Business Today

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June 17, 2018 | ₹100

Unfinished Agenda
The Modi Report Card @4

SECTOR REPORT:
Fintech

Walmart vs Amazon WAR OVER INDIA

How the face-off between the global giants for the ₹2.5 lakh crore Indian e-commerce market will pan out

विकास यात्रा 2018

The Hon'ble Chief Minister believes in a transparent governance and has, on multiple occasions connected with people through programs & events including Jan Darshan, Gram Suraj Abhiyan, Nagar Suraj Abhiyan, Lok Suraj Abhiyan, Kisan Mahotsav, Bonus Tihar and Bijli Tihar.

In a bid to showcase the progress that has been achieved in Chhattisgarh, Hon'ble Chief Minister is making strident efforts to reach every nook and corner of the state. The yatra is being conducted in two phases – 12th May to 11th June and 16th August to 30th September. CM will visit 62 constituencies in the first phase that would comprise of 53 Aam Sabhas, 39 Swagat Sabhas and 16 road shows.

On the fast lane to progress

On 12th May, the Government of Chhattisgarh kick started the third edition of the Vikas Yatra from Bastar as he did in the previous two editions of 2008 and 2013 as well. This has great significance because Bastar has been a Naxal infested area, which has posed a great challenge to the overall progress of Chhattisgarh. The Vikas Yatra was conceptualized as an opportunity to engage in a dialogue with the masses on the developmental work carried out in the state. This also underlines the unwavering courage of the incumbent government to meet with its constituents and apprise them of the monumental development it has done for them. It is this sense of commitment that has endeared Hon'ble Chief Minister Dr. Raman Singh to the masses, so much so, that on the first day of Vikas Yatra 2018, a tribal lady volunteered to feed CM a wild berry.

Determined for development

The Hon'ble Chief Minister, before joining politics was a doctor by profession. Understanding the pulse of the masses has always come naturally to him. He has always made an effort to understand the needs of the people of Chhattisgarh by reaching out and listening to their issues. The state's Food Security Law for example has been lauded across the country. Other states are curious about how easily this has been implemented. Uttar Pradesh CM Yogi Adityanath sent his ministers and senior officials to Chhattisgarh to study the implementation immediately after he assumed power. Under the Hon'ble Chief Minister's vision and leadership, Chhattisgarh became the first state to provide ration at such subsidized rates. This

Chhattisgarh Vikas Yatra

example was followed quickly by 18 other states. The incumbent governance team and leadership have therefore, over the past 15 years or so, come to be known as a "People's Government", for having successfully started and implemented various schemes for the benefit of the people.

All families living in Chhattisgarh are eligible to receive Rs.50,000 per year for the treatment of ailments through National Health Insurance/ CM Health Insurance. The Chirayu Scheme and Baal Hriday Scheme that favourably impacted children of the state have been praised by several agencies across the country. Besides providing free education, meals, uniforms and textbooks are distributed in the government schools. In the Naxal-affected zone, special attention is given to education through POTA cabins, ashram schools and Eklavya Prayas schools to help children of re-habilitated Naxals as well. These students are also provided free coaching for competitive exams. LWE (Left Wing Extremism), which has adversely affected Dantewada, is now emerging as an "educational hub".

To further the cause of women empowerment, the government has instituted several schemes to provide better health and education facilities. Primary, higher and technical education is free for girl students. Mahtari Jatan Yojana, which caters to the needs of pregnant women, has benefitted more than 5 lakh women.

Similarly, farming equipment, seeds, compost, etc. are being provided to farmers at concessional prices. The budget allocation for Agriculture in FY 2018-19 has been proposed at Rs.13,000 crores. It is no mean achievement that Chhattisgarh has also received the Krishi Karman Award four times for record food grain production.

In 2003, when the Hon'ble Chief Minister formed the government in the state for the first time, he had to contend with a state that was going through the pangs of developmental infancy. When the state was formed, it had only basic infrastructure and consequently, neither did it feature high on the national development indices nor was it accorded the respect it deserved at the national level. Chhattisgarh is no longer in the so-called list of "Bimaru" states as per the assessment reports of NITI Aayog. It has been ranked as the fourth best state in the Ease of Doing Business index of the World Bank. Chhattisgarh of 2018 is a live example of what the ideal levels of development indices should be.

Vikas Yatra 2018 edition – An oath of development

This year development work worth Rs.29,500 crores will be implemented to benefit the masses. The farmers will be receiving paddy bonus worth Rs.1700 crores, and a further Rs.120 crores will be distributed under gram promotion scheme. The tendupatta collectors will also receive a bonus of Rs.700 crores. Under the PM Ujjawala Yojana, 12 lakh families have benefitted from the distribution of free LPG Gas connections.

Moreover, to ensure enhanced communication, the Sanchar Kranti Yojna (SKY) is being launched. Under SKY, 55 lakh smartphones will be distributed during Vikas Yatra. A budgetary allocation of Rs.1200 crores has been made for the implementation of this scheme.

Under the Labour department, 560,000 labourers will be provided with a toolkit and other equipment worth Rs.250 crores. Rs.23,000 crores will be invested to undertake construction of buildings and roads.

Under the Bharat Net project, the state proposes to make an investment of Rs.2500 crores to improve information and interconnectivity through the laying of fibre optic cable through the state.

Furthermore, with a view to improve irrigation facilities in the state the Hon'ble Chief Minister will inaugurate and dedicate projects worth Rs.1462 crores.

The Government of Chhattisgarh is committed to the development of the state and intends to exhibit its resolve for the same through Vikas Yatra 2018.

Vikas Yatra 2018

My valued colleague @drramansingh Ji and his entire team have been working tirelessly for the transformation of Chhattisgarh. Raman Ji's experience, wisdom and focus on inclusive growth is taking Chhattisgarh to new heights of progress.

Narendra Modi
Prime Minister, India
via his twitter handle @narendramodi

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Walmart's Big Bet

THE US-based retail giant Walmart is paying $16 billion to take a 77 per cent stake in Indian online retailer Flipkart. Meanwhile, Amazon India is also moving fast, and its parent Amazon Inc has made it very clear that it will continue to invest in India to become a market leader. At the moment, Flipkart is ahead of Amazon India in terms of total sales, and both online retailers are losing money heavily. Last year, Flipkart lost over a billion dollars and Amazon, at least, around half a billion.

The Walmart investment into Flipkart is bound to affect physical retailers in India – from organised retailers like Reliance Retail, Kishore Biyani's Future Retail and also mom-and-pop grocery and vegetable stores. Several right-wing and left-wing organisations have already protested the Walmart investment, saying it is getting an entry through the backdoor (since multibrand physical retail by global companies is not allowed in India, except in the cash-and-carry segment and only a marketplace model is allowed online). They want the government to block the deal even while the tax department is hoping for a significant gain because of capital gains levied on the transaction.

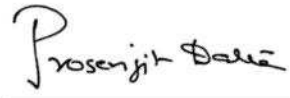
Also, there are some misconceptions about the deal. One is that an Indian firm is selling out to a foreigner, thus leaving the online retail market to be carved up between two US-based companies. This is a bit of a stretch because while Flipkart was started by two Indian entrepreneurs – Sachin and Binny Bansal – and its only area of operations is within the country, it had ceased to be an Indian-owned entity long ago. Most of the Flipkart family entities are registered in Singapore for multiple reasons (mostly to get around Indian policy restrictions), and the majority of the shares were owned by global venture capitalists, including Tiger Global, SoftBank, Naspers, and Tencent.

What will be the implications of the Walmart-Flipkart deal on the Indian retail market? Our cover story will give you the detailed view, but here is my potted analysis. One, you can expect Walmart to pump in more cash into Flipkart and Amazon Inc into Amazon India as both fight for dominance. Both will give enormous discounts and that will trigger off a discount war.

Among the physical retailers, Reliance Retail has deep pockets and it will continue without a pause. It is also true that Reliance Retail and the others have made vain efforts at cracking the online retail market. Future Group's Biyani will be in a spot as he lacks the deep pockets of his rivals. But he is focussing on FMCG now and reducing his emphasis on retail.

If the government strictly implements its rule of online marketplaces as opposed to inventory plays, I would expect the overall Walmart and Amazon investments to help smaller Indian traders and businesses.

And finally, I stick my neck out and say that Walmart overpaid for Flipkart and the buy is unlikely to help it become an online power. Despite multiple efforts, including acquisition of Jet.com, Walmart has not mastered online retail. I suspect it will continue to lose money heavily on Flipkart and even have to write-off a big chunk of its investment at some point.



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CONTENTS

COVER BY
Nilanjan Das

32

COVER STORY
RETAIL BATTLEZONE

ILLUSTRATION BY RAJ VERMA

THE BUZZ

12

INDIA'S OIL CRISIS

The relentless rise in crude oil prices is proving to be an intractable fiscal and political problem

14

HIRING EXPERIENCED HANDS

In spite of the buzz around hiring them young and keeping them engaged at the workplace, the proportion of young professionals in IT firms is decreasing

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THE HUB >

62

PROTECTIVE CUSTODY

The RBI's move to clean up bank balance sheets has made close to half a dozen banks nearly dysfunctional. There is little hope of their recovery in the near term

SPECIAL REPORT

92

Banks are joining hands with fintech companies to provide new services to customers

Plugging into the Future

THE BREAKOUT ZONE >

108

QUIET BY THE WINDOW

Active noise cancellation tech on windows for some blissful silence is the future

115

DEBUGGING THE SYSTEM

Gastric problems are quite common during summer months, but a little care and caution can help avert serious issues

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PERSPECTIVE

Why Domestic Airlines Are at the Cusp of Losing Their Winning Streak
With crude oil prices moving up further, the profitability of the airlines is likely to be under pressure for the next few quarters
businesstoday.in/*domesticairlines-crudeoil*

NEWS

Milkbasket Funding: Three Things That Make the Company Different
The investor appetite for online grocery start-ups is alive and kicking, despite the possible market polarisation between larger players.
businesstoday.in/*onlinegrocery-milkbasket*

Yeddyurappa's Farm Loan Waiver Policy
Karnataka's 'One-day' CM's move on farm loan waiver was rather swift, in line with the emphasis in the party manifesto
businesstoday.in/*farmloan-yeddyurappa*

Five Reasons Why Merc S-Class Is Rated the Best Sedan Globally
Mercedes S-Class represents the epitome of luxury, and with the face-lifted version, the package has only become better
businesstoday.in/*merc-s.class*

COLUMNS

How Karnataka Could Open Up 2019 Lok Sabha Election
So far, the Opposition parties have not managed to work out a common agenda on how to govern if they were to win a larger number of seats than the BJP in the 2019 election. And that is the biggest problem, says Business Today Editor Prosenjit Datta
businesstoday.in/*opposition-2019.election*

Decision to Keep Diesel and Petrol Prices High Is Bad Economics and Bad Politics
The policy of keeping the prices of petrol and diesel artificially high is inflationary, says Anilesh S. Mahajan of Business Today
businesstoday.in/*oilprice-inflation*

Every artist was first an amateur - Ralph Waldo Emerson

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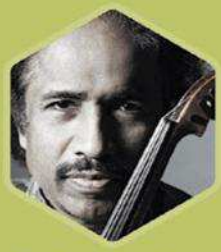

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THE BUZZ

P.14 ENVIRONMENT: VEDANTA UNDER FIRE

P.16 DATA PRIVACY: THE GDPR EFFECT

OIL PRICE SPIKE

INDIA'S OIL CRISIS

THE RELENTLESS RISE IN CRUDE OIL PRICES IS PROVING TO BE AN INTRACTABLE FISCAL AND POLITICAL PROBLEM.

By ANILESH S. MAHAJAN

AS THE NDA REGIME enters the last year, the government is in a tizzy over high petroleum product prices. The crisis is bigger in India since these products are heavily taxed. As a result, the government is running out of options. For the BJP, high fuel prices are becoming counterproductive. There are two solutions: a) Reduce taxes on these products or b) Ask oil companies to offer discounts. The second will undo the work done in the last four years to clean up the books of oil companies by giving them pricing freedom.

A back-of-the-book calculation suggests a ₹1 reduction in excise duty would mean reduced collections of ₹13,000 crore. Also, every $10 rise in crude prices per barrel slows growth by 0.2-0.3 percentage points and fuels WPI inflation by 1.7 percentage points. India may need an additional $30 billion to buy last year's quantity of crude.

1.7

percentage points rise in WPI inflation for every $10 per barrel increase in crude oil prices

One reason for high retail prices is high taxes. One way out is to bring petroleum under GST, but states will find it difficult to adjust to this. The finance ministry expects to mop ₹2.57 lakh crore from petroleum this fiscal and a similar amount will go to states to fund 116 social sector schemes and ongoing infrastructure projects. This is a quarter of indirect tax collections and 40 per cent of states' revenues. Even if states agree, the new arrangement will take three-four months to stabilise.

Crude prices are on the boil because of two reasons: a) The fear premium, because of the US sanctions on Iran and b) OPEC, along with Russia, continuing with curbs on oil production. With no option but to cut taxes, India is hoping that international prices come down. That seems difficult for now.

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SIGNATURE GLOBAL — Structured fund raise from KKR Asset

TNSI — Divestment of stake in Travel News Services (India)

SUSTAINABLE INVESTMENT BANKING (SIB)

BEL BHILWARA ENERGY — Sale of wind assets to Hero Future Energies

KIRAN ENERGY
- Acquisition of investor stake in subsidiaries
- Sale to Hinduja Group

First Solar — Sale of solar portfolio in India

Nayati Healthcare & Research (P) Ltd. — Acquisition of OSL Healthcare

ecoZen solutions — Fund raise from Omnivore Partners & Caspian Impact Investments

MERCHANT BANKING

NEW INDIA ASSURANCE — BRLM INR 95,858 Mn IPO

NTPC — Seller's Broker INR 91,279 Mn OFS

Union Bank of India — BRLM INR 20,000 Mn QIP

RELIANCE NIPPON LIFE ASSET MANAGEMENT LTD — BRLM INR 15,422 Mn IPO

Mahindra FINANCE — LM for public NCD issue of INR 11,505 Mn

lemon tree HOTELS — BRLM INR 10,387 Mn IPO

Aster — BRLM INR 9,801 Mn IPO

भारत डायनामिक्स लिमिटेड BHARAT DYNAMICS LIMITED — BRLM INR 9,523 Mn IPO

SIS Group Enterprises — BRLM INR 7,796 Mn IPO

FSC — BRLM INR 6,497 Mn IPO

Dixon — BRLM INR 5,993 Mn IPO

CDSL — BRLM INR 5,240 Mn IPO

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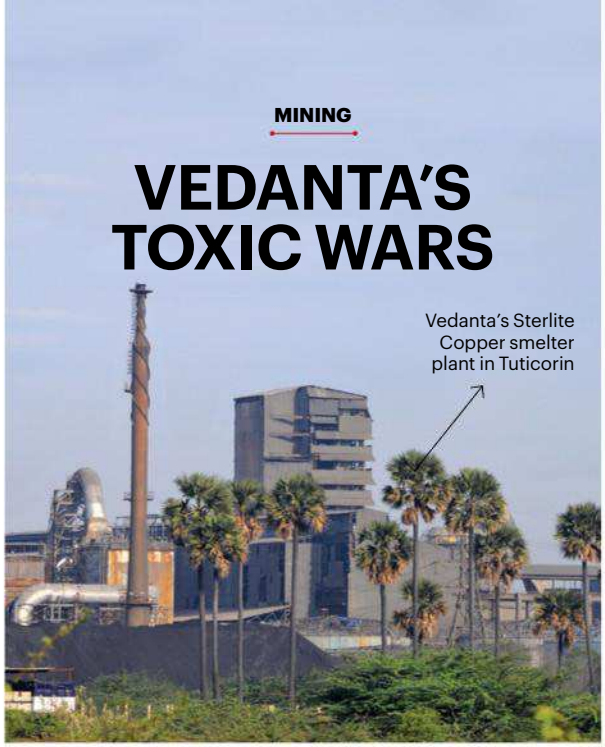

Vedanta's Sterlite Copper smelter plant in Tuticorin

IS VEDANTA'S STERLITE Copper smelter plant in Tuticorin (English for Thoothukudi) responsible for the cancer in the region? Is rainfall deficient because of the plant? Sterlite CEO, P. Ramnath insists he has data to the contrary. On May 22, Sterlite hit headlines when more than 10 people died in clashes as protesters demanding the plant's closure turned violent.

Vedanta is not new to run-ins with environmental groups and regulators. In September 2009, workers died when a chimney collapsed at its aluminium smelter complex in Korba, Chhattisgarh. Then there were protests in Odisha's Niyamgiri Hills by the tribal population over plans to source bauxite; and yet again in 2012 over allegations of illegal iron ore mining in Goa. The larger point here is that in India, the need for cheap mining and development requirements will always be in conflict with environmental issues. And the Indian government has really not figured out how to deal with it, although it often tilts towards development at the cost of the environment.
- E. Kumar Sharma

AGRI

MODEL FARMING LAW

FIFTEEN YEARS after the Model Contract Farming Act, the government has again formulated a model law for the states. The State/UT Agricultural Produce and Livestock Contract Farming and Services (Promotion and Facilitation) Act, 2018, is far more comprehensive than the earlier one. Version 1 failed to take off in most states; Version 2, however, covers the entire farming universe, including contract farming and services contracts across the value chain. The bureaucratic mandi system, a key reason why the earlier version failed, has been bypassed entirely. The new law will allow big retailers to work directly with farmers and help create a sustainable ecosystem. It should bring far more predictability to the supply chain and in the process, a steady and predictable income to the farmer. **- Joe C. Mathew**

IT

HIRING EXPERIENCED HANDS

In spite of the buzz around hiring them young and keeping them engaged at the workplace, the proportion of young professionals in IT companies is decreasing. The recent Infosys annual report points to the rising number of experienced professionals in its workforce. At Infosys, the percentage of employees aged between 18 and 25 is down to 28.16 per cent (at 57,475) from 31.19 per cent in the previous fiscal. But for all age groups older than 25, the percentage has risen. In fact, IT companies are hiring 'just-in-time workforce' so that they can bill their clients as soon as the employees are on the payroll, instead of hiring rookies and training them for six to eight months prior to deployment. Shorter contract renewal cycles have deprived companies of the ability to envisage what projects they will have the next year and they have no assurance that they will be able to make use of the skills for which a fresher is being trained. These issues are becoming critical as companies no longer enjoy double-digit growth. Plus, there is increased pressure on profits as they deploy more people on-site and need to maximise resources in India. **– Sonal Khetarpal**

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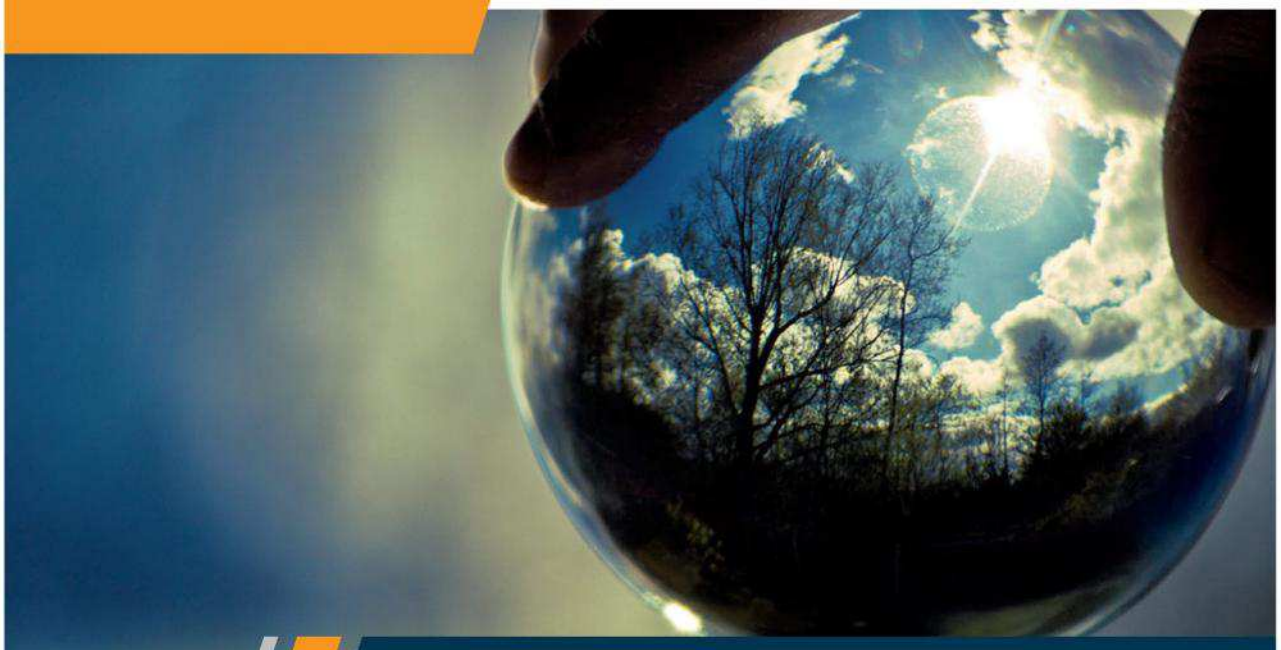

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MARKETS

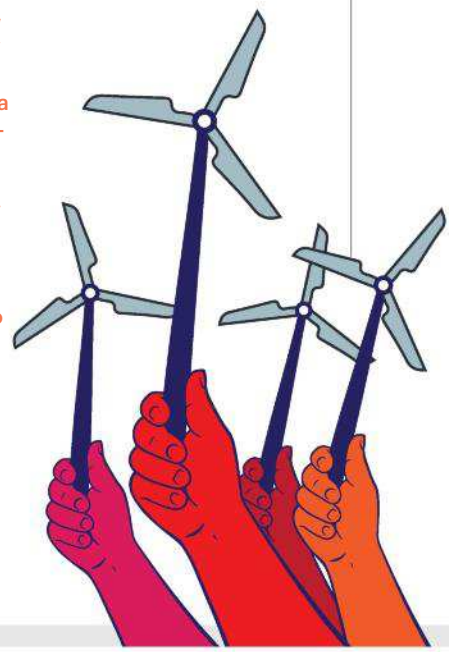
RUSH FOR RENEWABLE ENERGY IPOs

THE BURGEONING renewable energy industry is likely to witness an unprecedented IPO rush in the near future to tap India's capital markets. About six leading companies in the sector are reportedly preparing for initial public offerings.

Former Suzlon CEO Sumant Sinha-led ReNew Power, Adani Enterprises' subsidiary Adani Green Energy, Sembcorp India, a unit of Singapore's Sembcorp Industries, Mytrah Energy, the State-run Indian Renewable Energy Development Agency (IREDA), and ACME Solar are some of the companies said to be lining up to tap the capital markets. The idea is to create a war chest for acquiring upcoming opportunities in renewable energy auctions, given government incentives for renewable energy projects.

But many of these fundraising plans may be severely challenged considering the current damp market conditions, lack of clarity on long-term policies and industry outlook, and overvaluation issues.

- P.B. Jayakumar



DATA PRIVACY

The GDPR Effect

As Europe's General Data Protection Regulation (GDPR) comes into force on May 25, Indian companies with business interests in the region will need to rework their data management systems. The new law will not only affect global behemoths like Google and Facebook but all other companies, big and small, who collect user data. As data breaches are frequently happening, GDPR puts the onus on the firms to assume responsibility for how data is processed and managed. And the larger the entity, the more complicated the process. Imagine the difference between securing a four-room house and a 24-storey building. Companies will have to zero in on what data they are collecting, how they are processing it and how they are putting the consent mechanism in place. According to experts, most companies mistakenly assume that GDPR is a matter for the IT department to sort out whereas a holistic approach roping in all departments through a cross-functional team is a better way to ensure a GDPR-enabled future.

– Sonal Khetarpal

AVIATION

TURBULENT TIMES AHEAD

THE AVIATION sector is facing fresh headwinds. Rising crude oil prices and intensified competition are hurting airlines. Jet Airways seems to have been worst hit. In the fourth quarter of FY2017/18, the airline posted standalone net losses of ₹1,036 crore, its first loss in 11 quarters. Its peers – IndiGo and SpiceJet – are still profitable but their March quarter results do not paint a rosy picture. Market leader IndiGo reported a sharp 73.3 per cent drop in net profits while SpiceJet's sequential net profits tanked 83 per cent. Airlines are now keenly monitoring crude prices as aviation turbine fuel (ATF) accounts for 35-40 per cent of the overall costs. ATF prices are beyond the control of airlines. Other areas of concern are dropping of yields (average fare that a passenger pays per kilometre) due to competition and rupee depreciation that led to foreign exchange losses, especially for IndiGo and Jet Airways. Indian airlines are dependent on the dollar for leasing aircraft and paying for MRO services.

- Manu Kaushik

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GRAPHITI

MODI@4

The Narendra Modi-led NDA government has completed four years. Let's evaluate its performance on some key parameters.

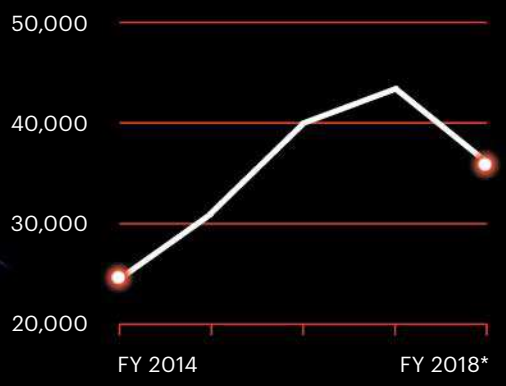
Graphic By **Nilanjan Das** and **Tanmoy Chakraborty**
Research by: **Niti Kiran**

1,20,543
KILOMETRES

The total length of National Highways as on February 2018, up from 91,287 km on March 31, 2014

Foreign Investments Show a Sharp Rise

FDI equity inflows ($ million)

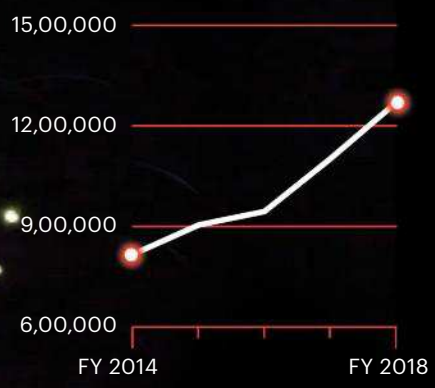


* up to December 2017

Except FY 2014, figures are provisional subject to reconciliation with RBI; *up to December 2017

Tax revenues improve...

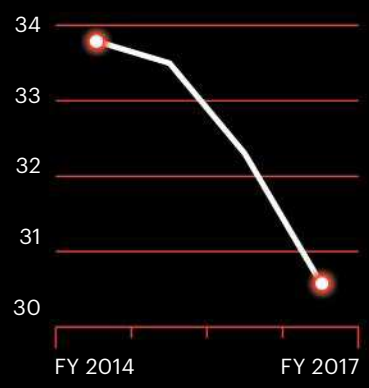
Tax Revenue (Net to Centre)



Data in ₹ crore; FY'18 data are revised estimates

...but investment rate slips sharply

Gross capital formation to GDP (%)



4.1%

The average growth of Index of Industrial Production between 2014/15 & 2017/18

5.8

PERCENTAGE POINTS

Decline in CPI, from 9.4 per cent in 2013/14 to 3.6 per cent in 2017/18

2.13

LAKH

Estimated net addition of jobs between July 1, 2016, and January 1, 2017, as per the results of the three quarterly surveys

CALENDAR

FINANCING INFRASTRUCTURE

WHAT: Conference on Mobilising Finance for Infrastructure

WHEN: June 25-26, Mumbai

WHAT TO LOOK FOR: The event organised by the Asian Infrastructure Investment Bank (AIIB) will bring together leaders from various organisations and governments to share ideas and experiences for sound infrastructure investment. Ministers from AIIB member countries and participants from the private sector will join the debate.

AGENDA FOR DEVELOPMENT

WHAT: Conference on Development Economics 2018

WHEN: June 25-26, Washington, DC

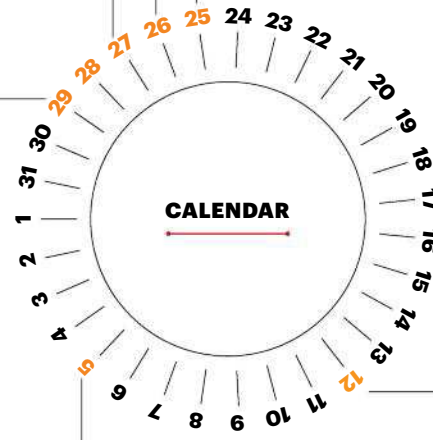
WHAT TO LOOK FOR: It is an annual conference organised by the World Bank to discuss the pressing issues before the developing world. The conference aims to promote the exchange of cutting-edge research among researchers, policymakers, and development practitioners.

A SMARTER INDUSTRY

WHAT: All India Industry 4.0 & Artificial Intelligence (AI) Meet

WHEN: June 27-29, Hyderabad

WHAT TO LOOK FOR: Industry 4.0 is a name for the current trend of automation across industries. It includes cyber-physical systems, The Internet Of Things (IoT), Cloud Computing, Cognitive Computing or Artificial Intelligence, etc. The FICCI meet would brainstorm the challenges for companies already working on Smart Systems using AI in India.



ADOPTING CLEAN ENERGY

WHAT: CII Clean Tech & Mobility Summit 2018

WHEN: June 29, Noida

WHAT TO LOOK FOR: CleanTech is an important component in India's energy planning. It covers a wide spectrum of sources ranging from generation of renewable energy to water and waste water management, electronic waste disposal, recycling and electronic vehicles. Knowledge-experts will share insights and successful case studies across the globe at the summit.

OVERHAULING EDUCATION

WHAT: The EduMeet 2018

WHEN: July 12, Kolkata

WHAT TO LOOK FOR: Education in India is grappling with severe infrastructure constraints with basic facilities not available to several schools and colleges across the country. It's reflected in the inadequately skilled graduates being churned out by educational institutes and is expected to weigh on India's economic growth. The Assocham event will debate ways to address the problems.

LESSONS IN MANUFACTURING

WHAT: CII Manufacturing Excellence Mission

WHEN: July 5-6, Goa

WHAT TO LOOK FOR: The event will help participants get first-hand exposure to various innovative and best manufacturing practices that augment quality and productivity in the organisation. The mission will also help participants learn the latest state of the art technology.

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US EASES BANK REGULATIONS

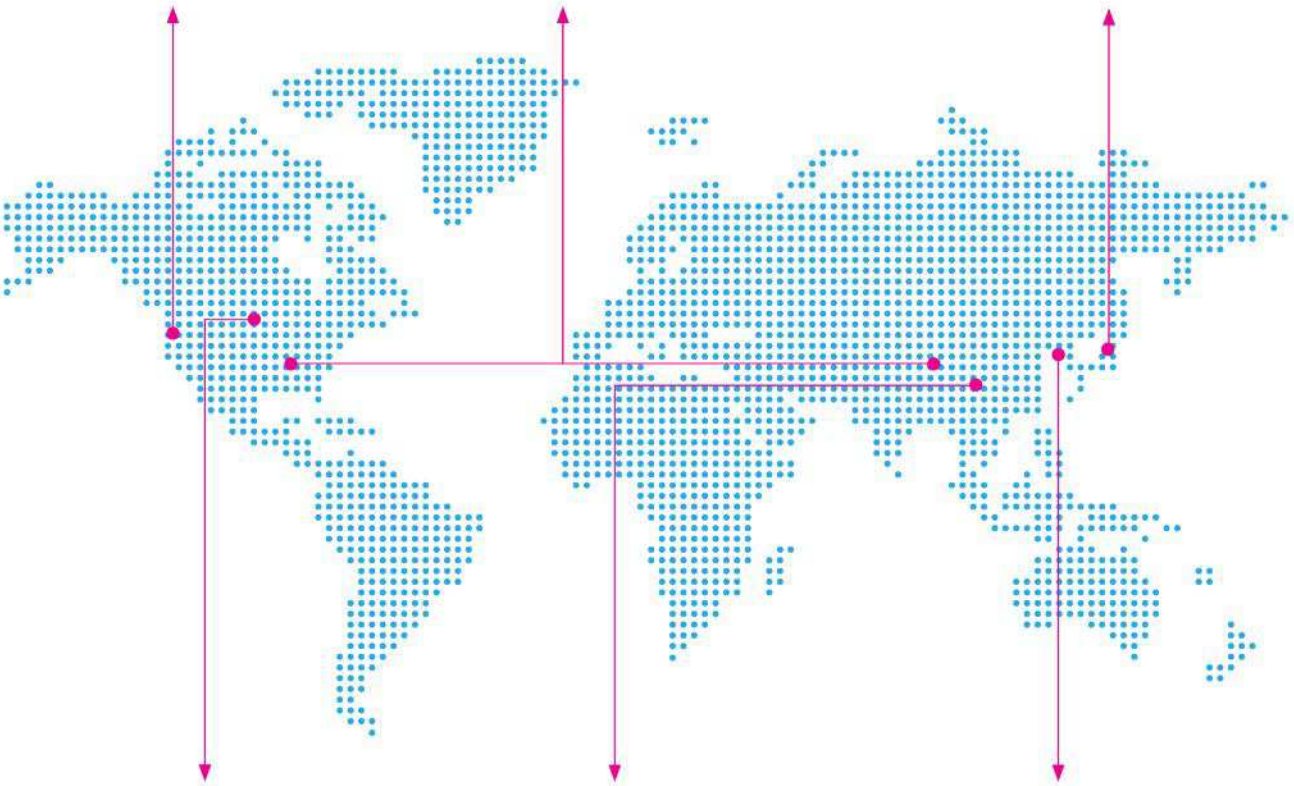
President Donald Trump has signed a bipartisan Bill that partly rolls back the Dodd-Frank financial reform and eases banking regulations for all but the largest banks. The new legislation has raised the threshold from $50 billion to $250 billion in assets, which means many of the banks will fall below the limit and need not undergo Fed stress tests or have capital buffers, required to protect large firms.

US, CHINA REACH TRADE WAR TRUCE

Both countries are working on a framework for fair competition and IP protection that could reduce America's $375 billion annual trade deficit with China. Meanwhile, Chinese telecom giant ZTE, hit with the US sanctions, might be able to purchase US components again on certain conditions. China, too, has approved the sale of Toshiba's chip business to a group led by the US-based Bain Capital.

SONY TO ACQUIRE EMI MUSIC PUBLISHING

Sony will buy about 60 per cent equity interest in EMI Music Publishing from a consortium led by Mubadala Investment Company for $2.3 billion, based on an enterprise value of $4.75 billion. It already owns around 40 per cent of EMI, and the latest move will strengthen its content portfolio with access to more than 2.1 million songs from the likes of Beyoncé and Carole King.



GE TRANSPORTATION TO MERGE WITH WABTEC

In a bid to boost its struggling businesses, GE is merging its century-old locomotive operations GE Transportation with Wabtec Corporation in a deal valued at around $11.1 billion. Wabtec is a global provider of railroad equipment, systems and services. GE will get $2.9 billion in cash and post-merger, will own 50.1 per cent of the combined operations.

CHINA TOWER EYES HONG KONG IPO

After smartphone maker Xiaomi filed for an IPO in Hong Kong that could raise up to $10 billion, China Tower, an entity running the towers operations of the country's three telcos, has applied to list there, reportedly looking for a valuation of up to $40 billion. The company operated 1.9 million tower sites in 2017 and its profit went up more than 25 times to 1.9 billion yuan.

LG CHAIRMAN PASSES AWAY

Koo Bon-moo, Chairman of South Korea's LG Group, died at 73. He was fighting a brain disease and had multiple surgeries. His death came a few days after his adopted son, Koo Kwang-mo, was nominated by the group's board to be his successor. Koo Bon-moo took over as the company's chairman in 1995 and transformed LG from a local firm into a global powerhouse.

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Is The Next Crisis Looming?

THE RECENT BUILD-UP OF RETAIL BAD LOANS COULD BE A SIGN OF TROUBLE AHEAD.

BY VIVEK KAUL

India could be heading towards a retail banking crisis. In FY2017/2018, retail loans amounted to around half (48.6 per cent, to be precise) of the loans given by banks (non-food credit). In 2013/2014, they accounted for just 17 per cent.

Currently, banks are not interested in lending to corporates. Defaults made by the industrial sector are responsible for nearly three-fourths of the overall bad loans plaguing the public sector banks. As a result, only 3.3 per cent of the total bank lending went to the industrial sector in 2017/2018.

Typically, when lending by banks to a specific sector rises dramatically within a short period, the quality of lending falls. With the fall in quality, defaults go up and bad loans rise. As on September 30, 2017, retail bad loans of banks amounted to 2.1 per cent of the outstanding retail loans. One of the key reasons why the overall retail bad loans continue to remain low is that the retail bad loans of the State Bank of India are very low at 1.33 per cent.

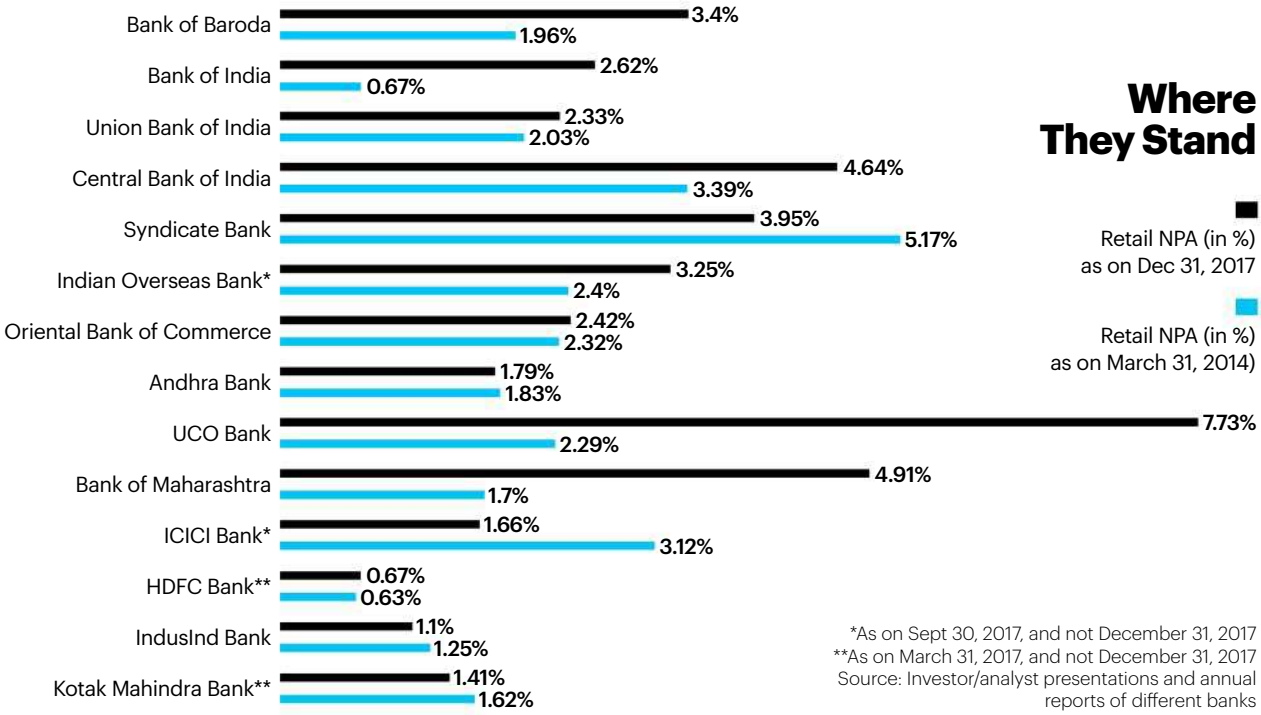
But the trouble with averages is that they hide more than they reveal. Even though the overall retail bad loans remain low, the same is not true for many public sector banks. Take a look at the table below.

As is clear from the table, the bad loans ratio in retail lending has risen between March 2014 and December 2017 in most cases. For UCO Bank, it has risen from 2.29 per cent to 7.73 per cent. In comparison, private banks are doing better although latest data is not available in all cases. It is similar to what ICICI Bank had to go through in the post-financial crisis years. The retail non-performing assets (NPAs) of the bank peaked at 9.84 per cent as on March 31, 2011.

The retail NPA story of the public sector banks is playing out quietly because everyone is busy focussing on the bad loans that have accumulated due to bank loans to industry. Although retail bad loans can never reach the level of bad industrial loans because recovery on default is much easier, such occurrences must be nipped in the bud before they become bigger than they currently are, and cost the government thousands of crores in bailouts again. BT

Vivek Kaul is the author of Easy Money trilogy

Where They Stand



*As on Sept 30, 2017, and not December 31, 2017
**As on March 31, 2017, and not December 31, 2017
Source: Investor/analyst presentations and annual reports of different banks

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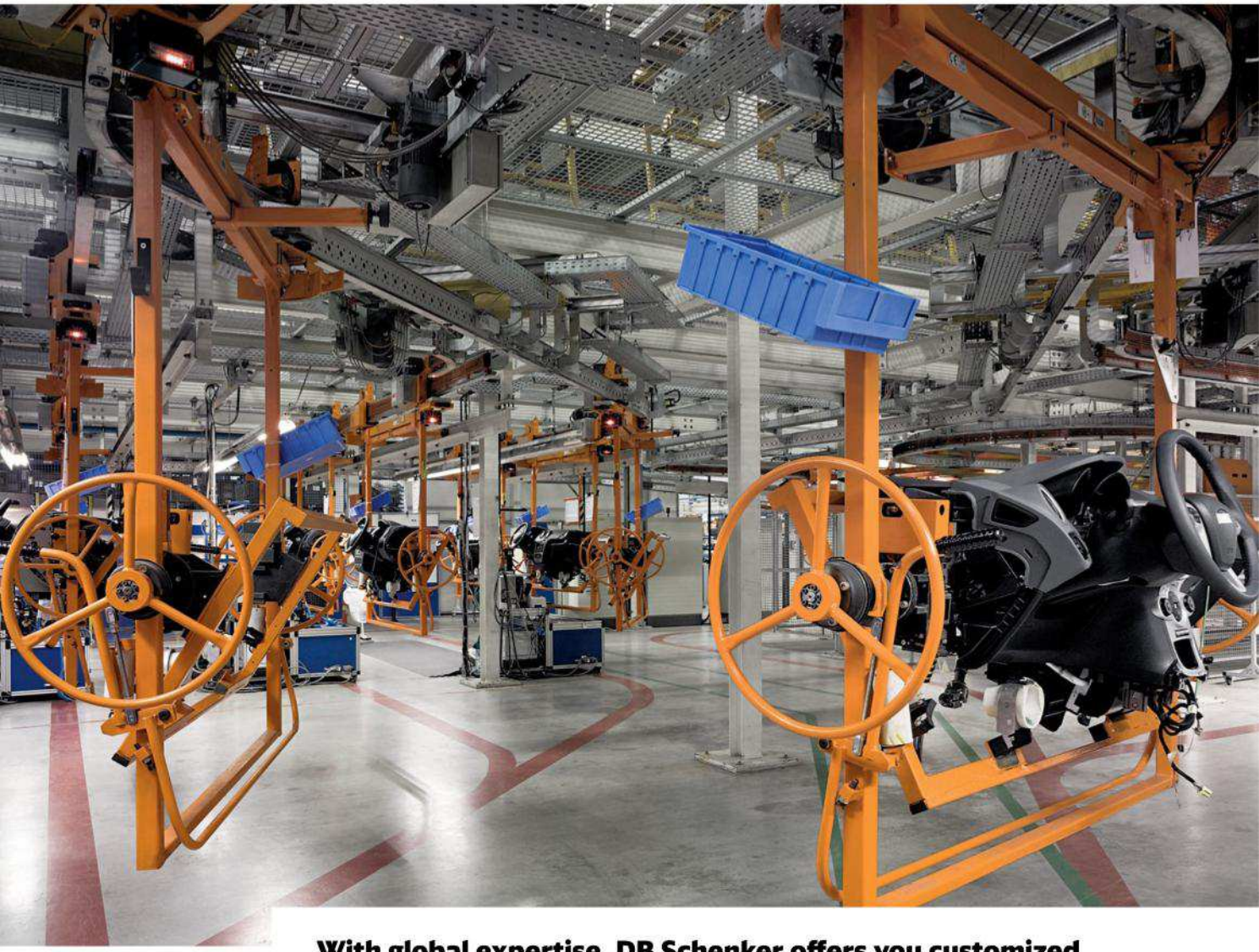

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SOCIAL UNIVERSE

COMING CLEAN

Absolute transparency from social media sites is need of the hour.

By Sonal Khetarpal
Illustrations by Raj Verma

SOCIAL NETWORKING sites won people's hearts with their ability to connect people, facilitate sharing of information and community building. They breached users' trust with much the same ease by slyly leaking information. Even today, these sites are doing little to safeguard the interests of users, who are actually their raison d'être.

In its 'Transparency' report, Facebook shared the number of requests made by the government for user data, and also how it is working to take down content that is objectionable, has violence and nudity, and is inauthentic as per its community guidelines to create a "safe and welcoming community for the more than two billion people". That is all very well. But conspicuously absent from the report are matters that affect users the most.

"The report doesn't share information on what kind of data is being collected, how it is being shared by third parties, how Facebook is limiting the collection of data and addressing the issue of fake news," says R.P. Singh, Chairperson of Content Marketing Summit Asia. Given the global attention these issues have generated,

experts say, Facebook could have done much more. Giving the number of fake accounts deleted is not enough. "They are playing on the addiction of users and marketers who have invested a lot of money and effort in building their brands on the platform," Singh adds.

Prashant Mishra, Professor of Marketing at Institute of Management, Calcutta, puts this in perspective with an analogy of home purchase agreements that are always in favour of the service provider. Social media platforms, too, have terms and conditions that are complex, cumbersome and invasive. They also indemnify the company against any third party liability. Besides, in social media, the contract is between the platform and a million users who are helpless in matters of how their data is being used or processed. Mishra says that since these services are free, users cannot make much noise about it; especially after having agreed to the terms and conditions when signing up.

But, does free service give social media sites the freedom to misuse user data? Of course not. "Agreements should be simple and should envisage the usage of data and methods, and means of data use. But a business will see its cost benefit first, because that is its priority. Moral rhetoric should be seen from the perspective of value construct. If they have to be implemented, laws that can protect both the user as well as business interest should be enforced," Mishra adds.

European Union's General Data Protection Regulation makes it mandatory for companies to be more transparent about data collection and processing. It empowers users to take control of the data they share with organisations through meaningful consent in a way that the cost of compliance falls with the organisations that hold and process information.

What measures India takes to protect its social media users remains to be seen. BT

@sonalkhetarpal7

HEALTHY TALKS

TO IMPROVE the health of public conversation, Twitter announced that it will begin hiding tweets from certain accounts in conversations and search results that "detract from the conversation". Since such tweets may not violate its policies, it will remain on Twitter and will be available on clicking 'show more replies' or if the user chooses to see everything in the search setting.

$5 billion

China's contribution to Facebook's global revenue according to a report by Pivotal Research; this makes China the second largest spender on Facebook, despite the platform being banned in the country

MUST WATCH

SNAPCHAT has confirmed that it will start showing six-second ads that cannot be skipped. It is now showing ads to promote movies such as Deadpool 2 and Adrift and Samsung's new Galaxy S9. Earlier, all ads on Snapchat were based on the voluntary viewing format, which allowed users to skip them.

START-UP

CITYFURNISH

EASY AND AFFORDABLE FURNITURE RENTAL

THE GURGAON-HEADQUARTERED START-UP CATERS TO THE ASPIRATIONAL SEGMENT AND THE B2B SPACE.

By Goutam Das

CityFurnish Founder Neerav Jain

1) The Founder
Neerav Jain

2) The Idea
The rental economy is nearly mainstream and Jain, whose family is into furniture exports, decided to start a furniture and consumer durables rental business. Initially, the idea was to be an aggregator of small rental firms, but that model suffered due to quality and delivery issues. So, Jain leveraged his family's manufacturing expertise to start a full-stack model – it designs, manufactures, runs its fulfilment centres and does the delivery when customers place orders for furniture rental via its website. For consumer durables, it partners with brands such as LG, Samsung and Whirlpool.

3) Backers
CityFurnish has raised $1.2 million from Brand Capital and a couple of angel investors, including Jitendra Gupta, Co-founder of Citrus Pay and MD of PayU India, and Manoj Gupta, Director of Credit Suisse.

4) Growth, Competition
The company started with furniture for both residential and commercial use. Later on, it added home appliances and fitness equipment. In the B2B space, its customers include Lemon Tree Hotels, Pizza Hut and Republic of Chicken besides co-working space providers. Jain says his company has been net profitable over the past two years and expects to triple its top line to ₹21-22 crore in the current fiscal. He thinks it is achievable due to its focus on B2B that offers higher margins and lower refurbishment costs as the company uses Sheesham wood for its furniture. Its key competitors include Furlenco, Rentickle, RentoMojo and Fabrento.

5) What Makes It Different
Its design philosophy and the value-add philosophy. It caters to the aspirational segment, aged between 24 and 37. The furniture is made of Sheesham wood while other rental companies mostly provide the cheaper medium density fibreboard (MDF)-based units. Next comes turnaround time – the company promises to deliver within three days of placing an order. After six months, a user can upgrade to new furniture without any additional cost. CityFurnish launches new ranges of furniture every quarter. Third, it offers free relocation when a customer shifts to a city where it operates, namely, NCR, Mumbai, Bengaluru and Pune. BT

KEY NUMBERS

FOUNDED IN
2015

CUSTOMERS
8,500 active subscribers of whom 70 per cent are salaried, and there is an equal split between single and married users; it has 250 customers in the B2B space.

REVENUE
₹7.2 crore
in 2017/18

EMPLOYEES
81

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DOUG MCMILLON
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amazon
JEFF BEZOS

COVER STORY

Retail Battlezone

With e-commerce poised for exponential growth in India, the country is fast emerging as the new battleground for global retail giants. Can local players withstand the onslaught?

by Ajita Shashidhar
Illustration by Siddhant Jumde

A DONE DEAL: Walmart CEO Doug McMillon (L) with Flipkart Group CEO Binny Bansal

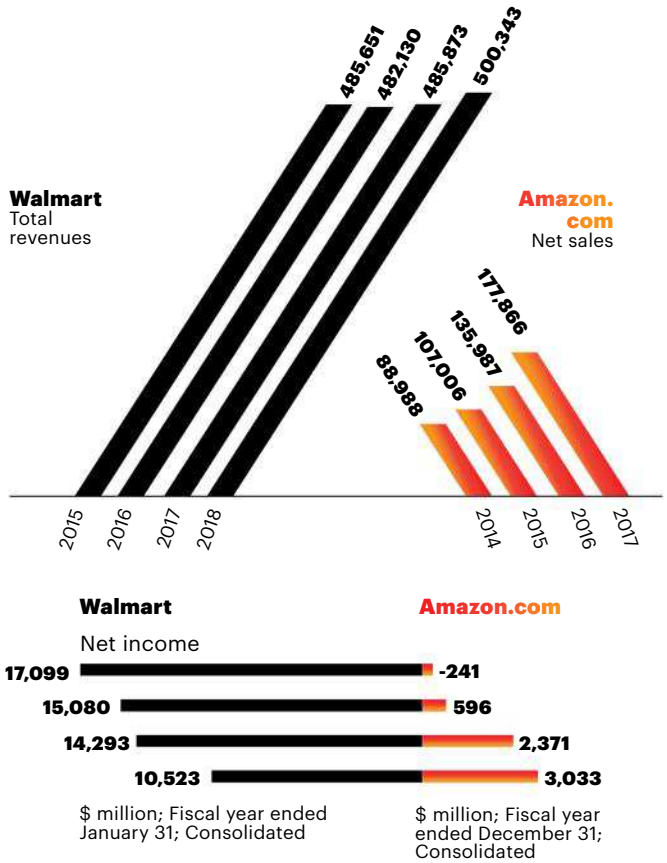
COVER STORY / *RETAIL WARS*

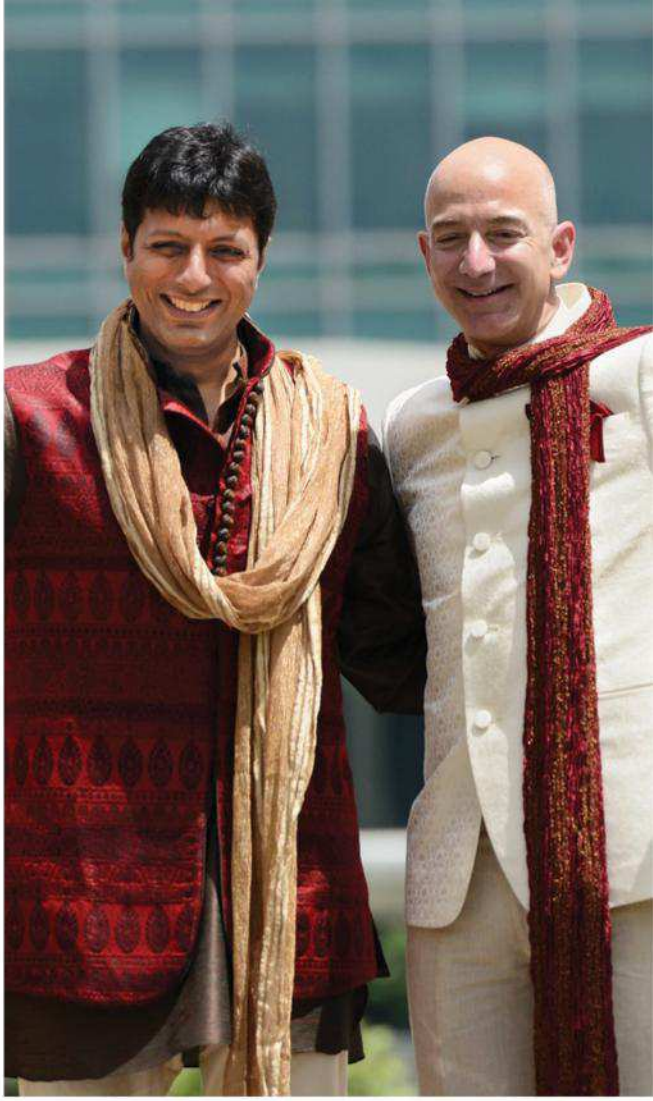
THE TWO AMERICAN retail giants have fought pitched, bruising battles on their home turf, and in markets around the globe. Walmart, the world's largest retailer, and Amazon, the e-commerce behemoth, have crossed swords once more, this time in the fastest growing major economy, India.

Jeff Bezos-owned Amazon, with its smart technology-backed consumer solutions, has always had the upper hand. It has left Walmart little choice but to join the digital bandwagon to grow. In the last couple of years, Walmart has made a bevy of online acquisitions across the world, from Jet.com in the US to JD.com in China. The most recent is, of course, the $16 billion (₹1.07 lakh crore) investment in Indian online retail major Flipkart – its costliest acquisition so far. Despite these expensive investments, Walmart has consistently struggled to make its e-commerce strategy a success. In 2017/18, Walmart's net income dipped to $10.5 billion (from $14.2 billion). Amazon's, on the contrary, grew by 28 per cent in 2017.

Amazon has outwitted Walmart in almost all the markets the two have competed in. In the UK, Walmart had invested in Asda, a supermarket chain, and business was kind of chugging along until Amazon tied up with grocery retail company Morrison and started delivering grocery at the doorsteps of consumers. Walmart sold Asda to Sainsbury last year for $10.1 billion, keeping a 42 per cent stake for itself. Similarly, in Japan, Walmart had acquired retail chain Seiyu and was struggling to make a

WALMART VS AMAZON, GLOBALLY...

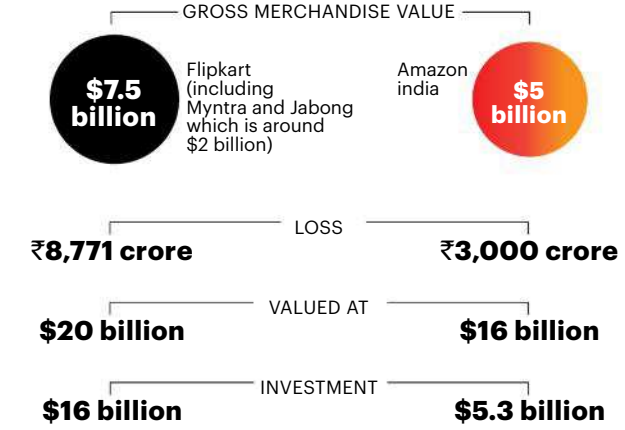




PHOTOGRAPH BY NILOTPAL BARUAH

GUNG-HO ON INDIA: Amit Agarwal, SVP & Country Head, Amazon India (L) with Jeff Bezos, Founder, Chairman & CEO, Amazon

... AND IN INDIA



Walmart's $16 billion investment includes **$2 billion** of new equity funding, which will help Flipkart grow.

Had earmarked **$5 billion** investment in 2016, injected another **$306.3 million** this year.

GRAPHICS BY SAFIA ZAHID

success of its proprietary EDLP (Everyday Low Pricing) model. When Amazon entered the market in 2017, Walmart hurriedly tied up with online retailer Rakuten to provide online grocery delivery. In China, Walmart didn't have to fight it out with Amazon but had to be happy playing second fiddle to market leader Alibaba which has an 80 per cent share of the retail market in the country.

Amazon has a clear upper hand in India too. To begin with, Walmart has invested in a business that might have grown by over 30 per cent in the last one year but it has incurred a whopping ₹8,771 crore loss (on revenue of ₹19,855 crore) in 2017/18. In fact, Flipkart's losses last year were almost half of Walmart's total profits. If it keeps losing money, it will show up in Walmart's bottomline.

Amazon entered India a good five years after Flipkart launched its business but is neck and neck with it in market share. While Flipkart's gross merchandise value (GMV) is at $7.5 billion (₹48,750 crore, which includes $2.2 billion, or ₹14,300 crore, of Myntra and Jabong), Amazon's is $5 billion (₹32,500 crore). Amazon also has

an edge in terms of being more diversified. While Walmart is only about retail, Amazon likes to call itself a technology company which also offers online retail. Its various tech offerings such as Kindle, Firestick, Alexa as well as Amazon Prime (which has over 100 million subscribers all over the world), contribute significantly to its revenue. In fact, its non-retail businesses such as advertising and Amazon Web Services (which leases computing power and data storage to companies) are the fastest growing businesses. Its advertising business in the first quarter of 2018 grew by almost 100 per cent while Amazon Web Service grew by 40 per cent.

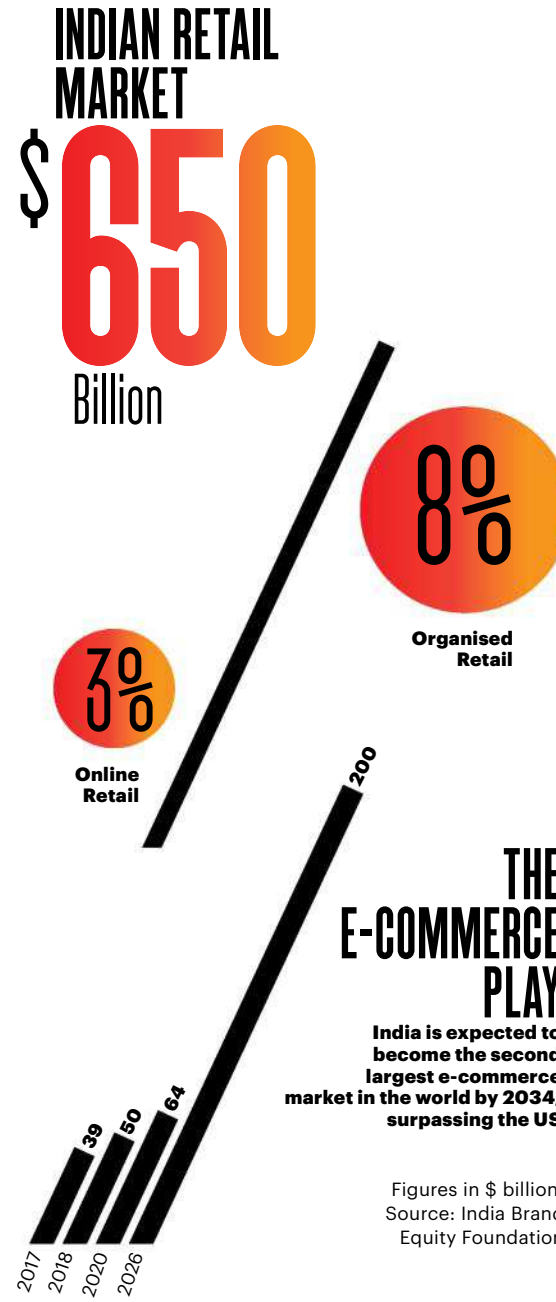
But Amazon, too, is very much in the red in India. It is known to have clocked losses of over ₹3,000 crore (on an aggregate revenue of ₹15, 684 core) in 2017. While the company is profitable as a whole, almost all its international businesses are loss making. Amazon's international business losses are known to have gone up by 29 per cent in the March quarter to $622 million. Still, Amazon's market capitalisation ($787.74 billion) is much higher than Walmart's ($244.61 billion) despite the latter's revenue being three times more.

The sheer size and scale of the Indian market has tempted the two retail giants – a 1.3 billion population, an e-commerce market worth $38.5 billion (₹2.5 lakh crore) and surging, and internet economy at $125 billion(over ₹8 lakh crore) and expected to double by 2020.

No wonder, Amazon, after committing a $5 billion (₹32,500 crore) investment in 2016, has injected another ₹2,000 crore to fulfill its online grocery retail ambition. "We are delighted and humbled by the customer response to Amazon in the last five years. India continues to be one of our fastest growing regions, and we remain focused on investing and innovating here to transform how India buys and sells, and enhance the daily lives of our customers," says Amit Agarwal, Senior Vice President & Country Head, Amazon India.

Similarly, Walmart has been eyeing the Indian consumption basket since early 2000. But unfriendly retail policies that don't allow foreign direct investment in multi-brand retail have consistently been playing spoilsport. Walmart entered the country through a JV with Bharti Retail in 2007 and set up cash and carry stores. It eventually went on to set up its own wholesale (100 per cent FDI is allowed to set up cash and carry stores) Fair Price stores. But a presence in wholesale retail has its limitations. In fact, Walmart's India entry through Flipkart (with a 77 per cent stake) has been rather expensive. "I am surprised Walmart invested so much on Flipkart," remarks Arvind Singhal, Chairman of retail consultancy Technopak Advisors. A former CEO of a leading cash and carry retail company claims, on condition of anonymity, that Flipkart has billions of dollars of obsolete inventory that Walmart wouldn't know about. "They will discover many more hidden losses," he says. But Walmart is determined to have a dominant share of the Indian retail pie and not be a fringe player, replicating its China strategy.

Walmart had acquired Chinese online retailer Yihaodian in 2011, which just had a 2 per cent share of online sales in the country. So, in 2016, it picked up a 5 per cent (now 12 per cent) stake in JD.com and has since then managed a more respectable 20 per cent share of the Chinese online retail market. "The Flipkart investment is an opportunity to partner with a local e-commerce leader with strong leadership and a culture of innovation and service. We believe the combined capabilities of Flipkart and Walmart will create India's leading e-commerce platform. Flipkart will



PHOTOGRAPH BY RACHIT GOSWAMI

WE ARE WELL SPREAD AND KNOW OUR CONSUMERS AND MARKET REALLY WELL. THEY (GLOBAL RETAILERS) SHOULD WORRY

Kishore Biyani
Chairman, Future Group

leverage Walmart's omni-channel retail expertise, grocery and general supply-chain knowledge and financial strength, while Walmart will benefit from Flipkart's talent, technology, customer insights and agile and innovative culture," says a senior Walmart executive. Out of the $16 billion deal, the retail major is supposed to infuse $2 billion directly into Flipkart's business.

While the industry at large is sceptical about Walmart's ability to make a dent in the Indian e-commerce market considering its past track record, the Indian retail industry will see some massive amounts of money being spent by the leading players in the coming months.

62%

Alibaba's controlling stake in Paytm Mall along with its affiliate

Multiple Play

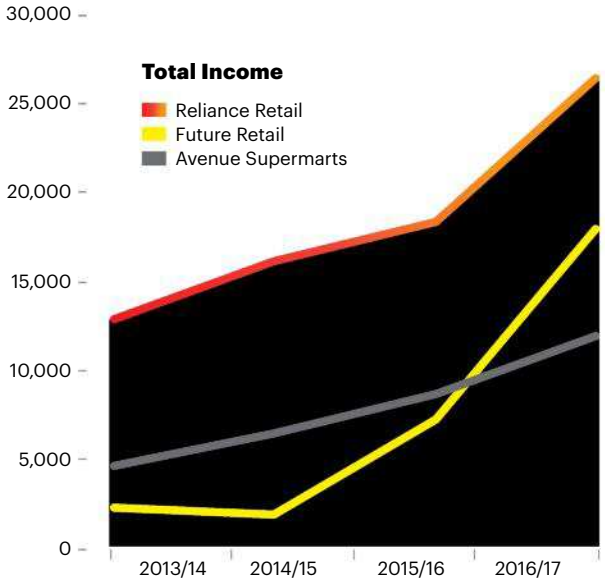
Unlike the US and China, where the likes of Amazon and Alibaba have complete monopoly of the e-commerce market, India will have multiple contenders. "India will be a unique and different battle ground from anywhere else in the world, where typically there is one dominant player and the second player has a 10-20 per cent share," says Govind Shrikhande, MD, Shoppers Stop. Chinese retail behemoth Alibaba has already invested in Snapdeal and Paytm. "Snapdeal is India's only independent and genuine marketplace of significant size, which offers both scale and a safe space for small enterprises to sell online. Unlike other inventory businesses masquerading as marketplaces, we do not compete with our sellers by buying inventory or distorting prices," points out a senior executive of Snapdeal.

The e-commerce company was one of the first movers along with Flipkart in India, but has considerably downsized its business after accumulating huge loses. Alibaba has a 3 per cent share in Snapdeal and a considerable stake in Paytm. In 2017, Alibaba increased its stake by investing $177 million (₹1,150 crore) into Paytm Mall. The online market place was demerged last year from the online wallet and digital payments firm One97 Communications, that owns the Paytm brand. Alibaba initially picked up a 40 per cent stake in Paytm as a whole along with its payment arm, Ant Financial, which has now gone up to 62 per cent.

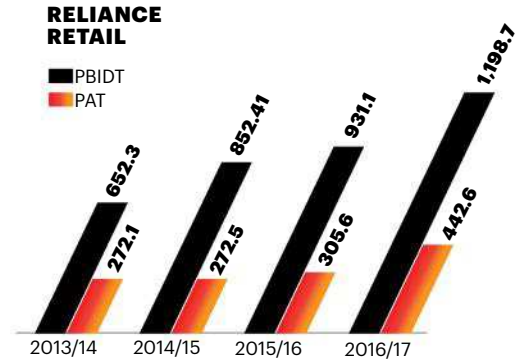
There was speculation about Alibaba wanting to merge Paytm Mall and Snapdeal last year but the Chinese retailer has been rather quiet of late. Is it waiting for norms allowing FDI in multi-brand retail?(Right now the FDI norms only allow foreign investment in e-commerce market places, cash and carry retail and single brand consumer facing retail entities)? Only time will tell.

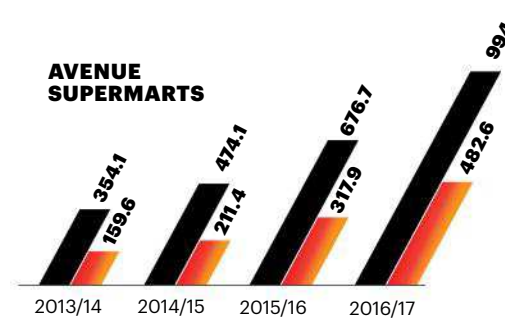
In fact, Alibaba has both online and physical retail presence in China. And doing only online business in India is indeed an expensive proposition. "Both the US and China don't tax online sales, so they are able to offer 12-18 per cent discount to the customer without taking it out from their pocket. In India, online and offline have similar taxes, so there is actually no

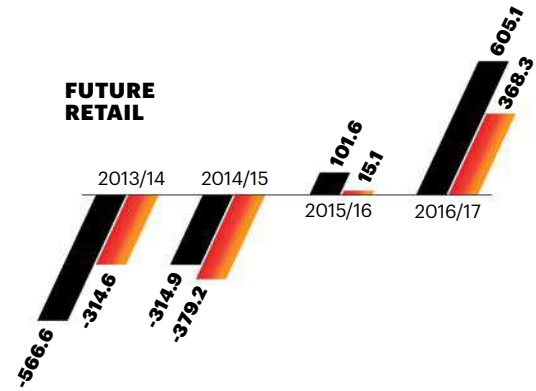
... AND THE LOCAL, LARGELY OFFLINE, PLAYERS



Figures in ₹ crore; Standalone data; Source: Ace Equity







benefit of buying online. Therefore the online platforms have no option but to deep discount in order to attract traffic," explains Shrikhande of Shoppers Stop. Also, the way online commerce functions in India is quite different from the rest of the world. "The US and China is all about assortment and convenience and all about multiplier effect rather than discounting. The model of profitability is different in India. It is going to be difficult to make money because you continue to discount which is not the case in the US or China," Shrikhande further explains. None of the e-commerce market place businesses in India are profitable.

While the Amazon India spokesperson claims that their assortment of 170 million products and a network of over 3 lakh sellers gives them scale and therefore they will not need to discount, the fact remains that the Indian e-commerce ecosystem has already spoilt the consumers with deep discounts and to hold on to them the global biggies will also burn cash and play the discounting game. The Walmart India spokesperson refrained from commenting on their strategy.

₹85K
CRORE
Valuation of D-Mart, India's most profitable grocery chain

Indian Musketeers

Whether Walmart would be able to outwit Amazon in India is anybody's guess but both the global majors are flush with capital and wouldn't really care about profitability in a bid to capture the Indian market. This will certainly imply that Indian retailers will come under considerable stress, at least in the short to medium run, as most of them are starved of capital. The Indian retail industry doesn't offer a level playing field, complains Kumar Rajagopalan, CEO of Retailers Association Of India (RAI). Rajagoplan believes that there is a complete lack of understanding of retail in India and our FDI norms are the most complex in the world. Instead of the FDI policy focusing on brands coming from outside the country, the Indian government should have given impetus to Indian brands for becoming global, according to Rajagopal. "We told our retailers that you are poor, so we will create protectionism policies for you which effectively is not protectionism. It was a policy that

PHOTOGRAPH BY RACHIT GOSWAMI

IN INDIA, ONLINE AND OFFLINE HAVE SIMILAR TAXES, SO THERE IS ACTUALLY NO BENEFIT OF BUYING ONLINE

Govind Shrikhande
MD, Shoppers Stop

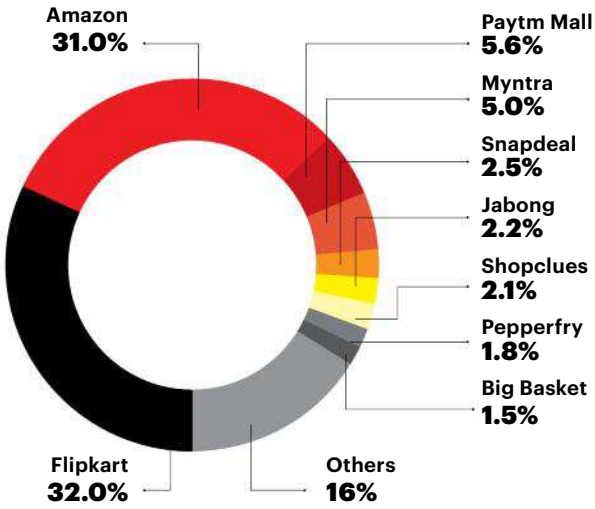
allowed leakages, it allowed for some guys to come in a round about manner and create competition at a large scale. We have not allowed small kids to grow but allowed outsiders to come and fight with with the small kids. We have small kids fighting with large professional wrestlers from outside of the world. That's the unfortunate situation," points out Rajagopalan. "The government has been foolish to discourage foreign investment in physical retail," agrees Singhal of Technopak

So, how are Indian retailers coping with the situation? Most of the big Indian retail companies – be it Reliance Retail, Future Group or D-Mart – are physical retail companies who are trying to venture into e-commerce through an omni-channel presence. Reliance Retail has digital platforms, such as Ajio.com (fashion) and Reliancemart.in (grocery), where it has aggregated inventory from its various physical stores and delivers to its consumers at the click of a button. Similarly, Future Group has recently launched digitally enabled neighbourhood grocery stores (where consumers can't just shop at the store, but also order online) under the Easyday brand. It also has a partnership with Amazon to deliver fresh food across five cities. D-Mart, India's most profitable chain of grocery stores (valued at ₹85,000 crore) has D-Mart Ready, it's omni-channel venture. None of the Indian retailers is willing to admit that business won't be as easy for them.

Kishore Biyani, Chairman of Future Group, claims that he is more than prepared to counter the global majors. "Flipkart and Amazon have been around for a while and have always been well-funded. I don't see any big shift happening in the way they do business just because Walmart has entered the fray. We are well spread and know our consumers and market really well. If anyone should worry it is them (the global retailers) and not us," says Biyani. However, Biyani has been talking about selling a 10 per cent stake to a foreign retailer. When he had announced his ambitious Retail 3.0 strategy late last year, where he rolled out a plan to offer technology-enabled retail services through his neighbourhood retail format EasyDay, he had talked about aligning with a partner to set up a marketplace model through which he could not just sell grocery but other merchandise, such as apparels, as well. "Besides grocery, we can put up a marketplace where everything is available. That will be in the second phase. We can build our own marketplace or align with somebody," Biyani had said. The ₹18,000 crore retailer has close to 15 million sq.ft. of retail space across its 1,035 odd stores.

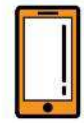
However, it is Reliance Retail which is best placed to fight the global retailers as it is cash rich. The company became a $10.6 billion (₹70,000 crore) entity in 2017/18 fiscal, the first Indian retail company to achieve such a scale. Its PBDIT grew 114.5 per cent, from ₹1,179 crore to ₹2,529 crore. With a retail network of 4,000 stores and a formidable telecom presence through Jio which has 160 million users, Reliance Retail has both scale and capital. "If at all there is anyone who can truly challenge Amazon and Walmart in the online space, it is Reliance. Some of the other big retailers may have scale or may be immensely profitable, but none have an online presence," says an industry expert.

INDIA E-COMMERCE RETAIL MARKET SHARE



Source:Forrester

INDIAN E-COMMERCE RETAIL MARKET (BY VALUE)



Electronics
47%

Apparel
31%

Home and furnishing
8%

Books
7%

Baby products
2%

Beauty and personal care
2%

Others 3%

But Reliance Retail Chairman Mukesh Ambani, says a company insider, is not too convinced about the e-commerce business model, as he believes that the valuations are too opaque. The company, according to this insider, has test-marketed its online grocery retail business and is ready to roll out, but Ambani plans to wait and watch. The company right now is making its various physical retail businesses multi platform by technologically empowering them. "Technology is bringing disruptions across businesses. Retail is not isolated from the impact of technology. Retailers will have to leverage technology advancements to enhance value proposition and create competitive advantage. Convergence of multiple channels will be one important aspect of retail business," says a senior Reliance executive.

Ambani himself has reiterated his commitment to the retail business at the recent shareholders meet. "In the next decade, consumption spending in India will grow four times and organised retail six-eight times. In our retail business, we have market leadership through size, scale, number of customers, multiple formats and a commitment to provide value to customers every day. We will continuously expand Reliance Retail's geographic spread and fulfillment capability. We will position it as retailer of choice in both urban and rural India. I have asked the leadership team in our consumer businesses to set themselves a target of achieving profitability similar to our energy and materials business within the coming decade," he said.

The smaller Indian retailers, though not willing to admit that Walmart and Amazon could be a serious threat to their brick-and-mortar business, are quietly tweaking their strategies. Value retailer V-Mart, for instance, is looking at penetrating Tier-IV towns such as Chakia in Bihar and Gaurigunj in Uttar Pradesh (UP). Lalit Agarwal, Chairman and MD of V-Mart, claims that his company understands tastes and preferences of small town India much better than anyone. "Stores in smaller towns have totally different procurement, supply chain and store marketing needs which will be difficult for a global retailer to understand." Agarwal says that small town India is largely a brick-and-mortar retail market as a store visit for a consumer in a place like Gauriganj in UP is more a recreation. "Make sure that the assortment is right. The products have to be well-styled, well-priced as well as of excellent quality. A garment that a small town customer buys is washed at least 35 times a year since he/she has limited affordability. So, if the quality isn't good, the customer won't come back. I don't think any ecommerce company would understand these finer details," explains Agarwal.

On the other hand, Falguni Nayar, Founder of online cosmetic retail company Nykaa, seems undeterred by the all the noise on e-commerce battles. "Speciality beauty retail stores like Sephora have done extremely well in the same markets where Walmart and Amazon operate. Beauty retail requires an inventory model where the retailer has to be obsessed about the quality of products it sells." Retail isn't a winner takes all business, therefore there will be other retailers too, says Rajagopalan of RAI. "The Indian retailers need to get the basics of retailing right, which is make sure that their

PHOTOGRAPH BY REUBEN SINGH

assortment and availability is right, and also ensure they create attraction for customers to come in."

In the absence of FDI in multi-brand retail, many retailers like Future Group would also want to sell 5-10 per cent of their stake to one of the global e-commerce companies. This will be a win-win for both as the e-commerce companies will also get access to a physical store, while the Indian retailer gets the much needed capital. Amazon, for instance, has picked up 5 per cent stake in Shoppers Stop, which according to Shrikhande is beneficial for both sides. The investment has helped the company reduce a significant amount of its debt. "We started the year with ₹850 crore consolidated debt, today the total debt is just ₹87 crore." From a commercial standpoint, Shoppers Stop catalog will be listed on Amazon, and its private brands will get priority. "The traction of Amazon is 10x of Shopperstop.com. It will help us in reaching towns where we are currently not present. We are currently at 83 stores in 37 cities. India has 200 plus cities and that will increase our reach," he explains. From an Amazon point of view, Amazon experience centres are soon going to come up at Shoppers Stop stores. "What it means is that there are lot of products available on Amazon exclusively, but not available to customers in physical stores to touch and feel. The customers will now be able to touch and feel the products too," says Shrikhande.

> ***STORES IN SMALLER TOWNS HAVE TOTALLY DIFFERENT NEEEDS* WHICH WILL BE DIFFICULT FOR A GLOBAL RETAILER *TO UNDERSTAND***
>
> ***Lalit Agarwal***
> *Chairman & MD, V-Mart*

Harsh Shah, Co-Founder, Fynd, an offline to online marketplace that recently got funded by Google, says that the next few months will witness quite a few right sizing of stores. "A fashion brand may not need 10 stores in Mumbai as a lot of fashion shopping has moved online. So, the brand may close down a few stores and move the capital to Tier II-III towns and open stores there. The winner will be an offline to online business model and not this versus that."

Grocery Retail

Online retail, so far, has been all about electronics and fashion retail – it covers almost 80 per cent of e-commerce retail. However, food and grocery, a $550 billion market in India, is an area that most e-commerce companies have shied away from. A few start-ups, such as Local Banya, did try their hand but badly burnt their fingers. Grocery is an extremely low margin business and companies have found it extremely difficult to deep discount. However, the likes of BigBasket and Grofers have stayed on after learning from their mistakes and reinventing themselves.

Grocery retail is all about efficient buying and sourcing, and e-commerce companies now don't want to miss out on the opportunity as it will help them get volumes. After all, a consumer shops for a mobile phone probably once a year or buys an outfit once in two months but grocery shopping happens literally every week. E-commerce companies have started investing heavily in getting their grocery business model right. In fact, the Walmart spokesperson says that their focus would largely be grocery retailing in India as it is their core competency. "Grocery will be the next holy grail of e-commerce retailing," says Vidhya Shankar Sathyamurthi, Executive Director, Grant Thornton India LLP.

Amazon has recently pumped in close to ₹2,000 crore in its grocery business – 15 of its 67 fulfilment centres are dedicated to fruits and vegetable retailing, claims the Amazon India spokesperson. It also has Amazon Now, currently in five cities, where it has partnered with a whole bunch of local retailers and the likes of Big Bazaar to deliver fresh vegetable and fruits in just two hours. It also has Amazon Pantry service in 30 cities where it delivers grocery in a box.

Walmart on the other hand plans to make

PHOTOGRAPH BY NILOTPAL BARUAH

ANYTHING THAT AMAZON OR WALMART DO IN INDIA DOES NOT TRANSLATE INTO ANY ADVANTAGE IN THE GROCERY BUSINESS

Albinder Dhindsa
Co-founder, Grofers

use of its cash and carry retail experience in India to take its online grocery retail business forward. The retailer has 21 Best Price stores along with fulfilment centres in each of the nine states it is present in. "We have been serving more than one million members, especially kiranas and other small businesses, since we opened our first store in the country in 2009. Our goal in the next few years is to increase the total number of Best Price stores in India to 70," says the Walmart India spokesperson.

While Walmart already sources fresh vegetables and fruits from farmers, Amazon too is testing a similar model in Pune. With the Government allowing FDI in food retail, Amazon India, says the company's spokesperson, is also looking at creating an inventory model where it would sell its own food brands. Walmart already has an array of private brands at its cash and carry stores under the brand names Right Buy and Member's Mark. "The private labels evolved following an in-depth and meticulous research on the demographic structure of the country and unique aspirations, needs and demands of various business segments," claims the Walmart spokesperson.

A private label strategy seems the best way out for e-commerce retailers as the margins in FMCG are in low single digits and deep discounting may not be a great idea. The FMCG companies themselves may not allow the online retailers to deep discount, points out the former CEO of a leading cash and carry retail chain. "I think deep discounting is utilised when there is no strategy behind the thought process. In grocery, it will be harder as the margins are limited. Private Labels will be the long term strategy for all the companies," says Albinder Dhindsa, Co-founder of online grocery retail company Grofers that offers a basket of private brands. The margins for a retailer can be anywhere between 10-12 per cent compared with single digit margins that regular brands offer. This explains the rationale behind Kishore Biyani's bet on his consumer business. The Indian retail king has over 27 brands that he sells out of his 1,000 odd stores. He plans to have over 10,000 neighbourhood stores by 2022, where he would sell primarily his own brands and the consumer would have the luxury of buying them online too. Biyani's food brands also cater to regional tastes. His *atta* brand, Desi Atta, has 59 varieties. "*Atta* is where diversity of India shows up. In some places *ragi atta* does well, elsewhere jowar atta does well. We are launching SKUs (stock keeping units) like crazy," says Biyani.

So, does Walmart, Amazon or even Paytm Mall have the wherewithal to create a hyper local grocery retail model? Dhindsa of Grofers says: "Grocery is a business with a unique supply chain which in our case runs on proprietary technology which ensures fill rates of over 99 per cent. Anything that Amazon or Walmart currently do in India does not translate into any advantage when they get into the grocery business. This is why Amazon has struggled with grocery for three years and counting." Dhindsa says none of the online marketplaces have succeeded in grocery retail. Grofers itself moved from a marketplace model to an inventory model.

In fact, Arvind Mendiratta, MD and CEO of Metro Cash & Carry Retail, says e-commerce will get good results in electronics and fashion. "As far as food and grocery is concerned, the kiranas will continue their dominance. We have a complex and diverse country where tastes and food preferences change every 100 km and only the local kirana store can adapt to these changes." But both Amazon and Walmart are determined to conquer online grocery retail in India, and to do so they are talking about partnering with kirana stores. Amazon, for instance, has a pro-

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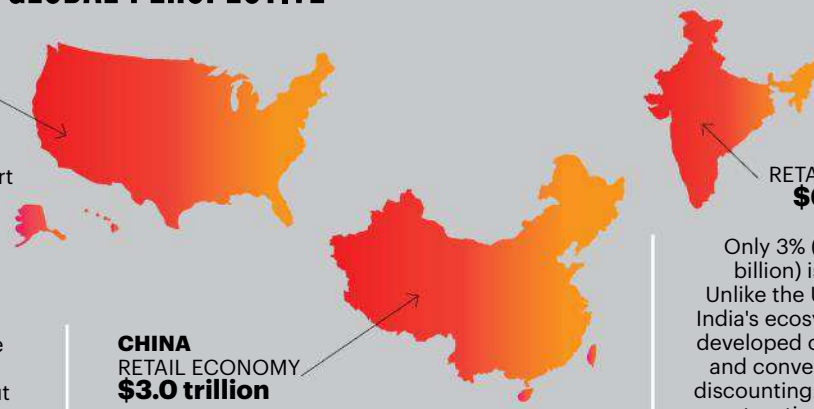
ONLINE RETAIL: GLOBAL PERSPECTIVE



US
RETAIL ECONOMY
$4.3 trillion

About 10% of retail is online. Though Walmart in the last few years has been ramping up its online presence, the US is a monopoly of Amazon. Between Amazon and Walmart, they have a warehouse every 20 km in the US. Therefore, reaching out to consumers at their homes is quite easy. In fact, 60% of US homes are Amazon Prime members. The other advantage that Amazon has is that US doesn't have taxes equivalent of VAT or GST for online. So, they are able to offer discounts to the customer without taking it out from the pocket.

CHINA
RETAIL ECONOMY
$3.0 trillion

Some 15% ($600 billion) is online retail. China didn't allow any US company in its market and instead developed its own ecosystem. Alibaba dominates the online retail market with a 70% share, while JD.com (acquired by Walmart) has a 15-20% market share. While the US online retail game is structured on the pillar of convenience, in China it is convenience, trust and perfect assortment. Online retail in China – like the US – is not subject to taxation, hence e-commerce companies are also able to offer better pricing without giving deep discounts.

INDIA
RETAIL ECONOMY
$650 billion

Only 3% (around $38.5 billion) is online retail. Unlike the US and China, India's ecosystem has not developed on assortment and convenience but on discounting. India has the same taxation for online as it has in the physical retail store, hence online retailers have little option but to offer heavy discounts to get more consumers on board. Also, unlike the US and China, where there is monopoly of one online retailer, in India it is a multiple play. Physical retailers are gearing up through omni-channel strategies.

gramme called 'I Have Space' (IHS) where it partners with local store owners across different cities to deliver products to customers within a two – four kilometre radius of their store. "On an average, Amazon India's store partners deliver between 20 to 30 packages a day, earning a fixed amount per delivery. Amazon has 17,500 IHS stores in 225 cities across India," points out the Amazon India spokesperson.

4,000

Number of stores of Reliance Retail across India

Singhal of Technopak does not buy the two American retailers claims of partnering with local unorganised retailers. "I can't see a business model where one can integrate such a disintegrated kirana network." Concurs Dhindsa of Grofers. "I don't think even the kiranas buy that talk. Until we actually see how they intend to help the kiranas or partner with them, we will chalk it up to empty promises," adds Dhindsa of Grofers.

The biggest challenge for the global retailers would be to develop a model specific to India. While investing in the supply chain, cold chain and distribution network is a given, retailers need to lure consumers with innovative products. "Once the consumer is lured with good quality products by these global brands then I am sure they will buy. Ready-to-eat meals is an area where the foreign retailers can create disruption. They have to look beyond the top 50 items of consumption in order to make a dent," says Ashok Maheshwari, CEO at Avenue Infrastructure, who was part of the founding team of D-Mart.

The consumers may surely have a joy ride in the short run with the global biggies trying to lure them with attractive discounts, but in the long run it is the Indian companies will have an edge, as they understand the complexities of the market. "Walmart never understood India in the 10 years they have been here, I am not sure what they will do in future," says an analyst. Indian retailers, on the other hand, will have to start thinking more hybrid, points out Maheshwari. "They will have to evolve with new strategy and experiments, keep looking at consumer behaviour and trends. Indian online retailers currently enjoy very high valuation which is based on bottom line. A high valuation for a publicly listed e-commerce company with reduced bottom line is yet to be seen in India."

In the short run it may be advantage Amazon and Walmart because they have capital, but it could be short-lived. Yes, FDI in multi-brand retail becomes imperative in order to create a level playing ground. BT

With inputs from Nevin John

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COVER STORY / RETAIL WARS

THE FLIP SIDE

The Walmart-Flipkart deal is a possible nightmare for the tax department given the complex holding structure of the Indian e-commerce giant.

BY Dipak Mondal

THE NEWS OF THE Walmart-Flipkart deal has set tongues wagging. It is expected to run into a tax tangle in India as experts predict that a Hutchison-Vodafone like scenario could emerge given that the Walmart-Flipkart deal will involve many overseas entities.

In the $16-billion deal, US-based retail giant Walmart is buying 77 per cent in Indian e-commerce company Flipkart, in which a majority share is held by a Singapore-registered entity, Flipkart Singapore. Shares in this entity are, in turn, held by different investors – prominently, Softbank (almost 23 per cent), Tiger Global (20.5 per cent) and Naspers (13 per cent). Chinese firm Tencent holds around 6 per cent stake, while promoters Sachin Bansal and Binny Bansal together hold close to 11 per cent.

The deal is being structured in such a way that some of these investors would transfer their shares to Walmart, thus creating a situation where most of the shareholders would be non-residents of India. Sample this: Softbank has invested $2.5 billion in Flipkart through its Jersey-based Vision Fund (its investment, reportedly, is now valued at $4 billion), while Tiger Global is a Mauritius entity.

Even in the case of the Vodafone-Hutchison deal of 2007, the former acquired 67 per cent stake in Hutchison-Essar Ltd from Hong Kong-based Hutchison Group for $11.2 billion through a maze of subsidiaries based in the Netherlands and Cayman Islands. No tax was paid on this deal to Indian authorities owing to the overseas nature of the transaction.

The pertinent question now is whether the capital gains made in the Flipkart share sale by non-resident investors are taxable in India or are we heading for another round of protracted tax dispute as seen in the Vodafone case?

Wading through Ambiguity

In 2012, the UPA government, through a retrospective amendment for which it received a lot of criticism, clearly defined the tax law provisions in case of such indirect share transfers. The law states that income arising out of transfer of shares of a company registered outside India is taxable in India if such shares derive substantial value – exceeding ₹10 crore and representing at least 50 per cent of the value of all assets owned by the foreign company or entity – from assets located in India. Tax experts, therefore, are positive that Indian tax authorities have the right to tax this deal.

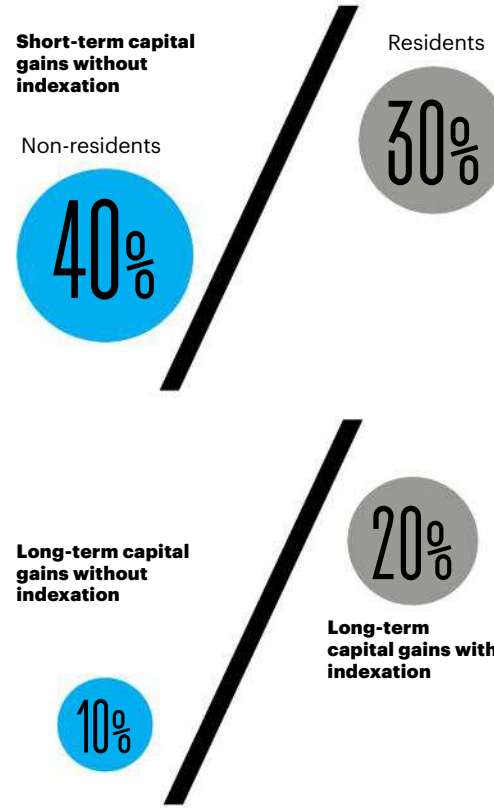
"Even though the shares of Flipkart Singapore (a company registered outside India) will be transferred to Walmart, gains arising from such a transfer could be subject to tax in

THE RULE

Indirect transfer provisions say that income from transfer of shares of a company registered outside India is taxable in India if the shares derive substantial value from assets located in India.

The share or interest would be considered to derive its substantial value from assets (tangible or intangible) in India if, on a specified date, the value of the Indian assets exceeds ₹10 crore and is at least 50 per cent value of all assets owned by the entity

TAX RATES ON CAPITAL GAINS FROM UNLISTED SHARES



For unlisted shares, short-term capital asset is that which is sold within 24 months, and long-term capital asset is that which is sold after 24 months

India considering that substantial value of such shares is being derived from India," says Rakesh Nangia, Managing Partner, Nangia & Co LLP, a chartered accountancy firm.

Nitesh Mehta, Partner, Transaction Tax, Tax and Regulatory Services, BDO India, agrees. "Such transfers could be regarded as indirect sale of shares of Flipkart India and, accordingly, would trigger capital gains tax in India for such non-resident investors, subject to tax treaty benefits, if any, available to them."

Nangia adds that as per the Indian withholding tax/TDS provisions, Walmart will be liable to deduct income tax applicable on payments made to seller non-resident entity while purchasing shares in Flipkart Singapore/ Flipkart India. The tax rate for non-residents may vary from 10-40 per cent, depending on whether the capital gains are short or long term in nature. For unlisted shares, if the share is sold within 24 months, the gain arising out of it is considered short-term and vice versa.

Although the question of jurisdiction of Indian tax authorities over this deal is more or less certain, the tax department is not taking any chances. Surabhi Ahluwalia, Commissioner, Income Tax, and the official spokesperson of the Central Board of Direct Taxes (CBDT), informed *BT* that the department has written to Walmart to "sensitise" them about the provisions of the law.

The department has asked Walmart to come forward with the details of the deal, and has even offered advice/ assistance in calculating the income tax chargeable under Section 195(2) of the Income Tax Act. Walmart is yet to respond to the tax department's queries.

77%
Stake Walmart is buying in Flipkart

$16 BILLION
Cost of acquisition for Walmart

23%
Softbank's stake in Flipkart

21%
Tiger Global's stake in Flipkart

Complexities Galore

There is also uncertainty arising out of the different tax treaties that get triggered by the deal. Views from experts are divided on this matter. While most of them say that the deal would come under the Singapore Treaty, L. Badri Narayan, Tax Partner in law firm Lakshmikumaran & Sridharan, offers a different view. According to him, since Softbank US and Tiger Global, Mauritius, are selling their holdings in Flipkart Singapore, the Indo-US and Indo-Mauritius treaties would come into play and not the Singapore Treaty as there is no change in Flipkart Singapore's holding in the Indian subsidiary. "The US Treaty says that capital gains arising from the transaction should be treated as per the domestic law of the individual state, which effectively means that Indian law would be applied to the transaction. However, it is the Mauritius leg of the transaction involving Tiger Global's sale of its holding in Flipkart Singapore that could lead to some ambiguities," Narayan adds.

There is further complication because different treaties have different rules for taxation of capital gains, and different rates and conditions for availability of treaty benefits. Singapore and Mauritius treaties offer some exemptions in case of long-term capital gains, provided taxpayers fulfil requirements under the limitation of benefits clause.

Under the Singapore Treaty, benefits are available only if the tax resident has an annual expenditure on operations of at least $200,000 in Singapore for each of the 12-month period prior to the date of such gain. Under the Mauritius Treaty, benefits cannot be availed if an entity's expenditure on operations in that state is less than 1.5 million Mauritian rupees in the 12-month period preceding the date of the gain.

Many of these requirements were put in place after the recent amendments of the tax treaties with Singapore and Mauritius. The amendments did away with the capital gains tax exemption for any investments made after April 1, 2017, from these countries. Amit Maheshwari, Partner, Ashok Maheshwary & Associates, says that some of the investments made before April 1, 2017, could be grandfathered. However, that would be subject to satisfaction of limitation of benefit conditions.

The General Anti-avoidance Rules (GAAR) provisions, which give the tax department the power to deny tax treaty benefits if a deal was made in friendly tax regimes – if it believes the deal was done through such a regime purely for tax avoidance – may also come into the picture. An income tax official said, on the condition of anonymity, that GAAR provisions should prevail, but it would depend on the way the deal has been structured.

The tax liability arising out of the Flipkart-Walmart deal is difficult to ascertain as the deal could be structured through a complex web of subsidiaries and holding companies. But their tryst with the tax department in India is not likely to be smooth, as authorities, who now know better, will be keeping a close watch. BT

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THE HUB

50

POLICY

HALF DONE

As the NDA government enters its final year, there is a long unfinished agenda that it may not be able to implement by 2019.

BANKING

Protective Custody

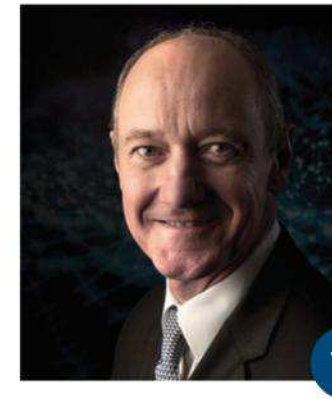
62

The RBI's move to clean up bank balance sheets has made close to half a dozen banks nearly dysfunctional. There is little hope of their recovery in the near term.

INTERVIEW

"Make in India still has a long way to go"

DR. ROLAND BUSCH



74

FAMILY OFFICE

66

BUSINESS BEYOND WEALTH

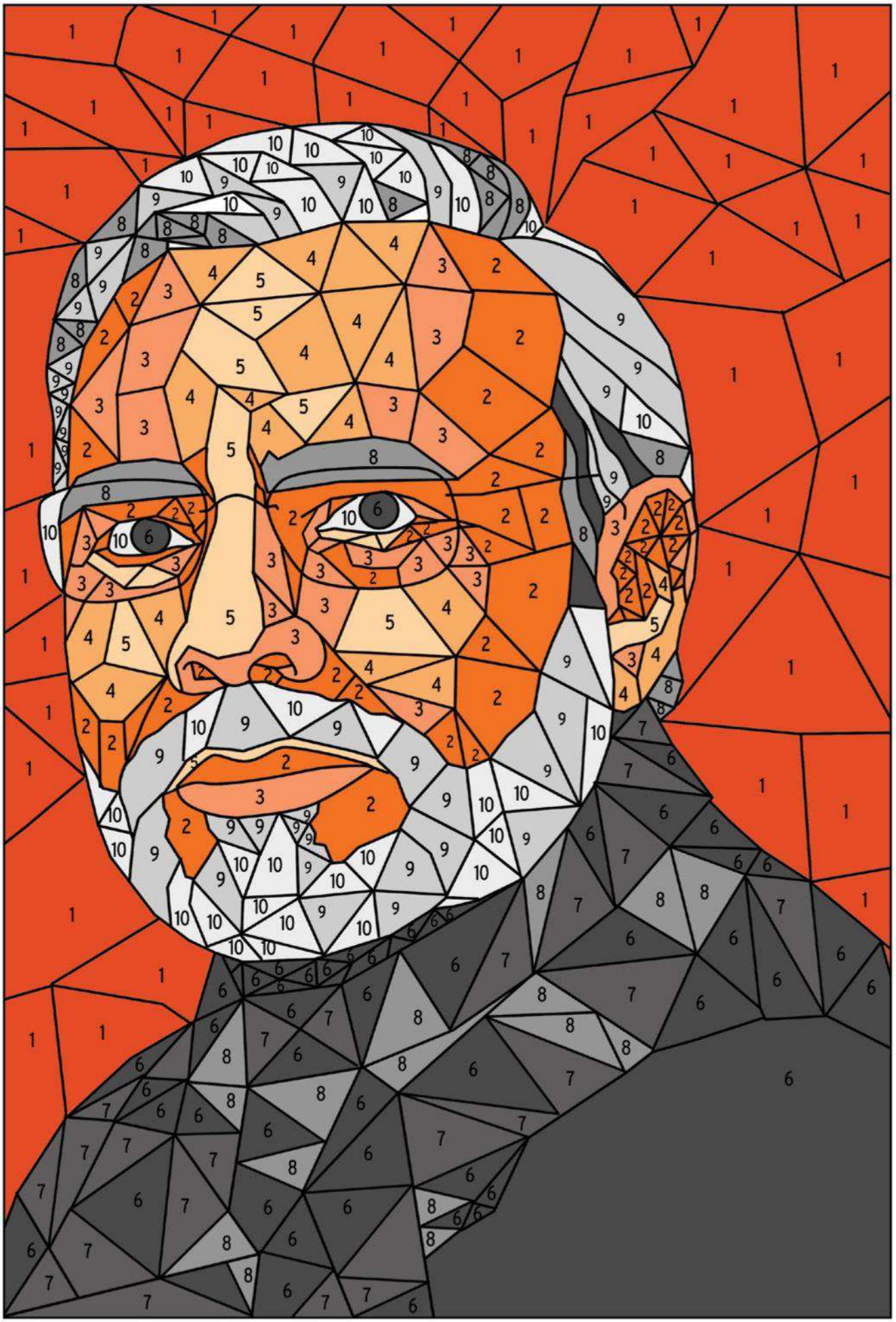
The rise of family offices is redefining how rich and famous Indian business leaders manage personal wealth and other family matters.

78

CORPORATE

DRIBBLING ON

Futsal turfs, or mini-football grounds, are piquing the interests of sports enthusiasts, investors and entrepreneurs in India.



SUCCESSES

1. Electrification
2. LPG connections
3. Roads
4. GST & IBC
5. Financial Inclusion

UNFINISHED AGENDA

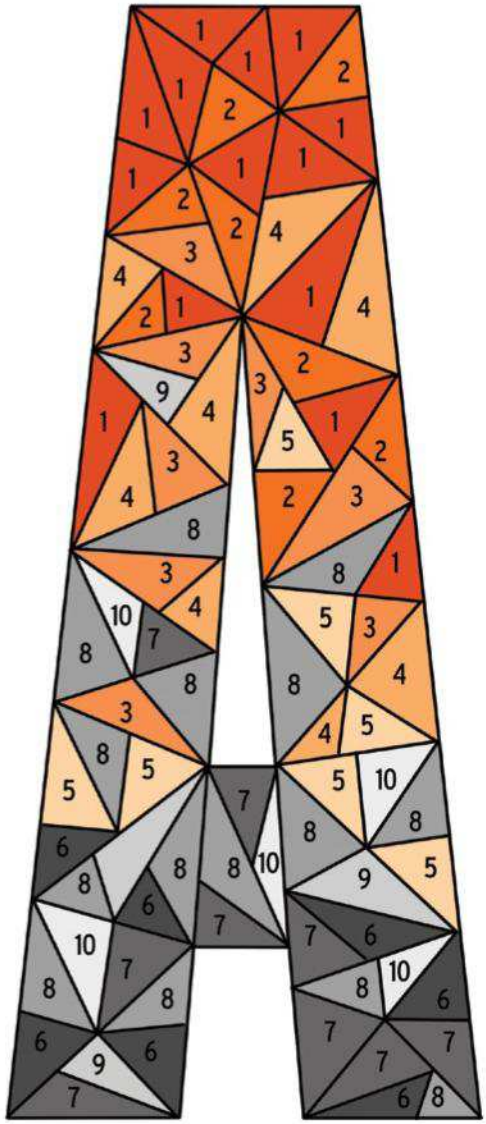
6. Make in India
7. Defence manufacturing
8. Digital India
9. Education
10. Ganga rejuvenation

HALF DONE

As the NDA government enters its final year, there is a long unfinished agenda that it may not be able to implement by 2019.

By Anilesh S. Mahajan

Illustration by Ajay Thakuri



T A GATHERING OF TOP CEOs in August last year, Prime Minister Narendra Modi, while putting forth his vision for healthcare, agriculture, infrastructure, education and poverty alleviation, said it would become a reality by 2022. When Debjani Ghosh, the then Intel India head and now President, Nasscom, said that before 2022 he would have to face another election — in 2019 — and asked if this meant he was confident of a victory, Modi replied he was giving a vision for the country's 75th year of independence.

This cuts into the heart of any assessment of his government as its completes four years in power. While it has accomplished a number of challenging tasks — such as introducing Goods and Services Tax, Bankruptcy Code and big infrastructure projects — by the time Modi starts his campaign for the 2019 elections, a big chunk of his transformational agenda will still be work in progress. As for the potentially politically damaging land, labour and education reforms, well, these have not even been picked up as yet.

How Long is Long Term?

Even the most strident Modi critics agree that he has avoided short-term growth fixes which, in the Indian context, usually means following loose fiscal policies, although some critics, such as former finance minister and BJP leader Yashwant Sinha, say the government has frittered away the savings from extremely low oil prices over the past four years or so. It is difficult to counter this argument as the savings have been huge indeed. Consider this: Even though crude oil and petroleum product imports rose to 268 million tonnes (MT) in 2016/17 from 219 MT in 2013/14, the money spent on this almost halved from $165 billion to $87 billion during the period due to the sharp decline in crude oil prices.

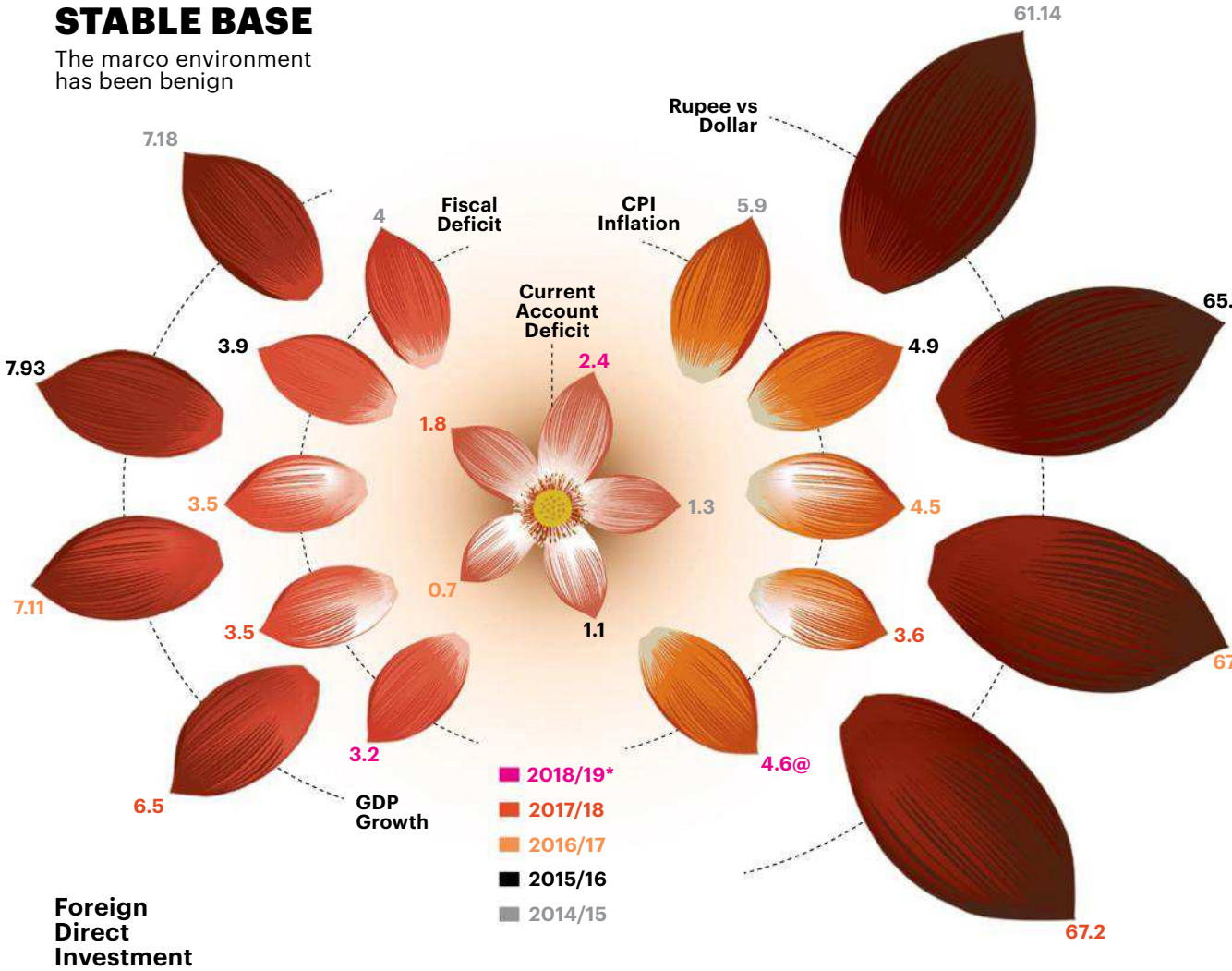
But finance minister Piyush Goyal, who is standing in for an ailing Arun Jaitley, says the money saved has been well spent. For example, the government increased budgetary and extra budgetary expenditure on infrastructure from ₹4.94 lakh crore in 2017/18 to ₹5.97 lakh crore in 2018/19. There were similar sharp increases in infrastructure spending in earlier Budgets too. "This is essential when private investment is not coming in," says a top Cabinet minister. The gross fixed capital formation as per cent of GDP slipped from 33.8 per cent in 2013/14 to 30.6 per cent in 2016/17. The minister says this extra spending will ensure that the private sector investment cycle starts trending upwards in the next two years which, again, takes us beyond 2019.

"The government did well to diagnose the ailment. They started the treatment well. But most of the changes will require some time to show results," says Maruti Suzuki Chairman R.C. Bhargava. He says nations work in continuity but "credit needs to be given [to the government] for keeping its priorities right."

The ailment he is talking about showed up in falling growth rates, high fiscal deficit/inflation, general pessimism around the economy and perception of policy paralysis. But has Modi's hyperactive governance been able to turn the tide? In quite a few areas, hardly so. Some of his flagship programmes — Make In India, Digital India, indigenous defence manufacturing and even the much-hyped Ganga rejuvenation plan — are, to say the least, looking for direction. But let's start

STABLE BASE

The marco environment has been benign



Foreign Direct Investment

$30.931 BILLION | $40.001 BILLION | $43.478 BILLION | $49 BILLION+

All figures except rupee/dollar rate in per cent.
*Projections: @ Crisil prediction;
Source: Budget Papers, Economic Survey, MoSPI stats, RBI Data; +provisional data

GRAPHICS BY AMIT SHARMA

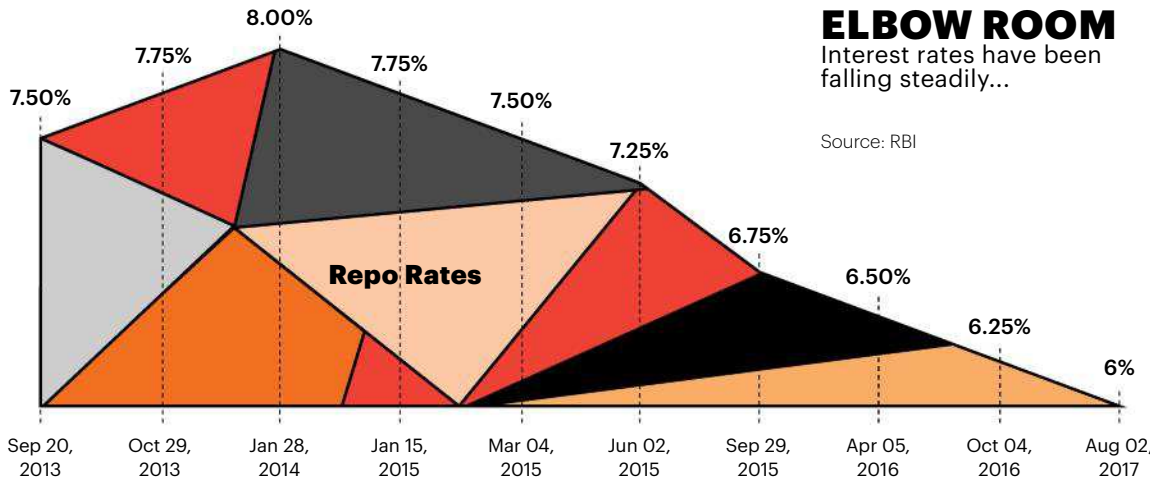
with the areas where the government has been extremely successful — electrification and infrastructure development — and then move to things that are work in progress.

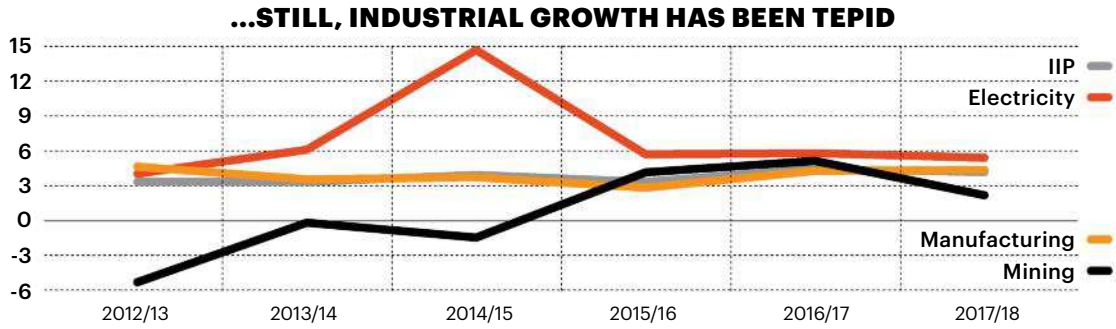
Electricity for All

One promise the government is almost certain to fulfil before it goes to the voters again is electricity for all. After connecting all villages to the power grid by March 2018, the government has announced a capital outlay of another ₹16,362 crore to connect all unelectrified 3.80 crore households by December. "Except Uttar Pradesh, I am confident that every state will be able to do it. We are working things out with the state and believe that things will start falling into place soon," says Power Minister R.K. Singh. But even if he manages to complete this daunting task in time, ensuring 24X7 supply will not be easy. The biggest hurdle will be cleaning up the debt mess that electricity distribution companies are mired in, augmentation of transmission capacity and ensuring capacity utilisation at generation units. All states, except West Bengal, have opted for the Ujjwal Discom Assurance Yojana under which state governments take debt of distribution companies on their books and promise to cut AT&C losses to 15 per cent and rationalise tariffs by eliminating the gap between the average cost of supply and the average revenue realised. The target date was 2018/19 but these goals are unlikely to have been met.

Building India

On May 23, during a video conference, Gujarat Chief





Data shows percentage growth year-on-year; Source: MoSPI

Secretary J.N. Singh was at the receiving end for the slow pace of work on railway overbridges, which will be an integral part of the western Dedicated Freight Corridor, or DFC, connecting Delhi with Mumbai. The conference was part of the Pro-Active Governance and Timely Implementation, or PRAGATI, a forum where Modi monitors implementation of big projects. "Projects stranded for long start getting clearances just as they are listed on the agenda of PRAGATI," says Alkesh Sharma, CEO of Delhi Mumbai Industrial Corridor or DMIC. This is in contrast to the UPA days when big projects in coal, power, oil & gas, steel and roads were stuck for years due to one ministry or the other holding back on permissions. Roads and Highways Minister Nitin Gadkari says when he joined office four years back, more than 300 road projects were stuck. The public-private partnership model, under which most of these projects were awarded, had collapsed. "I sat with promoters, bankers and my colleagues to clean up the mess," he says. Gadkari turned to the hybrid annuity model, or HAM, where the NHAI gives tenders for roads on an annuity basis. After this, the project is handed over to the toll company to ensure returns, reducing risk for developers. Nearly half the new work has been allocated under HAM. "This reduces the risk of insufficient traffic," says former Road Secretary Vijay Chibber.

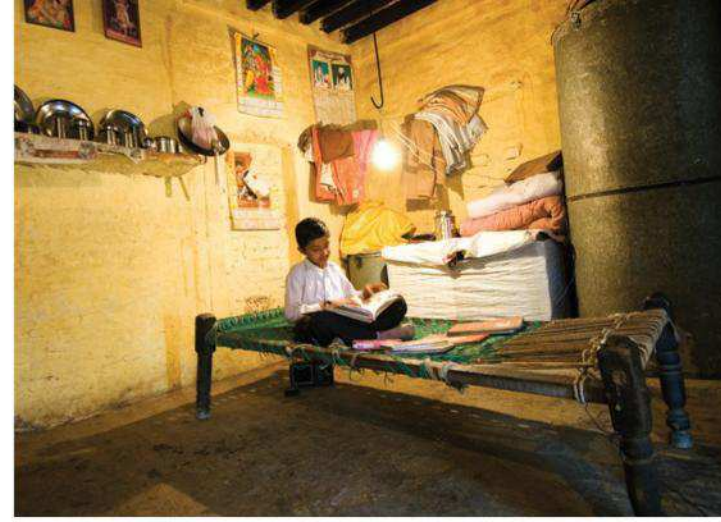
"Today the road sector is up and running," says Gadkari. His officials say work on 30,000 km of highways is on. In the last financial year, the NHAI awarded projects for 7,400 km, 70 per cent more than the 4,300 km in the previous fiscal. Construction of national highways touched an all-time high of 10,000 km in 2017/18 (28 km a day). The earlier record was 8,231 km in 2016/17. While the work to build highways is on at full swing, the financial viability of the new business model is yet to be tested. The result – if toll companies find it attractive or construction gathers pace — will be clear only with passage of time.

Similarly, before moving out of the railway ministry, Suresh Prabhu pushed all DFC tenders for both Western and Eastern corridors. The trial run at the sec-

tion between Ateli in Mahendragarh district of Haryana and Phulera in Rajasthan's Jaipur district has been completed. The western corridor is expected to be commissioned either by the end of 2019 or mid-2020, while the eastern DFC will take two more years. The DFCs, railways' showcase projects, were envisaged during the UPA regime, but work picked up in earnest under the current government only. These will decongest railway networks connecting Delhi with Kolkata and Delhi with Mumbai. A parallel project, the DMIC, an Indo-Japanese initiative, seeks to create a linear industrial development zone supported by the DFCs. The 1,483-km-long DMIC will connect Mumbai with Delhi and pass through 82 districts of six states (Delhi, Western Uttar Pradesh, Southern Haryana, Eastern Rajasthan, Eastern Gujarat, and Western Maharashtra). This means 17 per cent of India's area will come under the influence of this massive infrastructure development. Sharma says all land acquisition has been completed and the project is expected to be commissioned by 2022.

Work in Progress

On March 28, the railway ministry asked Integrated Coach Factory to scrap the global tender for 291 aluminium train-sets. The officials said the tender was not aligned with the Make In India policy under which the government plans to encourage foreign companies to build factories in the country rather than treating it as just a market. Even Suresh Prabhu's Commerce & Industry Ministry raised its objections. The Department of Industrial Policy and Promotion also said the tender conditions put domestic players at a disadvantage. Indian player Medha Servo Drives, along with its Swiss partner, Stradler were the sole bidders. Known as Train 20, it would have been Indian Railways' first modern rolling stock. As things stand today, the railways' modernisation plans are more or less grounded. This is just one example. Such lack of clarity and competing



HITS AND MISSES

What Worked...

Deen Dayal Upadhyaya Gram Jyoti Yojana: The last batch of 19,000 villages gets electricity; the next plan is to connect the remaining 3.8 crore households

PM Ujjwala Yojana; 3.6 crore below poverty line households have got LPG connections; the target is to reach eight crore households by 2020

Road connectivity: Construction of national highways touches an all-time high of 10,000 km in 2017/18 (28 km a day). The earlier record was 8,231 km in 2016/17. A total of 24,800 km roads planned in Phase I of the Bharatmala project

Access to banks: Nearly 32 crore new bank accounts opened, all connected with mobiles. Direct benefit transfers now account for more than half the social sector expenditure. The government claims 15 per cent savings in expenditure due to this

Skills India, Pradhan Mantri Mudra Yojana: The reach of the Pradhan Mantri Kaushal Kendra extended to all districts. Disbursements under Mudra since the scheme started in 2015/16 amount to ₹5 lakh crore

...and What Did Not

Make in India: Absence of manufacturing policy, global surpluses and massive Chinese dumping hit attempts to revive manufacturing

Ganga Rejuvenation: The big-ticket idea has led to little change on the ground in spite of the government allocating ₹3,633 crore and spending ₹1,536 crore

Defence Manufacturing: No FDI, small domestic investments, few orders

Digital India: Amid struggling telecom companies and poor infrastructure; Digital India requires more time to take off.

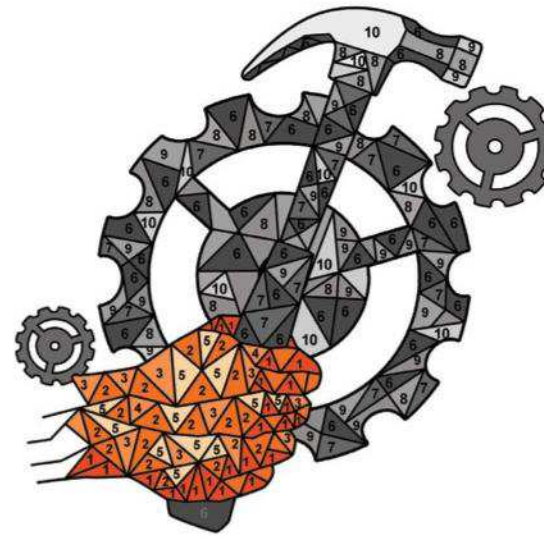
objectives have been the hallmarks of the government's Make in India campaign under which it wants to raise the share of manufacturing in the country's GDP to 25 per cent from close to 18 per cent at present. So far, except for a few mobile phone and LED units and locomotive factories being built by GE and Alstom, there are few signs that foreign companies have any serious interest in setting up manufacturing units in India in large numbers.

The government has also been able to do little in education. The New Education Policy, or NEP, is still in the works, and though the allocation for education fell from 4.1 per cent of the Budget in 2014/15 to 3.6 per cent in 2018/19, the government claims progress in skilling and says it has set up 527 Pradhan Mantri Kaushal Kendras in 27 states. This is significant as the Employment and Unemployment Survey 2016 had noted that 58 per cent unemployed graduates and 62 per cent unemployed post graduates said they were jobless as they were not being offered jobs worthy of their education. The NEP is with the Human Resources Development Minister Prakash Javadekar and is expected to be circulated to Cabinet members in the next fortnight. The implementation deadline will have to be beyond 2019.

The country's industry has also been lagging. In the last four years, its share in GDP has risen only 80 bps to 18.1 per cent. This even as country waits for Prabhu to finalise the manufacturing policy. "The ministry has finished the draft and it has been circulated among the other stakeholder ministries. I am expecting that the new policy will come by the end of June," says Prabhu.

Meanwhile, industrial capacities are hugely underutilised due to slack demand. The problems include declining competitiveness, along with disruption caused by demonetisation and GST. The average industrial growth rate during this government's regime has been a low 3.8 per cent. Prabhu believes this is work in progress and says he is not only preparing ground for existing capacities but is also pushing for manufacturing of new products. For example, he says, drone manufacturing will be a big industry in times to come. Prabhu, who doubles up as the country's civil aviation minister, has set up a committee under his deputy, Jayant Sinha, to fix the policy glitches in this area. This will need at least another few years for implementation.

Exports, which have shrunk or grown in low single digits for most of the past four years, have been another disappointment. India's merchandise exports have not been able to touch the $314 billion level they had reached in 2013/14. Prabhu says he is aware of this and is looking for new markets and new products for these markets. "We are doing a market analysis of various African countries with Exim Bank to understand the demand for products. This will help us understand their needs and what we can supply," he says. He says India needs a long and medium term strategy to arrest



WORK IN PROGRESS

A total of 30,000 km highways built in four years; projects for nearly 35,000 km have been awarded

Agriculture income: In 2015/16, the average agriculture household generated income of ₹96,703; work in progress to take it to ₹219,724 by 2022/23, tough task considering poor farm sector growth over the years

Health Care: Universal healthcare in the works

Jobs: Nearly ₹22,000 crore spent on skills annually, but training 450 million people in the next five years will be a huge task

Power: Demand-supply gap reduced from 17 hours daily to less than five hours but giving 24X7 power to all households requires more reforms. The base load is sorted but management of peak load continues to be a big challenge along with affordability.

GST: Implementation from July 1, 2017, but matching of invoices, timely disbursal of dues and seamless flow of data is a challenge

Railway Reforms: Restructuring of the Railway Board has started. Structural change will take at least six-seven years. The big ticket project, Dedicated Freight Corridor DFC, will come by the end of 2019, Bullet train by 2022

Bank NPAs: With more than ₹11 lakh crore non-performing assets, cleaning up of bank books will not be easy

Smart Cities: A total of 99 cities selected. After SPV formation and financial closure, work has started on ground, but will take more than 3-4 years to show results

SKILLING: Every year, around one crore people are being trained

the trend.

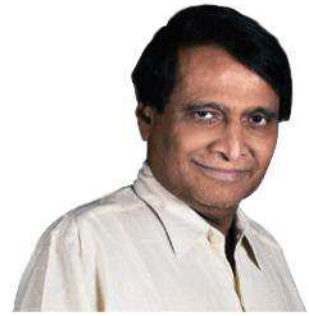
Fast industrial progress is a must if India has to have any chance of removing rural poverty for which one of the biggest reasons is dependence of nearly half the country's population on agriculture. In developed countries, the figure is in single digits. A shift towards industry is a must if farm productivity is to rise. This brings us to our next topic — agriculture.

The bumper tomato crop in Sehore, Narsinghpur and Raisen districts of Madhya Pradesh (MP) put farmers in distress as wholesale prices crashed from ₹5 a kg to ₹1 in a couple of days. In Delhi, meanwhile, policy makers were getting worried over the rising imports of tomato puree and ketchup.

"This is a unique paradox," explains Rajiv Kumar, Vice Chairman, NITI Aayog who recently authored a paper, which was accepted by an informal group of ministers. He provided three options to remove rural distress: Market Assurance Scheme; Price Deficiency Payment System, or PDPS, and Private Procurement and Stockist Scheme. The Madhya Pradesh government opted for a version of the PDPS to help tomato famers. These schemes will be applicable from the end of the year when the *kharif* crop comes to the market.

Rural India has been struggling with slow agriculture growth for quite some time. In the first two years of the Modi regime, the monsoon was below normal, leading to sluggish rural wage growth. In a recent RBI working paper, 'Rural Wage Dynamics in India: What Role does Inflation Play?' Sujata Kundu says rural wages saw high growth from 2007/08 to 2012/13, followed by a significant deceleration. In the past few years, there has been zero growth. Agriculture growth had been averaging just 2 per cent during this government's regime.

The NITI Aayog's draft also added that though 82 per cent of the total production is meant for sale, much is not sold in formal markets. It is assumed about 40 per cent of the surplus goes through formal channels and will require financial support. A smaller group of three ministers will work out the exact modalities of the three schemes but there is a need to connect farmers with the food processing industry. In the last Budget, Jaitley had talked about the ramping up construction of village roads, but more needs to be done to increase rural wages.



We are doing a market analysis of various African countries with Exim Bank to understand the demand for products.

Suresh Prabhu,
Minister, Commerce and Industry

I have engaged two consultants to help farmers create a business model and co-opt these units (FPOs)

Harsimrat Kaur Badal,
Minister, Food Processing

The government is also pushing farmers to opt for food processing to add value to farm produce. For 120 million Indian farmers, there are only 800 farmer producer organisations or FPOs. Madhya Pradesh has 150 FPOs followed by Karanataka (120) and Maharashtra (100). Jaitley has given these units tax waivers. "I have engaged consultants to help farmers create a business model and co-opt these units," says Food Processing Minister Harsimrat Kaur Badal.

Despite the initiatives, Modi's promise to more than double farmer income in seven years - from ₹96,703 in 2015/16 to ₹2,19,724 in 2022/23 – seems doubtful given the current realities.

The Litmus Test

Many believe the government will face its biggest test in its fifth year as India's strong macroeconomic fundamentals face global headwinds. The biggest will be rising oil prices, which have touched $80 a barrel; they have been around $40 a barrel during most of this government's tenure. As this increases the country's import bill, the immediate impact will be on the current account deficit, which has already widened to more than 2 per cent of GDP from just 1.3 per cent in 2014/15. The rupee has already started falling. Both these factors will fuel inflation. Consumer price inflation is picking up pace. From last year's average of 3.6 per cent, it is expected to be around 4.6 per cent this year.

"So far, low oil prices and distance from elections have helped the government pursue a prudent policy stance. But with the situation now reversing, will the government be able to continue its focus on the trend than the cycle?" ratings agency CRISIL said in a recent report. The answer to this question will decide what lies ahead in 2019 and beyond. BT

@anileshmahajan

TOUGH TIMES AHEAD

While IBC and GST are game changers, most policy moves of the Modi government in four years are work in progress

By Prosenjit Datta

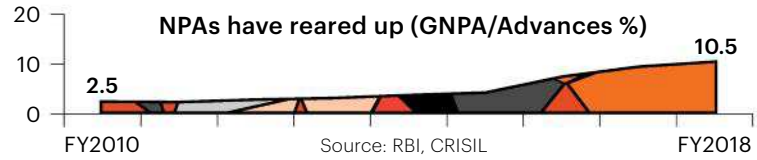
AT THE END OF FOUR YEARS in office, how does Prime Minister Narendra Modi's report card look like? He took charge when the economy was pretty much in the doldrums, and took a series of decisive steps over the next four years. He made a great many announcements, and some of his ministries did significant work. Two major economic laws were passed while one risky experiment was conducted with very little planning. In the first three years, Lady Luck also smiled on him – crude oil prices, which stood at over $100 a barrel in 2014 when he took charge, started falling sharply soon after, giving him an unexpected financial bonanza. But as he enters the final year of the government's term, he is probably facing as many – if not more – economic problems as he did when he took charge. In fact, one would say if the BJP returns to power, Prime Minister Modi will have to work even harder than he did in his first term to keep the economy on an even keel.

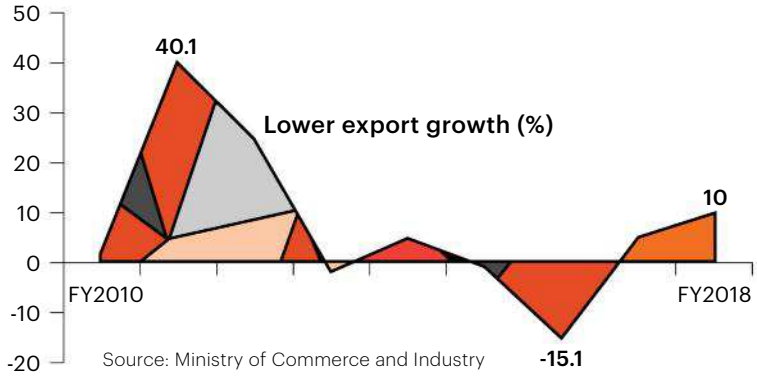
The problem with most assessments of Modi's four years in office is that the political issues tend to overshadow the economic ones. But the economic steps taken by his government were also significant and some of them will have a long-term impact. I would say that the two most important laws the government had passed in these four years were the Insolvency and Bankruptcy Code (IBC) and the Goods and Services Tax (GST). While IBC will have a far-reaching impact on corporate bankruptcy resolution, GST is still a work in progress, but it is the biggest tax reform since, perhaps, Independence. Both IBC and GST have problems, but these will settle down. A year or two down the line, the real benefits will start showing.

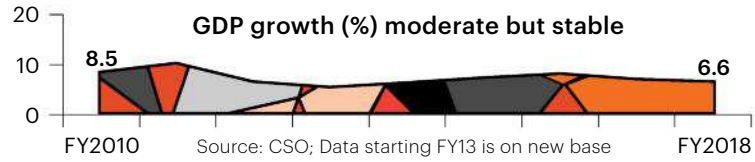
In spite of attracting a lot of FDI, the Modi government has failed to enthuse the private sector into setting up greenfield projects

There are other notable achievements. The pace of infrastructure development, especially road building, has been significant. The power sector, too, has seen production ramp up and an effort to sort out the problems of the state distribution companies through Ujwal DISCOM Assurance Yojana, or UDAY. Also, there has been significant progress on the solar energy front. The runaway inflation that the government inherited has been tamed. The fiscal deficit was firmly brought under control but not perhaps to the full extent that the government would have liked. The last two were helped by cooling crude oil prices, but the gov-

CHANGING DYNAMICS







ernment took full advantage of it.

The flipside is that there were as many economic missteps by the government as successes. Demonetisation was a whimsical experiment, and despite all the apologists of the government, it is hard to see what could justify such a big step. At any rate, it did not achieve any of the goals that the Prime Minister had mentioned while announcing it.

Then, in the first two years, the government paid little attention to agriculture or rural distress even though the country saw two bad monsoons and they led to unprecedented problems. While the government is trying to make amends now, the efforts are too little and too late in the day. Rural wages remain stagnant, and farmers' distress has not reduced.

The government also announced an ambitious Make in India plan, but the country has not become a manufacturing powerhouse in any industry segment. This also shows up in our dismal export performance over the past four years.

Defence manufacturing is another area where the government made ambitious announcements, but they have not picked up due to procurement policy issues. Finally, although the Prime Minister has personally charmed many global leaders, it has not led to any major economic benefit for the country. Even the US, where Modi's trips have been major successes, has turned against Indian exports. China has paid lip service to Indian worries about dumping but has not taken any substantive step to address the balance of trade. Even the EU remains a difficult market, and all these show up in our lacklustre export figures.

The trade problems are particularly worrying. Initially, exports fell because crude oil prices were dropping and a major chunk of Indian exports includes refined petroleum products. Although exports started picking up last year, we are still below what we used to export in 2014 despite robust world trade growth over the past few years. As mentioned earlier, India's merchandise exports are not what a fast-growing country needs.

Moreover, in spite of attracting a lot of FDI, the Modi government has failed to enthuse the private sector into setting up greenfield projects. Much of the investment – both foreign and domestic – has come for buying existing assets. In turn, this has led to dismal job creation. Now foreign inflows are slowing down and in some months, also turning negative. In the last two years, corporate performance was also fairly lacklustre with a large number of companies struggling under debt. Meanwhile, banks are still trying to clean up the NPA mess that tripled since 2014.

As the current Modi government enters its final year, economic worries are growing once again. Inflation, though still low, is hardening. Crude oil prices have hit $80. The current account deficit is rising again. And a technology revolution upturning the entire industry, large-scale job creation is going to be difficult.

True, many of the numbers now seem much better than they did in 2014. But the favourable tailwinds have reversed direction and the going can be expected to be tough from here on. BT

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SUNNY, WITH CLOUDS

A significant rise in private investments and constant reforms are needed to accelerate India's growth story.

By D.K. JOSHI

FY2017/2018 was one of those rare years when the Indian economy slowed even as the world economy accelerated. The twin shocks of demonetisation and destocking before the implementation of Goods and Services Tax (GST) and the following glitches culled India's GDP growth down to 6.6 per cent.

Consequently, the average GDP growth over the past four fiscals fell to 7.3 per cent. Even then, India emerged as the fastest-growing large economy globally. The last fiscal may well prove to be a watershed as far as reforms are concerned with the implementation of GST and the Insolvency and Bankruptcy Code (IBC).

These are game changers over the medium term. Despite implementation glitches, GST has helped create a common market, improved logistical efficiencies and increased formalisation of the economy. The National Company Law Tribunal process under the IBC will also speed up the resolution of bad loans beginning with steel and improve corporate credit culture over the medium run.

The economic outlook for the current fiscal, the last year of the Modi government's current term, promises to be sunny, with clouds. It holds true for the global economy too. The good news is that the global economy will pick up speed and is projected to grow at 3.9 per cent in 2018 with the US and the European Union GDP growing at 2.9 per cent and 2.3 per cent, respectively. Global trade, too, is growing faster than GDP for the first time in the last six years, creating opportunities for export growth.

The bad news is that oil is hovering at $80 per barrel and anti-globalisation sentiment/protectionist winds threaten to blow away nascent trade recovery.

After two sub-par years, the Indian economy is expected to grow at 7.5 per cent in 2018/19. On a sobering note, the projected upturn is driven partly by the low-base effect and trails the 10-year average GDP growth of 7.6 per cent. Growth in this fiscal will largely be consumption-driven, aided by some pickup in exports and investments.

We expect an improvement in capacity utilisation this fiscal, particularly in cement, commercial vehicles, steel, aluminium and tractors. But it won't be enough to trigger a robust private sector investment revival. Thankfully, debt-heavy infrastructure companies continue to deleverage.

Political uncertainty due to general elections does not augur well for big-ticket private investment. Only a mild improvement is expected this fiscal with the government's focus on affordable housing and infrastructure creation.

Also, India's oil import dependence (share of oil import in total oil consumption) has risen from 82 per cent in 2011/2012 to about 86 per cent currently. A sharp and sustained increase in global crude prices can singe Indian macros.

We project inflation for 2018/2019 at 4.6 per cent with an upward bias. A back-of-the-envelope estimate shows every $10 rise per barrel of crude oil can increase India's fiscal deficit by 8 basis points (bps) and current account deficit by 40 bps, *ceteris paribus*.

In an environment of rising yields in the US after exit from quantitative easing, worsening macros raise the spectre of capital outflows and weakening of currency. Some of these are already playing out.

We expect current account deficit to rise to 2.5 per cent of GDP in 2018/19 from 1.9 and 0.7, respectively, in the preceding two years. It is worthwhile to note that even with expected worsening of macro parameters, India is more resilient to external shocks today than it was during the taper tantrum phase in 2013.

Taking growth to 8 per cent-plus and sustaining it over the next three to five years would require a lift through private investments and relentless implementation of reforms. BT

The writer is Chief Economist at CRISIL

4 REASONS EXECUTIVE EDUCATION MATTERS FOR BUSINESS LEADERS

Five books: that's the number of new books CEOs read each month, on average as high performing executives know they will succeed or fail based on how much they can continuously learn.

In today's global economy, ideas move across national boundaries and industries with unprecedented speed. Executives face a rapidly evolving marketplace in which problems do not neatly fit into marketing, finance, or operations packages. Leaders must adapt to the strategic challenges emerging from an interconnected world. Continuous learning is the key to maintaining a competitive edge. For many business leaders, this starts with executive education.

At the SDA Bocconi Asia Center, the pan-Asian hub of SDA Bocconi School of Management, Italy, in Mumbai, our executive education programs provide a first-class platform for guided discussions, skills development, and networking, preparing you to succeed in today's dynamic marketplace.

4 BENEFITS OF EXECUTIVE EDUCATION PROGRAMS

Open executive programs can help high-performing professionals achieve their career goals by filling skill gaps, broadening perspectives, and connecting candidates with a strong network. On the other hand, custom programs can help organisations to achieve strong alignment between their managers and their strategies and goals, thus improving execution and performance.

1. Filling Skill Gaps: The rapid pace of global innovation requires executives not only to gain literacy in the current technological trends, digital applications, and platforms but also to be able to connect that technical knowledge to their daily job. The ability to make this connection can often unlock the next step in career advancement. At the SDA Bocconi Asia Center, for example, we offer access to programs and modules that practically teach core technological concepts, helping participants fill in the gaps in skill sets required by the modern workplace. For instance, one such program is our Executive Program in Business Analytics (EPBA), designed not only to enable participants to understand predictive modelling, data mining and big data analytics but also to allow them to apply those tools to their decision making in marketing, operations, risk analysis, finance and other areas.

2. Broadening Perspectives: Today's executives face a constant barrage of strategic opportunities, emerging trends and best practices that pop up from any corner of the globe. To successfully exploit these opportunities, future leaders must learn how to interpret shifting landscapes and adjust course and strategy with high-level execution. Moreover, even as the Internet digitises job roles, processes, and even entire businesses, global leaders must be able, now more than ever, to manage employees from an increasingly diverse set of cultures, backgrounds, and experiences.

Our executive programs broaden participants perspectives in several ways. For instance, our batches are always comprised of a diverse, high-performing student cohort. This diverse group will challenge your currently held views as you will challenge theirs, resulting in richer perspectives for all. Moreover, our international faculty will ensure that you always get a global perspective on the business areas that are addressed in the programs. Finally, intense exchanges and study tours with SDA Bocconi in Milan and other schools in its network will put the finishing touches on mind-broadening international experience.

An example of this is our International Executive Masters in Business (IEMB), which has participants from an incredibly diverse background and work profile including expats. It is a rigorous program in Mumbai for Mid to Senior professionals that gives the participants an opportunity to expand their horizons through a rigorous curriculum designed and taught by top-notch SDA Bocconi faculty. It includes two immersion weeks in Milan, which offer a unique learning and cultural experience, by combining lessons, company visits, exposure meetings and networking opportunities.

3. Building a Network: Strengthening skills and widening perspectives are two crucial developmental steps that mid-level managers need.

Equally important is whom you know. An open executive education program will put you in the same room with other strong executives from a variety of industries and backgrounds. Working on cases, debating collaboratively, and developing new best practices with your classmates will allow you to create strong and valuable relationships. The SDA Bocconi Asia Center offers access to the coveted SDA Bocconi's alumni network, allowing participants to enjoy career counsel, mentoring, and coaching support. Moreover, the Center organises frequent corporate events featuring guest speakers from a variety of industries. These events provide not only an expert take on current hot topics but also an excellent occasion for networking.

4. Improving organizational performance: Executive education can also be found as part of tailored programs for individual companies. Corporations find themselves increasing their learning efforts not only to provide managers with a personal development path within the organisation but also to strengthen the organisational alignment between those managers and the company's strategy. Because of this last point, custom executive programs must be carefully designed according to the strategic needs of each company.

At the SDA Bocconi Asia Center, we create a close link between our faculty and each particular company that comes to us for a custom program to design training modules that genuinely respond to the strategic needs of the organisation. After a deep dive into the organisational realities of our corporate customer, our academic program coordinators work hand in hand with the company's management to develop a learning path that is tailored both in content and delivery. We have developed such programs for corporates like Larsen & Toubro in Project Management and Future Group in Design Thinking.

SDA Bocconi
ASIA CENTER

ABOUT SDA BOCCONI ASIA CENTER

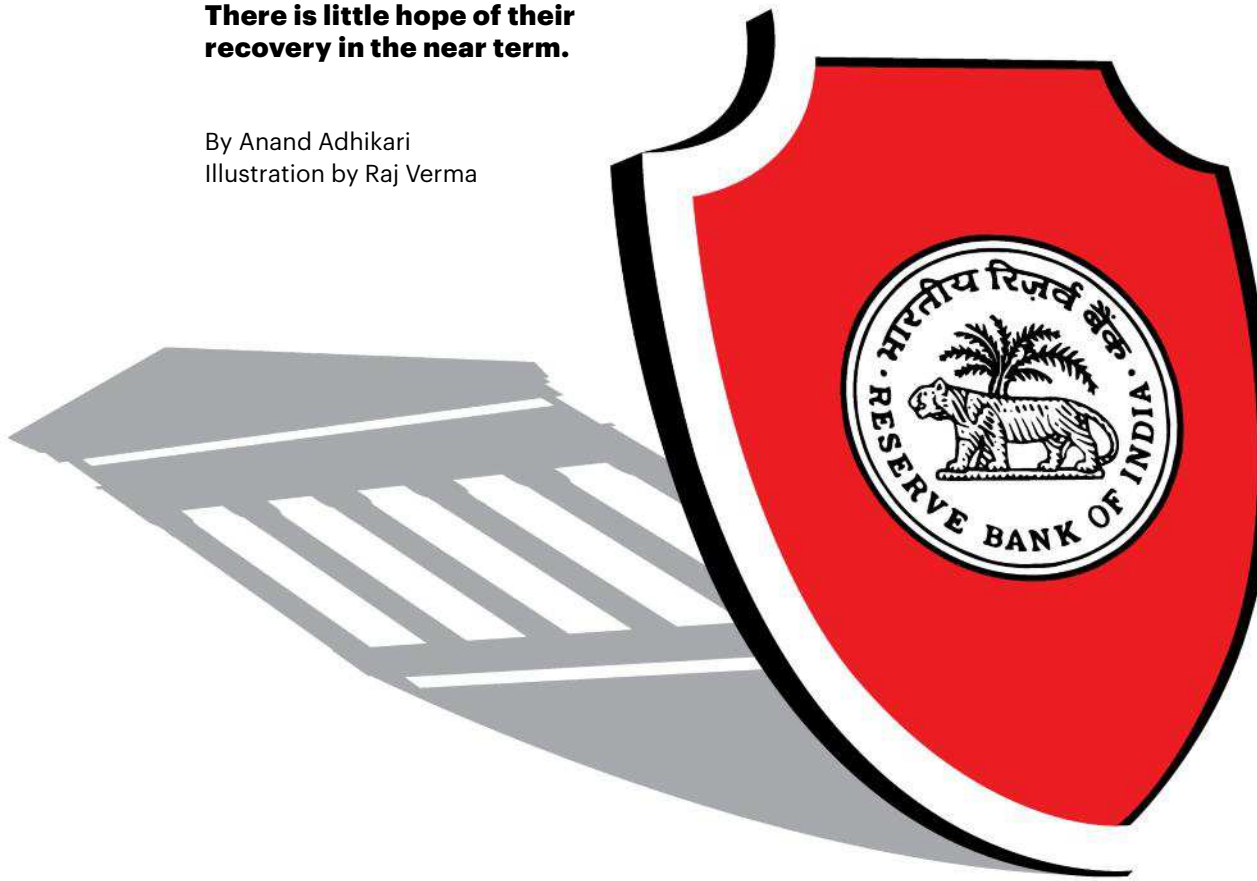
The SDA Bocconi School of Management, Milan, Italy, inaugurated its presence in India in 2012 through MISB Bocconi catering mostly to the Indian audience. As MISB completes six years, the Mumbai-based school gets a new name, SDA Bocconi Asia Center, and a new scope, becoming SDA Bocconi's pan-Asian hub, with a broader reach across India, the Middle East, China and the rest of Asia. SDA Bocconi, Italy recently earned the distinction of being 7th Worldwide in the Financial Times Rankings (2018) for Customized Executive Education.

Reach out to know more about our Executive Education solutions: **exedu@sdabocconiasiacenter.com**

PROTECTIVE CUSTODY

The RBI's move to clean up bank balance sheets has made close to half a dozen banks nearly dysfunctional. There is little hope of their recovery in the near term.

By Anand Adhikari
Illustration by Raj Verma



THE RESERVE BANK OF INDIA'S corrective action framework for weak banks is akin to taking an injured athlete to bed rest," explained a Reserve Bank of India (RBI) deputy governor last year when bank customers started worrying about close to a dozen public sector banks (PSBs) facing regulatory interventions, the most prominent being the prompt corrective action (PCA) scheme. The PCA framework is triggered when a bank's three critical parameters – asset quality, return on assets (RoA) and capital adequacy – fall below a threshold. It leads to restrictions on payment of dividend, setting up new branches, fresh hiring, etc., to restore the bank's health. The RBI has put 11 out of 27 PSBs – which together account for three-fourth of the banking assets – under the PCA framework.

But can the RBI's care help these banks get back into health? Considering that the first bank to go under the PCA, United Bank of India (UBI), in 2014, is still not fit enough to be discharged from the RBI's critical care, the answer cannot be a clear yes. Similarly, three years ago, the RBI had triggered corrective action on Chennai-based Indian Overseas Bank. The bank is still unsure when it will get to exit as its performance parameters are still in the red (See *The PSB XI*).

Alarming Situation

The situation is gradually slipping out of the RBI's hands. Last week, it put harsh restrictions on two PCA-referred banks, Dena Bank and Allahabad Bank, after their finances further deteriorated. Under the PCA framework, the RBI has discretionary powers, which start with milder sanctions and can even lead to punishing restrictions such as directing the bank to halt lending. Dena Bank, for instance, has been told not to do fresh lending. There are also restrictions on fresh hiring. Allahabad Bank, too, has been asked not to raise costly deposits, invest in non-banking assets or lend to borrowers with high risk.

This is just the tip of the iceberg. Three more large PSBs, with total balance sheet size of close to ₹20 lakh crore, are expected to come under the PCA. The critical parameters of New Delhi-based Punjab National Bank have reached PCA threshold levels after the alleged ₹11,000 crore Nirav Modi fraud. It reported a net loss of ₹12,282 crore in 2017/18 with gross non-performing assets (NPAs) at 18.38 per cent of advances at ₹86,620 crore and capital adequacy ratio of 9.20 per cent as against the RBI threshold of 9 per cent. The RoA is minus 1.60 per cent. Mumbai-based Union Bank of India is another likely PCA candidate. For

RBI'S MENU FOR CORRECTIVE ACTION

A combination of doses that might work

- **Directing special audit**
- **Review of business model**
- **Restructuring of operations**
- **New management and board**
- **Restrictions on managerial compensation**
- **Restrictions on investment in subsidiaries**
- **Sale of non-banking assets**
- **Avoiding high-risk assets and sectors**
- **Reducing NPAs, improving recoveries**
- **Avoiding unsecured loans**
- **Restrictions on staff expansion**
- **Raising of additional capital**
- **Restrictions on dividend payouts**

The PSB XI

Banks under the PCA framework and their financial position

BANK OF INDIA
Under PCA since Dec '17

BALANCE SHEET: ₹6.27 lakh cr

NET LOSS:
-₹2,341 cr

GROSS NPAs:
₹64,249 crore
16.93% of advances

RETURN ON ASSETS: (-0.40)

CAPITAL ADEQUACY: 12.05%

IDBI BANK
Under PCA since May '17

BALANCE SHEET: ₹3.61lakh cr

NET LOSS:
-₹2,575 cr

GROSS NPAs:
₹50,621 crore
24.72% of advances

RETURN ON ASSETS: -1.03%

CAPITAL ADEQUACY: 11.93%

2017/18, it reported a net loss of ₹5,247 crore, gross NPAs of ₹49,369 crore, almost 15.73 per cent of advances, capital adequacy ratio of 11.50 per cent and RoA of minus 1.07 per cent.

A Bit Overaggressive

Over the last few years, banks, including the private sector ones, have been under huge pressure due to deteriorating asset quality, poor credit off-take and overleveraged companies. This hit PSBs more because of their high reliance on corporate lending and higher exposure to troubled sectors such as infrastructure, power, steel and textiles. PSB bankers say the RBI did not help and instead sought higher provisioning for NPAs. The measures included asset quality review under which the RBI asked banks to make provisioning for stressed accounts (not necessarily NPAs in their books) as if they were NPAs. The up to 50 per cent provisioning for companies referred to the National Company Law Tribunal under the new Insolvency and Bankruptcy Code (IBC) also worsened the financial position of banks. The recent move to scrap all restructuring schemes such as corporate debt restructuring, strategic debt restructuring, S4A and 5/25 – and making IBC the overarching framework for debt resolution and bankruptcy – is pushing more assets into bankruptcy. Apart from this, there are quite a few power projects that are a fit case for liquidation. In liquidation cases, banks have to make 100 per cent provisioning. Given the RBI's plan to resolve every NPA case under the IBC, there is a likelihood of banks having to make a total provisioning of over ₹4 lakh crore in the coming years. Banks are expected to continue reporting massive losses in 2018/19, too.

BANKS MAY HAVE TO DO PROVISIONING OF ₹4 LAKH CRORE IN COMING YEARS

"Increase in provisioning will hurt profitability. Weak PSBs, in particular, will continue to report losses," said a recent Moody's Investor Service report. The report pointed at a silver lining, too. "The near-term impact of this will be largely offset by planned capital infusion from the government," Alka Anbarasu, Vice President and Senior Analyst at Moody's, said in the report. The government has allocated ₹2.11 lakh crore through budgetary support, recapitalisation bonds and equity raising for PSBs for the next two years.

The government is being magnanimous as this is an election year and PSBs play a big role in the social sector. It is also talking about asking the RBI to ease the PCA framework a bit. The government is also concerned about credit flow to SMEs and MSMEs where few players apart from PSBs lend. But experts say the government and the RBI need to do more. "The is-

INDIAN OVERSEAS BANK
Under PCA since Oct'15

BALANCE SHEET: ₹2.47 lakh cr

NET LOSS:
-₹2,692 cr

GROSS NPAs:
₹33,267 crore
21.95% of advances

RETURN ON ASSETS: -1.45%

CAPITAL ADEQUACY: 9.47%

CENTRAL BANK OF INDIA
Under PCA since Jun '17

BALANCE SHEET: ₹3.33 lakh cr

NET LOSS:
-₹2,991 cr

GROSS NPAS:
₹32,490 crore
18.08% of advances

RETURN ON ASSETS: -1.25%

CAPITAL ADEQUACY: 7.87%

ORIENTAL BANK OF COMMERCE
Under PCA since Oct'17

BALANCE SHEET: ₹2.53 lakh cr

NET LOSS:
-₹4,221 cr

GROSS NPAs:
₹27,550 crore
16.95% of advances

RETURN ON ASSETS: -2.21%

CAPITAL ADEQUACY: 10.37%

sue is relaxing the stringent provisioning requirement for IBC cases and not forcing banks to take companies to IBC. This judgment [whether to take a company to the NCLT] should be left to PSBs as there are ways to resolve a bad asset out of IBC," says a consultant with a Big Four accounting firm.

With more than half the PSBs under PCA, loans to the corporate sector have substantially dried up. With PSBs vacating the space, private banks with sufficient capital are lending to companies, though cautiously. "We are selective. Wherever there are good clients, we are doing refinancing," says a corporate head of a private bank.

The Way Forward

The immediate option for PSBs is to step up recovery efforts by using the IBC. Retail banking is another area where PSBs can scale up operations, both by expanding the existing basket and exploring new products. Today, private sector banks are expanding retail banking at a fast pace, which is making up for losses on the corporate side. Retail banking areas such as consumer durables financing and affordable housing also offer scope for growth. There is also a huge potential for increasing fee income. Treasury is another area they can look at. Many have non-core assets which can be sold. For example, IDBI Bank, one of the 11 PCA-referred banks, plans to raise ₹5,000 crore by selling non-core assets.

There are also long-term solutions for which the government will have to move fast. The Bank Boards Bureau (BBB), set up to improve governance at banks and selection of top management, including boards, has completed two years but has not been able to come up with a future road map. "We need to have a long-term strategy for PSBs. This includes clear capital infusion plans and governance and human resources reforms," says A.K. Khandelwal, former chairman of Bank of Baroda who was also a BBB member.

While the government has made some progress in banking reforms, such as splitting the post of chairman and managing director, PSBs have done little for inducting specialists from technology, risk management and cyber security fields on boards. Bankers say they are implementing a reforms agenda decided by the Indian Banks Association and the government, which includes digitisation and human resources reforms. But they will have to move fast and take some risks. The competition from fintech players and payments and small finance banks is already staring at them. PSBs, say industry exports, should engage more with fintech players and use financial services aggregators to market their products.

If things don't improve, there will be a need for drastic measures such as merger of PSBs to create five-six large banks of global size. BT

@anandadhikari

UNITED BANK OF INDIA
Under PCA since Dec '17

BALANCE SHEET: ₹1.41 lakh cr

NET LOSS:
-₹1,193 cr

GROSS NPAs:
₹13,720 crore
20.10% of advances

RETURN ON ASSETS:-1.14%

CAPITAL ADEQUACY: 10.98%

DENA BANK
Under PCA since Jun'17

BALANCE SHEET: ₹1.29 lakh cr

NET LOSS:
-₹697 cr

GROSS NPAs:
₹14,168 crore
19.56% of advances

RETURN ON ASSETS: 0.77%

CAPITAL ADEQUACY: 11.48%

BANK OF MAHARASHTRA
Under PCA since Jun'17

BALANCE SHEET: ₹1.59 lakh cr

NET LOSS:
-₹597 cr

GROSS NPAs:
₹18,128 crore
19.05% of advances

RETURN ON ASSETS:-1.53%

CAPITAL ADEQUACY: 11.29%

UCO Bank
Under PCA since May'17

BALANCE SHEET: ₹2.31 lakh cr

NET LOSS:
-₹2,302 cr

GROSS NPAs:
₹25,382 crore
20.64% of advances

RETURN ON ASSETS: -1.29%

CAPITAL ADEQUACY: 9.01%

ALLAHABAD BANK
Under PCA since Jan'17

BALANCE SHEET: ₹2.37 lakh cr

NET LOSS:
-₹1,164 cr

GROSS NPAs:
₹23,260 crore
14.38% of advances

RETURN ON ASSETS: -0.65%

CAPITAL ADEQUACY: 11.27%

CORPORATION BANK
Under PCA since Dec'17

BALANCE SHEET: ₹2.47 lakh cr

NET LOSS:
-₹2,215 cr

GROSS NPAs:
₹21,817 crore
15.92 of advances

RETURN ON ASSETS:-1.20"%

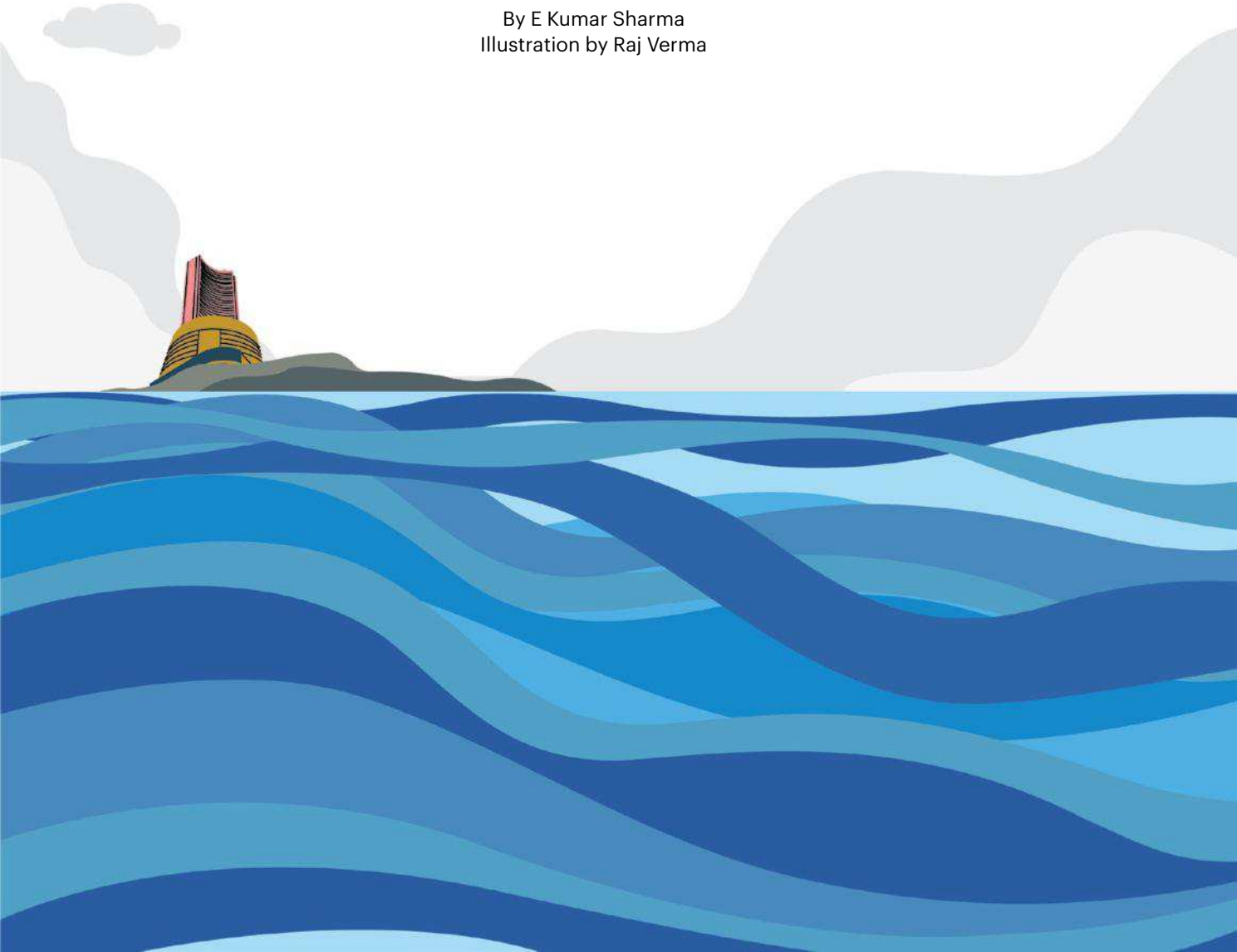
CAPITAL ADEQUACY: 10%

Figures for 9-month ending Dec '17
Balance sheet figure for 2016/17
Source: BSE and banks

BUSINESS BEYOND WEALTH

The rise of family offices is redefining how rich and famous Indian business leaders manage personal wealth and other family matters.

By E Kumar Sharma
Illustration by Raj Verma



THE NUMBERS are staggering. The uber rich and famous in India may be sitting pretty with a combined investible wealth of some ₹10 lakh crore. Managing the dollops of cash of this class is a task. Indeed, delivering stellar returns that beat the luxury inflation rate (usually higher if not double the Consumer Price Index) is becoming a specialised affair. Every rupee invested creates a big impact for investment decisions are often accompanied with the endorsement of business veterans.

It cannot be ignored that these Ultra High Networth Individuals (UHNWI), each with investible funds of anywhere between ₹200 crore to ₹300 crore, depending upon how you measure it, are a growing tribe and already quite sizeable.

Consider an important finding of the Credit Suisse Research Institute's Global Wealth Report 2017. Only a small fraction of the population in India (just 0.5 per cent of adults) have a net worth of over $100,000 but, given India's size, even this small percentage translates into 4.2 million people. Equally significant is the finding that the country has 340,000 adults in the top 1 per cent of global wealth holders.

So, how do these people, many of them founders of companies, handle this personal wealth that they have assiduously built? How do they ensure that it does not get eroded and is not just preserved and grown but also smoothly transferred to the next generation? All of this, while also keeping intra-family disputes at bay. This is best done by setting up family offices, a class of entities that have emerged and grown in India over the past decade.

340K

Indians in the top 1 per cent of global wealth holders

Rise of family offices

So, what exactly is a family office? A true-blue family office manages a business family's matters end to end. Gopal Srinivasan, Chairman and Managing Director of TVS Capital Funds, a mid-cap growth equity fund, points out that a classical family office is actually a six layered operation. It includes a wing that deals with the family business and is responsible for corporate actions, participation of the family in boards and business councils, decisions on investment and divestments of the holding company. The second division deals with succession and management and deals with all the legal issues related to planning and succession. Then, it is tasked with grooming and onboarding of the next generation, and career planning for them. Another role is family wealth management. They also help promoters take a call on new business ventures and, finally, offer sundry services to the family such as travel or education.

"Today in India, the family offices are still very investment-oriented but there are families grappling with larger succession issues, which is why they create a family office and that family office then helps to establish a family board, create a family constitution so that the values of the family are preserved. In the constitution, it spells out how conflicts, in case they arise, are resolved," says Soumya Rajan, Founder, Managing Director and CEO of Waterfield Advisors, a leading multi family office. Srinivasan adds, that only the top 20 or 30 richest business

LEADING SINGLE-FAMILY OFFICES

There are between 100 and 200 Single Family Offices. Here are some of the leading ones

CATAMARAN VENTURES
Family office of NR Narayana Murthy

Invested in healthcare, pharmaceuticals, education technology, insurance, retail and e-commerce

BURMAN FAMILY HOLDINGS
Burman family (Dabur) office

Investments by Anand Burman into Fortis or Gaurav Burman into Taco Bell and other start-ups

RNT ASSOCIATES
Personal investment vehicle of Ratan Tata

Investments in OLA, Urban Ladder, Paytm, Snapdeal, CarDekho

PREMJIINVEST
Family office of Azim Premji

Industry estimates that it has position in over 40 listed and unlisted companies and exposure to a broad range of sectors, including retail, financial services, healthcare, IT and hospitality

UNILAZER ALTERNATIVE VENTURES LLP
Family office of Ronnie Screwvala

Acts as a private equity and venture capital firm. Has invested in Lenskart, Zivame, ShopClues, among others.

families – with wealth of over ₹10, 000 crore – have full blown family offices. It's the wealth management of the promoter family that is seen to be their primary responsibility in India. Azim Premji, founder of Indian IT giant Wipro, is believed to have the biggest family office in India – PremjiInvest – but *Business Today* could not independently verify this. Officials at PremjiInvest declined to comment but conversations with informed sources and media reports reveal that it indeed is perhaps the largest of its kind, managing around $12 billion, or nearly ₹80,000 crore. It hit the news headlines following the Walmart-Flipkart deal, where it emerged as a major beneficiary thanks to its early investments in Myntra, which later got acquired by Flipkart.

Similarly, a major chunk of Sunil Kant Munjal and Anand Burman's investments into Fortis Healthcare is their family office money. This is, therefore, being seen as the coming of age of an alternative source of capital for new ventures. What's more, family offices are patient and willing to provide long–term stable resources to build businesses. Plus, it comes with strategic investors who are willing to give companies more runway to perform well. And the good news: Expect more of this to happen, say family business experts. "We see this as a growing trend, where patient family office capital, unlike capital from a fund which has a finite investment

period, will come in to support the creation of long term sustainable businesses," says Soumya Rajan. As for the family office landscape, she explains, "In terms of true-blue single family offices, there would be about 50 of them and to this if you include those that also have funds, then the number could be around 150 to 200." Of course, not all investment decisions by family offices pay off. For instance, PremjiInvest burnt its fingers with Subhiksha, the Chennai-based retail chain, where it invested and lost in 2008. But the experience would have greatly helped it to refine its processes and learn what not to do.

Family offices exist broadly in two formats. 'Single family offices' that cater to the wealth of a single family. "Single family office makes sense when the wealth is sizable, often in excess of $150 million. Otherwise the costs of maintaining the office might be more than the benefits that it provides," says Nupur Pavan Bang, Associate Director, Thomas Schmidheiny Centre of Family Enterprise at the Indian School of Business and someone who has spent years in trying to understand this space. The other format is the 'multi-family office'. These, she says, "cater to the needs of many families. They tend to be more cost effective as the costs are shared among many families."

$12 Bn

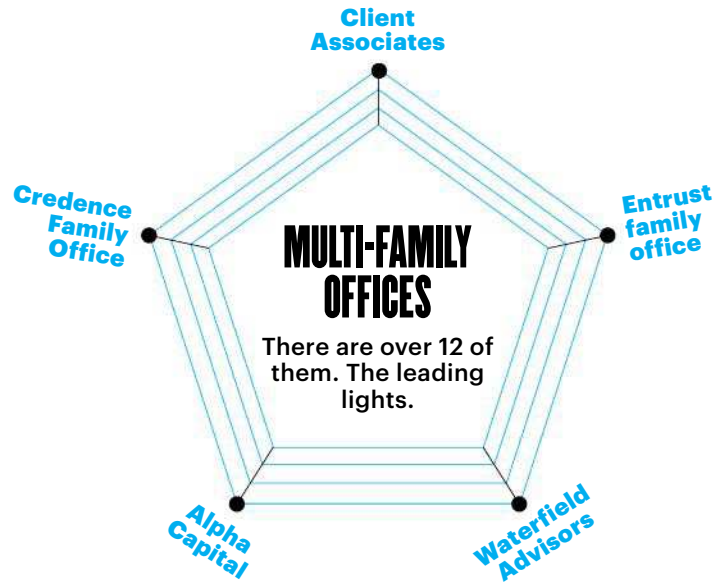
Funds managed by PremjiInvest

Not much is known about the pot of money that each UHNWI has and where his or her family office is parking it. Most family offices tend to be limited liability partnerships and families avoid discussing their personal wealth in the open or how they are putting their money to work and managing internal affairs. However, some broad trends in terms of investment options and the scale of wealth are apparent. T. V. Mohandas Pai, co-founder of Aarin Capital, and one who also played a key role in the growth of Infosys into an Indian IT bellwether, estimates that ₹10 lakh crore is the investable funds with UHNWIs. It seems in line with various other estimates. Considering that some studies put the number of UHNWIs in India at over 2,000, which even at a conservative level of $50 million (about ₹300 crore) each, would translate to around ₹7 lakh crore. Drawing an analogy from the trends in the US, he says: "In the US, people founded companies, put their capital, raised investment, became founder managers then got professionals and became board members and then started divesting and recycling capital. We are seeing a similar trend in India, started by the IT industry where founders have built companies, then stepped down, sold part of their stake and set up family offices with large capital."

Capital allocation holds the key

Pai, who along with doctor turned entrepreneur Dr Ranjan Pai has a family office in Aarin Capital, says a family office must be about capital allocation depending on the family's risk appetite and not about investment. Investments are best done by those who have the expertise to do it, he points out. "My son Pranav Pai told me we have invested in 31 funds. We invest in funds managed by others because management of investments is a major task that requires high energy, focus and is a specialised activity. I see capital allocation as the prime job of a family office." Pai adds that "start ups are one of the investment options that family offices look at and this is because they can give a good return and are disruptive. It is an asset allocation issue." But then, it's one of the options and, according to Pai, last year, "start-ups raised $13 billion globally but not more than 10 per cent of funds or about a billion dollars is from India and coming from individuals, Indian funds, angels or family offices"

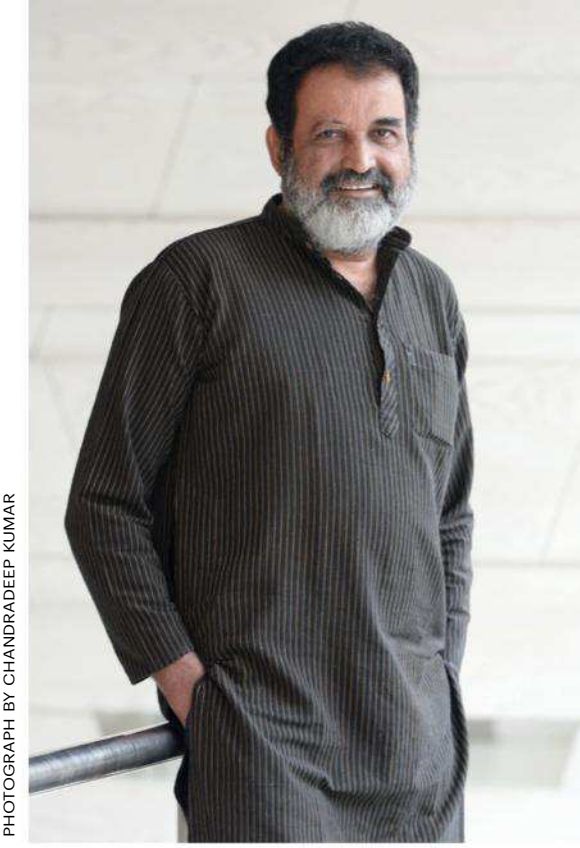
Rajan's Waterfield Advisors today deals with 40 families out of 7 locations through offices in Delhi, Mumbai, Chennai and Bengaluru, with 38 employees managing assets worth $2.5 billion. She sees family offices "as a safe harbour where families can discuss sensitive issues which then helps to preserve the fam-



PHOTOGRAPH BY HARSHA VADLAMANI

"Single family office makes sense when the wealth is sizeable, often in excess of $150 million. Otherwise the costs might be more than the benefits"

Nupur Pavan Bang,
Associate Director, ISB



PHOTOGRAPH BY CHANDRADEEP KUMAR

"Start-ups are one of the investment options that family offices look at and this is because they can give a good return and are disruptive"

T.V. Mohandas Pai,
Co-founder, Aarin Capital

ily legacy and the family wealth." As family offices mature, governance standards become better with more professionals brought in to lead. India has, in Rajan's view, seen some great examples of families that have professionalised operations of the companies they promoted and successfully segregated ownership and management. She cites the example of Asian Paints which has unrelated promoter families or that of the Burman family (of Dabur) and the Murugappa family apart from a few others. Rajan therefore reminds that the need for a family office is linked to the purpose that the promoters want it to serve. As is apparent, the focus of the families cited above would be more around the dealing with , continuinity of the family legacy and responsibly managing family wealth. Whereas others, such as Sunil Kant Munjal or the Patni family for instance, who exited an operating business and have investible funds would want the family office to be an investment platform.

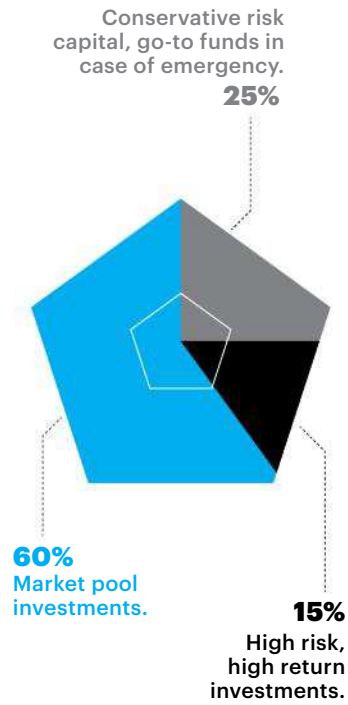
One of the big problems with family businesses in India is the challenge of segregating business and personal assets. It is for instance, not uncommon to find that in some mid-size families the CFO in the company is also managing the personal wealth. That needs to change with more professionals and advisors specifically advising the business owners on family matters because the complexity of issues they need to deal with today have changed. Regulations are also getting a lot tighter and promoters need to be on the right side of the law and not take chances.

So, how is the wealth of the rich put to work and how much returns do they expect? Most family offices, as is apparent, aim to keep the families satisfied with a post-tax return of at least between 10 to 12 per cent on their overall investment corpus. "It is essentially superior economic returns that we are proud of and work hard for. But along with the returns, we need to ensure the team is getting better, learning more about the companies it is investing in," says K. G. Lakshminarayanan, Director at Cata-

maran Ventures, family office of NR Narayana Murthy. Ask him about Catamaran's big achievement and he says: "Our team size has expanded, we have understood more about the companies we invest in, set up Anviti, a new insurance and reinsurance broking company. Then, the partnership with Amazon (to help small and medium businesses get online and tap into online customers) is doing well." But then, how is the wealth invested by family offices? On what basis are investment decisions made? "We keep it simple. We look at exceptional businesses in the listed and unlisted space that are run by capable and ethical managers, have a long runway ahead and creating tremendous value to the end markets they serve," he says.

It is apparent that investment needs careful analysis. Typically, as *Business Today* gathered, investments tend to get segregated into three categories. One is the conservative risk capital, which, Rajan describes as the "family's go-to money in the event of a major financial collapse or if a black swan event happens. This is the pool of capital that the family can fall back on and could be in the form of a sovereign debt, tax free bonds or fixed deposits or other such investments that are extremely safe." This would typically make up for about 25 to 30 per cent of total portfolio. About 15 per cent of the total kitty is at the other end of the investment spectrum. That is, if there has to be 10 to 12 per cent post tax return on the overall portfolio then you need to have investments that are giving you 16 to 20 per cent return. This could be in venture capital, private equity, angel and seed investment space. That can give exponential returns over a 7 to 10 year period. It may not be more than 15 per cent of the overall portfolio of a family office. The balance or the remaining funds – about 60 per cent of the total kitty – sits in what is called the market pool. This could be in listed equities, fixed income, all products that are mark-to-market investments. Here, they need to beat luxury inflation for these are people who invest in high end cars, jewellery and lifestyle holidays.

HOW THE RUPEE IS DIVIDED



Risk Monitoring

Family offices typically monitor investments and advice families on when to stay put and when to exit. For instance, Soumya Rajan gives the example of the recent Punjab National Bank fraud and says that family offices were also exposed to the fallout because various mutual funds were holding the bank's stock and debt. "At Waterfield we quickly started taking stock of the developments and assessing the risks that our families could face and see how to ringfence their investments from such external risks and shocks," she says.

So, what is the way ahead? "Our aspiration is to be a pre-eminent, globally respected investment firm that even global investors would reach out to for help to either understand aspects of a sector or specific companies," says Catamaran's Lakshminarayanan.

Clearly, family offices would gain heft over the next few years. BT

@EKumarSharma

PHOTOGRAPH BY RACHIT GOSWAMI

"Family offices are still investment-oriented but there are also those that have been created to deal with larger issues of succession"

Soumya Rajan, Founder, MD and CEO, Waterfield Advisors

सत्यमेव जयते

Ministry of Corporate Affairs
Government of India

(Competition Commission of India)
Appointment of Chairperson

Ministry of Corporate Affairs, Government of India, New Delhi invites applications from Indian Nationals for the post of Chairperson in the Competition Commission of India. Chairperson shall be paid a consolidated monthly salary of Rupees four lakh fifty thousand only. He shall not be entitled to house and car.

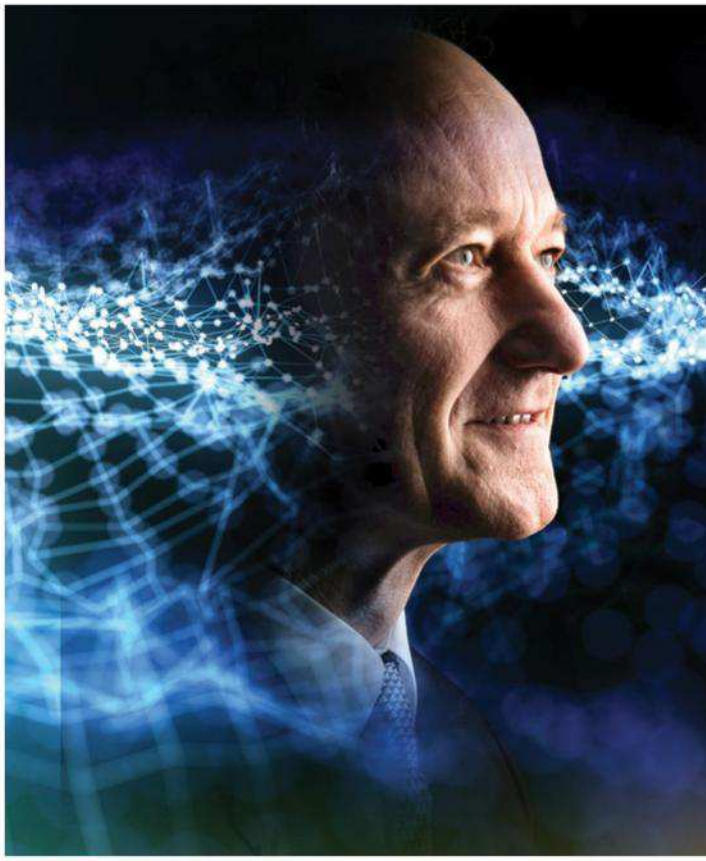
For application format, eligibility conditions, requisite qualifications and other details, log on to Ministry's website www.mca.gov.in, the Commission's website www.cci.gov.in or Department of Personnel & Training's website (http://persmin.nic.in).

Applications in the prescribed format, duly completed should reach Shri G. Vaidheeswaran, Deputy Secretary, Ministry of Corporate Affairs, Room No. 515, 'A' Wing, 5th Floor, Shastri Bhawan, Dr. Rajendra Prasad Road, New Delhi-110001 latest by 02nd July, 2018 (5:30 PM).

"MAKE IN INDIA STILL HAS A LONG WAY TO GO"

Dr. Roland Busch, Chief Technology Officer and Member of the Managing Board of Siemens AG, since 2011, was in India recently to kick-start Siemens' digital solutions for Indian industries. The 53-year-old Busch, heading the Corporate Research and Development Department of Siemens AG as project head since 1994, spoke with P.B. Jayakumar on the changing manufacturing scenario and plans for India. Edited excerpts:

PHOTOGRAPHS & IMAGING BY RACHIT GOSWAMI



You have been associated with the operations of Siemens India and have been working in Asia for a long time. How do you view the changes in India?

A: I have been on the Board of Siemens India for over seven years and have been coming here very often. I know India and love it. India is a very fast-developing country, though there are challenges for big development. That is witnessing an improvement. The speed of development over the past few years has been high. I believe that 'Make in India' will help increase the share of industrial GDP from 15 per cent to over 25 per cent with value-added products and services. That is on its way and still a long way to go, but it has gained momentum. We see good progress, but still a long way to go, is my assessment.

Siemens digitised the facility at Kalwa, Mumbai, to make it a showcase factory. Artificial Intelligence, Internet of Things, 3D printing, robotics, etc., are buzz words in manufacturing. How are these technologies evolving across the globe important for developing economies like India?

The digital industry 4.0 scenario is fast evolving and changing the global manufacturing scene. Powerful digital technologies have opened the door to affordable mass customisation. This has caused companies to take a fresh look at their manufacturing technologies. It mainly revolves around unlocking the potential to drive productivity, shorter time to market and creating customised products and smart solutions. The Adidas speed factories in Germany and the US, for example, can not only give completely customised shoes designed to specifications given by the customer online, but also get the product much faster to the market compared to conventional manufacturing and marketing channels.

The key to success in the digital era is speed and scale, improved reliability and developing new business models. It is an ecosystem involving connected devices, additive manufacturing, autonomous robotics, predictive maintenance, blockchain applications, connected (e)mobility, cyber security, data analytics, artificial intelligence, distributed energy systems and storage which are all applicable to any business. We at Siemens have invested heavily in the past to create solutions for digitisation across industries and verticals.

In a fast-growing economy like India, digitisation is fast catching on. More and more managements are now realising its potential. Currently, we are working with over 150 customers in India on 100-plus projects across industries that range from pharma to cement to energy companies. Over 2,500 engineers are working on these projects.

How disruptive are these digital technologies and how are they going to change the world?

In 2017, Siemens spent €1.2 billion for research and development in digital business, and now we employ 24,500 software engineers. In health care, we have developed an ultra-fast and flexible diagnostics platform Atellica. We also have an innovative platform for premi-

um-class mass transit named Mireo. Some of the innovations that we developed in-house include 3D printing of gas turbine blades, NX for additive manufacturing. Apart from this, we are collaborating with partners and have made an investment of €500 million in developing new technologies. There are many examples on benefits of digital solutions in various sectors.

The smart power grids installed in Jacksonville in the US with Advanced Metering (65,000 meters) helped save $1.6 million in 18 months. Use of artificial intelligence for maintenance of gas turbines has meant 30 per cent longer maintenance intervals and 16 per cent lower costs for customers. Bank company Capital One monitors 20-plus office buildings, and based on 14 million data records per week, there was 10 per cent improvement in energy efficiency. Predictive maintenance with optimised maintenance, smart monitoring and obsolescence management helped 70 Vectron locomotives of the North-East Corridor high-speed passenger service in the US reduce delays by 33 per cent. The Museum Victoria in Melbourne is an example of optimised building performance with reduction of operating costs by 32 per cent and CO2 emissions by 35 per cent. We have deep domain know-how in a broad range of markets and industries and a powerful ecosystem of unmatched digital portfolio with MindSphere, software, services and security to serve the customers.

It is widely believed that traditional industries with conventional manufacturing processes will have a difficult time ahead. Will it lead to job losses and large scale automated manufacturing?

I don't subscribe to that theory. At our factory in Hamburg, Germany, the headcount at one of our facilities has remained flat at around 1,200 for the past so many years, but output has increased eight-fold, through digitisation. In the industry 4.0 scenario, employees have to adapt to new skill sets and retrain themselves. We have spent over €500 million for training employees. New age manufacturing will involve more IT-oriented functions and that can open up new avenues of jobs and opportunities. In other words, it can create new jobs.

How far are the Indian operations of Siemens ready to leverage this changing scenario and opportunities?

Off-hand I don't remember the India numbers, but can say Siemens has been investing heavily in digitisation. Our global revenue in digital businesses was €5.2 billion last year, including €4 billion from software and €1.2 billion from digitalisation. Siemens is among the top 10 biggest software companies worldwide. We have invested more than $10 billion in software acquisitions since 2007. Starting in 2017, Siemens has opened 20 MindSphere Application Centers worldwide. At these centres, in cooperation with customers, Siemens develops industry-specific digital solutions for data analysis and machine learning with special focus on MindSphere, Siemens' open, cloud-based operating system for Internet of Things. We have over one million connected devices and systems now and in the last one year doubled the number of customers (over 2,900) and increased digital offerings to more than 250.

In India, the opportunities are not confined to traditional areas like pharmaceuticals or chemical companies. A lot of activity is happening in food and beverages, mobility (highways, ports, high-speed trains, metros, etc.), aviation, defence, smart cities. Siemens has launched its digitalisation platform, 'Mindsphere', in India, along with four application centres in Pune, Noida and Gurgaon (two). At the four centres, around 900 software developers, data specialists and engineers work together with customers to develop digital innovations for data analysis and machine learning. We have invested heavily in the past in India to leverage the opportunities. India is very important for us in the scheme of things and we will continue to invest further. BT

@pb_pbjayan

GO

GAINING TURF

FUTSAL TURFS, OR MINI-FOOTBALL GROUNDS, ARE PIQUING THE INTERESTS OF SPORTS ENTHUSIASTS, INVESTORS AND ENTREPRENEURS IN INDIA.

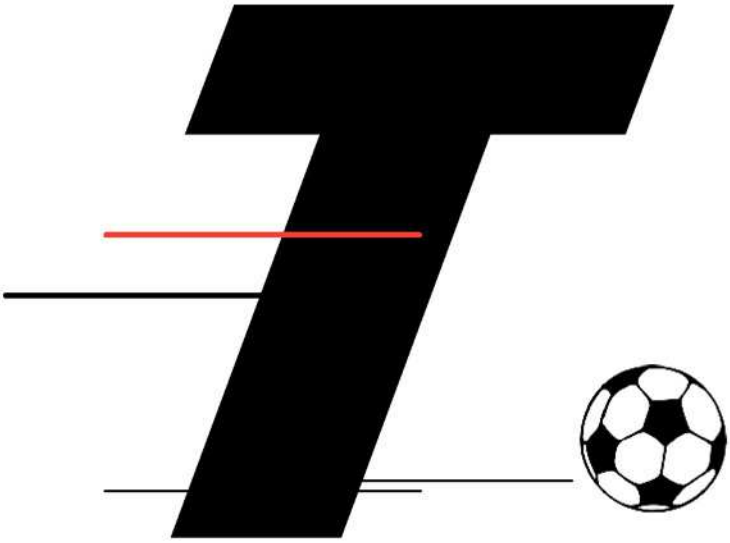
BY K.T.P. Radhika

PHOTOGRAPH BY Lantern Camera

←

Rakshith Mohan

Founder, Krieda Sports Infrastructure



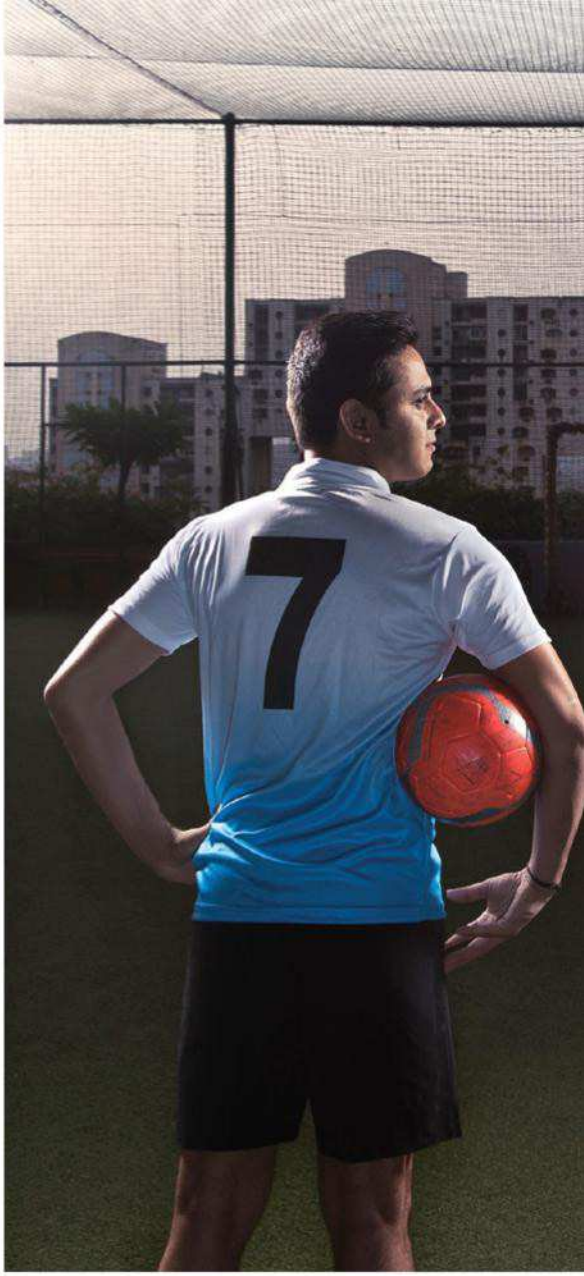
HERE WAS A DEAFENING cheer when legendary FIFA World player Ronaldinho entered the NSCI stadium in Mumbai. And when Paul Scholes and Ryan Giggs joined in, the crowd went berserk. The second edition of Premier Futsal had all the fervour of an international tournament; except, it was being played on a smaller turf, for a shorter time and between domestic teams. Given the popularity of football in India, and the love for short-format sports, futsal has hit a home run. The inaugural edition of the tournament was watched by 13 million viewers. And the passion is spreading on the ground, too.

"The futsal trend really picked up pace three-four years ago as the Indian Super League (ISL) and the Premier Futsal League started getting popular," says Sudhakar Raja, CEO of Chennai-based Howdy Ventures, a sports networking platform. These global football superstars signing up for such created a buzz among football enthusiasts in India. "The extra glamour helped futsal grab attention nationwide," Raja adds.

Futsal has become a convenient sport for football enthusiasts who are hard-pressed for time, space and players. For the uninitiated, futsal simply is mini-football. It is played five-a-side as against the 11-a-side format of football. A futsal turf (or arena) typically measures 5,000 sq ft or more (going upto 10,000 sq ft), as against a football pitch that measures between 45,000 to 1,17,000 sq ft, and is made of synthetic grass that resembles the turf of a football stadium. Also, futsal is usually played indoors.

Football enthusiasts, such as Delhi-based media professional Dyutiman Basu, who are miffed at the lack of large playgrounds, requisite for the game, are pleased. Whether in Chennai, where he moved for higher studies two years ago, or Mumbai, where he works presently, Basu has found a futsal turf in "every nook and corner."

Unlike the big football stadiums or public grounds, futsal turfs are easier to access; a turf can be built even in a bustling urban neighbourhood. Besides, thanks to the small format, players do not have to scout for team mates to start playing. The game is not governed by too many rules either. These are some of the factors that have lured students and professionals to the game, kicking off a new sports market in India. Not just them, futsal is drawing in investors and entrepreneurs, too.



PHOTOGRAPH BY RACHIT GOSWAMI

***"CORPORATES USE THESE TURFS FOR CONDUCTING GATHERINGS** AFTER WHICH THEY MIGHT PLAY FUTSAL ON THE GROUND"*

Aniketh Nair

Co-founder of Mumbai-based A Team Sports

Money Spinner

"It is a low-infrastructure sport; like a T20

Akash Gambhir (L) and Aniketh Nair, co-founders of A Team Sports

version of football," says Nithyasree Subban, Co-founder, Premier Futsal League, a popular futsal league in India. It is usually played for 40 minutes with lesser number of people in futsal turfs; thus, ball contact for each player is very high. A lot of amateur players are taking to the game these days," she adds.

The futsal arenas (turfs), too, are a brisk business. These compact artificial grass turfs with security nets on all sides, with amenities such as drinking water, locker rooms and changing rooms, are mushrooming in the metro cities of Bangalore, Mumbai, Chennai, Hyderabad and Delhi. Many are strategically located near business parks, IT hubs, commercial properties, malls and rooftops of residential buildings.

The game is particularly popular among youngsters. And that, says Raja of Howdy, is where the moolah is. "While school and college-going youngsters are joining futsal academies to get trained, working professionals are taking to it as a recreation activity after office," he says.

K.K. Subeesh, a Bangalore-based IT professional, who regularly hits futsal arenas in the city after office hours, says that most

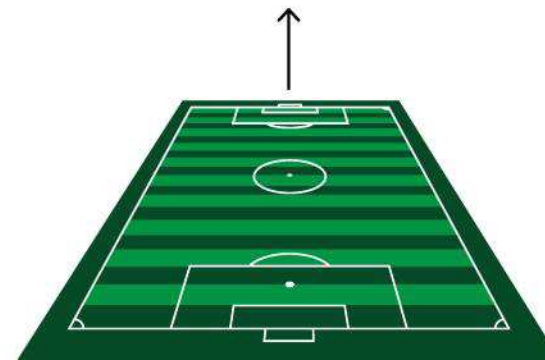
GET SET...PLAY

A futsal turf is usually rented by the hour depending on factors such as the city and the type of slot (prime or not). For example, an hourly off-prime slot on a weekday could cost anywhere from **₹1,000 to ₹1,500,** while on weekends, a prime slot could cost between **₹1,800 and ₹3,500.** The rental goes up as facilities increase and ground size expands.

$92 MILLION
brand valuation of Premier Futsal League, according to SMG Insight

13 MILLION
viewers watched the inaugural edition of Premier Futsal League in India, says media tech start-up ZAPR

$24.6 BILLION
size of the professional soccer market in Europe, according to a 2016 estimate



*"CURRENTLY, **THE INVESTMENT IN THE SECTOR IS PRIVATELY DRIVEN.** HOWEVER, WE WILL START WITNESSING MORE CONSOLIDATION IN COMING YEARS WITH MORE TECHNICAL ADVANCEMENTS"*

Nithyasree Subban
Co-founder, Premier Futsal League

big playgrounds in cities are inaccessible to the generic public. "Most of them are either owned by schools and colleges or are perennially crowded," he says.

Rakshith Mohan, founder of Bangalore-based Krieda Sports Infrastructure, a company that builds futsal turfs, says, "When we built our first futsal turf in 2014, there were only around eight turfs in Bangalore. Today, the city has more than 150 such grounds and most of them are doing good business."

Futsal arenas are profitable, compared to other sports ventures, because the initial investment is much lower. "Building an arena costs around ₹30-35 lakh, depending on the quality of artificial grass and the land. With approximately 35 hours occupancy per week, you can break even in about 16 months," says Mohan of Krieda.

The arenas require low maintenance as they are made of synthetic grass. "We just need to brush the court to level the rubber granules filled in between the grass," Mohan says. A Chennai-based futsal court that sees occupancy of seven to eight hours per day, on average, earns around ₹3 lakh per month in revenue. And with occupancy only slated to rise, there's money to be made here.

These turfs also double up as venues for multi-sports activities and corporate events. "Corporates use these turfs for conducting gatherings after which they might play futsal on the ground," says Aniketh Nair, Co-founder of Mumbai-based A Team Sports that has five turfs in the city. Its revenue stands at ₹4 crore, out of which around 65 per cent comes from futsal.

Several football academies, too, are leasing out futsal turfs on a yearly basis for a fixed number of hours to train their students. Chennai-based Mahogany Football Club, which has been training children for the past 12 years, has many of its centres on futsal turfs. "Out of our 13 centres across Chennai, eight are on futsal turfs. We see that a lot of children are interested in the game and are joining the training centres; this enthusiasm was reserved only for cricket earlier," says Joseph Vaz, Partner, Mahogany Football Club.

The distinct advantage in training on futsal turfs, according to Vaz, is that the risk of injury is low since they are made of artificial grass. Hence, children can try out different styles of defence without any safety concerns.

Futsal vs Other Sports

Sports enthusiasts are of the opinion that the interest in futsal will compel fans and businesses to look beyond cricket. In India, even though it is still early days, the revenue potential is promising. "The many sports leagues in the country and the growing penetration of futsal indicate how the Indian sports ecosystem is maturing to foster more creativity. With an 800+ million youth base, the opportunities for monetisation are ample," says Raman Kalra, Partner, PwC India - Entertainment & Media Sector Advisory Leader.

According to ESP Properties, sponsorship for football grew by a considerable **64 per cent** in 2017

The Indian sports sponsorship market was valued at ₹7,300 crore in 2017 according to ESP Properties, the entertainment and sports arm of GroupM and Sportzpower. Although cricket claims a lion's share of this, the sponsorship for football grew by a considerable 64 per cent in 2017. In its report The Business of Sports, released in 2016, KPMG states: 'Even if cricket continues to lead with 51 per cent share of sponsorships, leagues such as ISL are increasingly attracting sponsors and helping India become a multi-sports nation'.

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WHY FUTSAL IS POPULAR

Futsal turfs are easier to access; conducive for India's congested urban environment

Ideal stepping stone for youngsters looking to excel in football

Thanks to the small format, players don't need to pool in a big team; has minimum rules

Low risk of injury because it is played on artificial grass

The futsal "craze", sports aficionados believe, is here to stay. "It has gained much traction among children, as it allows them to develop better football skills – better leg skills and improve ball control," says Bhupesh Kumar, Secretary General, Futsal Association Delhi. More than 2,500 young players under its wing are waiting to play at state-level futsal leagues.

The coming together of sports and entertainment with relatively much lesser pressure on infra development also makes the financial viability of the sport relatively better, according to Kalra of PwC. "Like how IPL added the element of entertainment to cricket, making it faster, leaner and appealing, futsal, too, merges sports and entertainment," he says.

Future Goals

With rising popularity, futsal is also eyeing more investment. "Currently, the investment in the sector is privately driven," says Subban of Premier Futsal. The company claims to have invested around ₹120 crore in the past two seasons. Subban is hopeful that in the coming years, as the sport sees technical advancement and consolidation, the investment scenario will be upbeat.

A futsal turf typically measures around **5,000 sq ft or more** (up to 10,000 sq ft), and has **synthetic floors** that resemble the grass turf of a football stadium

According to Benu Dasgupta, Owner, Leisure Sports, a Kolkata-based sports management company, the game will be able to create a different market from football, if the ecosystem evolves. "Authorities and national bodies should come in and the franchise model has to develop," he says.

Premier Futsal, started in 2016, currently has six franchise teams. "Our team owners and investors are building the IP now and will start reaping benefits in the next three to five years," Subban adds.

Several business groups and companies are taking interest in entering the futsal market, according to industry sources. The All India Football Federation (AIFF), the governing body of football in India is, reportedly, planning to organise coach education programmes, futsal workshops and a Futsal Championship with the support of the Asian Football Confederation. In fact, it has informed FIFA that the Premier Futsal League is not recognised by AIFF and instructed all its affiliate units and registered players not to play in the league.

VCs and angel investors are eyeing the futsal infrastructure market in Mumbai, informs Nair of A Team Sports. Franchises of turf parks are expanding across metros – Pune-based Hotfut, which started in 2012, now has its franchises in Mumbai and Hyderabad, among other cities; Bangalore-based Gamechanger is planning to open facilities in Chennai, Hyderabad and Kerala soon; Mumbai-based Dreamsports is expanding to 16 turfs across the country.

"Currently only three to four per cent of our almost $5-billion sports industry is occupied by football. Football and futsal together have the capability of occupying 25 per cent of this market in 10 years, if things go well," says Raja of Howdy.

While the buzz around the sport has certainly kicked off, driving fan engagement by promoting the sport, the way IPL has, will be crucial for futsal to attract investments in the long term. BT

The writer is a Chennai-based freelancer

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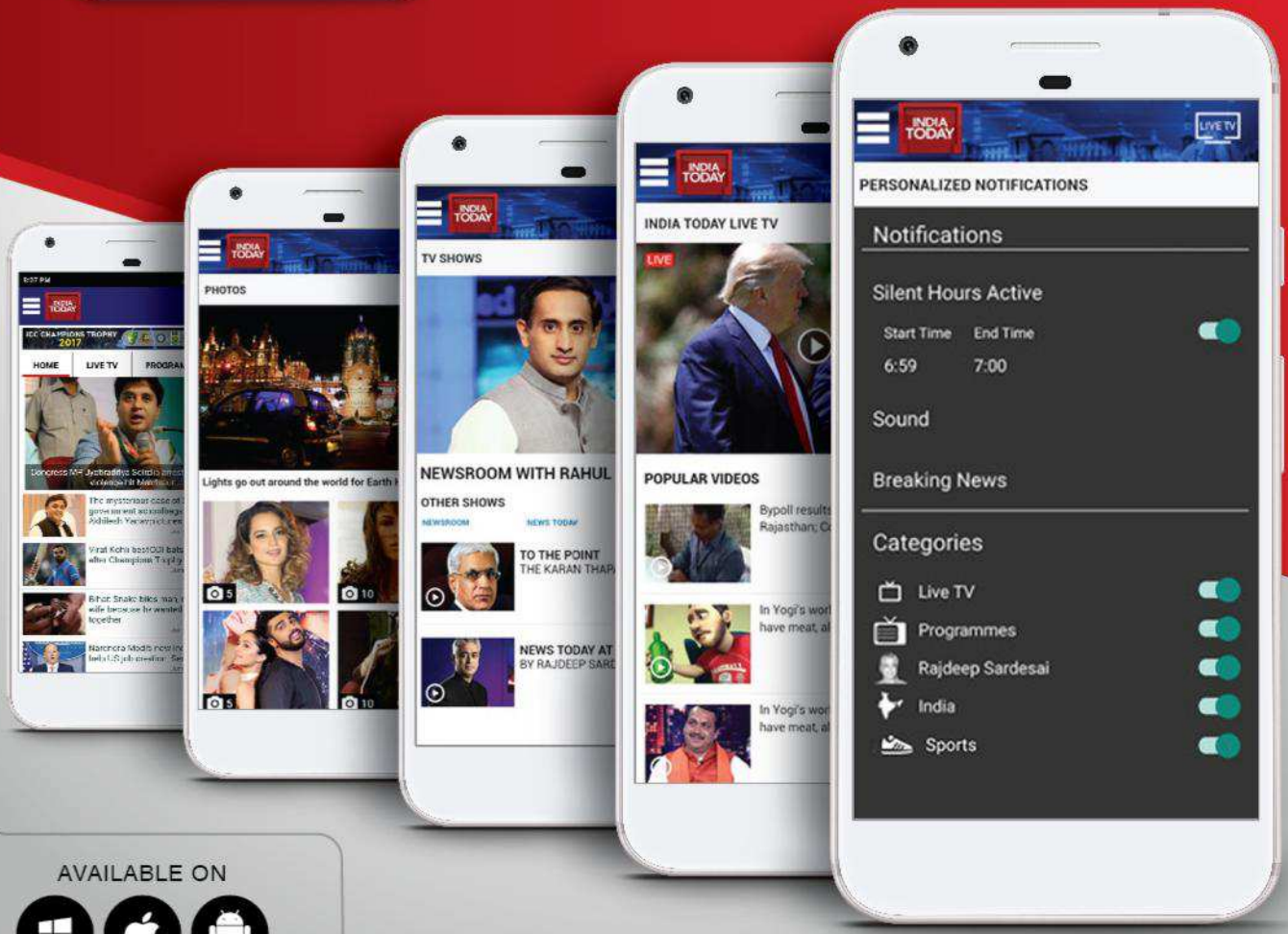

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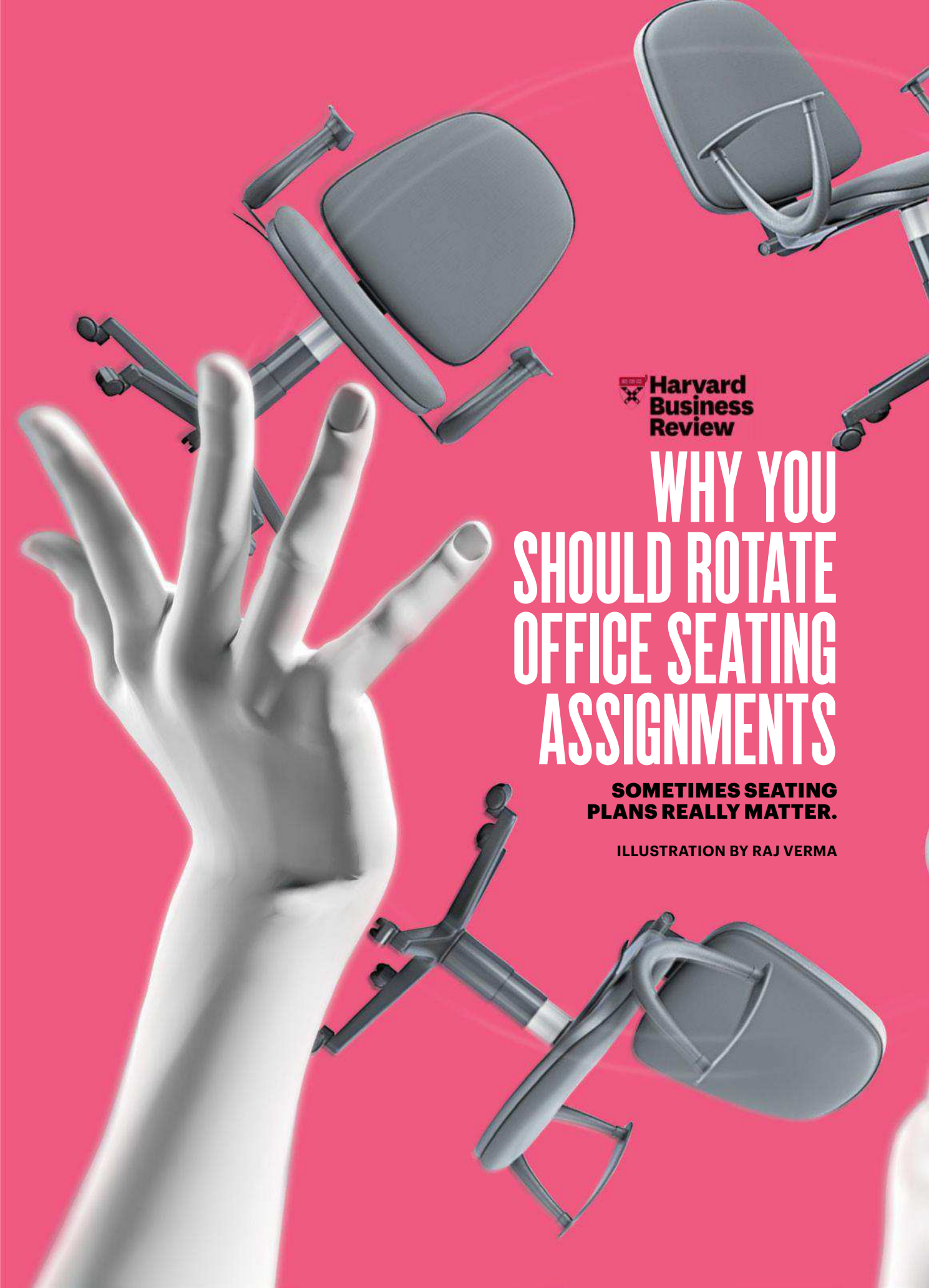


Harvard Business Review

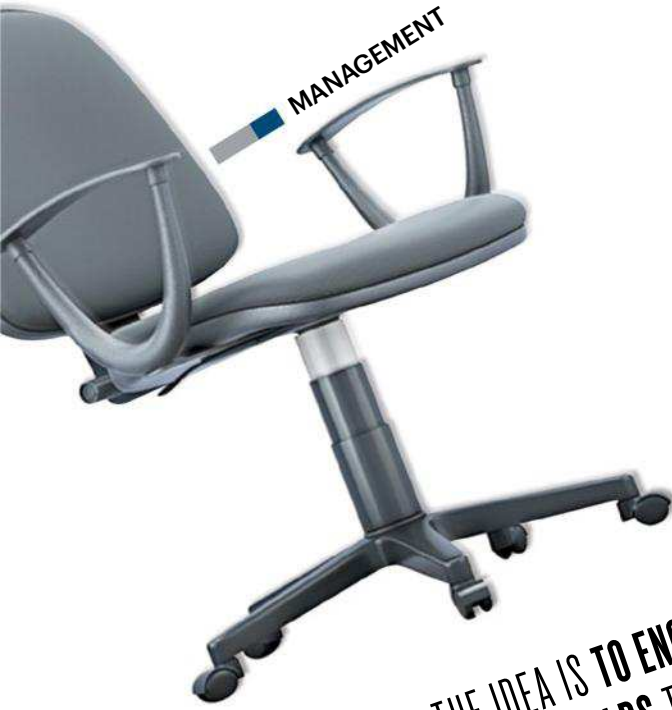
WHY YOU SHOULD ROTATE OFFICE SEATING ASSIGNMENTS

SOMETIMES SEATING PLANS REALLY MATTER.

ILLUSTRATION BY RAJ VERMA

WHEN CORPORATE WORKSPACES are reorganised, many employees view the process as nothing but a nuisance. Desks are cleared, boxes are packed, daily work is disrupted – for what, exactly? Design firms have long touted the benefits of such changes, promising that when people are able to circulate more freely and to randomly encounter different sets of colleagues, they're more communicative, collaborative, and creative. Some managers believe that too: When Steve Jobs was planning a new headquarters for Pixar, he famously located the large central bathrooms in the building's atrium, requiring employees to walk some distance to use the facilities – but creating unplanned "collisions" meant to spark innovation. Dozens of research studies have backed up these contentions. But the financial return on investment for office reconfigurations has been hard to prove – until now.

Sunkee Lee, a professor at Carnegie Mellon University, happened upon a "natural experiment" at a large South Korean e-commerce company that was moving into new headquarters. (The company requested anonymity.) In the old building, six teams of "merchandisers," tasked with sourcing and marketing flash deals for various product categories (electronics, baby, fashion, and so on) were seated in one area, while six other merchandiser teams sat in another one; the two groups were separated by a common entrance. Although the company wanted all the teams together in the new location, space constraints meant that nine of them were



THE IDEA IS **TO ENCOURAGE PEOPLE FROM DIFFERENT WORLDS** TO MIX AND MATCH IDEAS, SO THAT YOU COME UP WITH THE BEST FROM BOTH

situated in one open area and three in another, with a common entrance in between. The two spaces were identical in terms of decoration, lighting, equipment, distances between teams and workstations, and proximity to management, and they were very similar to those in the previous headquarters. Employees had no choice about where they sat.

Looking at 38,435 deals executed by 60 merchandisers over 200 days – 120 days before the move and 80 days after – Lee found that merchandisers in the area containing more teams sourced 25 per cent more deals from new suppliers, on average, than all merchandisers had sourced before the move. The deals weren't the result of collaboration; they marked a change in the quality of people's work. Lee characterises that change as a shift from "exploitation" (simply repeating offers that worked in the past) to "exploration" (coming up with new ideas). Perhaps more important, the daily deal revenue of each merchandiser sitting with previously unfamiliar colleagues was, on average, 40 per cent higher ($16,510 a day) than the merchandisers' premove average.

The increase in creativity – the shift to exploratory ideas – was statistically significant only for people whose experience sourcing deals at that organisation was above the median and who had no previous social ties to at least some of the colleagues in their new workspace. Lee offers this explanation: "Once you've learned enough about the area you specialise in, exposure to new people will make you more creative. In particular, physical proximity promotes trust and the exchange of valuable and novel knowledge between newly met peers. Given the ability to do so, you will recombine this new knowledge with your own to innovate."

Examples of the new products sourced include a rice cooker that plugs into a car (a combination of the living and leisure categories), earmuffs with a built-in Bluetooth function (fashion and electronics), and a training potty that plays music (baby and electronics). The merchandisers didn't work directly with their newly met peers, Lee says; rather, they were inspired by overheard dialogue and informal conversations to shift from "incremental" to "radical" creativity and increased sales as a result.

Interestingly, the change to employees' physical space seemed to boost performance even more than did another switch the company made (which Lee also studied), from individual incentives to fixed wages. In addition, the effect generated by the relocation was quick – the rise in cross-category deals occurred within a month – and it increased throughout the 80 days post-move.

Lee's study is one of the first to use a before-and-after set-up to examine how a seating change affects individual innovation and sales performance. But it's part of a long line of research suggesting that where colleagues sit can profoundly affect how they work together. In the 1970s, for instance, MIT professor Thomas Allen studied communication among engineers in the R&D facility of a multinational company. His finding, the Allen curve, depicts the dramatic drop in dialogue between people who sit far apart. Although most of the prior research dealt with businesses, the phenomenon holds in other arenas, too. For example, a 2015 study documented that members of the US Senate who sit in close proximity are more likely to support one another's legislation, regardless of party affiliation.

Lee suspects that had he continued to collect data at the South Korean firm, he would have seen a maturation effect: "When you sit near a new person, there's only a certain amount of knowledge you can absorb from him or her," he explains. "This kind of thing can wear off in time." He also notes that his findings shouldn't be interpreted too broadly; the study involved a relatively small pool of employees at a technology start-up in a country with a collectivist culture.

Still, Lee sees potential for such interventions to get results at other companies and elsewhere in the world. "It depends on your organisation's goals," he

ABOUT THE RESEARCH "Can Reconfiguring Spatial Proximity Between Organizational Members Promote Individual-Level Exploration? by Sunkee Lee (working paper). This article was first published in the March-April 2018 issue of Harvard Business Review **(www.hbr.org).**
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says. "If you want to maintain productivity, there's certainly a case for keeping your workspaces as they are. Research shows that moves, especially to open areas, can reduce employee motivation, satisfaction, and even health. But if your organisation competes on knowledge sharing and innovation, periodic reconfigurations could be worth it" – provided previously disconnected people are brought together and those newer to their jobs are given more training and support.

Although many companies have ditched closed-door offices and even open cubicles in favour of communal, desk-to-desk workspaces in an effort to encourage unplanned interactions (and to save money), fewer go so far as to routinely shake up seating assignments. Some that do: the gaming company Valve, which has put wheels on its workstations so that employees can move wherever their interests and projects take them; the travel website Kayak, where new hires are often used as a reason to move people around; and the marketing-software firm HubSpot, which randomly reassigns desks every few months.

Whether such office reconfigurations can boost revenue in the same way as they did in the South Korean e-commerce company is a question for future research. But they are increasingly common. "The idea is to encourage people from different worlds to mix and match ideas so that you come up with the best from both," Lee says. "That boosts both individual and collective performance."

"IT MAKES THE COMPANY LESS CLIQUE-Y"

Katie Burke is the Chief People Officer at HubSpot, a Boston-based marketing-software company, with nearly 2,000 employees. She recently spoke with *HBR* about her firm's approach to rotating seat assignments. Edited excerpts follow.

Q: How does HubSpot's office space reflect the organisation's culture?

A: From the start we wanted to be collaborative and antihierarchical and to prevent "corner office syndrome," where executives are isolated from employees and certain teams don't engage with others. So we've always had open offices. We also do a seat reshuffle roughly every three months, though that can vary by team and office location.

Why make people switch desks so often?

Our founders realised that in every office there are good seats and bad seats, so they set up a lottery in which everyone, including them, participated. If you drew number one, you had first choice, but in a few months someone else would get the top pick. The point is to eliminate perceptions of power imbalances. The reshuffles also emphasise that change is constant, so you need to be adaptable. And we want people to get out of their entrenched social patterns so that they will collaborate and learn. If I'm in marketing, on our blog team, and suddenly I'm sitting next to a sales rep and listening to her calls, I'm going to know a lot more about how to explain what we offer.

Do you move teams together, or mix up the functions?

We keep teams together, but we change adjacent groups and mix up the people within each team. We also try to put interns and new hires near people who have been here awhile so that they can learn more about how we work.

How much time does your team spend on reshuffles?

It's a pretty time-intensive collaboration among our employee-experience, administrative, and facilities teams. But we think the benefits far outweigh the costs.

Given the importance you place on seating assignments, are employees allowed to work from home?

Everyone has a laptop, and we do promote flexibility and remote work. We have some people who have never come into any office; but some teams encourage folks to come in at least three or four days a week. We try to be transparent about what is expected in each group. We also have spaces in our offices that people can move to for calls or intensive individual work: nomad desks in less busy areas, quiet rooms, and soundproof pods.

Don't people get tired of packing up their desks every quarter?

There are people who question the practicality of it for a company at the scale we are at now. Some see it as annoying or a nuisance to move away from a friend or someone they're working with on a project. But it's been part of our culture since the start. It makes the company less clique-y. And it keeps us all from getting complacent. One of our strong messages to employees is: The day you think you've got it all figured out is the day we lose as a company. Physically shifting your seat is a good visual reminder of that.

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SECTOR REPORT **FINTECH**

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Future Ready

Plugging into the future
Pg 92

Banks need to work on securing their systems and customer data
Pg 98

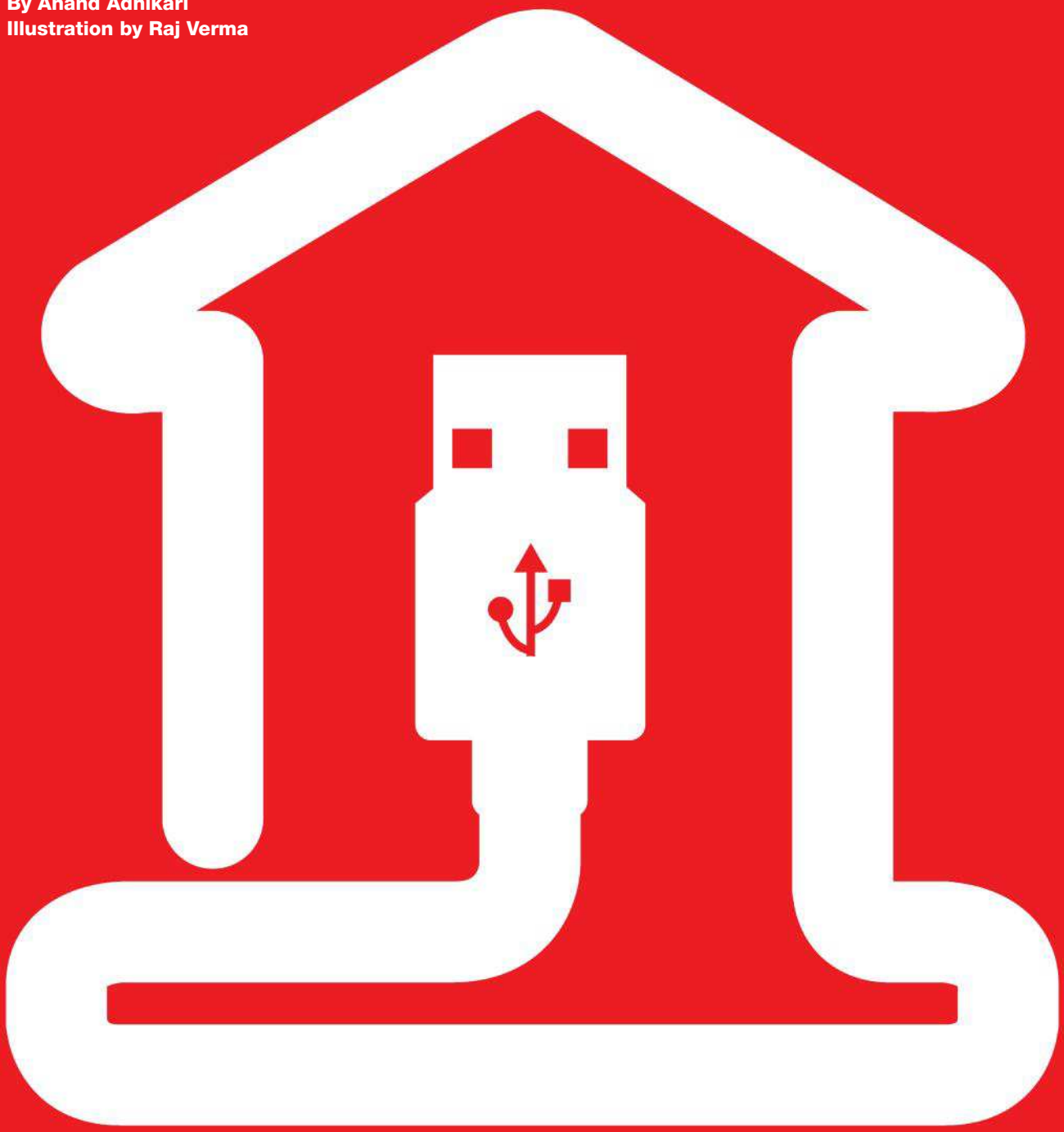
PSBs must catch up with fintech players
Pg 94

Fintech solutions create a value added universe
Pg 102

Plugging into the Future

Banks are joining hands with fintech companies to provide new services to customers.

By Anand Adhikari
Illustration by Raj Verma



THE BANKING INDUSTRY that has all along been straightjacketed in its deposit and loan processes is now boldly trying out financial technology or fintech companies for innovative solutions. Whether by choice or threat of its own existence in the new emerging banking landscape, banks are racing ahead to allow third-party developers, fintech and technology companies to connect with them. The solutions include artificial intelligence, machine learning, software robotics, natural language processing, fraud prevention and HR solutions among others. Big private banks are taking a lead, while public sector banks (PSBs) with the possible exception of State Bank of India and Bank of Baroda are still laggards.

Hundreds of fintechs in the value-added space (VAS) have partnerships with banks to improve their analytic capabilities, improve operational efficiencies, target new customers, improve credit standards and speed up decision-making. This saves banks from making huge capital investments in new technologies and converts the capex model to an opex model. In a digital world, there are newer areas emerging where fintechs can add value for banks. A recent McKinsey report – *Asia's Digital Banking Race* – summed up areas where traditional banks have to match steps in the fast changing digital space. It says, "Incumbent banks will have to scale up capabilities in four areas – digital marketing for customer acquisition and engagement, value generation through digitally active customers, judicious use of customer data to provide a differentiated proposition and embedding banking in customers daily lives for seamless transactions."

To take advantage of breakthrough technologies, banks have to open up systems. Today large private banks are not very comfortable in allowing fintechs access to their customer database. Similarly, most PSBs have to switch to API (application program interface) banking to allowing plugging in by fintechs to their core banking system. Many PSBs are not prepared to take the digital plunge. Most senior managements in PSBs have been associated with the legacy side of things and are not comfortable in opening up systems.

The biggest fear relates to security thanks to a spate of cyber attacks globally where billions of dollars have been withdrawn. The Nirav Modi fraud shows how systems within a bank are not connected with core banking or lack of reconciliation. The other issue relates to privacy. The bank data of any customer is very sensitive. Any breach of customer data has reputational risk for banks. However, banks have to build firewalls to address security and privacy issues even as they expand their digital network with hundreds of fintech companies. That's the future. BT

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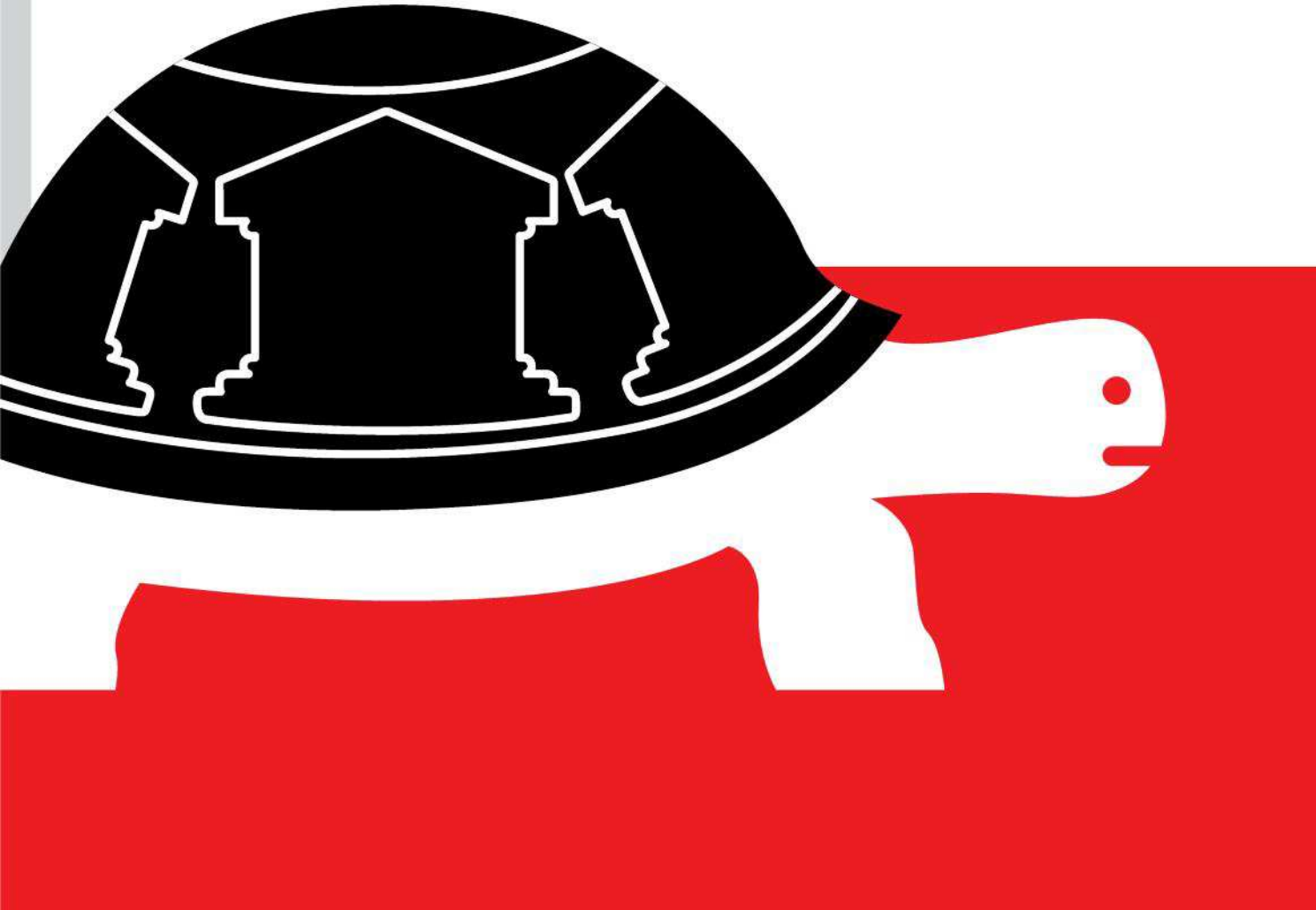
Missing Link

Public sector banks have a lot of catching up to do to engage with fintech players.

By Anand Adhikari
Illustration by Raj Verma



TWO YEARS AGO, Bank of Baroda (BoB) announced over half-a-dozen tie-ups with financial technology companies or fintechs. Start-ups like CreditMantri, FundsTiger, Probe42, Power2SME, IndiaLends, KredX and Fisdom came on board, bringing expertise in areas like SME lending, algorithmic lending, bill discounting, retail lending and wealth management. Such wide-ranging partnerships with private sector technology players are rare in the public sector bank, or PSB, space. Apart from BoB, State Bank of India (SBI) is the only other PSB which is seriously digitising its processes and working with fintech players to bring efficiency in various parts of the value chain. The PSBs – which together control more than two-thirds of the banking system in terms of deposits and advances – are in general way behind their counterparts in the private sector in use of technology. Fintech players often complain that they find it difficult to get an audience from top bosses of many PSBs. These include many value-added services, or VAS, providers, which offer services such as credit scoring, reading unstructured bank statements, analysis/interpretation of a transaction in real time, data analytics and fraud detection.

Are PSB' legacy IT systems coming in the way? Or are PSBs too worried, even paranoid, about privacy and security issues? Or is it just lack of strategic direction?

HOW THEY SHOULD GO ABOUT IT

Start engaging with fintech players and focus on things such as internal innovation teams and setting up innovation labs

Hire talent from outside, especially digital officers, data engineers

Learn from private banks/engage with fintechs whose services have already been tested by private sector banks

Tie up with aggregators to use them as the front end

Use big data to facilitate faster processing of a large volume of structured/ unstructured data

THE MISSING VISION

"We don't see a sense of urgency as they are busy with other pressing issues such as asset quality and consolidation. I am sure PSBs will wake up to the realisation sooner than later," says Ajay Adiseshann, Founder & Managing Director of PayMate India, a fintech player that works with SBI as one of the partners for B2B payment automation in enterprises and SMEs. "The visionary leadership is missing. They are not able to see the fast changing future of banking globally," says an expert.

The role of the top deck is the key here. For instance, when Arundhati Bhattacharya was the chairperson of SBI, the bank took several technology initiatives such as launching fully digital branches and wallet buddy, apart from other digital offerings. Similarly, the credit for fintech engagement at BoB goes to its MD & CEO, P.S. Jayakumar, who was part of a group of outside professionals hired by some PSBs. He had co-founded a company in the housing sector, was with Citibank in India and Singapore for over two decades and has worked extensively in the retail banking space. It is such leadership that the PSB pack is missing.

Apart from this, for many PSB CEOs, the last three-four years have been an extremely challenging period, as they have been fire-fighting the problem of deteriorating asset quality that is threatening their very existence. "The last three-four years have been difficult due to Jan Dhan Yojana, Mudra loan targets, demonetisation, and falling asset quality and credit growth," says a senior PSB executive. There have also been too many changes at the leadership level.

There is also the issue of attracting fresh talent in the digital space. Most senior management people in PSBs are associated with the legacy side of things. "There is a dearth of talent when it comes to future technologies," says Adiseshann of Paymate India. "The understanding to navigate the shift to newer technologies through partnerships is also not there," says the CEO of another fintech company.

Some say the biggest issue is the will. "Massive investments have already gone into the core banking platform. Developing API (application programme interface) layers to engage with fintechs does not require major investments," says a technology player. Fear of cyber security threats also prevents PSBs from taking a call on engaging with external fintech players or developers. "From the security standpoint, many PSBs are not ready with API layers. They have this mindset of hosting everything in-house and running everything in their data centre. This won't work. Everything is connected and cloud-based today," says Adiseshann.

> THERE IS ALSO THE ISSUE OF ATTRACTING FRESH TALENT IN THE DIGITAL SPACE

THE DIGITISATION PREPARATION

The PSBs should follow their private sector counterparts or SBI. There are quite a few large private sector banks that have been quite aggressive in organising Appathon, Hackathon and fintech accelerator programmes. Axis Bank, for instance, has set up an in-house incubator where a dozen bank employees work on creating prototype solutions. SBI, too, is setting up a 15,000 sq. ft. centre

at Belapur to house fintech start-ups as well as regtechs, which specialise in regulatory issues arising from the emergence of new technologies like blockchain. Many says there is a lot of work that fintechs – VAS providers such as Perfios, Creditvidya and Happay – are doing with private sector banks that the PSBs can replicate.

Banks also need a technology clean-up. API, which involves fintechs plugging into banks' systems, is already taking off in a big way. APIs are like pipes where banks' core banking systems get connected with fintechs.

The PSBs also need to use big data. This will facilitate faster processing of a large volume of structured/unstructured data and advanced analytics to gain insights for business decision making and development of new products. Finally, the PSBs should also explore tying up with aggregators and use them as the front end. Under this model, banks will have to provide a plug-in (through APIs) to aggregators such as Bankbazaar, which is already helping many banks get new clients. Many PSBs have already experimenting with by selling credit cards and unsecured loans such as personal loans through these aggregators. "That's one way they could possibly survive," says Adiseshann.

Shyam Sundar Banik, General Manager (Alternate Delivery Channel), Bank of India, however, says PSBs are catching up fast. Before demonetisation, every PSB was working on its own. This has changed due to government push. "The entire digitisation progress is now being supervised directly by the government. There is weekly evaluation by the department of financial services. We also have the Indian Banks Association for discussing issues and knowledge sharing," says Banik of Bank of India.

WE DON'T SEE A SENSE OF URGENCY AS THEY ARE BUSY WITH OTHER ISSUES SUCH AS ASSET QUALITY AND CONSOLIDATION

AJAY ADISESHANN
Founder & MD, PayMate India

THE ENTIRE DIGITISATION PROGRESS IS NOW BEING SUPERVISED DIRECTLY BY THE GOVERNMENT. THERE IS WEEKLY EVALUATION

SHYAM SUNDAR BANIK
GM, Bank of India

THE COST OF NOT DOING ANYTHING

The cost of not doing anything will be huge for PSBs. First and foremost, they will lose new technology-savvy customers in the digital era, where customers are moving to mobile, tablet and kiosk interfaces. What is probably saving them is customers who are older and those living in rural and semi-urban areas where people still prefer branch banking.

The opportunity cost would be even bigger as big data and analytics can be used to improve operational efficiencies. The use of artificial intelligence, or AI, machine learning and software robotics is already helping banks in faster decision making. ICICI Bank and a few others are already using software robotics for improving operational efficiencies. SBI, too, is using risk analytics for appraisal of fresh applications and monitoring the loan portfolio. "Analytics-driven, pre-qualified lending programmes launched in 2016 have generated significant business while reducing the cost of acquisition," says an SBI report.

The challenge is not from digitisation alone but also from newer technology infrastructure like blockchain, the next revolutionary wave, which is already being adopted in the financial services space.

Still, many see PSBs losing customers and market share gradually. "PSBs are very strong in terms of relationship with customers. But whenever the shift happens, it will happen quickly," says a banking industry consultant. If the government has to take the economy towards cashless, it has no option but to nudge the PSBs to go hi-tech. BT

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Securing the System

Banks need to do a lot of work to secure their systems and customer data.

By B.S. Srinivasalu Reddy
Illustration by Raj Verma

IT HAS DAWNED ON BANKS that they need to tap the innovative capabilities of financial technology (fintech) start-ups to stay competitive. They are opening up their systems, or core banking platforms, for plug-ins with fintech players. The banks claim it's helping them expand the financial services network and incubating new set of capabilities for lenders. Still, the marriage of convenience comes with its set of challenges. Increasingly, data security concerns and privacy issues are coming to the fore. A lax regulatory environment for third party system developers, particularly fintechs, is accentuating the concerns. The Reserve Bank of India, the banking regulator, is also worried.

"This is again a potential area where we have an opportunity to engage with fintechs that focus on machine learning, pattern matching, fraud detection and creating a more intelligent framework to detect anomalies and prevent any potential misuse," says Ritesh Pai, Chief Digital Officer at YES Bank. YES Fintech, YES

Bank's business accelerator programme for fintech start-ups, is also experimenting with biometric solutions to prevent frauds while creating a seamless KYC and customer on-boarding, and adopting digital signature and AI technology for identification, background checks and forgery detection.

When a bank incubates a fintech company or a new initiative, fitting the start-up culture into its processes is a bit of a challenge. "Embedding a different culture company into the existing company is a big task and then there is the technology aspect. So, you are marrying a new technology with a settled logistics system," says Kartik Shinde of EY. Besides, a bank is a regulated entity and is held responsible for any compliance related issues in the new integrated system. Vivek Belgavi, Partner & Leader - Fintech at PwC India, puts security and privacy concerns from a bank's perspective into four categories - Data privacy and ownership; business continuity, particularly when the start-up winds down; cyber security related controls; and regulatory compliance as in some situations the liability lies with the bank.

WHAT BANKS NEED TO DO

Create a more intelligent framework to detect anomalies

Use biometric solutions to prevent frauds

Use identity verification as another security layer over two-factor verification

Inform regulators about any security issue promptly

Keep watch on security violations globally

Carry out more checks on background of fintechs and their security tie-ups

Focus on compliance issues

FINTECH REVOLUTION

With several banks incubating fintech start-ups in recent times, India has emerged as a leader in fintech revolution. "If you see the scenario outside India, no country has gone to this level of financial inclusion or fintech revolution and system integration," says Kartik Shinde, Partner, Cyber Security, EY. Today, a customer is able to open a bank account in a matter of a few minutes - only a fingerprint identification is needed and the KYC is done, without needing a slew of documents.

The RBI had stated in April 2018 that the new KYC guidelines making Aadhaar mandatory are subject to the final decision of the Supreme Court on the issue. "Aadhaar- based KYC is definitely a boon to onboard customers seamlessly, and I believe it will go a long way in improving customer experience as far as financial services are concerned," says Pai. But with the gigantic amount of private and confidential data amassed in one database, it can be understood why privacy concerns continue to dog Aadhaar and the Unique Identification Authority of India (UIDAI), the body that established it.

LAX REGULATIONS

While experts are unanimous that there is need for expanding the scope of existing regulations for ensuring data protection and guarding privacy of individuals, particularly the IT Act of 2000, Shinde vouches for European Union's (EU) General Data Protection Regulation (GDPR) kind of a framework. "In India, data privacy has never been an issue and we are okay with giving out our phone number, even to a stranger," says Shinde. Today, many organisations, including banks, seek a lot of personal information from customers that is not required, largely because there is no law that prohibits it. In the EU, the GDPR will ensure data protection and privacy for all individuals and violation of its provisions comes with severe penalties of up to 4 per cent of worldwide turnover or €20 million, whichever is higher.

Certainly, India is not the leader in terms of fintech regulation – it is still in its infancy in India – despite initiating the process a couple of years' back. Monetary Authority of Singapore (MAS) and the Financial Conduct Authority, UK are ahead in this space. The RBI set up the Reserve Bank Information Technology Pvt Ltd (ReBIT) last year to take care of its IT requirements, including the cyber security needs of the bank and its regulated entities.

$1 bn

Valuation of 13 fintech companies in the US exceeds this amount

Meanwhile, in terms of convenience, Aadhaar beats traditional paper-based and manual KYC model for banks. However, security and privacy concerns cannot be brushed aside.

Over a period of time, all security and privacy issues could get resolved and a robust financial ecosystem will come into being but it is still work in progress in India. BT

The author is a Mumbai-based freelance journalist

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Value Added Universe

As banks and financial institutions integrate fintech solutions with their core banking platform, it's a win for both.

By Deepika Asthana
Illustration by Raj Verma

MUMBAI-BASED VALUEFY SOLUTIONS offers banks and financial institutions cutting-edge analytics capabilities that help them take better wealth management decisions. Other similar start-ups such as CreditMantri, CreditVidya and CreditSeva use both traditional and alternative data points, especially social media, to build customers' credit profile. This gives lending institutions data for targeting new customers, even those without credit history, and also helps them process loan applications.

There are hundreds of such companies – almost all of them start-ups – that are bringing about a technology revolution in the financial services industry. These financial technology providers (fintechs in short) excel at making critical interventions in processes of financial services companies to make them more efficient, help them acquire customers and make better/faster deci-

WHAT BANKS & FINANCIAL INSTITUTIONS CAN DO

Tap borrowers with no credit history through social media and other tools

Read unstructured data in seconds

Apply data analytics, machine learning and artificial intelligence

Implement Software Robotics solutions

Deploy wealth management systems

sions. The solutions provided by these value-added service (VAS) providers are as varied as the world of technology and include use of machine learning algorithms, artificial intelligence and data mined from social media.

For instance, lending start-ups like Rubique and Capitalfloat use innovative credit models and data sources to provide their clients access to capital. Then there are players such as PayTM, PayU and MobiKwik that are creating integrated systems to facilitate web/mobile payments. This is apart from retail investment and personal finance companies like BankBazaar, Cleartax and Scripbox that are using technology to help individuals save and invest. Fintech companies have forayed into other areas of finance as well such as wealth management and insurance where they are providing institutions better information so that they can take their products to new clients. In insurance, there are companies such as Coverfox and Policybazaar that are making purchase of policies seamless.

"Many large institutions have legacy IT structures that are complex. These slow down decision-making. Fintech companies are more agile. They often anticipate needs better and develop solutions faster," says Amit Kumar, Partner and Director at BCG.

Fintech companies have significant room to add value to the various parts of the value chain right from customer onboarding, KYC and credit risk assessment to backend, collections and customer service. That is why banks, especially the private sector ones, are taking the lead and opening their systems to developers by investing in API (application protocol interface) technology, which allows banks to open their core banking systems for connecting with solutions provided by fintech players. For example, ICICI Bank has over 450 APIs across segments, including retail, commercial banking, corporate banking and small and medium enterprises. One player it has tied up is Perfios, a Bangalore-based company that has come out with an automated platform to analyse data such as bank statements and business financials in seconds. This helps clients (especially big banks) take better credit decisions and process loan applications faster. Perfios today reads data for 250-plus financial institutions. Its clients include ICICI Group, Kotak Mahindra Bank, HDFC Bank, Bajaj Finserv, the Tata Group and the Aditya Birla Group, apart from some top mutual fund and insurance companies.

FINTECH GROWTH

Banking has three main aspects – liabilities, transactions and assets. "Some areas have gained a lot of acceptance, especially payments. However, investment and wealth technology is still nascent, providing scope for immense growth," says Sharad Singh, Co-founder, Valuefy Solutions.

Post liberalisation, the liabilities side was the earliest adopter of technology, which helped institutions expand their business manifold. Then, the transaction business was opened up to non-banking players, which brought about major changes through use of technology. A host of mobile wallets, PoS aggregators and payment gateways made the transaction business easy and profitable as they collaborated with banks. PayTM, Freecharge and MobiKwik are among the top players in this space.

Experts say it is now time for the asset side of the business to see similar growth. Loans to corporates account for a major share of banks' lending books. However, there is still a deep hunger for credit among micro, small and medium enterprises (MSMEs). Not many players have found this segment lucrative and so technological innovation has lagged here. "SME borrowers care about two parameters above everything else – speed of decision making (turnaround time) and quantum of finance. Fintech companies are certainly faster and, for many borrowers, can deliver the needed quantum, either alone or in partnerships. They can participate in the SME space in a meaningful way," says Kumar.

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PHOTOGRAPHS BY RACHIT GOSWAMI

THERE HAS BEEN EXPONENTIAL GROWTH IN THE LAST TWO YEARS. THE INTERNET HAS EXPOSED PEOPLE TO MORE PRODUCTS

SHARAD SINGH
Co-founder, Valuefy

SME BORROWERS CARE ABOUT TWO PARAMETERS ABOVE EVERYTHING ELSE – SPEED OF DECISION-MAKING AND QUANTUM OF FINANCE

AMIT KUMAR
Partner and Director, BCG

In 2017, India was ranked second in the growth of fintech adoption among digitally active consumers. This surge was accompanied by a rise in funding to fintech players. The sector received over $200 million in the first half of 2017. "There has been exponential growth in the last two years. The Internet has exposed people to more products. This has led to wider acceptance of innovative products," says Singh of Valuefy. Availability of low-cost smart phones and data has also changed the landscape of the banking and financial sector. The revolution that started with payment banks today covers a gamut of services.

BUSINESS MODEL

The current partnerships are growing as both sides are leveraging each other's strengths. There are some fintech players that are lending their software as a service (pay per use basis), some are selling the complete solution, while a few are selling only the source code. In fact, fintech players that have scale are offering their solutions to multiple institutions on a pay-per-use basis.

Many say the big challenge for many founder-driven fintechs will be to keep innovating as there are areas such as customer data where banks are not very keen to collaborate. Many large private banks are building their own data analytics capabilities because of privacy and security issues. "The banks are also on a learning curve. Many of the solutions would be replicated by banks on their own in future," says an industry expert.

As fintech start-ups emerge as enablers, it is imperative that governments and other market players establish an environment for innovation and technological advancement. Kumar of BCG says,"For fintech players to become the mainstay, they and banks will have to foster mutually beneficial relationships and work together."

Also, considering that Indian consumers are known to be more conservative, fintech start-ups need to go the extra mile to instil confidence. The disruptive potential of fintech firms can trigger the much-needed modernisation of the traditional sector. BT

The author is a Mumbai-based freelance writer

THE BREAKOUT ZONE

P.110 **PERSONAL TECH:** ALL ABOUT ANDROID P

P.115 **EXECUTIVE HEALTH:** DEBUGGING THE SYSTEM

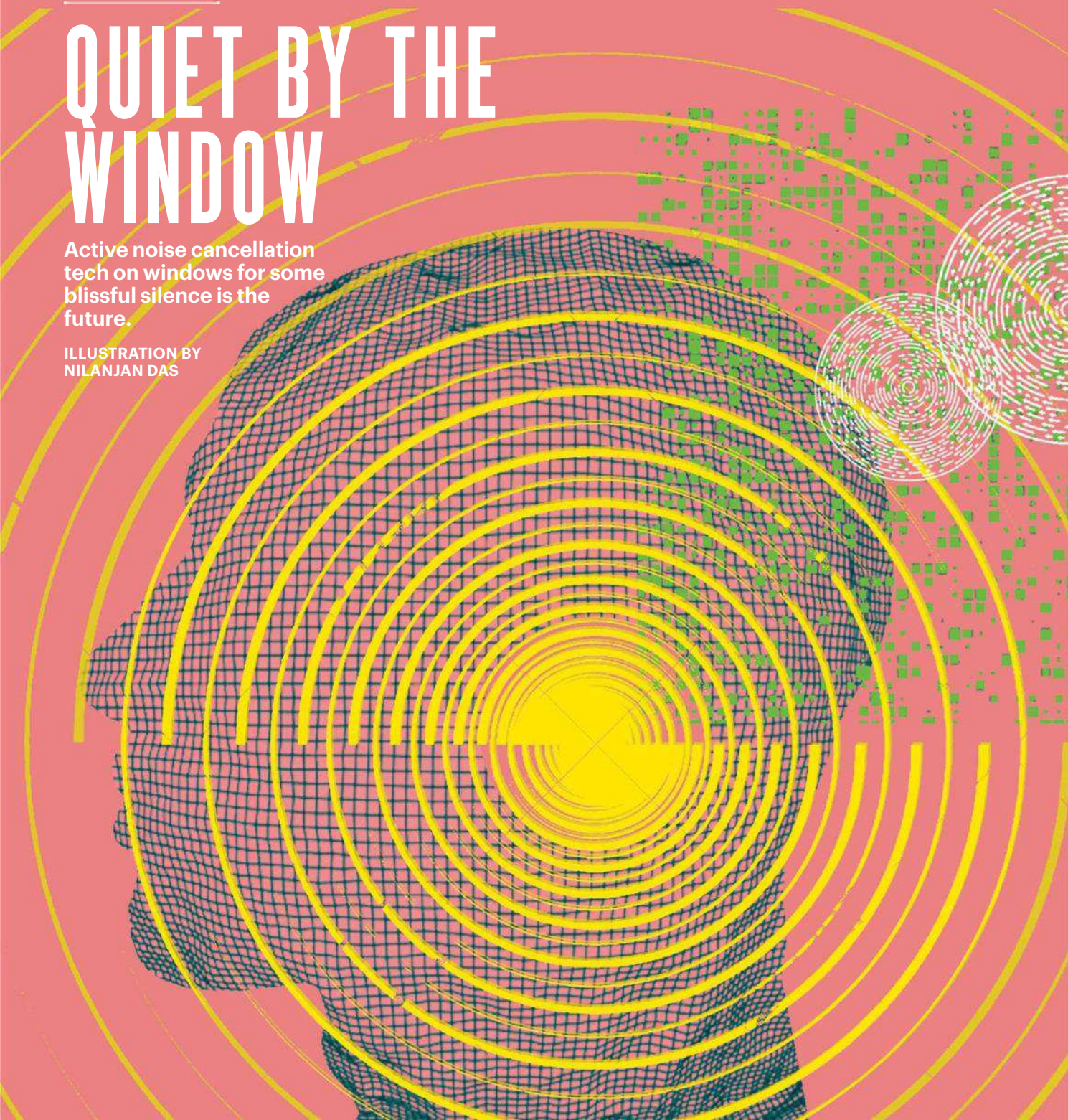
P.120 **LEADERSPEAK:** RAHIL ANSARI

NOISE CANCELLATION

QUIET BY THE WINDOW

Active noise cancellation tech on windows for some blissful silence is the future.

ILLUSTRATION BY NILANJAN DAS



BACK IN 2013, Rudolph Stefanich designed a device called Sono that demonstrated how a noise control solution could be snapped on to a window pane and silence all the unwelcome noise coming from outside in one fell swoop. Not only would all the noise be banished, but a dial would also allow the user to select which sounds were acceptable. Unpleasant sounds such as those from cars, construction sites and the playground could be tuned out.

The Sono device borrows some ideas from noise cancelling headphones; it is full of tiny microphones that pick up and wipe out ambient noise. Sono counter-vibrates the window to silence the sounds coming from outside. The device itself is powered from the energy of electromagnetic noise from Wi-Fi and similar signals, received by concentric broadband antenna Saturn-like rings.

The Sono did reduce noise, but not by enough and isn't yet available in the market. But now, researchers at Singapore's Nanyang Technological University have come up with noise cancelling windows. Their solution also mimics noise cancelling headphones conceptually. When the microphones detect noise coming in, the speakers emit the inverted waveform of that sound, causing it all to cancel out. Interestingly, this device works with open windows when it emits the 'anti-noise' flipped waveform. Although it cuts noise from heavy construction, traffic and even passing trains, it only reduces them by about 50 per cent.

WHEN THE MICROPHONES DETECT NOISE COMING IN, THE SPEAKERS EMIT THE INVERTED WAVEFORM OF THAT SOUND, CAUSING IT ALL TO CANCEL OUT.

Right now, the device is bulky – and hence uses too much space – and expensive. So it is not market-ready yet. Although it needs just eight watts of power, much like a Bluetooth speaker, it is a set-up that uses multiple units together like a grid on a window grill. On top of that, it has to be hooked up to a processing unit, very different from the small Sono twirling knob showcased years earlier. Besides, it is not a solution that will fit just anywhere. When it comes to Singapore, one can consider leaving windows open when using the device. In India, the extreme heat and dust would probably make the noise seem like the lesser evil.

But this is just the initial implementation of a concept being explored to create smart spaces in the not-too-distant-future. BT

RESEARCH

ON-ARM SCREEN

WE HAVE always been awed by the idea of a screen that is anywhere but on a device. Technologists at Carnegie Mellon University have obliged us by coming out with a prototype smartwatch that projects a screen on the wearer's arm.

The chunky watch, named LumiWatch, displays a 6.2-inch display on the wearer's forearm. This is a fully functional screen that responds to scroll, swipe and touch. The idea is to have a standalone device, quite apart from a smartphone, which will have much more screen space than an ordinary smartwatch.

The LumiWatch has a decent portfolio of specs and can work quite smoothly. But there is a problem yet to be solved: the display is not crystal clear because it is on the skin and on a surface that is rounded. It is bright enough to be visible outside but has limited colours.

PERSONAL TECH

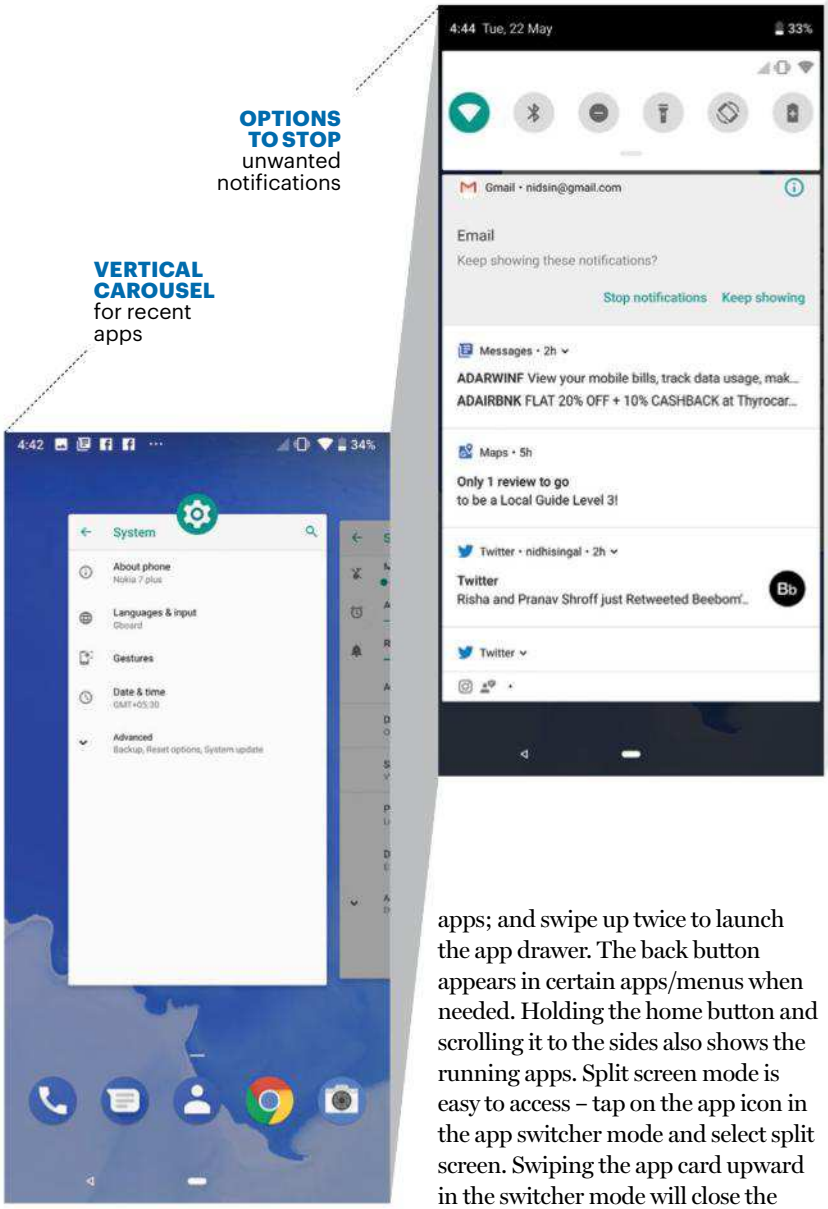
P FOR PROMISE

THE ANDROID P UPDATE BRINGS IN SOME RADICAL CHANGES FOR USERS AND DEVELOPERS.

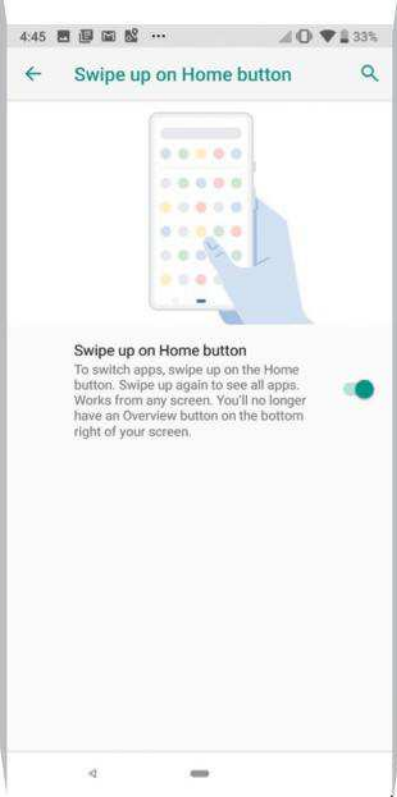
By Nidhi Singal

At an SRCC event in December 2015, Sundar Pichai, CEO, Google, said, "In the technology world, everything changes at such a fast pace. A lot of what we do is figure out what the next phase is...you have to reinvent yourself." In line with this thought, the technology giant has launched the next Android update – the Android P – after Android Nougat in 2016 and the Android Oreo in 2017. What's intriguing about this new update is that it promises to bring in some big changes – think new gestures for navigation and intelligent features to predict actions and saving battery, etc. This new OS update is believed to have the potential to give a fresh twist to the Android smartphone experience. While there is still time for the full update to hit the market, we tested a few features of Android P on the Nokia 7 Plus.

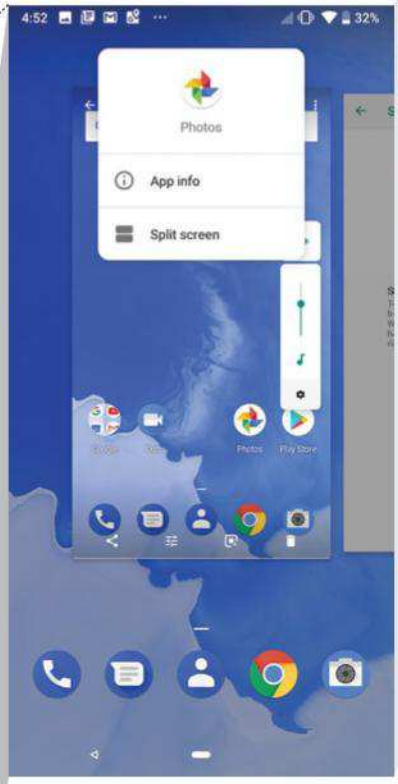
Gesture Navigation: Navigation buttons have made way for swipes in the Android P update. Instead of the home, back and multitasking buttons, a pill-shaped icon at the bottom will be your home button. Long press the home icon to launch Google Assistant; swipe up from the bottom to load the app switcher showing running apps; and swipe up twice to launch the app drawer. The back button appears in certain apps/menus when needed. Holding the home button and scrolling it to the sides also shows the running apps. Split screen mode is easy to access – tap on the app icon in the app switcher mode and select split screen. Swiping the app card upward in the switcher mode will close the



PRESS VOLUME KEY once for volume settings



ACCESS SPLIT SCREEN from recent apps



TURN ON GESTURES from Settings

app. The new gestures and the all-new interface may seem tricky at first, but is convenient to navigate on phones with bigger displays.

Volume Shortcut: Android P brings in a new way to control volume. Pressing the volume button displays a shortcut to switch the phone to silent or vibrate mode, shows a volume slider and offers quick access to sound settings. Pressing the volume up and power key together enables vibration for incoming calls and notifications.

Better Battery: With Android P, Google is rolling out two features to enhance battery life on Android phones. The adaptive brightness feature that has been around for a while will now learn about how and when a user adjusts the screen brightness and automatically do the same based on the environment and activity. The adaptive battery feature will also learn the usage pattern of a user in order to offer a better battery back-up. It will limit battery usage for the infrequently used apps, too.

Smarter Notifications: If you regularly dismiss a particular notification, Android P will present you with the option to turn it off, so it does not pop up again. The update will also bring a smart reply option to respond to emails from the notifications list itself.

Action and Slices: Using machine learning, Android P can predict what the user is going to do next. Actions will show up options in launchers, smart text selection, Play store, Google Search app and assistant. For instance, when you plug in your headphones, the phone will resume playing the song that you last heard, exactly where you left it or when you copy text it will show apps where you are likely to paste it. Slices, on the other hand, will show a slightly larger interactive snippet when you search for content and apps using Google search. For instance, when searching for a cab service, it will show you the time taken and fare for the ride to work.

Digital Well-being: This one dwells on introspection. Google's digital well-being initiative will help users analyse their phone usage and even help in cutting it down if required. The Dashboard option will show the number of hours spent on the phone, on a certain app, the number of times the phone was unlocked and the number of notifications received. Users can also restrict their usage of a particular app using the timer – the app will grey out on the homescreen once the limit is crossed. There is also a 'Shush' feature by which if the phone is placed in a way that the screen touches the table, the do-not-disturb mode will be turned on.

The beta version of Android P is available for download on Google Pixel devices and a few other smartphones.

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GOPRO HERO6 BLACK

SEIZE THE MOMENT

BY NIDHI SINGAL

WATER-resistant smartphone cameras with 4k and super-slow-motion video capabilities are strong contenders in the action camera space, although staunch adventure enthusiasts will disagree. The recently launched GoPro's Hero 6 Black is a fine example of why action cameras are here to stay.

GoPro Hero6 Black has a camera and status screen in the front, a 2-inch touch display at the rear, a button to power on/off and switch modes, a quick capture button on top and charging port, card slot and battery hidden under different removable covers in a compact rectangular-shaped body. There is, of course, a sea of GoPro accessories that can be purchased, but the Hero6 Black is actually ready to use right out of the box.

It can be mounted on a tripod or attached to a helmet using the stick mounts and is perfectly water resistant till upto 10 metres. I strapped it on my leg to capture underwater footage and attached it to my helmet to capture dune bashing and while riding the quad-bike. Despite the crazy movements, the videos weren't shaky at all. Depending on the resolution used, I was able to switch between wide, super view and linear fields of view.

The camera can be operated without unmounting it using voice commands – I could start and stop recording, switch to time lapse, capture image and more. However, the voice command to turn on/ off the camera failed to work. The GoPro Hero 6 Black supports wireless connectivity. When I paired it with my phone using the GoPro app, my phone became an electronic viewfinder using which I could switch modes, change settings and control the Hero 6.

GoPro Hero6 has the same design as the Hero 5 Black, but when it comes to functionality it is well updated. It is ideal for professional use. BT

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6.28-INCH DISPLAY with 19:9 aspect ratio

ONEPLUS 6

TOP NOTCH

ONEPLUS HAS always delighted customers by launching flagship smartphones at prices that are not over the top. With OnePlus 6, the company takes it up a notch by packing in the latest hardware in a stunning design at an incredulous price.

OnePlus 6 scores well in appearance – be it the all-glass design rounded at the corners, curved back, ergonomically placed fingerprint sensor, the vertical dual camera set-up or the proprietary alert slider button. It is lightweight and slippery; but, thankfully, its glass body is protected by Corning Gorilla Glass 5, one of the toughest in the market. The curved design accentuates the 6.28-inch display with 19:9 aspect ratio. Even though OnePlus hasn't used an OLED screen, the AMOLED display with 2,280x1,080p resolution is bright and offers great colour reproduction. There is a small notch at the top of the display, which can be turned off.

OnePlus 6 is the first smartphone to launch in India with Snapdragon 845 processor. Our review unit had 8 GB RAM and 128 GB of onboard storage. OnePlus' Oxygen OS running on Android 8.1.0 offers an experience very close to stock Android – a neat user interface minus bloatware. With gestures replacing navigation buttons (optional) – swipe up from bottom to go to home screen, swipe up and hold to see recent apps and a swipe up from either side to go to the previous screen – the usage is intuitive and addictive. There is a Gaming DND mode that stops displaying notifications while gaming. When I added games, customised settings automatically kicked in while playing.

The vertical dual camera set-up, with a 16-MP sensor and a 20-MP sensor, captured superb images with true-to-life colour reproduction, great bokeh effect and good slow-motion videos. However, the edges started to bleed in low light. Features such as Portrait mode in front camera will be added with software updates. OnePlus 6 has the face unlock feature, but doesn't appear to be as secure as Apple's Face ID.

Thanks to the phone's dash charge technology, 50 per cent of the battery gets charged in 30 minutes. Although it is unfortunate that OnePlus 6 missed out on wireless charging support, that's not really a deal breaker. The 3,300 mAh battery lasted a day despite heavy use. BT

COBOTS

HELPING HANDS

Interacting with humans, cobots will save time and money.

By Manu Kaushik

THE RISE IN deaths on shop floors caused by rogue robots in recent years has prompted the manufacturing sector to look for alternatives. Engineers have found a solution in cobots – collaborative robots – that work alongside humans like helping hands, which traditional industrial robots cannot be used for.

While industrial robots have been around for decades – the first one worked on a General Motors assembly line in 1961 – the first commercial cobot was developed by Denmark-based Universal Robots (UR) in 2008. Full-scale adoption started only in 2016. Globally, cobots are used in neurosurgery, bartending, physiotherapy, filmmaking and industries.

Today, there are about 400 UR cobots in India, across sectors, especially auto and auto components, FMCG and electronics. "We are growing at 100 per cent plus. Large companies are going to buy robots because they have no choice. The future growth will come from small and medium enterprises (SMEs) because they have got no automation. A company buys one, and two months later, they buy another just as they see bottlenecks moving down the production line," says Pradeep David, GM (South Asia) at UR.

Robots and cobots have different technologies. A factory with 100 per cent automation needs robots with sophisticated sensors, cameras and security systems, which is an expensive proposition. Cobots, on the other hand, emphasise on partial automation where there's no need for sensors to do the job. The cost difference between robots and cobots is huge, and that's why the latter is more suitable for SMEs. "The need for product customisation, cost and flexibility are driving the growth of cobots," says David.

Cobots cannot do anything on their own; they have to be engineered into a particular application. UR has partnered with specialised firms to develop solutions for end users. For instance, it has tied up with Germany-based G+D to sort and process notes in currency chests. In India, cobots are currently used by four banks.

David does not think cobots pose a threat to jobs, but says companies might rationalise low-level jobs. "Companies have also been able to redeploy their expensive manpower to other functions."

Robots are a $40-billion market globally, whereas the cobot market will reach $1 billion next year. Although the market for cobots is growing fast – at 65 per cent CAGR – there is still a long way for them to become mainstream. Their fast adoption depends on the range of problems they can solve for a variety of users. BT

EXECUTIVE HEALTH

DEBUGGING THE SYSTEM

GASTRIC PROBLEMS ARE QUITE COMMON DURING SUMMER MONTHS, BUT A LITTLE CARE AND CAUTION CAN HELP AVERT SERIOUS ISSUES.

By E. Kumar Sharma

GASTROINTESTINAL infections are quite common during summer months. And the problems will get compounded if your water intake is low as dehydration complicates matters. Gastrointestinal expert Dr D. Nageshwar Reddy, Chairman and Chief of Gastroenterology at Hyderabad-based Asian Institute of Gastroenterology, tells us how some simple precautions can help one avoid gastric problems. These medical conditions include a wide range of food-borne or water-borne diarrhoeal diseases such as amoebiasis, shigellosis and salmonella poisoning. Symptoms vary from mild to severe, causing abdominal pain, loose motion and sometimes blood in the stool along with fever and appetite loss. All these are warning signs that you need to consult a doctor.

Stomach infections could cause severe problems, including kidney failure, if your fluid intake is less than adequate and you are prone to dehydration. But some basic precautions will help you avert such dangers. Avoid eating pre-cut and uncovered fruits lying in the open for long. Eating raw salads can be equally harmful if they are not properly washed with well-treated water. The biggest trigger could be drinking water that is not filtered or treated or stored properly. Boiling the water before consumption is the only option if you are at a place where treated water or a water purifier is not available.

Frequent fliers and travellers tend to eat packaged food which is often reheated and served, leading to gastric infections. Worse still, when their fluid intake is low throughout the day but they consume alcohol in the evening, it will increase the risk of dehydration. So, if you have not had enough water during the day, it is a bad idea to indulge in heavy drinking afterwards.

What should you do if you are down with any of these infections? First, they can be easily treated and in most cases, may require some antibiotics as suggested by your doctor. "Additionally, focus on the water intake to keep yourself adequately hydrated. In case of severe dehydration or diarrhoea, especially in children, go for oral rehydration solutions, or ORS," says Dr Reddy. In such cases, drinking water may not help as water is hypotonic and does not contain all the electrolytes you need, and you may require ORS. These low-priced products are available almost everywhere and you can easily access them.

STEM CELLS, GENE MUTATION TO THE RESCUE

A LOT OF EXCITING research is happening in the field of gastroenterology, says Dr Reddy. Some of these include the study of diseases linked to genes and gene mutations. Chronic pancreatitis or inflammation in the pancreas and even pancreatic cancers are also linked to genetic factors. Therefore, simple yet powerful tools like CRISPR technology are increasingly researched by scientists and doctors so that the same could be used to edit genomes wherein DNA sequences are altered and the gene function is modified to treat and prevent such diseases. Other than that, stem cells are also used to treat patients who have cirrhosis of the liver and inflammatory bowel disease, an inflammation of the digestive tract. BT

LUXURY

LIVE IT UP

SELECT PICKS FROM THE WORLD OF LUXURY.

BY PRACHI BHUCHAR

Art

Best of Van Gogh

IF ART AND TRAVEL are your things, you have to make your way to Amsterdam this summer. The neo-gothic Conservatorium is a luxury hotel in the hip city located at the spot where the Sweelinck Conservatory of Music once lay. The hotel has now tied up with the Van Gogh Museum to ensure visitors to the hotel get to enjoy the best of Van Gogh while in Amsterdam. With customised art suites, special access to the *Van Gogh & Japan* exhibit and other exciting art tie-ups, this one is for those looking to view the city through the painter's eyes. The exhibit will be on till June 24.

"To Elvis, 75 Million Records, RCA Victor, 12-25-60" is engraved on the case back

Auction

TIME IS MONEY

WHEN YOU ARE a star, everything you wear and own becomes coveted, but Elvis Presley would have never imagined that a watch he owned would fetch CHF 1,500,000 (₹10.25 crore) at the Geneva Watch Auction: Seven, by Phillips. The Omega timepiece was bought by the Omega Museum in Biel after a round of aggressive bidding. The final price sets a new world record for any Omega watch ever bought. The 18-carat white gold watch was gifted to the legendary musician by RCA Records in February 1961, at a charity luncheon and concert, to celebrate his 75 million records sold worldwide. It has 44 brilliant cut diamonds surrounding the bezel and the dial is made of ivory.

Campaign

NEW FACE

LUXURY JEWELLERY AND WATCH brand Cartier has appointed actor Annabelle Wallis as its new Panthere ambassador for watchmaking and jewellery. The actor who is best known for her shining performances in *The Mummy*, *The Tudors* and *Fleming: The Man Who Would Be Bond*, epitomises the grace, elegance, spirit and strength that the brand's Panthere collection embodies. As part of the collaboration, the actor will be seen in a digital campaign that was visualised and shot in California.

The wall art depicts the student uprising in Paris in the late 60s

Brand

ART STRIKES

JUST WHEN YOU think you have seen it all, a brand like Gucci surprises you yet again with the launch of the Gucci Art Walls in Milan, New York, London and Hong Kong. The murals in Milan and New York have stunned those passing by with their bold strokes highlighting Spanish artist Ignasi Monreal's art – he was asked to design Gucci's Spring/Summer 2018 campaign. The walls are thought-provoking and depict the student uprising in Paris in the late 60s. The wall canvas serves to highlight the brand's newest campaign and collection. While the Milan and New York walls were launched first, London and Hong Kong followed earlier this month.

Accessories

ALL-DAY ELEGANCE

THE FENDI Peekaboo bag, first launched in 2009, went on to become the darling of fashionistas and socialites alike. Now, the Essential has become smaller and chicer in its Peekaboo Essentially avatar that has just been launched. This slim, tasteful sling bag calls out to the young and sophisticated woman looking for a smart bag option that oozes elegance all day. Made using the highest quality leather, the bag is shorn of complications. It has a frontal closure feature which is a stylish 'bite' version. Diamond cut metal details enhance the aerodynamic bag design. This petite gem goes from day to night without a hitch.

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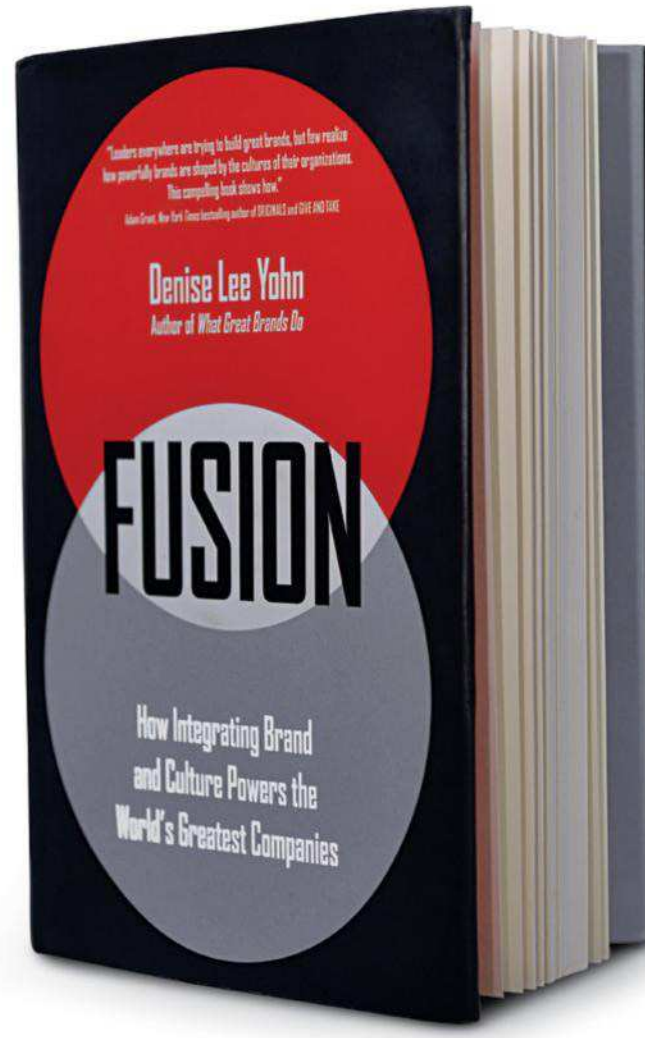
Fusion: How Integrating Brand and Culture Powers the World's Best Companies

By Denise Lee Yohn

Hachette

Pages: 240

Price: ₹499



EX-LIBRIS

HEADY COCKTAIL

THROUGH EXAMPLES OF SOME OF THE WORLD'S MOST VALUED COMPANIES, THE AUTHOR ILLUSTRATES HOW BUSINESS LEADERS CAN ACHIEVE THE BRAND-CULTURE ALIGNMENT.

By Prosenjit Datta

THE MOST SUCCESSFUL salespeople in the luxury business are those who live or, at least, dress, talk and behave like their clients. That is the received wisdom and is at least partially true. The same principle applies to a lot of other products and services. But does the internal culture of an organisation – and not just the sales function – have to align completely with the brand values? Denise Lee Yohn, brand building expert and consultant, certainly thinks so. In her latest book *Fusion: How Integrating Brand and Culture Powers the World's Best Companies*, she builds a convincing argument using examples of Amazon, Google, Starbucks and Southwest Airlines, among others.

It is not an absolutely original idea. Brand and management experts have, from time to time, talked about the importance of aligning employees with brand values. Research, mostly of prominent western brands, has also endorsed the theory. Besides, there are hundreds of volumes that talk of aligning strategy with brand values and others that focus on the importance of culture. Fusion stands out because it is a study of several dozen companies and offers step by step advice on implementation. The first part of the book focuses on the basics of the brand-culture fusion (and, equally importantly, in building a convincing case on why the fusion is necessary to begin with and why some of the world's most successful companies do so). The second part is more nuts and bolts – the strategies to achieve that fusion gradually and effectively.

Yohn draws not only upon her own experiences, but also on the works of other researchers, authors and consultants on culture and brands to establish why defining a purpose clearly, figuring out the culture you need, of having a vision that is grand as well as unique, and avoiding clichés is important. She gives glimpses of how some leaders have managed to achieve this fusion perfectly.

However, like many other

management books, Fusion has limitations. For one, most of the examples are from the developed world; there is little research on successful brand and culture alignment from the developing world. Equally, there is an inability to recognise that a successful company's culture looks very different at the management level and worker level.

Take the case of Amazon with which she starts her book. Yohn talks about how Amazon's culture was described in one scathing *The New York Times* article from 2015 as "bruising, frequent combat, relentless, painful and burn and churn". But Amazon has also won many customer service awards and ranks second in the best companies to work for list on LinkedIn. She states that while the Amazon culture is not for everyone, it provides an exhilarating experience of working in a fast-paced environment. But for the employees at Amazon's warehouses, who slog on in inhuman conditions at low pay, there is little consolation. The same culture of focussing single-mindedly on customer experience, which provides a wonderful management experience, is terrible for workers lower down. (This incidentally is the case of other successful retailers – most notably Walmart, which is a delight for shoppers because of its low prices and wide range, but also a horrendous place for workers at the shopfloor of its branches.)

While no one can deny that Amazon, Facebook and the other companies Yohn mentions in the book are all superbly successful, they also have a dark side, and their entire culture may not be perfectly aligned with their purpose. In some cases, their shameful treatment of workers is glossed over.

This is not to detract from the central thesis and value of the book, which is actually extremely useful, especially for companies that have lost their way over the years or are struggling to understand their raison d'être in a fast changing world. It contains practical advice that everyone can use to make their company better. BT

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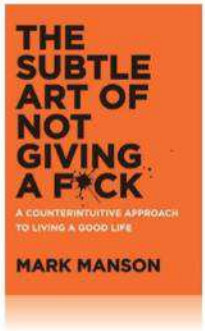
Business Bestsellers*



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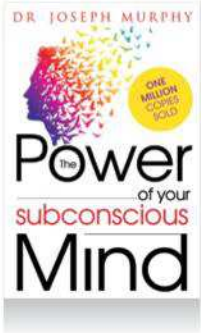
The Subtle Art of Not Giving a F*ck

By Mark Manson
Harper Collins
Price: ₹499



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The Power of Your Subconscious Mind

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Amazing Reads
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Elon Musk: How the Billionaire CEO of Spacex and Tesla is Shaping Our Future

By Ashlee Vance
Virgin Books
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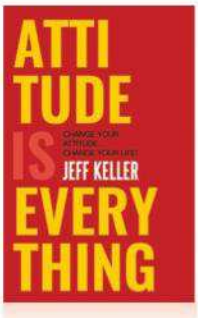

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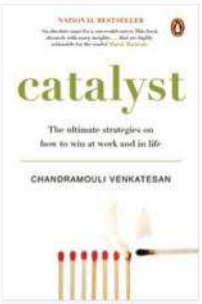

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Catalyst

By Chandramouli Venkatesan
India Portfolio
Price: ₹299

*Top books by sales for May 10 - 24, 2018; Includes only books released after Jan 1, 2015; Information provided by amazon.in

RAHIL ANSARI
Head, Audi India

Q. The biggest challenge you faced in your career

A. When I was offered the position, the company wanted someone of Indian origin who has been here, who knows the psyche of Indian buyers and understands the culture. As I started working in India, I realised that the brand would face a lot of challenges here. So, we went back to the drawing board to redefine our strategy. We had a profitable growth of 2 per cent in 2017, but we need to do more to bring the brand back to a leading position.

Q. Your best teacher in business

A. My mother, who has now retired, was very entrepreneurial in all she did, especially when she ran her tea business. It is very important in an organisation like ours. Act as if it is your own business – that is the philosophy. I also admire Amancio Ortega, the founder of Inditex Group with brands such as Zara. He is a self-made billionaire who left school at 14 to support his family. People who work hard always inspire me.

Q. One management lesson for young people

A. Even if you are going through difficult times, work hard and never give up. That is the way to realise your vision. Self-initiative is the key to make changes happen.

Q. Two essential qualities a leader must have

A. Empower the team and trust their abilities to get things done. Also, a leader has to be passionate about his work and be a role model. BT

"WORK HARD AND NEVER GIVE UP. THAT IS THE WAY TO REALISE YOUR VISION. SELF-INITIATIVE IS THE KEY TO MAKE CHANGES HAPPEN."

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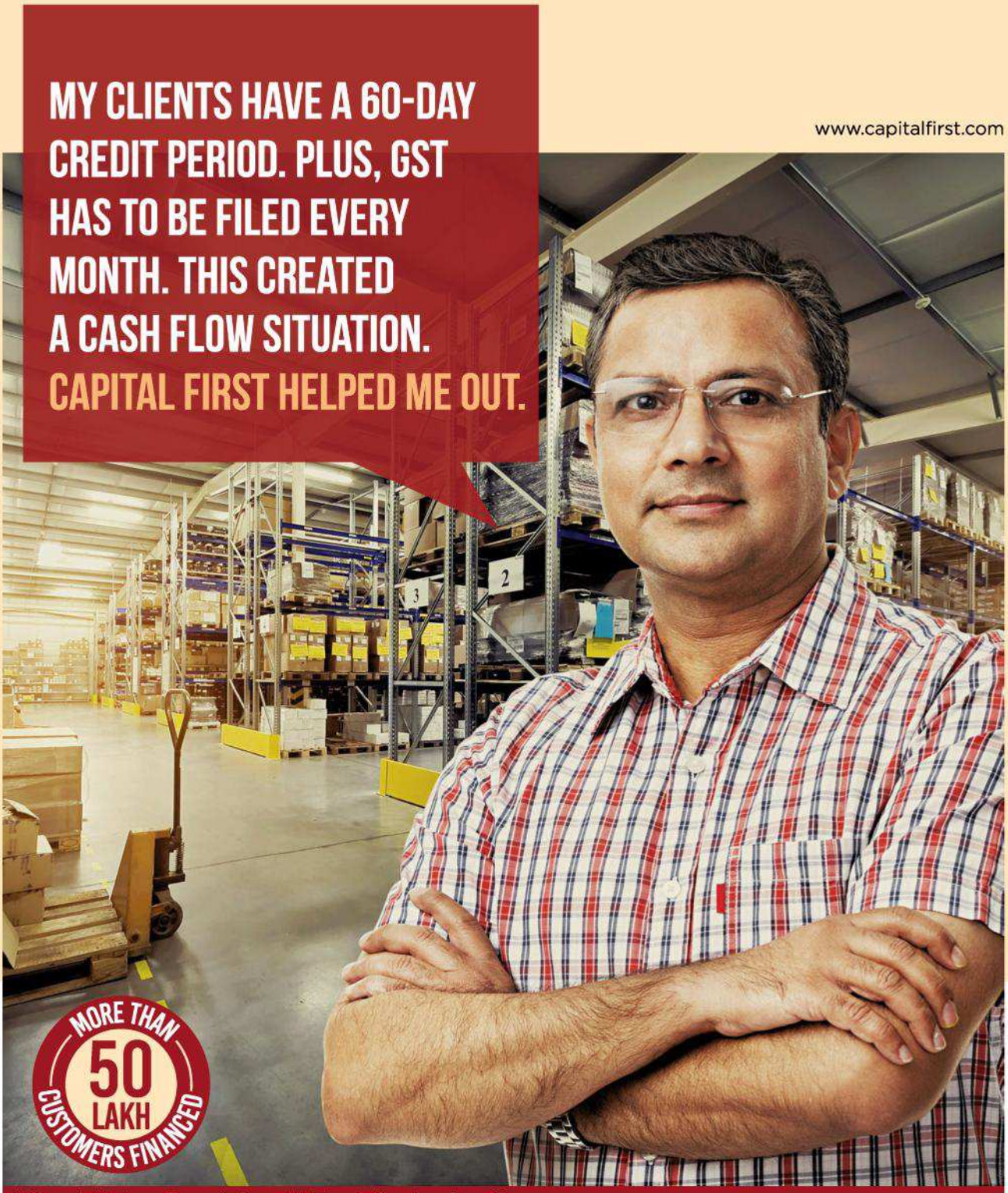

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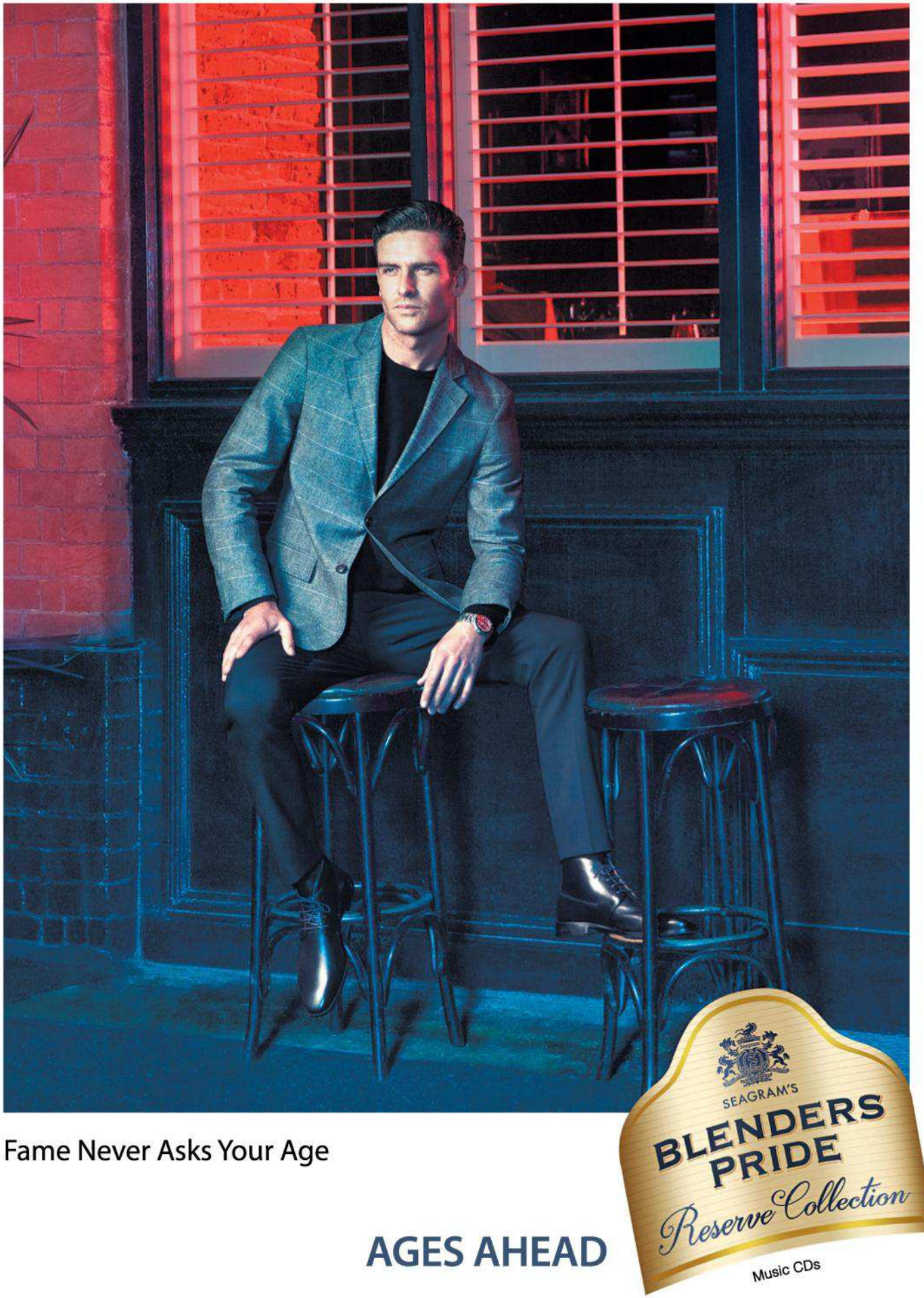

Fame Never Asks Your Age

AGES AHEAD

MONEY TODAY

June 2018

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MF REJIG: WHAT SHOULD INVESTORS DO p16

The benefits of buying travel insurance p20

THE IDEAL PORTFOLIO

Tips to make a financial plan that can help you cope with all life stages and goals

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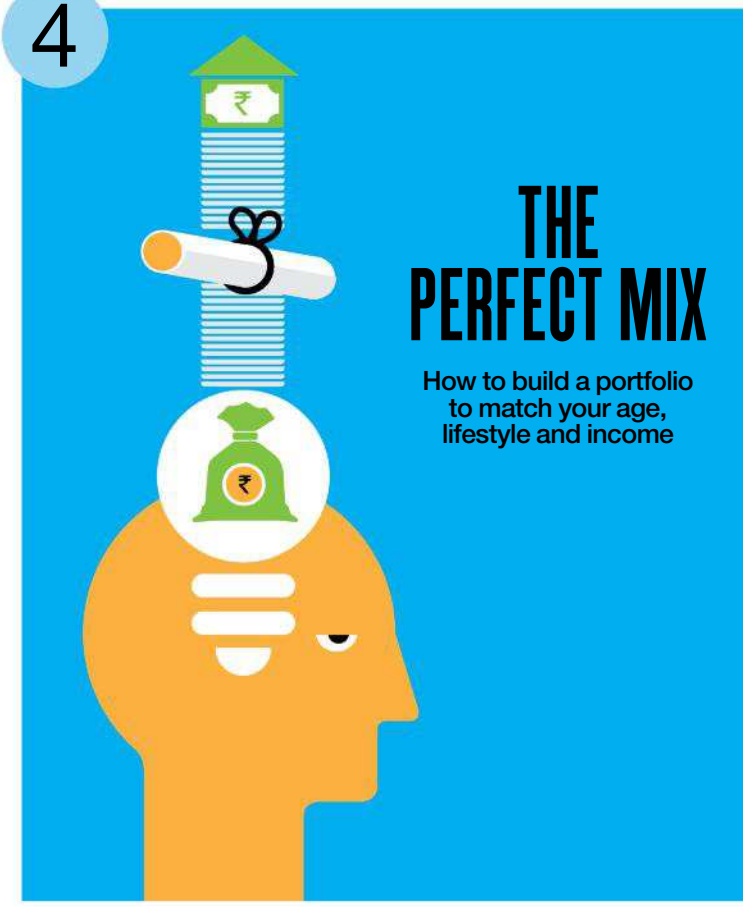
Cover by Ajay Thakuri

CONTENTS

COVER STORY

4



THE PERFECT MIX

How to build a portfolio to match your age, lifestyle and income

12 **THE MONEY SHIFT**

The low-down on which asset class will attract the most investors this year

16 **WHEN CHANGE STRIKES**

With SEBI asking MFs to recategorise and follow well-defined investment paths, it is time to review your portfolio

30 **DATA PAGES**

Best mutual funds and loan rates in the market

20 **GET COVERED FOR A STRESS-FREE TRIP**

Read the fine print to understand what all is covered, or you could be stuck with huge bills

26 **INTERVIEW/ HARDAYAL PRASAD**

The MD and CEO, SBI Card, talks on a range of issues affecting the credit card industry

WELLNESS

Get Heath Cover To Pursue Fitness

Aditya Birla Health Insurance, in partnership with the health club chain Talwalkars, has launched a wellness programme called FIT-Fitness Insured Totally. The programme offers enrolled members a complete fitness package along with an insurance cover for any illness or injury that occurs post enrolment. The health coverage is available with select annual memberships of Talwalkars and does not incur additional cost. The scheme offers personal accident cover of ₹10 lakh (death and permanent total disablement) and critical illness cover of ₹1 lakh covering 15 medical conditions.

ILLUSTRATIONS BY RAJ VERMA

NATIONAL PENSION SCHEME

Partial Withdrawal Made Easy

The Pension Fund Regulatory Development Authority (PFRDA) has relaxed the norms to allow partial withdrawals from NPS accounts. "Partial withdrawals will now be allowed to NPS subscribers who wish to improve their employability or acquire new skills by pursuing higher education/acquiring professional and technical qualifications," PFRDA said in a statement. Its board has also cleared 25 per cent increase in the equity investment cap (from 50 to 75 per cent) for private sector subscribers in the active choice category. However, subscribers can only avail the option until the age of 50.

LENDING RATES

Banks Raise MCLR

Axis Bank raised its marginal cost of funds-based lending rates (MCLRs) by 10-15 basis points (bps). Its one-year MCLR increased by 10 bps to 8.5 per cent. IDBI Bank also revised its MCLR by 5-10 bps across various tenors while Syndicate Bank and Allahabad Bank raised their one-year MCLR by 5 bps to 8.5 per cent and 8.3 per cent, respectively. Big players such as SBI, PNB, HDFC Bank and ICICI Bank had earlier upped their lending rates. As a result, both new borrowers and existing ones paying floating rates will have to shell out more. Lending rates are going up as banks have raised their deposit rates. Other factors include rising oil prices, large government borrowing targets, tight liquidity condition, higher inflation expectation and interest rate hike by the US Federal Reserve.

1.1 crore

Number of subscribers for Atal Pension Yojana (APY), as per Pension Fund Regulatory and Development Authority. It was launched in May 2015 and the total premium received to date is ₹3,950 crore while the CAGR, till March 2018, stands at 9.1 per cent. The scheme aims to provide social security to a large labour pool from the unorganised sector by giving a guaranteed minimum pension of ₹1,000 per month at the age of 60. The amount may go up depending on the individual's contribution.

CRISIS ZONE

RUPEE SLIDES AGAIN

The rupee stumbled again, hitting a low of 68.0883 against the U.S. dollar on May 21, 2018, the worst-ever slide since February 2017, according to RBI data. It had earlier breached the 68 level on several occasions. On August 28, 2013, its value fell to 68.3611 a dollar, but it had recovered immediately. Next, it reached a new bottom of 68.7775 on February 26, 2016. There was another slide on November 28, 2016 (right after the demonetisation on November 8), when it reached 68.7235. The key reasons behind the current slide are attributed to rising oil prices and the expected rise in current account deficit due to that, interest rate hike by the Federal Reserve, rising inflation and large government borrowings.

IBC CHANGES

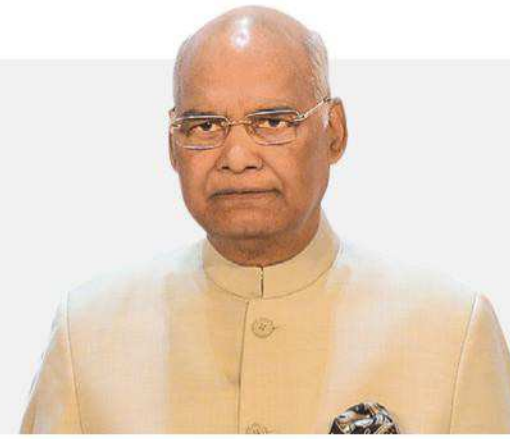
Homebuyers To Get Relief From Defaulting Builders

The government has made amendments in the Insolvency and Bankruptcy Code (IBC) through an ordinance and proposed that homebuyers be classified as "financial creditors". This will bring homebuyers on a par with the lenders. "It is a big relief for homebuyers as they will now have legal rights to claim their hard-earned money back from builders in case the builder goes bankrupt. This is in line with the government's agenda to protect common taxpayers' wealth," says Taranpreet Singh, Partner, TASS Advisory. The amendment came 16 months after the IBC was introduced. The Cabinet took the decision on the basis of the recommendations of a government committee that was assigned the task of finding ways to address the difficulties of homebuyers and suggest measures so that it is easier to recover dues from defaulting real estate promoters.

QUOTE

"By 2025, only seven years from now, India hopes to double the size of its GDP to $5 trillion. Of this, I am told, the services sector could be a $3 trillion contributor. And of that number, the government estimates that the Internet economy, incorporating e-commerce and other applications, could be as high as $1 trillion,"

Ram Nath Kovind, *President of India.*



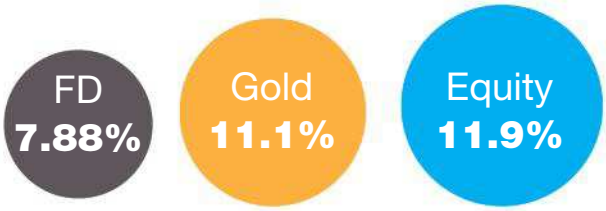
THE PERFECT MIX

How to build a portfolio to match your age, lifestyle and income

By Naveen Kumar
Illustrations by Raj Verma

A good investment plan not only helps you achieve all your financial goals but also ensures that your portfolio is adjusted to suit each phase of your life, taking into account your family structure, income, lifestyle and risk appetite. That is why each family requires a unique financial plan and a customised portfolio management strategy. On the other hand, most of us pass through a similar life cycle when it comes to managing our finance. People generally start earning when they are in their 20s, retire in their 60s and move from one phase of life to another

Returns From Different Assets In The New Millennium



Annual returns from April 2000 to April 2018
Sources: Sensex for Equity, RBI average price (FY2000 to FY 2018) for gold; average of top interest rate offered by SBI each month for term deposit (> 1 year)

"Inflation is the biggest villain when it comes to eroding the value of your money. But an investment in equity can combat inflation effectively and give you real returns in the long term"

G. Pradeep Kumar, CEO, Union Asset Management

after every 10 years. Therefore, we will tell you how best to manage your portfolio in sync with your age group. But before reading the recommendations, you should get familiar with the ground rules.

Why You Need Equity Investment

Our chart (*Returns From Different Assets In The New Millennium*) shows how equities have given a higher annual return of 11.9 per cent over a period of 18 years compared to gold and fixed deposits (FDs). During this period, gold has given an annual return of 11.1 per cent. In fact, it is considered a hedge against an asset like equity and should be used just as a hedging tool. Your investment in gold should ideally be limited to 10 per cent of the portfolio.

Considering that the average annual retail inflation stood at 6.63 per cent over the past six years (till December 2017), returns from FD at 7.88 per cent just moved around it. "Inflation is the biggest villain when it comes to eroding the value of your money. But an investment in equity can combat inflation effectively and give you real returns in the long term," says Kumar. If you are planning for long-term life goals, you should have higher exposure to equity so that you can generate superior, inflation-beating returns in the long term.

Why Goal-based Planning

If you fail to align your investments with specific life goals, you may not be able to meet all of them in the long run. Such random approach will also hinder you from getting the big picture – how well you are progressing in pursuit of your life goals. Without clarity, it is highly likely that you will overspend on a few goals and may not have enough funds for others. "The nature of investment, its importance and the timeline differ for each goal. The type of investment planning required to send your child to university in 15 years will be different from what is required to purchase a car in three years," says G. Pradeep Kumar, CEO of Mumbai-based Union Asset Management. Therefore, you should start investing separately for each major goal, which will also give you a sense of control over your finances. You can invest based on the time horizon of each goal. That way, if there is any course correction needed for one investment, others will not be affected (check *Asking Rate Of Investment For Your Life Goals*).

Grow Your Portfolio In Sync With Life Stage

Take Off In Your 20s: Investment is the last thing on people's mind when they start their first job. "Peer pressure leading to higher spending, access to easy credit resulting in overleverage, no clearly defined goals and a desire to earn quick money or impatient capital are the top challenges that we see in this age group," explains Vishal Dhawan, Founder and CEO of Mumbai-headquartered Plan Ahead Financial Planners.

As most people in their early earning phase rarely create any big asset, it is better to start with smaller building blocks – buying financial protection plans such as life insurance and health insurance covers, which cost the least at this age. "When you are in your late 20s or early 30s, invest in a term plan with a 35-40 year horizon, taking advantage of the fact that the premium will be locked in at a low rate for the entire period," says Manish Jain, a certified financial planner. If you are single, you must buy a health plan. In case you have dependent parents, you should also get term insurance. Else, you can wait till your marriage to buy your first term plan.

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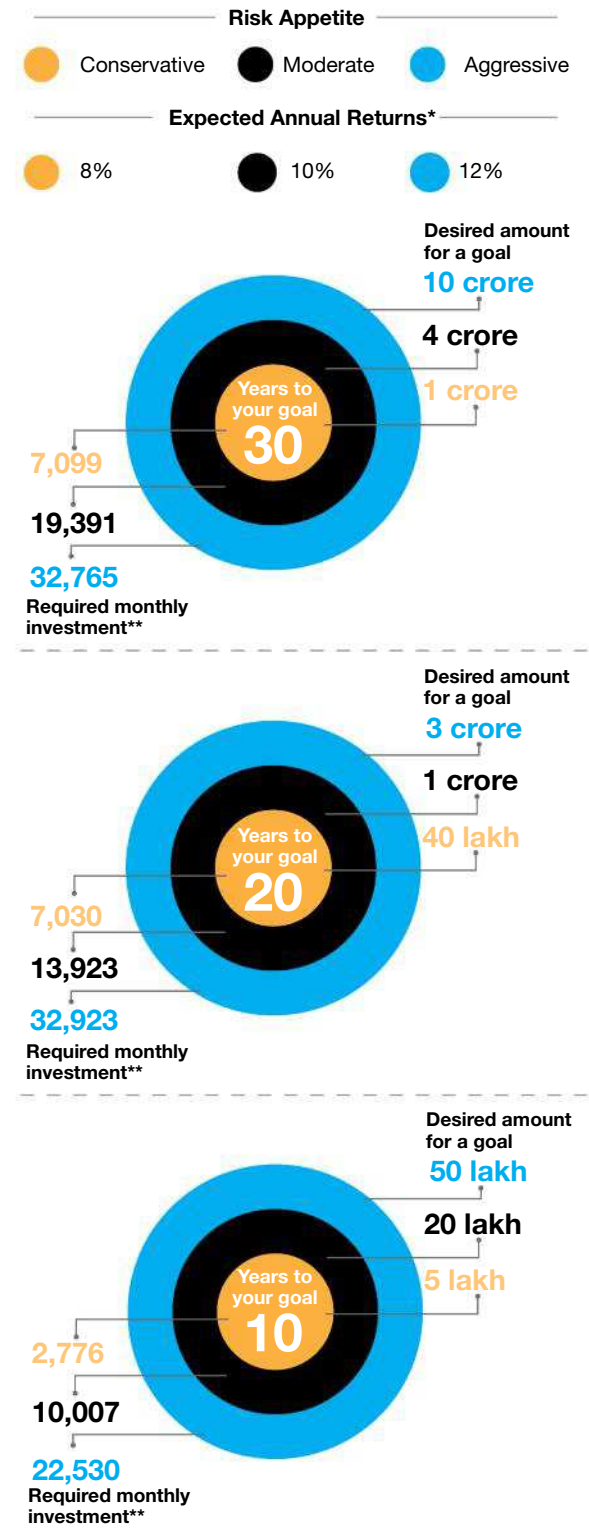
Know The Asking Rate Of Investment For Your Life Goals



*Annual yield on investment; **Rounded off
Assumptions: Conservative: 25% equity and 75% debt; Moderate: 50% equity and 50% debt; Agressive: 75% equity and 25% debt; All amounts in ₹

However, if there is merit in big investments early in your life, you should find a way to do it. "Spending habits are formed very early on. Now that individuals have control on their money, good spending and saving habits formed at this stage will be of great value," says Dhawan of Plan Ahead. "By investing early, they can leverage the power of compounding and go through the ups and downs of financial markets in a far more sanguine manner due to their ability to hold longer term if there is no (immediate) need for the money."

Long investment horizon also increases risk appetite and you can opt for 75-90 per cent investment in equities. "If there is no dependency or liabilities, people could be significantly overweight on growth assets like equities through diversified portfolios of mutual funds (MFs) and exchange-traded funds (ETFs). They can go for small exposures to fixed incomes for emergency/contingency goals," points out Dhawan. However, it is better to opt for systematic investment plans, or SIPs, and get familiar with regular saving and equity investment. To meet short-to-medium-term goals with a time frame up to three years, you can keep around 10-20 per cent of your investment in FDs and the rest in debt/liquid mutual funds.

Grow Aggressively In The 30s: It is that phase of life when you have married and started a family. In the absence of significant assets to fall back on, the need for financial protection remains high. "This is when family life starts and responsibilities increase. So, both life and health covers should be in place by the time you enter the 30s. By the time you are in your late 30s, you should have an adequate life insurance cover (in case the initial amount is not enough). Moreover, each spouse should have a separate life and health cover," says Jain.

When it comes to investment, people could face numerous challenges. "Instead of one cradle-to-grave job profile that characterised earlier generations, today's jobs come with risks of shorter tenure, technological changes and significantly higher stress levels. Such an environment makes it all the more necessary to adopt a prudent savings strategy in the 30s," says Ajay Bodke, CEO and Chief Portfolio Manager, Portfolio Management Services, at Mumbai-based Prabhudas Lilladher.

With nearly 30 years of earning life left, people can invest aggressively and go for around 75 per cent equity exposure. "Individuals should first start a SIP focussed on equities, a mix of higher risk mid/small-cap-oriented well-managed portfolios combined with some allocation to a lower-risk, blue-chip equity portfolio," adds the Prabhudas Lilladher CEO.

As income rises, tax management also becomes crucial. "Investment in a residential mortgage will enable one to get generous tax breaks both on interest and principal repayments. In addition to equity

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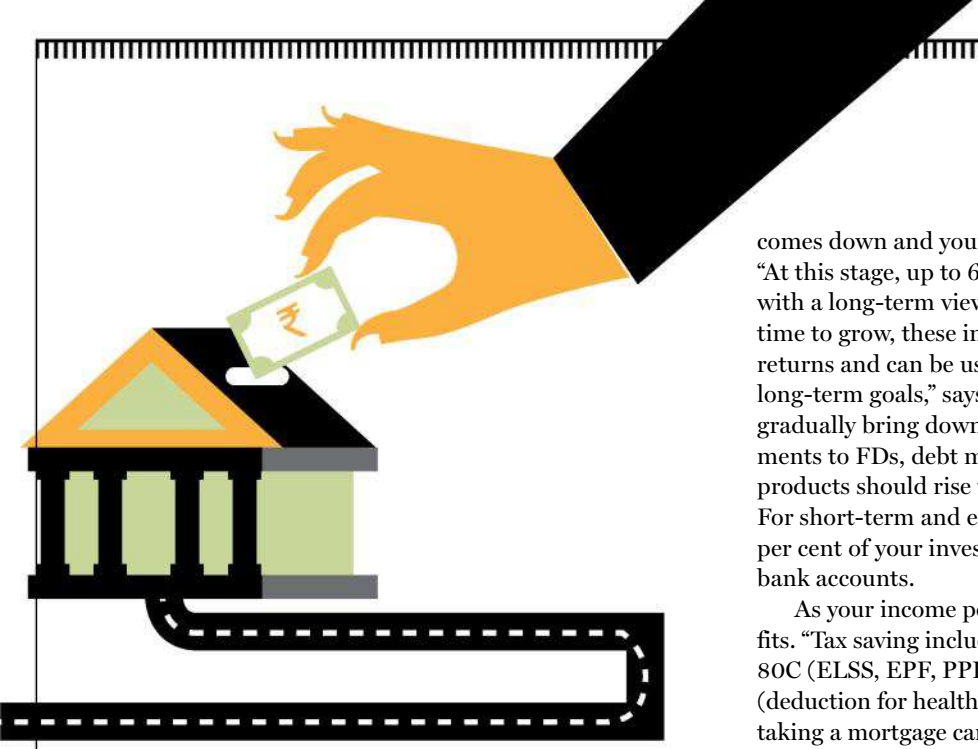


investments via SIP, annual investment in equities through equity-linked savings schemes (ELSS) should be pursued," says Bodke. You can keep around 10-15 per cent of your investments in FDs and debt funds to meet medium-term goals with a time frame of two to five years. For the short term, keep 5-10 per cent of your investments in liquid mutual funds or savings accounts.

Balance Risks With Prudence In The 40s: This is the golden phase to maximise savings as you still have enough time to invest for the long term. It is the last window of opportunity to lock in a good health insurance plan at a reasonable cost and with lifelong renewability. You should also reassess your term insurance requirements and increase the cover, if needed, to bridge the protection gap.

During this period, many competing priorities could make saving difficult. "One may find it difficult to balance investments and regular expenditure. As income is nearing its peak at this stage, lifestyle expenditure tends to increase as well," says Ashish Shanker, Head, Investment Advisory, at Motilal Oswal Private Wealth Management.

With fewer years of earning life left, one's risk appetite comes down and your portfolio should reflect the same. "At this stage, up to 60 per cent can be invested in equities with a long-term view to enhance returns. When given the time to grow, these investments can provide substantial returns and can be used for retirement corpus or other long-term goals," says Shanker. However, you should gradually bring down your equity exposure. Your investments to FDs, debt mutual funds and other fixed income products should rise to 20-30 per cent of your portfolio. For short-term and emergency needs, you can keep 10-15 per cent of your investment in liquid funds and savings bank accounts.

As your income peaks, you need to focus on tax benefits. "Tax saving includes tax deductions for investments u/s 80C (ELSS, EPF, PPF, life insurance premiums) and 80D (deduction for health insurance premiums). Any individual taking a mortgage can also benefit from a dip in interest rates," points out Shanker. It is a good time to open a PPF account if you have not done it earlier as the 15-year lock-in period will coincide with your retirement.

Best Practices In The 50s: The biggest responsibility at this stage is to help your children settle down. If you want to stretch your funds to pay for their expensive higher education or lavish marriage, you may fall short of your retirement corpus. You should keep in mind that in another 10 years, your ability to earn will get limited significantly and it will be a big risk to compromise on your retirement saving. It is always better to stick to your planned expense level. On the other hand, if the higher cost option for higher education looks extremely promising, consider an education loan and become a co-borrower to meet the shortfall. It will also instil a sense of responsibility in your child.

However, the focus at this stage should be your retirement. "Building an adequate retirement corpus that addresses increasing lifespan is another important goal to be met in the 50s. As the saving time is shortened, it is imperative to maximise savings and investments if you have not started saving earlier and created wealth for yourself," says Anup Bansal, Co-founder and MD of Bengaluru-based Mitraz Financial Services.

"Peer pressure leading to higher spending, access to easy credit resulting in overleverage, no clearly defined goals and a desire to earn quick money or impatient capital are the top challenges that we see when people are in their 20s"

Vishal Dhawan, Founder and CEO, Plan Ahead Financial Planners

Going for maximum saving does not come easily. "The challenge that most people may face is lack of liquidity due to commitments such as regular and lifestyle expenses or home loan EMIs." People who have long-running savings can breathe easy, though, but those who find themselves falling short of their life goal targets should stick to adequate equity exposure. "The reason people cannot take too much risk is that when in their 50s, many goals are likely to be realised within a short period and adequate liquidity should be maintained for that purpose. The ideal asset allocation ratio should be 40:60 to 50:50 for risky versus safe assets" adds Bansal.

Every extra penny saved at this stage is going to make a difference in your retired life. "Legitimate tax savings are important at any phase to maximise the take-home salary and build a future nest. But as incomes grow, incremental tax savings get reduced or become zero," cautions Bansal.

"When in your 40s, up to 60 per cent can be invested in equities with a long-term view to enhance returns. Given the time to grow, these investments can provide substantial returns and can be used for retirement corpus or other long-term goals"

Ashish Shanker, Head, Investment Advisory, Motilal Oswal Private Wealth Management

Should You Invest Post Retirement?

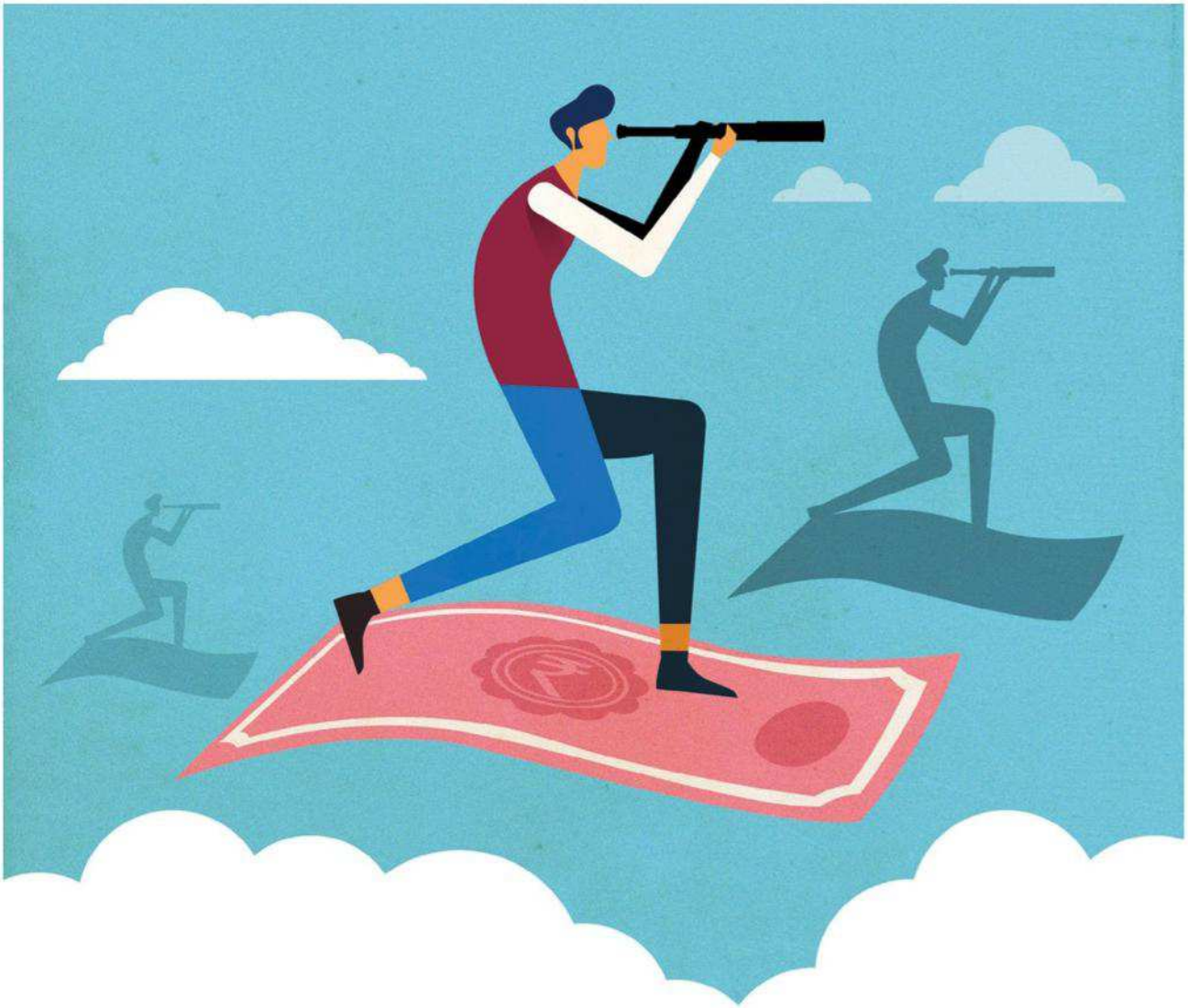
By the time you reach your retirement age, you should have settled all your obligations. From now on, you will mostly depend on your accumulated assets for regular income and also to meet any exigency. This is a period when health assumes a big significance.

"There are health insurance products for retirees or people with lifestyle diseases although the cost can be prohibitive. One should read the fine print before purchasing any fresh health cover. Generally, there are a lot of exceptions," says Jain.

You may also consider investment as the highest priority is to accumulate a corpus that will serve you throughout this period. "Even in retirement, people live for 20-30 years or more. To ensure that the corpus accumulated is available for a longer period, one may have to invest in equity as it is the only asset that can beat inflation and offer real returns. But the exposure to equity will have to be contained," says Suresh Sadagopan, Founder of Mumbai-based Ladder7 Financial Advisories. "An allocation of 15-40 per cent is suggested for retired people. The exact allocation will depend on several factors – their risk tolerance, the corpus size, survival period, goals which are there in the retirement phase, regular income needs and so on."

You may keep up to 50 per cent of income in fixed income products life FDs and bonds, and 10-20 per cent of your investments in debt funds, liquid funds or savings bank accounts as a contingency fund. "From a tax efficiency point of view, you may invest in debt MF schemes and initiate a systematic withdrawal. In this way, the effective tax will be around 5 per cent," says Sadagopan. MT

@naveenkumar80



ILLUSTRATIONS BY AJAY THAKURI

THE MONEY SHIFT

The low-down on which asset class will attract the most investors this year. **Tripti Kedia**

In the last few months, the economy has been trying to get back on its feet, though with difficulty. In response, equity markets have also been volatile, struggling to retain the bullish sentiment. The introduction of long-term capital gains (LTCG) tax, rising crude oil prices, strengthening of dollar against the rupee and PSU bank frauds have hit sentiment. Benchmark indices fell 8 per cent in February and March.

Amid the turbulence, the retail investor has shown faith in equities As per data from the Association of Mutual Funds in India, or AMFI, the average assets under management, or AUM, of mutual funds stood at ₹22.71 lakh crore at the end of March, with the equity component being 30-35 per cent. While systematic investment plan, or SIP, accounts stood at

over 2.11 crore, total collections in March were ₹7,119 crore. Seems like the '*Mutual Funds Sahi Hai*' campaign is working its magic.

"Liquidity is good. We saw astonishing flow of money into mutual funds last year. This year also, the momentum in asset growth will continue, but the rate of growth will be slightly lower," says A. BalaSubramanian, AMFI Chairman and CEO of Aditya Birla Sun Life Mutual Fund. However, he is quick to add that there have been some outflows from equity-oriented funds in the last two-three months.

Analysts and fund managers say there has been a slow shift. "There has been some selling in balanced funds and we are seeing negative returns there," says Rajeev Thakkar, CIO, PPFAS MF. "There has been an outflow from arbitrage funds to the tune of ₹12,000 crore due to tax-related decisions of investors and profit-booking at the end of the financial year in March," says Balasubramanian. Inflows into equity funds in March were the smallest in 13 months even though they did not turn negative.

WHERE IS MONEY GOING

Until last year, the trend was clear. Interest rates were falling. With real estate and gold not giving good returns, investors turned to mutual funds. But with introduction of LTCG tax on mutual funds and inflation/interest rates rising, investors became worried. Also, geo-political tensions and trade wars between the United States and China made equity markets cool down slightly.

However, SIP numbers tell a bullish story. Fund managers say that despite equity markets turning volatile, the SIP mode of investing will gain momentum this year too. Amandeep Chopra, Group President and Head, Fixed Income, UTI Mutual Fund, says, "A lot of flows into equity mutual funds over the last 12 months are more or less long term (two-three years time frame) as they are mostly through SIPs. That trend will carry on. But incremental flows might get diverted." "Equities will appeal to investors if the return is upwards of 12 per cent. But with LTCG tax, the return differential is narrow. Equities should at least give 3-4 per cent more returns as compensation for the risk that one takes," says Balasubramanian.

So, to justify the risks the economy poses, which asset class is the Street pointing to? Clearly, it's not real estate or gold. Portfolio managers say the wind is blowing towards fixed income assets.

The Comeback

In recent months, there has been a pick-up in flows into fixed income funds. Bank deposit rates have also moved north. "One has already witnessed migration from fixed deposits to debt funds, the latter demonstrating that they can outperform fixed deposits," says Amandeep Chopra of UTI.

For conservative investors, debt funds are undoubtedly offering good value. But for young wealth creators with a risk appetite, the route leads to equity-oriented funds.

In April, big private banks increased deposit rates to around 7.35 per cent, from 6.50-6.75 per cent a few quarters ago. This makes fixed deposits an attractive avenue for investors with low risk appetite. "People can now look beyond traditional fixed income products like deposits and secondary market NCDs," says Amandeep.

Balasubramanain backs this. "In the last two-three months, we have seen ₹10,000-12,000 crore come into short-term and medium-term debt funds along with credit opportunity funds. These categories are becoming more attractive because of expected returns after tax as opposed to bank fixed deposits."

Out of ₹23 lakh crore AUM of the mutual fund industry, the equity component is ₹9 lakh crore, while the debt pie is about ₹10 lakh crore, followed by ₹4 lakh crore of liquid funds. The debt fund pie, says AMFI, should grow at 20-25 per cent on a year-on-year basis.

Why be bullish on select debt funds?

Crude oil is nearing the $80 a barrel mark. With inflationary concerns resurfacing, bond yields have rallied more than 60 basis points in just one month. Besides, the US Federal Reserve has signalled an increase in rates, which may put pressure on interest rates in India too. These factors will not support long-term debt funds. But they will work for short-term funds. "Long-term funds may underperform in the near term, especially from a one-year perspective, due to rising yields. But for short-term funds, the negative impact of rates moving up is muted and they will actually benefit. So, investors should focus on low duration, short term and credit risk funds," says Amandeep.

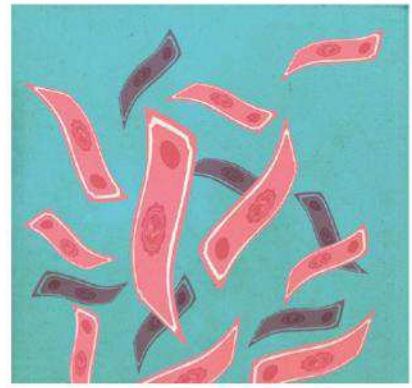
While debt funds are working their charm on investors, why is the glitter of gold not visible in these seemingly troubled times?

Has gold lost its sheen?

Gnanasekhar Thyagarajan, Director, Research, Commtrendz, says three months ago he expected a dramatic move in gold due to potential geo-political flare-ups and high interest rates and inflation. Uncertainty compels investors to buy gold as it is considered a safe haven. "The dramatic move has been elusive. It seems that US-Syria war or US-China trade fight are being perceived as temporary. Equity markets are showing far more resilience than anticipated. But how long can they withstand these? Borrowing in dollars is not cheap, crude oil and inflation are rising and so even though the interest in the metal has not risen much, gold will have to rally soon," he says.

In the last three-four months, gold has rallied only about 4 per cent, and not attracted investors as expected. But Pramod Kumar Agrawal, Chairman, The Gem and Jewellery Export Promotion Council, says, "Gold jewellery grew 10 per cent last financial year. This year too, it shall, conservatively speaking, grow at 10 per cent".

Interestingly, in March and April, demand from rural consumers lifted the overall sentiment. Thyagarajan says there has been a 15-20 per cent uptick in demand from both rural and urban consumers. But it seems unlikely that the retail investor, who has shown unflinching faith in equities, will seek solace in the yellow metal yet.



BROAD TRENDS

Fixed Income

- Highest interest rate on fixed deposits has risen to 7.35%
- Mutual fund fixed income schemes are fetching 7-9% returns

Debt Fund

- With yields moving up, long term debt funds may underperform
- Investors must focus on short term and medium term debt funds
- Low duration funds, short term funds and credit risk funds could give a return of 12%

GOLD

- Gold has witnessed a marginal gain of 4 per cent this financial year
- Rural and urban demand for gold jewellery has picked up over 15% this quarter
- Gold jewellery demand growth to remain intact

EQUITY

- Equity mutual funds' assets at 9 lakh crore out of total AUM of ₹23 lakh crore
- Total collections from SIP in March alone was ₹7,119 crore
- MFs to see a CAGR of 20-25% in their AUM over the next 5 years

Mutual Funds sahi hai!

For conservative investors, debt funds are undoubtedly offering good value. But for young wealth creators with a risk appetite, the route leads to equity-oriented funds. "If you have at least a five-year view, build a strategy to invest in equities. Yes, large caps are at elevated levels and small and mid caps, despite the correction, are overvalued, but the domestic story is playing out well in select stocks," says Thakkar of PPFAS. "Mutual funds are allowed to invest in overseas stocks and so one should also look at foreign stocks that complement holdings here. Among the FANG (Facebook, Amazon, Netflix, Google) group, we like Facebook and Google," he says.

While 2016 was the year of low hanging fruits in the equity space, 2017 was when investors were rewarded rather quickly. But 2018 may be different. According to a Morgan Stanley report released in the first week of May, the bull market in India is intact. It says the clear winners in April were momentum stocks, stocks with maximum 12-month returns, low dividend yield, high beta and high financial leverage. This surely smells and feels like a bull market.

So, if the macros stress you, volatility worries you or tax dissuades you, remember the promise of an emerging market like India and that money, deployed well, would grow even at night! MT

Tripti Kedia is a freelancer based in Mumbai

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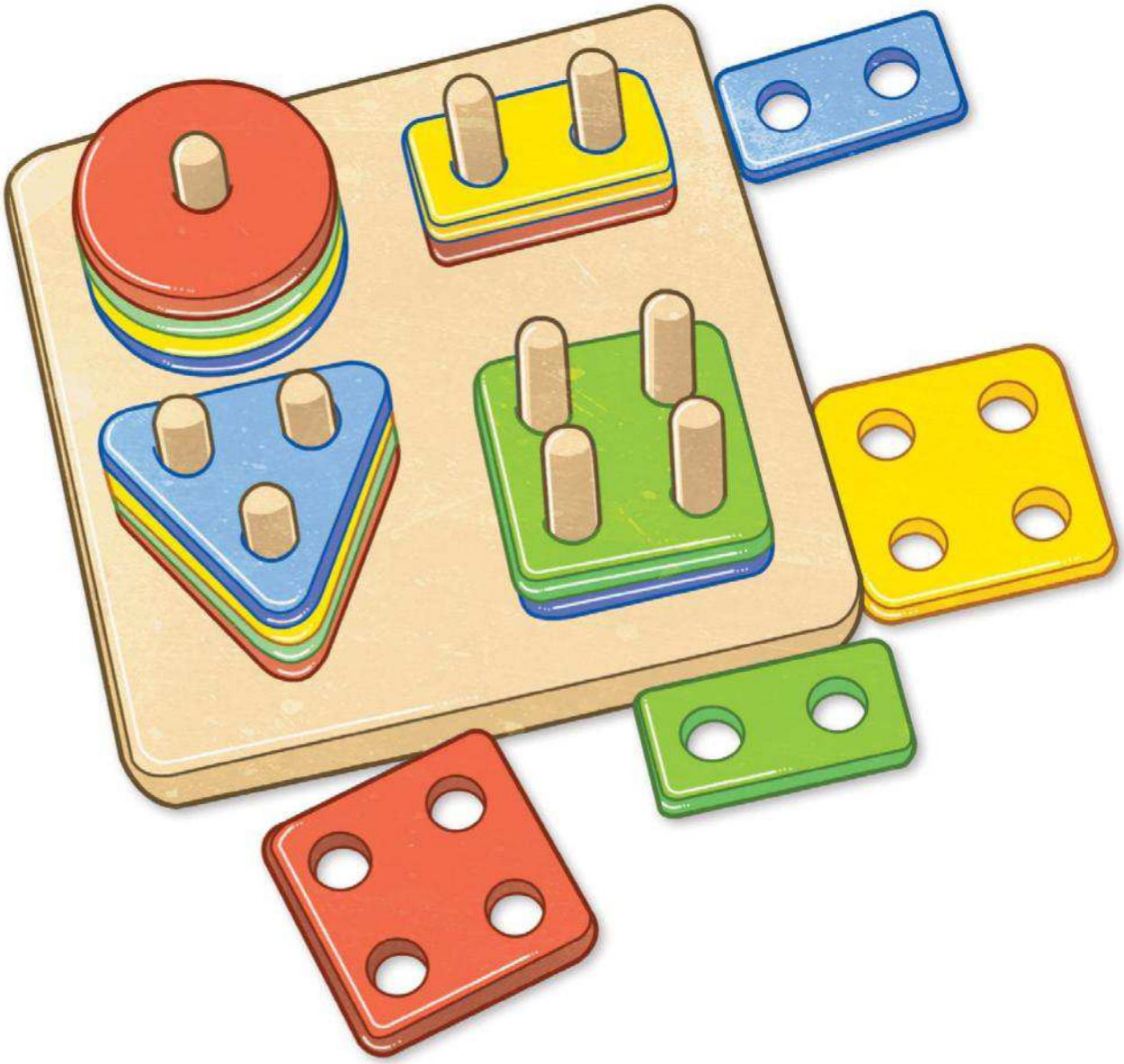
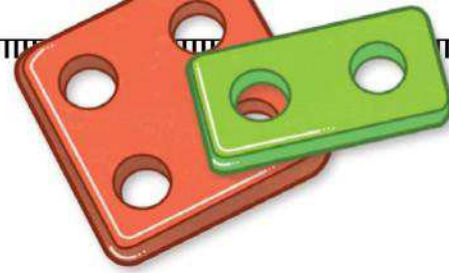


WHEN CHANGE STRIKES

With SEBI mandating mutual fund schemes to recategorise and follow well-defined investment paths, it is time to review your portfolio. **By Kundan Kishore**

ILLUSTRATIONS BY AJAY THAKURI



Too much of anything is not good. That is what the market watchdog Securities and Exchange Board of India (SEBI) thinks about the mutual fund (MF) schemes flooding the market. The regulator wants to simplify them and bring down the number so that people can easily understand the underlying investment focus and choose them as per their requirements. In October 2017, SEBI came up with a framework, mandating all MF schemes to be brought under five broad segments and 36 categories under the segments. What's more, a fund house can launch only one scheme per category barring a few exceptions. Fund houses have been asked to align their schemes with the new framework within a stipulated timeframe. The final deadline has not been announced yet, but the players are already in action. Consequently, many MF schemes have either changed their fundamental attributes or got merged with others or simply changed their names to ensure better clarity. Here, we decrypt these changes and what investors should do about the schemes in their portfolios to stay aligned with their financial goals.

Why Reclassification

Over the years, fund houses have launched schemes galore which are either repeats of the existing schemes or slight variations, but most of them come with fancy names to lure investors. In fact, quite a few fund houses had multiple schemes in the same category. All these cluttered the entire MF space and became complicated for layman investors to understand the products in question. According to industry experts, the ambiguity that occurred due to the variety of scheme names will be largely sorted out and improve the performance of each scheme. "The industry was saddled with too many schemes that frequently overlapped with each other. Consolidation of schemes will enable fund manager to focus on one scheme in a category instead of multiple schemes. This should improve performance by increasing accountability," says Rahul Parikh, CEO of Bajaj Capital.

Others concur, saying that the new structure will enable investors to make more informed decisions based on the type, risk and category of schemes. "The MF scheme re-categorisation is a positive move as far as investors are concerned as it will bring uniformity and standardisation. In fact, the steps by the regulator to clamp down on the number of funds in a single category will be very helpful. It will be easy to compare schemes across fund houses, and investors can understand better the risks, returns and performances of their schemes," says Jiju Vidyadharan, Senior Director at CRISIL Research. Going forward, fund houses are permitted to have only one scheme of each type, except for index funds, exchange-traded funds (ETFs), fund of funds, and sectoral and thematic funds.

As fund houses begin to realign their schemes, investors are bound to face some disruptions initially. Here is how you can cope with the change.

Cosmetic Changes

In several cases, only names of the funds have changed without any change in fundamental attributes such as focus or investment style. For instance, Aditya Birla Sun Life Top 100 Fund will be known as Aditya Birla Sun

ELSS: A lucrative tax saver instrument

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When it comes to making long term investors, equities are the go-to option for many of the investors. But apart from harnessing the gains from equities, one can also use it to save on taxes – provided the investor has chosen a Scheme from the Equity Linked Saving Schemes (ELSS) category of funds.

Why ELSS?

ELSS is a mutual fund scheme category which invests 65% or more of the portfolio in domestic equities and equity-related instruments. It comes with a lock-in of 3 years from the date of investment. As per the existing tax laws, you can claim a deduction for the amount invested up to Rs. 1.50 lakhs. However, this deduction is a combined ceiling limit for other tax saving investments available under Section 80C of the Income Tax Act.

Benefits of investing in ELSS:

- Lowest Lock-in amongst the basket of tax saving options – Most of the traditional investment options under Section 80C comes with an extended lock-in period. Meanwhile, ELSS comes with a lower lock-in period of just three years, which is the lowest among all the options available. Hence, your investment is not tied up for long.
- Potential of Higher Returns – ELSS offers market-linked returns, which historically over longer periods of investment timeframe has provided stellar returns. While the returns are not guaranteed, historical performance of such schemes can be a fair indicator of what to expect.
- Lock-in helps you stay Invested – The mandatory lock-in enables you to resist the temptation of redeeming your investments and therefore, helps you continue on the path of long-term wealth creation.
- Mode of investment – Investors can choose to make a lumpsum or through Systematic Investment Plan (SIP) which can be done on a weekly / monthly / quarterly basis. The benefit of investing the SIP route is that it helps mitigate market risk by rupee cost averaging.

In a nutshell, ELSS turns out to be an investment option which offers the dual benefit of tax savings and long-term wealth creation. Therefore, it would be worthwhile to make ELSS an integral part of not just your tax plan but your overall financial strategy, in a seamless and hassle free manner.

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

The Old Order Changeth

Old Scheme Name	New Scheme Name	Changes
HDFC Premier Multi-cap Fund	HDFC Hybrid Equity Fund	From a pure equity fund to a hybrid fund
Reliance NRI Equity Fund	Reliance Balanced Advantage Fund	From a pure equity fund to a dynamic asset allocation fund
HDFC Top 200 Fund	HDFC Top 100 Fund	From an open-ended growth fund to an open-ended equity scheme, predominantly investing in large-cap stocks
ICICI Prudential Dynamic Plan	ICICI Prudential Multi-asset Fund	From an open-ended diversified equity fund to a multi-asset fund
SBI Emerging Businesses Fund	SBI Focused Equity Fund	From a mid-cap fund to a multicap fund that will invest in maximum 30 stocks

List is not exhaustive and covers only a few prominent MF schemes which are changing post the SEBI directive

Life Focused Equity Fund. Similarly, Motilal Oswal MOSt Focused 25 Fund will be rechristened Motilal Oswal Focused 25 Fund and UTI Opportunities Fund will become UTI Value Opportunities Fund. Simply put, schemes have been renamed for a better understanding of their investment objectives. If you find that only the name of the MF scheme has been changed, there is no need to be concerned.

Merger of Schemes

Some schemes have already been merged, and others may soon follow suit. While schemes under the same category are merged without any major shift in focus, some are also clubbed with funds from other categories. For instance, HDFC Premier Multi-cap Fund has been merged with HDFC Hybrid Equity Fund. The former was a pure equity fund, but it has been merged with a scheme in the hybrid segment which invests in both equity and debt.

Again, HDFC Prudence, one of the star funds in the hybrid category, will lose its identity as plans are afoot to merge it with HDFC Balanced Advantage Fund. Also, Reliance Mid and Small Cap Fund and Reliance Focused Large Cap Fund have been merged into Reliance Focused Equity Fund. The nature of the schemes and their benchmarks will change, as a result. If you have invested in equity funds to fulfil long-term financial goals and have a bigger risk appetite, a moderate programme might not suit you. In such cases, you need to evaluate your portfolio and take corrective action.

"Although the new measures bring about the much-needed simplicity and help sort the schemes, investors are still required to match their objectives and goals with the schemes' objectives, especially if the schemes have changed," says Santosh Joseph, Founder and Managing Partner of Bengaluru-based Germinate Wealth Solutions. But it is best done in consultation with your distributor or advisor to achieve maximum efficiency.

Change In Fundamental Attributes

Finally, there are schemes which have changed their fundamental attributes to fit in the new framework. For example, Reliance NRI Equity Fund, formerly a diversified large-cap equity fund, will now become Reliance Balanced Advantage Fund and fall under the dynamic asset allocation category. In such cases, you should take a holistic view of your portfolio. If the new mandate of the scheme does not match your expectations, it makes sense to exit. "It is imperative that investors review their MF portfolio and check if the reclassified schemes are aligned with their investment goals and risk-return expectations," says Vidyadharan of CRISIL Research.

Exit Checklist

Taxation: Before pressing the exit button, one must look at the tax angle. In case of equity or equity-oriented funds, any investment held for a year or less will attract short-term capital gains tax at 15 per cent irrespective of your tax slab. If you have held your investments for more than a year, you will have to pay long-term capital gains tax at 10 per cent for annual gains in excess of ₹1 lakh.

For debt funds or debt-oriented funds, monthly income plans, gold funds and fund of funds, the tax hit is high for capital gains made in less than three years. The amount will be added to your annual income and taxed according to your tax slab.

Exit load: Exit load is another factor that could dent your returns. Typically, all fund houses provide exit windows to investors. Check out the dates so that you can schedule your exit without paying any exit load. MT

The writer is a Mumbai-based freelancer

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GET COVERED FOR A STRESS-FREE TRIP

Read the fine print to understand what all is covered, or you could be stuck with huge bills. **By Khyati Dharamsi**

ILLUSTRATIONS BY AJAY THAKURI

Mumbai-based Madhumita Chatterjee, 59, planned a fortnight's vacation to stay with her son in Hong Kong. But she ended up with a hospital bill of HK$1,500 (around ₹13,000) for an emergency surgery caused by a fall when she was abroad.

Whether you are on a business trip or embarking on a sun-chasing, mojito-sipping seaside holiday, anything untoward – right from lost baggage to stolen passport to medical emergency – can turn the trip into a nightmare. Still, many choose to travel without any safety net even though the cost of buying a travel insurance policy is far from prohibitive. A $1,00,000 travel cover for two adults on a 30-day tour of US/Canada costs ₹3,599-5,363 ($50-80), and the price shoots up for senior citizens aged above 70. But it is not much more than the per-room, per-night charge of $75-150 that Indians spend on an average.

Young travellers without insurance could also face huge risks, going by Indian consumers' leisure travel habits. "Indian millennials are more adventurous and confident, and more inclined towards discretionary consumption of activities such as travel, as opposed to saving. They prefer independent travel over group tours," says a CAPA India-Expedia travel report titled *The inflection point for India outbound travel*.

Nevertheless, planning for vacation contingencies is on the rise as more people are going abroad (intercity travel cover has not picked up yet), and insurers are developing products in sync with the latest demand. For instance, Bengaluru-based Digit Insurance is now covering adventure sports. According to the Insurance Regulatory and Development Authority of India, domestic companies issued 2,30,000 overseas travel insurance policies in FY2016/17, covering 4,60,000 people.

$50-80

Cost of a $1,00,000 travel cover for two adults on a 30-day tour of US/Canada

What's On The Platter

More than 40 general insurance companies in

India offer extensive coverage overseas and the sum assured could vary from $25,000-50,000. Apart from emergency hospitalisation, these policies cover personal accidents, loss of documents and luggage, cost of evacuation and, under unfortunate circumstances, cost of transporting the mortal remains of a traveller. "Most often, customers file for claims related to medical expenses incurred due to hospitalisation, flight delays, baggage delay, loss of personal documents and loss of checked-in baggage," says Anurag Rastogi, Member of Executive Management at HDFC ERGO General Insurance. "Documents like payment receipts, doctor's notes and police reports are required to process claims. Hence, you need to save and share them with your insurer when filing a claim."

Also, before buying a policy, take a look at the exclusions and caveats, how much of the claim will eventually be settled and the extent of premium repayment in case of policy cancellation. For instance, under emergency hospitalisation, the first $100 has to be paid by the policyholder. Similarly, companies offering home insurance against burglary and fire while you are away, often mandate that 5 per cent of the amount should be paid by the insured. Now that you are aware of the pros and cons, here is a low-down on how travel insurance can help when emergencies strike.

Medical emergency: "In many parts of the world cost of medical treatment could be exorbitant, running into thousands of dollars. But people's capacity to cope with such contingencies is limited and they must have a safety net," says Sanjay Datta, Chief of Underwriting, Reinsurance and Claim at ICICI Lombard General Insurance. The best part of the deal is you need not undergo a health check-up to get your policy. "However, a declaration of pre-existing medical conditions is required before policy issuance," says Datta.

If a traveller wants to get treated in India for any injury caused abroad, the return journey and the cost of treatment back home will be covered by the policy, subject to the sum assured. On the other hand, discretionary expenses should be avoided when one is abroad. For instance, cosmetic surgery and prosthetics are not covered by any policy. Medical costs for pre-existing conditions, barring life-threatening emergencies, may not be considered either.

Finally, if a person needs treatment due to a self-inflicted injury such as an attempt to commit suicide or self-harm under the influence of drugs or alcohol, expenses for the same will not be paid by insurers. Again, mishaps due to sports or adventure activities are not covered by most companies.

"Customers should look for continent-specific or country-specific plans to save on premium"

Anurag Rastogi
Member of Executive Management, HDFC ERGO General Insurance

Trip delay/cancellation/interruption: If flights get delayed or cancelled due to bad weather, technical/mechanical faults or staff strike, one can benefit from the trip delay/cancellation coverage. Trip delay claims are not accepted by insurers if the gap between connecting flights is less than three hours. If you have to cut your trip short due to natural disasters, terror attacks or personal reasons, such as the death of a family member, you will be protected under the trip interruption clause.

Lost baggage/passport/money: The lost-baggage cover will be available only if the entire checked-in baggage is permanently lost by the common carrier (commercial flights on regular routes charging agreed rates). A copy of the boarding pass and the property irregularity report issued by the airline will be required as proof of baggage loss. Delay in receiving baggage is also covered if the delay is more than six hours within India and 12 hours while you are travelling abroad.

Losing your passport or other travel documents or your wallet is another major disaster. Report the loss to the local police within 24 hours and submit the report to get your insurance claim accepted. For financial emergency, a pre-decided amount is handed over to the traveller.

Save More On Premium

Travel insurance can undoubtedly stretch your holiday budget, but the icing on the cake is that if you plan to cancel the policy due to change in plans, you can do so midway and a part of the premium will be refunded as long as no claim has been made under the policy. If you are not sure how long you will be travelling, take the travel cover for a shorter duration and seek an extension later in case it is required.

"There are variations in deductibles and sub-limits, which could have a huge impact on one's budget. Check out premiums for various sums insured from one insurer and compare them with what others are offering. That is the way to ensure you are spending as per your budget without compromising on the adequacy of protection," says Anand Roy, Executive Director and Chief Marketing Officer at Star Health and Allied Insurance.

"Customers should also look for continent-specific or country-specific plans to save on premium," says Rastogi of HDFC. "For those going on a family holiday, it is advisable to choose a basic plan that covers a family of four and then go for a higher-sum-insured family floater plan that ranges between $2,00,000 and $5,00,000." MT

The writer is a Mumbai-based freelancer

BE INSURED, STAY SECURED!

It is often said that change is the only constant in life, and change involves uncertainty. While uncertainty is a boost at times, it can prove to be a major setback at many others, like matters of financial solidarity, or longevity. Therein lies the need and importance of security, to shield one's life and plans from uncertainty.

Financial security is of utmost importance when it comes to planning and fulfilling life goals. And the one undisputed solution to creating a solid foundation for your long-term financial plans, is Insurance. The two broad forms of insurance, life and general, together prepare you for most unforeseen eventualities and their outcomes.

The Indian insurance sector is constituted by 57 organizations offering insurance, 24 in life and 33 in non-life business. 7 public sector insurers populate the market, LIC being the only one in life insurance, in addition to the sole national re-insurer, GIC Re. Out of 33 players in non-life segment, five offer health, personal accident and travel; namely, Star Health and Allied Insurance, Apollo Munich, Max Bupa, Religare and Cigna TTK.

Thanks to unrelenting Govt. efforts towards insuring the uninsured, Assocham's latest papers predict insurance penetration to reach 4% by the end of FY 18. With current penetration at 3.42% against a global average of 6.2%, it paints a happy picture for organizations in the insurance arena, with potential for healthy growth on the cards. Insurance market in India is expected to take a giant leap forward in terms of volume of business, to end up at almost four times its current size of US$ 60 billion in the coming decade.

However, just Govt. initiatives are not sufficient to drive the market for insurance. Industry needs to continually innovate and improve upon existing offerings in the face of dynamic consumers needs. With changing times change the need and extent of cover, policy inclusions, specialized areas it covers, and so forth. Ease of access due to advent of online services and a greater understanding of consumer needs have made way for ingenious ideas to cater insurance needs.

Securing an individual's life through insurance stands on two broad pillars of the business; life and general. While life insurance ensures provision for financial protection in case of untoward and unforeseen eventualities resulting in death, general insurance finds its purpose in securing tangible material assets in some form or the other.

A comparison of life insurance plans available in the market reveals features common among most, while also presenting several features unique to some policies. Noteworthy plans currently available include those from players like LIC, ICICI Prudential, HDFC Life, Aviva, Bajaj Allianz, Bharti Axa, SBI Life, Future Generali, Kotak Mahindra etc.

In today's uncertain times and depending on one's profession as well as material assets, one or more types of general insurance is needed to secure assets and commercial enterprise. There are several organizations of pronounced prominence and expertise operating in specialized areas of general insurance, providing a diverse array of coverages for myriad consumer requirements.

When it comes to securing material assets with insurance, New India Assurance offers some of the most comprehensive products across a wide array of genres. One of the fastest growing insurance providers in Indian general insurance space, New India Assurance has enjoyed market leadership with unrelenting dominance for more than 4 decades now. From home insurance, to health plans, to motor and travel insurance, to industrial insurance products like machinery, marine, aviation, and commercial insurance, New India Assurance offers it all. Each product introduced in the market by the indubitable industry leader involves extensive assessment of consumer needs and concise product solutions customized to meet specific insurance requirements of masses and enterprises alike.

The comprehensive bouquet of products on offer from New India Assurance makes the organization relevant for individuals from every walk of life, as well as business. Commercial entities from a diverse universe and individuals from myriad social backgrounds, both benefit from the extensive offering alike, and use NIA's products in some form or the other in their life span. The insurance solutions on offer make a direct impact on an individual's life in case of personal products like health, motor, travel insurance etc., while many other products, like industrial insurance, and those designed for specific lines of commerce, viz. marine, aviation etc., offer a more specific cover and impact individual enterprises and masses to a great extent.

Leadership and beyond
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In the process of securing individual assets, New India Assurance, doing justice to its role as the biggest public- sector insurer, also makes significant contribution towards a well- rounded growth of the Indian economy. Having huge sums at its disposal, attained through investments by masses in one or the other of its policies, New India Assurance powers economic development in a comprehensive manner, giving impetus to industry, infrastructure, enterprise, and lays the foundation for an economic environment conducive to sustained growth. In addition to the direct impact brought about through investments, New India Assurance also contributes to health of the national economy through empowering an investment aptitude in the masses, and also enabling mobilization and subsequent channelization of public savings, steering them in the right direction. By investing in sectors of national importance, NIA plays an important role in driving economic progress at the pace and in the direction envisaged by the nation's economic experts.

Another facet that works in the favour of New India Assurance as an industry leader is the vast network; which not only enables a wider reach than most, thus cementing their national footprint and market dominance, but also makes immense contribution to the economy in its capacity as a massive employer, further fortifying national economic development.

Direct and indirect impacts of general insurance in life, and New India Assurance's tailored plans, can be seen very perceptibly across sectors like infrastructure, aviation, transport, health etc. Contributing towards securing individuals' assets and driving the nation's economic health, New India Assurance truly discharges its responsibility towards Indian populace in the right earnest.

Be Secure with

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Q1. *Do you feel there is adequate awareness about the role and importance of reinsurance business, and how it contributes to the national economy? What initiatives would you suggest, to increase the awareness levels?*

Reinsurance business is well understood and appreciated within the domestic and international insurance industry. Concerned stakeholders are aware of the stability it provides to the industry through risk transfer and funds it contributes towards vital nation building projects. It provides a financial cushion to insurance companies, and through them, to project implementing agencies, enabling them to carry on with complete ease of mind. In the public domain, the awareness of (re)insurance is relatively lower. In a way, this is inevitable since reinsurance is business to business commercial operations. Large commercial insurance buyers are sometimes aware of reinsurance dynamics driving the insurance market. Insurance buyers at retail level may start becoming aware of reinsurance as they study insurance operations closer in terms of solvency and soundness of operations. With increasing financial literacy, higher disposable incomes and technological advancements, the awareness levels in India are growing progressively with every passing year. Government initiatives in India have the highest potential to boost awareness levels of insurance products. The Indian insurance industry has been doing its part through enhanced marketing campaigns, expanding distribution channels and significantly improving its claims settlement ratio over the years. All of these send a very positive signal to the Indian consumer.

Q2. *Operating as the sole Indian Re-insurer, GIC shoulders a massive responsibility in taking Indian insurance sector towards maturity. How is GIC gearing up to deliver on expectations?*

GIC Re has grown from strength to strength. Today it is the 11th largest global reinsurer by gross premium written. This goes with a very strong and sizable balance sheet, credit rating and globally diversified business.

GIC Re is fully committed to and equipped for supporting all such schemes and the Indian market in general. As many primary companies are consolidating their reinsurance purchases, reinsurers with a large global footprint and diversified product offerings will have a competitive advantage relative to smaller reinsurers. GIC Re has the requisite capital resources and talent pool to continue to the bulwark for the Indian risk transfer market on the life as well as non-life side.

Q3. *GIC has a rich heritage of successful market operations in a near competition-free environment for decades. How has this helped shape the organizational perspective, and how does it help in guiding the current direction of GIC's progress?*

This is a major misconception. Reinsurance is a global business and let it be pointed out at the outset that the environment has never been nowhere near competition free as mentioned. Global players have been supporting Indian insurers from their respective offices globally for last few decades. GIC Re has always faced competition from global reinsurers and continues to do so. Our perspective is always shaped by the global trends in this business and we increasingly try to benchmark our operations on global best practices.

GIC Re has been maintaining its market share of close to 60% on a consistent basis. We have been operating in the Indian market right since nationalisation and have sufficient expertise in Indian market conditions. We have built robust relationships with Indian market participants and they have reposed their faith in us over the years. Consistently maintaining our market share is a testament to the trust the Indian market reposes in GIC Re and we expect to sustain it into the future as well. The direction of GIC Re's progress is well set. Our future strategy is to expand our existing health, liability, overseas property and life businesses and venture into new lines such as space and cyber-security. We are also looking at a bigger global footprint by establishing a physical presence in emerging markets such as Brazil, China, Myanmar and Bangladesh. Our syndicate at Lloyd's of London has commenced operations and we are in the process of converting our representative office in Moscow into a fully-owned subsidiary. GIC Re is the 11th largest reinsurer in the world and will be the 10th largest globally in near future.

Q4. *How do you plan to capitalize on GIC's years of amassed expertise to leverage it in anticipation of market competition?*

Apropos the above, GIC Re is no stranger to competition in the market. Foreign reinsurers had been sourcing business from India even before they were formally permitted to establish branch operations in India. GIC Re will continue to leverage its core strengths viz. its experienced underwriting and actuarial team having extensive experience and knowledge of the Indian (re)insurance industry, strong focus on customer service including the settlement of claims quickly and professionally, favourable financial track record and healthy balance sheet which allows us to underwrite large risks, diversification across products and geographies, wide international presence and a robust and comprehensive risk management framework.

Q5. *With the entry of new players in the reinsurance arena, how is the landscape expected to change? Does it indicate a better time on the cards for the sector as a whole?*

We have always welcomed the establishment of branches by foreign reinsurers in India. It is only a greater crystallization of the pre-existing market conditions in India. Foreign reinsurers bring with them their capital and international expertise and their enhanced presence in India represents their confidence in the potential of the Indian market. We believe that healthy competition in the market has the potential to create value for the end-consumer. And we are open to pooling synergies and collaborating with them in order to design new and innovative solutions for the Indian market.

Q6. *During your extensive experience in the financial industry, what would you opine as the most fundamental requisite to make it big? What has been the most powerful character trait that helped you ascend to the apex of as massive an organization as GIC Re?*

Strength of conviction and character, an enduring commitment to work and a desire to succeed. If your career is important to you, you should go all out to make it a success. I also believe there is no substitute to reading.

This feature is exclusively aimed at establishing insurance as the base of all the financial security one needs for their future. Pecuniary planning and its intended execution is as much dependent on financial well-being as it is on physical vitality, and material possessions as well as life, both face imminent risk which needs to be thought of and provided for well in advance. Financial losses arising out of accidents in life, business and trade often prove tough to recover from, owing to a lack of sufficient provision. Presence of the safety net of an insurance cover makes it more viable for individuals and businesses to jump back on track after an untoward eventuality.

With the view that knowledge is the key to awareness and financial well- being, this feature targeted bringing readers a comparative account of insurance products available in the market, both general and life, and the unique benefits they offer, and much more.

It is quite clear that insurance is a necessity that can not, and should not, be overlooked for financial well- being. It is the very foundation that provides one's financial aims and dreams a solid ground to take off from. With financial awareness on the rise, technological advent becoming more and more pronounced by the day, integration of technology and business paving the way for a greater momentum for progress, and insurance providers waking up to the need of the hour by designing products that are comprehensive and novel in nature, insurance is sure to play a more defined and more conspicuous role in development of national economy in the years to come.

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"CUSTOMER PROFILING CRUCIAL IN CREDIT CARD BUSINESS"

Hardayal Prasad, MD and CEO, SBI Card, talks to Naveen Kumar on a range of issues affecting the credit card industry and how SBI Card, one of the leading players in the segment, is responding to those challenges.

Q: What is the growth rate in number of cards and overall outstanding?

A: SBI Card has seen consistent growth over the past four-five years. We are the second largest card issuer in India with 16 per cent market share in number of cards and spends. Our customer base crossed four million in October 2016 and currently, it is over six million. Last year, our market share in number of cards has grown from 15 per cent to 16 per cent-plus. The market share in spends has also gone up from 12 per cent to 16 per cent-plus during this period. Average monthly card spends have increased to ₹6,500 crore-plus from ₹3,500 crore in a little over one year. The outstanding portfolio is now ₹14,000 crore-plus. It has gone up by more than 50 per cent between December 2016 and February 2018.

Q: What has triggered the recent growth? Has demonetisation helped?

A: Acceptance of plastic money has certainly increased, even in Tier II and Tier III cities. Consumers continue to use credit cards for everyday spends. We were adding 50,000-60,000 customers a month before demonetisation, but the number shot up to one lakh-plus a month post demonetisation. Now we are adding two lakh-plus cards per month. According to RBI, the number

PHOTOGRAPH BY SHEKHAR GHOSH

of credit cards has increased sharply, from 26.8 million in September 2016 to 36.9 million in February 2018.

Q: What about the default rate?

A: We have been able to build our portfolio keeping credit quality in mind. The delinquency rate is around 2 per cent, which is the industry norm. We are a 20-year-old organisation, and we have learnt and built our business intelligence, analytics and wisdom, and used these very aggressively in profiling customers. Anybody who can profile a customer very well can take quick and intelligent decisions.

Q: EMI cards are becoming popular as people find it easy to understand. Do you plan to launch a similar feature?

A: EMI cards and personal loans fall into the same segment where we do our job pretty well. So, it was necessary to see what we could do other than pure vanilla credit cards. It was amazing to find people leaping on to the features we brought on the EMI front. If you are at a PoS machine or on an e-commerce platform, we are there with our EMI options.

"ABOUT 10-15 PER CENT OF THE PEOPLE COMING ON BOARD DO NOT HAVE CREDIT HISTORY. SO, WE GIVE THEM A SMALL CREDIT LIMIT TO HELP BUILD CREDIT HISTORY SLOWLY AND STEADILY"

Q: Do you think too much reliance on credit bureaus makes lenders wary of acquiring new customers without credit history?

A: Apart from credit scores, we also work on internal risk metrics. About 10-15 per cent of the people coming on board do not have any credit history. So, we give them a small credit limit to help build credit history slowly and steadily. Social media activity is another indicator of a person's lifestyle and spending patterns. Coupled with traditional methods, social media analysis can provide a more comprehensive assessment tool. We are now generating social credit scores, especially for those new to the credit segment.

Q: P2P lenders offer speedy, unsecured credit options to customers with no credit history and the cost is lower. How will you respond to that challenge?

A: It is a process of overall improvement in the financial system and it will continue to happen. There is space for everybody and we will remain strong in our space. For a customer with a good credit score, financial institutions like us already provide a very good interest rate. As for marginal customers, we are not very sure how these (P2P) lenders will fare when there are defaults.

Q: If physical cards become obsolete, how will you deal with it?

A: We think credit cards will remain relevant. Of course, we have moved on a great deal and now you have Host Card Emulation (HCE). With HCE, you can easily issue a token and transfer your card data to your phone, which will become your NFC-enabled card so that you can tap and go. Out of three million PoS machines in India, 1.5 million are already NFC-enabled. Going forward, all new machines will have this feature. Also, 40-45 per cent of spends on SBI cards are done at e-commerce sites. That clearly indicates we are moving towards digitisation. We will tap many other opportunities arising in the digital space. MT

@naveenkumar80

MONEY MATTERS

Managing your money can be tricky. Send your queries, and top-notch industry leaders will help you resolve any issue.

ILLUSTRATIONS BY AJAY THAKURI

Taxation

Sumeet Arora: **I bought a commercial office property in Delhi in 2000 and I have been using the same for business purpose. Now I want to sell it. Kindly let me know how long-term capital gains (LTCG) will be calculated and how I can save tax on it. Can I save tax if I do not invest the proceeds in another property?**

Archit Gupta, Founder and CEO of ClearTax, replies: You have held this property since 2000. Therefore, it will qualify as a long-term capital asset as you have held it for more than two years. Gains arising from the sale of this property will incur LTCG tax at 20 per cent with indexation. To calculate the actual capital gain from the property, you have to subtract the indexed cost of acquisition (ICOA) from the sale price. This is how ICOA is calculated: Actual cost of acquisition x Cost Inflation Index (CII) of the year of sale (FY2018/19)/CII of the year of purchase (FY2000/01).

You can save tax on LTCG by investing the gains in purchasing or constructing another house property. The time limit for the purchase is either one year before the sale or two years after the sale. In case of house property construction, the time limit is three years after the sale. This exemption is available under Section 54F.

If you do not want to buy/build another house property, you can still save tax by investing the gains in the bonds specified under Section 54EC of the Income Tax Act, 1961. It must be done within six months from the date of sale. However, such investments for any fiscal year is restricted to a maximum of ₹50 lakh. These bonds could be NHAI bonds or REC bonds, redeemable after five years.

Mutual Fund

Ajit Kumar: **I have made two investments in equity mutual funds via SIP and I have opted for dividend reinvestment. I have heard that there is a new tax on dividend schemes. I do not require a regular income right now as I am saving for a goal which is seven years away. What should I do to save taxes?**

Achin Goel, Head, Wealth Management and Financial Planning, Bonanza Portfolio, replies:
Yes, you are right. A dividend distribution tax of 10 per cent is now charged on equity MF. As you do not require a regular income, you should stop the dividend schemes and start new SIPs in growth options.

Health Insurance

Surrender Kohli: **My wife and I have health insurance covers from our respective employers. She has a cover worth ₹50,000 and I have a ₹40,000 insurance policy. My spouse is now pregnant. Can we claim maternity expenses from both insurers?**

Mahavir Chopra, Director, Health, Life and Strategic Initiatives, Coverfox.com, replies:
In case of health insurance, a policyholder is allowed to make use of the sum assured from two or more policies whether the policies are from the same company or different insurers. One could be a group insurance policy offered by the employer and the other one could be his/her personal policy. If the claim amount is greater than the sum assured under one policy, the insured can utilise other policies to raise the claim amount.

For instance, if a person has two policies of ₹2,00,000 each from insurer A and B, and he has a claim running up to ₹3,00,000, he can claim ₹2,00,000 from either by submitting all original documents. Then he should procure a settlement certificate from the insurer who has paid the entire sum assured and claim the balance from the second by submitting photocopies of the claim documents.

Sadly, the same does not hold good for maternity expenses. The reason: The maximum maternity benefit is capped at around ₹50,000 for caesarean delivery and around ₹30,000 for normal delivery, which can be covered by one or multiple policies. If you try to raise the claim from both insurers, they will invoke the condition of contribution, which means sharing the claim amount in proportion to the sums insured under their respective policies and ensuring that the total payable amount does not exceed the maximum limit.

The best possible solution is to contact both insurers and ask what is the maximum maternity benefit paid by them. After that, you can place your claim with the insurer providing the maximum benefit depending on your requirement (normal or caesarean delivery).

Life Insurance

Shashi Shekhar: **I am 28 and recently got married. My wife is also working. Should I buy life insurance for her against my life although she is not financially dependent on me?**

Brijesh Parnami, Executive Director and CEO, Essel Wealth Services, replies:
It is a wise thought to have both partners covered under term plans. Ideally, all working people should have term plans as they not only provide financial security in case of any unfortunate event but also take care of liabilities. When selecting a term plan, the premium payable should not be the only criterion. Check the claim process and the settlement ratio of each life insurer before you finalise on one. It is easy to buy a suitable plan as term plans are now available online. You can try HDFC Life Click 2 Protect or ICICI Prudential Term Insurance Plans for this purpose. MT

Please send your queries to moneytoday@intoday.com

ILLUSTRATIONS BY RAJ VERMA

FALLING SHORT

SIX-MONTH RETURNS OF MOST EQUITY FUNDS ARE NOTHING TO WRITE HOME ABOUT

Fund Name	Assets (In ₹Cr)	% Assets in Top 10 Holdings	No. of Holdings	Net Expense Ratio (2016/17)	Returns (In %)			
					6 Months	1 Year	3 Years	5 Years
Large-Cap								
Kotak Select Focus Reg Gr	19,228	41.7	67	2.05	1.64	7.25	13.71	19.91
Mirae Asset India Equity Reg Gr	7,479	43.0	68	2.23	0.91	11.35	13.90	19.83
Axis Focused 25 Gr	3,714	57.4	27	2.97	8.87	17.70	16.24	17.32
SBI Bluechip Reg Gr	19,088	37.7	63	2.30	3.26	10.30	11.65	17.21
Reliance Large Cap Gr	9,833	40.0	58	2.47	-0.33	9.22	10.65	17.04
Flexicap								
Principal Emerging Bluechip Gr	1,841	17.6	95	2.72	2.48	13.10	17.11	26.77
L&T India Value Gr	8,073	26.5	81	2.52	0.05	6.70	16.32	24.77
Tata Equity P/E Reg Gr	3,520	48.0	47	2.79	5.00	12.36	17.14	24.35
Aditya BSL MNC Gr	3,432	64.0	48	2.35	4.41	13.44	9.69	24.14
Invesco India Contra Gr	1,442	43.9	43	2.79	6.92	19.80	16.45	23.46
Small/Mid-Cap								
Reliance Small Cap Gr	7,207	20.2	108	2.54	5.08	18.14	23.70	35.67
SBI Small Cap Fund Reg Gr	836	45.5	32	2.62	3.92	31.46	23.44	34.59
DSP BlackRock Small Cap Reg Gr	6,248	30.9	90	2.51	0.57	3.58	17.89	32.42
Canara Robeco Emerging Equities Reg Gr	3,559	27.2	70	2.53	2.74	8.79	17.76	29.66
Mirae Asset Emerging Bluechip Gr	5,448	31.7	70	2.28	-0.39	7.34	19.20	29.36
ELSS (Tax Savings)								
Axis Long Term Equity Gr	17,263	56.7	56	2.55	8.88	18.06	12.11	22.65
Aditya BSL Tax Relief 96 Gr	6,060	51.7	51	2.45	4.67	17.52	14.38	21.83
IDFC Tax Advantage (ELSS) Reg Gr	1,429	24.6	89	2.86	6.17	18.65	13.91	21.12
Aditya BSL Tax Gr	742	51.7	51	2.97	4.57	17.20	13.92	21.07
Invesco India Tax Plan Gr	550	53.2	40	2.80	5.52	16.64	13.17	20.03
Balanced funds								
Tata Retirement Saving Mod Gr	660	32.8	51	3.02	4.82	12.98	13.66	20.10
HDFC Balanced Gr	21,779	30.2	143	2.09	1.00	8.93	11.77	18.57
L&T Hybrid Equity Gr	10,572	28.2	131	2.52	3.29	8.59	11.83	18.22
HDFC Childrens Gift	2,236	30.2	88	2.33	1.92	10.70	11.86	17.90
ICICI Pru Equity & Debt Gr	28,807	27.2	162	2.41	-0.36	7.93	11.77	17.25

Fund Name	Assets (In ₹Crore)	Average Eff Maturity (In Yrs)	Average Credit Quality	Net Expense Ratio (FY2016/17)	Returns (In %)			
					6 Months	1 Year	2 Years	3 Years
Liquid								
Indiabulls Liquid Gr	5,514	0.14	AAA	0.23	3.40	6.82	7.03	7.45
Essel Liquid Reg Gr	1,130	0.08	AAA	0.15	3.40	6.85	7.05	7.43
Aditya BSL FRF S/T Reg Gr	8,868	0.11	AAA	0.35	3.44	6.88	7.00	7.41
Baroda Pioneer Liquid A Gr	6,148	0.10	BBB	0.34	3.44	6.83	6.97	7.41
Principal Cash Mgmt Gr	1,010	0.10	AAA	0.27	3.45	6.88	7.00	7.40
Short-Term Bond								
UTI Banking & PSU Debt Reg Gr	839	1.52	AAA	0.28	1.72	5.57	7.81	8.35
ICICI Pru Banking & PSU Debt Gr	5,875	3.01	AAA	0.78	1.15	4.75	7.47	8.29
Aditya BSL Short Term Reg Gr	17,330	1.90	AAA	0.32	1.71	5.51	7.26	7.92
Kotak Corporate Bond Reg Gr	1,282	0.49	AAA	0.43	2.77	6.50	7.67	7.89
HDFC Corporate Bond Gr	11,486	2.52	AAA	0.33	1.21	5.22	7.29	7.87
Dynamic Bond								
ICICI Pru Long Term Plan Gr	2,286	4.39	AAA	1.27	1.35	4.80	8.74	8.95
Axis Regular Savings Gr	1,420	2.40	AA	1.23	1.72	6.04	8.25	8.34
UTI Dynamic Bond Reg Gr	1,384	2.91	AAA	1.74	0.26	3.13	8.28	8.21
ICICI Pru Dynamic Bond Gr	626	7.23	AAA	1.27	0.19	3.13	6.85	7.88
SBI Magnum Income Reg Gr	1,908	3.94	AA	2.01	0.02	3.11	7.54	7.75
Intermediate Bond								
Kotak Flexi Debt Reg Gr	874	3.70	AAA	1.26	0.57	4.36	7.54	8.39
Aditya BSL Trs Optimizer Reg Gr	6,646	2.25	AA	0.66	1.35	5.13	7.39	8.12
DHFL Pramerica M/T Inc Rg Pl Gr	558	3.07	AAA	1.06	0.42	4.09	7.12	7.87
DSP BlackRock Bond Reg Gr	882	3.36	AA	2.09	1.07	5.37	7.55	7.50
UTI Bond Reg Gr	1,214	4.57	AAA	1.73	-0.34	2.46	7.47	7.39
Corporate Credit								
BOI AXA Credit Risk Reg Gr	1,495	2.37	BBB	1.99	3.52	8.18	9.69	9.77
Baroda Pioneer Credit Opp A Reg Gr	962	2.48	AA	1.91	2.16	6.26	8.68	9.18
Franklin India Dynamic Accrual Gr	3,320	2.82	A	1.77	2.03	6.56	8.73	8.91
Aditya BSL Corporate Bond Reg Gr	6,588	2.06	BBB	1.97	2.11	6.36	8.43	8.69
L&T Low Duration Gr	1,330	1.23	AA	1.49	2.24	6.38	8.24	8.61

Fund Category	Returns (In %)				
	1-Yr	2-Yr	3-Yr	4-Yr	5-Yr
Large-Cap	11.25	18.21	10.47	13.71	14.81
Flexicap	10.07	19.96	12.33	17.49	18.49
Small/Mid-Cap	9.53	21.95	15.31	23.24	24.31
ELSS (Tax Savings)	10.07	19.19	12.12	17.31	18.24
Balanced	8.36	14.03	9.56	12.66	13.10
Liquid	5.35	5.36	5.70	5.99	6.27
Short-Term Bond	3.87	5.60	6.15	6.71	6.55
Corporate Credit	4.38	6.51	7.01	7.60	7.26
Intermediate Bond	2.21	5.40	6.07	7.19	5.93
Dynamic Bond	1.96	5.49	6.04	7.27	6.20

Returns are as of 16th May'18

Equity and balanced funds are ranked on the basis of five-year performance

Fixed income funds are ranked on the basis of 3-year performance

AUM filter of minimum ₹500Cr is applied on all the categories

All portfolio related data as of April'18 end; unless specified

Returns of time period more than one year are annualised

Source: Morningstar

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HOME LOAN: Floating Rate;
Interest Tenure - Up to 20 years
For Salaried Person

Bank	₹50 lakh
SBI	8.35%-8.65%
ICICI Bank	8.35%-8.70%
Axis Bank	8.40%-8.65%
HDFC Ltd.	8.40%-9.05%
LIC Housing Finance	8.45%-8.60%

FIXED DEPOSIT
For amount less than
₹1 Crore (Regular)

Bank	1 year
RBL Bank	7.35%
Lakshmi Vilas Bank	7.30%
Axis Bank	7.10%
Karnataka Bank	7.10%
IDFC Bank	7.00%

Bank	2 years
RBL Bank	7.35%
Lakshmi Vilas Bank	7.35%
IDFC Bank	7.25%
Karnataka Bank	7.10%
Bandhan Bank	7.10%

Bank	5 years
Lakshmi Vilas Bank	7.30%
RBL Bank	7.25%
IDFC Bank	7.20%
Axis Bank	7.00%
Yes Bank	7.00%

SMALL SAVINGS SCHEMES

Scheme	Interest rate (%)*
1 year Time Deposit	6.6
2 year Time Deposit	6.7
3 year Time Deposit	6.9
5 year Time Deposit	7.4
5 year Recurring Deposit	6.9
5 year Senior Citizens Savings Scheme	8.3
5 year Monthly Income Scheme	7.3
5 year National Savings Certificate	7.6
Public Provident Fund Account	7.6
Kisan Vikas Patra	7.3
Sukanya Samriddhi Account	8.1

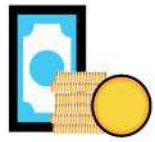
Source: India Post for small savings schemes, for others, Deals4Loans;
*For quarter ending June 2018

CAR LOAN:
For New Cars, Tenure- 7 years

Bank	Interest Rates
PNB	8.90%-9.35%
SBI	8.90%-9.40%
HDFC	9%-10.25%
Axis Bank	9.25%-11.50%
ICICI Bank	10%-12.75%

EDUCATION LOAN:
Loan Amount - Up to ₹7.5 lakh
Tenure - 15 years

Bank	Interest Rates
IDBI Bank	8.40%-9.40%
PNB	8.40%-10.30%
Canara Bank	8.60%-10.40%
Central Bank of India	9.90%-10.45%
SBI	10.15%-10.90%



PERSONAL LOAN:
Tenure - Up to 5 years
Loan Amount - Up to ₹15,00,000

Bank	Interest Rates
Bajaj Finserv	10.99%-16%
ICICI Bank	10.99%-18.49%
HDFC Bank	10.99%-20.99%
Kotak Mahindra Bank	10.99%-20.99%
SBI	11.35%-15.1%

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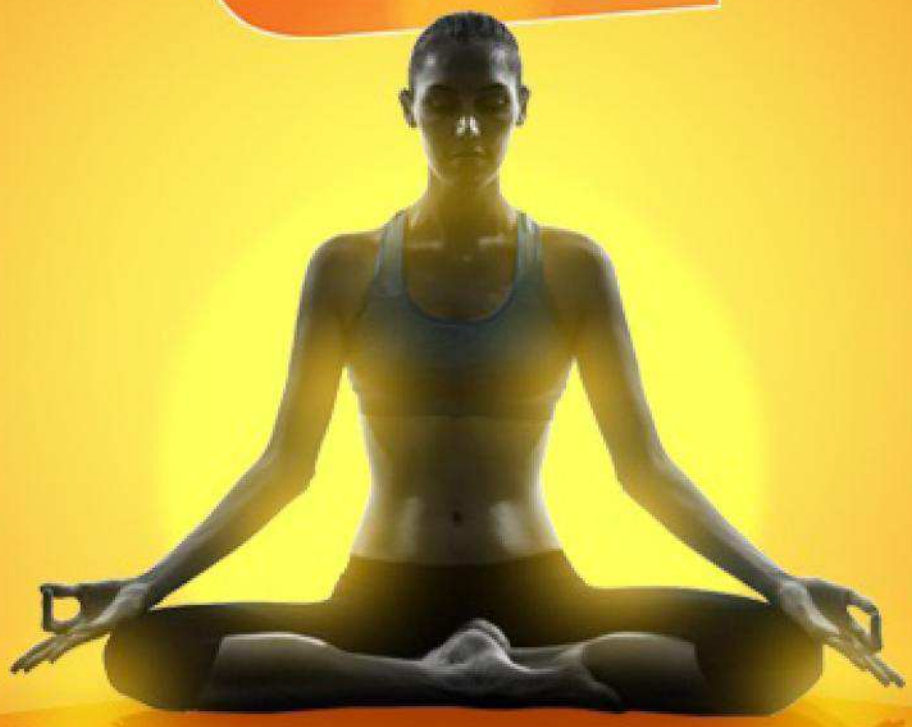

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