

SAJJAN JINDAL'S
SHOPPING SPREE

IN CONVERSATION
WITH PIYUSH GOYAL

NSE VS PRIVATE
EQUITY INVESTORS

business today

for managing tomorrow

www.businesstoday.in

June 19, 2016 ₹60



SHEDDING DEBT

The RBI and the government are forcing big companies to reduce their debt burden. Bharti, Jaypee, Essar, Tata Power and a few others are showing how to do it right



INDIA TODAY

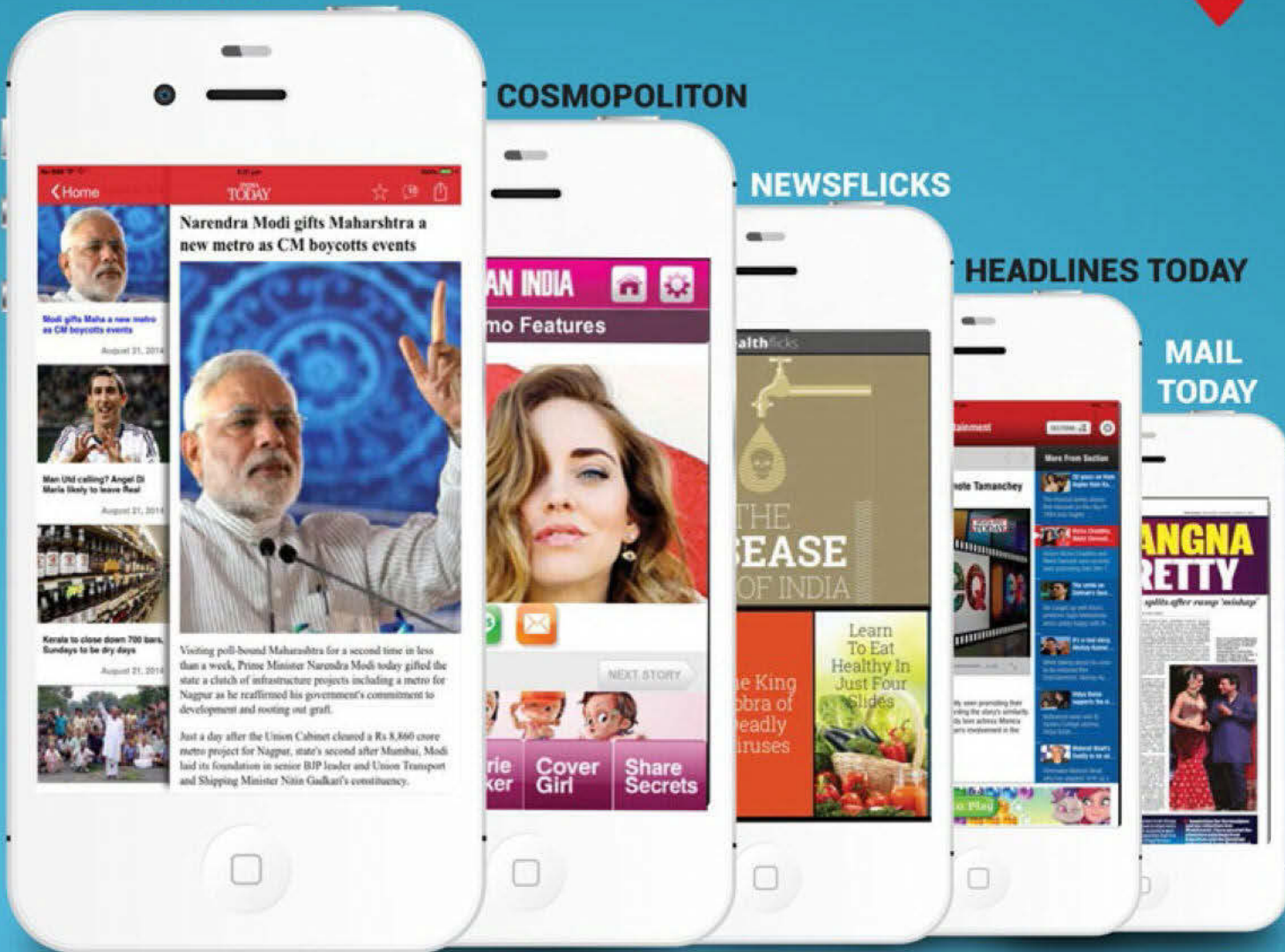


COSMOPOLITON

NEWSFLICKS

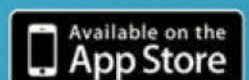
HEADLINES TODAY

MAIL
TODAY



STAY CONNECTED
STAY INFORMED

WITH
INDIA TODAY GROUP APPS



DOWNLOAD INDIA TODAY APPS

visit WWW.INDIATODAY.IN/APPS

MARUTI SUZUKI

Way of Life!

Ciaz AUTOMATIC

Makes you forget you're driving.

Get behind the wheel of Ciaz Automatic and gear up for the smoothest driving experience. The technology behind this Ciaz guarantees an easy and fluid drive through bustling city streets and breathtaking vistas. In all, the seamless shifting, luxurious interiors and clutch-free driving experience ensure that your ride is absolutely effortless and supremely comfortable.



Features shown may vary from variant to variant. Car colour may vary due to printing on paper. Accessories shown in pictures may not be a part of standard equipment. Automatic Transmission is available in Petrol. FOR TEST DRIVE, PLEASE VISIT YOUR NEAREST MARUTI SUZUKI DEALERSHIP TODAY OR CALL AT 1800 102 7800 (TOLL FREE).

From the Editor

Rationalising Debt

In 2003, the global economy started growing rapidly, after two years of lacklustre growth following the great tech crash of 1999/2000. The growth peaked in 2006, and the year 2007 continued to be nearly as good. In the western countries, the growth was largely fuelled by a housing bubble and a boom in the financial markets that were creating and trading in all sorts of exotic instruments. Only a small fraction – less than 10 per cent by some estimates – went to businesses that were not in the real estate or finance sectors.

In developing countries – especially the BRIC nations – growth was driven more by real industrial capacity creation and growing consumer demand. Among the corporate houses in India, this was a time of great optimism and most big companies and groups chalked out highly ambitious growth plans, which included big greenfield projects as well as domestic and overseas acquisitions. Companies were drawing up humongous investment plans in every sector. Most of them borrowed heavily from banks and also issued debt instruments to finance their plans. The period 2004–2008 saw an industrial credit boom in India, with a big chunk of money going to infrastructure and realty.

In the US and Europe, the problems in the financial sector were apparent as early as 2007, but it was in September 2008, when the Lehman Brothers filed for bankruptcy protection that the real crisis hit. Lehman Brothers was the single biggest company to have filed for Chapter 11 bankruptcy protection till then.

The Lehman Brothers' crisis roiled the global financial markets and most economies around the world were faced with an abrupt slowdown. In the US, the way to stave off the unprecedented crisis was a government stimulus.

In India, though, the full effects of the global economic slowdown was not felt even in 2009. By 2010, the government had realised that India was not exactly insulated from the global crisis even if the worst had been avoided.

To keep the economic growth from slowing further, the

Indian government decided to provide a mild stimulus to the economy and encouraged companies, especially infrastructure companies, to take even more loans. The idea was that as more projects got off the ground, the economy would start growing fast again.

In theory it was a good idea, but it didn't work out well in practice. Banks, especially public sector banks, lent money aggressively to all sorts of companies, without exactly examining cash flows or project feasibility too carefully.

The fact that the UPA government itself was making all sorts of mistakes and was in the grip of a policy paralysis made many projects unviable. By 2013/14, Indian business groups and companies had enormous debt on their books, some of which could clearly not be serviced easily because their revenue projections were badly off the mark. Meanwhile, public sector banks saw their non-performing assets or bad loans rising to crisis proportions.

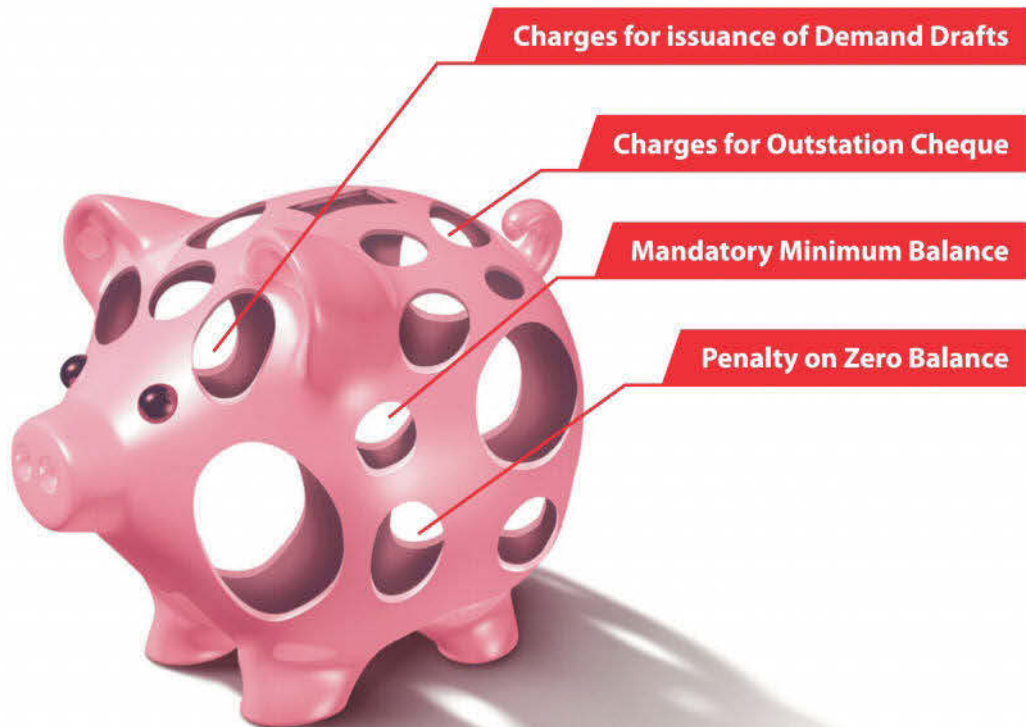
In the past two years, several companies – especially the big ones – have tried to rationalise their debt. Some have done it proactively, while others have been pushed by banks (which in turn were prodded by the Reserve Bank of India). Some have just tried to sell off assets acquired during better times. Others have refinanced debt, swapping high-cost debt with low-cost ones. Still others have raised equity to reduce the debt burden.

Our cover story (page 48) by Managing Editor Rajeev Dubey looks at how companies have started managing their debt actively, and what are the lessons that can be learnt from the best ones.



Prosenjit Datta
prosenjit.datta@intoday.com
@ProsaicView

Is your existing Savings Account *really saving?*



**Choose from Bank of Baroda's range of Savings Accounts.
With in-built features and benefits that help you save
both time and money.**

Savings Bank Account	Super Savings Bank Account	Baroda Salary Advantage Savings Account
<ul style="list-style-type: none">Unlimited debit card use at our Bank's ATMFree Net Banking, Mobile Banking & M PassbookBaroda Rewardz – An attractive loyalty Program on usage of debit cards in online purchasesBalance Enquiry through Missed call Alert	<ul style="list-style-type: none">Earn short deposit Interest on balance above Rs. 20,000Auto Sweep/Reverse Sweep facilityFree unlimited cheque book and Demand drafts25% discount on demat services	<ul style="list-style-type: none">Clean Overdraft facility available upto Rs. 1 lacNo minimum balance requirementAirport Lounge Access for Platinum Master/RuPay card.Balance Enquiry through Missed call Alert

Conditions Apply.

Call toll free no. | 1800 22 33 44
6 am - 10 pm | 1800 102 44 55
Web Chat-24X7
www.bankofbaroda.co.in

Follow us on   

 बैंक ऑफ बड़ौदा
Bank of Baroda
India's International Bank



Utterly Butterly Delicious Amul!

This refers to your cover story on the dairy market (*The 80,000-crore Milk Market*, June 5). The value-added products market has exploded exponentially over the past few years. The journey of the “utterly butterly delicious” Amul – as I remember – towards becoming the biggest cooperative movement is quite interesting to read. Being the largest producer of milk and dairy products in the world, India has experienced tremendous growth in per capita availability of milk over the past five years. Also, it is a proud moment for the unorganised sector, comprising small farmers, which accounts for a major share of the Indian dairy products market. Kudos to the BT team for bringing out such a nice analytical piece on this white gold.

Namita P., Faridabad

Precious Commodity

This refers to your article on water (*The Economics of Water*, May 22).

Today, the water situation across the country is very grim. Let us wake up to the harsh reality of the situation and take expeditious steps to preserve and conserve this precious commodity. Nature has given us everything in abundance, but unfortunately we have not learnt to respect it. Now water is, more or less, a free commodity that must change to full-cost recovery. A good monsoon is necessary every year but excessive dependence on it is not desirable. The government has the onerous responsibility to build adequate infrastructure to prevent water scarcity. If the BJP government is successful in completing the project, it will be the biggest achievement for the party. No doubt its credibility and image will be enhanced further.

Srinivasan Umashankar, Nagpur

Posing a Terror Threat?

This refers to your story titled *The Economics of Water*. Off and on we keep reading disturbing media reports like “Why global water shortages pose threat of terror and war”, “Will water supplies provoke World War III”, “The next big wars will be fought over water”, hinting that the next World War could definitely be over water. Indeed, water scarcity is a global issue and needs to be top priority for governments across the world. Sometime ago, there was a media headline: “Now, a machine that produces water out of thin air...”. Eureka Forbes was reportedly test-marketing a product which, when commercially rolled out, would be the first air-water generator in India. This is the first time such a product is being indigenously

built. While the company did not indicate the investment behind the project or the cost of the machine it proposes to launch, industry sources say it is likely to be priced at ₹90,000-1,00,000 a unit, if benchmarked against similar products available in the West. Globally, air-water generators are available for \$1,500-2,000 a unit, depending on the sophistication of the technology and the amount of water it can produce. So, in short, problems are there but then innovative solutions need to be found to avert future wars.

J.S. Broca, New Delhi

Growing Cyber Crime

This refers to your article on data security (*Sitting Ducks*, May 22). Experts are of the view that cyber thieves have ditched their old ways of making money – stealing credit card numbers and bank account credentials – in favour of ransomware. Hackers encrypt computers or critical files until you pay a ransom to unlock them. Malvertising is another popular method where malware gets delivered into the advertisers’ network. Recently, *The New York Times* was struck with this. In another instance, hackers broke into the Los Angeles Hollywood Presbyterian Medical Center’s servers and demanded \$3.6 million in bitcoin. In this age of digital information, we mostly leave our digital footprints all over the place leading to a possible hacking. We need to pre-empt this emerging cyber threat on a priority basis to ensure safe networks.

H.N. Ramakrishna, Bangalore

Send all your comments to: editor.bt@intoday.com

HOW TO CONTACT



WRITE TO:
The Editor, Business Today, India Today Mediaplex, FC-8, Sector 16/A, Film City, Noida-201301.
Email: letters.bt@intoday.com/editor.bt@intoday.com
Website: www.besnesstoday.in
Unsolicited articles will not be returned or acknowledged.
Business Today reserves the right to edit letters for brevity and clarity before publication.

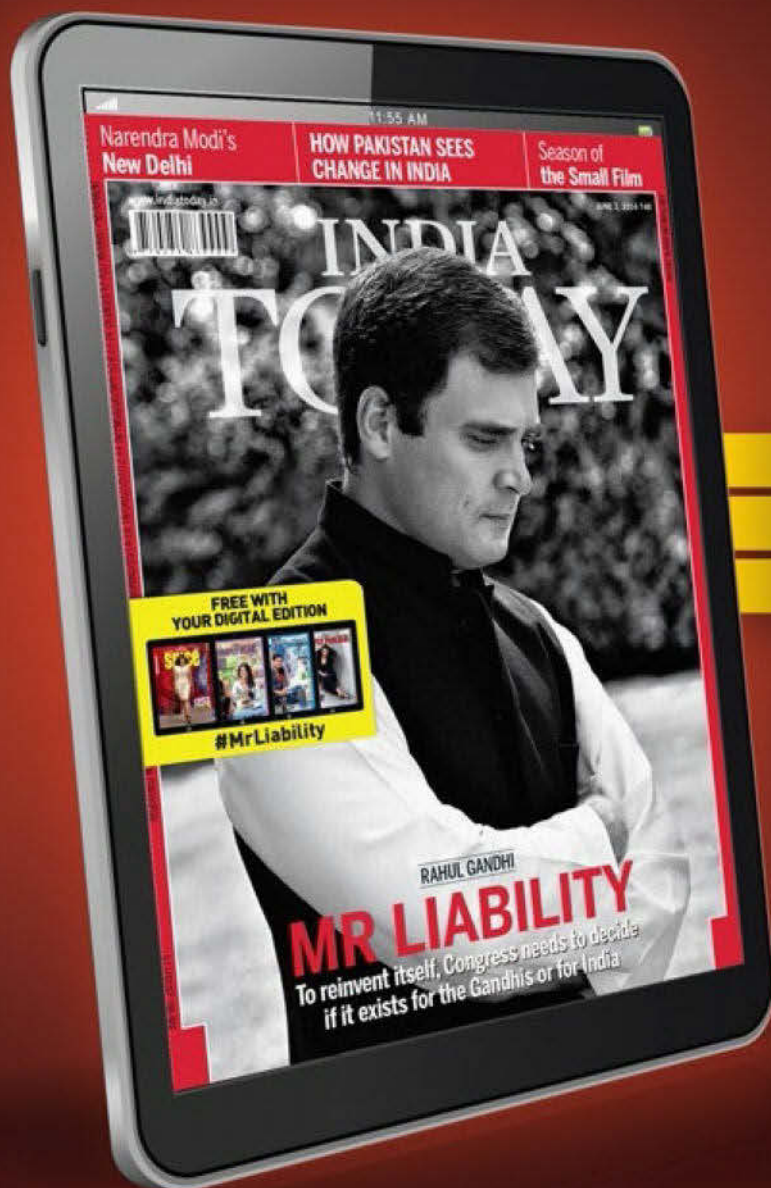
FOR SUBSCRIPTION ASSISTANCE WRITE TO:
Customer Care, India Today Group, A-61, Sector-57, Noida (U.P.) – 201 301
Phone: (0120) 2479900 from Delhi & Faridabad; (0120) 2479900 (Monday-Friday; 10 am-6 pm) from Rest of India; Toll free no. 1800 1800 100 (from BSNL/ MTNL lines); Fax: (0120) 4078080
E-mail: wecarebg@intoday.com

BT SCRAPBOOK

- ▷ React to articles in BT
- ▷ Suggest story ideas
- ▷ Share your experience as consumer or SME
- ▷ See what others have to say on our stories on scrapbook at www.besnesstoday.in



INDIA TODAY DIGITAL MAGAZINE



ANYTIME

ANYWHERE

ANY DEVICE*

SUBSCRIBE NOW

www.intoday.in/digitalmagazine

Available on the
App Store

ANDROID APP ON
Google play

AVAILABLE ON



Scan to visit the page



CONTENTS

COVER BY NILANJAN DAS

JUNE/19/2016
VOLUME 25/NUMBER 12

COVER STORY

SHEDDING DEBT

The RBI and the government are forcing big borrowers to reduce leverage. Some companies are managing it better than others

48



ILLUSTRATION BY ANK THAKKURI

UPFRONT

12 | Quick takes
on major events

16 | Graphiti:
The Report Card



FOCUS

18 | FMs Propose, Markets Dispose
Successive finance ministers have announced new institutions or policies for the financial marketplace, but not many have achieved their stated goals

COLUMN/Ashok V. Desai

20 | RBI's Exposure Issues

Obliging the government has come before controlling overexposure to borrowers

22 | For Fiscal Discipline

The challenge for the five-member review committee is to chart out a more effective FRBM road map

COLUMN/Onno Ruhl and Frederico Gil Sander

24 | Good Luck Only Comes with Good Policies

For continuous growth, India needs to focus on raising more taxes and enhancing spending efficiency along with more economic reforms

26 | Experiment with Truth

Even before payments banks could get off the block, a few aspirants decided to call it quits. What next?

28 | Past Tense, Future...

India's exports may soon stop shrinking as base effect and rise in crude oil prices start to have an impact

30 | The Diesel Dilemma

A host of factors has prompted the Indian consumer to make a shift to petrol variants

COLUMN/Jodie Gunzberg

34 | It Is Not About the Dragon Alone

The commodity rebound is being driven more by the weakness in dollar and supply side issues than Chinese demand growth

FEATURES

36 | No Way Out

Private equity investors are unable to exit their investments in the National Stock Exchange, which refuses to list on a rival exchange

COLUMN/Rohini Lakshane

42 | Tweak the Make in India Recipe

Tax waivers, subsidies, reimbursement of duties or monetary grants alone can't kick-start manufacturing in India

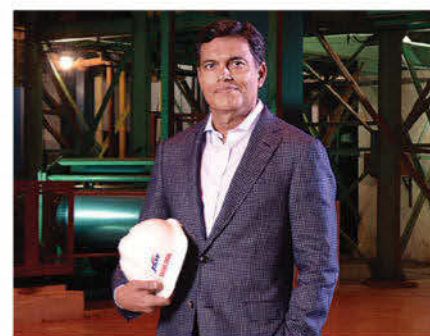
INTERVIEW

44 | "We can tell the world that India is now power surplus"

Piyush Goyal, Union Power Minister

60 | Jindal's Shopping Spree

Sajjan Jindal's JSW Group is in the midst of a rapid inorganic expansion, accumulating substantial debt in the process. Will the sizeable purchases burden the conglomerate in the long run?



66 | Fresh Dawn

After four years in the red, Jet Airways finally turns around. But sustaining this performance will be a bigger challenge

COLUMN/Ranjeev C. Dubey

72 | Commercially Sustainable Bankruptcy

The law must provide a framework in which entrepreneurs can either revive their failing businesses or seamlessly exit them and take another shot at commercial success



76 | The ₹ 88,000-crore Opportunity

Solutions to India's acute water crisis are a booming market

84 | On Fresh Turf

The Chennai-headquartered Freshdesk may become India's first software-as-a-service product Unicorn

HBR EXCLUSIVE

88 | The Organisational Apology

A step-by-step guide



STAY CONNECTED WITH US ON
[@BT_India](http://www.facebook.com/BusinessToday)

96

PERSONAL TECH

96 | Wristful Thinking
 A bevy of smartwatches in the market promises to make your life easier – whether at your desk or on the treadmill. Read on to know if you should buy one



EX-LIBRIS

100 | The Eighth Ring: The Big Fight

108 | PEOPLEBUSINESS

108



ARUNDHATI
BHATTACHARYA
SBI Chairperson

LEADERSPEAK

110 | Chuck Brymer

President & CEO, DDB Worldwide Communications Group

An IMPACT Feature

From time to time, you will see pages titled “An Impact Feature” or “Advertorial” in *Business Today*. This is no different from an advertisement and the magazine’s editorial staff is not involved in its creation in any way.

Find the Right Job on Page: 104-107

Jobs Today

Get Lucky. Get Active on Monster.

- Better Access • Better Connections
- Better Jobs

Powered by:
monster
 Find Better.™

PERSPECTIVES

It's Suzuki Now on Mileage Default

The latest to hit the mileage scandal is Suzuki Motor Corporation, the parent of Maruti Suzuki

businesstoday.in/suzuki-default

Merger of Public Sector Banks Is Back on Track

It's a fight for survival for PSBs as the digital banking initiatives rolled out by private banks and fintech companies are giving a tough fight to government banks

businesstoday.in/psubanks-merger

Why the RBI Governor Should Be Given a Second Term

Five reasons Raghuram Rajan should be on the hot seat

businesstoday.in/rbi-rajan

NEWS

Mercedes-Benz Puts on Hold All Investment in India

Ban on diesel vehicles in the Delhi-NCR market puts brakes on Mercedes

businesstoday.in/diesel-merc

Xiaomi Sells 600,000 Units of Redmi Note 3 in India in 60 Days

Redmi Note 3 is giving a tough competition to devices like Lenovo K4 Note and the LeEco 1s

businesstoday.in/xiaomi-redminote3

INTERVIEW



“India is incredibly important to us as a growth economy”

J. Michael McQuade, Senior Vice President for Science & Technology, United Technologies, in a chat with *Business Today*'s E. Kumar Sharma

businesstoday.in/india-mcquade



VIT[®]
UNIVERSITY
(Estd. u/s 3 of UGC Act 1956)

VELLORE ■ CHENNAI

www.vit.ac.in



ONLY VIT SCHOOL OF LAW GIVES YOU THE 3-IN-1 ADVANTAGE

FACULTY

- Experienced core faculty
- Guest lectures every week by eminent Judges, Senior Advocates, Professors and Administrators of Law
- Visiting Faculty from University of Chicago and New York University
- Research based teaching

HANDS-ON LEARNING

- Weekly Moot Court Sessions and Legal Aid Clinics
- Research and Innovation Lab
- Mandatory Internship after every semester
- Clinical method of teaching

INFRASTRUCTURE

- Fully equipped Moot Court hall of International standards
- Well stocked RFID enabled AC library, open all year round
- Availability of Manupatra, Lexis Nexis and AIR Online databases

VITSOL

VIT School of Law, Chennai

ADMISSIONS 2016 CHENNAI CAMPUS

Applications are invited for admission to 5-year integrated programmes

BA, LLB (Hons) & BBA, LLB (Hons)

To apply online and for further details please visit www.vit.ac.in

Last date for applying - 6th June 2016

CLAT/
LSAT
score
mandatory

CONTACT DETAILS

Director - UG Admissions, Phone: +91-416-220 2157/2168, +91-44-3993 1555 (Chennai Campus)

Email: ugadmission@vit.ac.in

VIT – Ranked No.1 Private Engineering Institution by MHRD, Govt of India (NIRF-2016 ranking)



₹ 16,272.34 CRORE

the combined net loss of 20 public sector banks for the fourth quarter ended March 2016, as the bad loans situation worsened. **Punjab National Bank** led the way with ₹5,367.14 crore, followed by **Bank of India** at ₹3,587 crore and **Bank of Baroda** with ₹3,230 crore. **Allahabad Bank** reported a net loss of ₹581.13 crore.

HIGH-FLYING PLEDGE

After scripting one of the most remarkable turnaround stories of recent times, **Ajay Singh**, Chairman and Managing Director of **SpiceJet**, may finally start taking a salary – for the first time since he took charge of the ailing budget carrier in January 2015. Singh had promised not to take remuneration till the time the Gurgaon-based company was profitable for a full fiscal year.



HORLICKS HIJACKED

After launching noodles and personal care brands, and taking on giants like Nestle, Colgate, Palmolive and HUL, **Patanjali** now plans its own version of **GlaxoSmithKline's Horlicks**. The Patanjali product, though, is 5 per cent more expensive than Horlicks.

FLIP-FLOP

India's largest e-commerce company **Flipkart.com** has deferred the joining date for **IIM** grads by six months after making job offers. The company has been struggling to raise fresh funds and, therefore, is looking to cut costs. Flipkart reduced hiring to a trickle in recent times.



DESI BABU ANGREZI MIND

In a fresh salvo at **Raghuram Rajan**, BJP MP **Subramanian Swamy** alleged that RBI Governor was "mentally not fully Indian" and has "wilfully" wrecked the economy. Swamy's barb came under severe criticism and a petition by Change.org supporting Rajan for a second term in office got 45,646 online signatures.



Redefining The Art Of Luxury & Comfort

Presenting the all new Tata Winger Dicor and Tata Venture. The ultimate in luxury and comfort.



Ample leg room
and space

9 Wide contoured
Push back seats

2.2 Ltr DICOR Engine
with 100 HP power
& 190 Nm Torque

6.4 meters
turning radius

Side step for
easy entry & exit

Dual AC

Spacious headroom
& ample leg space

Seats 8 people comfortably
in the size of a hatchback

1.4 Ltr Turbo Diesel engine
with Intercooler
70 HP / 135 Nm Torque

4.5 metres turning radius

Reverse guiding system

In-built music system,
Dual AC



3 year / 3 lac Km whichever is earlier



2 year / 75000 Km whichever is earlier

winger
DICOR

For Inquires: SMS <WINGER> to 5616161 or
give a missed call at +91- 8030636006 or SMS <VENTURE> to 5616161

TATA
VENTURE

08 – 10

INCLUSIVE GROWTH

WHAT: International Forum on Urban Policy for Sustainable Development Goals

WHEN: June 8-10, Seoul

WHAT TO LOOK FOR: Idea exchange on how to facilitate and support cities in making human settlements inclusive, safe, resilient and sustainable and identify practical approaches and programmes for sharing policy experiences, best practices, as well as innovative technologies with all UN member countries.



SEOUL TOWER

14

ECONOMIES OF SCALE

WHAT: Enhancing the Ease of Doing Business for MSMEs

WHEN: June 14, New Delhi

WHAT TO LOOK FOR: A policy roundtable on enhancing ease of doing business for MSMEs. The event will devise strategies to improve the outreach of regulatory reforms, including the Udyog Aadhaar initiative and the new MSME policy, among others, on the basis of key suggestions from all stakeholders.

DIRT TO DIAMONDS

WHAT: 4th National Conference on Waste to Wealth

WHEN: June 21, New Delhi

WHAT TO LOOK FOR: The aim of the conference is to provide overview of the current state of waste management in the country, barriers faced in its effective management as well as to explore the enormous potential business opportunities in this sector.

21



13 – 17

WARMING UP

WHAT: Defence & Aerospace Business Delegation to Eurosatory 2016

WHEN: June 13-17, Paris

WHAT TO LOOK FOR: A Ficci and Invest India, the investment promotion and facilitation agency of the Government of India, delegation will visit Eurosatory 2016 in Paris to strengthen ties and trade cooperation with global companies eager to understand the potential of co-development and co-production opportunities in India.



24

BUILD UP

WHAT: 6th CII Manufacturing Innovation Conclave 2016

WHEN: June 24, New Delhi

WHAT TO LOOK FOR: Interactive sessions to showcase the power of innovation in manufacturing and knowledge-sharing and to give participants the acumen to generate new ideas, products, services and processes, and turn them into profit, driving investments, developing skills and building best-in-class infrastructure.

22 – 24

THOUGHT FOR FOOD

WHAT: Safe, Nutritious and Affordable Food for All

WHEN: June 22-24, Manila

WHAT TO LOOK FOR: Networking and partnership building to achieve global food security goals, not only in terms of quantity but in quality, using the value chain framework approach, and showcasing innovative, clever and state-of-the-art agricultural technologies.



STAY AHEAD OF THE CURVE

Business Today now available on iPad, iPhone,
Android, Kindle Fire, PC & Mac



Subscribe Now

WWW.BUSINESSTODAY.IN/DIGITALMAGAZINE

Tap to download & subscribe



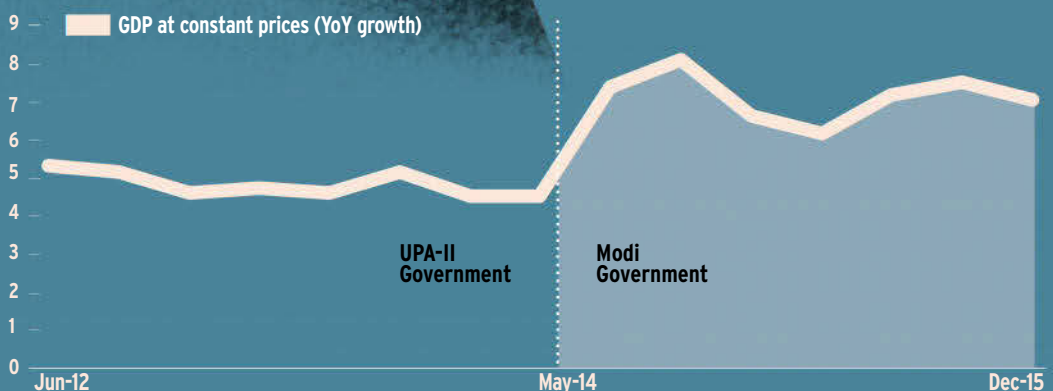
business today
FOR MANAGING TOMORROW

THE REPORT CARD

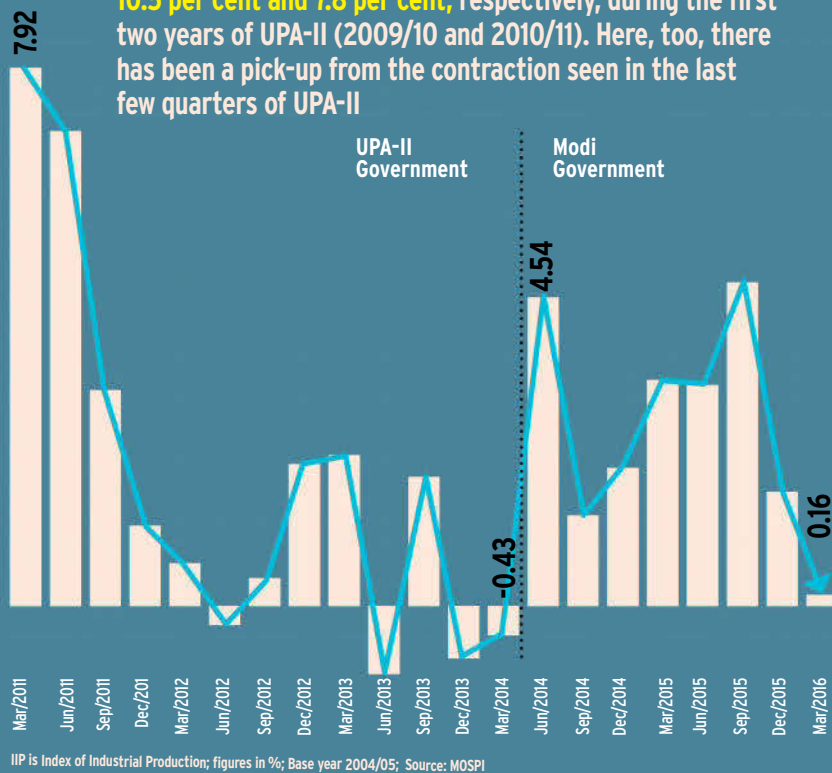
The Modi government's first two years will be remembered for several landmark steps such as Jan Dhan Yojana and Make In India, an initiative to encourage local manufacturing for job creation. It will also be known for passing of several important Bills (Insurance, Bankruptcy, Aadhaar, to name a few). Still, on a lot of parameters used to gauge economic performance, it is yet to make any significant mark. One big exception is, of course, inflation

Graphic by: **Safia Zahid** Research by: **Avneet Kaur**
Illustration by: **Ajay Thakuri**

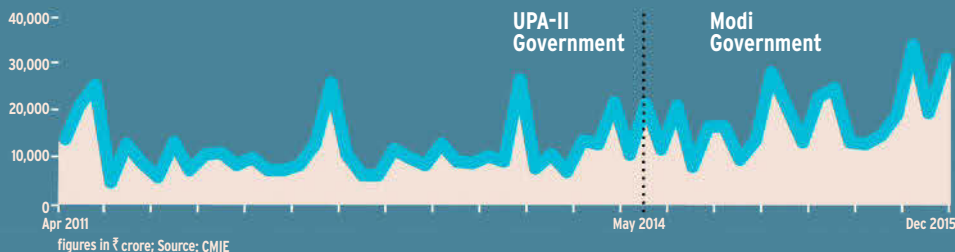
India's GDP expanded 7.1 per cent in the December 2015 quarter and 6.7 per cent in the December 2014 quarter. Though there has been some pick-up from where the UPA-II left, in December 2009 and December 2010 quarters (the first two years of UPA-II), the figures were 6.5 per cent and 8.3 per cent, respectively



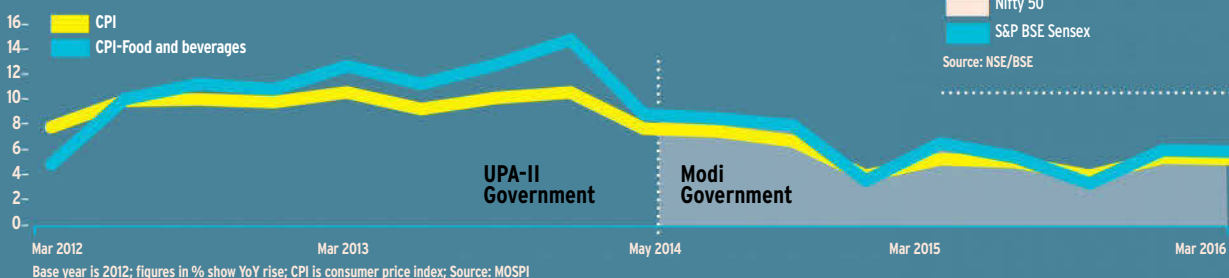
Growth in industrial production was 2.8 per cent and 2.4 per cent in 2014/15 and 2015/16, respectively. The figures were **10.5 per cent and 7.8 per cent**, respectively, during the first two years of UPA-II (2009/10 and 2010/11). Here, too, there has been a pick-up from the contraction seen in the last few quarters of UPA-II



FDI inflows over the 12 months starting October 2014 (Make in India was launched in September 2014) rose 29 per cent compared to the same period of the previous year



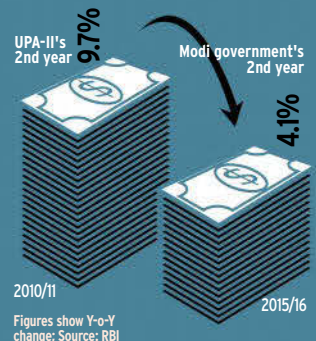
Controlling inflation has been the biggest singular success of the NDA government. Consumer price inflation was **5.79 per cent** during Jan-Mar 2016 compared to 8.81 per cent during the same period in 2014. The NDA had come to power in May 2014.



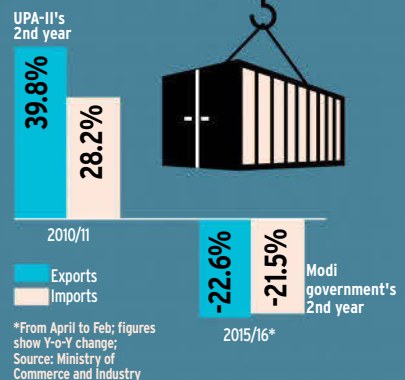
OTHER INDICATORS

Imports have declined, partly due to the fall in crude oil prices, but exports paint a grim picture of the country's global competitiveness. Addition to forex reserves has also slowed. Stock indices are also looking listless after a short-term spike following the NDA's win

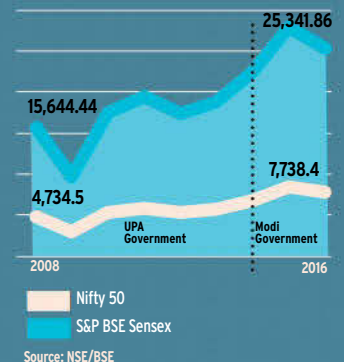
FOREIGN EXCHANGE RESERVES



EXPORTS AND IMPORTS



STOCK INDICES



FOCUS

26 Experiment with Truth

30 The Diesel Dilemma



P. Chidambaram

Union Budget 1996/97

United Front Government
Created a dedicated **infra institution**, IDFC, which is now a commercial bank

Union Budget 2014/15

UPA Government
Set up the Mahila Bank, which is now getting merged with SBI



Pranab Mukherjee

Union Budget 2010/11

UPA Government
Was in favour of new banking licences. RBI instead issued licence to MFIs, infrastructure institutions and created two new models – payments banks and small finance banks



Arun Jaitley

Union Budget 2015/16

NDA Government
Set up the Mudra Bank, which is yet to pick up steam. NABARD and SIDBI are already operating as refinancing institutions

FMs Propose, Markets Dispose

Successive finance ministers have announced new institutions for the financial marketplace, but not many have survived or achieved their stated goals. **By Anand Adhikari**

The verdict on special purpose banks is out. Several institutions, such as the populist Bharitya Mahila Bank, IDFC or, the youngest, Mudra, which were launched with much fanfare in Union Budgets over the years, have led to some sort of duplication in the market.

In the mid-1990s, the government had felt the need to create a specialised infrastructure institution. Infrastruc-

ture Development Finance Company (IDFC). P Chidambaram, the then finance minister under the United Front Government, had announced the proposal in the Union Budget 1996/97. After almost a decade and a half, cracks have begun to show in the model. IDFC had started feeling the pressure of concentration risk as the entire portfolio was in infrastructure assets, including telecommunication, power, roads and ports. In addition, rising competition from banks that expanded into infrastructure funding with low-cost deposits only added to the woes. Subsequently, the eventual conversion of IDFC into a bank actually marked the end of the developmental financial institution (DFI) era.

Earlier, two large DFIs – IDBI and ICICI – had already gone through the transformation, establishing themselves as full-scale banks, while IFCI just sank into oblivion. “IDFC’s cause was noble, but lack of a bond market to support the liabilities side of the balance sheet impacted its business model,” says Abizer Diwanji, National Leader (Financial Services), EY India. “We should have nurtured our DFIs like IDBI, IFCI or UTI,” says the CEO of a private sector bank, on the condition of anonymity.

There are also instances of finance ministers encroaching into the territory of the independent Reserve Bank of India (RBI). The case in point is new banking licences. The central bank had always been very conservative in issuing new licences because it felt that there was a need to consolidate instead of creating insignificant players. The first set of private banking licenses were issued in the early 1990s followed by mid-2000.

In 2010, the then finance minister Pranab Mukherjee had pushed for new banking licences to increase geographical coverage and improve access to banking services as part of the financial inclusion initiative. This move was initially resisted by the then RBI governor D. Subbarao. In fact, he wanted to build more safeguards for the system due to heightened risks after the 2008 financial crisis. It took five to six years for the RBI to issue new banking licences. And the licences did not go to any large corporate house or conglomerate, but to a little known micro finance institution (MFI), Bandhan, and dedicated infrastructure institution IDFC.

Subsequently, the RBI also came up with a differentiated banking model to better serve the bottom of the pyra-

mid. The payments bank and small finance bank model is now being promoted to improve banking services as well as geographical spread – something that Mukherjee had talked about in his Budget. “Budget proposals are not always well thought out,” says a consultant.

Bharatiya Mahila Bank is a classic example. Just a year before UPA’s second term came to an end, the Congress-led government pulled out another rabbit from its hat – a women-only bank. In quick time, the RBI’s approval was sought and the bank was up and running in no time. In the past one year, the bank with 56 branches has earned only ₹137 crore with just ₹19 crore in profits for 2015/16. “Mahila Bank was purely a populist political decision. There was no business logic behind it,” says a banker. Now, with the BJP-led NDA government coming to power, there is a proposal to merge Mahila Bank with State Bank of India.

In fact, the NDA government, too, has come out with a new institution called MUDRA, or Micro Units Development Refinance Agency, to support small businesses, mostly proprietary. Mudra was born with an ambitious corpus of ₹20,000 crore and is refinancing MFIs. But, here again, there was a policy change with the RBI giving a full-scale banking licence to Bandhan and small finance bank licences have gone to as many as eight players. The entire MFI model is transporting to a banking model with advantages of low-cost funds, but experts feel its purpose is not being served. “It should have been a channelising agency or an intermediary, by taking the banks’ priority sector obligation along with wholesale money to farm it to the retail organisation that are best suited to lend to the agri and bottom of the pyramid class,” says Diwanji.

In fact, just the way IDBI, IFCI or ICICI existed earlier when IDFC was created, the country has two big refinancing institutions – NABARD and SIDBI – to help the bottom of the pyramid. There is no thought of nurturing or tweaking the existing large institutions with domain knowledge to cater to new incremental needs. Clearly, the message from the market forces is that it is best to leave these initiatives to the central bank and, instead, nurture existing institutions to achieve their stated goals. Bringing an altogether new concept to the market may not be a good idea. ♦

BHARATIYA MAHILA BANK IS A CLASSIC EXAMPLE. JUST A YEAR BEFORE UPA'S SECOND TERM CAME TO AN END, THE CONGRESS-LED GOVERNMENT PULLED OUT ANOTHER RABBIT FROM ITS HAT - A WOMEN-ONLY BANK. IN QUICK TIME, THE RBI'S APPROVAL WAS SOUGHT AND THE BANK WAS UP AND RUNNING IN NO TIME. IN THE PAST ONE YEAR, THE BANK WITH 56 BRANCHES HAS EARNED ONLY ₹137 CRORE WITH JUST ₹19 CRORE IN PROFITS FOR 2015/16

@anandadhikari



By ASHOK V. DESAI

RBI's Exposure Issues

Obliging the government has come before controlling overexposure to borrowers

Some may find exposure unwelcome. Vijay Mallya, for instance, has made himself grievously underexposed since he left the shores of India, invisible save for a single picture taken in the bar of his English villa. Others may find exposure enticing. The congregation of underclad Europeans and Americans on beaches in summer may have something to do with the sun's luxurious touch; but surely, it cannot be unrelated to the exposure of visual attractions otherwise obscured by clothes.

Bankers too are human and obsessed with exposure; but they mean exposure in another sense, namely the degree of concentration of their loans. Concentration is the opposite of dispersion: the greater the proportion of loans given to a small proportion of borrowers, the greater the concentration. Banks inevitably run the risk that their borrowers will default; if they do, getting them to repay is quite tough. So ideally, a banker would like to find a borrower he can trust, and lend him all the money he has. But that, the Reserve Bank would say, constitutes the sin of overexposure. It concentrates the risk too much; if the single borrower fails to repay, the bank loses all the money. The bank may reply that the opposite too is true: that if the borrower services the loan religiously, the bank loses nothing at all. But somehow, central bankers disapprove of concentration; and in an

argument between a bank and its regulator, the bank can never win.

The sin must be as old as banks; but the first time regulators took note of it was probably in the 1980s, when it came up for discussion in the meetings of central bankers called by the Basel Committee on Bank Supervision. BCBS summarized the conclusions then reached in a paper it issued in 1991 on measuring and controlling large credit exposures. It was mainly about making the concepts of large borrowers and large exposure less ambiguous; since borrowers would try and

**CENTRAL BANKERS
DISAPPROVE OF
CONCENTRATION; AND
IN AN ARGUMENT WITH
ITS REGULATOR, A
BANK CAN
NEVER WIN**

evade exposure controls by borrowing in different names, BCBS wanted banks to uncover such tricks and add together debts of related entities. It said that a bank should keep a watch on any loan exceeding a tenth of its capital, and not let a loan exceed a quarter of its capital.

It went on revising and recirculating the guidelines from time to time. The Reserve Bank, which was involved in the discussions, set limits in 2013 of 15 per cent to a single borrower and 40 per cent to a connected group. These figures went

up to 20 and 50 per cent for oil companies, and another 5 per cent if the oil companies disclosed it in their annual reports. The 20 and 50 per cent applied also to loans to infrastructure projects. Clearly, obliging the government came before controlling concentration.

Around the same time, BCBS brought out an extensive document proposing the contours for regulating large bank loans; and after discussing it with central banks, it issued a standard for measuring and controlling large loans in April 2014. Basically, it set a limit of a quarter of a bank's capital on exposure to any group of connected counterparties, and a lower limit of 15 per cent if the exposure was to global systematically important banks, presumably because they were more risky and less under the control of individual central banks. Significantly, the 2014 standard abolished the different standards for loans to individual and group borrowers, and BCBS said that the standard would become mandatory after five years—that is, in 2019.

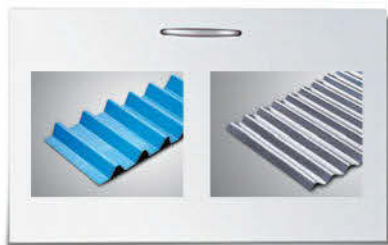
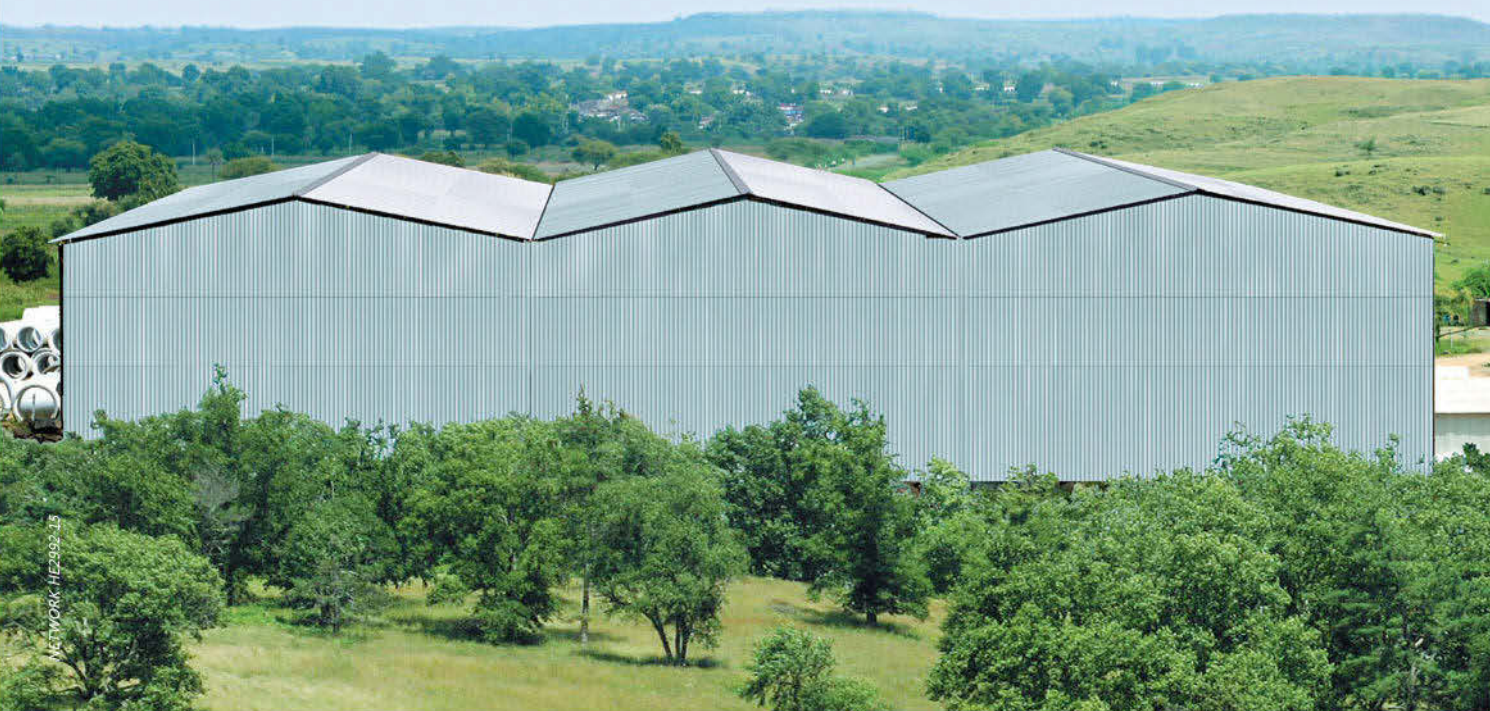
That has led the Reserve Bank to announce that exceptions granted to central government agencies such as NABARD and Food Corporation would have to end by 2019. What will end first? The exemptions, or the resolve of the Reserve Bank? The latter seems more likely, unless the government shows more resolve to discipline itself. ♦

The writer is a senior economist and was chief consultant in the Finance Ministry from 1991 to 1993

VALUE-FOR-MONEY ROOF

EVERLAST ALUMINIUM ROOF

RETURNS UP TO 80%* VALUE ON RESALE



AVAILABLE IN A VARIETY OF COLOURS

Everlast Aluminium Roofing Sheets come from Hindalco – the world leader in Aluminium rolled products. Everlast Aluminium Roofing Sheets repay up to 80%* of its value on end-of-life resale. Everlast Sheets are also strong, durable, rust-proof and have superior thermal properties that moderate the temperature under the roof and provide unmatched comfort. With so many benefits, installing an Everlast Aluminium Roof is a smart choice.

Protection for a lifetime.

- RUST-PROOF • CONTROLS TEMPERATURE
- NO MAINTENANCE • GREAT RESALE VALUE

GREEN METAL



ENDLESSLY
RECYCLABLE

IDEAL ROOFING AND CLADDING SHEETS FOR:

INDUSTRIES • WAREHOUSES • FARMS • RAILWAYS • PLANTATIONS • BUILDINGS

*Based on metal value only. May vary with fluctuations in market prices.

HINDALCO
Everlast
Aluminium Roofing & Structural

Nothing lasts as long as Everlast

For more information, please call: 1800-103-9494. E-mail: hindalco.everlast@adityabirla.com | www.everlastaluminiumroofing.com

For Fiscal Discipline

The challenge for the five-member review committee is to chart out a more effective FRBM road map. **BY JOE C. MATHEW**

While preparing the Union Budget for 2016/17, Finance Minister Arun Jaitley had found himself on a sticky wicket. He needed more money to fund the government's development plans without disturbing the fiscal consolidation roadmap that he had set in the previous Budget.

In Budget 2015/16, Jaitley had promised to bring down India's fiscal deficit to 3 per cent of GDP over a three-year period. To his credit, Jaitley had met the first-year target of 3.9 per cent – down from 4.1 per cent in the previous fiscal – comfortably. However, this time round, he was finding it difficult to stick to the 3.5 per cent target for 2016/17, following demands for an increase in public investment to trigger economic growth. He came up trumps yet again through a mix of accounting jugglery and increased revenue projections, despite a 15.3 per cent rise in allocation for planned expenditure (₹5.5 lakh crore).

Jaitley was not the only finance minister to have faced this dilemma. P. Chidambaram, during his tenure as finance minister, had to take the blame for compromising on development and giving more importance to fiscal discipline. His predecessor Pranab Mukherjee was blamed for exactly the opposite. In fact, every finance minister who presented the Budget after 2003, the year the Fiscal Responsibility and Budget Management (FRBM) Act was introduced, had to either stick to a pre-determined fiscal deficit level, or face the ire for not treading the fiscal discipline path.

The very purpose of the FRBM Act was to impose stringent fiscal discipline on the central government in its overall fiscal and macroeconomic management operations. The Act called for transparent fiscal management systems and long-term fiscal stability. The flipside, however, was the lack of flexibility when it came to addressing growth and development needs through increased public spending.

On May 17, the NDA government found a way to tackle this problem. It formed a five-member committee headed by BJP leader and ex-bureaucrat N.K. Singh to comprehensively review the FRBM Act. The panel will submit a new roadmap by October 31.



In Charge: Former bureaucrat and BJP RS member N.K. Singh will head the panel

It must suggest a way to do away with the system of limiting government expenditure to meet its fiscal roadmap. It will examine the feasibility of having a 'fiscal deficit range' instead of the existing fixed numbers (percentage of GDP) defining the deficit target. The range could also be altered in accordance with national and international economic realities.

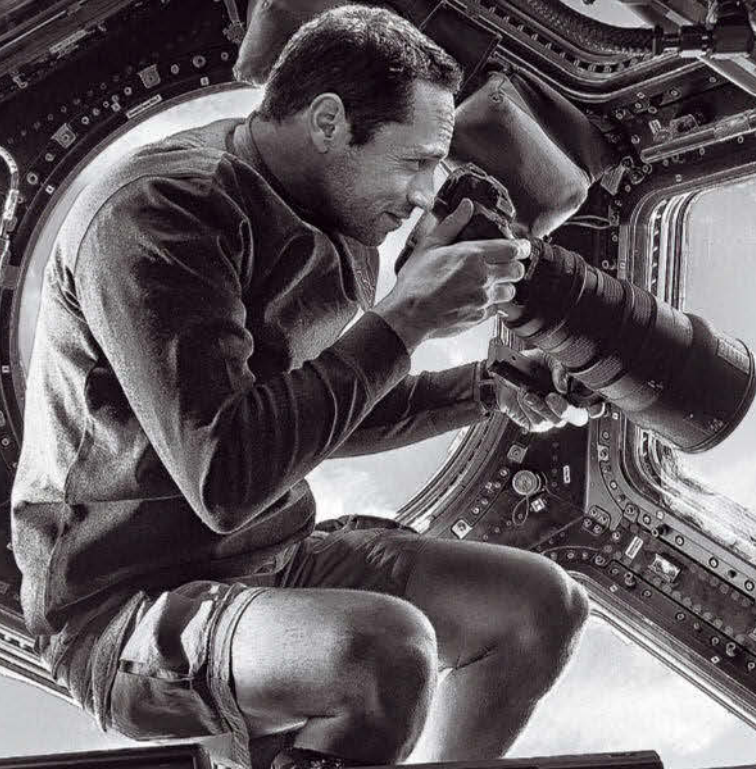
India's move to have an independent committee to look into FRBM roadmap is, however, not unique. International Monetary Fund lists over two dozen countries where a permanent institutional structure, or an independent Fiscal Council, exists to advise governments on fiscal prudence in a dynamic manner.

The FRBM committee may be a temporary arrangement, but its success can translate into a permanent body that would monitor the implementation of the suggestions it makes. Today, Jaitley is solely responsible for maintaining or ignoring the fiscal deficit targets. If the committee's recommendation leads to the establishment of a permanent panel, that will save finance ministers from facing the tricky situation of honouring fiscal targets at the cost of development. ♦

THE COMMITTEE WILL REVIEW THE WORKING OF THE ACT OVER THE PAST 12 YEARS ALONG WITH EXAMINING THE FEASIBILITY OF HAVING A FISCAL DEFICIT RANGE

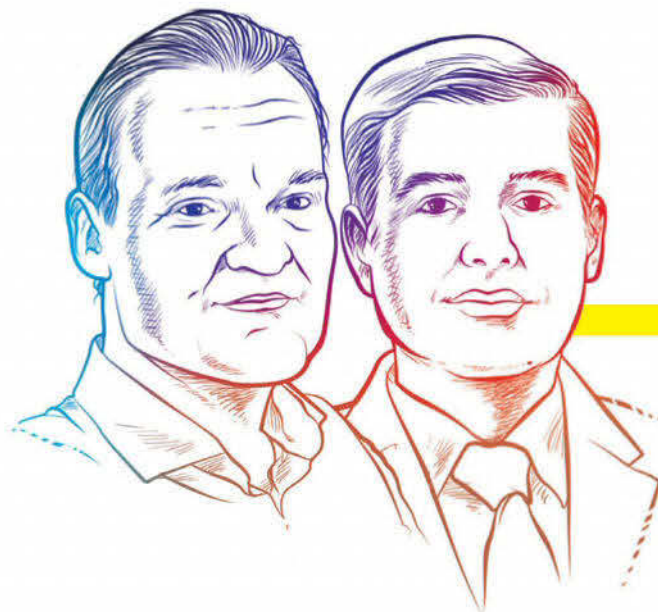
@joecmathew

Strategy enabled by technology. So you get the complete picture.



Forward-thinking strategy and innovative technology. When the first is enabled by the second, your business is equipped with a competitive edge. Our unique approach helps you react quicker, scale easier and capitalise on rapidly emerging opportunities. With strategy enabled by technology, your business is positioned to adapt and grow — today and tomorrow. That's high performance, delivered.

High performance. Delivered.



Good Luck Only

For continuous growth, India needs to focus on raising more

In recent years, it has become uncomfortably common for economic forecasts to be continuously downgraded. In its most recent World Economic Outlook, the IMF has reduced its growth forecast for the global economy by 0.2 per cent to a modest 3.2 per cent. What lies behind these repeated downgradings? And what does the current forecast mean for India?

While many factors can lead to slower global growth, we focus on a common source of disappointment in both advanced and emerging economies: financial sustainability.

Credit is a fundamental pillar of the prosperity that the world has achieved today. Families, firms and governments borrow to invest and to cover temporary shortfalls. However, borrowing decisions are often based on optimistic assumptions. For instance, families in the United States hoped they would be able to afford the mortgages on their homes; manufacturing firms borrowed to invest so they could meet demand that was yet to materialise; and today's indebted governments expected that future growth would generate the tax revenues they needed to service their growing debt.

Fifteen years ago, when much of today's debt was incurred, con-

tinued growth was not an unreasonable expectation. This was because for the past two centuries, relentless improvements in technology had constantly driven growth. Then, from the beginning of the 21st century, poor countries finally began to catch up with the richer ones in earnest. Growth flourished as new processes and

WHEN HIGH-GROWTH EXPECTATIONS DO NOT MATERIALISE AND REVENUES ARE NOT ENOUGH TO REPAY DEBT, A DIFFICULT PROCESS KNOWN AS 'DELEVERAGING' MUST ENSUE

machines were invented, and emerging economies raced to adopt new and existing technologies. Since then, however, escalations in productivity have slowed down. The pace at which the poorer nations are catching up with the richer ones has also decelerated. This has been especially so over the past three years when growth in the large emerging markets such as Brazil and China has cooled.

When expectations do not materialise and revenues are not enough to repay debt, a difficult

process known as 'deleveraging' must ensue. Since the time of the global financial crisis we have witnessed the painful deleveraging of households and banks in advanced economies, especially in the United States. Governments in a number of European economies and, more recently, China's provinces have had to undertake reforms to ensure fiscal sustainability. While the slower progress of technological advances and other fundamental drivers of growth may have caused the initial downturn, the need to deleverage has exacerbated the economic slowdown.

Contributing to disappointing growth is the fact that debt can often be 'hidden' in what are called 'contingent liabilities'. These are obligations – sometimes contractual, sometimes implicit – that become debt when certain events happen. For example, just recently, the government of Mozambique found itself with 1.4 billion dollars of new debt when guarantees that it had not previously disclosed were called on. When such hidden debt emerges, or its magnitude becomes apparent, disappointing growth follows, and further deleveraging becomes necessary.

India's growth has not disappointed. The World Bank continues

By ONNO RUHL AND FREDERICO GIL SANDER

Comes With Good Policies

taxes and enhancing spending efficiency along with more economic reforms

to forecast a modest acceleration of growth in the coming fiscal year despite a number of headwinds from global trade and a dissipating oil dividend.

Yet this 'great deleveraging' across much of the world has at least three implications for India. The first is that prudent macroeconomic and fiscal management is important to reduce the risks of being forced into painful deleveraging. India's FY17 budget sent a strong message that the government values macroeconomic stability and intends to preserve it. With the economy in relatively good shape, gradually bringing down the deficit of the Centre and the States – which at close to 7 per cent is high relative to other countries – is a sensible move. However, the quality of the adjustment is perhaps more important than the adjustment itself. Hence, the focus needs to be on raising tax revenues especially from those who can afford to pay more, and enhancing the efficiency of spending, while protecting expenditure on infrastructure and social sectors. This will help ensure that fiscal sustainability does not come at the expense of growth and poverty reduction.

The second implication is that the soundness of the banking sector needs to be ensured. Globally, this sector is one of the main sources of 'contingent liabilities'. It will therefore be critical to accelerate long-term structural reforms in the sector, specifically to ensure that banks introduce more viable commercial practices, adopt better governance, and sustainably address the issue of rising stress in corporate and bank balance sheets.

The third is the need to focus on productivity-enhancing reforms. The recently approved bankruptcy code is a positive step in this direction. It facilitates the 'creative destruction' that allows economic resources to be better allocated towards more productive firms.

A final, and perhaps most important, lesson is that good luck should not be considered as a permanent phenomenon. When commodity prices were rising, some commodity-exporting countries implicitly assumed that prices would never come down. They failed to save enough of the bounty, or to invest in difficult structural reforms that would enable them to weather an extended period of low commodity prices, should that occur.

In oil-importing India, the bonanza from oil price declines was wisely perceived as a temporary windfall and prudently used. It directly benefited the government which, for the first time in several years, exceeded its revenue collection targets. The resources were used to lower the fiscal deficit, transfer more funds to states, and spend more on infrastructure.

A normal monsoon in 2016-2017 – which we all hope will materialise – should also be seen as a stroke of good luck, especially at a time of global climate change and rising water stress in many parts of India. A normal monsoon can therefore open a window of opportunity to further invest in boosting agricultural productivity, and improving the management of water resources. It will also provide an opportunity to expand efforts toward inclusive urbanisation by enhancing connectivity between rural and urban areas, investing in urban planning, and improving health and education services in rural areas so that future generations are equipped to work in the more productive jobs that cities generate.

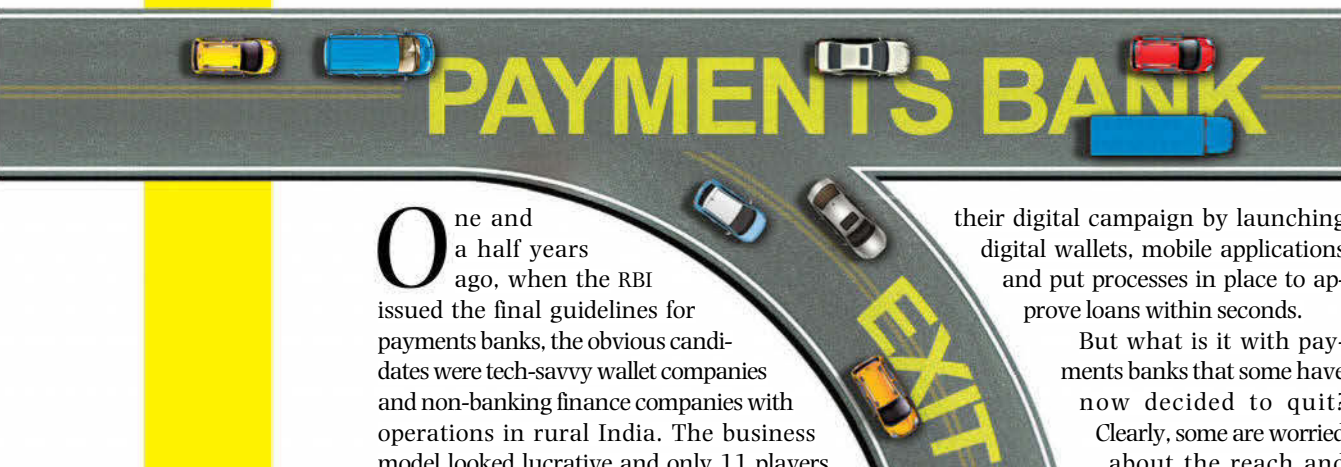
So, good luck and good policies together they will do the trick. ♦

Onno Ruhl is World Bank Country Director for India and Frederico Gil Sander is Senior Country Economist, World Bank, New Delhi

Experiment With Truth

Even before payments banks could get off the blocks, a few aspirants decided to call it quits. What next? By ANAND ADHIKARI

RAJ VERMA



One and a half years ago, when the RBI issued the final guidelines for payments banks, the obvious candidates were tech-savvy wallet companies and non-banking finance companies with operations in rural India. The business model looked lucrative and only 11 players could make the cut for RBI's stringent standards for launching payments banks.

Most were of the opinion that they could deploy the low-cost deposits in government securities to earn fixed returns and make a decent profit on transaction services, such as payment of utility bills. The big takeaway was that they would not be in the lending business.

Despite the enthusiasm, a section of experts were baffled with the list of successful candidates – names that had little presence in the financial services business – NSDL, Tech Mahindra, Reliance Industries and Sun Pharma promoter Dilip Shanghvi. However, RBI Governor Raghuram Rajan had spread out the licences to different sets of players for a reason. Payments bank was a new model to achieve financial inclusion, and the idea was to see which model succeeds in the Indian context. And, Rajan was perfectly right in doing so. But now, a section of licencees are having second thoughts about the sustainability of the business model. So much so, that Tech Mahindra, Chola mandalam Finance and Shanghvi have decided to drop out of the race.

But the jury is still out on payments banks. While HDFC Bank CEO Aditya Puri was always of the view that his bank, in its essence, was a payments bank, SBI and Kotak Mahindra Bank tied up with payments bank aspirants Reliance Industries and Bharti Airtel, respectively, to ensure they did not lose out on the emerging opportunity. However, a large number of banks stayed away. Instead, they kick started

their digital campaign by launching digital wallets, mobile applications and put processes in place to approve loans within seconds.

But what is it with payments banks that some have now decided to quit?

Clearly, some are worried about the reach and

deep pockets of large banks and the competition all around, as established banks already have a well entrenched network in the transaction services space, especially in utility bills payments, and are also considering making bill payments services free. Banks are also opening one-man branches to reach out to the rural populace in a cost-effective manner. In fact, over the long term, costs for large banks will go down as they roll out digital initiatives and fine tune their processes with the help of new technologies. And if that happens, payments banks will face severe margin pressure, and may find it difficult to wriggle out of the situation as full-scale banks launch a whole gamut of services. Now, that's what may be playing on the minds of payments bank licencees, more so as the existing model already ensures wafer-thin margins. Besides, the new-generation unified payment system (UPI) from the National Payments Corporation of India (NPCI) is all set to make digital wallets a history, making fund transfers as easy as dialing up a friend.

Some payments bank aspirants, however, are confident. "It is a big opportunity. We are on track to launch the payments bank within the RBI's timeframe," says Rishi Gupta, Managing Director and CEO, Fino PayTech. And, why not? There will certainly be some well-entrenched players who would survive and thrive in the payments space, but the road ahead is certainly bumpy. ♦

A SECTION OF PAYMENTS BANK ASPIRANTS ARE HAVING SECOND THOUGHTS ABOUT SUSTAINABILITY OF THE BUSINESS MODEL

@anandadhikari



YOUR DOSE OF GADGETS

ALL ABOUT UPCOMING PRODUCTS, REVIEWS, MOBILE PHONES, TABLETS, LAUNCHES, APPS, PRICES AND FEATURES.

SUBSCRIBE NOW

GADGETS & GIZMOS DIGITAL MAGAZINE!

AVAILABLE ON

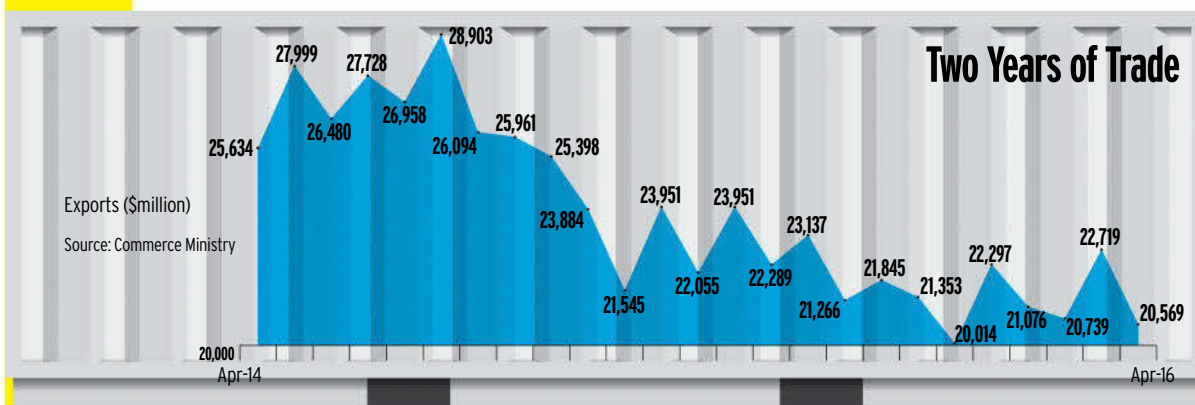


Available on the
App Store



Past Tense, Future...

India's exports may soon stop shrinking as base effect and rise in crude oil prices start to have an impact. By JOE C. MATHEW



India's merchandise exports, which account for two-thirds of its trade value, have been contracting every month since December 2014, despite the optimism shown by the NDA government in the initial months. In April this year, India exported goods worth \$20.57 billion, almost 24 per cent less than the \$25.63 billion in April 2014. In 2015/16, the figure was \$261 billion, 18 per cent less than the \$314 billion in 2013/14.

However, the trend, say experts, may be about to reverse, due to two reasons. One, the low base effect. Two, rise in prices of commodities, especially crude. In fact, after shrinking in double digits for 13 months in a row, the drop in merchandise exports has been in single digits for the past three months. The fall was 5.66 per cent in February 2016, 5.47 per cent in March and 6.74 per cent in April. Also, with the decline in commodity prices showing signs of reversing, the import bill, especially for oil and related products, which account for a major chunk of imports, will rise. The value of petroleum products that India exports will rise correspondingly.

This will come as a relief to the government whose ambitious plans to increase exports have been negated by the situation on the ground. In September 2014, a few months after the NDA government came to power, Commerce Minister Nirmala

Sitharaman had claimed that India's export competitiveness and export growth had picked up "as the government has instilled greater confidence among businesses". She said the improved outlook and proactive policy environment the government had been able to create in just three months will boost exports and put India on the trajectory of faster economic growth.

The optimism was short-lived, though it will be unfair to put all the blame on the government. Right from bringing a new foreign trade policy to ratifying the Trade Facilitation Agreement of the World Trade Organization, or WTO, India has taken several steps in the past two years to increase exports. Also, export volume did not shrink in the same proportion as export value. Besides, the decline was not across the board, and most of the hit was taken by the oil and engineering sectors. The government claims that India is not alone in this. In January, for instance, US exports fell 10.81 per cent. The situation was the same with the European Union (-7.40 per cent), China (-11.37 per cent) and Japan (-12.85 per cent), as per the WTO data, says the commerce ministry.

Though exports now seem set for another growth cycle, it is too early to say if the trend will sustain for long. ♦

THE DECLINE WAS NOT ACROSS THE BOARD, AND MOST OF THE HIT WAS TAKEN BY THE OIL AND ENGINEERING SECTORS

@joecmathew



**The Management of
THIAGARAJAR COLLEGE OF ENGINEERING
MADURAI**
www.tce.edu



**We thank the faculty, staff, students, alumni, parents
and well-wishers for their contributions to TCE**

No. 1 in research, professional practice and collaborative performance*
No. 3 among autonomous Engineering Institutions in India
TCE secures 29th rank in the NIRF of MHRD, Government of India



AWARDS

- AICTE - CII Award- For 6 departments
- Ramkrishna Bajaj National Quality Award
- Global Performance Excellence Award, APQO
- Rajiv Gandhi National Quality Award Citation
- Perunthalaivar Kamarajar Award to the Chairman
- SafaiGiri 2015 Award to Dr.Vasudevan



Teaching Learning Process

- Theme area for each Department
- Special Interest Groups based Asynchronous Learning
- Six month internship
- One and two Credit Courses
- TEQIP supported faculty dev. programs
- Quality circle on teaching & learning



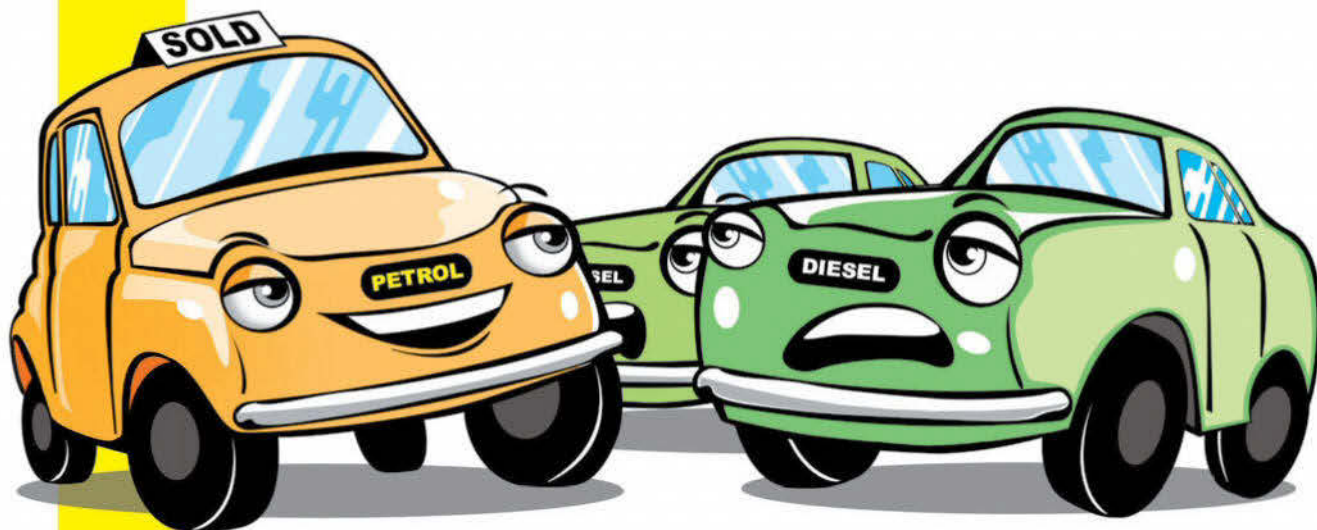
Research and Development

- 55% of faculty possess Ph.D
- R&D projects from DRDO, DST, ISRO, BARC, UGC, AICTE,...
- US and India patents
- Thiagarajar Advanced Research Centre
- Tie up with Fraunhofer, EBTC, Germany
- European Technology Experience Centre

**Industry supported - Curriculum development, Content delivery, Assessment Laboratories, Research Projects, Consultancy and testing
Leading to > 90% placement consistently**

TCE Where Quality and Ethics Matter

*Among Autonomous Engineering Institutions in Tamil Nadu



RAJ VERMA

THE DIESEL DILEMMA

A host of factors has prompted the Indian consumer to make a shift to petrol variants. **By CHANCHAL PAL CHAUHAN**

The writing on the wall is clear for diesel passenger cars. The narrowing price gap between petrol and diesel, the Supreme Court ban on registration of diesel vehicles with engine capacities of 2,000 cc or more in Delhi-NCR, and the embargo on 10-year-old diesel vehicles in the capital, and now in Kerala, could very well lead to the death of diesel cars in India. This apart, the adoption of stringent BS VI norms is expected to widen the price gap between petrol- and diesel-run cars further.

The price-sensitive Indian luxury consumer was quick to take note of the recent developments, and has shifted gears in favour of petrol vehicles – with less than 40 per cent buying diesel variants in April 2016, compared to 58 per cent in April 2013. As a result, automakers are saddled with huge under-utilised, or even idle capacities, and investments worth billions of dollars on diesel technology seem to be under threat. The growing uncertainty has also prompted companies to rework production schedules for rolling out more petrol cars.

In fact, companies that have taken the

maximum hit, such as Toyota, Mercedes-Benz, Mahindra & Mahindra and Tata Motors, are crying foul over the apex court ban. “There is no reason to criticise diesel as dirty fuel because it meets all emission and other mandated standards. The chain of events against diesel is against the ‘law of natural justice’ and this surely hampers investments in the automotive industry,” Mercedes-Benz India CEO and MD Roland Folger told *Business Today*.

The present uncertainty over petrol versus diesel passenger vehicles, however, took root in June 2010, when petrol prices were deregulated by the then Minister of Petroleum and Natural Gas, Murli Deora, but diesel prices remained subsidised fearing political repercussions as it was used extensively in agriculture and other domestic industries.

The skewed fuel pricing policy saw diesel rising by only ₹1 per litre between June 2010 and June 2011, while petrol jumped over ₹12 per litre. The gap widened further, until Veerappa Moily decided to tame diesel prices. In January 2013, the Cabinet decided to raise diesel prices by 50 paise per litre every month

THE SKEWED FUEL PRICING POLICY SAW DIESEL RISING BY ONLY ₹1 PER LITRE BETWEEN JUNE 2010 AND JUNE 2011, WHILE PETROL JUMPED TO OVER ₹12

To those who stop at nothing
To those who don't back down
To those who dare to care
To those who live every moment
To the Dreamers, Believers, Achievers
Where every moment redefines life



Khushiyaan, Zindagi Ki...

CONNECT WITH US ON:



/LICMutual



/LICMutual



/LICMutual



1800-258-5678

Goldmine

**Mutual Fund investments are subject to market risks,
read all scheme related documents carefully.**

until the prices were aligned with market rates.

Subsequently, India, which traditionally preferred petrol cars, made a beeline for diesel variants considering the growing price differential between the two fuels. "Diesel cars enjoyed a smooth run for more than two years because diesel cost was far less than petrol and also offered better mileage, making vehicles driven by the heavier fuel a preferred choice for the cost-conscious Indian buyers," said a senior Maruti Suzuki executive.

In October 2014, when diesel was deregulated by the present NDA government, the damage had already been done. The spurt in sales of diesel vehicles in India forced automakers to build huge capacities. There was also a general consensus that all major global markets, including Europe and the US – the traditional petrol-fired markets – were gradually accepting diesel as a modern motoring fuel, primarily for its dual benefit of better mileage and higher torque.

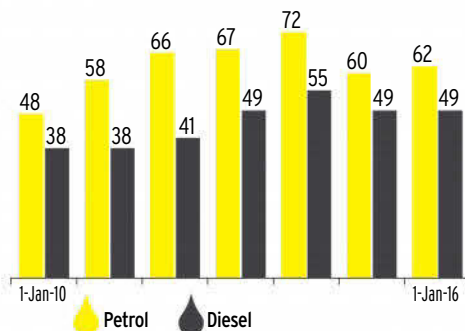
The diesel trend in the domestic market was quite pronounced. Honda Cars India, for instance, introduced a diesel variant for its compact sedan Amaze specifically for India in 2013. Its strategy worked well with almost 80 per cent buyers opting for it. However, a 20 per cent rise in diesel prices since October 2014, and softening of petrol prices, saw the sales of the Amaze diesel falling to 50 per cent, at a time when diesel production capacity is at an all-time high. "Customers are now more educated over their needs and are not going blindly for diesel cars any longer," said Jnaneshwar Sen, Head, Marketing and Sales, Honda Cars India.

Maruti Suzuki, the country's largest car maker, has shelved plans for a new diesel engine plant at Gurgaon and is concentrating on its petrol models for a higher market share. "While diesel car sales have declined 10 per cent, sales of petrol cars have grown by almost 14 per cent in the past few months," the Maruti executive added.

South Korean carmaker Hyundai, which had invested \$600 million in a flexible engine plant capable of manufacturing both petrol and diesel engines on the same line, is also tilting towards petrol engines. "Customers are increasingly going towards petrol and, therefore, we are altering our engine production with the intention to increase our share in the hatchback segment," Rakesh Srivastava, Head, Marketing and Sales, Hyundai, told

DRAWING LEVEL

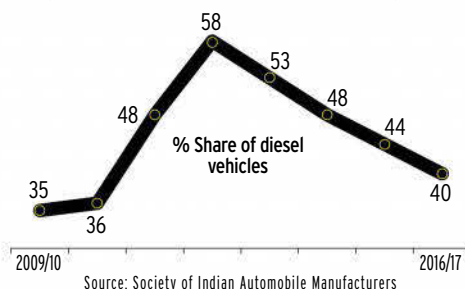
The gap between petrol and diesel prices is narrowing and is now at ₹11 a litre



Source: Ministry of Petroleum and Natural Gas

THE RISE AND FALL

Market share of diesel passenger vehicles, which had peaked in 2012/13 has witnessed a steep decline



Source: Society of Indian Automobile Manufacturers

Business Today.

Mercedes-Benz has already put 'on hold' all investments in India following the uncertainty over diesel vehicle ban in the lucrative Delhi-NCR market. Equally emphatic is Japanese carmaker Toyota Motor, which is also reviewing its future investments in India. Its newly appointed India MD Akito Tachibana has even gone to the extent of threatening to pull out of the Indian market if long-term auto fuel issues are not addressed.

"The overall ownership cost of diesel-fired vehicles has gone up," said Amit Kaushik, Country Head, Jato Dynamics, a global consultancy firm, adding: "We have witnessed a shift in metro and urban buyers towards petrol variants. We expect this trend to continue on falling price differential in both fuels." And, the trend is not expected to reverse considering the government's recent move to cap the age of diesel vehicles to 10 years compared to 15 years for petrol cars. ♦

MERCEDES-BENZ HAS ALREADY PUT 'ON HOLD' ALL INVESTMENTS IN INDIA, WHILE TOYOTA MOTOR THREATENED TO PULL OUT OF THE MARKET IF AUTO FUEL ISSUES ARE NOT ADDRESSED

@sablaiik



**Stay updated
with the India Today App**

Download NOW!



AVAILABLE ON:



iPhone



NOKIA



ANDROID



Windows Phone

Visit www.indiatoday.in/apps for more information

*Terms & Conditions Apply



It Is Not About the

The commodity rebound is being driven more by the weakness in dollar

After China reported year-on-year first-quarter growth that showed signs of improvement, commodities have been rallying. However, a closer look into Chinese demand and GDP growth shows other factors may be more influential in the commodity rebound, especially in the economically sensitive sectors of energy and industrial metals.

The energy story has changed since the race for oil market share began in the summer of 2014, just after the signing of the natural gas deal between Russia and China. As the oil price plummeted, China's oil demand grew 6.4 per cent or 694 kb/d (kilobarrels per day) in 2015 according to the IEA (International Energy Agency.)

Since then, China's economy has slowed with sliding GDP growth and manufacturing PMI; its currency has been devalued and its stock market volatility has driven down markets globally. These issues have reduced China's power as a consumer, and now, India has the highest oil demand growth in the world. However, overall IEA demand growth estimates for 2016 have remained the same, so it is hard to argue the oil price spike is coming from demand, especially Chinese demand.

On the other hand, it can be argued that the falling US inventories and weakness in dollar are supporting oil more today. OPEC has the ability to be the swing producer given its large market share, spare capacity, low production costs and capability of acting alone or in a cartel; however, US inventories need to be low for it to matter.

THERE IS CLEARLY A LACK OF CORRELATION BETWEEN CHINESE GDP (GROSS DOMESTIC PRODUCT) GROWTH AND METAL PRICES THAT DEMONSTRATE OTHER FORCES ARE AT WORK

The production coordination of US shale producers is difficult since there are many suppliers aiming to produce as much oil profitably as possible. Although inventories in the US are sitting at seasonally high levels, declines are now being reported by the EIA (Energy Information Administration,) that again, are the key to bringing power back to OPEC as a swing producer to control oil price.

More immediately, the falling US dollar is boosting commodity prices. Brent and WTI crude oil are

two of the most sensitive commodities to the falling dollar where for every 1 per cent drop in the dollar over the past 10 years, Brent has increased 4.5 per cent and WTI gained 4.3 per cent. Other commodities that benefit greatly from a falling dollar are corn and wheat that rise 5.3 per cent and 4.8 per cent, but the commodities that benefit most are from industrial metals. Lead, nickel, copper, zinc and aluminium rise 7.2, 6.1, 5.3, 5 and 2.2 per cent, respectively.

While Chinese demand growth in construction and automobile manufacturing supports industrial metal prices, the demand in many cases is not strong enough to be the main reason for price rise. Over the long term, there is a lack of correlation between Chinese GDP growth and metals that demonstrate other forces are at work — even for copper, the one most well-known for its Chinese economic influence. Using year-on-year data since 1978, the correlation of copper to Chinese GDP growth is only 0.21, and is actually the lowest of all the industrial metals. The most correlated metal is zinc, but the relationship is still weak at only about 0.28.

Besides the tailwind of a weakening dollar for metals, there are

By JODIE GUNZBERG

Dragon Alone

and supply side issues than Chinese demand growth

noticeable shortages that have appeared. March was the first month the industrial metals sector was in backwardation (as measured by the roll yield in the indices) since September 2015. Within the sector, there have been recent shortages in industrial metals like lead, copper and aluminium. While copper has more shortages than excess inventories throughout history, its roll yield has grown (measuring a shortage) 60 per cent in the first quarter. Also, lead showed a shortage in February for the first time since November 2012, but now is a seasonally weak time for lead as the winter demand for replacement automobile batteries slows. However, the support for aluminium could be more persistent from stockpiling and tax policies. It is very rare to see shortages in aluminium. There have only been 10 months in 10 years with a positive roll and it seems to be driving the whole sector.

Zinc has gained more than gold this year and is the best performer in the sector, up 20.5 per cent in 2016. Its excess is half of what it was in October. Supply cuts and mine closures have boosted returns, and stockpiles are the lowest in



VIVAN MEHRA

Not a big factor: Chinese demand growth in construction and automobile manufacturing not strong enough to support metal prices

more than six years.

Nickel hasn't seen a shortage since 2011, despite its huge price spike in 2014 of more than 50 per cent. The suppliers are producing relentlessly to try to squeeze out marginal producers for market share – much like what is happening in the oil market. Except the role of China is flipped where nickel producers want to squeeze it out. Yet China is the oil customer every-

one wants.

So, the story isn't as simple as "Chinese demand growth boosts copper (or industrial metals)." While the demand growth may help, the dollar and supply side are the more important factors for the sector. If the demand grows at the same time the supply is disrupted and the dollar is weak, it may be a best case scenario for the industrial metals. ♦

The writer is global head of commodities and real assets at the S&P Dow Jones Indices

Not ready to list : National Stock Exchange building in Mumbai



NO WAY OUT

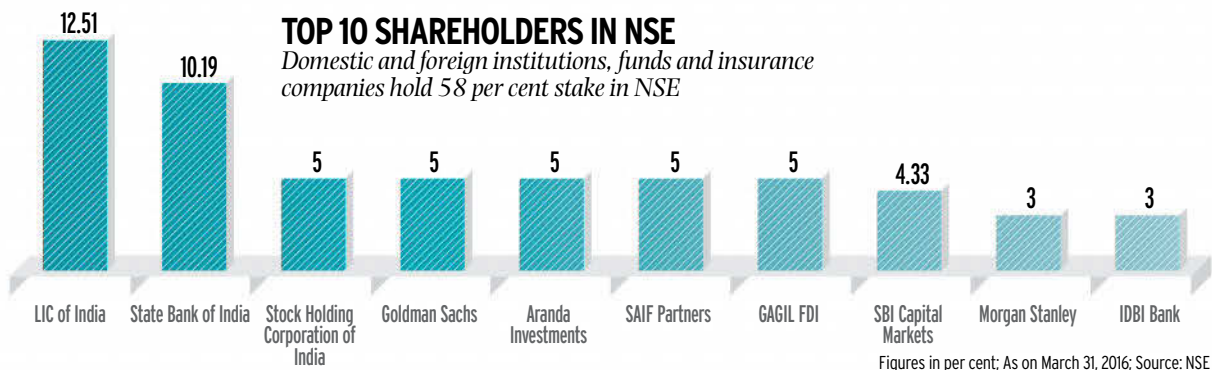
Private equity investors are unable to exit their investments in the National Stock Exchange, which refuses to list on a rival exchange. By MAHESH NAYAK

On May 16, India's premier bourse, the National Stock Exchange (NSE), declared a hefty dividend of ₹73 per share for its shareholders. The total payout aggregated to almost ₹330 crore—close to 75 per cent of the exchange's total profit of ₹439.33 crore for FY2016. The huge dividend was paid despite a 44 per cent fall in net profit, although a cash pile of around ₹1,200 crore did help. Some say the dividend was a move to woo the disgruntled shareholders. If so, the tactic hasn't worked, because some of NSE's investors continue to be upset at not being given an exit option by having the exchange listed on its rival bourse, the Bombay Stock Exchange (BSE).

"I never thought our investment in NSE would be so troubled," says Sohil Chand, Managing Director at Norwest Venture Partners (NVP) India. In the past seven years, Chand has seen his 2.11 per cent stake in NSE jump over 50 per cent on a notional basis to ₹380 crore on an investment of ₹250 crore. But he is upset that India's premier stock exchange isn't ready to get listed. When NVP had invested in NSE in 2009, the exchange was valued at ₹11,925 crore. Today, NSE is valued at

CROSS-TALK

WHAT INVESTORS SAY	WHAT NSE SAYS
NSE should list on BSE and give investors an exit route	Might lose competitive advantage if listed on a rival exchange; will list only on NSE if allowed by SEBI
Investors not clear on how listing on BSE would impact NSE's competitiveness	If NSE lists on BSE, the listing agreement and bylaws can give BSE the powers to audit its books at any time as well as get information from NSE that could impact its business
Refusal to list raises bigger question on NSE's corporate governance standards	Investors are thinking short term while NSE has to think medium- to long-term



₹18,000 crore on the grey market. “Lack of transparency in sharing information, corporate governance issues and inability to find an exit for their stake in NSE has seen the exchange being the worst portfolio investment for private equity players,” says Pratibha Jain, Partner with Nishith Desai Associates, who has been representing a few shareholders against NSE.

On its part, NSE declined to comment on record to a questionnaire sent by *Business Today*. But speaking off the record, an official said NSE had valid reasons for not listing. One, it doesn’t want to list on BSE, because it fears that would give its rival access to its books and confidential, competitive information. Two, it wants to list on its own platform, for which it needs clearance from market

regulator SEBI. There are other reasons, too, but more on that later.

Is NSE’s fear genuine or stalling tactics?

This February, goaded by investor pressure, NSE formed a listing committee comprising board members, shareholders and management representatives to accelerate the process of listing. Apart from the issue of listing, the committee is engaging with NSE shareholders on the issue of proposed restructuring of the bourse. According to sources, on May 12, the listing committee, chaired by S.B. Mathur, who retired in April as NSE chairman, reiterated the exchange’s stand that it would only list if it receives approval for self-listing, and that it would not list on the rival exchange.

“We have issues relating to disclosure of information, abuse of information and liquidity concerns of our stocks on the rival exchange,” says an official at NSE on condition of anonymity. “Investors are getting impatient, but they are thinking short-term while we as a market infrastructure provider have to think for medium to long term.”

But this argument doesn’t wash with investors. “It’s highly ironic that the management at NSE refuses to adhere to the same standards of corporate governance that it requires of companies listed on it,” says Ravi Adusumalli, Managing Partner at SAIF Partners. “An IPO would enable liquidity and price discovery for all shareholders that currently own the exchange.” Adusumalli points out that SEBI has made it clear that self-listing is not an option, and questions NSE management’s fears on listing on BSE. “What information would BSE receive that it doesn’t already have? Why will this impair NSE’s ability to compete? We’ve asked these questions several times to the management team and have yet to get a detailed response,” says Adusumalli.

NSE says it has three concerns. First, it wants to self-list, because it fears losing competitive advantage if listed on a rival exchange. “Listing NSE on BSE is like State Bank of India being regulated by Bank of Baroda, or Coca-Cola being regulated by PepsiCo in terms of products and strategy,” says the spokesperson of NSE. Officials at NSE are concerned that if they list on BSE, the listing agreement and bylaws can give BSE the power to audit NSE’s books at any time as well as get information from NSE that could impact



VIVAN MEHRA

“It’s highly ironic that the management at the NSE refuses to adhere to the same standards of corporate governance that it requires of companies listed on it”

RAVI ADUSUMALLI, Managing Partner, SAIF Partners

its business. So, NSE wants that apart from SEBI, no one should have the right to regulate it even if it lists on a rival exchange.

Second, NSE wants SEBI to allow its shares to be traded on its own exchange, which is not permitted today. The third issue is on the restructuring of the exchange. NSE wants the regulated exchange business to be separate from the commercial businesses, which include its subsidiaries such as the index business. So, it wants to divide the company into two separate entities. "Until the restructuring takes place at NSE, we don't want to get listed. We have to keep the regulated business separate from our commercial activity business. We can't leave that for a future date," says an official of NSE on condition of anonymity.

However, shareholders have opposed the restructuring proposal, which was first presented to them last year in November. "NSE wants to shift cash and other assets of the exchange into an unlisted entity. This will dilute the valuation of NSE, as investors will demand a holding company discount," says Vinit Bodas, Managing Partner & CIO of the US-based Deccan Value Investors L.P., which holds a 2 per cent stake in NSE. "Further, cost of money in India is high and the value loss due to any delay as a result of the restructuring process will significantly outweigh the benefit of the listing, and we aren't ready for that."

"It's bizarre of NSE to not get listed on the rival exchange," says Jain of Nishith Desai Associates, adding that sharing or dissemination of information will only bring more accountability and transparency to the exchange, and NSE's stance is just a delaying tactic. "In fact, exchanges themselves do not have the teeth to govern. SEBI is the regulating agency, which will continue even after listing," she says. "While you get listed on BSE, you still have dual trading platform and the stock of NSE can still get listed on NSE, so the question of liquidity doesn't arise."

In fact, the desperation of getting NSE to list has also seen shareholders losing sight of corporate governance issues. NSE didn't publish the appointment and remuneration of managerial personnel in its annual report of FY2014/15 on its website – perhaps inadvertently though the information was very much there in the hard copy of the report. While the exchange later published the information on its website as well, it says publishing the information is not necessary as it is an unlisted entity.

"It was a violation of SEBI regulations for a long time before the issue was addressed," a senior corporate lawyer told *BT* on condition of anonymity. "As per Regulation 35 of SECC Regulations, 2012, all disclosure requirements and corporate governance norms as specified for listed companies shall *mutatis mutandis* apply to a recognised stock exchange and the same shall be confirmed by the stock exchange in writing to SEBI on a half-yearly basis. So, regardless of the presence of the section in the physical copy, it is mandatory that the same be also disclosed fully on the NSE



Take your sip to good health!



Duncans *Double Diamond* high grown organic GREEN TEA is Rich In Anti Oxidants Which keeps you Healthy and Refreshes you with every sip. Recommended to be consumed without milk.

Duncans Tea Ltd.

Duncan House

31, Netaji Subash Road, Kolkata-700001

Phone: (033) 2242-1605/1608/1617

Siddhartha Kolkata



Our brands are available for online purchase, please log on to www.duncanstea.in



"There was an implicit understanding that the NSE would go in for listing when norms around regulatory and commercial separation were clarified by Sebi. Though this has happened, NSE management keeps finding new excuses to delay the listings. It's more than a decade since some of us have invested in NSE"

SOHIL CHAND, Managing Director, NVP INDIA



website." When contacted by this magazine, both Goldman Sachs and Morgan Stanley refused to comment on the issue. "We (PEs) didn't go to SEBI because it could further delay the process of listing," says Jain.

Blame It on MCX

Since most of the stake sales to PEs were secondary sale, NSE doesn't have any obligation towards its new shareholders in terms of immediate listing. But earlier investors have an issue. "There was an implicit understanding that NSE would go in for listing when norms around regulatory and commercial separation were clarified by SEBI," says Chand of NVP. "Though this has happened, NSE management keeps finding new excuses to delay the listings. It's more than a decade since some of us have invested in NSE."

As NSE delays the listing process, it is creating further doubt in the minds of investors, especially on its insistence on self-listing. "Why has it taken four years for NSE to dissent to cross-listing when SEBI made it clear in 2012 that they had an objection to self-listing and that exchanges should go in for cross-listing," questions Chand. Adds Jain: "Not adhering to shareholders' request is creating issues

on corporate governance." A senior PE fund manager who has been an investor in NSE on condition of anonymity said: "Not having a written exit clause has been our biggest mistake. The irony is that in smaller deals we even decide the exit date and price, and in a prized investment like NSE we took the exchange's word on face value, thinking they maintain high corporate governance standards and won't go back on their words."

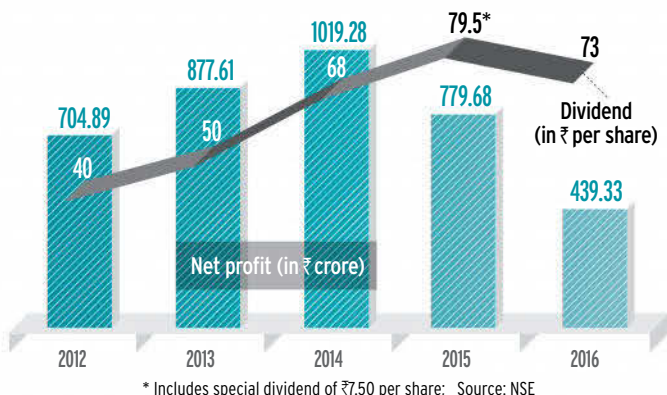
The listing of exchanges was never on the cards till lobbying by Jignesh Shah managed to get commodity exchange MCX listed on the domestic bourse. Earlier, NSE was assured by the fact that the Bimal Jalan Committee report recommended not allowing exchanges to get listed, plus it received support from the previous government and listing of stock exchanges took a back seat. But that assurance evaporated when the current government favoured listing of exchanges to give state-run institutions an opportunity to monetise their holdings. This raised hopes of NSE getting listed on the domestic bourse.

Amit Gupta, Partner at NewQuest Capital Partners, which picked up 1 per cent stake in NSE last November, says: "NSE has a wide shareholder base. Listing will help provide better price discovery and liquidity for shareholders. I don't agree that self-listing is must to list. While management may prefer to self-list, using that as a reason to delay liquidity for shareholders is unacceptable. Instead, management should work constructively with SEBI to ensure regulatory concerns are resolved and that the stock should be permitted to be traded on NSE also." NewQuest Capital Partners picked up stakes from the UK-based private equity fund Actis for ₹178 crore at almost the same valuation at which Actis had acquired the stake in 2007.

It is clear that PEs are desperate in an environment where making money is difficult. But till the deadlock is unravelled, they have no choice but to hold on to their treasured investment in NSE. Or, make a quiet exit. ♦

DIVIDENDS AHOY!

Despite dipping profits, NSE has been giving handsome dividends to its investors



@MaheshNayaK



Do you want to be a Doctor in the USA ?

AMERICAN UNIVERSITY OF BARBADOS

SCHOOL OF MEDICINE



An associate concern of Era's Lucknow Medical College

After having excelled in the field of medical education and healthcare in India along with successfully running a 1000 bedded hospital, Era's Lucknow Medical College and Hospital (ranked among the top medical colleges of India by surveys conducted by The Times of India, The Week, Outlook and India Today) has stepped into the international arena and is now operating the American University of Barbados, School of Medicine. AUB is recognized and licensed by the Ministry of Education Barbados, approved and listed with WHO/AVICENA and IMED/FAIMER (USA) Directories.

Advantage AUB :

- 4 years MD program for college graduates
- 5 ½ years MD program for high school graduates
- Pre-Med available in Barbados (AUB) and India
- Admission is simple and less competitive
- USA styled curriculum with USMLE focused education
- Student centered teaching and training using structured interactive methodology and 3D animation
- Professional guidance by highly experienced faculty with research oriented teaching
- Board of advisors and Dean are from top schools in the USA including Harvard, Yale, Columbia and Cornell among other prestigious schools
- Clinical Rotation in one of the best training hospitals of USA, Caribbean, India and Phillippines.
- Internationally recognised affordable quality medical education
- Accommodation available in the campus with local transport facilities
- Direct flight from New York, London, Toronto and other major cities
- Barbados is the safest Caribbean island according to the UN Survey
- Admissions are open 3 times a year (**January, May and September**)
- AUB students can practice as medical professionals anywhere they choose to be after giving the requisite examination of their country of choice
- Indian AUB graduates can practice as medical professionals in India after giving MCI's screening test. But those Indians who do their residency/ PG programs in USA, UK, Canada, Australia or New Zealand do not need to give this screening test

Students who wish to obtain top quality medical education are invited to join American University of Barbados, School of Medicine and make full use of the rich resources collated here.

For Admission and Information

Contact: +91-8853426620

Email: info@aubmed.org

Website: www.aubmed.org





Tweak the Make

Tax waivers, subsidies, reimbursement of duties or monetary

As an erstwhile journalist covering electronics technologies and IT a few years ago, I was privy to a litany of manufacturers' woes and their causes: Tangled tax laws and regulations, red tape, corruption, licence raj, unreliable infrastructure such as power and roads, and lack of skilled labour. Unlike China, which raked in profits by keeping margins low and volumes high, every entity in the supply and distribution chain in India wanted a 30 per cent cut. India, they said, was no country for manufacturers. The only real electronics manufacturing was that of low-end or low-precision products. Where the products were of higher quality, they were merely assembled in India, often with the intent of circumventing taxes and of employing cheap labour.

Walking around the IT and Electronics pavilion at the Make in India Week in Mumbai early this year, I could see that not much has changed. As if symbolic of the scenario, there was one Indian company. The rest were MNCs based in Taiwan, China, Sweden, Japan, the US, and Germany. The push for indigenous manufacturing is nevertheless apparent from the flurry of proposed incentives, large infrastructural investments, and facilities made available to manufacturers and new entrepreneurs by the government. The Make in India mix, however, needs more than subsidies, tax waivers, reimbursement of duties, or monetary grants.

A pet peeve of brand owners and manufacturers with large patent portfolios operating in India is that research and development (R&D) in the country largely happens only in public research institutions and universities. Indian firms don't invest in R&D and subsequently fill patents. A patenting landscaping exercise conducted by us at the Centre for Internet and Society last year showed that all Indian patents, nearly 4,000 in number, pertaining to mobile technologies are owned by non-Indian companies. Out of approximately 19,500 patent applications, a meagre 18 were filed by Indian companies.

India's premier educational institutions also apply for

far less patents within the country and abroad than their foreign counterparts. For example, the National Academy of Inventors has published a list of "Top 100 worldwide universities granted US utility patents in 2013" and another in 2014. One Indian school features on these lists the Indian Institute of Science (IISc) with 21 patents in 2013. Within India, the IITs and IISc file up to 200 applications every year; MIT files nearly 4,000 in the US. Several large MNCs run R&D facilities in India, hiring some of the best talent in the country. The patents for their work are first registered to these companies abroad, contributing to royalty outflows. One way to correct the famine of locally owned intellectual property is for the government to urge top Indian companies and academic institutions to push the envelope in terms of R&D and patenting. A promising development is that the Indian government has pledged start-up funds. So have companies such as Qualcomm, which has committed \$150 million to a strategic venture fund in India.

Another gripe is that the manufacturing units in India are in reality assembly lines that only put together imported parts and components and generally make copied products. While the government has provided sops to encourage actual manufacturing to truly reduce dependence on 'screwdriver technologies', it needs to incentivise foreign corporations operating in India to transfer their technology to Indian entities, instead of only assembling here using automated or human labour. Moreover, India-manufactured products are infamously substandard. These products need to pass quality checks if India aspires for an export market and leverage in asking for transfer of technology.

To benefit from the transfer of technology, the workforce needs to learn to use it and assimilate it in its work life. Despite the intake of students in engineering schools in India being more than that in the US and China put together, a major chunk of newly graduated engineers in India is unemployable. The repairmen at Nehru Place's

in India Recipe

grants alone can't kick-start manufacturing in India

electronics market learn the ropes through an informal education system comprising their friends, peers and employers in small-time garage shops. Rookie engineers who secure the holy grail of college placement are trained from scratch by their employers, such as Infosys with its plush training campus located in Mysore. In either case, the employer is saddled with training new recruits. There is little in terms of professional excellence that institutions of formal education seem to impart. Prime Minister Modi believes that India's human power would be among its largest exports by 2030, but monikers such as "coding coolies" only point to low valuation of its services. Unless quality vocational education produces professionals in different rungs of the manufacturing ecosystem—from technicians to production personnel to designers to ideators—manufacturing in the country will stay deprived of the benefits of the newest technologies.

Next would come developing indigenous technologies (governed by technical standards and otherwise) in order to reduce dependence on technologies owned by foreign rights holders. India's remote sensing capabilities are among the best in the world. Like GPS developed by the US and GLONASS by Russia, NAVIC is India's own satellite navigation system. Where GPS in India becomes spotty or inaccurate, NAVIC is likely to be much more reliable and accurate. Mobile handsets sold in India are not equipped yet with the receivers needed to work with NAVIC. When they are, it will be a fillip for both manufacturing and location-based services in the country. There is also a need for diffusion of these technologies. India's public research organisa-

tions produce several potentially life-changing inventions, which unfortunately, almost never reach mass implementation.

With the emergence of new technologies comes a greater need for access to patenting. A patent is a monopoly granted to its owner for 20 years in return for publicly disclosing an invention. Without the ability to enforce it, such a monopoly is not of much use. Patenting is also expensive and time-consuming, espe-

cially for an individual innovator without the backing of an employer that has the wherewithal for it. Many opt for filing patents via large companies while retaining their names as the inventors. The company thus owns the patent. Small manufacturers without the resources to apply for a patent prefer to zealously guard their inventions. Instead of risking their unpatented inventions being stolen, they limit their use to their own establishments, and sometimes take the inventions with them to the grave.

Make in India was unveiled at a time when manufacturing worldwide was starting to experience the ongoing slump. China, so difficult to beat at its own game, has been facing the heat. There is a tiny window of opportunity for India, which may be akin to the guns made by Indian Ordnance Factories (IoF). These guns—exorbitantly priced and of low build quality—are notorious for backfiring. In the truly Indian spirit of *jugaad*, they are taken to gunsmiths by their buyers for big and small tweaks that would prevent unfortunate endings. Like the IoF guns, the Make in India recipe needs its own set of tweaks. ♦

India needs changes
in its vocational
and technical
education system as
most fresh graduates
out of schools lack
working skills

The writer is a researcher at the Centre for Internet and Society. Views expressed are her own

“WE CAN TELL THE WORLD THAT INDIA IS NOW POWER SURPLUS”

The Narendra Modi government has promised power for all by 2019, the year its first term in office ends and it seeks a fresh mandate. The Indian electorate is likely to be unforgiving if Modi and his team fail to deliver on this promise. Two years ago, the prime minister had entrusted **Piyush Goyal** the task of reviving the country's comatose power sector. The CA-turned-politician has been given independent charge of three crucial ministries. In an interview with *BT's* **Anilesh S. Mahajan**, Goyal assured that he is well on his way towards delivering on the promise by tapping the synergies between the ministries – coal, power and renewable energy – under him. Edited excerpts:

Two years ago, the Prime Minister gave you three ministries – coal, power and renewable energy – that were crucial to boost India's power sector. How have things changed?

The best thing to have happened in the whole process is the emergence of a 'Team India' spirit in the working of the government. The entire ecosystem works as one cohesive unit. People don't do ministry inter se, governments inter se or departments inter se. There is a lot of informal consultation, discussion and decision making, which has sped things up massively. Two years later, retrospectively, I believe the PM was a visionary to have realised the close

interplay between these three ministries. For many years, these ministries could not perform to their true capabilities because each of them was running in a different direction. Now, when they are running together, in the same direction, you can witness the change in the country's power sector.

What sort of interventions went in to make this synergy work?

The biggest intervention or change was to get people to believe in themselves. To assist them realise their true potential and ability to deliver. This kind of empowerment, coupled with the highest level of transparency – which India has never wit-

nessed – that PM Modi has brought in, is a defining feature of this government. If the system knows that you do not have any personal agenda and that your working is transparent, it offers full support. It is only when you ask them to do things out of the ordinary or make arbitrary decisions, do they hesitate, leading to bureaucratic delays.

Last year, you laid a roadmap for mining 900 MT out of the ambitious target of 1 BT for Coal India. But we are witnessing a unique problem of low coal off-take...

It is not of low off-take. In the last two years, CIL ramped up its produc-



tion by an additional 74 MT. It hasn't happened ever in India's history. Things like absorption capacity and transpiration capacity take time to tie in with the system. Last year, we saved forex worth ₹24,000 crore (revised figures) on coal imports, while this year's target is to save ₹40,000 crore. The whole process needs to be calibrated and taken forward. You can't change it overnight. For example, the fuel mix in thermal power plants – those designed to use imported coal – require technological upgradation to absorb Indian coal. This has to be done systematically and carefully.

But do you think this 900 MT roadmap needs to be reworked?

Not at all...we need to do it. India's growth story has a long way to go, and we need a lot more power. India is the only country in the world where the need for power will grow three to four times of what it is today. This growth story is unparalleled across the world. The growth in demand in the US, Europe, Australia and Japan will fall in the next 15 years, because of technological innovation and energy efficiency. When you combine the effect of these two factors with their flat economies, you will see that all their energy demands are on a downward trajectory. India is that bright shining star which is seeing this trajectory going up. The one billion tonne of coal will be consumed very easily.

Do you think we are on the right track to achieve this target?

Absolutely. 2022 was to be the year for achieving this target. But, looking at the enthusiasm and effort this team (Coal India) has put in, and the work they have done in the last two years, I am very confident that we will be able to achieve this target by 2019 itself.

PHOTOGRAPHS BY VIVAN MEHRA



“Our whole approach is one of consensus”

The industry is expecting some development in commercial coal mining...

We are beginning with the PSUs. Mines have been identified; offers have been made to states to take these mines up. Since the prices of coal in the international markets are low, we may not want to bid out mines in the current scenario. People could raise objections stating that it was not the correct time to auction them. We can afford to wait for the correct time to invite other players for commercial mining. CIL has already ramped up its produc-

tion; there is no immediate requirement either. In the long run, we will need extra coal. To complement the fast pace of the economy, we will have to plan this. I will calibrate and do it at the right time.

There is pressure from pro-environment lobbies to reduce the carbon footprint...

We are doing lot of work to encourage the switch from coal to gas. In the long run, because of environment conservation resolves, we have to move from coal to gas – coal-bed methane. Secondly, we are focusing

big time on clean coal technology. I have had a discussion with MIT; my team will now take the discussion forward by way of research.

On the generation side, there is a dip in the interest of private players to set up greenfield power plants. What are your plans to revive their interest?

We focused on opening up several stranded, stressed and stalled projects. In the last two years, we got projects of additional 45-GW capacity commissioned. It is a record. No one will invest unless they can see these



projects coming up and the power sector progressing. Earlier, there were delays of five to seven years...who would have invested then? Now you can see many people buying these stressed assets; they can sense a revival of the power sector. I believe that the investment cycle will see a revival once again.

What is the status of ultra mega power projects?

The document has been drafted based on the report of the Pratyush Sinha committee, which consulted with bankers and other stakeholders. Now this document will go to the Cabinet for approval. We want the UMPPs to come up in the plug-and-play mode. Land and environment approvals are done before the bids are called for.

This was one of the reasons the previous UMPPs could not take off...

There were a lot of reasons. I will try and ensure that everything is tied up between the environment ministry, the state governments and the power ministry, so that implementation can be much faster. We must encourage low-cost power.

By when can we expect bids?

I am not in a hurry. There is no shortage today, and I don't foresee any shortage in the next four to five years. I have enough time in hand, and will do it in due course.

There is a problem of abundance right now. The power plants are running on low PLF which will cause problems for the investors in these power plants...

Will anyone go to a country to invest if they foresee a power shortage? Under 'Make in India', too, we can tell the world that India is now a power surplus country, and they

should come and invest. You will never have a power shortage...it is not a problem for investors at all. In two years, we added 45 GW – a 22 per cent increase in thermal installed capacity. If GDP grows at 7 per cent, power needs to grow by 5-6 per cent. In the last two years, demand in electricity grew by 14 per cent; the remaining delta would lead to a fall in PLF only. This also means that I have spare capacity to ramp up as the demand increases.

There are 32-GW capacities which may retire by 2022. Most of these belong to PSUs and state governments. What will be the impact of this?

There is no retirement commitment as such for these old plants. But I am trying to replace these old inefficient plants with new and modern power plants. This is a work in progress. We have to do a stakeholder consultation with the environment ministry, state governments and PSUs. A complete analysis of the requirements in the areas and the cost required to upgrade these plants needs to be done. We may decommission some of these plants and use the land for some other purpose.

On the solar front, you have been criticised for leading a steep fall in tariff...

Is it a matter of praise or criticism? There are certain people who crib about the dip in tariff, but they also take projects by bidding low. I can't help them. The bidding process is transparent; everyone has an equal opportunity. I can neither request them to bid low nor force them to quote higher. They have their own calculations. I believe they are bidding wisely.

Banks, too, are giving these projects the cold shoulder, and asking players to put in more equity...

I am not aware of this. No one has come up to me with this problem.

Then there are incidents such as SunEdison filing for bankruptcy...

If Kingfisher shuts down, does it mean the entire aviation industry will go for a toss? Indigo is making profits; Air India is in operating profits. One such incident (SunEdison) does not set the parameter for the whole sector.

The dip in tariff is also hurting domestic solar manufacturing...

I recently met with solar manufacturers addressed many of their concerns. I committed to them that whatever they produce will be consumed. We are working on a manufacturing policy and will support players if they are keen to expand operations.

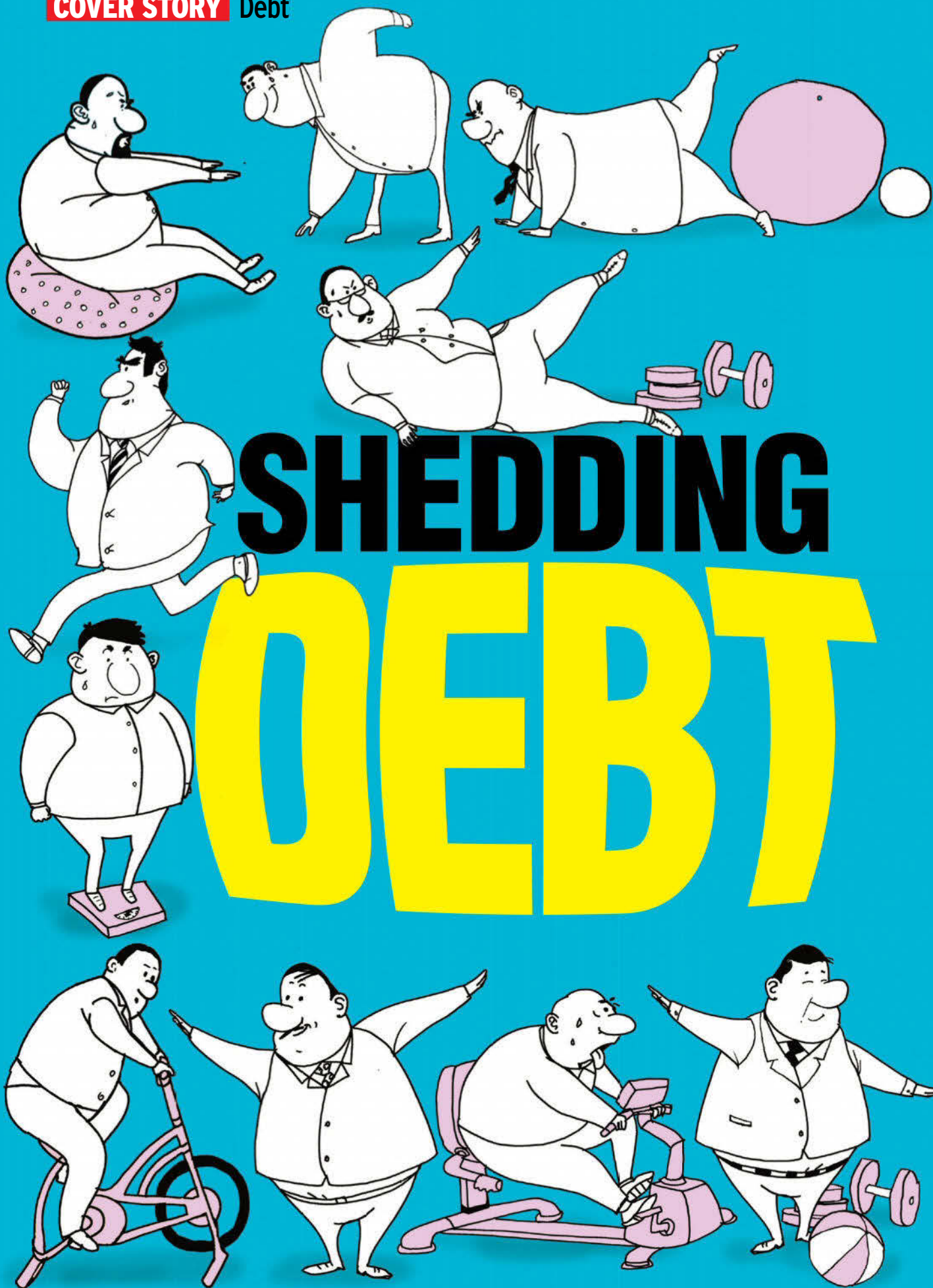
This policy requires integrated projects, but globally there are no examples of manufacturers who can produce right from polysilicon to modules...

A team led by Niti Aayog's CEO, Amitabh Kant, studied the matter and drafted this policy. I am not aware of it. Now Upendra Tripathy's (Secretary, Renewable Energy) team is working on it.

What is your review of UDAY? Are states working on the plan suggested by you to cut AT&C losses?

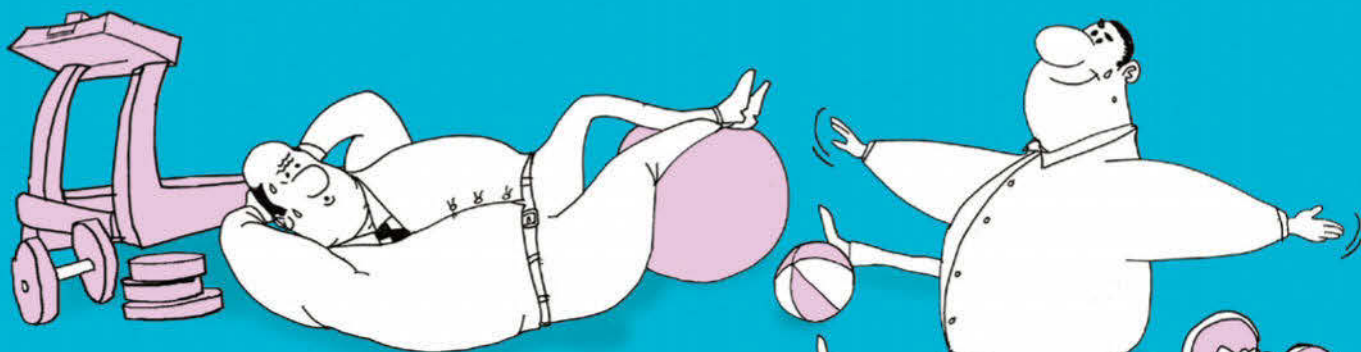
The progress is very satisfactory. We have just reviewed how the data from states will be compiled, how we will sanitise and monitor it. Earlier, the data from states used to be accepted in whatever form they were sent in. The data itself is suspect. We are doing a root-cause analysis and sorting out this problem right from the beginning. ♦

[@anileshmahajan](#)



SHEDDING

DEBT



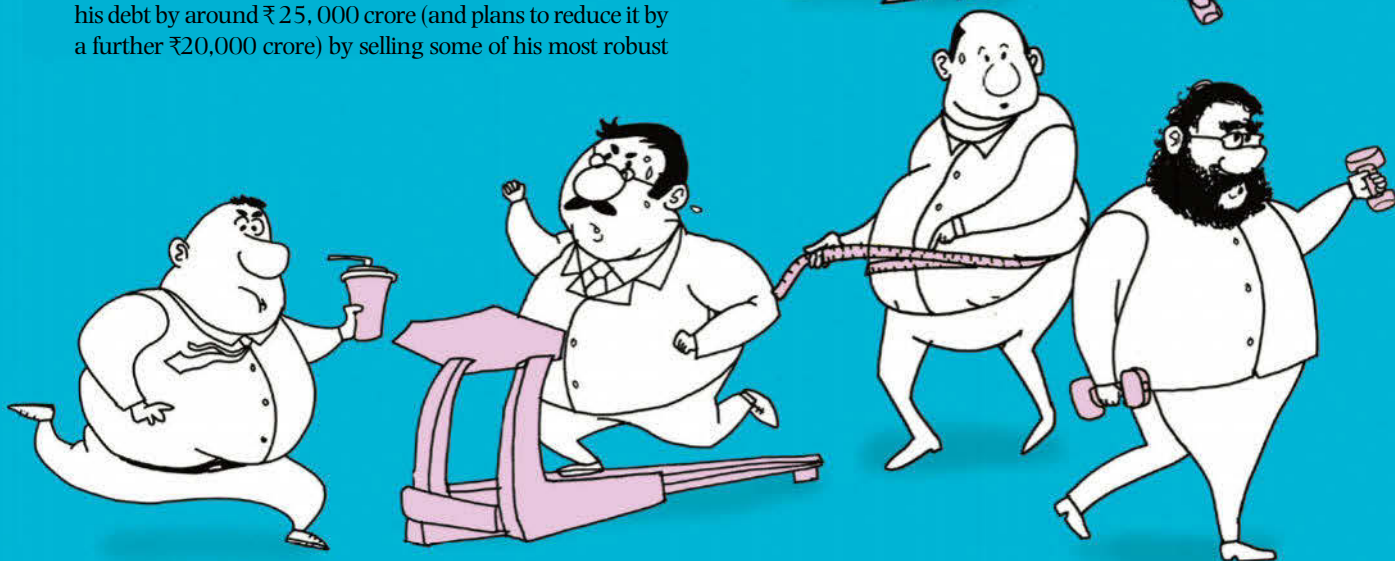
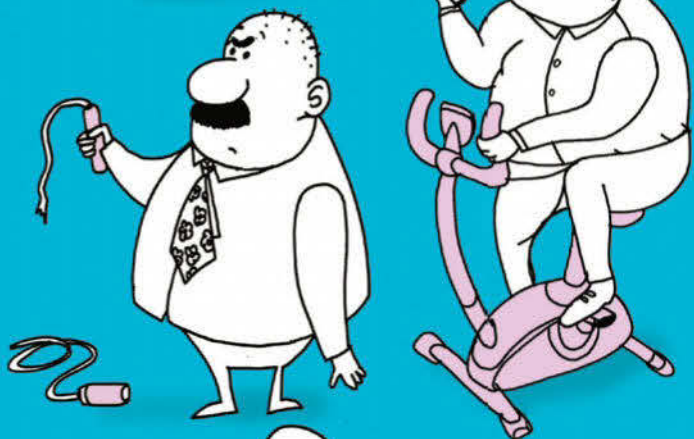
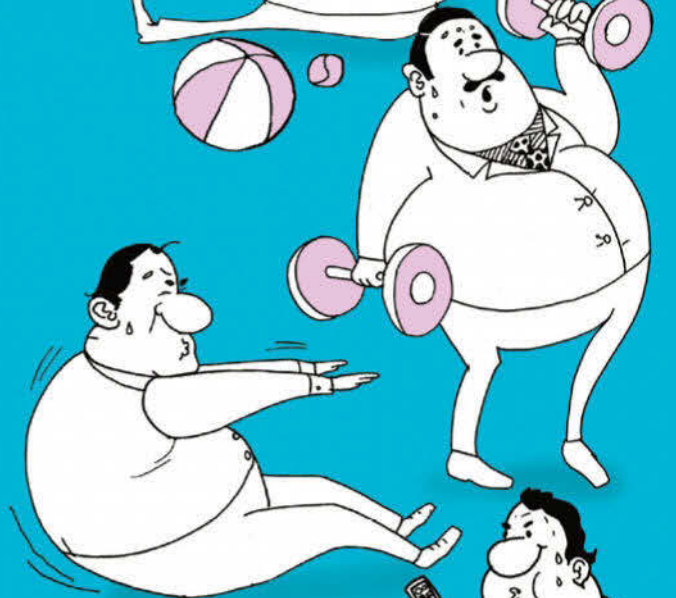
The RBI and the government are forcing big borrowers to reduce leverage. Some companies are managing it better than others.

By RAJEEV DUBEY

Running a business is like being on a road. There are known and unknown roads, straight and winding roads, short and long roads, bumpy and smooth roads. But there are no roads like crossroads. They offer a choice between staying the course and new ways of doing business. Above all – HOPE.

At least, that's how Jaypee group Chairman and CEO Manoj Gaur sees his business. For now, though, he is bitter. "Our only mistake was that we invested and had faith in the country's future," says Gaur. That is only half the truth. "Rash" is the other half. Unbridled expansion and a borrowing binge between 2004 and 2014 left the Jaypee group burdened with debt of ₹75,907 crore by fiscal 2014/15. The group's ₹5,246.8 crore annual EBIT (earnings before interest and tax) failed to service the ₹7,360.3 crore annual interest charge. Revenues were flat and there was nowhere to hide.

But unlike a host of other groups in his situation, Gaur – with some prodding from lenders ICICI Bank, IDBI and SBI – has been one of the few companies that has started shedding debt very seriously, even if it means presiding over a smaller business empire. In the past one year, he says he has reduced his debt by around ₹25,000 crore (and plans to reduce it by a further ₹20,000 crore) by selling some of his most robust



**BHARTI GROUP**

SUNIL MITTAL, Chairman

Refinances nearly **\$3.5 billion** between 2010-13Reduces dependence on domestic banks from **80 per cent to one-third**Sells Africa tower business for **\$2.2 billion**

Sells 2 small firms to Orange for an undisclosed sum

To sell minority equity in India tower business

SHEKHAR GHOSH

**JAYPEE GROUP**Sells cement business to Ultratech for **₹16,500 crore**Sells two hydro power plants to JSW for **₹9,700 crore**Looking to **hawk a minority stake** in Yamuna Expressway

VIVAN MEHRA

MANOJ GAUR, Chairman & CEO

“We are thinking of divesting our assets. The target is to bring down the (total) debt at the group level”

and profitable businesses. He believes debt of about ₹30,000 crore can be easily serviced by his current businesses. “We are thinking of divesting our assets. We are looking at power generation assets. In cement, we are seriously working to bring down our debt. Overall, the target is to bring down the debt at the group level,” says Gaur. “No company like ours has disinvested so much and across all our businesses.”

That is no exaggeration. Even as corporate India sits on an unprecedented debt pile of ₹21,49,345 crore, its record of responsible debt management has been, at best, reluctant, woefully unimpressive and, at times,

recklessly teetering on the brink. There are of course exceptions – the handful of companies that have worked hard to manage their debt burdens properly. These companies have taken decisive steps by paying off debt through sale of assets or equity stakes, re-financing existing debt at lower rates of interest, equipment re-financing or even issuing fresh bonds to pay off expensive debt.

While selling assets the Jaypee way is a no-nonsense way to pare debt, it isn't the only option. Companies have adopted varied techniques to keep their debt – more importantly, their interest payout – manageable.

Telecom market leader Bharti Airtel, for instance, deployed a hybrid strategy to manage its debt burden of ₹73,166 crore (debt taken partly for purchase of spectrum and expansion in India, and partly for the \$10.7 billion paid for Zain's African telecom business in 2010). On one hand, it sold its mobile tower business in Africa for \$2.2 billion (and is looking to monetise a minority stake in its India tower business too). On the other hand, Bharti went for three rounds of pre-emptive re-financing of nearly \$3.5 billion of its debt between 2010 and 2013, each time reducing the interest rate by 20-50 basis points (bps).

Tata Motors, India's No. 1 automobile company by revenue, which took on \$2.3 billion to fund the Jaguar Land Rover acquisition in 2008, issued Rupee-denominated Singapore dollar bonds worth \$624 million. Then, Tata Power says it raised ₹1,500 crore through issuance of quasi-equity by way of perpetual debt, which does not carry repayment obligations, plus another ₹1,500 crore through issuance of 60-year bonds with a bullet repayment (although the instrument is debt, its long tenor reduces repayment obligations). The company also did a rights issue of almost ₹2,000 crore in March 2014, part of which was used to repay existing debt.

COMPANIES WITH HIGHEST DEBT...

...However, as the PAT column shows, not all are in equal trouble. And the interest payout column indicates that high debt does not automatically lead to high interest payout

	TOTAL DEBT	INTEREST	TOTAL INCOME	PAT
Reliance Industries	1,60,863	3,316	3,84,048	23,640
Larsen & Toubro	93,604	7,277	93,040	4,964
Adani Enterprises	83,549	7,056	65,520	2,298
Tata Steel	80,701	4,848	1,40,391	-3,956
Vedanta	77,752	5,659	76,687	-11,374
Jaiprakash Associates	75,907	7,360	19,794	-1,551
Tata Motors	73,610	4,862	2,63,695	14,060
Bharti Airtel	73,166	7,325	94,614	4,586
Hindalco Industries	68,468	4,184	1,05,706	84
GMR Infrastructure	47,738	3,572	9,350	-2,959

In ₹ crore ; Data is for 2014/15 and is consolidated; Ranking based on total debt Analysis was based on both listed & unlisted companies whose data was available; the list excludes public sector entities, foreign MNCs & BFSI companies Total debt includes secured loans, unsecured loans, short term borrowings, current maturity of debentures & bonds, & others; Source: Ace Equity



It is easier said than done, but new avenues of debt raising and re-financing are throwing up greater opportunities to pare debt. Above all, converting to long-term debt under RBI's 5/25 rule to repay a loan over the economic life of the asset. More of that later.

The Beginning

Here is how it all began. On May 15, banking regulator Reserve Bank of India floated a discussion paper on monitoring the credit to over-leveraged corporate houses. It advises that banks make additional provisioning in their books if they propose to lend to a group beyond the normally permitted lending limit (NPLL). This makes any additional loan costlier for the borrower. The NPLL will be defined in advance, but both lenders and borrowers are scurrying to lobby. This RBI move hits at the core of India Inc.'s debt woes, the genesis of which can be traced back to events that began about eight years ago.

After the Lehman crisis, the UPA

government pressed the accelerator to revive economic growth. Banks – which were actively building their own portfolio of loan assets in then promising sectors such as power, infrastructure and airlines – threw caution to the winds and opened up their

LANCO GROUP

Sells Udupi power plant to Adani for \$1 billion in August 2014 (₹ 6,100 crore)

Plans to sell three more plants for about \$2.5 billion (₹ 16,700 crore)

purses like never before. Due diligence was low or non-existent under political pressure, and banks promptly maxed their limits across sectors such as power. By the time the real effect of the US banking meltdown began to set in, between 2008/09 and



MADHUSUDHAN RAO, CEO

2014/15, corporate India's debt had risen 86 per cent from ₹ 11,52,891 crore to ₹ 21,49,345 crore. Well-leveraged groups such as Tata and Reliance actually raised more debt even as they were either shedding or refinancing existing debt. In comparison, net sales grew 79 per cent and net profits 29 per cent. "As the economy grows, leverage will grow.

TATA GROUP

Tata Steel to sell or shut UK assets

Tata Motors raises \$624 million in Rupee-denominated Singapore Dollar bonds

Tata Power sells Indonesian coal mines for \$500 million, issues 60-year bonds, refinances over ₹10,000 cr debt

Largely leverage has gone up because large capital intensive projects didn't do well. They didn't give returns," says Varun Gupta, Partner, Deal Advisory of KPMG.

Remember, this wasn't such a cheap money era, though lenders were tripping over themselves to lend to big projects. And borrowers were taking loans right, left and centre without paying attention to the overall state of the economy. Interest rates were still on the rise – breaching 10 per cent and then going past 12-odd per cent for lower rated debt – as RBI used monetary policy tools to bring the runaway inflation under control, first under governor D. Subbarao and later for many quarters under his successor Raghuram Rajan.

That was the beginning of a painful period for Indian banks and companies alike. By 2012, the reality of a long-drawn economic slowdown had set in once the impact of a mild economic stimulus of 2008/09 had faded. With the economy slowing

down further, most companies that borrowed beyond their means, hoping they will be able to ride through an economic revival, were stuck between the devil and the deep blue sea. Especially, since the average interest rate of over 10 per cent was economically unsustainable.

Still, most companies were hopeful of a quick economic revival, and none of them foresaw the global commodity collapse, the China slowdown or the sluggish demand at home that caused overcapacity to build up in myriad industries.

By 2012, however, it was apparent that the economy was not going to get better in a hurry, and some of the overambitious projections came home to roost. The crisis began to unfold once corporates started defaulting on interest payout. For instance, in June 2013, Essar Steel Algoma defaulted interest payment on a \$385-million bond. S&P categorised it at "high risk" of distressed debt swap on the \$1 billion it owed. In 2016, reports suggested lenders threatened to depose Essar Steel promoter-management for defaults, though the group denies this: "It's speculative. We are under no pressure from banks to do anything. They understand and realise what we are going through. It's an industry issue. We are constantly talking to banks," says V. Ashok, Group CFO, Essar Group, adding that the severe downturn in the global steel industry was exacerbated by China's predatory pricing, which cumulatively resulted in stress on the company's cash flows and delays in debt servicing. "This is despite the fact that the stipulated equity was injected and financial support was extended by other Essar companies. The current government has taken necessary steps in the form of introducing a tariff barrier and sponsoring a steel package," says Ashok.

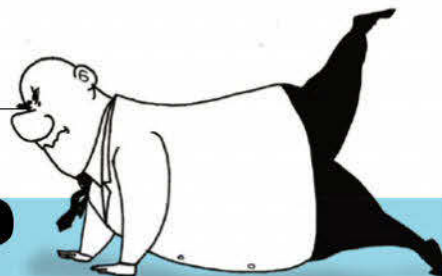
But in power, realty, steel and infrastructure sectors, companies had started missing interest payments. Jaypee Group's Jaiprakash Power Ventures has not repaid \$200 million



RACHIT GOSWAMI

CYRUS MISTRY, Chairman

SOME GROUPS WITH ENORMOUS DEBT



Groups	2010/11	2011/12	2012/13	2013/14	2014/15
Tata group (Includes Tata Steel, Tata Motors, Tata Power, Tata Communications, Tata Chemicals & others)	1,44,865	1,72,174	1,95,631	2,20,849	2,33,359
Om Prakash Jindal group* (Includes Jindal Steel, Jindal Steel & Power, Jindal Stainless, Jindal Saw & others)	51,592	61,325	73,189	99,260	1,12,532
Reliance group (Includes Reliance Power, Reliance Infrastructure & Reliance Communications)	58,080	71,658	91,005	96,310	98,813
Adani group (Includes Adani Enterprises)	32,939	69,201	68,589	71,959	83,549
Essar group (Includes Essar Steel, Essar Ports & Essar Oil)	45,720	56,486	67,018	67,370	68,407

* The group includes Prithvi Raj Jindal, Naveen Jindal, Sajjan Jindal & Rattan Jindal companies; In ₹ crore; Group calculations were based on the prominent companies of a group whose data was available; the list excludes public sector entities, foreign MNCs & BFSI companies; Total debt includes secured loans, unsecured loans, short term borrowings, current maturity of debentures & bonds, & others; Data of a particular financial year includes March, June, September & December ending financials, wherever applicable.

Source: Ace Equity

bonds since they became due in February 2015. This March, its flagship Jaiprakash Associates defaulted on interest payouts on another \$150-million bond issue.

Even though bad and doubtful assets continued to rise, public and private sector banks preferred to brush them under the carpet until stressed assets in the system peaked at ₹8.2 lakh crore. "There was a lot of easy credit available and there is no way of releasing the pressure valve since the bankruptcy code is only now coming into force," says Gupta of KPMG. "We have been bitten very largely by the steel sector," said Punjab National Bank MD & CEO Usha Ananthasubramanian in a conference, explaining why the bank announced its highest ever quarterly loss of ₹5,367 crore in Q4 of FY2015/16. "We will keep away from those sectors where we have been bitten until that sector turns around. Apart from steel, we have exposure to textiles. We will be cautious on these sectors too."

In September 2013, Raghuram Rajan took charge as Governor of RBI. Rajan began with minor exhortations but when that didn't work, he cracked

the whip, asking banks to provide for bad loans or hive them off to asset reconstruction firms for revival. RBI's most potent weapon during this crisis was allowing lenders to take charge of distressed assets under the strategic debt restructuring (SDR) provisions, provided the corporate debt restructuring (CDR) didn't achieve the required results. Since March 2013, the Indian banking system has written off or sold loans worth ₹1,33,435 crore. Banks, in turn, began forcing errant corporates to shed assets and pay for the loans. They haven't succeeded everywhere but where they did, the results are there to see.

The Great Indian Asset Sale

On their part, the bulk of corporate debt management moves, barring a few exceptions, have centred on the good old asset sale – the Jaypee way. Tata Steel, which took on \$10 billion debt to fund its acquisition of UK's



HARJEET KOHLI, CFO, Bharti

"Always raise debt when you don't need it, because when you need it, you won't get it on terms you are comfortable with"

SHEKHAR GHOSH



TULSI TANTI, Chairman

SUZLON

**Sells German subsidiary
Servion for \$1.16 billion in
January 2015
(₹7,116 crore)**

VIVAN MEHRA



G.M. RAO, Group Chairman

GMR GROUP

**May sell one third stake in GMR
Airports to raise
\$500-700 million**

**Sold 30 per cent stake in GMR
energy to Malaysia's Tenaga for
\$300 million (₹2,000 crore)**

Corus Steel, has decided to sell or shut the UK steel business. So far, its sale of nearly a fourth of that business has fetched it a measly £1. Another group firm, Tata Power, sold its Indonesian coal mines for \$500 million. Companies are doing some soul-searching, says Kameswara Rao, Partner & Leader, Energy Utilities, PricewaterhouseCoopers (PwC): "Why did we bid so aggressively? Was the demand forecast so good that we didn't do any third-party review? We have been part of several such discussions. They are now revising internal systems and procedures so that such risk factors are considered in all future bids."

Lanco group, laden with nearly ₹39,191 crore debt in 2014/15, sold its Udupi power plant to the Adani group for \$1 billion. It plans to sell three more plants for an estimated \$2.5 billion.

Essar group has over ₹68,000 crore in debt. It has plans to sell up to 74 per cent stake in Essar Oil and is discussing sale of stake in UK's

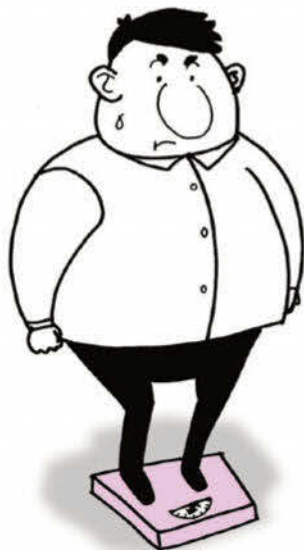
Stanlow Refinery. "Rosneft acquiring a majority equity stake in Essar Oil Limited will result in significant reduction in Essar's exposure — by approximately ₹45,000 crore — to the Indian banking sector across oil, ports and power verticals. This transaction is expected to be completed during the third quarter of the current financial year," says Ashok. The group is also selling Mumbai-based Equinox Business Park to RMZ for an estimated ₹2,400 crore and an upscale residential project in Bangalore for ₹300 crore.

GMR (with debt of ₹46,860 crore) sold 30 per cent in GMR Energy to Malaysia's Tenaga for \$300 million (nearly ₹2,000 crore).

Gaur admits that the Jaypee Group has suffered a 12-year setback because of its debt build-up to fund growth. Having sold some of its best and most profitable assets, the group's current size has shrunk to what it was in 2004. Jaypee sold its 20 mtpa cement business to Ultratech for ₹16,500 crore and two hydro power plants to JSW for ₹9,700 crore. It is also looking to hawk a minority stake in Yamuna Expressway. "Banks should also look at each project closely and not paint everybody with the same brush. They should look at who is adhering to timelines and doing good work. Because if banks do not give money, how will people get jobs," says Gaur bitterly, as lenders forced his hands.

Other debt-laden groups are also looking for solutions, but have yet to prove their seriousness in shedding debt. Perhaps, hoping that things will sort themselves out.

Anil Ambani's Reliance Group sits on a debt pile of almost ₹1 lakh crore as of 2014/15. It plans to sell between 51 and 100 per cent equity in its towers business Reliance Infratel at a valuation of between ₹20,000 crore and ₹25,000 crore; Reliance Infrastructure may sell road assets while Reliance Capital sold Big Cinemas to Carnival group for ₹700 crore in December 2014. In November 2015, Reliance Group



RELIANCE

Mutual Fund

Sapne ek din mein sach nahin hotey!

Start an **SIP** with as little as ₹500 per month,
and aim to achieve your dreams in the long run.



Contact your Financial Advisor or
Visit www.reliancemutual.com | SMS SIP to 561617



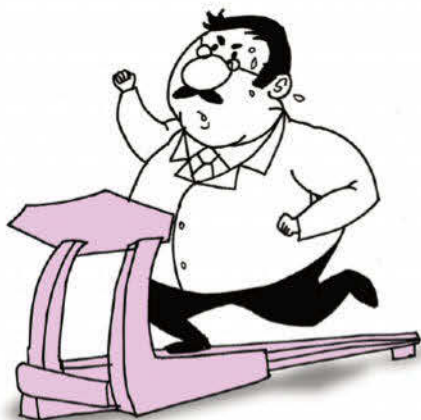
Follow us on



SIP stands for Systematic Investment Plan, wherein you can regularly invest a fixed amount at periodical intervals of time in a Mutual Fund scheme. Apple and the Apple logo are trademarks of Apple Inc., registered in the U.S. and other countries. App Store is a service mark of Apple Inc. Android is a trademark of Google Inc. Windows logo is a trademark of Microsoft Corp.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

SMS charges apply



HOW COMPANIES REDUCE DEBT

Sale of assets such as by Jaypee, Lanco, Suzlon

Sale of equity such as by GMR, Essar, GVK

Refinancing existing debt such as by Bharti

Capitalising interest payout for projects under construction till revenue stream emerges such as by Reliance Industries

Debt recast under corporate debt restructuring and 5/25 rule such as by Essar Steel

Issuing bonds to pay off high interest debt such as by Tata Motors

Director Lalit Jalan said that the board of Reliance Infrastructure has decided to examine selling its non-core businesses such as cement and roads, which are valued at upwards of ₹13,000 crore. The proceeds will be used to deleverage the company so that the group could focus on its new focus area of defence.

GMR group plans to sell nearly one third of its 30 per cent stake in GMR Airports for \$500-700 million. "Sympathies are with those who had to sell assets. They are in a situation where, under ideal conditions, the assets have value. Promoters know the real value of the assets but are not able to realise it. It's a matter of foregoing those assets," says PwC's Rao.

These are signs that realism is setting in. But whether they will go the whole hog in selling assets or drag their feet as long as they can is a huge question mark. Essar Steel, for instance, has sought debt recast under corporate debt restructuring, the second company in the group to do so after Essar Oil in 2004. The 500-MW Lanco Teesta Hydro project has gone into strategic debt restructuring.

Corporate strategies have changed in the past two to three years, says PwC's Rao. Power companies, for instance, talked about 10,000 MW capacity targets and topline growth. "Now, that has shifted. Companies are now careful about growth plans. Instead, they are working on portfolio management. Projects that were nearing completion are being put on the front burner. They are deciding what has to be on the backburner or mothballed. They are stepping down the pace of activity or selling assets," says Rao.

Pre-emptive Refinancing

One way to keep balance sheets healthy is through pre-emptive refinancing. "You should always raise debt when you don't need it, because when you need it, you won't get the terms you are comfortable with," says Harjeet Kohli, Group Head – IT & Treasury, Bharti Airtel, which deployed its pre-emptive re-financing strategy, each time at a minimum of 40-50 bps lower rate of

interest. Right after taking on \$10.7 billion in debt to finance the Zain acquisition, Bharti went on an annual drive of pre-emptive refinancing. In 2012, it issued 10-year bonds at Libor plus 300 bps. The terms were so favourable that while it wanted to raise \$1 billion, it eventually raised \$1.5 billion. In 2014, it raised another \$1 billion 10-year bonds at Libor plus 250 bps and in 2015 yet another \$1 billion (10 year) at Libor plus 210 bps. All of these went into pre-emptive re-financing of the Zain debt. A 50 bps reduction on a \$1-billion loan amounts to saving \$50 million on interest annually.

In 2014, Tata Steel embarked on a massive \$7-billion debt refinancing scheme through fresh 7-10 year loans to re-finance existing loans, issue new 10-year bonds, and transfer some debt to its other subsidiaries as well as short-term credit lines. The company did not respond to BT's queries for details of its debt management initiatives. In December, 2015, Tata Steel announced that its Singapore arm, T S Global Holdings had executed agreements for \$1.5 billion refinance. Tata Power, too, took the refinance route for nearly ₹10,000 crore of Rupee debt and nearly \$1 billion of overseas debt in the past two years, enabling the company to bring down borrowing costs.

Why have all debt-laden companies not resorted to refinancing? Simply, their balance sheets are just not attractive enough for lenders to repose faith in lending at lower rates. Even their ratings have taken a beating. In 2013, for instance, ratings agency CARE downgraded Essar Steel's non-convertible debentures to default grade 'D'. In fiscal 2012/13, Essar Steel incurred a net loss of ₹4,980 crore on revenue of just above ₹16,000 crore. CARE also downgraded its long and short-term bank facilities from BBB – (representing delays in servicing debt) due to worsening liquidity and losses. "We need to put our house in order. No corporate balance sheet is strong enough for alternative refinancing because it requires better ratings. We need to show two years of operational performance before we can do

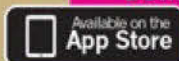
Fun at your fingertips

COSMOPOLITAN now available on iPad, iPhone, Android, Kindle, PC and Mac.



Grab your Digital Edition.

TAP TO
DOWNLOAD



www.cosmopolitan.in/digitalmagazine



COSMOPOLITAN
FUN • FEARLESS • FEMALE

that," says Ashok of Essar.

Also, wherever large PE firms have shown interest in refinancing, they are driving a hard bargain for lending at lower rate of interest provided they get at least 20 per cent of loan value in equity. That's not to

promoters' liking. "It's a very challenging situation. It's happening in steel but nobody has been able to close a deal," says Harish H.V., Partner, Indian leadership team, Grant Thornton.

Debt Diversity

Another measure that helps is diversity of debt. For instance, Bharti, which raised nearly 80 per cent of its debt through bank financing in 2010, now depends on them for just one-third of its debt...and reducing. "Bank loans have lots of covenants. There are restrictions on what you can do and can't do. Bonds are not just cheaper, they are easier on terms and for a longer tenors and have a diversified and deep investor base," says Bharti's Kohli.

Instead, nearly 50-55 per cent of its debt portfolio today comprises non-banking bonds, while nearly 10 per cent is equipment financing through the respective seller's Exim Bank. "Besides diversity, this also creates unmet demand for our credit with banks – helping us generate better economics on one hand, and use this opportunistically for better debt profile and balancing," says Kohli.

New Avenues

The game-changer in finding new avenues for debt management – especially for long-gestation infrastructure projects – has been RBI's decision in December, 2014 to allow 5/25 rule for existing loans or projects where loan outstanding was at least ₹500 crore. (The rule lets a lender lend and the borrower to pay back a loan over the economic life of an asset up to 25 years by refinancing every five years, so that cash flows match the repayment.) Until the rule came into being, banks were allowed to lend for no more than 10-12 years.

Essar has been the most active to restructure its debt under the rule. Nearly half its debt under the power business has already been restructured under 5/25. While restructuring loans in the ports and steel busi-

A. PRABHAKAR RAO



GVK GROUP

Sells 33 per cent of its 43 per cent equity in Bangalore airport to Fairfax for ₹2,149 crore

May divest a part of its 55 per cent equity in Mumbai airport

Plans to sell equity in road projects

G. V. K. REDDY, Founder Chairman

RACHIT GOSWAMI



RELIANCE GROUP

May sell 51-100 pc equity in Reliance Infratel at a valuation of between ₹ 20,000 crore and ₹ 25,000 crore

Reliance Capital sells Big Cinemas to Carnival for ₹700 crore

ANIL AMBANI, Chairman



ESSAR GROUP

To sell up to 74 per cent stake in Essar Oil

Discussing sale of stake in UK's Stanlow Refinery

Essar Steel seeks debt recast under CDR

SHASHI & RAVI RUIA, Chairman & V-C

ness are still under discussion, about \$6 billion of its \$14 billion debt is under the 5/25 rule now.

Chinese banks (ICBC and China Development Bank) have emerged as new sources of debt with plenty of funds to spare at competitive rates. While companies such as Reliance Power tapped them for equipment financing, Bharti, on the other hand, has secured a \$2-billion, nine-year line of credit from Chinese banks at a very competitive 200-220 bps above Libor, though it is yet to draw these funds. Anil Ambani-led Reliance Group, in fact, has been the most aggressive in equipment financing via Chinese banks in recent years. The group did not respond to *BT*'s queries.

Yet another emerging avenue is the £1-billion government-backed Rupee-denominated debt that can be issued in British Pounds as per the India-UK trade agreement signed during Prime Minister Narendra Modi's last visit to the UK.

Since 2013/14, Indian companies can also offer Rupee-denominated Singapore Dollar bonds under yet another trade pact. Tata Motors (\$624 million) and ICICI Bank Dubai (\$225 million) are among the companies that have availed these bonds, among others.

Not to forget the latest option of 'Masala Bonds' — the Rupee bonds in foreign markets that have been used by IFC, IDBI, Yes Bank and Indian Railways to raise between \$75 million and \$250 million debt. Ratings firm S&P has projected that masala bond issues could top \$5 billion annually over a two to three-year period due to their attractiveness. Finance Ministry charges just 5 per cent withholding tax (deducted at source from residents outside the country) on interest income of these bonds, as against 20 per cent for others, making it an attractive proposition. Also, any capital gains from currency fluctuations are exempted from tax.

An age-old initiative deployed often for greenfield projects and expansions is IDC, or capitalisation of interest

during construction — something that Reliance Industries (RIL) deploys to maximum effect. That explains why RIL — which tops the list of India's debt-laden companies with nearly ₹1.81 lakh crore debt as of March 2016 — paid just ₹3,316 crore as interest in

RECENT DEBT MANAGEMENT AVENUES

Indian Rupee Masala bonds issued overseas

Govt backed Rupee denominated British Pound bonds under India-UK trade pact

Singapore Dollar offshore Rupee bond issuances

Equipment financing through Exim banks of seller countries

fiscal 2014/15 on debt of ₹1.6 lakh crore. In comparison, Adani Enterprises with nearly half the debt forked out nearly twice the amount — ₹7,056 crore — via interest outgo.

How Much Is Too Much?

How much debt is too much debt? Finance professionals these days rarely count on the grand-dad of ratios: the debt:equity ratio. Hardly any well-leveraged company meets the conservative 1:1 to 3:1 range. Instead, CFOs rely a lot on debt:EBITDA. Bharti would rather keep it at 2 to 2.5. "No more than 2-3 years of operating profitability i.e Net debt/ EBITDA of around 2 – 2.5 times," says Kohli. In 2010, when the company took on the \$10.7-billion debt to acquire African telecom assets of Zain, the ratio had climbed to an uncomfortable 3.07. It took Bharti three years to get back to the range it is comfortable in.

Apart from Bharti, Tata Power also uses various parameters to monitor its leverage, including Debt:EBITDA, DSCR (debt service coverage ratio), ISCR (interest service coverage ratio), and Debt-Equity ratio. But

having burnt his fingers, Jaypee's Gaur is far more cautious. "For the future, our learning is: there should be 60 per cent equity, 40 per cent loan. Then the company can absorb more shocks like these. Growth will be moderate but we'll be able to withstand such shocks. That's the only lesson," says Gaur.

Are debt-laden companies uneasy? Definitely. Are they doing anything about it? Very few. In fact, a lot more effort has gone into legal battles to stall lenders' moves against promoters, and commercial and regulatory advisory to explain why they are in this situation, than in resolving their debt woes.

Reliance Group, Adani, DLF and Lanco groups refused *BT*'s request to discuss their debt management initiatives. Adani group had a debt of ₹83,549 crore in 2014/15, the latest data available, up nearly 16 per cent since the previous year. DLF group owes ₹20,834 crore, down marginally from ₹20,957 crore. And Lanco's debt stood at ₹39,191 crore, up 6.8 per cent.

On the flip side, the debt overhang has eroded the confidence in long-term capital investment in the country. "Especially, in large infrastructure projects of long gestation period — roads, ports, power projects — which are sorely lacking in a country like ours," says Varun Gupta of KPMG.

But look at the brighter side of it all. PwC's Rao says that the debt burden has practically forced companies to re-evaluate — and churn, if necessary — their portfolios. "Large international companies always shuffle their portfolio. Indian companies never had to do that. If a project stalled, they moved to the other." But the root of any successful debt management lies in taking haircuts, says Grant Thornton's Harish. That road emerging from the crossroads, definitely, is not for the faint-hearted. ♦

Additional Reporting by
Sumant Banerji

@rajevdubey

JINDAL'S SHOPPING SPREE

Sajjan Jindal's JSW Group is in the midst of a rapid inorganic expansion, accumulating substantial debt in the process. Will the sizeable purchases burden the conglomerate in the long run?

By NEVIN JOHN

Sajjan Jindal, CMD, JSW Group

UMESH GOSWAMI

2004

Acquired SISCO
(Southern Iron Ore Steel
Co) at ₹1 and took over
its debt

2005

Acquired Euro Ikon Iron
and Steel (₹1,020 crore)

2007

Acquired Plate and Pipe
Mill in the US (₹3,854
crore)

2008

Acquired iron ore mines
in Chile (\$52 million)

2011

Acquired Ispat
(₹12,000 crore)

2014

Acquired Vallabh Tinplate
(₹46 crore)
Acquired Welspun
Maxsteel (₹1,000 crore)

2015

Acquired Jaypee's hydro
power plants, Baspa
& Karcham Wangtoo
(₹9,700 crore)

2016

Acquired JSPL's
Chhattisgarh power plant
(₹6,500 crore)

Billionaire Sajjan Jindal is a man on a mission. He is on an acquisition spree in an effort to give his \$11-billion JSW Group even greater heft and scale. Jindal's takeover targets include steel, power and cement plants. The adverse market conditions and, more importantly, mounting debt don't appear to have deterred him.

Consider this. Jindal has inked a deal with his younger brother Naveen's Jindal Steel and Power (JSPL) for buying a 1,000-megawatt (MW) power plant in Chhattisgarh. Depending on the availability of coal mines and long-term power purchase agreements (PPAs), the valuation will be finalised between ₹4,000 crore and ₹6,500 crore.

Jindal's JSW Cement has submitted a bid for acquiring the 11 million tonne (MT) cement plants of French major Lafarge in India worth ₹10,000 crore. Then, JSW Steel is eyeing the assets of Tata Steel UK, which is struggling with accumulated losses and a debt burden of \$4 billion on its books. "We continue to look for opportunities across the globe," says Seshagiri Rao, Joint MD & Group CFO. JSW Steel also intends to acquire iron ore mines coming up for auction in Karnataka in July. They have a capacity of 10 MT and JSW will be bidding for the entire assets.

Meanwhile, JSW Energy has entered into a binding agreement to buy 500-MW Bina thermal power plant in Madhya Pradesh from the Jaypee Group. It also has a non-binding pact with Monnet Ispat and Energy to acquire its power unit, which is developing two coal-fired thermal power plants with total capacity of 1,050 MW in Odisha. Both deals are yet to fructify.

And there's more. JSW Sports is looking to buy out IPL franchise Royal Challengers Bangalore after the exit of Vijay Mallya.

Clearly, Jindal is in a hurry to ramp up operations. JSW Group companies have already acquired nearly eight assets over the past few years at a cost of ₹28,000 crore. These include Ispat Industries from L. N. Mittal's brothers, two hydropower assets from Jaiprakash Power Ventures, the plate and pipe mill of his brother Prithviraj Jindal in the US, and Welspun's Maxsteel.

While buyouts by large corporate houses during an economic downturn at cheap valuations are not uncommon, Jindal's JSW Group already has accumulated total debt of around ₹56,000 crore. Also, its major businesses have an exposure to sectors facing challenging times – steel, power, cement and ports. In this context, is Jindal's expansion strategy fraught with risk?

All in the Family

Jindal has struck some big deals with his family members. They have not yielded the desired results, prompting some analysts to wonder whether those acquisitions were done more to preserve the assets within the family than for business objectives.

In 2007, Jindal bought his elder brother Prithviraj's ailing assets – steel plate and pipe mills – in the US at an enterprise valuation of \$900 million (₹3,854 crore then). The three entities had a net loss of \$42 million and revenues of \$510 million in 2006/07. But the acquisition price was 6.25 times of earnings before interest, depreciation, tax and amortisation (EBIDTA).

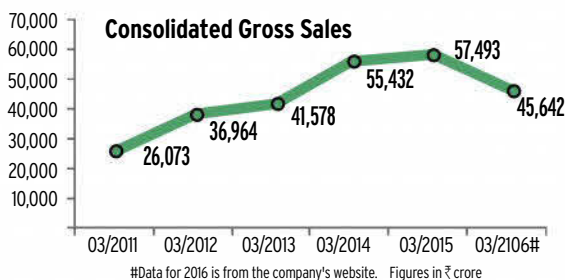
A MOUNTAIN OF DEBT

JSW Group's flagship listed company is neck deep in debt

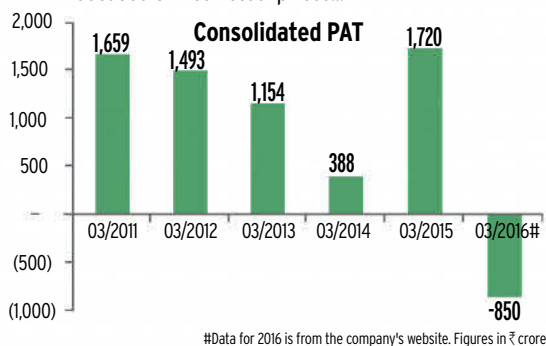


JSW Steel:

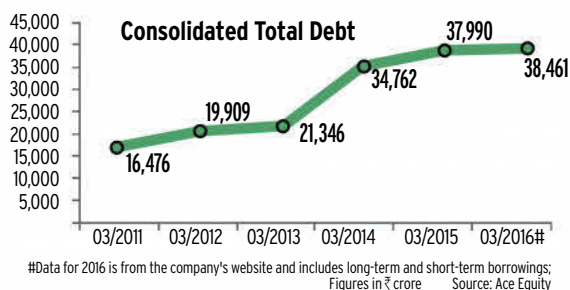
Sales have shrunk...



... and the company posted losses last fiscal because of weak steel prices...



... even as total debt continues to climb



After the acquisition, JSW Steel pumped in millions to modernise the mills for capturing the growth opportunities in the US oil and gas market. Jindal had expected to recover the costs, including the acquisition price, in four years.

But the latest numbers show that the mills produced 0.197 million tonne (MT) plates and 0.054 MT pipes, representing a capacity utilisation of 21 and 10 per cent, respectively, in the last financial year. The turnover of the plate and pipe mills almost halved – dropping 49.5 per cent to \$178.93 million – during the period. It registered an EBITDA loss (including other income) of \$27.57 million as against a growth of \$6.24 million in the previous year. JSW Steel (US) suffered a net loss of ₹329 crore and ₹302 crore in 2013/14 and 2014/15, respectively.

Analysts are also not convinced about the deal with JSPL for the Chhattisgarh power plant. Raamdeo Agrawal, Joint Managing Director, Motilal Oswal Financial Services, says that the firms go for acquisitions based on their needs. "If JSW acquires iron ore and coal mines, it makes sense. But I am not clear whether the acquisition of JSPL's power plants is for buying a lucrative asset or for helping the brother and keeping the asset within the family," he says.

Indeed, the operations of JSPL's Chhattisgarh power plants are hampered by coal shortages and lack of long-term power purchase agreements (PPAs). JSW Energy has still valued the plants at ₹4,000 crore. "The major worry about the power sector is the lack of clarity in understanding risk-adjusted returns. There are distressed assets around. But if the risk-adjusted return is not higher, the turnaround time will be indefinite," says Kuljit Singh, Partner and Industry Leader, Infrastructure, EY (Formerly Ernst & Young).

However, some acquisitions outside the family appear to be working for Jindal.

Making Acquisitions Count

When JSW Steel took over the loss-making Ispat Steel from Mittal brothers in 2010, the turnaround prospects were bleak because of the inadequate supply of raw materials at its 3.3 MT steel plant at Dolvi. But the plant was the first in India to adopt the latest technology – a combination of Conarc technology and compact strip production (CSP) – for making steel. Ispat had a debt of ₹7,000 crore in 2010.

The plant, which had a negative EBITDA of ₹77 crore at the time of acquisition, turned around in three years, registering an operating profit of ₹1,180 crore by the end of March 2013. This was made possible by sourcing cheaper iron ore and reducing power and gas costs. JSW is now setting up 3 MT coke oven plant at Dolvi in two phases, at a cost of ₹2,000 crore, through an associate company.

Similarly, Welspun Maxsteel was suffering from irregular natural gas supplies. It is still an issue but Jindal hopes to turn it around by next year.

SURGE IN DEBT

JSW Group's other listed flagship, JSW Energy, has seen a spike in debt

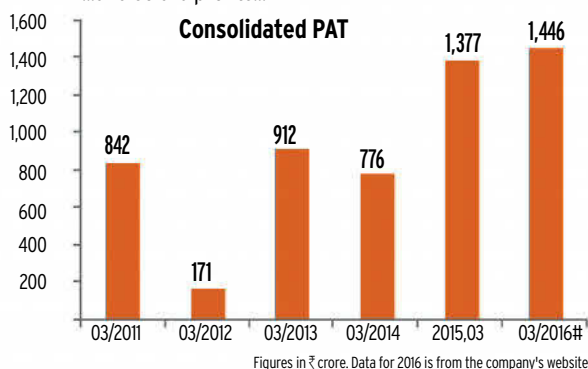


JSW Energy:

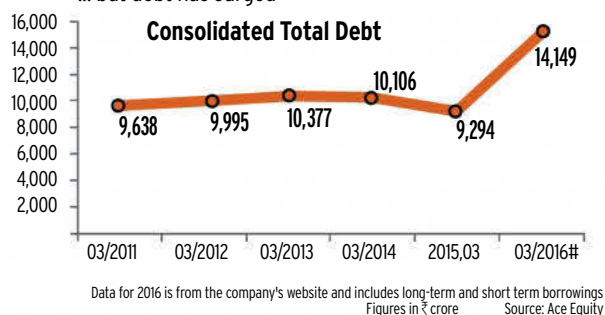
Sales are growing ...



...and so are profits...



... but debt has surged



The Game Plan

The acquisitions are part of the \$11-billion JSW Group's big plans. Seshagiri Rao says that JSW Steel wants to more than double its production capacity over the new few years – from 18 MT now to about 40 MT by 2025. “We have added 4 MT capacity recently. It will increase the production by 25 per cent in this financial year. With this we want to increase our market share to 15 per cent from 13 per cent,” he says.

JSW Steel also plans backward integration through acquisitions – it doesn't have iron ore and coal mines. The Mines and Minerals (Development and Regulation) Amendment Bill 2015 offers an opportunity to the company to achieve this goal through the auctions route. “We will be participating in the auctions. We look at overseas opportunities also for backward and forward integration,” adds Rao.

Then, the steelmaker is looking to improve the product mix by increasing the share of valued added steel in its total production – from 35 to 40 per cent. It plans to build tin plate and electrical steel capacities for increasing the value-added portfolio.

Similarly, JSW Energy plans to more than double its capacity in five years – from 4,500 MW to about 10,000 MW. With the addition of JSPL's Chhattisgarh plants, the capacity will increase to 5,500 MW. The company is on the prowl for more distressed assets to enhance its portfolio.

The port business, which comes under JSW Infrastructure, has 33 MT capacity, which will be raised to 95 MT in a year's time. “We are further looking to increase the capacity to 200 MT in five years, adding greenfield capacities,” says Rao. The conglomerate is also looking to buy debt-laden port assets in the country. The planned expansion could bring its port capacity on par with Adani Ports and SEZ – the largest private sector player. It is targeting a 200 MT capacity by 2020, up from 150 MT now.

Plans are also afoot to raise the cement capacity of the group more than four fold over the next five years – from 6 MT to 25 MT. The expansion to 12 MT is already underway. Acquisitions, again, are part of the game plan.

Ambareesh Baliga, independent market expert, says that it's the right way to buy assets cheaply during a downturn. “The acquisitions of Corus (by Tata Steel) and Zain (by Bharti Airtel) were made in an expensive market. JSW group has low cost credits available because of its size. They could pay off most of these debts in three years,” says Baliga.

Burgeoning Debts

The large-scale acquisitions will increase the financial liabilities. JSW Steel's debt to equity is 1.78 while debt to EBITDA is higher at 6.33. The debt stands at ₹38,461 crore while the EBITDA stood at ₹6,072 crore.

Rao says that debt has fallen in the last financial year. The high debt to EBITDA can be partly explained by the low steel prices, he says. It will be corrected soon with prices



"If JSW goes for the acquisition of iron ore and coal mines, it makes sense. But I am not clear whether the acquisition of JSPL's power plants is for buying a lucrative asset or for helping the brother and keeping the asset within the family"

RAAMDEO AGRAWAL, Joint Managing Director, Motilal Oswal Financial Services

"It is the right strategy to buy assets at best prices when the cycle is down ... JSW group has low cost credits available because of its size. They could pay off most of the debt in three years"

AMBAREESH BALIGA, Independent Market Expert



gradually rising again, asserts Rao. The international prices gained 70 per cent to \$470 per tonne since February. The imposition of minimum import price (MIP) on various steel products and the lower coking coal price provides some relief to the steelmaker in the short term despite the rise in domestic iron ore prices.

JSW Energy is in a comfortable position at present with a debt of ₹14,149 crore and an EBITDA of ₹4,500- ₹5,000 crore. But after the JSPL deal, the debt is likely to reach ₹20,000 crore. The new additions such as Bina will burden it further. Port and cement are profitable companies with little debt on their books, says Rao. The debt of the port business stands at ₹1,200 crore while for the cement division the figure is ₹1,100 crore.

The group plans to combat the rising debt – particularly that of JSW Steel's – through better cost management. Streamlining raw material sourcing, logistics and fuel consumption is on the cards. With technology, it is also trying to improve the product mix. "There is always an opportunity for refinancing and reducing the costs. The interest costs came down by 16 basis points to 7.16 per cent in the last financial year because of refinancing," Rao explains.

JSW Steel has a capital expenditure plan of ₹7,000 crore. About ₹4,300 crore will be spent in this financial year for improving operational efficiencies such as conveyor belts for iron-ore transportation, water reservoir at Vijaynagar (Karnataka) plant and a 1.5 MT a year coke oven at Dolvi (Maharashtra).

Financing Troubles

If JSW persists with its mega-expansion plans, its debt requirements will shoot up. Back-of-the-envelope calculations show that the group needs to shell out ₹1.4 lakh crore

for achieving its targets. The steel expansion will require around ₹60,000 crore. Power, cement and port expansions will need around ₹30,000 crore, ₹20,000 crore and ₹20,000 crore, respectively.

Raamdeo Agrawal says that JSW group needs to think of deleveraging their portfolios before going for expansions. The companies will have to raise at least 70 per cent of the future investment as loans.

On a standalone basis, JSW Steel's net sales fell 20 per cent to ₹36,202 crore in the last financial year. In comparison, rival Tata Steel's net sales fell 8.7 per cent to ₹37,815 crore. JSW Steel reported a net loss of ₹3,498.28 crore in 2015/16 – compared to a profit of ₹2,166.48 crore in 2014/15, after making provision for the reduced value of investments and loans in its subsidiaries in the US and Chile. Without this provisioning of ₹5,860 crore, it registered a profit of ₹2,362 crore. Tata Steel's provisioning is insignificant and it registered a 24 per cent fall in net profit to ₹4,900.95 crore.

JSW Energy's standalone revenue fell about 6 per cent to ₹5,959.42 crore in the last financial year, while profit fell 3 per cent to ₹965.85 crore. Tata Power reported 1.64 per cent growth in revenue at ₹8,819.65 crore and 23.6 per cent fall in profit at ₹771.62 crore. Tata Power's profits fell because of provisioning for reduced value of its investment in Tata Teleservices and two joint ventures by ₹300 crore.

So Jindal's two flagship businesses are on par with industry giants. The cash flow will not be an issue for the companies. But it will be risky doing back-to-back acquisitions of ailing assets in a dull market. It is going to be a tight rope walk for Jindal. ♦

@nevinjl



**When life has been
all work,
shouldn't retirement
be all play?**

**Introducing ICICIdirect
Retirement Planning Services.**

At ICICIdirect Retirement Planning Services, we strive to ensure that you can enjoy your golden years to the fullest. By helping create comprehensive, tailor-made plans for you before and during retirement, you can rest assured that it will be just the way it is meant to be - rewarding and enriching.

**For a free consultation with our Relationship Manager,
call 1800-209-9091 (toll-free)* or email fps@icicisecurities.com**



ICICI Securities Ltd. (I-Sec), Registered office of I-Sec is at ICICI Securities Ltd., - ICICI Centre, H. T. Parekh Marg, Churchgate, Mumbai - 400020, India, Tel No : 022 - 2288 2460, 022 - 2288 2470. I-Sec is a Member of National Stock Exchange of India Ltd., SEBI Regn. No. INB 230773037 (CM), SEBI Regn. No. INF 230773037 (F&O), SEBI Regn. No. INE230773037 (CD), Bombay Stock Exchange Ltd., SEBI Regn. No. INB011286854 (CM), SEBI Regn. No. INF010773035 (F&O), Name of the Compliance officer: Ms. Mamta Jayaram Shetty, Contact number: 022-40701000, E-mail address: complianceofficer@icicisecurities.com. PFRDA registration numbers: POP no - 5000343, POP SP no - 6048796, AMFI Regn. No.: ARN-0845. Kindly read the Risk Disclosure Documents carefully before investing in Equity Shares, Derivatives or other instruments traded on the Stock Exchanges. The contents herein above shall not be considered as an invitation or persuasion to trade or invest. Investors should make independent judgment with regard to suitability, profitability, and fitness of any product or service offered herein above. I-Sec and affiliates accept no liabilities for any loss or damage of any kind arising out of any actions taken in reliance thereon. **Please note that Mutual Fund Investments are subject to market risks, read the scheme related documents carefully before investing for full understanding and detail.** Kindly read the offer documents carefully before investing in NPS for full understanding and detail. We are distributors of Insurance and Mutual funds, Fixed Deposits, Bonds, Home Loan products and NCDs. We act as a Syndicate, Sub-syndicate member for IPO, FPO

dentsucomm/8058b/16

Fresh Dawn

After four years in the red, Jet Airways finally turns around. But sustaining this performance will be a bigger challenge.

By MANU KAUSHIK

THE TURNAROUND STORY

Jet set up about 20 teams to cut costs in several areas, including engineering, fuel and maintenance

Codeshare agreements with 23 airlines and partnership with Etihad Airways helped it sign lucrative ground handling, fuel and catering contracts

More sweating of aircraft improved the number of passengers flown

Fall in aviation turbine fuel prices reduced costs



Just five days before Jet Airways was to shift its European hub from Brussels to Amsterdam, terrorists carried out two bomb blasts at Brussels airport, leaving thousands of passengers stranded. Jet's four Airbus A330s and more than 600 passengers were also stuck. But as luck would have it, Jet was able to quickly move its passengers and aircraft to Amsterdam due to the recent arrangement with the Dutch government. The shifting of the European hub from Brussels to Amsterdam was aimed at covering more cities in Europe and North America with the help of codeshare agreements with KLM Royal Dutch Airlines and Delta Air Lines, the partners of Etihad Airlines, which owns a 24 per cent stake in Jet. Codeshare is an arrangement under which two or more airlines share a flight.

That fortune favours the brave is as true in life as it is in business. And Jet has had its fair share of both over the past few years. As a result, for the first time since 2010/11, it has returned to full-year profitability—it reported a standalone net profit of ₹1,173.56 crore in 2015/16. While luck has played a part—in the form of lower fuel prices and improvement in market conditions—credit also goes to the tens of operational improvements, both big and small, that it has been carrying out in all aspects of the business. The partnership with big brother Etihad has helped too. The

It also gained from the overall rise in passenger traffic in the Indian aviation market

SHEKHAR GHOSH


NARESH GOYAL Chairman, Jet Airways

Our strategic collaboration with Etihad has enabled us to leverage cost advantages and economies of scale

last time it had reported a standalone net profit (a mere ₹9.69 crore) was in 2010/11.

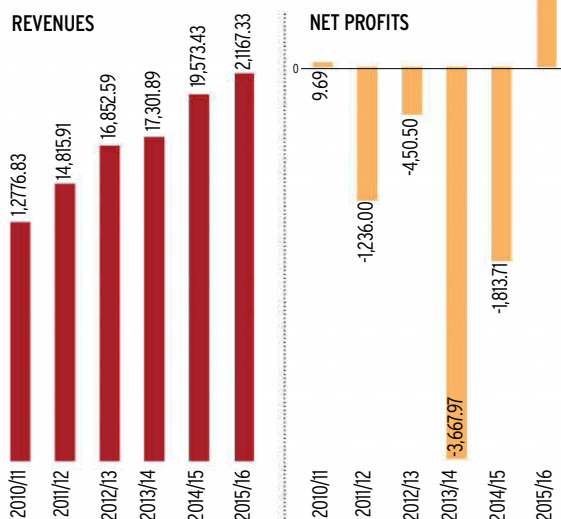
The reasons behind the turnaround include more sweating of aircraft, cost control, better network planning, renegotiation of contracts and, of course, the drastic fall in aviation turbine fuel, or ATF, prices.

Understandably, Jet Chairman Naresh Goyal is a happy man. "Jet Airways has been revitalised as a business in the last two years. Our focused efforts have resulted in significant improvement in operational performance. The record profit and overall strong financial performance is a result of several initiatives for improving productivity and efficiency," he told *BT*.

But the big question is, can it sustain the momentum, considering that the Indian market has historically been brutal to airlines, competition is intense, and there is a limit to operational improvements a company can carry out? The answers lie in the turnaround story so far.

BACK IN THE GAME

Spike in revenues and profits shows a solid all-round performance in 2015/16



Figures are standalone (in ₹ crore) Source: BSE/Company

MORE PER FLIGHT

Jet has improved its passenger load factor, though it still has a lot of catching up to do

Airline	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16
SpiceJet	81.4	85.9	86.7	83.4	93.2	92.1	92.1	91.1
GoAir	81.5	82.3	84.2	80	83.6	75.6	86.5	86.3
IndiGo	79.1	77.9	88.8	77	86.6	76.8	88.5	85.1
Jet Airways	69.5	77.2	89	86.6	77.7	80.8	83.8	79.1
Air India	78.6	76.7	85.9	73.9	73.5	79.3	86.7	75.7

Figures in per cent Source: DGCA

More Sweat

Between 2011/12 and 2014/15, Jet struggled due to poor network planning, operational inefficiencies, directionless management and insufficient brand focus. Things started changing after the stake buy by the UAE's national carrier, Etihad Airways, in November 2013. The next year, Jet started implementing a three-year plan (2014 to 2017) to return to profitability.

To begin with, it started utilising each aircraft more. For instance, its aircraft (Boeing 737) utilisation rate, close to 11.2 hours per day for years, rose to 13.2 hours in 2015/16. This means Jet added capacity equal to nine Boeing 737 aircraft. This required detailed planning and took 15-16 months.

"It was a tedious task as we had to first define the network, which is an art," says Amit Agarwal, acting CEO and CFO, Jet Airways. "It's a highly complex structure. DGCA [Directorate General of Civil Aviation] guidelines say

clearly that a captain, and captain crew, can fly only so many hours. We have to ensure the quality of pilots. A huge amount of preparation has gone into this," he says.

In Jet's case, this was even more difficult as it has significant domestic and international operations. Out of 555 flights per day in 2015/16, 133 were international.

Cost Control

Jet also set up 20 teams for cutting costs in different areas. For instance, its revenue management team has 10 people, called route controllers, who manage about 60 flights each. Their job is to monitor booking patterns and seat inventories for setting fares with help from a software called Pros. The difference in fares that two people sitting next to each other on a Jet flight have paid can be as high as five times. Globally, Pros is believed to have the capability of increasing revenues by 1-3 per cent.

Though fall in ATF prices has also helped lower costs, Jet says it has passed on most of the benefits of this to consumers. For Jet, ATF accounts for 30 per cent cost, compared to 40 per cent-plus for low-cost carriers, or LCCs, such as IndiGo and SpiceJet. "The fall in ATF prices has been about 38 per cent. If you do the math, you are talking about 11 per cent [drop in overall costs]. The dip in fares in the domestic market is about 9 per cent. So, over 80 per cent of the fall in fuel prices has been passed on to consumers," Agarwal had told *Business Today* in March. In the year ended March 2016, Jet's fuel expenses fell 25 per cent over the previous year, while its standalone income rose 8 per cent. ATF prices have risen 20 per cent since February, though.

Jet has also saved a lot of money by renegotiating maintenance, repair and overhaul, or MRO, contracts. The earlier contracts were on 'time and material' basis, which meant that when aircraft went for visits to MRO facilities, the full cost used to be accounted for in that quarter. It got these changed to power-by-the-hour basis. This means Jet now pays MRO companies on an hourly basis. The companies agreed as this gave them assured business. At present, Jet works with four MRO units.

These renegotiations would not have been possible if Jet was on its own. But the airline has 23 codeshare partners, most of them bigger than it, who brought heft to the negotiation table. Etihad alone has more than 650 aircraft.

"There are several areas where we are now working with partners, including catering, fuel and ground-handling contracts. Possibilities of sharing office spaces are also being explored," says Gaurang Shetty, Whole Time Director, Jet Airways. In Bangkok alone, Jet is saving more than \$1 million a year by reworking ground-handling contracts.

Etihad's backing also ensures that it does not have to give bank guarantees for buying fuel. It can use this capital for other purposes.



BSNL: GOING STRONG AGAINST THE WINDS

FINANCIALS

- BSNL income from services increased to ₹27,242 cr., a 4.16% increase from last year and is highest ever in the last five years. EBITDA has become positive in 2014-15 with ₹672 cr. from operating profit which was negative in 2013-14.
- And about its future plan to become a financially profitable PSU by financial year 2018-19 with customer centric initiatives recently taken/ to be taken to achieve profitability.

CUSTOMER CENTRIC INITIATIVES

- Free night calling for BSNL landline customers to any operator mobile or landline in India from 9pm to 7am.
- Minimum broadband speed increased to 2Mbps.
- Free incoming calls to BSNL mobile customers, while roaming.
- More than 2,500 hotspots are operational covering major tourist and historical destinations like Varanasi Ghat, Taj Mahal, Har ki Pauri, etc. BSNL intends to commission more than 40,000 Wi-Fi hotspots during the next two years.
- Process started to migrate all BSNL traditional electronic switches to IP based NGN technology to provide fixed mobile convergence to its customers.

IMPLEMENTATION OF IMPORTANT GOVERNMENT PROJECTS

- Bharat Net project is part of Digital India initiative of the government to bridge the gap in the rural access by connecting all 2,50,000 gram panchayats of the country through optical fibre cable (OFC) network. BSNL has covered 36,736 gram panchayat by laying of 86,568 kms of OFC under the project.
- BSNL is laying 54,000 kms of OFC for defence network; 10,000 kms already covered.
- BSNL is laying 3,218 kms OFC in north east region to ensure comprehensive telecom transmission network development.
- BSNL has entered into partnership with the ministry of urban development to track and monitor waste transportation for government of India's Swachh

Bharat mission in 4,041 urban local bodies in India.

- BSNL has exceeded PM's target on Skill India initiative under 'Skill India' training programme and has trained 45,681 candidates country wide. It has also entered into MoU with TSSC for massive skill development initiative.

OTHER STRATEGIC STEPS

- Enhancing mobile data network capacity to enhance coverage and quality of service.
- MPLS network expanded from 106 cities to 205 cities.
- Super highway transport network with 100 Gbps line capacity is planned.
- Additional 10 Gbps data connectivity has been provided to north east region with help of BSCCL of Bangladesh, which has been jointly launched by the PM and the PM of Bangladesh.
- BSNL is planning to monetise its land assets to generate ₹2,500 crore.
- A total of 24,124 BTS commissioned during the last two years.
- BSNL has signed an agreement on March 9, 2016 with DTH operator TATA Sky to offer video-on-demand.

IMPACT OF ABOVE INITIATIVES

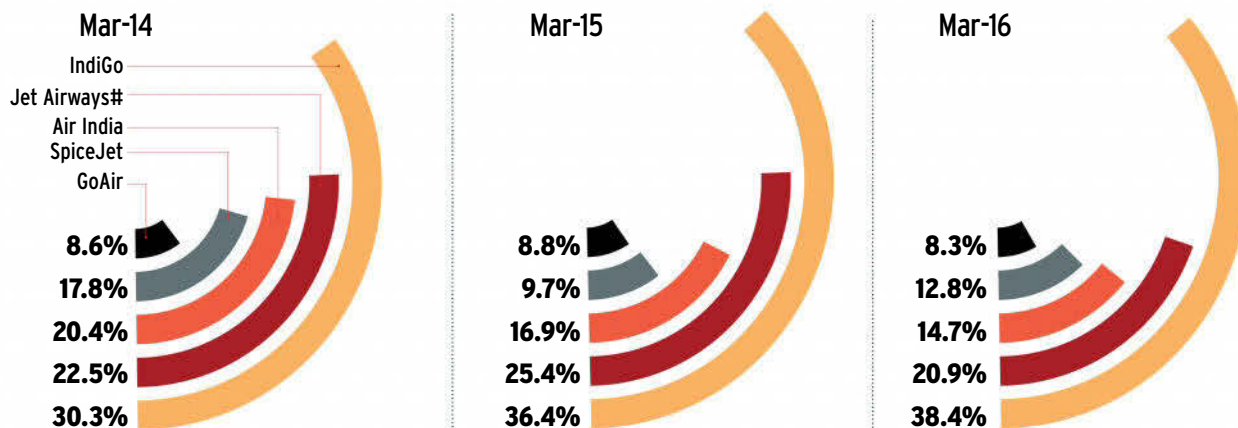
- BSNL has been adding more than 20 lakh new GSM connection every month since last three months and its MNP has turned positive since July 2015.
- As per TRAI, BSNL registered highest growth rate during Feb 2016 with a growth of 1.67% which is double the industry growth rate of 0.85%.
- Mobile data has witnessed a 40% increase in Feb 2016 as compared to April 2015 by touching a new height of 270 TB per day on mobile network.

It is pertinent to mention here that BSNL has very little debt, with debt-equity ratio of 0.13.

Capital expenditure has grown from ₹5,414 cr. (2012-14) to ₹6,368 cr. (2014-16), a growth of 17.62%.

BSNL is hopeful of becoming a profitable company by the FY. 2018-19 and will once again start contributing towards government exchequer.

Even though Jet has been losing market share to Indigo...



Figures in per cent #Includes Jet Airways, JetKconnect and JetLite market shares

“Our strategic collaboration with Etihad has enabled us to leverage cost advantages and economies of scale to the eventual benefit of our guests and employees,” says Goyal.

“Jet is focusing on better network planning, turnaround time reduction, higher aircraft utilisation and renegotiation of vendor contracts. There’s a deeper focus on bringing the cost per available seat kilometre (CASK) closer to that of LCCs. Benefits of synergy with Etihad are also coming in,” says Amber Dubey, Partner and India head of aerospace and defence at global consultancy KPMG.

Jet, of course, is not alone. Domestic carriers, in general, have been performing well over the past 18 months or so. SpiceJet and GoAir have been making profits for several quarters while IndiGo, the largest Indian carrier by market share, has been profitable for eight years in a row now. IndiGo’s net profit rose 52.6 per cent to ₹1,989.7 crore in 2015/16.

“Jet’s turnaround should be viewed in context of the operational environment. Just as the other airlines are

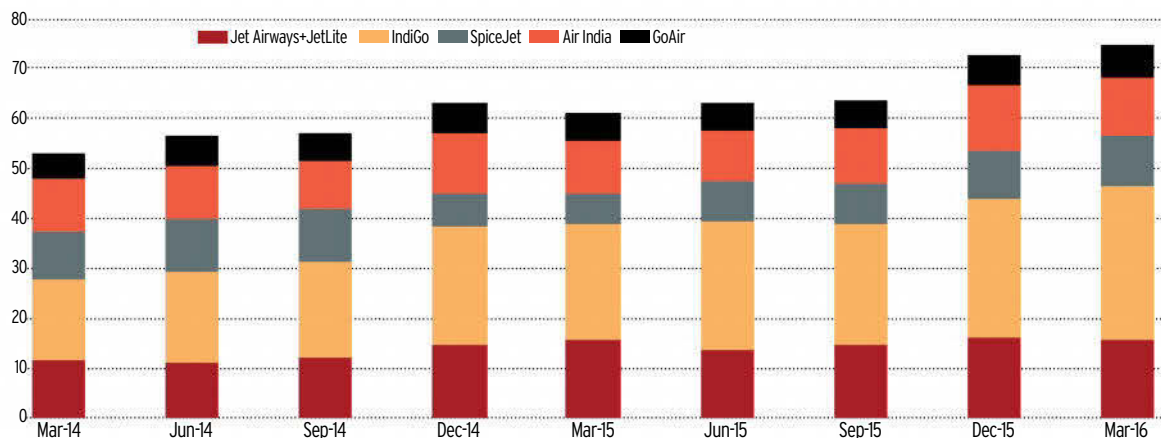
doing well, so is Jet, as operational factors are favourable. These include fall in ATF prices, 20 per cent market growth, limited capacity augmentation and no fare war,” says Jitender Bhargava, former Executive Director, Air India.

Little Big Things

Though Jet has gained enormously from the improvement in market conditions, the management, too, has been on its toes. It has gone into the minutest of details to make each operation, however tiny, more efficient. For instance, a separate team now negotiates fees with credit card companies. Plus, an engineering team meets every Saturday to discuss ways to plug leakages.

Other changes have also helped. For example, on landing, aircraft have the option of either using engine power or auxiliary power for air-conditioning. Auxiliary power is supplied by the airport and is cheaper than engine power. A team watches every aircraft and ensures that it connects to auxiliary power as quickly as possible.

...The number of passengers it has flown has risen



Figures in lakh Source: DGCA

Jet has also asked its e-commerce team to push ticket sales through its website and mobile app by adding wallet payments, cash-on-delivery and “farelock”, a feature that gives people the flexibility to lock the fare and buy the ticket later. Increase in online sales has helped Jet save on payments to ticketing agents.

The results of these improvements are there for all to see. As per aviation consultancy CAPA, Jet’s CASK fell in the first nine months of the year to ₹1.28, which is 31.7 per cent lower than the ₹1.87 in 2014/15. This is the second-lowest in the industry after IndiGo’s ₹1.24.

But are these improvements sustainable? “There’s no guarantee in life. At least we are not disbanding these teams,” says Agarwal.

Branding/Global Ambitions

Another decision the management took in 2014 was to exit the low-fare segment and phase out JetLite and JetKonnnect brands. “I had JetLite, JetKonnnect and Jet. Consumers were completely confused. We standardised the fleet. We decided to become a full-service carrier as the Indian market is growing at a phenomenal pace,” says Shetty.

The decision to become a full-service carrier was also driven by a desire to cater to corporate/premium travelers, who are not as much concerned about fares as they are about connectivity and network. “As the Indian market matures further, there will be enough headroom to tap the increasing number of guests who are willing to pay a reasonable premium to experience superior personalised service,” says Goyal.

The move will also help the airline expand international operations as full-service carriers do well on long-haul flights, that is, flights with duration of more than four hours. In 2012/13, Jet flew 37,058 international flights compared with 48,660 in 2015/16. Out of its 115 flights, around 50 fly on international routes. The focus on international routes is also behind its support for the 5/20 rule that makes it harder for new carriers (such as AirAsia India and Vistara) to fly outside India.

Jet’s global strategy involves signing more codeshare agreements rather than joining global alliances such as Star Alliance, Oneworld and SkyTeam. Though these alliances help airlines strike codeshare agreements, extend loyalty programmes and market themselves, each alliance is dominated by a few large players. For instance, Lufthansa is reported to have a substantial clout in Star Alliance. “I am giving the same benefits to Indian consumers without these alliances. We are in one of the best positions as we have partnerships with airlines that are part of the different alliances,” says Agarwal.

Interestingly, Jet and Etihad are now the topmost international carriers in India, ahead of Air India and Emirates.

Though the partnership with Etihad has benefitted Jet in more ways than one, some allege that the airline has become just a feeder to the big brother. “With the entire



RACHIT GOSWAMI

AMIT AGARWAL Acting CEO and CFO, Jet Airways

Over 80 per cent of the fall in fuel prices has been passed on to consumers

37,000 additional seats to both sides, provided by the 2013 bilateral agreement between India and Abu Dhabi, being used up fully till the winter schedule of 2015 and no other carrier, except Jet, having utilised the additional bilateral entitlement from India’s side, the airline is gradually becoming a feeder airline to Etihad. This is a huge climbdown for an airline that used to be called ‘gold standard’ in India’s airline market till a decade ago,” says Bhargava.

Agarwal does not agree. “If Jet was a feeder airline to Etihad, all its 52 aircraft used for international operations should have stopped in Abu Dhabi. We fly to 27 cities overseas.” There are reports that Etihad may increase its stake in Jet to 49 per cent.

Demystifying Debt

Analysts are concerned with Jet’s debt, which stood at ₹11,547 crore as on December 2015. The industry practice is ‘sale and leaseback’ aircraft rather than owning them, but Jet, says Agarwal, owns some 24 aircraft, bought with part equity and part debt. “I can knock off this debt immediately by doing ‘sale and leaseback’. If we sell these aircraft, it will release some equity, which can go for repayment of debt,” he says. That leaves Jet with a debt of ₹4,000 crore. “In any business, you need to have some debt,” says Agarwal.

So, while Jet may not agree that its turnaround is considerably aided by external factors, it has a long way to go before we can bet that the revival is for real this time. ♦

@manukaushik



Commercially

The law must provide a framework in which entrepreneurs can either

Here is another of those Incredible India Ironies. We want you to 'Make in India', but if your business model fails, we want you flogged, crucified, drawn and quartered. From the purely entrepreneurial standpoint, India is a harsh medieval society where there exists no practical distinction between business bankruptcy, personal bankruptcy and social banishment. If you get a punt wrong, even the Supreme Court will ask you to submit a list of your wife's and children's assets so that creditors demands may be met. If you want Indians to 'Make in India', the law must provide a framework in which entrepreneurs can either revive their failing businesses or seamlessly exit them and take another shot at commercial success. The government hopes the newly-passed Insolvency and Bankruptcy law will do the trick. Is this new law quite the biggest thing since Narasimha Rao's 1992 'liberalisation' that the government is cranking it up to be?

I have my doubts. My apprehensions are best understood in the context of the practical reality that hit entrepreneurs of failing businesses. At the top of the heap is the plethora of laws that makes criminals out of them. Here's a small sampler. If a factory owner fails to

pay excise duty or CENVAT to the government because he runs out of money, he risks going to jail for seven years. It's no better in the services business. If a service provider can't deposit the Service Tax he has collected, he also goes to jail for seven years. It's not just personal liberty that a businessman risks losing either. If a man has not deposited VAT under, say, the Delhi VAT Act, 2004, the Commissioner can recover the money by attaching and selling his moveable and immoveable properties.

It's not just the king's share of your revenue that creates a problem. It's labour, too. For instance, the law prescribes a jail term of one to three years for every employer who fails to deposit any provident fund contribution that has been deducted from a salary. Bear in mind that every business is a cash flow management game. A deduction is only a paper entry. A provident fund contribution may be shown as 'cut' from a salary, but the employer doesn't physically cut anything. Every manager has a 'pay by' date for everything. Failure to deposit a provident fund contribution is only proof that the employer ran out of money before it was time to deposit the contribution.

This same flawed logic informed a variety of other labour laws. The Employees State Insurance Act,

1948 prescribes imprisonment of between one and three years to every employer who fails to pay any contribution that he has deducted from the wages of the employee. The Factories Act 1948 has a variety of rules that every employer must comply with. It includes stuff like the state of the walls of the workers' canteen. When the employer runs out of money, he can't whitewash the walls anymore. That results in potential imprisonment up to two years. It's the same with the Industrial Disputes Act. A bankrupt business can't pay wages and that is a breach of a wage settlement. That can result in six months in jail. That can also happen if an employer fails to honour his financial obligations to labour under the Payment of Bonus Act 1965, Payment of Gratuity Act 1972, Payment of Wages Act 1936, Minimum Wages Act 1948, and so forth. Before parting with this subject, allow me to add that every failed business has issued cheques that are subsequently dishonoured because the money runs out. Each of these is potentially a two-year prison term. In sum, shorn of the rhetorical flourish, Indian law sends entrepreneurs to jail for between three and seven years simply because they run out of cash.

What you get on the other side of

Sustainable Bankruptcy

revive their failing businesses or seamlessly exit them and take another shot at commercial success

the cash crunch is extortion at the hands of those who are capable of entrapping promoters in a myriad variety of criminal cases. They want the entrepreneur to give them a reason to go easy on them. This is one of the primary reasons promoters defalcate funds in the dying moments of their imploding businesses.

What does our new law purport to do on this critical item? Section 14 allows the adjudicating authority overseeing the bankruptcy proceedings to declare a moratorium, which means that this section prohibits “the institution of suits or continuation of pending suits or proceedings against the corporate debtor including execution of any judgement, decree or order in any court of law, tribunal, arbitration panel or other authority”. This is fine so far as it goes, but it says nothing about the criminal prosecutions the promoter must contend with.

It seems to me self-evident that no business friendly bankruptcy law can work unless it provides a promoter an opportunity to restructure the business, or an easy exit, leaving him free to pursue new opportunities after he has cleaned out his house through the bankruptcy process. This is how it works in advanced economies, of which Silicon Valley is frequently quoted as a prime example. When businesses

begin to become financially unsustainable, promoters rush to declare bankruptcy. Chapter 11 is designed to ‘protect’ the business and its employees, not its creditors. America believes its government must help a promoter escape financial ruin, rather than persecute him for his errors. No stigma attaches to a bankruptcy. Donald Trump has declared four business bankruptcies

So long as bankers
continue to insist that
personal guarantees
be offered by every
promoter, business
bankruptcy will continue
to mean personal ruin

in 1991, 1992, 2004 and 2009, yet expects to become the president of the United States. He is not fighting extradition proceedings, his passport revoked, while he hides in a country home in UK. When a bankruptcy law operates on the flawed ideological assumption that every promoter must pay for his sins, and then allows such criminal cases to commence or continue, it forces the promoter to fight the

bankruptcy action in order only to avoid the impending extortion and criminal prosecutions. The law defeats its own purpose.

That takes us to the peculiar problem of bankers’ claims. Lenders are subordinate divinity in India because they are seen as trustees of ‘public money’, whatever that means. I don’t have the space to argue that there is nothing public about their revenue streams but that apart, the real problem is that if a business goes bad, the bankers will demand that you pay the principle amount due, all interest on it, and all penal interest charged at extortionist rates on the interest you did not pay when it was due. This is also not how it works with Chapter 11. Americans make no ideological assumption that bankers are doe-eyed babies in need of cuddling. The process will happily write off debts to bankers, employees and even suppliers if that is what it takes to revive the business.

This is not to say that I blame Indian bankers. Anyone who lets an industrialist off the hook in India gets accused of corruption. Why should the banker submit himself to this fate? The problem is attitudinal. We are a cynical, suspicious, distrustful society, very quick to make and believe all manner of incredible allegations without the slimmest

basis. This is not a problem any law can fix and the new bankruptcy law does not presume to do so. What it does try and do is promote a consensus culture. It creates a committee of bankers, 75 per cent of whom drive the fate of the bankruptcy business. That's an awful lot of people to corrupt: hopefully, that makes it possible to take a sensible collective decision that may not be seen to be corrupt! Still, this measure does not resolve the real problem facing bankrupt businessmen. So long as bankers continue to insist that personal guarantees be offered by every promoter, business bankruptcy will continue to mean personal ruin and the new law will not achieve its purpose. Tragically, dispensing with personal guarantees is not something we can legislate.

This brings up the hardest question of them all: if a business fails, who controls the business while its final fate is being determined? It seems to me that businesses fail for a variety of reasons. External risk factors are as likely to be the culprit as entrepreneurial blunders. Unless you are dealing with a crooked businessman, no one understands the business better than the current management. If a business can be revived, why not let the current management continue? Chapter 11 proceedings will move quickly to protect the business, leaving it entirely in the hands of the current management. Very rarely will you see a third party manager step in. We have decided instead to go with third party industry professionals and specialists. I suppose this comes from the mind-set that you cannot leave the business in the hands of a promoter who has manifestly shown great skill at running it into the ground. I understand where this comes from. Cricketers who lose matches are physically attacked for the same reason. This logic is flawed for at least two rea-



AJAY THAKURTI

sons. First, every business has a hidden value that does not appear in the books (and I am not only talking about the value of land under a factory that can only be recovered in 'black'). If every promoter of a dying business knows that he will compulsorily lose control over his business, and thereby its hidden salvage value, he will fight bank-

If a business can be revived, why not let the current management continue? Chapter 11 proceedings will move quickly to protect the business

ruptcy rather than embrace it. The law then defeats itself.

There is, too, a second reason. The ecosystem of third-party turnaround and liquidation professionals doesn't exist at this stage in India, but even if they did, why do you expect that their actions will differ

from those of the Official Liquidators who have long done the same job under our Company law? Bankruptcy laws in advance economies exist to protect, promote and revive businesses, they don't exist to shut them down. I have dwelled much on the antics of these Official Liquidators in my latest book "Legal Confidential" (Penguin 2015) so I will spare you a repetition. Suffice for me to say that when it comes to a choice between reviving and shutting down a business, the promoter who has learnt from his mistakes knows what needs doing to revive it. He has an imbedded self interest in reviving a business if he is to salvage its true value. Conversely, a third-party professional with no great expertise in specifically the business he is managing through a court order is inherently incentivised to shut it down and appropriate the hidden salvage value. In that view of the matter, a law that automatically hands over failing businesses to strangers does not encourage entrepreneurs to 'Make in India'; it promotes a culture of 'junk and sack-off in India'. That's pretty oxymoronic for a government that wants to promote business in India. ♦

The author is Managing Partner of the Gurgaon-based corporate law firm N South

In Touch with Style

HARPER'S BAZAAR now available on iPad, iPhone, Android, Kindle Fire, PC and Mac.



Grab your Digital Edition now!

TAP TO
DOWNLOAD



www.harpersbazaarindia.in/digitalmagazine

Harper's
BAZAAR
INDIA

Where Fashion Gets Personal

The ₹ 8,000-crore Opportunity

Solutions to India's acute water crisis are a booming market.



NILANJAN DAS

India is going dry, literally so. The per capita availability of water has dropped from 5,177 cubic metres in 1951 to 1,545 cu m in 2011, which is below the 'stress level' of 1,700 cu m. But awareness of the problem also provides a chance to set things right. Companies engaged in extending municipal water supply or building wastewater treatment plants are not only fulfilling a social need but also earning hefty revenues. According to water management consultancy Earth Water Group, out of India's ₹88,000-crore water market that includes transportation, distribution, water reservoir management and irrigation, the water treatment market – pegged at ₹17,907 crore – is growing at 17-18 per cent per annum.

So too companies providing packaged drinking water or manufacturing domestic water purification systems are not only reducing water borne disease in the country, but also seeing extraordinary growth. Bottled water demand has risen from two million cases annually in the 1990s to 164 million in the last decade. Separately, in agriculture, drip irrigation systems – which enable farmers to cut water use by 40-50 per cent – are not just fulfilling the country's crying need to save water, but also earning a bonanza for their manufacturers.

Finally, water shortage is being compounded by the unscrupulous, who continue to tap ground and fresh water illegally in a variety of ways. *Business Today* takes a look at the myriad opportunities India's water crisis has thrown up.

Gushing Prospects

With the government spending liberally on overcoming the water crisis, companies offering water solutions are thriving.

By SARIKA MALHOTRA

Among the biggest players in the water business in India, Larsen & Toubro (L&T) has laid water pipes across 40,000 km and built water treatment and wastewater treatment plants of a total capacity of 3,400 million litres a day (MLD). Executive Chairman A.M. Naik is convinced the vertical will get even bigger. "We're thinking of making the water business an independent company," he says. "It's currently a \$1.5-billion business and in the near will easily touch \$2.5 billion." Winning more water management tenders, tying up with technology partners to build desalination plants and bigger wastewater treatment plants, recycling water and canal modernisation projects are among L&T's immediate plans.

L&T is not the only one. Betting big on India's water story are French major Suez Environment, local heavyweights such as Thermax, IVRCL, VA Tech Wabag and Ion Exchange, all of

whom are seeing their order books swelling. VA Tech Wabag, for instance, trebled its revenue in the past five years. Earth Water Group estimates the current size of the water treatment market in India at ₹17,907 crore. "It is a very attractive and significant market, growing at 17-18 per cent," says Hariharan Subramaniam, Chief Operating Officer, Earth Water Group.

Water treatment can be divided into four broad segments: municipal water supply, municipal wastewater treatment, industrial water and wastewater treatment, and seawater desalination. (See *Flow of Funds*.) Of these, the first two are the fastest growing. There are around 20 major players in the fray, along with nearly 700 smaller companies. "Many contracting firms are entering the market as they see more opportunity, particularly in the municipal sector," says Nutan Zarapkar, Director, Climate Change and Sustainability

Services Advisory, EY India.

Opportunities are multiplying because both the Centre and state governments have realised the urgency and magnitude of the water problem. A big driving force is the millennium development goal of sanitation and water access for all. Programmes such as the Jawaharlal Nehru National Urban Renewal Mission (JNNURM), the Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT), the Atal Mission for Rejuvenation and Urban Transformation (AMRUT) and Smart City Mission all include water solutions as an important component. Separately, there are plans to clean up rivers, such as the Namami Gange and the Yamuna Action Plan.

Under different plans, sewage treatment plants of more than 40 MLD have been proposed for Mumbai, Kanpur, Vijayawada, Amritsar, Chennai, Rajkot, Meerut, Nasik,

Allahabad, Surat and Nagpur. Other cities on the radar – where sewage treatment facilities so far have been mostly rudimentary – include Visakhapatnam, Warangal, Guwahati, Raipur, Bhavnagar, Dhanbad, Ranchi, Jabalpur, Amravati, Kota, Madurai, Bareilly, Aligarh, Moradabad and Gorakhpur. The government is also offering incentives – encouraging public private partnerships in water, making bigger allocations for civic bodies, providing a 10-year tax holiday to companies participating in the programmes, and allowing 100 per cent foreign direct

chain.” Subramaniam of Earth Water Group expects an investment of ₹10,150 crore in water supply and another ₹28,098 crore in wastewater treatment over the next six years. “India has confirmed its determination to treat wastewater, and protect its rivers and groundwater,” says Shyam J. Bhan, CEO, Suez India, Suez Environment’s Indian arm.

Suez is one of the biggest beneficiaries. In January this year, it won six government contracts for a total of €67 million (₹502 crore) – three of them with the Bangalore Water and Sewerage Board (BWSB) and another

the units for seven years, which will bring in total revenues of €20 million.” In Rajasthan, Suez is building drinking water units in Bikaner, Hanumangarh and Sranganagar.

Wealth from Waste

But it is not only the government that is promoting the water business. With environmental norms becoming stringent, many private companies are also investing heavily in water treatment. The Central Ground Water Authority (CGWA) has mandated that in water stressed areas, all those extracting groundwater need to first get a no-objection certificate (NOC) and that, as far as possible, industries in these areas should try to treat and reuse wastewater. Some pollution control boards have suggested that specified industries should achieve zero liquid discharge (ZLD) status – not release any wastewater at all. Haryana, for instance, has mandated it for its textile mills.

Indian industry consumes around 40 billion cubic meters (BCM) of water a year and discharges wastewater of about 30.7 BCM. “Many industries are realising that the wastewater they generate could well be their cheapest and most reliable source of water,” says Subramaniam. “Activities such as maintaining gardens, landscaping, washing and especially running cooling towers need huge volumes of water, but this does not necessarily have to be of high purity. Recycled wastewater can serve the purpose very well.”

Some companies have been recycling water on a large scale for years – Rashtriya Chemicals and Fertilizers in Mumbai, Maruti Udyog in Gurgaon or Ford Motors in Chennai, for instance – but many more are now following suit. The trend is a big boon for water treatment specialists. Thermax, for example, sells around 1,000 water treatment plants a year, at prices ranging from ₹2 lakh to ₹2-3 crore. Apart from industry, hotels, malls and even housing societies are setting up water treatment plants,

FLOW OF FUNDS

The growing market in each segment of the water treatment business

2009	2010	2011	2012	2013	2014	2015
INDUSTRIAL WATER & WASTEWATER						
2,700	3,210	3,816	4,514	5,341	6,281	7,390
MUNICIPAL WASTE WATER						
2,486	2,953	3,508	4,168	4,951	5,775	6,736
MUNICIPAL WATER SUPPLY						
887	1,054	1,520	1,487	1,766	2,099	2,493
SEAWATER DESALINATION						
800	860	932	1,018	1,096	1,186	1,288
TOTAL						
6,873	8,077	9,508	11,187	13,154	15,341	17,907

Figures in ₹crore

Source: Earth Water Group

investment in the sector.

“The high potential in advanced water management and wastewater management has attracted both foreign and domestic players,” says Ranen Banerjee, Partner, Government Reforms and Infrastructure Development, PwC. “The government has announced large-scale plans. This is expected to attract investment across the value

three with Rajasthan’s Public Health Engineering (PHE) department. Two of the Bangalore ones relate to the TK Halli drinking water plant, 90 km from Bangalore, and the third to the Kengeri wastewater treatment plant. “At TK Halli, we have to build a 300-MLD drinking water plant and rehabilitate another one of similar size,” says Bhan. “We have to complete the project in 30 months and maintain

further adding to the ₹7,390-crore market.

Increased awareness has also led to the adoption of new technologies. Effluent discharge by the textile mills of Tiruppur, Tamil Nadu, for example, used to be considerable. In 2015, however, the mill owners partnered with Dow Water & Process Solutions (DWPS). “As a result, our application development team created a product we called Fortilife, which enables minimum liquid discharge (MLD) from textile plants,” says Sudhir Shenoy of Dow India. “The pilot project achieved a quick turnaround and now the product is being rapidly adopted by the industry.” Shenoy maintains MLD is a better option than ZLD. “ZLD completely purifies wastewater, but is not a realistic solution for all industries because of its steep cost,” he says. “MLD, achieved by the process DWPS has formulated, is more cost effective and sustainable.”

Also gaining traction is the seawater desalination vertical, which to most experts is still an unpredictable sector, depending on a handful of large projects. As per the Earth Water Group, the current market is sized at ₹1,288 crore. For urban areas close to the coast, desalination plants are also an option to provide clean water, but such water does not come cheap. Two desalination plants of 100 MLD have been set up in Chennai by IVRCL and VA Tech Wabag in 2010 and 2013, respectively. “Desalinated water costs around ₹35-45 per litre cube,” says Rajneesh Chopra, Global Head of Business Development, Wabag. The company earned revenues of ₹2,435 crore in 2015. “It is not cheap, but is



RAJNEESH CHOPRA, Global Head of Business Development at VA Tech Wabag

“Water is grossly underpriced in India. The ability of municipalities and governments to pay for water treatment thus remains a question mark”

better than having no water at all.” Chennai faced an acute water shortage in the 1980s and 1990s, but has overcome it with an array of solutions that included strict curbs on water use by industries as well as the two desalination plants. Setting up two more such plants, of 200 and 400 MLD, is being discussed.

The picture, however, is not entirely rosy for the water companies. The biggest challenge is the low cost of water in India. “Water is grossly underpriced and, thus, the capacity of municipalities to pay for water treatment remains a question mark,” says Chopra of Wabag. It also

prompts them to opt for the cheapest technology. “Projects tend to be awarded purely to the lowest financial bidder after common screening for technical proposals,” says Shivanshu Chauhan, Director, Government Reforms and Infrastructure Development, PwC. “Better technical solutions cut little ice.” Add to that the traditional slowness of government decision making. “The Chennai desalination projects took 20 years from conception to becoming a reality,” says Subramaniam. “There is still no consensus on their cost viability.”

Indeed, lately, the tardiness in awarding contracts has become more pronounced. “Funds from schemes like the JNNURM and the National Rural Health Mission are no longer available to the local administration as freely as before,” says M. S. Unnikrishnan, CEO and Managing Director, Thermax. Policy ambiguities over PPPs persist, delaying their signing. This has led to a number of multinational

water companies – such as Cadagua, Trittech, Manila Water, Kobelco Water – having problems scaling and in some cases even trimming their Indian operations.

But there are also the optimists. In contrast to the quitters, Suez has deepened its footprint in India by acquiring a majority stake in local water company Driplex Water Engineering Ltd, in January this year. “Water in India is a good business to be in,” says Chopra. ♦

Additional reporting by P.B. Jayakumar & Venkatesha Babu

[@sarikamalhotra2](#)

Safety in a Bottle

The growing distrust in purity of water has fuelled the packaged drinking water and water purifier businesses.

BY SARIKA MALHOTRA



Unknown just three decades ago, 'mineral water' is today ubiquitous in India. Packaged drinking water is a ₹6,000-crore industry with brands like Bisleri, Kinley and Aquafina becoming household names. Even in the early 1990s, the per capita annual consumption of bottled water was a mere four to five litres. It has since risen to more than 20 litres. The industry is growing at a compound annual growth rate of 22 per cent and expected to touch ₹16,000 crore by 2018, according to market intelligence firm, ValueNotes.

"The public perception that bottled water is pure and safe, fuelled by intense advertising, led to the sales explosion," says Arun Jethmalani, Managing Director, ValueNotes. "The increase in the number of tourists, both foreign and domestic, gave it a further fillip." The demand is all-weather, with seasons making only marginal difference. "There is a peak in summer no doubt, but sales are high during the monsoons, too, due to fear of diseases from unsafe water, as well as in winter because it is the festive season," says Ramesh Chauhan, Chairman, Bisleri International, the pioneer and still the lead player in this sector.

A 2013 study by ValueNotes shows that 35 per cent of packaged water consumption takes place in Western India, 30 per cent in the South, 25 per cent in the North and the remaining in the East. While the southern states have the maximum number of registered players – 3,300, or 48 per cent of the total – the big boys like Bisleri, PepsiCo, Coca-Cola and Parle Agro are all headquartered in Mumbai. The profusion of marginal players is not necessarily healthy. "Many of them have little concern for quality standards and procedures," says Jethmalani. The bigger players are strengthening their distribution net-

works to improve sales as well as innovating with the size of their bottles and jars. "We keep innovating with concepts like the 'Rocking Jar' which makes it is easier to carry five litres of water," says Chauhan.

Alongside bottled drinking water, water purifiers for home use are also spreading rapidly. ValueNotes estimated this segment at ₹3,400 crore in 2014, having grown at a CAGR of 20 per cent in the three previous years. It is expected to reach ₹91,900 crore by 2019. "With the water table falling, groundwater is being drawn from much deeper in the earth than before, thus carrying more impurities, the importance of water purifiers has increased," says Marzin R. Shroff, CEO, Eureka Forbes.

Marginal players are fewer in this segment than in bottled water, with 75 per cent of the market held by well-known brands like Eureka Forbes, Kent RO, Hindustan Unilever, Tata Chemicals and Ion Exchange. Water purifiers are broadly of three kinds: those using reverse osmosis (RO), those employing ultraviolet radiation (UV) and those using a bed of sediment (offline). RO purifiers contribute the most – 39 per cent by value – to the market, being the most expensive.

Numerous innovations have been introduced, such as a combination of UV and RO technologies, which are available at prices of ₹17,000-18,000, while the average UV purifier costs less than ₹10,000. "Water purification needs in India vary widely according to regions," says Shenoy of Dow India. "We are working with our partners to provide different cost effective solutions for different markets." ♦

With inputs from Ajita Shashidhar

Dripping Success

Water scarcity has enhanced the importance of drip irrigation and companies are cashing in.

BY MAHESH NAYAK



ANIL JAIN, Managing Director, Jain Irrigation:

"The drip irrigation and related pipes business accounts for three-fourths of our ₹6,000 crore revenue"

MANDAR DEODHAR

Of the 140 million hectares of cultivable land available in India, only 60 million have access to irrigation. (The rest depends on the monsoon.) But irrigation is of two kinds. Nearly 90 per cent is flood irrigation – where water is allowed to simply flood the area where the crop has been sown. In this method, two-thirds of the water is wasted. The other – practised on barely six to seven million hectares, but gradually increasing – is drip irrigation, where using irrigation systems, water is directed at the root of each crop, reducing wastage by 40-50 per cent.

Drip irrigation not only saves water, but is also proving a bonanza for companies that manufacture the irrigation systems. The pioneer among them is Jain Irrigation Systems. "The drip irrigation and related pipes business accounts for three-fourths of our ₹6,000 crore revenue. Water scarcity, climate change, the depleting water table, rising population and increasing urbanisation all augur well for our business," says Anil Jain, Managing Director.

Drip irrigation was first tried out in horticulture, but its use has since expanded enormously. "It has been used successfully to cultivate vegetables, cotton and sugarcane," says Jain. "There has been some success with wheat cultivation as well, and paddy cultivation using this method will soon start. We are helping farmers insert sensors in the soil to gauge moisture, so that irrigation is provided only when it is required." Further gains are expected with the Maharashtra government having mandated a complete shift to drip irrigation for cultivators of sugarcane – a crop that is heavily water-intensive. "Around 800,000 hectares in Maharashtra is devoted to sugarcane and the switchover represents a ₹10,000-crore market opportunity," says Jain.

Dow India, too, is betting heavily on micro-irrigation systems. "We have developed tailor-made polyethylene grades for pipes on our INSITE technology platform, which help drip irrigation equipment manufacturers produce affordable tools, double their production, and improve performance delivery," says Shenoy of Dow India. ♦

Water Thieves

Illegal drawing of both surface and ground water is rampant in India.

BY MAHESH NAYAK

A curious sight greets visitors arriving at Kambi village in Maharashtra's Ahmednagar district: a large number of pipes, both rubber and plastic, stretching into the distance, their ends suspended over a dry canal bed. What is their purpose? Once every two months, for a week, the Jayakwadi dam on the Godavari river releases water into the canal for supply to Nanded town, 135 km away. "This canal was made purely to provide water for Nanded," says R.H. Nawale, former Deputy Planning Officer, Ahmednagar. But a good deal of the water is diverted by farmers in the villages en route for their own fields using these pipes. "It is illegal, but no one does anything about it," adds Nawale. "The villagers, too, have no choice as there is no other water source in their region."

Illegal tapping of both surface and ground water is rampant throughout the country. "Water loss due to leakage and theft is as high as 90 per cent in some areas," says Rudresh Kumar Sugam, researcher with the Council for Energy, Environment and Water (CEEW). "On average, across 28 cities, it has been estimated at 39 per cent." A good deal of the water used by smaller players in the ₹6,000-crore packaged water business is illegally procured. Restrictions on drawing of groundwater have been imposed in numerous areas to prevent further depletion of the water table, but it has made little difference.

In a drought situation, as currently prevailing in Maharashtra's Marathwada region, the temptation – and indeed in many cases, the compulsion – to procure water by means fair or foul, increases manifold. In Beed, for instance, one of the worst affected areas, the maximum depth permitted for a borewell is 200 feet. Yet, along the highway from Beed to Kaij 60 km away, those drilling for water freely admit that they will continue to dig till they achieve their objective. "The soil is so hard, we stopped drilling at 100 feet, but we have been told to continue till we reach 300 feet below," says Kishore, a worker at one of the borewell drilling rigs. Others have delved even further. "The situation is so bad, we sometimes don't find water even 800 feet below," says B.N. Chalak, a resident of Lahuri village, 10 km short of Kaij. ♦

@MaheshNayak

MILIND SHELTE

Illegal extraction in progress on the highway from Beed to Kaij



CREO
KITCHENS

100%
MADE IN ITALY
WITH LOVE

Not Possible!

Believe It! It's True!

100% Italian Kitchen For Every Indian Home
Starting At Just ~~₹ 2,50,000/-~~ ₹ 99,000/-*



blum
hardware

www.creokitchens.in

FULLY LOADED
WITH ACCESSORIES

+

FREE DELIVERY
AND INSTALLATION**

**FREE
CREO
KITCHENS**

TO BE WON!

CALL NOW:

99 99 211 110

MISSED CALL:

99 99 166 686

* Plus Applicable Government Taxes

** Applicable In Select Cities Only

**Limited Time Offer
2 June - 9 June, 2016**

**BOOK NOW
@ JUST
₹ 2,931/-**

GRUPPO

LUBE



ON FRESH TURF

The Chennai-headquartered Freshdesk may become India's first software-as-a-service product Unicorn.

By VENKATESHA BABU



Girish Mathrubootham
CEO, Freshdesk

How can a start-up be sure that it has arrived? One way is to look at profit and revenue numbers. Another is to look at the response from competition. So, when Freshdesk, which sells software that companies use to resolve consumer complaints

(in short, a helpdesk), was called “a freaking rip off” by Mikkel Svane, the CEO of global market leader Zendesk, the Chennai-based company – which is estimated to have touched \$98 million revenue in 2015, just five years after starting out – knew it must have done something right (see *Giant Slayer?*). This was in 2012, just two years after Freshdesk was

launched.

Svane's Twitter attack was not one off. Ben Kepes, a well-known technology blogger, jumped in and said, “Freshdesk is an unethical troll trying to cash in on Zendesk's good name.” In the ensuing tweet storm, Christian Marth, a follower of Kepes, called Freshdesk a “bunch of Indian cowboys”.



GIANT SLAYER?

Revenues of top three players in the helpdesk market worldwide

Zendesk

\$208 million
(Valued at \$2.1 billion)

Salesforce

\$102 million*

Freshdesk

\$98 million
(valued at \$500 million in last funding round in April 2015)

*Salesforce's total revenue in 2015 was \$5.37 billion. It does not give break up of verticals. Estimate arrived with help from analysts and market watchers

Source: BT estimates

PHOTOGRAPHS BY JAISON G.

Girish Mathrubootham, the CEO of Freshdesk, hit back and asked if Zendesk owned the word 'desk'? "Making an unsolicited attack on our nationality reflects badly on you, not us. We're Indian and we're proud of that," he said. Citing Mahatma Gandhi's aphorism, "First they ignore you, then they ridicule you, then they fight you, then you

win," he said. "Kepes had been blogging for Zendesk since 2010 and was being paid by it," he added.

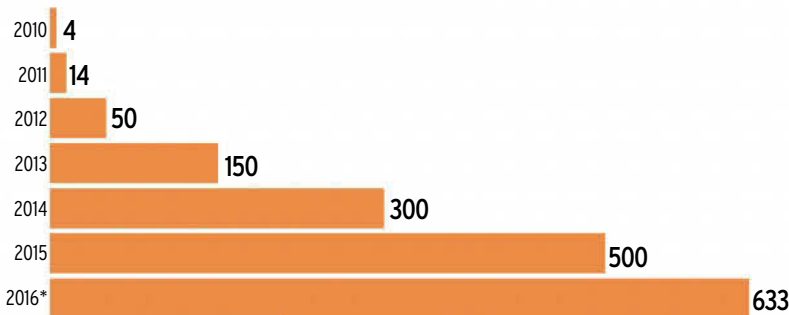
Such aggression has stood Freshdesk in good stead. The software as a service (SAAS), product company has grown from four to 633 employees in six years, bought five companies on the way, and may soon touch the much sought-after \$1-billion

valuation. The last funding round, in April 2015, had valued it at more than \$500 million. Google Capital, Tiger Global and Accel Partners have pumped in \$94 million into the company. SAAS is a model in which software is centrally hosted and licensed on a subscription basis.

Zendesk, too, is much mellower now. "We respect Freshdesk. We

GROWING FOOTPRINT

Freshdesk's employee headcount has been rising sharply



*As on March 31; Source: Freshdesk

think it's a truly exciting time as the world has changed dramatically in how we think about customer relationships. India is an incredibly important market for us. Significant organisations there are Zendesk customers," a company spokesperson said in response to *BT's* questionnaire.

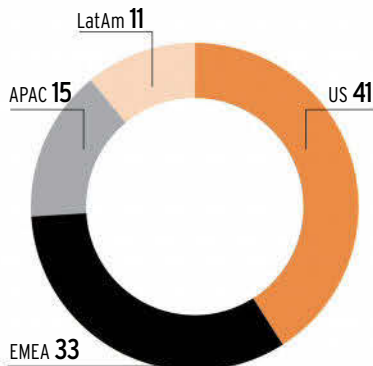
Genesis: A broken TV set

In June 2009, after working for nearly a decade in the US with Zoho, another Chennai-based company, Mathrubootham decided to return to India. He hired a reputed shipper for transfer of possessions. But when he got the goods, he saw his television set was broken. He filed a claim with the insurer. For five months, he was made to run from pillar to post. He also had to make several calls and write tens of mails. Out of frustration, he wrote about his experience on an online forum used mostly by people of Indian origin. Viola! The claim was settled within 24 hours. "The company president called me up and apologised. That's when I realised the power of social media and how power had shifted from firms to customers."

Most of us would have forgotten about the incident after getting the money. Not Mathrubootham. At Zoho, he had worked on a digital helpdesk where customers could seek help through toll-free numbers, websites, instant messaging and email. It was time to make the idea work again, this time for himself.

UNCOMMON SIGHT

It's not usual for an Indian software product company to have bulk of its sales outside the country



Figures (%) show Freshdesk's revenue break-up; six per cent of APAC revenue comes from India; EMEA is emerging markets, Europe and Africa
Source: Freshdesk

He knew he could crack the helpdesk segment, a part of the customer relationship management market which, says Gartner, was worth \$23.2 billion in 2014. Of this, customer service and support, where Freshdesk operates, is \$5.8 billion. The market leader's revenue is just \$200 million, showing the severity of fragmentation. There are hundreds, if not thousands, of companies addressing the segment, from the very small ones to giants such as Salesforce, Microsoft, SAP, Oracle, IBM and, of course, Zendesk

and Freshdesk.

"I realised my experience was not unique and that existing helpdesks had failed in the era of social media. We saw an opportunity," says Mathrubootham.

Freshdesk spotted three trends it could tap. First, modern consumers were not necessarily using phone/email for addressing an issue. They were using social media too. Two, helpdesk software was undergoing a shift from being a legacy system installed on office premises to SAAS where, instead of one-time payment, people pay on monthly/per-use basis. Third, explosion of smartphones and tablets meant helpdesk could be accessed from anywhere, anytime. So, Mathrubootham gathered some people, including some who had worked with him at Zoho, to re-imagine what a helpdesk could do. Freshdesk was launched a year later, with three differentiators. Unlike the legacy players, it had social media built into it from the start, was a SAAS offering, and focused on the small & medium business, or SMB, segment.

Why couldn't Mathrubootham have done the same thing at Zoho, another SAAS company where he worked for a long time? While Mathrubootham says he was happy at Zoho "and is thankful for the opportunities I got there", Freshdesk and Zoho compete today (though Zoho is much bigger, with operations in several other segments of the IT market too). While Mathrubootham is evasive, Sridhar Vembu, the CEO of Zoho, is not. "The vibrant cloud ecosystem in Chennai shows the importance of the role played by an anchor company such as Zoho in nurturing local talent that can address global markets. We are happy to see Girish and Freshdesk benefit from the broad ecosystem created by Zoho."

The Business

Freshdesk today has 50,000 customers in 145 countries. In India, they include Ola, Zomato, BookMyShow, Goibibo, HDFC Life and OYO Rooms.

Some well-known international customers are Cisco, Xiaomi, Macmillan, Toshiba, 3M, Honda, Pearson and Bridgestone.

One of the satisfied customers is Bill Carroll, President of Bridgometrics, an integrated marketing company. "After the switch to Freshdesk, our agent productivity has increased and we have been getting fewer tickets. They are thinking about serving customers in different ways instead of being mired in tickets."

In October 2015, Freshdesk announced the appointment of Nishant Rao as Chief Operating Officer or COO. Rao was earlier the India Managing Director of LinkedIn and credited with doubling the company's user base. Also a co-founder of Epicenter Technologies, India's first voice-based call centre, he has been asked to oversee all non-R&D work. Rao says his mandate is expanding the SMB base. "Everybody, including our large competitors such as Zendesk and Salesforce, is chasing Fortune 1,000 companies. We want to chase the millions of SMBs out there."

The general manager of a large multinational who does not want to be identified as he is not authorised to speak to the media says Freshdesk's focus on SMBs is not out of choice. "They may have a good offering for small organisations, but if somebody has a few thousand employees, they have no solution. They are making a virtue out of necessity."

Mathrubootham dismisses such criticism. "We have successfully fought the large players, gone head-to-head, and won," he says.

The COO is more circumspect and says that while Freshdesk's offerings may not have all the bells and whistles required by very large enterprises, it offers compelling value for a big market segment. It has also gone on an acquisition spree to plug some of those perceived gaps.

Last year, Freshdesk added an

Nishant Rao, COO, Freshdesk

"Everybody is chasing Fortune 1,000 companies. We want to chase the millions of SMBs out there"



ADDING TECH MUSCLE

Freshdesk has been buying companies to add to its skill sets

COMPANY/ ACQUISITION DATE/ NO. OF EMPLOYEES/
REASON FOR ACQUISITION

■ **1Click**/ Aug 2015/ **5**/
Co-browsing tech

■ **Frilp**/ Oct 2015/ **20**/
Natural language processing &
recommendation engine

■ **Konotor**/ Dec 2015/ **8**/
Inapp chat

■ **Framebench**/ Feb 2016/ **5**/
Collaboration (Framebench is a
central workplace where you can
store & share your creative assets)

■ **Airwoot**/ Apr 2016/ **7**/
Artificial intelligence for
social marketing

Source: Company

additional \$50 million to its existing kitty of \$44 million from not only its current investors, Accel Partners and Tiger Global, but also Google Capital. The fresh injection of funds came at a valuation of over half-a-billion dollars, says Mathrubootham.

Gene Frantz, General Partner, Google Capital, says, "Our experience demonstrates three attributes. First, Freshdesk is one of the few SAAS companies in the world successful in serving small and medium sized (and increasingly larger) customers with an attractive business model. Second, it is singularly focused on delivering a great product to its customers. As Google shares this core principle, we have tremendous respect for the success this can create. Third, Freshdesk is run by a superlative management team."

It is usual for investors to talk up the positives of portfolio companies, but why did Freshdesk raise so much money? After all, in SAAS products, investments are upfront and revenues are recurring. Also, in the helpdesk segment, gross margins are 80 per cent and net margins 35-40 per cent.

Mathrubootham admits they have raised more than they needed. "One never knows the funding environment. So, when money was available, we decided to take it." The other reason seems to be the five acquisitions Freshdesk has made in the past nine months.

Rao has been tasked with taking the company public, "most likely in 18-24 months", says Mathrubootham. Zendesk, which has about twice the revenue of Freshdesk, has a market cap of \$2.1 billion. Freshdesk says it is looking at listing in the US. But before that, the Freshdesk team will have to ensure that the company continues the momentum and becomes the first SAAS product software Unicorn from India. ♦

@venkateshababu



ILLUSTRATIONS BY RAJ VERMA

A step-by-step guide.

By MAURICE E. SCHWEITZER, ALISON WOOD BROOKS, and ADAM D. GALINSKY

The Washington Post called it “**creepy**.” *The Atlantic* said it “might have been **illegal**.” One privacy advocate wondered if it could have made people **suicidal**.

Those were just some of the reactions to the disclosure, in June 2014, that Facebook had allowed academic researchers to manipulate the news feeds of 689,000 users for one week. The experiment, in which half of the users saw fewer positive posts than usual and the other half saw fewer negative ones than usual, was designed to determine whether the changes would cause people to write more positive or negative posts themselves. In fact, the researchers did find evidence of “emotional contagion” and published the results in a prestigious scientific journal. But their findings were eclipsed by the public outcry.

Shortly after the story broke, the lead researcher issued a statement saying that he and his colleagues were sorry for the anxiety their work had caused. But Facebook defended its actions for days, explaining that the boilerplate language in its 9,000-word user agreement constituted informed consent. Nearly a week elapsed before the company’s chief operating officer offered a half-hearted apology for “poorly communicating” about the study. Three months later, the chief technology officer issued another statement, saying Facebook had been “unprepared for the

reaction,” conceding, “there are things we should have done differently,” and articulating new research guidelines. Still, he avoided the words “sorry” and “apologise.”

In this episode, Facebook erred in two ways: First, it violated users’ trust. Second, it compounded the problem with an awkward, three-step, not-very-contrite apology.

Scenarios like this are all too common. At some point, every company makes a mistake that requires an apology – to an individual; a group of customers, employees, or business partners; or the public at large. And more often than not, organisations and their leaders fail to apologise effectively, if at all, which can severely damage their relationships with stakeholders and their reputations, especially if the incidents become public (and publicised).

Companies need clear guidelines for determining whether a misstep merits an apology and, when it does, how to deliver the message. In this article, we present an apology formula, drawn from our work and research in management and psychology, that provides a diagnostic and practical guidance on the who, what, where, when,

and how of an effective apology. The bottom line for serious transgressions: Senior leaders must immediately express candour, remorse, and a commitment to change in a high-profile setting – and make it sincere.

The Apology Dilemma

Let's recognise two facts about apologies at the outset: First, we are psychologically predisposed to find reasons (or excuses) to delay or avoid saying we're sorry. Apologising feels uncomfortable and risky. There's a loss of power or face involved – it rearranges the status hierarchy and makes us beholden, at least temporarily, to the other party. That doesn't feel good. So it's no wonder people try to avoid dwelling on or drawing attention to mistakes and that when one is pointed out, they get defensive, arguing their side of the story and shifting blame to others.

Apologies are even more difficult in an organisational context. When considering whether and how to apologise, even seasoned leaders can become gripped by indecision. That's understandable. A company mistake is often caused by a single division or employee, and a bad situation is frequently made worse by events beyond its control. It can feel unjust for a CEO or an entire organisation to have to take responsibility.

Second, companies have a strong tendency to evaluate the situation through a legal lens. Corporate counsel may fixate on whether any laws were broken and warn managers that an apology might be construed as an admission of liability (possibly exposing the company to litigation) rather than as an effort to empathise with the wronged party. This is an important distinction, because effective apologies address the recipients' feelings – they don't prove a point. Unfortunately, a litigious perspective has become ingrained in many organisations: Even a leader who isn't actively consulting with an attorney may worry that an apology could create legal problems.

Companies need to stop thinking this way. Most apologies are low cost – and many create substantial value. They can help defuse a tense situation, and fears of litigation are often unfounded. Consider health care providers. For many years, medical professionals were advised not to apologise when they made mistakes that hurt or even killed patients, because doing so might make the hospital vulnerable to a malpractice lawsuit. But research has revealed that when some hospitals began allowing doctors to offer apologies to patients and families, or even made apologising mandatory, the likelihood of litigation was *reduced*.

Should You Apologise?

If a company is debating whether or not to apologise, managers should consider the nature and severity of the viola-

tion and the costs and benefits of offering an apology. Four questions can help determine if an apology is necessary.

1. Was there a violation, whether real or perceived?

When a company apologises, it accepts full or partial blame for causing harm. So it needs to first determine whether a violation has, in fact, occurred and if so, whether the company is responsible. But here's the tricky part – this needs to be done quickly and perceptions of responsibility matter.

Consider the crisis Coca-Cola faced in 1999. It began on June 8, when a schoolboy in Belgium reported feeling ill after drinking a Coke. Within days, hundreds of people had attributed fevers, dizziness, and nausea to Coca-Cola beverages, and many made their way to hospitals. At first, the company insisted that its products did not pose a health risk and that bad carbon dioxide at a plant in Antwerp had triggered unnecessary alarm. CEO M. Douglas

Ivester, hoping that the crisis would “blow over,” said that he'd decided

to “take a lower profile on this.” But by the end of the

week, the company was forced to remove more than 50 million beverages from the shelves in France, Germany, and Belgium. Finally,

more than a week after the first incident, Ivester said publicly that he and his executives “deeply regret any

problems encountered by our

European consumers.”

If we put ourselves in Ivester's shoes, we can easily understand why Coca-Cola might have had trouble making a quick decision about whether to apologise. First, we'd all prefer to see the results of an internal investigation and understand exactly what caused the bad outcome – and how to prevent it from happening again – before making any statements. Second, we'd be just as likely to hope that the issue would fade from attention. And third, we'd probably feel defensive and that we'd been unfairly blamed. The senior executives at Coca-Cola honestly believed that the reported health concerns were exaggerated and that many of the complaints had nothing to do with their products.

But companies must overcome the tendency to wait, to keep a low profile, or to argue the facts. Instead, leaders should consider others' perceptions of the potential violation and move swiftly to address them. An apology enables an executive to express concern and convey the organisation's values – even as an investigation into exactly what happened and who was responsible unfolds.

As we make the apology decision, we need to consider the “psychological contract” – the expectations custom-

DO

CONVEY REMORSE

“Today's GM will do the right thing. That begins with my sincere apologies to...the families and friends [of those] who lost their lives or were injured. I am deeply sorry”

MARY BARRA, CEO, GM, in 2014 testimony to the US Congress in the wake of the company's ignition-switch recall

ers, employees, business partners, or other stakeholders have about an organisation's responsibilities and what is right or fair. This often extends well beyond any explicit contract. To understand those expectations, managers have to imagine the situation from different vantage points.

Consider Mattel's launch of Hello Barbie, a doll that records and uploads conversations to Mattel online so that it can make personalised responses. Mattel thought that the doll's ability to remember a child's name and preferences would be a unique selling point, but critics quickly voiced privacy concerns. Mattel never intended to cause harm, but consumers' perceptions of an "eavesdropping Barbie" were so negative that it was forced to offer public reassurances to customers that Mattel was committed to safety and security. Presumably, leaders could have predicted that a toy that recorded children's play and uploaded it to the company would raise flags. In the Facebook situation, had the company considered the perspectives of its stakeholders before launching its emotion manipulation study, it might have avoided much of the fallout. And Coca-Cola should have known that even the perception of health concerns related to its products should be addressed immediately.

2. Was the violation core or non-core? Certain activities and responsibilities are central to a company's products, services, and mission. Other responsibilities are peripheral or less consequential. If an automaker's vehicles contain a flaw that imperils drivers' safety or a restaurant's diners suffer food poisoning, those are core violations. When the accounting firm Arthur Andersen certified Enron's financial statements and failed to expose the company's massive fraud, it violated its core responsibility.

Other violations might involve a business function that's outside the company's operational core. For instance, Apple and other companies have been criticised for using transfer pricing and other financial tools to minimise their tax bills – a practice that offends people who see paying taxes as a civic duty. Although it constitutes a violation for at least some of their consumers, it is not core, because tax accounting is not those companies' central activity.

Core violations pose a fundamental threat to the mission of the organisation. Therefore, a robust apology is critical – and a botched one can cause significant damage. A company that has committed a non-core violation has greater flexibility, though an apology may still be warranted or beneficial.

3. How will the public react? Sometimes violations that harm only a single person or a small group can remain private matters. But remember, thanks to Twitter, Instagram, Yelp, Facebook, and other social media outlets,

DON'T

BE TONE DEAF

"We're sorry for the massive disruption it's caused to [people's] lives. There's no one who wants this thing over more than I do. I'd like my life back"

TONY HAYWARD, THEN-CEO, BP,

a single customer complaint can easily go viral and influence the perceptions of millions of potential customers. Even the smallest transgressions can blow up into epic (and costly) public relations nightmares.

Consider what happened to United

Airlines in 2008. The company allegedly damaged a Canadian singer's guitar during a flight from Halifax to Nebraska and then subjected him to a Kafkaesque customer service experience. In the pre-Internet era, the public would probably never have learned about the incident. Social media has changed that: In this case, the frustrated singer wrote a song called "United Breaks Guitars" and posted a video of it on YouTube. It became a sensation, with nearly 15,000 views its first day and more than 14 million since. Eventually, Rob Bradford, United's Managing Director of Customer Solutions, telephoned the singer and apologised directly; he also asked if the airline could use the video to help improve its customer service.

In gauging the probable reaction to an incident, companies should take into account the relative size and status of the parties. A violation committed by a large, powerful, or high-status organisation (such as United, Google, Walmart, or the US government) against a low-status, low-power person or group is more likely to engender public outrage – and require an apology – than a violation committed by a mom-and-pop business or one that hurts only wealthy individuals or corporations.

4. Is the company willing to commit to change? In assessing whether or not to apologise, organisational leaders must also focus on the extent to which they are willing – and able – to change the company's behaviour. If they can't or don't want to do things differently in the future, the case for making an apology is weak, because it will sound hollow and unconvincing.

When Target and Home Depot suffered cybersecurity breaches that exposed customers' credit card information to hackers, the companies' apologies would have been ineffective without promises to institute procedures to prevent a recurrence. (For a look at instances when it makes sense for companies to stand firm in the face of perceived harm, see the sidebar "Sorry, Not Sorry": The Power of Being Unapologetic.)

Sometimes managers become so focused on their new course of action that they forget to apologise. That's a mistake; without a show of remorse, people are likely to think you're whitewashing the violation.

The Apology Formula: The Right Way to Apologise

Once a company has decided that it should apologise, it has to do it right. It's astonishing how many well-intentioned, sophisticated organisations completely botch apologies. While a good apology can restore balance or even improve relationships, a bad apology can make things much worse. As a framework for getting it right, companies need to think carefully about who, what, where, when, and how.

Who. The more serious and the more core the violation, the more necessary it becomes that a senior leader – up to and including the CEO – make the apology. In cases where there is a clear transgressor – an employee who made the mistake – there may be merit in involving that person. But if he or she isn't sufficiently senior, you risk offending the wronged party or the public by conveying that you are not taking the violation seriously. Just as it's better to be overdressed than underdressed, when in doubt, you should err on the side of having a senior executive offer the apology.

For example, Target released a statement from then-CEO Gregg Steinhafel the day after its security breach came to light. When a plane full of JetBlue passengers was stranded on a runway for eight hours, it was then-COO Rob Maruster who issued the apology on YouTube.

Deciding who should receive the apology is often straightforward – although companies can slip up here, too. Consider the video that Chip Wilson, Founder of Lululemon, released during the furore over an interview in which he had said that his brand's yoga pants weren't suitable for some bodies. His “I'm sorry to have put you all through this” was addressed to employees, not customers, and was roundly criticised. Effective apologies are delivered directly to the person or people harmed. When that group is large and diffuse, the organisation might want to offer an “open” apology through the press or social media.

What. This is the substance of the apology – the words you say and the actions you take. It's important to keep three goals in mind: candour, remorse, and a commitment to change.

The best apologies show *candour*. They leave no room

for equivocation or misinterpretation, and they make absolutely clear that the organisation acknowledges both the harm that was caused and its own responsibility. Consider the candid apology Razer's CEO gave after severe delays for preorders of the company's Blade laptop in 2014. “We've been doing a terrible job anticipating and meeting demand for our products... We suck at this. I suck at this. I apologise to all of you who have had to wait for ages each time we launch a new product.”

Organisations should never sound defensive or as if they're trying to justify a violation. However, explanations and information can help. For instance, an airline's apology for a mechanical delay is more effective if the airline explains exactly what part is broken, what's being done to fix it, how much time it will take, and why the issue will pose no safety risk once fixed. Military condolence letters – a form of institutional apology – routinely offer details regarding the circumstances of the mission on which the soldier was killed. After receiving some information, those affected have a greater appreciation for the broader context and the institution's perspective.

Effective apologies also express *remorse*. We've criticised Facebook's handling of the emotion manipulation study, but in 2006,

when users were upset by the company's just-launched News Feed feature, CEO Mark Zuckerberg offered a pitch-perfect apology. “We really messed this one up,” his written statement began. He went on to use phrases like “bad job,” “errors,” “we missed this point,” “big mistake,” and “I'm sorry.” He even thanked

groups that had formed to protest. “Even though I wish I hadn't made so many of you angry, I am glad we got to hear you.” His choice of words was remorseful and self-abasing – and effective.

The third key ingredient is demonstrating a *commitment to change*. An apology should create distance from the “old self” that committed the violation and establish a “new self” that will not engage in similar behaviour. Sometimes the employee responsible for an error is fired. Sometimes, as in the Target and Home Depot security breaches, new procedures are put in place. Organisations might also demonstrate a seriousness of purpose by ap-

DO

SHOW CANDOUR

“We've been doing a terrible job...meeting demand for our products...We suck at this. I suck at this. I apologise to all of you....”

MIN LIANG-TAN, CEO, RAZER,
after missing the April 2014 shipping date for its gaming laptop

DON'T

ADDRESS THE WRONG VICTIM

“I'm sad for the people of LuluLemon who...had to face the brunt of my actions. I'm sorry to have put you all through this”

CHIP WILSON, FOUNDER, LULULEMON,
in 2013, after blaming his company's see-through yoga pants fiasco on the women who wear them

pointing an independent authority to investigate the incident and recommend changes – and pledging to implement the recommendations.

Consider how the Vancouver Taxi Association responded in 2014 after a cab driver left a mother and her sick child on the side of the road after he realised that they intended to pay for their ride from a local hospital to the airport with a hospital-issued taxi voucher, which he didn't believe his cab company would accept. (In fact, it would.) Not only did the taxi association express remorse for the incident, it demonstrated a commitment to change by suspending the driver and instituting a clear policy instructing all cabs to accept all vouchers from local hospitals at all times.

Now let's consider an apology that lacked the three "what" elements: candour, remorse, and a commitment to change. In 2009, Goldman Sachs CEO Lloyd Blankfein issued a vague apology for unspecified acts by the financial industry that led to the Great Recession. His language was roundly criticised. As *The New York Times* editorialised, "His remarks do not come close to an apology... since he never actually said what he was sorry for... or to whom he was apologising." Nor did he explain how the bank would change its behaviour.

Blankfein learned his lesson, however. After this very public rebuke, he held another press conference, in which he admitted that Goldman had participated "in things that were clearly wrong and we have reasons to regret and apologise for." The firm pledged \$500 million to help small businesses recover from the recession. This apology was far more candid, expressed remorse, and demonstrated a commitment to change.

Where. If a company wants to control the coverage of an apology, the setting can determine how loud – and widely heard – the message will be. Organisations often default to written statements that reach a broad audience, especially when they're published in newspapers. Target did this following its security breach, as did News International after some of its newspapers were found to have illegally hacked phones. For a more personal touch, the CEO or another executive might videotape an on-camera statement, as JetBlue's Maruster did. A live statement, with or without an audience, increases the perceived importance of the apology. In some instances, it may even make sense for leaders to travel to the place where the violation happened – a crash site, the location of an industrial accident, and so on. This not only provides a camera-ready backdrop, but also it shows that the executive cares enough to view the damage firsthand and apologise to victims in person. For example, when a Southwest Airlines flight overshot the runway at Chicago's Midway Airport in 2005, killing a six-year-old boy and injuring others, CEO Gary Kelly immediately flew to Chicago, visited the hospital, held a press conference, and offered several apologies, winning high marks for sensitivity.



Sorry, Not Sorry

The Power of Being Unapologetic

Sometimes an unapologetic stance makes sense. Consider these examples:

- John Chambers, the former CEO of Cisco, was criticised for how he handled innovation at the company. He assembled teams to create small start-up companies that Cisco would later buy at predetermined prices – a practice that made some employees very wealthy and others extremely resentful. But Chambers wouldn't apologise, because he had a message to send: Innovation was more important to him than equitable pay.
- Although fast-food giant McDonald's has responded to concerns about the nutritional content of its food with more-healthy menus and smaller portion sizes, it took a new stance in a recent marketing campaign. Its ads unapologetically promote the Big Mac as "not Greek yogurt" and as a sandwich that "will never be kale."

When leaders and corporations embrace their values and identity – unapologetically – they stand to gain credibility and power.

Managers should realise, however, that there are risks to this approach. A live, on-site apology puts a leader in an uncontrolled environment. Apologising to victims face-to-face can be effective if they accept the apology – but if they don't, the event could turn into a public confrontation. Sometimes public apologies come off as publicity stunts. Social media has changed the calculus for choosing where to make an apology, since now a company's written statement can be shared and retweeted, reaching many more people than would typically see an address on the evening news.

When. A good apology arrives quickly. Speed signals sincerity and dispels the idea that executives feel uncertainty or ambiguity about their responsibility. Sometimes, companies delay apologies for good reasons, such as Coke's desire, in 1999, to investigate customers' health concerns and their root cause. Facebook's intention to present a fully-formed plan to show its commitment to change appears to have been one factor in its slow apology for the emotion-manipulation study. The desire to be cautious is reasonable, but we believe that it's better to offer a quick "placeholder" apology than to be silent.

“While we’re still gathering the facts to understand exactly what took place, we want our customers and employees to know that we apologise for any harm we have caused. Know that we are developing plans to ensure that this doesn’t happen again. We will follow up by the end of the week with details.”

While speedy apologies are preferable, the window of opportunity for apologising never completely closes, and for many victims a belated apology is better than none at all. Consider the well-received statement made by GM’s Mary Barra after the company’s 2014 recall of faulty ignition switches – a problem the company had known about, but not acted on, for 10 years: “Today’s GM will do the right thing... I am deeply sorry.” Barra also told employees that the violation was “unacceptable”; 15 leaders deemed responsible for the cover-up were let go. If a previous CEO decided not to offer an apology for a violation but the new CEO believes one is warranted, the organisation should make one regardless of the time lag.

How. The way an apology is delivered can matter just as much as the content of the apology. Informal language and personal communication can help. Recall Zuckerberg’s use of the phrase “We really messed this one up.”

Or consider what happened when DiGiorno pizza used the hashtag #WhyIStayed to promote its pizzas, not realising that the tag was already being used by women to share their experiences of abuse. The company not only deleted its initial tweet but also followed it with another: “A million apologies. Did not read what the hashtag was about before posting.” It sent direct tweets to every person who had expressed outrage: “@ejbrooks It was. And I couldn’t be more sorry for it, Emma. Please accept my deepest apologies.”

Written statements have the benefit of being broadcast quickly, but it is often easier to strike the right tone through speech. A leader can rely on non-verbal cues to convey emotion, humility, and empathy. For example, remorse can be shown through facial expressions, and a commitment to change reinforced through vigorous gestures.

But in-person apologies are tricky to master. It can be difficult for business leaders accustomed to displaying power and self-confidence to strike the right repentant tone. For some, it may require careful planning and rehearsal. One glaring example of a leader who got the “how” of his apology wrong is Tony Hayward, then-CEO of BP. During the catastrophic Deepwater Horizon oil spill, in the Gulf of Mexico, he delivered the following apology:

“We’re sorry for the massive disruption it’s caused to [people’s] lives. There’s no one who wants this thing over more than I do. I’d like my life back.” It was a strikingly tone-deaf remark, one that illustrates the danger of an off-the-cuff or improvised apology. (Hayward resigned a few weeks later.)

DO

GET THE MESSAGE OUT

“You count on us at JetBlue... and we know we let some of you down...and for that we are truly sorry”

ROB MARUSTER, THEN-COO, JETBLUE,
in a 2011 YouTube apology to
passengers who’d been stranded on
a tarmac for nearly eight hours

Preparing to Apologise

As a general rule, the more central to the mission of the company the violation is and the more people it affects, the more important it is that the apology be pitch-perfect. For core violations, the “what” has to show a tremendous commitment to change, the “who” has to be senior leaders, the “when” has to be fast, the “where” has to be high profile, and the “how” must be deeply sincere and demonstrate empathy.

There are some industries that apologise so frequently that they have the practice down to a science. Restaurants inevitably make mistakes taking an order incorrectly, preparing the wrong dish, miscalculating the bill – and diners

have come to expect a quick visit and an apology from the manager, along with a small offering (often a free dessert) as a consolation. When a Ritz-Carlton hotel failed to deliver a wake-up call at the appointed hour, causing a guest to run late for an important meeting, the front desk manager immediately apologised and offered to send up a complimentary breakfast. When the guest returned that evening, she found a handwritten apology from the general manager, fresh strawberries, dried fruit, and candy. Rather than lambaste the hotel, she raved to her friends about the five-star service she received.

It’s imperative to give forethought to the kinds of events that will create the need for an organisational apology and how it will be executed. We recommend role-playing and “apology rehearsals.” Making these investments is not strictly about damage control: A well-executed apology can improve relationships with customers, employees, and the public, leaving the company better positioned than it was before the error. That’s an outcome to which every leader should aspire. ♦

Maurice E. Schweitzer is the Cecilia Yen Koo professor at the University of Pennsylvania’s Wharton School. **Alison Wood Brooks** is an assistant professor of business administration at Harvard Business School. **Adam D. Galinsky** is the Vikram S. Pandit professor of business at the Columbia Business School. Galinsky and Schweitzer are the coauthors of *Friend and Foe: When to Cooperate, When to Compete, and How to Succeed at Both* (Crown Business, 2015). This article was published in HBR, September 2015. Copyright©2015 Harvard Business School Publishing Corporation. All rights reserved.

ON SALE NOW!

HBRASIA.ORG SOUTH ASIA

Harvard Business Review



JUNE 2016

40 The Big Idea

M&A: The One Thing
You Need to Get Right
Roger L. Martin

56 Spotlight

Leading the
Team You Inherit
Michael D. Watkins

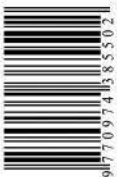
96 Managing Yourself

Next-Gen
Retirement
Heather C. Vough et al.



**MANAGING
THE 24/7
WORKPLACE**

**Grab Your
COPY TODAY!**



India ₹ 750
Bangladesh Taka. 1,250
Bhutan Ng.... 775
Myanmar K.... 110
Nepal N Rs. 1,250
Sri Lanka Rs. 1,800

**“Always available” cultures
breed problems. Here’s
how to handle them. **PAGE 78****

4 easy ways to subscribe



hbrcare@intoday.com



www.hbr.org



(0120) 2479945



SMS HBRSA to 52424

WRISTFUL THINKING

A bevy of smartwatches in the market promises to make your life easier – whether at your desk or on the treadmill. Read on to know if you should buy one. **By NIDHI SINGAL**



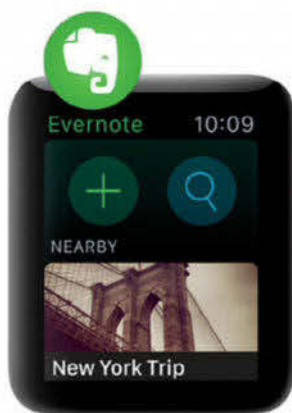
Since the advent of wearables, smartwatches have been the talk of the town. In the early days, big and small technology companies – be it Samsung or Pebble – tried their hand at smartwatches, with scant success. The first generation of smartwatches ended up being gimmicky as the functionality was limited. Apple, too, was expected to launch one for a long time, but did so only in 2015.

Although a relatively new category, the second generation of smartwatches comprising Apple Watch, Moto 360 2nd gen, Samsung Gear S2 and Pebble Time are garnering success, but are yet to go mainstream. Users are often heard lamenting about these being too complicated and merely duplicating their smartphone's content. In lieu of this, companies are designing applications especially for these watches and emphasis is being given to the operating system, too. Perhaps, 'smartwatches' is an idea whose time has come!

Here's a low-down on what you can expect from smartwatches, should you choose to buy one:

PRODUCTIVITY

Smartwatches are designed to enhance productivity and save time. What looks like a fancy piece of technology sitting on your wrist actually features a host of special apps designed to make your work life easier – whether you are using an Apple Watch, Android Wear or Samsung Gear S2 (Tizen OS). For instance, Evernote, the most popular note-taking app, is available on Apple Watch and Android Wear watches. It takes notes over voice dictation and is handy to capture quick thoughts at the press of a button. The reminders set on the phone or desktop appear on the watch at the stipulated time. Fantastical 2 is an excellent natural language calendar companion app that works on the iPhone as well as Apple Watch, allowing you to add appointments directly on the watch, eliminating the need to even touch your iPhone. It can even process date and time. Wunderlist is a simple and effective list-making app available for Android Wear, useful to make lists, set reminders, programme notification and even access it all through voice. Google Maps can be accessed for directions between home, office and other locations on both Android Wear watches and the Apple Watch. There are numerous apps that allow you to keep a tab on stock prices and dollar-INR conversion rate, access translation, voice recording, calculations and more – all from the watch face.



MIRRORING

Smartwatches are an extension of our smartphones. When paired with a smartphone over Bluetooth and apps, smartwatches can fetch notifications from your phone, eliminating the need to take your phone out of the pocket. It displays every incoming call, which you can accept or reject from the watch itself. But to speak to the caller, you will have to either pick up your phone or rely on a Bluetooth headset. You can add your favourite contacts on the watch for quick dialling. Smartwatches fetch notifications for incoming messages, e-mails, WhatsApp, tweets and more. You can even customise the face of the watch. On Apple Watch, you can choose the face and add the apps for which you wish to receive notification – such as activity stats, water reminder, date, time, battery percentage and voice recorder, among others. Other apps can be accessed by pressing the crown of the watch. Google, too, is incorporating this feature of customising app access on the watch face itself with its next OS update, Android Wear 2.0.

FITNESS

Fitness bands have become quite a rage with their ability to measure step count and sleep cycles. Now, smartwatches have gone several steps ahead by incorporating sensors to track further details,



SMARTWATCHES YOU CAN BUY



APPLE WATCH: This utility driven smartwatch is available in 38 mm and 42 mm variants. It has an anodised aluminum body, which is IPX7 certified for water resistance, a built-in light sensor, speaker, microphone, heart rate sensor, WiFi and NFC (near field communication) enabled. It is equipped with a Retina AMOLED display with Force Touch feature.

PRICE: ₹25,900 ONWARDS

SAMSUNG GEAR S2: This latest one from Samsung has a round, Super AMOLED touch display with a rotating bezel for navigation. It runs on Tizen UI and is compatible with Android smartphones. It is powered by 1 GHz dual core processor, 510 MB RAM, 4 GB internal storage and has a heart rate monitor.

PRICE: ₹22,400



ASUS ZENWATCH: Available in two variants - 1.45-inch screen with 280x280 pixels and 1.63-inch screen with 320x320 pixels. It runs on Android Wear OS, has a quad core Snapdragon 400 processor, 512 MB RAM, 4 GB storage and a magnetic charger. This smartwatch has features such as Smart Personal Assistant, Find My Phone and Unlock My Phone.

PRICE: ₹11,390

MOTO 360 SPORTS: This watch is IP67 certified for water and dust resistance, has a 1.37-inch touch display and is powered by a quad core Snapdragon 400 processor, 512 MB RAM, 4 GB storage and a 300 mAh battery. It runs on Android OS, has a built-in heart rate sensor and supports wireless charging.

PRICE: ₹19,900 ONWARDS



PEBBLE TIME STEEL: This good looking smartwatch has an always-on, colour e-paper display with LED backlight. It is compatible with both Android and iOS devices. But it lacks touch display and instead has physical keys for navigation. It comes with a 10-day battery life.

PRICE: ₹15,999

more accurately. For instance, a heart rate monitor on a smartwatch can measure heart rate throughout the day, during a workout and even when you are stationary. It even helps in accurately calculating the calories

burnt during a workout. There are special fitness apps that remind you to consume water every hour to stay hydrated (WaterMinder for Apple Watch) and eat meals at regular intervals. The Activity app on Apple Watch allows you to set goals and reminds you to stand for a minute every hour. When the watch vibrates to notify you, it is hard to ignore. Then there are certain watches that are focused on fitness and less on extending smartphone functionality. The Fitbit Blaze smartwatch, for instance, specialises in fitness tracking and only fetches call, messages and calendar notifications. It can track steps, distance, calories burnt, floors climbed and active minutes. It also has GPS connected to map your routes and record running stats, like pace and duration, on display when your phone is nearby. Garmin's TomTom, however, doesn't get into fetching notifications from smartphones. It focuses purely on fitness activities.

FASHION STATEMENT

Smartwatches are increasingly being worn as an accessory, thanks to their good looks and design. Most smartwatches today have changeable watch straps that can be used to match your attire. Most companies are keeping it simple by incorporating watch bands that can be replaced by anyone at home in just a few seconds. They come in all forms - rubber straps, silicon straps, metallic bands and more. The range of bands available for the Apple Watch is the largest - from bands ranging from ₹5,000 for a silicon strap to link brackets costing over ₹30,000 (\$499). French luxury products company Hermes also offers leather bands. Watch bands are also available for other smartwatches, but the range is not as extensive. Some of them offer bands in different sizes to suit men and women.

Smartwatches are addictive. Once you get used to accessing notifications on the watch, you will not feel the need to pick up your phone on every notification alert. A quick glance at the watch lets you stay updated on matters related to work, health and fun.



Store More

The SanDisk iXpand flash drive is a convenient way to increase storage on your iPhone and iPad. **By NIDHI SINGAL**



As an iPhone or iPad user, one has to be content with the device's internal storage as iOS devices don't support expandable memory. SanDisk's new compact iXpand flash drive, available in 16, 32, 64 and 128 GB storage capacities, promises to put an end to storage woes.

The second generation iXpand flash drive is an improved piece of hardware that be connected to a PC as well as an iPhone or iPad, although not at the same time. It is sleek, just like a pen drive. There is a regular USB at one end and a lightning port on the other, connected with a flexible cable so that it can easily be connected to iPhones or iPads with thick covers. It can be plugged into a USB port of a computer, just like a regular thumb drive for accessing content. The lightning port can be plugged into to an iPhone or iPad using the iXpand app – available on the App Store for free. Once installed, the iXpand flash drive can be used to copy data to and from the iOS device to the flash drive, and vice versa.

The app, too, has been reworked, making it much more intuitive to use. The home page shows available storage on the iPhone as well as the flash drive. There are options such as copy files, view files, and back-up and restore. You can copy photos to and from your phone or the iXpand drive. You can choose a location to store the files. Once the content is copied from the phone to the drive, the app prompts you to free up space on the

iPhone by deleting the original files. The view file option is divided into two tabs – iXpand and iPhone – with categories such as images, videos, music and folders (camera, music, photos and videos). You can back up and restore the entire photo library, social media content and contacts under back-up and restore.

While the drive can be used for transferring music to the iPhone, it doesn't get added directly to the default music app. Instead, it gets stored on the iXpand app and can be played from the same location. It can also be used for viewing documents stored on the drive. You also have the option of securing files that can be moved to the SanDisk Secure Access Vault folder, which is password protected. The camera icon on the app lets you capture and save images and videos directly to the iXpand drive, thus not adding to storage issues.

However, not everything is great about this flash drive. Unlike the first generation drive that had an internal battery, this one doesn't and, hence, drains your iPhone battery when copying files. Also, the maximum file size for a single file at 4 GB is restricting. The iXpand drive works well on the iPad, too, but it worked only in portrait mode on my 9.7-inch iPad Pro. The company claims to have fixed this orientation issue with an app update, but even the iPad needs to be updated to the latest OS, 9.3.2, when available.

BAG IT OR JUNK IT: A handy storage drive for iPhone and iPad users

PRICE: ₹3,990 for 16 GB

RATING: 4.5/5

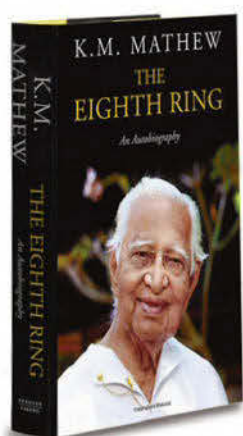
PLUS: Ease of use, compact size

MINUS: Drains device battery

@nidhisingal

The Big Fight

The book chronicles the tribulations faced by the author's family and the resurrection of Malayala Manorama amid grim times. By Palakunnathu G. Mathai



The Eighth Ring

By K.M. Mathew

PAGES: 391

PRICE: ₹699

Penguin Books

Mammen Mappillai was one of Kerala's early entrepreneurs, with fingers in many pies

Indian media moguls are not usually given to writing about themselves. By and large, they are a tight-lipped lot, in public at least.

That could be changing. Not long ago, Zee TV group boss, Subhash Chandra, published his autobiography. Now the memoir of the late K.M. Mathew, Chief Editor of the Malayala Manorama group, is out. Mathew actually wrote his book between 2002 and 2007 in Malayalam. This was later translated into English.

While Chandra's book deals with his climb from modest beginnings to billionaire days, in *The Eighth Ring*, Mathew chronicles his father's rise to wealth, fall to near poverty and subsequent triumph. He deals less with the rise and rise of Kerala's largest circulated daily, than with the 'Big Fight'. As Mathew puts it, "This is in no way the life story of a person named K.M. Mathew. On the contrary, it is a book about the misfortunes our family endured and about the rebirth of the Malayala Manorama."

The book highlights an epic war that began in the late 1930s, between Mathew's father, K.C. Mammen Mappillai, and Sir C.P. Ramaswami Aiyar (Sir C.P.), both larger-than-life figures on Travancore's stage before India's Independence.

Sir C.P. was a lawyer who had been Advocate General of the then

Madras Presidency. He had been described as one of the cleverest men in India. In 1936, he became the Dewan and de facto ruler of the then state of Travancore. Sir C.P. backed an unsuccessful attempt to keep Travancore out of the Indian union and left Travancore after a failed assassination bid on his life. He is portrayed as the villain of this story whose evil machinations brought ruin to Mammen Mappillai and his family.

Mammen Mappillai was one of Kerala's early entrepreneurs, with fingers in many pies. A school headmaster-turned-farmer-turned-businessman, the ambitious tycoon had once dreamed of his children becoming business barons as well-known as the Tatas or Birlas. Among other things, he bought acres of land at Kuttanad in Alleppey district, a coffee estate at Chikmagalur in Karnataka, and floated a bank and an insurance company. Oh yes, he also ran the Malayala Manorama – set up as a weekly newspaper by his uncle Kandathil Varughese Mappillai.

Mammen Mappillai had nine children, including K.M. Cherian, who became Chief Editor of the newspaper; a son with a similar name, K.M. Mammen Mappillai, who would go on to set up MRF – the highly profitable Chennai-based tyre company; K.M. Philip of Philips Coffee fame; and K.M. Mathew, who succeeded his broth-

er as the paper's Chief Editor. So this is also a story about the rise and travails of the Kandathil family, to which Mammen Mappillai belonged.

The war led to a run on the Travancore National and Quilon Bank – promoted by Mammen Mappillai and C.P. Matthen, a Quilon-based businessman which Mathew maintains was engineered by Sir C.P.; the jailing of Mammen Mappillai, the sale of the family's insurance company and the closure of the Malayala Manorama for nine years from September 1938.

Why did Sir C.P. train his guns on Mammen Mappillai and the newspaper he ran? According to Mathew, this was because of the financial aid the family's bank extended to the Congress Party in Travancore, and the close relationship between the bank's promoters and Congress leaders in the state. Mammen Mappillai and the Malayala Manorama, which had become a daily in January 1928, advocated political and social

reform, in the process coming into conflict with Sir C.P. Indeed, the reformists used to meet at Mammen Mappillai's house in Kottayam. This is the nub of Mathew's story.

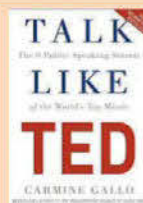
Mathew deals authoritatively with the history of Kerala's social and political movements, with his days in school and at Madras Christian College. But *The Eighth Ring* Mathew was his father's eighth child and Mammen Mappillai gave each of his children rings is also a series of random memories, as he puts it. As a result, the book jumps from topic to topic, and yet some of the anecdotes he recounts are delightful.

Indeed, *The Eighth Ring* is populated by a host of people and families. Mentioned in passing are former Kerala Chief Minister Oommen Chandy's grandfather, V.J. Oommen (Mammen Mappillai fought an election in the Travancore legislative council against him and lost); C. Kesavan, who became Chief Minister of the state; T.M. Varughese,

The book highlights an epic war that began in the late 1930s between Mathew's father and Sir C.P. Ramaswami Aiyar

Talk Like TED

THE
FORTNIGHTLY
PICK



By Carmine Gallo
Price: ₹499

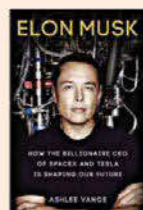
This book is a powerful guide to public speaking, based on the scientific analysis of hundreds of TED presentations and interviews with TED speakers.

BUSINESS BESTSELLERS*



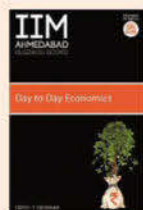
Thinking, Fast and Slow

By Daniel Kahneman
Penguin
Price: ₹499



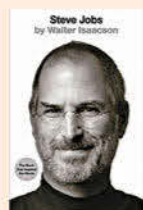
ELON MUSK

By Ashlee Vance
Virgin Books
Price: ₹699



IIM - Day to Day Economics

By Satish Y. Deodhar
Random House India
Price: ₹299



Steve Jobs

By Walter Isaacson
Little, Brown Book Group
Price: ₹550



Think & Grow Rich

By Napoleon Hill
Prakash Book Depot
Price: ₹150

*Top books by sales for May 2 - May 15, 2016;
Includes only books released after Jan 1, 2015;
Information provided by amazon.in

who became a minister; several members of the Kandathil family; President K.R. Narayanan; prominent Kottayam families like the Padinjarekkara family and the Pannampunna family (the family of the late journalist B.G. Varghese and my mother and of Mathew's daughter-in-law), and my granduncle C.K. Thomas, Principal of C.M.S College in Kottayam.

Incidentally, my father, too, finds a mention. He was at Madras Christian College with Mathew, and Mathew stayed with him in Istanbul, Turkey, where the archbishop of the Eastern Orthodox Church plied them at lunch with potent wine till their heads spun.

The book's landscape largely features Kerala and the Syrian Christian community. The Malayalam version would have attracted a wide readership. But will the English translation of the book be of great interest to non-Malayalees? That has to be seen.

Mathew's account of his life is peppered with Malayalee nicknames for his brothers and others. Readers have to wade through names such as Oonnoonichayan (K.M. Cherian) and Peelikkutty (K.M. Philip), and then flip pages to figure out who they are.

Clearly, someone worked on this book after Mathew died in August 2010 at the age of 93 – it mentions the death of my father, which happened in January 2013, after Mathew died.

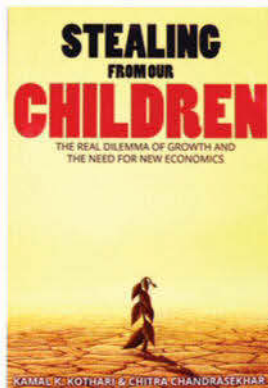
Still, many in Kerala regard Mathew as a visionary. Under his stewardship, the paper expanded, with editions all over the country and in West Asia. Magazines (Vani – the women's magazine, Balarama – a magazine for children, The Week – news magazine, to name some) were launched, as were television channels and internet editions of many of these publications. And in his lifetime, the newspaper's circulation topped 16 lakh.

Does that story merit another book? Over to Mathew's sons. ♦

The reviewer is a veteran journalist

Future Imperfect

The book warns that our callous attitude towards the environment is leading to a bleak future. By Sarika Malhotra



Stealing From Our Children

By Kamal K. Kothari and Chitra Chandrashekhar

PAGES: 192

PRICE: ₹300

Fortytwo Bookz Galaxy

The book, *Stealing from our Children*, highlights how in a rapidly changing scenario, with growing population and aspirations, our economic thoughts and practices have to change. How we have to combine the fundamental approach with psychological and educational approach to provide a good world for the future generations.

It draws attention to the daunting task of finding adequate food for an additional 2.6 billion people, emphasising that it would pose a serious challenge to the stability of a large number of nations. The authors give a clear message that perhaps we are living in a planet which is bursting at the seams.

The facts and figures stated in the book are glaring reminders that we are not planning for the well-being of our future generations. The depth, delivery and diversification in

depicting the future scenario makes us ponder over the vital needs of the generations to come and what we are leaving behind for them.

It is discernible that two things will have a major impact on the future of planet Earth – population growth and growth in energy consumption. The book has three dedicated chapters dealing with the issues of fossil-based energy, metals and minerals, a warming planet and the impact that they will have in times to come. For example, it observes how the reserves of iron ore are depleting and the current rate of consumption can't match the supply.

The underlying theme of the book is how we are living for the moment and that what happens in the future does not concern us. Most of us cannot visualise the fate that awaits us and our progeny. We seem to believe in the invincibility of human knowledge and technology to solve all our problems, not realising that reversal of damage would be virtually impossible.

The chapters urge us to not forget that the environment sustains us, and is critical for our survival, and to not chase development goals blindly. It cautions that unless we make a paradigm shift in our economic thinking, we may, perhaps, fail to assess the stark future. On the one hand, we have to look to our present comforts and on the other hand, the future of our civilisation is at stake. Unless we tread the pragmatic path and make sacrifices, the tribulations faced by our youngsters will increase stupendously.

The choice is ours to make: either we continue to steal from our children and lead a better life now, or we leave behind a better world for them. ♦

00:41



**INDIAN SEXUAL DESIRES
AND KINKS UNMASKED!**

**GET THE REAL STORIES ONLY ON THE
'10 YEARS OF SEX SURVEY
DIGITAL MAGAZINE'**

KNOW MORE

WWW.INDIATODAY.IN/SEXSURVEYMAGAZINE



Senior Management Jobs brought to you by monster.com



Black Turtle India Private Limited

VP - Cost Management

Location: Chennai

Job ID: 18154914

Description: Accounting and Control of Cost Month close, Global Cost Review and Analytic, Flash Process Balance Sheet Substantiation and Reconciliation.



Datamatics Financial Services Limited

AGM / GM - Domestic F&A Operations

Location: Mumbai

Job ID: 18724972

Description: To manage and control F&A activities like P2P/Accounts Payable, Fixed Asset, GL, Month end Reporting in accordance with the group business strategy and deliver maximum profit.



Hector & Streak Consulting Private Limited

Manager / Sr. Manager - PMS

Location: Delhi

Job ID: 18702314

Description: Will be responsible for handling Performance Management System for PAN India.



Shriram Value Services Private Limited

Senior Manager Operations

Location: Mumbai

Job ID: 18591428

Description: Responsible for managing the organization, helping and creating organizational and program budgets and other misc. tasks.



NVIDIA Corporation

Senior Manager, Compiler Development

Location: Pune

Job ID: 18575224

Description: Responsibility for all aspects of planning, development and maintenance of the Optimizing Backend Compiler for NVIDIA Tegra GPUs.



CSS Corp Private Limited

Deputy Manager - Process Excellence

Location: Chennai

Job ID: 18694693

Description: Responsible for Lean/Six Sigma projects that eliminate re-work, provide cost savings, increase revenues and increase client/customer satisfaction within the site.



Indus Towers

Manager - Zonal Head

Location: Amravati

Job ID: 18730822

Description: Control Infra outage and achieve network availability target of the Zone 1. Outage analysis and RCA.



Cucumber Consultants

R & D Head API

Location: Hyderabad / Secunderabad

Job ID: 18563774

Description: Looking for Dynamic R&D head who can Plan, direct and execute the API research etc.

To apply for above jobs logon to www.monster.com >> Type the Job ID in the "Search Jobs" box >> And click the "Go" button.



"Winner in 'Mobile Apps' Job Category.
Survey of 7,000 people by Nielsen.

monster®
Find Better.™

Thank you !
monster.com mobile app voted
"Product of the Year 2016"

Download App from



IT Jobs brought to you by monster.com



Cognizant

Cognizant Technology Solutions India Pvt Ltd
JAVA Professional
Location: Pune
Job ID: 18740971
Description: Core Java, spring, web services, hibernate.

Black & White
Business Solutions

Black & White Business Solutions
Software Engineer – JAVA.
Location: Chennai
Job ID: 18740836
Description: Experience must be between 5 - 9 years.

Tech
Mahindra

Tech Mahindra
Software Test Engineer
Location: Hyderabad / Secunderabad
Job ID: 18740642
Description: Knowledge and full understanding of the QTP Object Repository.

iQuest Consultants

iQuest Management Consultants Private Limited
Embedded Software
Location: Pune
Job ID: 18740607
Description: Strong knowledge of C , C++ , embedded SW ,hands on experience on writing code on DSP.

CareerNet
CONSULTING

CareerNet Technologies Private Limited
UI Architect / Front-end Architects
Location: Bengaluru / Bangalore
Job ID: 18740521
Description: Strong experience in frontend technologies like Javascript, Angular.js, Bootstrap and have good understanding of UI/UX issues.

saicom

Saicom Consulting Services Private Limited
Datacom / Telecom Network - Tester
Location: Bengaluru / Bangalore
Job ID: 18741555
Description: Should have 3.5 to 8yrs of IT experience and have strong expertise in the following space.

CYIENT

Cyient Limited
Magik Developer / Lead
Location: Hyderabad / Secunderabad
Job ID: 17926348
Description: Advanced Magik Programming in SWAF.

TIBCO

TIBCO Software India Private Limited
Sr Java Developer/ Java Lead / Java Expert
Location: Pune
Job ID: 17253684
Description: Responsible for TIBCO Silver Fabric products family's development and deliveries. .

To apply for above jobs logon to www.monster.com >> Type the Job ID in the "Search Jobs" box >> And click the "Go" button.

monster®
Find Better.™



**MILLIONS OF JOBS.
MILLIONS OF
REASONS TO
LOVE MONDAYS.**

#ThankGodItsMonday
Log on to Monsterindia.com & Find Better

Top employers on Monster.com



Monaco

TRULY MESMERIC

Picturesque Monaco with 300 days of sunshine is a favourite haunt of the rich and famous. With stunning coastal towns like Villefranche-sur-Mer, Saint Jean Cap Ferrat, Antibes, Eze, yet Monte Carlo continues to top every traveller's wish list. It's easily accessible from Nice Côte d'Azur International Airport, being a quick 7-minute helicopter ride away.

Monte Carlo is also home to the thrilling Formula 1 Grand Prix, where Formula 1 cars roar down the city streets in close proximity to the spectators.

Monaco is known for its eclectic mix of the high life along with historical and modern attractions. The principality has over 170 restaurants that serve diverse world cuisine; it also has nightclubs like Jimmy's and Sass Café that host global celebrities like Angelina Jolie and Brad Pitt, amongst others.

The Monaco experience is incomplete without a visit to the famous Casino de Monte Carlo and Casino La Rascasse. Three Bond films including Casino Royale, Golden Eye, and Never Say Never Again were filmed here.

Some other attractions are the floating palaces at Port Hercule in La Condamine, the Rock of Monaco and the Prince's Palace. Tourists also visit Fontvieille, exotic gardens and the Automobile Museum.

THINGS NOT TO MISS IN MONACO

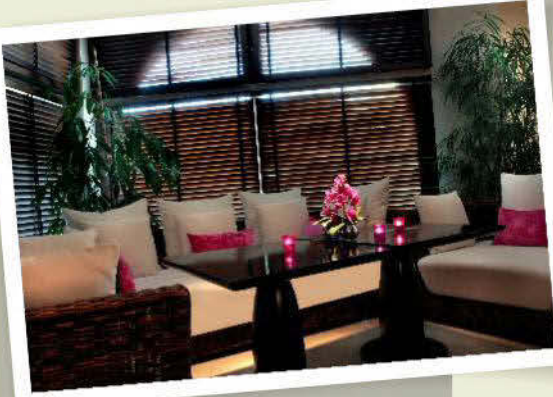
- **Playing a hand at the famed Casino de Monte Carlo**
- **Visit the 19th-century Romanesque-Byzantine Cathedral de Monaco, also the final resting place of Princess Grace**
- **Tour Monaco Ville, the old town also known as Le Rocher, home to the Grimaldis' historic royal residence**
- **Francis Bacon MB Art Foundation dedicated to Bacon's work, life and creative process.**



Hotel De Paris Monte-Carlo

Situated on the Place du Casino, this hotel has been a legendary address since 1864. It perfectly positioned between the F1 Grand Prix race track and the spa Les Thermes Marins Monte-Carlo. The spa is renowned throughout Europe for its beauty and holistic approach to wellness and preventive care. Epicureans flock to the three-Michelin-starred Le Louis XV- Alain Ducasse a l'Hotel de Paris to enjoy some of the world's finest cuisine, and wines from the cellar that boasts of over 600,000 bottles. Customise a visit with the impeccable service at this hotel.

➔ www.hotelparismontecarlo.com



Columbus Monte-Carlo

Known for its highly personalised design, in the district of Fontvieille, at the foot of the Rock, it spells Riviera chic with graceful and elegant service.

➔ www.columbusmonaco.com



Hôtel Fairmont Monte-Carlo

In the heart of the 'golden square', with a view of the coastline, facing the Fairmont Hairpin; the famous F1 bend; the hotel offers 602 rooms and suites along with Nobu, Horizon and Nikki Beach and the round-the-clock Saphir24 bistro lounge & bar.

➔ www.fairmont.com/montecarlo



Hôtel Metropole Monte-Carlo

This 5-star luxury hotel overlooks the Mediterranean Sea and has 64 Luxurious suites and 124 rooms designed by Jacques Garcia. Karl Lagerfeld has designed the Metropole Spa & Odyssey. It is also known as gourmet retreat with three Michelin Stars with 4 restaurants by Joël Robuchon.

➔ www.metropole.com



Hôtel Hermitage Monte-Carlo

The hotel faces the Prince Palace and the Monaco Harbor. This Belle Époque Palace, combines the best of classicism and modernity. It is also well-known for its wellness center The Thermes Marins Monte-Carlo.

➔ www.hotelhermitagemontecarlo.com



Monte-Carlo Bay Hotel & Resort

Located on a ten-acre garden facing the sea, is in the heart of the Riviera. Most of the 334 rooms and suites offer sea views and seasonal sandy bottom lagoon, indoor pool, Spa Cinq Mondes, restaurants, bars, casino and the renowned Jimmy's night club.

➔ www.montecarlobay.com



Hotel Monte-Carlo Beach

A chic and timeless hotel built in the 1930s, has always been the epitome of glamour and "dolce vita". Renovated by architect designer India Mahdavi, this palace hotel offers a "Cabanass" service, an Olympic pool, the Monte-Carlo Beach SPA and the 100% organic certified Michelin-starred restaurant Elsa.

➔ www.monte-carlo-beach.com



**ARUNDHATI
BHATTACHARYA,**
SBI Chairperson

A Giant Merger

The country's biggest lender, State Bank of India (SBI), has sought approval from the government to start negotiations for merging its five subsidiary banks and Bharatiya Mahila Bank with itself. The balance sheet of the consolidated bank will be around ₹37 lakh crore, up from SBI's ₹28 lakh crore. Speaking on the merger news, SBI Chairperson Arundhati Bhattacharya said that the benefits of the merger would be huge and the aim is to complete the merger in the current fiscal. The five subsidiaries up for merger are State Bank of Mysore, State Bank of Bikaner and Jaipur, State Bank of Patiala, State Bank of Travancore and State Bank of Hyderabad.

Cook Learns Indian Recipe

High-profile visits by business honchos have become the new indicator of India's surge as a big technology consumer. Latest to join the list was Apple CEO Tim Cook. Interestingly, Cook's maiden trip came after the Cupertino-based company recently reported its first decline in quarterly global sales and India emerged as the only bright spot where sales jumped 56 per cent. During his five-day trip, he met Prime Minister Narendra Modi, a host of business leaders, politicians, cricketers, Bollywood celebrities and, of course, company officials, with a goal to expand the company's footprints in the world's second-largest smartphone market. He also inaugurated Apple's development centre in Hyderabad and announced a design and development accelerator in Bengalore.

TIM COOK, Apple CEO



Four Finalists

At least four companies have submitted bids for acquiring Tata Steel's loss-making UK assets, according to a report published in a business daily quoting sources close to the bidders. The list of four prospective buyers include India's biggest steel maker and Sajjan Jindal-promoted company JSW Steel; UK-based Excalibur Steel, led by Stuart Wilkie, who was earlier the head of Tata Steel's UK Strip unit; metals group Liberty House, run by Indian-born steel tycoon Sanjeev Gupta; and investment fund company Greybull Capital, which specialises in turning around troubled companies.

CYRUS MISTRY, Chairman, Tata Group



AJAY PIRAMAL,
Chairman, Piramal Enterprises

MANDAR DEODHAR

Managing Finance

Piramal Enterprises Ltd (PEL) Chairman Ajay Piramal has hinted at a merger of all his finance entities. This would create one of the biggest financial services companies in India with all Piramal's financial businesses and Shriram's finance businesses under one umbrella. "PEL is a conglomerate and, hence, may seem to be complex and difficult to understand. It's our intent to simplify the structure going forward and create focused businesses," Ajay Piramal said in a regulatory filing to the Bombay Stock Exchange.

Cricket Icon's Global Foray

Sports-based virtual entertainment company, Smaaash Entertainment, is in the process of raising ₹200 crore from private equity investors, according to a newspaper report. The company plans to use the fresh funds for its overseas expansion. In India, it plans to open new centres in Ludhiana and Chandigarh, and two in Delhi. The company currently operates five gaming arcades across the country, which offer gaming options, including taking strike against famous international cricketers like former Australian spinner Shane Warne and Pakistani fast bowlers Shoaib Akhtar and Wasim Akram.



SACHIN TENDULKAR,
Former cricketer & brand
ambassador, Smaaash Entertainment

COMPILED BY SATYAM SHARMA



*“Speed of
technology is
reshaping the
industry”*

Chuck Brymer, President and CEO, DDB Worldwide Communications Group, talks to **BT's Ajita Shashidhar** about reinventing to keep pace with changing technology.

How has the changing communications landscape impacted your business?

Technology has changed our client's businesses and our business. It requires us to create ideas in different modes, in different channels and quicker than we had to before. We have to be able to optimise content in real time, so that we learn from the data and then deliver that in different ways. We have changed the model in which we work. A campaign that would run for six weeks of the year is now turned around 24X7. Without doubt, the speed of technology is reshaping the industry; it is changing the very nature of how companies operate.

How is a traditional advertising agency like yours aligning to digital?

We have made massive shifts in all our businesses to be able to develop ideas that are much more innovative, technologically advanced – much of that is online. We are looking at consumer behaviour differently, using data much more aggressively to target customers and engage with them. Speaking about the advertising business, we don't refer to digital anymore. The ideas we create are media agnostic.

How are clients adapting to this change?

Technology is enabling us to do everything now and most of the companies we work with are well along the path. The biggest challenge today is speed; the ability of a company to adapt to speed. Many companies have suffered because they haven't moved quickly enough. Companies that are able to disrupt the industries in which they compete, by developing technology quicker and faster than their competitors, are able to stake claim in that market before anybody else. ♦



**Stay updated
with the India
Today App**

AVAILABLE ON:



iPhone



NOKIA



ANDROID

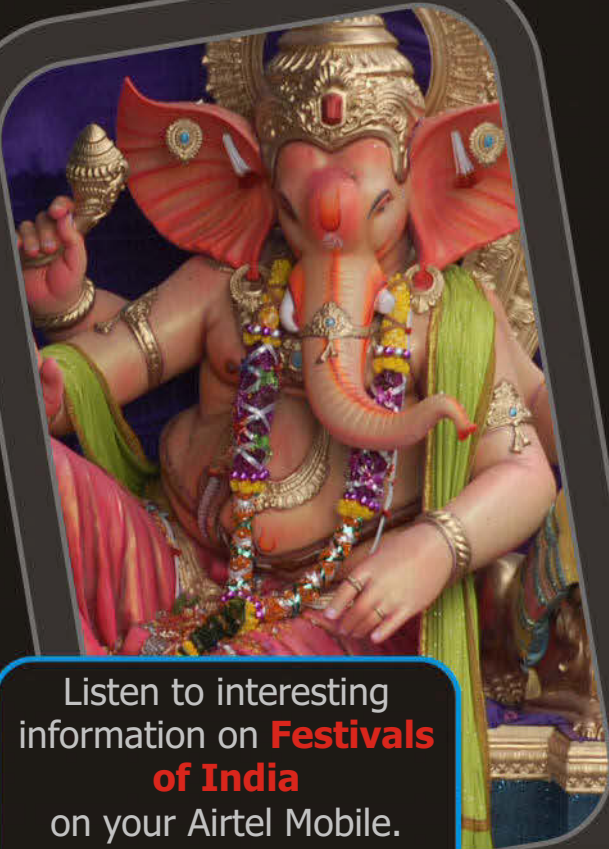


Windows Phone



Visit www.indiatoday.in/apps for more info.

India Today brings
Voice Subscription
on your Mobile



Listen to interesting
information on **Festivals
of India**
on your Airtel Mobile.

Dial 505242488



Listen to generic
preachings "**Mann ki
Shuddhi Alerts**" on
Airtel and Reliance.

Dial 505242484

* Rs 2 per day for festival pack.

* Re 1 per day for Mann ki Shuddhi.