

NEW YEAR SPECIAL

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BE THE WORLD'S
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INNOVATION?

ARE WE GOING
TO WITNESS
A RENAISSANCE
IN BRAND
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HAS THE
CONGRESS
LOST ITS
RELEVANCE?

WILL
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New Year, New Hopes



A NEW YEAR BRINGS NEW HOPES AND EXPECTATIONS. Often, hope overrides the reality on the ground in the belief that the days ahead will be better. And, it's not just individuals, even nations ride on hope.

Japan has seen inflation rise and its standard of living take a turn for the worse, but it went ahead and re-elected Shinzo Abe for a second term as prime minister in the hope that his 'Abenomics' (a combination of government spending, economic stimulus and administrative reforms) was their best chance of getting the economy back on track.

In Hong Kong, residents hope for democracy even as China hopes to maintain its stranglehold over the island. The US hopes it will be out of the woods in 2015 while Europe hopes the year will see it return from the edge of economic ruin.

Indians seem to have their bets on the Narendra Modi-led NDA government, with state after state going to the wily duo of Modi and his lieutenant Amit Shah, even though the nation is yet to see any

tangible gains from the change in regime.

What do Indians expect in 2015? *BW* commissioned 21 of India's best brains to pen down their hopes and expectations from the new year. Read Digvijaya Singh's thoughts on the relevance of the grand old Congress party in the Modi-Shah era. One of India's biggest philanthropists, Shiv Nadar, believes 'giving' will get institutionalised in 2015. The country's biggest retailer, Kishore Biyani, says the year will see the divide between online and offline blur. Suzlon's Tulsi Tanti believes renewables hold the key to India's energy security. PepsiCo's D. Shivakumar predicts India's fast-expanding consumption economy will force marketers to reinvent themselves. Maruti Suzuki's R.C. Bhargava considers the combination of lower crude prices and a possible lower interest regime in the new year as good tidings for the automobile industry. According to Flipkart's Mukesh Bansal, 2015 will see the emergence of the mobile as the dominant medium for online transactions. Nearly 80 per cent of online fashion and lifestyle purchases will happen on the mobile, with tier-II and -III cities accounting for most of the action.

Read these and many more in *BW*'s traditional year opener. Wish you all a very happy, peaceful and prosperous 2015.

A handwritten signature in black ink, which appears to read 'Rajeev Dubey'.

RAJEEV DUBEY

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CHAIRMAN: ANURAG BATRA

EDITOR: RAJEEV DUBEY

EXECUTIVE EDITOR

Ashok Raaj

ART

Champak Bhattacharjee, Dinesh Banduni,
Prashant Chaudhary, Rajinder Kumar, Rohit Chauhan,
Sanjay Jakhmola, V. Venkatesulu

DESK

Mukul Rai, Lena Saha, Preeti Verma, Sanjitha Rao Chaini,
Shinjini Ganguli, Smita Tripathi

PHOTO

Bivash Banerjee, Kamal Kumar, Ritesh Sharma,
Sanjay Sakaria, Subhabrata Das, Umesh Goswami

WRITERS

MUMBAI: Abraham C. Mathews, Gurbir Singh, Nevin John,
P.B. Jayakumar, Raghu Mohan, Shailesh Menon
NEW DELHI: Anup Jayaram, Chitra Narayanan, Joe C. Mathew,
Mala Bhargava, Meera Seth, Moyna Manku, Neeraj Thakur

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VIDEO EDITORIAL

Ratneshwar Kumar Singh, Sapna Bhardwaj, Vijay Shankar

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Ruchi Mehta

DIRECTOR (P&E): RAKESH GOPAL

ADVERTISING

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BANGALORE: Debashish Majumdar

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AHMEDABAD: Deepak Bhatt

HYDERABAD: Mastan Ali Shaikh

MARKETING

NEW DELHI: Ankita Singh

EVENTS

Amit Kumar, Amit Pandey, Gunjan Bhatia, Himani Saroha,
Kanika Suneja, Nishant Batra, Rajat Wadhwa, Shombit Roy,
Vijo Mathew

INTERNATIONAL BUSINESS

Nitin Agarwal

ADVERTISING OPERATIONS

NEW DELHI: Ravindra Saxena

CIRCULATION

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WEST: Arvind Patil, Prathamesh Sekhar Deshmukh,
Shresh Shingarey

SOUTH: Pradeep Raj L, Sarvothama Nayak K.

CONSUMER MARKETING SERVICES

MUMBAI: Kamini Vishnu Dalvi

HUMAN RESOURCE: Yamini Sharma (yamini@businessworld.in)

BW | Businessworld Media Private Limited

DIRECTOR: VIKRAM JHUNJHUNWALA

DIRECTOR: DINKAR MARLA

EDITORIAL OFFICES

2nd Floor, Express Building, 9-10, Bahadur Shah Zafar Marg, New Delhi 110 002

■ Phone: 011-49395900 ■ Fax: 011-49395939

The Empire Business Centre, Empire Complex, 414, Senapati Bapat Marg,
Lower Parel, Mumbai 400 013 ■ Phone: 022-66907437

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REGIONAL OFFICES

AHMEDABAD: Office No. 2, 4th Floor, Devashish Complex, Off. C.G. Road, Ahmedabad 380 009

MUMBAI: The Empire Business Centre, Empire Complex, 414, Senapati Bapat Marg,
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MAILBOX

YOUR COMMENTS

LONG-TERM SOLUTION

Although investors have agreed to pump cash into the sputtering SpiceJet, that may at best extend the airline's life till the money lasts. The airline must stop bleeding. So, the question that should be asked is: can Ajay Singh turn the airline around ("Manna From Heaven", BW, 12 January)? The trouble that SpiceJet finds itself in should not come as a surprise — it is not entirely unique to the airline. While a part of this can be traced to industry issues such as high price of aviation turbine fuel, lack of pricing power and debt overhang, a bigger part must be attributed to the management's decisions. The airline will not be able to make a turnaround if it follows the same strategy. It needs to drastically change the way it is run.

— SEETA SUNE, EMAIL

THANKS FOR THE TREAT

It was a pleasant surprise to read a write-up on entertainment in the After Hours section of your magazine ("Life Before Adulthood", BW, 12 January). I love watching films as well as reading about them and was delighted with the writer's selection of coming-of-age movies from around the world. May I add some more to the list? — *Rebel Without A Cause, Fish Tank, An Education, Submarine, The Spectacular Now, Clueless and Wake Up Sid.* I will be keenly looking forward to reading about other film genres, as well as more entertainment stories in your magazine.

— DEEPMALA SENGAL, EMAIL

CORRIGENDUM

In the Luxe Special ("Toasting Health", BW, 15 December), a photo was erroneously captioned as Praveen Tripathi instead of Maneck Davar. The error is regretted.

TALK BACK

Submissions to BW Businessworld should include the writer's name and address and be sent by email to the editor at editor@businessworld.in or by mail to Express Building, 2nd Floor, Bahadur Shah Zafar Marg, New Delhi - 110002.



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BURGER WARS HOT UP IN INDIA

There was a time when burger meant McDonald's. But with all big burger brands flocking to India, that has now changed. And consumers are loving it

IMPACT OF FALLING RUPEE

The US dollar's relentless rise has had a mixed impact on Indian economy and could mar chances of a rate cut



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Bankers Want Diamond Trade To Be Transparent, Corporate

Defaults by Su-Raj Diamonds have contributed substantially to the industry's 'bankability' suffering a serious dent

Air India Seeks Profit Route

The airline's chief is upbeat about recovery, with its entry into Star Alliance and the fall in global oil prices

If It Can Happen To Sony, It Can Happen To You

Sony is only the most recent case of a major company with dedicated security teams facing hacking. The bottomline is: nobody is immune to emerging threats, says Andrew Del Matto, CFO, Fortinet Inc.

In Conversation Transformative Solutions

I see entrepreneurs in India developing cost optimised solutions on open OS like Android/Ubuntu, says Poonacha Machaiah, founder & CEO, Above Solutions



Gadgets & Apps For The Old And The Young
Mala Bhargava reviews the Samsung Galaxy Alpha and the Eddy tablet

PHOTOGRAPHS: BLOOMBERG

BW

— OPINION —

A Frontier Market Beckons

After a successful global bond issue, Ethiopia emerged as a frontier market to watch out for. Its recent road shows in India underlined its confidence and ambition to be an economic dynamo

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A look at how the IPO market is doing four years after the massive Coal India IPO

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Cautions against the dangers of multi-level marketing firms

JOTTINGS

BJP

Taking the ordinance route to show that it is serious about bringing in all key legislation



Pushing Reforms

SOON after the winter session of Parliament, the Narendra Modi government issued a string of ordinances, including those on insurance, coal and land acquisition. The BJP is taking the ordinance route to show that it means business. It hopes to get these ordinances promulgated into law during the budget session. However, by bypassing the democratic process, the government is playing into the hands of the opposition. Finally, it all depends on how it can get the ordinances cleared by Parliament. One way is to get the Rajya Sabha to approve it. That looks difficult in the current situation. The other route is to hold a joint session of Parliament. That will require skilful floor management in Parliament. The BJP will also need to ensure that affiliated bodies do not rake up issues that can be cannon fodder for the opposition. Only that will ensure that Modi's development agenda moves to top of the agenda. That's critical for both Modi and the BJP government.

—Anup Jayaram

A CASE FOR UNAMBIGUOUS LAWS

RESERVE BANK OF India's missive on New Year's day cautioning people about the dangers of multi-level marketing (MLM) firms came rather too late. The dirty face of MLM has been on display so frequently in the past few years (examples: SpeakAsia, City Limousine, the list doesn't end) that one would think that all the scams that could have been perpetrated through MLM already have been. Rhetorically speaking, of course. That said, legislation addressing the direct selling industry — where products of Amway and Tupperware are sold through word of mouth and which compensate participants through the MLM models — has been pending for years. Today, companies are prosecuted under the Chit Funds and Money Circulation Act, which was clearly not drafted with MLMs in mind. Cautioning is necessary, but unambiguous laws fixing responsibility is just as essential.

—Abraham C. Mathews



THE DARK SIDE OF EQUITY RESEARCH

IN 2012, THE stockbroking vertical of a private sector bank put out conflicting trade recommendations on the same company in a span of 2-3 days. While the outfit's institutional research deemed a 'buy' on

Godrej Consumer Products, researchers in private clients' group downgraded the stock to a 'sell'. When quizzed, the brokerage justified the inconsistency by saying that the two reports were meant for different types of investors with varying risk profiles. Even today, there are several unscrupulous brokers who churn out misleading reports to influence stock

prices. Some even give preferential treatment to big clients by tipping them with better inputs; small clients are fed the same input but with a lag of 4-5 days. The Research Analysts Regulations – 2014, meant to curb manipulative research reports, is not good enough. Sebi should tighten its grip around brokers who dish out misleading reports.

—Shailesh Menon



100%

The limit for FDI in
the medical
devices sector

A Calibrated Measure

THE NARENDRA MODI government recently allowed 100 per cent foreign investment in medical devices under the automatic route. The decision is mainly aimed at encouraging manufacturing in India and also reducing healthcare costs of Indian consumers. The decision is seen as a big boost for the 750-plus manufacturers in this segment of the healthcare industry, which is valued over Rs 35,000 crore. The decision will not only encourage multinationals to set up a manufacturing base in the country, but also potentially open up quality Indian companies in the sector to foreign acquisition at attractive valuations. Today, nearly 80 per cent of the sector's revenues are accounted for by imports, mainly by the trading and distribution arms of the leading global multinationals. To be fair to the domestic

industry, the government should also do away with the 100 per cent customs duty exemption currently applicable to medical devices. Moreover, import of raw materials components for ultimate manufacturing in the country should enjoy a higher customs duty exemption of at least 20 per cent over finished goods imports. Sops are also required to boost innovation, research and development and academia-industry interaction, since the high-technology intensive medical devices industry is still at a nascent stage in India. While measures such as attracting multinational companies to make in India will boost investments in the country, the government should also ensure that such liberal policies do not hurt the interests of local manufacturers.

— P.B. Jayakumar

PAK MEDIA TO SPIN BEDTIME STORIES

PAKISTAN SEEMS TO be finally moving seriously against homegrown terrorism. However, some of the 46 guidelines drawn up by the country's parliamentary panel on the print and television media border on the ridiculous. In a new theatre of the absurd, the norms of behaviour scripted by Pakistan's lawmakers ask news channels to "show good news first and, if possible, before bedtime". Another proposal designed to prevent an adverse impact on children says, "It's a bad idea to speak against the country's security apparatus." These guidelines, penned after the recent Peshawar massacre, endorse censoring live news reporting and setting up boards to vet news flow. Expectedly, there has been an angry response from media organisations, which have been at the receiving end of both terrorists and the Pakistan government. In June, Geo channel's broadcasting licence was suspended for two weeks — the channel had dared to attack the role of the shadowy Inter-Services Intelligence (ISI), suspected to be behind the attack on Geo's correspondent Hamid Mir. At least four journalists have been killed in 2014 by terrorist groups. Instead of going after the media, the Pakistani state should turn its guns on the fundamental jihadists who have been ruling the roost so far.

— Gurbir Singh

PHOTOGRAPH: BLOOMBERG. SUBHABRATA DAS, RITESH SHARMA



Net Under Threat

THE BATTLE for net neutrality — a term coined by Columbia University law professor Tim Wu in a 2003 paper — has been fought across the western world for some time. Now, it has hit Indian shores. The dam broke in India when Bharti Airtel came out with a plan to separately bill Internet calls made via Voice over Internet Protocol (VoIP) apps such as WhatsApp, Viber and Skype. The move led to a flurry of protests online. Within days, Airtel withdrew the scheme.

This was also because the Telecom Regulatory Authority of India (Trai) said that it was looking to bring out a consultation paper on whether over-the-top (OTT) players should be regulated. “We have no doubt that as a result of the consultation process a balanced outcome would emerge that would not only protect the interests of all stakeholders and viability of this important sector, but also encourage much needed investments in spectrum and rollout of data networks to fulfil the objective of digital India,” said Bharti Airtel.

In fact, Wu had written in his paper that Net neutrality would stir up tensions. The concern over

VoIP for Indian telecom operators is because the low prices bite into their revenues from international calling. Telcos have paid a huge licence fee plus an annual revenue share to the government to offer voice and data services. They also invest heavily to build the infrastructure for providing services. But, now many consumers with Internet access make calls and send messages using apps such as Viber, Skype and WhatsApp, which are free of cost. This has resulted in a sharp fall in SMS revenues. Soon, this may eat into voice rev-

enues too. That could be dangerous for the survival of these operators.

But, in a world of changing technology, no one really cares for all that. The battle is only set to intensify in future. This is an area where big telecom firms will increasingly struggle to compete.

Already, there are problems in the US. The possibility of strong net neutrality rules in the US has resulted in AT&T recently pulling back on its high-speed Internet promises. AT&T announced that it would stop an infrastructure investment that

would have brought faster broadband connections to 100 US cities.

It's unlikely that we could head to such a situation in India. Much depends on the issues that the Telecom Regulatory Authority of India will list in its consultation paper. Will that result in OTT operators being regulated? Seems unlikely for now. But one thing is sure. The debate over net neutrality in India will change the way the mobile phone is being used currently. It remains to be seen who will win in the longer term.

— Anup Jayaram



Airtel

tried to bill Internet calls made via WhatsApp, Viber and Skype, but was forced to withdraw

A Scorecard On Indian Policies

SOON AFTER the Narendra Modi-led NDA government took charge, the US government's International Trade Commission (USITC) launched a study to track the significant changes Modi's team could bring to India's trade and investment policies. On December 22, the USITC report, which includes a description of all the policies of the Modi government through the end of September, was released. If the statistics in the report are correct, the share of US companies hampered by restrictive

Indian policies has risen from 18.8 per cent to 26.1 per cent between 2007 and 2013. It also points out that the policies in two areas — tariffs and customs procedures, and taxes and financial regulations — have the heaviest effects on US companies, although issues such as intellectual property (IP) weigh high on specific sectors like pharmaceuticals.

The report contains seven case studies highlighting the effects of policies on select US firms or industries. This includes the adverse effects of

certain duties on the wine and spirits industry and of recent patent decisions on the pharmaceutical industry. It focuses on the need to find strategies to combat piracy in the content and media sector and hurdles in tapping into the government procurement market. Policy curbs on e-commerce, medical devices, clinical trials etc, are covered.

The report states that in an ideal situation, where tariff and investment restrictions (posed by India) are eliminated and standards of IP protection made comparable to the US and Western European levels, US exports to India

would rise by two-thirds, and US investment in India roughly double.

In short, the USITC report, prepared on the basis of the perception of US companies operating in India, projects the dream policy space within which US companies would love to operate in India. How much of this is practical from the Indian perspective is a matter of debate. But one can be fairly certain that the report provides a clear picture of the economic and policy agenda the US would love to see India pursue.

In a sense, the report gives sufficient background material for policy makers before the meeting between US President Barak Obama and Prime Minister Modi when the former visits India on January 26. The report mentions that the study, 'Trade, Investment, and Industrial Policies in India: Effects on the US Economy' is not the last one; the panel will provide an update on Indian policy changes in a separate report in September 2015.

It's virtually the US scorecard on India's economic policies.

— Joe C. Mathew

26.1%

The share of US firms adversely affected by India's trade policies, according to USITC





\$10 b

India's bitrade with
Russia in 2013

In Search Of New Markets

THE VLADIMIR Putin-Narendra Modi summit in New Delhi has re-established Russia as India's largest arms supplier. As part of the several deals that were signed, 400 Russian multi-role helicopters will be assembled in India every year, Russia's state-owned Rosatom will build 12 nuclear reactors over 20 years in India, with the option of increasing it to 20 and Rosneft committed to a 10-year supply of crude with Essar Oil. "Even if India's options have increased, Russia remains our most important de-

fence partner," Modi told mediapersons after the signing summit.

But the deal that hogged the limelight pertained to diamond trading, as it was announced at the imposing Vigyan Bhavan before a 1,000-strong cheering audience that included gems and jewelry traders and representatives of diamond mining companies. As part of the deal, Russian mining giant Alrosa will supply diamond roughs to 12 Indian manufacturers including Rosy Blue, Asian Star and Demexion for the next three years. Alrosa

produces 25 per cent of the world's roughs.

Modi also announced a major concession for the diamond industry — that of permitting special notified zones (SNZs) for auction of roughs and for viewing by buyers in India. These special zones, to be set up in Mumbai's Bharat Diamond Bourse and perhaps in Surat too, will allow rough diamonds to be brought in and unsold ones to exit without being registered as 'imports' on the books. Modi also made a major pitch on behalf of the diamond jewelry exporters asking President Putin to waive or lower duty to increase sales in Russia.

Putin's India visit came on the heels of crashing prices for Russian oil, and Europe and the US closing

their doors to Russian products in retaliation to Putin's Ukraine policy. India's bilateral trade with Russia stood at a paltry \$10 billion in 2013, but with looming sanctions in the West, the Indian side is hoping to cash in and has made a list of 24 non-traditional goods and services that it will target to sell to Russian markets. "We are pitching for free trade between India and Russia. These are difficult times, with oil down, sanctions taking effect and the rouble becoming weak," admitted Maxim Shkadov, the Russian president of the International Diamond Manufacturers Association.

The US is not very happy at the turn of events and has expressed its displeasure over India doing business with Russia at a time like this. Reports of Crimean leader Sergey Aksyonov accompanying the Russian delegation has only queered the pitch further. However, Modi is clear that while leaning westwards, he wants to keep some options open; and use his Russian chips on the bargaining counter with Obama and Europe.

— Gurbir Singh

PHOTOGRAPH: REUTERS

TRANSIT LOUNGE

‘India is a very key market’

Paul Magill, senior vice-president and chief marketing officer of Abbott, talks to *BW*'s P. B. JAYAKUMAR about the company's transformation

Q: Why is Abbott trying to brand itself like a consumer-focused company than a company selling medicines?

A: We have a legacy of over 125 years and have seen the evolution of healthcare globally. People will get good

medicine and live longer when better healthcare is available. The focus now is more on living healthier and longer, and thus on preventive medicine, rather than waiting to treat a disease. A healthcare company opens up huge possibili-

ties for wellness products and overall health enhancing, disease preventing products. Recently, we launched brand Abbott with a new brand positioning, “Life. To The fullest”, which is about championing the enabling power of health and celebrating what people can achieve at their best health. It embodies our continued focus on helping people live their best through good health, opening up the possibilities that come with living better and achieving more. This rollout is currently underway in select markets — the US, India, Brazil and China. The campaign will give consumers more visibility and make them understand the values and purpose of Abbott as a brand.

Q: Why only the US, India, Brazil and China?

A: Apart from the US, these are some of the most important markets for us. Abbott is one of the largest global healthcare companies, comprising four equal-sized busi-

nesses — diagnostics, medical devices, nutritionals and branded generic pharmaceuticals. Of this, almost 29 per cent of the total sales are from the US, and the emerging markets contribute overall 41 per cent. Therefore, India is a very important market for us, especially for branded generics and nutrition.

Q: Are you trying to transform into a company selling its products like Johnson & Johnson or Unilever? Will that involve a different distribution strategy for the traditional drug distribution channels?

A: Abbott India already has a strong distribution network. Also, we have leading positions in nutrition products. India is a country with multiple languages and cultures. We will be initially focusing on the metros and tier-II cities, and then, the rest of the country. Our branding will also involve regional, print, new age as well as other popular media. Abbott will spend \$10 million globally to establish the new identity. **BW**

PAUL MAGILL says India is an important market, especially for branded generics and nutrition

✉ jayakumar@businessworld.in

🐦 [@pbjayakumar](https://twitter.com/pbjayakumar)

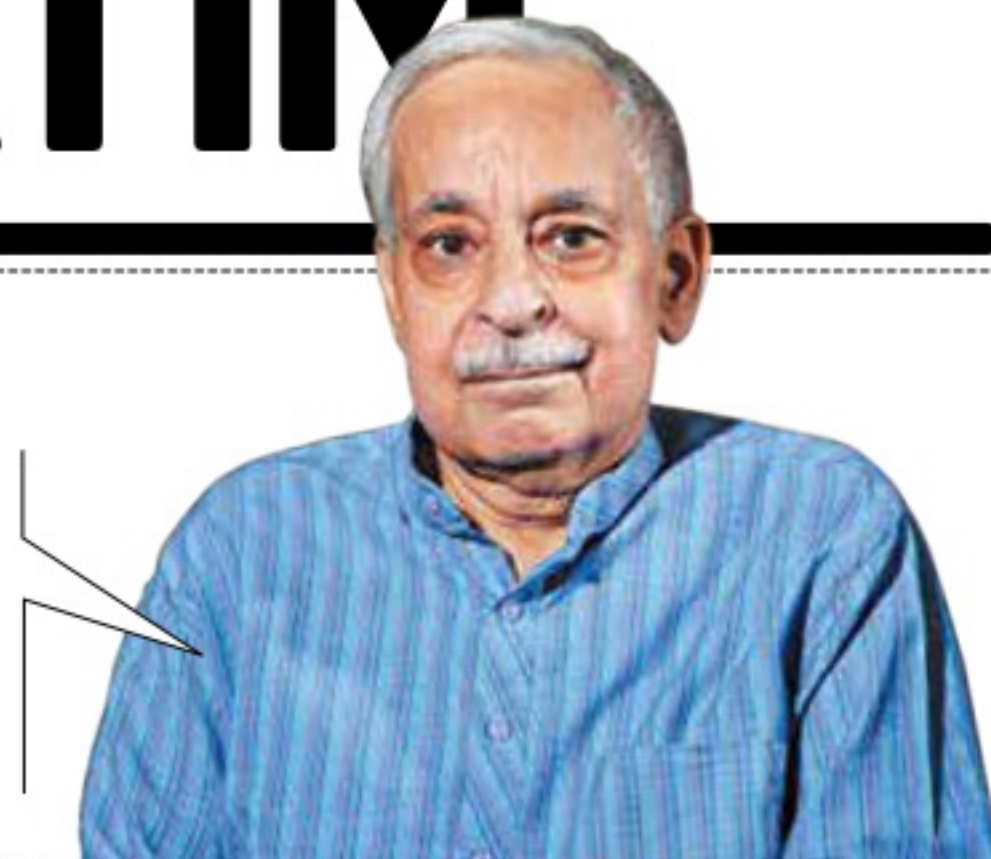
For more interviews, visit www.businessworld.in



VERBATIM

“What the company plans to do is certainly not in conformity with Net neutrality. But one cannot say the move is illegal”

—**RAHUL KHULLAR**, chairman, Trai, on Airtel's move to charge customers a higher tariff for making voice calls from its network using apps like Skype, Viber, etc., than what it charges for data



“We're not at a stage here where me visiting Cuba or President Castro coming to the United States is on the cards”

—**BARACK OBAMA**, US President, in response to speculation around him meeting Raul Castro, after he announced plans to launch efforts to normalise relations with the communist nation



“I have an aspiration that... we can empower every individual citizen of India and every business organisation and institution in India to be able to thrive with new technology. So I am looking forward to be a part of both Digital India and Make in India”

—**SATYA NADELLA**, CEO, Microsoft, during a visit to Delhi

“This is my worst nightmare. But there is no stopping”

—**TONY FERNANDES**, CEO, AirAsia, after AirAsia flight QZ8501 went missing on 27 December with 162 people on board

“When the rouble sinks, it's a bloodbath for everybody. It's red ink, people are losing money, all car manufacturers are losing money”

—**CARLOS GHOSN**, CEO, Renault Nissan, on the decline of the rouble, which has halved in value against the dollar this year, forcing the company to stop taking orders in Russia for some time

“If India grows steadily and does the structural things right and carefully unties knots, builds an institutional process which sort of cleans up corruption, and the baggage in the system, I see it as a wonderful marathon”

—**UDAY KOTAK**, executive vice-chairman & MD, Kotak Mahindra Bank, in an interview

“I have an association with railways that is older than what most railway employees can claim to have”

—**NARENDRA MODI**, Prime Minister, recalling his childhood, when he sold tea near a railway station. He went on to state that the Indian Railways would not be privatised

THE SOCIAL CIRCUIT

SOCIAL EVOLUTION

THE TRENDS THAT SHAPED social media in 2014 — more video posts, significant movement to chat messengers, the take-off of social commerce, the growth of mobile as the first screen to access networks — are expected to intensify in 2015. The tech elves at Facebook, Twitter and Google are busy creating new tools such as payment gateways (buy/pay buttons) that could radically change the purpose of social media. The year might well be the one when social networks see a shift from being places where you meet friends to platforms over which you can buy and sell. As social wallets take off, expect brands to engage in social commerce, and customers to embrace social shopping. E-commerce sites and social media will get better integrated.

The other trend we could see in 2015 is the adoption of wearables and integration of smart devices with social media as the Internet of Things gets



closer to your home. So your microwave could well be connected to your Twitter account and share with friends what you are heating up. Or your fridge, connected to your FB, spots from your feeds that a party is in the offing and pings you to stock up on drinks.

Personalisation and privacy issues are the other big trends that forecasters are betting will shape the social landscape in 2015. So expect to see more user-generated, tailor-made content for your needs, and a greater focus on security settings.

Dig The Data

Online Rush

According to search engine marketing company Search Laboratory, by 2018, US online retail sales will reach \$492 billion from the current \$304 billion. It says that 71 per cent of Americans are more likely to buy from a brand they follow on social media. Data shows that by 2017, e-commerce will represent 10 per cent of all US sales.

Target Audience

A BI Intelligence report shows that social networks, including Facebook, Google+, Twitter, LinkedIn, and even Pinterest, have become more dependent globally on the 25-34 age bracket, while others like Snapchat and Tumblr remain heavily skewed to teens and younger adults.

VIRTUAL REALITY

How many Twitter followers do you have, how many FB friends, How many Instagram followers..



"5K Twitter followers is passable, but no presence on Instagram... Should we cross him out?"



Brand Buzz

Promoted Pins

For Pinterest, the first day of 2015 was a big day as it opened its promoted pins ad unit to all advertisers. Eight months ago, it had tested a beta version, and claimed that promoted pins did as well as organic pins. It said brands that participated in the beta tests saw a 30 per cent jump in earned media. On average, organic pins are repined 11 times; promoted pins too have similar engagement rates. Pinterest has also launched Pinstitute, a webinar-based programme that shows advertisers how to leverage promoted pins.



#LEADER

Prithvi Nandy
@PrithviNandy
Filmmaker

"Posthumous awards do not inspire. They reward the dead. If we keep giving such awards, the best of the living will go unrecognised"

Anand Mahindra
@anandmahindra
Chairman and MD, Mahindra Group

"Nothing can assuage the anxiety of the families of QZ8501 passengers. But I know @tonyfernandes is a transparent leader and will do all he can"

MANUFACTURING: Actualizing

driven by Creative DESIGN and INNOVATION for

OPPORTUNITIES

- Manufacturing sector growth rate of 12-14% targeted in the medium term¹
- India ranked 4th in Global Manufacturing Competitiveness Index (2013)²
- Capitalize on strong domestic demand and expand geographical base of manufacturing exports to reduce reliance on the US (12%) and UAE (10%)³
- Scope for 4-5 times increase in labour productivity, and 50% increase in capital productivity⁴
- Exports to rise by USD 64 billion annually if India captures 20% share of low-end exports, where China is losing advantage⁵

DIRECT BENEFITS FOR THE INDIAN ECONOMY

- Manufacturing projected to generate 100 million new domestic jobs and contribute 25% of national GDP by 2025, from existing ~15%¹
- Reduction in manufacturing imports from USD 127 billion in FY14 to USD 40-50 billion possible in next 5 years⁶
- Productivity improvement to boost skill intensive manufacturing in India by 2025⁴
 - One of the top 2 low cost exporters in auto components, power equipment, pharma
 - Among the top 5 low cost exporters in machinery, electronics, automobiles, textiles
- 28 million new jobs in hi-tech and electronic hardware sector to cater to USD 400 billion domestic market by 2020⁷

REFORMS IN THE SHORT TERM: RECOMMENDATIONS

Vital Reforms in Business Regulations

- Review Land Acquisition, Rehabilitation & Resettlement Act, 2013 and Companies Act, 2013 to align with industry
- Improve ease of doing business by setting up single window clearance through eBiz platform in the Centre and all States
- Clarity in FDI/FII policy across sectors with better Centre-State coordination to stimulate investments and improve business confidence

Capitalize on Domestic demand

- Reduce duty on raw materials and components vis-à-vis finished goods to strengthen domestic value addition
- Implement nationwide GST while allowing for input tax credit, and reduce MAT
- Create a vibrant labour market - reform existing 44 Central and 160-odd State labour laws
- Develop industrial corridors with regional mapping of strengths and capabilities, and investment regions (FTZs) to build manufacturing scale and competencies
- Develop domestic manufacturing base for power equipments to ensure consistent power at competitive prices

We invite valued inputs from bankers, bureaucrats, economists, industry leaders and regulatory agencies

Corporate Office: 5, S. P. Marg, Chanakyapuri, New Delhi – 110021 | Ph: +91 11 4655 0555 |

Source: ¹ National Manufacturing Policy – 'Make in India'; ² Deloitte Survey; ³ DGCI&S Data 2013-14; ⁴

'MAKE IN INDIA'

Domestic & Global Markets



Rana Kapoor
President, ASSOCHAM

“ A strong manufacturing sector driven by a creative innovation and design ecosystem will be a game changer to revive the investment cycle and accelerate economic growth and job creation. With its buoyant consumption patterns, India offers a very large domestic market for value added manufactured goods in addition to the export markets. ”

REFORMS IN THE MEDIUM - LONG TERM: RECOMMENDATIONS

Prioritize Sectoral approach

- Help create strong brand - geographic appellation for Indian products and trustmarks & traceability in key sectors with globally competitive capabilities
- Integrate Foreign Trade Policy with 'Make in India' to promote sectors with high domestic value addition component as textiles, electrical goods
- Facilitate growth of exports in labour intensive sectors akin to capital intensive sectors for higher employment generation driven by MSMEs
- Incentivize investments in IT, Electronic hardware manufacturing with special financial packages and dedicated industrial clusters
- Increase private sector involvement in aerospace and defense value chains to reduce import dependence (currently ~70%)

Build private sector capabilities in manufacturing through public linkages

- Empower 3P India - build robust PPP framework with clear dispute resolution mechanism to encourage private sector participation in 'Make in India'
- PPP to augment skill development capacity through dual program of ITI training cum industrial apprenticeship
- Improve R&D capabilities to Design and Innovate with greater industry-academia collaboration - encourage international tie-ups for technology transfer
- Stipulate offset program in capital goods production to promote domestic vendor-supplier ecosystem



to make India a Global Manufacturing Hub. Do write to us with your advice.

Fax: +91 11 2301 7008 | E-mail: believeinindia@assochem.com | www.assochem.org

McKinsey Quarterly Report; ⁵ ASSOCHAM Internal Study; ⁶ YES BANK Analysis; ⁷ Department of Electronics & IT

THE NUMBERS GAME

REWIND ⏮ FAST-FORWARD ⏭

The year just gone by witnessed game-changing developments in politics. These had a ripple effect on the economy, setting off a wave of feel-good. A trek through some of the major happenings in 2014...

Compiled by Team BW; Graphic by Prashant Chaudhary

MODI-FYING INDIA 😊



26 May

Narendra Modi sworn in as Prime Minister. Since then, the BJP has taken the reins in Haryana, Jharkhand and Maharashtra (along with the Shiv Sena). In Andhra Pradesh, its ally TDP is in power



21 Aug

Union Cabinet approves e-governance initiative Digital India. With a Rs 1 lakh crore budget, it aims to provide electronic access to government services



28 Aug

Jan Dhan Yojana drive kicks off with the aim of opening 7.5 crore new bank accounts — 1.5 crore opened on Day 1 itself

SLAMMER INC. 😞



28 Feb: Sahara chief Subrata Roy held in Lucknow due to his failure to appear before the Supreme Court in connection with non-refund of Rs 20,000 crore owed to investors



7 May: Jignesh Shah, chairman, Financial Technologies, was arrested by Mumbai police in connection with the multi-crore NSEL payment scam



27 May: Amway India chairman William Pinckney arrested in connection with a complaint alleging unethical circulation of money by the multi-level marketing firm



3 Aug: CBI arrests chairman and managing director of Syndicate Bank Sudhir Kumar Jain for allegedly accepting a bribe of Rs 50 lakh to enhance the credit limit of a private company



18 Aug: CBI arrests Central Board of Film Certification CEO Rakesh Kumar in an alleged bribery case. Kumar is reported to have demanded a bribe of Rs 70,000 for clearing a film

THE BIG DEFAULTERS (END MAR 2014) 😞

Kingfisher Airlines	Rs 2,673 crore	S Kumars' Nationwide	Rs 1,692 crore
Winsome Diamonds	Rs 2,660 crore	Orchid Chemicals	Rs 938 crore
Electrotherm India	Rs 2,221 crore	Zylog Systems	Rs 715 crore
Zoon Developers	Rs 1,810 crore	Deccan Chronicle Holdings	Rs 700 crore
Sterling Biotech	Rs 1,731 crore	KS Oils	Rs 678 crore

GROSS NATIONAL NPAs 😞

March 2014	Rs 2,45,809 crore
March 2013	Rs 1,83,854 crore
March 2012	Rs 1,37,102 crore

MARKET MOVES 28822.37

The BSE Sensex hit an all-time high on November 28



25 Sep

Make in India programme announced; to focus on 25 sectors

2 Oct

Swachh Bharat Abhiyan launched. Total expected cost is **Rs 62,000 crore**, including central assistance of around **Rs 14,600 crore**

20 Nov

Deen Dayal Upadhyaya Gram Jyoti Yojana started to separate agricultural and non-agricultural power users. **Rs 43,000 crore** for feeder separation and **Rs 32,600 crore** for transmission and distribution systems, among other allocations

DESTINATION MARS 😊

AT Rs 450 CR

the Mars Orbital Mission (MOM) has been the cheapest ever mission to Mars. The 650-million-km ride was done at less than Rs 7 per km, cheaper than an auto-rickshaw in Delhi



MINOR TURBULENCE 😐



SpiceJet was almost another casualty in the Indian airlines space. With original co-founder Ajay Singh willing to pump in equity, it could get a fresh lease of life. Meanwhile, the Tatas are back in aviation—with low-cost airline AirAsia India and full-service airline Vistara, in partnership with Singapore Airlines

TWO STATES 😊

In June, Andhra Pradesh was split to form Telangana, with Hyderabad as shared capital for a decade. The rest of AP is looking to build a new capital near Vijayawada

COAL BLOCK DE-ALLOCATION 😊

In September, the Supreme Court cancelled mining licences for all 204 coal blocks allocated since 1993. It plans to auction 24 mines—16 for cement, steel and sponge iron, 7 on reverse bidding for power and 1 for steel. The government could earn an estimated **Rs 7 lakh crore** in 30 years

RUNAWAY CABS 😞

A Delhi woman executive's rape in a Uber cab led to a ban on online taxi services. While some are back on the streets, Uber's fate hangs in the balance

NOT JUST CRICKET 😊

Finally, Indian sport moved beyond cricket. Sporting leagues in kabaddi and football have taken off. And tennis too seems to be on the way up

SLIDING OIL 😊

What India paid per barrel of oil ...

\$108.76
2 Jan 2014

↓
\$53.81
30 Dec 2014

GLOBESCAN



TRYING TIMES: The crash of AirAsia flight QZ8501, en route to Singapore from Surabaya in Indonesia, might force the Malaysian budget carrier to slash fares if demand drops in the wake of the tragedy. Its shares have declined 13 per cent — its biggest slide in three years — with investors dumping the scrip by way of reaction to the deaths of the 162 people on board, many of whose bodies have been recovered by an international search team. The mishap caps one of the deadliest years in civil aviation in almost a decade. In March this year, Malaysian Airlines' flight MH370 went missing. Again, in July, another flight from the same airline, MH17, was shot down over Ukraine.



DAMAGE CONTROL: Japanese firm Takata is slashing the pay of its top executives and demoting its president in the wake of the angry fallout over the sale of defective airbags. President and chief operating officer Stefan Stocker is leaving both roles and taking a 30 per cent pay cut for four months. He'll stay with the company as an executive director, according to a company spokesperson.

Prosecutors
raid LG head-
quarters over
washing
machine row
with Samsung



LOW BLOW: Prosecutors raided the headquarters of LG Electronics as part of a probe to ascertain whether the South Korean company had damaged washing machines of rival Samsung Electronics at retail stores in Germany. The raid comes amid an increasingly bitter rivalry between the two firms that compete in home appliances, TVs and smartphones, and ahead of the world's biggest consumer electronics show at Las Vegas.



END OF SERVICE: Two of the world's largest credit and debit card companies, Visa and MasterCard, said they could no longer support bank cards being used in Crimea. This follows the imposition of a fresh round of sanctions by the US against Russia which annexed the peninsula in March from Ukraine. The curbs, among a host of other punitive actions, prohibit US-registered companies from investing in Crimea or providing services to firms operating there. Many card-holders in the Ukrainian province experienced declined transactions at shops and cash machines.





STRONG SIGNAL: Xiaomi's valuation could more than double to \$100 billion, according to investor Yuri Milner. China's largest smartphone vendor has the same potential as Facebook and Alibaba to reach that valuation, said the billionaire, an early investor in all three companies. It was valued at \$45 billion following a \$1.1-billion funding round that included Milner's DST, Singapore's GIC and All-Stars Investment.



CURRENCY CROSSOVER: Lithuanians celebrated with fireworks and champagne bought with euros as their country finished a quarter-century transition from a communist economy to being a member of the single European currency bloc. Swapping litas for euros at midnight on 1 January, the Baltic country of 3 million people became the 19th member of the bloc. Crowds gathered in the main square of Vilnius, the capital, as Prime Minister Algirdas Butkevicius withdrew the country's first euros from an ATM. Lithuania's entry puts the entire Baltic region in the euro zone after neighbouring Latvia's accession a year ago and Estonia's in 2011. It also comes as the countries which gained independence in 1990-91 during the collapse of the Soviet Union seek greater security guarantees from their allies.



ON THE BRINK: Governments and investors across Europe braced for renewed economic upheaval on 29 December after the Parliament in Greece failed to avert an early general election, reviving the toxic debate over austerity as the way to cure the euro zone's economic woes. Senior European Union officials immediately urged Greek voters — now headed for polls on 25 January — to focus on continuing the policies that have enabled the country to ride out its previous monetary crisis and remain part of the euro zone. Greece's prime minister, Antonis Samaras, failed to push a tough economic programme through Parliament.



GOOD NEWS: Recent data showed that the slowdown in the Italian economy has ended, Italy's economy minister Pier Carlo Padoa-Schioppa said. Italy's economy, the most sluggish in the euro zone for more than a decade, has not posted a single quarter of growth in the past three years. "After three years of recession, employment is growing again," he said, adding that would boost consumer and business confidence and kick-start growth. The government is forecasting economic output will fall 0.3 per cent this year, before rising a meagre 0.6 per cent in 2015.

BLAME GAME: US fast-food chain Subway is investigating media reports in China that workers at an outlet in Beijing doctored food labels and used produce beyond its expiry date, a spokesperson for the firm said. Subway reportedly changed expiry and production dates on meat, drink and vegetable produce to extend their use. "Our headquarters is investigating the matter," the spokesperson said and added that the firm had not reached any conclusions. "We want to investigate what caused the labelling issue and whether or not it was the action of a single-franchised outlet." The issue highlights the difficulty firms have in controlling food quality and safety in outlets in China, which can cause serious headaches with regulators and hit sales.



NET GAIN: *The Interview* earned more than \$15 million in online sales in its first four days of distribution as Sony bypassed a wide theatre release amid concerns from major cinema chains about threats of violence. The movie, a farce about a plot to kill North Korea's leader, was rented or purchased online more than two million times, Sony Pictures Entertainment said in a statement. Apple separately began offering the comedy on its iTunes Store, expanding the online reach. Sony first made the movie available on Google Play and YouTube Movies, along with Microsoft's Xbox video console. The film was also released in a limited number of theatres after major chains cancelled their planned Christmas Day showings.

Shining Stars

**"A WOMAN IS THE FULL CIRCLE.
WITHIN HER IS THE POWER TO CREATE,
NURTURE AND TRANSFORM."**

Yes this may seem like an overstatement to many. Sometimes thinking and idly swapping through the newspaper pages when we ponder deep in our thoughts, we fail to understand the position of woman in this male chauvinist society. On one side, molestation, ruthless domestic violence, gender discrimination, female foeticide, rapes add a stigma to the race of birth givers, on the other hand, the situation is not too alarming as the females are revered and respected to the extent that they are home makers. With the changing face of the society, it would not be wrong to say that they are nation builders and enjoy prominent foothold in various arenas thus walking hand in hand in contributing in the progressive development of the nation.

The day has arrived when men have recognized woman as his peer, not only at the fireside, but in councils of the nation. Now we see a perfect comradeship, the ideal union between the sexes that shall result in the highest development of the race. Development in the field of science and technology, universalisation of education, socio-political movements, modernization and similar developments have changed the approach of people towards women to a certain extent. These developments boosted the morale and self-confidence of women. As a result, Indian women now feel that they too have their own individuality, personality, self-respect, talent, capacity and efficiency.

Locating where the latitude of potential meets the longitude of promise, we see the faces that with their dint and determination have made an extrusive presence displaying not only talents but paving out a way for many others to pursue and thrive. As the Chinese proverb goes "A woman holds up half the sky", we take pride to share the meritorious contributions of these woman achievers who made their mark in 2014.



Chanda Kochhar
MD & CEO OF ICICI BANK

Inheriting family business as legacy, Chanda Kochhar was born and raised in Rajasthan. A prodigy in her field, she pursued Cost Accountancy and Management Studies which she cleared with flying colors bagging gold medals. Her journey into the banking sector started way back in 1984 and after successive promotions, she now leads the largest Private bank in India.

In her tenure, ICICI has seen its pinnacle. She was also awarded Padma Bhushan.

Naina Lal Kidwai
CHAIRMAN OF HSBC INDIA

One of the pioneer Indian Woman to graduate from Harvard Business School in 1982 and excelling in Business Administration. Also a Chartered Accountant, she pursued her degree in Arts from Lady Shri Ram College for Women. She is also the first Indian woman to reach a top spot in a foreign bank. Before she joined HSBC, she worked in the investment banking divisions of various companies like ANZ Grindlays, Morgan Stanley, Standard Chartered Bank, Price Waterhouse & Co. She is also on the governing body of CAG India. She has also been featured in the Time List and wall street Journal. She has been awarded the Padma Shri.





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for thousands of farmers, and for Mother Earth.



Chitra Ramakrishna

MD & CEO OF NSE

Instrumental in making the NSE, one of the top 3 exchanges in index and stock derivatives, she has been guiding NSE since its inception back in 1990's. A chartered accountant in profession, she worked for IDBI and SEBI in her career seminal years. She has been credited with making the CNX Nifty 50 most loved derivative vehicle for traders. NSE reached to the 7th largest stock exchange position under her aegis.



Aruna Jayanthi

CEO, CAPGEMINI

Capgemini has crossed over 40,000 employee base in India, its biggest overseas operations. The French giant made Aruna, the CEO in January 2011. Ever since the company's Indian operations have turned into a high profit generating unit.



Vinita Bali

MD, BRITANNIA INDUSTRIES

Before Bali joined Britannia, the company had products that were in a stagnating stage. The brand has lost its lustre and that's when the Board of directors at Britannia made a good decision. They hired Vinita Bali in 2005, who was then working for the Zyman Group. She graduated from Lady Shri Ram College for Women with a B.com degree and also earned an MBA from Jamnalal Bajaj Institute of Management Studies. She later received a scholarship from the Michigan State University. Before Britannia, she worked at Voltas, Cadbury, Coca Cola and Zyman Group.



Mallika Srinivasan

CHAIRMAN & CEO, TAFE

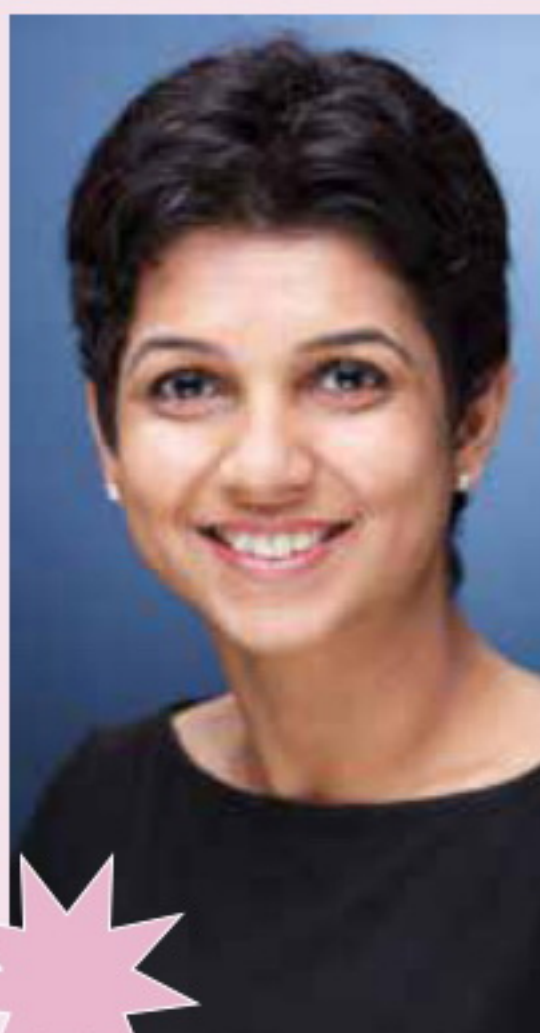
She leads the world's third largest manufacturer and India's second largest manufacturer of Tractors, ie TAFE (Tractors and Farm Equipment). An alumni of Wharton School of Business, she is known widely for bringing a huge change in the products for easing the farming. Competing with Eicher, Massey Ferguson, TAFE is known for making the tractor more suitable for Indian farmers. She is the wife of Venu Srinivasan who runs TVS. She was the Entrepreneur of the Year by E&Y in 2011. She also received a Padma Shri for her contribution in the manufacturing field in 2014.



Kirthiga Reddy

FACEBOOK, INDIAN OPERATIONS, HYDERABAD

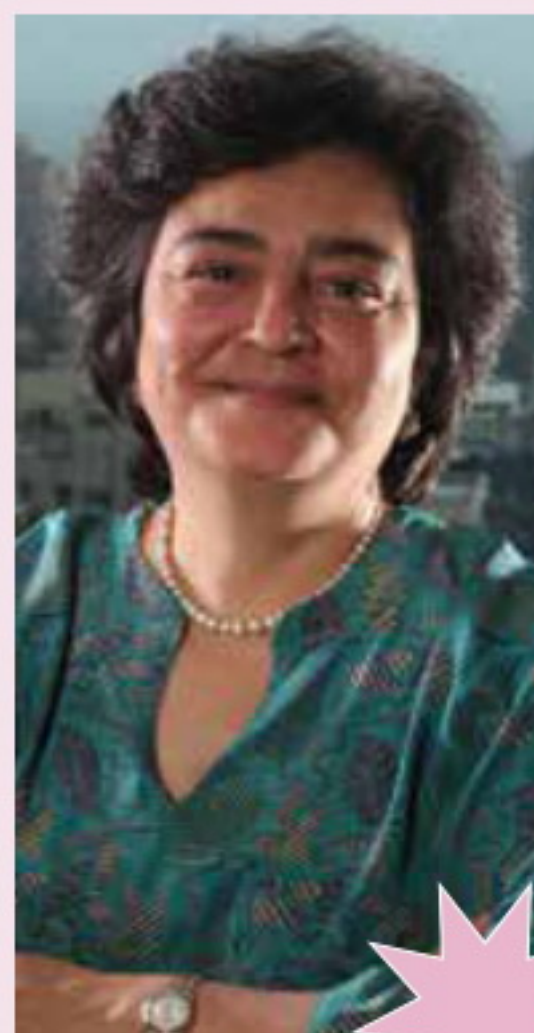
Graduated from Stanford University with an MBA degree and her MS in computer engineering in Syracuse University, this silicon valley damsel has been a prominent person in making India the 3rd largest population for facebook. She was the first employee to be hired in India, so one could say she actually set up the Facebook India from scratch since July, 2010. Younger of the lot, she has made her mark in the digital field by working in Motorola and Silicon Graphics in the US.



Zia Mody

PARTNER, AZB & PARTNERS

Daughter of the former Attorney-General of India, Soli Sorabjee who was honoured with Padma Vibhushan for the protection of human rights, Zia Mody turned out to be just as good as her father. Founder of AZB & Partners in 1984 in Mumbai after her law degree from the Cambridge University and after having done her Masters in Harvard Law School in 1979, she first started working as an attorney in New York, but returned back to India after 5 years. Today AZB & Partners are known for their expertise in corporate M&A's and Securities law. She is also on the board of FCCI and SEBI.



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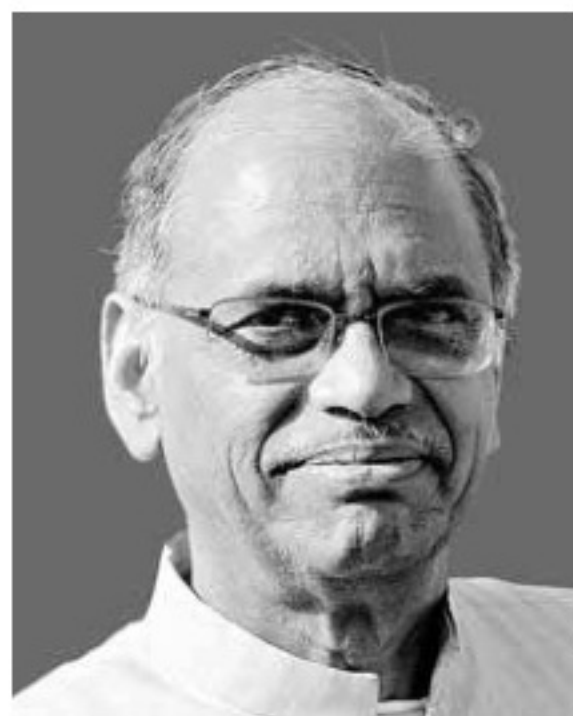
at www.daburhoney.com for a customized Diet Plan created especially for you.

For queries or suggestions, e-mail us at consumercell@dabur.com or call us on 0120-4181100.

References: Traditional and modern published literature.

A SHIELD THAT IS NOT REQUIRED

The 'Make In India' plan effectively bars Indian firms from competing with the best in the world



By Nayan Chanda

IN A BID TO BOOST domestic manufacturing through its 'Make in India' programme, the Narendra Modi government may have taken an inadvertent, but backward step. Its decision to oblige ministries to procure only locally-built electronic products not only marks a protectionist turn but also undermines the government's avowed goal of fighting corruption and increasing transparency.

Government procurement of goods and services worldwide accounts for nearly \$1.7 trillion in revenues every year. Opening that market to international competition has been the goal of the WTO plurilateral Agreement on Government Procurement (GPA). Its 42-member countries, including the United States, the European Union, Canada and Japan, open their government procurement to bidding by fellow members. In 2010, several countries, including China and India, joined the group as observers in preparation for full accession. China since, has begun negotiation to accede to the pact, but India has restricted its ministries to domestically-made electronic goods. Supporters of the move argue that the decision will boost domestic producers of electronic goods and encourage foreign firms to invest in Indian companies that are assured of a big government procurement market. Central government procurement is estimated to be \$125 billion a year. It is most likely that India's electronic goods manufacturers will be overwhelmed by large-scale orders and import foreign components to meet the orders. This may not be a bad outcome in itself, but shielding Indian manufacturers from foreign bidders will deprive India of accessing low-cost bids by international suppliers. It cannot but have a negative impact on efficiency and quality of Indian manufacturers. Indian companies know how opening the country to foreign competition has forced them to improve

their product quality and enabled them to compete abroad.

The move to bar foreign suppliers diminishes India's earlier expressed interest in eventually acceding to the GPA. China's accession would enable its companies to compete in the international market on a par with rivals in developed countries. In contrast, the Modi government's protectionist approach will hamper efforts by Indian firms to bid for foreign contracts. A recent example is the US Buy America Act (2009) that stipulates an additional 2 per cent tax on bidders from nations that are not members of this pact.

Another cost of this plan would be borne by Indian citizens, whose frustration with the corruption of the previous government inspired them to elect Modi. The 'Buy India' decision will likely perpetuate the opaque, corruption-ridden system that Modi had pledged to dismantle. Indeed, India's biggest recent corruption scandals — including the 2G scam, the Commonwealth Games fiasco and revelations about illegal mining contracts — were products of a non-transparent system in which venal officials had a free hand. Joining the GPA and opening procurement to international bidding would have obliged India to undertake measures to enhance transparency and accountability. It would have signalled to the world that India is ready to join developed countries with what is supposed to be a clean, predictable and transparent system that rewards efficiency and quality and not mollycoddle national firms, however non-competitive they may be. The GPA accession requirements would have pushed India towards adopting good governance methods compliant with international norms, while ensuring that the government got the best available goods and services at competitive prices.

India's emerging protectionist stance on government procurement will raise fresh doubts among foreign investors about the Modi government's commitment to economic reform and liberalisation. If Modi wants local firms to be the best in the global marketplace, he has to start by first allowing them to compete against the best foreign firms inside India. Like charity, competition too should begin at home. **BW**

*The author is editor-in-chief of YaleGlobal Online, published by the MacMillan Center, Yale University; boundtogether.bw@gmail.com
For other columns by Nayan Chanda, visit www.businessworld.in*



WHAT TO EXPECT IN 2015

Shiv Nadar On Philanthropy

Kishore Biyani On Retail

D. Shivakumar On Marketing

R.C. Bhargava On Automobiles

Noshir Kaka & Anu Madgavkar On Technology

Subhash Ghai On Entertainment

Rakesh Shah On Economy

Seshagiri Rao On Manufacturing

Mukesh Bansal On Consumption

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R.K. Pachauri On Environment

Digvijaya Singh On The Future Of Congress



Eye On The Future

Cutting across formats, 2015 will be witness to significant improvements in the way retailers connect, sell and create new environments for shoppers

WHAT TO EXPECT IN 2015

By Kishore Biyani

COMING: A TECH-TONIC SHIFT IN RETAIL

G

OD IS OMNIPRESENT. In fact, all religions of the world agree that one can worship God from wherever a devotee wants to — home, park, even a forest. And yet, eschewing the comfort and convenience of their homes, millions of devotees flock to temples, churches, mosques and gurdwaras.

We live in an age of consumerism. Technology and innovation drive the advent of products that fascinate and bring us new benefits, besides making them ever more accessible. In fact, every society's consumption increases

with the passage of time. In this age of consumerism, shops are the temples. It is within shopping environments — whether they are located within residential neighbourhoods, on high streets or in malls — that consumers find what they need or aspire for. And, like in temples, wherein the sole attraction isn't just worship, in a physical shopping environment people find the public space to meet, eat and celebrate with friends, family and fellow shoppers. There is more to shopping malls and stores than just choosing a product and paying for it. Hence the role that retail outlets, shopping malls and stores will play will continue to be important and significant in the lives of consumers. To imagine a world without a physical shopping environment is probably similar to a world devoid of faith in the Almighty — a near impossibility.

Online Onslaught

E-commerce or the opportunity for consumers to shop online kicked off almost two decades ago in the US. Darrell Rigby from Bain & Company writes in the *Harvard Business Review* that even in a developed market like the US, where Internet penetration is among the highest, online sales account for only 6 per cent of total retail sales

E-commerce has a higher mindshare compared to its actual market share as even in the US, online sales account for just 6% of the total

WHAT TO EXPECT IN 2015

(and that's excluding fuel and food services). A.T. Kearney in a report titled 'On Solid Ground' puts forth a similar estimate and suggests, "Of the 30 possible multichannel journeys, the most common is one in which online is used solely for initial product discovery and the store is preferred for trial, purchase, pickup and returns."

Surely, e-commerce commands a significantly higher mindshare compared to its actual market share.

Having said that, there is no denying the fact that technology is going to play a larger as well as transformative role in the way we shop and consume. It is in the nature of technology to bring about change and those who are agile enough to embrace it and combine it with their existing strengths are the ones who go on to become the winners and the harbingers of change. As the Rigby and A.T. Kearney reports point out, half the e-commerce sales are captured by physical retailers or brick-and-mortar operators who are leveraging technology to sell online. In fact, among the 100 largest online retailers tracked by Deloitte, barely a handful are pure e-commerce players.

Beyond the perceived divide of online and offline sales, the world of retailing is witnessing the advent of omni-channel retailing. Omni-channel retailing is about giving customers a seamless experience of both the physical and digital worlds. Retailers across the world are racing one another to build technology-enabled platforms that allow customers to order from anywhere (homes, within stores, while travelling), on any platform (shops, mobiles, laptops) and get the merchandise anywhere (at the store, their doorstep or collection points). Physical stores are also rapidly changing by using technology to provide new experiences, choices and options to customers — whether through integrating access to social media or informa-

tion on digital displays at store racks, augmented reality, smart carts or technology-enabled trial rooms. Cutting across retailers, 2015 will be witness to significant improvements in the way retailers connect, sell and create new environments for their shoppers. Big data analytics, combined with a varied class of technologies — from the Internet of Things, augmented reality, beacons to positioning-based communication technologies — will start impacting the way we shop and improve the overall convenience and experience of shopping.

Fusion Is The Future

Simultaneously, large e-commerce players are also experimenting with new techniques and initiatives. In the US, the likes of eBay and Amazon are experimenting with physical stores to augment the digital experience. New partnerships are evolving outside the US. China's largest mall operator Dalian Wanda recently formed a tripartite partnership with Tencent and search giant Baidu to combine the physical and digital worlds. In India, we have formed a partnership with Amazon, and another with a leading technology-enabler Hybris to leverage the synergies of the physical and digital worlds for the

benefit of consumers.

The world of retailing is changing rapidly. Physical retailers are in the midst of transforming their stores, business platforms and the experience they provide to consumers. The stores of the future will be vastly different from what they are today. And in much the same way, e-commerce and online shopping portals, too, will have to transform not just their business models but also the experience they provide to their customers. **BW**



Tech To The Rescue: Omni-channel retailing will offer customers a seamless experience of both physical and digital worlds. It will blur the online-offline divide

The author is group chief executive officer, Future Group



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Time To Institutionalise Giving

Philanthropic institutions, endowments and charities need to follow the same benchmarks as corporates do when it comes to adhering to management and governance, accountability and reporting and institutional transparency

WHAT TO EXPECT IN 2015

By Shiv Nadar

WHEN GIVING IS NOT GOOD ENOUGH

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ELSON MANDELA ONCE said: "Education is the most powerful weapon you can use to change the world". For me, this is a reality as I am a product of education myself. Twenty years ago, when I first started the foundation, it was a leap of faith. My journey from an entrepreneur to a philanthropist has been a long one but, more importantly, it has been one of constant learning, but none as profound as understanding the evolving concept of giving.

At that time, no one actually spoke of giving. Corporate social responsibility (CSR) was not part of any boardroom or corner office conversations. Perhaps, the Tatas were an exception. Philanthropy did not even exist in India in those days. With the 2 per cent CSR mandate for corporates and increasing number of individuals embracing philanthropy, giving is definitely on the rise. This, I believe is truly welcome. However, it is also important to realise that giving is far too nascent in India as compared to the West. Giving, in our country, needs to evolve and mature and that is possible only through a few concrete steps. Here is what I expect in 2015...

What Ails CSR

The single-largest challenge in the current CSR Bill, I understand, is the absence of direction. I believe this is an important leg in the successful implementation of the mandate. CEOs and entrepreneurs are focused on managing businesses and enhancing productivity and profits. They are not well equipped to identify the right vehicles for their CSR spends. Which is why I expect a certain amount of chaos, confusion and randomness when it comes to allocating these funds and, more importantly, tracking them from an outcome point of view.

A more cohesive set of guidelines and directives — decided by policy makers and industry bodies — is the need of the hour to minimise random giving

WHAT TO EXPECT IN 2015

According to Laura Arrillaga-Andreessen, a social entrepreneur and educator at the Stanford Graduate School, an estimated two-thirds of individual giving in the US is based purely on emotion; it has no research behind it. I do not believe that this is any different anywhere else in the world.

A more cohesive set of guidelines and directives — jointly debated and decided by policy makers and industry bodies — is the need of the hour to minimise random giving and make spends effective.

Institutionalise Giving

CSR, or philanthropy, that is, organisational or individual giving, both need to get institutionalised in India for the space to mature. This would require strategy, processes, tools and systems. And this is not difficult for corporates or individuals who have built and led business institutions on the pillars of strategy and processes.

Giving needs to become an organisation in itself — whether it is in a corporate set-up or in a philanthropic one. A focused strategic approach can create a more effective culture of giving, going forward. I hope to see organisations and foundations adopting a more institutionalised approach to giving, starting next year.

Build Transparency & Governance

Philanthropic institutions, endowments and charities need to follow the same benchmarks as corporates do when it comes to adhering to management and governance, accountability and reporting and institutional transparency. In November, last year, we at the foundation published the first annual report. Why did we do it? I believe it is not enough to just pledge. One needs to spend and make spending accountable by bringing this information to the public domain.

In India, unfortunately, the entire space of giving is looked upon with a lot of suspicion. This perception needs to change. We need to bring in very high standards of transparency and governance. A board, a management, an advisory panel and, most importantly, a system of accountability will

define high standards in governance.

A more vibrant and enabling environment that allows for more sustained and positive outcomes ensures more effective allocation of resources. This, in turn, also fuels a powerful cycle of accountability and impact on the other side, compelling not-for-profit organisations to better evaluate and showcase their work and clearly communicate how they are creating tangible and measurable impact.

This is even more relevant for smaller NGOs in the space. Transparency is the order of the day. An increasing number of corporates and foundations are coming out with their CSR/philanthropic annual reports. I see this trend rising in 2015, with even small institutions becoming more accountable.

A Lasting Legacy

Philanthropy is not about individual commitment. I believe that every act of philanthropy needs to outlive individuals to make real impact. For the first 12 years since inception, the foundation focused only on building SSN College of Engineering. It was only in 2009 that we set up the first Vidyagyan School, which was followed by other foundation initiatives in education. What gave me conviction and the confidence to build on what we had started was the keen interest shown by

my daughter Roshni. When she came back from the US after studying social entrepreneurship, she clearly wanted to take the legacy of philanthropy forward.

High-impact philanthropy begins with a philanthropist's personal commitment. However, long-term family involvement and commitment makes a huge difference in the long run. A big part of the legacy that you leave behind involves and impacts your successors. Therefore, succession planning even within the family is critical. I expect and hope to see strategic succession planning in the space of giving starting 2015. Philanthropy, as a family legacy, would not merely bring generations together to work towards a common goal but would truly institutionalise the act of giving. **BW**



Lasting Impact: Philanthropy is not about individual commitment. Every act of philanthropy needs to outlive the individual

The author is founder & chairman of HCL and Shiv Nadar Foundation

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WHAT TO EXPECT IN 2015

By D. Shivakumar

WANTED: A RENAISSANCE IN MARKETING

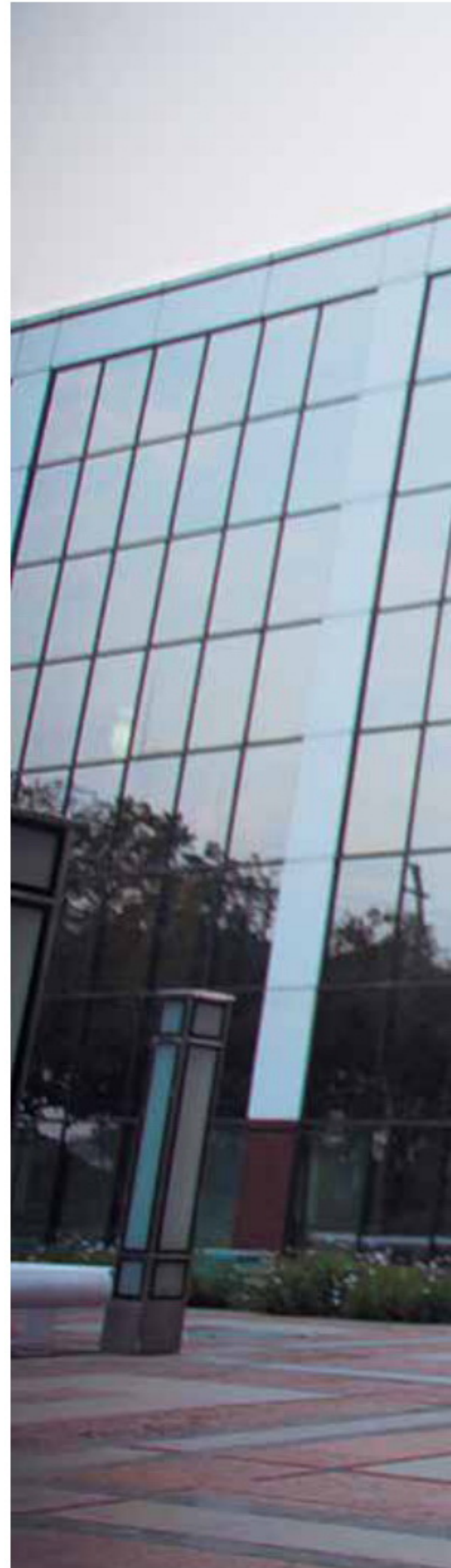
INDIA IS IN THE MIDDLE of a consumption journey. In 2000, the country had 250 million consumers, with a daily per capita earnings of more than \$5. In 2021, India will have 490 million consumers with daily per capita earnings of more than \$5. This doubling is a challenge and an opportunity for marketers this decade.

Marketers Fare In 2014

The year gone by was a sombre one for many industries. Most of them have in the past blamed the macroeconomic environment for slower growth.

That has changed as the economy moved from a penetration phase to one of consumption. Today, growth in consumer-led industries is less linked to GDP, or gross domestic product, and more correlated with innovation, adjacent category creation, brand awareness and distribution. These industries have always been synonymous with good marketing in India, but there is work to be done in order to ensure that marketers successfully harness the consumption economy of 2015 and beyond.

The first challenge in 2015 for marketers in consumer-led industries is to re-invest in developing the basics of their craft. Leaders need to commit to this.





A Cut Above

Marketing in coming years will be about driving products that consumers view as premium in every category. A combination of a richer consumer with multiple channels to consume brands will fuel premium sales

Today, growth in consumer-led firms is less linked to GDP and more correlated with innovation, adjacent category creation, brand awareness and distribution

WHAT TO EXPECT IN 2015

This will raise the bar, help people realise their potential, and drive innovation. The role of the brand manager has changed in the past 10 years.

Brand managers are narrowly being judged on brand equity, share and growth. As a result, brand managers don't have a holistic approach to the brand, and this doesn't develop a general management capability, which was the prime reason for creating the brand manager's function in 1931.

Second, marketing in 2015 and beyond will be more about driving products that consumers view as premium in every category. A combination of a richer consumer with multiple channels to consume brands will fuel premium sales. This premium opportunity will be seen in the top eight cities, with Delhi leading the way. This is aided by the growth of modern trade, the birth of e-commerce, access to the Internet, and the growth of premium/luxury outlets.

The thinking needed for a premium range is different and marketers need to take the leap. Advertising has focused on brand measures and awareness factors. A consumption strategy has to go beyond these past measures.

Third, marketing will need to drive the business in rural markets. Rural India is insulated from global forces. Building a category in rural India needs a one-way system that leverages wholesale, it needs the right price points and habit categories that have an edge.

This year is a great example; the skin cream category has entered the top 10 distributed list, displacing packet tea! The traditional grocer and wholesaler in rural markets are changing.

Technology, which has not impacted them so far and a company that starts to impact them through

technology, is going to win.

Smart Marketing

Fourth, a lot has been said about digital marketing. With 900 million phones, millions of apps, a social media subscriber base higher than print media in India, etc., we now live in a digital world. So, we need to think of marketing in a digital world as opposed to digital marketing. This will need reorienting of the marketing function with new skills. The marketing department will need many more

data scientists, and creative people need to embrace the digital world. Market research will develop new techniques to measure brand performance in a digital world. India will learn concurrently with the rest of the world.

Finally, India wants to create a million jobs every month. This means that young men and women will look for regular jobs, instead of being paid helps. As the availability of maids, etc., drops in urban India, there will be an explosion of ready-to-eat, ready-to-cook food, and

all durables that will help the housewife cut her time on household chores.

India is changing quickly but marketers aren't changing fast enough. Today's marketers need to go back to the basics of the brand and the business. Marketing has been caught in jargon like activation, 360-degree surround, etc., thus losing the most important measure — the true relationship surplus with the consumer. Good marketing teams will build on the brand relationship surplus in 2015.

The cricket world cup starts in six weeks; let's see if we see a renaissance in brand marketing! **BW**



Digital Approach: What is needed is a switch to marketing in a digital world as opposed to digital marketing; a re-orientation of the marketing function is called for

The author is chairman and chief executive officer, PepsiCo India

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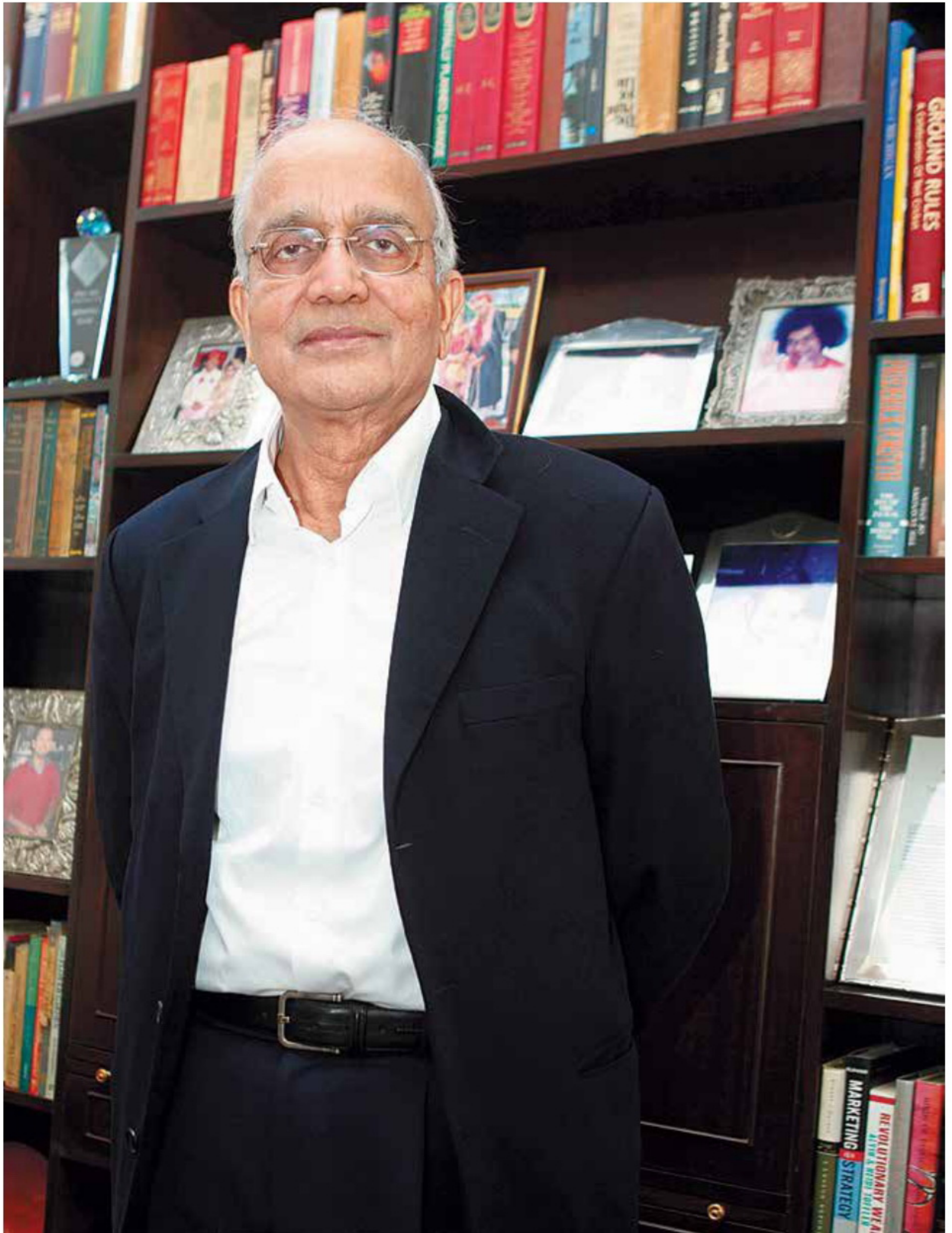
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Top Gear?

A combination of soft commodity prices, lower interest rates and inflation could make cars more affordable and spur sales

WHAT TO EXPECT IN 2015

By R.C. Bhargava

PAVING THE ROAD FOR A SMOOTHER RIDE

THE PAST FOUR YEARS have not been good for the economy and for the automobile business. The growing dissatisfaction with the lack of progress led to the elections in May 2014 producing an absolute majority for the BJP. The mandate for Narendra Modi, who was the face of the BJP, was to bring change, better governance, job creation and faster economic growth.

Sentiments have changed with the new prime minister taking over at the Centre. The stock market has reached record levels. Expectations of change are very high. However, not many people are realising that putting India on a sustainable high-trajectory growth path requires structural and mindset changes at all levels. Presently, most of our laws, rules, procedures and attitudes are built on distrust. Not surprisingly, most decisions take time, and rules are tortuous and unreasonable. No wonder India ranks very poorly in terms of ease of doing business. Distrust leads to an unfriendly taxation environment, huge litigation and costs for business undertakings. Infrastructure and other projects are frequently delayed. Our implementation machinery, at all levels and in all areas of civil administration, is creaky and rarely able to do what needs to be done. The education system has fallen below acceptable levels and the skills required for effective working are just not there. Widespread corruption further compounds our problems and the quality of implementation.

Building Trust

I believe the Prime Minister is right in his assessment that unless some of these issues are resolved, trying to push through reforms will be futile. They will remain

The falling price of crude has resulted in not only arresting the steady upward movement of fuel prices, it has also brought about price cuts

WHAT TO EXPECT IN 2015

largely on paper, as has been the fate of laws and policies in the past.

Hence, the Prime Minister's emphasis on a number of changes that may appear small, but will lead to improvements in the implementation capabilities of the country. This process will continue.

Also I believe that in the second half of 2015, these steps will start producing results, and we will see their impact in the quality of the administration. However, the change in mindsets cannot happen in a short period of time. During 2015 and beyond, efforts will have to continue to build trust, and the private sector will have to play its role in this process. Ministries will need to keep improving their implementation capabilities and processes. The pace of economic growth may begin to pick up in the second half of 2015.

The fall in crude prices, lower inflation, the disinvestment programme, and the steps being taken to better deliver subsidies by reducing leakages and waste, will help the government's finances in 2015. I expect that would enable the government to take steps that would promote growth and more expenditure on infrastructure building.

The automobile industry has continued to struggle since 2011. The decline in the growth rate of the economy, rising petrol and diesel prices, inflation, the negative fallout of scams and poor job creation combined to impact automobile sales. Sales of petrol cars saw negative growth in 2011-2013. It was only in 2014 that sales of petrol cars once again saw a pickup. But diesel car sales have been declining and, as a result, the first nine months of this financial year are likely to show a growth of around 3.5-4 per cent for the industry as a whole. Only a few companies have done well this year, Maruti being one of them. In fact, if our sales are excluded, the rest of industry is still

in negative territory.

The year 2015 should see the car industry doing better. The falling price of crude has resulted in not only arresting the steady upward movement of fuel prices, it has also brought about price cuts. Hopefully, this situation will last in 2015 and make car ownership more affordable, thereby increasing sales.

Change In The Air

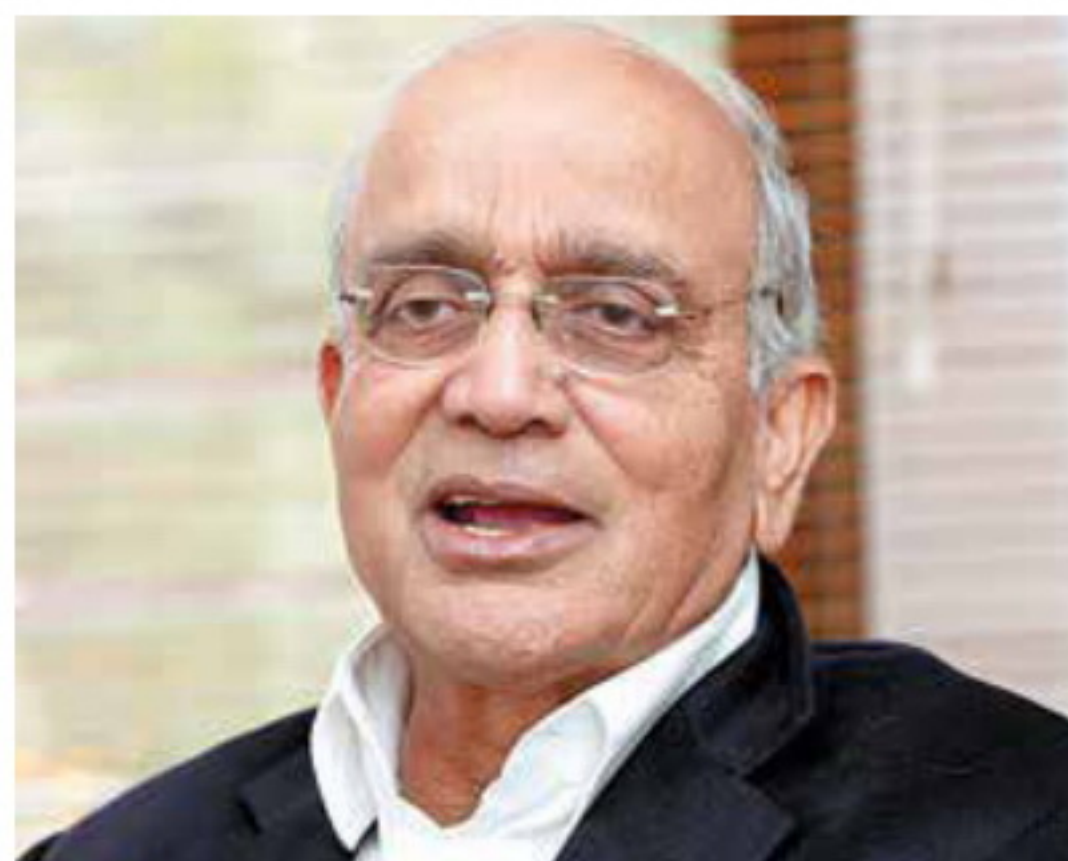
Commodity prices have also softened and, as a result, the pressure to increase prices is less. It is also likely that in the first quarter of 2015, we will see a lower interest rate regime, as inflation is now at its lowest in five years. The cumulative result will be greater affordability of cars and hence stronger sales.

The sales of heavy and medium commercial vehicles have also started to grow after a long time. Gross capital formation is likely to increase in 2015. The extent of foreign direct investment in infrastructure and manufacturing should also increase in the second half of the year. These will be positives for

the automobile industry.

India is increasingly being treated by car manufacturers as a base for manufacturing cars for export. As the mechanism for repealing obsolete laws, rules and processes strengthens, decision-making will become faster, and the tax administration more friendly. Costs of production will come down and manufacturing for exports will become more competitive. The extent and reach of e-governance will grow.

Overall, I do not see 2015 suddenly becoming a year when economic growth and car sales will zoom. But I do see processes for making that happen take shape. **BW**



Slow and Steady: I do not see 2015 suddenly becoming a year when economic growth and car sales will zoom. But I do see processes taking shape

The author is chairman, Maruti Suzuki

Godrej Properties reinvents the handover experience for its customers.... Now move into your new home with celebrations galore...

Home-buying as we all know is one of the most important decisions of your life and you would want to make sure you have the best. Now imagine that special moment when you are handed over the keys to your dream home. Needless to say it would be one of the most memorable events of your life.

At Godrej Properties (GPL), the customers are at the helm of all activities. The team is well aware of how important an occasion it is to move into your dream home. So they decided to be a part of the celebrations and make this special occasion a little more special for their customers. The idea was simple - "to make homecoming one of the most memorable and seamless experiences for the customers of Godrej properties."

A big carnival was planned for the handover of Godrej Prakriti at Kolkata. The day long Carnival kicked off with a

fun fair, games, entertainment and food and not to forget the loads of happy smiles. The evening ended with a concert with Mir Afsar Ali, a renowned Bengali singer and artist. Over 400 customers were welcomed to their new homes in style. On the occasion, a welcome kit with all the details needed for a seamless transition into their new homes, was handed over to the customers along with the keys to their dream home.

Keeping in line with the philosophy of the Godrej Group, the GPL team wanted to make sure their customers have a seamless experience when interacting with GPL. And hence the entire event was meticulously planned and executed. To add to the customers delight, GPL's Managing Director, Mr. Pirojsha Godrej himself visited the homes of 2 families who had already moved in at Godrej Prakriti and welcomed them.

Commenting on the occasion, Mr. Pirojsha Godrej, Managing Director & CEO, Godrej Properties said, "I'm very happy to be in Kolkata today to commemorate the handover of the 1st Phase of Godrej Prakriti, our first residential project in Kolkata. We sincerely thank our customers for choosing Godrej Prakriti and wish them all the best in their new homes." Another such instance is the handover of Godrej Garden City (GGC) at Ahmedabad, where the celebrations lasted for a full 9 days of Navaratri with over 600 families being welcomed to their new homes. Celebrity studded evenings with local favourites like RJ Devaki, Devang Patel, Arvind Vegda and esteemed Chief minister Anandi Ben Patel gracing the occasion made this the talk of the town. The event included games and activities such as rangoli making, pottery and an exclusive kid's zone. This event also earmarked the beginning of the green initiative, where the residents pledged to go green and planted a sapling in their name within the township as part of the green pledge.

Godrej Properties MD, Mr Pirojsha Godrej performed the Maha Aarti to mark the start of the festivities and the families lit sky lanterns to mark the auspicious beginning of a new chapter in their lives.

With live performances by popular local artists and Garba beats, everyone joined the celebrations enthusiastically. Over the week, more than 1 lac Garba enthusiasts came to GGC and joined in the celebrations. There was a celebrity performance on each day, along with a 'best dancer' competition which was featured in Ahmedabad Times. Little wonder that Godrej Garden City has now become a destination in Ahmedabad.



WHAT TO EXPECT IN 2015

By Noshir Kaka & Anu Madgavkar

DISRUPTION THE NAME OF THE GAME

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THE FIRST WAVE OF Indian tech startups was constrained by the narrow reach of wired Internet. The next one will have a far larger market to tap, as India becomes the second-largest base of mobile Internet users in the world by 2016. And, in the coming decade, India could become one of the most interesting test beds for innovation globally, enabled by a set of disruptive technologies with the potential to transform the country. New entrants that can build scalable businesses and established companies nimble enough to change their core business models will benefit.

A research from the McKinsey Global Institute indicates that, like the rest of the world, India too is likely to experience the rapid diffusion of disruptive technologies in the coming decade. A set of 12 technologies is seeing a rapid reduction in costs, rising performance levels and growing adoption, indicating potential for widespread use in multiple forms. In the next 10-15 years, these technologies will affect a large number of workers, consumers and businesses in India, and have a significant economic impact. The most ubiquitous of these is likely to be the mobile Internet, which has the potential to be used by 700 million to 900 million people in India by 2025. Other digital technologies that could be disruptive for India are cloud-based services, the automation of knowledge work, digital payments and verifiable digital identities. Beyond digital technologies, rapid advances in energy — such as unconventional oil and gas, renewables and advanced energy-storage technologies — genomics, advanced geographic information systems and intelligent transportation and distribution systems will enable better knowledge and control of the physical world and more efficient resource management.

Combined, these technologies act as building blocks for a set of disruptive services



The Rising

India could become one of the most interesting test beds for innovation globally, enabled by a set of disruptive technologies with the potential to transform the country

India will experience the rapid diffusion of disruptive technologies soon, according to research by the McKinsey Global Institute

WHAT TO EXPECT IN 2015

that can boost the reach of basic services, raise productivity in manufacturing and farming, move goods and people more efficiently, improve access to clean drinking water and stable power supply. For instance, remote health services using the mobile Internet for diagnostics and monitoring could improve healthcare for 400 million poor and rural Indians, and mobile payments could help 300 million unbanked Indians gain access to banking services and credit. Some 90 million farmers could get higher prices for their crops and reduce post-harvest losses with access to real-time pricing data, and more than 50 cities in India could have better transportation and more efficient power and water metering systems. The annual economic impact of such applications could be \$550 billion to \$1 trillion in 2025. That's 20 to 30 per cent of India's incremental economic growth from 2012 to 2025 and up to six times the current revenues of the IT services sector.

The potential for value creation of this magnitude is good news for entrepreneurs. These technology-led opportunities make entering new markets easier. India's young citizens — equipped with personalised, mobile connectivity and information delivered in intuitive, picture- and voice-based forms — will be open to trying new products and services and willing to shop around. Entrepreneurs will see the cost of launching new businesses fall dramatically with the advent of cloud-based applications for marketing, communication, sourcing, payroll, accounting and other functions. They will be able to tap the talent pool in a more flexible way, with large numbers of freelance and virtual workers, who could be engaged via the Internet. Access to capital will improve due to the growing interest of venture capitalists and other private equity investors.

But ideas cannot remain pilots forever — businesses need to achieve national scale in order to generate material impact. Established scale-based players that are nimble enough to rethink their strategies in the context of digital disruption will be well positioned to succeed. But their traditional assets such as well-located branches, strong brand names and low-cost factories may be rendered less valuable. For

instance, banking, hospitality and retail businesses may find that their brick-and-mortar properties turn into liabilities in the face of online competition, forcing them to dramatically reshape their channel mix: by some estimates, certain European banks have already shut down 40-50 per cent of their branches without affecting their market share. Manufacturing companies will be compelled to rethink their plant and channel strategies as it becomes possible to reduce lead times by 50-70 per cent due to big data analytics. Robotics will enable a 25 per cent reduction in the cost of assembly.

Whether attacker or incumbent, businesses will need to meet and exceed ever-increasing customer expectations

brought on by disruptive technologies. Customers want to control and shape their relationships with vendors; shoppers want to specify not only colour, style and size of the garment they buy but the time and place of delivery, and they want to track their order until it reaches them. In some cases, they are highly involved, even at the design stage. As businesses try to meet customer expectations, they will need to rely on more and more data to make decisions. The frequency of data-based decision-making will increase, and smart organisations will gather data

from every customer interaction to refine their delivery.

Spending on technology services will also increase. In 2013, Internet-related expenditure by consumers, enterprises and the government, as a share of GDP, was 2.1 per cent in India, much lower than that of China at 4.4 per cent and the US at 4.3 per cent. India will catch up, and for IT services companies, the India-linked opportunity will begin to look more interesting. However, IT providers will need a different model to serve customers effectively. They may need to be 'advisers' on digital strategy and help clients identify, evaluate and shape their digital investments in addition to delivering on digital projects. And they may need to develop ways of sharing risks with clients, for instance, through pay-per-use pricing models, outcome-based contracts, or co-investments in new digital businesses. **BW**



No Limits: Spending on technology services will rise, and for IT services companies, the India-linked opportunity will begin to look more interesting

Kaka is the managing director of McKinsey in India; Madgavkar is a senior fellow of the McKinsey Global Institute

CURRENT CORRECTION AND OUR BROADER MARKET OUTLOOK

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Every Bull Market has several corrections during the course of its large up move just as how every Bear market has several strong rallies during the broader down move. Let's see Five prime reasons for our Bullishness.

Cyclical Recovery aided by lowering Inflation & Weak Commodity Prices :

Indian economy is going through a cyclical recovery on the back of improving economic sentiment, , restarting of stalled CAPEX, narrowing CAD, pent up demand etc. The recent correction in Commodity prices also aides India's economic recovery by boosting Fiscal as well as Current accounts through higher subsidy savings and lower imports. While Capital account might get affected with lower flows in the short term, India will be able to attract flows overtime with strong performance. Since commodities follow a mega cycle of more than 10 years, we could live with subdued prices for a long time and that will boost the inherent demand in the Indian economy.

New Normal (or) Secular Stagnation in Global Growth, leading to glut of Capital :

As we are seeing already, Central bankers across the Globe will try to fight deflation by using both levers (lower Interest Rate & higher Monetary easing). India will also structurally be favored for Capital flows with its domestic economy oriented growth model compared with most emerging countries export based model.

India's decisive turn towards embracing Capitalism will aid flows:

There has been several initiatives taken in the last 2 years that improves the structural growth story of the country such as Subsidy reforms, Governance reforms, Increasing FDI limits, Opening up more sectors etc. Country is clearing moving towards a liberal Economic regime that will allow it to attract more flows and improve its per capita income from the current low levels to around 1.5 Lakh Rs in the next 6-7 years.

Inflation Targeting and Monetary Framework to drive down cost of capital:

With the targets to be set around 4% +/- 2%, we believe that deeply entrenched Inflationary expectations among the economic agents in the system will decline consistently. These changes along with an environment of low interest rates globally would drive cost of capital lower for Indian businesses. With a good regulatory framework and healthy FOREX resources, India can withstand the volatilities of Global financial markets which will see increased frequency of Boom and Bust cycles with increased asset bubbles being the side-effects on the Monetary easing worldwide.

Seven Long Years of Market Consolidation sets a strong Base :

Indian Equities has delivered a meager 3.5% CAGR returns over the last 7 years. The returns on broader markets including Small Caps and Mid Caps is even more pathetic. Even with this year's rise, we are still near historical average valuations for Indian equities. As Indian growth picks up, we will see operating leverage kicking in and several companies exhibiting strong earnings growth. Indian markets has all the ingredients for a Bull Market - Valuations, Sentiment, Policies, Earnings, Flows etc.

There are only a handful of businesses that can benefit

sustainably from the Macroeconomic positives without passing every benefit to customers or getting hurt by competition. Thus it's very important that Investors stick with quality businesses and invest with a long time frame. These stocks when held for long term can continue to compound at higher rates, enabling investors to grow their wealth multifold. We are currently bullish on stocks such as City Union Bank and Heritage Foods. These are great 5 year Investment opportunities.

City Union Bank (CUB):

CUB is one of the most efficient ways to play the economic recovery. It is a well managed franchisee (10 year average ROE - 20%+, NIM's - 3%+, Peak Gross NPA's < 2%) that is focused on lending to MSME segments. It benefits immensely from the overall economic recovery (Lower NPA's, Gains on Bond Portfolio etc) and the policy impetus from the Government (Make in India, SME Manufacturing focus etc). Bank is well funded

with CAR's of ~ 16% and has several quality investors backing the stock. With a strong balance sheet and attractive Co-Investor profile - CUB should deliver higher risk-adjusted returns for Investors from current levels.

Heritage Foods :

It is one of South India's leading dairy brand. The company has been strengthening its Value Added Dairy Products portfolio that earns more than 12% EBIDTA margins. This along with strong Industry tailwinds in terms of demand growth will enable the company to grow its profits strongly over the next 3-5 years. Our calculations show that this Dairy franchisee adjusted for cyclical issues is available at around 6X EV/ EBIDTA multiple on conservative estimates which is extremely low on both absolute and relative valuations.

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GOKUL RAJ P.
Executive Director & Head - Investments
HBJ Capital Services Pvt Ltd



For A Better Tomorrow

All stakeholders need to be involved if we wish to stick to the 2°C limit of temperature increase by the end of the century

WHAT TO EXPECT IN 2015

By R.K. Pachauri

THE WINDS OF CHANGE ARE A BLOWIN'

C

OLDEST WINTER, hottest summer, untimely rain, floods and droughts are impacting economic growth across the globe. And with increased freak weather events and changing weather patterns, countries are becoming attentive to the environmental impact of industrialisation. The level of awareness and scientific knowledge on the subject is unprecedented and this awareness will translate into action. I believe the discussions in 2015 hold the potential to result in concrete steps to limit global temperature increase at 2°C and also help developing nations like India finance carbon emission-reducing technologies.

Significance Of 2015

The climate change talks to be held in Paris in 2015 are significant on many counts, given that it was the deadline set for all countries to reach a sort of consensus on how to limit global temperatures. I believe they will. By now, there is more than enough scientific evidence to show the need and urgency to act.

As the Intergovernmental Panel on Climate Change's (IPCC) Fifth Assessment Report shows, the need for collective as well as individual action is a must if the aspirational target of limiting increase in temperature to 2°C by 2100 is to be achieved. IPCC's report suggests the only way we can meet this target is by reducing emissions by 40 to 70 per cent over the 2010 figures. In order to do so, adaptation and mitigation are both required. If we want a chance to limit the global rise in temperature, global emissions should peak by 2020 or earlier. If we carry on with business as usual, our opportunity to remain below the said limit will slip away well before mid-century. The report is clear about the path that countries need to take to reduce greenhouse gas (GHG) emissions.

The action to reduce impact of climate change began almost 20 years ago with the

In India, there is intent, but not enough action to curtail climate change impact. It needs to change its energy policy

WHAT TO EXPECT IN 2015

establishment of the United Nations Framework Convention on Climate Change (UNFCCC). Under the aegis of the convention, the first meeting was held between different countries in March 1995. The talks dubbed the Conference of Parties (COP) is expected to cross a milestone in Paris in 2015.

Sustainable Energy

In India, there is intent, but not enough action to curtail climate change impact. India needs to overhaul its energy policy. As a recent The Energy and Resources Institute (TERI) study shows, if India is to continue on the trend of growing fossil fuel dependence, its economy will be confronted with reduced energy security. At present, we need to import close to 200 million tonnes of coal. If we keep going at our pace, by 2030, we will need to import close to 900 million tonnes. Where is that coal going to come from? How will we pay for it?

We need to move to cleaner fuels and improve energy efficiency. With a new government and a commitment to renewable energy, this is an achievable goal.

Does India Need A Change In Stance?

While India maintains its position based on the principle of common but differentiated responsibility, there are internal actions required of India as well. These are essentially measures for enhancing supply and security of energy. It is time India takes proactive steps. And I believe, as Prakash Javadekar, minister of state for environment, forests and climate change, has already highlighted, India is taking several steps, including upgrading its Solar Energy Mission to reach 1,00,000 MW of installed capacity.

To tackle climate change, it is important to remember that we need to work on adaptation alongside mitigation. The biggest challenge for India in 2015 is the fact that India is not doing enough on adaptation. This requires sophisticated research to project the nature and extent of future impacts of climate change and then find sustainable means to adapt to these impacts. Authorities need to shift focus and support to

such R&D activities. For India, 2015 should mark the beginning of concrete work on adaptation.

India's Gains Post 2015

It is expected that the carbon market will grow again after an agreement is reached in Paris. This will help with financing and support available for actions to be taken by developing countries to fight climate change.

It is extremely important that any agreement that is arrived at in Paris should also have, built into it, a process of review of commitments — a clause absent in the Kyoto Protocol, which gave birth to the clean development mechanism and helped

countries like India adopt green technologies. In the case of the Kyoto Protocol, there was really no provision for review of actual achievements against commitments made by countries. Nor was there any incentive or disincentive for compliance or otherwise. Therefore, a review of commitments needs to be built into the agreement — against the pathway by which mitigation would be required to keep the 2°C goal valid and within the overall budget permissible for CO₂ emissions.

One important development in the run-up to the Paris talks is the creation of the Green Climate Fund (GCF), to which over \$10

billion has already been pledged. It is expected that any incremental cost incurred by developing countries for mitigation measures will be provided by the GCF in keeping with the spirit of the UNFCCC.

The international agreement in Paris is important in itself, but the world would require the involvement of all stakeholders if we wish to stick to the 2°C limit of temperature increase by the end of the century. That would involve actions at the international, national, sub-national and local levels. In fact, individuals will have to be part of the solution as well. I believe lifestyle and behavioural changes will also help mitigation and that would involve actions by individuals apart from other entities. **BW**



Keeping Tabs: It is extremely important that any agreement that is arrived at in Paris has a process of review of commitments built in

As told to Moyana; R.K. Pachauri is chairman, IPCC, and director general, TERI



Waste Management Indian Innovation to ensure huge success of Swachh Bharat Abhiyan



When PM Narendra Modi launched the Swachh Bharat Abhiyan, he specifically pointed out that he was not making any political statement. The act of keeping our neighbourhood and the public places clean is not the duty of safai karamacharis only. "It is in fact the responsibility of 125 crore countrymen" he said. Claiming that he was the first son of 'Bharat Mata' he took the broom in his hands and set an example.

While cleaning the litter from our houses, surroundings and work places, the litter that gets collected in various places is transported to centralised land fills. As millions of tonnes of litter reach there, the land fills are becoming bigger and bigger, leading to major problems such as contaminated air and water in the surroundings, higher likelihood of epidemic and unhygienic neighbourhood. We, as citizens and integral part of the society, end up paying a huge cost, directly and indirectly, for this.

- The organic rejects that accumulate in centralized land fills begin to decay and emanate Methane gas which is 20 times more dangerous than CO₂.
- The moisture and the rain water collected in the land fills seeps through the litter and reaches the water table and contaminates the ground water.
- The combination of contaminated air and water in unhygienic surroundings leads to spread of a variety of diseases.

All these can be removed in one stroke with Green Waste Reprocessor (GWR). It is made in India that can up-cycle the daily heap of organic garbage into bio-mass fuel and compost which can be utilised as finished product for various useful purposes.

The Innovator of this project Manoj Pathak says "At present GWR unit is offered in three different variants for re-processing different type of wastes".

- Garden Waste Unit consumes dry leaves collected from parks, road sides and forests to produce fuel sticks called Green Coal which provides smokeless energy. Organic compost can also be produced.
- Vegetable Mandi Waste Unit processes vegetable mandi rejects to produce solid animal feed, liquid fertilizer.
- Temple Waste Unit takes in flowers that are thrown in rivers (which is one of the main causes of pollution in our rivers) to produce Havan Samagri and other useful products. In a way, Puja waste is again utilized for important religious purposes.

Already proved useful, awarded and popular in a short time

Union Urban Development Minister, Venkaiah Naidu inaugurated the plant in Lodhi Garden, New Delhi. NDMC has installed this plant under PPP model. The Minister lauded this innovative initiative and appreciated the idea to install a



First Plant inaugurated by Shri Venkaiah Naidu, Union Minister for Urban Development at Lodhi Garden, New Delhi

MPs/MLAs can use their funds for installation of this machine in their constituencies

score of plants around Delhi and other cities all over India. Four more units have been installed in Central Delhi, near Talkatora Garden, Nehru Park, NDMC nursery at India Gate besides CPWD

managed Buddha Jayanti Park.

The innovation has been selected for the Best Innovation award by Sankalp Alliance, an UN initiative and Manoj Pathak has been awarded US\$ 15000, besides a citation and certificate. Alok Gupta, the Director of Clean India Ventures-the company behind GWR, says "There has been overwhelming response to this innovation from all quarters, especially private developers and township owners who wish to put an end to the piling of organic rejects such as dry leaves etc and make useful by-products."



"Lesser the waste means lesser the need for Dumping trucks leading to less wastage of natural resources such as diesel / CNG which is consumed during transportation. Moreover, the recurring problem of identifying new land for landfills can be a thing of past."

More than just clean

This innovation which is easy to install at the local source level will lead to more job creation at the grassroots level. Moreover, some of the by-products can actually be exported in the near future. Hence this must be ranked among the top innovations as this is a positive and pragmatic response to the call of Hon'ble PM for "Make in India". Surely, this initiative will make all of us proud and make the country truly clean, energy-efficient and provide impetus to agriculture and exports.



Flower Waste



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For more details, Mail : cmd@cleanindiatech.com or Call +91-9810068016

WHAT TO EXPECT IN 2015

By Subhash Ghai

BOLLYWOOD WILL TOUCH \$6 BN THIS YEAR

INDIA IS THE LARGEST PRODUCER of films in the world, in terms of ticket sales and the number of films released. We are also among the top multilingual markets that have huge potential to grow globally. However, the question is: Why is there an emphasis on infrastructure development, but no human development?

Attention is given to economic development, not cultural development. We want an influx of foreign technology but have no talent pool to sustain it. The ratio at which we aim to grow is my concern. With 1,000 TV channels, 800 movies, 450 radio stations, 700 event companies, 4,800 movie screens in multiplexes across India, we can foresee a bright picture for infrastructure and economic growth, but how much of this is original content, ideas, concepts, stories, styles or technology that we can export and sell in the international market? This is the evaluation that we as an industry must do if global growth is our aim.

Bringing Back The Glory Days

While we are still questioned on cultural issues, civic sense and human development, our wisdom, too, has taken a step back and is confined to bookshelves. This is obvious from the daily debates on TV when leaders like Kailash Satyarthi point out the need for child development and Malala Yousafzai talks about empowerment of women. It only means there is so much to do, but how do we do it?

From the entertainment point of view, I will urge influencers to concentrate on how India can regain its glory — of being a highly cultured country — and reclaim the title of *sone ki chidiya* (golden goose) given by wise men.

Bollywood's revenue was \$4.1 billion in 2013, with the figure growing at approximately 9 per cent every year. I anticipate that revenues will cross \$6 billion in 2015.



That's Entertainment

From the entertainment point of view, I will urge influencers to concentrate on how India can regain its glory — of being a highly cultured country

The entertainment industry can play a huge role in reshaping India's national character, which is being questioned from within

WHAT TO EXPECT IN 2015

One of the government's major policy initiatives (in 2001) — that of granting 'industry' status to the entertainment sector — has facilitated growth because the sector gets access to institutional finance and clean credit for new projects. Given the size of the sector, it's evident that the entertainment industry influences 90 per cent of India. Hence, communicating through our content and style and shaping people's intelligence become necessary to adding wisdom and educating people.

In other words, the entertainment industry can play a huge role in reshaping India's national character, which is being questioned from within. Entertainment also educates those who do not go to school or have gone to school but learnt nothing except what's in textbooks. My definition of entertainment is to impact people's thoughts as well as actions. Philosophy and human values taught using humour and poetry can be understood by people.

Combating Piracy

One of the hurdles to growth is piracy. India ranks amongst the top 10 countries where online piracy is at its peak. Counterfeiting and piracy cost the entertainment industry \$4 billion and the loss of about eight lakh jobs annually. The art of storytelling is getting destroyed in a cash-strapped business. Technology is dominating the human conscience. I am hopeful that things will change with the new government and our cinema will remain focused on dance, drama, music, poetry, painting, games and food.

Wooing The iPad Generation

Children today are different — they are the iPad generation with access to everything in the world. They need to be educated and influenced differently. Hence, the government needs to pay attention to infrastructure; offer subsidies for workshops, schools and research centres; and introduce creative art and media courses in schools. Every state must provide incentives to investors so that they pump in capital for education in liberal arts and culture to further develop India's entertainment indus-

try. They must abandon old policies/ taxes on quality entertainment and frame new guidelines balancing new technology with old Indian values and stories. If this government fails, western culture with its salt and spice will spoil our *shudh ghee* very soon. We will then need another generation to discover our heritage and culture; India will then never become a producer and remain a country of users. Our children are creative and enterprising; we will need to give them tools and subsidies in areas of art and culture. Let them specialise in what they are good at. You will then see the beginning of a bright future for India.



Future Ready: Lack of talented and skilled manpower is an issue that needs to be addressed on priority to bridge the demand gap

Content Regulation

Another long-standing debate is regulation of content. We need to do away with the need to have a content regulator — the idea is to ensure that storytelling does not become predictable to the extent that the audience loses interest. Till 2040, Hollywood is slated to remain the largest filmed entertainment cluster. Bollywood has a chance to close the gap and become the second largest cluster if the current challenges are addressed reasonably.

With associations such as Mukta Arts, Fox and Cinepolis,

Ramesh Sippy and Warner Bros, Walt Disney and Yashraj, we must realise that the film industry is growing at a fast pace, and media companies, both national and international, are sprouting across India. Lack of talented and skilled manpower is an issue that needs to be addressed on priority to bridge the demand gap.

I have been a filmmaker for 40 years. I have done my bit for the industry by investing all my life's earnings in setting up a global film and media school in Mumbai's Film City known as Whistling Woods International where the intake includes foreign students. We not only teach but develop minds and empower the future generation of this industry. **BW**

The author is a filmmaker and founder of Whistling Woods International

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WHAT TO EXPECT IN 2015

By Bhavish Aggarwal

ANYTIME, ANYWHERE TRANSPORT

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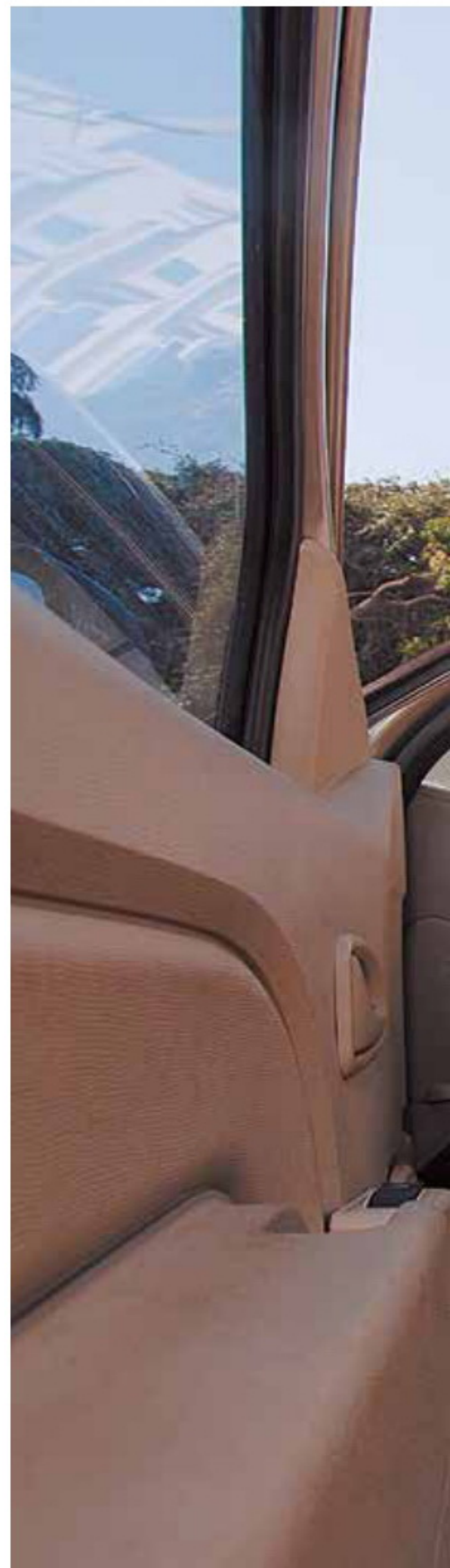
HE YEAR 2014 WAS GREAT for India for more reasons than one. We elected a new government, won a Nobel, were declared polio-free by the World Health Organization and became the first Asian nation to reach the Red Planet. We have indeed achieved quite a bit.

The transportation sector, too, saw a lot of action, with technology leading the way to make travel comfortable, predictable and safe. IRCTC came up with an Android app, enabling more people to book their tickets through mobile phones. The mobile phone as a medium of information and booking is emerging as the most preferred across the transportation space — be it flights, trains or cabs. The new government's initiatives with regard to introducing high-speed trains and an integrated public transport project are some of the notable positives at the policy level.

Better Integration

As a country, we have an abysmally low car ownership ratio of 3 per cent compared to as much as 60 per cent in the west, and yet, our roads are clogged! It is likely that we will bypass car ownership as a phase in the Indian economy. And, with technology, it is possible to make transportation available as a service, instead of having a product such as a car sitting in the garage. This means never having to own a vehicle and yet being able to access one's choice of transportation at a single touch. Of course, this would come with ease of access, instant availability and easy booking all the way up to cashless or invisible payments.

This is where mobile technology, as an information provider as well as an access provider, will play a big role. We are already seeing a transition: transportation





Drive Smart

The cellphone is becoming the go-to device for information and booking — of cabs, flights and trains. This will entail less planning before travel and spur availability of transport

Small cities will fuel growth in the transportation space. That customers in these cities are increasingly using mobile apps for bookings is proof of the potential

WHAT TO EXPECT IN 2015

is being utilised more on an on-demand basis than on a planned and pre-booked basis. Many people who travel to and from airports, offices, malls and pubs are booking their cabs using mobile apps, closer to their pick-up time. This is because they believe in the availability of the service, which leads to improved efficiency in terms of time and effort by the service provider.

In future, such integration will happen at a much deeper level, where transportation systems will be interlinked and share information with one another. Imagine your booking for a cab automatically getting rescheduled to accommodate a delay in the flight you are taking the following morning!

As Easy As It Gets

The second aspect that I foresee in this space is increased convenience. A passenger will be able to book and use transportation, irrespective of the mode, at the click of a button. With the mobile phone emerging as the most preferred device — both for information as well as ticketing — why would we need physical tickets or invoices at all? Back in 2011, we pioneered the concept of e-invoices and SMS-based invoices for cabs booked on our app and we have only heard praise from customers on how convenient it is for them.

In terms of convenience, we have pioneered some key initiatives in the past year, leveraging mobile technology as the force to aggregate and streamline various modes of transportation. While in Mumbai we already have more than 8,000 *kaali peeli* taxis on the Ola app, users in cities such as Bangalore, Chennai and Pune can now book autos on the same app.

We believe that transportation is all about use cases and there is substantial scope for every category of transportation to co-exist with others. Also, if we can extend the same convenience across use cases, everyone stands to benefit. The daily earnings of *kaali peeli* taxi drivers in Mumbai have risen up to 40 per cent after they got on to the Ola app.

In the cab space, Ola alone added more cars to the platform this year than the total number of cars added by the organised sector in the entire decade! We are now present in 28 cities and have more than 50,000 cabs on our platform — which is more than the size of the organised cab sector a few years ago. Many of these cars were added in tier-II and -III cities.

Small Cities As Growth Drivers

What is interesting to note is the third trend: of smaller cities as powerhouses of growth. With impressive smartphone penetration, aspiration for best-in-class products and services and, more importantly, lack of reliable transportation options, some of these cities have seen anywhere between 10-15x growth, month on month, for us. Also, over half the booking requests from customers in these small cities are made through the mobile app, which is very impressive.

I see tremendous potential for the transportation industry to create meaningful career opportunities for young India. Technology brings along with it tangible benefits such as greater accessibility, creating inclusion

and addressing problems on a large scale. Many a driver has bought his own car, got onto a platform and turned entrepreneur.

Besides, the driver also gets a skill upgrade from the association, enabling him to deliver a world-class experience. So, I believe that the transportation sector offers a great opportunity for sustainable livelihood creation through entrepreneurship.

The year 2015 brings with it a lot of promise for the transportation space. We are naturally aligned to the three key focus areas of the new government: Digital India, smart cities and resource up-skilling. These are truly exciting times to be living in. **BW**



Dial T For Travel: Mobile phone bookings will allow cashless travel and eliminate physical tickets and invoices altogether

The author is co-founder and CEO, Olacabs



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WHAT TO EXPECT IN 2015

By Tulsi Tanti

A FUTURE POWERED BY RENEWABLES

THE INDIAN RENEWABLE ENERGY industry is on the cusp of a major transition. The new government, under Prime Minister Narendra Modi, has charted a vision for clean and affordable energy with emphasis on renewables. Thus, renewables will play a significant role in achieving the energy security objective, promising to offer 24x7 energy access to all by 2019. The foundation for this role will be laid in 2015.

Following the passage of the Electricity Act, 2003, renewables have been an integral and growing part of the energy mix in the country. Currently, renewables account for 13 per cent of total power generating capacity, leading the transition in the energy system away from an overly dominant fossil fuel mix. Wind leads the pack with over 22,000 MW, contributing 67 per cent of all modern alternatives. The wind market witnessed a short period of decline, caused by policy uncertainties and the macroeconomic slowdown. However, a conducive policy framework coupled with ambitious targets of the new government is set to reverse the trend.

The Indian renewables sector will witness a quantum leap in 2015-2016 in terms of market size and growth. Now that accelerated depreciation is also in place, the wind market size is likely to surge by 80 per cent in the next financial year. The government has ambitions to add 10,000 MW in capacity every year from wind. With a stable government and policy framework, the industry can achieve these targets over the next five years. I am confident that by 2015, the government will put in place a robust foundation for offshore wind farms. The government is also equally ambitious on the solar energy front, aiming for 100 GW by 2022.

The government's renewable energy targets can easily be achieved if it addresses the key issues faced by the private sector. Availability of grid and land infrastructure

We need to speed up work on the green energy corridor and encourage investments in transmission and grid infrastructure

WHAT TO EXPECT IN 2015

at the state level is a concern; state governments need to invest in that area well in advance based on available wind resources in the state. Renewable energy needs large-scale funding, so banks and financial institutions should earmark at least 20 per cent finance for renewable energy projects and, the finance should be available for a longer period of 20-25 years. This will ensure lower cost of energy, which will benefit end-consumers. Renewable energy is the key catalyst for economic growth of our country; development of renewable energy such as wind is vital to attract domestic manufacturing in the country.

Industry players also need to scale up and raise the bar should they wish to leverage growing and emerging opportunities and the increased thrust on renewables. Further, it is imperative for the industry to raise quality standards and asset value optimisation efforts. Wind and solar industries in India must adopt the best global practices to leverage the next phase of growth. From the wind energy perspective, we need to introduce many more innovative products that can harness energy from low-wind sites at competitive costs. Turbines with advanced control systems, improved scheduling and forecasting, digitally controlled smart grids and storage systems are also required.

We have numerous opportunities to further bring down the lifecycle cost of energy from wind by leveraging technology and optimising the supply chain. Going forward, the industry must endeavour to transform renewables as a base load. India being a hub for most wind turbine and component manufacturers, I am confident that the industry will drive this change on a par with global standards.

Similarly, the solar industry requires a huge change in approach to bring down the cost per unit to achieve grid parity and improve capacity. While the first phase of the solar mission was successful in bringing the market to a gigawatt size, there is a long way to go in terms of innovation, manufacture of quality modules on the required scale and achieving efficiency in installation and

maintenance. There is enormous scope for indigenising the solar value chain in India. We need to make India a manufacturing and technology hub for solar. Having unlimited growth potential, the Indian solar industry can clearly aim for a quantum leap.

Another fundamental change would be in the fossil fuel-dominated energy systems. As the share of renewables in the energy mix grows, the systems and stakeholders have to realign to these new realities. Power evacuation and intermittency are major obstacles to the growth of the renewables industry. We need to speed up the execution of the green energy corridor and encourage massive investments in up-

gradation and creation of new transmission and grid infrastructure. Let us create the infrastructure required to transit to a new energy architecture, including digitally controlled smart grids, interconnection of regional grids at the national level and establishment of storage systems.

I see 2015 as a watershed year. The journey towards a new energy architecture needs a long-term and integrated-policy approach. In order to sustain the momentum in the renewables sector, the government needs to initiate specific actions. First, the National Action Plan on

Climate Change (NAPCC) target for electricity from renewables by 2020 needs to be raised to 20 per cent along with adherence to renewable portfolio obligations. Second, land regulations and power evacuation issues have to be addressed expeditiously. Third, we need speedy clearances under a single window. Fourth, the alignment of power tariffs to markets is needed to improve the health of discoms. Finally, the creation of a national market for power along with more open access is required. I am confident that Indian renewables from all sources will grow manifold in the next five years, revolutionising the Indian energy system and making India a manufacturing and innovation hub. **BW**



Shunning Fossil Fuels: The journey towards a new energy architecture needs a long-term and integrated-policy approach

The author is chairman, Suzlon Group



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Please Contact:

Mr. Ramesh P. Kolath, Jt. Director
Email: rameshkolath@fieo.org | Tel. No.: 022-40572223

Mrs. Sujata Uchil, Deputy Director
Email: sujata@fieo.org | Tel. No.: 022-40572205

Mr. J. P. Goel, Asstt Director
Email: jngoel@fieo.org / fieoahd@fieo.org | Tel. No.: 079-40050406

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Good Times Ahead

The fact that liquidity conditions have eased considerably and the interest rate cycle is on the cusp of a reversal suggest that demand conditions will improve and de-leveraging will be less painful

WHAT TO EXPECT IN 2015

By Rashes Shah

INDIA'S 'GOLDILOCKS' MOMENT

T

HE STORY of the Indian economy, ever since the recovery began after the 2008 financial crisis, is a story of a few missteps and quite a lot of misfortune. Fiscal profligacy in the early years of recovery and the sustained rise in global commodity prices — food, fuel and metals — partly fired by QE policies of the western central banks, led to extreme deterioration in the current account deficit. This, accompanied by populist food policies of the government triggered an unprecedented bout of inflation in the country, even as domestic demand faced sharp deceleration. Alarms around the balance of

payments situation and associated fall in exchange rates only aggravated the stagflationary dynamics (low growth and high inflation). In a nutshell, the Indian economy went off on an unpleasant tangent.

Fortunately, democracy has in-built corrective mechanisms that started to kick in as deterioration deepens. Once the political costs of the status quo (slow growth and high inflation) became greater than the costs associated with tough reforms, the political class responded with tough measures — regular fuel price hikes, power tariff hikes and painful expenditure cuts, among others. Indeed, the historic

The next upturn will be free of the ills of bloated twin deficits and double-digit inflation that accompanied the previous recovery

WHAT TO EXPECT IN 2015

mandate won by the Bharatiya Janata Party in the general elections of 2014 has a lot to do with the deteriorating macroeconomic backdrop.

As we step into 2015, where do we stand? While it is almost customary to be optimistic about the new year, I am convinced that we are truly at the cusp of the next phase of an impressive economic expansion. And, this phase of economic upturn will be free of the ills of the bloated deficits and double-digit inflation that accompanied the previous recovery. In a sense, it is a 'Goldilocks' moment for India.

From the cyclical perspective, the economic recovery is setting in against the backdrop of a very benign commodity price outlook. This is important. The last time around (after the financial crisis of 2008), the recovery was characterised by negative terms of trade shock, which fuelled domestic inflation quite early in the recovery cycle, widened the current account deficit and eroded the margins of businesses. This time, even as growth picks up, inflation and twin deficit dynamics are likely to remain benign, thus allowing the recovery to sustain.

The fact that liquidity conditions have eased considerably and the interest rate cycle is on the cusp of reversal suggest that demand conditions will improve and, de-leveraging will become less painful. Surely, near-term risks arise from emerging weakness in global demand (barring US) and sustained strength in the US dollar. The former can derail the export recovery, while the latter typically leads to rising foreign debt burden, although I must add that so far the rise of the US dollar has been quite orderly.

A more critical aspect of the impending upturn will be the likelihood of it being accompanied by progress in structural reforms. Remember, economic expansion of 2003-2008 happened on the back of ample global liquid-

ity, rather than progress in structural reforms. In fact, our regulatory frameworks such as those for allocating natural resources, acquiring land, etc., were overwhelmed by the pace of economic expansion. As a result, government policies turned more *ad hoc* and expedient, promoting rent-seeking, crony capitalism and ultimately undermined social welfare. India needs a new narrative. PM Modi's call for development as a people's movement is extremely encouraging. It is about cultivating a political constituency for reforms and development. When Margret Thatcher

embarked on a privatisation drive in Britain, the slogan was "power back to the people".

Over the next couple of years, we are likely to see revitalisation of our regulatory institutions — laying down of transparent rules, setting up a level playing field and putting in place apt conflict-resolution mechanisms. These are essential for breaking barriers to entry and encouraging entrepreneurship and competition. On the policy front, subsidy reforms coupled with the drive towards direct transfer of social benefits will go a long way to cut-

ting leakages, fixing distortions and ensuring better social outcomes. The long-pending tax reform, GST, is also at the top of the government agenda, although progress is likely to be gradual given several stakeholders.

No doubt expectations are high, but the opportunity is also historic. Remember, the last time India saw path-breaking reforms (opening up of trade and industry) was 25 years ago and that too under a minority government. I am hopeful that if the policy-makers remain committed to institutions and reforms, India's growth rate will soon overtake China's and the size of the economy will cross \$5 trillion in 10 years. **BW**



Policy Overhaul: A revitalisation of regulatory institutions is essential to break down entry barriers and encourage entrepreneurship and competition

The author is chairman and CEO, Edelweiss Group

COLUMN / HOUSING

WHAT TO EXPECT IN 2015



A Tier-II Story

Demand fundamentals in the Indian real estate sector have shifted the focus to tier-II and -III cities, where there is sufficient economic activity

WHAT TO EXPECT IN 2015

By Renu Sud Karnad

HOMING IN ON A GOOD DEAL

P

PRIME MINISTER NARENDRA MODI envisions 100 smart cities by 2020. To realise this vision, the government has undertaken a few encouraging steps such as relaxation of foreign direct investment (FDI) norms in the construction sector and issue of long-term infrastructure bonds to facilitate easier flow of foreign and local capital.

Once these smart cities are ready, several businesses will migrate there due to availability of cheaper land, labour and property. People will become mobile as jobs get created, leading to a distribution of people over a wider area. According to some

statistics, the top 100 cities in India at present take up only 0.24 per cent of its area, have about 16 per cent of the country's population living in them and contribute 43 per cent to the GDP. If 0.24 per cent can generate 43 per cent of GDP, imagine what a leap the GDP will take if land is utilised more effectively to build more cities and towns!

Real estate, the second-largest employer in the country after agriculture, plays an important role in the Indian economy and affects 269 industries directly and indirectly. A report submitted by the technical committee of the Ministry of Housing and Urban Poverty Alleviation put India's urban housing shortage at an estimated 18.78 million units in 2012. This shortage offers an opportunity for real estate to grow at a faster clip over the next few years.

Life Beyond Metros

With housing for all acquiring top-priority status for the government, affordable housing has become the mantra and leading developers have launched projects catering to this segment in metros as well as tier-I and -II cities.

However, with land a scarce commodity in metros — commanding a premium — and construction expenses being high, demand fundamentals in the Indian real estate

With housing for all acquiring top-priority status for the government, affordable housing has become the mantra for leading developers

sector have shifted the focus to tier-II and -III cities, where there is sufficient economic activity.

Industrial progress has led to real estate demand rising in places like Ahmedabad, Surat and Vadodara. Baddi in Himachal Pradesh and Pantnagar and Rudrapur in Uttarakhand have attracted real estate developers due to proactive government policies. In the south, Coimbatore, Visakhapatnam and Kochi have emerged as real estate hotspots due to the presence of a large investor segment and good economic activity. In the west, Pune, Nasik and Nagpur are noteworthy examples.

Thanks to urbanisation, India's urban population has risen by 71 million between 2001 and 2011. Around 534 million people will be city dwellers by 2026. This translates into an opportunity for real estate development, particularly housing, with demographics, the trend of nuclear families, employment and potential GDP growth playing a key part.

Last year, Pune, Bangalore and Chennai bucked the slow-down trend and witnessed robust launches for affordable as well as luxury projects. The political scenario in Hyderabad improved with the formation of Telangana, leading to more project launches, better demand and higher property prices. On the other hand, Mumbai and parts of Delhi have high inherent demand and constrained supply.

Homes For All

The Budget gave ample hints to the government's commitment to provide housing for all by 2022. This was echoed by tax sops for housing loans, an increase in allocation for rural housing schemes and the announcement of incentives to promote affordable housing. The allocation of Rs 7,000 crore for development of 100 smart cities is also indicative of an emphasis on creating adequate infrastructure.

The Budget made the purchase of homes more attractive for the middle class by raising the deduction against interest payment on home loans from taxable income to Rs 2 lakh from Rs 1.5 lakh. The increase in tax deduction under

Section 80C from Rs 1 lakh to Rs 1.5 lakh allows the saving of a further Rs 16,950. A hike in the basic tax slab from Rs 2 lakh to Rs 2.5 lakh puts more money in the hands of a person whose annual salary falls in that bracket. These tax sops lead to considerable savings and an enhanced loan eligibility.

To attract foreign investments, the government allowed 100 per cent FDI through the automatic route and reduced the minimum built-up area from 50,000 sq. metres to 20,000 sq. metres of construction. The capital requirement cap has been set at \$5 million, down from \$10 million. Exit norms have been relaxed by removing the three-

year lock-in for repatriation of investments. These rules will help developers raise funds and usher in FDI.

The introduction of Reit (Real Estate Investment Trust) is a progressive move, as it will help developers (through better financing) and investors (more investment options), though at present it is restricted to non-residential real estate. The Indian real estate sector is one of the most recognised globally. Data from the Department of Industrial Policy and Promotion shows that the construction sector received an FDI equity inflow of \$23.8 billion between April

2000 and September 2014 and it is likely to touch \$180 billion by 2020.

Real estate seems to be in a sweet spot. With crude prices nosediving, inflation easing, interest rates softening in the next few months, property prices stabilising, institutional housing finance becoming easier to obtain, professionalism in the market, emphasis and support on the policy front and, most importantly, the return of confidence and positive sentiment, I see great opportunity for people to buy property or, at least, start exploring the option. Prices may not correct sharply due to pent-up demand, which again is a positive as it points to confidence in the economy owing to a strong government at the Centre. **BW**

The author is chief executive officer of Myntra and head of fashion, Flipkart



Foreign Hand: To attract foreign investments in the real estate sector, the government allowed 100 per cent FDI through the automatic route



Global Connect, Local Relevance

Indian companies need to bring in best-in-class practices that nurture the local ecosystem

WHAT TO EXPECT IN 2015

By Bhasker Iyer

ON TO-DO LIST: SETTING GLOBAL BENCHMARKS

T

HE CALL TO 'Make in India', issued by the Prime Minister from the ramparts of the Red Fort on Independence Day, was loud and clear. It is an idea that has always resonated with many in the country.

Many people in India lack access to modern medicines. Providing quality healthcare on an equitable, accessible and affordable basis across all segments of the population is still a big task. The healthcare industry plays a critical role in the country's economic progress, and in creating more productive communities and a healthier society.

While India is the largest exporter of medicines, with a 14 per cent market share globally, a lot can be done to make it more competitive to meet the healthcare needs of people at home and abroad. The new government has identified manufacturing as a key growth lever to enhance India's competitiveness and further increase investments. To facilitate this though, there is a need for two things — first, policies that help build a robust and competitive environment, which encourages and promotes manufacturing, research and development, and innovation; and second, the need to be seen as a global benchmark, with companies bringing innovative best practices to India.

Building A Robust & Competitive Environment

Investments will end up finding their way to places where investors can expect reasonable risk-adjusted returns, and where transparency and speed are an ad-

While India has mastered the generics game, continued innovation to address unmet and future healthcare needs should be encouraged

WHAT TO EXPECT IN 2015

vantage. Ease of doing business in a country is an important factor. India, as an economy, is just beginning to realise its potential and still has room for growth. Given the focus on manufacturing, India will need to be well-positioned. We have personally seen good progress on that front as experienced while setting up our greenfield nutrition manufacturing plant in Jhagadia, Gujarat. Timely support from the local government in the form of availability of reliable power, water supply, gas, infrastructure, access to local ingredients and high quality workforce played a critical role in investment decisions.

The government must ensure that companies have a competitive advantage when investing in India. Good infrastructure, support for innovation, presence of a healthy supplier ecosystem and the ability to attract and retain good people are some of the critical factors for manufacturing to succeed in the healthcare sector. The pharmaceutical industry thrives on innovation to bring to the market new drugs and solutions that continue to meet evolving healthcare needs. A robust development and technology ecosystem is the backbone that inputs into manufacturing, finally delivering products to the consumers. While India has mastered the generics game, continued innovation to address unmet and future healthcare needs should be encouraged. Government policies should help create a favourable innovation environment and an education system that ensures availability of top talent. This will help companies — and India more broadly — become more competitive in a global environment. Equally important is a network of high quality suppliers who can match quality standards to enable localisation.

India As A Global Benchmark

Companies today need to be globally connected and lo-

cally relevant. Increasingly, facilities are part of a global manufacturing and supply chain network. It is thus essential that what a company does in India is benchmarked to the same international standards that it set for itself in every country.

An important aspect to be borne in mind when setting up facilities is to never lose focus on quality and environmental sustainability — which help establish India as a global benchmark. These are also areas that the Prime Minister emphasised with his call for 'zero defect'.

It is equally important for companies to bring in best-in-class practices that nurture the local ecosystem. This will ensure that products manufactured in India are consistent with global standards. Newer manufacturing facilities should not only be designed for best-in-class quality and environmental sustainability, but also commit to developing local suppliers and sourcing locally.

The healthcare industry is committed to providing high-quality products that meet the health needs of local consumers. Companies are spearheading the

effort to better understand and deliver on the Indian consumer's needs for science-based, innovative products. Manufacturing is helping bring these innovations to the Indian consumer. Delivering on these fronts will truly help translate 'Make in India' — for India and the world — into a reality and bring in future investments.

These are exciting times in India. The country has the potential to become a global manufacturing centre of excellence. The industry's ongoing commitment represents an investment in a healthier India, and the world. **BW**



A Healthier India: Companies are spearheading the effort to better understand and deliver on the Indian consumer's needs for science-based and innovative products

The author is divisional vice-president, Established Pharmaceuticals, Abbott, and management representative in India

COLUMN / CONSUMPTION

WHAT TO EXPECT IN 2015



Not Just A Fad

With the number of online shoppers projected to increase from 35 million in 2014 to over 100 million in 2016, the online shopping phenomenon is here to stay

WHAT TO EXPECT IN 2015

By Mukesh Bansal

INDIA IS ON THE CUSP OF A DIGITAL REVOLUTION

As the online shopper base continues to grow, tier-II and -III cities will begin to dominate and contribute a large volume to the e-tail pie

W

HAT CAN THE CONSUMER expect from the e-commerce industry in 2015, and what technology trends are going to help increase consumption in India and globally?

Today, for many of us, life without online commerce may seem as unimaginable as living without a mobile phone. Be it online bill payments or sending gifts to loved ones, shopping or booking tickets, e-commerce forms the core of our daily activities.

2014 has been quite a year for continued change in e-commerce, both with regard to technology innovations and buying behaviour. Consumer mindsets and shopping patterns are changing fast. With the number of online shoppers projected to increase from 35 million in 2014 to over 100 million by 2016, there is no denying the fact that the online shopping phenomenon is here to stay. Some of the major drivers that I believe will make a big impact on e-commerce in the coming year are:

Mobile to emerge as the preferred medium for all online transactions: For the first time ever, the mobile will account for nearly 80 per cent of the e-commerce traffic for the fashion and lifestyle segment, with a large majority driven by tier-II and -III cities. Availability of low-cost smartphones and decreasing data usage costs have enhanced 'customer acceptance and convenience'. The mobile being a personal device and users looking to consume content on the go, retailers will increasingly focus on investing in mobile technology and

explore innovative ways to drive engagement and deliver a superior experience for customers.

Innovation and personalisation to rule customer experience: With consumers demanding more and more from their online shopping experience, e-tailers are being challenged to constantly come up with innovations in terms of content, design, technology and logistics in order to ensure that they are able to meet customer expectations.

E-tailers are also working towards creating personalised experiences by understanding the shopper's user profile, buying behaviour/shopping patterns, and engaging them with relevant content and offerings.

Online purchases from tier-II and -III cities to significantly increase:

As the online shopper base continues to grow, tier-II and -III cities will begin to dominate and contribute a large volume to the e-tail pie. E-commerce will serve as a conduit for the growing aspirational needs in these locations.

India to be a potential

market for global luxury, as well as international and premium brands: Consumer mindsets are changing rapidly. This is being attributed to their growing awareness of international brands. Earlier, such brands operated only in premium retail spaces, offering limited access to potential customers. Global exposure, a stable economy, coupled with a young population and high disposable incomes spell 'good news' for the premium and luxury brands entering India in 2015.

Online-only brands to drive consumer demand:

Increasingly, Indian consumers are demanding quality differentiated products and services at fair prices. E-commerce will witness the emergence of many new

brands that are purely built online and will then go mainstream to compete with offline brands.

Innovations in logistics: With consumer needs and expectations growing, logistics and distribution systems of e-tailers are being constantly upgraded to provide flawless service (prompt delivery at the right place and in the right state) to gain customer loyalty.

Technology will be a key enabler in streamlining fulfilment processes and improving logistics to maximise efficiencies in inventory, service time and delivery. Better

understanding of available information and utilising data analytics will also increase the efficiency of parcel networks, demand planning and, in turn, improve the capacity issues faced in the system.

Cash will still rule the

business: India is a cash-driven economy and there is no denying the fact that cash transactions will continue to rule in 2015 as well. With online retailers focusing on offering multiple payment options, including credit/debit cards and EMI facilities, over 60 per cent of shoppers will still prefer to transact

using cash as their primary mode of payment.

The retail sector today is undergoing rapid changes as it becomes more global, urban and organised due to the rise of online shopping, mobile technology and changes in consumer buying patterns.

We will soon witness exponential growth in Indian e-commerce, and are expecting to reach around \$15 billion by 2016 on the back of a fast-growing, Internet-connected population and improvement in related infrastructure like payment and delivery systems.

We believe India is on the cusp of a digital revolution, and we are excited about what the future holds. **BW**

The author is chief executive officer of Myntra and head of fashion, Flipkart



The Right Click: Technology will be a key enabler in streamlining fulfilment processes and improving logistics to maximise efficiencies in inventory, service time and delivery

WHAT TO EXPECT IN 2015

By Sudha Pillai

NEEDED: A SEA CHANGE IN MINDSET

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YEAR FROM NOW, the 'Make in India' programme should have oriented government policies in a direction that would reverse the trend of India's jobless growth. For this to happen, unlearning and relearning has to take place across the board, within the government and public policy domain as well as in the corporate sector, with the help of activists, civil society organisations, educationists and skill providers.

Since the programme chiefly has to do with manufacturing, it is important to see what led us to a situation where many of our engineers and technicians had to abandon hopes of finding employment in manufacturing. A cursory look at the data available from official sources makes it clear that manufacturing has been beating a retreat in our country and its share in the gross domestic product has remained abysmal. A bunch of circumstances created this situation and also created, at least in some quarters, a dangerous attitude that began to view India as a post-industrial economy.

However important the emergence and rapid growth of the tertiary sector may be, a healthy manufacturing sector is essential for a dynamic economy that can not only provide jobs to the unemployed but also improve the rural economy by moving under-employed manpower out of agriculture. This is a truth 'universally accepted', but we have had a slew of policies that has led to an ecosystem hostile to manufacturing.

'Make in India' will need a whole year to right the past wrongs. I would expect the following aspects of the programme to receive the required attention. The aspects are enhancement of competitiveness, skills and strategies to create jobs in several leading sectors such as automobiles, electronics, biotechnology, food processing, information technology, pharmaceuticals, renewable energy, oil and gas, roads and highways, ports and so on. The strategy should entail a major push to infrastructure





Getting It Right

For facilitation of investment, massive changes will be required in not only pre-investment-decision procedures but also in post-investment handholding and problem solving

A healthy manufacturing sector is essential to not only provide jobs to the unemployed but also improve the rural economy

WHAT TO EXPECT IN 2015

— speeding up execution and clearing backlog; new policies to support small and medium enterprises; steps to facilitate doing business — buying land, a clear tax regime and labour laws; foreign direct investment issues and major investments in technology and innovation, including thorough development of smart cities, manufacturing zones, technological corridors and industrial clusters.

If the strategy outlined above is accompanied by attitudinal changes in how India relates to investors — not as a permit issuing authority, but as a true partner — one should see a lot of improvements in governance, in terms of transparency, accountability as well as jettisoning of time-consuming and dysfunctional procedures.

It is clear that each of the focus areas in this campaign requires close attention as each of them is a means to the final end — emergence of India as a strong economy in which every citizen can aspire for a better future. The website defines the programme as a national programme, designed to facilitate investment, foster innovation, enhance skill development, protect intellectual property (IP) and build best-in-class manufacturing infrastructure.

For facilitation of investment, massive changes will be required in not only pre-investment decision procedures but also in post-investment handholding and problem solving, for which systems will have to be put in place. What is also imperative is to pay close attention to the needs of local entrepreneurs, so India remains their preferred investment destination.

For investors, current procedures are complex and onerous. These need to be done away with, but at the same time the desired outcomes — backward and forward linkages, technology transfer (with regard to FDI) and job creation — will take place only through a new mindset and the translation of this mindset into a positive set of facilitative practices.

Skill development has been the watchword for some years now. This is another world in which government initiatives and funding have played a role along with public-private cooperation. Now, changes are in the offing. Translation of

the vision of a skilled India into reality needs legal changes as well. For instance, the law relating to apprenticeship. India also needs to consider adoption of successful models of private sector involvement such as the dual vocational training system of Germany, Switzerland, Austria, etc. The campaign also needs to look at the re-skilling needs of workers.

Both quality and numbers are important. We need to ask questions — will more of secondary school students remain in school if they are taught vocational skills? Recent ILO research indicates that countries which manifest a low proportion of students in secondary education have a greater problem in creating a broad industrial base. So will this ap-

proach prevent the premature entry of secondary school students into the world of work? There are other issues as well. Will the quality of the training we impart make it unnecessary for people to bring in technicians from other countries? Will our traditional skills be nurtured and protected? There are many worlds waiting to collide on these issues. So how do we encompass the reality of India with regard to its existing and potential workforce?

Linkages between schooling and vocational training have been attempted in the past, but these have been sub-optimal given In-

dia's vast human resource — India's major source of potential wealth and competitiveness. They are as important as the goal of building the best-in-class manufacturing infrastructure. Swaminathan A. Aiyar, who writes for *The Economic Times*, says the PPP experiment is in pieces. The PPP paradigm needs a change. Financing of infrastructure and the present load of non-performing assets on state-run banks are issues that one would expect to have been confronted. Issues relating to IP are equally complex and will need really close attention.

Thus one year down the line, one would expect the myriad pieces of the jigsaw puzzle to have been identified. Accompanying governance changes would represent a mindset change that will respect outputs and nurture success. **BW**



Survival Skills: Translation of the vision of a skilled India into reality needs legal changes as well as the adoption of globally successful models

The author is member secretary of the Planning Commission

WHAT TO EXPECT IN 2015



Time To Think Local

All along, the Indian government has encouraged export of iron ore and import of steel, instead of adding value within India. It's about time the approach changed

WHAT TO EXPECT IN 2015

By Seshagiri Rao

TIME TO LEVERAGE STRENGTHS

It is the first time that all stakeholders are supporting transparent allocation of natural resources through auctions

FOR INCLUSIVE GROWTH across India, the government is now laying emphasis on manufacturing — to increase its contribution to the gross domestic product from the current level of 15 per cent to 25 per cent. This objective got a boost from the 'Make in India' announcement by the Prime Minister. While there is little doubt that accelerated growth along with a strong manufacturing industrial base is essential for sustainable economic development, the question to ask is: How do we achieve this?

First, policy-makers should identify our comparative advantages. India has abundant natural resources such as iron ore, coal, bauxite, manganese, etc., in addition to growing domestic demand and a young workforce. The policies of the government have so far encouraged export of natural resources (such as iron ore) instead of making them available for value addition within India. This has caused enormous damage to our manufacturing sector as we failed to use our competitive advantage to our benefit. The existing laws governing allocation of mining resources have sparked several litigations due to their lack of transparency. The outcome was cancellation of iron ore mining and coal concessions. As investments worth several thousand crores were made following the allocations, their cancellation brought further discomfort to investors.

For the first time, we find that all stakeholders — the government, civil society,

business leaders and the judiciary — appear to be on the same page regarding the transparent allocation of natural resources through auctions. So investors will now have a degree of certainty in allocations.

It is also of paramount importance that the criteria for eligibility to participate in such auctions should be value addition within India. In auctions, existing players who have made substantial investments should be accorded priority, followed by prospective investors. This will ensure that our natural resources are put to the best use, that is, maximising our comparative advantage, within the country. Until the Mines and Minerals Development and Regulation (MMDR) Act is amended to this effect, we will continue to export our valuable iron ore resources and import steel from Russia, China, Japan and Korea.

Second, logistical costs make our manufacturing uncompetitive. For instance, during the current year, railway freight was increased in July, congestion cess was imposed and haulage charges were hiked, adding to the burden on industry. In spite of domestic demand, lack of infrastructure and exorbitant logistical costs made it impossible to realise our dream of 'Made in India'.

In order to build efficient, affordable infrastructure and attract investments, we need to take a fresh look at our public-private partnership (PPP) models. The PPP model currently in vogue in the infrastructure sector has several infirmities and rigidities, making it unviable for an investor — all risks lie with the investor and offer low or zero returns. Infrastructure, by definition, is capital-intensive and has a long gestation. The government can attract investment from the private sector for creating world-class infrastructure and making our manufacturing sector competitive only if our PPP model is amended to moderate implementation risks, assure returns and reliable cash flows.

Third, the federal structure of our country restricts trade within India. We are still struggling to introduce goods

and services tax (GST), which is a transformational reform. While lack of infrastructure and high cost of transportation are restricting free trade in India, the cascading effect of taxes is dampening the prospects of leveraging our domestic demand. The introduction of GST by subsuming all taxes and not allowing too many exemptions and categories is the need of the hour.

Fourth, globalisation poses challenges for Indian manufacturing. For instance, the US restricted supply of certain steel products from India for several years by imposing anti-dumping duties. On the other hand, there

has been an unrestrained dumping of products in India by foreign companies, thanks to sluggish global demand. This undermines the very competitiveness of Indian manufacturing. For instance, Indian steel companies figure prominently in the top echelons of steel makers world-wide, yet manage to make no inroads in the global market. The government should set up a separate cell to monitor the dumping of manufactured products and initiate action expeditiously to curtail this unfair trade practice.

There are enormous delays in receiving approvals for various projects. What

makes matters worse is the delay in release of payments and refunds by the government. The Digital India initiative should, hopefully, resolve this problem with timely clearances and prompt release of payments without any bureaucratic hurdles.

While the government should expeditiously amend land and labour laws to facilitate investments in manufacturing, restrictions on raising capital from approved lenders abroad, end use, interest ceiling, etc., should be relaxed.

India has immense potential to become a global manufacturing hub if our inherent comparable advantage is leveraged with appropriate government policies. **BW**



New Deal: In order to build efficient, affordable infrastructure and attract investments, we need to take a fresh look at our public-private partnership models

The author is joint managing director & group CFO, JSW Steel



By R. Thyagarajan

TIME NBFCs' ROLE IN INCLUSION IS RECOGNISED

The 'Last Mile' Connection

NBFCs complement banks and play a crucial role in achieving financial inclusion

WHAT TO EXPECT IN 2015

NON-BANKING FINANCE COMPANIES (NBFC) in India have, over the years, played a stellar role in complementing the banking system and demonstrating a keen sense of entrepreneurship in covering the 'last mile', hitherto unaddressed by Indian banks. While NBFCs are heterogeneous in nature and hence pose a different degree of complexity in comprehending what each category does to deliver this 'last mile', it is not difficult to understand that specific NBFCs have contributed to financial inclusion. This is, perhaps, the reason why despite around 12,000 NBFCs registered with the Reserve

Bank of India (RBI), only 20-25 of them are predominant in their contribution to this inclusive growth. Therefore, I will confine myself to the expectations of this sub-sector.

The first and foremost expectation is that the finance ministry and the RBI will acknowledge the role of NBFCs in financial inclusion and encourage them to grow so that they can serve the unbanked and under-banked sectors. Several steps may be taken to provide the much-needed impetus to drive the financial inclusion agenda of the new government. These steps should focus on enhancing the ability of NBFCs to offer credit products to the under-served and also ensure a reasonably good quality portfolio which, in turn, will boost the confidence of investors and the public at large. The following are some measures that can be taken in this direction:

1) The cost of borrowing for the micro and small business sector is quite high as banks do not lend to them and NBFCs that have, are burdened with a much higher cost of their own borrowing and the compulsion to show a more-than-good return to investors and shareholders. Increasing the leveraging ability of NBFCs and not compulsorily impounding a good part of their public borrowings in the form of statutory liquidity ratio (SLR) will have a positive impact on their cost of borrowings.

2) Encourage banks to lend to NBFCs catering to under-served segments. Also, offer them incentives to meet and exceed targets for such lending every year.

3) Banks and NBFCs should not have to adhere to a level playing field because the two sets of institutions cater to mutually exclusive customer segments. If such a condition with respect to provisioning norms and tighter regulations is introduced (as we see in the spurt of NBFC norms), good NBFCs will either shut or shrink their portfolio.

Micro, small and medium enterprises (MSME) play a significant role in the development of the Indian economy. Within this sector the micro and small businesses that are not under the purview of the organised sector have a huge potential to contribute to GDP growth. The most critical need for this set of businesses is organised credit and not on terms that apply to large corporate borrowers. Understanding how these businesses operate in every nook and corner of the country is imperative to formulate facilitative and development-oriented regulations for funding this sector. While there are several studies by reputed agencies on the characteristics and needs of the MSME sector in general, there has not been an in-depth analysis of the needs of the micro and small businesses that can determine an appropriate framework for governing and developing these segments. We need a government-sponsored study to look into these needs and provide a financial architecture that will be accountable for the growth of this sector, thereby driving the economy to a sustainable 8 per cent-plus GDP growth. **BW**

The author is founder chairman, Shriram Group

Increasing the leveraging ability of NBFCs and not impounding a good part of their public borrowings will have a positive effect on their cost of funds



By Praveen Sinha

GROWING WITH EVERY CLICK

When Online And Offline Meet

It is no longer an us-versus-them scenario. Rather, it is now mutual acceptance that prevails

WHAT TO EXPECT IN 2015

E

COMMERCE HAS now been accepted by consumers as a medium. The year gone by saw huge traction and growth — both from the demand and supply sides. Given the momentum, 2015 will see an accelerated growth in this sector. Several factors will fuel this:

1. Internet user base will increase to 300 million by 2015
2. Aggregate PE investments in e-commerce firms will increase
3. Broadband and 3G subscribers will reach 150 million and 303.4 million, respectively, by 2020
4. Credit and debit cards will collectively reach 424.1 million
5. Adoption of high-end technology in warehousing will lead to

faster processing and an incredible customer experience. Infrastructure will only improve in the year ahead

6. Fashion will be the fastest growth driver

A Growing Market

An Accel report suggests that the market size for online shopping of physical goods in India will grow to \$8.5 billion in 2016 (see the adjoining table).

Mobility Catches On In Hinterland

We are already seeing phenomenal growth in mobility. As the overall infrastructure improves, I expect further adoption in tier-II and -III cities. There's a massive pent-up demand in these cities. Online retailers have a unique advantage in such urban clusters as compared to offline retailers. Both smartphones and Internet/data schemes are becoming more affordable; this will ensure that e-commerce becomes accessible to most in the country.

Entente Cordial

Businesses are increasingly seeing e-commerce as a major channel to increase distribution. The current conflict between online and offline will give way to mutual acceptance.

Back To Front

With the current growth in e-commerce, it is imperative that the back end grows to support it. Many courier companies catering to supply chain and big e-commerce players will invest in developing the back end.

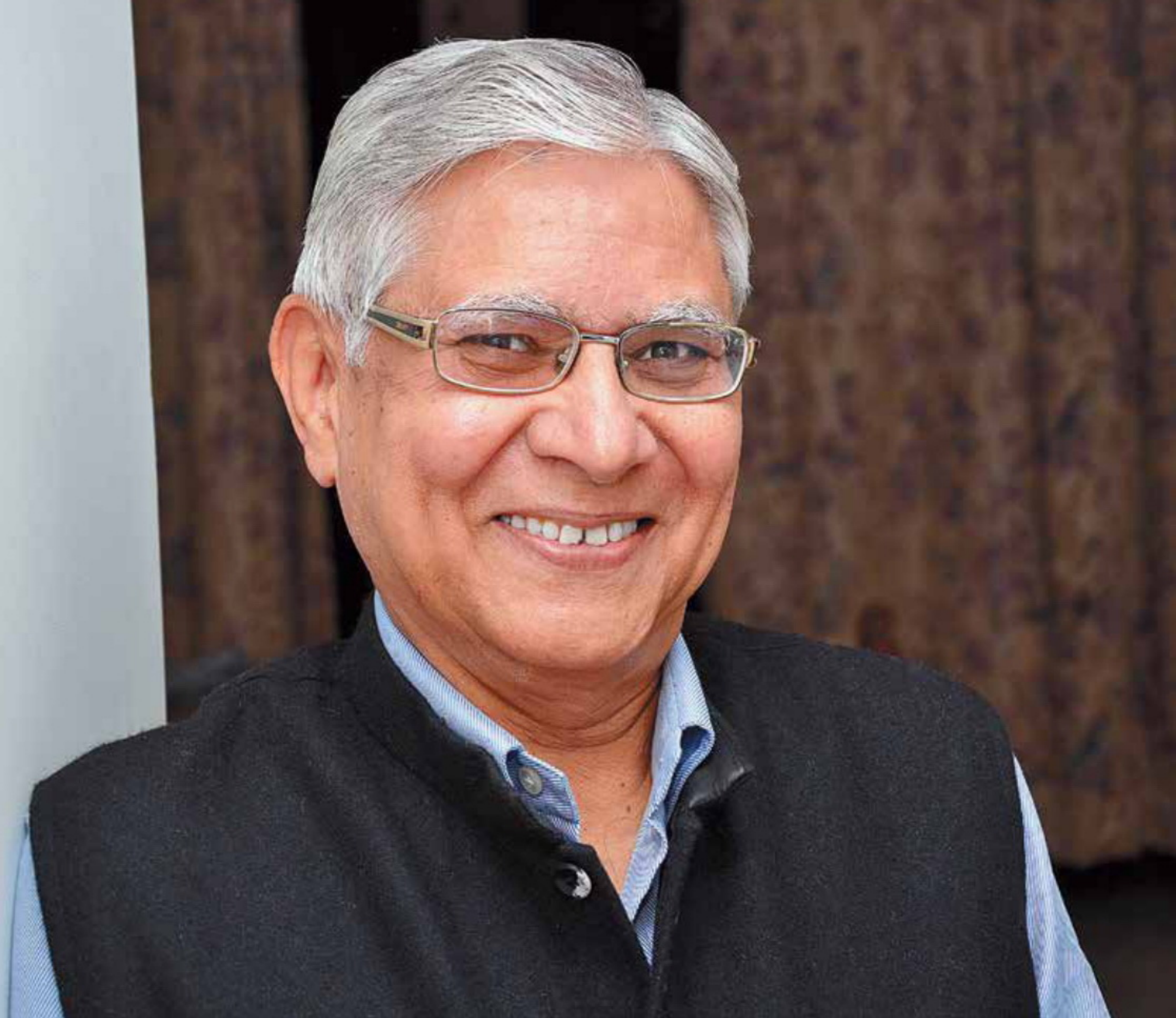
Niche Is The Way

I am seeing e-commerce ventures going niche already. Interesting areas are art, food, services, etc. As the Indian e-commerce market gets bigger, even niche categories will allow startups to attain scale. **BW**



There's massive pent-up demand in tier-II and -III cities across India. Online retailers have a unique advantage in such areas compared to offline rivals

The author is co-founder and MD, Jabong



By P.C. Parakh

DIGGING DEEP FOR A FRESH START

Long Road Ahead

There is no quick cure for what has been ailing India's coal sector for long. But a new auctioning policy along with other measures can make a difference in 5-7 years

WHAT TO EXPECT IN 2015

D **ONOT EXPECT IMMEDIATE RELIEF** in the coal sector this year. It is a long-drawn process and despite the reforms and policy changes brought in over the past year, to see actual progress we must wait till 2016. Considering the geographical and other limitations of coal mining areas, production will increase only after five years or so.

To understand the issue at hand in the Indian coal sector — large reserves, but continuing shortage — one must delve into its history. Irregularities in coal block allocations were spoken about for years, but came to the fore only after the 2012 CAG report. Then there were several petitions filed in courts: some were disposed of; others are pending. After lengthy arguments, in September 2014 the Supreme Court cancelled the mining licences for all 204 blocks allocated since 1993 through the screening committee route. I felt vindicated because I was the first to point out the irregularities back in 2005.

The government claims that it hastened the allocation of coal mines in the 1990s to spur the economy and also uses this argument to justify the lack of a clearly defined methodology for the allocations. The silver lining is that it has a chance to start afresh; of course, it may not yield results immediately. The Modi government issued an ordinance in October, outlining the auctioning policy that would come into force, to ensure coal mining continued. It allows the much needed participation of the private sector, so far prohibited by the 1970s' nationalisation Act. However, the Rajya Sabha failed to clear a Bill in this regard, so another ordinance had to be promulgated. This year will see some moves towards securing the coal sector's future.

The basic challenge is to achieve a rapid rise in coal production and a market determined price. The current shortage despite high reserves can be attributed to faulty government policy. We need to open up the sector to private investment and commercial mining, ending Coal India's monopoly. Corruption, government oversight, connivance between the government and the private sector, the ongoing CBI investigation into the coal scam and other litigation have contributed to the shortage. While moving ahead with policy and regulatory reforms, we need to update our geological database — essential for attracting the private sector. We should adopt the United Nations Framework Classification to correctly assess our resources and their economic and commercial viability.

The new auctioning policy suggested by the government is a step in the right direction, but not enough to revive the sector — several other steps need to be taken. Financial and logistical problems have been plaguing the sector for ever. The best way (to solve these problems) is to open the sector up for commercial mining, reform laws governing land acquisition, speed up bureaucratic processes for faster environmental and forest clearances, upgrade the exploration and mining technology and ramp up the pace of exploration. These can be achieved only if infrastructure is available — for example, railways are far behind the times. Also, pricing reform and maintenance of law and order in mining areas are priorities.

I do not foresee any major improvement in coal production in 2015. India will start seeing results from 2016 and become self-sufficient in five to seven years. **BW**

As told to Moyna; P.C. Parakh is a former coal secretary

We need to open up the sector to private investment, ending Coal India's monopoly. We also need to update our geological database

WHAT TO EXPECT IN 2015

By Jason Heredia

TOWARDS IMPROVED PRODUCTIVITY

T

HE WEALTH OF business clearly depends on the health of people. Leading organisations do recognise that their physical workplace can help them more effectively implement their strategies, build brand and support their culture, but they often struggle with how to do this in a way that is both resilient and economically viable.

The year 2015 will see workplace design evolve into an ecosystem of interconnected and interdependent places that support the physical, cognitive and emotional needs of people, and give them choice and control over where and how they

work. Control and choice are not only significant components in building engagement, they have also become the new status symbols for today's workers.

Workplaces will need to be aware of several new factors that will be key contributors to the productivity of their workforce.

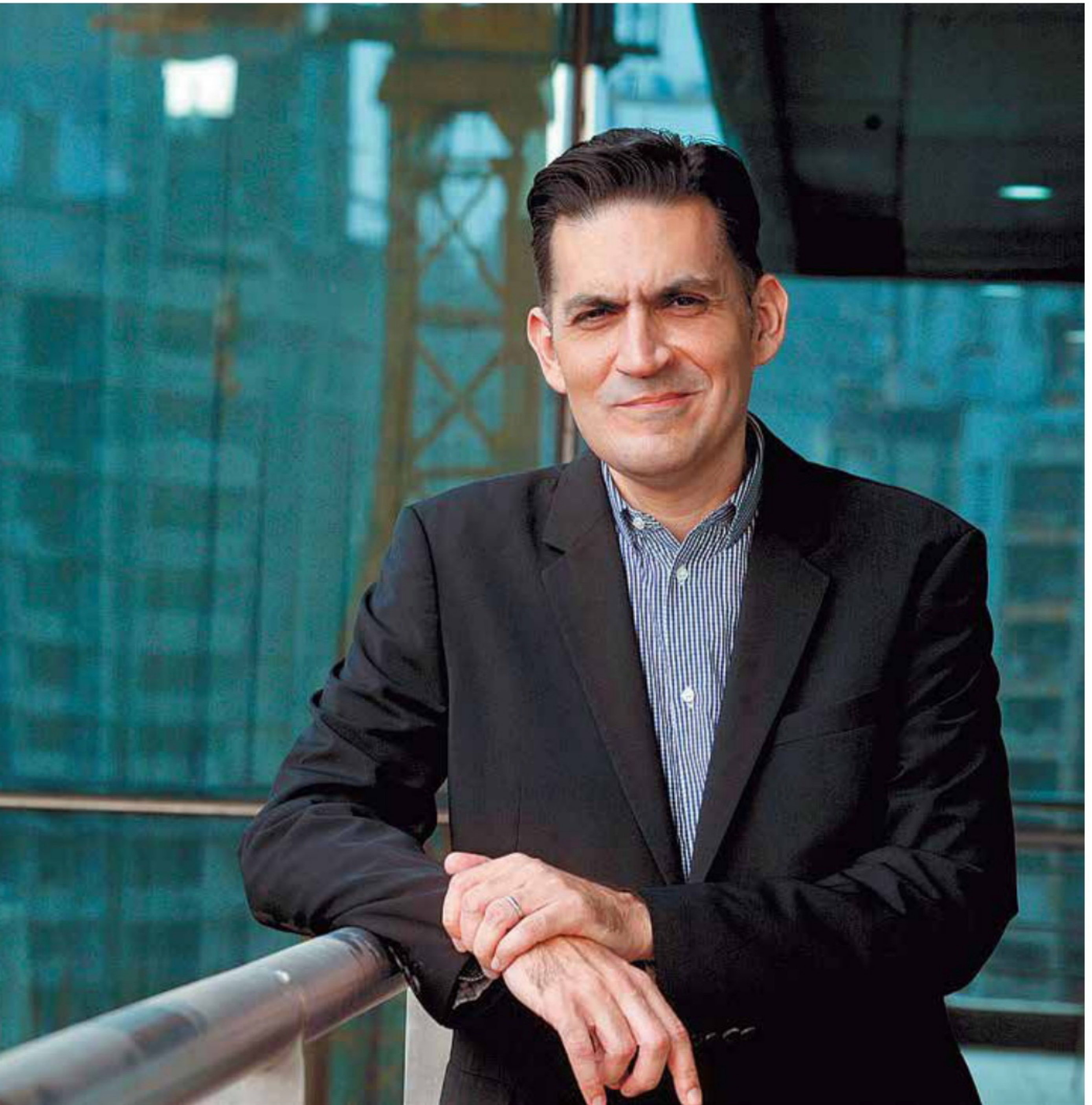
Millennials Need A Palette Of Postures

Within the workplace, there must be spaces that encourage people to sit, stand and move throughout their day while supporting the different kinds of work they do and the multiple technologies they use.

Presence Disparity Causing Alienation

People should be allowed to have quality interactions in both physical and virtual workplaces. These places need to be designed to minimise what is referred to as





For The Greater Good

In 2015, workplaces will evolve into an ecosystem of interconnected and interdependent places that support the physical, cognitive and emotional needs of employees

**Within the workplace,
there must be spaces that
encourage people to sit,
stand and move while aiding
the different kinds of
work they do**

WHAT TO EXPECT IN 2015

'presence disparity' — those moments when people not physically located in the same room are disadvantaged, visually and/or audibly. We now live in an online world as well as a physical one.

Introverts To Call Out For Help!

Extroverts are celebrated in our culture as movers and shakers. They are perceived as strong leaders who are actively engaged, gregarious and assertive. What has been overlooked till now is that introverts comprise 30-50 per cent of the workforce and have strengths such as creativity, focus, grit, and even leadership. Usually introverts go through their day trying to overcome their natural tendencies and exhibit extroverted behaviour, which seem to be critical to success. It is an exhausting way to live, and limits their ability to use their natural strengths. To help both personalities to develop at the workplace, a choice needs to be made available.

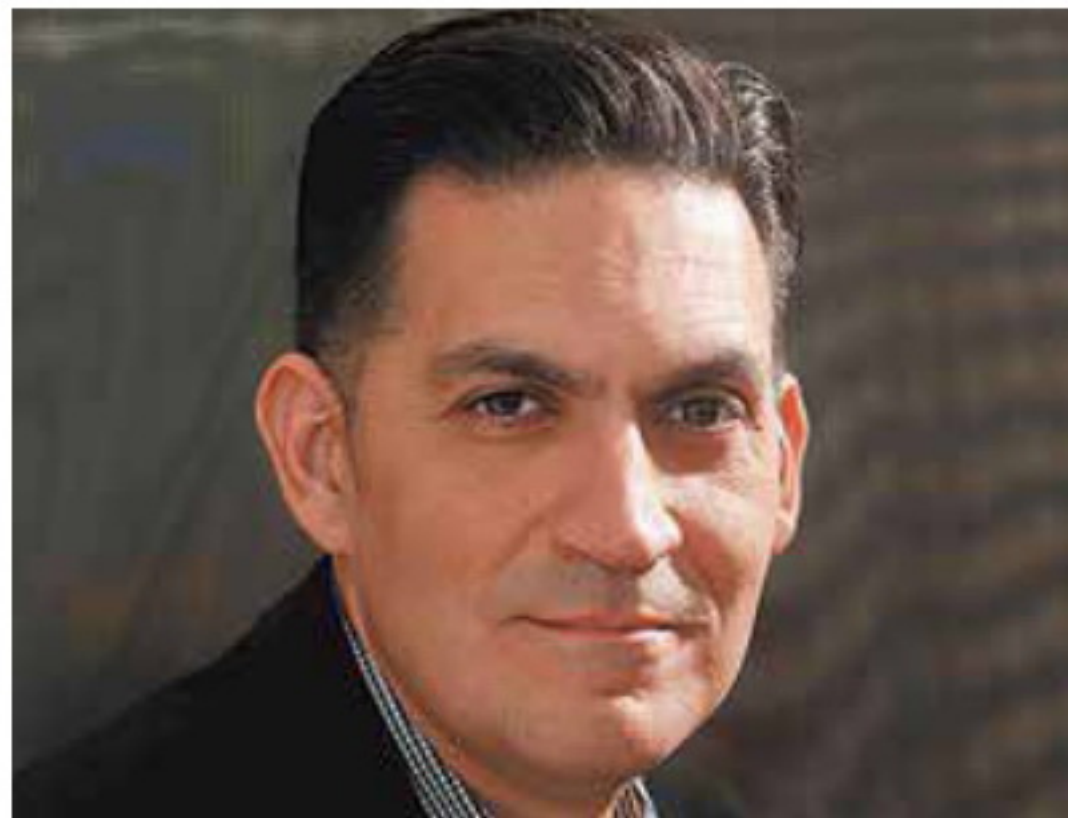
Make Space For Quiet

The level of noise in offices today is also an issue.

In some open-plan offices, noise ranges from 60 to 65 decibels. Office workers are interrupted as often as every three minutes by digital and human distractions. These breaches in attention carry a destructive ripple effect; when one is distracted, it can take as much as 23 long minutes for the mind to return to the task at hand, according to a recent research by the University of California.

A ready solution to this problem would be to design areas that give people choices for controlling the level of sensory stimulation around them.

Eleven per cent of employees who state that they are most satisfied and engaged also say that their workplace allows them to concentrate easily. They can work in teams without being interrupted, choose where to work within the office based on their task, and feel relaxed and calm with a strong sense of belonging.



Workplace Wellness: With a little effort from employers, workers can actually leave their workplace feeling as good, or even better, than when they came in

Well-being Hits The Bottom Line

Organisations have strong reasons to be preoccupied with physical wellness, given its clear connection to costs. Worldwide, the rate of heart and lung disease, diabetes and obesity is rising sharply. Declining physical health poses a growing risk to employers.

The ubiquity of technologies is driving people to multi-task like never before, leading to cognitive overload. Rapid changes in the work people do, the tools and the technology they use have made work more complex, demanding and stressful. "How fast" and "how much" have taken on

new dimensions, and work easily blends into life away from the workplace. These factors are all powerful catalysts for employee burnout and other signs of ill-being, making well-being a form of risk management.

Leading organisations can make a significant impact on their employees' well-being by focusing on the physical environment. With a little effort, people can actually leave work feeling as good, or even better, than when they came in.

Western culture typically views the mind, the body and the environment separately, but science shows that they are

intricately linked, as eastern cultures have long known.

Surveys sponsored by Steelcase say 69 per cent of employees in the world are disengaged. The results reveal a strong correlation between employees' satisfaction with their work environment and their level of engagement. Lack of privacy is employees' foremost complaint about their workplace. The imbalance between collaboration and privacy at many offices has reached crisis proportions. In other words, while the watering holes and caves of our ancestors have been replaced by gathering places and private enclaves in our offices today, in 2015 organisations will have to combat with people's needs for both types of settings as they are basic and instinctive. **BW**

The author is vice-president, Marketing, Steelcase Asia-Pacific

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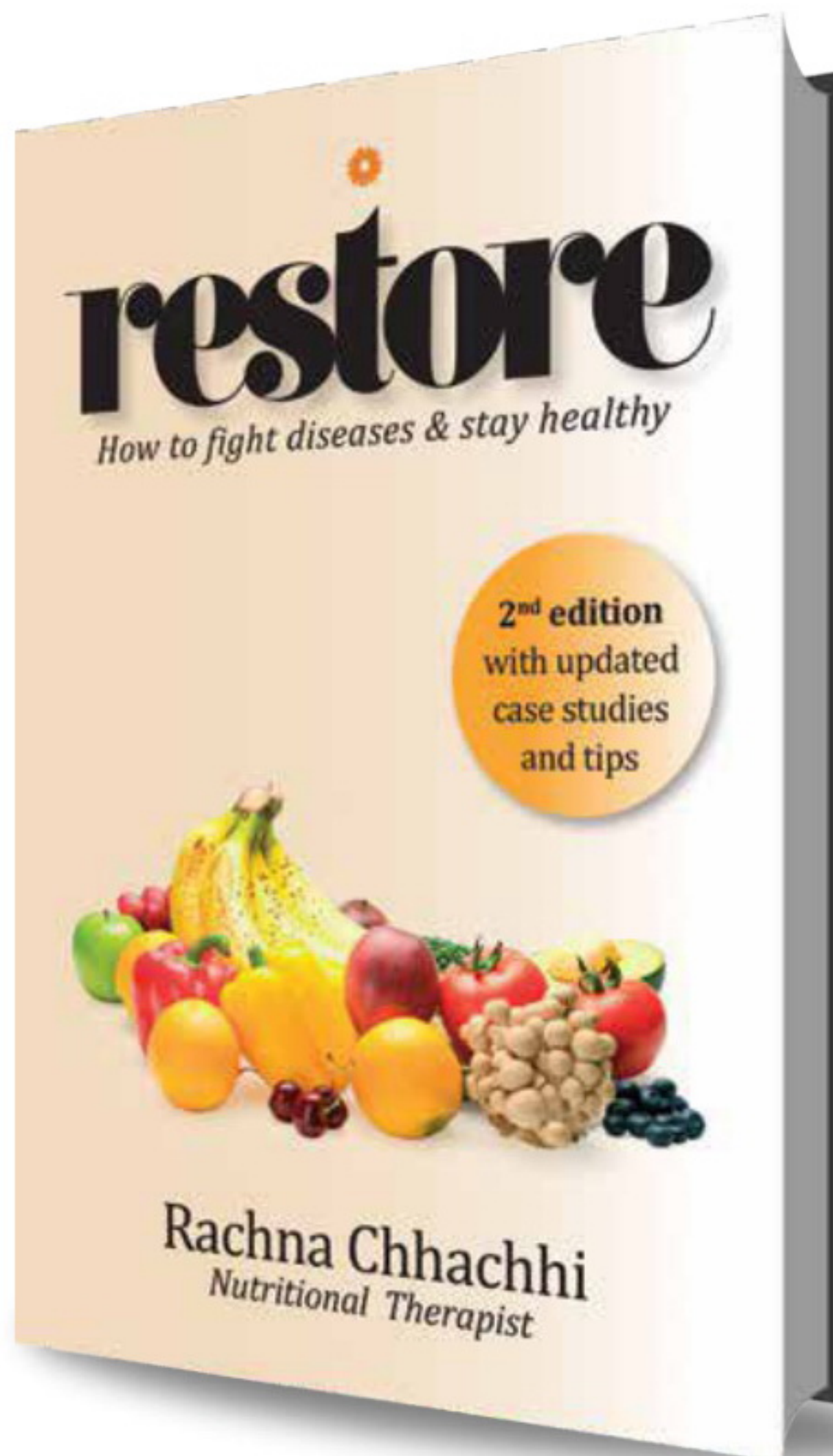
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The Idea Of India

The Congress's policy has always been that of inclusive politics and economics. The party claims it is a modern, liberal and socialist outfit

WHAT TO EXPECT IN 2015

By Digvijaya Singh

THE GRAND OLD PARTY WILL STAY RELEVANT

W

HERE WERE WE WHEN INDIA became independent? We were a tottering economy. Over the years, because of the sound economic foundations built by Jawaharlal Nehru, the Congress has been able to lead India to becoming the second-fastest growing economy of the world. Our GDP is almost in the top five now. Everyone looks at India as a potential superpower. All this has been possible in a short period of 60 years. It was all possible because of the policies of the Congress. Our policy has always been one of

inclusive politics and economics. Congress represents the idea of India, and hence the party will always remain relevant.

Prime Minister Narendra Modi had denounced during his election campaigns everything that the Congress had done (during its rule). He has been the most bitter critic of the UPA government's programmes and policies. Whenever he makes a speech in India, he says the Congress has done nothing. But when he goes abroad, he says the country has done exceedingly well. He may be doing it to serve his own political ends, but it is not the reality.

The point I am trying to make is that if the Congress is bad why is he following its policies? If the Congress is bad, if the Congress's legacy is bad, why is he trying to

If you analyse the election results of 2009, the BJP, with a vote share of 18.5 per cent, got 115 seats. In 2014, we got more than 19 per cent votes, yet only 44 seats

WHAT TO EXPECT IN 2015

appropriate the leadership of Mahatma Gandhi or Jawaharlal Nehru or Sardar Vallabhbhai Patel? Why is he not talking about the policies of the Rashtriya Swayamsevak Sangh (RSS)? On the one hand, the Bharatiya Mazdoor Sangh is opposing labour reforms, on the other, Modi has taken up labour reforms. So what do they stand for?

The Congress Stand

Our stand is clear. Whatever programmes, policies or legislation that we proposed, if they are adopted by the BJP government and brought in their totality, we will support such measures. But if the BJP changes them, we will need to have a re-look at them. Take, for instance, the insurance Bill. We are not against foreign direct investment in insurance. But the BJP made some changes in the Bill. That is why it had to be looked at again. Suppose they propose labour reforms, and effect some changes, we will have to review our position.

Politically, this year will be about state elections. Our next challenge is the Bihar elections. And then come the Gujarat and Uttar Pradesh elections. The Congress should start preparing for these polls. It is for the (party) leadership to decide, but I am sure, it will be done.

We are not a right-wing party; we will never be one. We are a modern, liberal and socialist party. Who brought technology to this country? When we introduced computers, the same BJP which is talking technology today, opposed the move. Let's not forget that. It was a bitter critic of Rajiv Gandhi when he was bringing in computers. We are a modern, liberal party with, of course, a deep concern for the poor. We would like the Gini Coefficient to come down; we would like the gap between the rich and the poor to shrink. That's the essence.

Political Realignment

The talks for a political realignment (of opposition parties) are at a hypothetical stage at present. But we have no problems with such a realignment and by virtue of being the largest opposition party in both houses of Parliament, no political party that wants to oppose the BJP can ignore the Congress.

Where We Differ From The BJP

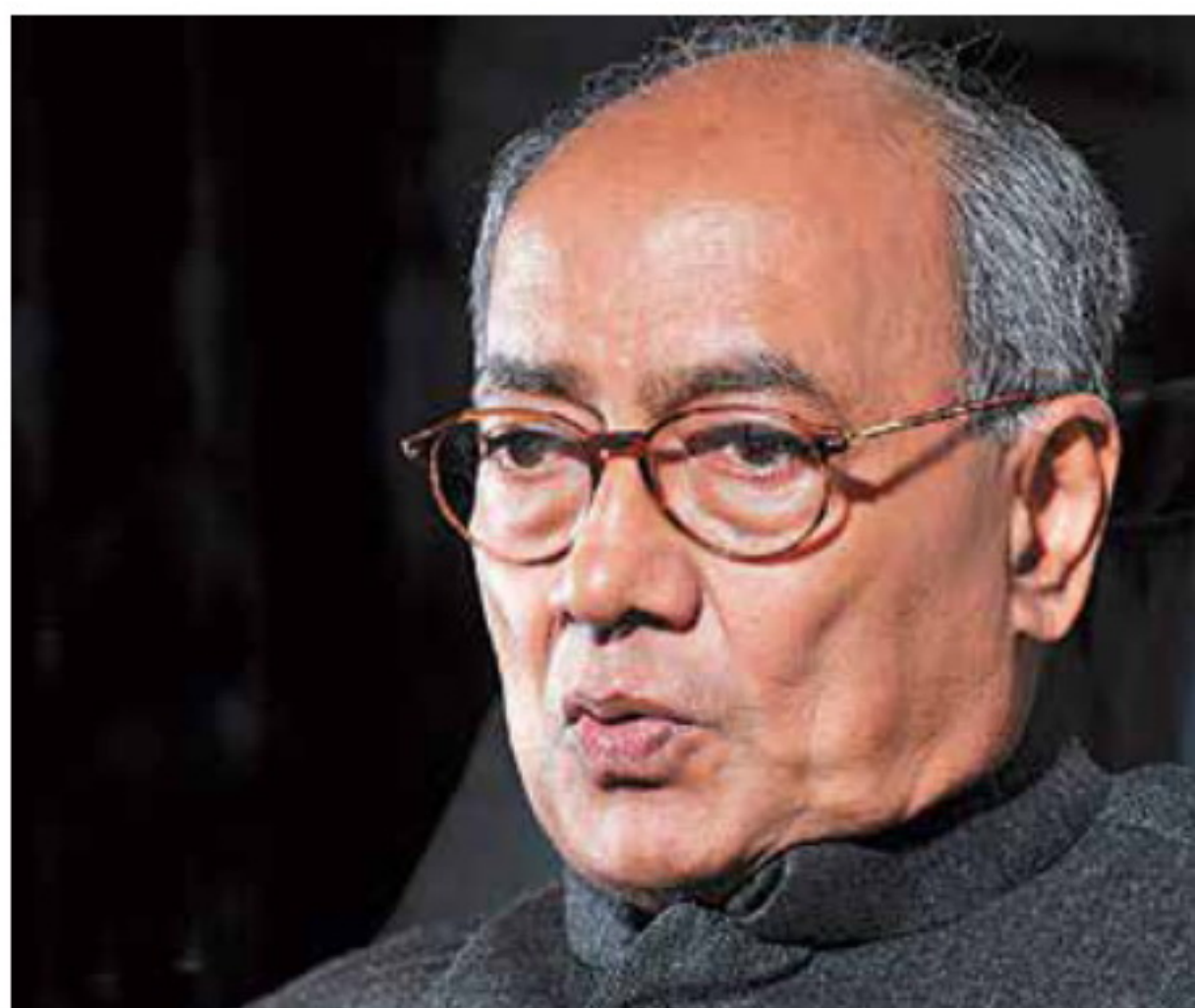
Regarding the Union Budget presented by Arun Jaitley, we said it was the 'UPA III' budget. There wasn't any basic difference between the Congress and the BJP on economic issues; except, they support the corporates, industry and ignore the poorest. They would like to reduce subsidies — we don't agree with that. The basic difference between the Congress and the BJP is in inclusive politics. The kind of polarisation they (the BJP) have brought about in the country is undesirable. Communal polarisation will remain a major concern in the coming days.

Although we have not done too well in the Lok Sabha elections, we are the second-largest party in the Lok Sabha and the single-largest party in the Rajya Sabha. If you

analyse the election results of 2009, the BJP, with a vote share of 18.5 per cent, got 115 seats.

In 2014, we got more than 19 per cent votes, yet only 44 seats. In other words, the Congress will always be relevant to Indian politics. Because the Congress represents the multi-ethnicity of India, its various religions, castes, communities and languages. It represents the very idea of India. **BW**

As told to Joe C. Mathew; Digvijay Singh is a general secretary of the Congress



Force To Reckon With: We have no problems with if there is a re-alignment of opposition parties. Parties that oppose BJP cannot ignore the Congress, the largest opposition party in Parliament

COLUMN / GOODS AND SERVICES TAX

WHAT TO EXPECT IN 2015



Focus Areas

The three key economic initiatives that will get implemented in 2015 are GST, UID-driven subsidy distribution and disinvestment

WHAT TO EXPECT IN 2015

By Shailesh Haribhakti

COUNTING DOWN TO ESCAPE VELOCITY

Happy people,
great governance,
compliant citizens,
and a clean India
are the outcomes
we can all look
forward to
in 2015

DESPITE ITS OBVIOUS pitfalls, there is nothing more alluring than letting your imagination run wild and speculate about what might happen. Two lessons that the year 2014 taught me were: 'Expect the unexpected', and 'listen with undivided attention'.

Politically, I see the National Democratic Alliance (NDA) government wielding power to effectively change the lives of citizens. In anticipation, stock market indices have touched record levels in recent months.

Global interest in India on the promise of astute leadership and clean governance will continue unabated. The 'right to service' and the 'determination to serve' will become powerful paradigms. E-governance will rise to unprecedented levels and encourage communication between people and the administration.

The three economic initiatives that I see getting implemented in 2015 are Goods and Services Tax (GST), unique identification (UID)-driven subsidy distribution, and disinvestment.

If these three initiatives are achieved, the favourable global environment will take us to an 8 per cent exit velocity in the fourth quarter, on the back of an expected enlightened budget in February 2015. Besides these, an overall simplification drive, quick resolution of all tax disputes and the removal of deterrents to

bringing back black money will work wonders.

GST: A Win-win Scenario

Ideally, GST has the potential to enhance GDP growth by 1.5 per cent, simply by capturing the entire flow of transactions. Logically, exemptions from GST should be at a bare minimum.

Alcohol, essential drugs and petroleum products are under consideration for exclusion under GST. The fewer the distortions, the better will be the revenue potential and lower the negative impact of taxes on consumption. The movement of goods across India will be eased by the removal of fiscal barriers. Fungibility of taxes will reduce tax cost.

GST will make India a preferred destination for investment. A uniform and simplified tax system will facilitate business and push up India's rank on the ease-of-doing-business index. The influx of foreign investment and critical technology into important sectors will pave the way for higher growth.

The revenue neutral rate (RNR), which is estimated at 16 per cent, will reduce the tax cost by at least 10-12 per cent on a majority of commodities, thereby reducing inflation that will fuel high economic growth.

GST is a destination-based tax. In other words, higher revenue share will be at the disposal of highly populated states with high consumption. Business decisions, specifically in relation to logistics and distribution, will get a complete overhaul.

The ease of doing business will encourage tax compliance and result in enhanced revenues for the exchequer, which in turn will be used for creating good infrastruc-

ture. A simplified tax regime also has a positive impact on the cost of tax administration and reduces tax disputes by removing uncertainty.

Benefits Of GST

- Make anywhere in India, distribute widely
- Simplicity and uniformity will support IT-enabled compliance
- Revenue and GDP will rise as costs fall

- Speed of delivery will rise significantly

Once India becomes a single trading zone, the location of manufacture can be anywhere. What will drive success will be a distribution system across all states of India. Partnering with established service providers with a pan-India reach will be another positive fallout. The synergies that can be generated are left only to the imagination of the entrepreneurs.

Besides the obvious links that will generate synergy, interconnected value chains will convert all business to reported business. Banking chan-

nels will be activated like never before and the newly established 'payment banks' will have no shortage of new business that they can corner.

The domino effect of scale manufacture, linked supply chains, partnering and all -India distribution will deliver the thrust to take India to a double-digit growth. Job creation in these expanded businesses will also be significant.

In 2015, happy people, great governance, compliant citizens and a clean India are some of the outcomes we can all look forward to. **BW**



High Hopes: GST has the potential to enhance GDP growth by 1.5 per cent and once rolled out, will make India an investment hotspot

The author is chairman of DH Consultants

‘Customers, not rivals, drive our roadmap’

Amazon Web Services shares the same goal as its parent company — be the best customer-centric company in the world, says its vice-president and CTO

By Venkatesha Babu



WERNER VOGELS
SAYS THE AWS
ECOSYSTEM LETS
CUSTOMERS WALK
AWAY ANYTIME
THEY WANT TO





WHILE the world knows Amazon as an online retail giant, a lesser known aspect of its business is of great interest to small and large enterprises. Amazon Web Services (AWS) has, since its inception, defined the brave new world of cloud computing. While Amazon does not count revenues from AWS separately, independent estimates put the figure at \$4 billion, making AWS the largest player in the infrastructure as a service (IaaS) space. In an interview with *BW | Businessworld*, the architect of AWS, vice-president and chief technology officer, **Werner Vogels**, talks about the challenges in cloud computing and competition from Microsoft and Google. Excerpts from the interview:

A lot of entrepreneurial activity is happening in India, with a large number of startups emerging. Is there an outreach programme for India on the lines of the pop-up loft in the US (which showcases AWS offerings and handholds startups)?

No, we don't do that here. The loft started off as an experiment because we did not know how much hand-holding startups wanted; and it was a huge success. That's why we brought back the loft (in the US) for a longer period. Let's see where we can take these things. We have a programme called AWS Activate targeted at startups. We focus on what we can do for them: architectural help, credit or just getting them off the ground.

Amazon and AWS are run as independent outfits. Yet when you go out into the marketplace is there an apprehension from clients because your parent company is their competitor?

I, at least, haven't heard about it. Most e-commerce operations realise that a flexible resource model such as the one AWS offers is probably the best they can get in terms of building an efficient e-commerce operation,

because margins in this business are razor thin. Let's consider younger businesses such as Snapdeal and FreeCharge. For FreeCharge to build an efficient back end, the cloud is the place to be. The same applies to Snapdeal. I haven't heard Snapdeal saying they are concerned about competition with Amazon. In the US, Amazon.com is probably Netflix's biggest competitor. Netflix might wish it wasn't a level playing field. But if we do not make it a level playing field, that would be the end of our business. Plus, if customers start thinking that we will violate our privacy agreements that will be the end of our platform as well. Our commitment to the privacy of our customers is well known. Trust is extremely important.

Have prices reduced over a period of time? Are the margins comparable with those of traditional vendors?

This is a low-margin, high-volume business. We are quite comfortable operating in such an environment because our experience in retail operations where margins are thin tells us that controlling the cost of

infrastructure is essential, otherwise it can eat into the company's bottom line. We know how to operate on that scale.

Then we build these flywheels. On the one hand, we see increased usage, which means the buyer buys more hardware and we get better economies of scale. Add to that the efficiencies and innovations we are doing at our data centres and this allows us to get a complete lower price structure. We have decided to keep our margins low and hand the winnings back to our customers in the form of price reductions. These flywheels have allowed us to reduce prices 45 times since 2006. We intend to continue going down the same path.

In terms of the volume handled by the company, where does it stand?

We have hundreds of thousands of businesses across 190 countries. In India we launched two platform pops last year. At that time 8,000 businesses were making use of them, today the number is 12,000. We are growing by over 50 per cent in India.

IN CONVERSATION

Some of your competitors such as Microsoft and IBM say they are chary of moving most of their stuff to the public cloud and would prefer either a private cloud or a hybrid. How do you respond?

Customers are smart; they will move things to the cloud for which their return on investment makes sense. A large number of enterprises are going all in (on the cloud), though. Apeejay Group has gone all in: they have got everything, including well-known financial services software Tally as well their financial systems, running on the cloud. Mahindra runs its complete dealer management system for two-wheelers on the cloud. Vamco runs its ERP systems and Bajaj Alliance its core business operations on the cloud. *The New York Times*, Pfizer, BP, Shell, Unilever and Conde Nast — all of them are on the cloud. Suncorp, the number four bank in Australia, decided to move all its systems to the cloud.

The other thing your competitors talk about is the fact that enterprises can move loads into your ecosystem fairly easily but getting out is very difficult, if not impossible. Is it a fair assessment?

No. We are trying to ensure that our services are accessible from standard mechanisms like HTTP and XML. We make sure there is no lock-in through particular libraries or deep integration into our systems. With the right architectural guidance, you can move things out. Our data warehouse is traditional and can connect to standard services including configuring data warehousing on the cloud for customers. I have not heard many customers saying that it is hard for them to move out (of the cloud) — it is only as hard as it is to move things out of your own data centre into the cloud. We give you enough tools to create this hybrid environment of virtual private clouds.



We keep our margins low and hand the winnings back to customers in the form of price reductions

Microsoft is deeply embedded in enterprises. Google has got the backing of the consumer end of the business. IBM too has many arms. In that sense, how do you position AWS?

We do not position ourselves with respect to our competitors. Rather, we position ourselves with respect to our customers. Customers know who got them into trouble in the past. They know from where their massive bills came and how. When we started delivering services, we were not thinking about the kind of technology delivery we were going to do; we were going to change the business model radically to one where the customer would be in charge and not an information technology (IT) vendor. It is important to make this shift. Customers should be able to walk away any time they want to.

IBM says it has invested a hundred million dollars in value-added services and it is making them available to the people. You also sell such services. How do you compete with somebody who is investing such a huge amount? Are you in any sense handicapped?

All the services that you see coming out of the company are the result of investments worth billions of dollars in the retail business over several years. Retail business is actually a technology business. To be able to operate on our scale, with the level of security that we offer our customers — that's something unique to Amazon and it is a direct result of past investments. Customers are benefiting from these investments. On the other hand, this has not been a take-home market, so a number of successful players may exist without there being any need to spread miffs

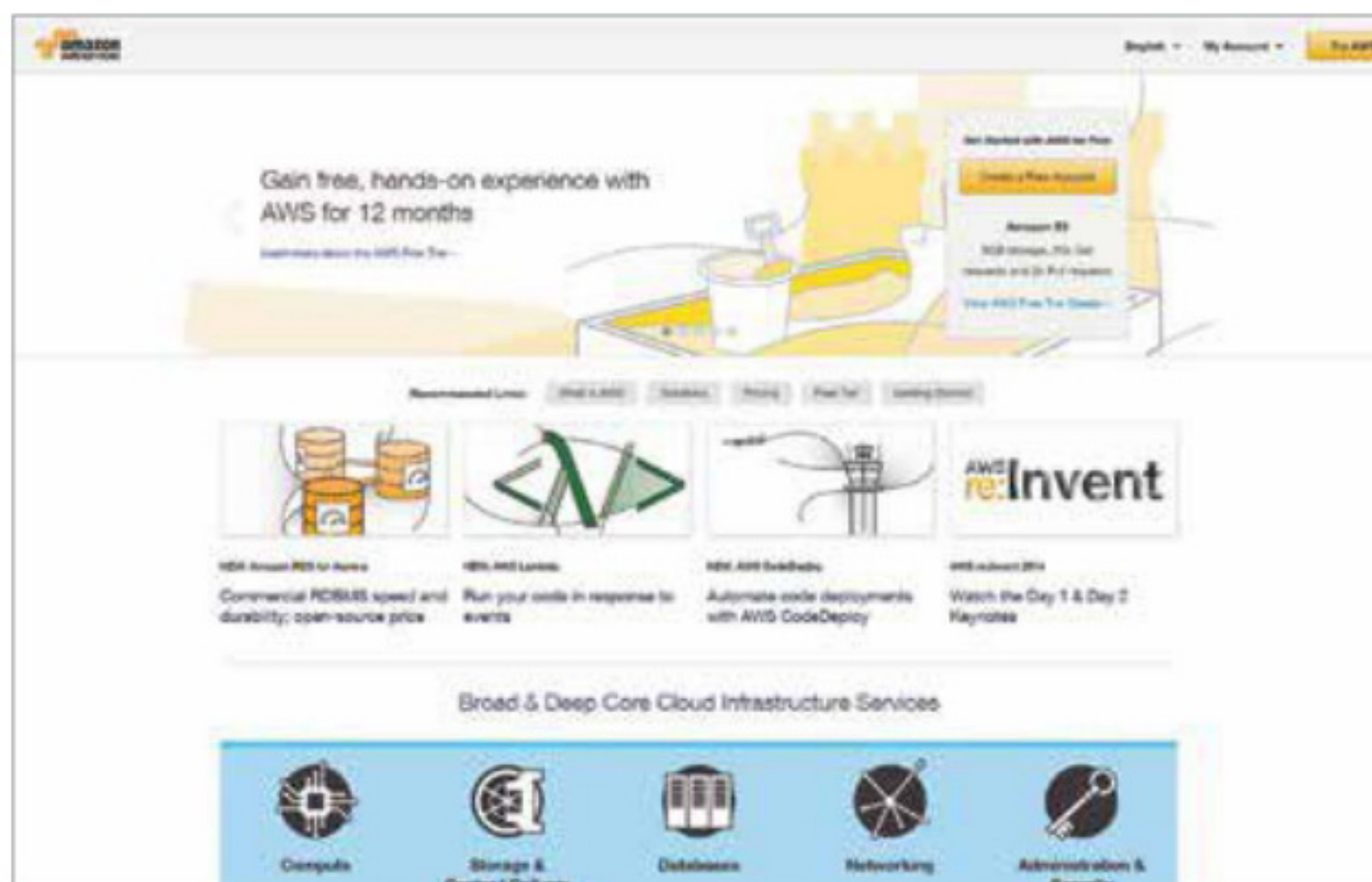
about others just to improve one's own business proposition. We are really focused on our customers. We are rapidly changing the way that IT is being consumed in businesses; we help CIOs go from being cost cutters to innovators.

How are you addressing the issue of low revenues from India?

India has been and still is a very important market for us. Quite a few of our customers in India, say Hungama and Rediff, have been early adopters of our service. The pattern that I see in India is similar to the one I see in South-east Asia and South America. In the US and Europe, cloud is an established IT concept. What I am seeing in India, South-east Asia and South America is an accelerated adoption, at the enterprise level, of cloud services.

How do you view the entire competitive landscape?

We always knew this was not going to be a take-home market. But it's too good a business not to be in. In terms of market size or segment size, I don't know enough, but Gartner estimates that AWS has five times the capacity of all cloud players put together. That's an independent assessment of where things stand. At Amazon and AWS we aim to be the most customer-centric company. You won't hear us talk about competitors or make false claims about them. Among the things that sets us apart is the breadth and depth of our services. We now have more than 40 services, not just computer storage. We are focused on driving costs down. On the one hand, we do price reductions; on the other, we help customers lower their bills with AWS. You won't hear any of our customers saying that any of our competitors has a similar strategy. We are also focused on innovation.



What I am seeing in India, South-east Asia and South America is an accelerated adoption of the cloud

Our customers drive our roadmap, not our competitors.

Where do you see the cloud going from here?

Let's start off with the mobile space because that affects everyone. You might still load apps on your devices but, in essence, the data that you operate on — the core functionality — is no longer running on devices; it is running on the cloud. These devices are a window to data and services that you own and live in the cloud. We are moving towards a world where the cloud will contain all services and data, and where all

your devices will be able to connect to it. This is a reality, especially in the context of Amazon. For example, I could be lying on my couch, reading my Kindle. Just then, I realise I need to go to the shop. So I put my Kindle away, step into the car and turn on the radio — it will continue to read the book from where I left off. I reach the store, shop, stand in line at the checkout, pull my phone out and continue to read from where the radio stopped. This has become a reality.

What kind of work is being done out of your India operations?

We have five offices in India — in Delhi, Mumbai, Hyderabad, Chennai and Bangalore. All the offices have architects, account managers and support personnel. We continue to build our team here, although Amazon doesn't disclose country-specific numbers. Amazon.com has three development centres in India. Whether it's in digital, retail, operations or in AWS, it is 'costable'. These development centres have been running for years with one agenda: to get access to the best talent. **BW**

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MAKING MONEY THE CLEAN WAY

There is a way to grow your investment without resorting to 'unclean' methods. The Shariah way. And, it is not just for practitioners of Islam. A primer...

By Shailesh Menon

S HARIAH INVESTING, simply put, is aligning your investment portfolio to the will of God.

Such investing is not only practised by followers of Islam, but by many belonging to other faiths who are averse to unpleasant ways of making money or generating extraordinary profits.

Shariah, the canonical law of the followers of Islam, has strictures regarding finance, investments and commercial activities. Believers only invest in "clean" assets and businesses. They do not invest in businesses that deal with alcohol, tobacco, defence and weapon manu-

facturing, conventional banking and insurance, pork meat processing and entertainment (cinemas and hotels).

Shariah-based investments also bar investors from parking their money in heavily indebted companies. So believers have to skip companies that have a debt-to-market cap exceeding 33 per cent and net receivables (outstanding) in excess of 45 per cent of market cap. Strict Shariah screens may also stop them from investing in companies that do not have at least 25 per cent of their capital in fixed assets.

"Despite sector and company limits, there are enough Shariah-compliant companies in India,"

says Sampat Reddy, chief investment officer of Bajaj Allianz Life Insurance.

"What you need is good stock-picking skills for managing a Shariah-compliant portfolio. Our funds are doing well even without including a large chunk of banking stocks, stocks of tobacco companies and media-related businesses," affirms Reddy.

The current share of Indian Shariah-compliant M-cap (over 50 per cent) is highest even when compared to Islamic countries like Malaysia, Pakistan and Bahrain. Sectors such as computer software, healthcare and pharma and automobile ancillaries are all Shariah compliant. These sectors constitute

nearly 40 per cent of the total Shariah-compliant stocks on the NSE.

More than a community-focused product, Shariah investments are considered thematic entrants in the investment space. The rules of Shariah are in line with ethical investing which makes it an attractive option for all communities. Devout Hindus, who are averse to investing in *adharmic* businesses like alcohol and tobacco, are known to invest in Shariah-based investment products.

"The rules for Shariah investing are fairly simple. There is nothing peculiar to the Indian equity market which makes this process any different from



any other market in the world. Shariah investing has been a proven model for many years now and is popular around the world,” says Alka Banerjee, managing director, Equity Indices Product Management, S&P Dow Jones Indices, which manages the S&P BSE 500 Shariah index.

Foreign Fund Inflows

Liberal attitude towards Shariah investments and savings products may result in huge foreign inflows, opine Shariah experts. About \$600 billion worth of Islamic investments are locked up in fixed deposits around the world, waiting for an attractive, but ethical market

to invest in. Some part of this chunk flows into immature markets like Pakistan and UAE. With some regulatory leeway, India could be a recipient of foreign inflows from Islamic countries and Persian sovereign wealth funds.

“If India remains an attractive investment opportunity, then there should be flow of funds primarily from the Middle East and South Eastern countries in Shariah funds. The largest pool of funds is from Indian Muslim expatriates who would like to invest in a compliant manner in their own country,” adds Banerjee.

Regulatory Hurdles

Islamic scholars have been

pushing the case for interest-free banking in India for years now, but the Reserve Bank of India (RBI) is not very open to the idea. According to RBI, Indian banks cannot offer Islamic banking under the current framework. Perceptibly, Islamic banking works against the basic principles of banking in the country, that is, acceptance of deposits against interest, the use of money collected as deposits for lending (and earning an interest on it) and liberty to the depositor to recall money anytime he wants it back.

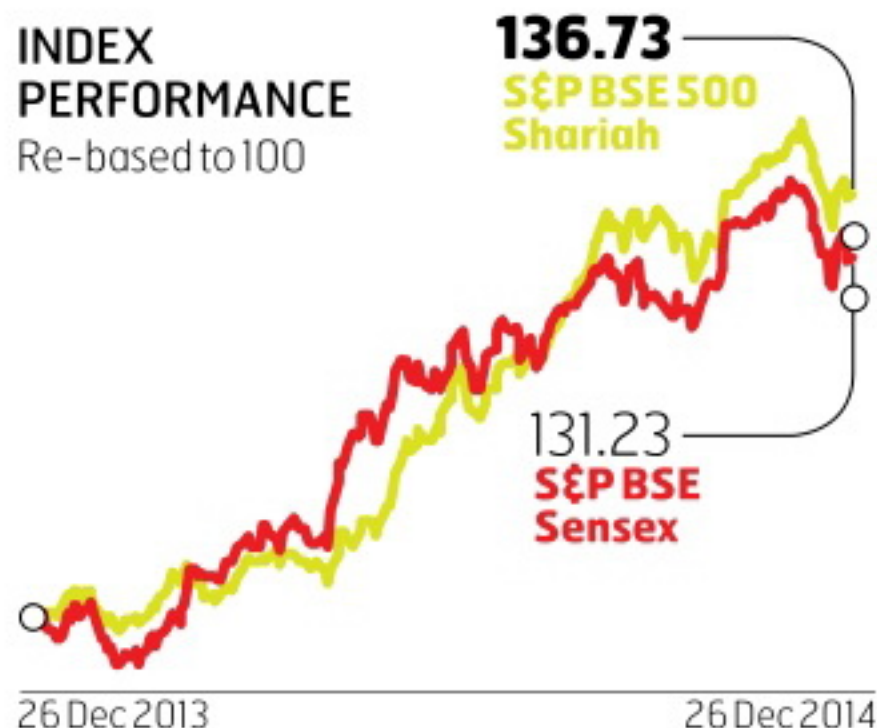
The core of Islamic banking, following the tenets of Shariah, is interest-free lending. Islamic

banks, world over, do not accept or offer interest on advances and deposits. Most of them only charge processing fees while disbursing loans. In case of deposits, some of them charge annual account maintenance fees, which could be a small sum of money. Some Islamic banks may also charge exit load on premature withdrawal of deposits. But at no point is interest charged or offered on borrowings or deposits.

“Interest-free banking brings about equitable distribution of income. The money is collected as deposits from the rich and given to the poor. Such banks raise large sums of money (from small num-

BSE SHARIAH Vs SENSEX

The re-based BSE 500 Shariah has performed better than the Sensex during the past year



****S&P BSE 500 Shariah was launched on 2 May 2013**

INDEX PERFORMANCE (Re-based)

Index name	Index level (re-base to 100)	1-year return (%)
S&P BSE 500 Shariah	3,194.82	36.73
S&P BSE Sensex	37,247.95	31.23

ACTUAL PERFORMANCE

Index name	Index level	1-year return (%)
S&P BSE 500 Shariah	2924.03	25.07
S&P BSE Sensex	27,241.78	29.26

SOURCE: ASIA INDEX

ber of rich patrons) and redistribute it among large number of poor people. This creates more social impact than conventional banking, which collects money from large number of small depositors to lend to small number of rich individuals or corporate bodies," explains M. Rahmatullah, chairman and managing director of Janseva Co-operative Credit Society, a multi-state co-operative credit society offering interest free, low-cost credit to its members.

The RBI is currently reviewing the possibilities of Islamic banking in India. All this while credit societ-

ies have been serving the needs of the community.

Interest-Free Banking Services

Credit societies like Janseva Co-operative Credit Society and Bait-un-Nasr Urban Co-operative Credit Society are providing interest-free, Shariah-compliant banking services to its members. They accept money from depositors and lend it to the needy at plain loan servicing cost.

Though they operate in the same sphere, there are finer differences in the way they manage business. Take the case of Bait-un-Nasr Urban Co-opera-

tive Credit Society which started operations in 1976; it believes in simple interest-free banking, wherein it accepts deposits from people and lends funds to the needy.

"We do a lot of due diligence before giving out loans. Mostly, we give securitised loans. So if we are taking gold as security, we only lend up to 75 per cent of the total value of gold. Select equity shares and private vehicles can also be kept as security," says Mohammed Salim Kazi, managing director of Bait-un-Nasr Credit Society.

The loans are repaid in about 36 monthly instal-

ments and the maximum loan ticket size is about Rs 5 lakh per borrower.

"Both the borrower and depositor have to members of the society. The borrower has to tell us why he needs the money; we disburse loans only to people who have the capacity to repay," assures Kazi.

Bait-un-Nasr also has a "profit-sharing" plan for businessmen. Here, the credit society funds the business and at the end of the term takes a proportional cut on the profits made on account of the investment. The collateral used in business financing is goods, receivables and inventory. The idea of "profit-sharing plan" stems from the Shariah diktat that states that both profits and losses should be shared by partners in business.

"This is more like an investment for us and our depositors. We expect about 18-20 per cent cut in profits generated by the business. The society and its depositors also share losses if the business goes downhill," clarifies Kazi.

The highlight of Bait-un-Nasr Credit Society is that it allows depositors to withdraw their money at will, without levying any exit charges. The credit society claims to have over 70,000 active members and outstanding loans worth Rs 2.5 crore.

Janseva Co-operative Credit Society functions more like a conventional

bank – minus the practice of charging or offering interest. In the broader terms, the society has two plans – Janseva Amanah Fund (JAF) and Janseva Member Investment Fund (JMIF).

The JAF works more like a current deposit; withdrawals are allowed anytime during the tenure and Rs 25 is charged annually as account maintenance fees. The JMIF, on the other hand, is a long-tenured investment fund, which provides trade finance on a profit-sharing basis. The fund is usually alive for three years; premature withdrawal within one-year of deposit may attract 2-3 per cent exit penalty. The JMIF pool provides funding assistance to small time businessmen and traders.

“We’re very careful while lending money. We keep a reserve of 15 per cent against all deposits. So when we receive a deposit of Rs 100, we keep aside Rs 15 and only Rs 85 is loaned out to public,” says Rahmatullah of Janseva.

“Besides this, loan is only given to businessmen who have at least a three-year track-record in business. We don’t fund start-ups at all. Our loans are generally for shorter durations, say for 100 days in majority of the cases. We expect a return of at least 13 per cent (1 per cent of this is taken in as processing fees) from these investments,” adds Rahmatullah.



‘Shariah-compliant schemes will bring in more investors’

SAMPAT REDDY

CIO, Bajaj Allianz Life Insurance



‘Shariah investing is a proven model for years now’

ALKA BANERJEE

MD, Equity Indices Product Management, SPDJI



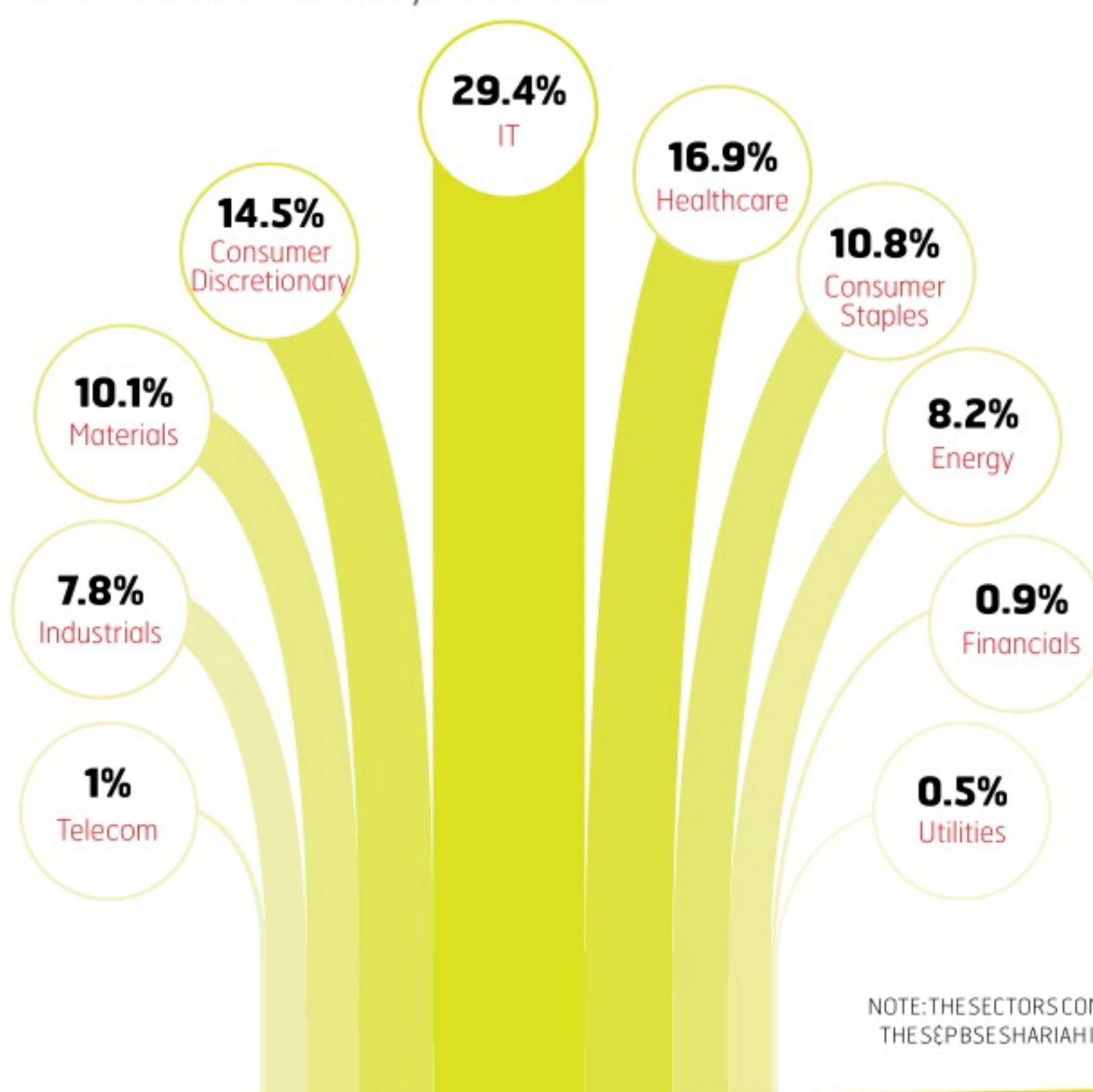
‘Developed countries have adopted Islamic finance’

SHARIQ NISAR

An expert in Islamic finance

AN INDEX IN THE MAKING

IT has the largest weightage in the S&P BSE 500 Shariah Index followed by healthcare



NOTE: THE SECTORS COMPRISE THE S&P BSE SHARIAH INDEX

ETHICS PAY

The two ethical funds in operation have given 1-year returns of 40 per cent

TAURUS ETHICAL FUND

AUM	Rs24crore
One-yearreturn	40.68%
Category 1-yearreturn (large & mid-capfund)	43.69%
Sensex 1-yearreturn	29.26%
Returns since launch (April 2009)	25.96%

Top holdings	% of assets
Info Edge India	6.15
ONGC	5.59
Infosys	5.48
CRISIL	4.25
Blue Dart Express	3.82
Titan	3.62
Bosch	3.15
TCS	3.1
Container Corporation	3.08
Siemens	2.93

SOURCE: VALUERESARCHONLINE.COM

TATA ETHICAL FUND

AUM	Rs240crore
One-yearreturn	40.08%
Category 1-yearreturn (multi-capfund)	50.90%
Sensex 1-yearreturn	29.26%
Returns since launch (April 2001)	23.05%

Top holdings	% of assets
TCS	5.94
Alstom T&D	3.84
Lupin	3.74
ONGC	3.74
Infosys	3.71
Shree Cement	3.61
Divi's Labs	3.57
Amara Raja Batteries	3.5
HCL Tech	3.22
Maruti Suzuki	3.14

RIGHT RETURNS

Bajaj Allianz has an insurance product that invests only in Shariah-compliant stocks

BAJAJ ALLIANZ LIFE - PURE STOCK PENSION

AUM	Rs24.35Crore
Appreciation (1-year) of Rs 10,000	Rs 14,275
Appreciation (3-year) of Rs 10,000	Rs 18,948
Appreciation (5-year) of Rs 10,000	Rs 19,676
NAV	Rs 31.14

Top holdings	% of assets
SML Izuzu	6.96
GAIL India	6.09
Bayer Cropscience	6.04
Reliance Industries	5.71
Bharti Airtel	4.75

SOURCE: MORNINGSTAR.COM

The cut in profit is shared in 70:30 ratio between the depositors and the society. The arrangement helps depositors to earn 12-14 per cent on their investments. The Society has 23 branches across seven states and lists nearly 16,000 members. Bait-un-Nasr and Janseva Credit claim to be profitable and dividend-paying businesses.

"We do not serve one community; we serve all classes of people. We have members across religion and caste. Non-Muslims bank with us as we have simple rules; our withdrawal policies suit their requirement and our

funding is interest-free," says Kazi of Bait-un-Nasr.

Shariah-based Investment Options

Unlike in banking, there are a lot of Shariah-compliant investment options in the equity market universe. As per data collated by Shariah advisory firm Tasis, there are 982 Shariah-compliant stocks in the direct equity space. This corresponds to a Shariah-compliant market capitalisation of Rs 34.08 lakh crore.

"Our market has large number of stocks that are Shariah-compliant. The pool is so big that we can even employ quant strate-

gies within the Shariah pool. This, perhaps is the reason why there's significant interest in Indian Shariah-based investment products among Gulf-based investors," says Hemant Desai, managing director of Ahmedabad-based Concept Securities, which manages a few Shariah-based portfolio management schemes.

Apart from direct stocks, there are a few mutual funds that promote Shariah-compliant investments. Tata Ethical Fund and Taurus Ethical Fund have outperformed benchmark indices by a wide measure over the past one year (see *Ethics Pay*).

"We did not label our fund as Shariah fund or market it to a particular community because we never felt the need to do so. Our Ethical fund performed well and attracted investors on its own merit. This is a well-diversified fund; it need not be restricted to investors in one community. It can be in anybody's portfolio," says Waqar Naqvi, chief executive of Taurus Mutual Fund.

Shariah portfolios, due to their unique sector positioning, have a defensive approach. So in times of a booming economy (and resultant bullishness in stock market), Shariah

portfolios underperform general portfolios. The reason for this is additional alpha created by heavyweight banking stocks in general portfolios. In times of low economic growth (and down-trending stock market), Shariah portfolios fare better as they have lower number of economy-related stocks (example: banking stocks).

In the insurance space, Bajaj Allianz Life Insurance has two Shariah-compliant unit-linked plans (Bajaj Allianz Pure Equity Fund and Bajaj Allianz Pure Stock Fund); these plans are

open to new investors. However, Bajaj Allianz's Shariah-certified pension pool — the Pure Stock Pension Plan — is not open to new investors (see *Right Returns*).

"We'll launch more such schemes in future. Shariah-compliant insurance schemes will bring in more investors to the industry. It will allow people with an ethical bend of mind to invest in insurance schemes," reiterates Reddy of Bajaj Allianz Life Insurance.

Newer Shariah-compliant investment options are coming up in private equity — venture capital

space also. Secura India Real Estate Fund, the first Shariah-compliant venture capital fund, is already raising money to capitalise its second real estate fund. The fund will have a life of five years and targets 18-25 per cent returns per annum.

"Almost all developed countries have adopted Islamic finance in a big way. Even RBI is trying to create a framework for Islamic banking in India; what was missing till now was the political push," says Shariq Nisar, a noted expert in Islamic finance.

"The new government seems to be interested in

the idea. There's already some reference to it in the recently-passed insurance ordinance. Apart from providing banking and investment options to large sections of the society, Islamic banking will also increase deposit mobilisation and bring in more funds to capital markets," adds Nisar.

Faith-based investing is a tried-and-tested investment strategy. It's simply putting your money where your faith is. **BW**

✉ shailesh@businessworld.in

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THE BUSINESS OF LIFE

“The mistakes of doctors are innumerable. They err as a rule out of optimism as to the treatment, and pessimism as to the outcome” — Marcel Proust

By Meera Seth



ABHED GOVIL TOOK THE PRE-scription from the nurse's hands and said, "Sure, this will get done right now, thank you!" Dr Prashant Massey, the orthopedic surgeon, had scribbled a whole lot of medicines and dragged the last alphabet down diagonally to the left hand of the sheet and written, "MRI".

Abhed bobbed his head in assent and asked the nurse which floor the MRI department was. Laughing, she said, "No floor and all... right outside the gate. All outside!"

Abhed took Paritosh, his injured friend, and stepped out. Right at the gate of the hospital were six MRI centres, bursting at the seams with patients. Abhed groaned. It was clear to him that the paper work alone would take him an hour. But he could not help wondering why the hospital did not have an in-house MRI.

Later, he asked Dr Massey, "How come you do not have an in-house MRI? Don't patients need it?"

Prashant (smiling): It is. That is why there are six on the street outside, no?

Maybe it is beneficial not having one in-house?! Don't quote me, but these things are common. (Then, on a serious note) The owner has appointed family members in important positions. His nephew, who is the local hawk on capex, gets bullied easily. At every capex, meeting his proposal for an MRI machine is shot down on some pretext on the other...

Abhed: So, then what about implants? Who decides what ortho implants to buy and stock here?

Prashant: Each category has a differ-

ent system. The ortho department for example, has three specialists. Dr Karunakaran is also the head of the department. We have between us 17 beds for ortho patients — from fractures to joint replacements. The A-class items for joint replacements, are procured by Dr Karuna. But it is possible that Dr Thomas, the other consultant, may have a preference for a different brand, in which case he will buy for his patients himself.

Sorry, I have to leave, have OPD now... will send the list of supplies to be bought for the surgery, soon. **ABHED** reflected on the various hospitals his mother had been operated at. Why Paritosh, 21st Century's victim, he too was paying thrice the price for an MRI outside the very hospital which should have had its own... Paritosh who had fractured his arm during a rock climbing event, and whose surgery had not helped the bone heal. Or his mother who underwent three surgeries for her right arm fracture each of which only worsened her condition until a small town doctor with best practices found the right implant of the right quality that brought about the union of her bones.

It's all about best practices, thought Abhed. It's about systems, controls, measures, integrity... The fact that Plus Care's first attempt on Paritosh's arm was a failure, had later been traced to a poor quality X-ray that did not report a displaced fracture. Consequently, even two weeks after being in cast, Paritosh was unable to move his fingers. *Why were the X-ray machines so poor at Plus Care? Why*

'Yes, top and bottom line is critical, but reputation is my asset'

did his doctors not call him back for a review? Why did surgical teams not admit that the X-rays were faulty?

Then, there were his mother's fractures. The bone plates they had used on her were fake. Their metal was poor and he was sure it was corrosion but Dr Surya had pacified him with, "It could also be their poor biomechanical strength, because remember the plates were not gripping her bone. Same thing."

Dr Madhav Surya was the small town surgeon who had homed in on her problem. Now, Abhed felt helpless. His mother went through this 12 years ago. Today, as he watched Paritosh, it seemed nothing had changed in India. So then, if the bone plates were not holding her bones well — and Surya had mentioned that she may have already been osteoporotic then, how come EFG Hospital used the wrong plates? Ah! The wrong plate thing was a function of *not knowing* what plate to use — this is what the Kyosin man had told him. *OK, so was that a function of a system*

that lacked controls on process? Where lay the control weakness at EFG?

Abhed had a 15-minute taxi ride to the campus. He called Dr Surya and sharing his views on Plus Care's MRI decision-making, he asked, "That EFG Hospital where *Ma* had her bone surgeries, what is their organisation structure like?"

Surya (laughing): The bee has not left your bonnet, I see! OK, EFG, from what I know, is an owner-owned, professionally managed hospital but the owner is dominant. It's what they call widely held management but prominent owner. Sorry? No, no, the owner is not a professional, but he is a significant business person. No, even if he were a doctor, in a multi speciality hospital, he may be close to healthcare as a doctor, but for other specialities you need the help of other specialists, you see! Purchase department? Let me think. His son used to be in charge, non-doctor, actually a chartered accountant, so, he was management for all intents and purposes.

Abhed: Suppose the EFG owner was a doctor, a professional, would the place have run differently?

Surya: See, in all cases, the owner will try to protect himself. He will try and put trusted people in charge of key functions. Dhanwantri is my hospital, I am owner, doctor and administrator. Yes top and bottom line is critical for me, but reputation is my asset. I will be very careful not to allow anyone to cut corners.

Abhed: That is your leadership style. I am sure there are owner-doctor run



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hospitals that cut corners with glee.

Surya: I do not know of them, but I guess so. The toughest model is one where you have an owner held, professionally managed hospital. Here the employee doctors are not attached to the bottom line, see?

Abhed: So, do doctors collude with suppliers and in exchange for recommending their brands, get rewarded?

Surya: Very rare. There is a disclosure requirement incumbent on doctors and on vendors. See, the clinical aspect of any product is more important for the doctor than for the purchase department, let's face it. He does need to interact with the vendor!

Does that process cross the line of ethics? Opportunity exists. A vendor can do ethical and scientific marketing of his brand, and the doc on the other side can take part in ethical and scientific transfer of knowledge. If all stays within this, great. But if the various brand offerings are undifferentiated how will a doctor make a choice? Realising this, the vendor exerts influence; that does breach the prescribed line of ethical marketing.

Abhed: So, a doctor can be influenced to prescribe a drug or an implant to his own advantage?

Surya: In the organisation structures I discussed, barriers are created by the owner to prevent interaction, but say a vendor takes you out for a meal. He says I am developing some products, I would like to request you to be a consultant during the product development stage. This is an open, clear commercial interest. The Physician Payments Sunshine Act in the US says, fair, do this, but disclose.

Abhed: Yet when I think about it, I feel, if product developers had inputs from doctors, it would only result in better products. Even so, we are shifting the opportunity to be influenced from the doctor to the owner, isn't it? If the organisation structure did not



permit doctors to prefer a brand for their hospital, then someone else who is making the purchase is getting a chance to do so and he may prefer it for all the wrong reasons. If I am a purchase head and am being appraised for cost control as a KRA, then I will buy cheap!

Surya: I am not saying arrangements are not possible. A long time ago we had entertainment expenses — the vendor would send the doctor and his family on a vacation. Then the regulator started asking why are you paying for him to go to the Andamans? So then, from a vacation spot the vendor started sending the doctor to a conference spot. Now, MCI has started questioning even that. So, yes, the doctor is in a position to influence brand preference. For instance, a family doctor refers the patient to a hospital and hospital could pay the GP. If that GP's recommendation is ethical and scientific, then paying for the recommendation is not improper if there is disclosure.

Therefore, what I am saying is it must be made naturally fair to reward a doctor for recommending a hospital. And, before you even say it, the reward has to be a fixed amount, unchanging, auditable. Whether I send a patient to Hospital A or B, I can be paid only a given sum. Hence there should be no incentive for me to prefer one over the other.

THEN, what is the reason for a hospital to not use the best implant in a surgery for a patient, wondered Abhed. As luck would have it, Mankodi, Kyo-sin's operations director, who he had met a few days ago, called. "How likely are you to go to Madurai? I am asking because you are in Chennai. Let me know. One of our doctor clients is doing a workshop for the surgeons in his township. If you can attend even one out of those three days, you will get a flavour for small towns' hunger for learning!"

Abhed: I am trying to think what's in it for you? If the doctors agree to use your product as well as stock your

implants, only then it makes sense...

Vyom: Oh, I see. OK, first of all this workshop is not our initiative. This is being done by Dr Arumugam. We are providing him with the audio-visuals. His area of interest is facial implants and he is focussing on that for a paper he is writing. But he does not carry inventory of our implants.

You must understand, it is very rare for hospitals to carry inventory of implants. First of all, there are so many variants even for the same condition. Then again surgeons need more of the sub items like screws and stuff. Since the list is huge and diverse, hospitals have passed the onus to the brand's distributor. If it is a high usage hospital, like say EFG, then the distributor might even leave his stocks in the hospital and bill based on consumption.

Abhed: So then, how do implants get ordered? What the patient needs or what she can afford?

Vyom: Based on affordability at one level, and basic minimum standards, on another level. Standards that the doctor feels are 'must-haves'. But how much can you define? There are so many needs, and as many implants. Each comes with little accessories, some of which are outsourced. This means you have lost control on quality. And mind you, these accessories can make the difference between life and death. So, every one of these needs standards and regulation, which I daresay we don't have.

Enforcing norms is very difficult — technologies are many, patient needs are many. Norms cannot be standardised, and what is standardised is so

Be fair, reward a doctor for recomm- ending a hospital

broad that it is open to interpretation.

Abhed: Gosh, how haphazard the whole system is! What I see is a desire to have rules, but no desire to implement them. Medical devices cannot be covered in norms, norms can't be enforced. Patients need the best but affordability rules! So, she does not get the best, does not get health, that means medical community is not accountable...! Is there a law that says the doctor is right in prescribing according to affordability? Or is he required to place before the patient all available options?

Vyom (laughing): I am NOT a doctor. But I do not take kindly to people not assuming responsibility for what is rightfully their duty. Patient consent must be taken, but is not done; it is assumed that patient consent is not needed. Signature is taken only for critical surgeries, where life is at risk. Say, in good faith you tell me, take this tablet. But I have some allergy that makes this tablet life-threatening. Who is responsible? The patient is. This is where patient responsibility

comes in. And the doctor must give adequate decision-making support.

Abhed (interested and keen): But patient says, 'I didn't know I was supposed to ask'. By behaviour, the doctor has *held out* (under Law of Estoppels) that he will advise or that he will do what is right for my body.

Vyom: Nah! But Estoppel cannot be invoked even if *Estoppel occurs when a party "reasonably relies on the promise of another party, and because of the reliance is injured or damaged"*. Why? Because you have

handed over your decision-making to the doctor, by conduct. You gave a blind consent! As a culture, we have never been encouraged to ask questions. We submit to superiority, to age, to seniority, but never to logic.

Abhed (a trifle confused): When the doctor showed mom that bone plate and said, 'shall I use this plate?', how was mom to know its metallurgy? Its biomechanical strength? Later when she developed neural unrest, the doctor said: 'How can I say this is what caused the neural unrest?'

Vyom: From another standpoint, the enforcement cannot start with the doctor. He is not a chemical engineer. He says: 'I had these purchase options in the market, I made a choice. The vendor showed me a certificate to say he has cleared the metallurgy. But if he has made a short cut there and obtained a certificate by paying bribes, how am I to know? Why am I being held responsible?'

Abhed: This is rotten. Nobody is taking responsibility! Clearly, this is an enforcement issue. The entry barriers



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should be so tough that poor quality can never enter the market! But we allow poor quality because there is candy money in it!

A dozen women die after a sterilisation camp in UP; 92 people died in a Kolkata hospital fire; why? Because the system does not check the veracity of its processes and purchases. Bad vaccines, used gloves, third-rate syringes, expired drugs, ward boys performing surgeries ...this is not because we are a poor country. It is because we don't educate our people, for fear they will ask questions!

Vyom: You said it.

THAT was a long call, Abhed thought as he entered the campus. A note was waiting for him from Paritosh's father. "Came here hoping to meet you. Met one Arjun Doraisami, in Plus Care's admin, referred by a friend. He seems clued in to implants. Check how their implants are ordered."

Arjun Doraisami was a young man. "I am a systems man," he said proudly. "Finally all life is about systems!"

Abhed: Sounds good to me, but I feel those systems make sense only if someone implements them. Does your hospital have a foolproof system that ensures the patient gets the best and not fakes?

Arjun: Usually good doctors won't use fakes. That is part of the training. At Plus Care, we have central procurement; based on rate or service efficiency a brand is finalised.

For implants? No, we do not carry inventory. Our doctors have preferences, and they call the supplier and tell him to leave stocks in specific stores, usually nearest to the hospital. In your friend's case, the attending ortho will tell you where to buy it from. See, implants do not form a big part of a multi-speciality hospital's revenue-earning surgeries. That means, such hospital's influence is low. In a multi-speciality hospital, the

'We submit to superiority, to age, to seniority, but never to logic'

number of patients who need bone implants is a small percentage of the total. An owner-managed or professional hospital is more concerned about cure rate. They will leave it to the specialist to select the brand.

Abhed: Even larger hospitals? You can't leave it to each consultant to choose brands! Won't there be chaos?

Arjun: Exactly. Some hospitals opt for what is called 'bundling'. Here, the supplier packages the accessories needed for different kinds of surgeries into bundles, and these he supplies at a low cost. This saves the patient's family the stress of running around and buying specifics about which they don't know enough.

Abhed: And saves the hospital inventory carrying costs!

Arjun: Hmm... fraught with control weaknesses though. It saves the patient the running around and stress. So a standard bill of material is the basis for bundling and the patient is asked to deposit say Rs 1 lakh before a surgery and against that the bundle is issued to the OT. I am under pressure to adopt that system here, but I have known suppliers to short-change.

Abhed: Isn't inventory the reason for not carrying high value drugs and implants here at Plus Care? I was finally told to buy a titanium plate for Paritosh, but the doctor insisted that I buy from a specific shop. Why is that?

Why can't I buy from where I want to?

Arjun: I know. A patient could get the same implant anywhere but I will go one step further: even if the patient buys from elsewhere, the doctor will refuse. He fears complications.

Reason? Could be the doctor's concern for avoiding spurious implants. You know that case of the fake heart stents that turned fatal? Same thing. Or a monopoly gets artificially created by the doctor through patronising a specific shop, and seller becomes free to charge whatever he wants.

Abhed: That alone is a recipe for malpractice! It may be a genuine preference for safety, maybe the vendor is known to stock genuine implants. Can't say. But this is the culture we have encouraged in our country, where dependability is not natural. Corrupt practices are. And to circumvent that, we create sub systems which encourage malpractices! Like your outsourced MRI...

Arjun: Let me be frank, when you exist in an economy where you are not sure of getting the best, where there can be concealing, where there is rampant corruption, the doctor also plays safe. He is not a chemical engineer to know fakes when they come in pretty packages! Maybe that is why he insists 'buy from this shop only'!

Abhed: Have you wondered why patients say, 'give me the best' even when they don't know what is the best? It is a covert way of saying please don't fit me with fakes and kill me. It's like telling your captor, take whatever you want, but spare my life! Because there is no information system that tells you why brand B is cheaper than A.

Arjun: You are not wrong. If you ask questions, you can get answers. But patient never asks, and so doctors don't tell! **BW**

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FIX THE MISSING LINK

The medical device industry stands neglected by policy-makers and industry associations alike

IN THE HEALTHCARE INDUSTRY, regulations and standards play a significant role in assuring consumers of the safety and efficacy of the medicines, equipment and healthcare services. The case highlights serious weaknesses in the regulations governing healthcare industries in general and the medical device industry in particular. Take, for instance, the failure to diagnose Paritosh's fracture correctly: It resulted from the poor quality X-ray machine that did not report a fracture. Lack of effective regulation has led to the presence of such counterfeit products in the market.

The medical device industry forms an important pillar of healthcare supply industries. It plays a central role in patient care, starting with diagnosis, treatment, in the OT, at the bed side, post-surgery and, in some cases, even after discharge. The medical device industry in India stands neglected by policy-makers, regulators and industry associations. This has serious implications for the development of a safe and effective healthcare system for the people. The absence of regulation also delays the entry of authentic local manufacturers into the market, since norms, approvals and guidelines are all a blur. This regulatory vacuum has created a market that is dominated by MNCs on one end and some counterfeit manufacturers on the other. The latter sell cheap by using raw materials of sub-standard quality and circumventing safety norms. Hospitals driven by profits alone prefer the cheaper alternatives, which has serious

implications for patients' health, as seen from the three wrong surgeries carried out on the right arm of Sunetra Govil. In her case, the bone plates were fake, and incorrectly used. One may even question the awareness of attending doctors, since a fundamental bone density test was not carried out on the patient.

Some premier MNC and local companies have their products approved by overseas regulators thereby gaining a false halo of quality assurance. Using these approvals as a marketing tool, these companies have created mutually beneficial relationships with doctors. Doctors prefer to use or prescribe quality products from them and, in turn, companies charge high prices knowing the preference of doctors. This relationship has resulted in a monopoly for these firms in some segments of the Indian medical device market, leading to a situation where the consumer is struggling with affordability, while all other stakeholders are benefiting from the system — for example, Plus Care hospital's MRI decision in the case.

Medical devices around the world are classified based on their safety requirements and several criteria are considered to evaluate the potential risk: degree of invasiveness, duration of contact, affected body system and local versus systemic effects. In the early 1980s, the Indian government realised the need for medical device regulation. However, the problem was a clear lack of understanding of how medical devices worked, their mechanism of action and criteria of performance measurement.

This, in turn, created challenges for implementation and enforcement of regulations and standards. In India, this is aggravated by a lack of coordination between various bodies in states and at the Centre involved in the enforcement of standards.

It is clear that to prevent incidents such as misdiagnosis of Paritosh's fracture and use of fake implants in the case of Sunetra, or to break the nexus between doctors and companies, there is need for a 'smart and appropriate regulation'. In 2013, India took small step towards that by introducing new amendments to the Drugs and Cosmetics Act, 2013 in the Upper House of Parliament. These amendments recognise medical devices as a distinct category and incorporate new regulations in line with standard international practices developed by the International Medical Device Regulators Forum (IMDRF). Sadly, it has been two years and the Bill is still awaiting Parliament approval.

It can be seen that health awareness is a mindset issue that grips not just the patient but also the Indian policy-maker. And Abhed's thinking is right. It's about systems, controls, measures, integrity... and, as the case study shows, a 'smart and appropriate regulation' that brings all these together is still the missing link in the Indian healthcare system.

Meanwhile, the patient bears the brunt, blaming Karma or God. **BW**

The writer is Senior Lecturer in International Development and Innovation at The Open University Business School, UK



WHO IS TO BLAME?

Shift from post-facto blame to proactive accountability for assured patient outcomes

H EALTHCARE IS BUSINESS WITH A cause' — it's a telling statement. It reflects a blend of both the business of care delivery and the cause of human

suffering/healing. Across this case study, as Abhed Govil probes deeper, he unravels the mismatches and dilemmas around the balance between the business and the cause. It is unfair to assume that the cause of human suffering is the driver for sustainable hospital business. Similarly, there are many scenarios of multiple conflicting rights — where choices are not clearly available. For instance, the motivation for innovation in medical technologies will be diminished without the profitability gains attached to it. Therefore, the solution lies in the blend of the business and the cause. The point is: how we balance and make the blend effective. In the context of this case, stated below are 10 key areas to ponder.

1. Responsible purchasing: The ever evolving dynamics of the power triangle between doctors, owners and management in any hospital cannot be ignored. What it takes to arrive at the meeting point is to first define the clarity on standards of medical quality and ethics for everyone to abide by. Balancing between cost/margins and quality of care is valid as long as it does not compromise safety. There is no need to overdo quality. Likewise,

one cannot underdo it either. Safety is the point that differentiates acceptable quality from others. Surgeons must be given the first and last right to make the choice of device in the interest of the patient. While their decision must be upheld over the motives for profitability, they must be able to justify their decision to the purchase manager.

2. Influence in prescribing: I discussed this in the previous analysis as well. It is hard to tell if the influence is positive or negative. Extreme views do not work. Tipping point here is to make disclosures. If payments to physicians were disclosed to public, then Abhed would have a means to assess if there is a conflict of interest due to commercial dealing between the surgeon and the supplier. Banning an activity also kills its upside along with its downside. Disclosures will moderate it.

3. Referral bonus: What if the MRI was actually established inside the hospital and the surgeon got a bonus for cross-selling services? All too suddenly this begins to look ethical. Absolute idealism is impractical and unsustainable. Tagging referral fee as a kickback or a cut does not resolve. Instead, it promotes black money dealings to settle the marketing alliances. Rather, we could consider regulating it at an ecosystem level. This is not to say that kickbacks are being legalised. Transparently incentivising referrals will encourage innovation of many more care delivery

models — with needed collaboration and high levels of interoperability. Whereas what needs to stop is hospitals refusing to accept external diagnosis reports — isn't that a forced internal referral?

4. Managing affordability without compromise: Plot the treatment options on a graph with timeline on the x-axis (from old to new technology) and price on the y-axis. Now, plot original and copies for a relative positioning. Based on available cash, it is wiser to shift to an older-but-original quality instead of a newer-but-fake. Metaphorically speaking, it is more assured to get an original iPhone4 instead of a fake iPhone6. When budgets are limited, choose reliability of the old-original over the advancements of the new-fake. Likewise, shift to a reliable value segment brand instead of a copycat of the top brand — either way stick to reliable quality.

5. Know your options: This phrase is relevant at all levels — for decision by purchase manager, for decision of choice by surgeons or for patients to make their choices. The most comprehensive way to address this need is to start mapping it to a reliable and latest disease classification like ICD-10 with all options filtered by their availability status in the local area. This is unlikely without the regulators' will. Else, best it can go is through a non-profit organisation adopting this as a mission. Universal listing is a foundational step in

enabling informed choices.

6. Health (care) awareness: There is enough said about healthy eating. We all make our own choices based on a variety of information gathered through many means — reading, media, family/friends, internet etc. None of us are qualified nutrition experts. Nor are we training to become dieticians. We do this research and take active interest as a responsibility towards our own health or the health of our dears. Then, likewise, why are we not doing the same when it comes to healthcare? Even the regulator supports the standardisation of nutrition facts on labels across food items to aid our endeavor to stay healthy. Awareness of medical terms and options is equally important. When in need, credible information must be easily available. Professional associations for every specialty and the NGO/NPO sector have to play a key role here, in addition to suppliers and providers.

7. Informed consent: Is it just about a form to be signed? Unfortunately, the essence of this is lost when it simply boils down as requirement for paperwork. Do patients really understand the risks, benefits and alternatives of the proposed treatment options, before they sign the consent form? That is the difference between simple consent and informed consent. It is a legal and ethical right of the competent patient (or surrogate thereof) to direct the choices about her/his own body; and, in turn, the ethical duty of the physician to involve the patient in such decisions including but not limited to the nature of the decision/procedure, reasonable alternatives to the proposed intervention, the relevant risks, benefits, and uncertainties related to each alternative. In this case, Abhed needs to crucially examine the controls over the assessment of his mother's understanding of her treatment and her acceptance of the intervention.

8. Common minimum standards: The regulator needs to raise the bar

for entry. Nip it in the bud — that's the most effective way to keep the market free from sub-standard quality.

Framework to regulate devices needs domain depth in every area plus a process of incorruptible independent validations. We have to treat the allowance of sub-standard devices into the menu, at the same level that we treat arms and bombs entering our society to kill our citizens.

9. Error reporting and agile active vigilance: Consumer complaints and redressal mechanisms are an integral part of a continuous improvement process. We have to take a stronger stand on medical accountability with fair and appropriate consequences

Communication and transparency are the most effective levers for assurance and accountability in healthcare delivery

for negligence. If we really mean to make safety a priority, then cases of negligence must be dealt with the same level of harshness as those of dowry, sexual and other such heinous crimes. We have to offer whistleblower protection to encourage reporting. Enforcement is not an easy task. Nabbing the malpractices will also need agile, active, non-corruptible vigilance. Public participation is the most sustainable way to do this. Culture of accountability is a balance between rewards and sanctions — or carrots and sticks. Positive fear is an important watchdog. For simple examples, we can look at the DND complaints process supported by

TRAI; or how the RTI Act has shown its worth in changing the tone of our democratic setup. The design of the road map that implements error reporting may reference such similar tried and tested formats.

10. Collective accountability and shared decision making: Healthcare delivery is not a solo sport. Collaboration must pool expertise and resources for assured outcomes and improved patient care. Evolution beyond informed consent is shared decision making; where the doctor and patient participate with each other in collating/analysing all possible dimensions and variables to make decisions together. This open-dialogue-approach is the most effective in achieving optimized levels of care. It brings out the most intricate yet relevant aspects to personalise the decision.

End Notes: Communication and transparency are the most effective levers for assurance and accountability in healthcare delivery. This case clearly shouts out for the much needed emphasis on proactive accountability. Overly relying on blame can also make the physicians risk averse. We need to keep them empowered with adequate room for personal discretion and judgment — it will enhance their research with benefits only to society. While we may have incident-response-mechanisms in place to manage adverse events, to affix blame and to remedy the reported errors; agile active vigilance has a bigger upside that will deliver saved lives and alleviated sufferings. We have to shift from post-facto blame to proactive-accountability for assured patient outcomes. This will inculcate mindfulness throughout the sector to move beyond events and occurrences to a robust culture of accountability. Needless to add, also raise our health quotients. **BW**

The writer is MD, INHX (Indian Healthcare Exchange). He is a keen analyst of the healthcare industry with primary focus on supply chain, medical devices and patient experience

AFTER HOURS

GADGETS, GIZMOS, APPS / HEALTH & FITNESS / BOOKS / AND OTHER FUN STUFF

TRAVEL IN A
FAST-CHANGING
WORLD

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A PHONE THAT'S
EASY TO HOLD
AND LIGHT

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MAKE YOUR LIFE
SIMPLER
AND EASIER

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THE CHANGING
TRENDS IN
TECHNOLOGY

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ANAGGH DESAI
REVIEWS THE
POWER OF
NOTICING

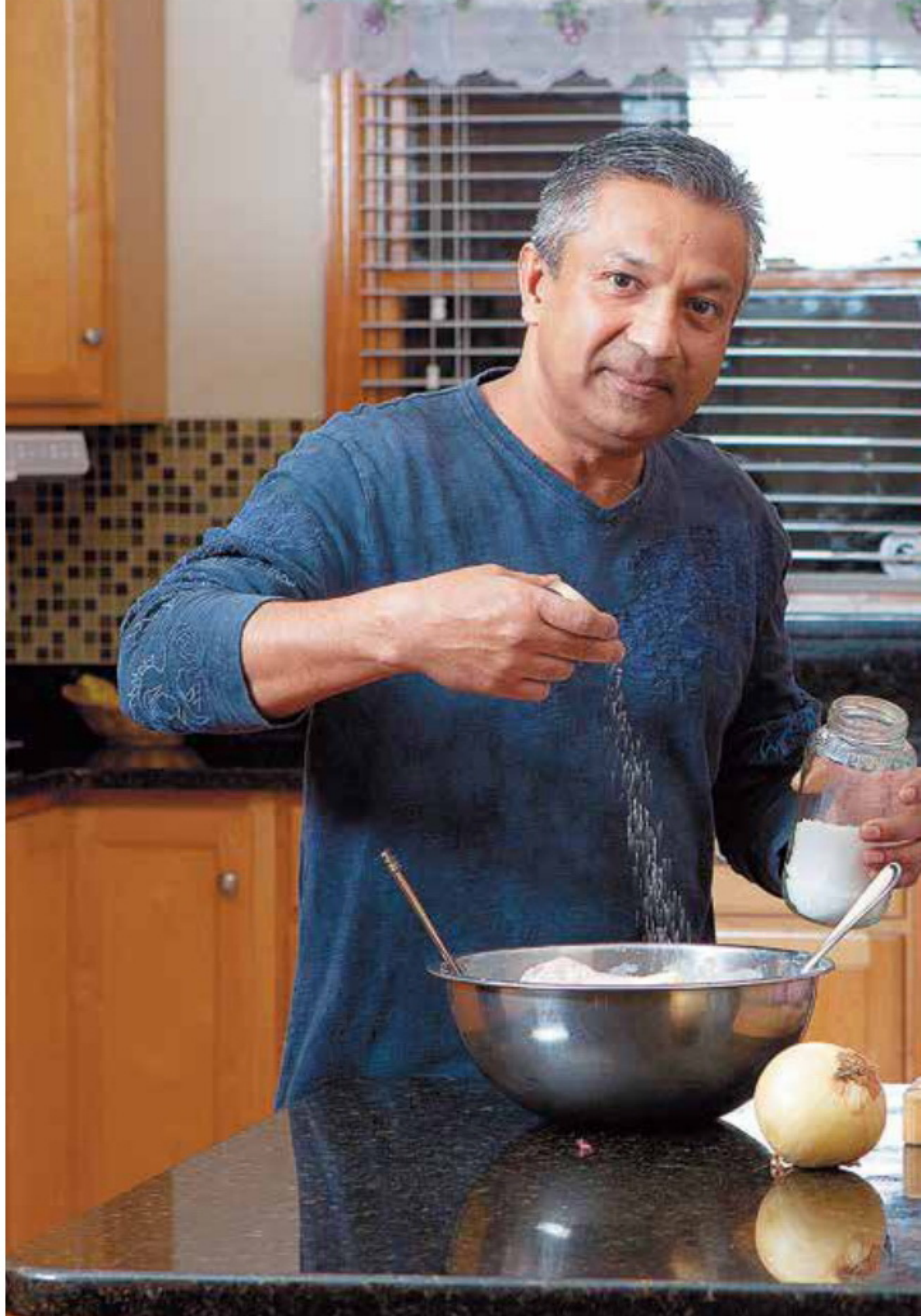
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FAR AND WIDE

Expect to see a lot more people travelling in the new year in search of local flavours and genuine experiences

By Nikhil Ganju



A **S 2014 DRAWSTO** a close, without leaning too much out on the proverbial branch, I can safely surmise that it has never been a more exciting time for the global travel industry. Travel, that engine of pure unadulterated joy and also commerce, has never been more prevalent and more economically important — global travel bookings are estimated to be close to \$1.5 trillion and predicted to grow at a

robust pace over the next decade or so as the emerging markets of Asia, Latin America and eventually Africa, mature and grab a much larger share of the global travel pie.

After being rocked over the last few years by events primarily triggered by the global meltdown and recession, and constantly threatened by increasing political instability in various parts of the world, at the end of 2014, the global travel industry as well as

travellers have genuine reasons to be optimistic about the near future. Various surveys and studies concur on the returning buoyancy of traveller sentiment in terms of increasing spending predicted for 2015. That's true even for the Indian market. According to the TripBarometer, which is the world's largest travel and accommodation study, Indian vacationers intend to increase their travel spending by a ro-



LOCAL FLAVOUR: Travel is increasingly moving away from ticking off 'touristy things' from your list to experiencing local culture

bust 15 per cent in 2015 to an average of Rs 2,20,000 through the year, even though only about a third of them are 'very optimistic' about the economic outlook.



To do what the locals do is the latest travel trend with more and more travellers looking for authentic experiences

For the purpose of this piece, instead of dwelling separately on a 'wrap-up' of 2014 and 'crystal ball gazing' for 2015, and since the market never changes on the night of 31 December, I have collated and briefly elucidated on some trends we have been seeing for a while in the world of travel and travellers — a common thread running through most of these is the increasing use of technology and how it is turning travel discovery

and consumption on its head for the most part.

Mobile

Yawn, most of you are probably thinking — but in my defence, I would like to clarify that most of us in the industry no longer think of mobile as a 'trend' anymore — just like you wouldn't think of an airplane as a 'trend' anymore — it's just a ubiquitous entity, conduit, companion, channel, device, technology, call it what you want,

it's just everywhere now. And its repeated mentions in the subsequent 'trends' will show just how.

Mobile Booking

Over the next few years, it is a widely known prediction that more travel bookings will take place over mobile devices than through the good old desktop. While a couple of years ago, this was still 'pie in the sky' thinking, those who have woken up late will be surprised to

know that even in India, mobile travel bookings are expected to touch well north of a billion dollars in 2015. And before they were making actual bookings, travellers were using their mobile devices for many other travel related things — search for information on destinations, comparing real-time pricing, checking flight status and schedules, finding places on maps, discovering stays and things to see around them, and more



As travellers look for budget deals, LCCs will continue to gain market share

than anything else, taking and sharing trip images. By the truckloads. This will only continue and become a tidal wave in 2015 that travel companies will be forced to learn how to ride. Or perish.

Discreet Travellers

Travellers are becoming more self-reliant and discreet. In fact, a significant number of them are explicitly demanding to be excused from the 'template-driven', 'personalisation' attempts by airlines, hotels and other travel suppliers. But they are also demanding more control over elements of their planning and consumption of travel

— think self check-in's, printing of baggage tags and boarding cards, purchasing extra baggage and other ancillary services online prior to reaching the airport, self check-in's at hotels (a trend still in its early stages, but predicted to be rapidly adopted shortly) — you get the point.

Local Immersive Travel

The continued rise of 'local immersive travel'. A hark back to the days of old when travelling to a destination meant much more than a whirlwind tour of the 'must-see' attractions plus 'cultural evening' thrown in. A meaningful set of trav-

ellers (some of them already described in the earlier point about discreet travellers) will look to their travel suppliers (hotels, travel agents) to give them local insights to be able to 'do what the locals do', indulge in slower experiences that help form lasting memories and hopefully relationships — the way travel used to back in the days.

The Millennials

Primarily born in the last quarter of the last century, these are people (mostly like me) who seem to have a more practical approach to travel, who are doing things themselves using technology wherever it's

available — researching + transacting + sharing travel online, etc. While their spending power is bound to increase over time, they are currently a notch below slightly more senior travellers who prefer and consume lux travel.

The Chinese Traveller

Enough and more has been said about the market-changing opportunity that the increasingly outbound Chinese traveller represents. For you and me — expect to see a lot more Chinese

travellers at airports, in destinations, restaurants and last but not the least, in luxury shopping malls around the world.

Rising LCCs

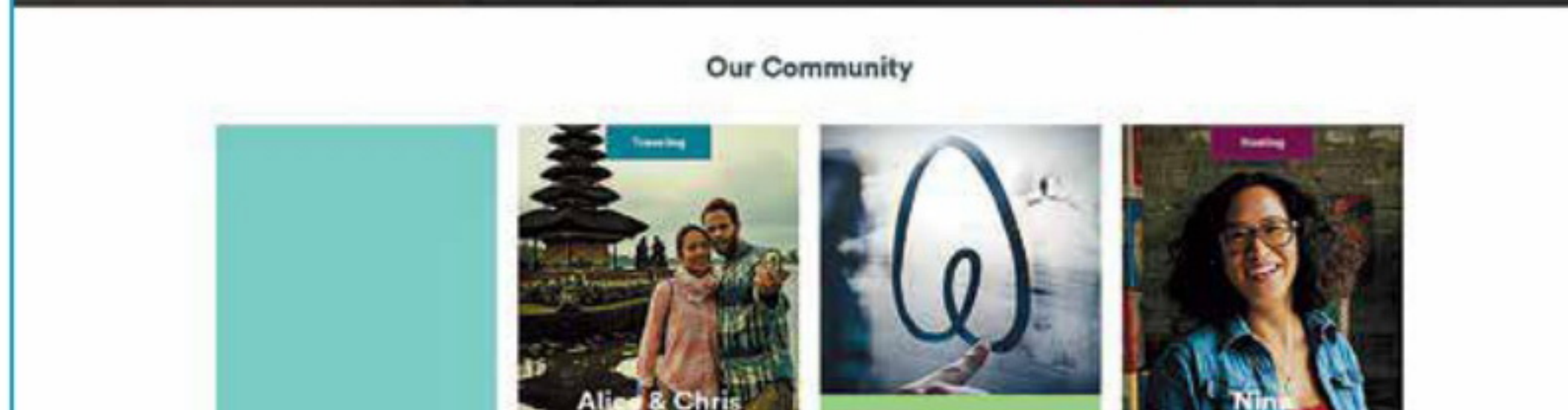
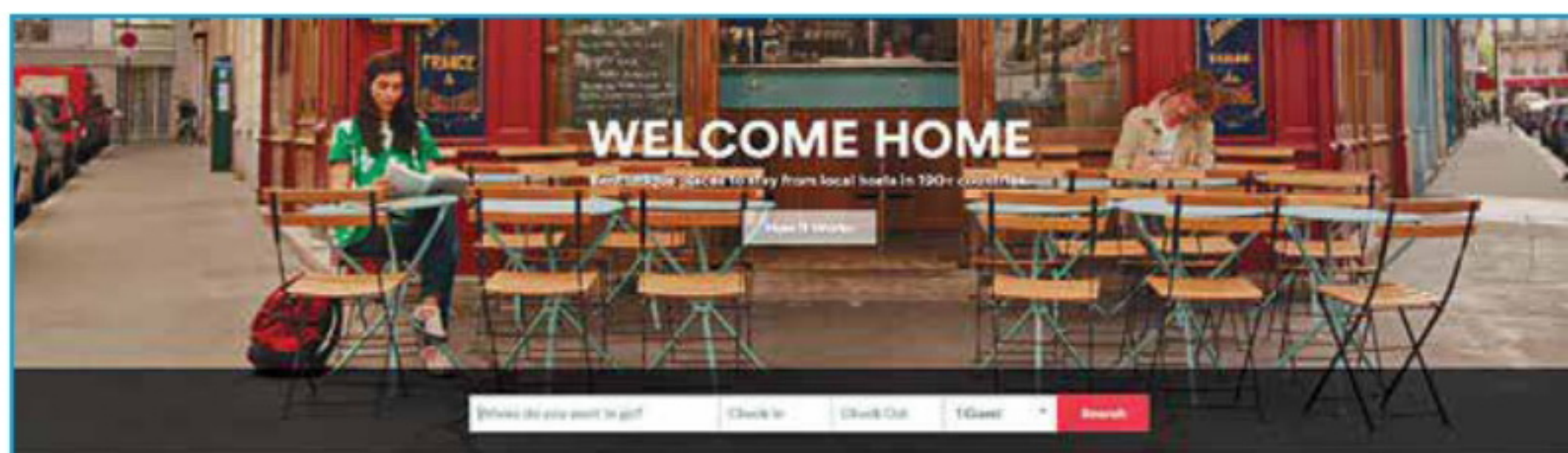
LCC's (low-cost carriers, for the uninitiated) will continue to gain sky-share, for the time being at least. Already in most markets across the world, their share exceeds that of legacy carriers (including India). Expect them to continue unbundling their charges, albeit in a more transparent manner as consumers get more vocal about 'hidden costs'.

Simplifying Travel Searches

That researching a holiday online is a time-consuming activity has been a well-known fact for a while now. Sifting through the mountains of information, reviews, photographs, prices, deals etc., online has been a complex task which few travellers enjoy anymore. Fortunately, startups abound which are looking at tackling this problem and healthy progress is being made at least in the area of 'curated travel listings' where travellers view a filtered, personalised and perhaps even contextual list of accommodations, attractions, etc.

Shared Economy

The explosion of the 'shared economy' will continue and apart from the now well-known Uber and Airbnb, other models



Travellers are becoming more self-reliant and discreet, explicitly demanding to be excused from the 'template-driven' attempts by travel suppliers



BE MY GUEST: Sites such as Airbnb that allow travellers to stay in people's homes have become popular as they provide a different experience

will emerge in this area. Technology will continue to make further disruptions in this area as these companies and models themselves mature and tackle the legislative hurdles they earlier ignored. From a traveller's perspective, this will only dovetail into the existing trend (mentioned earlier in this article) of immersive local travel and discreet travellers, as they choose unique accommodations and experiences.

Online Hotel Bookings
Hotel bookings online is not really a trend from a

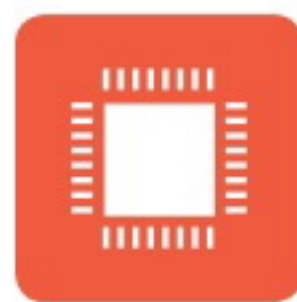
global perspective since booking hotels online is nothing new, but from an Indian perspective, I would still like to include this in here to simply underscore the fact that this is an irreversible trend as more and more travellers experience the convenience of booking hotels online and increasingly on their mobile devices.

Omnipresent Reviews

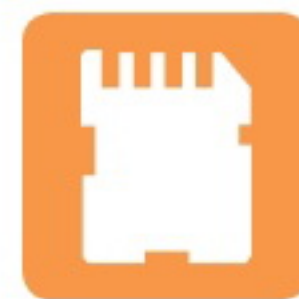
Reviews will become ubiquitous in India — both consumption and contribution. An already established phenomenon worldwide, online reviews

that help travellers compare accommodations and restaurants have become the norm in India as well. Interestingly, Indian travellers are now catching up with their global counterparts when it comes to contributing reviews as well — leading to the virtuous cycle of establishments themselves requesting guests to contribute more reviews, in order to build their reputations online. **BW**

➤ *The author is CEO of TripAdvisor India. For more lifestyle stories, visit www.businessworld.in*



1.7GHz Octa-core Mediatek processor



1GB RAM and 16GB internal storage



8MP primary camera, 5MP selfie camera



4.8 inch 1280 x 720 AMOLED display



2050mAh battery

SLIM JIM OF A PHONE

Feather light and wearing a bright colourful screen, the Gionee S5.1 is great for those who don't like chunky.

By Mala Bhargava

THERE ARE THOSE of us who like a smartphone to have some solidity and heft. And then there are others who like their devices light. The S 5.1 is fly-away light; so light that I initially thought the battery was missing. This sliver of electronics comes from Chinese company Gionee, which should probably make all the headway it can while Xiaomi is out of action thanks to a ban in India.

The S5.1 is really all about its slimness. It's the slimmest phone in the

world. And yes, it's called 5.1 because it's that many mm thick.

What might have looked ordinary in a thicker form, looks and feels specially nice because it seems a marvel to be able to pack in so much in such little space. And it is. Of course, you'll have to be super careful with it because it's easy to forget in a pocket or anywhere else. You wouldn't want to sit on it and hear a bit of a snap, though it's not about to bend.

I had a look at the white version, but there are black, blue and pink ones

available as well. It's all glass and metal and has nice classy looking edges. The back doesn't open up, but well, the phone is light enough for you to be keeping a portable charger handy somewhere. No one should be seen without one of those any more.

Gionee has put all sorts of stuff into the box and that includes a flip case. Thoughtful really, but the case has to be stuck on with whatever they've put on it and this will effectively hide the whole reason for which the phone is thought to be special.

Also in the box is an OTG cable, the usual charger and a number of screen guards. The screen on this phone is an AMOLED, strongly coloured and vibrant and no compromises on viewing angles. It's a 1280 x 720 display of 4.8 inches. It's narrow and even my thumb can reach to the other side of the display.

On the home screens, you'll notice all the app icons. Gionee is another phone maker that likes to put its own skin on top of Android in a way that they hope will make them distinctive. Ask most users who've seen plain Android and they'll tell you it's just an annoyance. I'm afraid I'm in that camp as well, as I'd rather have the option of doing what I want on the phone and if not, stock Android is pretty nice looking on its own steam. Instead, several companies have tried to customise by removing the app drawer, chang-

ing icons, and providing themes and gesture features. That's what Gionee has done with its Amigo 2.0 interface as well.

The benchmarks place this handset somewhere between the older HTC One (not the M8) and the LG G3. It works fine but some reviewers do report lag. I'm afraid that's a situation that occurs with many phones, once they're fully in use and packed with apps and data. The S5.1 has 16GB of internal storage but no external slot and that's a downer with many, except that at least it's better than the 8GB you often get. Gionee has put in a lot of apps onboard to begin with though.

The handset has a cramped but interesting keyboard with predictive text on steroids. You can flick words up and have them float up into the text area. That's always nice and as you get used to the phone, a keyboard like this will make one handed text input easy. Of course, all sorts of keyboards are a download away.

The cameras on this phone are 8MP and 5MP and they're both about average. The camera lens doesn't stick out of the phone, which is a nice bonus. There are two camera apps, one regular and a "Charm Camera" that lets you do all sorts of things like beautify and also click documents.

If big heavy phones really frustrate you, consider this slim Jim. **BW**

✉ mala.bhargava@gmail.com

CHECK OUT

Rs
19,990



HUAWEI HONOR 6

Huawei's recently launched Honor 6 has the design popularised by earlier iPhones. The slab-of-glass look, though it isn't glass on the back. It's now a bit of a tired design, having been copied and given a twist here and there by so many companies. But if you're not looking for something particularly different, it works.

It's a 5-inch screen phone and being in the pre-phablet size, it's easy to hold and use, including with one hand. It has a 1080 x 1920 screen with a nice high pixel density of 445ppi. Whenever you turn the phone on, the lock screen will show you a new wallpaper, though you can just set your own, of course. It makes for a nice surprise. Swiping up from the bottom of the lock screen brings up a quick menu which includes things Huawei thinks you might want to access quickly, for instance, the music controls.

You also have an option of two home screen styles, one regular Android and the other "easy" mode with large tiles. There are lots of other software touches like that with Huawei's "Emotion UI" interface, on top of Android KitKat which is nothing special and mostly annoying as most such "skins" are.

The Honor 6 uses Huawei's own 1.3 GHz octa-core processor, Kirin 920. With 3GB of RAM to work with, it has the phone performing smoothly with no hiccups and slowness. The battery is a 3000mAh and performance fine – not spectacularly – and you have some power saving modes that help. There's 16GB storage on board with a card slot for 64GB additional.

Camera specs are good – 13MP and 5MP – with a simple camera app. Camera performance is about average, sometimes surprisingly good even in low light and sometimes as noisy as many others. But it does have a fast shutter.



FOR CLEARER PHOTOS



PHOTO EDITING APPS are a dime a dozen, but Perfectly Clear auto corrects your photos in a mere moment.

It's on both iOS and Android for Rs 190 and also on the Amazon app store, for those who have the Fire or for those who have Blackberrys with access to the Amazon store.

Perfectly Clear can start in camera mode, or pick up photos from the gallery. In a flash it enhances the image, making it look surprisingly better. This isn't an app for effects — you'll have to use the ones on your device or use another app for that. And while many effect apps let you adjust properties of the photo, it's time consuming. Perfectly Clear is a quick fix, a somewhat more interesting one than the enhancement feature you may find on your device. There is additional tinkering to exposure, dark and light, tint etc.

MICROSOFT WORD FOR IPAD

IPHONE AND IPAD users can finally get a functioning set of Microsoft Office applications free from the App Store. If you're not a business user you no longer need an Office 360 account to create and save documents, not just view them, as before. You'll need to get Word, Excel and PowerPoint separately. Those who were on the fence about buying an iPad because they weren't sure if one could use Office on it may now find the decision easier.

The Office apps are not as jam packed with features as the computer versions but they're definitely usable. Until now, there were many other apps you could use, but this is the real thing and can even save your files to Dropbox. Happily for consumers, Microsoft has figured out it could lose the grip on users for office



applications unless it gives a little. Apps for Android are coming soon making all tablets more productive.

CATCH SOME ZZZZ

BETTER SLEEP, from the Runtastic people, is an app that helps you track your sleep and correct a few poor sleep habits — provided you want to work towards that. Download on iOS or Android free (Rs 100 to unlock all features) and place it next to your pillow, where it proceeds to calibrate, figuring out the flat and still feel of the bed to differ-



entiate it from movement. Then, you see if you want to sleep the recommended amount or otherwise, touch a few buttons to log

whether you ate late, worked out, drank caffeine, etc, and press the start button to sleep. If you move too much the app will decide you're not sleeping too well and based on the pattern, give you a report the next morning. It's up to you to change around whatever needs changing, of course. You have stats to work with — now improve that sleep to improve your day.

THEN AND NOW

A lifetime past shows how one can never stop feeling wonder at technology



By Mala Bhargava

A

S WE LOOK FORWARD TO 2015 AND, I'M SURE, MANY DEVELOPMENTS in technology, I can't help looking back to the end of 2014, on a sad personal event. I lost my marvelous father, a former test pilot in the Indian Air Force and an exceptional person, to a sudden illness that left my family and me reeling at the hole in our lives. As I eventually got myself back to work, I realised that in a way, it was my father who was responsible for my writing my long-standing column in this magazine. This is because it was he who put the love of technology into us — me and my siblings. While he lay in his hospital bed, 86 years old, losing blood, getting weaker and in obvious discomfort, he still called for his gadgets to be brought to him. Fancy complicated watch, iPad, phone, special headphones, FM receiver, he wanted them all with him in the ICU. Of course, he was allowed no such thing.

Today we talk of “digital natives” and a generation that has been born into technology, but for my family, digital life began long ago, thanks to a father who had an abiding fascination with new ways of doing things. It started long before I was anywhere on the scene. When he was in Allahabad University, he rigged up his hostel room door to switch on the lights on being opened. This caused such a stir that his friends and relatives would regularly bring “tourists” to see this bit of magic for themselves. Today, we wouldn't think twice about lights that turn on automatically. In fact, today lights are supposed to do what we want even if we're not there and when we are, respond to our moods.

Early adopters is a recent term, used over the past ten years or so. But we were early adopters ever since I can remember. One day I got home from school to find strange boxes adorning the walls of all our rooms. These were intercoms, now almost obsolete. But how amazing they seemed

when they were a new concept. My father gave all of us a Morse code and that's how he alerted us to the fact that he had a message for us. Amusingly, our houses being small, we could hear each other without the aid of technology anyway. But it was fun while it lasted. Today, a mere vibration on a wrist can relay a message.

There was also much excitement in our house when a device that seemed to conjure up a whole orchestra in front of you, arrived. A little box with buttons and some earphones — the Walkman. I still remember the absolute wonder on our faces as the music came alive on this revolutionary gadget, sounding so real and so different from our scratchy LPs. One third of our living room used to be taken up by audio equipment, including ham radio tuners, amplifiers, and enormous speakers. It was unbelievable that head-filling sound could come out of the little Walkman and more so, that you could carry it around with you.

Needless to say, our household had one of the first few personal computers, the Sinclair ZX Spectrum. It had no hard disk, no screen, no nothing. It was like half a laptop. You had to connect it to the TV to give it a screen and you had to key in code from the Spectrum magazine to use a program. We didn't realise it then, but this new toy was the start of our careers, all of us children. Some years later, my father took away my beloved typewriter despite my loud protests and plonked a much bigger box on a table in my room. My first PC with just about nothing on it but a C prompt that scared me silly since I didn't know what to do with it. But barely a year later, I used it to create and launch a personal computing magazine.

And so it was that we grew up with VHF radios and cassette recorders, digital pens and FM equipment, using email before the Web arrived and printing beautiful documents before households even knew you could have a printer at home. It was immensely enjoyable and the foundation for what each of us in the family does today. And it's only when my father was gone that I realised fully where I got my absolute wonder at technology from. **BW**

mala@pobox.com, [@malabhargava](https://twitter.com/malabhargava)
For other columns by Mala Bhargava, visit www.businessworld.in

LEAD
REVIEW

DON'T IGNORE THE OBVIOUS

A N INTERESTING NAME FOR A BOOK that begins very well, right from the preface, which shares personal experiences and then goes across to cover areas such as school, college, church, auction, gambling, financial institutions, a bit of government, security, the entire nine yards.

What emerges in Maz Bazerman's *The Power of Noticing* is common queries and pointers that question the facts as an outsider has noticed and some suggestions with examples of how it could/should have been addressed.

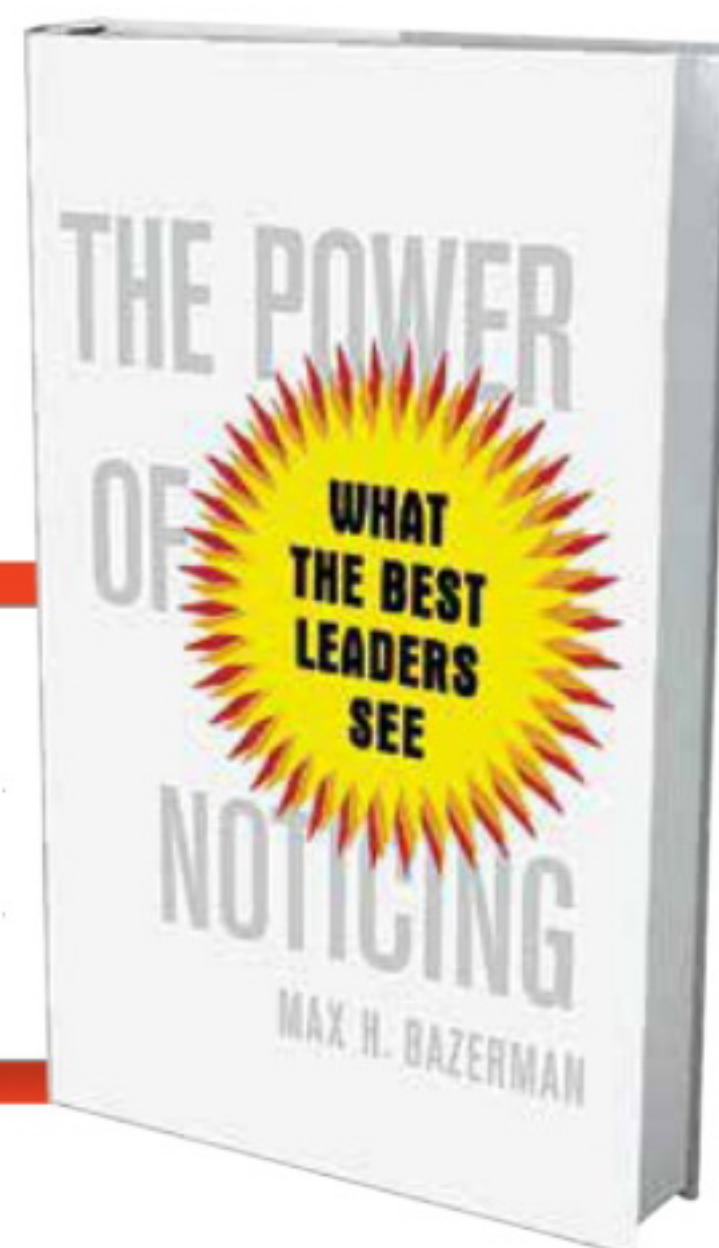
A particular example of what an audit firm should and should not do is quite relevant, given the fact that by extending to everything, the firm lays itself open and unable to deliver an independent audit.

In his book, Bazerman, a professor of Business Administration at Harvard Business School, brings about common facts at different levels and categories, where some examples of how it does not affect me, leads to implicit blindness (which I am sure even in family and friends surroundings, we end up practicing). How there are practices, that the industry

THE POWER OF NOTICING
What the Best Leaders See

Maz Bazerman
SIMON & SCHUSTER

Pages 215; Rs 699



BY ANAGGH DESAI

Whether in personal or professional life, who does not notice conflict of interests — most businesses end up doing it, however practically everyone ends up turning a blind eye

implicit blindness leads to a continuation of bad practices till the bubble bursts.

Whether in personal or professional life, who does not notice conflict of interests — most businesses end up doing it, however practically everyone ends up turning a blind eye, here the example of Satyam has been referred to; but stopping or stepping away from recognising the conflict or calling it out is difficult and few manage to do it.

Except for Satyam, most examples are from

the companies in the US, where the financial irregularities have been the focus and the author asks questions of what could have been controlled or should have been checked by the leaders.

I would have liked some examples or cases where the best leaders had noticed and guided their organisations better. But then it would not have fitted in the examples used.

I have had the pleasure of working and learning with some good leaders

during my career, who had immense power of noticing things — asking for more data, information, access — than was presented to them in a normal way, which helped them in making better and informed choices. But, there are many variables, circumstances (not that I condone the ethics part) where in spite of being aware, noticing, one ends up turning a bit of blind eye. And sometimes it comes back to bite you, when you realise that 'Hindsight is 20/20'.

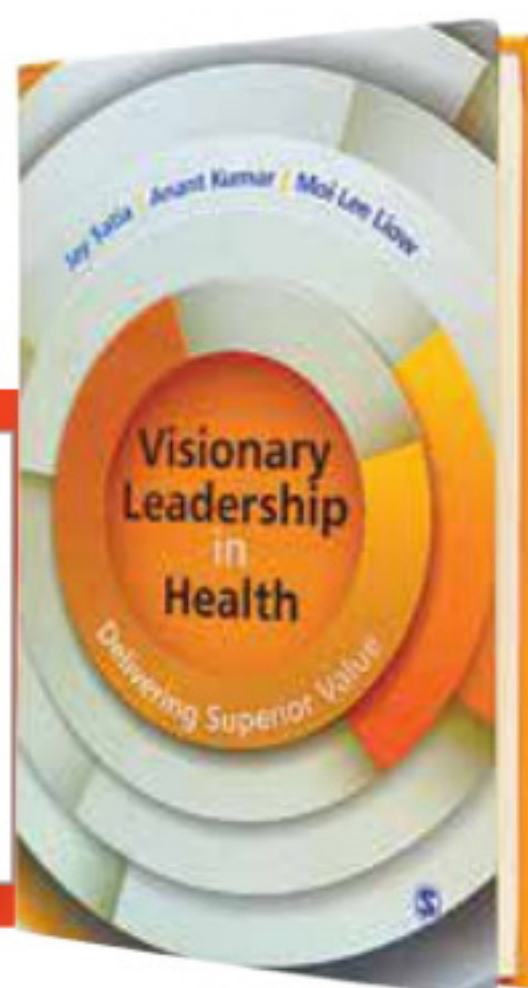
The book would be a good read, may be twice over the first time to get through and understand what the author is referring to and then mapping some of one's personal examples and how they could be addressed differently by noticing the variables that had not been considered. **BW**

➤ Anaggh is Co-founder, 1+99, a customer experience design consultancy

**VISIONARY LEADERSHIP
IN HEALTH** Deliver-
ing Superior Value

Jay Satia, Anant Kumar, Moi
Lee Liow SAGE PUBLICATIONS

Pages 348; Rs 995



Lead, Heal and Manage

INDIA NEEDS LEADERSHIP IN PUBLIC HEALTH

now more than ever.

Poor distribution and low numbers of health workers, low public spending, an unregulated private sector and poor inter-sectoral coordination all cripple the health system, leading to high infant and maternal mortality. This means that problems such as child-undernutrition are allowed to continue without any kind of coordinated or sincere response. Only visionary leadership can help people exit their official silos, to coordinate inter-sectorally and identify durable solutions. Leaders with the ability to empower and inspire health workers, create partnerships, and build a shared vision, all make universal health coverage seem like a real and proximate possibility. All of which makes *Visionary Leadership in Health* a very timely addition to the public health literature.

The absence of public health leaders is a hard gap to fill. Public health is a relatively new profession



BY ANNA SCHURMANN

in India, and public health was neglected for the first 60 years of the country's history. In the public sector, medical doctors run the health system in most states (Tamil Nadu being an exception). Doctors are trained in clinical service delivery — not managing programmes in a complex systems environment. Some excel, but that is luck, not training or preparation. The result of is poor management and poor health outcomes — and too few doctors available to deliver clinical services.

This highlights a need to ensure all people within the system have the right

skills to perform their job responsibilities, especially when there are too few health workers.

There have been recent efforts to build public health capacity, with the establishment of the Public Health Foundation of India in 2006. However, we still lack senior leadership at all levels of the health system. The book offers a framework for public health leadership, with details of the different competencies and actions required. The four components of the framework are: create and communicate a shared vision; see the big picture to analyse the vision-reality gap; find the path and; inspire and empower stakeholders.

It is illustrated with case studies and lessons learned from all over the world, mostly from resource poor environments. Some of the highlights include Thailand, Uganda and Senegal's local responses to the HIV/AIDS crisis, all of which were locally driven and cost effective. In all cases, there was strong politi-

cal commitment, multi-sectoral and multi-level coordination, effective monitoring and data use, large scale implementation and integration between prevention and care. None of these success factors are possible without strong leadership. These cases provide a great overview of the state of global public health. This global perspective is refreshing. India's public health challenges are urgent, the global knowledge base of 'what works' is an important resource.

The second section of the book focuses on the personal attributes of a leader, including team building, negotiation, communication, conflict management, creating partnerships and working collaboratively. While this is a shorter and latter section, it is possibly the most important content — key to building leadership ability is to know yourself well, know your weaknesses and constantly improve.

This book would be useful as a textbook for public health degree courses. However, it also incorporates analysis tools useful for problem solving and thus, could also be a handy professional guide. While it's too dry for reading on the plane, it is an important and timely book. Hopefully it will help build the public health leadership the country so urgently needs. **BW**

➤ Schurmann is an independent public health consultant

THE MONEY MEN OF INDIA

BY SURESH RAJAGOPAL

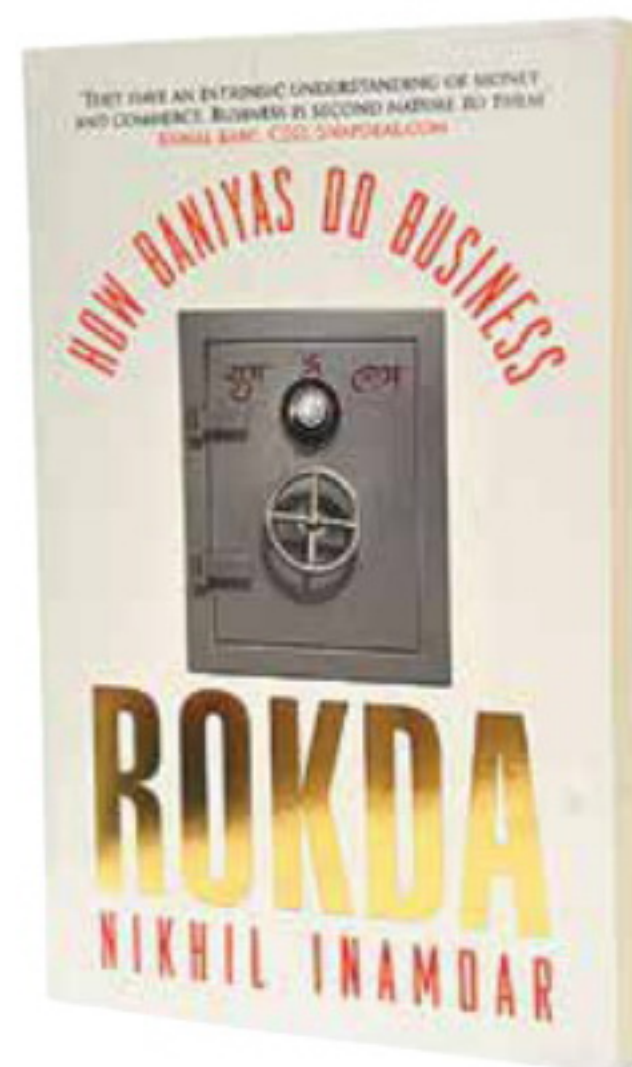
WHAT MAKES BANIYAS AS A BUSINESS COMMUNITY TICK?

It is an interesting subject which the author Nikhil Inamdar explores by showcasing five personalities from this community who are behind Emami, Meru Cabs, Snapdeal, Hindware and Bansal Classes.

Rokda: How Baniyas Do Business (Random House) states that while baniyas are perceived negatively (think bloodsucking money lenders), there are several positives too. Such as their stomach for risk and high trust culture, the strong joint family and community support infrastructure and their penchant for keeping close tab on costs and spending conscientiously. For example, Neeraj Gupta of Meru was ahead of his times in recognising that travellers needed a clean and efficient service, which would be transparent with its fare charging. With VC funding, the idea really caught on and the fleet expanded. However, in its growth phase, it faced rebellion within the

ranks, which crippled the service and caused damage to cars. Lessons have been learnt, ownership and management has been segregated and several new initiatives have been taken. The company now has 8,000 cabs with over 1.8 million customers every day across six cities.

Equally inspiring is the tale of Bansal classes, which has put Kota on the map of engineering and IIT coaching. Hailing from a family of modest means, V.K. Bansal graduated with flying colours and life seemed rosy. However, muscular dystrophy struck him at a very young age and doctors gave him little chance of living beyond 40. Undaunted and though bound to a wheel chair, Bansal took up maths coaching for aspiring engineering students and the rest, as they say, is history. Bansal faced several challenges along the way; lecturers were poached by competition and several other classes came up, some more successful. All is not lost; under Bansal's guidance, his



children are now aiming to grow the business and recover its lost glory.

The five tales in the book are told well and are great studies of opportunism, risk taking, resilience to tide over exceptionally tough times and adaptability to change with the changing business environment. On the reasoning and analytics of bania qualities which make them succeed, the book does not delve deep enough. An examination of their community psychology would have helped complete the picture. **BW**

➤ *Rajagopal is CEO, Consumege Wealth Managers*

BOOKMARK



DILJEET SINGH,
Chief Sales
and Market-
ing Officer,
Gati-KWE

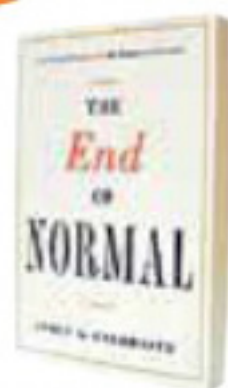
Recent reads: *License to Live: A Seeker's Journey to Greatness* by Priya Kumar; *Good to Great* by Jim Collins

I recommend: *Steve Jobs* by Walter Issacson

On my shelf: Biographies, books on leadership, marketing and management

NEW
ARRIVALS

OFF THE JACKET



THE END OF NORMAL
JAMES K. GALBRAITH
(Simon & Schuster)
Rs 599

Contemporary economic analysis in the aftermath of US financial crisis



THE CAPITAL OF NATION
LALITA SOM
(Oxford University Press)
Rs 995

How human, social and institutional capital affects economic growth



SEVEN UNCOMMONERS
RIDHIMA VERMA
(Prakash Books)
Rs 350

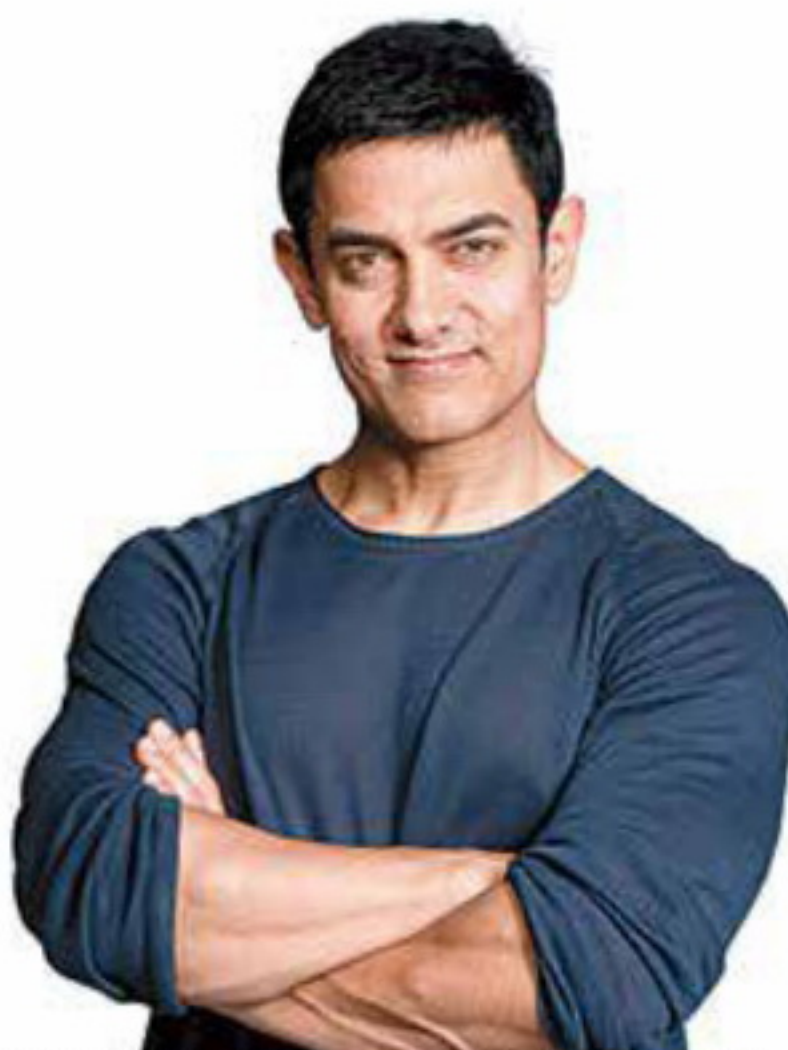
Stories of first gen entrepreneurs – Vishal Gondal, Prasad Lad and more

BW's Sanjitha Rao Chaini interviews Pra-dipta Mohapatra and Ganesh Chella, authors of 'Are You Ready For The Corner Office: Insights From 25 Executive Coaching Experiences', on leadership transition; Graham Alcott, author of 'Productivity Ninja'. Column: Ashok Rajagopal on challenges in writing for children

➤ books.businessworld.in

In The Eye Of The Storm

AAMIR KHAN's latest film *pk* has stirred up a row even as it sets records at the box office. Right-wing outfits vandalised theatres screening the film in many cities, alleging that it hurts Hindu sentiments. On Twitter, #BoycottPK fought it out with #WeSupportPK. BJP leader Subramanian Swamy claimed *pk* was funded by the underworld and ISI. Aamir defended the film saying: "We respect all religions... I don't think any of us are talking about any one religion in particular."



Real World Trouble



Tamil film actor Rajinikanth's wife LATARAJINIKANTH is in trouble. The Export-Import Bank of India has issued a possession notice against her for non-payment of Rs 22.21

crore that Mediaone Global Entertainment had taken on credit for producing the Rajinikanth-starrer *Kochadaiiyaan*, directed by daughter Soundarya R. Ashwin. Latha had signed on as the guarantor. The bank had issued a demand notice asking Mediaone to repay the amount with interest, liquidated damages and other costs within 60 days. When the payment was not made, the bank decided to take possession of the asset, a bungalow in Chennai.

Stick For Support

Bollywood star SALMANKHAN's visit to Sri Lanka to campaign for incumbent President Mahinda Rajapaksa has drawn flak from political parties in Tamil Nadu. MDMK chief Vaiko called Salman a betrayer for sup-



porting Rajapaksa, who was ruling Sri Lanka in 2009 when civilian casualties peaked in Tamil-dominated areas of the country during the fight between the army and the LTTE. Salman is the first Indian actor to be roped in for a poll campaign in that country.

Conduct Unbecoming?

Sun TV Network chief operating officer C. PRAVEEN was arrested for allegedly sexually harassing a woman, who held a senior post in Surya TV, the Malayalam channel under the network. She quit her job five months ago. Police said she had furnished evidence, including voice and data recordings of conversations. The network remained mum on the development. Sun TV is owned by the Maran brothers — Kalanithi and Dayanidhi.

END OF AN INNINGS

M.S. DHONI dropped a bombshell by retiring from Test cricket in the midst of India's tour of Australia. Dhoni said he wanted to focus on ODIs and T20s. One of India's most successful cricket captains and under whom India won the 2011 World Cup, his name allegedly figured in the Mudgal report on the spot-fixing scandal. Experts say his decision will not affect his brand value. As per 2014 figures, he endorses 20 brands, earning an average of Rs 13 crore per annum for each.



SKY MARSHAL

M. SATHIYAVATHY has become the first woman director-general of civil aviation. A 1982 batch IAS officer, she is currently additional secretary and financial advisor in the aviation ministry and has a clean image. Though she has been appointed as DG till 28 January 2017, she may hold the post for a few months only as she is set to be empanelled as secretary later this year. Her first challenge is to restore Indian aviation safety to its top ranking.

CLOSE SHAVE

Hotelier SANT SINGH CHATWAL avoided a three-year jail term for running an illegal campaign funds scheme. Chatwal, an Indian-American businessman who has donated to Democrats, including likely 2016 US presidential candidate Hillary Clinton, was sentenced to three years of probation that includes 1,000 hours of community service and a fine of \$500,000.



FRESH BREW

SANJIV SARIN will take over as MD and CEO of Tata Coffee after the retirement of Hameed Huq, who holds the two posts at present. The board of directors at Tata Coffee approved Sarin's appointment as CEO-designate. He is currently regional president for South Asia at Tata Global Beverages, the holding firm behind Tata Coffee.

THE LAST PAGE



ISSUE DROUGHT

There were only six main-board issues, amounting to Rs 1,261 crore, last year — making 2014 one of the worst years for IPOs since 2005

YEAR	MAIN-BOARD IPOs		SME IPOs		TOTAL	
	NO. OF IPOs	AMOUNT (Rs.cr)	NO. OF IPOs	AMOUNT (Rs.cr)	NO. OF IPOs	AMOUNT (Rs.cr)
2005	53	9,989.52			53	9,989.52
2006	73	19,852.46			73	19,852.46
2007	100	34,179.11			100	34,179.11
2008	37	16,904.42			37	16,904.42
2009	20	19,544.00			20	19,544.00
2010	64	37,534.65			64	37,534.65
2011	37	5,966.28			37	5,966.28
2012	11	6,835.28	14	102.65	25	6,937.93
2013	3	1,283.79	35	335.17	38	1,618.96
2014	6	1,260.9395	40	266.84	46	1,527.78

LIMITED MENU

The mammoth Coal India IPO revived the comatose primary market in 2010. Four years on, the market is once again waiting for a similar blockbuster issue. Is there one around the corner?

Compiled by Shailesh Menon;
Graphic by Prashant Chaudhary

SLIM PICKINGS

Of the Rs 1,261 crore main-board tally in 2014, Sharda Cropchem's public issue of Rs 352-crore was the largest

COMPANY	ISSUE AMOUNT (Rs cr)	No. OF TIMES OVERSUBSCRIBED
WONDERLA HOLIDAYS	181.25	32.42
SNOWMAN LOGISTICS	197.40	46.32
SHARDA CROP CHEM	351.86	51.17
SHEMAROO ENTERTAINMENT	120.00	5.91
MONTE CARLO FASHIONS	350.43	5.69
NCML INDUSTRIES	60.00	NA
TOTAL	1,260.94	

SOURCE: PRIME DATABASE

MORE ON THE WAY

Some companies have Sebi approval in place for an IPO. The approval has a one-year validity

COMPANY	ESTIMATED ISSUE AMOUNT (Rs cr)
JYOTI CNC AUTOMATION	240.00
GREAT EASTERN ENERGY CORPN	300.00
INOX WIND	700.00
ADLABS ENTERTAINMENT	500.00
LAVASA CORPN	750.00
ORTEL COMMUNICATIONS	115.00
MEP INFRASTRUCTURE DEVELOPERS	360.00
TOTAL	2,965.00

MEANWHILE, THE SENSEX...

The 30-share BSE index went from 21140 on 1 Jan 2014 to 27506 on 23 Dec, with an all-time high of 28694 on 28 Nov

21140.48
1 Jan

28693.99
28 Nov

27506.46
23 Dec

NOTE: AT CLOSE ON GIVEN DATE



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