still not moving. I would be more hopeful for 2018/19 as a result of this. But changes like E-way bill are coming which can be somewhat disruptive. In a nutshell, 2018/19 will be a better year because we will be in a better position to take advantage of global growth. Domestic production

will benefit because issues that have plagued it this year will get ironed out. Putting these two things together, 2018/19 looks to be better. Inflation will be higher next year, the current account deficit will widen and fiscal stress will be there. My worry is that in the zeal to meet targets, government could slice capital expenditure, which will be unhappy for the economy.

Prosenjit Datta: Based on what Sunil Sinha and Mukesh Butani said, is it going to be a slow pick up or a quick rebound?

D.K. Joshi: It is going to be a quicker rebound since your base is low. But how will it proceed after that? We expect GDP growth at around 7.5 per cent, but that is still below the average of the last 13 years. Even with a quick rebound, you are below the trend.

Rahul Garg: Last year employment generation has not been great. Everybody talked about GDP and trade numbers, but stock indices are rising. The indices and the fundamentals of the economy reflect something else. Much seems to be driven by sentiment. Private investment is not as visible as people are cleaning up, leveraging or sorting out balance sheet issues. You may not see great corporate earnings but there are decent cash flows from corporates being used to deleverage themselves. Once that is reasonably stable, you would get private investment into sectors where capacity utilisation is over 80-90 per cent. So I think there should be a quicker rebound in terms of growth in the first half of the next year.

Prosenjit Datta: Many assets have changed hands rather than fresh investment. People are buying steel, cement companies in distress. There are companies in distress and there are companies which have cash or the financial strength to buy. Lot of investment we see now, which is already low, goes into brown field projects rather than green field ones...

"IT'S ECONOMICALLY AND POLITICALLY CORRECT TO SPEND MORE ON THE RURAL SECTOR. THIS HAS TO BE DONE NOT BY LOAN WAIVERS, BUT BY EMPOWERING FARMERS SO THAT THEY ARE NOT IN DEBT IN FUTURE"

ASHWANI MAHAJAN

Sunil Sinha: It's not that private corporate investment is not happening, but much of that is called maintenance capex. It's not incremental capex. Even when you look at the data, you will see some amount of investment happening. But those are essentially maintenance capex. They are not incremental capex or going for green field projects. That's cause of worry.

Rajeev Dubey: In 2017 we had the highest amount of money – ₹1.61 lakh crore – raised from capital markets. So where does it all go if not into capex?

Rahul Garg: The stock exchanges are fuelled not by FDI or money from abroad. Most money is put in locally by investors, so companies are able to deleverage themselves. The cash flows can be deployed because demand can be spurred and it already exists to some extent – the brownfield interest that you see is higher in all the bids. So bids come in for brownfield projects only when you see optimism that the business cycle could take up the investment that you are going to make.

Prosenjit Datta: Mergers and acquisitions have actually risen. I think they've moved up in the last year.

Ashwani Mahajan: First, there is no dearth of incentives for private investment but it's not happening. The reason is the high rate of interest, because there is an incentive for private sector to keep money in financial assets. This is because the RBI has kept the rate of interest high. All their expectations about inflation have proven wrong. I would rather call it adamancy of the RBI to keep the rate of interest high and incentivising private corporate sector not to invest in real assets. With money being injected into the banking system, they may be able to lend more money. That would encourage private investment.

Abhijit Sen: One change in the last two or three interventions is that the capital market is doing well, despite being domestically driven. So, domestic money going into capital markets is doing very well. However, private investment figures from the capital formation side are pretty bad. I think there are many small businesses, even medium businesses getting out of business and parking their money in the capital market, or in banks. In FMCG, for example, where suddenly the corporate sector will discover that demand has grown because much of the competition has disappeared will get a quick response. But in other sectors, this will

be a drag. And directions are not always clear. In part because we ourselves stop thinking about the small guys and come to the capital market and talk about the corporate sector. But they hold a fair amount of capital now, not in their own business, but in somebody else's business.

Abhijit Sen: Earlier when corporates didn't do well, banks were willing to lend and they would do better. There was an inward relationship between corporate growth and the extent to which the private guy could invest. Now small guys are realising that it is not worth being in business anymore. The investment rate as projected in the second quarter is less than 26 per cent. For the year as a whole it is about 26 per cent. That divided by four, which is the capital output ratio, is 6.5. To get to 8 per cent, we need to go up to 32 per cent. That's where we are in terms of numbers.

Bidisha Ganguly: On the trade side, are we losing competitiveness? That's a very important question for industry. Our exchange rate has appreciated significantly, and the cost of power, land and labour makes us an expensive place to do business. We are losing out on investments and exports as many developing countries have been able to get these things in place. In power, we added a huge amount of generating capacity but distribution is not doing well. Since it is the domain of states, there is nothing much the centre can do. The degree of competence varies from state to state. So much needs to be fixed at the state level.

D.K. Joshi: The worrying part is we have surplus labour and the sectors where we are losing competitiveness are labour-intensive. It is being picked up by economies like Vietnam and Bangladesh. In labour intensive sectors we have lost competitiveness.

4.2%
The expected growth in global trade in 2017/18; India needs to take advantage of this

This is a long term trend and has nothing to do with recent disruptions. That needs to be reversed. As far as investments are concerned, interest rates do matter, but when there is too much debt and spare capacity, interest rates are not very effective in pushing investments. Only once you exhaust spare capacity and deleveraging will interest rates play a role in incentivising investments.

Ashwani Mahajan: I think the rate of interest just got another role to play, to pick up the demand side also. So that should also be taken into consideration. I don't think the appreciation of rupee has anything to do with it because had it been, then it would have been a gradual process. In one month you are having 26 per cent growth, another month you are down to minus, and so on.

Bidisha Ganguly: In the last several years we have done badly.

Ashwani Mahajan: But in all those years we have been depreciating our rupee.

Abhijit Sen: Not in the last three or four years.

Sunil Sinha: If IPOs are doing very well, where is the money going? I think one of the plausible explanations could be that the last time when a lot of capex was undertaken, it was essentially debt funded. Now those channels are no longer available to corporates, barring few highly rated ones. So these IPOs are essentially being used for deleveraging past debt.

Rajeev Dubey: Some have also been for exits, and some of it has been for financial sector.

Sunil Sinha: Exits, exactly, absolutely. So this cannot be taken as a signal that the economy is doing well.

Rajeev Dubey: Some IPOs have been of insurance companies which will not show in project investment.

Rahul Garg: If you look at the employment scenario, you have skilled and semi-skilled people, it boomed when BPOs were set up. Look at manufacturing. Anything you want to do as a contract manufacturer for a large company overseas, the policy does not support it from the tax and FEMA perspective. It doesn't support that you do toll manufacturing in India, where you

"THE MOST WORRYING PART IS THE EXPANSION IN REVENUE DEFICIT. IF IT IS RISING VERY FAST, YOU ARE SPENDING MORE ON THE REVENUE SIDE THAN ON THE CAPITAL SIDE. THAT NEEDS TO BE REVERSED"

D.K. JOSHI

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don't expose the foreign company which is getting the tolling done here. You pay taxes from the toller who is getting the manufacturing done here, but don't expose the foreign company. Unless we allow a situation where people who are customers and want to get toll manufacturing done, if they are having to pay taxes because they are using me as a toll manufacturer in India, it's a no-go.

The second thing is happening in services. We have a tax law that says if management services are provided from India to 30 overseas companies, then those companies could be treated as tax resident in India and expose them to taxes in India. If you look at the ASEAN, I find there are fewer white skin expatriates now than before. You have an opportunity to create India as a service hub for the global economy and global corporates. We are unable to do that because if they create a management services portfolio here in India, they expose all service recipients to taxes in India.

IT IS IMPORTANT TO BUILD INFRASTRUCTURE, NOT JUST THROUGH PUBLIC SPENDING AND PUBLIC SECTOR COMPANIES BUT ALSO THROUGH PPPs

BIDISHA GANGULY

Mukesh Butani: I dismiss the theory that there is a bubble waiting to burst. We are doing extremely defining moments insofar as maturity of capital markets is concerned. This optimism coming from people investing from outside. Foreign Institutional Investors derive confidence from governance. They feel India has made strides in governance. Now for them, deemed steps such as demonetisation, much as we may criticise and beat it to death over here, or GST, which in my view is not perfect, are viewed as major strides in governance. That's one degree of confidence. Please bear in mind that we had a tranche of investors called private equity (PE) investors, who had challenges in the last 10 years to get into the normal IPO cycle. They busted timelines they had because economic conditions were not favourable. So there was a crowding impact of PE investments that we saw, where investors were either not being able to exit or promoters were getting secondary PE investors to help them. That crowding seems to be going away and 2017 was the year when we saw that getting addressed.

If you look at the impact of demonetisation, one has seen domestic mutual funds garnering investments. There is a 14 per cent rise in assets under domestic mutual funds in 2017. Now all of this had to be deployed in capital markets. There is a significant maturity insofar as corporate debt market is concerned. There is high degree of confidence that Foreign Institutional Investors are seeing, insofar as investment in government securities is concerned. The figure that you look at, investments in secondary markets say securities, and government securities, they are clearly playing it out. I feel that this is an area where we have done well and 2017 in my opinion would be remembered as a year in which we have taken important steps to bringing the confidence. Also, despite the subdued growth in exports, the rise in imports, you still have a currency that appreciated by 5-7 per cent.

BT: The challenges facing the FM

Prosenjit Datta: The FM's worries would relate first to revenue collection and the fiscal deficit. Second, any changes that will take place will be in direct taxes. Arun Jaitley has also signaled that he intends to do things about the rural economy and farm incomes. We also have imperfect data on revenues since not all GST data has come in. He is making budget projections based on less data than in the last few years. Last year, the budget was pulled back by a month, so, we have one month less data so, this time he has two months less data.

Abhijit Sen: Yes, because of GST.

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Prosenjit Datta: Yes, because of GST. He has two months less data and because GST has not settled down. So, what are the challenges facing the finance minister leading up to the budget?

Bidisha Ganguly: I think the biggest challenge lies in bond deals. We just had an announcement that they'll borrow another ₹50,000 crore (revised to ₹20,000 crore) which has had an impact and bond deals have moved up quite sharply. So it's unlikely that they will move on to borrow any more. They will try to keep it within whatever excess has happened till now.

Prosenjit Datta: Does that mean expenditure cuts?

Bidisha Ganguly: Could mean but we don't know what is happening on the revenue side. That will become clear only in the next few months and the biggest shortfall has happened over non-tax revenue, not so much on tax revenue. And non-tax revenue is because the RBI did not give the dividend it was supposed to give, and which they have said that they might make up for, over the next few months. So, I think with that and a few disinvestments they might be able to make up this.

There are a lot of challenges as state deficits rise. Though the centre does not directly address that, I think things like farm loan wavers, discoms earning a loss, being taken up by state governments need to be given some direction by the finance minister. In every Budget the FM does address the rural economy. Many measures like crop insurance were talked about last year. This year they should report on what has been the outcome on these measures.

> "IN EVERY BUDGET THE FM DOES ADDRESS THE RURAL ECONOMY. MANY MEASURES WERE TALKED ABOUT LAST YEAR. **THIS YEAR THEY SHOULD REPORT ON THE OUTCOME OF THESE MEASURES"**
>
> BIDISHA GANGULY

Prosenjit Datta: One of the FM's challenges is the NPA problem which will probably take a bit longer for banks to sort out. He started the process and is recapitalising banks but I think next year's projections are also higher NPAs...

Bidisha Ganguly: Yes, indirect taxes will not change much. On direct taxes we hope that he reduces taxes because this was an indication made two years ago in the budget speech. Today we have a tax system which has many incentives and it means the effective tax rate is far lower than the stated tax rate. So it would make sense to lower the rate and remove incentives.

Sunil Sinha: I think the FM would be looking at challenges which are not easy to navigate. If it is a gradual pick up in growth that means tax revenues growth will also be gradual. One is only hoping that the teething problems with GST are over and it will provide a fillip to the overall indirect tax collection. Let's hope that happens but otherwise on the direct tax collection front I doubt much can happen in terms of revenue growth.

There is a case for reducing, both corporate and individual. If that happens, it will take its own time to play out in terms of higher tax collection. So, his revenue collection will remain constrained. On the contrary, given challenges the economy is facing especially in the rural sector, he will have

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to address those. But, does he have the leeway to really address those issues in a significant manner. So don't worry much about the fiscal deficit, and somewhere the N.K. Singh Committee can be invoked and he can take recourse to that to readjust fiscal numbers.

Ashwani Mahajan: I feel the FM missed the bus last year. He could have easily invoked the N.K. Singh Committee and increased the fiscal deficit. Now, looking at the slippage on revenue, both on account of expected GDP numbers and expected revenues from GST, he expects that finally this figure will be about ₹1 lakh crore a month.

This time he should not miss the bus on various accounts. The country needs capital expenditure, and if you are sticking to 3.2 or 3 per cent, then, that would get hard. Secondly there is rural distress. It's economically and politically correct to spend more on the rural sector. This has to be done not by loan waivers, but by empowering farmers so that they are not in debt in future. For that, the government has to come out of the thinking that giving remunerative prices is too much of a burden on the budget.

If they can do that, inflation can also be curbed. In pulses, the government announced the MSP and prices came down. If you offer a good price, then pulses production will increase and we can take care of the foreign exchange part since we are too dependent on importing pulses and oilseeds. The government needs to spend more on the rural sector. They have been doing good on irrigation and rural roads. But, we have to address problems of farmers by offering them better MSP. Even if you are not able to provide MSP, then institutional mechanisms can be developed, whereby farmers are offered better prices.
Today, agriculture is in bad shape. Urban GDP is nine times rural GDP. So, we have to address this, otherwise it is not going to be a politically and economically correct budget.

> "THERE ARE LESSONS TO BE LEARNT FROM WHAT HAPPENED IN UPA II, WHICH **SAW GROWTH SLOWING DOWN AND CURTAILED EXPENDITURE RATHER THAN GROW REVENUES**"
>
> MUKESH BUTANI

Prosenjit Datta: Mukesh, what are the challenges before the FM?

Mukesh Butani: The question is whether you will meet your fiscal deficit by increase on the revenue side or curtail expenditure. There are lessons to be learnt from what happened in UPA II, which saw growth slowing down and curtailed expenditure rather than grow revenues. I think this government will follow the path of revenue mobilisation, if fiscal deficit is on top of their agenda. I see GST revenues stabilising. I don't give enough credence to the non-revenue part of the budget exercise simply because whether we set up a divestment target at ₹60,000 crore or ₹70,000 crore, it really doesn't matter. When market conditions are appropriate and with political will, we will do something be it divestment. Barring one year, we have never met divestment targets. The FM's focus is really going to be on the tax side of revenue.

On the tax side, we should not do any further tinkering to our core. We have already seen the impact of GST, all we need is administrative reforms. I do hope the FM takes up some recommendations and implements them with a degree of rigour. I have always maintained that India is possibly the only country that has tax policy makers and people who recover those taxes, on the same level, coming from same services. It is very difficult what United States has, IRS collects taxes and treasury comes up with a tax policy. I think there is fundamental flaw in the manner in which we all organise ourselves in the department of revenue. There is so much adversity, between the taxman, tax collector and the tax payer. .

D.K. Joshi: Every budget is a challenge and this one a little more challenging. The most worrying part is the expansion in revenue deficit. We are talking about fiscal but if revenue deficit is rising very fast, that means you are spending more on the revenue side than on the capital side. That needs to be reversed. How you reduce the revenue deficit next year is an issue. As far as invoking the N.K. Singh Committee report is concerned, they need not be very rigid because as per the FRBM the fiscal target for 2018/19 is 3 per cent of GDP, maybe they can retain 3.2 per cent and that will give them some ₹40,000 crore extra to spend. Also, we can't accept just one recommendation of N.K. Singh giving you an escape clause and forget about others. It has to be done in total. On expenditure there is hardly any leeway and I agree that they have to focus on revenue generation and I think this year the balance is tilted towards direct taxes, in the sense that direct tax

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collections look better. Next year I think indirect taxes should do better.

Abhijit Sen: Since this is the last budget before elections, it has to address a political problem too. All discussion on the rural side fits into that, but employment is what people are talking about. So he's going to be looking at the rural sector and employment. There is the expectation that at least something has to be done on corporate tax, and that combination of lower corporate tax revenues, with higher expenditure for employment and the rural sector, and a stable GST does present him with a problem. I believe they will do their best through disinvestment much of which transfers from the public sector to government and government transferring assets to other public enterprises. I think they will meet the 3.2 per cent target, but will relax it for next year. If he does nothing on the corporate side, and does only on the rural side, people will say it's a populist budget. If corporate tax cut is held back, there are consequences as markets won't react very easily to that.

Mukesh Butani: The budgets of 2016 and 2017 presented an excellent opportunity for corporate tax cuts. Given the larger message that the US tax reforms are sending, it will have an impact on many economies. That may force the FM to rethink on corporate tax cut, and I hope I am wrong but I don't think the fiscal situation gives him adequate room to look at corporate tax cut in the budget.

D.K. Joshi: Oil can spook the budget. What the government did was smoothen the decline in impact of oil prices. Domestic prices did not see as sharp a decline of crude prices so that the reverse could be expected. Suppose they shoot up to $100, then what happens? Oil could be the joker in the pack.

Bidisha Ganguly: One point which is being missed in corporate tax reduction is that it should be accompanied with removal of exemptions. The impact on revenue should not be as much as it is being assumed.

Ashwani Mahajan: I agree, because in the budget before the last year, he did mention he is willing to reduce corporate tax next year. Maybe he's not very happy about it but the effective rate of corporate tax is hardly 22-23 per cent. Therefore in any case, corporates are not losers so far as competitiveness in corporate tax rate is concerned.

Prosenjit Datta: The other side of corporate tax is that everybody wants tax cuts, but not removal of concessions.

Bidisha Ganguly: CII has said you can remove exemptions and reduce tax.

Rahul Garg: If you look at the kitty of direct taxes, and the revenue impact of exemptions, what has been done over last three years in exemptions and some incentives etc., and tinkering with the depreciation. The whole kitty gives you hardly 0.7 per cent of the total tax kitty. So if you are looking at moving the rate from 33 to 25, and therefore the effective rate from 25 to 21, there is hardly any play within corporate tax. If you remove all exemptions, you won't get more than 1 per cent. And if you continue with surcharge, this adds a 33 per cent tax rate, then effective tax rate, even if today it is 23.5 to 24 percent, it will have a play of hardly 1 percent.

However, if you were to play it out to say that if we know today, that 23 percent is the effective tax rate, and that is consistently year-after-year we see, why don't we abolish everything else in the tax, and say that let everybody pay taxes on 23 per cent of profit. If you still want to give incentives, give it by way of subsidy. This will simplify the corporate tax structure, administration and litigation if we were to suddenly recognise that we are a 23 per cent corporate tax country, not a 33 per cent corporate tax country.

When we compare ourselves with countries where it is sliding down because of the competition, they have a fine tooth comb reading of their taxes. What kinds of income do those countries tax and we don't? You would find there are some exemptions which may not be treated as an exemption given by the Act etc. So, some innovative taxes could come into play merely studying what things we don't levy taxes here.

Much of the fiscal deficit can be handled if somehow we can make banks self funded. If you look at large banks, the properties they have is

$14.9

BILLION
Trade deficit in December 2017, the highest over the past three years

$411.1

BILLION
Continuing the rising trend, forex reserves hit a new high in the week ended Jan 5

184%

RISE
in filed prosecution complaints for various offences by the IT department up to November 2017 compared to the corresponding period of last year

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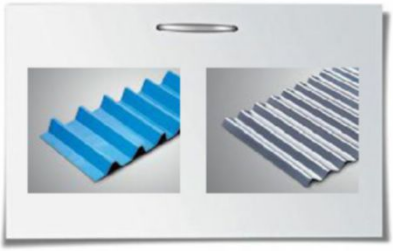

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You need to innovate to get the revenue from somewhere else. This is the time to look for innovative ideas.

There is no going back from three things. One, public expenditure would continue to drive the economy. Second, the rural sector needs more allocation. Third, the banks crying need is to fund them. And, employment generation has to happen. These are not negotiable. Unless we have innovative ideas to get more revenue, it won't happen.

Prosenjit Datta: Any last points?

Sunil Sinha: One route the previous budgets of the FM have followed is trying to raise resources outside the budgetary process. In FY 2017 they said around ₹33,000 crore will be raised from the market by state-owned entities. That doesn't sit in the balance sheet of the government, but in the balance sheet of these corporations. But the different thing that they did is that the servicing of those debts will not be done by those entities which are borrowing from the market. It will be done through the budgetary process. So if there is a crunch on the revenue side, they may again use it.

BT: Expectations from the Budget

Rahul Garg: The expectation is in reducing corporate tax while the second relates to continued public spending as the prime mover of the economy. The two recommendations will be: look at revenue collection in an innovative manner on whatever you are not taxing now. Look at the innovative methods of raising funds where you need to deploy out of budgetary resources.

3.2%
Budget estimate of fiscal deficit as per cent of GDP for **2017/18**

Sunil Sinha: The biggest expectation is that politically you will survive if you address the rural sector. The other is to focus on how quickly can you stabilise the GST process.

7.2%
United Nations' projection of economic growth in **2018/19**

Ashwani Mahajan: My suggestion would be to create more jobs. That is not going to happen by speaking out of six pages of budget speech on the farm sector but by doing something. There should not be any thinking of the corporate tax cut because it will take longer for different countries to come out with corporate tax rates. We should think of more expenditure without reducing corporate tax rates. Why not give more concessions for more job creation? Suppose you have a company employing 10 people. If next year you are willing to provide jobs to 25 people, why not give subsidy for job creation for the next 50 people. The second is we should increase spending on the capital sector and the social sector expenditure.

D.K. Joshi: Expect the budget to have a rural thrust. Don't do it in a populist way because you can always give sops and push up the rural economy. But, do it in a way which can make economic and political sense. Focus on areas which can generate employment, be it road construction or rural housing. The construction sector has much less share than manufacturing but employs more people. The second expectation is that they will cut or relax the fiscal deficit target. My sense is they will go with 3.2 per cent.

Bidisha Ganguly: The expectation is on corporate tax cut and rise in rural spending. The recommendation will be to see ministries spend money they are allotted. It is important to step up spending on education and health. The other is build infrastructure, not just through public spending and public sector companies but also through PPP.

Abhijit Sen: Since it's the last Budget of this government, I think it will be an out of the box budget in certain places. I have a suspicion the out of the box ideas will quickly turn the mood in rural areas. Now the way you can turn the mood around in rural areas is not necessarily the best way of doing it. In the long run, it would be combination of what Haryana & Madhya Pradesh have done in terms of MSP (Minimum Support Price). If prices fall below MSP, you give the difference, a sort of deficit payment. And you commit the government to make deficit payment without actually thinking that we have to take MSP. That will create a problem in subsequent years. In North India where PDS (Public Distribution System) works very badly, remove it and do direct payments. In UP & Bihar this will sell. These big policy things will come from either Amit Shah or Narendra Modi. And I think that's where you've got to look for, in the Budget.

Rahul Garg: Ashwin did point out that corporate tax will be quite competitive. Just want to bring to attention that with corporate tax and the GDP rate, even if we consider our effective tax rate as 23-24 per cent, we are at 40 per cent tax rate. It is far too high, given the kind of social security system we have and given the kind of the government support we have both on the infrastructure side and the social side. BT

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DESPITE THE LIKELY FISCAL SLIPPAGE THIS YEAR, NEXT YEAR MAY BE BETTER FOR GOVERNMENT FINANCES DUE TO HIGHER TAX COLLECTIONS.

By DIPAK MONDAL

W

hile upgrading India's sovereign rating from Baa3 to Baa2 in November last year, Moody's elucidated that "a material deterioration in fiscal metrics and the outlook for general government fiscal consolidation would put negative pressure on the rating".

Over two months after the upgrade – for many a testimony to Prime Minister Narendra Modi's push for economic reforms – the government is staring at a possible slippage from its fiscal deficit roadmap. The government, which had announced an additional borrowing of ₹50,000 crore in the last quarter of the financial year, setting off talks of it missing the target of 3.2 per cent fiscal deficit by a wide margin, did partial damage control by reducing the figure to ₹20,000 crore.

Is this the silver-lining economists and fiscal fundamentalists have been looking for in the dark cloud hovering over the economy? Is this a sign of the government's growing confidence in its ability to mobilise enough revenue to pay for some of the 'extravagance' leading up to the 2019 General elections? Or is it just delaying the inevitable – going off the fiscal consolidation roadmap – to next year?

Non-tax Disappoints

While the decision to reduce the additional borrowing by ₹30,000 crore is encouraging, according to many economists, the risk of breaching of the fiscal deficit target remains; fiscal deficit in absolute terms has already reached 112 per cent of the Budget estimate of ₹5.46 lakh crore.

"The fiscal deficit target may be breached by 10 basis points instead of the 30-40 basis points expected after the ₹50,000 crore additional borrowing was announced," says a chief economist of a pharmaceutical and financial services company. He refused to be quoted as he is not the authorised spokesperson.

Pronab Sen, an economist and former chief statistician of India, says the ₹20,000 crore additional borrowing will not be enough to fill the non-tax revenue gap. While the Budget last year had estimated a non-tax revenue of ₹2.89 lakh crore, till November 2017, the government had collected just one-third of it (₹1.05 lakh crore or 36.5 per cent of the target). Non-tax revenue of the government includes dividends from PSUs/RBI, interest income, etc. One of the major disappointments came from the RBI, which paid only ₹30,659 crore, less than half the ₹65,876 crore it had paid in 2015/16. The government had budgeted for ₹58,000 crore dividend from RBI; it has sought ₹13,000 crore from RBI.

Tax Collection: GST Spanner

In a recent press statement, the finance ministry said that provisional direct tax collections up to January 15 were ₹6.89 lakh crore, 18.7 per cent higher than the net collections for the corresponding period of the previous year. This is 70 per cent of the Budget estimate (₹9.8 lakh crore).

This means the government is on its way to meeting the direct tax collections target, which is 15.6 per cent above the 2016/17 revised estimates. March, the last month of the financial year, sees a sharp jump in collections. For example, in 2016/17, almost 27 per cent of the total direct tax collected came in March. With over two months to go for the financial year to end, the government can be expected to beat the direct tax collections target.

However, GST figures do not give similar confidence. Monthly collections have been continuously falling – from

ALL-ROUND PRESSURE

Government will find it tough to hold the line on fiscal deficit this year

	2017/18 BE	ACTUAL TILL NOV 2017	% OF ACTUALS TO BUDGET ESTIMATES: TILL NOV 2017/18 %	TILL NOV 2016/17 %
Revenue receipts	15,15,771	8,04,861	53.1	57.8
Tax revenue (net)	12,27,014	6,99,392	57	58.9
Non-tax revenue	2,88,757	1,05,469	36.5	54.2
Non-debt capital receipts	84,432	61,849	73.3	48.5
Recovery of loans	11,932	9,471	79.4	84.9
Other receipts	72,500	52,378	72.2	41.6
Total receipts	16,00,203	8,66,710	54.2	57.4
Total expenditure	21,46,735	14,78,815	68.9	65
Fiscal deficit	5,46,532	6,12,105	112	85.8
Revenue deficit	3,21,734	4,89,839	152.2	98.2

REVENUES	2017/18 BE	ACTUALS TILL NOV 2017	% OF ACTUALS TO BUDGET ESTIMATES
Direct tax	9,79,999.97	4,85,398	49.5
Indirect tax	9,31,579.46	5,01,825*	64.6
Disinvestment	72,500	52,378	72.2

Figures in ₹crore; *figure arrived at after deducting compensation cess and half of iGST collections; BE: Budget estimates; Source: Finance Ministry

around ₹95,000 crore in July, ₹91,000 crore in August, ₹92,000 crore in September and ₹84,000 crore in October to ₹80,300 crore in November. This could neutralise the effect of buoyancy in direct tax collections.

The Controller General of Accounts data show that till November 2017, indirect tax collections were just over ₹6 lakh crore, including IGST (₹1.38 lakh crore) and GST Compensation Cess (₹30,900 crore). Half of IGST and the entire compensation cess collections go to states.

"Stripping off 50 per cent IGST inflows and the entire GST compensation cess receipts in November 2017 indicates that the balance taxes contracted by a considerable 14.8 per cent relative to November 2016, reinforcing worries related to the momentum in tax collections," says an ICRA report.

Aditi Nayar, Principal Economist, ICRA, says: "Previously, excise duty and service tax collections used to show a considerable uptick in the fourth quarter. We are awaiting the data for the ongoing quarter to understand whether GST collections will display a similar pattern." She hopes that the introduction of the e-way bill in February 2018 may boost compliance (and improve GST collections).

Pronab Sen says it will be difficult for analysts to see any trend in GST collections in immediate future. He expects uncertainty even in the next financial year. The government has budgeted for only 8.8 per cent growth in indirect tax collections; it is unlikely that the target will be achieved.

Interacting with media after the 25th GST Council meeting in Delhi, Revenue Secretary Hasmukh Adhia said the government was confident of achieving the indirect tax collection target. However, it sounded equally concerned on poor collections and announced some anti-evasion measures to check leakages.

Given the uncertainty over GST collections, the government would set a moderate target for 2018/19. However, it may set an ambitious direct tax collection target as it believes demonetisation and GST have expedited the formalisation of the economy and improvement in business activities will boost GDP growth. There are reports that the government may budget for 12 per cent nominal GDP growth in 2018/19, up from 11.75 per cent for 2017/18.

After encouraging disinvestment collections in 2017/18 – so far the government has collected ₹52,378 crore, or 72 per cent of the Budget estimate of ₹72,500 crore – the government is likely to set similar, if not higher, targets. NITI Aayog – the government think-tank – has recommended privatisation of 34 sick public sector units so far. Some of these may be taken up in the next financial year. Air India may also be divested next financial year.

₹20,000 crore:
Revised additional borrowing in the current financial year, from ₹50,000 crore earlier

3.2%
Is the fiscal deficit target for 2017/18

112%
Of Budget estimate is the actual fiscal deficit till November

12%
Will be the estimated nominal GDP growth rate for 2018/19

9.5%
Is the estimated nominal GDP growth rate for 2017/18

Fiscal Tightrope

Can the government afford to reduce expenditure to adhere to the fiscal deficit target? Given that 2019 is an election year, it is unlikely that government will sacrifice the ruling party's electoral prospects for fiscal prudence.

As economist Abhijit Sen said in *Business Today*'s pre-Budget discussion, the government may try to adhere to the 3.2 per cent fiscal deficit target in the current financial year and may like to ease the target in 2018/19.

Economists are not confident that the government will be able to adhere to fiscal deficit targets either in 2017/18 or 2018/19. "Given the continuing uncertainty regarding revenue buoyancy, we do not expect the Union Budget to stick to the previously announced fiscal deficit targets for FY2018 and FY2019," says Aditi Nayar of ICRA.

Some economists believe that the government next year might use the escape clause given by the N.K. Singh Committee for review of the Fiscal Responsibility and Budget Management Act. The committee says that breach the fiscal deficit target by 0.5 per cent in case of some economic instabilities.

There are impending global and local risks also that may make it difficult for the government to stay on course the fiscal roadmap. These include rising crude oil prices, which may increase the fuel subsidy outgo, and interest on bank recapitalisation bonds which have to be provided for in 2018/19.

At the time of Budget presentation, the government can still say it would stick to the fiscal deficit target as any shortfall in GST collection in the current year can be plugged in the next year by implementing the anti-evasion measures. It is, anyways, gung-ho about the sharp jump in direct tax collection.

It remains to be seen if the government bites the bullet on fiscal deficit or continues to put up a brave face in the upcoming Budget. BT

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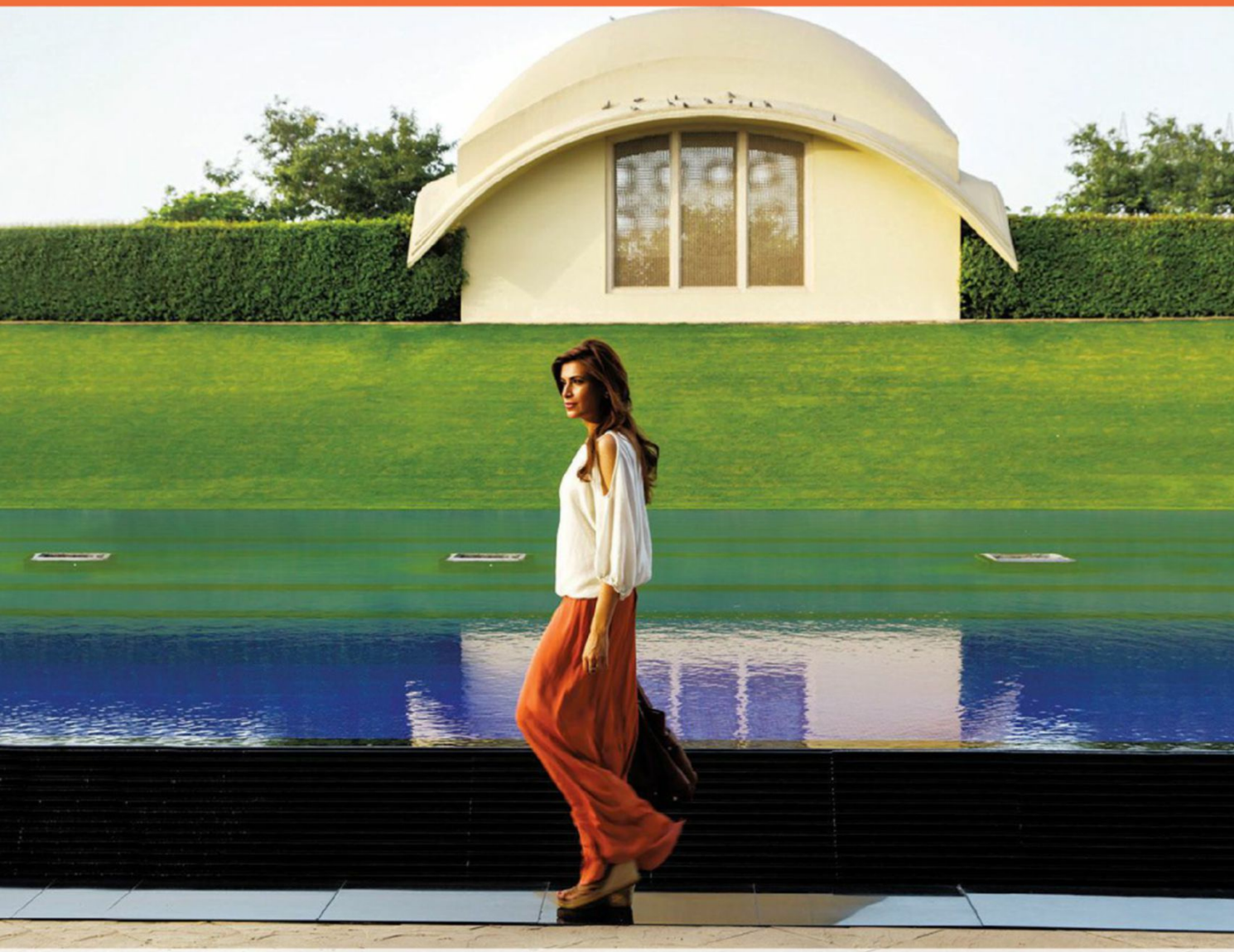

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THE JOB CHALLENGE

IN AN ECONOMY REGAINING ITS FOOTING AFTER DEMONETISATION AND GST, CAN BUDGET 2018/19 CREATE MORE JOBS?

By Anilesh S. Mahajan

The Opposition has already begun targeting the government for "failure" to create enough jobs. All eyes are now on Finance Minister Arun Jaitley to blunt the criticism.

The issue is an emotional one in a nation where 105 million-odd people will be looking for employment in the next five years. The Confederation of Indian Industry estimates that India created just 3.65 million jobs per year between 2011/12 and 2015/16.

The disruptions in the short run brought about by demonetisation and GST did halt the rate of job creation. Under pressure to bring about quantitative and qualitative improvement in this area, the government has taken a two-pronged approach. It is identifying sectors where jobs can be created and is revamping data collection to better capture ground realities. NITI Aayog has been tasked with devising norms to ensure better payroll reporting. With 98 per cent enterprises out of the ambit of the Labour Board Bureau, new job creation is not being recorded properly, say government sources. That is why complex data sourced from various private and public sources are being taken to reach this number.

Meanwhile, a study by SBI Group's Chief Economic Advisor Soumya Kanti Ghosh and Pulak Ghosh, a professor with Indian Institute of Management, Bangalore, has projected that in 2017/18, 5.5 million jobs will be created. For the first time, these numbers have been calculated based on membership of the Employees' Provident Fund Organisation, the Employees' State Insurance Corporation, General Provident Fund and National Pension System.

While the Budget is an opportunity to present projections for policy, revenue and expenditure that will stimulate job creation, Jaitley's scope is sharply limited by expectations of income tax rebates and low GST collections.

Rumblings from North Block that houses the finance ministry suggest that tweaks and new approaches to existing systems are the likely options, apart from enhanced focus on the rural economy and sunrise sectors. "Real job creation will happen in rural areas only," says a senior finance ministry official. This might involve encouraging animal husbandry, poultry, fisheries, farmer producer organisations, cold chains, warehouses and food parks. There may also be a major push in irrigation and watershed management – both big employment generators in rural areas. Officials also say that sectors with potential to create jobs in rural areas could be brought under MGNREGA. The finance minister is also expected to push the PM Kaushal Vikas Kendra to the block level; in the last Budget, he had outlined plans to bring these Kendras to the district headquarters level.

Indications are that the finance ministry has identified some sectors for job creation. These are manufacturing of solar equipment, cyber security, ayurveda, yoga, and electronics and telecom equipment manufacturing. In addition, revival is expected in demand in steel, power (distribution), defence equipment and FMCG sectors. There is an expectation that a stimulus package may be announced to facilitate job creation in these sectors. Senior officials said the options also include allowing increased deductions for additional employee costs for three years. BT

5.5
million: Number of new jobs expected in 2017/18

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CRACKING THE FARM CODE

FARMER PRODUCER ORGANISATIONS COULD HELP ALLEVIATE RURAL DISTRESS. WILL THE BUDGET GIVE THEM A BOOST?

BY ANILESH S. MAHAJAN

It is a board meeting with a difference – weather beaten farmers, seated in the village square in Aurangabad village in Uttar Pradesh's Sitapur district, sipping cups of tea. These are members of the local Farmer Producer Organisation (FPO), one of 800 in the country, set up under the auspices of the Small Farmers Agri-business Consortium (SFAC), promoted by the Ministry of Agriculture and registered under the Companies Act. FPOs are a cross between cooperative societies and private limited companies, in which farmers come together to increase their bargaining power in the market.

The Aurangabad FPO's primary focus currently is honey – collecting it from members within a 20 km radius, analysing, processing and selling it. A nearby shed houses the FPO's office, a small laboratory, a processing unit (still in the making) and an assembly line. "Earlier when we sold our honey individually, we would get around ₹95 per kg in a good season," says Mirza Baig, the FPO's Chairman. "But now, by working together, we are getting offers of ₹150 per kg."

Symptoms of rural distress are clearly visible in India, most recently showing up in the Gujarat assembly election in December last year, where but for the support it garnered in urban centres, the BJP – ruling for 22 years – would have been pushed out of power. Prime Minister Narendra Modi had famously promised to more than double farmers' annual incomes in seven years – from ₹96,703 in 2015/16 to ₹219,724 in 2022/23; but it seems doubtful given the rate of progress. There have been no dearth of schemes and concessions for farmers, but they have literally so far borne little fruit.

Farmers get concessional electricity, and cooking gas connections under the Pradhan Mantri Ujjwala Yojana have been delivered to them on a war footing. Five states have waived farm loans in the past year, but is this kind of support sustainable? The farm loans' waiver has already cost the country ₹107,000 crore – or 0.65 per cent of the gross domestic product (GDP). Last year, the Budget

allocated a whopping ₹187,223 crore to agriculture, a 24 per cent jump over 2015/16, but it does not seem to have had sufficient impact. Urbanites make up only 35 per cent of the population, yet urban contribution to GDP has been increasing from 45 per cent in 1990 to 63 per cent in 2014 to 72 per cent last year, while the rural share has correspondingly declined. The reason is that farm incomes are simply not increasing, with agricultural growth hovering around an average of two per cent.

A major reason for the slow growth is the waste of perishables, mainly due to shortcomings of infrastructure in delivering from farm to fork. The Central Institute of Post-Harvest Engineering and Technology – under the Indian Council for Agricultural Research – has estimated the annual loss at various stages of harvest and post-harvest at ₹92,651 crore. "The bulk of it is in perishables," says Tajamul Haque, former Chairman of the Commission for Agricultural Costs and Prices. "This primarily hits the farmer."

30%
CORPORATE TAX RATE ON FPOs FROM YEAR ONE

Allowing foreign investment into multi-brand retail would indeed give a big boost to the food processing market, considering that 76 per cent of all business in multi-brand retail comprises food items, direct and processed, as investors would pour funds into building infrastructure such as warehouses and cold chains. But fear of the impact of this step on mom-and-pop stores keeps staying the government's hand.

Long Way to Go

It will be one of Finance Minister Arun Jaitley's primary tasks in the coming Budget to try and alleviate rural distress; encouraging FPOs in a big way could well be a major part of the solution. For the 120 million farmers in India, so far there are only 800 FPOs. Madhya Pradesh has the largest number of FPOs at 150, followed by 120

in Karnataka and another 100 in Maharashtra. Even the ones that exist have serious constraints – lack of access to cheap capital, absence of tax breaks and opportunities for acquiring the skills required to run an FPO, and lack of entrepreneurial spirit among farmers.

"FPOs attract 30 per cent corporate tax from the first year like any other company, which is also a big disincentive for farmers," says Nasir Quereshi, volunteer from the Bhopal-based NGO, Centre for Advance Research and Development (CARD). He, at the request of local off-grid operator Smart Power Ltd, has been camping in Aurangabad for the last six months to acquaint the farmers with – and link them to – various schemes of the state and central governments, showing them how funds can be procured, getting them regulatory approvals and training them to market their produce effectively.

Even when facilities are available, it is sometimes difficult for farmers to avail them. Under the Pradhan Mantri Kaushal Vikas Yojna, kaushal kendras (skilling centres) have been set up in many district headquarters, but most farmers are not in a position to camp there for extended periods leaving their fields untended. Not surprisingly, enthusiasm for FPOs is lukewarm.

"Other farmers have not been as lucky as those in Aurangabad to get the services of an organisation like CARD," says Vishwanath Rao, a farmer leader in Maharashtra. Navjot Singh, a farmer from Sirsa, Haryana, has been working with fellow farmers to produce fruit pulp. "Capital is a big issue," he says. "After the loan waivers, banks are just not interested in giving more subsidised loans under the subvention scheme."

There is always the fear that the loan taken to invest in technology could turn into a debt trap for all members of the FPO if the produce does not fetch the price expected. Surjit Singh, a progressive farmer from Sonepat, Haryana, had the idea of joining hands with his neighbours to market tomato puree. "In a good season, tomatoes can be sold at ₹15 a kg, but in bad ones the price falls so steeply that taking them to the local mandi becomes unviable," he says. "Yet the price of tomato puree is constant in seasons good and bad." But the idea came to nothing. "I tried to convince people to start an FPO to process tomatoes and market the puree, but they were afraid of incurring debt and it didn't work out," he adds.

LIKELY BUDGET PROPOSALS...

Farmer Producer Organisations, or FPOs, may be included in the Start Up India Mission; FPOs are companies set up by farmers to process their produce

30% corporate tax on FPOs may be lowered

There might be a proposal to help **Small Farmers' Agribusiness Consortium, or SFAC,** access venture capital funds; SFAC is an autonomous society promoted by the Ministry of Agriculture and also registered as a Non-banking Financial Institution which is implementing central schemes for inclusion of small/marginal farmers in agribusiness activities

Introduction of **price deficiency payments** in all states

Rise in funding under the Pradhan Mantri Krishi Sinchai Yojana

Budget is expected **to allocate 24-26 per cent more** than the previous year's ₹1,87,223 crore for agriculture, rural and allied sectors

The Pradhan Mantri Gram Sadak Yojna might cover re-carpeting of roads too

BharatNet and the PM Ujjwala Yojna, along with farm insurance schemes, likely to be strengthened

...AND WHY THEY ARE NEEDED

Urban centres house just 35 per cent of the country's population but contribute nearly 72 per cent to GDP. In 2014, the contribution of urban areas was 63 per cent; in 1990, it was 43 per cent

Agriculture growth rate has been less than 2 per cent for the last four years

Forthcoming Proposals

The forthcoming Budget may well include a proposal to include FPOs under the Start-up India Mission, which would allow them a tax holiday for the first three years as well as access to cheaper funds. More funds could also be made available through the SFAC. "We want 10 per cent of small farmers to become part of FPOs in the next four years," says an expert closely associated with the Budget drafting. The government could also announce taking kaushal kendras to the block level. Incentives for public private partnerships to promote agribusiness, such as construction of warehouses, setting up of cold chains and food parks, may also be on the cards.

The Budget could open up market yards, set up under the Agricultural Produce Marketing Committee Act, to private players. A boost is expected for irrigation as well, with greater allocations, and more projects brought under the Pradhan Mantri Krishi Sichai Yojana. At present 99 projects have been taken up, of which 11 have been commissioned.

Haryana and Madhya Pradesh have begun assuring a floor price for cash crops. Haryana offers a minimum price for four crops – tomato, potato, onion and cauliflower. "We want to see how things work before scaling up," says Om Prakash Dhankar, Agriculture Minister, Haryana. But this alone will not be enough to raise farm incomes substantially. "This scheme can run in parallel with the minimum support price regime for the basic kharif and rabi crops. But India needs to put in place a multi-dimensional policy," says Rajiv Kumar, Vice Chairman, NITI Aayog."

Will these moves make a difference? It will depend on their implementation.

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All Eyes on Budget

Business confidence takes a turn for good with business leaders pinning hope on the annual Budget, finds the latest Business Today-C fore Business Confidence Survey. ***By Manu Kaushik***

The business sentiment has shown some semblance of revival in the third quarter of the financial year, after taking a beating for two consecutive quarters. The business confidence index in the October-December quarter, on a scale of 100, jumped marginally to 47.3, from 45.1 in the quarter ended September 2017. The annual Budget, slated for February 1, offers fresh hope to business leaders in a tough economic environment. However, since the macro picture hasn't improved much, it's unlikely that the Budget will continue to keep up the sentiment for a long time.

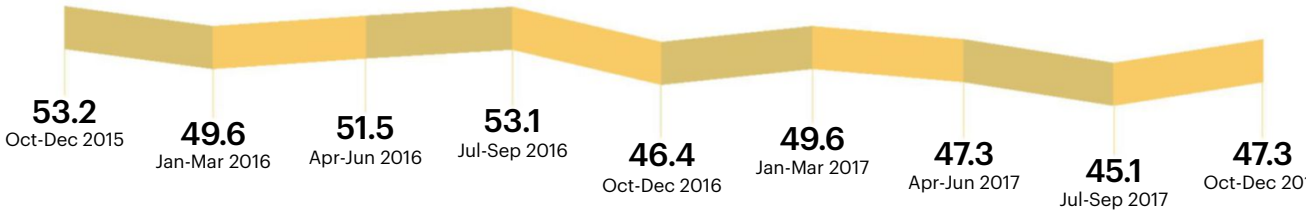
Market research agency C fore quizzed 500 CEOs and chief financial officers across 12 cities for the survey for the October-December period. The confidence in the July-September 2017 quarter was the lowest ever since the survey began in the January-March 2011 quarter.

This round of the survey shows that business leaders are expecting status quo in the January-March quarter. On parameters such as overall

ILLUSTRATION BY RAJ VERMA

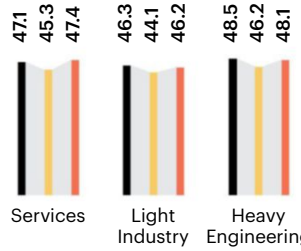
Recovery Mode

Confidence rises after a historic low in the July-Sept quarter



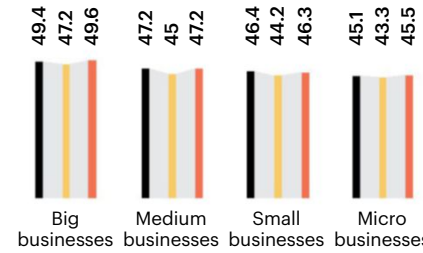
BCI by Sector

The mood is upbeat across segments



BCI by Size*

The uptick in sentiment is broad-based



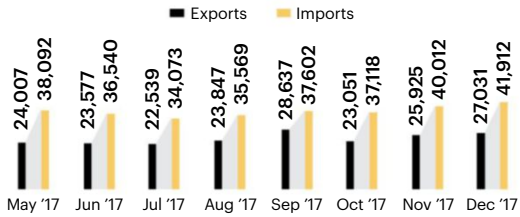
*Big businesses: Turnover > ₹500 crore; Medium businesses: Turnover ₹100-500 crore; Small businesses: Turnover ₹5-100 crore; Micro businesses: Turnover < ₹5 crore

Apr–Jun 2017 Jul–Sep 2017 Oct–Dec 2017

The Macro View

All-round signs of recovery but worries remain

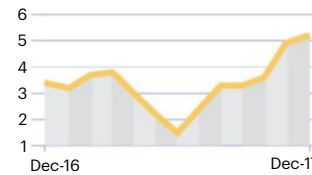
Exports do well but trade gap a concern...



Figures in $ million

...Inflation is inching up...

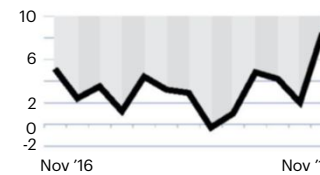
CPI Inflation (%)



Consumer Price Index; base year 2012

...But industrial growth recovers

IIP growth (%)



(Y-o-Y change)

economic situation, financial situation, availability of finance, cost of external finance, production level, order book, cost of raw material, utilisation of production capacity, sales, hiring and profits, respondents are more optimistic in the latest survey in comparison to the previous one.

In the latest survey, for instance, just 24 per cent respondents are expecting the overall economic situation to worsen in the January-March period. In the last survey, the corresponding figure was 35 per cent. Similarly, 44 per cent of the respondents were expecting their financial situation to deteriorate in the previous survey, whereas in the current survey, that number stands at only 20 per cent.

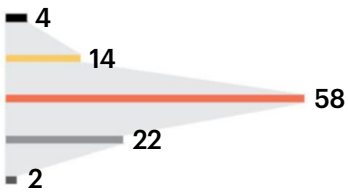
Upasna Bharadwaj, Senior Economist at Kotak Mahindra Bank, says that some kind of stability has been achieved after the implementation of GST (goods and services tax) last year. "People are realigning, and several adjustments are taking place. Yet, there's a long way to go before we start to reap the benefits of GST," she says, adding that "lot of things are getting sorted out, including the twin balance sheet

End of Gloom

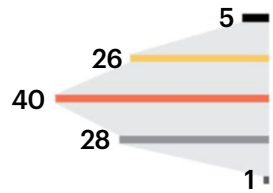
A large number of respondents say conditions might be beginning to look up

Overall Economic Conditions
More than half saw no change

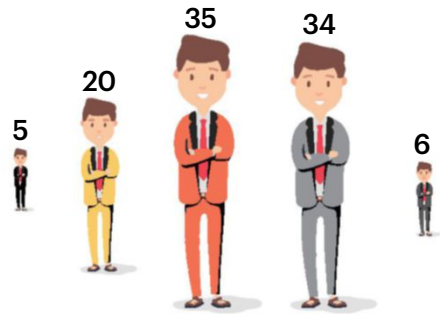
Availability of Business Finance
One-fourth say there has been an improvement



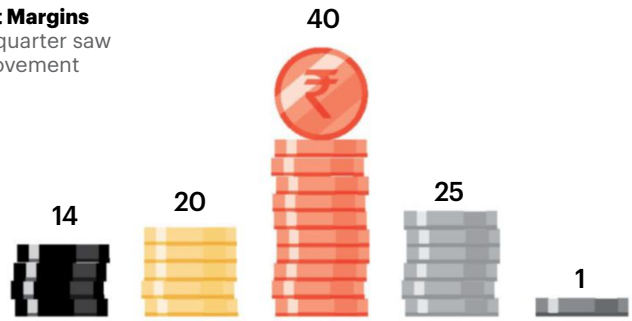
Demand Conditions
29% reported improvement



Hiring Conditions
40% registered moderate/substantial improvement



Profit Margins
One quarter saw improvement



Substantially worse | Moderately worse | Same/no change
Moderately better | Substantially better | All figures in per cent

problem, which means corporates are deleveraging gradually and bank recapitalisation has already started."

The GDP estimates of 2017/18 show that the Indian economy's growth is at a four-year low. According to the Central Statistics Office (CSO) forecast, economic growth is expected to be 6.5 per cent for the current financial year, lower than the 7.1 per cent registered in the previous fiscal year. The survey highlights that a majority of the respondents – 52 per cent – have their hopes pinned on the Budget to boost the economy over the next year.

Siddhartha Roy, Founder, SR Associates, an economic think tank, says that with the GST coming in, the Budget is expected to focus on expenditure and direct taxes. "The uncertainty around the Budget will be far less this time around. On the direct tax side, some expectations are building up that corporate tax rates might go down," he adds.

A majority of survey respondents – 59 per cent – says that the government should prefer maintaining fiscal discipline over meeting populist demands in the upcoming Budget. The sure-shot breach of the fiscal deficit target, rising inflation, the need to improve the rural economy and create jobs have put the government in a precarious situation. The impending general elections next year are only adding to its troubles.

Experts say that the quality of expenditure is something to watch out for in the upcoming Budget. "If it's about creating assets, I don't have a problem. There's a huge potential to create rural assets," says Bharadwaj.

The survey highlights that 69 per cent respondents do not plan to make fresh investments in 2018. Without fresh investments, it's difficult to keep the wheels of the economy turning. The slowdown in investments over the past several quarters can be directly attributed to lower capacity utilisation and weak demand. Just 27 per cent respondents expect capacity utilisation to pick up in the next three months;

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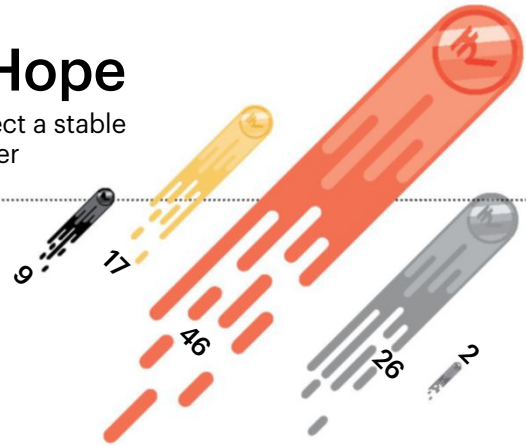
Ray of Hope

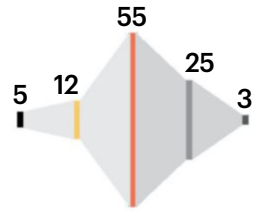
Companies expect a stable Jan-March quarter

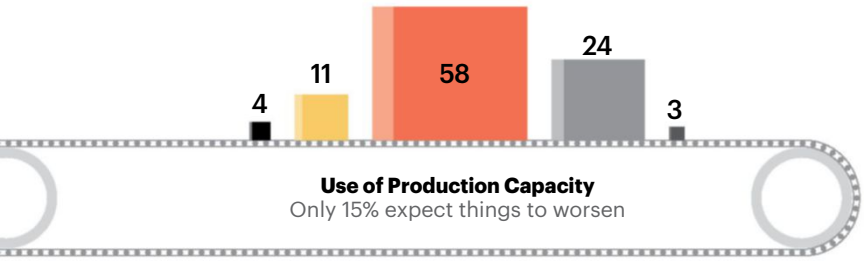


Economic prospects of business
More than a fourth expect an improvement

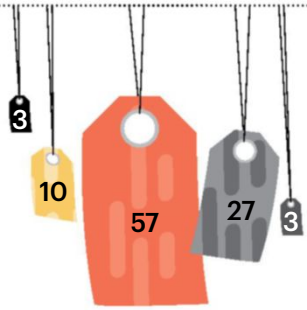
Availability of Finance
One-fifth expect things to worsen

Demand Conditions
28% expect an improvement; more than half see no change



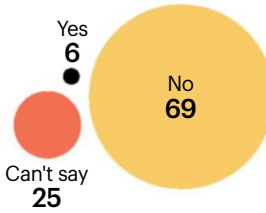


Use of Production Capacity
Only 15% expect things to worsen



Sales Pick-up
Close to one-third see an improvement

Fresh Investment
A vast majority is still unwilling to commit new investments



Substantially worse | Moderately worse | Same/no change
Moderately better | Substantially better | All figures in per cent

in the previous survey, 22 per cent expected the same.

As per the Reserve Bank of India data, capacity utilisation stood at 71.2 per cent in the first quarter of 2017/18. For new capacity to be added, this number has to climb up to 80-85 per cent. "There's not enough demand right now. It will take three-four quarters before fresh capacity is added," says Bharadwaj.

The survey shows that 27 per cent expect hiring to pick up over the next three months, which is substantially higher than 7 per cent in the previous survey. The jobs are likely to be a focus area in the Budget. The government may introduce the first National Employment Policy to create jobs in every industry.

As a supplement to the BCI survey, we carry out an assessment of other indicators of economic growth. These include macroeconomic conditions such as export-import data, IIP (index of industrial production) and consumer price inflation (CPI). While IIP growth reached a 17-month high in November 2017 to 8.4 per cent, CPI rose to an uncomfortable level of 5.2 per cent last December, a 17-month high. The rising industrial output shows signs of recovery, but high inflation can hamper further upside, as RBI will most likely pause on interest rate cuts for a while. Both exports and imports grew marginally in December. Imports grew slightly higher – at 4.7 per cent – on the back of rise in international crude oil prices and higher non-ferrous metal imports. "Exports are growing far slower than they should. Readymade garments, and gems and jewellery, exports remain areas of concern," says Roy.

In his fifth Budget, and technically the last one, Finance Minister Arun Jaitley may not be able to prescribe the perfect antidote for the limping economy, but the sentiment is buoyant nevertheless. BT

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THE HUB

POLICY

CONNECTING THE DOTS

Data science helps government open new LPG dealerships in 10,000 locations

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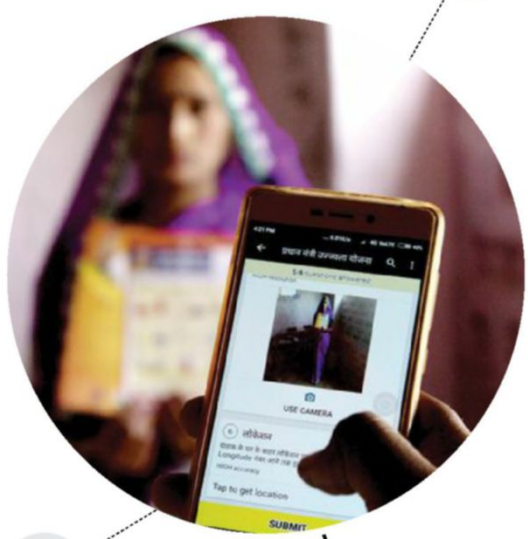
CONNECTING THE DOTS

Data analytics helps government identify 10,000 locations to open new LPG dealerships.

By Aarti Gupta

VILLAGE GURUNDIA is one of the 51,311 dots on the map of Odisha — one for each village. The dot gets bigger on the district map — showing 30 in all — and changes into an amoeba-like shape on the map of Sundergarh, one of the state's 315 blocks. Zoom in further, and you can see the house of Sunita, 35, who doesn't struggle with cooking for a large family any longer as a new Indian Oil LPG dealership has been commissioned just four km from her house. Getting a refill no longer means a daunting 20 km trek hefting a cylinder.

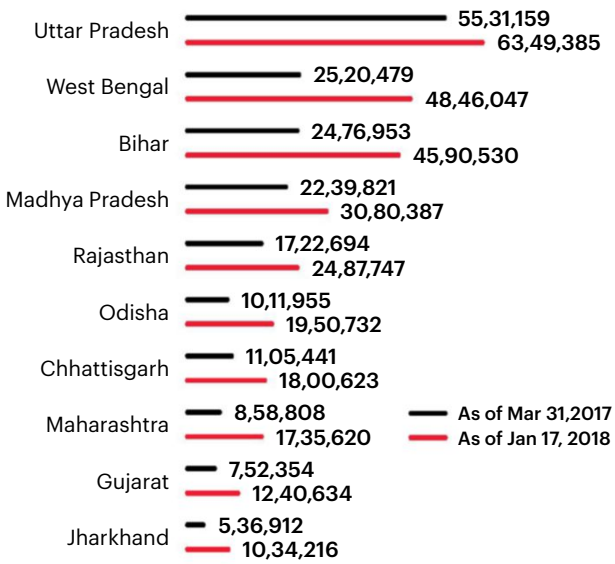
If three crore women like Sunita in 710 districts are feeling privileged over the past 16 months, it is because, for the first time — with the help of some heavy data analytics — the government is directing opening of LPG distribution centres in areas that need them the most and not where companies see the most demand. In three years, 10,000 LPG centres will be



The Collect app is used to capture granular data about every LPG connection under PMUY.

THE TOP GAINERS

The number of LPG connections under the scheme has seen a sharp rise in these ten states



opened so that almost every citizen in each of the 6.4 lakh villages has a distributor within 10-15 km of their homes.

The effort by the government is part of the Pradhan Mantri Ujjwala Yojana under which five crore LPG connections will be provided to below poverty line, or BPL, families with a support of ₹1,600 per connection. Issuing connections, however, is only half the recipe for ensuring 100 per cent LPG use. Supply will also have to be sustained over time.

This is not an easy task. To plan this, decision-makers needed to find where in the 700-plus districts are LPG distributors located to identify LPG-deprived villages. "We were clear from day one that the five crore women beneficiaries will be identified purely on the digital platform...the scheme will be implemented without any human intervention," says Petroleum and Natural Gas Minister Dharmendra Pradhan. "To sustain a scheme like this, you need information. You need a monitoring mechanism which gives you the ground reality."

In short, you need data science, an optimisation algorithm to identify the ideal locations for the new centres.

Urban Bias

In India, each of the 18,000 LPG distribution centres is operated by one of the three government-owned oil marketing companies or OMCs – Indian Oil Corporation, Hindustan Petroleum Corporation and Bharat Petroleum Corporation – as independent for-profit businesses. They were given the freedom to select and regulate the centres ever since the administrative price mechanism was dismantled in 2002. These companies chose locations based on market potential, leading to high concentration in urban areas. In Lucknow district, for instance, out of 88 LPG centres, 75 are in urban and 13 in rural locations. As against an LPG centre for every 7,500-odd households in urban areas, in rural Lucknow, there is one centre per 21,500 homes. That was the level of skewed distribution the government wanted to address.

So, the ministry set its sights beyond simple market economics and decided to look in the right place – the vast areas deprived of cooking gas. The focus was specifically on the 14 states and union territories where distribution was the most haphazard.

Business Case

"There was an underlying contradiction in the mandate," says Prukalpa Sankar, Co-founder, SocialCops, a data intelligence company that partnered with the government for Ujjwala. On the one hand, the solution had to ensure that the dealerships were viable. On the other hand, they had to be so located as to ensure access for the underprivileged. How would OMCs even begin to solve the conundrum?

There could have been two approaches. The old process, where the OMCs could have identified locations based on population and market potential on a district level. Or, they could have assessed actual need through bottom-up data mapping and identified locations based on

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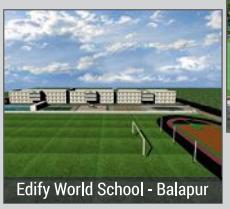
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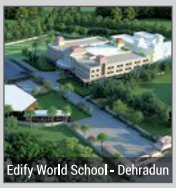
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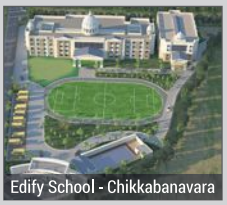
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Investment	7-10 Lakhs Investment	6-8 Crores investment over a period of 5 years	12-14 Crores investment over a period of 5 years (excluding land)

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an algorithm. For the first time, market potential wasn't going to be the only criterion.

The only data SocialCops had to begin with was on refill sales. This alone would never put an LPG centre near the homes of the poor. So, this was layered with a lot of publicly available data – population, income levels, roads, local *mandis*, ATMs, post offices, health centres and, of course, LPG penetration – to feed the algorithm for the solution.

Geo-tagging Exact Locations

But there was still a gap. Existing LPG dealership locations had never been correctly recorded. The OMC database merely registered the district of a dealer instead of the complete address. SocialCops decided to record exact geo-coordinates (latitude and longitude) of every LPG dealer in India. An Android app, Collect, was deployed to capture the phone's GPS location even if it was offline. All that the dealers had to do was to download the app on their phones. The work for collecting the co-ordinates – crucial as one wrong detail would have wrecked all other calculations – was done in just a month. The next steps were marking these locations on a map. Maps of districts, sub-districts and blocks were overlaid with distributors' location coordinates to identify areas with and without LPG centres.

The process kept evolving, and so did the work. When the team went in with the first iteration of what it believed was the right solution, minister Dharmendra Pradhan insisted on zooming onto locations he knew well in his home state. The dashboard zoomed into Sundargarh, which showed LPG dealership locations captured via geo-tagging. He was sure there was no distribution centre in Lehripara tehsil. But a pop-up on the dashboard showed a dealer's name and phone number. The minister dialled the number on the screen. It turned out that the centre had opened just three months ago because of a commercial complex that was slated for launch.

Satisfied with the accuracy of the mapping, Pradhan checked out the locations suggested. The northern part of the block was a sparsely populated area, and the algorithm – this was the first iteration that was built solely on the market potential — recommended centres at 20 km from the remotest villages. That's when the minister asked if the solution could propose locations within a reasonable distance.

The team flipped the algorithm on its head, making 'access' the primary parameter. It ran an algorithm over the country to create clusters that needed at least one LPG centre. Next, it assessed the market potential of each of the 5,500 clusters based on population, income levels and LPG penetration.

What followed was a location potential index using parameters like access to roads, proximity to a *mandi*, ATMs, thus creating a ranked shortlist of 10 locations in every district. The intuitive algorithm came out with customised solutions for different districts depending on how densely populated they are — the market potential going higher with greater density. So, if the algorithm suggested that LPG centres be located at a distance of 15 km in Himachal, Uttarakhand or Chhattisgarh, in UP, it was just half that distance. The solution could vary even within a state; in Gujarat, for example, centres were recommended at a distance of 7.5 km in Ahmedabad and Gandhinagar, in Kachch and Narmada, the distance was 15 km.

Now, 6,000-odd locations are being advertised for tendering. In September, the ministry issued Letters of Intent to over 300 new distributors in UP. In all, about 1,000-odd letters have been given to new dealers in states like Odisha.

"When we started the scheme, we were not sure if we'll be able to roll out uniformly across the country...whether we'll be able to achieve the numbers we are talking about," says Ashutosh Jindal, Joint Secretary in the Petroleum Ministry. Village-level information and solution is not easy, he says. "But technology has been a great enabler".

Switching to clean fuel isn't a one-time process. The consumer pays ₹649 (the market rate), the money a BPL family subsisting at less than ₹50 daily will make over 13 days. So, it's not surprising to see beneficiaries drop out at the time of refill when the subsidy is no

HOW UJJWALA GAINED REACH

17,000

Existing distributors of the three oil marketing companies downloaded the Collect app and submitted their geo-locations

5,569

Underserved village clusters were identified, of which **63%** are market viable today and **88%** will be market viable by 2019

Of these clusters, around 6,000 locations are being advertised through tendering

In total, the scheme has covered 712 districts with 3,30,39,571 connections

Source: PMUY

longer available.

Indian Oil's Manish Grover, industry lead on Ujjwala, however, points out that the refill rate for Ujjwala connections given out until March 2017 – the cut-off chosen to track those due for refill -- is a substantial 75-80 per cent. So, if about a fifth of the beneficiaries have not come back for refill, it is in keeping with the trend in rural households that mostly use LPG as an adjunct to a biomass *chulha*. The average monthly LPG consumption in rural areas hovers around four cylinders a year; the Ujjwala average is 3.5, he says.

However, affordability and last-mile connectivity are real issues. The ministry is responding with a slew of measures. It started LPG panchayats to address the problem in the last week of September. Smaller 5 kg LPG packs priced at ₹179 are being provided as specialised offerings for these beneficiaries. There is more. Until now, only BPL women under SECC (Socio Economic and Caste Census) were eligible. An Ujjwala Plus initiative is in the works to include those left out; in fact, anybody earning less than ₹2 lakh a year can apply without any 'poverty validation'. The government is also exploring business models with microfinance companies to enable daily payments.

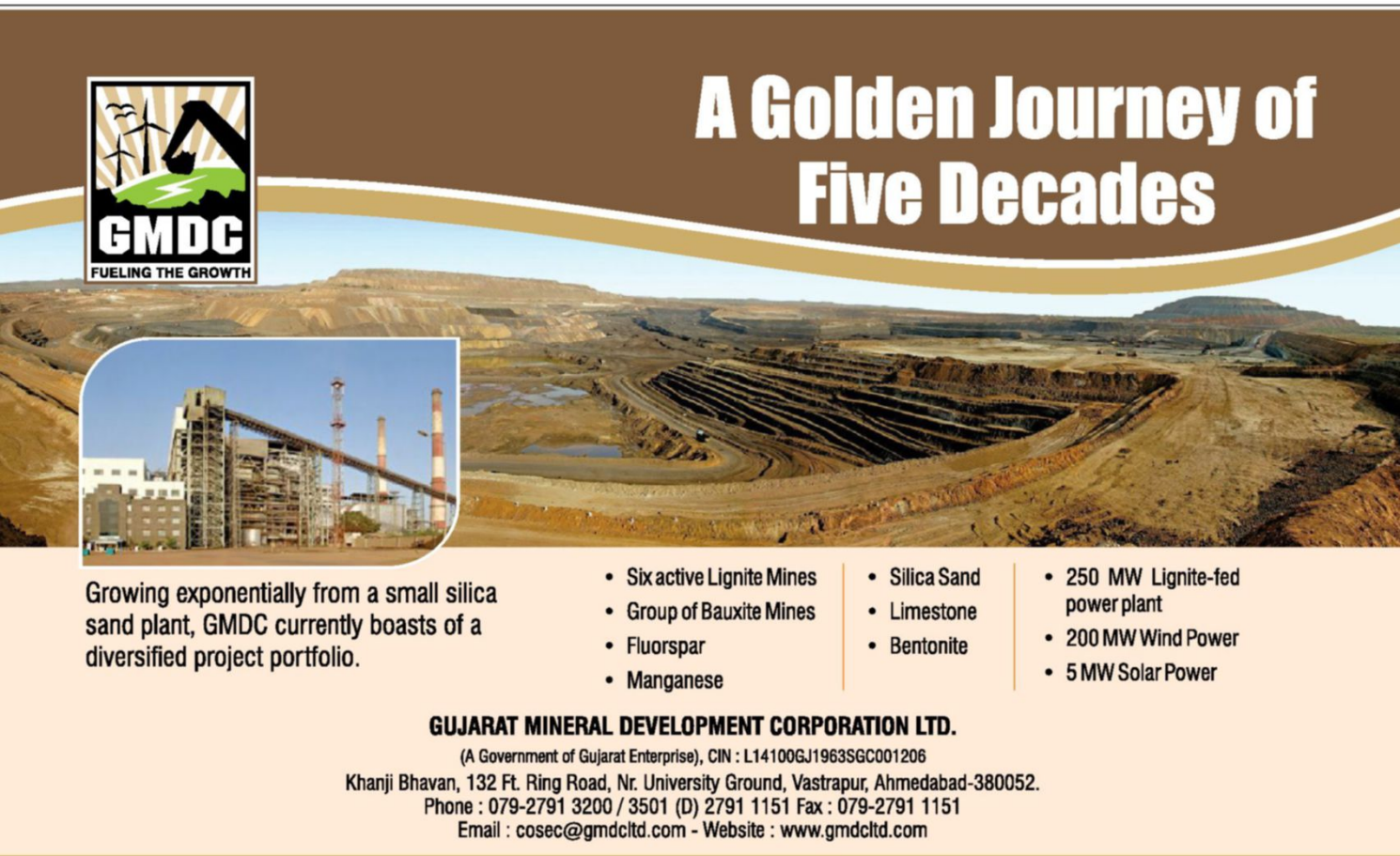
A Blueprint

Ujjwala is a unique experiment where decision-makers, sitting in Delhi, used science to come up with a pan-India solution to address the conflicting objectives of both market and access for remote corners of the country. "For the first time, a planning exercise that would typically take two years and suffered from subjectivity was done in a few months through a standardised solution," says Sankar.

The data-based solution for Ujjwala is essentially an exercise in resource allocation. It might well work as the blueprint for newer use cases — to open schools, health centres or agriculture training counters. The variables might differ and the weights might vary but the process remains essentially the same, says the SocialCops co-founder. It can be replicated by multiple government agencies for their schemes. In fact, any industry can use this blueprint for distribution now that the groundwork has been done in creating a database for these markets. Recall how the insurance industry used to keep away from rural markets because distribution was a tough nut to crack in the initial days of deregulation.

The takeaway from the Ujjwala model is not just that there are markets beyond urban centres but that these can be tapped into profitably with data. That's because the cost of data-driven decisions overrides the price of guesstimates. BT

(Aarti Gupta is a freelance journalist)



Apollo's Acid Test

The health care leader in India is facing stiff competition from new cash-rich chains.

By P.B. Jayakumar

Photographs by Nilotpal Baruah

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Apollo's hospital strength, with a total bed capacity of 10,084

IN 1972, cardiac surgeon Dr Prathap C. Reddy returned to India with his family, sacrificing his flourishing practice in Springfield, US, and at the renowned Massachusetts General Hospital. The doctor from Chittoor in Andhra Pradesh settled in Chennai and first started practising at HM Hospital, but always dreamt of creating a world-class private health care facility in India. Dr Reddy lobbied with the government and mobilised support of some 10,000 fellow doctors and contacts in the US and other countries to float Apollo Enterprises Ltd in 1979. Then he hired top doctors like Dr M.R. Girinath and professional managers like V.J. Chacko.

"Apollo Hospitals in the erstwhile Madras opened its doors on September 18, 1983. I was 50 years of age then, typically a point in

LEADING FROM THE FRONT:
Dr Prathap C. Reddy, Chairman, Apollo Hospitals

ALL IN THE FAMILY
Shobana Kamineni, Vice Chairperson (in front) and Sangita Reddy, Joint Managing Director

time when most people start contemplating retirement", remembers Dr Reddy. After 34 years, he is still hands-on in driving Apollo as its chairman and has unbelievable energy levels. Every day the doctor does routine ward rounds, attends business meetings and discusses strategies with his four daughters who run the Apollo business empire that crossed over a billion-dollar revenues last fiscal. So far, the Apollo growth story and Dr Reddy's aura as the architect of India's corporate health care has remained intact.

But can the four daughters sustain the momentum after Dr Reddy? It's a question many investors are asking and there are reasons. India's private health care scene is fast changing. Numerous low-cost health care chains have come up challenging entrenched players like Apollo, Manipal, Fortis or a Max. Some of the world's largest hospital chains like Parkway have entered Indian shores through large acquisitions. Cash-rich big chains from West Asia like Dr Azad Moopan's Aster, Dr V.P. Shamsheer Valayali's VPS Healthcare and Dr B.R. Shetty's NMC Hospitals are fast expanding in India.

Apollo's revenues are increasing but margins are under pressure. Debt has ballooned to over ₹3,000 crore. Four women with equal powers, running a single business entity is not a familiar sight among large family-run Indian corporates. After all, will they quarrel among themselves for power, wealth or position that may lead to crumbling of the empire, wonder some pessimists. Their husbands have different and diverse businesses to look after. Then, will the third generation show the same passion in running Apollo, which their grandfather and mothers painstakingly built over the years?

Dr Reddy and daughters did not evade these questions and were forthcoming enough to reveal the blueprint for a future Apollo. In the process, they talk about how Apollo has been investing with an eye on the future to remain perched at the top. They also reveal how induction of the third generation is planned from next year onwards at the management level. More on how Reddy's daughters are gearing up a little later in the story. First, let's take a closer look at the challenges before the Apollo management.

Apollo's Challenges

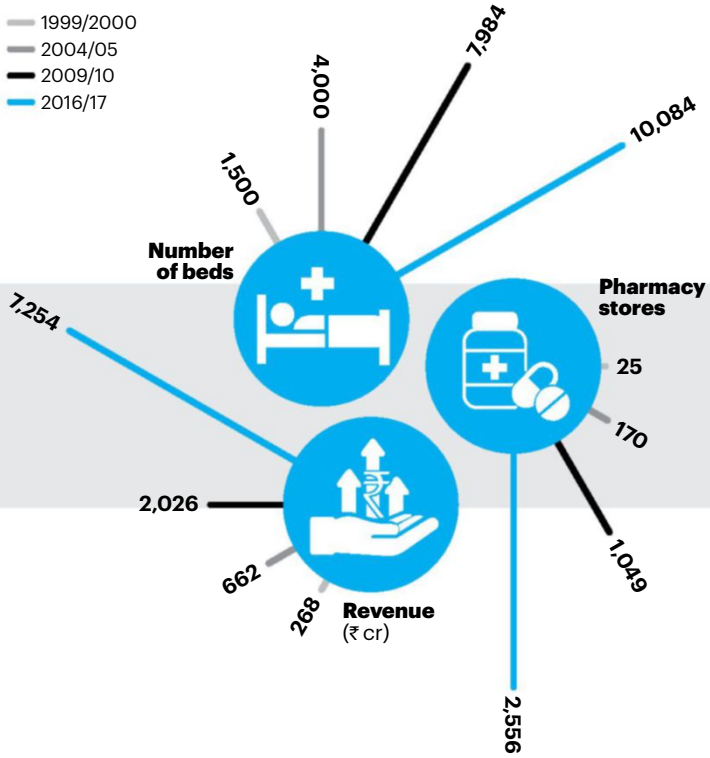
Apollo's management offices now have air of an emergency war room. Every Monday, the senior leadership is huddled in a conference call led by Dr Reddy and his four daughters, along with some from the third generation and key executives like Group President K. Hari Prasad, Group Medical Director Anupam Sibal and CFO Krishnan Akhileswaran. It was done only once a month until three months ago. "It is a quick half an hour catch-up on what happened last week, what is the outlook for the coming week and what are we focussing on," explains 54-year-old Sangita Reddy, the youngest daughter and Joint Managing Director of Apollo Hospitals, who tracks operations, HR and IT at Apollo.

From a single hospital in 1983, Apollo now has 70 hospitals with total bed capacity of 9,957 beds (as of Sept 2017). These hospitals have 8,873 owned beds, including 11 day care/short surgical stay centres with 229 beds and 10 cradles (birthing centres) with 311 beds. In FY '17, total revenues were ₹7,255 crore, 16.7 per cent higher than the revenues of ₹6,215 crore in FY '16. But net profit for the period was only ₹225 crore, 6.5 per cent less than the ₹236 crore in the previous year. EBIT margins also fell from 6.8 per cent in the previous fiscal to 5.7 per cent in FY '17. In the first quarter of 2017/18, revenues were ₹1,903 crore with a net profit of ₹90 lakh. Operating margins were 8.67 per cent and net profit margin was only 0.05 per cent. For the six months ended FY '18, Apollo registered a revenue of ₹3,996 crore as against a previous year corresponding period revenue of ₹3,506 crore. Profit after tax for this period was ₹49.7 crore – it was ₹111 crore in the previous year.

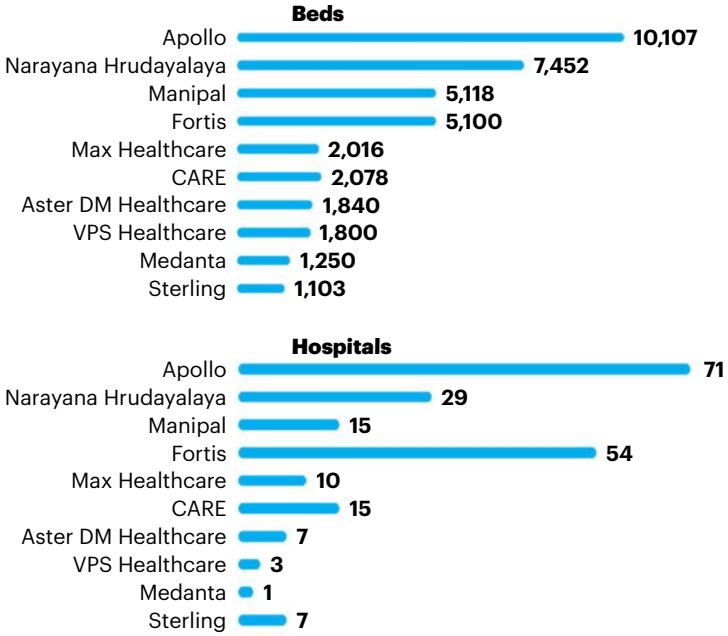
Apollo, then, is clearly facing the heat of competition. "I think that the scale and reach that we have built will stand us in good stead against competition. Today, we are twice the size of our nearest competitor both in beds and

Gaining Heft

Apollo has scaled up rapidly over the past two decades



Apollo vs the Rest



revenue," says Dr Prathap Reddy. Rivals admit that taking on Apollo is a tough task. "Apollo is Apollo and it is an iconic health care brand. Its scale, infrastructure, eco-system and capabilities match global standards and can withstand competition from overseas chains like us," says Dr Shamsheer Vayalil, Managing Director and CEO, VPS Healthcare. Other competitors concur. "Apollo has been there in this service for a long time and we don't look at them as a competitor to beat. India has huge potential and every health care provider should try to tap that opportunity," Dr Azad Moopan said in a recent interaction.

Apollo leadership, too, emphasises that they are way ahead of compeition. "Competition is selling products at lower price points, their acquisitions are at a higher price and they cannot sustain like this and compete with us in the long run, when compared to the eco-system and investments we have done over the years," says 57-year-old Suneeta Reddy, Managing Director. "We added 30 per cent of capacity in the last three years," says Dr Reddy. But that expansion is straining the balance sheet. Overall debt has increased to over ₹3,190 crore by the end of second quarter of 2017/18. Standalone total liabalities until the end of first six months of FY '18 were close to ₹4,000 crore.

The main problem is that expansions in new Tier-II and Tier-III cities haven't started contributing much. Only 28 of the 43 hospitals are over five years old. Apollo had nearly 7,000 beds operational last fiscal, but majority of its hospital revenues is coming from its traditional bastion of Hyderabad and Chennai clusters, which have about 16 hospitals. While Chennai generated revenues of ₹1,466 crore with a growth of nearly 3 per cent, Hyderabad contributed ₹654 crore, a growth of 14.6 per cent over the previous year. Other hospitals, which account for about 15 facilities and 2,179 beds, contributed only ₹951 crore last fiscal, though with a growth of nearly 19 per cent.

"The pressure on margins is because of our 30 per cent capacity additions in the last three years and thus fixed costs are increasing. While Chennai and Hyderabad circles are matured businesses, the next will be Bangalore circle and we have a five-year strategy for Mumbai and Delhi," says Suneeta Reddy. She says hospitals in Bhubaneswar, Mysore and Madurai are now giving 22 per cent margin and within a few years the Tier-II and Tier-III stories will deliver for Apollo.

Another issue is the margin pressure on its 2,550 plus hospital pharmacies that contributed

₹2,874 crore or close to 40 per cent of revenues. Its EBITDA was ₹123 crore, (4.3 per cent margin) in FY '17, better than the ₹80.3 crore or (3.5 per cent margin) in FY '16. "We have moved from 2 per cent to 4 per cent EBITDA and will get to 6 per cent EBITDA in the next two years. There is enough scope to grow. We have 40 million customers in the Apollo network that we can leverage", says Shobhana Kamineni, Executive Vice Chairperson. "The current margin pressure on pharmacies will change once our private label products and acquired chain start contributing higher margins", says Suneeta Reddy.

Its next gen incubating businesses are also posting losses. Apollo Health & Lifestyle (AHLL), Apollo's retail health care arm – which has 70 primary clinics, 34 diabetic care centres and 244 diagnostics labs along with 74 dental care, 7 dialysis, 12 spectra surgery and 12 cradle-birthing centres – together had revenues of ₹244 crore in FY '17, with a negative EBITDA of ₹107 crore. The only businesses that have gained some scale are clinics, cradle and diagnostics. Suneeta Reddy says AHLL is moving towards a planned overall breakeven by FY '20 and will be positive at unit level in FY '19. International Finance Corporation (IFC) had invested ₹450 crore to get 29 per cent stake in AHLL last year, valuing the company at ₹1,860 crore.

64

PER CENT
Is the bed occupancy rate of Apollo

A scan on basic parameters, which determine health of a health care facility, also shows Apollo should vastly improve its health, especially in new and maturing hospitals. Average Revenue Per Occupied Bed (ARPOB) was ₹29,867 in FY '16, which increased by 5.6 per cent to ₹31,529 by FY '17. While Chennai region's ARPOB was ₹44,679 with a growth of 9.9 per cent over the previous year, the same at Hyderabad was ₹33,274 with a growth of 18.1 per cent. But the same is only ₹20,416 at other hospitals and ₹31,553 at its main JVs and associate hospitals. Bed occupancy rate for Apollo is 64 per cent and average length of stay (ALOS) has improved from 4.17 to 4.04 in a year, which helps in slightly better margins. But in that case also, the other hospitals are behind at 4.27 days. Compared to Apollo, its main rival Fortis Healthcare's EBITDA margin was 8.2 per cent, ARPOB at ₹1.51 crore, ALOS was at 3.53 days and average occupancy was at 71 per cent for the first quarter of 2017/18.

Suneeta says Apollo has stopped its expansion spree in the short term and efforts are on to improve margins and effectively optimise the 10,000 beds and utilise them as good as 12,000 beds. "The average occupancy now is around 60-64 per cent and this will move up to 70-72 per cent in the next 18 months", says Sangita Reddy. "In the marketing team, every regional CEO is involved with making rounds, meeting doctors and gets a marketing toolkit or a grid with details of advertising, outreach programme, etc. All they need to do is follow the grid and reach their targets."

CALLING THE SHOTS
Suneeta Reddy, Managing Director (in front) and Preetha Reddy, Vice Chairperson

Another issue is that 30 per cent of its trained paramedics are losing out to competition and retaining quality talent is a challenge despite running 18 nursing colleges and a medical college to train doctors. "None has a medical education eco-system like what we have created and it is advantageous for us to face competition", says 59-year-old Preetha Reddy.

The Blueprint

Despite the challenges, Prathap Reddy and daughters are confident. Already, they claim, investments have been done for the future.

Dr Prathap Reddy says that Apollo plans to add super-specialty and quaternary care beds with an eye on non-communicable diseases (NCDs). Large number of health checks for early detection and coordinating with the public sector in a big way is part of the plan. Another focus area will be medical value tourism (MVT), which is set to be a $100-trillion business opportunity by 2020 and $200 trillion by 2025. Currently, Apollo's share is miniscule in the MVT

business. "We will focus on few key imperatives like reinforcing our clinical differentiation in specialties like cardiac sciences, orthopaedics, transplants, neurosciences and oncology. Secondly, we will strive to enhance our volumes in robotics and minimally invasive surgeries. Thirdly, we will increase the digital connect for both patients and doctors to help extend reach and amplify productivity", says Dr Reddy, listing out future plans.

Preetha and Suneeta say Apollo's expansion spree phase is over for now. In FY '19, plans are to start a 200 bed Proton Therapy next-gen cancer hospital in Chennai, besides the Oncology block in Navi Mumbai and expanding the Indore hospital. In 2021/22, a 500-bedded superspecialty hospital will come up in Mumbai. The overall spending on these expansions are ₹1,190 crore, of which ₹358 crore has been already spent.

Suneeta and Preetha say future health care is moving towards new small formats like day-care surgical centres, birthing centres, home care and insurance-driven business. The hospitals will be primarily for complex and tertiary care in future. Hence, driving investments into AHLL is part of the future plans.

Digital and technologies also will be key to Apollo's future, says Sangita, citing an example of an internal assessment that revealed 40 per cent of a nurse's time was spent on non-nursing activity such as housekeeping or unwanted documentation. Apollo created an intercom connectivity called 'Dial 30', which will give patients or relatives information on all queries related to discharge, billing or ambulance. "So far, 17 such processes have been standardised across the system to become more customer-centric, retrain staff and improve efficiency throughputs and speed of operations," she says. While all the hospitals are going to be digitally mapped and analysed every day with different parameters, each will have an AOP (annual operating plan) depending on the location and local environment.

Apollo's Growth Blueprint

- Cluster strategy for expansion with greenfield projects in attractive new markets. Plan to add 700 beds by FY22 in Tier-I cities
- Grow laterally in high potential Tier-II cities
- Beef up presence in Indian health care retail space with a network of delivery formats, including sugar clinics, along with dental, cradle, dialysis and day surgery centres
- Calibrated expansion in standalone pharmacies
- Focus on centres of excellence with one or two anchor specialties, like cancer hospitals, in each market
- Strong doctor engagement model and use of technology to improve efficiencies
- Optimise asset utilisation in flagship facilities & locations
- Improve cost efficiencies and focus on improving key operating metrics.

Passing on the Baton

While business plans for the future are settled, the octogenarian entrepreneur has now enacted a family constitution for the future of Apollo and his wealth. On February 1 last year, the day when Dr Reddy and his wife Sucharitha celebrated their 60th wedding anniversary, all the family members, that included his four daughters and 10 grandchildren, agreed to sign a family constitution.

The future plans include inducting at least one grandchild from families of each of the four daughters.

"For the grandchildren (3 girls and 7 boys, aged between 17 to 34 years), the family constitution, which we signed on February 1, 2017, allows them time to explore other businesses before they come back. To foster meritocracy and transparency in management, the roles will depend on interest, performance and achievements they show in the relevant business," says Dr Prathap Reddy. The 34-year-old Sindoori Reddy, daughter of Suneeta Reddy, is COO for the Southern Region and overseas 13 hospitals. The 30-year-old Upasana Kamineni is Vice Chairperson (CSR), AHEL, and Managing Director of Apollo Life, which runs wellness centres.

"Anushpala Kamineni, another daughter of Shobana Kamineni, looks after pharmacy and private label. Preetha's son Karthik Reddy is into education and insurance; Harshad, Preetha's another son, is into Homecare," adds Dr Reddy. Karthik is also helping his mother run operations of the Mumbai facility and in setting up the next generation cancer centre coming up in Chennai.

Those who are now working in Apollo like Upasana, Karthik or Sindoori are given targets and milestones to achieve and their growth in the organisation will be purely on merit, say Preetha and Suneeta. Preetha Reddy says Apollo is into all aspects of integrated health care and all the children will have ample responsibilities. Despite all the efforts, will the daughters think of selling off the hospital chain if a cash-rich global chain offers huge money? "For that our DNAs will have to change. We breathed and tasted only health care in our life. I am sure of our generation, but don't know what will happen in the next generation," Preetha Reddy concludes with a laugh. BT

@pb_pbjayan

THE GOVERNMENT MUST NURTURE PPPs IN HEALTH CARE"

Dr. Prathap C. Reddy, Chairman, Apollo Hospitals, pioneered private health care as a business in India way back in 1983. He elaborates on health care challenges in the country in an interview with Business Today*'s P.B. Jayakumar. Excerpts:*

M ZHAZO

Q. As the pioneer of private health care enterprise, how do you evaluate growth of the sector over the years?

A: Private players have built world-class infrastructure comparable to the best in the world and offer world-class health care at 1/10th the cost of developed countries.

But one of the main challenges for the health care sector in India is the shortage of beds. We need to add 100,000 beds per year for next decade. So there is room for more providers and expansion. While Indian health care is growing rapidly at a CAGR of 15 per cent, still there are vast unmet needs. It is a capital-intensive business and most hospitals are making reasonable but not excessive returns, contrary to perceptions. However, signs of consolidation are already apparent. I see Indian private health care consolidating in next 5-10 years and there will be no more than two-three pan-India players of scale and varied strategies will be at play.

Q. How will the future health care scenario in India evolve?

A: The next big concept that we are driving is "Heal in India" which combines the hospitals, wellness and naturopathy capabilities in recognised centres to create a holistic healing experience. The government must nurture greater PPPs in health care, as in other sectors like roadways. Furthermore, harnessing IT, we must continue to reach out to people in remotest places and serve their health care needs to bring about a sea-change in the overall model and will be one that the world can emulate.

Q. What needs to be done to resolve the shortcomings in India's health care?

A: Three critical shortcomings that India faces are an acute shortage of health human resources, woefully inadequate infrastructure and low penetration of health insurance.

India needs to very quickly double its doctors, triple its nurses and quadruple its allied health workers. In addition, the government must explore more innovative PPP models in medical education. Policies should look at harnessing virtual learning. Another is encouraging reverse brain drain and motivating thousands of doctors of Indian origin to return to the nation.

In infrastructure innovation is a must. The large numbers of beds available in the public health sector must be upgraded, PPPs should be initiated, innovative ambulatory care models must be explored to de-congest hospitals and above all, a culture of prevention and wellness must become commonplace to address the growing disease burden.

Finally, the nation needs to make Universal Health care a stronger reality and India must set a precedent in introducing innovative community insurance.

Q. How will Apollo function once you retire, which is a concern for all your shareholders and well-wishers?

A: Apollo is today a professional organisation. My four daughtershave done a phenomenal job so far in their respective roles. I am confident that after my retirement, they will continue to carry forward the company's vision. While some of my grandchildren have joined the company, the others are taking their time. The family constitution, which we signed on February 1, 2017, allows them time to explore other businesses before they come back. To foster meritocracy and transparency in management, the roles will depend on interest, performance and achievements they show in the relevant business. BT

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ZERO CALORIE DRINK

What's best about brewed green tea is that it is a zero calorie drink if unsweetened. Besides this, green tea contains a much smaller amount of caffeine, around 20-45 mg per cup, as opposed to 50 mg in black tea and 95 mg in a cup of coffee.

All leaves are oxidized and it is this level of oxidation of the leaves that determines the type of tea you are drinking. Green tea is made from relatively un-oxidized leaves and is one of the least processed forms of tea. It, therefore, retains most of its antioxidants and power-packed polyphenols which are natural chemicals that help the body to keep refreshed, healthy, fit, supple and immunity-packed.

TULSI THRUST

Among a wide variety of green teas on market shelves, the ORGANIC INDIA **Tulsi Green Tea** stands out on many counts. First, it is grown entirely organically, without any use of harmful pesticides, urea or chemicals whatsoever. With a unique blend of **Tulsi (Rama, Krishna & Vana Tulsi)** and Green Tea, the ORGANIC INDIA cup is full of health and taste. Thanks to the presence of Tulsi, the taste is soothing. The health quotient takes a double leap as Tulsi, like green tea, is rich in antioxidants.

ORGANIC INDIA was the first company to introduce Tulsi as a predominant ingredient in an infusion-based teabag format across the Indian beverage industry.

FAT BURNING PROPERTIES

Green Tea has become a fast moving product globally because of its high antioxidants properties and also because it has been recognized as a fat burning drink. Add to that its ability to relieve stress and sort out acidity issues triggered by the long-time consumption of normal tea with milk, and there are enough reasons to pick up the green tea packs from the market.

The flavourful and energising taste of each herb comes across distinctly in every sip, making you go for green tea over any other tea not just for health but for taste too. Not many people like the taste of green tea. Very few know that this is not because green tea tastes bad but because they have either been consuming stale or bad quality tea.

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Dont Be Content

DECODING THE PATANJALI PHENOMENON

Will Patanjali Ayurved be able to sustain its exponential growth?

By Ajita Shashidhar

Photographs by Shekhar Ghosh

Yoga Guru Baba Ramdev's brainchild, Patanjali Ayurved, consistently manages to grab headlines. It was only recently that the company's MD Acharya Balkrishna had spurned the interest shown by luxury brand LVMH's private equity fund, L. Catterton, in Patanjali. He had commented that they will never sell stake to a foreign company. The Ramdev-Balkrishna duo have always referred to their enterprise as *swadeshi* and have openly expressed their opposition to multinational corporations.

Barely a week later, the flamboyant yoga guru announced that Patanjali Ayurved will be turned into a non-profit charitable trust and all the revenue and profit it generates would be used for charity. Ramdev is known to have clearly stated to his associates that the reins of Patanjali can be passed on only to a *sanyasi*. "Turnover and profits have never been our goal and this has been the recipe of our success," says Balkrishna.

The white dhoti-clad head honcho of Patanjali, who owns 96.8 per cent of the company's shares and is among the richest Indians, claims that he is least interested in creating wealth for himself. If Ramdev is the flamboyant face of Patanjali, Balkrishna is the backroom operations head who prefers to maintain a low key. He says all that he earns would be ploughed back into the business. "We keenly listen to the needs of people and come up with products that would help them lead a better life."

Balkrishna's home, Kripalu Bagh Ashram in Kanhal, Haridwar is also understated. It is here that Patanjali made a humble beginning in 1995. Unlike the home of a typical corporate head honcho, there are no signs of opulence barring a couple of luxury cars parked on the campus – a Range Rover and an Audi (the Acharya quickly points out that they are not his but given to him by the organisation). Nestled in the midst of a sprawling herb garden, the Acharya's compound opens into a *havan kund*. After a *havan* at the crack of dawn, he heads to his rather nondescript looking study that is more like a storehouse of herbs. He formulates Ayurvedic remedies here that ultimately make their way into the products manufactured by Patanjali. Unlike most corporate leaders, Balkrishna has never been to fancy business schools. He instead puts into practice the lessons of the Upanishads and the Vedas that he had learnt at the Gurukul.

Acharyaji and Swamiji, as they are fondly referred to by their followers, started their FMCG and Ayurvedic formulations journey in 1990, when they set up the Divya Yog Pharmacy Trust. The trust conducted yoga camps across the country and also sold Ayurvedic medicines at these camps. "For Yoga, one doesn't need to invest in production but for ayurvedic products one needs to have a manufacturing unit. So, we formed a company as per the country's rules and regulations. Our focus has always been on solving the problems of society," says Balkrishna.

15,000

THE NUMBER OF BRANDED PATANJALI AYURVED STORES

From a ₹400 crore business in 2011, Patanjali today has a whopping turnover of ₹10,561 (FY2017) crore. From Ayurvedic medicines to personal care products and food, Patanjali has over 1,000 SKUs (stock keeping units) across categories. Its products have become household names. The company, growing at a CAGR of over 100 per cent over the past three years, is the biggest disruptor in the Indian FMCG industry.

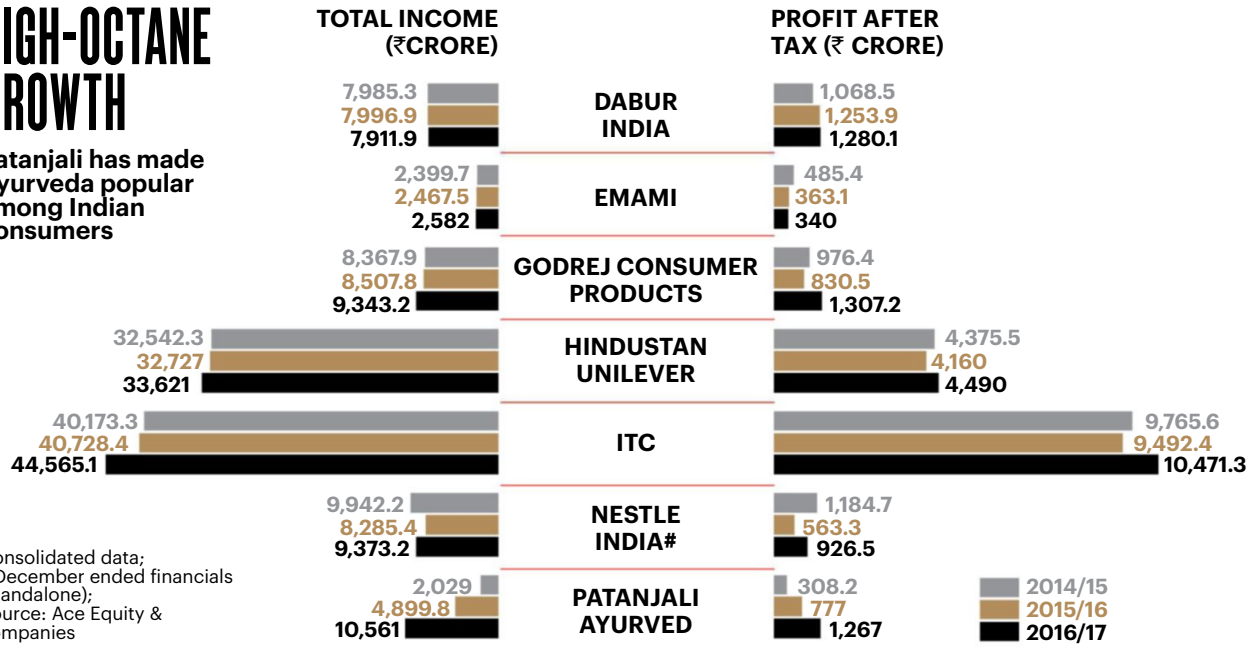
It has been a wake-up call for the traditional FMCG giants including HUL, P&G and ITC. By offering products that are 15-20 per cent cheaper than those of the established companies, Patanjali has not just forced them to cut prices but also strengthen their product portfolio, especially in the naturals/Ayurvedic space. "The whole playing field for Ayurveda has expanded tremendously consequent to the entry of Patanjali as also a back to the roots mentality that has germinated amongst the consumer," admits Sunil Duggal, CEO of Dabur India.

Under the Scanner

However, the fairy-tale run of this homegrown FMCG company, built on the proposition of offering superior quality *swadeshi*

HIGH-OCTANE GROWTH

Patanjali has made Ayurveda popular among Indian consumers



Consolidated data;
December ended financials (standalone);
Source: Ace Equity & companies

products at affordable prices, is beginning to face tougher challenges. A few months ago, some of its products came under the scanner for quality standards. Balkrishna claims that there has been zero per cent compromise on quality. "From procurement to production to selling, we do it ourselves. I don't think any company in the world does it. There will be adulteration only if we buy from others."

All the same, the company has had to fend off some adverse publicity in the past few months. A few months ago the Government of Nepal banned six Patanjali medicines for failing to comply with microbial standards, the company's popular Amla juice was suspended by the defence canteen stores (CSD stores) for not meeting quality parameters. Earlier, questions were also raised on the purity of Patanjali's ghee and instant noodles.

Balkrishna, in his defence, flaunts a host of national and international standards certifications his company has secured from the World Health Organisation. He says that despite the government not having standards or parameters for Ayurveda, his company hasn't taken matters lightly. "We automated ayurveda. We installed boilers to boil herbs and bought advanced machines to make tablets. We were the first factory to get WHO and GMP certification. We also got GLP and ISO certification. We have never compromised on standards," he says.

Unbelievable Growth Story

Responding to product quality issues is routine for most consumer goods companies. "These quality issues are getting highlighted more because of their unbelievable growth story," says corporate lawyer Abhijit Joshi of Veritas Legal. Patanjali's problems with quality aren't unique, agrees Pawan Agarwal, CEO, Food Safety and Standards Authority of India (FSSAI). "Food standards are set by us and all products have to meet them. For some individual food products there are no standards. In such cases, the ingredients that are being used in those products have to be safe," he explains. But the questions raised about Patanjali's quality have been higher than for some of its rivals. Consider this. The Maggi controversy was only the first time Nestle India faced quality issues in its almost 100 years journey in the country. Similarly, in the case of Cadbury, the controversy around its packaging has been probably the only major issue.

> "THE WHOLE PLAYING FIELD FOR AYURVEDA HAS EXPANDED TREMENDOUSLY CONSEQUENT TO THE ENTRY OF PATANJALI"
>
> SUNIL DUGGAL
> CEO, Dabur

To many in the FMCG sector, Patanjali comes across as an opaque brand that lacks transparency. After all, it took HUL over a century to cross the ₹20,000 crore turnover mark while Amul took over 60 years to get to its current turnover of ₹30,000 crore. Companies such as Dabur, Himalaya and Emami – direct competition to Patanjali because of their natural/Ayurveda proposition – have taken decades to even reach ₹1,000 crore. Today, Patanjali despite being an upstart, is already the third largest FMCG company in the country after HUL and ITC. How did Patanjali become a ₹10,000 crore in less than a decade? The company's exponential 100 per cent plus growth is unheard off. "When you trust a brand there should be lot of transparency. Patanjali is shrouded with mystery," points out Raghu Vishwanath, MD of brand valuation company Vertebrand. "One doesn't know the basis of growth, where the funding is coming from, and this is bound to have an impact on consumer trust in the long run," adds Arvind Singhal, Chairman, Technopak.

The company's balance sheet does have a list of banks, such as HDFC Bank, from where the company has borrowed money, but the industry continues to question the growth numbers. It plans to invest in the region of ₹3,000-4,000 crore for capacity building this year, and most are wondering where the funds will come from. Balkrishna has an ambiguous answer to this but says funding is not a problem. He holds close to 99 per cent of

SOURCE: COMPANY

"THERE IS NO DOUBT THAT PATANJALI BROUGHT IN ACCEPTANCE FOR AYURVEDA AT A MASS LEVEL"

HARSH AGARWAL, Director, Emami

Patanjali's shares but claims that he doesn't take anything back. "What will I do with that money? I have no family for whom I need to earn."

As Balkrishna talks about his selfless way of running his business, a businessman walks into his office, falls at his feet and offers to invest ₹30 crore to set up a rice plant. The Acharya says that on an average he meets 200 people per day, many of whom are like this businessman. "I am happy to show you my balance sheet. Our goal wasn't to achieve turnover or profit. We started Patanjali to serve people through ayurveda and yoga and that's what we have been doing."

The company's bewildering growth began from 2014. Indeed, in the past three fiscal years the company's bottomline has been expanding at a CAGR of 100 per cent plus – at ₹1,267 crore in FY2017, its profits are already more than a fourth of behemoth Hindustan Unilever (HUL). The Madhya Pradesh BJP government has given Patanjali 40 acres of land on the outskirts of Indore and batted for Patanjali to be sold at its fair price shops. The BJP government in Maharashtra gave 600 acres of land to Patanjali in Nagpur at a throwaway price of ₹25 lakh per acre(the actual market price is ₹100 crore per acre). Patanjali also unleashed a high profile advertising and distribution rollout drive.

Patanjali's Chief Strategy Officer, Deepak Singhal, reiterates Balkrishna's claim of not being a budget driven organisation. "There is no dividend paid back to the stockholders, neither is there a profit motive. Whatever nominal bottomline is there, it has to be ploughed back into the business," he says. While Patanjali's revenue growth has been in triple digits, much higher than its peers, the company's operating profit margins and net profit margins are similar to competition. It's a consequence of Patanjali playing the high volume-low margin game.

The Acharya also tries to put to rest the questions being raised on transparency. "Patanjali is the only brand which is transparent. There is one person (Baba Ramdev) who has taken full responsibility of the brand. No other company takes full responsibility of their products." Patanjali's expenses are not too much, explains Ravindra Chaudhary, Vice-President, Operations & Project, Patanjali Ayurved. "Our marketing expenses are quite low as Swamiji himself is our brand ambassador. Since we are the fastest growing company bankers are more than willing to give us loans. We also ensure that all our projects are completed on time. It helps in controlling additional expenses and you don't have to pay higher interests."

A chunk of Patanjali's production is also known to be outsourced (wherein Patanajali merely lends its brand name) which again could help in minimising costs. "We control the entire value chain in order to ensure quality. We at the most outsource packaging of certain mass products such as atta and edible oil, etc. Therefore, not more than 10 per cent of the business is outsourced," says Singhal.

Cutting Corners?

Critics says that the company is growing so fast, it will be difficult for it to maintain product quality. "When a new entrant is growing so fast, it is difficult to assume that the quality will not be affected. Good, cheap and fast can't co-exist," says corporate lawyer Joshi.

What surprises the industry is that the company on an average launches two-three products a month in all the categories it is present in. Patanjali believes in empowering its employees across levels and says with pride that a product idea can come from any level of the organisation. Their energy drink brand, Powervita, for instance, was conceived by a mid-level executive. It was ultimately value-added by Balkrishna with herbs and then tested in the lab before being rolled out in the market. The entire process from conception to final launch took hardly a month. Can a product rolled out in such a short span be effective? Most FMCG companies take upto a year to perfect

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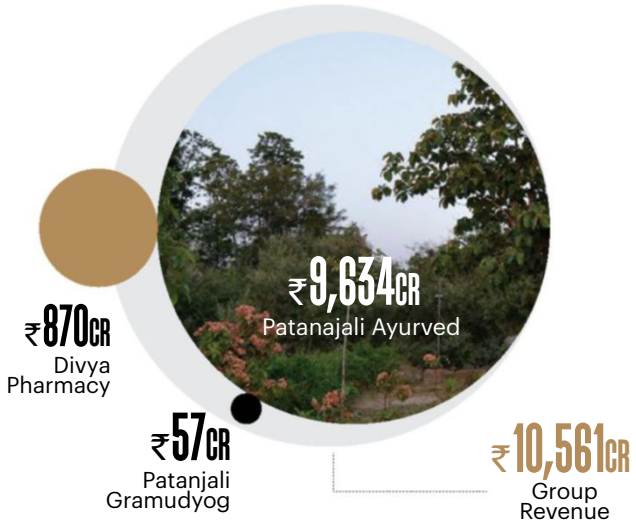
Patanjali Group at a Glance



and rollout a new product. The Patanjali team says that before rolling out a product they first test it on their employees. "If you make products that you can give your family members or kids, then you can serve it to anyone in the world," points out Balkrishna. He also says that since they have an Ayurvedic hospital on their premises, developing the right kind of product becomes easier as they have closer access to consumers.

Other companies in the Ayurvedic/natural products space wonder how the company has sourced the raw material to scale up so fast. This is primarily because the ingredients that go into these products are most often difficult to source and are quite expensive. This explains why a bulk of the pure Ayurvedic brands – such as Biotique, Forest Essentials and Kama – play only in the luxury space. "When I make a product using four or five herbs it doesn't mean that it is Ayurvedic. Patanjali has very few classical Ayurvedic products. That's the reason they are able to sell them at mass prices," points out P.R. Krishna Kumar, CMD, Arya Vaidya Pharmacy Coimbatore.

Ayurvedic and natural products also need a lot of research and development, which could take anywhere between one to four years. Ayurvedic brand, Biotique, for instance, has only 200 SKUs since its launch 20 years ago. In comparison, Patanjali already has over 1000 SKUs across categories within a decade of launch. "One can't run an Ayurveda business at a mass level," says Vinita Jain, Chairman, Biotique. The bulk of Patanjali's growth has come from the FMCG business. Barring Dant Kanti toothpaste, it's hero products are ghee and honey, which are not really Ayurvedic. In fact, Patanjali's Ayurvedic medicine business is now a relatively low key business. It's just a ₹850 crore business, while the lion's share comes from its ₹9,000 crore FMCG business.

Challenging Times

The doubts raised by rivals does not faze Balkrishna. He is all set to steer Patanjali to the next level. His target is a revenue of ₹20,000 crore in FY17/18. In fact, Ramdev has recently claimed that it will exceed the revenue of the ₹34,487 crore HUL, around for over a century, by 2019. However, Balkrishna does agree that the going won't be as easy. "The first ₹5,000 crore was organic growth, as we sold to people who knew us. Now we have to work hard. We have to plan our supply-chain, marketing and distribution. We are mapping demand and accordingly planning our production capacity." The company has recently set up manufacturing facilities in Tezpur, Indore, Nagpur, Noida and Vizainagaram. "We have also set up 30 smaller units for atta and oil," he says.

A major challenge for the company is ensuring its availability in general trade. With biggies such as HUL (which is present in 7 million retail outlets) sharpening their focus on the natural/Ayurvedic space, it becomes crucial for Patanjali to strengthen its distribution. Today, Patanjali products are mostly available through its 15,000 stores, 200-odd mega stores, modern retail stores such as Big Bazaar and D'Mart and just about a million general trade stores. The plan now is to increase its reach to three million general trade stores. Patanjali has managed to get exclusive retail space in most modern retail stores. The company, says the CEO of a modern retail store, doesn't pay a penny for the branding given the demand for its products.

"We have appointed 10,000 distributors in order to reach out to every corner of the country. Earlier, we sold only through 50-odd super distributors," says Balkrishna. The company has even increased its sales force to over 5,000 people, which comprised just about 250-odd people a year ago. "We have started hiring from business schools this year. All this while we needed experienced people, now that we are going to further scale up, we need freshers too," says the Acharya. The company in the last few years has hired senior talent from HUL, P&G, Kellogg, Godrej, Marico and Emami. The FMCG upstart has also jumped on to the e-commerce bandwagon. It is targeting sales to the tune of ₹1,000 crore by selling Patanjali products on Amazon, Flipkart, Paytm, Netmed, Grofers and Big Basket

However, FMCG veteran A. Mahendran, MD of Global Consumer Products, believes that Patanjali will have to take a serious re-look at its product portfolio. "The company has to select high growth rate and high margin segments and focus on them. Being present across so many categories can backfire in the long run." Technopak's Singhal agrees. "If you notice, most of the successful consumer product companies across the globe focus on limited categories so that they can make the most out of them," he says. In fact, among the 1,000-odd SKUs that Patanjali is present in, it is only in toothpaste (₹940 crore) that the company has a reasonably high market share of 5 per cent. The other hero product, apart

5,000

PATANJALI'S SALES FORCE ACROSS THE COUNTRY

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from ghee (₹2,000 crore), is its hair care brand Kesh Kanti (₹825 crore) that has a 2 per cent share in a ₹10,000 crore market. Its presence in most of the other categories is negligible and it is already looking at foraying into other businesses such as apparels and dairy. Later this year, the company will roll out its apparel brand, Patanjali Paridhan, with a target of doing a business worth ₹5,000 crore in the first year itself. Indeed, close to ₹4,000 crore of its FMCG business comes from just three products – ghee, toothpaste and haircare. FMCG experts, such as Mahendran, believe that it is these categories that the company should focus on growing rather than carpet bombing the market with all kinds of products. Moreover, a business such as dairy is a long gestation business. It took Amul over 60 years to reach its current position. Companies such as Britannia have lost lot of money in the dairy business and the recent victim is of course the French yogurt maker, Danone, which has exited the dairy business in India. Though Patanjali boasts of having its own *gaushala* and is also planning to set up its own milk procurement system, dairy will surely be a tough nut to crack.

Balkrishna is confident about pulling it off. "We will soon become market leaders across categories," he says. But there are already clear signs that Patanjali's fairy-tale growth story is going sour. Two CEOs of leading modern retail companies, have confirmed that the sale of Patanjali products have dipped by over 30 per cent across categories in the last six months. "Most of the time they are out of stock or in certain categories we are stuck with stock which don't move. They have no system through which we can send the stock back," says the CEO of a leading retail company. "We had ordered 500 cases of atta, and they suddenly call to tell us that they can't cater to the order. It was a big cancellation." The owner of a packaging company, who doesn't want to be named, calls Patanjali the most undependable client. Many general trade stores, too, are getting disillusioned by Patanjali products. "Their margins are too slim," says Gaurav Shah, a kirana store owner in the western suburbs of Mumbai.

"PATANJALI HAS FEW CLASSICAL AYURVEDA PRODUCTS AND THAT'S WHY THEY CAN SELL AT MASS PRICES"

P.R. KRISHNA KUMAR,
CMD, Arya Vaidya Pharmacy

Bracing Up

Apart from distribution and margins, the big reason for Balkrishna and his team to worry is the pace at which the other FMCG giants are gearing up for battle. HUL, which typically takes anywhere between one to two years to research and finally roll out a product, has launched 12 new products this year under the Ayush brand. Similarly, Colgate, which lost at least 3 per cent of its market share to Patanjali, launched a whole host of dental cream variants to counter Patanjali. Other FMCG brands have added natural variants, too, to existing portfolios. Meanwhile, companies such as Dabur and Emami, that were already into Ayurveda/herbal, after losing out initially to Patanjali made a strong comeback as the Indian consumer started to take natural products manufactured by domestic companies more seriously. In fact, the stocks of almost all the listed FMCG companies have grown by 25 per cent in the last couple of quarters. These companies have also been consistently working towards re-inventing their organisational structure as well as investing on capacity expansion.

In fact, most FMCG companies, post the demonetisation and GST lull, have bounced back. FMCG companies, as per a recent report by ICICI Securities, are expected to report an aggregate growth of 14.8 per cent in the third quarter of FY18 as opposed to a 5.2 per cent growth in the second quarter and 1.5 per cent in the first quarter. The report says that the lowering of rates of most FMCG products post GST has helped the cause along with improvement of rural demand due to good monsoons. All the leading FMCG companies which catered to semi-urban and rural markets through wholesalers have now started targeting these markets directly, surely a huge concern for Patanjali.

Patanjali has definitely made Ayurveda fashionable and Duggal of Dabur credits Balkrishna and his team for it. "But we will be rivals. You buy his products because you think he is a great guy and you buy our products because you think there is great science in the box," he says. There is no doubt that Patanjali brought in the acceptance for Ayurveda at a mass level, says Harsh Agarwal, Director, Emami. "But having said that there was a trend towards naturals even before Patanjali came in," he adds. It is not just the established companies such as HUL or Dabur that Patanjali needs to worry about. There are a host of newcomers too. Patanjali's biggest challenger could be none other than his biggest supporter Kishore Biyani, CEO of Future Group, who is all set to scale up his own FMCG business into ₹20,000 crore entity by 2021. With mounting competition, the next level of growth for Patanjali isn't going to be easy. The Acharya, however, is confident about pulling it off. "Tomorrow when we aren't there, our philosophy will stand tall. Had we worked as per the demand of the market, we wouldn't have been able to achieve what we have." BT

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MNCs ARE CONSPIRING AGAINST US

Acharya Balkrishna, MD of Patanjali Ayurved, asserts that his company is a flagbearer of swadeshi. He spoke *to BT's* **Ajita Shashidhar** about what makes Patanjali stand out.

Q: Your success story is too good to be true...

A: The reason we have reached this level is because we are working for people at large. The day I start working to fulfill financial ambitions, set profit and turnover targets, I dont think I will be able to achieve this kind of growth.

When there is business motive there is aggression, oneupmanship and competition. We achieve turnover on the back of our work. Companies work for turnover, our approach is to work hard without having a turnover goal. When the turnover happens we plough that money into our various charitable activities, hospitals and universities.

Q: There have been lot of negative reports on the quality standards of Patanjali...

A: Patanjali's strength is purity and authenticity and our goal is to protect these values. We offer value for money products without compromising on quality. Consumers are not questioning our purity. Had they done so our products would not have sold. This is a conspiracy by competition which is finding it difficult to corner Patanjali through rightful means. Human error and clerical mistakes are possible. But our intention has never been bad. As I told you, we don't work for turnover, we work to serve the nation.

For most companies this country is a market, but for us this country is our family. I challenge the MNCs to come in the open and debate. Please question us and we will answer. We are answerable.

Q: Where does the money to fund this ambitious growth plan come from?

A: Our business makes enough money which we plough back into the business. Since we complete our projects on time, banks are more than willing to give us loan.

Let me tell you that Patanjali doesn't have too many costs. Despite being the largest shareholder, I don't take a salary back home. I have no financial aspirations. I love to travel by train, enjoy my life working on the fields in my chappal. I don't consider this as any kind of sacrifice, rather I enjoy the simplicity. Patanjali's growth is not of Patanjali per se but of the society, that of *swadeshi*. For our individual benefit, we haven't taken anything.

Q: Isn't Patanjali too dependent on the persona of you and Baba Ramdev?

A: I don't agree. I only spend 20 per cent of my time on my business. I participate in research, write books, get involved in the hospital and university. I have recently published a book on Ayurveda in 70 languages. I am currently working on a world herbal encyclopaedia and a world yoga encyclopaedia. A businessman will never do all this.

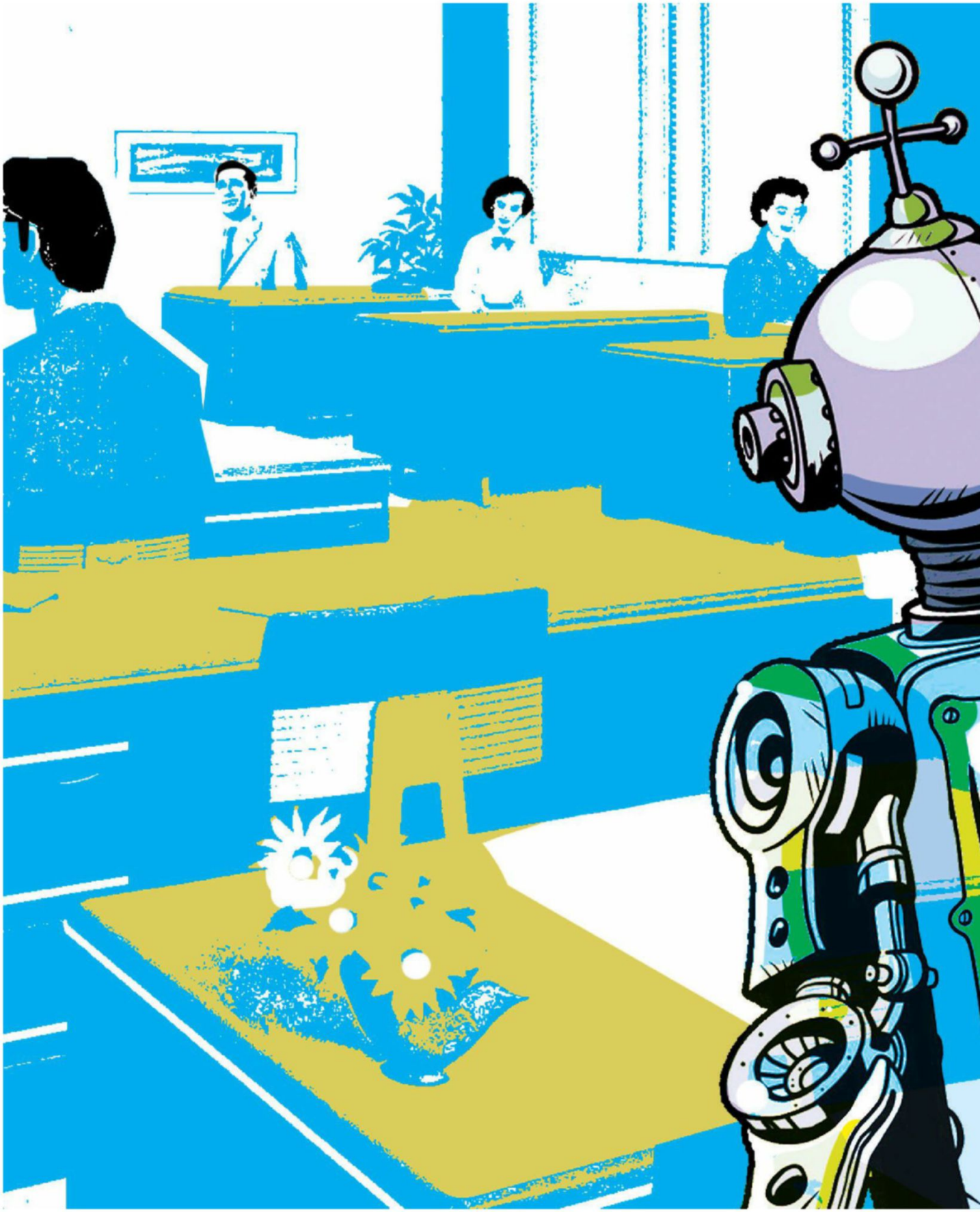
Our philosophy of serving people gives us courage and wisdom. We never had knowledge, experience or a godfather who taught us business. We are learning on the go. One needs confidence and have right intentions and if that is there Patanjali will outlive us. We have an empowered team which runs Patanjali.

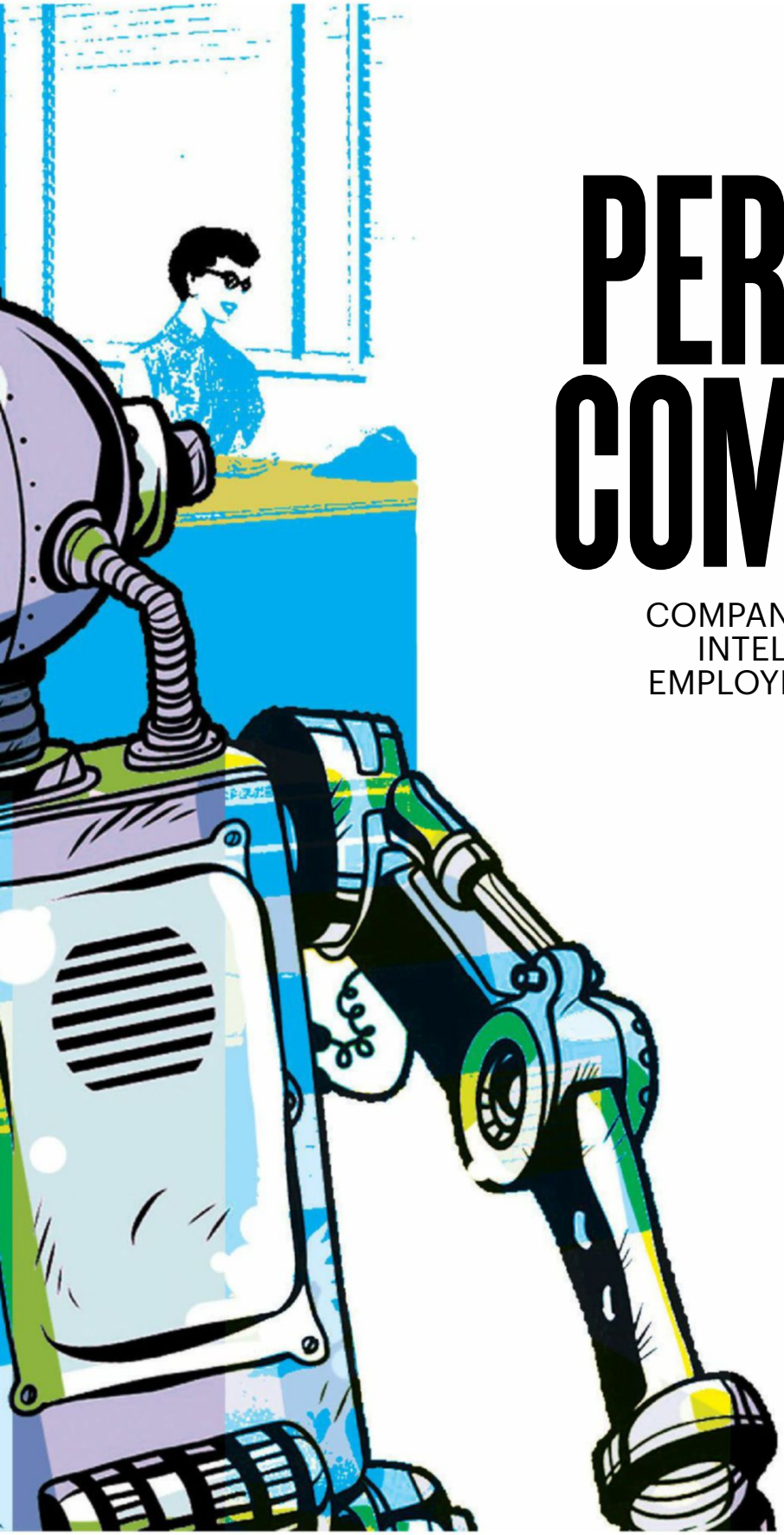
Q: So, who are the people behind Patanjali other than you and Baba Ramdev?

A: There is no top MNC from where we haven't hired. We earlier needed experienced people than freshers. Our employees are empowered to take decisions that's how me and Swamiji are able to focus on other things.

Q: How is Patanjali different from other corporates?

A: We work like a family. Our seniors even participate in the cooking process in the canteen's kitchen. You won't find the typical corporate culture. We hire professionals, but when we hire them we tell them about our culture. People want to join us. I have 20,000 odd resumes of people seeking jobs across categories. People come with a mindset of having 10-20 per cent growth targets.When we say our target is 100 growth they get puzzled. Swamiji has a huge role in counseling and encouraging our talent. We encourage our employees to study Upanishads, Vedas, philosophy of Maharshi Siddhanand, Swami Dayanand, Vivekanand. We follow nationalism and spiritualism, which has nothing to do with religion. Its all about purifying your inner self.





PERSONNEL COMPUTING

COMPANIES ARE USING ARTIFICIAL INTELLIGENCE TO UNDERSTAND EMPLOYEES' NEEDS AND INCREASE PRODUCTIVITY.

By Sonal Khetarpal

Illustration by Nilanjan Das

Ketan Vyas, Managing Director of Noida-based shoe- and foot-care firm, MV Shoe Care, wanted to adopt new ways of working. But limited budgets meant that the talent his ₹40-crore company could hire was not 'top-notch'. Vyas' suggestions to upskill were often resisted and ignored by the 100 employees.

The company turned to Qilo Performance Bot, an artificial intelligence, or AI, tool, available on Web. The Qilo software, built in 2015 by Vikram Kohli and Vipul Mathur, has the ability to predict if business targets will be met or not. Now, every day, the sales team uploads pictures of

PHOTOGRAPH BY SHEKHAR GHOSH

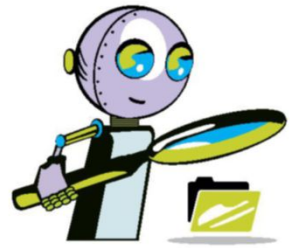
Sales team at MV Shoe Care uploading photos on Qilo Bot, which will predict if they are on track to meet targets

vendors they meet, while the accounts team posts the number of bills they have cleared on the Qilo page, which works like a Facebook news feed. The app pulls out this data from the employees' timeline and tells whether their work is going on at the right pace or not. It also gives suggestions on how things can be improved. "Now, instead of the manager, the machine plays the role of the bad cop," says Vyas. Since everything is documented and accessible in the entire company, most employees have started following instructions. "This has brought in transparency and objectivity and helped us identify and reward the worthy candidates," he says.

Qilo is part of a trend where companies, both big and small, are adopting AI — specifically predictive analysis, machine learning and natural language tools — to make their employees happier and more productive. The uses include identifying the mood of employees, finding the disgruntled employee prone to be poached by a competitor and recognising the silent worker deserving a raise.

While behemoths such as SAP and IBM are working on their own AI and integrating them with their HR portals, others are adopting third-party tools such as chat bots that automate repetitive tasks and give employees time to focus on more critical and value-added work. Then there are start-ups such as Qilo, which uses machine/deep learning to make sense of unstructured data and predict if business targets will be met, and nFactorial, which uses natural language tools to analyse the language of employee feedback and gauge the mood at the company for making timely interventions.

"Adoption of technology is growing, so companies are compelled to provide the same experience to employees that they get as customers," says Gaurav Lahiri, Partner, Human Capital, Deloitte. He says AI is largely used in three domains – generating insights, improving employee experience and transactional work.



AI IS LARGELY USED IN THREE DOMAINS — GENERATING INSIGHTS, IMPROVING EMPLOYEE EXPERIENCE AND TRANSACTIONAL WORK.

Insights — Devil's Advocate

Increasingly, companies want their managers to play the role of a mentor — developing skills of team members, grooming them for the future, tracking their performance and giving them feedback. But often, this feedback is based on the manager's intuition, which leaves the organisation vulnerable to biases. AI can be a great leveller.

Shraddhanjali Rao, Head of HR at SAP India, says AI tools bring transparency and accountability, making employees more engaged. For instance, often team members change and the new manager, due to lack of knowledge about an employee's previous achievements, does not view his contributions holistically, which may impact his growth. In such cases, the system can trigger an alert, removing the question of chance. Or, if a lot of people are leaving from a certain team, it can alert the management to look into the matter. Machine learning tools and cognitive technologies help address such anomalies, creating fairness and trust in the organisation, she says.

Touchy Feely

Some AI tools use natural language processing to pick up words and sentiment in the text to suggest if a mail or feedback needs improvement. D.P. Singh, Vice President and HR Head for IBM India and South Asia, says IBM's Tone Analyser, integrated in the HR management system, analy-

ses feedback from employees and surveys. So, when he gave feedback to a colleague saying the presentation was 'useful' and 'helped' him, the sentiment analysis picked up these two words and said he was 'joyful'. But when he wrote the next feedback asking for improvement, the machine detected 20 per cent anger and 40 per cent confusion. It also asked him if he would like to revise the content, prompting him to moderate the tone of the message.

A Pune-based HR firm, Searce, sells cloud-based people-care software, HappierWork, which can pick up personal information about employees and send suggestions. For example, it might send a message to the manager saying, "It's her birthday next week and there is no pending work, she might want a leave to celebrate." HappierWork is used by 7,000 employees of Royal Enfield, Finolex and other big companies.

Ear to the Ground

Ambarish Gupta, CEO of Knowlarity, a cloud telephony firm, used to spend a good 15-20 minutes every day to talk to his employees. As the company grew, this got limited to monthly or quarterly town halls. So, the company started using the employee feedback platform by Gurgaon-based HR analytics start-up inFeedo. The tool helps find people who are disengaged and need to be spoken to. inFeedo basically mails employees automated questions and analyses responses to generate insights into individuals and teams. For instance, it can predict who all are at high or medium risk of leaving the company. This helped Gupta narrow down on teams that need to be engaged more. "Rather than trying to do everything, I am able to choose what to do and, most importantly, what not to do," he says. He could identify seven people who were not happy and was able to address their concerns. Gupta is also an investor in InFeedo.

"Daily analysis of the mood in the company gives real-time insights into the dominant sentiment, the themes being discussed and learn the impact of new initiatives on employees," says Arun Krishnan, the founder of Bangalore-based nFactorial. "An annual engagement survey is like a post mortem. Daily insights can help one take corrective steps in real time," he says.

nFactorial works with several well-known companies. One of them is Manipal Group of Hospitals, which wants to take employee engagement levels from 73 per cent to 82 per cent. For this, nFactorial sends employees two questions daily, one on the mood and the other on a service provided by the company, whether it is the new learning app or the food in the cafeteria. When the group introduced cultural programmes with singing and dance performances, it noticed that the overall mood went up. "Real-time data give us insights into the impact of the intervention, and how it should be modified for future use, helping us plan better," says Ganesh Selvaraj, DGM of HR at Manipal Health Enterprises. Selvaraj is also using the data to analyse the team-wise mood to recognise those who are managing their teams well and those who need training.

Need to Grow

AI is also helping companies personalise learning and development programmes for employees based on their career growth and aspirations. "Using machine learning and AI, we have a functionality where employees can highlight their career paths, interests and aspirations," says Rao of SAP. On the basis of that system, recommendations for learning opportunities are provided, she says. This is taken forward in a discussion between the manager and the employee. These features are part of the cloud-based human resources software SAP SuccessFactors.

In 2016, IBM introduced Your Learning, an internal tool powered by Watson cognitive technology that provides access to personalised talent development strategies for each of IBM's 3,75,000 global employees. It asks each individual what is he/she is interested in, sees what those with similar interests are consuming and then offers suggestions. Its learning analytics also links consumption patterns with skill improvement and business impact. This not only helps employees learn smarter but also provides learners an opportunity to interact with each other and rate the learning opportunities, says Singh. IBM also

PHOTOGRAPH BY SHEKHAR GHOSH

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has a Watson Career Coach that looks at career development opportunities for employees.

Bot Benefits

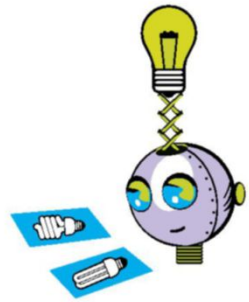
Trying to find specific information – leave balance or process for claiming reimbursement – from the thousands of pages on the HR portal is a task. That is why companies are using chat bots that interpret natural language and solve employee queries in real time through a conversation, providing exact information and also getting smarter with each interaction.

Till a few months ago, the 17,000 Mindtree Minds at Mindtree's 30 locations had to call their Global Contact Centre to have their issues resolved. Though the centre was open 24x5, it had limitations. To reduce the turnaround time, Mindtree rolled out Maci, a chat bot develped in-house. Now, users can initiate a chat with Maci, which can automatically identify them and answer their questions based on their designation and location, says Kumar Visvanathan, Head of People Shared Services, Mindtree. "We have taught Maci to answer simple policy- and process-related queries on Leave, Not in Office, Performance Management, Utilisation Bonus, Expense Claims, Investment Proof Submission and Payroll. These were the topics of the top six frequently asked questions at the employee help desk." He says the bot can also perform application transactions on a window. For instance, it can also apply for leave on behalf of the employee; it can also sanction a leave. As Maci becomes smarter, Mindtree plans to integrate it with its other HR processes. "In the last two months, we have seen the time employees spent on query resolution fall by 40 per cent. This has freed up 60 per cent time of the staff at the Global Contact Centre," says Visvanathan.

IBM has integrated multitudes of bots into its intranet called W3 that runs on its supercomputer Watson, capable of answering questions posed in natural language. It has Check Point Bob to solve employee queries, Travel Bot to answer travel-related questions and Cognitive Payroll & Tax Compliance Advisor to provide information about payroll tax changes and update payroll records.

"AI TOOLS ENABLE TRANSPARENCY AND ACCOUNTABILITY, MAKING EMPLOYEES MORE ENGAGED IN THE PROCESS"

SHRADDHANJALI RAO
Head of Human Resources, SAP India



COMPANIES ARE USING CHAT BOTS THAT INTERPRET NATURAL LANGUAGE AND SOLVE EMPLOYEE QUERIES IN REAL TIME

Gartner says 20 per cent of all organisations worldwide will use virtual assistants to manage their frequent HR administrative tasks in the next two years. Also, AI technologies will be pervasive in almost every new software product and service.

The challenge for Indian companies will not be technology but the cultural and mindset shift, says Prabir Jha, Global Chief People Officer, Cipla. "AI tools will bring in transparency and put a lot of data out in the open. This will challenge a lot of traditional paradigms and worldviews," he says. There are also concerns that algorithms can reinforce biases. Recently, Microsoft's chat bot, Tay, which was supposed to speak like millennials by learning from every interaction with them, was brought down within 24 hours as it expressed inflammatory and racist opinions. Another concern that needs to be sorted is access to data. Privacy is a big concern. AI might take some years to unfold to show business results but, as Vyas says, people have started listening to machines more than their bosses. BT

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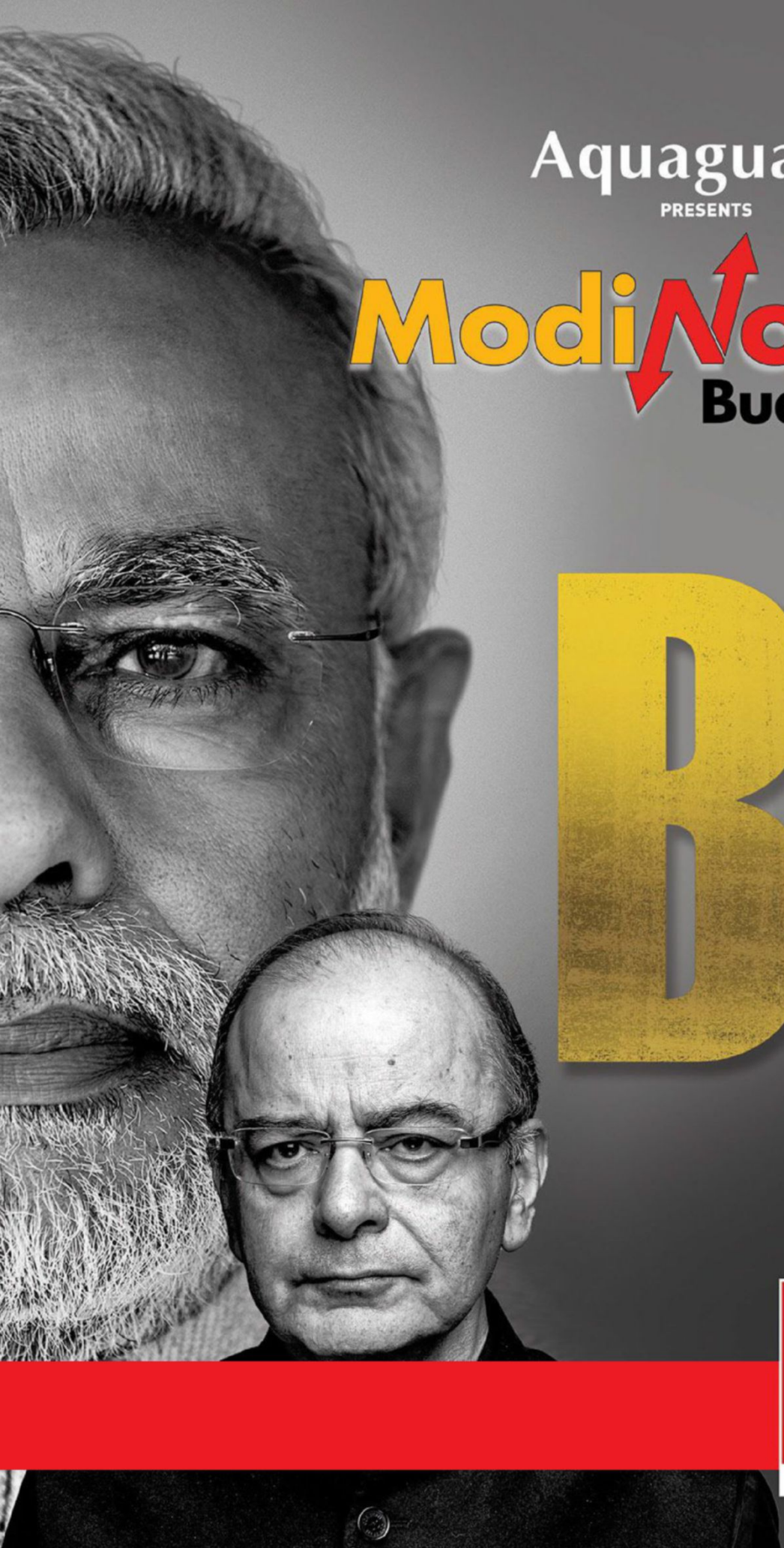

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"RIGHT NOW THE FOCUS IS TO GROW THE BUSINESS AS FAST AS WE CAN"

The aviation sector is notorious for grounding the well-laid-out plans of savviest business heads. Its inherent challenges seem to attract colourful, outsized personalities, from Richard Branson to Herb Kelleher to Capt. G.R. Gopinath of Air Deccan fame. **Tony Fernandes** belongs to this pantheon. He has single-handedly built AirAsia, the largest low-cost carrier in South Asia, which flies to more than 165 destinations in 25 countries. The company made its India foray in June 2014, in partnership with Tata Sons. It is yet to turn profitable, but Fernandes has hinted at a potential IPO. During his recent India visit, the AirAsia Group CEO spoke *to BT's* **Venkatesha Babu** *about his India strategy. Amar Abrol, MD and CEO of AirAsia India, was also present during the conversation. Edited excerpts:*

Q. AirAsia has been here for a little over three years, but you were still in the red as per the last reported quarter numbers (losses of ₹24.4 crore on revenues of ₹348.18 crore). When do you expect to be profitable?

A: I will give you an airline analogy. We are off the aerobridge and taxiing towards the runway and poised for a takeoff. Not quite there yet. To be honest, we can be profitable now if we choose, but we continue to invest by adding aircraft, adding capacity, and we have not got optimal scale yet. We have been

PHOTOGRAPHS BY AJEESH F RAWTHER

doing this for 16 years now and can smell a few things. The building blocks are in place. The partnership (with Tatas) is fine. They are committed to us, and we are quietly confident. Right now, AirAsia India flies to 16 destinations across the country, and we have 13 aircraft.

Q. Earlier you were not keen to be in hubs like Delhi and Mumbai. What made you change?

A: After three years, we realised that our presence in markets like Delhi did make a difference in terms of perception and awareness. We also need to be in Mumbai, but slots are a problem there. We will be in Mumbai and Chennai at some point. But I still do not think our major growth will be in those markets. Our growth will come from secondary and tertiary cities and towns.

Q. Now that the 5/20 rule (five years of domestic operations and 20 aircraft) is gone, when will AirAsia India fly overseas?

A: We still need 20 aircraft (that part of the rule has not changed) and I hope to get them by the end of 2018. So, by the end of this year or in early 2019, we will fly abroad from India.

Q. You run individual companies in several countries, including India, Vietnam, the Philippines, Indonesia, China, Japan and more, and want to consolidate them under one holding company. How far have you progressed?

A: We just got the court approval to create our group company. By March this year, we hope to have the structure in place. Then we will start the process and create one AirAsia Group. That will give me the currency to try and own 100 per cent of the company.

Q. Do you want to own 100 per cent in AirAsia India?

A: That is far, far away although the Narendra Modi government is opening more and more of the sector to foreign investment. Our partners (Tata Sons) do not want to leave either. Right now, the focus is to grow this business as fast as we can. If we have the chance to own 100 per cent, sure we may go for it, but I do not think it is happening right now.

Q. What are the challenges in India compared to other Asian markets?

A: I think some of the challenges are going away. With so many taxes and charges, this industry was heavily burdened, but that is reducing now, which is a positive. Distribution of airline tickets is also changing rapidly due to online and apps usage. Also, the use of payment tools such as credit cards and wallets has gone up and sometimes overtakes the ASEAN region. The policy regarding secondary and tertiary airports is a good one to stimulate airlines to go to those places; so, a lot of things have improved.

However, fuel taxes are still there. Then again, private operators have looked at airports as cash cows. They should work with airlines to reduce cost. In spite of everything, Bengaluru, our headquarters, has been good to us; the city has vision. Overall, India is a lot better after these three years. I have always said the government should facilitate and not overregulate businesses. The Modi government has made a good job of it.

"YOUR FACE IS YOUR NEW ID AND NOT YOUR FINGERPRINTS OR EMAIL. I WANT TO MAKE THINGS EASY AS THE AIRLINE RECOGNISES YOUR FACE, CHECKS YOU IN AND BOARDS YOU"

Q. You are undertaking a massive digitisation exercise. Give us some more details.

A: I believe your face is your new ID and not your fingerprints or email. I want to make things easy as the airline recognises your face, checks you in, boards you and one day, with certain governments, your face will allow you to enter those countries because they would know your data. The Arnold Schwarzenegger-type of futuristic movies is already a reality. In Johore, Malaysia, we are testing facial boarding.

Q. Will you launch any of your financial products here, especially as Abrol, in his earlier role, ran AirAsia's card, money transfer and related businesses?

A: Only some of them. India is fairly well served in that area – the country has raced ahead in several aspects. It is better to work with someone like Vijay Shekhar Sharma of Paytm and see what value we can add. Maybe we can do something in content services. Let us see if we can tie up with a taxi company or recommend a restaurant where our customers get a good deal. We aim to get more of our travellers' wallet.

Q. You also own a 'no-frills' hotel chain in the ASEAN market called Tune and even have a footprint in Ahmedabad. Do you plan to expand that or any of your other businesses?

A: No. I am redoing the hotel model. I do not think the budget model works; it needs a little bit more. So, we will rethink the product. Right now the focus is AirAsia India. However, I am quite confident that we can disrupt the insurance industry. In fact, we can learn from the healthcare industry in India. Education and healthcare are the two sectors that attract me. I also have a car business called the Caterham Group, and I am excited about what Anand Mahindra has done in the electric vehicles space. But the primary focus is AirAsia India for now.

Q. You are still No. 4 in the low-cost airline segment in India. What is the mandate for Abrol and his team?

A: I am impressed that we have 4 per cent market share. Others have come in, burnt money and disappeared. We have had our share of learning, though. Some of those factors are our making, and some are external. But we see a ramp-up, and I am confident. We expect to be profitable next year and fly abroad from here. Otherwise, you won't be seeing Amar (guffaws).

Q. What about the legal issues (allegations of fraud, allegedly by former MD and CEO Mittu Chandilya)? Have they been resolved?

A: They are in legal hands. Mittu should be given credit for what he did for AirAsia India. Cases are ongoing, and we will wait for the verdict. BT

@venkateshababu

Harvard Business Review

THE SCARY TRUTH ABOUT CORPORATE SURVIVAL

COMPANIES REALLY ARE FAILING FASTER. HERE'S WHY.

ILLUSTRATIONS BY AJAY THAKURI

IT'S ONE OF THOSE stats that's constantly thrown around at conferences: 80 per cent of the companies that existed before 1980 are no longer around – and another 17 per cent probably won't be here in five years. Dartmouth professor Vijay Govindarajan heard versions of this so often that he eventually began using it himself – even though he didn't know whether it was accurate or, if it was, why it was true. So he and his colleague Anup Srivastava decided to take a rigorous look at corporate longevity.

Prior researchers had examined survival rates of the

Fortune 500 and the S&P 500 firms, but the Dartmouth professors cast a wider net, including all 29,688 companies that listed on US stock markets from 1960 to 2009. (They reasoned that the *Fortune* 500 and the S&P 500 represent only very large companies, which may be especially vulnerable to disruption.) They divided the companies into 10-year cohorts according to when they listed and examined how many in each cohort were still in business five years later. This confirmed that longevity is decreasing: Companies that listed before 1970 had a 92 per cent chance of surviving the next five years, whereas companies that listed from 2000 to 2009 had only a 63 per cent chance, even when the researchers controlled for the dot-com bust and the Great Recession.

Researchers from the Boston Consulting Group had done a similar analysis in 2015, but Govindarajan says the new findings are subtly different. Although both studies found that corporate mortality rates are rising, the Dartmouth researchers isolated what kinds of companies are fuelling the rise. "This trend isn't because of an increasing likelihood that a firm listed before 1970 will fail – it's mainly because recently listed firms are dying more quickly," Govindarajan says. The new research also attempts to answer the more important questions raised by the finding: Why are these businesses failing, and how can managers prevent it?

To that end, the researchers dug into financial

"NOW THE BARRIER TO ENTRY IS USER ATTENTION"

Vibhu Mittal has experienced the challenge of creating competitive advantage from two distinct vantage points. During nine years as a senior scientist at Google, he helped a dominant technology company strengthen its position; and in the past seven years, while leading a series of education technology start-ups (he's currently the CEO of Edmodo), he worked to disrupt incumbents. He spoke with *HBR* about Silicon Valley's evolving view of creative destruction. Edited excerpts follow.

Q: Has it become more difficult to create competitive advantage?

A: Absolutely. The analogy I make is to open-source software. Companies used to do proprietary stuff, and they tended to innovate slowly. Today companies are willing to talk about their innovations more openly and to post code and have thousands of people look at it so that they can modify it, test it, and get more reactions. The rate of feedback from open sourcing is an order of magnitude greater, but you also get more imitation. The barriers to entry haven't entirely disappeared – but they've been moved a bit further along, beyond the product innovation stage. Now the barrier to entry is whether you can get user attention.

Q: Is it easier to build moats around physical products?

A: That's a valid point, but as 3-D printing becomes more common, you're going to see more companies displacing products in the physical space, too. If you outsource manufacturing to China, 3-D printing can shift the turnaround time to weeks rather than months.

Q: Among digital start-ups, how much fear is there of copycat products?

A: You often see a copycat make a slightly better version of a product, and a lot of people migrate from older versions. Companies can't afford to rest on their laurels anymore – you have to behave in a paranoid fashion. If you don't see a threat on the horizon, it's probably because you're missing something. One of the biggest reasons for creative destruction today is that the world has become far more interconnected – everybody can talk to anybody, and that has implications. People will copy any successful idea out there.

statements, closely analysing how the companies that went public in different decades varied in their spending on physical assets (such as plants and equipment) and on organisational capital (things including personnel, patents, R&D, and intellectual property). They found that on average, firms listed after 2000 spent more than twice as much as earlier firms (in percentage terms) on organisational capital and half as much on physical assets. "The newer firms are grounded in novel business models, like digital services, that can be launched and distributed quickly," they write. "This gives them an advantage over production firms, [because] 'idea' companies don't require an expensive infrastructure of factories, warehouses, and suppliers." But that advantage is a double-edged sword, they add: "The good news is the newer firms are more nimble. The bad news for these firms is that their days are numbered, unless they continually innovate."

That pessimistic view is driven by a simple fact: Compared with companies that own factories, products, and supply chains, digital companies are far more vulnerable to quick imitation. Govindarajan rattles off examples. Not so long ago, everyone was suddenly using Evernote, the organisation app. Now Microsoft OneNote, Apple's Notes, Google Keep, Simplenote, and other apps offer similar functionality. Skype, FaceTime, Viber, Jitsi, and Google Hangouts all battle in the video chat area. Then there's Dropbox, the pioneering user-friendly cloud storage company – whose basic functionality was quickly mimicked by Microsoft, Apple, Amazon, and Google. "Creative destruction has always been a force to be reckoned with, but in the physical world, the cycles were longer," Govindarajan says. "In the technology-based sectors, the cycles have accelerated."

ON AVERAGE, FIRMS LISTED AFTER 2000 SPENT MORE THAN TWICE AS MUCH AS EARLIER FIRMS (IN PERCENTAGE TERMS) ON ORGANISATIONAL CAPITAL AND HALF AS MUCH ON PHYSICAL ASSETS

Some of the implications of the shift from physical assets to digital business models are subtle and unexpected. For instance, Govindarajan points to the need to revamp standard business school accounting courses, which tend to belabour inventory models (remember LIFO and FIFO?), the cost of goods sold, depreciation, and other concepts that made sense when balance sheets were laden with physical assets but are less relevant when many companies' products are downloadable bits and bytes. Govindarajan says that's just one example of how business schools' curricula don't adequately reflect the current economic environment.

The study also addresses the most important question raised by the primary finding: How can newer firms buck the trend and increase their longevity? The researchers suggest three strategies. First, companies could incorporate both technology and physical products into their business models to gain an edge; their competitors couldn't then simply hire programmers to quickly create me-too services. (Examples of digital-physical hybrids include Tesla, which has developed deep expertise in batteries and vehicle manufacturing, and Amazon, whose vast network of warehouses provides a bulwark against competition.)

Second, companies could strive for business models that include strong network effects. For instance, Facebook's one billion users create a competitive advantage, because people who might be tempted to jump to a rival platform would have to reconnect to friends and recreate the content they've uploaded – a steep switching cost. Third, firms could increase their focus on continual innovation – an idea Govindarajan has illustrated in a framework he calls "the three-box model" (which is the subject of a 2011 *HBR* article and a 2016 book).

The results also led Govindarajan to reflect on the common criticism that CEOs tend to think too much about the short term. "People blame Wall Street for this pressure, but, in fact, Wall Street demands that you look for a healthy balance between the short term and the long term," he says. "Otherwise you're not going to be there after the short term." BT

ABOUT THE RESEARCH "Strategy When Creative Destruction Accelerates," by Vijay Govindarajan and Anup Srivastava (working paper). This article was first published in December 2016 issue of *Harvard Business Review* (**www.hbr.org**). Copyright@2016 Harvard Business School Publishing Corporation. All rights reserved.

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THE BREAKOUT ZONE

MIXED REALITY

THE SECRET OF MAGIC LEAP

As of now, there is just a headset from the Florida-based company while we wait for its mixed reality vision to become ours.

For a company that has been doing something mysterious for the past six to seven years, Magic Leap has raised a lot of funding – no less than $1.9 billion. Its investors include the Alibaba Group, Fidelity Management & Research Company, Google LLC, J.P. Morgan Investment Management, Temasek EDBI, and funds and accounts advised by T. Rowe Price Associates, Inc. The company is valued at $4.5 billion.

Fascinatingly, until recently, the start-up has had no product to show. However, the computer demos have been compelling enough to excite the few VIPs and celebrities who have seen what it is doing. Except for Beyoncé, who was apparently bored.

Magic Leap is based on the idea whatever is inside the computer is spilling over into the real world. It is similar to the Mixed Reality Microsoft has been talking about and demoing with its HoloLens. "We are adding another dimension to computing where digital respects the physical. And they work together to make life better. Magic Leap One (consisting of

ILLUSTRATION BY RAJ VERMA

a pair of oversized goggles, an external computer and a hand-held controller) is built for creators who want to change how we experience the world," says the company's website on the release of a headset meant for developers. The headset, incidentally, is fairly ugly, but it may not be what the eventual product will be as one of the biggest challenges for Magic Leap is to miniaturise everything for everyday consumer use.

To visualise what Magic Leap sees as the next platform in computing, think of how a virtual lamp can be placed in a room, or how the model of the solar system can appear in front of you in full 3D and its workings understood better, or how a jellyfish could be swimming across your ceiling in a fascinating display, or how a miniature of Mount Everest could grow out of a table as you get the facts about it. In other words, the virtual and the real meet seamlessly and realistically to impact everything one does. In a sense, you can also 'pull the web out of the screen'.

Magic Leap says its light-field photonics generate digital light at different depths and blend seamlessly with natural light to produce lifelike digital objects that coexist in the real world. The technology allows our brain to naturally process digital objects in the same way we do the real-world things, making it comfortable to use the device for a longer period. The headset is called Lightwear, but it has to fit into a whole system of augmented reality.

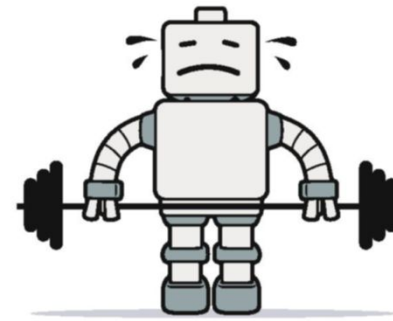
As a result, people can interact with virtual objects. A *Rolling Stone* reporter was among the few to have seen a Magic Leap demo and describes one experience: "...A wall in the room suddenly showed the outline of a door with bright white light shining through it. The door opened, and a woman walked in. She walked up to me, stopping a few feet away, to stand nearby. The level of detail was impressive. Though I wouldn't mistake her for a real person – there was something about her luminescence, her design, that gave her away. While she didn't talk or react to what I was saying, she does have that ability."

THE COMPANY ADDS ANOTHER DIMENSION TO COMPUTING WHERE DIGITAL RESPECTS THE PHYSICAL. AND THEY WORK TOGETHER TO MAKE LIFE BETTER

Scepticism about Magic Leap's project has been fairly widespread with some wondering whether the whole thing is a hoax of sorts. But Magic Leap CEO Rony Abovitz says all the tools will come to developers in 2018. BT

ROBOTICS

BREAKING SWEAT



YOU ARE not the only one to be breaking sweat during a workout. A robot does it too.

Japanese-made Kengoro and its cousin Kenshiro are the University of Tokyo's way of understanding the human body better. Researchers built a human-like musculo-skeletal nervous system and even a Linux-based brain into the machine and got it to do the sort of movements and exercises people typically do in a workout. That included crunches, neck rolls, squats, push-ups and more. As the robot heats up, it sweats. By design. The emission of fluid is, just as in humans, meant to cool it down.

More than the effort and the sweat, however, the engineers think the robots can provide insights into how movement is processed within the body. This, in turn, feeds into other fields such as vehicle testing where a more realistic dummy may be needed, or as an aid to creating better prosthetic limbs. Considering that the humanoids have everything, from synthetic muscles to brains, they can be put to many uses. There is not much artificial intelligence built into them, though, which may just be a good thing. BT

PERSONAL TECH

PLAYING SAFE

TIPS ON HOW TO SAFEGUARD YOUR CRYPTOCURRENCY AGAINST FRAUD AND THEFT.

By TEENA JAIN KAUSHAL

Illustrations by RAJ VERMA

Amidst all the bitcoin frenzy, notwithstanding the drastic gyrations in the value of the cryptocurrency, it has become imperative to safeguard it. Because the bitcoin is stored in digital form and there is no central regulator to monitor the currency, one remains exposed to dangers such as fraud, loss of password and malware attacks. There have been instances of exchanges getting shut and, subsequently, millions of investors losing their money. As several investors dabble in cryptocurrencies with little or no knowledge about the risks involved, the finance ministry has put out a word of caution against investing in virtual currencies. It comes after three warnings issued by the Reserve Bank of India.

First, it is important to understand that when you buy bitcoins through an exchange, the ownership of the cryptocurrency lies with the exchange – just the way it does with your broker in a trading account until you transfer it to your demat account. For complete ownership of the bitcoins, you ought to transfer it to a bitcoin wallet so that you don't lose ownership even on account of a fraud.

Sumanth Neppalli, cryptocurrency and blockchain analyst at Zebpay, a bitcoin exchange, says, "When you trade on exchanges your private key remains with the exchange, so they can even spend your bitcoins. Wallets give you the ownership and allow you to control your private keys."

To create a bitcoin wallet, you need a public and private cryptographic key pair (a string of letters and numbers). The public key is an address required when someone wants to send bitcoins to you; and the private key is a secret, alphanumeric password used to spend or send your bitcoins. Simply put, the public key is equivalent to your mobile number when you transfer money through the wallet, while the private key is like your username and password that have to be kept confidential. Here's how to go about choosing the right type of bitcoin wallet:

Hardware Wallets

This is a physical wallet that stores the private keys of a user in a hardware device (like a USB device). It lets you create a digital wallet that can be taken offline when not being used. The purpose is to keep private keys separate from internet-connected devices. In these wallets, the private keys are stored in a protected part of the microcontroller in an encrypted form. To transfer bitcoins, the hardware wallet generates a public address when connected to a computer. One can then send the virtual currency from the exchange to the public address generated. Once it is received, the device can be taken offline.

"You have to keep your wallet key safe; if it gets stolen or lost, you may lose your bitcoins. If you are not technical enough to use these hardware wallets, then you must keep your bitcoin with some reputed exchange as they store their user's bitcoins in cold storage and keep updating their security protocols. But in the second case, exchanges have the full ownership of your bitcoin," says Hesham Rehman, CEO and Co-founder, Bitxoxo, a bitcoin exchange company.

Ledger, Trezor and KeepKey are some of the popular hardware wallets.

Hot and Cold Wallets

Cold wallets operate offline with no access to the Internet, making them immune to online hackers. Hot wallets, on the other hand, are vulnerable to theft because they are always connected to the Internet. Experts suggest keeping small

amounts of digital currency in hot wallets when one wants to make purchases, and otherwise storing them in cold wallets.

Sathvik Vishwanath, Co-founder and CEO at Unocoin, advises against storing all your bitcoins in the same wallet; and instead suggests using multiple cold wallets. "At the same time, remembering the key to the wallet is paramount, since that is the only access point to the wallet. For the same reason, it is essential for users to backup and encrypt their wallet," he adds.

It is crucial to encrypt your wallet because unencrypted wallets would reveal the private keys, compromising the security of your bitcoins.

Blockchain.info, Mycelium and Copay are some popular wallet providers to choose from.

WHEN YOU BUY BITCOINS THROUGH AN EXCHANGE, THE OWNERSHIP OF THE CRYPTOCURRENCY LIES WITH THE EXCHANGE

Due Diligence

Ashish Agarwal, Founder of Bitsachs, a cryptocurrency trading platform, says, "Investors should check the reputation and the number of downloads of a wallet service provider before deciding to buy from any particular one. A reliable wallet service provider bases the whole procedure of buying and trading of cryptocurrency on blockchain, a distributed public ledger." Wallet service companies follow a systematic procedure to protect your digital currency, including password manager and a two-factor authentication system (2FA).

Experts warn about surreptitious viruses when using these wallets. "Recently, we came across a mobile virus that, once installed on your smartphone, sends all your mobile activity to hackers. These viruses, a by-product of unauthentic apps downloaded on the device, can even bypass the 2FA," Rehman says. So, if you store a large amount of bitcoins, it's best to not use the device for any other purpose except to access your bitcoin wallet. BT

@Teena_Kaushal

LIFE HACKS

TOWARDS A DIGITAL DETOX

INUNDATED BY TECHNOLOGY AND AN ALWAYS-CONNECTED LIFESTYLE, MANY HAVE STARTED THE YEAR BY SWITCHING OFF.

ILLUSTRATIONS BY RAJ VERMA

TECHNOLOGY IS SUPPOSED to make life better and free up our time to engage in more 'meaningful' things. But many feel it is merely a pipe dream. Between the smartphone, the smartwatch, the smart car, television, tablet and computer, there are screens everywhere, and people are driven to distraction with notifications popping up every second. At times, the pressure to remain always available on messengers, e-mail and social networks can be simply overwhelming. But it is only half the story.

All manners of organisations are now profiting from people's need to get away from technology and their inability to do it themselves. De-addiction clinics, special camps and workshops charge a hefty sum to steer employees away from the constant barrage of digital interactions for the time being. But routine detox does not work in these cases.

If endless alerts descend on you, you might want to tackle them yourself. Again, switching off your smartphone to cut the constant noise on social media will not help if missing messages from friends and family makes you sad. Detox has to be tailored for the individual. The first step to living a better life in spite of tech is to understand your usage.

KEEP A CAREFUL NOTE OF WHAT ASPECTS OF TECH USAGE ARE INTRUDING INTO YOUR LIFE AND TACKLE THEM

Digital detox means kicking this addiction, but it may not be necessarily true. If one wants to keep up with the news or the latest developments in one's area of specialisation, why should it be called an addiction? If one wants to keep track of an ailing parent with frequent messages, why is it toxic? On the other hand, if you are gaming yourself to death or neglecting work and relationships because you cannot tear yourself away from Facebook, you are in trouble and should probably head to a de-addiction clinic.

For most people, it is not a case of addiction but that of using technology as a tool just as they use electricity for nearly everything. Undoubtedly, there will be harmful side effects such as eye strain or back pain for sitting too long, but one can't always sit on the fringes and let the world pass by. So, keep a careful note of what aspects of tech usage are intruding into your life and tackle them one by one. If LinkedIn connection requests are driving you crazy, go to the settings and turn off notifications. If WhatsApp groups are giving you no peace, spend a few minutes to mute the ones you don't want to hear. It is not practical to switch off technology. But that does not mean we cannot smack it down and make peace with it. BT

WORKPLACE MEETINGS

NEVER ON A MONDAY

AT MOST WORKPLACES, MEETINGS start on Monday mornings, right after the weekend break. Not the best time as people have not yet wound up after winding down. Some may not even have returned from an extended time off.

Andrew Jensen, business efficiency and performance expert, rules out both Mondays and Fridays for important meetings. "Employees are still typically in 'weekend mode' on Mondays. On Fridays they are likely to be rushing through the day in anticipation of two days off," he writes. Quoting a study, Jensen says respondents in a survey accepted Tuesday 3 p.m. as the best time for a meeting. In early morning meetings, participants may still feel tired or sleepy and may not be adequately prepared. Towards the end of the day, enthusiasm will wane as people get ready to go home. As is well known, mealtimes also affect a meeting.

So, it may be a good idea to follow Jensen's line of thought and plan the most important meetings on Tuesday afternoons to maximise intelligent participation. BT

THE REASON WHY THE BEST AND THE BIGGEST ARE HERE.

"We have created an investment ecosystem that offers the perfect growth platform for every type of investor."

Sri K Chandrashekhar Rao
Hon'ble Chief Minister of Telangana

GOLDEN TELANGANA IN THE MAKING

TELANGANA is home to corporate giants like Facebook, Apple, Microsoft, Google, IKEA, Boeing and Uber amongst others, for good reasons. Under the visionary leadership of the Chief Minister, the State has earned a coveted distinction – No. 1 Ranking in Ease of Doing Business. Backing this are visionary policies and a host of initiatives in focus sectors.

TELANGANA

No 1 in Ease of Doing Business

DEVELOPING A FAVOURABLE ECOSYSTEM FOR INVESTORS

INDUSTRIAL POLICY HIGHLIGHTS AND KEY INITIATIVES

Telangana State Industrial Project Approval and Self-Certification System (TS-iPASS): Quick and easy start for businesses
Enacted by the Government, TS-iPASS facilitates swift investment with its unique features.

- *Self-certification*
- *Clearances in 2 weeks for mega projects*
- *Single window clearance*
- *0% Graft, 100% transparency*
- *Minimum inspection and maximum facilitation*
- *One point designated Nodal Officer*
- *Single common online application form*

Robust Infrastructure

- *1,50,000 acres land bank for industries*
- *148 ready-to-occupy industrial estates*
- *Assured 24x7 quality power supply*
- *27 SEZs*
- *Non-cyclonic & non-seismic zone*
- *Good quality roads and highways*

ICT POLICY 2016 OBJECTIVES AND INITIATIVES

- To emerge as a role model for smart governance in the delivery of citizen services
- To position Telangana as a leading global hub for entrepreneurship and innovation
- To transform Telangana into the most preferred destination for IT companies
- To empower citizens in utilising emerging opportunities in the digital world

T-HUB – NURTURING INDIA'S START-UP REVOLUTION

T-Hub is India's largest technology incubator to promote entrepreneurship in the State. Spread over 70,000 square feet, the start-ups within T-hub include seven specialisations - Fintech, Healthcare, Agritech, Smart Cities, Transportation and Logistics, Sustainability and Social Tech.

TASK – Telangana Academy for Skill and Knowledge, a first-of-its-kind initiative in the country, imparts fresh graduates with industry-grade skill sets, both technical and non-technical.

Two Electronic Manufacturing Clusters (EMCs) – Located close to the International Airport at eCity and Maheshwaram, the EMCs will attract investments, generate maximum employment, and account for 6% of the electronics production in the country.

GAME City (Gaming, Animation, Media & Entertainment Park) – Telangana is home to an industrial park dedicated to gaming and animation industry.

No wonder, Telangana is the most sought-after investment destination and has rightfully earned the distinction of being **No. 1 in Ease of Doing Business.**

AMAZING GROWTH STORY

- More than INR 75,000 crores in IT & ITES exports in 2015-16
- 13.26% growth in IT/ ITES exports compared to national average of 12.3%
- Over 1300 IT companies
- Over 4 lakh IT professionals

PHARMA CITY
The proposed plug-and-play facility will provide the entire ecosystem required for pharma companies. Investments of about INR 75,000 crores is expected and 1,00,000 direct and 2,00,000 indirect jobs are likely to be generated.

GENOME VALLEY
Genome Valley, spread over 600 sq. kms. in the vicinity of Hyderabad is India's first world-class hub for biotech research, training, collaboration and manufacturing activities.

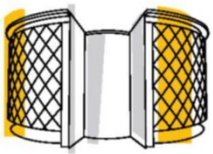
COME, INVEST
IN TELANGANA.
LETS GROW TOGETHER.

HAPPENING HYDERABAD.

Great place to live and work.

At Hyderabad, the concept of 'Work-Life Balance' doesn't merely exist, it comes to life. In an environment that's conducive to business or work and also boasts of a great after-work culture. The culture of Hyderabad also known as Deccani Tehzeeb, is the traditional cultural lifestyle characterised by distinct linguistic and cultural traditions of both North and South India, which meet and mingle in the city.

Sri K T Rama Rao
Minister for Industries, Information Technology, Municipal Administration & Urban Development and NRI Affairs



The Most Livable Indian City for 3 consecutive years

Mercer - Quality of Living Ranking 2017

For the 3rd year in a row, Hyderabad has emerged as the best Indian city to live in. The global ranking of Hyderabad being the most livable Indian city is only a reiteration of what its citizens feel. The city has earned this enviable distinction multiple times by taking into account its political and social environment, medical care and health considerations, public services, recreation facilities and natural environment, amongst others.

Hyderabad is home to well-established international schools and colleges. It is also considered a safe city for women. The city has an energetic and a cosmopolitan nightlife, on par with the best in the world. The many pubs, bars, nightclubs, theatres, and live music sessions attract people from all over the country.

When it comes to shopping, you have both - the world's best brands and also the charming Laad Bazaar off Charminar.

World's 2nd best must-see destination

by National Geographic Traveller in 2015

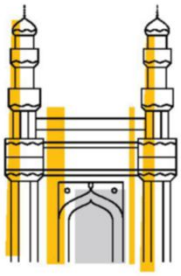
The 'Best City for MICE' in Asia

Annual Meetings, Incentives, Conferencing & Exhibitions Report Awards 2012

COME, INVEST
IN TELANGANA.
LETS GROW TOGETHER.

HAPPENING HYDERABAD.

Great place to live and work.



Hyderabad No 5 in 'Agile High-values Emerging Cities' in the world

as per JLL's fourth annual City Momentum Index

AN INDUSTRIAL POLICY IS EFFECTIVE ONLY WHEN SUPPORTED BY SOLID INFRASTRUCTURE AND FACILITIES

No. 1 Airport in the World

in the 5-15 Million Passengers Per Annum (MPPA) Category, 2016 by ACI ASQ Awards

Hyderabad is easily accessible from domestic and international locations thanks to its globally ranked airport.

Hyderabad International Convention Centre (HICC) is the only world-class convention facility between Singapore and Dubai. It is India's first purpose-built and state-of-the-art convention centre and can house up to 5000 delegates. The world's leading hospitality chains have luxury hotels that dot the city and offer the finest hospitality to business travellers.

Where hospitality is at its best, can events be far behind?

GRAND CUISINE THAT IS UNFORGETTABLE

Hyderabad is famous for its delicious cuisine, which is a grand fusion of Mughlai, Turkish and Arabic fare, alongwith the influence of the native Telugu and Marathwada cuisines. Redolent with exotic spices, meat & rice, Hyderabadi food is known to be cooked slowly, to give that succulent, rich taste.

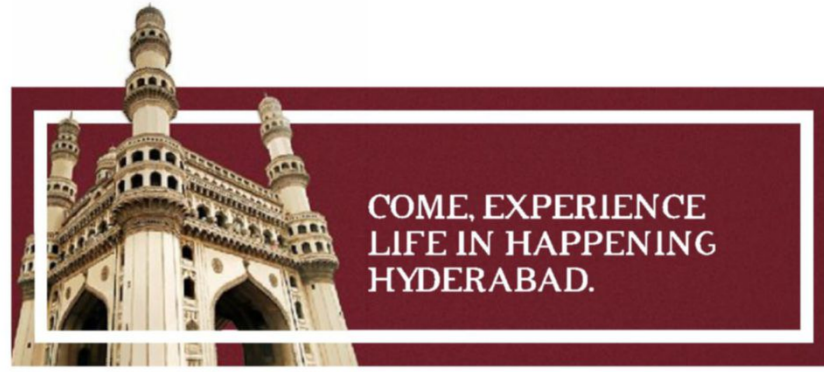
EVENT CAPITAL OF INDIA

Hyderabad is turning itself into a prime destination for Electronic Dance Music. Recent events like Sunburn, Sensation White, featuring EDM stars like David Guetta, Hardwell, Axwell, Afrojack, saw Hyderabadis turn up in thousands to party in style.

The International Children's Film Festival is held in Hyderabad every alternate year.

FROM PARKS TO PALACES AND MALLS TO MUSEUMS

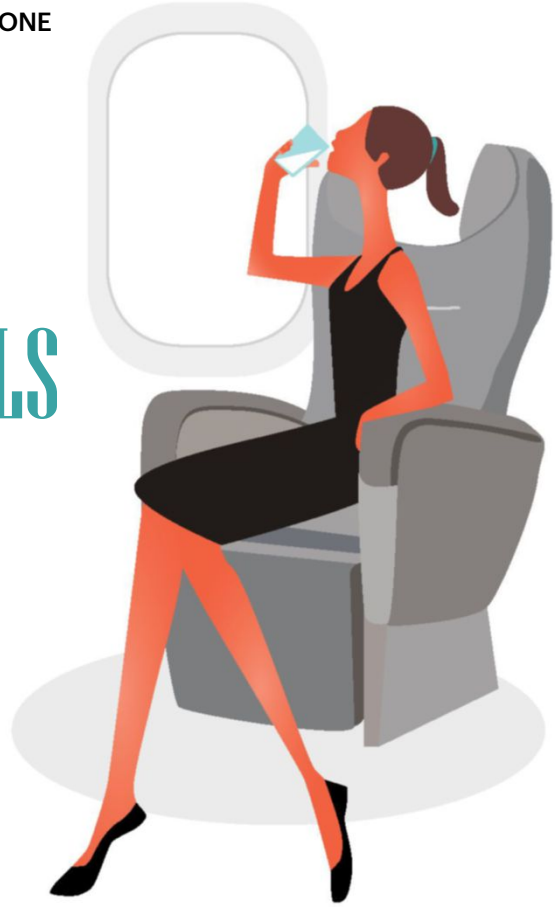
With its richly mixed historical and cultural tradition, Hyderabad offers an array of tourist attractions – heritage monuments, museums, lakes, parks, gardens, resorts, delectable cuisine and a delightful shopping experience.



EXECUTIVE HEALTH

WHEN FLYING KILLS

HYPERMOBILE BUSINESS TRAVELLERS OFTEN FACE A SLEW OF HEALTH HAZARDS; HERE IS WHAT YOU CAN DO.



SAFIA ZAHID

DO YOU FLY FREQUENTLY because your job demands it? At first, it seems exciting and glamorous. But after a time you realise there is no charm left in amassing frequent flyer miles just as George Clooney did in the Hollywood classic *Up in the Air*. The grim reality: Frequent air travel can cause a whole range of health problems due to loss of sleep, lack of exercise, poor eating and added stress. There could be potentially fatal health hazards such as deep vein thrombosis, caused by sitting in one posture for too long, especially on long-distance flights. In such cases, blood clots form in a large vein, and if a clot breaks loose, it can end up blocking an artery. Flying too often could also lead to lower immunity, obesity, lung and cardiovascular diseases, high blood pressure and diabetes.

WHO SUFFERS MOST: From junior executives to service providers to NGO workers, most people travel for work and do it on a shoestring budget, which accelerates the negative health impact. "Hectic, working weekends are now an integral part of our life, and that needs to change," says a senior official who spends around 20 days a month holding meetings on weekdays and interviewing during weekends. That kind of hyperactivity can leave one stressed beyond repair.

COMPANIES CAN HELP: Videoconferencing can help reduce the kind of burnout mentioned above. However, businesses do require face-to-face interactions and networking with larger teams, and travel is inescapable. It makes sense, therefore, if the company HR starts tracking how many hours an executive spends on flights during a month and cuts down on travel time to improve productivity.

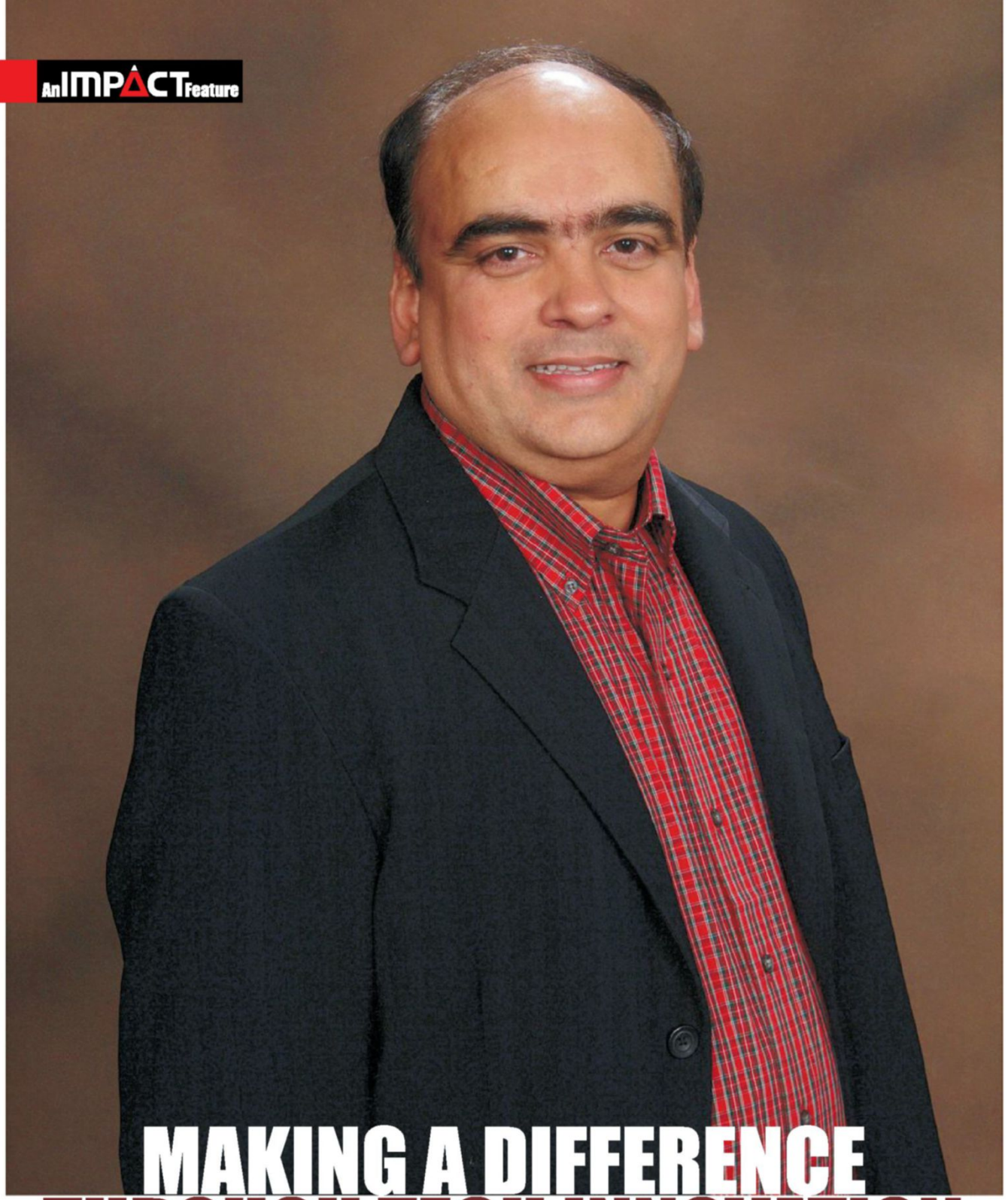
WHAT YOU CAN DO: Taking a break from frequent travelling, drinking a lot of water, eating healthy, getting up to walk when on a long flight or just stretching your legs will help reduce health-related concerns. Part of the problem occurs when you try and clear the workload between breakfast and dinner without taking some time off and pursuing your fitness routine. Typically, one needs at least four days of active exercise every week. Some people opt for breathing exercises as these can be done anytime and anywhere. Others do yoga and meditation that do not require heading to the gym. Also, try and space out your flight timings and the work that follows. You may work 18-19 hours a day, but the next day you will be physically exhausted and mentally unproductive. So, do not let fatigue and travel weariness rule your life.

TRY 'ALERT' FOODS, 'SLEEP' MENU

It sounds like a well-packaged marketing pitch, but an Indian company claims it serves the health conscious. Last year, ITC came up with a 'sleep' menu to promote a good night's rest and in 2016, introduced 'alert meets', a range of 'alert' foods low on carbs and sugars to ensure no one feels drowsy at a post-lunch meeting. The idea is to use ingredients that induces sleep or keeps you awake, as required.

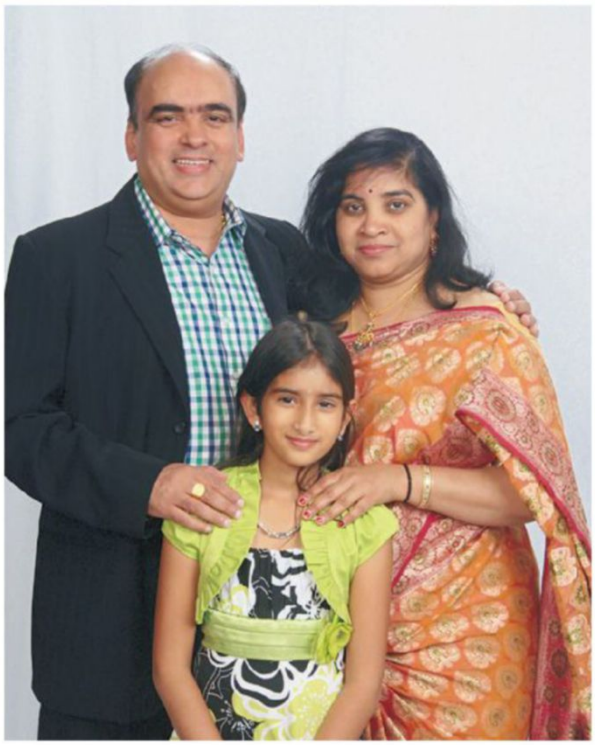
Vijay Nagpal, Corporate Chef at ITC Hotels, says, "We have developed the menu in consultation with the scientists at ITC's Life Sciences & Technology Centre in Bengaluru. During the trials (at a non-invasive sleep lab), we monitored sleep patterns that showed significant improvement in the quality of sleep upon consumption of the items from the 'Swasthya' menu before bedtime. For meetings, we offer 'alert meets' that score high on health and taste."

You can also get a tailor-made menu at any star hotel. Most of them offer health foods such as low gluten diet or diabetic-friendly meals with sugar-free desserts. Other than food, your bed and pillows, as well as the lighting and air quality of the room, will help you sleep well. BT



MAKING A DIFFERENCE THROUGH TECH INNOVATION

Founder and CEO of Vajra Soft Inc, Kameshwar Eranki, holds the vision of transforming healthcare management in India through technology innovations Kameshwar Eranki, 48, the founder and CEO of Vajra Soft Inc, an intellectual property management software company based in the Silicon Valley, is an innovative techie and entrepreneur with a vision to make a significant positive difference to as many people as possible through innovative applications of technology. InnoAccel is Indian Co Enabling Innovation with Disruptive Technologies and Transforming with proactive Healthcare.



His company, Vajra Soft, helps customers manage innovations and monetize intellectual properties. With over 25 years of rich experience in software product and business development, Eranki has architected several award-winning cloud applications and spearheads the growth of products and customer portfolios. His several achievements as a tech-entrepreneur include building innovative intellectual property products and solutions and consistently striving for customer delight. He is also a renowned big data exponent and global IP expert.

Eranki's endeavour for his work in India is to promote innovation across domains and verticals, with proactive healthcare being among the foremost, through his company, Vajra Soft & InnoAccel in India. "Proactive healthcare management is the need of the hour," says Eranki, adding that the present reactive healthcare has several gaps, is rather expensive and does not cater to patient needs in the most effective or timely manner. Proactive healthcare, instead, he says, "can be a boon with technology innovations like cloud, IoT, analytics and more, with connectivity over phones and devices, for providing the right and timely response to patients in the most cost effective way. Leveraging on result-oriented partnerships with health care providers will also help cater to a wider range of clientele including senior citizens and rural sectors," he says.

Eranki is of the view that proactive healthcare management has the potential to transform the entire healthcare landscape and evolve new business models with innovation as a win-win combination for a billion Indians, and to also extend outreach to other markets in Africa, North America and the like.

The inspiration for this vision goes back to his early childhood when he saw quite a few of his family members suffer due to medical inadequacies. Coming from a family of intellectuals from Hyderabad, Eranki chose to pursue a career in e-business and holds dual master's degrees in e-business systems and technologies and science in electronic commerce from Golden Gate University, San Francisco, USA.

He has pioneered e-learning and transformed education delivery through technology rather than traditional classrooms. He has also architected cloud banking to transform & redefine customer banking and services. Eranki has published 14 books in the fields of software programming technologies and IP management, besides designing over 47 graduate courses in innovation and IP management to help shape several innovation-driven entrepreneurs and world class patent, IP & Innovation experts.

Having worked with several global companies and fostering innovation with more than 20 disruptive technologies with a market opportunity of three trillion USD currently, Eranki has won several awards in the areas of Cloud, big data, analytics, IP and Innovation space by global forums, innovation councils, CIO Magazine and Silicon Valley forums among others. He is leveraging innovation driven entrepreneurship to foster innovation driven startup's and mentor next generation entrepreneur's.

Among his greatest inspirations are his father, mentor Pandit E.V. Subba Rao, former Advisor and Secretary to the chief minister of Andhra Pradesh and was instrumental in helping to create thousands of jobs in the state. "Besides him, I have always looked up on Sri. Cariappa who mentored on techno-commercials, and also the inscrutable N T Rama Rao as an idol, for his incorrigible determination and all you need in life is ignorance and confidence approach in life," says Eranki.

When not working or writing on technology, Eranki is often found pursuing his interest in Telescopic Astronomy and astrophotography. "I am also rather fond of Telugu sahityam (literature) and love reading or penning works in my leisure time," says Eranki, signing off.

LUXURY

LUXE TIMES

A LOOK AT WHAT'S MAKING WAVES IN THE WORLD OF LUXURY.

COURTESY: ROBB REPORT INDIA

Gucci Garden in Florence has a wide range of pieces from collections dating back to the fashion house's origins in 1921

Fashion

More Than a Label

Luxury brands have ceased to be mere labels on handbags and shoes. For instance, the new Gucci Garden in Florence, designed by Creative Director Alessandro Michele, has a wide range of pieces from collections dating back to the fashion house's origins in 1921; clothing, accessories, video installations, artworks, documents and artefacts are displayed over two floors of the Gucci Garden Galleria, organised by themes. Contemporary items are juxtaposed with vintage pieces; artists Jayde Fish, Trevor Andrew and Coco Capitán have been invited to decorate walls, and their works sit alongside the Gucci fabric patterned wallpaper and a giant 19th equestrian oil portrait, Fantino con bambina, by Domenico Induno. Chef Massimo Bottura, internationally famed for his three-Michelin-star Osteria Francescana, has been invited to open a restaurant on the ground floor.

Food

MICHELIN MILE

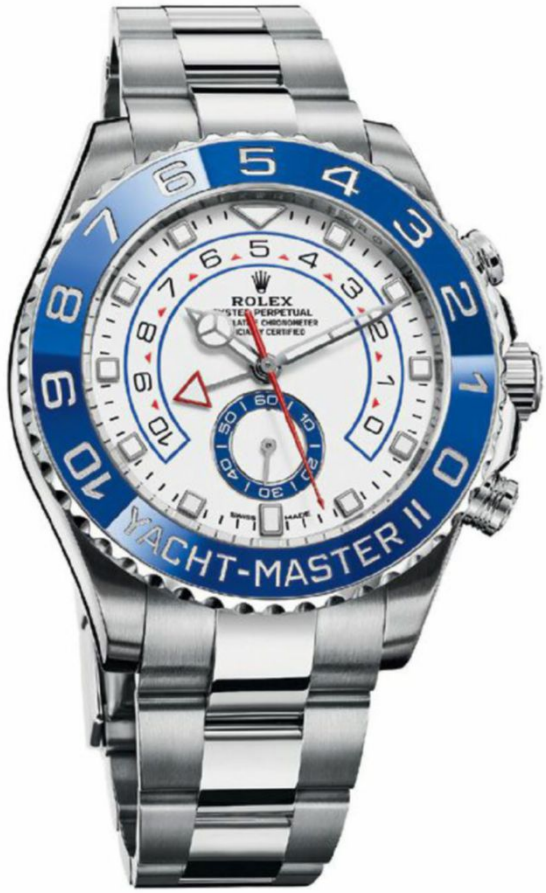
The joke among well-travelled Indians is that the best Indian food is to be had in London. The Michelin Mile, a square mile of the tony Mayfair and Belgravia in London that hosts as many as six Michelin-starred Indian restaurants (with the addition of Indian Accent, a seventh may not be that far), is proof. There's Tamarind, opened in 1995, serving north Indian cuisine and till 2015 home to chef Alfred Prasad; Benaras, which Atul Kochhar has put on the world food map; Trishna and Gymkhana, both owned by Karam Sethi; The Leela Group's Jamavar where Rohit Ghai works his magic; and Veeraswamy, London's oldest Indian restaurant, open since 1926.

Atul Kochhar and his Benaras restaurant

Watches

AFFORDABLE LUXURY

One of the consequences of the GST Council reducing tax rates on watches – to 18 per cent from 28 per cent – is that luxury watches such as Rolex and Cartier are now priced low in India. Authorised retailers of these watch brands ensured lowering of prices by 7-10 per cent, passing on the benefits of reduced GST to consumers, and reducing the incidence of watch smuggling.



Art

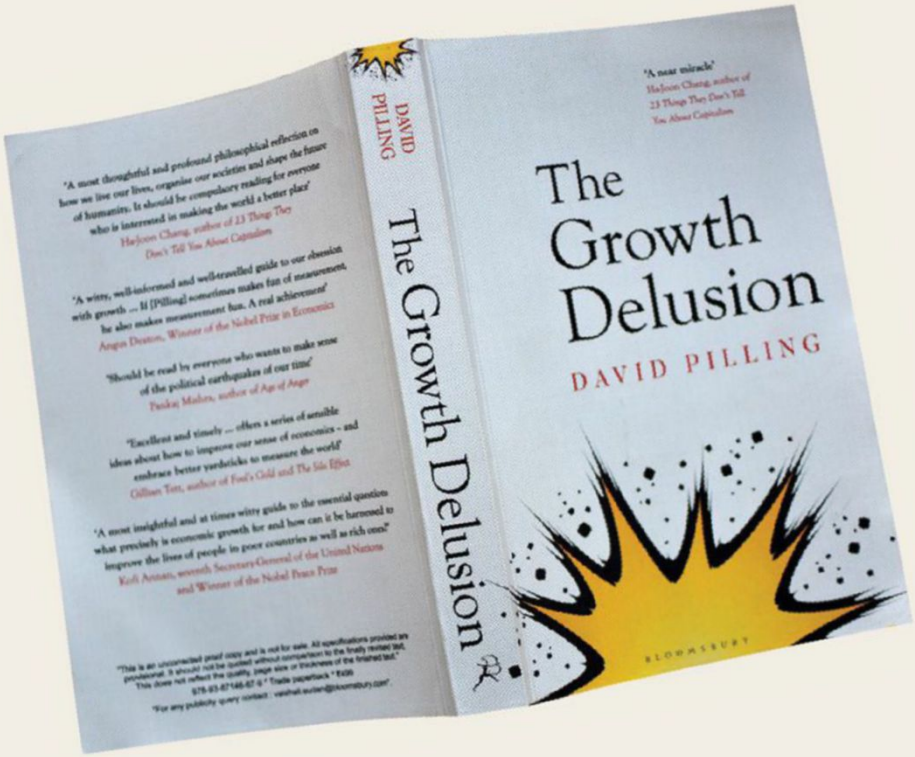
Look East

The sixth edition of Art Basel in Hong Kong has a strong representation from galleries across India – from Chemould Prescott Road to Experimenter, Nature Morte to Vadehra Art Gallery in the Galleries sector, the main sector of the show; Gallery Espace and Sakshi Gallery in the Insights sector; and Jhaveri Contemporary, GALLERYSKE and Tarq in the Discoveries section. Among the stars will be Manjunath Kamath, whose work is strongly influenced by folk art and American photographer Waswo X. Waswo, famous for his chemical-processed, sepia-toned photographs of India. Artist duo Pors-Rao (Aparna Rao and Soren Pors) will present a digital interactive booth at GALLERYSKE, continuing their survey on human behaviour; and Vivek Vilasini will present possibly his most political work yet, addressing climate change and pollution.

Travel

Coming Soon

SIX SENSES has made its India debut with Six Senses Fort Barwara this year. It's a 14th-century fort in Chauth Ka Barwara, three hours from Jaipur. Constructed by the Chauhans, it was conquered by the Rajawats in 1734. During World War II, Raja Man Singh of Barwara fought alongside the British and was given the title of Rao Bahadur. His grandson, Prithviraj Singh, is now restoring the fort. It will have 48 suites, two restaurants, two swimming pools and a children's club. The jewel in its crown will be the Six Senses Spa and Fitness Centre, spread over 2,800 square metres, offering a range of Ayurveda treatments, and meditation and wellness programmes. It is just 30 minutes away from the Ranthambhore National Park. BT



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The Growth Delusion

By David Pilling
Bloomsbury
Pages: 368
Price: ₹499

EX-LIBRIS

GROSS DEFICIENT PRODUCT

THE AUTHOR OF THIS THOROUGHLY ENTERTAINING AND THOUGHT-PROVOKING BOOK POINTS TO ALL THAT IS WRONG WITH THE WAY WE MEASURE GROWTH.

By Prosenjit Datta

LET US JUST say this is not a book that will gladden the hearts of the finance ministry mandarins. After all, India's economic policymakers take great pride in the fact that the country is projected to be the fastest growing major economy in the next decade. And we will probably grow faster than China for the next 10 years or so. But David Pilling's thesis is that GDP is outdated and flawed, and that economists and countries should now junk it.

Pilling is no economic dilettante. He has reported on economic affairs for 25 years from across five continents and is currently the Africa editor of *Financial Times*. He has researched his topic thoroughly. Pilling points out that in the early days of reporting, he "taught himself how to compare every number to GDP and to mention it in every possible article – to lend a bit of gravitas." But over the years, he realised that seeing everything through the prism of GDP growth was distorting our view of what is really important, and hence this book. He combines deep scholarship with witty writing to bring out a thoroughly entertaining and thought-provoking volume.

Pilling starts off with the origins and subsequent refinements of GDP (and of trying to measure the national income of a country even before GDP was created). He talks about how Simon Kuznets invented the GDP at the behest of Franklin D. Roosevelt, the then US President. However, GDP soon took on a life of its own, and it started measuring all the things that Kuznets had tried to keep out of it. (Among other things, he wanted to exclude defence spending.) In fact, it was the work of John Maynard Keynes that influenced GDP more because the British economist argued that government spending be included in the measurement of national income – a revolutionary idea at that time. Pilling says that although Kuznets is credited with the invention of GDP, he was never very comfortable about the way it turned out – and the way GDP is measured currently probably owes far more to Keynes than to Kuznets.

Pilling's problem with GDP are many. The two biggest ones are: it measures both good and bad production and adds that to the overall

GDP number; and equally, it does not measure all sorts of things that are important to a nation and its citizens. Take the first one. In the UK, Britain's Office of National Statistics, in 2012, set about estimating the number of prostitutes because earnings from prostitution would add to the GDP, as would drugs like cocaine and heroin changing hands. Wars would be good for GDP, especially the effort of reconstruction after a war. A hurricane destroying homes would also be good because of the rebuilding that would follow. On the other hand, GDP would not count housework. The obsession with GDP growth also invariably promotes all sorts of industries that contribute to pollution and destroy the environment, and also encourages senseless consumption.

The second issue is that GDP does not measure aspects like quality of life or inequality; it does not actually reflect the well-being of a country. A nation with a handful of extremely rich people while the rest live in poverty would not be captured in GDP measurement. But if GDP is not the answer for policymakers, what is? In the last part of the book, Pilling explores alternate measurements – from the Genuine Progress Index to the Happiness Index to the Human Development Index. None of them are perfect, but they try to capture dimensions of well-being better than GDP.

As an Indian business journalist, I am not sure that our government (or any other) can dispense with GDP altogether. But I agree with Pilling that other indices need to supplement GDP – the Happiness Index and the Inequality Adjusted Human Development Index might be good to add immediately. Many developed (and even developing) countries are focussing on happiness and other emotional needs. Britain has recently appointed a minister for loneliness. India could adopt some of these ideas. BT

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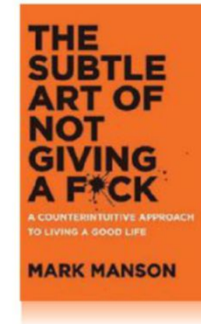

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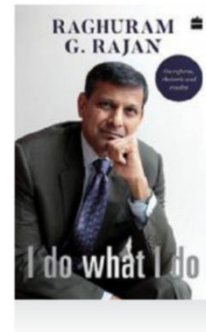

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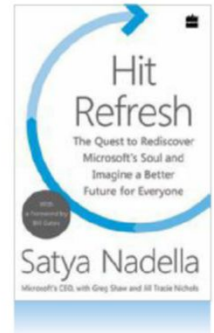

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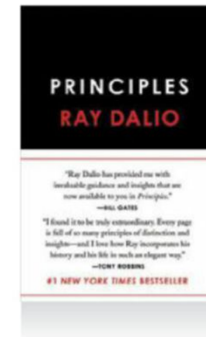

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BT MINDRUSH

REFORM 3.0

WITH THE "REBRAIN OR ROT" THEME, THE FIFTH EDITION OF BT MINDRUSH TACKLED ISSUES CHALLENGING CORPORATE INDIA.

BY TEAM BT

PHOTOGRAPHS BY MILIND SHILTE & MANDAR DEODHAR

Winners of the BT Best CEO Awards with Union Minister of State for Civil Aviation, Jayant Sinha, and Aroon Purie, Chairman and Editor-in-Chief, India Today Group

It's happened all along in New Delhi. This time, the fifth edition of BT's annual brainstorming event BT MindRush was held on January 13 at The St Regis in India's financial capital, Mumbai. After all, that's where most CEOs of India Inc are located. The theme – "Rebrain or Rot" – was bound to bring in diverse opinions at a time when technology is changing almost everything – be it the way people work, commute or even eat.

The day started off with a panel discussion on "How to Make Baby Boomers, Gen-Xers, Millennials Work in One Frame." Eminent human resource professionals from across industries explained how the disruptive workforce of today has to balance the vast and varied employee culture. Most of the panel agreed on how baby boomers and gen-Xers are more inclined towards self learning, while millenials need a more one-on-one approach.

That was followed by a Masterclass by Eduardo Briceno, Co-founder of Mindset Works and California based business education

Business Today MIND RUSH ROR* *REBRAIN OR ROT

Jayant Sinha delivering the keynote address at the BT MindRush

Kenichi Ayukawa, Managing Director & CEO, Maruti Suzuki India, receiving the Champion of Champions Award from Jayant Sinha and Aroon Purie

A.M. Naik, Group Chairman, L&T receiving the Lifetime Achievement Award

expert and growth mindset researcher. Talking on the theme, 'Mastering the Normal', Briceno stated that a growth mindset culture leads to faster growth and improvement, higher performance and resilence, greater creativity and innovation and diversity for business leaders and organisations. He pointed out that people having a fixed mindset look at their goals as 'smart.' Those with a growth mindset aspire for learning and improvement. According to him, when life's challenges come up, such people show greater resilience as opposed to those with a fixed mindset.

Then there was a session on 'Reimagining Organisations'. Lisa Gill, Founder of Reimaginaire, presented her assessment on how organisations are experimenting, and building new structures. She elaborated how the traditional paradigm of a parent-child relationship, where managers would take responsibility, and own the problem, should move to a more adult-adult relationship, where both hold equal responsibility for growth. "No hierarchy and no bureaucracy is not the answer," she said. The manager is accountable and responsible, however the responsibility rests on the employees, which she notes, "Is a much more partnership and trust based paradigm." This thought led into the panel discussing how an organisation can realise that it is time to change, where the panelists Janmejaya Sinha, chairman, BCG and Sunil Lulla, MD & Chairman, Grey Worldwide agreed that change is a constant and one cannot sit back at any point. Sinha said, "You have to be able to shed the past of success and change what is not broken," adding that

IN MASTERCLASS, EDUARDO BRICENO STATED THAT A GROWTH MINDSET CULTURE LEADS TO BETTER PERFORMANCE

inaction is sure death. "When you cannot predict or shape the future, you need to be agile," he said. Lulla added that companies get pushed by consumers, competitors and ambition. They need to find new focus.

At a time when the economy is just trying to get off the slouch thanks to demonetisation and the introduction of Goods & Services Tax (GST), all hopes are on the Union Budget, the last big one in this government's tenure. Talking about the challenges before the government which are likely to be addressed in this Budget, R.S. Sodhi, MD, Amul, said: "68 per cent of people are living in villages. But the type of skills required to be given in rural India are not up to the market. We need to provide better skills to rural India. Moreover when it comes to agriculture, we have to think about other crops such as horticulture where productivity is higher. Animal husbandry is another area to look at. The government should provide more budget to create jobs in rural India than urban India."

MOTIVATIONAL SPEAKER MARK INGLIS POURED OUT HIS LIFE'S LEARNINGS ON GOING ABOVE FAILURE AND BEYOND SUCCES.

Ajit Ranade, Chief Economist, Aditya Birla group, said: "The focus should be on providing more jobs, as challenge is to create 20 -30 million jobs per year. We are seeing the youth unrest which needs to be taken care of." State Bank of India's Chief Economist, Soumya Kanti Ghosh stated that the story of jobless growth is a little bit exaggerated. If you look at data such as increase in provident fund accounts it is not true. Though jobs have to be created the most important thing is women's participation which is declining."

After a heavy discussion on the economy, it was a time for funny one liners and anecdotes as motivational and inspirational speaker Mark Inglis poured out his life's learnings on going above failure and beyond success. Giving instances from his life journey, he talked about the ever-present need to re-imagine, innovate, and re-brain. Inglis called two participants on stage to re-enact the incident in which the 23-year old Inglis lost his limbs to frostbite after being stuck in snow for 324 hours on Mount Cook. The 58-year-old New Zealander said he stayed alive for two reasons – "knowledge to make the right decisions to survive and faith in the team." He said: "Attitude defines your altitude. There's nothing more important for a mountaineer."

Mark Inglis, mountaineer and motivational speaker who lost his limbs to frostbite on New Zealand's Mount Cook, telling the audience on how to re-imagine, innovate and re-brain

Welcoming union minister Jayant Sinha, Aroon Purie, Chairman and Editor-in-Chief, India Today Group stated how the fourth industrial revolution with new developments in technology

Masterclass by Eduardo Briceno, Co-founder of Mindset Works, on the theme, 'Mastering the Normal'

Lisa Gill, Founder, Reimaginaire, on how corporations are going about building new structures.

was changing everything in people's lives. In the world of finance, professional investment managers and bankers are wondering how to deal with the challenge posed by the rise and rise of bitcoin and the other cryptocurrencies. In today's world of constant disruptions, there is no CEO or business leader who not thinking constantly about the future. It is about 'Rebraining' yourself. Prosenjit Datta, Editor, Business Today said: "I believe it is particularly relevant today given the fact that we are passing through the fourth industrial revolution, rapidly changing global dynamics and policy revolutions at home. Disruption has become the new normal for businesses and society," said.

Union Minister of State for Civil Aviation, Jayant Sinha was the chief guest and gave away the Best CEO Awards. In his address, Sinha said, "We are witnessing reform 3.0," talking about formalisation of the economy with GST and demonetisation, the setting up of the Monetary Policy Committee, bankruptcy code, building of infrastructure and steps to increase social security, among other things. He said while the ground work has been done, the economy will have to be taken forward by businesses and leaders. "We in India have to develop our own model," he said.

The finale was the awards ceremony. The awards were divided into four categories. There were 11 sector-based awards, four on size – small, medium, large and super large. Then there was the Champion of Champions. Also introduced this year was an award for Lifetime Achievement. Kenichi Ayukawa, MD & CEO, Maruti Suzuki India won three awards. He won the Champion of Champions Award. In addition to that he also won the sector award for auto & ancillaries and for large companies. The Lifetime Achievement Award was for two stalwarts, A.M. Naik, Group Chairman, L&T and Y.C. Deveshwar, Chairman, ITC.

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TIMOTHY P. HANLEY
Global Leader, Consumer and Industrial Products, Deloitte

PHOTOGRAPH BY SHEKHAR GHOSH

Q. The biggest challenge you faced in your career

A. I was the Managing Partner of Arthur Andersen (managing the Milwaukee, Wisconsin, audit practice) in 2002 when it was knocked out of business. So, the biggest personal challenge I faced was leading our entire practice to a new firm, Deloitte.

Q. Your best teacher in business

A. My best teacher is a partner who mentored me early in my career. I worked for him when I was just out of college and worked with him all the way through my partnerships. I still learn things from him.

Q. One management lesson for young people

A. It's a simple one. I have always lived by the rule that you must treat people as you would like to be treated. Always keep that in mind, and people who work for you will respect you.

Q. Two essential qualities a leader must have

A. One is vision – you should help people understand what role they need to play. The second is discipline without which it is difficult to lead people. BT

"YOU MUST TREAT PEOPLE AS YOU WOULD LIKE TO BE TREATED. KEEP THAT IN MIND, AND PEOPLE WHO WORK FOR YOU WILL RESPECT YOU"

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