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Navigating The
Sea of Liquidity

Force Majeure
Limitations



Business Today

May 31, 2020 ₹100

8



THE TRANSFORMERS

HOW **INDIAN**
FIRMS BOTH BIG
AND SMALL ARE
REINVENTING
THEMSELVES
TO MEET THE
CHALLENGES OF A
COVID STRICKEN
WORLD



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Re-engineer, Reinvent

There are two deadly fears out there today. Coronavirus and failing economies. Where the former isn't deadly enough, plummeting economies are. As governments flip between the tough choice of saving lives versus saving livelihoods, a few have moved at lightning speed to save their industries. In Germany, the stimulus of \$600 billion was in bank accounts of recipients within the week of the announcement. In the US, companies can self-declare and receive funds instantly.

But Italy stepped in gingerly and continues to struggle. Italian firms had to apply online to ask for government aid. When they did, the website crashed.

In India, it's been a waiting and guessing game. To many, the inordinate delay in announcing the second stimulus is worrying, intriguing – even frustrating.

But the Centre seems in no hurry. There is conviction in the corridors of power that a major stimulus is not needed until the lockdown is opened entirely. Chief Economic Advisor K. Subramanian has also re-enforced the argument being heard unofficially: Unlike in the West – in India, large industries will have to fend for themselves.

The big question is: Where is the money for a stimulus?

First, it has to be squeezed out of available funds from every nook and corner – wherever possible (page 12). And then, the Centre must prepare to bust the bank. But how much? *Business Today* reached out to noted economists and statisticians to ask where to find the money for a major stimulus: Former RBI governor C. Rangarajan; former CEA Arvind Subramanian; Marti G. Subrahmanyam, Professor of Finance and Economics, New York University; Pronab Sen, former chief statistician of India; and Professor Gourav Vallabh, spokesperson of the Indian National Congress. Their unanimous advice: widen fiscal deficit, print money, save industry...do whatever it takes. Read Joe C. Mathew's story.

And while industry waits with bated breath for that elusive stimulus, necessity is breeding innovation. *BT*'s sector specialists put together a fascinating array of industries where firms are going back to the basics to reinvent and re-engineer.

Ajita Shashidhar and Sonal Khetarpal discover that FMCG major Marico and apparel maker Raymond are being myopic – literally. As projections fall by way side and planning gets subverted, they are setting aside long plans to strategise short, very short.

Consumer goods firms are most agile in adding products that didn't exist in their portfolio. HUL has extended three brands with new offerings. ITC has launched two more. And Godrej Appliances has reinvented its semi-automatic washing machine.

In automobiles, Sumant Banerji notes the industry is resigned to low demand. Hence, showrooms will be smaller. Honda, Hyundai, MG, Toyota, Skoda, Ford, Jeep and luxury carmakers like BMW and Mercedes will eliminate dealer visits. Jeep already has a platform that excludes the need to physically go to a dealer. Consumers will gravitate towards leasing vehicles, rather than buying them. Ford, Mahindra-backed Zoomcar and Hyundai-backed Revv are gearing up for 15-20x growth in business.

In pharmaceuticals, P.B. Jayakumar finds Cipla has opened new direct-to-consumer distribution through e-commerce firms, unimaginable before. Medical representative's job has transformed. Instead of visiting doctors, he uses virtual ad-boards, podcasts and webcasts to promote medicines, engaging doctors with global experts; or connecting them with patients.

In agriculture, the biggest challenge of farm-to-customer has been cracked by Bengaluru-based Ninjacart. And among large manufacturers, Tata Steel's new materials business has got non-steel offerings of fibre-reinforced polymer and graphene. Read those in the following pages.



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**The coronavirus pandemic is forcing companies
to reimagine and reinvent**

ILLUSTRATION BY RAJ VERMA



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The May futures contract for West Texas Intermediate crude oil fell to minus \$37.63 a barrel. But retail prices in India have not fallen due to sharp increase in excise duty

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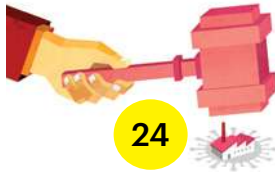
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Best Advice I Ever Got

"Dissent Is the Voice of Progress"

MAHESH BALASUBRAMANIAN

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The Point

OIL'S ZERO-SUM GAME

The May futures contract for West Texas Intermediate (WTI) crude oil fell to minus \$37.63 a barrel. But retail prices in India have not fallen due to sharp increase in excise duty

By **Shivani Sharma** | Graphics by **Tanmoy Chakraborty**

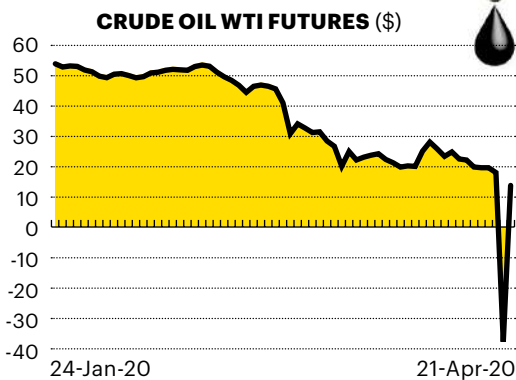
\$45bn

India's likely savings on oil import bill in FY21, according to CII, if international crude oil prices average \$35 per barrel compared to \$65 in FY19



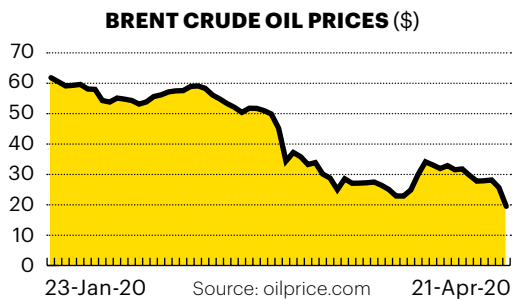
WTI Oil Prices Turn Negative

Demand collapse due to coronavirus and lack of storage pull down May futures into negative territory on April 20



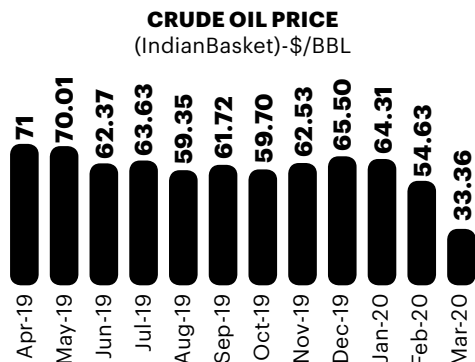
Brent Crude Falls But Not as Much

The more relevant benchmark for India is down 65 per cent in 2020, the lowest in 18 years



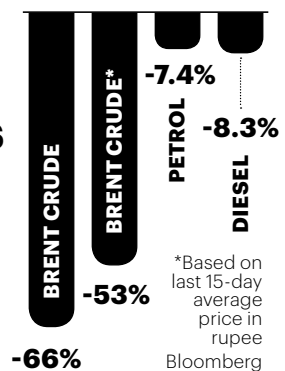
Indian Basket Lowest in 15 yrs

The average price for the Indian basket in March was \$33.36 a barrel, a 15-year low; the lowest ever is \$18.24 in Nov 2001



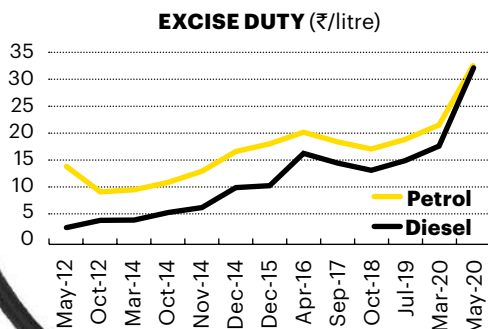
Still, No Respite for Consumers

Brent crude has plunged 65 per cent so far this year. But retail prices of petrol and diesel are down 7 per cent and 8 per cent, respectively



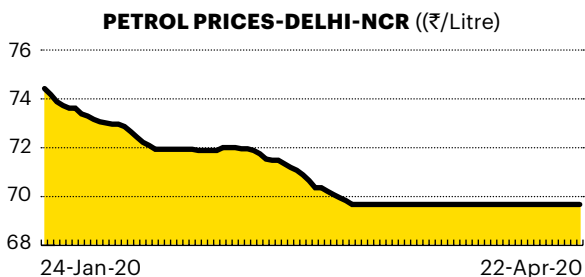
Blame It on High Excise Duty...

The Centre recently increased excise duty per litre of petrol and diesel by ₹10 and ₹13, respectively



...And Retailers Not Cutting Prices Sharply

Also, state-run oil retailers kept prices high to make up for losses due to low fuel demand



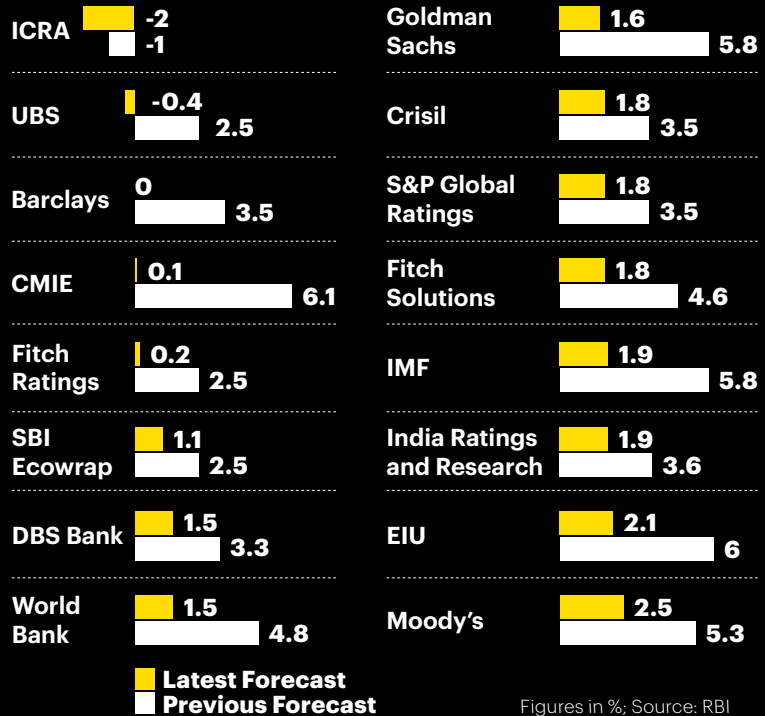
Source: Bloomberg; IndianOil

NO BET ON ECONOMIC RECOVERY IN FY21

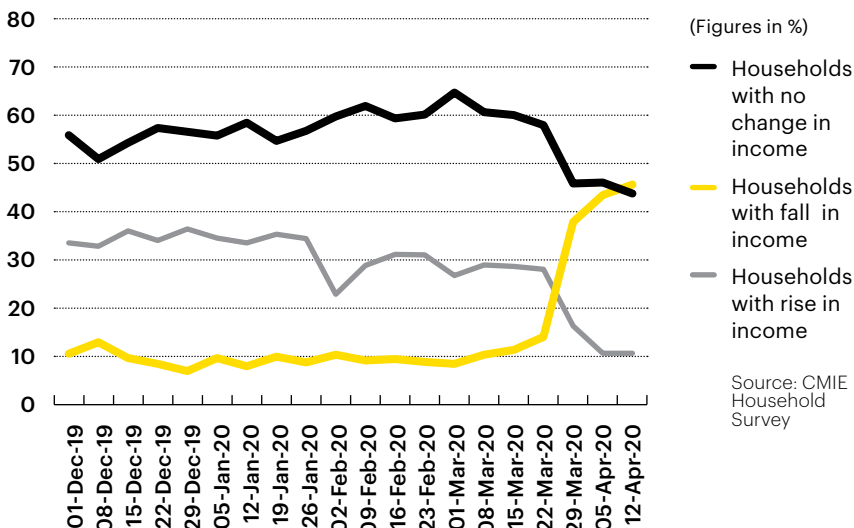
➤ Most agencies have sharply lowered their GDP growth projection for FY21

➤ GDP growth was 5.6 per cent in the June 2019 quarter and 4.7 per cent in the December 2019 quarter

➤ The reason for the expected sharp slowdown is lockdown imposed by the government to contain coronavirus



INCOMES SUFFER LOCKDOWN BLOW



45.7%

households reported a fall in income in a survey on April 12

➤ This is a sharp rise from 14 per cent on March 22, the period coinciding with the imposition of the lockdown

Only 10.6%

households reported rise in incomes, the least since at least December 2019

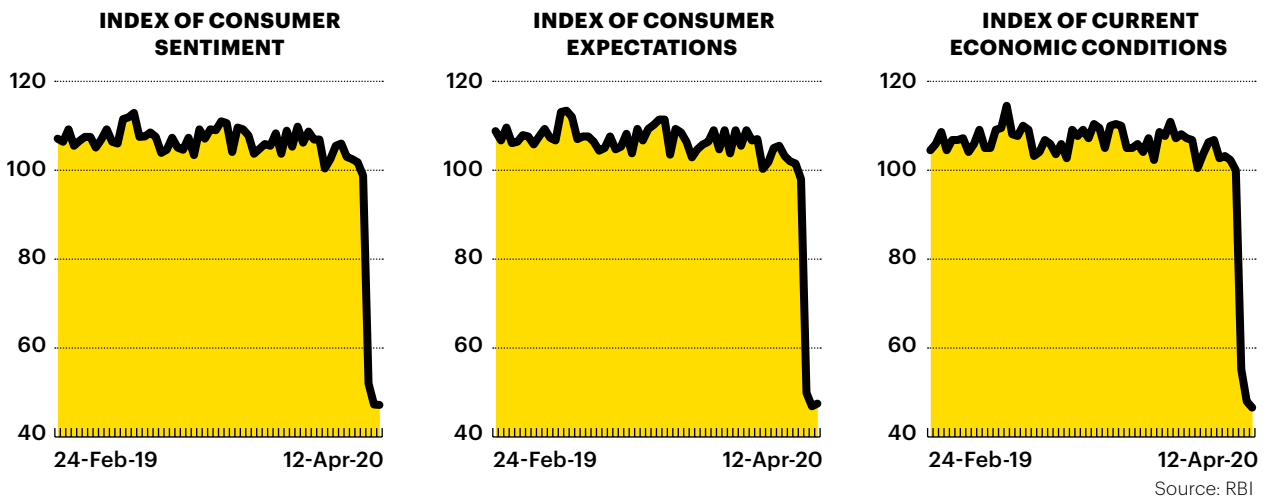
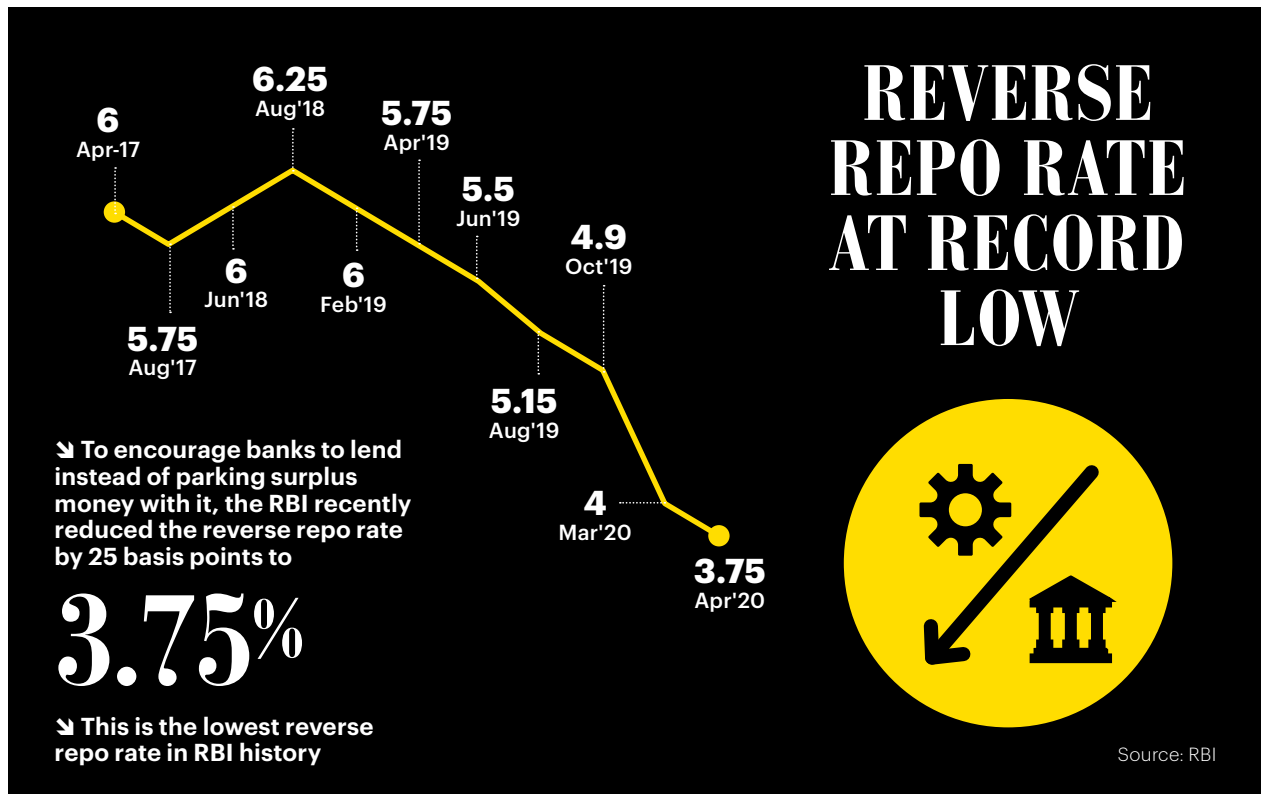
CONSUMER SENTIMENT DOWN IN THE DUMPS

↘ The RBI's index of consumer sentiment, with a base of 100 in late 2015, has fallen to its lowest level

↘ The first signs of recent stress appeared in the third week of March which ended on March 22

↘ In week ended April 12, the figure touched 47.2

↘ The index of current economic conditions has also dipped alarmingly



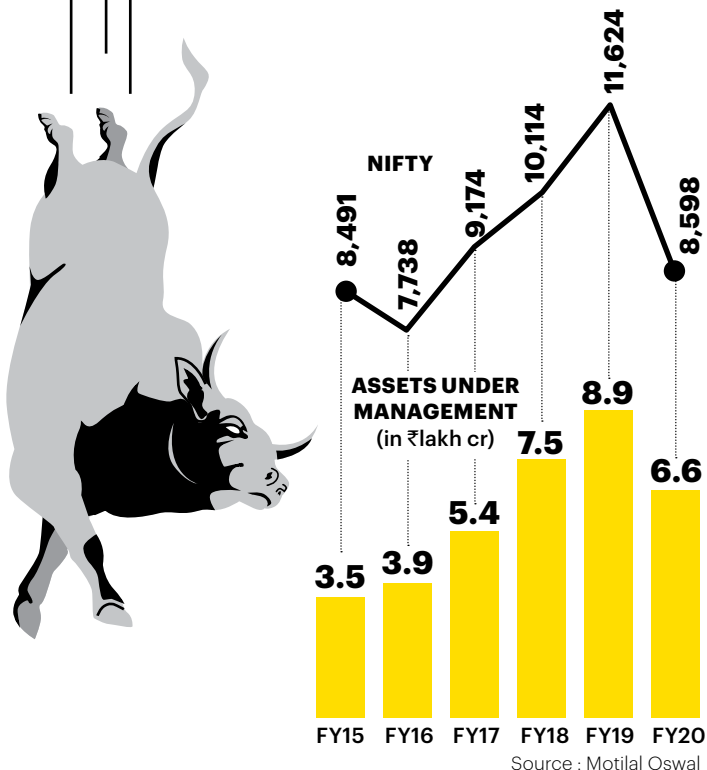
EQUITY FUNDS' ASSETS PLUNGE AFTER SIX YEARS

➤ The Nifty plunged close to 26 per cent in FY20, the sharpest fall since the 2008/09 financial crisis

➤ This reflected in assets under equity mutual funds, which fell from ₹8.9 lakh crore at the end of FY19 to ₹6.6 lakh crore at the end of FY20

➤ This is the lowest since October-end 2017

➤ Since most of this fall came towards the end of the financial year, total mutual fund assets still managed to rise 10.7 per cent to ₹27.1 lakh crore in FY20

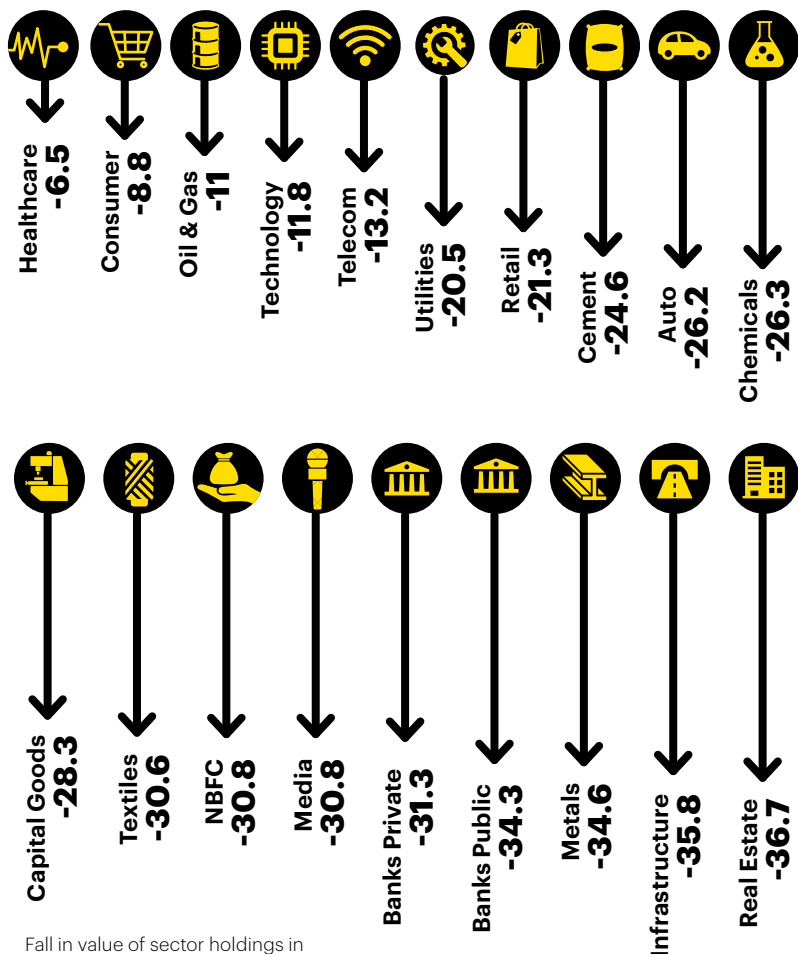


Consumer, Healthcare Cushion Impact for Equity MFs

➤ Healthcare, consumer and oil & gas holdings of equity mutual funds fell the least MoM in March

➤ Holdings of real estate, infrastructure, metal and financial companies saw the steepest decline in value

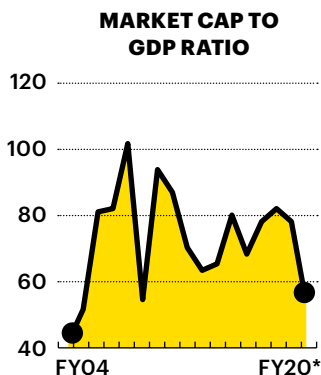
➤ In March, the top holdings were bank (18.1%) followed by consumer (9.8%), technology (8.9%) and NBFC (8.5%) stocks



Buffett Indicator Turns Attractive

India's market cap to GDP ratio has fallen from 79 per cent as on end-FY19 to 54 per cent (FY20)

This is even lower than the level seen during the global financial crisis and much below the long-term average of 75 per cent



Source: Care Ratings

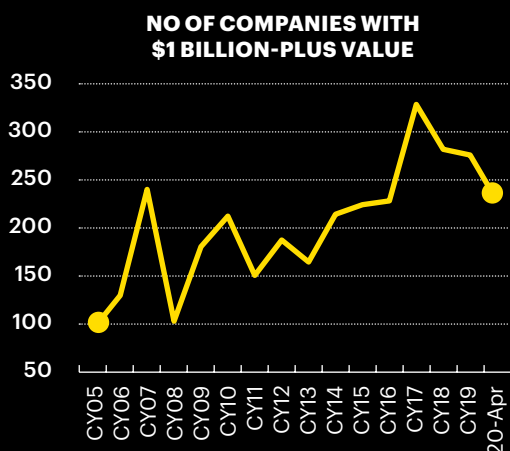
*GDP number is an estimation

No. of Companies Above \$1 billion Market-cap Shrinks 30%

After hitting a peak of 329 in CY17, the number of billion-dollar companies has come down sharply

The number was 228 in April 2020

It is expected to fall even more in 2020 due to economic slowdown



Source: Motilal Oswal

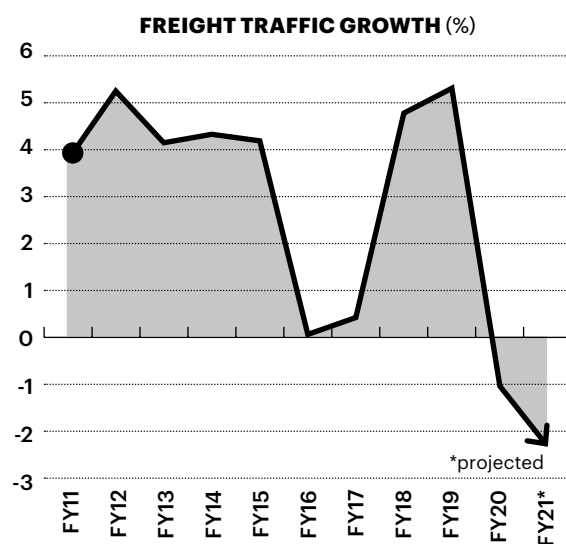
RAILWAY FREIGHT TRAFFIC SLIPS FOR THE FIRST TIME IN TWO DECADES

Railway freight traffic slipped 1.1 per cent in FY20 compared to growth of 5.3 per cent in FY19

In FY20, freight traffic stood at 1,210.5 million tonnes, down by 12.7 million tonnes compared to the previous financial year

The fall in was majorly because of drop in freight traffic of coal, which is the largest commodity carried by Indian Railways

Traffic of commodities such as cement, foodgrains, fertilisers and other goods also declined



Source: Railway Ministry



STIMULUS: Here Is the Money



Economy

India badly needs a stimulus. Here's how to find the money

BY JOE C. MATHEW and E. KUMAR SHARMA
ILLUSTRATION BY RAJ VERMA

• • • •

Think of a main battle tank coming at you. Firing a pistol won't help. The right weapon is an anti-tank rocket." US-based Alok Jagdhari, co-founder of angel investing platform 92angels LLC, cites the analogy to illustrate the need for a big and concerted financial package to revive economies held to ransom by the coronavirus pandemic across the world. Jagdhari has prepared a pandemic survival guide for clients to show the magnitude of the problem and macroeconomic response of various countries. India is missing from the list of countries that have earmarked between 5 per cent and 30 per cent of GDP for the purpose.

"Go big or go bankrupt," says Jagdhari. "Releasing things in dribs and drabs won't work. Addressing MSMEs (small industries) but not other sectors won't work." He adds that India should earmark at least 5 per cent of its GDP (₹10 lakh crore) to begin with to support the health of its citizens and the economy. And it should be done quickly. "With each passing day, the problem will become exponentially worse. It won't go from 5 per cent of GDP to 5.1 per cent of GDP in a week, but more like 5.5 per cent of GDP," he says. "If things are not arrested at this point, a number of enterprises will simply fold up. They won't be left alive to come back after a few more weeks."

As every country fights its own battle against the virus and the damage it (read social distancing and lockdown) is causing to its economy, there is no single, sure-shot remedy to help governments and businesses tide over the crisis. Estimates of half-a-dozen economists whose views *Business Today* brings together here varies from ₹6 lakh crore to ₹30 lakh crore, and anything in between, and 'as much as is needed'. "This is an unusual crisis. It is large, sudden and global. We don't know a lot of medical parameters, and hence its impact. So, this is not a time anyone can say anything with precision," says Arvind Subramanian, India's former Chief Economic Advisor (CEA), explaining the complexity of the problem.

How Much Money Is Needed?

"It all depends on how long the battle against the virus has to be fought," says C. Rangarajan, former Governor, Reserve Bank of India (RBI). He suggests India should spend at least ₹6 lakh crore (3 per cent of GDP) on three types of expenditure. One is medical and healthcare expenditure to combat the virus. The other will be to alleviate problems of people who have been thrown out

The Funds

1,28,098

**CONSOLIDATED
SINKING FUND @**

75,000

PM KISAN

71,309

**FERTILISER
SUBSIDY**

61,500

MGNREGA *

40,865

**UNCLAIMED
EMPLOYEE PF**

15,000

**HEALTH
EMERGENCY
PACKAGE**

6,500

PM CARES

Figures in ₹crore; *of this, ₹19,879.8 crore sanctioned as first instalment of first tranche of Central assistance for FY21; @State governments maintain these funds with the RBI as buffer for repayment of liabilities. They can avail Special Drawing Facility from the RBI against the collateral at one basis point below the repo rate

of employment, including migrant labourers. And the third set is to stimulate the economy by increasing the government's expenses and provide direct support to sectors severely affected by the virus. Marti G. Subrahmanyam, Professor of Finance and Economics at the New York University, feels the number should be much bigger. "The US is talking of \$5 trillion or 25 per cent of GDP, and Germany, an even higher proportion, almost 30 per cent. I believe the total cost of intervention to the government in India will be ₹30 lakh crore or \$400 billion, which would still be only 13 per cent of GDP," he says. While Congress spokesperson Gourav Vallabh puts the number at ₹6-7 lakh crore, former Chief Economic Advisor Subramanian and Devesh Kapur (Professor, Johns Hopkins University), who have jointly looked at the problem, say it should be ₹10 lakh crore or 5 per cent of GDP.

There is consensus among all of them that the only relief package worth ₹1.7 lakh crore announced so far to protect the poorest and most vulnerable sections of the society through free food, fuel and a token fund transfer is not enough. The Centre is working on a package, or several packages. The question is: Where is the money? With subdued economic activity, less tax revenues and remote possibility of raising non-tax revenues, where will the government find money to provide fiscal support to industries, traders, farmers and professionals?

Printing Money

So, here is the money...

"We are in a situation where all forms of revenue are down. Taxes will be down, you can do foreign borrowings, but it is a bad idea. So, the only way left is to issue bonds to the RBI and get the RBI to print more money," says Pronab Sen, former Chief Statistician of India. The quantum of money to be printed will depend on the size of the stimulus, but whatever it is, the government should do it, says Sen.

Rangarajan says monetisation of debt may become inevitable and the government may have to urge the RBI to print close to ₹2 lakh crore or about 1 per cent of GDP to spare money for the stimulus.

"Unfortunately, given the budget realities in India, like most large countries with little fiscal space, there is no other choice. The government will have to issue huge amounts of debt, the RBI will have to print money and buy the debt, either directly or by forcing banks to

Dr C. Rangarajan
Former RBI Governor

STIMULUS REQUIRED

₹6
LAKH CRORE

HOW: Print currency
close to
₹2 lakh crore

IMPACT: Will lead to
inflation

HOW: Balance
₹4 lakh crore
through other
sources such
as additional
borrowings,
rearranging of
expenditures and
cost savings

• • • • •



PHOTOGRAPH BY VIKRAM SHARMA

increase their SLR (statutory liquidity ratio), while providing other relief to them through LTRO (long term repo operation) money," says Subrahmanyam. Gourav Vallabh of the Congress agrees, while Kapur and Subramanian say it should not be the only instrument to raise funds.

According to Pronab Sen, several countries are actively pursuing this option. Britain, for instance, has gone for quantitative easing, which means increasing the Bank of England's holdings of UK government and corporate bonds by £200 billion to £645 billion, financed by central bank reserves.

Debt Instruments

"India could issue Covid bonds to retail investors" says Sonal Varma, Chief Economist for India and Asia at Japan's financial services company Nomura. The relaxation of fiscal borrowing limit of states and relook at the current Fiscal Responsibility and Budget Management



Marti G. Subrahmanyam
Professor, Finance and
Economics, New York University

STIMULUS REQUIRED

₹30
LAKH CRORE

HOW: Print currency worth
₹30 lakh crore

IMPACT: Will raise rate of inflation but
sharp rise unlikely as demand will be
sluggish for many quarters

• • • • •

(FRBM) Act is what Varma says will allow governments to raise funds from within the country itself. Incidentally, public financing by issuing government securities, including to banks and LIC, is a key measure suggested by Subramanian and Kapur. India can raise ₹4-5 lakh crore in this manner, they say. "The Central government's public debt, which accounts for 90.4 per cent of its total outstanding liabilities, stood at ₹93,89,267 crore at end-December 2019. However, IMF estimates India's total government debt - Centre and states together - at 71.9 per cent of GDP (about ₹200 lakh crore), in 2019. The debt profile is better than that of many others but does not allow the government to go overboard."

Developed nations have taken the debt path. Ger-

Arvind Subramanian
Former Chief
Economic Advisor,
& **Devesh Kapur**
Professor, Johns
Hopkins University

STIMULUS REQUIRED

₹10
LAKH CRORE

HOW: Print currency
worth ₹2 lakh crore

IMPACT: Will lead to
inflation

HOW: Reduce
expenditure worth
₹1.5 lakh crore

IMPACT: Will mean
no hike in salaries,
wages, pension

HOW: Higher wealth
tax or solidarity tax
of ₹1 lakh crore

IMPACT: Will impact
earnings of rich and
upper middle class

HOW: Bond financing
of ₹4 lakh crore

IMPACT: Will lead to
double-digit deficit

HOW: Foreign
multilateral
borrowings of ₹1.5
lakh crore

IMPACT: Will lead to
deficit

• • • • •



Arvind
Subramanian

PHOTOGRAPH BY SHEKHAR GHOSH

many triggered the clause for exceptional circumstances on March 25. This allows debt financing of a supplementary budget of ₹156 billion (4.5 per cent of GDP) to cover response measures and an estimated reduction in revenues of ₹33.5 billion (1 per cent of GDP), including the additional ₹156 billion from supplementary budget 2020.

Expenditure Cuts

The total expenditure budget of the Central government for 2020/21 is ₹30.4 lakh crore, almost the same amount which Subrahmanyam wants India to raise for the Covid-19 stimulus package. If we agree that unpre-

cedented situations warrant unprecedented actions, a part of the expenses earmarked for the current year can be diverted to fight Covid-19 too. Vallabh did sound political when he said one should cut wasteful expenses, which included foreign visits of Prime Minister Narendra Modi and his grand plans for a new central vista in New Delhi. The latter can help save more than ₹20,000 crore. He suggests cutting 30 per cent of all central government expenses other than salaries and pensions, as well as centrally sponsored schemes. "The total revenue

expense is ₹8-8.5 lakh crore. A 30 per cent cut will save around ₹2.5 lakh crore,” he says. Kapur is of the view that there should be switch in the expenditure budgeted by central and state governments. “Salary, wage, pension increase is not a priority. That should freeze. Subsidies on agriculture and power should be cut, because farmers will get direct help, through PM Kisan.”

You don’t need a foreign government to show you how to cut expenditure. India has already announced cuts in salaries and allowances of MPs and ministers. All central departments have been asked to reduce expenditure by 60 per cent from plans for the current quarter. On April 23, the government decided to freeze the dearness allowance to central government employees and dearness relief to central government pensioners at the current rate till July 2021. Cost cutting is already under way.

Can We Tax More?

Kapur and Subramanian advocate a solidarity tax, an additional tax, on well-off people. “Wealth tax should be considered as solidarity tax. If the economy recovers, they (the wealthy) will get back their money (through rising share prices or business earnings). This should include India’s billionaires, professionals like lawyers, doctors, accountants.”

“Eliminating most middle class exemptions should boost tax revenues. Similarly, public sector jobs are stable, so one can have a freeze on salaries, wages and pensions. This will see the privileged group, the wealthy, the professionals and public sector employees making a contribution towards the Covid-19 fund,” Kapur said while addressing a webinar organised by the National Council of Applied Economic Research (NCAER). You may not call it a tax, but South Africa has already set up a Solidarity Fund, to which South African businesses, organisations and individuals, and members of the international community, can contribute. The government is providing the seed capital. The private sector has already pledged to support the fund. Yes, very much like the Prime Minister Narendra Modi’s PM CARES Fund, which has already crossed ₹6,500 crore in collections.



Professor Gourav Vallabh
Spokesperson, Indian National Congress

STIMULUS REQUIRED

₹6-7 LAKH CRORE

HOW: Print currency worth **₹3.5-4.5 lakh crore**

IMPACT: Will lead to inflation

HOW: Reduce expenditure worth **₹2.5 lakh crore**

IMPACT: No foreign tours for PM; scrap Central Vista project

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The Oil Price Boon

The \$40-45 billion forex savings from the recent crash in oil prices are double the ₹1.7 lakh crore fiscal stimulus announced. Since the Centre hasn’t cut the domestic prices of fuel, it retains the benefit as additional earnings. It ought to be ploughed into the economic stimulus. Given that oil imports are one of the major reasons for foreign currency outflow, this may ease foreign exchange earning pressure and allow the government to go for even monetary easing (printing currency) without the fear of depreciation of the rupee against the dollar and flight of dollars from India.

Since the government does not pass on the entire benefits of low prices of fuel to customers, this is an opportunity for it to raise excise duty on oil further and, in the process, augment its revenues. In fact, one of the proposals made by Vallabh is to set aside excise duty earnings from diesel and petrol specifically for the Covid-19 fund. According to him, the additional

excise duty collections from fuel alone have crossed ₹13 lakh crore since Narendra Modi took charge as prime minister in 2014.

There has been no parallel for the Covid crisis in public memory. The 2008 financial crisis was managed



PHOTOGRAPH BY SHEKHAR GHOSH

Professor Pronab Sen
Former Chief Statistician of India

STIMULUS REQUIRED

AS MUCH AS NEEDED

HOW: Print currency

IMPACT: Will lead to inflation

• • • • •

through demand stimulus by governments in countries the world over. Today, demand is not the issue. Demand suppression through compulsory lockdown to control the spread of virus is the issue. It's not just an economy problem, it is a health problem that has a huge economic impact. "Rarely do we see a tradeoff between lives and livelihoods. The order of magnitude is 2 to 2.5 times of what we have seen during the global economic crisis in 2008," says Sajjid Chinoy, Chief India Economist at JP Morgan. According to him, for the nearest parallel, one would have to go back to the days of the Great Depression.

Multilateral Funding

The World Bank Group announced a \$1 billion (about ₹7,500 crore) fund to support India's health infrastructure to strengthen Covid-19 management efforts. The Asian Development Bank (ADB) has assured a \$2.2 billion package to India, an offer the government is yet to take up officially. Separately, the World Bank's private investment arm IFC (International Finance Corporation) is working out a package similar to the one offered by the World Bank to strengthen the health of private enterprises. The BRICS Bank or New Development Bank and similar agencies are also setting aside funds to support countries in their fight against Covid-19. How much multilateral assistance should India seek in its attempt to find money for its war against Covid-19? Subramanian and Kapur say Rs 1-1.5 lakh crore can come from multilateral funding. Congress spokesperson Vallabh says he is okay with external borrowings if the terms are 'soft'. However, he is not sure about the quantum of funds India can expect from external agencies as every country, including developed economies, are seeking funds from multilateral agencies. "I am not against them right now. But I'm not very sure if we should be much dependent on multilateral funding since the pandemic is not a country specific problem," says Vallabh.

Conclusion

As Jagdhari's Pandemic Guide to Clients' points out, the Great Depression, a severe worldwide economic depression that started off with a stock market crash in the US in 1929, left economies battered and resulted in strengthening of central banks, financial sector regulators, international institutions and mechanisms. No wonder Jagdhari calls Covid-19 a mix of the Great Depression and Spanish Flu, a global pandemic which killed tens of thousands in 1918.

More than how to find money, how fast to find and deploy money is the need of the hour. The caveat, with which Jagdhari began his pandemic guide, will reflect the uncertainties of dealing with Covid-19. "Multiple views must be sought and collated as no person alive on this planet has ever seen a pathogen of this nature or a pandemic at this scale. There are no models or scenarios that have ever been prepared to deal with the economic and business outcomes from this type of a pandemic and there are no empirical models or data time series that will work in the current scenario". Finally, "outcomes will vary widely between nations and regions, and within different parts of the same nation based on the policies chosen, and based on the policies and their execution".

A stimulus is a certainty. All we need to see is which model India will prefer to fund it. **BT**

@joecmathew; EKumarSharma

Finance

RBI's Blocked Tap

The traditional approach of pumping money into banks to push liquidity to corporates and NBFCs is not working. It's time to change the strategy

BY ANAND ADHIKARI
ILLUSTRATION BY RAJ VERMA

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Reserve Bank of India (RBI) Governor Shaktikanta Das said in a recent interview that banks were not willing to take credit risk beyond a point. The reason: The ₹3.74 lakh crore surplus liquidity was not reaching those hit hardest by the current crisis — non-banking financial companies (NBFCs), microfinance institutions (MFIs), micro, small and medium enterprises (MSMEs) and mutual funds.

In fact, there was no dearth of liquidity in the banking system even pre-Covid. Risk-averse bankers were happily depositing funds back with the RBI and earning risk-free returns. The bankers' retort was, why should one take credit risk in a slowing economy? Similarly, when over ₹1 lakh crore was pumped in by the RBI to encourage banks to buy corporate bonds, bankers invested the money in PSU bonds, and made a killing. Outsmarted twice, the RBI is now reviewing the situation before deciding its next course of action. Das' words carry a subtle message — the Centre needs to step in urgently to create confidence among banks to lend. Companies are gasping for funds, and left to fend for themselves, may go bankrupt.

But not everyone agrees. "This is an unconventional war on the economy. A traditional blanket liquidity measure will not work as some will not get the benefit at all, while some others may get more benefit,"

First-loan loss direct guarantee by government for Covid-impacted segments

An SPV to house a government-sponsored fund

Recapitalisation of PSBs with a condition that they support certain sectors

Increasing the held to maturity bucket for banks

Direct funding line for NBFCs and MFIs

says Arun Singh, Chief Economist at Dun & Bradstreet. "The risk capital in the system is very low. The surplus liquidity will not naturally convert to either lending beyond a particular risk profile or investing beyond a particular risk profile," says Suyash Choudhary, Head (Fixed Income) at IDFC AMC.

Credit Risk: The Hurdle

"The RBI is fighting risk aversion across segments in financial markets," says Arvind Chari, Head (Fixed Income & Alternatives), Quantum Advisors, an asset manager for institutional, high-networth individuals (HNIs) and retail investors. Sure enough, the problem has been there for long. It first surfaced five years ago, when gross non-performing assets (NPAs) of banks reached 9 per cent. Public sector banks (PSBs), which account for two-third of the banking system, were suddenly unwilling to lend to sectors like construction, real estate and infrastructure. The collapse of IL&FS led banks to withdraw from NBFCs too. Suddenly, private banks also switched focus from large corporate loans to safe retail segments and MSMEs. Even investors such as mutual funds, insurance companies and HNIs, which used to subscribe to commercial papers (CPs) and bonds of NBFCs and other corporates, started pulling out. Covid-19 added fuel to this fire as industries across sectors, particularly aviation, tourism, hospitality and transportation, were hit hard. "Private banks are answerable to shareholders. They will not lend when the environment is not good," says a fixed income dealer.

Last week, banks deposited a record ₹8.50 lakh crore surplus under the reverse repo window, the highest in recent history.

Government, The Guarantor

As things stand today, no amount of liquidity injection by the RBI can solve the risk-aversion problem. "It requires intervention from the government," says Chari of Quantum.

Banks with funding exposure to NBFCs, MSMEs, MFIs, etc, do not want to take further credit exposure without loss protection guarantee from the government or the RBI. Some banks are offering additional working capital to Covid-impacted sectors, but the number is very limited. Banks also have their own risk assessments. Why will they do something that is not commercially viable?

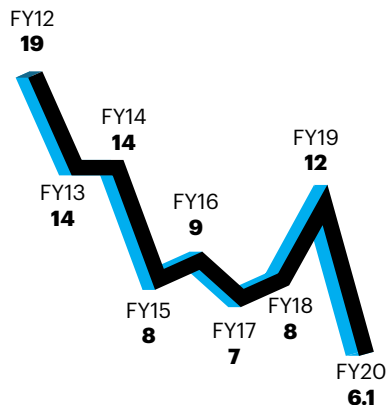
A government guarantee will, therefore,

IDEAS ON THE TABLE

PLAYING IT SAFE

Credit growth collapse is partly on account of banks and MFs avoiding risk

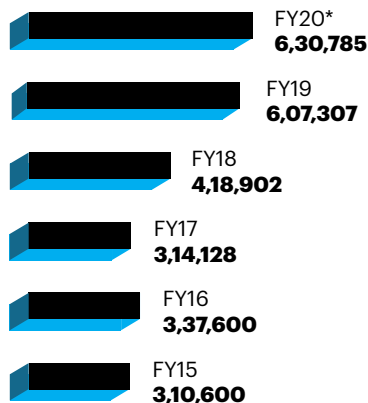
% Credit Growth



THE INDIRECT WAY

No further lending to NBFCs as banks increased their NBFC exposure massively in last three years

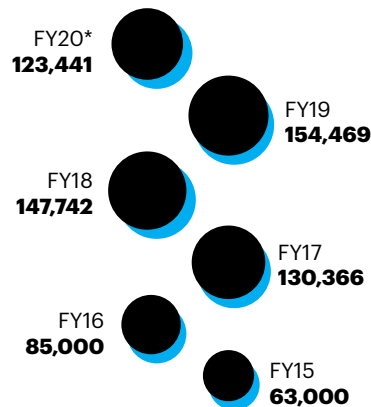
NBFCs' Bank Borrowings; Figures ₹ crore



THE CP STORY

MFs and insurance players started withdrawing from CPs given to NBFCs after the IL&FS debacle

*till September: NBFCs' Commercial Paper: Source: RBI



soothe frayed nerves, according to experts. The Centre can rope in SIDBI and other institutions to offer such a guarantee. "The government can do the first-loss guarantee where loan losses would be first compensated by the government," says Ashish Shanker, Head of Investments at Motilal Oswal Private Wealth Management. The first-loss guarantee can be a minimum percentage of the loss or the full first loss. In fact, post the IL&FS debacle, the government had offered a 10 per cent first-loss guarantee to PSBs (₹10,000 crore) to buy high-rated pool assets (home loans and micro loans) from financially sound NBFCs up to ₹1 lakh crore.

The SPV Model

Experts suggest creation of a special purpose vehicle (SPV) for Covid-hit sectors. The government and the RBI can put in the initial capital whereas banks, LIC and other large institution can contribute the rest. The fund size could be around ₹1 lakh crore. "Private equity players can also be roped in. There are also options like tax-free bonds for retail investors to mobilise funds," suggests Murthy Nagarajan, Head (Fixed Income), Tata Mutual Fund.

"The government-guarantee model will work for small enterprises, which do not have the ability to issue capital instruments such as non-convertible debentures (NCDs). But the SPV model is ideal for buying paper from NBFCs or other mid-size companies," says Ashutosh Khajuria, Executive Director, Federal Bank.

"The moratorium of a quarter won't solve the problem. There has to be a fund which can support the industry for one or two years," says Shanker of Motilal Oswal.

Last year, the government had come up with a ₹25,000-crore Alternative Investment Fund (AIF) for the battered real estate sector. The government acted as the sponsor with ₹10,000 crore initial capital, while SBI and LIC contributed the balance ₹15,000 crore. SBI Capital was the fund manager. In 2008, after the global financial crisis, the government had come out with an SPV model to provide liquidity support to NBFCs. The RBI agreed to purchase securities issued by the SPV and guaranteed by the government up to ₹20,000 crore. The SPV bought high-rated short-term CPs and NCDs from NBFCs, creating liquidity.

Recapitalisation of PSBs

The government can also provide PSBs capital to help sectors worst hit by the virus outbreak. It had earlier come up with the Mudra loan scheme where banks provided collateral-free loans of up to ₹10 lakh.

Bank of America Securities has recommended the bond model to recapitalise banks. Under this, the government issues bonds, which are subscribed by banks. The money collected by the government comes back to banks as capital. Banks earn interest on bonds, which is actually the net inflow from the government. According to Bank of America Securities, there is a need for recapitalisation worth \$7-15 billion (₹52,600-1,12,500 crore).

"We shouldn't paint all NBFCs with the same brush. There are NBFCs with high capital but they may face asset liability issues because of a one-sided moratorium," says Shanker of Motilal Oswal.

RBI's Revaluation Reserves

According to Bank of America Securities, the RBI is sitting on ₹9.6 lakh crore revaluation reserves, which can be used to recapitalise banks. These reserves arise from revaluation of assets that are undervalued on the books. However, tapping these will be a difficult exercise. Though the Bimal Jalan Committee had recommended setting minimum capital levels and transferring excess surplus to the government last year, transfer of such reserves is not permitted under RBI rules. "There are significant strategic and operational constraints in monetisation of revaluation balances," the Jalan committee itself had noted.

Also, the reserves represent the valuation gains on foreign exchange because of appreciation of the dollar against the rupee. Any sale of forex assets to book gains will result in a fall in foreign exchange reserves, which are currently equal to 10-11 months of imports. Given the high volatility in the rupee's value against the US dollar post-Covid, this may not be the right time to explore this option.

Tapping Global Funds

Many NBFCs, MFIs and Fintechs, which were earlier solvent, are likely to fall short of funds post-Covid due to losses on the asset side. "The asset side problem won't be solved by debt," says Shanker of Motilal Oswal. To aid cash-strapped infrastructure companies, the Centre recently gave 100 per cent tax exemptions to sovereign wealth funds to invest in the sector. The government could look at tapping such funds.

MSME Minister Nitin Gadkari recently suggested a ₹10,000-crore Fund of Funds (a pooled fund that invests in other funds) for the sector. Under the proposal, MSMEs would tap the capital market and the fund would buy 15 per cent equity. There are also suggestions like strengthening the bill discounting model. "The government should work with large scale and mid-size companies for facilitating bill discounting (advance against bills) and factoring (purchase of debt by banks)," says Singh of Dun & Bradstreet.

Expanding the HTM Bucket

Banks currently keep government securities and bonds under three categories -- Available for Sale (AFS), Held



"The surplus liquidity will not naturally convert to lending beyond a particular risk profile"

SUYASH CHOUDHARY
Head (Fixed Income), IDFC AMC

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"The RBI is fighting risk aversion across many segments in financial markets"

ARVIND CHARI
Head (Fixed Income & Alternatives), Quantum Advisors

for Trading (HFT) and Held to Maturity (HTM). Going forward, banks can be encouraged to invest in government securities (G-Secs), state bonds and corporate bonds to address the problem of surplus liquidity. AFS and HFT attract mark to market losses for any rise in yields and fall in market prices (they have to be liquidated within a shorter time period). Since in a post-Covid world, the chances of such losses are high because of fiscal stimulus and higher market borrowings resulting in higher yields and falling bond prices, banks prefer the HTM route (securities and bonds can be owned for a longer period). "A rise in the HTM bucket could create an appetite for government bonds because you are not allocating risk capital," says Choudhary of IDFC AMC.

However, Murthy of Tata Mutual funds says compared to PSBs, private banks don't have excess statutory liquidity ratio (SLR), which offers the scope for buying securities if the HTM window is hiked from the current 25 per cent. SLR is the amount banks have to maintain in the form of cash, gold or securities.

Lender of Last Resort

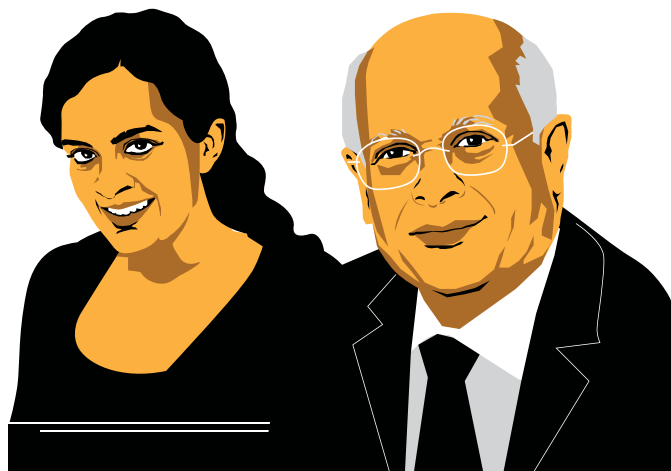
The RBI has assured that it will not allow any NBFC to fail. But lenders are wary that a post-IL&FS situation, where no one came to their rescue, could surface once again. There are demands for a direct funding line from the RBI, which doesn't seem to be a possibility for now.

The RBI could, however, support government-backed NBFCs since there is a sovereign guarantee.

"Most of RBI's efforts have been to ensure that the bond market does not go out of control," says Chari of Quantum. The government plans to increase borrowing by ₹4.2 lakh crore to a massive ₹12 lakh crore in 2020/21 is likely to push up the yields or interest cost. There could be rating action by global rating agencies. "The next wave of liquidity mismatches and defaults will happen soon if impacted sectors like MSMEs are not supported. MSMEs have fixed expenses to pay. There is lack of demand. The pressure from vendors for payments will soon increase," says Singh of Dun & Bradstreet.

So, at the moment, it's up to the government to come up with a stimulus package. **BT**

@anandadhikari



Provide Equity, Not Debt

Why equity financing by the government may be an important step to get India Inc. back on track

BY ANISHA SHARMA and
MARTI G. SUBRAHMANYAM

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Covid-19 has taken an extraordinary toll on businesses around the world. In India, business confidence is at its lowest since the 2009 financial crisis: 72 per cent of firms have reported adverse effects on operations, 90 per cent are facing supply chain disruptions and 53 per cent anticipate a decline in sales over the next two quarters. Industrial output in key sectors could fall by up to 15 per cent and GDP growth by 10-20 per cent during the April-June 2020 quarter, with ripple effects continuing for an uncertain period of time.

The government's immediate policy priority was, rightly, to support low-income households through cash and in-kind transfers worth ₹1.7 lakh crore, or 0.8 per cent of GDP. This is well below the fiscal packages committed by other national governments, though the amounts are bound to increase in the coming weeks. Support to businesses has been extended through monetary and macro-financial policy – the RBI has directly injected ₹2 lakh crore through refinancing operations, given firms a three-month moratorium on loan payments and reduced interest rates across the board.

However, as one of us recently proposed in the context of Europe and Singapore, rather than offering debt financing, businesses can be

better supported through the direct injection of 'quasi-equity' finance by the government. The government should offer to make direct investments in businesses by taking a 'minority stake', which will be recovered through higher taxes on profits over a number of years. By making payments conditional on profitability, rather than saddling firms with repayable debt, equity finance will be more sustainable in the long term.

Weak Balance Sheets

Sustainability in the long run is particularly important since many firms were struggling even before coronavirus hit India. GDP growth for FY20 has been projected at 5 per cent, the lowest in a decade, and bank credit growth at 6.5-7 per cent, the lowest in 58 years.

More worryingly, one in 10 bank loans is currently stressed. Total non-financial corporate debt is 44 per cent of GDP, well below emerging market economies' average of 91 per cent. But much of this debt in India is of low quality, with 45 per cent of all corporate debt held by firms with interest coverage ratios of less than one, that is, firms that are unable to service their interest obligations. The table shows median debt-equity and debt-EBITDA ratios of 1,624 firms listed on the National Stock Exchange by sector. While the median debt-equity

ratio of 0.70 has improved in the last 10 years, firms in the top tercile are highly leveraged, with a median debt-equity ratio of 6.70, which is clearly unsustainable even in normal times. This represents a significant weakening of their balance sheets compared to 2016, and even compared to just after the financial crisis in 2009.

Adding to this debt during a global crisis will hurt long-term growth prospects of highly leveraged firms, which struggle to raise debt and face higher interest rates. They also suffer incentive problems associated with a large debt overhang, whereby undercapitalised firms pass on profitable investment opportunities since much of the returns will accrue to creditors. For the same reason, highly leveraged firms tend to choose riskier projects as creditors bear a higher share of risks. Studies have found that higher levels of corporate debt are associated with lower corporate investments, and highly leveraged firms cut more jobs during downturns.

Equity Financing

For cash-strapped firms, particularly in sectors such as aviation, infrastructure, steel and aluminium, shipping and construction, equity injections are more attractive. However, an increase of only 10 per cent in total capitalisation of the highest tercile of firms alone will require about ₹1.8

lakh crore, with the amount rising sharply if all firms are included. Returns in Indian equity markets have been negative over the last two financial years. Foreign portfolio investments have registered net outflows during the period. Raising sums of this magnitude through markets is practically impossible without severely depressing equity prices, and diluting the cash flow and control rights of shareholders. Further, accessing foreign equity capital will also raise the spectre of takeover of Indian companies by foreign investors at “cheap prices”. As an alternative, we propose “quasi-equity” financing of firms by the government. The Centre should create a government special purpose vehicle (g-SPV) that will do the following:

- Identify profitable firms by using, for example, average profits after taxes in the past three years, before 2019
- Provide “quasi-equity” funding

to struggling firms. The amount could be fixed as a proportion, say 25 per cent, of the firm’s average annual revenues in past three years

- Give a one-year tax holiday to help firms tide over the crisis.
- Ensure firms pay “dividends” in form of higher corporate taxes once they are profitable, at the rate of, say, 30 per cent instead of 25 per cent
- The government will be a non-voting shareholder in the firm; the dilution of equity will be till the firm exits the programme.
- The “quasi-equity” could be sold to investors once crisis subsides.

The amount and duration of the increased tax pay-out to the g-SPV can be calculated using standard corporate finance valuation techniques. From the perspective of businesses, an increase in tax rates of 5 per cent, as in our example, over a few years,

would be less onerous than borrowing working capital at high nominal rates of 12-14 per cent.

Managing Risks

The government will have to manage risks arising from asymmetric information, specifically, adverse selection and moral hazard. Due to adverse selection, the business will know more about its true financial condition than the g-SPV does, ex ante, potentially resulting in lower-quality firms seeking equity finance. This risk can be mitigated by using information on past financial performance and routing the funding through commercial banks and state financial institutions, which possess better information about these firms. In an extreme case, the g-SPV can also introduce an ‘adverse selection haircut’.

Moral hazard, on the other hand, arises when businesses siphon off funds received from the government, ex post, and use them for unauthorised purposes. The government will have to seriously deal with issues of non-compliance. Under the alternative of debt finance, too, compliance with loan conditions will be difficult to monitor, with a high risk that many loans will end up as non-performing assets. In that sense, the monitoring effort in equity financing is no different, but with the advantage that the government will participate in the upside if the economy rebounds.

With the pandemic and the consequent lockdowns, the IMF projects GDP growth of 1.9 per cent in India in FY21, before a sharp recovery to 7.4 per cent in the next year. However, without immediate financial support, many firms might not be able to survive till then. Providing firms with “quasi-equity” could be the key to a rapid and sustainable recovery. **BT**

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Marti G. Subrahmanyam is the Charles E. Merrill Professor of Economics, Finance and International Business in the Stern School of Business at New York University

Increasing Corporate Leverage in India

	Debt-Equity					Debt-EBITDA
	2009	2012	2014	2016	2019	2019
All firms	1.3	0.9	1.1	0.5	0.7	1.9
All firms excl Bank/Fin	1.2	0.9	1.0	0.5	0.7	1.8
Low debt-equity firms	0.5	0.2	0.1	0.1	0.1	0.4
Mid debt-equity firms	1.3	0.9	1.0	0.5	0.7	2.3
High debt-equity firms	2.9	2.4	3.6	2.9	6.7	4.9
Bank/Fin	3.3	3.6	3.8	2.6	3.2	7.7
Aviation	8.2	8.4	5.8	1.1	3.2	6.3
Infrastructure	0.9	1.5	2.4	2.3	2.6	2.1
Steel/Aluminium	3.2	1.9	3.6	2.5	2.4	2.3
Shipping	3.3	2.9	2.1	1.9	2.4	3.1
Construction	1.2	0.9	1.6	1.5	2.3	3.1
Textiles	6.1	2.8	3.0	1.3	2.1	2.9
Sugar	1.9	3.5	5.8	3.0	2.1	3.2
Power	0.7	1.3	2.1	1.3	1.5	4.5
Fertilisers	1.3	1.1	2.1	1.5	1.4	3.2

Source: Annual reports of 1624 firms listed on the NSE

Force Majeure Restraint



ast month, the Bombay High Court dismissed a plea by Standard Retail, which invoked the Force Majeure clause against GS Global, a South Korea-based steel trading company from which it bought steel. The petitioner, a Mumbai-based steel importer, invoked the clause claiming inability to pay GS Global, saying it could not sell the steel due to the lockdown, and asked the court to restrain Wells Fargo Bank from encashing letters of credit. The court, however, held that the relevant clause in the contract was applicable only to the supplier of steel (GS Global) and not the petitioner.

Businesses have been finding it tough to fulfil contractual obligations since the coronavirus outbreak. While in normal circumstances, this would have led to penalties, litigations or termination of contracts, given the enormity of the current pandemic, companies can invoke the Force Majeure clause to defer or forego certain obligations. Force Majeure is a French term which means “Act of God”. The clause, a part of commercial contracts, lists events – natural calamity, disaster, war or epidemic – that may exempt a party to a contract from

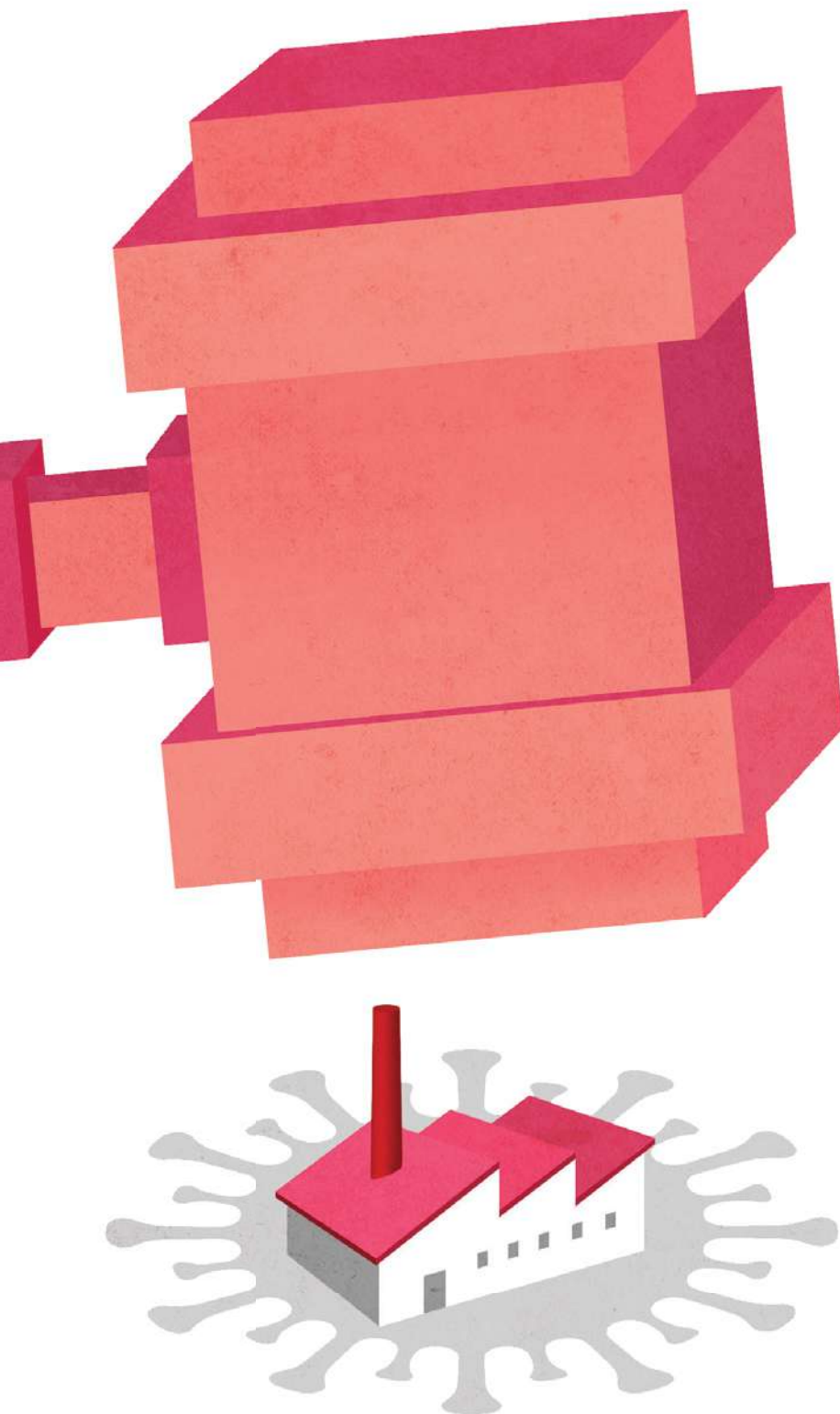
Companies invoking the clause must remember that it does not ensure guaranteed protection from contractual obligations

BY DIPAK MONDAL
ILLUSTRATION BY RAJ VERMA

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fulfilling certain obligations. These may include supply of goods or services, purchase of goods or services, lending or payment for goods and services.

Countries across the world, including India, have called the coronavirus outbreak a Force Majeure event. In a notification dated February 19, the finance ministry said: “...it is clarified that it (coronavirus pandemic) should be considered a case of natural calamity and



Invocation of the Force Majeure clause is not an open and shut case. Companies have to look into the contractual and legal aspects as well as the reasonableness of the clause

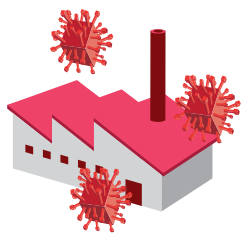
Force Majeure clause may be invoked whenever considered appropriate following the due procedures...". Since then, a number of companies have invoked the clause. While there could be genuine financial and logistical constraints in several cases, legal experts say invoking the clause in every case of non-fulfilment of obligation may not necessarily offer protection to a company. The coronavirus pandemic may not be treated as a Force Majeure event where performing an obligation is not beyond the control of the party. For example, non-performance of obligations such as manufacture, supply or payment for delivery of essential goods – since they are exempted from the lockdown – cannot be excused under the clause. Also, blatant use of the clause could lead to commercial disputes once courts start functioning normally.

The Rush Hour

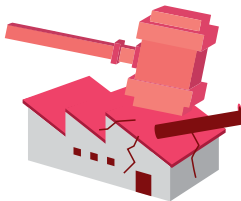
Several companies, including Hero MotoCorp, Eicher Motors, Adani Ports and Dakshin Bharat Gateway Terminal, have invoked the Force Majeure clause in some cases to defer payments to suppliers. Hundreds of small businesses have found themselves on the other side of the fence after being denied payments by business partners under the clause.

Sonam Chandwani, Managing Partner, KS Legal, says one of their clients, a large paint company, recently used the clause to defer payment of retainer fee for April. The same firm has also refused payments to many vendors. Chandwani herself has been recommending clients to use the clause if they are unable to perform some of their obligations.

Voxxy Media, a Mumbai-based celebrity social media influencer firm, was supposed to shoot a celebrity influencer for a large fintech company in the last week of March. But due to the spread of coronavirus and the subsequent lockdown, the shoot could not be completed. So, it invoked the clause. "The brand was supposed to transfer our money but held back. We could not pay the ce-



A Force Majeure clause is an ‘escape route’ for a party to not perform contractual obligations under certain special circumstances



It contains broadly four parts – identification of who is excluded from the performance, a list of qualifying events, obligations of the impacted party and remedies for the other party



The clause has to be explicitly defined and laid down under the contract. It cannot be implied under Indian laws



It does not excuse a party’s performance entirely but only suspends it for the duration of the Force Majeure

lebrity, and the whole schedule went for a toss,” says Kulbir Sachdeva, Director and Founder, Voxxy. Besides, some clients, for whom they had done some work in December and January were supposed to pay them in April, but they withheld funds for reasons like absence of the finance team and non-availability of laptops at home. According to Sachdeva, all this is resulting in cash crunch, but the company has no choice. “The contracts we have signed did not list pandemic under the Force Majeure clause, but given the situation, where everyone is stuck, and all businesses are suffering, we have no choice but to agree to some of the delays and non-payments,” he says.

Retail outlets, restaurant chains and multiplexes are all invoking the clause as they look to either refuse or defer payment of lease rentals. Multiplex owners, including Inox and PVR, and restaurant chains such as Domino’s Pizza, Speciality Restaurants and Starbucks, have sought waiver of rents.

Chandwani of KS Legal says most disputes will arise in the lease rental space. Though landlords are fine with late payments, they are not ready to forego the dues. “Start-ups in Mumbai and Bengaluru pay huge rents. So, I advised my clients to invoke the Force Majeure clause, but landlords did not agree. They want my clients to vacate the premises,” she adds.

“You have goods inside our premises, we are ensuring safety and protection of your goods, we are spending on electricity. How can someone just say he won’t pay? If you don’t want to pay, vacate the premises,” says an executive of Delhi-based real estate major DLF.

According to a large real estate player who operates in Mumbai and South India, most large companies and retail outlets with long-term lease agreements have been negotiating for a middle ground. However, there



Force Majeure (Non) Events in Times of Covid-19

Exempted under Force Majeure

Transportation or shipping of non-essential goods

Delivering possession of flats

Payment of lease rentals

Non-continuance of retainership of

a professional like lawyer, CA, etc

Cancellation of air tickets, hotel rooms



Not exempted under Force Majeure

Supply of essential goods

Taking live classes

Supply of medical devices/ medicines to hospitals

Making payments when the seller has fulfilled its part of the contract



Covid-19 will be treated as a Force Majeure event if the contract has mentioned epidemic/pandemic as one of the Force Majeure events



COVID-19 may not be treated as a Force Majeure event in cases where performing an obligation is not beyond the control of the party

have been many requests for exemption from April rent, she adds.

Sudhir Kumar Dash, a chartered accountant and qualified lawyer, and Partner and CEO, PPG International, says his team has invoked the clause on behalf of a dozen or so clients. While in two to three cases, landlords agreed to waive the rent, in most cases, they agreed to forego 50–60 per cent of the dues, since neither party is in a position to bear 100 per cent liability.

Even football clubs have been using the clause. Chennai City FC, a premier Indian football club and winner of the 2018/19 season of the I-league, recently invoked the clause to terminate contracts of its foreign players, becoming the second club to do so. According to Chennai City FC officials, the club followed FIFA (Federation Internationale de Football Association) guidelines while triggering the clause. FIFA had said in March that the disruption to the game of football caused by coronavirus was a case of Force Majeure. FIFA Regulations on the Status and Transfer of Players state that cases of Force Majeure shall be decided by the FIFA Council, whose decisions will be final.

Act of God: Not Sacrosanct

“If a party is under an obligation to provide a live tutorial to students, he/she may not be able to take the benefits of the Force Majeure clause,” says Mamta Binani, a lawyer and a corporate legal professional. So, the clause does not provide blanket protection. Instead, everything depends on wordings of the contract one has signed. That is why in case of GS Global Corp, Standard Retail was barred from taking advantage of the Force Majeure provision since, according to the contract between the two companies, it can be used only by the supplier (GS Global). Senior lawyer Vineet B. Naik, who represented

GS Global, says the verdict is significant as similarly placed businesses will think twice before invoking the clause, and courts will not be flooded by such commercial litigations.

Force Majeure then should not be used to avoid commercial commitments. According to experts, Covid-19 is an unprecedented natural disaster that has affected individuals and corporate India, but as Force Majeure is not embedded in the Indian law, to use it, it must be stated clearly in the contract.

For example, in a recent judgment, the Bombay High Court decided in favour of Kishore Biyani-promoted Future Corporate Resources and Rural Fairprice Wholesale, and restrained IDBI Trusteeship from selling shares of the two Future Group firms. While pronouncing the judgment, the judge said the companies needed protection in light of the current situation arising out of the coronavirus pandemic. In a similar case, the Delhi High Court held that the lockdown was in the nature of a Force Majeure, and allowed Halliburton Offshore Services’ plea, restraining Vedanta from invoking bank guarantees extended by the former in connection with a contract for integrated development of certain blocks (Mangala, Bhagyam and Aishwarya) in Rajasthan.

So, invocation of the Force Majeure clause in itself does not guarantee escape from an obligation. The onus lies with the party, which wants to invoke the clause to establish existence of events, circumstances or conditions resulting in Force Majeure. “The impact on the affected party’s ability to perform its contractual obligations may vary depending upon the terms of the contract. It is common for Force Majeure clauses to specify the impact that the events or circumstances in question must have for the clause to be triggered,” says Ranjana Roy Gawai, Managing Partner in law firm RRG & Associates.

However, for companies currently invoking the clause, the devil doesn’t seem to lie in the details. Their primary concern is to minimise losses in a tough business environment. But in doing so, they are ensuring that courts, when they start functioning fully, have a lot of commercial litigations to deal with. Atul Pandey, Corporate and M&A Partner at Khaitan & Co LLP, says: “It is expected that once the lockdown is gradually lifted, parties will go for litigations, seeking to either enforce the Force Majeure claim, or deny its applicability. Given the substantial number of companies/individuals affected by the lockdown, it is expected that the volume of litigation will be quite extensive.”

Invocation of the Force Majeure clause is, therefore, not an open and shut case. Companies have to look into the contractual and legal aspects as well as the reasonableness of the clause. **BT**

@dipak_journo

COVER STORY

CORPORATE

TRANSFORM OR DIE

The coronavirus pandemic is forcing companies to reimagine and reinvent

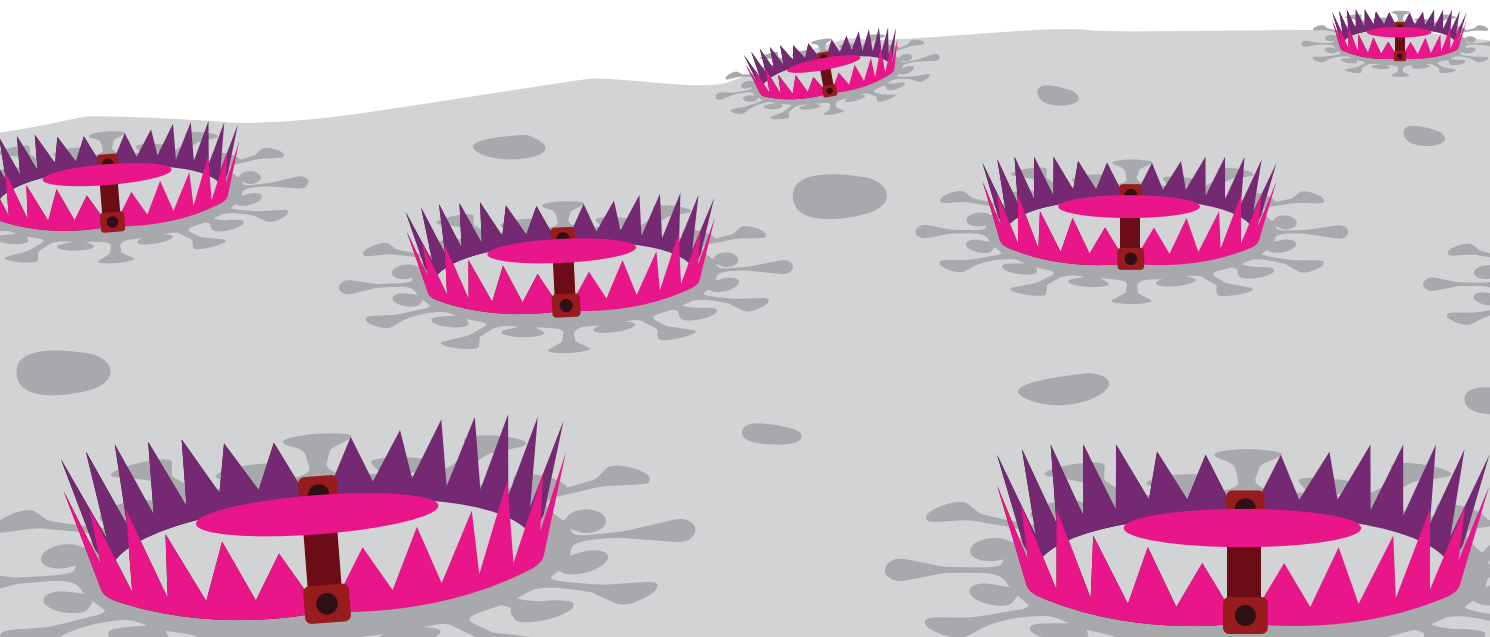
BY AJITA SHASHIDHAR and SONAL KHETARPAL
ILLUSTRATION BY RAJ VERMA

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A

typical lockdown day for Saugata Gupta, Managing Director of the ₹7,315 crore fast moving consumer goods (FMCG) major Marico, is a series of Zoom and Microsoft Teams meetings. Most of them are about dealing with the enormous challenge of supplying essentials like Saffola oil and Parachute hair oil to consumers across the country. As traditional distribution networks have ground to a halt, the FMCG major has been desperately inking deals with third-party distribution companies to quickly create bridges to reach consumers.

The quickest way, Marico realised, was to set up a tele-ordering facility where call centre workers ring up retailers and take orders directly instead of going via distributors. Yet, in the midst of all the chaos, when Gupta looks at Marico's Q4 results — with 7 per cent dip in sales and 3 per cent in volumes





— he can't help think what else he could have done to reinvent the business and reduce risks. His answer so far: think hard, think short, and do it quickly.

Across India, in the wake of the Covid-19 pandemic and the lockdown, businesses, big and small, are seriously rethinking about how to transform themselves to survive the crisis. While companies such as Hindustan Unilever (HUL), PVR and Pidilite are looking at conserving cash to save themselves, for retailers such as Arvind, Croma and Titan, it's all about setting up a robust omni-channel business model. Mall owners such as DLF and Nexus Malls are preparing to go all out to reassure consumers that shopping with them is safe.

"The pandemic is a black swan event as one can't predict what will be the fate of people and businesses on the other side. However, I wonder whether organisations can move to a quarter-on-quarter planning cycle instead of annual plans. Risk management has to be given far more importance," says Gupta. Most large corporates are accustomed to working on three- to five-year plans and yearly budgets. Gupta is hinting at moving from long-term planning to thinking for the short term.

Gupta is not alone. Suman Saha, Chief Operating Officer, Raymond Apparel, backs short-burst planning cycles. The pandemic has made most apparel brands' decades-old strategy of planning for two major fashion cycles — spring-summer and autumn-winter — redundant. "We are a multi-channel brand company. Our way

of doing business is seasonal. We walk a few months backwards in terms of actual demand; and it has been a successful model. We think what is going to be produced ahead of time and our channel partners tell us the quantity they need and we produce on that basis," says Saha. "Now, outlets are saying, orders are confirmed, but my demand has gone down. Therefore, the biggest re-invention for apparel brands will involve shorter market cycles. Companies will be forced to produce shorter lead time products or re-engineer the supply chain really well so that they are closer to demand."

That will mean greater complexity and more permutations and combinations of offerings through the year. Instead of spring-summer and autumn-winter, there will be summer, monsoon and winter collections in India, or even Diwali, Eid and New Year collections. The biggest pain point for most apparel brands has been pile-up of inventory. "When the lockdown was announced, we were creating a collection for July-August-September, which is autumn-winter. For this collection, our partners had booked in January-February, and we had confirmed orders. Going forward, we may need to delay our product ordering cycle to as late as May-June, so that we have a lot more inputs. If trends are changing, if consumer reaction is changing, this will help us factor in all that," says Saha.

Staying Relevant

While Marico and Raymond are looking at strategic

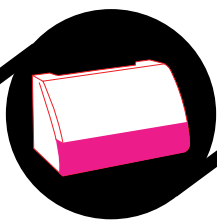
WHO'S DOING WHAT

SOON AFTER THE COVID-19 OUTBREAK, COMPANIES DIVERSIFIED INTO HYGIENE PRODUCTS OR VENTILATORS. NOW, THEY ARE REINVENTING BUSINESS MODELS. WHAT ALL IS HAPPENING



Hindustan Unilever

has increased focus on hygiene and rolled out Lifebuoy Germ Kill Spray, Domex Germ Removal Wipes and Surf Excel Anti-Germ Wash Booster



Marico has launched

Veggie Clean, a fruit and vegetable wash that removes germs, bacteria and chemicals without any residue



The government

has partnered with FMCG companies to set up one million Suraksha stores across India. These kiranas follow Covid-19 prevention norms



Five-star hotel

chains like Hilton, Taj and InterContinental have started take-away and home delivery options



B. SUMANT

EXECUTIVE DIRECTOR, ITC

"While these are initial days, some early consumer trends are emerging. It is expected that there will be enhanced focus on nutrition and, therefore, demand for health, wellness and hygiene products is expected to expand"



SANJIV MEHTA

CHAIRMAN AND MD, HUL

"The post-lockdown era could bring a renaissance for the grocer...We have a very sharp focus on each line of our P&L. We look at it closely to ensure that it adds value...costs that don't add value will be cut down"

tweaks to their business model, the rest of India Inc. is considering ways to re-imagine and re-invent the way they were doing business before coronavirus brought it to a standstill.

As health and hygiene become mantras on the other side of the lockdown, consumer goods companies are rolling out new product ranges. Marico has not just extended its brand Mediker to hand sanitisers, it has also launched Veggie Clean, a vegetable and fruit cleaning solution, which promises to remove germs, bacteria and chemicals present on surface of fruits and vegetables. Godrej Appliances is launching a high temperature washing option (which promises to kill germs) in semi-auto-

matic washing machines. HUL has launched extensions for three of its brands – Lifebuoy Germ Kill Spray, Domex Wipes and Surf Excel Anti-Germ Wash Booster. ITC has launched Savlon Surface Disinfectant Spray and Savlon Hexa, a stronger hand sanitiser variant.

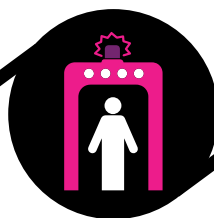
A bigger challenge for FMCG majors is re-imagining the supply chain and distribution network, which has come to a virtual standstill during the lockdown. For retail, hospitality or multiplexes, it is a question of survival. The retail sector, which accounts for 40 per cent of consumption, took a \$30 billion hit due to Covid-19 in March. With the third phase of the lockdown, retailers have been out of business for all of April and much of May. Accord-



Restaurants working on virtual menus and spread out seating. Some will offer set menus, have fewer people in kitchens and follow social distancing norms



As eating at home becomes the norm, food companies such as GITS, Licious, iD Fresh, Tasty Treat are trying out more ready-to-cook options



Malls such as Nexus, DLF Malls will limit number of people; will start contactless frisking and screening



Contactless experience – no trial rooms or physical bills – at Arvind Lifestyle and PUMA apparel stores; contactless payments to be mandatory

ing to the Retailers Association of India, by end-February 2020, business had dropped to 20-25 per cent and there has been a further dip of 15 per cent in the last month and a half. With earnings being virtually zero, and the new normal likely to be all about social distancing and people largely staying indoors, these businesses are desperately looking at ways to stay afloat. From contactless shopping in malls and consumer durables brands launching Covid-relevant products to food companies creating more eat-at-home moments and five-star hotels delivering exotic meal experiences in homes, Indian businesses are letting loose their imagination in order to stay relevant.

The biggest challenge for a lifestyle major like The Titan Company is how to attract a person sitting at home to buy a piece of jewellery, watch or perfume. Titan MD C.K. Venkataraman says his teams have been thinking hard to find ways to persuade people to celebrate occasions at home and dress up for the same. At a time when all its retail stores have been forced to shut down, the company is using the virtual route to woo consumers. "We are using videos to get people to experience our products such as jewellery. Once a consumer selects an earring online, one of our sales team members does a video demonstration. After the lockdown is lifted, we will also encourage home trials," he says.

"It is important for consumer goods companies to invest in analysing the changing consumer behaviour. Further, companies will need to understand various moments of consumption and their relative relevance in the post Covid-19 world," says Harsha Razdan, Partner and Head, Consumer Markets and Internet Business, KPMG.

The Virus Economy

Wearing masks, washing hands regularly with handwash and maintaining social distance have become a way of life. The writing on the wall is clear. The coronavirus pandemic will change the way people have lived so far. Health and hygiene products will become the mainstay of a consumer's consumption basket. From being just 1-2



SAUGATA GUPTA

MANAGING DIRECTOR, MARICO

"I wonder whether organisations can move to a quarter-on-quarter planning cycle. Risk management has to be given far more importance"

per cent of an FMCG company's portfolio, the share of health and hygiene products is expected to increase phenomenally to 20-25 per cent. "We are looking at a more sustained play in sanitisation," says Gupta of Marico.

"While these are initial days, some early consumer trends are emerging. It is expected that there will be enhanced focus on nutrition and, therefore, demand for health along with wellness and hygiene products is expected to expand," says B. Sumant, Executive Director, ITC.

Keeping this trend of hygiene in mind, Godrej Appliances has also been re-imagining its portfolio. "We already have fully automatic washing machines which wash clothes at higher temperatures so that germs can be eliminated. We are now introducing that option in our semi-automatic washing machines too. We are also looking at introducing more storage in refrigerators, as going forward, people are going to stay more at home and will need more space to store food," says Kamal Nandi, Vice-President and Business Head, Godrej Appliances. Simi-

WHO'S LOST WHAT

<p>₹2.25</p> <p>LAKH CRORE</p> <p>The hit taken by the retail sector in March alone</p>	<p>₹69,400</p> <p>CRORE</p> <p>Expected losses of Indian tourism industry during the April-June quarter</p>	<p>₹2,300</p> <p>CRORE</p> <p>What the Indian auto industry is losing daily in turnover</p>	<p>75</p> <p>PER CENT</p> <p>Fall in revenues of apparel and jewellery industry in March</p>
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larly, premium furniture brand Godrej Interio plans to launch multipurpose furniture. "A large number of people working from home will look for comfort, but at the same time, the tendency will be to conserve cash. We are trying to see if we can make multipurpose and adaptable furniture," says Anil Mathur, COO, Godrej Interio.

Re-imagining Distribution

HUL's sales in the fourth quarter of FY20 declined 9 per cent while volume growth fell 7 per cent. CFO Srinivas Pathak said in fourth quarter results meeting that half the loss in sales could be attributed to reduced stock levels at distribution locations as the company's primary distribution got disrupted, while the balance was from lower stock at the retailer level and loss of consumer demand. The country's largest FMCG company has been as impacted by collapse of the traditional supply chain and distribution network during the lockdown.

While FMCG players have tied up with various third-party service providers such as food delivery platforms (Swiggy, Zomato and Dunzo), cab aggregators and facility management providers of residential complexes to ensure their products reach consumers, there has been one clear realisation: the need to reinvent and make their existing supply chain and distribution networks less prone to shocks such as Covid-19.

The real heroes in this crisis are the humble *kiranas*. FMCG majors say their focus now will be to empower *kiranas* digitally. Sanjiv Mehta, Chairman and MD of HUL, says the post-lockdown era could bring a renaissance for the grocer. HUL already has initiatives such as the Shikhar app, which enables a grocer to place orders. Mehta says the company will encourage more and more grocers to order on Shikhar. "As things normalise, Humara Shop (an initiative that helps kiranas go digital) will become strategic...we will be looking at how to reach consumers in the best possible manner."

ITC's Sumant says though a significant number of consumers will shop on digital platforms, the *kiranas* will remain in the limelight. "The use of digital solutions in distribution and manufacturing will gain further momentum." Gupta of Marico is upbeat about the tele-calling service. "We have tried out various ways of reaching out to consumers but I find tele-calling to be the most scalable."

Traditional supply-chains in India, says Sidharth Jain, Partner, Kearney, had been over-indexed on efficiency without thinking about risks. "Covid is

THE MAN WITH HIS FINGER ON THE STOCK MARKET PULSE!



LAKSHMI NARAYANAN SUNDARAM
Research Analyst (SEBI Certified)

Mr. Lakshmi Narayanan Sundaram, a SEBI certified research analyst and Managing Director of International Financial Services is the man who forecasted the BIG CRASH in INDIAN stock market long back - one year ago. He is the one and only ANALYST who forecasted accurately a big crash in Indian Stock Market and gave article about this crash in our magazine business today one year ago that NIFTY will fall from life high to 7000 which is nearly 40% crash that comes true now. INVESTORS and TRADERS have lost nearly 64 LAKH CRORES in this crash which was forecasted very precisely by Mr. Lakshmi Narayanan Sundaram that's why we call him as the man with his finger on the stock market pulse. No research analysts, research companies, big players and familiar persons in stock market has told about this huge crash. His capability of forecasting stock market will be popular in near future across the globe. He is going to be the champion of the STOCK MARKET WORLD.

forcing companies to relook at that balance. The current conventional wisdom regarding just-in-time inventory and flow-through replenishment works for business as usual. But as everyone is finding out the hard way, such models cannot handle significant supply chain disruptions. Maintaining higher inventory levels may cost 0.3–0.7 per cent more; yet, in a crisis, higher inventory levels pay off in terms of customer satisfaction and competitive positioning.”

Anil Talreja, Partner, Deloitte India, says FMCG companies will have to ensure that no demand disaster happens. “If demand goes up and supplies are not enough, there will be inflation, which is what India doesn’t want.”

Re-inventing Retail

None of us ever imagined that one will need an appointment to walk into a mall or a store. But that’s soon going to be reality. As malls and high-stores get ready to welcome back guests post the lockdown, they will allow a limited number of people into the store at a given time to maintain social distancing norms. For starters, stores will operate at 50 per cent staff strength to maintain social distancing and open for just 8-12 hours. “We already have technology to monitor how many people have come in. In escalators, people will be allowed to get on at alternate levels. All buttons in lifts will be covered with plastic and sanitised every hour. In food courts, seating will be reduced. So, every alternate table will be either taped or taken away so that social distancing is maintained. We will have remote ordering of food,” says Dalip Sehgal, CEO, Nexus Malls.

Malls will follow staggered opening, says Pushpa Bector, Executive Director, DLF Malls. “First, apparel shops will open, followed by electronics outlets and food courts in a limited way. Movie halls and children entertainment will open much later.”

“To ensure physical distancing,

SURVIVING COVID



Make hygiene
and home
cleaning part of
everyday life



**Seek
cleanliness**
certified
restaurants



Rethink
spending
habits, go for
higher savings



Stay prepared
for future
adversities and
avoid panic



Buy products
that offer
proven results
around claimed
functionality



**Shift
consumption**
to fresh, clean,
ethical products



**Invest in
personal**
and home
healthcare

Source: EY's report: Moving
Towards a Resilient Retail

we will follow cross-allocation of seats so that distance is maintained. Movie shows will be scheduled in such a manner, that entry, intermissions and exits of two shows don’t occur simultaneously,” says Alok Tandon, CEO, Inox.

Shopping at malls will offer a totally different experience in future. Contactless shopping will be the new norm. Abhijit Ganguly, MD, Puma India, says consumers will not be allowed to touch and feel products at stores. “If they want to see the products, our staff will open and show it to them.” That’s not all. Apparel brands will get rid of trial rooms and you will not be able to try out a lipstick or a nail paint in a cosmetic store prior to buying it. “Payments will be made touchless. The physical bill will be replaced by e-bills,” says J. Suresh, MD & CEO, Arvind Lifestyle Brands and Arvind Retail.

Malls and high street stores have little option but to invest in social distancing and zero contact measures after they open for business. However, they also need to reconcile to the fact that there will be low footfalls and low revenue for three-six months if not more. Just to make their spaces safe will imply a 20-25 per cent increase in costs. This scenario has led retailers to ramp up their omni-channel infrastructure as consumers will increasingly want to shop from home. “Omni-channel will leapfrog post Covid,” says Titan’s Venkataraman.

“Click and Collect will be a major initiative that we will launch and promote. We are leveraging WhatsApp for business where we will send consumers the product catalogue of the store close to them. Consumers can browse and place orders, and we will deliver it home,” explains Arvind’s Suresh.

Consumer durables retailer Croma is also working to strengthening its omni-channel network. It is launching an app which will enable consumers to view the inventory across stores. “We

25%

The projected
proportion of health
products in an FMCG
company's portfolio in
the future



AJAY BIJLI

MANAGING DIRECTOR, PVR

"You need to make sure your balance sheet is strong to confront an eventuality like this...We have stuck to the core business of something Indian consumers love—watching movies"



C.K. VENKATARAMAN

MD, THE TITAN COMPANY

"Future innovations have to be in the value space, lower price-points. We are using videos to get people to experience our products such as jewellery"

have the ability of making inventory available at a specific store. We are also promising three-hour delivery if the product the consumer wants is available at the nearby store," says Ritesh Ghoshal, CMO, Croma. The electronics retailer is also planning a video chat option where the consumer will be able to walk the aisles of the store, engage in a consultation and close the sale.

For Godrej, a small portion of appliance sales happen

on ecommerce platforms such as Amazon and Flipkart. "We are creating digital content for our trade partners so that they can start generating leads digitally. We are also training our dealers to create their own digital platforms," says Nandi.

As brands re-invent and re-imagine, they are also aware of the fact that Covid will also lead to pay cuts and job losses, which will put brakes on consumption. "Future innovations have to be in the value space, lower price-points," points out Titan's Venkataraman. But the fashion-conscious need not worry. Apparel majors such as Raymond, V-Mart and House of Anita Dongre are looking at creating a business out of masks. Soon, one would get to buy masks that are coordinated with one's outfit.

Conserving Cash

The pandemic has forced cash-rich companies to think about conserving cash and protecting their business. Managing liquidity is priority. At the Q4 results announcement, HUL CFO Pathak laid down a five-pronged strategy to navigate the Covid-19 challenge. He said supporting its people, protecting supplies, servicing demand, contributing to society and maintaining and protecting its financial model would be the company's topmost priorities. "Our strong balance sheet and cash positions will be a source of competitive advantage for us. We are systematically reviewing all areas of cash generation and revaluating all costs in the light of the circumstances so that we can invest in the best opportunities. We continue to set a high ambition of savings across the value chain."

Mehta of HUL, says the company's ethos is frugality. "We have a very sharp focus on each line of our P&L, we look at it closely to ensure that it adds value and drives value for the business...costs that don't add value will be cut down." Abneesh Roy, EVP, Edelweiss Securities, says distribution costs of HUL will increase in Q1FY21. "However, lower ad rates, brutal cost optimisation and synergies from the GSK acquisition will more than compensate for that, keeping it on the EBITDA margin expansion trajectory."

Ajay Bijli, Chairman, PVR, says his strong balance sheet has been a saviour. The multiplex business has come to a standstill. "You need to make sure your balance sheet is strong to confront an eventuality like this. I have kept my business healthy, we have stuck to the core business of something Indian consumers love, watching movies." In the future, multiplex players such as PVR and Inox plan to take various measures to offer a contactless movie-going experience such as doing away with box office and curtailing its food and beverage (F&B) menu. Though F&B contributes close to 35 per cent revenues, this will also mean lesser investment.

COVER STORY

CORPORATE

Conserving cash has become important not just to mitigate risks but also to invest in appropriate businesses in future, says Bharat Puri, MD, Pidilite Industries. Puri is confident that Covid-19 will throw up opportunities for Indian businesses globally. "From China being the world's factory, companies will have factories across the world to mitigate risks and, therefore, one has to be able to identify categories which will enable one to have global scale."

Reimagining Food

Social media is flooded with posts of innovative food experiments. From culling out innovative sushis to giving a tangy Mexican twist to the humble pav bhaji, people, right through the lockdown, have been reinventing their culinary skills. These social media posts have given food companies ideas about coming up with options that will create more dine-at-home experiences. After all, dining-out in restaurants is likely to be out of bounds for a long time to come.

"People are cooking a lot more at homes than before," says Kanwaljit Singh, Managing Partner, Fireside Ventures. Singh considers this an opportunity for ready-to-eat and ready-to-cook products. Imagine a couple celebrating their 25th wedding anniversary in their homes all by themselves during the lockdown or even after, since going out may not be particularly safe. Can any of the food majors come up with a ready-to-cook menu comprising starters, main course and desserts to make their special day even more special? Sumant of ITC says their range of ITC Master Chef Frozen snacks, put together by chefs of ITC Hotels are well placed to address such trends. He says ITC is working on a host of innovations to cater to the rising home-cooking opportunities.

Gupta of Marico agrees that demand for healthy ready-to-cook meals is going to rise as people spend longer hours at home. "The number of Saffola moments will rise and we have to see how we can leverage these home-cooking opportunities," says Gupta. Sahil Gilani, Director (Sales and Marketing), GITS Foods, which offers an array of ready-to-eat and ready-to-cook options such as dosa batter, dal-makhni and rice and so on, says sales



BHARAT PURI

MANAGING DIRECTOR, PIDILITE INDUSTRIES

"From China being the world's factory, companies will have factories across the world to mitigate risks and, therefore, one has to be able to identify categories which will enable one to have global scale"

have doubled during the lockdown. "There were myths around packaged food being unhealthy. A lot of these misconceptions would have been busted during this period," says Gilani.

Apart from convenience, a more important criteria for a consumer will be hygiene standards. Consumers, of late, have been sceptical about meat following an advisory not to consume it unless they are doubly sure about the quality and hygiene levels of the slaughter house. Vivek Gupta, Co-Founder of online meat delivery platform Licious, says he has acquired 1.5 lakh customers in the last two months on the premise of a simple promise that his products are safe and hygienic. He says demand is double the pre-Covid times now, but they are able to fulfil only 30 per cent of orders. "We don't know how much pent-up demand is there. Our revenues have grown two times and I don't even know the extent of demand we are missing out on." Gupta of Licious plans to launch ready-to-cook biryani and cold cuts.

In fact, Singh of Fireside Ventures points out nimble and agile start-ups such as Licious or iD Fresh stand to gain the most post-Covid because of their capabilities to respond to market demands faster than an FMCG major constrained by elaborate processes. "We will see start-ups becoming mainstream."

One thing is clear. The future of consumption as we know it today is surely going to be re-shaped and companies are trying hard to stay relevant in the new normal. **BT**

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20-25%

Increase in costs for malls and high street stores to make their premises safe

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EXPLORING NEW AVENUES

Indian manufacturing companies plan value-added products, entry into export markets to kickstart business

BY NEVIN JOHN
PHOTOGRAPH BY SHEKHAR GHOSH

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a time when demand for steel has fallen sharply, both globally as well as in the country, Tata Steel wanted to insulate its books from the impact. A push for non-steel materials was the obvious choice. The division came up with fibre-reinforced polymer (FRP) and graphene, both in high demand. FRP is a structural material used for making light products that cater to automotive, industrial, infrastructure and railways sectors. Graphene coating, on the other hand, keeps steel corrosion-free. Non steel materials was targeted to contribute 10 per cent of revenues by 2025. With recent successes, it may get there ahead of schedule. Besides, the Tata group firm is also betting on its services and solutions business. It launched steel retail store, steeljunction, last year, which offers support in order management and deliveries to its e-commerce platform Aashiyana.

In another interesting development, Bharat Heavy Electricals Ltd (BHEL) has called for expressions of interest (EoIs) from foreign companies to use its 'idle' factories. It could well turn out to be a win-win situation for both – the state-owned firm can monetise its factories lying idle due to a slump in power demand, and the foreign company can save time and costs involved in setting up a manufacturing plant.

Manufacturing has been hit hard due to restrictions in production as the government scrambles to control the spread of Covid-19 through stringent lockdown measures. Companies across sectors are feeling the pinch.

For example, leading automobile companies — Maruti Suzuki, Mahindra and Mahindra, Tata Motors and Ashok Leyland — have all reported zero domestic sales in April. Most manufacturers are trying to do business in the 'new normal' — expected to last for months — with affordable products, direct marketing and export to unaffected markets.

JSW Steel, which operated at 38 per cent of its capacity in April, plans to focus on exports for the first two quar-

ters of 2020/21. The company recently received orders from China, Japan, South Korea, France, West Asia and the European Union (EU). The 60-year-old chairman of the JSW Group, Sajjan Jindal, who is facing a crisis like no other, has limited options for survival. Looking at newer markets is one of them. The company is hoping domestic demand will return with Diwali in the third quarter.

The lockdown has caused major disruptions in economic activities and resulted in a sharp drop in demand



for power from large consumers in commercial and industrial sectors, says Praveer Sinha, Chief Executive Officer and Managing Director, Tata Power. The company will invest in growth areas such as renewables and transmission and distribution. "Tata Power will remain committed to investing in renewable energy," says Sinha. The company also plans to revisit its capital expenditure plan, depending on how the situation pans out post-lockdown.

"The new normal is more around dynamic planning and staying agile to respond to evolving scenarios," adds Anish Shah, Deputy Managing Director and Chief Finan-

cial Officer, Mahindra Group. The group is focussing on conserving cash, eliminating non-essential costs and tightening capital allocation norms. "We have taken actions to conserve cash, even while continuing to invest for the post-Covid world. The emergence from this unprecedented crisis will be an opportunity to 'reboot, reinvent and reignite' our businesses," says Shah, who will succeed Pawan Goenka as Managing Director in 2021.

Infrastructure major Larsen & Toubro (L&T) is planning to build its business in Africa, which is less affected by the virus outbreak. The company has a sizeable presence in West Asia, whose economies have been hit hard by the crash in oil prices. MD and CEO S.N. Subrahmanyan, who recently convened a webinar to explain the situation to employees, expects the government to focus on critical infrastructure, including roads, bridges and hospitals, once the lockdown is lifted. Since L&T is heavily dependent on public projects, it could spell an opportunity for the company.

L&T is not alone in scouting for new geographies. The domestic automobile industry is also realising the importance of scaling up in other continents. According to industry experts, car makers will focus on overseas markets during May-July. Exports are picking up due to pending order books and opening of major ports in Mumbai, Chennai and Mundra. To attract domestic customers in the short term, companies would look at reducing costs.

Reliance Industries Ltd (RIL) has increased its share of petrochemicals production to counter the decline in transportation fuel sales. The traditional petroleum refining business of the company is facing triple headwinds — a lockdown stretching over 40 days, instability in crude oil prices and the advent of electric mobility. For the Mukesh Ambani-led company, however, debt will not be a problem even during the lean period. Ambani has done multiple deals to get rid of net debt of around Rs 1.6 lakh crore accumulated on the company's balance sheet because of investments in Reliance Jio. RIL has sold a 9.9 per cent stake in Reliance Jio Platforms to Facebook for Rs 43,574 crore, and another 1.15 per cent to private equity firm Silver Lake Partners for ₹5,655.75 crore. In addition, investments by strategic investors BP Plc and Saudi Aramco will also help the company pare debt.

Apart from the structural changes, Thyssenkrupp Elevator (India) has launched a new mobile application for customers to seek assistance or register complaints during the lockdown period.

Whatever it is, one thing is certain. The manufacturing sector is staring at a long battle ahead. **BT**

SURVIVAL TACTICS

Tata Steel is focussing on the non-steel materials segment; recently came up with fibre-reinforced polymer (FRP) and graphene. FRP is used for making light products for automotive, industrial, infrastructure and railways sectors. Graphene coating keeps steel corrosion-free.

BHEL has called for EoIs from foreign firms to use its factories that are lying idle due to slump in power demand. This will help the state-run firm monetise assets

L&T plans to build its business in Africa, less affected by the virus outbreak; resources deployed in ongoing projects will take a backseat

JSW Steel plans to focus on exports for the first two quarters of 2020/21, and has already received orders from China, Japan, South Korea, France, West Asia and the EU.

Tata Power will invest in growth areas such as renewables and transmission and distribution; it also plans to revisit its capital expenditure plan post-lockdown

Mahindra Group is looking to conserve cash, eliminate non-essential costs and tighten capital-allocation norms

38%

Capacity at which JSW Steel plants ran in April; the company is betting on exports to survive in the next couple of quarters



THE NEW FARM FORMULA

Farmers are finding newer ways, and means, to conduct transactions in times of lockdown

BY JOE C. MATHEW

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ninjacart, a Bengaluru-based, tech-driven supply chain platform that connects over 20,000 vegetable and fruit farmers with 60,000 *kirana* stores and businesses across India, launched an initiative, Harvest the Farms, a few weeks ago. It helps farmers sell fruits and vegetables directly to customers. Ninjacart tied up with gated communities for bulk orders (at least 50 kg) and delivered at apartment gates. It entered into partnerships with food delivery platforms Swiggy and Zomato for last-mile connectivity.

The experiment is helping farmers in a big way. Farmers in areas where *mandis* are non-functional can route their perishable produce through Ninjacart. Vasudevan Chinathambi, Co-Founder, says, “We have not thought about how we will work post-Covid but will look at how it pans out in terms of customer demand and feedback.”

Ninjacart is not a one-off case. As *mandis* are shut in large parts of the country, farmers are accessing consumers directly. This in itself could well be the biggest change in Indian agriculture in decades. But even more interesting is the way several companies across the country are using the power of IT to determine where farmers are stuck with their produce so that they can be connected with transporters, consumers, and reach new and diverse markets.

The trends will change the way farmers market their produce in India. That’s important because India is expect-

ing a bumper harvest this season. The area under summer rice crop this year is a record 34.73 lakh hectares as against 25.22 lakh hectares during the corresponding period last year. In pulses, it is 5.07 lakh hectares (3.82 lakh hectares during the corresponding period last year), coarse cereals 8.55 lakh hectares (5.47 lakh hectares) and oilseeds 8.73 lakh hectares (6.80 lakh hectares). Not all of the 2,587 main markets that absorb this produce are fully operational, necessitating interventions such as the one by Ninjacart.

The Players Step In

Long time after Covid is over, some farmers in Bihar will remember this as a period that changed the way they conducted transactions. FMCG major ITC helped the farmers create new milk producer groups and connected them with the company’s milk procurement channels. Whether it is milk, millet or wheat, ITC’s raw material procurement is based on its long running philosophy of farmer connect. “ITC’s agri business team responded to the situation by leveraging several elements of the ITC e-Choupal model in providing services to the farmer in procurement of crops and managing supply chains. Evolving iteratively over the





PHOTOGRAPH BY CHANDRADEEP KUMAR

HOW AGRICULTURE IS CHANGING

ITC helped farmers create new milk producer groups and connected them with its milk procurement channels

Amul is sourcing raw milk from non-members for Gujarat and Maharashtra; procurement up 15%

With many mandis shut, start-ups like AgriBazaar and Ninjacart are connecting farmers directly with consumers

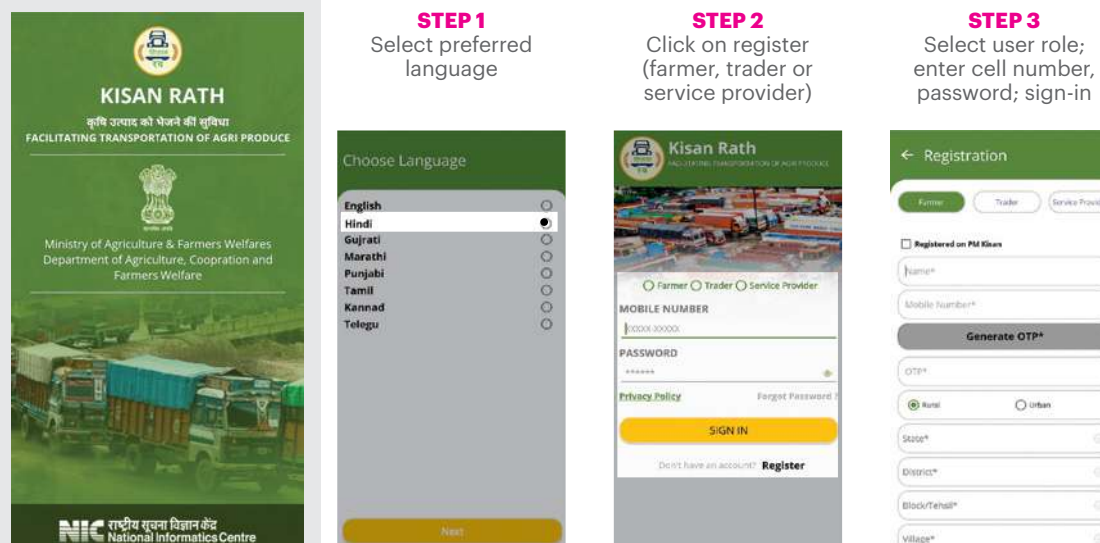
IT-driven platforms such as INI Farms have introduced mobile apps, e-auctions and digital auctions across the supply chain

National Collateral Management Services takes mandis digital; farmers get access to new markets and better returns

past 20 years, the e-Choupal ecosystem has every conceivable component in its design, and all of them could be leveraged almost instantly, be it direct procurement from the farmers or app-based digital systems that monitor crops and deliver advisories etc,” says S. Sivakumar, Group Head, Agri and IT Businesses, ITC Ltd. In fact, ITC leveraged farmer producer organisations (FPOs) for wheat procurement in UP, Bihar, Rajasthan and Madhya Pradesh. In millets, FPOs were supported with extension services for productivity improvement & capacity building

DIGITALLY AGRI-ABLE

KISAN RATH APP: THE APPLICATION CONNECTS FARMERS WITH 11 LAKH TRUCKS TO HELP THEM TRANSPORT THEIR HARVESTS



in Andhra Pradesh. “Engagement with one FPO in fruit plantations for processing varieties and a pilot of fresh fruit marketing has also been initiated,” says Shivkumar.

The lockdown threw up a unique problem for Gujarat Co-operative Milk Marketing Federation (GCMMF), which owns the Amul brand. It got requests from Gujarat and Maharashtra to procure milk even from farmers who were not its members as other systems had either stopped procurement or reduced it drastically. “We doubled milk procurement from nine lakh litres to 18 lakh litres a day in Maharashtra alone. Since the lockdown began, we have been procuring 35 lakh litres daily, 15 per cent more than usual,” says R.S. Sodhi, Managing Director, Amul.

Pankaj Khandelwal, CMD of Mumbai-based INI Farms that connects pomegranate, orchid and banana farmers to large retail chains, says he has started a direct to home vertical in collaboration with Swiggy and Dunzo in major cities. The use of IT platforms for last-mile delivery is among the several initiatives businesses have taken to help both farmers and themselves. The others include using IT across the agriculture supply chain, mobile apps, e-auctions and digital payments, among others.

The biggest tech intervention has been made by the Central government itself. The ‘Kisan Rath’ app, launched by the agriculture ministry on April 17, is being seen as ‘Uberisation’ of logistics. The app connects farmers and traders with more than 11.37 lakh trucks and 2.3 lakh transporters and helps them identify the right mode of transportation for their produce. Within a week of its launch, 80,474

farmers and 70,581 traders got themselves registered on the app to find the right transportation for moving farm produce ranging from food grain (cereals, coarse cereals and pulses), fruits and vegetables, oil seeds, spices, flowers, bamboo, logs & minor forest produce, coconuts, etc.

“Kisan Rath is the best example of the use of IT for farming in Covid days. The idea is that farmers can contact the nearest truck available for transportation,” says T.R. Kesavan, Chairman, National Committee on Agriculture of industry chamber Ficci and President and CEO of Tractor and Farm Equipment Ltd (TAFE). TAFE has announced a free tractor rental scheme through its tech-enabled J Farm Services (JFS) to help farmers in Tamil Nadu, Rajasthan and Uttar Pradesh during the cropping season. The company will use its corporate social responsibility funds to pay rent for tractors and implements hired by farmers using this scheme during the Covid disruption period. There are close to 8.5 lakh farmers on the JFS platform.

The e-market concept is also catching on among farmers. And it’s not just the government owned e-NAM (national agriculture market). Amit Agarwal, CEO and Co-Founder of Mumbai-based Agribazaar, a digital platform connecting local farmers to buyers, says there has been a surge in use of the platform after the lockdown. Agribazaar allows online sale of produce, transfer of money through its payment platform and linkage with logistics players. “In the last 20 days, we have transported more than 5,000 truckloads.” It handles over 80 products, including foodgrain, oil seeds, pulses, fruits, potatoes, onions and garlic.

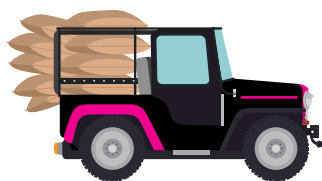


FOR FARMERS:

STEP 4: Select journey, commodity details, dates and nature of truck load (full or partial)

STEP 5: Select details of contact person, send request

STEP 6: Click on response details; contact preferred transporter



FOR TRANSPORTERS:

STEP 1: Select vehicle type, hiring cost (per tonne, per vehicle)

STEP 2: Enter number of vehicles, upload photo

STEP 3: Submit request

STEP 4: Accept load from requests posted by farmers, traders

STEP 5: Enter details of contact person, submit

STEP 6: Response appears on farmer's screen

COVER STORY AGRICULTURE

“Maharashtra farmers who normally sell their grapes and mangoes in Vashi market have used our platform to sell around 600 tonnes in Ludhiana, Bikaner and Kota. We also handled 80,000 tonnes of pulses,” he says. Agarwal says their services have given farmers and buyers a cost advantage of 5-7 per cent. In fruits, this is in the range of 15 per cent. “Ours is a digital agri mandi. This will be a new era for agriculture. Why should a farmer go to the mandi when he can sell produce at the farm gate?” he asks.

Siraj Choudhry, MD & CEO of National Collateral Management Services Ltd (NCML), is attempting a middle path. The company is connecting commission agents (*arthiyas*) in *mandis* with farmers through an *e-mandi* developed by NCML. “We are setting up e-market yards in warehouses with permission from state governments. This is *mandi* activity on a digital platform. It creates a marketplace, but unlike traditional *mandis*, the farmer does not have to stand in a queue. He can come at the time and location messaged on his phone. If he is not happy with the price, he can store the produce in the warehouse and the *arthiya* can get the receipt pledged in the bank for even some cash advance,” says Choudhry. The central government has allowed farmers to bypass *mandis* during the Covid lockdown and sell directly, but NCML’s plan is more realistic, as it takes traditional stakeholders on board while ensuring better prices for farmers and better quality of produce for customers. Choudhry feels that if the experiment succeeds in Rajasthan (for wheat), Andhra Pradesh (chillies) and Gujarat (jeera), it will transform the *mandi* system.

There are several other opportunities emerging in the lockdown. GCMMF is converting additional raw material into skimmed milk powder and white butter. This means all its factories are running at full capacity, resulting in incentives to labourers and drivers. “There is a 20 per cent to 50 per cent increase in incentives for them,” says Sodhi.

Sodhi says Amul launched a new product - Haldi Milk - to cash in on the demand for immunity boosters. It also doubled brand building efforts. “We get a good bargain on advertisements and marketing,” he adds. **BT**



R.S. SODHI
MD & CEO, AMUL

“We doubled milk procurement from nine lakh litres to 18 lakh litres a day in Maharashtra alone. Since the lockdown began, we have been procuring 35 lakh litres daily, 15 per cent more than usual”

“Kisan Rath is the best example of the use of IT for farming in Covid days. The idea is that farmers can contact the nearest truck that is available for transportation”



T.R. KESAVAN

CHAIRMAN, NATIONAL COMMITTEE ON AGRICULTURE, FICCI

@joecmathew

NEW-AGE BANKING

The financial services industry was already undergoing a transformation in business model. The pandemic will now accelerate the process

BY ANAND ADHIKARI
ILLUSTRATION BY RAJ VERMA

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Towards the end of March, when coronavirus had triggered a near total lockdown across the world, and things were looking really bleak, not everything was gloom and doom in the financial services industry. Besides taking big managerial decisions while operating from different locations, financial institutions started finding expansion opportunities in the crisis. Several public sector banks launched emergency Covid loans as well as various kinds of personal loan products to help customers. Similarly, insurance companies, including Star Health, ICICI Lombard, Bharti Axa General Insurance and a few others, launched Covid-specific health policies. Some even launched a Covid health product offering income support by way of a fixed sum (not actual hospitalisation) for people without health insurance.

Considering that the risk and fear of a future lockdown are set to change the savings behaviour of people, the industry is looking at ways to cash in on this change too. Also, with the migrant population heading back home, banks are looking at more opportunities in rural and semi-urban areas.

Getting Tech-Ready

In the last week of February, when China was under a lockdown and the World Health Organization was assessing whether to declare the coronavirus outbreak a pandemic, Mumbai-headquartered Axis Bank started mock drills with two possible scenarios of partial or full lockdown. The biggest focus of the bank – considering that a big chunk of back-office work had to be done at homes of staffers – was

cyber security and data privacy.

The country's largest private sector lender, HDFC Bank, has also been quick to adopt a new business model that is more flexible post-Covid. It is now looking to put in place a more concrete plan once the lockdown is lifted and studying technology options for data privacy and cyber security in case core work has to be done from remote locations.

Axis Bank and HDFC Bank are not the only financial services players taking the lockdown challenge head on. Every bank is now realising the potential of exploring new ways of using technology to their advantage. Digitalisation was transforming the ways of banking even pre-Covid. But the virus outbreak has brought new ideas to the table, including work from home (WFH), use of cloud services, more focus on cyber security risks, creating a bond with customers virtually and preparing a business contingency plan for epidemics/pandemics.

"Covid-19 will accelerate the digitalisation drive. Today, most retail banking services can be offered digitally," says Ashutosh Khajuria, Executive Director, Federal Bank. The branch model will see big changes as video interface reduces reliance on branches. "With Zoom or WhatsApp meetings, people are now more comfortable talking through video-conferencing," says a banker.

"Banks are using cloud for various applications through single or multiple sources. But cloud services have to be customised optimally for best use," adds Khajuria of Federal Bank. "However, if you compare the cost benefits of WFH and higher productivity with cloud costs, the business proposition will certainly change in favour of the former." Clearly, the old order is changing.

SBM Bank, for instance, conducted its board meeting last fortnight over video calling where the CEO, the company secretary and the directors were at different places. "We have to use technology and also find a way of socialis-



COVER STORY

BANKING

BANKING ON FUTURE

RBL is using cloud services for remote working needs; this will increase in future

Star Health, ICICI Lombard, Bharti Axa General Insurance and a few others have launched Covid-specific health policies

Life insurers to launch short-term life policies for frontline staff dealing with Covid

Axis Bank to explore option of making work from home a part of its culture; same is the case with **HDFC Bank**

ing with people,” says Sidharth Rath, MD and CEO, SBM Bank in India.

Customer is King

Financial services players are also finding ways of reaching out to customers in these times. Jana Small Finance Bank is writing to customers above 60 to avail banking services at home. Around 40 per cent of its customers are senior citizens. “They are the most vulnerable. They won’t step out even if lockdown restrictions are lifted,” says Ajay Kanwal, CEO, Jana Small Finance Bank.

Some small banks are planning to use videos for collection strategies. “You don’t need to visit customers in the early-stage default period. The interactions can be done over videos. Face-to-face meetings should be reserved for more serious cases,” adds another banker. In the financial technology space, SME lending firm NeoGrowth has started a communication series for customers, where it provides essential tips on how to manage cash flows more effectively.

WFH is also helping banks serve customers better. When the nationwide lockdown was announced on March 25, Axis Bank quickly set in motion its plan. “The lockdown has taught us how WFH can be more productive and convenient,” Amitabh Chaudhry, Managing Director and Chief Executive Officer of the bank, said recently. The bank is exploring options to include WFH as part of its work culture in the future.

At HDFC Bank, relationship managers, serving over four million customers under preferred and personal banking, took to WFH quickly. In fact, productivity jumped from two-three calls a day to 8-10 calls. This will help the bank spend less on infrastructure (space and office systems) and people.

Clearly, the financial services space is set to change for the better. **BT**

@anandadhikari

KEY CHANGES



Work from home will become part of organisation culture



Institutions will try to create a bond with customers



Bulk of non-sensitive opex to be shifted to cloud



Business contingency planning to include epidemics and pandemics

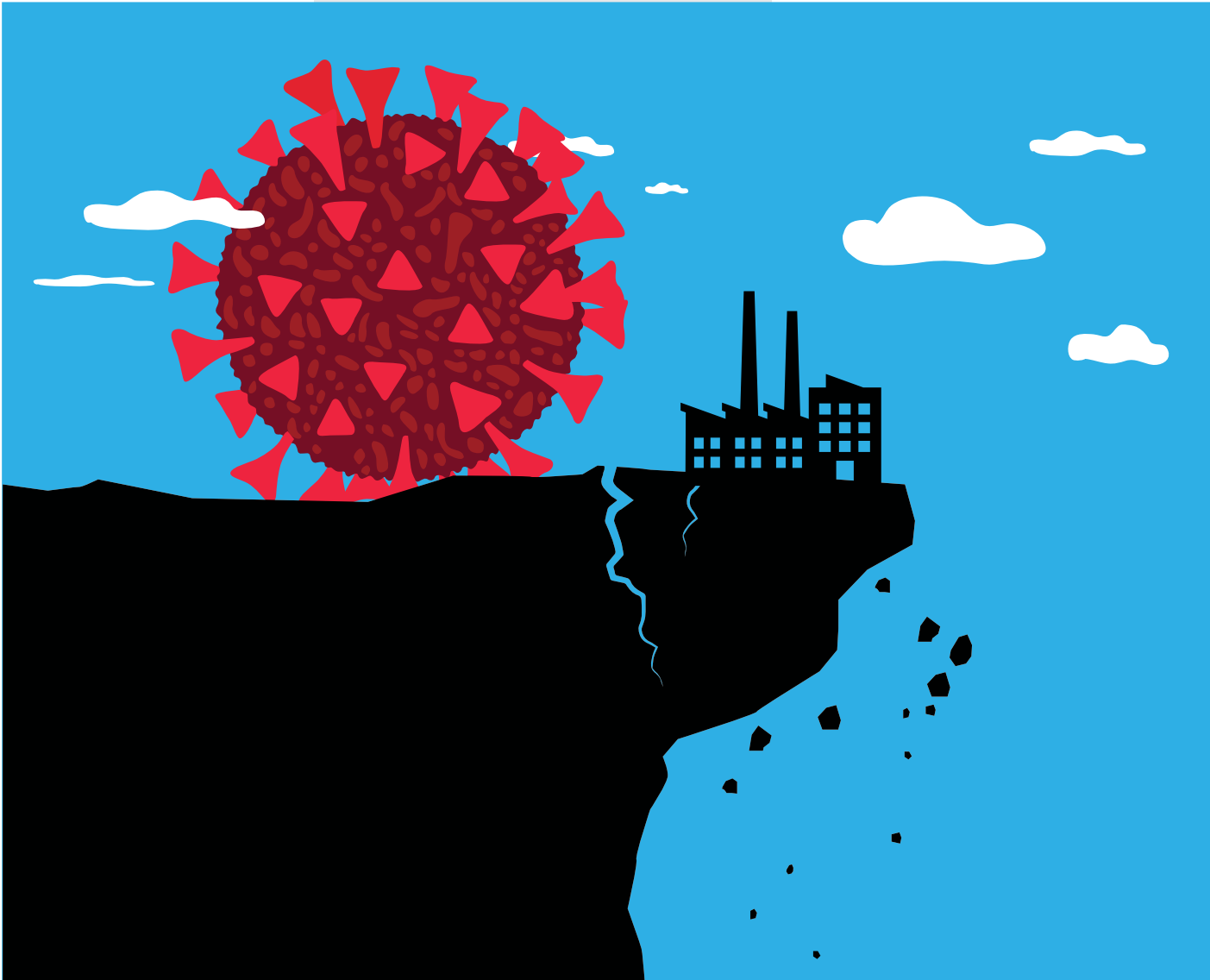


Cyber security to be strengthened



The industry will look at new ways to capture the likely ‘savings’ behaviour change

NOT A SMALL SHIFT



MSME guide to survival has several drastic measures such as lower leverage and diversification into newer areas

BY NIRBHAY KUMAR
ILLUSTRATION BY RAJ VERMA

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COVER STORY

MSMEs

In

January this year, US forces killed top Iranian general Qasem Soleimani in an air strike. The incident roiled global markets, but for Jaipur-based Adarsh Mahipal Gupta, who sells auto components under the Autopal brand, it came as a shock. Gupta had appointed a local agent in Iran to sell auto components there and shipped the consignment. The episode led to his payment getting stuck.

Just as the situation was improving in Iran came news about coronavirus outbreak in China. Gupta, who is Director (Finance and Marketing) in the family-run Autopal-MPG Group, recalled two of the company's Indian staffers and laid off two out of four local employees in his Shanghai office. The group, which imports components worth ₹15 crore annually from China, has suspended trade. The lockdown has resulted in almost all its payments getting stuck. It is struggling to pay salaries to 1,100 employees.

Gupta has made up his mind to get into essential items and emerging areas – medical equipment and artificial intelligence – so that cash continues to flow even during a tough business environment. “We plan to enter artificial intelligence and medical equipment. We already have a software firm. We are talking to possible joint venture partners. Regarding making medical equipment, it is easier for

us, given that we are already into auto component manufacturing,” he says.

There are thousands of micro, small and business enterprises (MSMEs) like Gupta's which are thinking about de-risking their business and making their organisations leaner to tide over both current and future economic crises. “Many MSMEs are looking at optimising existing facilities to maximise revenue. While they will stick to their core business, they are planning to add some products that can be supported by existing facilities,” says K. Vinod Narayanan, Managing Director, PVN Industries. Kerala-based PVN is exploring the possibility of making hospital equipment and furniture.

Muzaffarnagar-based Chakradhar Chemicals is reluctant to enter a new area altogether but is exploring the option of collaborating with a foreign company to produce pesticides and weedicides, a natural extension of its fertiliser and agriculture equipment business.

That is not all. Apart from entering newer areas, the survival instinct of MSMEs is making them take several drastic steps such as entering into foreign tie-ups and reducing debt as well as staff strength.

Cash Crunch

To be sure, not all small firms can afford to diversify as they are facing an unprecedented cash crunch and are awaiting financial support from the government for survival. For many, even paying salaries has become a challenge. A survey carried out by industry body The Federation of Indian Micro and Small & Medium Enterprises (FISME) and Skoch Group in April-end found that almost 30 per cent MSMEs would prefer to cut staff strength by half.

A large section of MSMEs has not benefited from government move to provide moratorium on loans and extension of higher cash credit limit. More than 80 per cent MSMEs are self-financed and only 7 per cent borrow from formal credit institutions. But even those availing bank credit for growth and working capital are reducing borrowings. The reason: the earlier loans are resulting in a higher fixed cash outgo while cash flows have dried up.

The total credit from scheduled commercial banks to

WHAT THEY WILL DO

Lowering leverage:

MSMEs are set to reduce fixed expenses. Many will rethink reliance on bank credit for expansion as they are feeling the pinch of high interest outgo

Cutting flab:

MSME sector, which accounts for one-third of India's GDP and employs nearly 11

crore, will see huge retrenchments as economic activities remain limited. A survey by industry body FISME and Skoch Group has found that almost 30 per cent MSMEs will prefer to cut staff strength by half

Expanding product bouquet:

Many MSME players are looking at getting

into essential items to ensure cash cushion. For instance, some small auto component makers have set sights on medical equipment and hospital furniture. Some MSMEs in the apparel business have added an additional production line to make PPE kits and face masks

Joining hands with foreign firms:

With the government ready to hand-hold local MSMEs, many are expected to enter into technical tie-ups with companies exiting China and looking for alternative manufacturing hubs

COVER STORY

MSMEs

MSMEs stood at ₹15.16 lakh crore in FY 20 (up to September 2019). Credit by Non Banking Finance Companies to the sector was ₹1.65 lakh crore as on December 2019. Bad loans rose to 12.2 per cent in September 2019 from 11.7 per cent a year ago, according to credit information company TransUnion CIBIL, suggesting rising stress in the sector.

“Business principle says that if you want to grow, you have to have debt. If you want to be on a growth path, you have to take debt, but MSMEs will now be more conservative than in the past,” says Amit Sethi, Joint Managing Director at NCR-based Orient Fashions. With bulk of export orders cancelled and no hope of revival in the apparel sector, Sethi has added a production line to manufacture PPEs and three ply face masks to cater to the huge demand in the wake of the Covid pandemic.

Demand Worsens

Even before Covid-19 hit India, consumption was shrinking in many sectors such as electricity, commercial vehicles and passenger cars. The virus has aggravated this. MSMEs make bulk of ancillary items and so are bearing the brunt of the plummeting demand.

During the ongoing lockdown, sales of essential items such as footwear, utensils and garments, primarily manufactured by MSMEs, have dropped sharply, giving a body blow to the smaller firms. The government has permitted some neighbourhood shops to open but buyers are much less eager to spend than before.

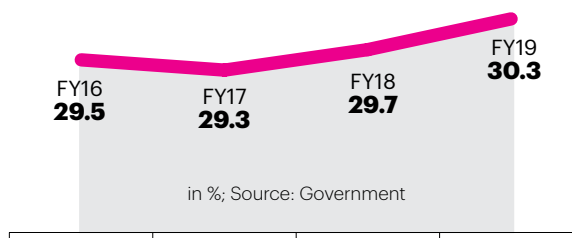
MSMEs are facing a major slump in export markets too as most countries have imposed a lockdown to contain coronavirus. With local demand at an all-time low, export orders are far and few between, liquidity crunch and migrant workers leaving for their homes, for MSME promoters, it is like starting the venture afresh.

Foreign Tie-Ups Hold Promise

Animesh Saxena, President, FISME, sees a new opportunity for smaller firms as soon as coronavirus settles down and companies exit China and look for alternative manufacturing destinations. “We see a lot of technology tie-ups and collaboration happening between Indian firms and companies from Japan, South Korea and Taiwan, because right now India does not have technology, which is the biggest challenge it faces in import substitution. A few months back, we had signed an MoU with the Korean Small & Medium Enterprises Association to work together. Korean MSMEs see a golden opportunity in collaborating with Indian firms,” he says.

“They are looking at joint ventures outside Korea. Their problem is that they are small and, hence, cannot come on their own and get approvals and permissions. They need some reliable Indian partners,” he says. But it will not be easy for India to attract companies from China. In the past,

RIISING SHARE OF MSMEs IN GDP



SHARP RISE IN STRESSED MSME ACCOUNTS

	Accounts referred during the half year	Accounts resolved during the half year
October 2016-March 2017	1,00,803	1,37,282
April 2017-Sep 2017	87,062	95,107
October 2017-March 2018	1,30,208	1,30,473
April 2018-Sep 2018	1,50,165	1,23,227
October 2018-March 2019	1,42,275	1,46,519
April 2019-Sep 2019	2,23,786	2,01,768

The accounts are handled by bank committees set up under RBI guidelines; Number of cases resolved by the committees is more than the cases referred due to some pending cases at the beginning of the half year; Source: RBI

during the height of the trade war between the US and China, many companies moving out of China preferred countries such as Taiwan, Thailand and Vietnam. Orient Fashions' Sethi says there will be big exits from China once coronavirus settles down. “But there is no replacement to China. In apparel, they hold 29 per cent market share while India holds 4 per cent. Vietnam holds 12 per cent and Bangladesh 8 per cent. India is not truly a manufacturing hub,” he says. While entry of foreign manufacturers will be an added advantage, MSMEs also need to improve efficiency and rationalise cost structure. “If foreign manufacturers come to India, it indicates growth of the ancillary sector. MSMEs are predominantly in the ancillary sector, so they can capitalise on this opportunity,” says K.R. Sekar, partner in Deloitte.

The government is set to help the sector but it will have to fight its own battle in the end. **BT**

@nirbhaykumar1

THE ETERNAL OPTIMIST

DR ANEEL KASHI MURARKA

THE NOTED INDUSTRIALIST AND PHILANTHROPIST SAYS, LET'S RISE TO THE COVID-2019 CHALLENGE, TOGETHER WE CAN DEAL WITH IT SUCCESSFULLY.

The Covid-2019 Pandemic has changed the world so much. Many nations globally in lockdown to protect their people and businesses on hold, the economic growth has come to a halt. "Our society has faced tremendous challenges for hundreds of years and each time it has found answers within. This Corona crisis too is no exception" says Aneel.

A second generation Industrialist Aneel Murarka is the Managing Director of Mirachem Industries a leading global supplier of high performance textile specialty chemicals with worldwide service and distribution network. As the founder of the social enterprise Ample Mission, since the Covid-2019 nationwide lockdown was declared, he along with his son Sidhaant and Team Ample began relief activities across Mumbai, Maharashtra and other neighbouring states, by providing essential supplies both medical and food items to needy people and reaching out to marginal communities such as the homeless, migrant laborers, daily wage workers, transgenders, acid survivors etc i.e. People that are bearing the hardest brunt of the economic lockdown due to the Coronavirus pandemic.

"We are trying to do whatever we can to each and every segment of the society. Be it distribution of medical safety kits and food to the needy families so that nobody sleeps hungry". He further explains "I applaud our PM Narendra Modi's leadership and his hard work to contain the situation from getting worse. Not really worried about the economy at this moment, rather than he has been concerned about human life. Economies can really be improved tomorrow, right now human race is to be considered and that's what our Hon.Prime Minister is doing."

In the coming days both small and big businesses will be significantly impacted through this pandemic and job layoffs, pay cuts will be unavoidable due to the deep economic crisis that's now gripping every country. On this Aneel asserts "Every Business leader have to find a way out of this crisis and also their responsibility towards employees. Lower rung employees often become the first casualty of cost-cutting measures. It will be critical for businesses to ensure all such employees continue and get paid as requested by our beloved PM Modiji, Equally important is to continue to thoughtfully serve our partners, customers, support the economy in these trying times." he concludes.

Post Covid-2019 crisis, the Indian Industry and business scenario looks gloomy but if the Central Govt plans for it in advance to tackle major issues with a series of economic stimulus package to ensure recovery of different sectors then we will be on the right path towards rebuilding India slowly and steadily towards a better tomorrow.



T

he world's greatest health emergency in over a century, the coronavirus pandemic, will in its wake cause widespread changes in India's automotive landscape. As factories across the country look to resume operations after a shutdown of more than 40 days, the challenges are multifaceted.

In over a month, the world has changed drastically. To avoid the virus from creeping into shop floors of factories, the corner room of offices and the mezzanine floors of showrooms are taking precedence over revenue, bottom line, productivity and market share.

The most visible impact will be in dealerships, workshops and showrooms. Already, the trend of digital showrooms and online sales has taken off, and the industry believes it will only accelerate as consumers shy away from visiting dealerships. Doorstep delivery and service, along with test-drive simulations, will be the new normal.

Virtual Showrooms

This will potentially change the business model of vehicle dealerships. The need for giant showrooms with multiple cars on display and sizeable parking lots for test-drive vehicles may become history.

"New business and retail models will emerge. Now you don't need massive show-



REINVENTING THE WHEEL

India's \$120-billion automobile industry will see lower factory output, greater consolidation among suppliers, digital showrooms and simulated test-drives

BY SUMANT BANERJI
ILLUSTRATION BY RAJ VERMA

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COVER STORY

AUTOMOBILES

rooms like we used to,” says Kavan Mukhtyar, Partner and Leader, Automotive, PwC India. “Small retail formats will pick up momentum.”

According to a survey by Capgemini Research Institute, 70 per cent Indians want to avoid dealership visits to compare financing and deals, against 46 per cent globally.

Companies, including Honda, Hyundai, MG Motor, Toyota, Skoda, Ford, Jeep and luxury carmakers like BMW and Mercedes have already started innovating in this area. Jeep has, for example, created a platform where the customer can research, book, order a test-drive, negotiate a deal, customise the vehicle and make the final payment through the website without going to the dealership even once.

“The touch-free retail experience is designed to enhance convenience for customers. Physical distancing has become the new normal, and our approach is to ensure customers as well as our staff are well protected,” says Partha Datta, President and Managing Director, FCA India.

Shift from Public Transport

The pandemic could spur demand for private car usage as consumers shun public transport for fear of contracting the virus. “Based on expenditure share, buses and trams are used for 58 per cent of travelling by urban households and 68 per cent by rural households,” says Kumar Rakesh, Auto Analyst, BNP Paribas India.

The nascent electric vehicle industry may bear the brunt as companies conserve cash and prioritise spending.

“The overall auto sector hasn’t been performing well and the current Covid-19 outbreak has further exacerbated the situation. Electric mobility is also not insulated from this impact,” says Shekar Viswanathan, Vice Chairman and Whole-time Director, Toyota Kirloskar Motors

Vehicle Subscriptions

The concept of vehicle ownership itself is likely to change as subscription models and car-leasing, where a consumer pays for using a car monthly or semi-annually without actually owning it, gain ground.

Zoomcar, which provides vehicles for short-term self-drive and long-term subscription plans, says almost 25 per cent of its business comes from subscriptions, which is likely to grow manifold in the future. The start-up has seen investments from companies, including Mahindra Group. Similarly, Hyundai has invested in rival firm Revv.

“We anticipate a significant increase in car subscriptions post Covid-19, as consumers look to avoid public transport without the burden of car ownership,” says Greg Moran, Co-founder and CEO, Zoomcar.

Inside Factories

At the manufacturing level, the impact of the pandemic will be restricted to the need for maintaining proper social distancing norms. Fewer number of workers at shop floors will become the new normal, which would mean productivity taking a hit. To start off, most factories are not likely to produce more than 25-30 per cent of their peak capacity.

ON A NEW PATH

Ford and Mahindra have tie up with Zoomcar, Hyundai with Revv to offer cars on subscription

Every auto company from Maruti Suzuki to Honda, Tata to Bajaj to reduce workers on shop-floor to maintain social distancing norms, production will decline

Jeep has created platform for buyers to book, order test drive, customise vehicle, make online payment and get vehicle delivered home. Hyundai, Honda, Toyota, Maruti are also doing the same

Electric mobility to take a backseat as companies tend to conserve cash and prioritise resources

Shared mobility and car-pooling may get hit. People will prefer personal vehicle over mass transit

“We have reviewed all our processes and aligned it with the social distancing norms of the government. For example, in powertrains, where engines are being assembled, people normally work in close proximity. Now, the distance would have to be five to six times more. This will obviously mean lower volumes,” says Rajesh Goel, Senior Vice President and Director, Sales and Marketing, Honda Cars India.

For manufacturers with bigger scale and deeper pockets, this may not be a problem in the short-term as demand for vehicles is expected to be low in the near future. The challenge is bigger for smaller ancillary units that supply components and parts to be assembled by the likes of Maruti, Hyundai, Tata, Honda, Toyota or Bajaj.

“It will be tough for small Tier II and III component suppliers. Maintaining social distancing on the shop floor would mean a fall in output and it will become a matter of survival for the fittest. There will be increased consolidation in the industry,” says Deepak Jain, President, Automotive Component Manufacturers Association.

The \$120-billion industry is, indeed, bracing itself for life post-Covid. **BT**

@sumantbanerji

MAKING OUT OF INDIA

Pharmaceutical players will set up plants in major markets, go for more automation and focus on digital marketing

BY P.B. JAYAKUMAR
ILLUSTRATION BY RAJ VERMA

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ajesh Raghavan, a medical representative with a mid-sized pharmaceutical company in Mumbai, no longer travels in local trains or visits crowded alleys to meet doctors. Locked down in his small flat in Navi Mumbai, Raghavan's main job now is to convince doctors for a Zoom meeting with his company's medical director and team. What's more, doctors are also happy to listen to the director about the latest medical innovations, besides discussing the advantages of the blood pressure drug that Raghavan has to market. "I was struggling to meet a dozen doctors earlier, now I am able to get in touch with an average 20 doctors a day," he says.

According to industry leaders, fundamentals of the biopharmaceutical industry, built over decades, are changing post-coronavirus. Manufacturing, supply chain management, doctor-patient interactions, research and development (R&D), regulatory hurdles – everything is undergoing a transformation.

Kiran Mazumdar-Shah, Executive Chairman of Bangalore-based Biocon, with experience of over 45 years in biopharma research, says fundamental changes are bound to happen in healthcare post-corona, especially in scientific innovations. "Public



COVER STORY

PHARMACEUTICALS

CURRENT VS NEW WORLD

health is likely to get priority, from the government, private sector and investor community,” she says.

Umang Vora, Managing Director and Global CEO, Cipla, says the pandemic will redefine ways in which drug manufacturers engage with stakeholders, focus more on self-reliance and embrace new technologies.

“Now it is natural for drugmakers to ‘over-emphasise changes in the near-term’ which will definitely happen, but the change will be gradual over time,” says Nilesh Gupta, Managing Director, Lupin.

Changing Manufacturing Landscape

One thing that is happening now is that Indian drug manufacturers are receiving regulatory clearances for many of their plants found to be short of current Good Manufacturing Practices (cGMP) benchmarks of the US Food and Drug Administration (USFDA). The reason: With Covid-19 at its peak, the US started experiencing shortage of medicines and quickly cleared many Indian facilities under its scanner. First was IPCA Labs’ two facilities for Hydroxychloroquine (HCQ) to treat Covid-19 patients. These plants were banned by the USFDA for nearly five years. It also gave green signal to Lupin (four plants), Dr. Reddy’s Laboratories (two), Aurobindo (two) and Biocon (three) in the last couple of months. “That shows India’s role and importance as a key supplier of drugs to the world,” says an industry executive. Cipla’s marketing application for the generics of Albuterol Sulphate, a medicine used to address breathing difficulties, was fast-tracked and approved by the USFDA last month. Its patented drugs, which have a market size of

₹3,000 cr

Investment by Centre on three bulk drug parks. The government is also prioritising production of 53 key raw materials and APIs with incentives worth ₹7,000 crore

CURRENT: Regulatory clearance for plants with even minor errors takes months and years

NEW: The USFDA has cleared IPCA Labs’ two facilities, apart from that of Lupin (4), Dr. Reddy’s Laboratories (2), Aurobindo (2) and Biocon (2) since March 2020

CURRENT: India’s global distribution based on quality, cheaper production from the country.

NEW: Nations likely to demand production from own soil; companies like Lupin, Sun Pharma, Zydus Cadila and Dr. Reddy’s already have manufacturing set-ups in key geographies

CURRENT: Low level of automation in manufacturing and regulatory processes

NEW: Companies are trying to use more high-end technology. Lupin is using robots in one of its advanced facilities and a chatbot for enhancing doctor-patient interaction

CURRENT: India depends on China for 65-75 per cent of raw materials.

NEW: Raw material sourcing shifting to multiple countries, even in-house. India makes a beginning to set up three bulk drug parks for ₹3,000 crore. It has also given ₹7,000 crore worth incentives for domestic production of key raw materials and intermediates

CURRENT: Companies make a large basket of products across therapeutic categories

NEW: Companies will prioritise drugs in demand and end-to-end manufacturing; Cipla to focus on its traditional strength of respiratory drugs and inhaler devices, Lupin on select biosimilars, injectables and brands

CURRENT: Digital marketing, teleconsultations and digital therapeutics to gain prominence

NEW: Most Indian companies now use digital tools for business meetings, supply chain management and sales tracking. Cipla last year invested in digital therapeutics company Wellthy Therapeutics

CURRENT: Less spend on scientific innovations and public health expenditure

NEW: Spending on public health and innovation to rise. India launches Covid-19 Innovations Deployment Accelerator, a consortium of funding partners from government, NGOs and private sector. Government makes available 200-plus Covid-19-related innovations for use by the private sector

COVER STORY

PHARMACEUTICALS

\$1.1 billion, are sold by Merck, Teva and GlaxoSmithKline. Generics are cheaper than branded drugs. So far, the only other company to have received generic approval for the drug is US-based Perrigo.

An Axis Capital analysis says the Indian biopharma industry is now in a sweet spot, given the high earnings visibility, supply opportunities due to demand and shortages in the US and Europe, a depreciating currency and faster approvals for facilities having minor issues. As against this, Indian companies were experiencing pricing pressure and margin squeeze due to consolidation of wholesalers and severe regulatory scrutiny, causing loss of business and market capitalisation. Leading Indian companies lost over \$1 billion in market cap in the last one year.

"The US and Europe are primary export destinations. We heavily export paracetamol, ritonavir and key drugs like HCQ to these nations. With demand moving upwards, there is tremendous potential for us to make further inroads in international markets," says Cipla's Vora. More investments in R&D and incentives for the private sector to boost export production in a favourable environment are needed to cash in on the opportunity, he adds.

In a post-Covid world, domestic manufacturing may emerge as the biggest takeaway. "Increasingly, countries would want security over supply chains, and this is an opportunity for deeply vertically-integrated players to make more in-country manufacturing moves in line with major market requirements," says Lupin's Gupta. However, such changes will need to take into account regulatory and economic considerations.

More automation in manufacturing lines and quality control is another likely change. Companies such as Lupin already use robots at some of its manufacturing lines to reduce human intervention. Increased focus on safety and sanitisation standards across sites are also here to stay, according to experts.

However, delays in re-inspection of facilities and approval of limited competition products can affect prospects of Indian companies, warn analysts at rating agency ICRA. The USFDA has put on hold all routine inspections till further notice and ban on exporting products within the European Union (EU) will hit Indian companies with manufacturing bases in Europe.

New World for APIs

Supply chain disruptions due to the lockdown in China have put in focus countries' dependence on China for critical raw materials. "It has prompted governments across the world to focus on self-reliance. Local manufacturing will become a key focus, like 'Make in America, Make in India, Make in China' and so on," says Cipla's Vora.

One of the options before companies is to de-risk and



KIRAN MAZUMDAR-SHAW

EXECUTIVE CHAIRPERSON, BIOCON

"Apart from government initiatives, venture capitalists, angel investors and corporate houses will come forward to invest in biopharma innovations and technology-assisted medical solutions, which they had neglected due to high risk and long waiting periods for rewards"

procure raw materials from multiple sources and countries instead of a single source. Another is to manufacture key active pharmaceutical ingredients (APIs) and intermediates in-house. "We need to develop strategies to manage the production and distribution of products that are essential and in high demand," adds Vora.

About 65-75 per cent of India's imports of APIs (the part of any drug that produces intended effects) and intermediates are from China, worth an annual \$2.4 billion. India imports APIs worth \$3.56 billion a year. China controls over 55 per cent of the global API market worth \$172.69 billion (2018). In the case of key APIs such as cephalosporins, azithromycin and penicillin, the dependence on China is as high as 80-90 per cent, according to ICRA.

However, it may take years to build the scale of API manufacturing similar to China. "The government has to re-invigorate domestic manufacturing of raw materials through favourable policies and incentives that foster economies of scale and cost-competitive API output for the sector," says Lupin's Gupta.

The Centre seems to have caught the hint. It is setting up three bulk drug parks at an investment of ₹3,000 crore, and is prioritising production of 53 key raw materials (KRM)s and APIs with incentives worth ₹7,000 crore.

Healthcare to Go Digital

Online medicine delivery and doctor consultations are the new trends in healthcare. Companies such as Cipla are using e-commerce firms to deliver consumer health products. Digital therapeutics (DTx), or mobile assisted software for medical interventions unlike lifestyle and wellness

apps, are also gaining prominence. Companies like Cipla have already taken baby steps in this direction by investing in Wellthy Therapeutics, an Indian DTx player focusing on lifestyle disease management.

Roles of medical representatives are changing as well, and there are new digital tools to connect doctors and patients. "The industry now engages healthcare professionals through virtual ad-boards, podcasts and webcasts to discuss scientific aspects of medicines, besides engaging doctors with global experts," says Sharad Tyagi, Managing Director, Boehringer Ingelheim, India.

After the lockdown is fully lifted, companies are likely to use the work-from-home model for roles that do not necessarily rely on being on-site, including for field-based employees, says Tyagi. Lupin's Gupta says more digital adoption will happen across the commercial supply chain, covering distribution and order fulfilment. Lupin is promoting a chatbot among doctors to facilitate patient-doctor interaction.

A study by American research firm IQVIA on the impact of Covid-19 for the Indian pharmaceutical industry says digital supply solutions, e-commerce and sustained investments by companies in digital channels, including

video chats, e-detailing platforms and teleconsultations, will become a part of the new normal.

Changing R&D World

New drugs and vaccines, including for infectious diseases neglected earlier, will form the mainstay of global drug research going forward.

Biocon's Shaw says increased funding for public health solutions such as vaccines and developing healthcare infrastructure will take place, especially in primary healthcare. "Apart from government initiatives, venture capitalists, angel investors and corporate houses will come forward to invest in biopharma innovations and technology-assisted medical solutions, which they had neglected due to high risk and long waiting periods for rewards," she adds.

As an example, Shaw cites the launch of the Covid-19 Innovations Deployment Accelerator (C-CIDA) by DBT's Centre for Cellular and Molecular Platforms (C-CAMP) along with multiple non-governmental partners, an area of funding hitherto unheard of in biotech research in India.

But pursuit of new chemical entities (NCEs) and novel biological entities (NBEs) may not be easy for Indian companies as it involves funding of over \$1 billion to develop a drug or a vaccine. Balanced product pipelines are being developed across high-value generics, biosimilars (a product similar to an already approved medicine), NCEs and NBEs, with a thorough assessment of intellectual capital, available financial resources and the evolving regulatory and pricing environment.

"Indian companies would continue such pursuits judiciously with a sharp focus on regulatory compliance and more global partnerships to shorten developmental timelines for complex products," says Cipla's Vora.

Lupin's Gupta says generics, including complex generics and biosimilars, will always be a meaningful part of companies' businesses. Use of technology in R&D for reducing cost, time and speed of marketing is going to gain prominence. Technology will also be used for regulatory communications, including virtual data rooms for preparing and sharing key documents with government bodies or regulators, he adds.

But, ongoing trials could be impacted as safety of volunteers becomes a problem. "Researchers have to identify and actively monitor trials, pre-empt any possible issues and develop mitigation strategies accordingly, including shifting of trials to sites where risks are lower," says Cipla's Vora.

The change is already here, and according to experts, companies are already adapting to the change. One thing is clear. The Indian biopharmaceutical industry has a lot to take away from the current crisis. **BT**



UMANG VORA

MD & GLOBAL CEO, CIPLA

"The US and Europe are primary export destinations. We heavily export paracetamol, ritonavir and key drugs like HCQ to these nations. With demand moving upwards, there is tremendous potential for us to make further inroads in international markets"

@pb_pbjayan



A VIRTUAL DOSE

Digital connect with doctors
and remote health monitoring
are changing the healthcare
delivery model

BY E. KUMAR SHARMA
ILLUSTRATION BY RAJ VERMA

• • • •

An

experiment that two friends began 17 years ago has taken a new form and acquired relevance. At the turn of the century, space scientist and the then Chairman, Indian Space Research Organisation (ISRO), Dr K Kasturirangan, and Dr Devi Prasad Shetty, leading cardiac surgeon and founder of Narayana Health, came up with a plan to leverage ISRO satellites to remotely provide healthcare services. Little did they know then that it would become the norm in a corona-ravaged world. “Kasturirangan wanted to revolutionise rural healthcare using telemedicine that could be made possible with an ISRO dish on a hospital roof-top linked via satellite to a small dispensary in rural areas at the other end. I ended up seeing 53,000 patients across the country then,” says Dr Shetty.

COVER STORY

HEALTHCARE

DIGITAL DIAGNOSIS

Leading hospital chains like Apollo, Narayana Health and Manipal doing teleconsultation for 200-300 patients daily

Most leading hospitals also monitoring patients in ICUs, using in-house

apps and robotics

Diabetes and hypertension patients to be moved to online mode

Patients will use basic health tracking monitors at home for blood pressure, sugar

Hospitals to move all patient records to digital mode for better tracking.

Fewer patients in new format OPD due to physical distancing

Teleconsultation

"We could not transfer data and I could not see blood or X-ray reports. Now, it is dramatically different, and data is on the Microsoft Azure platform," says Dr Shetty. Both he and Dr. Kasturirangan look back fondly at what they had attempted then and the new, robust form it has taken today, when Narayana gets health insights through the platform run on Azure, SQL Server and Power BI, as do some other leading hospitals. With pestilence rife and physical distance inevitable, teleconsultation is emerging as a viable healthcare delivery model. The Narayana Health City in Bangalore is alone seeing over 300 patients every day.

Ranjan Pai, Chairman, Manipal Education and Medical Group, says, "We are seeing about 250 patients online each day across our hospitals." He says the numbers may nearly double over the next few months as more follow-up consultations move online. Physicians and hospitals have been quick to adapt to the new mode of healthcare delivery. "After the recent approval of telemedicine guidelines by the Union government, teleconsultation has emerged as godsend for patients who cannot go to the hospital," says Preetha Reddy, Vice Chairperson, Apollo Hospitals.

The Big Picture

It is early days for telemedicine in India. But things might change considering that in the backdrop of lockdown and physical distancing, most private hospitals, including the major chains, are struggling. Occupancy levels are down to around 30 per cent and likely to remain there unless there is easing of the lockdown and patients return to hospitals. All hospitals have high fixed costs and are expected to report huge losses as revenues decline by at least half in major facilities and more in smaller ones in the current quarter.

In terms of business potential, there is pent-up demand

as many procedures that have been postponed will have to be done. It is estimated that even if hospital occupancies rise to 50 per cent, many may be able to recover fixed costs considering the reduction in marketing, travelling and administrative costs. However, until standard revenue streams – inpatient, surgeries (including elective ones like cataract or hernia, which have got postponed), pathology/radiology tests and OPD services – pick up, the major source of revenue for hospitals will remain online consultations, remote services, emergency admissions and for some (like Apollo Hospitals) even testing and pharmacy services.

Most hospitals are talking about the need for a special financial package. The major ones like Apollo and Fortis, analysts say, may also need short-term financing, perhaps to the tune of around ₹250 crore, in current and next quarters. Players across the board are looking at ways to conserve cash, including by reducing costs, cutting salaries of senior administrative staff, deferment of rent payments and clearance of old dues.

Remote Monitoring

Doctors expect that management of many ailments like diabetes and hypertension will shift to the online consultation mode. Many patients in urban areas are already

50%

Occupancy level at which hospitals may break even considering that other costs such as marketing are not very high at present

relying on smart phones and other health tracking devices to keep tabs on things like blood pressure and sugar level. Those who have undergone heart procedures keep an eye on body weight and oxygen level in their blood using oximeters that cost around ₹2,000. Others use glucometers for tracking blood sugar levels. Those who do not have access to these go to the clinic or diagnostic lab next door and report findings to the doctor. Because of the Covid problem, senior intensivists are also monitoring patients in the ICU using apps. Narayana Health has an app called 'Atma' while Apollo uses the 'Philips Remote Monitoring System.'

New Revenue Streams, Cost Structures

The changes in revenue streams and cost components have meant reworking of the business model. All elective surgeries (cataract to hernia) have been postponed and only emergency procedures are being done. Till all routine operations begin again, hospitals will have to look at doctor fees and online services. Costs for patients are likely to increase because someone has to pay for the additional disposables that doctors need to now wear, regular sanitisation of waiting areas and doctor rooms and compensation to additional staff needed to record body temperature of patients.

The hospitals treating Covid patients also need to pay staff extra and in times of lockdown have them picked up from home and house them separately in hospitals with suitable diet. In fact, as *BT* is going to print, there are reports of doctors talking of cases where patients finding themselves hit by huge hospital admission bills, in some cases as much as ₹3 lakh or more per day. Hospitals say this cannot be generalised as Covid treatment is patient-specific and so costs vary and cannot be generalised.

Hospitals, however, feel these al-

HOW HOSPITALS WILL CHANGE



Revenue streams will be reworked as online consulting, remote services become key



Costs to increase for sanitising doctor rooms and OPD sections. New costs for offering remote services, added consumables such as PPEs and remote thermometers



Occupancy down to 30 per cent now, could rise to 50 per cent post-July



Cash burn phase will see most reporting losses and lower revenue this quarter

legations could be some specific cases and erring hospitals need to be pulled up as it is not possible across the board. Covid treatment, they say, is patient-specific and costs vary per patient. But then, triggered by allegations of exorbitant pricing, the Maharashtra government has come out with a notification capping the price of all procedures. Hospitals apparently are talking to the state government to lift the price cap. Hospitals also need to invest more on digital infrastructure and digital health records, which may again be challenging for smaller 10, 20 or 50 bed hospitals that are struggling to get business. Also, doctors will increasingly see patients strictly by appointments, which means getting appointments with doctors will not be easy as most will be busy and seeing fewer cases as physical distancing will require OPD sections of hospitals to now accommodate fewer patients.

Treating Symptoms

While there is a clear upside in being able to avoid visiting hospitals, a preferred option for many in times of corona, the downside, say doctors, is that patients will increasingly be diagnosed on symptoms and based on what the patient tells the doctor as against what the doctor finds after a proper clinical examination of the patient.

Judging by symptoms alone can be challenging as the problem could range from a simple allergic cough to Covid, with other ailments like TB and others in between. In this model, the failure rate of treatment could be higher. As Dr. B Soma Raju at the Asian Institute of Gastroenterology, who with Dr APJ Abdul Kalam had developed the first indigenous coronary stent – Kalam-Raju stent – says, the only challenge of going online will be the quality of bandwidth. That could determine how well doctors diagnose patients. **BT**

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PHOTOGRAPH BY DANESH JASSAWALA



CONTROL + ALT + DEL

How hotels are
reinventing themselves
to stay afloat

BY MANU KAUSHIK
ILLUSTRATION BY RAJ VERMA

• • • •

COVER STORY

HOSPITALITY

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Jean-Michel Cassé, COO (India and South Asia), AccorHotels, says the world has never been as uncertain as it is today. Even with so much data to pore over, it's difficult to decide what to do, he says. Nevertheless, the 52 hotel chain has started making city-wise forecasts for its properties, and a new business plan for six months beginning July. "We expect to earn just 50 per cent of the budgeted revenues in third and fourth quarters of 2020. Accor will go for another round of cost-cutting that includes reducing staff strength. Once we reopen hotels – in a staggered way – we expect new types of customers," he says.

Following the 54-day lockdown announced by the government owing to the coronavirus pandemic, AccorHotels' business, like that of other hotel chains, has come to a standstill. Even as top bosses work out plans to resume operations, the biggest concern is when and how to restart. This is because if there is limited occupancy in the first few weeks, the cost of running a hotel will be far higher than the cost of keeping it shut. This will further tighten their already-strained liquidity and bring them on the brink of permanent closure. In a recent webinar organised by the Federation of Hotel & Restaurant Associations of India (FHRAI), K.B. Kachru, Chairman Emeritus and Principal Advisor (South Asia), Radisson Hotel Group, said most hotel chains in India don't have working capital beyond 60 days, which is effectively the entire lockdown period.

"The lockdown has proved to be a double-edged sword for hoteliers. We are advising our hotel partners to hold off openings. Some hotel owners are desperate because they have loans to repay and salaries to pay," says a senior executive of a hotel management company.

While each hotel chain is working out strategies to get back on its feet, one thought is common to each hotelier and consultant – things are not going to be the same again. When they say things, they mean the entire gamut of operations such as annual budgeting, staff requirement, change in food & beverage (F&B) settings, tech-enabled services, etc.

SIGN OF THINGS TO COME

Starting like a start-up:

Migration to zero-based budgeting; analysing revenue, cost and profit & loss statement in detail; setting new revenue and cost targets

Lower staff-per-room ratio:

Bringing it down to 0.5-1.5 against the current 1.69 in the next two-three years as fixed costs dip and profitability improves

Change in F&B plans: Instead of multiple restaurants, there will be one all-day and one specialty restaurant. The space can be rented out for retail operations and banquets

Tech to the rescue: Keyless entry set to be the new norm, so are app-based check-ins, check-outs; guest interactions via AI-based services to replace helpdesks

Instinct of a Start-up

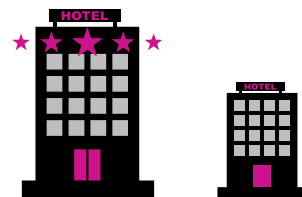
Experts say hotel chains will have to change their outlook and work like start-ups. In the pre-coronavirus world, hoteliers used a bunch of reference points such as occupancy, average room rates and costs of the past few years to make projections. In the post-lockdown period, these reference points will have no value as consumer behaviour is going to change dramatically.

"Can hotels command the same rates as before? I'm not sure. Keeping hand sanitisers was never a standard practice in even seven-star properties. All hotels will need to keep them now, in addition to disinfectants. These are new costs. In the last 100 years, no such event has taken place that can guide hoteliers now," says Siddharth Thaker, Managing Partner, Prognosis Global Consulting.

35-40%

The share of banqueting in overall F&B revenues; this segment is expected to revive earlier than others

BEFORE AND AFTER



While the chains will invest heavily in hygiene and safety from day one, their tech investments for a fully contactless service are likely to be staggered. For instance, complete migration to smartphone-based check-ins and check-outs, keyless room entry and digital payments will be quick; things such as artificial intelligence-enabled concierge service and robots delivering food and other services are still some years away due to high upfront costs that hotel chains may not be able to afford at this moment.

Even as hoteliers are expected to lose a significant control over their destinies, they can focus on something that's within their reach: maximising revenues. How will that happen? Some early trends are emerging from the current scenario. For instance, it's believed that hotels within a driving distance of three-five hours will pick up first as compared with destination hotels that can be reached only by air. These hotels can turn themselves into destinations by offering a lot more within the property since the urge to step out will be low. "When travel restrictions will be removed, people will go to places which are driveable," says Kavinder Singh, CEO, Mahindra Holidays.

Then, economy and midscale business hotels will see a quicker revival compared to upscale and luxury hotels. That's partly because budget-strained airlines will ask their crew to stay in midscale hotels, affecting the erstwhile sizeable (guaranteed) revenue source for upscale hotels. "It is likely that midscale and economy hotels will pick up quicker due to their cost versus profitability, operational efficiencies and focus on rooms and F&B," says Navjit Ahluwalia, SVP & Country Head, Hilton India.

There are other interesting trends, too. "Small boutique firms could use room inventories as offices as there will be concerns over (people) density in large office buildings. This could be a new revenue source for hotels," says Mandeep Lamba, President, HVS Anarock, the South Asia arm of global hospitality consulting firm HVS.

Even as hotels get ready to resume with tweaked business models, there's a need to understand that each hotel will be facing its own sets of challenges. While homegrown hotel chain Roseate Hotels & Resorts is ready to share live camera feed of its kitchen with guests, others are proposing a nationwide campaign to reduce fear among travellers.

Reworking F&B

As new social distancing protocols from the tourism ministry kick in (forcing restaurants to have lesser number of tables) and demand drops considerably – at least for a couple of months – the F&B segment, one of the largest revenue sources for hotels, is likely to undergo a sea change. The banqueting segment, which accounts for 35-40 per cent of

	Branded Hotels	Unbranded Hotels
Inventory (no of rooms)*	140,000	2,660,000
Average Daily Rate (in ₹)*	6,000	1,667

CASE 1: IF LOCKDOWN ENDS IN SEP 2020

Occupancy	38% drop	42% drop
Average Daily Rate	33% drop	25% decline
Total Revenue Loss	\$10.82 billion	

CASE 2: IF RECOVERY GOES BEYOND 2020

Occupancy	58% drop	73% drop
Average Daily Rate	82% drop	43% decline
Total Revenue Loss	\$14.76 billion	

PROPOSED MANPOWER RATIO PER AVAILABLE ROOM (2020/21)^

Luxury
1.64

Non-luxury
0.76

*At the time of first lockdown; ^Including labour and job contracts ; Source: Hotelivate

F&B revenues, will partially revive due to social events such as weddings, though corporate events and conferences will vanish for all of 2020 and even beyond.

"I was in touch with one of our hotel GMs. Over the last two weeks, he has got a flood of enquiries for wedding functions, which is pleasantly surprising for us. There seems to be an interest in weddings in third and fourth quarters," Sanjay Sethi, MD and CEO of Mumbai-based Chalet Hotels, said in the FHRAI webinar.

Yet, F&B changes are inevitable. Take, for example, an upscale or luxury hotel that operated five-six restaurants before the lockdown, including one all-day dining and several specialty restaurants. Going forward, as fewer people will eat out, running so many restaurants will not make sense. "Some outlets will be converted into high-yielding retail and office spaces. The new properties that are under construction will take into account these new realities," says the CEO of a large hotel chain.

In fact, hotel buildings will become more modular to account for cost reduction during similar situations in future. "In the near future, hotels will shift to basic F&B of



JEAN-MICHEL CASSE

COO (INDIA AND SOUTH ASIA),
ACCORHOTELS

"We expect to earn just 50 per cent of the budgeted revenues in third and fourth quarters of 2020. Accor will go for another round of cost-cutting that includes reducing staff strength. Once we reopen hotels – in a staggered way – we expect new types of customers"



SANJAY SETHI

MD & CEO, CHALET HOTELS

"Anecdotaly, I was in touch with one of our hotel GMs. Over the last two weeks, he has got a flood of enquiries for wedding functions, which is pleasantly surprising for us. There seems to be an interest in weddings in third and fourth quarters"

ferings. Instead of buffet breakfast, there will be fixed meal plans," says Thaker of Prognosis Global Consulting. Also, the large (common) bowls in buffets will make way for individual portion sizes. "We will move away from buffets and do pre-planned menus with a fixed price. The guests won't have to wait for long, unlike à la carte where they order and wait," says Mahindra Holidays' Singh.

Right-sizing the Workforce

Historically, hospitality chains in India have employed more workforce compared to their global counterparts. That's because of lower wages and high degree of personalised services offered by luxury and upscale hotels in India. Though hotel companies have made efforts to reduce the staff ratio over the years (across rooms and F&B), they continue to remain high. For instance, the all-India employee-per-room ratio stood at 1.69 in 2018/19 as compared to 2.01 in 2011/12. The global ratio is 1-1.25. As per consultancy firm Hotelivate, the employee-per-room ratio should be brought down to 1.64 in case of luxury hotels and 0.76 in case of non-luxury properties.

How will it help? Manpower is the biggest fixed cost for a hotel chain followed by power, licences and maintenance. Optimising manpower through a series of steps – rather than abruptly – will bring down a large cost component for hotels in a challenging market scenario.

But how this can be done? While it's important to safeguard junior-level employees, effective manpower planning is required at senior positions and corporate level. It's not a new thing, though. Hotel companies like Indian Hotels, Radisson and others have been doing efficient manpower planning for years. One way they do is to take cluster approach. So, rather than having functional heads (sales, marketing, F&B, housekeeping) for each hotel, the chains can have cluster heads, covering three-five properties in a zone. Indian Hotels' CEO and MD Puneet Chhatwal told *Business Today* in January that he doesn't need five vice presidents of marketing if he's adding as many hotels.

Another step is to reduce the wide salary gaps and outsource key roles. "This is a good time to review, rework and reduce enlarged gaps in pay scale between different grades... Key operational areas like F&B, marketing & PR and revenue management will be outsourced to consulting companies with specialisation in these areas. Hiring of experienced resources at high salary points will cease to exist," said a recent report from Hotelivate.

However, it's clear that there's no panacea to heal the wounds caused by this unprecedented crisis. **BT**

(With inputs by Ajita Shashidhar and Sonal Khetarpal)

@manukaushik

THE VIRTUAL BENCH

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Recently, a judge in the Rajasthan High Court adjourned proceedings on a bail plea after the petitioner's lawyer appeared in a vest for the hearing conducted through video-conferencing.

The lockdown has forced courts to take up urgent matters via video-conferencing. While the legal fraternity is slowly warming up to the idea, it may take some time before such hearings become common. Though there are problems which will take time to get resolved, many in the legal fraternity say virtual hearings could be a game changer in the long-term.

Shedding Old Ways

Shankh Sengupta, Partner, Dispute Resolution, Trilegal – a law firm, recently completed arguing a case for the Association of Mutual Funds in India (AMFI) against IndiaBulls in the Delhi High Court. The hearing was conducted through video-conferencing. For Sengupta, it was a good experience even though there were initial problems regarding internet connectivity. “The judges were well prepared, and the lawyers were very disciplined. We were happy that even in a lockdown situation, we were able to get the court to convene a hearing involving several lawyers and parties over a very important matter of public interest,” he says. The division bench of two judges heard four appeals at one time, with lawyers representing at least five different parties. According to Sengupta, it was a fairly big hearing, and in the normal course, it would have been a packed courtroom.

For virtual courts to continue, systems and processes have to be recalibrated, along with better discipline and time management.

Lockdown has given a big push to virtual courts. Will this be the turning point in Indian judiciary?

BY DIPAK MONDAL
ILLUSTRATION BY RAJ VERMA

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Shardul Shroff, Executive Chairman, Shardul Amarchand Mangaldas & Co, says discipline is the key. “The judges cannot have the benefit of too much argument, you cannot stretch an argument for over an hour. The submissions need to be more in written form, and have to be done carefully. There have to be specific timelines so that one case does not go on forever, derailing other hearings,” he says.

Agrees Vineet Naik, senior lawyer in the Bombay High Court. For virtual hearings to be the norm, both judges and lawyers will have to adopt a different approach. “Compulsory written submissions have to be circulated before the matter comes up, which the judges must read and come, and lawyers must limit themselves to the time of argument,” he adds.

COVER STORY

JUDICIARY

Apart from bringing in discipline in ways arguments are conducted, processes need to evolve as well. Virtual courts need not always function through video-conferencing; it could be audio or paper hearing as well. In fact, thousands of minor cases such as traffic violations can be easily heard online based on written arguments. Also, for virtual courts to be successful in future, the scope of hearings should be expanded to more complex cases, where witnesses need to be cross-examined.

Cyril Shroff, Managing Partner, Cyril Amarchand Mangaldas, says courts are already expanding the scope of such hearings. "The Delhi High Court has expanded the sphere of hearing of matters to include matrimonial matters, domestic violence cases, eviction matters, criminal cases where a convict is in custody, among others."

Whether complex cases could be taken up will depend a lot on technology as well as procedural evolution.

As Cyril Shroff says, of the 32 million cases that are pending before the district courts, around 380,000 cases relate to cheque bouncing and 850,000 to motor vehicle accident claims. According to a conservative estimate, around 40 per cent pending cases could be disposed of based on written arguments, he adds.

Technology: The Way Forward

Cyril Shroff says the exact form or process that will finally be adopted will be one that has the approval of major stakeholders. He predicts: "It is expected that virtual courts will involve both electronic filings as well as digital hearings. While video-conferencing is one obvious form of digitisation of hearings, we can also anticipate a wider set of alternatives being adopted for different categories of cases, including asynchronous video hearings, audio hearings or paper hearings." He feels the adoption of each of these formats will bring its own nuances and new processes in respect to pleadings, authentication procedures, evidence recording, payment of fees, etc.

Of course, technology is the key for virtual courts to become feasible. You cannot have connectivity problems,

SOME RECENT VIRTUAL HEARINGS

The Bombay HC dismissed a plea by Standard Retail against Korea-based GS Global Corp. The former had approached the court asking it to restrain Wells Fargo Bank from encashing letters of credit

The Bombay HC decided in favour of Future Corporate Resources and Rural Fairprice Wholesale Ltd, and restrained IDBI Trusteeship from selling shares of the two firms

The Delhi HC allowed Halliburton Offshore Services' plea, restraining Vedanta from invoking bank guarantees extended by the former in connection with a contract for development of Rajasthan blocks

audio lags and data safety issues.

Naik, who represented a couple of his clients during the lockdown period through video-conferencing, complains that the first 15-20 minutes are wasted in connecting with all parties. "I don't think we have the required technologies to handle this kind of traffic. The judges can't hear me, then I can't see others. Then some technician will come and fix the problem," he says.

Mamta Binani, a lawyer and a company secretary, says there is need for a dedicated technology for judiciary. She says apps, including Zoom and Jitsi, have limited utility. With Zoom running into safety hurdles, and people filing petitions against the use of a foreign app for video-conferencing, some courts recently shifted to Vidyo Mobile and Jitsi apps.

Karnika Seth, cyberlaw expert and Managing Partner, Seth Associates, says virtual courts are not limited to just video-conferencing, there are other aspects as well. "It starts from e-filing to conduct of proceedings through digital or electronic medium. The Supreme Court is also working on artificial intelligence (AI)-enabled courts to help the general public have easier access to the judicial system," she adds.

The Flipside

Besides technology and procedural issues, a big problem is how to conduct open courts virtually. An open court is one where proceedings are conducted in presence of public. The principle of open courts says that when proceedings are open to the public, chances of justice getting delivered are higher.

While open courts are possible in physical hearings, it is difficult to conduct them in virtual hearings, unless the video is widely shared, says Binani.

Another issue with virtual hearing is ensuring that the witness is not getting coached or prompted in the background when the lawyer is cross-examining him/her.

So, how things pan out in the future will depend on the adaptability of both the bar and bench. **BT**

THE ROAD AHEAD

Arguments should be time-bound

Submissions need to be more in written form

There has to be a dedicated technology for judiciary

There cannot be connectivity and data safety issues

There has to be a proper procedure for open courts as well as a system of hearing complex cases

Industry

[THE COMING



Underground Mumbai Metro –
Line 3 BKC – under construction

In a Covid-stricken world, as government spending shifts to healthcare, infrastructure should not get the short shrift. That could severely impact the economy

BY NIRBHAY KUMAR
PHOTOGRAPH BY RACHIT GOSWAMI

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CRUNCH

Over the past year, as the Indian economy was getting mired in a deep slowdown, government expenditure grew 11.8 per cent in Q3 FY2020. Much of this was spent on building infrastructure, which created demand for cement, steel and construction businesses. The other three drivers of India's gross domestic product (GDP) growth were on shaky territory. Private consumption expenditure rose 5.86 per cent and business investment fell 5.16 per cent while net exports dipped 1.1 per cent.

However, in the post-coronavirus world, government spending on infrastructure could be one of the biggest casualties as focus shifts to health and disaster management. But a balancing act will be required to keep the momentum going. After all, the economic impact of investing less in infrastructure is very high given its multiplier effect on economic activity and job creation. Worse, any cut in infrastructure spending will put at risk the government's plan to make India a \$5-trillion economy by 2025, for which infrastructure spending of \$1.5 trillion is the key. Of this \$1.5 trillion, 80 per cent is expected to come from central and state governments.

Any lowering of government spending on infrastruc-

ture will also hit private players that are already implementing big projects as their payments will be delayed. The operators of existing projects are anyway suffering as passenger and freight traffic across road, rail, sea and air has come to a virtual standstill.

Fight for Infra

The battle has just begun. While operational projects will see lower traffic, there will be fewer new projects. Banks, after having burnt their fingers in road projects in the not-too-distant past, will be extra cautious in lending. They could reassess risk even in case of sanctioned loans. In such a situation, the government will have to clear bills of developers on priority, make contracts more investor-friendly and maintain the current level of spending.

"Realistically speaking, infrastructure investment will take a backseat because the government has to give priority to healthcare. Money will go to the health sector and after that infrastructure. While not committing itself to new investments, the government should keep the present projects going so that they do not move towards bankruptcy. They should be protected," says Hemant Kanoria, Chairman, Srei Infrastructure Finance.

This is not going to be easy. Even before the coronavirus pandemic hit the Indian economy, the first advance estimates for FY2020 had pegged gross domestic product (GDP) growth at an 11-year low of 5 per cent, down from 6.1 per cent in FY2019. Now, that will be revised downwards sharply. The outlook for the current fiscal is bleaker as coronavirus takes a toll on the economy. The World Bank recently said India's growth could slip to 1.5-2.8 per cent as the world heads towards its worst recession in decades.

"I think everything will have to be revisited. The world will change. Growth of traffic, tourism, logistics will be different. So, even the government's focus and priorities will get reassigned to sectors like healthcare, and allocation to roads may be hit in the short term. It will take more time for normalcy to return and the government will see what its priorities are," says Vishwas Udgirkar, Partner, Deloitte India.

The Modi government has been giving top priority

KEEPING THE FIRES BURNING

Continuous
release
of funds to
ongoing
projects

Identify
projects
of national
importance
and start
construction

Ensure labour
returns to
project sites
soon after the
lockdown is
lifted

Prod banks
and financial
institutions to
provide credit
support

Compensate
contractors
for disruption
and toll
operators for
revenue loss

Infrastructure
building
will be the key
to support
job creation

to road building and allocating higher budget to the sector year after year. In one of the most innovative ideas, it came out with the hybrid annuity model (HAM), reducing private developers' equity burden significantly. HAM emerged as a popular mode of bidding among private developers. The traditional engineering, procurement and construction (EPC) and HAM have been propelling growth in the sector. Under HAM, the government or NHAI provide 40 per cent of the project cost to developers during the execution phase. The balance 60 per cent is arranged by developers as debt and equity which they recover from the highway authority in annuities. In an EPC contract, the entire project cost is borne by the government. Industry experts believe that the build operate transfer (BoT) toll mode of bidding will now take time to pick up as private developers will not take traffic risks in the wake of slowdown triggered by the surge in coronavirus cases. The BOT is a popular bidding mode for private sector.

Asset monetisation plans, too, are likely to get deferred, as companies may avoid new investments till normalcy is restored, though even from the seller's point of view this is not the right time to offload assets as valuations will be at a substantial discount. Therefore, both toll-operate-transfer and InvIT plans may not bear fruit in near future. Re-deployment of budgetary resources and slow progress on asset monetisation are likely to affect infrastructure funding. "In BoT projects, propensity to take traffic risk will be lower. Banks will also reassess risks and be cautious. Hence, revival of BoT, if at all it happens, will be slow," says Sandeep Upadhyay, MD (Infrastructure Advisory), Centrum Capital. The government may also go slow on fresh bids. "On the flip side, given the rising unemployment, boosting construction activity can be a major way for the government to neutralise the impact of Covid-19," he adds.

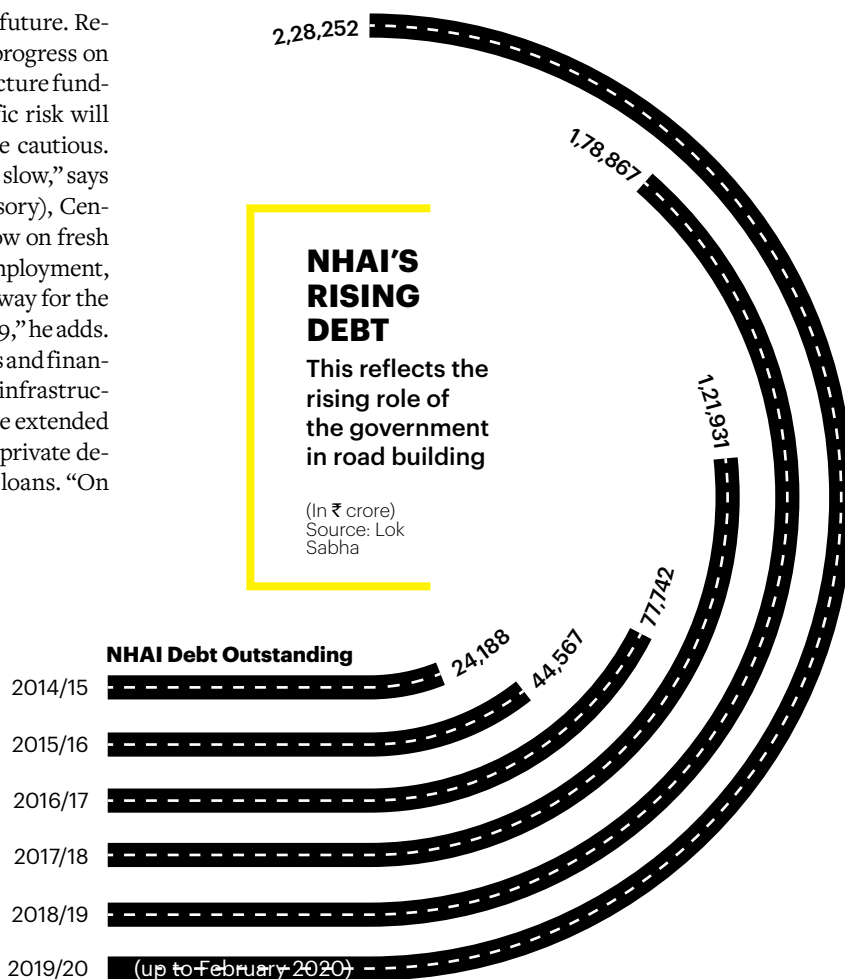
Going forward, there is a possibility of banks and financial institutions going slow on giving credit for infrastructure projects due to time and cost overruns. The extended completion time means lower profitability for private developers. This could affect their ability to take loans. "On a temporary basis, there will be impact on credit availability given the volatile situation. (Right now), lenders' focus is on taking care of additional requirements of existing borrowers along with recoveries post moratorium. From lenders' point of view, for the infrastructure sector, there is no change in risk perception. Post-Covid, credit availability shouldn't be a challenge for the sector," says Rajeshwar Burla, Vice President, Corporate Ratings, ICRA.

An Indebted NHAI

As most highway projects are funded with public money, the borrowings

of the National Highways Authority of India (NHAI) have swelled over the last few years, raising doubts about the authority's sustainability. The NHAI's total debt has ballooned to ₹2,28,252 crore in FY2020 (till February) from ₹24,188 crore in FY15. However, a former NHAI member allays such concerns and says the debt is manageable and not alarming. "It is a very robust model. If traffic is low, the concession period could be extended by five years or the NHAI may bid out projects through other models. The funds were raised after doing the repayment analysis. It is within the norms of leveraging. In fact, it is much safer compared to other businesses," he says.

While uncertainty continues across sectors, highway developers and experts see infrastructure development taking a hit only in the short term. "The government will be very aggressive as far as infrastructure is concerned. Infrastructure will continue to play a key role in economic growth. The sector is a major employer of unskilled labour in the country. Though there are other priority areas, too, basic infrastructure like railways, roads and power will continue to be the focus," says Satish Parakh, Managing





“Realistically speaking, infrastructure investment will take a backseat because the government has to give priority to healthcare. **Money will go to the health sector and after that infrastructure.** While not committing itself to new investments, the government should keep the present projects going so that they do not move towards bankruptcy”

Hemant Kanoria
Chairman, Srei Infrastructure

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“Post corona, I think everything will have to be revisited. Growth of traffic movement, tourism, logistics will be different. So, even the government’s focus and priorities will get reassigned to sectors like healthcare, and allocation to roads may be affected in the short term”

Vishwas Udgirkar
Partner, Deloitte India

Director, Ashoka Buildcon. Asked if there will be challenges in getting working capital from banks, Parakh says it has been a manageable issue so far but in case the lockdown extends to two-three months, it could become a problem.

Experts say it is important to provide funds for existing projects to complete them. An operational asset will help generate revenue and enable authorities to bid out new projects. A stuck project also adds to the stress on banks’ balance sheets, which have already been under pressure due to high NPAs. While it will be difficult to revive them once they get stuck, onset of monsoon is set to slow down the pace of construction. As the government has now eased lockdown restrictions to kickstart some economic activities including construction of key highway stretches, the private developers are grappling with supply disruption of inputs like steel, cement and bitumen. The broken supply chain threatens to hamper work flow and eventually result in time and cost overruns. While invoking force majeure clause by developers would get them extension to complete the projects, they will still have to bear some expenses which could eat into their profits. Construction activities generally peak during the January-June period and enter the lull phase after the onset of monsoon, which goes on till September.

“If the government does not complete the project, it will end up spending double the amount to revive it. It does not make sense to pull money from committed projects. You may relook at new projects,” says Jagannarayan Padmanabhan, Director, Crisil Infrastructure Advisory. He says in projects where developers have completed 70-80 per cent work, there will be significant debt, so faster and quicker mechanism should be put in place to avoid cost and time overruns.

The Emerging Opportunity

Delay in resolving one project could have a wider effect as developers have a portfolio of projects. So, experts feel the tone by the authority has to be accommodative. It must find resolution for all so that the impact is minimal. Developers see release of funds as the key to continuing the momentum and remain hopeful of a stimulus package that will meet their expectations. While they will get extension for completing the projects, a temporary loan by the government – adjustable against future revenues – is being seen as a big support.

As the world goes into slowdown and takes at least a year to recover, the silver lining is that India is still expected to grow at 2 per cent. Also, global manufacturing giants have started looking to shift their manufacturing base from China to alternative low-cost locations. India can turn the coronavirus crisis into an opportunity. **BT**

@nirbhaykumar1

Management



How Productive Is Work from Home?

Companies are rediscovering what works and what doesn't

BY SONAL KHETARPAL
ILLUSTRATIONS BY RAJ VERMA

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ajesh Rengasamy is learning farming from his father-in-law. They grow paddy, coconut and gram on their farm, a four-hour drive from Chennai. He is also a student of folk music. But that's not what his 'profession' is. He is Director of Technology at digital business transformation company Publicis Sapient.

For most, passion and career never meet. That was the case for Rengasamy also until he moved from Bangalore to his hometown in Chennai in 2014. "The two-three hours I save every day on commute is a gift. I can do a lot more work and still have time for things I love." It's evident. Rengasamy has got two promotions in the last five years and has delivered multi-million-dollar projects, all working from home.

Such cases have been far and few in corporate India. While new-age firms always had the option of work from home, most employees did not opt for it. It didn't seem 'normal' unless one had a personal situation to take care of. Often, there were things like being invisible to the boss and being left out.

But, Covid-19 changed all that.

The lockdown forced companies, big and small, old and new, to get their employees to work from home. After a month of experimenting, companies are now using this crisis to see if it can be a long-term operating model. India's largest IT company, Tata Consultancy Services (TCS), has been a bellwether for the trend. In a Q&A after fourth quarter earnings call, TCS announced it is working towards a model called 25/25 where only 25 per cent employees will work from office by 2025. "We don't believe we need more than 25 per cent of our workforce at our facilities to be 100 per cent productive," said N.G. Subramaniam, Chief Operating Officer, TCS. Each employee should spend only 25 per cent of his/her time in office, he added.

Many others are in the wait-and-watch mode. According to Kameshwari Rao, Group Vice-President, People Strategy at Publicis Sapient, many employees are realising it is working for them and asking

if they can continue working from home. Mahalakshmi R., Director, Human Resources, Mondelez India, says it is for the first time that the frontline sales team is working from home. The company is now thinking if some order-taking can continue to happen over phones.

A lot of research has been done on where work from home works and where it doesn't. Studies have shown that fewer distractions and reduced commute time lead to more productivity. It is also known to improve employee retention and reduce stress.

But not everyone agrees. According to a recent study by American researcher Judith Olson, remote work is good for solo performances but not where work requires collaboration. Here is what India Inc. is finding out.

No Office Office Anymore?

So, will companies continue the same remote work culture post-Covid? TCS has a clear answer. "We are not going to go back to where we were," said Chief Executive Officer and Managing Director Rajesh Gopinathan during the earnings call.

As firms develop their own frameworks, Mondelez India's Mahalakshmi says one has to keep some ground realities in mind: specifically availability of safe public transport and in the long term the colleagues' personal situation at home, as for some people it could put pressure on their personal life or their socio-economic situation might not be conducive for work from home. Similarly, there are roles that are suited for the work-from-home model, and there are those that aren't. Analytics, core research, data mining and drawing insights lend themselves more to the work-from-home model for a longer period as opposed to roles that require significant coordination, says Amitav Mukherji, Head of Corporate Human Resources, ITC Ltd. "Managerial roles that require influencing opinion, coordination among stakeholders, resolving conflict and inspiring teams require personal interaction, and can be done from home only for a limited time. Even for roles that require frequent meetings with customers or managing a production line or a warehouse, work from home is not an option," he adds.

At the organisational level, remote work is effective for IT services, data ana-

What employees complain about...

Lack of trust from managers

Working longer hours

Gap in communication related to work

Loneliness and boredom

.....

...and what organisations need to do

Trust employees

Respect that personal and professional tasks will merge at home

Need to measure performance from outcomes than effort

Change policy and protocols to facilitate remote work for majority of employees

.....

25%

The proportion of work that TCS workers will do in office in a few years

.....

What all can be done remotely...

Consulting, IT, Software Services, Finance, Accounting, Design, Content, Transaction Processing

.....

... And what can't be

Facilities, Infra Support, Admin Work, Training, Factory and Shopfloor-related Work, Warehouse Management

lytics, digital marketing, design, transaction processing, auditing and document reviewing. But it may not work for firms in manufacturing, commodities, agriculture, warehousing, facilities and hospitality.

A Cultural Shift

The culture of work from home is in its nascent stage and managers and employees are still learning the ropes. A manager of a due-diligence firm told his team not to leave the room they work in during office hours. One of the team members took it literally and told the CEO how he has been following the instructions. Of course, the manager was reprimanded and the CEO took to task seniors on the remote team management.

No wonder many employees are complaining of longer working hours. Says a senior manager of a stainless steel firm: “Work from home is as much about working as it is about proving that you are working. The latter is an added burden. I would rather work from office.”

To make the new model a success, the culture of the organisation has to facilitate remote work. “Mostly it’s about trust, respect and empathy,” says Sohini Dutt, Regional HR Director, South Asia, RB Health. Organisations need to trust that employees will work and employees need to respect the same. Doing household chores does not make employees unprofessional as their personal situation might demand it. “Organisations will need to have these as part of their culture since the line between work hours and personal time at home is very thin,” adds Dutt.

To bust the myth around work from home being unproductive, all CXOs, including the CEO, at Mondelez India worked from home once every week even before Covid-19 stuck. “We wanted to bust the taboo around remote work and had to put out a message that people may have different needs, and they should leverage it,” says Mahalakshmi.

According to Rao of Publicis Sapient, one of the reasons for the seamless transition to 100 per cent work from home was that the company always hired people who were organised and would not need a big brother to watch over them. “The orientation of the firm is to keep the focus on the impact that is created rather than the effort, and even performance assessment is oriented to growth and learning. It helps build accountability and ownership in people.” So, despite working from multiple locations instead of the usual four, there has been a 10-20 per cent increase in productivity at the organisational level, says Rao. One of the reasons is that 90 per cent of employees are software engineers and IT work is location-agnostic.

Also, organisations will need to change the way they look at work. “Work will move away from planning around workforce to planning around outcomes and making it more structured, with scope for more specialists than generalists,” says Rajkamal Vempati, HR head,



Axis Bank. With more colleagues working remotely, leadership too will have to change, adds Vempati. They will have to learn to inspire and enable people in the new environment. Social interactions foster creativity, sharing of ideas and emotions, so “organisations will have to figure out ways to curate physical and digital human interactions in getting the team to foster team spirit and social capital,” she says.

“Firms will also need to do deep thinking around developing frameworks, policy, protocols and reporting guidelines to ensure work is done seamlessly without interruptions,” says Saundarya Rajesh, Founder of talent strategy firm Avtar.

The Coming of Age of Technology

A strong technology backbone is needed to enable high-impact work from home. So, when Rengasamy started working from home in 2014, internet connectivity was an issue. But over time, better networks, use of tech platforms, including Skype, for messages and calls, and latest gizmos have improved the situation. Rengasamy now has a high-quality speaker phone, a drawing tablet and a web camera. “The amount I saved on commute was invested in high-end gadgets,” he says. But many still believe that technology can never replace the advantages of human interactions. So, what could have been solved in a minute by talking to someone face-to-face in office, often requires a lot more time and effort when everyone is working remotely. But, today’s tools such as white-



board and document sharing allow almost real-life experience of collaboration.

In fact, as TCS moved 90 per cent of its 4,48,000 employees post-lockdown to work remotely, its CEO Gopinathan says they are already “seeing increased levels of productivity in certain instances and an increased level of engagement.” This has been possible because of their investments in the past years in Secure Borderless Work Spaces (SBWS) – an operating model that allows TCS associates working from home ensure business continuity with support from minimal associates in offices. Working in a distributed model is not about moving the person out of office and connecting a laptop or a desktop from home. It is much more than that, says Gopinathan. “It is about taking the entire elements of the operating model and being able to deploy that into this kind of an extended environment.”

Employees’ Experience Key

P.C. Mustafa, Co-Founder of packaged food company iD Fresh Foods, started using Zoom post-lockdown. “I don’t feel I am missing out on anything. If I am able to manage *idli* operations from home, then anybody can do it,” he says. Around 20 per cent of his time used to be spent on travel to the four regions the firm operates in. Mustafa now plans to leverage more video-conferencing tools and reduce his travel.

When Shailja Dutt, founder of Delhi-based executive search firm Stellar Search, decided to operate out

of Singapore, there were initial hesitations. “I had never left my firm in the care of anyone else and didn’t know how much I should depend on whom and for what,” says Dutt. But, over the next few months, she saw her colleagues stepping up. “One mistake entrepreneurs make is that they think they are indispensable to the firm. But when I saw the team was working better even when I was not there, I realised the only one who thinks I am indispensable is me.”

Working remotely, she says, has helped her become a better leader and mentor. It has allowed her to choose how she wants to invest her time – whether she wants to get new business, or focus on long-term strategy. “A lot of my self-development as a leader has happened in this period because I have a lot more time to read, coach and mentor.” It also helped the organisation set up strong systems and processes in place which are automated and do not depend only on her for clearances.

How Companies Benefit

The obvious one is reduced cost on office space and infrastructure. Firms that allow employees in certain functions to work from home can save 15-20 per cent of staff cost (including salary, employee benefits etc), says Sasmita Mohanty, CHRO (South Asia), Bolkore International Logistics, a French conglomerate. “It will not be the case that, for the same job role, we will be paying the same salary to those who are working from home and those who are coming to office. There will be a difference because we are giving a comfort level to the person who is not coming to office.”

It also helps firms manage risks. “It helps organisations become more resilient, because the fully distributed nature of this model is inherently less risky and better suited for business continuity and agility,” says TCS’ Gopinathan.

Working from home also allows organisations access a diverse pool of talent, which has a positive impact on revenue and innovation. “As companies get used to the idea of working from home, they will become open to employing gig workers who can contribute from anywhere. Working from home could also help include more women into the workforce,” says Anupam Trehan, Director, People & Communities, Cisco India and SAARC.

The geographically spread workplaces can also aid economic growth. For example, if the Indian IT sector, which employs over 4.5 million, was dispersed rather than concentrated in certain hubs, it would not just reduce pressure on city infrastructure, but also lead to more balanced growth in the country. A distributed workforce will make cities more liveable and sustainable, feels Trehan.

One thing is clear though. Work from home is here to stay, in a bigger and longer form. **BT**

@sonalkhetarpal7

Technology

Tech Rescue

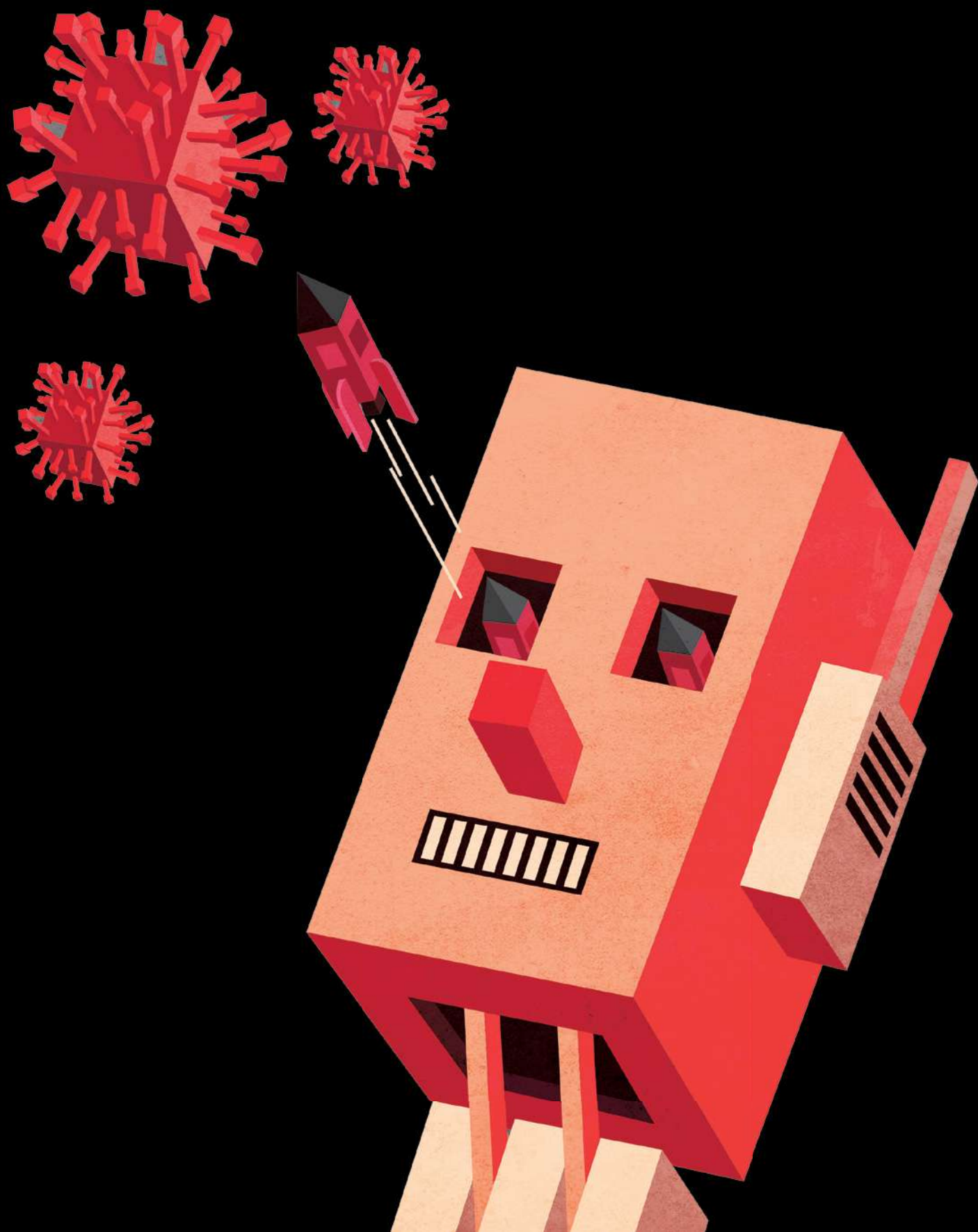
A clutch of start-ups is offering solutions to
tackle the Covid-19 pandemic

BY K.T.P. RADHIKA
ILLUSTRATIONS BY RAJ VERMA

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Anjarakandy Medical College at Kannur in north Kerala, Nightingale-19 is set to deliver food and water to patients in Covid isolation wards. Painted in red and white, Nightingale is a robot designed by students of Vimal Jyothi Engineering College, Chemperi, in Kannur with support from Kerala's health department. The robot helps medical staff and hospital workers minimise close contact with Covid patients and can carry food and water to six patients at one go. It helps patients communicate with doctors, nurses and family members through a tablet attached on top.



The robot is thoroughly sanitised after each round of duty. Nightingale is inspired by robots used by the health department in Wuhan, China, according to the developers.

More than 500 kilometres from Kannur, in Tamil Nadu's Vellore, Arulalan, a community-based paediatrician, is busy chatting. The doctor runs an affordable health centre in Vellore. His AA Child Care Centre used to get around 80 people a day. But, after the corona outbreak, only emergency consultations happen at the clinic. Arulalan has installed a tele-consultation solution offered by Chennai-based start-up Helyxon, which helps him monitor patients remotely. "Only emergency cases are encouraged for a physical visit. Thus, we have reduced 75 per cent of the patient inflow," says Arulalan. "On an average, 5-10 video consultations happen every day and I receive more than 50 enquiries through our messaging app, all thanks to technology," he smiles.

Helyxon also offers patient monitoring solutions – OXY 2 and Fever-Watch – which are now being used by a couple of Chennai-based hospitals for monitoring Covid patients. "These solutions help them remotely monitor vital details of patients with artificial intelligence (AI)-enabled biosensors. The devices will track vital details and alert healthcare workers if any abnormalities happen," says Vijai Shankar Raja, Founder, Helyxon.

Helyxon's solutions and Nightingale are a few of the many innovative solutions developed by a clutch of Indian start-ups to tackle the Covid pandemic. Entrepreneurs have either developed new solutions or customised existing solutions to help healthcare workers, hospitals, law-enforcing authorities, state and central governments and the public at large to fight the Covid pandemic. Betting on tools such as AI, analytics, machine learning, cloud technologies and chatbots, both health and technology start-ups are gearing up to weather the storm.

What They Do



Health Tech Start-ups



AI-enabled biosensors allow hospitals to remotely monitor patients



Cough-based Covid screening solution every day and I receive more than 50 enquiries through our messaging app, all thanks to technology," he smiles.



Web-based Covid triage and pre-screening tools



Cloud-based mobility healthcare platform shares patient health records with doctors, paramedics and pharmacists



Tele-medicine solutions and home sample collections



Chat bots to interact with patients in isolation wards



Tech Start-ups



Drones to disinfect public places



Chat bots to answer Covid-related queries of citizens



Help in issue of curfew vehicle passes



Dashboards for state governments for data collection and tracking of patients in home quarantine

1,700

SQ. KMS., THE TOTAL AREA THAT HYDERABAD-BASED MARUT DRONES HAS DISINFECTED SO FAR IN EIGHT DISTRICTS OF TELANGANA



"THE WHATSAPP CHATBOT WE DEVELOPED FOR CENTRAL GOVERNMENT PROVIDES TIMELY UPDATES AND HELP CITIZENS CLEAR THEIR QUERIES ON COVID-19"

Kartik Poddar
Business Head, Haptik

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Launched on March 20, more than 30 million people have used its services. The bot has answered more than 60 million queries. Most queries were around location of nearest Covid healthcare centres and Covid symptoms



"OUR PUBLIC DASHBOARDS HAD TWO MILLION VIEWS IN THE FIRST FEW DAYS OF LAUNCH"

Ayushi Mishra
COO, DronaMaps

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Its dashboard provides administrative bodies with data on Covid positive cases, home quarantined patients and locations. It has cluster analysis and heat maps which help authorities with patient location tracking and geo-fencing for lockdown compliance

Patient Triage and Health Monitoring

With positive cases rising by the day in India, healthcare workers are frantically searching for tools for prompt identifying, testing and quarantining of patients, especially in Covid hotspot areas. Many start-ups have come up with triage and pre-screening tools for this. Hyderabad-based start-up Docturnal has customised its pulmonary tuberculosis screening solution, TimBre, to screen Covid-19 patients. The solution is a smart non-invasive diagnosis method which screens the cough of patients and is offered as a home-based screening tool via the mobile phone and also through a microphone array (external device) for a clinical setting. A healthcare worker can record the cough of a patient using a microphone array or an individual can record it using a phone or through websites. The solution automatically detects critical factors such as shortness of breath. The patient's data like demograph-

ic details, pre-existing health conditions, sleep and cough patterns and so on are also collected. Using machine learning, the recording is processed. The solution provides real-time results. "The technology is designed for asymptomatic screening as well to identify hidden cases," says Co-Founder Rahul Pathri. "We have released its pre-beta version and have achieved 86 per cent accuracy," he says.

Another Bangalore-based start-up AI Highway, founded last year by two doctors – Satish S. Jeevanavar and Radhakrishna S. Jamadagni – has also developed a Covid triage and pre-screening tool. "There is a lot of confusion on whether we are in stage 2 or stage 3 of Covid spread. With limited ventilators available in India, only highly suspected cases need to go to Covid-designated hospitals. The rest can be managed using telemedicine and triage tools," says Jeevanavar, who was also part of health rehabilitation of earthquake victims in Jammu & Kashmir some years ago. Using AI and machine learning technologies, the pre-screening tool collects data from patients on symptoms, contact history and location, assesses risk and categorises patients into low-risk, mid-risk and high-risk categories. It then schedules the next assessment on day 3, 7 and 14 too." Launched in the last week of March, the tool has till now screened more than 1,000 users.

Collecting patient data and preparing medical records can be tiresome to health workers and hospitals when the number of patients increases. To solve this, Bangalore-based Ubiquare is offering a cloud-based mobility healthcare platform with features of electronic



**“OUR AI-ENABLED
BIOSENSORS WILL TRACK
VITAL DETAILS AND ALERT
HEALTHCARE WORKERS IF ANY
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Vijai Shankar Raja
Founder, Helyxon

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It offers patient monitoring solutions – OXY 2 and FeverWatch – which are being used by a couple of Chennai hospitals for monitoring Covid patients. It helps them remotely monitor vital details of patients with AI-enabled biosensors



**“MORE THAN 20 LAKH
PASSES HAVE BEEN ISSUED
SO FAR. IN BANGALORE
ALONE 2 LAKH PASSES HAVE
BEEN ISSUED”**

Vijay Arisetty
Founder & CEO, MyGate

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Bangalore-based Mygate ensures smooth functioning of essential services. The company built the e-pass infrastructure for Karnataka Police that. The company is now planning to expand its solutions to other metros as well

medical records, interactive audio-video sessions with clinical notes, e-prescription, patient-monitoring and dashboards. The patient data entered can be shared among doctors, paramedics, phlebotomists and pharmacists. With smart data on its platform, the solution allows district-level organisations and zonal teams to implement Covid care protocols. “The patient’s vitals and subjective health indicators are regularly captured in the app,” says Sundar Srinivasan, Chairman and Managing Director, Ubiqare. “The app helps district nodal health officers to watch thousands of people who are asymptomatic or with mild symptoms in their homes or quarantine centres. Patients can be also tracked in isolation wards. This will enable the use of hospital beds wisely,” he says.

Mumbai-based PharmEasy, an online pharmacy and tele-medicine start-up that has 1,000 doctors on board, has tied up with the Brihan-mumbai Municipal Corporation to better monitor and track Covid patients. “As Maharashtra tops in the number of Covid patients, we are getting many calls and enquiries from remote locations. These are answered by our doctors. We are also arranging home testing/sampling if needed,” says Dr Dhaval Shah, co-founder of PharmEasy. “We have seen a 200 per cent spike in tele-medicine enquiries after the

disease outbreak. Many queries are about over the counter medicines and collection of home samples,” says Shah.

Chatbots and Virtual Humans

Apart from tools dedicated to healthcare workers and hospitals, many start-ups have customised their AI-based chatbots to combat Covid. Notable among them is Mumbai-based Haptik Infotech, owned by Reliance Jio. It has developed a dedicated WhatsApp chatbot for the Central Government, MyGov Corona Helpdesk. “We provide timely updates and help citizens clear their queries on Covid-19,” says Kartik Poddar, Business Head, Haptik. Launched on March 20, more than 30 million people have used its services. The bot has answered more than 60 million queries. “Most queries we received were around

the nearest Covid healthcare centres and Covid symptoms. We also try our best to curb the spread of Covid-related fake news through the chatbot,” he says.

An Intelligent Remote Assistant (IRA), similar to AI-based chatbots, developed by Hyderabad-based Digibeings can interact like humans using human voices, facial expressions and gestures and helps in remote monitoring of Covid patients. The solution can be accessed through mobile devices, desktop, virtual reality or augmented reality devices and can help patients in isolation interact with healthcare providers. According to Praveen Anasuya, one of the co-founders of Digibeings, with an attached mobile camera, the system can also check vital parameters, including oxygen saturation level and respiration rate, which will help remote monitoring teams to address more patients and guide people on mental health issues. The company has developed a prototype and has pitched it to various state and central governments.

Curfew Passes and More

While health tech companies are all geared up to combat Covid through their dedicated healthcare services, many start-ups are developing solutions for crowd monitoring and helping law enforcing agencies function easily. Bangalore-based Mygate ensures smooth functioning of essential services. The company has built the e-pass infrastructure for Karnataka Police that was launched on March 31. “More than 20 lakh passes have been issued so far. In Bangalore alone, two lakh passes have been issued,” says Vijay Arisetty, Founder and Chief Executive Officer, MyGate. The company is now planning to expand its solutions to other metros as well and says it has received interest from other state governments. “Our solution is scalable and can be customised to any city,” he says.

In the north, Gurugram-based DronaMaps has created a command and control centre dashboard solution to equip administrative bodies with reliable data on Covid positive cases, home quarantined patients and their locations. The dashboard also has cluster analysis and heat maps and helps authorities on patient location track-

ing and geofencing for compliance of lockdowns. The solution can also predict Covid spread and estimate the healthcare infrastructure need for the particular location. “We are working with governments of Rajasthan, Punjab, Haryana, Chhattisgarh and Meghalaya. Our dashboards act as a central node for all the Covid data these states are dealing with. This includes citizen centric dashboards, data from healthcare workers, secondary solutions like mobile health clinics and hyperlocal deliveries,” says Ayushi Mishra, Chief Operations Officer, DronaMaps, adding that their public dashboards had two million views in the first few days of launch.

Staqu, another Gurugram-based AI company, is also helping law enforcement authorities with their thermal imaging solutions and help issue curfew passes for the Punjab government and Noida city administration. “So far we have issued 10 lakh passes in Punjab and two lakh in Noida,” says, Atul Rai, Co-Founder and CEO. Staqu also has an AI-based video analytics solution that can monitor patients in quarantine. The solution, which has a thermal camera, can alert the authorities if anyone has a body temperature above 37°C based on heat signatures.

Various law enforcement bodies are also tying up with start-ups and app makers to track home quarantine people. Tiruvallur district in Tamil Nadu recently launched an app Cobuddy to track people under home quarantine. Developed by Chennai-based NotionTag Technologies, the app can track and communicate with Covid suspect patients and coordinate delivery of essentials to the doorsteps of the quarantined persons. The app has embedded technologies such as attendance through facial recognition systems and random messages

that ask the quarantine patients to send photographs as proof. This disables a patient from keeping his phone at home and sneaking out.

Start-ups that make drones too are working alongside authorities providing services such as disinfecting contaminated areas and managing crowds. Hyderabad-based Marut Drones has customised its drones to spray disinfectants. The company’s drones have so far sprayed disinfectants in eight districts of Telangana and have disinfected more than 1,700 square kilometres. The company claims that the drones can spray 200 litres of chemicals a day. The drones also help monitor people movement and are used for crowd control and delivering medicines to quarantined people. The company has received enquiries from 12 states, including Andhra Pradesh, Karnataka, Uttar Pradesh, Chhattisgarh and Odisha, for Covid-related sanitisation.

The entrepreneurs hope the power of technology can be a defining force in fight against the Covid pandemic and given that the previous pandemics didn’t see this unique assistance from cutting-edge technology such as AI, robotics or big data analytics, the current crisis will soon see its moment of exit for good. **BT**

The author is a freelance writer based in Chennai

Network

The Long Serve



PHOTOGRAPH BY RACHIT GOSWAMI

With so much happening in the financial world, Rajnish Kumar, Chairman of India's largest lender – State Bank of India (SBI), is a busy man. The sixty-two-year-old makes it a point to hit the badminton court whenever he has free time. But not during the current lockdown. Mumbai's Parsi Colony in Colaba, where the bank has a court booked for staff members, is close to SBI headquarters and his home. Additionally, there is no dearth of partners. His passion for the sport has kept him fit and athletic.

His love for badminton started early in life. "I started playing when I was eight years old," says Kumar, who rose from a probationary officer in the bank in the '80s to occupy the coveted corner room. So, what encouraged Kumar to pick up the racquet when every other child in those times was aiming for a spot in a cricket team? There was also no television to broadcast the not-so-popular badminton matches. "We had a badminton facility where we were living and so I picked up the sport," says Kumar.

The game remained a constant as Kumar hopped from one branch to another and one region to another in his four-decade-old career. He admires the current crop of badminton players from Saina Nehwal, and P.V. Sindhu to Srikanth Kidambi. "I also like the earlier crop of players, especially Prakash Padukone," says Kumar.

Kumar, who is also a Bollywood movie buff, would be surely looking forward to biopics on Saina Nehwal and P.V. Sindhu that will hit the theatres in no time. – ANAND ADHIKARI



Character Building with Taekwondo

Adena Friedman, President and Chief Executive Officer of the New York-based Nasdaq – world's second-largest stock exchange, is a black belt in Korean martial art form taekwondo. The 51-year-old, who got the top job at Nasdaq in January 2017, took up the martial art form more than a decade ago after making her two sons sign up for taekwondo classes at a young age. She then decided to make it a family activity.

It's not just about being a black belt, taekwondo taught her valuable lessons in leadership as well. The lessons in self-reliance that taekwondo provides teaches you to use your strength for defence rather than offence, she believes. It also provides lessons that can be applied in business. Friedman, who started as an unpaid intern at Nasdaq in 1993, has over the years risen steadily all the way to the corner office. For three years, from 2011 to 2014, she was CFO and managing director at the Carlyle Group, one of the world's largest private investment companies. Among the benefits that taekwondo provides are better self-esteem, improved agility and reflexes, discipline, improved leadership skills and greater strength and stamina. All this is essential to run the world's second-largest stock exchange.

A Knack for Taste

During the physical trading days at the BSE when market hours lasted from noon to 2 pm, Shankar Sharma, Vice Chairman and Joint MD of First Global, had a daily ritual. Right after the closing, he would head to nearby restaurants and gorge on all sorts of food from crabs, prawns to neer dosa. "For us, stock market closing was like a holiday in the middle of a busy day. There were amazing Chinese restaurants at Fort. We would eat our fill and then reach office for back-end work," he says.

Sharma's conversion into a foodie happened early on in life in Dhanbad, a mining town where he grew up. "My father was a great cook. We would often feast together with other families who were equally into it," says Sharma. He believes he is lucky to have a spouse who is equally fond of food. Sharma says: "We both love Bengali and Kerala food. Arabic, Iranian and Turkish food are favourites in international cuisines."

When they travel, they prefer feasting on different delicacies rather than visiting monuments or museums. However, they have a different take when it comes to Chinese cuisine. "The perception is that Chinese only eat non-veg. However, once I visited China with my mom-in-law, who is a vegetarian. We managed to get veg chowmein, which, she says, is the best she ever had," he says. That London has better Indian food than India is yet another of his contrarian opinions. "It's like the table has turned. Indian chefs have innovated brilliantly to offer modern European, fusion or western food that is as good as what you get abroad, while Indian food in London tastes better than what you find in India," he says.

Sharma is not just a foodie. He loves to cook as well. But one thing that he never got right is making round rotis. "My wife and I would often joke about which country's flag we are going to eat today. We would prepare all fancy items, but roti was just impossible for us. It still is," he quips. —APRAJITA SHARMA



Best Advice I Ever Got

“DISSENT IS THE VOICE OF PROGRESS”

**MAHESH BALASUBRAMANIAN, MD & CEO,
KOTAK MAHINDRA GENERAL INSURANCE**

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Q: What was the problem you were grappling with?

A: This goes back to 2000, when I was part of a financial services start-up with five co-founders. We raised capital, built scale. Later, the business was acquired. This experience of being an entrepreneur is perhaps my biggest learning. All co-founders were passionate individuals, who gave up well established careers to pursue their dream of building a company. The senior-most was the CEO. We used to have divergent views on strategy and execution. So, we set two rules: One, all of us will state views, opinions and differences openly as we all were co-founders and equally concerned about outcomes. Two, after all the views are heard, the final call will be taken by the CEO.

Q: Who did you approach for advice and why?

A: This advice was given to me by a former colleague who was an HR professional.

Q: What was the advice?

A: Dissent is the voice of progress; carry your team along with you.

Q: How effective was it?

A: Since then, I have used “dissent is the voice of progress” in all interactions with teams, both as a leader and a follower. I joined Kotak Bank in 2005 and was part of the team which set up the retail branch banking business. I encouraged colleagues to treat the business as if they owned it. In 2014, when I started setting up Kotak General Insurance, we hired a team of CXOs and gave them founding-member status to create a sense of ownership. This has helped my career and helped me retain talent and get best ideas. **BT**

— ANAND ADHIKARI



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