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The Black Hole

Why the new **Black Money Act**
is bound to fail in bringing
back the illicit cash
stashed abroad...

PLUS How shell companies & trusts are used to keep money abroad





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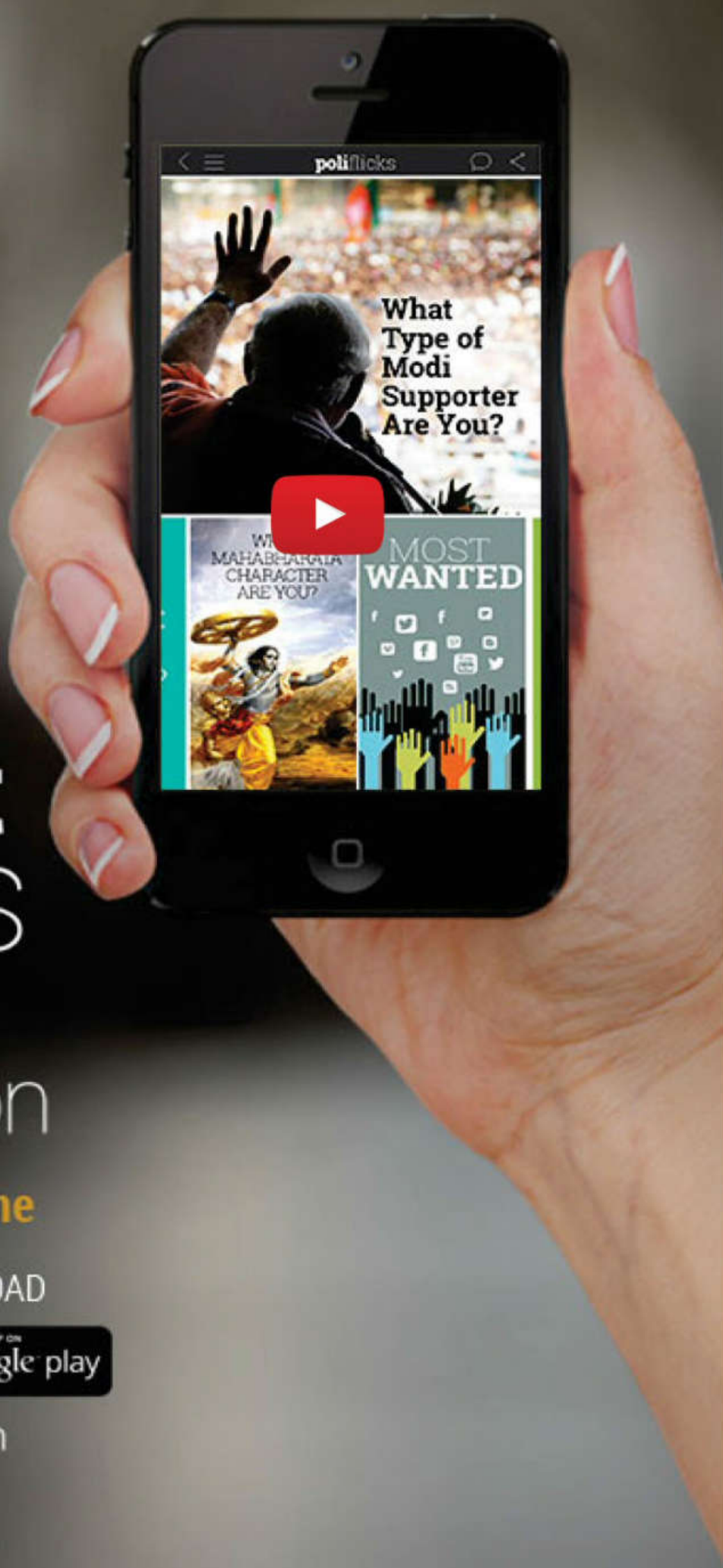
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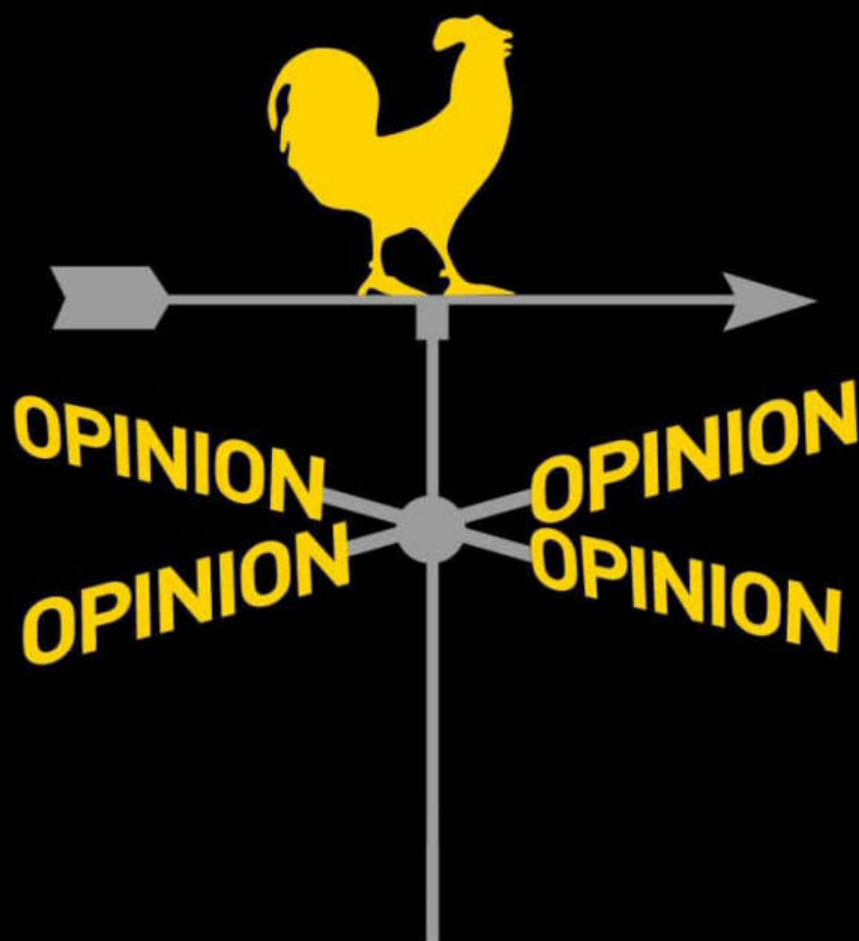
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From the Editor

The Colour of Money

On September 30, the 90-day compliance window for citizens holding any foreign asset will end, unless the government decides to extend the deadline. Under the new Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015, all foreign asset holders will have to declare their details by that day (if they have not already done so), pay 60 per cent tax and penalty or else face a jail term of 10 years.

So far, according to Prime Minister Narendra Modi, almost \$1 billion has been collected after the law was passed. Of course, tax officials say that typically most people rush to declare their assets only as the deadline nears and the money actually coming in the last days could be four or five times of what has been collected so far. If the response is as good as they expect, the government would have collected around \$5 billion or, perhaps, even \$10 billion.

How much black money is actually lying outside the country? Given that black money is by definition money that is hidden away and not declared to tax and other authorities, it is impossible to come up with any sort of precise figure. A few years ago, the Central Bureau of Investigation had estimated that over \$500 billion would have been stashed away abroad in the past decade alone. There are others who think that even more money has flowed abroad without the tax authorities having a clue and it could be in the range of \$800 billion or even more.

What everyone agrees tax authorities and consultants is that a fraction of the money hidden abroad would have come in by September 30. And, privately, most people following this area say that the government does not have much hope of actually getting big money just by enacting this Act.

Black money is a problem that most governments and countries face barring those which have exceedingly low tax rates and are tax havens. Also, it is generally accepted that the higher the tax rates, the more temptation there is to cheat. Even the US, despite its enormous efforts to chase tax evaders, faces this problem. First, the super rich try to keep their earnings away from the tax man's scrutiny by using high-powered lawyers and tax consultants, shifting headquarters of their companies to tax havens, using shell companies and trusts, and generally finding and exploiting every loophole in the tax codes. If all that fails, some choose to shift their money and their homes and become citizens of a different country, one with a more benign tax regime. The US has seen a number of billionaires and multi millionaires renouncing their citizenship to move to tax havens.

In India, the highest tax evasion used to happen when the tax rates were as high as 90 per cent of earnings. Since then, things have got somewhat better as tax structures and rates have become more rational. Still the problem remains and is likely to remain for the next few decades. What politicians need to realise is that while promises of getting all black money make for great pre-election rhetoric, it is not as easy to fulfil them once you come back to power.

The only way to tackle the menace of black money is to first have an absolutely transparent and fair tax regime... and after that, one can begin with the compliance issues. Our cover package on the subject will give you an idea about what exactly the Black Money conundrum is all about.

Meanwhile, this issue also contains our best SMEs in India winners. Read their profiles starting page 64. Small and medium enterprises form the backbone of the country's economy, and it is only when they flourish that jobs are created, exports go up, and the economy flourishes.



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The All-powerful Businesswomen

This refers to your special issue on *The Most Powerful Women in Business* (September 27, 2015). I believe that India Inc must be congratulated for their effort to tackle the glass ceiling that existed in the country. In this regard, the small-yet-important steps taken by PSUs must also be appreciated. I do believe that the list should have included only self-made leaders, not women who have merely taken over their family enterprise. As opposed to them, others have carved out a niche for themselves without any support system which is an exemplary achievement in this country. I believe that going forward, unless women join India Inc in much larger numbers, our growth story will remain muted and lopsided. Today, we see companies like Flipkart coming out with extremely women-friendly policies. Such steps could have hardly been imagined a decade or so ago. These awards are a testa-

ment to the wonder women in India Inc. Yes, there are many challenges ahead too, as the Graphiti (*India's Gender Gap*) showed. Still, I believe that these women are laying a strong foundation for the coming generation.

Madhavi Shukla, New Delhi

The special issue on India's most powerful women was a brilliant read. It was heartening to read the stories of so many women who made it to the top. Given that even now, despite all these success stories, most offices are still dominated by men, I believe India Inc should work towards more inclusive policies. The government must mandate the companies to have a minimum of 40 per cent of women workforce and companies that hire only women should be given special incentives.

Chinese Crisis Can Help India

This refers to your story *Tough Ask* (September 27, 2015). The recent fall in Indian markets has been largely attributed to the Chinese crisis (if we can call it so) but I believe that the fall has largely been due to internal, and not external factors. Our manufacturing numbers, along with IIP and exports have remained muted for quite some time now. And little is being done to address these numbers. While Make in India is being enthusiastically promoted, there isn't much happening on ground. Similarly, Digital India and Skilling India continue to remain lofty ideas. It would not be an exaggeration to say that the Indian economy, and its fundamentals,

came out largely unscathed during the 2008 recession. However, in 2015 the situation seems grim to say the least but this is an opportunity like no other. In fact, I concur with the writer that the situation in China should be used to bring investments in the country and re-focus on our manufacturing and infrastructure sector. Unless these two sectors are made stronger, every successive growth story will be superficial in nature and vulnerable to the slightest headwinds.

Mahesh Brijnath, Kolkata

Refurbished Phones an Untapped Market

This refers to the story on refurbished gadgets (September 27, 2015). I have never understood the craze for absolutely new mobile phones, especially since most of them see prices fall more than 50-60 per cent in a year. In such a scenario, I believe that buying refurbished phones is a great idea, although I am not sure if buying old laptops is a good idea, since they have a ceratin shelf-life. Refurbished phones were available earlier too, but the fact that they now come with warranty and are backed by companies make them much more credible. A similar trend has been visible in the case of second-hand cars too, with companies launching their own showrooms. Given how consumption patterns are changing, such companies are a great initiative. They allow a much-larger audience to enjoy contemporary technology at relatively affordable prices.

CN Vasudevan, Chennai

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CONTENTS

COVER BY ANAND SINHA

OCTOBER/11/2015
VOLUME 24/NUMBER 20

COVER STORY

**WHITE
BLACK
GREY**

**MONEY
MONEY
MONEY**



Your complete guide to understanding
the black money puzzle...

42

UPFRONT

16 | Quick takes on major events

FOCUS



22

22 | Options Dry Up

Despite adequate warning, the government seems ill prepared for this year's drought

24 | RBI's Gamble

The banking platform for MFIs is aimed at achieving financial inclusion but there are challenges ahead

26 | Graphiti: The Black Money Riddle

FEATURES

28 | Say it With a Video

Dubsmash's \$5.5 million funding shows that the Vellie trend is not a fad but something brands need to get on to.

30 | Battle for Bihar

BT does a reality check of the claims and counter claims in the fight between the JD(U) and the BJP for voter mind space ahead of elections



INDIA'S BEST SMEs

TOTAL INCOME
₹251 Crore - 500 Crore

OVERALL/MANUFACTURING

68 SYMPHONY LTD.

SERVICES

70 COCHIN INTERNATIONAL AIRPORT

TRADING

72 JULLUNDUR MOTOR AGENCY

AGRICULTURE

73 AJEET SEEDS LTD.

GLOBAL BUSINESS EXCELLENCE

76 NITIN FIRE PROTECTION INDUSTRIES

TOTAL INCOME
a ₹101 Crore - 250 Crore

OVERALL/SERVICES

82 NEWGEN SOFTWARE TECHNOLOGIES

MANUFACTURING

84 SAN ENGINEERING & LOCOMOTIVE

TRADING

86 CRAVATEX

AGRICULTURE

88 ROSSELL INDIA

GLOBAL BUSINESS EXCELLENCE

90 EVEREST FLAVOURS

TOTAL INCOME
≤ ₹100 Crore

OVERALL/TRADING

92 ADTECH SYSTEMS

MANUFACTURING

94 CONTROL PRINT

SPECIAL JURY AWARD

96 HSCC

GLOBAL BUSINESS EXCELLENCE

100 CIGNITI TECHNOLOGIES

BEST WOMAN LEADER

102 PM RELOCATIONS

INNOVATION

104 FORACE POLYMERS



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SME ROUNDTABLE

106 | Talent Hunt

A power-packed panel debated the challenges confronting small companies in attracting and retaining talent.

MPW AWARDS

108 | Power Pack

Business Today showcased the rapid strides made by women in corporate India at a glittering ceremony in Mumbai.

HBR

114 | Reaching the Rich World's Poorest Consumers

Five leading companies have adapted non-profit business models to serve the bottom of the pyramid in France.

PERSONAL TECH

122 | iPad Pro For Enterprises?

With the bigger 12.9inch iPad Pro, is Apple eyeing the enterprise market?



EX-LIBRIS

126 | *The Real-Life MBA: On The Superhighway of Life; Applied Minds: How Engineers Think: An Engineer's Delight*

132 | PEOPLEBUSINESS

LEADERSPEAK

136 | Michael Dell

Chairman and CEO, Dell Inc



INTERVIEW



"Being a pure low-cost carrier sets you on the path of success"

In a recent interaction with Business Today's **Manu Kaushik**, IndiGo's president **Aditya Ghosh** discusses the details of the company's operating performance, its network strategy and a host of other issues.

businesstoday.in/indigo-aditya

NEWS

Kerala's Jasmine Revolution

After a nine-day action-packed agitation, 5,000 women plantation workers-cum-owners of a Tata Group associate company in Kerala had their demands met
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GADGET REVIEW

Motorola Moto X Play

Is the Moto X Play the best smartphone under 20k?

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BT COLUMN



New bankruptcy code: What it promises

We look at how it will change life for lenders, banking system and also for the economy.

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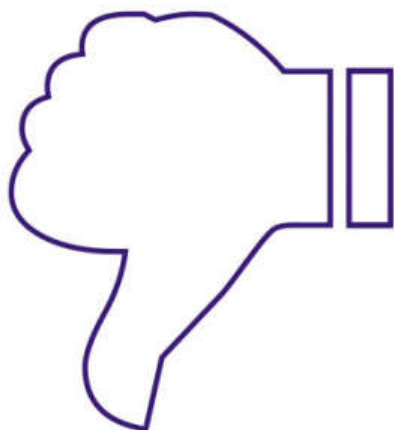
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THUMBS DOWN...

Facebook going beyond 'like' button, says Zuckerberg. Users have been demanding a Dislike button for a long time as the Like button doesn't suit all comments and status updates.



GOING HIGH TO GET HIGH

If you want your single malt to taste even better, you need to go to space – or at least create a zero gravity arena around your drinking table. A study conducted by the single malt distillery Ardbeg concluded that whiskey matured in space has a distinct –and stronger flavour – than that on Terra Firma.

₹5,142 crore

The first smart city is yet to be built but the Union Cabinet has approved ₹5,142 crore to develop 300 smart village clusters around the country. The project is named the Shyama Prasad Mukherjee Rurban Mission.



THE BIG BOSS

The Indian government is developing its own operating system to replace Microsoft Windows. The operating system is to be called Bharat Operating Systems Solutions – aka BOSS. The government says it will be hackproof and will prevent government data from being breached by the kind of digital pirates that attacked the US and China.

THE HUNGRY EARTH

One in every three people globally suffers from malnutrition. More than 160 million children under the age of five are too short for their age (Stunted), while another 50 million weigh too less for their height (Wasted), according to the Global Nutrition Report by the Think Tank International Food Policy Research Institute.

{ THE SECRET INGREDIENT }

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27 - 28

THE PM'S SOCIAL NETWORKS

WHAT: The Prime Minister will address a Townhall Q&A at Facebook headquarters

WHEN: September 27-28

WHAT TO LOOK FOR: Apart from meeting Mark Zuckerberg and addressing the Townhall in Facebook headquarters, Modi also plans to meet Tim Cook, Sundar Pichai, and executives at Tesla and Adobe. He is pitching for India to be a startup destination, replicating Silicon Valley. Later, he is also expected to address a gathering of media moghuls, including Rupert Murdoch. All this is part of his US trip, the primary goal of which is to attend the UN General Assembly.



RAJ VERMA

25 - 27



SUSTAINING THE GLOBE

WHAT: 70th Session of the UN General Assembly

WHEN: Opening Session - Sustainable Development Summit 2015: 25-27 September; Annual General Debate: 28 September-5 October

WHAT TO LOOK FOR: The 70th anniversary session is expected to see the adoption of the post 2015 development agenda, the follow up to the UN's millennium development goals which were set in 2000, and is set to end this year. The new agenda will be on the sustainable development goals, and all member countries are expected to vote on it.

12 - 05

BATTLE FOR BIHAR

WHAT: The Bihar polling dates for the new assembly has been announced

WHEN: October 12-November 5

WHAT TO LOOK FOR: BJP has allied with Jitan Majhi and Ram Vilas Paswan. CM Nitish Kumar has tied up with old foe Lalu Yadav. Meanwhile, Mulayam Singh Yadav has walked out in a huff from the great Yadav alliance, and has announced plans for his party to fight all seats alone. And to add to the mix, Shiv Sena has also announced that it will put up candidates for the Bihar elections. The BJP seems to have an edge in the opinion polls so far. This is a crucial election because the BJP got a big jolt when they were drubbed in Delhi. If they win Bihar, the momentum will be back.



06

OVER TO MICROSOFT

WHAT: Microsoft has sent out invitations for a major event in New York City

WHEN: October 6



WHAT TO LOOK FOR: Microsoft is expected to showcase a bunch of new hardware—from brand new Surface tablets to Windows phones—that are built around the new Windows 10 OS. This is a make or break for Microsoft because if they get it wrong, they will forever remain a marginal player in the mobile tablets and devices space. If they get it right, they will have secured the future growth of the Redmond giant.

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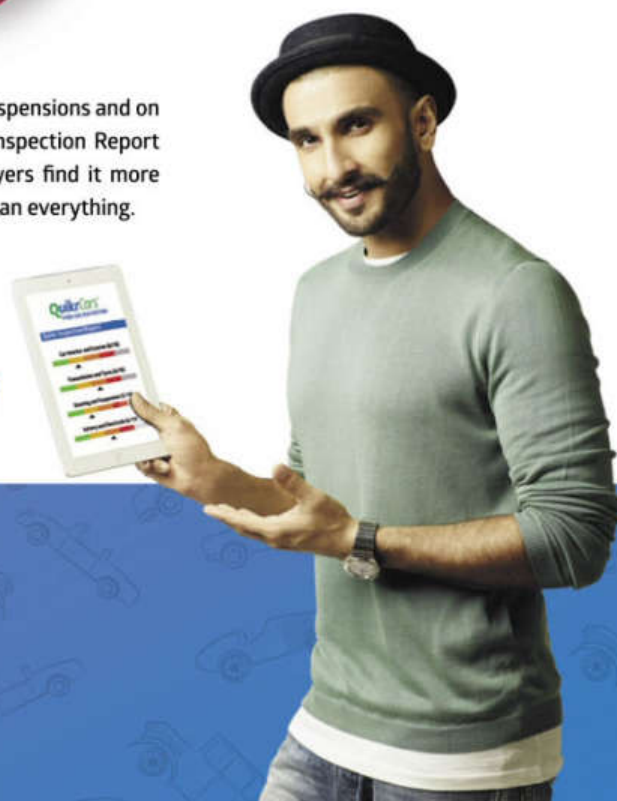


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6	Amity School of Engineering & Technology - Noida
7	Manipal Institute of Technology - Manipal
8	Maharashtra Institute of Technology - Pune
9	SASTRA - Thanjavur
10	Vellore Institute of Technology - Vellore
11	National Institute of Engineering - Mysore
12	Nirma Institute of Technology - Ahmedabad
13	D Y Patil Group's Ramrao Adik Institute of Technology - Navi Mumbai
14	Manav Rachna College of Engineering, Faridabad

2014



2013

TIMES ENGINEERING

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RANK	INSTITUTE/ENGINEERING
1	SRM Institute of Science and Technology - Chennai
2	BMS College of Engineering, Bangalore
3	Amity School of Engineering & Technology, Noida
4	BIT, Mesra - Ranchi
5	Manipal Institute of Technology (MIT), Pune
6	Maharashtra Institute of Technology (MIT), Pune
7	Vellore Institute of Technology (VIT), Vellore
8	Manav Rachna College of Engineering, Faridabad
9	D Y Patil Group's Ramrao Adik Institute of Technology, Navi Mumbai
10	Nirma Institute of Technology, Ahmedabad
11	SASTRA - Thanjavur
12	National Institute of Engineering, Mysore
13	SSSI College of Engineering (SSSI), Bhubaneswar
14	M S Ramaiah Institute of Engineering - Chennai
15	K L College of Engineering, Vellore
16	Hindustan College of Engineering, Bangalore
17	Sathyabama Institute of Science and Technology, Chennai
18	R V College of Engineering, Bangalore
19	Vellore Institute of Engineering, Bangalore
20	Maharaja's College of Engineering, Chennai
21	Kongu Engineering College, Chennai
22	Guru Nanak Dev Engineering College, Ludhiana
23	Guru Nanak Dev Engineering College, Ludhiana
24	Guru Nanak Dev Engineering College, Ludhiana
25	Guru Nanak Dev Engineering College, Ludhiana

2015

* No.1 Private Engineering University by Times Engineering, Times of India - i3 Research Consultant survey 2015 | 2014 and No.1 Engineering College on factual basis by India Today - Nielson Survey 2015 | 2013

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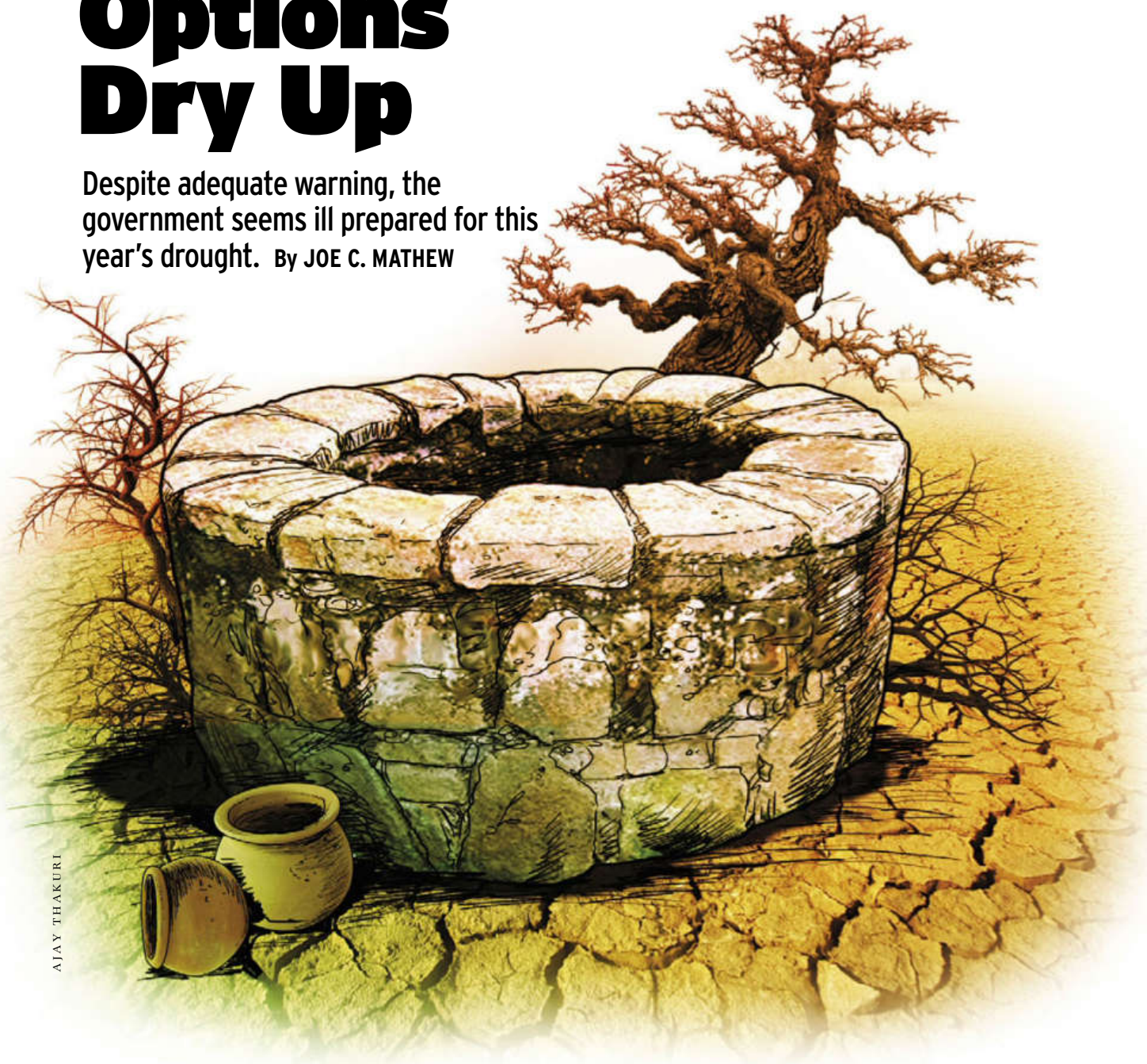
FOCUS

24 RBI's Gamble

26 The Black Money Riddle

Options Dry Up

Despite adequate warning, the government seems ill prepared for this year's drought. By JOE C. MATHEW



As early as April, the Indian Meteorological Department (IMD) had forecast that the weather change phenomenon El Nino would impact this year's monsoon, just as it had done last year's. 2015, like 2014, would be rain deficient. The forecast has proved correct.

While not discounting the El Nino effect, the domestic private weather agency Skymet had challenged the prediction, claiming that while rains would be below normal, they would not recede to the extent the IMD maintained. It cited comparative statistics of a couple of earlier years to buttress its argument. But Skymet too subsequently revised its estimates and hedged its bets.

The distinguishing feature of this year's drought is the extent to which rainfall has varied across states. The IMD's data between June 1 and September 9 this year shows the rainfall has so far been 15 per cent below the long-period average (LPA) in the country, but in East and Northeast India, it has been almost normal. Indeed, there have been floods in parts of Assam. At the same time, large parts of Karnataka, Andhra Pradesh, Telangana and Maharashtra have been hit far more than the average indicates. About 40 per cent of all districts are affected across the country and experts believe the drought may impact at least 10 per cent of the country's agricultural production.

The government has responded by announcing an additional 50 days of man-work in the drought affected areas under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA). But the current sense of dismay and surprise in official quarters does raise questions. Given the fair warning the IMD provided, did the central and state governments fail to get their act together? To meet the impending drought effectively, the Centre had brought all the departments relating to sectors that would be affected – agriculture, power, water resources, fertilisers, etc – together to draw up a common mitigation programme. Did the contingency plan fail to tackle the situation?

To minimise the impact of drought, some changes in crop selection should also be considered. Is extensive sugarcane cultivation, which is highly water consuming, a wise choice for a drought-prone state like Maharashtra? Prime Minister Narendra Modi launched a 'soil health card' scheme some months ago to check the degradation of soil from excessive use of fertiliser. There should be a similar effort to match crop with climatic conditions.

Apart from causing farmer distress and agricultural production loss, a drought also affects investor sentiment. As global rating agency Moody's observed in an investor

note on August 11, India's vulnerability to drought poses sovereign credit challenges for the country. "The Indian economy's vulnerability to drought stems from the combination of five factors. These are the relatively high share of agriculture in overall employment; weak rural infrastructure and irrigation; inefficient food distribution; the large proportion of Indian household spending that goes towards food; and the share of food subsidy costs in the government's fiscal deficit," it said.

As a result, the note added, drought could lower gross domestic product (GDP) growth, raise inflation and add to fiscal pressures, to a greater extent than countries where these characteristics were absent. Inevitably, India's sovereign credit profile would thus be more susceptible to the drought's effects. Moody's pointed out that India's economic exposure to annual fluctuations in rainfall

PATCHY AND INADEQUATE

The monsoon has been poor this year, but the extent of deficiency has varied widely. The rainfall scenario from June 1 to September 9 this year.

REGION	ACTUAL RAINFALL (MM)	NORMAL RAINFALL (MM)	DEPARTURE FROM LPA*
Entire Country	661.4	775.7	-15%
Northwest India	459.2	550	-17%
Central India	696.3	867	-20%
South Peninsula	497.6	599.9	-17%
East & Northeast India	1179.8	1233.8	-4%

*Long Period Average; Source: IMD

constrains the ability of its monetary policymakers to respond to ongoing macro-economic developments. This is particularly so in years such as the current one when a weak monsoon forecast coincides with an uncertain cyclical recovery.

The rating agency did take note of the drought management plans the government has been readying. "India's vulnerability to drought could decline over the longer term, as average incomes rise," it said. "But in the near to medium term, policies to improve infrastructure, food distribution, and non-agricultural employment opportunities, hold the key to reducing the annual economic uncertainty that is linked to the performance of the monsoon."

Moody's said that if government efforts were sustained and successful over the next two to three years, they could lower India's vulnerability to drought. They would also benefit India's overall sovereign credit profile, as they would lead to higher incomes, stable and lower inflation and a lower fiscal burden related to food subsidies. ♦

@joecmathew

RBI's Gamble

The banking platform for MFIs is aimed at achieving financial inclusion but there are challenges ahead. By **ANAND ADHIKARI**



RACHIT GOSWAMI

RBI Governor Raghuram Rajan: Giving more options to those at the bottom of the pyramid

The largest number of aspirants recently for a small finance bank licence were from the jittery microfinance industry (MFI). Indeed, out of the 72 applicants, as many as 17 were MFIs. The Reserve Bank of India (RBI) handed out banking licences to eight – of the 10 allotted – of them.

What explains the RBI's bias towards the MFI industry? Experts suggest that the central bank wanted to kill two birds with one stone. The banking platform will not only discipline the MFI industry – notorious for not being transparent, high interest rates and bad corporate governance – but will also bring those at the bottom of the pyramid under a much transparent system with cheaper funding options. "MFIs have mastered the art of lending to the priority sector while traditional bankers always looked at it as a drag on their profitability. They now have a banking platform to scale up their business," says Abizer Diwanji, National Head (financial services) at E&Y.

Clearly, the RBI is heavily banking on MFIs for achieving its objective of financial inclusion. Last month, Bandhan Bank, a

Kolkata-based MFI, kicked off its universal bank operations. MFIs clearly have an ace up their sleeve – they can access low-cost deposits. Ultimately, the interest rate beneficiaries will be small business units, micro industries, small farmers and self-employed individuals in rural and semi-urban areas.

The highly regulated banking platform will also revive confidence in MFIs. As part of the prudential guidelines, these MFI players will have to maintain a minimum cash reserve ratio (CRR), invest a quarter of their deposits in government securities under statutory liquidity ratio (SLR) and also lend 75 per cent of their resources to the priority sector. The priority sector commitment is only 40 per cent for universal banks. "The small finance banks will gradually reduce the burden of

traditional banks in the system especially by direct lending to poor," says Diwanji of E&Y.

But there are big challenges ahead. MFIs have a bad past track record – products with no collateral, geographical concentration, cash driven collection and also corporate governance issues. There is also no institutional framework for creating credit history of borrowers. Sceptics say India always had small finance and regional banks serving the poor but the model failed to scale up despite the huge potential. The share of small banks to deposits and advances is less than five per cent of the overall banking system. In addition, all large banks also caters to the poor through priority sector commitments. There are also parallel initiatives like Jan-Dhan Yojana and MUDRA bank, both targeted at the bottom of the pyramid.

Small finance banks, then, are yet another experiment, along with payments banks, with lot of hopes and expectations but they face a daunting task ahead. ♦

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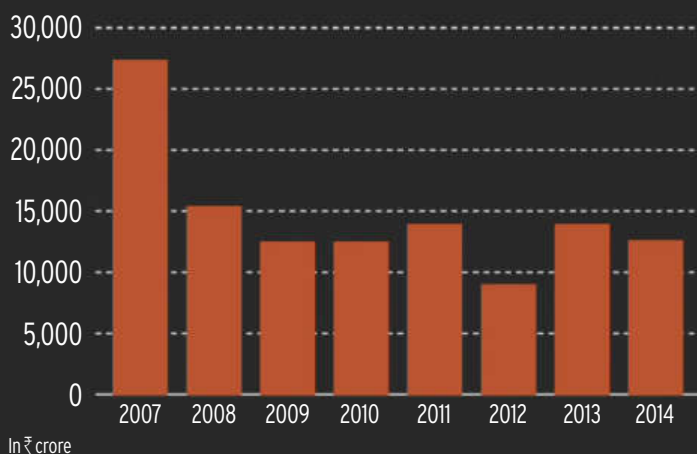
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The Black Money Riddle

The government is stepping up vigil to curb the flow of black money but it is an onerous task. This is **largely because illicit money is generated through a raft of sophisticated and complex activities**, making it difficult to unearth.

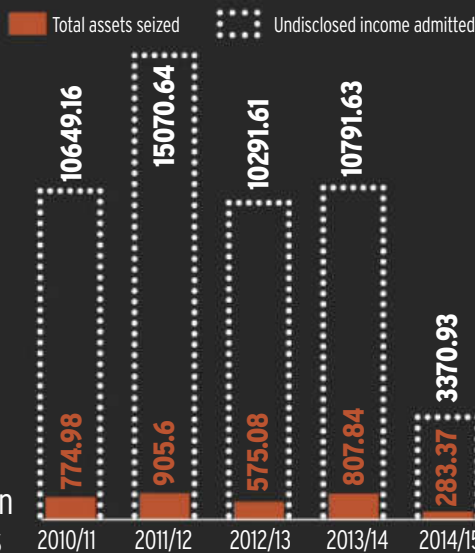
Graphic by: **Anand Sinha** Research by: **Niti Kiran**

1) Swiss banks appear to be no longer the preferred destination for Indians. Money held by them in these banks has more than halved in the last seven years

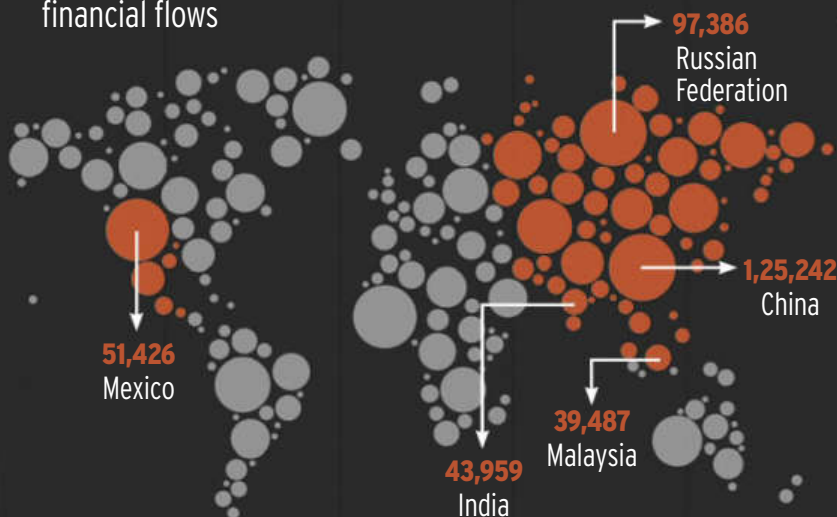


2) The Indian government is going all out to uncover black money. In searches conducted by the Income Tax Department, undisclosed income around

₹24,450 cr has been unearthed in last three fiscal years

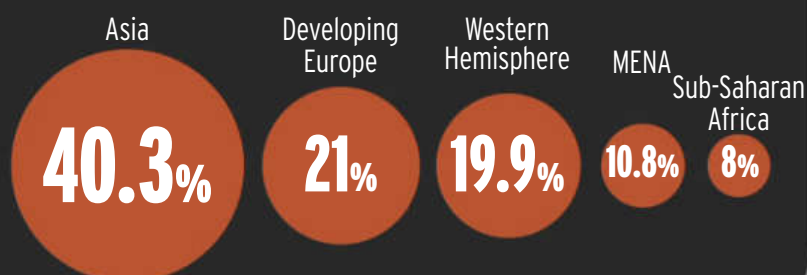


3) India is not the only developing country grappling with unaccounted wealth. China is the leading source of illicit financial flows



In million US \$; Average of 2003-2012

4) Asian countries have the largest volume of illicit financial flows among developing nations



Cumulative Illicit Financial Flows by Region, 2003-2012
MENA: the Middle East and North Africa

WHAT'S TRENDING

Say it with a video

Dubsmash's \$5.5 million funding shows that the Velfie trend is not a fad but something brands need to get on to.

By **CHITRA NARAYANAN**

Two years ago when Berlin-based start up Dubsmash launched its selfie video making app, it turned out to be a smash viral sensation. The world was entertained by the sight of people lip synching to famous songs and dialogues. But who would have thought the trend would last this long?

Just last fortnight, Dubsmash attracted investment of \$5.5 million

RAJ VERMA



SOCIAL TOON

DID YOU SEE HOW THE NEWS OF MODI AND ZUCKERBERG'S FACEBOOK TOWNHALL IS GOING VIRAL



from a group of tech investors. It may not be an eye-popping figure but the fact that funders include Chris Sacca, the venture capitalist who backed Facebook, Instagram and Uber and Riccardo Zacconi, the head of King Digital which makes Candy Crush Saga shows that video selfies are becoming serious business. Already smart brands have got into Dubsmashing. Recall how Kingfisher got people to oo la la le o using the platform.

The company says Dubsmash has grabbed number one spot on Apple's app store in 78 countries. Roland Grenke, co-founder of Dubsmash, has said that the funding will be used to transform the app into a "meatier communication platform".

Even as the still photo selfie fad is as strong as ever, video is undoubtedly the next big thing. In 2014, over 59 million Indian internet users accessed online video content. In the US, eMarketer estimates that digital video ad spending will increase 41.9 per cent this year touching \$5.96 billion.

Rammohan Sundaram, co-founder of Velfie, an Indian selfie video app, a bit like Dubsmash, that launched early this year feels

the genre has immense potential. "From the day of launch we have had a brand association. And in the last five months since launch, we have had 10-plus brands and artistes doing exclusive launches on our platform. Unilever (Liril) is live right now," he says. Sundaram however differentiates his app from Dubsmash. "We are not just a "dubbing" platform," he clarifies. Velfie has a Pause feature which can make Vine-like stop motion videos, he says. In the pipeline are features like Hyperlapse, Slomo, Timeline, he adds, to make the velfie experience better.

Contrary to perception, Sundaram says that it's not just the youth taking velfies. "Our users range from a 3 year old kid to a 55 year old woman, from Coimbatore to Cuttack," he says. The upcoming 4G launches will only help our cause in India, he feels. Of course, there are some issues to be resolved - for instance, analysts have warned that Dubsmash could possibly run into copyright issues as music studios whose labels are used by lip-synchers might protest. But, clearly, it's a space worth watching. ♦

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LISTENING POST

Klout Spread



If you are not doing video, it's time to start now! Online influence measure-

ment platform Klout is adding YouTube data to an individual's Klout Score. This takes up the total number of networks incorporated in the Klout Score, which tracks an individual's impact on social channels, to nine. Sunil Rajasekar, CTO of Lithium Technologies which acquired Klout last year said, "With the addition of YouTube to the Klout score we can now offer consumers even more accurate and a more comprehensive map of the social web." Lithium claims that Klout System contains more than 700 million social profiles. As brands jostle for an influencer's eye, this is as good a place as any to start looking.

Insta Pull



The already fragmented digital platform has got split further with

Instagram opening up its network for advertisers in India. "Instagram advertising will be made available to any advertiser, large or small, in India from this month," announced Kirthiga Reddy, Managing Director, Facebook India adding that users would see ads from Gillette, Kit Kat, Paper Boat and TRESemme on their feed to start with. Instagram will leverage Facebook's ad management technology to offer a suite of features to advertisers. But India is late to the Instagram ad party: the network first unveiled its ads product in November 2013, and has been slowly extending it to more countries since.

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AMAY THAKURI

BATTLE FOR BIHAR

BT does a reality check of the claims and counter claims in the fight between the JD(U) and the BJP for voter mind space ahead of elections.

By **ANILESH S. MAHAJAN**

The room in Rajnish Kumar's house at Bhambhai village in Bihar's Arwal district can barely fit a sofa, a double bed and a refrigerator. As you lounge on the sofa, the 35-year-old school teacher picks up a bottle from the refrigerator and pours water into a steel glass. He then enquires if we need ice too. This is routine hospitality, but for Rajnish and his family, a proud moment too. After years of struggle, their village was connected with the electric grid in July this year. Cold water

and ice are luxuries they can enjoy now.

In the adjacent room, partitioned with a curtain, his seven-year-old son, Vaibhav Raj, is studying. "I feel relieved when I see him study under a light, unlike me, who had to study under a lantern," he says. Rajnish then points towards the iron-grilled window and says, "Now we can also run a desert cooler and sleep comfortably in summers. If we continue to get electricity like this, the fate of the next generation will change," he says, adding that 50 other households in his village also get electricity now.

'Electricity for all' has been Chief Minister Nitish



AIJAY THAKKURI

BJP'S PROMISES

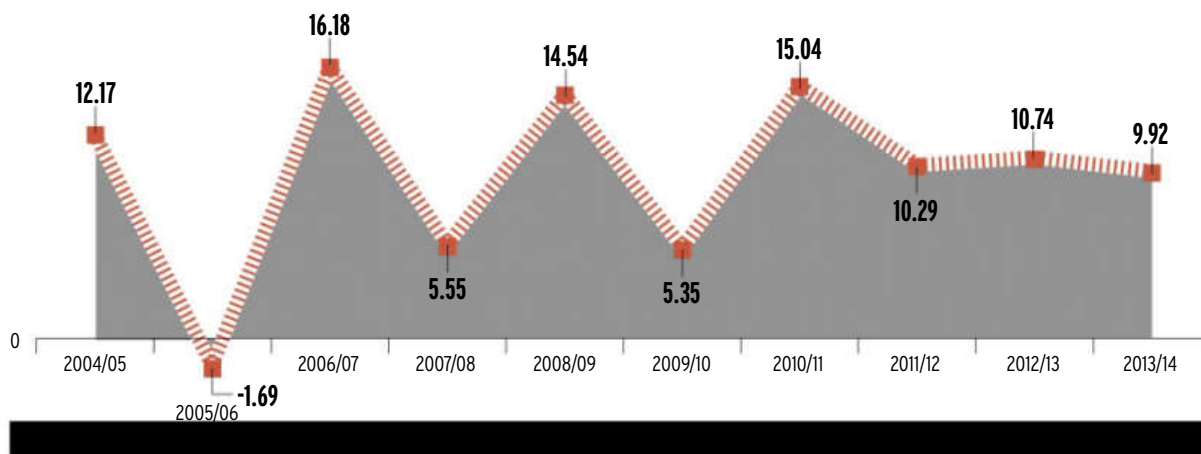
- ₹1.65 lakh crore for development of Bihar. This includes a special package of ₹1.25 lakh crore
- Plus, ₹40,000 crore for various ongoing projects in the state
- 24-hour electricity supply, gas pipelines and more LPG connections
- More funds for small businesses, housing for all
- Focus on industrialisation with help from the private sector

OFFERS & COUNTER OFFERS

JD(U)'S PROMISES

- Special emphasis on youth who are jobless or need funds for education
- Has announced an allowance of ₹1,000 each to those in the 20-25 age bracket who are jobless
- Education loans up to ₹4 lakh at an interest rate of three per cent for Class XII passouts
- Venture capital fund of ₹500 crore for the young
- Has allocated ₹55,600 crore for 24-hour electricity in the next two years
- All houses in rural and urban areas to be connected with drinking water pipelines in next five years

Road to Growth: Bihar's GSDP has grown rapidly under Nitish Kumar



At Constant Prices (2004-05); Source: Economic Survey of Bihar

Kumar's poll plank since his 2013 Independence Day speech. And this is what he is hoping will click with voters as he seeks a fresh mandate in Assembly elections starting October 10. In the 2005 elections, Nitish-led JD(U) and its allies, including the Bharatiya Janata Party (BJP), had won on the promise of improving the state's law and order. In the 2010 elections, he promised a road to every village. This time, the focus is on electricity. The reason is simple. Bhambhai is one of the 9,769 villages in the state that are partially electrified (another 26,373 have full access). Close to 2,000 have no access to electricity.

Nitish's opponent and one-time ally, BJP, however, is out to spoil the party. In his election rallies, Nitish cites examples such as Bhambhai as his achievements. But in the BJP's rallies, Prime Minister Narendra Modi and party chief Amit Shah highlight the other side of the coin — only 1.2 crore out of Bihar's two crore households have access to electricity despite 10 years of Nitish. Modi has promised 24x7 power by 2019.

As Bihar gets set to vote in a new government in an election seen as a make-or-break for both Nitish and Modi, a war of words has broken out between the main rivals — the JD(U) and its allies and the BJP camp — as they counter every election promise being made by the other side with vigour.

Take Modi's announcement of projects worth ₹1.65 lakh crore. These include pipeline infrastructure, new railway lines, food processing units, power plants and a

railway engine unit. The BJP is also promising 24x7 electricity, a gas pipeline network, more LPG connections, higher funding from Mundra Bank for small businesses, master plans for cities, housing for all and, above all, improvement in law & order. The party reckons that in a state where around 90 per cent people use wood, cow dung or kerosene for cooking and more than half live in houses with thatched roofs, these promises are sure to resonate with the masses.

In response, Nitish has called these schemes old wine in new bottles. Instead, he has offered a wider road network, more electricity connections and reforms in the business environment. Above all, he is promising to keep fighting for a special status to Bihar.

But look at the irony. When he first came to power in 2005, his poll plank was development. Now, after nearly 10 years of rule, he is not just fighting anti-incumbency but is also on the defensive as his former ally, the BJP, hijacks his raison d'être. Also, this time, he is fighting along with his

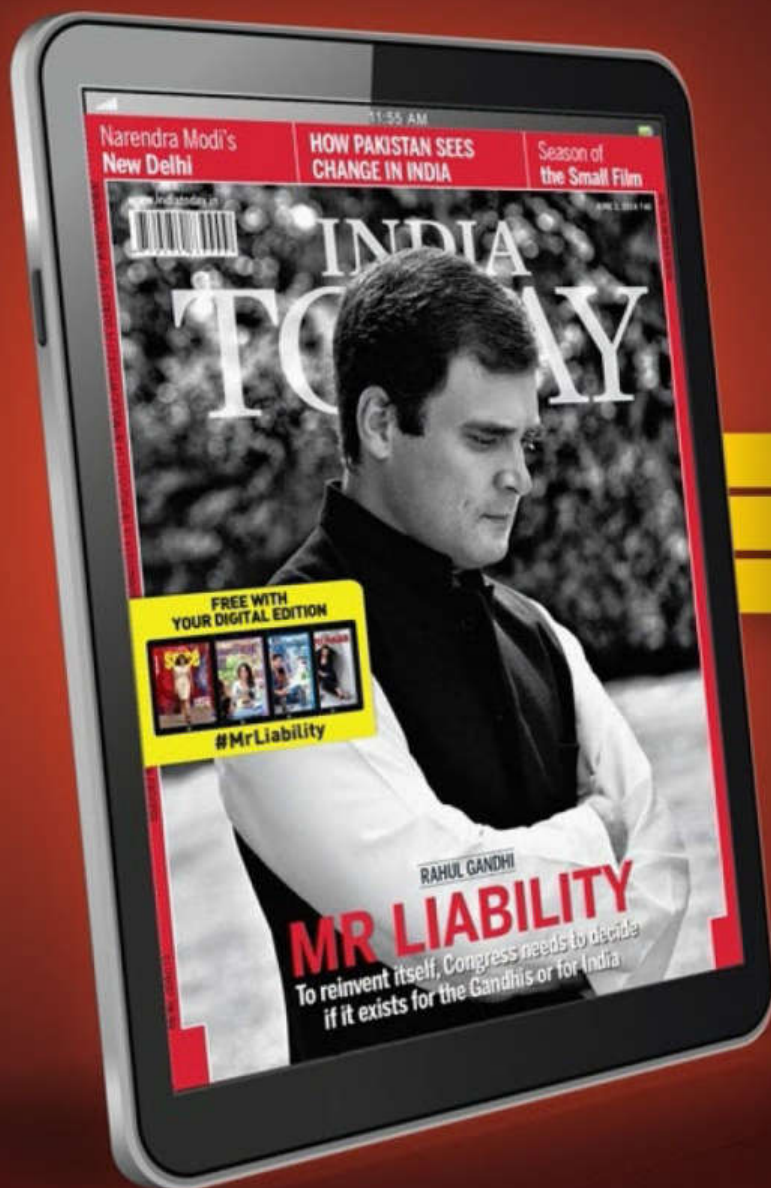
enemy-turned-friend, Lalu Prasad Yadav, and the Congress. His allies are seen more as his weakness than strength. In this barrage of allegations and offers and counter offers, how do you separate the wheat from the chaff?

GROUND REALITIES

Nitish Kumar is on the defensive on most social and infrastructure parameters, except one — roads. And he

90%
people in the state
use wood, cow
dung or kerosene
for cooking and more
than half live
in houses with
thatched roofs

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Sizing Up: How Bihar's economy has done in relation to other comparable states

Debt-to-GSDP	2005/06 (RE)	2014/15 (BE)
Bihar	84.1	24.3
Madhya Pradesh	41.4	20.9
Rajasthan	55.1	24.9
Uttar Pradesh	57.2	30.1
West Bengal	49.7	35

RE: Revised Estimates; BE: Budget estimates; in per cent

Growth of Per Capita Net State Domestic Product	2005/06	2013/14
Bihar	5.7	16.2
Chhattisgarh	10.3	12.1
Jharkhand	0.6	16.2
Madhya Pradesh	9.7	21.9
Rajasthan	11.3	11.8
Uttar Pradesh	12	13.8
West Bengal	10.4	14.1

Percentage change over previous year; at current prices (2004-05 series)

Infant mortality rate	2006	2013
Bihar	60	42
Madhya Pradesh	74	54
Rajasthan	67	47
Uttar Pradesh	71	50
West Bengal	38	31

(Per 1,000 live births)

Literacy Rates	2011
Bihar	61.8
Madhya Pradesh	69.3
Rajasthan	66.1
Uttar Pradesh	67.7
West Bengal	76.3

Figures in per cent

Access to Safe Drinking Water in Households	2011
Bihar	94.7
Madhya Pradesh	92.1
Rajasthan	94.3
Uttar Pradesh	97.9
West Bengal	93.9

Figures in per cent

Poverty Headcount	2011/12
Bihar	33.7
Madhya Pradesh	31.7
Rajasthan	14.7
Uttar Pradesh	29.4
West Bengal	20

Tendulkar methodology; Figures in per cent; Source: RBI, Economic Survey

is banking heavily on his image as a 'doer' on this front. In 2010, when access to roads was his poll plank, the alliance led by him swept the elections. After winning, he brought in his key man, Prataya Amrit, as road secretary. Today, every town and village in the state is connected by roads. Now, the state is looking for support from the Centre for connecting habitats with up to 250 people as well. In 2005, Bihar had 3,232 km in state highways.

Today, the number is 4,400 km.

A top bureaucrat, who has worked closely with the chief minister, pointed to the state's map at his office, showing that most roads in the state connect east and west. "We are working with the centre and other states' agencies to connect the Nepal border at Raxaul to Paradip port in Odisha," he says assertively.

But many believe that the network is still not good enough. The state requires a web of another 5,000 km in state highways, ring roads and bypasses around major cities and towns. "The cost of moving goods in Bihar is 150 per cent more than in any other state, largely because of the condition of state highways," says the CEO of an FMCG company.

Meanwhile, Nitish is promising a transformation in the power situation as well. Hoping for an encore, he has appointed Amrit as his energy secretary.

In power — which is emerging as the biggest issue in these elections — Bihar's consumption is just 203 KWH per person as against the national average of 1,010 KWH. Nitish says this is because Bihar started late. In 2005, the state's per capita power consumption was only 70 units and more than two-third of the state had no access to power. The state-owned installed capacity is merely 70 MW and distribution companies buy roughly 3,000 MW from either the Centre's pool or the spot market. The state reported a 19 per cent peak deficit in the last financial year. Both distribution companies in the state are bleeding with a consolidated debt of ₹177 crore. This means limited capacity to buy additional electricity. As a result, there is no city, town or village with 24-hour power supply. Although Bihar has signed an MoU with the power ministry

for providing electricity to every household by 2018, it will not be easy.

Bihar was the last state to carry out power reforms, in 2013, a decade after others started. "Bihar needs to reform various practices in its transmission and distribution system," says Amrit. "I am not that worried about generation, as NTPC is coming up with new capacities in the state, from where Bihar will get a lion's share.

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Empty Promises: Only a fraction of the proposed investments have fructified

Sectors	No. of approvals	Proposed Investment (₹ crore)	Invested Capital (₹ crore)
Sugar Mills			
(a) New Sugar Mills	13	2923.1	806.5
(b) Expansion of existing Sugar Mills	10	997.5	525.4
(c) New Ethanol Plants by existing Sugar Mills	3	151.1	55.3
Power Plants	114	2,46,696	2,225.8
Food Processing	1238	11,669.2	2,527.2
Steel Processing & Cement	103	11347.2	781.5
Technical Institution (Engineering, Management Colleges, etc.)	54	746.4	28.0
Medical Institution (Medical Colleges & Hospitals)	17	1,827.12	40.56
Others	488	10,349.64	564.56
Total	2,040	2,86,707	7,554.81

Data up to April 2015; Source: State Investment Promotion Board

Social Change: Expenditure on social sectors has been rising over the years

	Education, Sports, Arts & Culture	Health and Family Welfare	Water Supply, Sanitation, Housing and Urban Development
2004/05	3,160	629	321
2005/06	4,423	1,015	532
2006/07	5,359	1,153	766
2007/08	5,553	1,387	1,052
2008/09	6,882	1,291	1,600
2009/10	7,416	1,388	1,438
2010/11	8,101	1,502	1,698
2011/12	10,157	1,804	1,713
2012/13	14,080	1,836	2,304
2013/14	14,344	2,113	2,967
2014/15 (BE)	23,989	4,085	6,499

Figures in ₹crore; Source: Economic Survey of Bihar

Moreover, other states like Madhya Pradesh and Chhattisgarh are becoming power surplus. There is also solar capacity. We will be able to buy enough. The challenge is transmission and distribution reforms," he says.

RETURN OF THE NATIVE?

Even if Nitish can convince voters about his ability to

deliver on power, as he did in roads, it's the social indicators where he has the most to answer.

In the 2010 polls, Nitish's claim of having improved Bihar's human development indices and roads paved the way for his alliance's sweeping victory. But today, the equation is substantially different.

In the past, Nitish's development model has got a pat from Nobel laureate Amartya Sen, who argues that growth is not independent of social transformation. In fact, the latter makes the workforce healthier and alleviates poverty. A report of the Rangarajan panel states that Bihar saw the steepest fall in poverty, from 63.9 per cent to 41.3 per cent, between 2009/10 and 2011/12. Around 21 million people were brought above the poverty line during the period. At the national level, poverty fell from 38.2 per cent to 29.5 per cent during the period.

But these figures do not give the complete picture. A huge chunk of population continues to depend on agriculture, which is increasingly becoming less remunerative. Widespread landlessness, pegged at nearly 70 per cent in villages, has created boroughs of poverty and underemployment. According to the 2011 census report, Bihar's population density is 1,100 people per sq km, the highest in the country, and average land holding is half an acre.

Education is still a drag. The literacy rate is 62 per cent compared to 73 per cent nationally. The literacy level of girls, a mere 52 per cent, is the lowest in the country. There has been some improvement in numbers recently. If we look at the current student numbers, they are not too far behind the national average. There are 8.18 million girls in schools compared to 8.28 million boys.

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But the state lags behind on other social indicators. In the state, 34 children out of 1,000 die as infants, while 219 mothers out of 1,000 die while giving birth; these numbers are much above the national averages of 28 and 178, respectively. Close to 40 per cent of those who survive are underweight by five and almost 90 per cent are anaemic. In the labour ministry's data published in 2014, out of 1,000 people in urban Bihar, 74 are looking for jobs. In rural areas, the number is 20 (largely due to MNREGA and Centre and state-sponsored infrastructure projects). The national averages are 34 and 16, respectively. The worst state on this parameter is Kerala, where the figures are 72 for urban areas and 75 for rural areas.

For all its strengths and weaknesses, Nitish's development model is being challenged by his friends-turned-

"Time has come for Bihar to take the benefit of Make in India and Skill India campaigns with help from the Centre."

SUSHIL MODI, Former Deputy Chief Minister

though it has halved in the last decade. In terms of value, it stands at ₹ 75,416 crore. And the major contributor to revenue receipts is liquor, roughly 2 per cent of the GSDP. Following this (public spending) philosophy, Nitish

opponents, who are offering an alternative — industrialisation.

Over the years, Bihar has fared poorly on this front. Only 17 per cent of the state's gross value of output comes from industry compared to nearly 29 per cent nationally. In 2013, industry body Assocham's study found that most of Bihar's growth stimulus came from public spending while Modi-led Gujarat was going for private investment.

Bihar's economic growth over the last few years has largely been a result of public spending on roads and bridges. In one decade, the capital outlay swelled from ₹1,205 crore in 2004/05 to ₹21,151 crore in 2014/15. During the same period, Madhya Pradesh's capital outlay rose from ₹4,951 crore to ₹18,027 crore. However, the state also got private investment in roads, power and other basic amenities. Both states were part of the erstwhile category of BIMARU states, a group of underperforming states, and started economic reforms simultaneously.

The duo of Nitish and BJP's Sushil Modi — who served as the state's finance minister before the parties split — also improved the state's earnings. Revenue receipts rose from ₹15,714 crore in 2004/05 to ₹1,01,940 crore in 2014/15. During this period, Madhya Pradesh increased its revenue collections from ₹17,251 crore to ₹1,03,493 crore. Bihar's economy seems to have grown at a faster pace than the country's. But then, the base from where it started was much smaller. The per capita income of the state is one-fifth the national average.

But Nitish reminds that one must look at where Bihar was 10 years ago.

However, there is a limit to spurring growth through public spending. Bihar's public debt is 26 per cent of gross state domestic product, or GSDP,

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is pushing for a special status for Bihar under which the Centre foregoes its share of taxes and promotes industrialisation. Also, the state's contribution to centrally-sponsored scheme becomes marginal. But this proposal has few takers in New Delhi.

Abhijit Sen, former member of the Planning Commission who has worked closely with the Bihar government, sees merit in the idea. JD(U) leader Pavan Varma says, "If a state can reduce the cost of manufacturing for any player, obviously he would come. The special status will allow this." BJP leader N.K. Singh disagrees. He says things have moved ahead and the state will have to become more competitive to attract investments. Here, the BJP is promising industrial hubs and private investment in areas such as power. "Time has come for Bihar to take the benefit of 'Make in India' and 'Skill India' campaigns as well as other devel-

"The history of caste politics destroyed the state's business environment. There are opportunities to showcase good governance"

RITURAJ SINHA, COO, Security and Intelligence Services Ltd

opment projects with help from the Union government," says Sushil Modi.

"The history of caste politics spoiled the state's business environment. If India is young, Bihar is younger. The median age in the state is 20, significantly lower than the national average of 27. There are opportunities not only to showcase good governance but also to develop businesses," says Rituraj Sinha, COO, Security and Intelligence Services Ltd, the country's leading security and cash management company.

N.K. Singh says the bigger problem is that Bihar is sitting on huge undeveloped funds. "The closing cash holding, which was ₹3,900 crore at the end of March 2014/15, is now over ₹7,303 crore, five times the permissible ways and means limit. It is significantly higher than the figure in most comparable states. This means that Bihar needs to significantly improve its implementation capability," he says.

Even among its peers, the state is falling way behind. Among the erstwhile BIMARU states, Madhya Pradesh and Rajasthan have moved ahead by pushing industrialisation. As per the recent World Bank report on ease of doing business, Madhya Pradesh is among the top five states. Even Uttar Pradesh and Rajasthan are in the top 10 list; Bihar is at 21. "Investors seek confidence in the government which can deliver reforms at a rapid speed. This can be assured only by a national party like ours," says Sushil Modi.

In July-end, the state government began work on improving its rank with the Department of Industries signing an MoU with the Confederation of Indian Industry and Lee Kuan Yew School for Public Policy, Singapore. It will prepare a vision document for ease of doing business in the state.

THE GREAT PROMISE OF BIHAR

A recent research report by economist Nitin Desai suggests that the bulk of India's demographic dividend till 2050 will be in Jharkhand, Bihar, UP and Rajasthan. UP, Bihar and

West Bengal are home to one-third of India's population. "If you have to do business in the east, you will have to be in Bihar," says Harsh Sharma, President, Baidyanath Group, a manufacturer of ayurvedic medicines. He is setting up a ₹10 crore plant in Hajipur from where he is looking to export to Nepal. "We wanted to set up a unit in Nepal but recently Maoists there bombed a unit of one of our competitor. Roads connecting Nepal are fine for moving products," he says. He is one of the biggest investors the Nitish government has managed to attract in the last one decade. "But to attract more private players, one would require hand-holding and ensuring confidence in the state government," says S.P. Singh, CEO, Kalyanpur Cements.

But whoever forms the government at the end of November will have to continue the reform agenda. Awesh Jain of Ruchi Soya, one of the biggest investors in the state, wants more hand-holding by state agencies, especially in land acquisition. Six years ago, when Ruchi Soya decided to invest in Bihar and sent Jain to scout for land, he identified a parcel on NH-II near Sasaram, en route the dedicated freight corridor. "Our challenges started from

there. We required roughly 80 acres. The state asked us to deal directly with farmers. For this, we had to deal with roughly 70 farmers and pay five times the market value of the land," he says.

Interestingly, in the battle for one-upmanship, the JD(U) has been opposing amendments to the land acquisition law that will make it easier for companies to acquire land. "Today, the state government is finding it difficult to find land for expanding or shifting the airport. The decision to oppose the land Bill was political, but today it is not possible to get land for infrastructure," says a senior bureaucrat in Patna.

The private sector, though, continues to be wary that a hung assembly may be a big setback to reforms. BT, for this story, spoke to 42 businessmen from the state, across sectors, who roughly backed Sushil Modi's claims that in the 30 months since the split between the JD(U) and the BJP, reforms in the state have lost steam.

In November, when voting machines open, here's hoping that people of the state are the real winners. ♦

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203^{KWH}
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of power. The
national average
is 1,010 KWH

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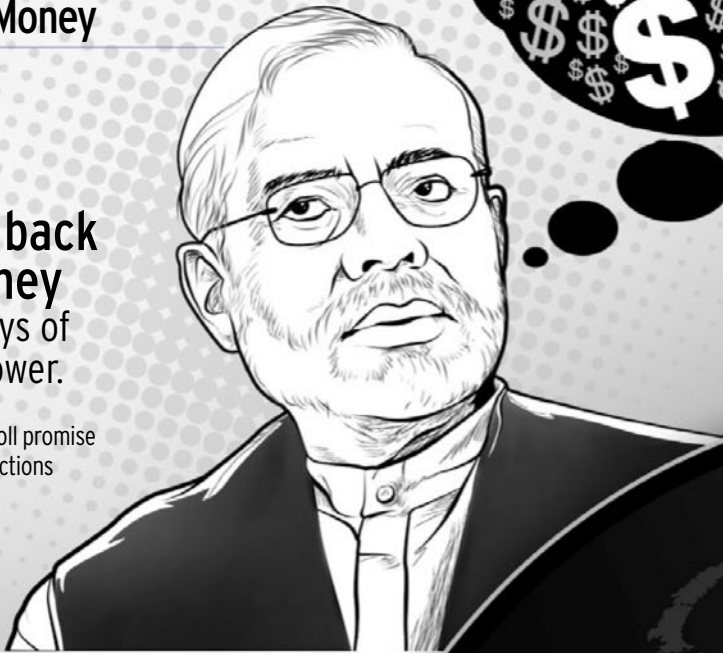
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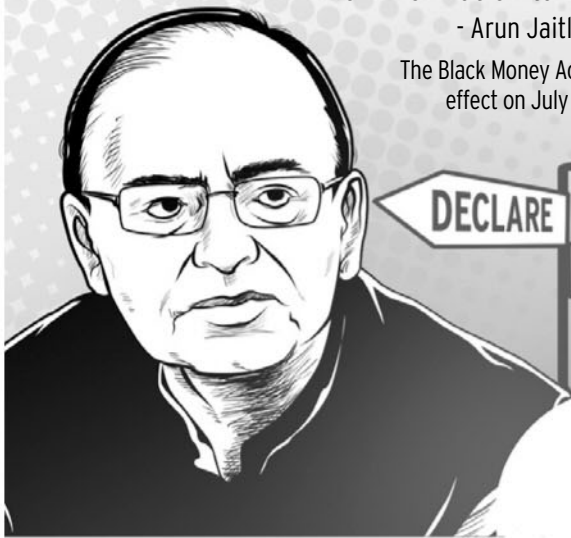
Narendra Modi's big poll promise
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government.



MONEY MONEY MONEY

Your complete guide to understanding the black money puzzle...

BY ANILESH S. MAHAJAN AND DIPAK MONDAL

Life has come full circle for Sukhwinder Gill (name changed). In 2012, he took voluntary retirement from a California-based public transport company, CalTrans, after working there for more than a decade as a civil engineer. On his return to India, he led a comfortable life in a Punjab village and funded his son's post graduation studies at San Jose, University of California, from the monthly pension he received from his erstwhile US employer and the income generated from farm output.

With the promulgation of the new The Black Money (Undisclosed Foreign Income and

ILLUSTRATION BY AJAY TAKURI

ANYBODY'S GUESS

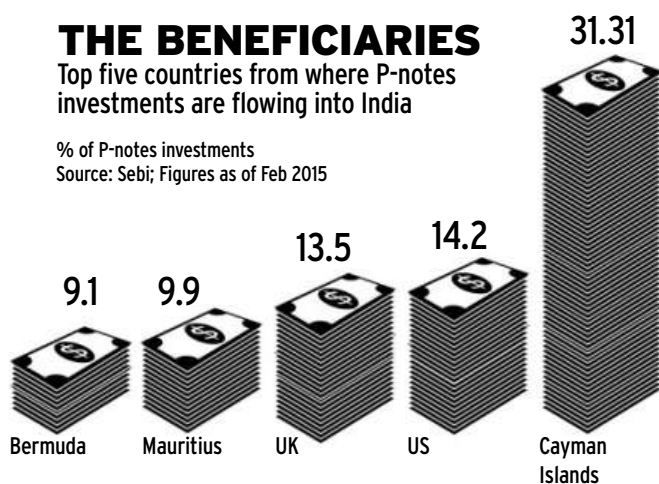
Various global and domestic agencies have come up with their own estimates on black money



THE BENEFICIARIES

Top five countries from where P-notes investments are flowing into India

% of P-notes investments
Source: Sebi; Figures as of Feb 2015



Assets) and Imposition of Tax Act, 2015 – Gill now finds himself in a quandary. His lawyers have told him that the pension (after paying taxes in the US) he gets is 'black money' under the Act. Gill will not only have to disclose the pension amount he has received since his return to India, but will also have to pay 60 per cent tax on the entire amount (30 per cent tax plus 30 per cent penalty).

"I don't have that much money. I may have to ask my relatives for a loan," he says. Gill is now running from pillar to post to get his legitimate income exempted under the double-taxation treaty.

The new Act has a provision for up to 10 years imprisonment for non-disclosure. It gives every foreign asset holder a 90-day compliance window ending September 30, 2015, to declare undisclosed assets, and pay 60 per cent as tax and penalty to escape a jail term. The deadline for paying the tax-plus-penalty amount is December 31.

On August 15 this year, Prime Minister Narendra Modi had announced from the ramparts of the Red Fort that the Centre had already received disclosures of ₹6,500 crore (nearly \$1 billion) under the black money law. What he didn't mention, however, was that the North Block has been flooded with applications from people like Gill seeking clarifications.

Even though the finance ministry has issued two clarifications, confusion prevails over what the exact definition of 'black money' is under the new law, and who will need to disclose it. For instance, should the expatriates and entrepreneurs, who had ventured overseas during the global meltdown and had bought some entity, be required to make disclosures?

In 2009, a four-member task force was set up by L.K. Advani-led BJP had also talked about targeting the "ill-gotten" money stashed abroad, but had made it clear that expats and smaller players should not be taken to task. The panel included the incumbent National Security Advisor Ajit Doval, Lawyer Mahesh Jethmalani, RSS leader S. Gurumurthy and IIM Hyderabad Professor R.

TIMELINE: THE STORY SO FAR



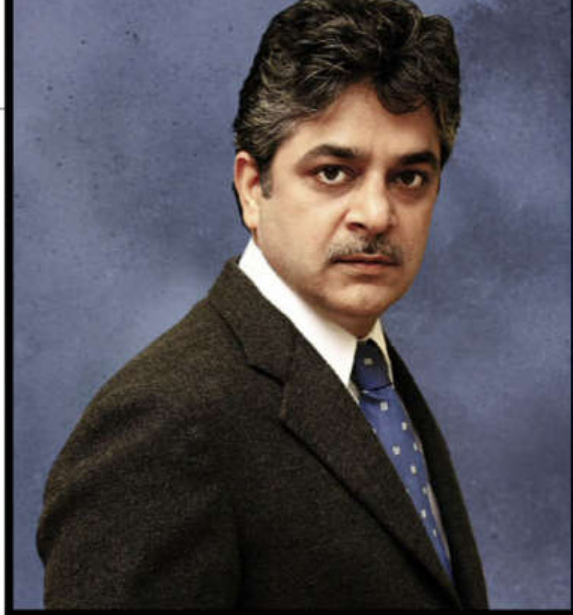
March 2009: India is able to obtain information from Germany regarding Indian taxpayers having accounts with LGT Bank in Liechtenstein

April 2009: Senior Lawyer Ram Jethmalani files PIL in SC seeking a direction to the government for taking action to bring back money stashed in foreign banks

June 2010: India meets the strict evaluation norms of the Financial Action Task Force and is granted its full-fledged membership

Vaidyanathan. Bringing black money stashed abroad has been one of BJP's top war cries since 2009. In fact, in the last general elections, Modi had made an impulsive announcement that he would bring back black money within 100 days of coming to power. Later, party president Amit Shah termed it a political *jumla* (idiom), which should not be taken literally.

There are many estimates of the amount of black money stashed abroad. They vary from 10 per cent of India's GDP (\$100-150 billion) to up to 100 per cent of GDP. India's premier investigating agency, CBI, however, pegs it at \$500 billion, while US think tank Global Financial Integrity puts the number at \$440 billion. India's forex reserves, on the



Mukesh Butani/ Managing Partner/ BMR Legal

"The Department of Revenue has done a fantastic job in terms of issuing regular FAQs dealing with questions raised by stakeholders to ensure the Act's success"

other hand, are \$350 billion.

To realise the desired result, the BJP-led NDA government has also entered into several bilateral and multi-lateral agreements with several countries to get information about Indian account holders in their banks. But can the Indian government bring back this money?

Too Hard to Crack

The common criticism against the Black Money Act is that it is too harsh. It has provisions for stringent punishments, which some fear may lead to another era of Inspector Raj. Various tax experts, including a former CBDT chairman, say that the government should have encouraged people to disclose more, rather than use an iron fist. "They should have lowered the tax rate or penalty," he says. But officials at the finance ministry say that the best incentive they could offer is that no criminal case would be initiated if they disclose their assets within the given timeframe. The Act has provision for seven years imprisonment if one fails

to furnish details of foreign assets. The punishment could go up to 10 years if the taxman proves that the assessee kept it under wraps deliberately. Technically, the Act also provides powers to the taxman to open any case even beyond the 16-year cap that the Income Tax Act had provided earlier.

"This may lead to a lot of unnecessary litigation," quips a corporate lawyer. Meanwhile, pointing out the anomalies of the new law, Kishan Malhotra, head of tax practices, Shardul Amarchand Mangaldas, says: "If the third generation has inherited about some foreign assets, obviously they would have no clue about where their grandparents got the money from to buy the assets. The problem is that the onus is on you to prove that the money used to buy the asset was accounted money or not. In most cases, the third generation would end up paying tax and penalty, or face imprisonment." A recent explanation from CBDT issued on September 3 clarifies this point to some extent, but not entirely. In cases where bank state-

October 2010: India signed its first Tax Information Exchange Agreement (TIEA) with Bermuda

June 2011: Centre forms a committee headed by former CBDT Chairman M.C. Joshi to probe black money

July 2011: The Apex court orders the appointment of a special investigating team (SIT) headed by former SC judge B.P. Jeevan Reddy to monitor black money investigations

August 2011: France hands over list of 782 Indian citizens who allegedly hold HSBC accounts in Geneva

continued ►

ments are not available, the assessee can disclose the asset at the best-estimate basis. But there is a rider: if tax authorities believe this was done with a mala fide intent, he could be asked to pay a 120 per cent penalty. "The declarations made on a best-estimate basis can easily tantamount to misrepresentation, and can be declared as void-ab-initio," says Rakesh Nangia, founding partner at Nangia and Company, a Delhi-based chartered accountancy firm.

Similarly, Chennai-based lawyer, Divakar Vijayasathya, co-founder, online consultancy MeetUrPro.com, says things will get more complicated if one has invested through his foreign account (which was earlier not disclosed), and obviously the investment might have appreciated or depreciated. "It would be a cumbersome exercise, in terms of declaring such accounts and making a fair assessment," he says.

A young entrepreneur from Kolkata, Aditya Gupta (name changed), is facing a unique problem. "I moved back from the US in 2012. I was starting a small venture, and my father-in-law (from San Francisco) was supporting me and my wife by depositing small amounts in my US account. My lawyer friends have told me that I need to declare this as well under the black money law," he says. Sanjay Sanghvi, a prominent corporate lawyer, says: "In your foreign account there could be some debit entries, and they may be genuine transactions. There are chances that the tax department may want to probe those transactions. And this is what is holding people back," he says.

However, officials in the finance ministry say that once

IN A NUTSHELL

- A tax of 30 per cent will be levied on all undisclosed foreign income and assets of the previous year commencing from April 1, 2016
- In case of non-disclosure of foreign assets and income, the assessee would have to pay 120 per cent of the value of the assets and income
- Failure to furnish returns of foreign income and assets would attract a penalty of ₹10 lakh
- In case of wilful evasion, the assessee can face imprisonment of three to 10 years in addition to the fine. False filing of return would attract imprisonment of anywhere between six months and seven years
- The Act would not be applicable on those who have assets of not more than ₹5 lakh in foreign countries
- It provides a one-time disclosure window till September 30, 2015. Any amount disclosed under the scheme would attract a tax of 60 per cent

Source: The Black Money (Undisclosed Foreign Income and Assets) Imposition of Tax Act, 2015

people come up with their disclosures, instructions are issued to assess the cases and help those who have genuine cases. But this can only be corroborated once the taxman starts issuing demand letters. History, however, is against the taxmen.

"That the ministry had to issue detailed clarification twice during the disclosure window is a good evidence of how badly this law is drafted," says Kuldeep Kumar, Leader, PwC India. To understand the execution of this Act, BT spoke to at least 35 corporate lawyers and chartered accountants across the country. They say that despite the clarifications, gaps still need to be filled. "One of my clients is ready to disclose his foreign assets, but his other partners are reluctant. This is holding him back," says a Mumbai-based corporate lawyer. The provisions of the new law exempt you from wealth tax, FEMA prosecution, companies act, customs act and income tax. "But there would always be a chance that actions may be found in violation of some other law or provisions of respective regulators," says Malhotra. "You have to evaluate the risk. If it is more risky to disclose than to look for ways to channelise the money, obviously one would opt for the latter," a top

corporate honcho told BT. He said that this is a decision one will have to take on an individual basis.

Former revenue secretary Shaktikanta Das justifies a tough law for black money. According to him, the law provides adequate safeguards to ensure smooth implementation. Officials at the finance ministry are keeping all disclosures secret, including the amount. According to one estimate, nearly \$4 billion may have been disclosed till September 15. In comparison, under the vol-



Jan 2012: India signs the Multilateral Convention on Mutual Administrative Assistance in Tax Matters, and becomes the first country outside the OECD and Europe to join it

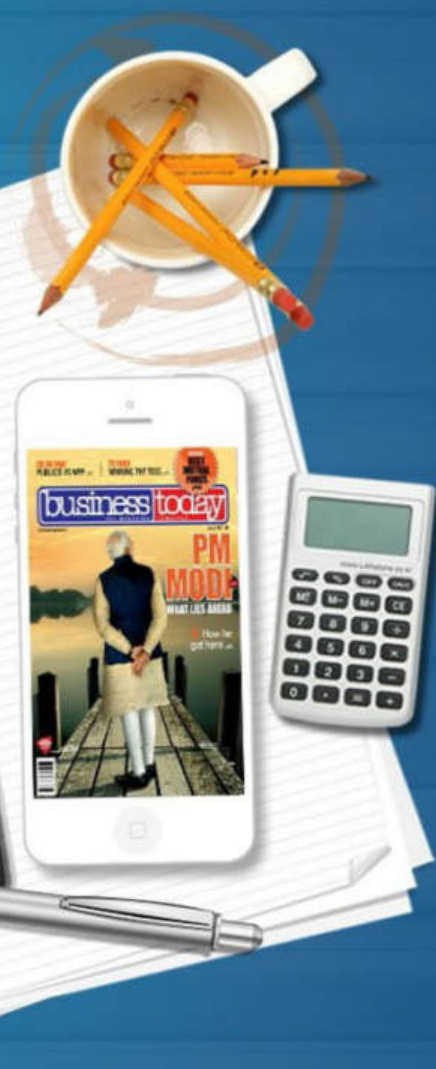
April 2012: CBI estimates **\$500 billion** (nearly ₹25.8 lakh crore) of illegal money stashed by Indians in tax havens

May 2012: The Government of India publishes a white paper on black money. It discloses India's effort at addressing black money issues and guidelines to prevent black money in the future

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FOR MANAGING TOMORROW

Krishan Malhotra, Head of Taxation, Shardul Amarchand Mangaldas & Co.

“The deadline of disclosure is very short. The FAQs are still coming. So, within 15 days you have got to get the details of your bank accounts and assets, and get them valued”



untary disclosure scheme of 1997, disclosures worth ₹33,000 crore were made and ₹10,000 crore was collected as tax. “They (critics) forget that even under the various amnesty schemes thus far, evaders disclosed only at the eleventh hour because they expected last-minute softening of stand from the government,” says another former revenue secretary.

The Indian black money law is broadly based on the 2010 US law, Foreign Account Tax Compliance Act, or FATCA. Under the law, US nationals were required to declare their foreign incomes and assets. The critics of this law claim that in the last four years many US citizens chose to forfeit their nationality, and many feel that the new law may also force the HNIs or expats to give up Indian citizenship to settle for a more liberal tax regime.

In fact, industry lobby group FICCI pointed out that this could be a major discrepancy. “How will an evader be tried if he chooses to leave India permanently,” asks a top businessman. At best, the law will force him to avoid returning to India. Former UPA minister and Congress leader,

Manish Tewari claims that roughly 80,000 individuals might have already become NRIs in the past six months to circumvent this law. *Business Today* could not independently corroborate the data.

War at foreign fronts

In November 2014, when G20 leaders met at Brisbane, Australia, Modi had made a strong pitch for repatriation of black money and standardisation in sharing information for tax purposes during the plenary session. The 94 member countries had agreed to sort out the norms, start gathering data from January 2016 and, subsequently, share the data from 2017.

But does India have the necessary infrastructure to deal with the flow of information? What if the member countries are not willing to share the information citing data security and violation of secrecy laws? India may want to tax perpetrators, but for some of the G20 countries, tax havens are a source of income. India already has signed Tax Information Exchange Agreement, or TIEA, with 17 tax havens since 2011, but tax authorities struggle to get information from them. “We have started our exercise to study these aspects of all member countries. The report would be available by mid next year. This would help the countries while decision making,” says Monica Bhatia, head, Global Forum Secretariat, at OECD’s Centre for Tax Policy and Administration.

But there is a catch. Information via automatic route would be available on a common platform, but countries will be able to see data accounts of only their nationals. Under such restrictions, it would be very difficult to decode the information. This is a good enough escape route for the big fish. One of India’s top bankers told BT that most of the information which is coming from banks in Europe is very difficult to interpret. “They will have to amend and, in many cases, redraft their KYC norms,” he says, adding that the present information in many cases only has names and



May 2014: NDA government sets up a high-powered special investigative team headed by retired Supreme Court (SC) judge M.B. Shah to look into the issue of black money and slush funds

October 2014: Centre discloses the names of those who have deposited money in banks abroad to SC, jeopardising the tax agreements with nations providing the names

December 2014: The Global Financial Integrity’s latest report says cumulative illicit money moving out of the country over a 10-year period from 2003 to 2012 was \$439.59 billion, or ₹28 lakh crore

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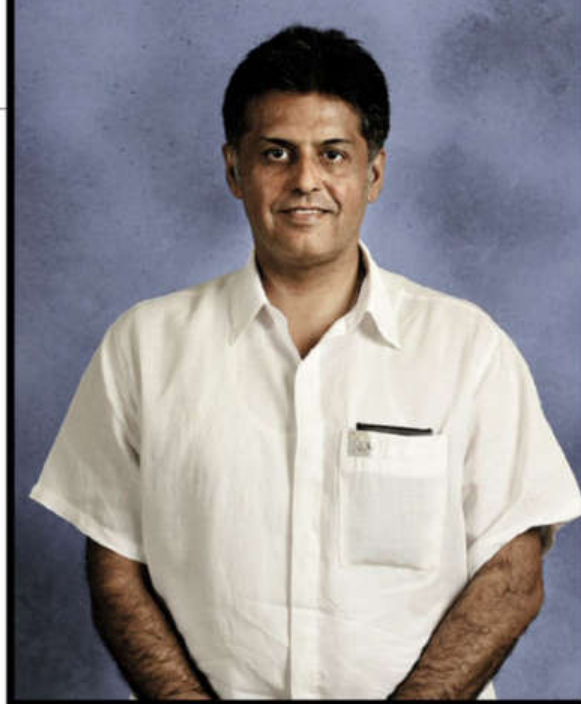
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such information is very difficult to corroborate. For instance, Swiss authorities shared 427 account details, but India could send notices to only 250 of them.

India has pressed banks in Europe, including the ones in Switzerland, to push their Indian clients to disclose their accounts to tax authorities and provide fresh undertakings. The new law has provisions to book these banks for abetting the hoarding of untaxed money. "It is difficult to do it practically, but provisions are there," says another banker.

In October 2014, the Swiss authorities had agreed to assist investigations related to money stacked in their banks. Now Indian authorities are negotiating the bilateral agreement with the Swiss government to share information regularly and automatically. In May this year, Swiss authorities published names of five Indians in their federal gazette's April-May 2015 edition, along with citizens of the UK, US, Spain, Germany, Netherlands and South Korea.



RAJWANT RAWAT

Manish Tewari, former I&B Minister and Congress leader

"The only way to bring back black money is to get the information and see if it can be leveraged to either prosecute or take punitive action against the offenders"

These names are Dubai-based Gurjit Singh Kochar, Syed Mohamed Masood, Sneha Lata Sawhney, Chaud Kauser Mohamed Masood and Sangita Sawhney. The Swiss Federal Tax Administration, or FTA, had asked them to file an appeal within a month before the Federal Administrative Court if they did not want their details to be shared with India. "The automatic route may give the information prospectively, but many countries are under pressure to disclose more and shun their secrecy law," says a senior official from the finance ministry. India has a similar agreement in place with the US.

Meanwhile, if India has to take advantage of automatic flow of information by 2017, tax authorities would have to develop a mechanism to sift through the data flowing in. The existing intelligence sharing mechanism among different central economic intelligence and law enforcement agencies needs to overhaul completely. "There would be a huge flow of data. The challenge for

India would be to carve out meaningful information out of this data, and execute accordingly," says Bhatia of OECD.

Indian Underbelly

The officials at the finance ministry admit that the new law may not be sufficient to bring back most of the black money stashed outside. There will have to be more efforts to curtail the flow of illicit money. The worry for most of the economies, including India, is that cross-border tax avoidance and evasion is becoming more sophisticated with the advent of technology and mobility of capital. But India made a breakthrough when it pressed European banks to disclose more information. Through peer pressure and OECD, Swiss and other central European banks are moving on from banking secrecy laws. "The Swiss and other European banks are now asking the Indian residents hitherto enjoying their patronage to give an undertaking that their money is legitimate and in compliance with the



May 2015: The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 receives the assent of the President of India. It comes into effect from July 1, 2015

June 2015: AEOI treaty signed in Paris, where 94 jurisdictions have agreed to exchange information on an automatic basis from January 2017

July 2015: India also inks a mutual exchange of information with US authorities under the Foreign Account Tax Compliance Act. In effect, from September 30, Indian and US banks, stock-broking firms, mutual funds, etc., will exchange client details, which will be shared with the respective governments



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Prof. Ashwini Mahajan, national co-convenor, Swadeshi Jagran Manch (Economic policy think-tank of RSS).

“The government must look at ways to tackle the bigger issue of bringing back the money, which many from corporate India have stashed abroad. They are the big fish, not the expats or smaller players”

Indian laws. Some are also asking auditor's certificates to these effects,” says a senior official of the finance ministry.

The Modi-led NDA government constituted a special investigation team (SIT) on black money to assist the ongoing litigation before the apex court. The SIT suspects the P-notes to be one of the ways to reroute black money into the system. P-note investments, ended February 2015, was at ₹2.72 lakh crore. Out of the top five countries from where P-notes come, three are low tax jurisdictions, such as Cayman Islands, Mauritius and Bermuda. Cayman Island with a population of less than 55,000 routed investment worth ₹85,000 crore.

US-based GFI estimates that \$440 billion had moved out of India in the 10-year period from 2003 to 2012. A large portion of this money comes back to India via round tripping. Tax authorities believe participatory notes are a common route, and no one gets to know the real owner of the money. In 2007, India banned P-notes investments in the stock markets, as it was suspected that terror money was being routed. But amid pressures from foreign investors, the ban was lifted in 2008. This is a derivative instrument issued by FIIs to the investors to invest in country's equity and debt market without registering with the regulator. This means, one can invest in the market without disclosing their identity. But since 2007, the market regulator tightened the noose, and their share in FII investments came down from 50 per cent in 2007 to 11 per cent in February 2015.

PM Modi is under pressure from his ideological peers in RSS to crack the whip on domestic black money and web of tax havens, and rework the double taxation avoidance agreement to facilitate information sharing on a retrospective basis. The direct benefit transfer schemes, *Jan Dhan Yojna*, payment banks, introduction of GST, pushing for early implementation of General Anti Avoidance Rules, or GAAR, are all seen as efforts to curtail the flow of black money domestically.

India has already proposed amendments in Benami Transactions (Prohibition) Amendment Bill, 2015, in the Lok Sabha, and it is currently being discussed by the standing committee of the Parliament. It provides for attachment and confiscation of *benami* properties, along with a fine and imprisonment. According to estimates, India is riding on a \$2-trillion black money economy, which is bigger than the size of the its own economy. This includes transactions in sectors such as real estate,



RAJWANT RAWAT

illegal betting, drugs trafficking, jewellery and liquor market, among others.

Meanwhile, to widen the tax base, India is pushing Mauritius to include clauses such as limitation-of-benefits. India wants Mauritius to ensure legitimate businesses get the benefit, but not the shell companies. However, obviously, the island country is resisting. “Many of our tax treaties are used for tax avoidance. If we have DTAAs, corporate houses should get the credit for tax paid in a low-tax jurisdiction like Mauritius, but should pay the differential to Indian tax authorities, instead of waving the total tax entirely,” says Mahajan of SJM. This RSS think tank believes that it is high time to renegotiate these agreements. FM Arun Jaitley while addressing the country's top business honchos at a seminar organised by *The Economist* in August this year, admitted that he is getting “requests” from various delegations of industry lobby groups to ‘go easy’ on domestic black money. “They argue, this is at least adding to the economic activity. Now, no economy can indefinitely sustain an argument of this kind,” he adds.

The proof of the pudding, therefore, is in the eating. Hope when it's served to Indians, it tastes sweet. ♦

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BLACK AND WHITE

**A story of shell companies, trusts,
hawala, tax havens, consultants
and money routing.**

By SARIKA MALHOTRA & GOUTAM DAS

A Corporate presentation from 2009 was all praise for Vijay Choudhary. He is “an entrepreneur-par-excellence”, a “key driver in the growth of the organisation”, and the “driving force behind the momentum of the enterprise”. His company, with interests ranging from industrial and engineering services to realty and infrastructure, however, started figuring in the list of top defaulters frequently since then.

Zoom Developers now owes over ₹2,000 crore to 26 public sector banks. And in July this year, the Enforcement Directorate did something unprecedented by attaching the company’s 1,280 acre landholding in California. Over the past several years, Zoom had borrowed heavily citing projects in European countries. The money, allegedly, was siphoned off through many dummy

THE MONEY TRAIL

Black money is generated through scams, illegal cash transactions and income tax frauds. It is then moved abroad and routed back.

CASH ROUTE



Hawala/Buy diamonds
in India



Fly to Dubai



Sell diamonds in Dubai



Cash deposited in
Dubai Bank



Money transferred to
multiple jurisdictions



TRADE MISPRICING ROUTE

- Over-invoicing of imported products and services
- Money deposited in shell company abroad
- Money transferred to multiple jurisdictions



RETURN OF CAPITAL

Money parked in trust-friendly jurisdictions



Money moved to tax-efficient jurisdiction



Money moved to tax-friendly jurisdiction



Routed to India as FDI



ANAND SINHA

Arun Kumar, former professor, Centre for Economic Studies and Planning, JNU

“The layering process hides the real beneficiary of an account. That is why the Bofors money trail could never be tracked”

firms in India, Switzerland and London and channelled to trusts. Part of the money was used to buy properties. Now, Zoom has taken down its website; e-mail accounts have been disabled; and telephone lines are dead. According to an Enforcement Directorate source, Choudhary is absconding.

Bank loan frauds such as the one by Zoom might be rare, but the modus operandi is similar to most money laundering cases. Investigations into such dealings are almost unheard-of, primarily because it is often impossible for enforcement authorities to follow the complex money trail and bring the perpetrators to book.

A classic black money operator opens many shell companies to route money before it is invested. This is called ‘layering’, and it helps in covering up the money trail. Assets are rarely in the beneficiary’s name and money is moved through jurisdictions where Indian laws are not respected. Over the years, many such perfectly legal but complex financial systems have evolved that help convert black money into white. Professional services firms located abroad, chartered accountants and savvy lawyers, all play a role in covering up the tracks, which perhaps no law—not even India’s new antidote to black money, The Black Money (Undisclosed Foreign Income and Assets) Imposition of Tax Act, 2015—can effectively counter or help unravel.

The flight

Before professional services are sought, a high net worth individual would typically plan his modus operandi. It begins with black money generation—a company could either



SHEKHAR GHOSH

indulge in “master roll fudging” where wages and employment figures are inflated, like in the case of the erstwhile IT poster boy Satyam where 13,000 fictitious employees were created, or through under-invoicing.

Unaccounted cash transactions are also rampant in businesses with recurrent underhand dealings, such as in medical or engineering schools where a certain number of seats are allegedly sold for cash, mining and, of course, in the form of kickbacks and bribes accepted by bureaucrats and politicians. Shailendra Kumar, in his book *Its Raining Black!* chronicles many generation tools, from “the game of cricket, the shiny yellow metal, or the clinking of glasses of whiskey”.

Once black money is generated, a businessman often prefers trade mispricing as the vehicle to siphon money out of the country.

But, how does trade mispricing work? Sample this: An Indian company, either promoter-owned or registered under a shell company typically located in Kolkata, can start by importing everything from heavy machinery to software—say, an ice cream machine, which costs \$100,000. The company quotes an inflated price of \$1 million. The manufacturer of the machine or its suppliers may not want to produce a

WELL-OILED

What professional services companies abroad offer

- Form ‘shell companies’
- Open bank accounts
- Select trusts
- Act as professional trustees of trusts
- Incorporate firms and holding structures
- Administration of firms
- Provide directors and secretaries
- Engage bankers or investment advisors
- Issue tax certificates and certificate of good standing
- Custody of letter of wishes

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fake voucher with the inflated price. Therefore, another shell company will be set up offshore, for instance in Dubai. It will first import the ice cream machine at the original price, and then sell it to the Indian company for \$1 million. "No one will have an inkling about the fact that the Dubai company is also related to the promoters. The Indian company next remits \$1 million to the Dubai shell. This is done through a banking channel," says Jagvinder Brar,

Since Indian laws have restrictions on carrying cash, the most common method is to wear or carry diamond jewellery

Partner of Forensic Services at consulting firm KPMG.

There are shell companies in Mumbai and Surat, too, but Kolkata became the epicenter since the 1980s. One of the oft-cited reasons on why Kolkata flourished was because operators in the city charged less commission.

Similarly, one can import software get a shell company in Singapore or Hong Kong to send a blank CD. "You declare that you have received a proprietary software and it costs \$200,000. Even on a small scale, you can remit the money abroad. The claim is backed up by the invoice and a genuine courier," says Brar.

The popular strategy for Zoom Developers, for example, was to channel the money through many shell companies across several countries. "There are about 90 tax havens. One can move money from India to the Bahamas, to St. Kitts, to Cayman Islands (the world's fifth largest international financial centre) and, finally, to Switzerland (a

country that reportedly manages one-third of the world's private wealth). You keep closing the shell companies once the money is transferred," explains Arun Kumar, a former professor at Jawaharlal Nehru University's Centre for Economic Studies and Planning. "This layering process hides the real beneficiary of an account. That is why the Bofors kickbacks could never be tracked."

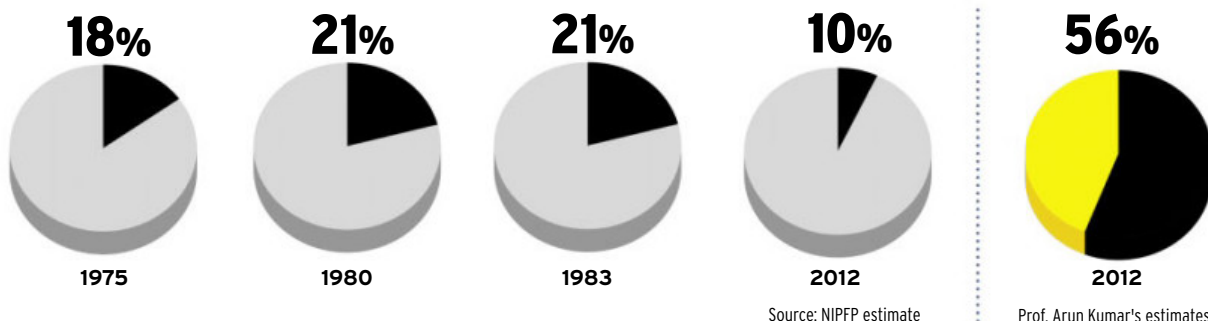
Flight of black money in cash is an even more interesting story, especially, by those who amass loads of cash through illegal dealings from big-ticket deals or through bribes. *Business Today* met a middle-aged lawyer at a posh Delhi locality. By his own admission, a veteran in advising the Capital's bigwigs on such transactions. Much like the layering process of black money, his office is layered too. We are guided through three doors before we reach his cabin. He sits there, in a white shirt, keeping an eye on every section of his den through closed-circuit cameras placed at various vantage points. It is 10.30 pm, and a visitor waits at the reception – a tall man with a moustache and a diamond stud.

"Hawala and diamonds," he says, in a matter-of-fact way, when we asked what he advises clients looking to transfer cash abroad. Again, the modus operandi is simple. Since Indian laws have restrictions on carrying cash of over ₹20 lakh, except in special circumstances such as medical treatment, the most common method is to wear or carry diamond jewellery of, say, ₹50 crore, and fly to Dubai. The diamond can then be sold and the cash deposited in a bank. "The banking system in Dubai, typically, asks no questions. Once the money is in the banking channel, the process of layering follows," says the lawyer.

Today, Dubai is the world's third-largest diamond trading hub. As per Rapaport data, official diamond imports to Dubai and UAE have increased from \$884 million in 2004 to \$5,021 million in 2013, and diamond exports from the two neighbours have shot up from \$1,669 million to \$7,300 million in the corresponding period. "Dubai is not a diamond polishing hub. Why is it importing or exporting

THE BLACK ECONOMY

Black money as a percentage of GDP





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Jagvinder Brar,

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“When you bring in (money in the form of) foreign direct investment through Mauritius, it is presumably clean”

as much? No one is looking into it,” says Martin Rapaport, Chairman of the Rapaport Group, and founder of Rapaport Diamond Report.

Hawala transactions are even easier. The customer pays a simple fee to the Hawala agent and gets the money out to his chosen jurisdiction.

At your service

It is incredibly easy and cheap to set up a shell company abroad. It costs as less as \$500. Some countries allow companies to be set up through websites. But most Indians prefer layering services to be rendered through chartered accountants, lawyers and professional services companies.

Switzerland has a host of companies that provides professional services to manage the wealth of high net-worth individuals across the world. Services can range from acting as professional trustees of trusts to incorporating companies and holding structures. They provide administrative services, including directors and secretaries for these companies, and that of the trusts. Other services include assistance while meeting with bankers. In some cases, the packages of services offered are transparently displayed on their websites along with the rates for each



VIVAN MEHRA

service. One such company is SwissIndependent Trustees, which claims to “deal with the formation of trusts and companies in several jurisdictions” and promises “exact detail and meticulous execution”.

Yet another company is the Portcullis Group, which “is a one-stop service provider that is secure, cost effective, confidential and internationally compliant”. It offers shelf companies in British Virgin Islands, Samoa, and Seychelles. Shelf companies are legally formed firms, which are inactive but can be purchased to start a business right away.

In tax havens, professional beneficiary services is an organised industry and are bound by the laws of the land. The chances of these firms perpetuating fraud are negligible and that explains their popularity. “These companies

BLACK DEN: BEYOND THE ED'S KEN

Cases cracked by the Enforcement Directorate under the Prevention of Money Laundering Act, 2002

ACTION	2012/13	2013/14	2014/15
Number of cases registered	221	209	178
Number of cases disposed	100	277	342
Value of assets under attachment (₹ crore)	2,358	1,773	3,657
Number of persons arrested	3	7	19

Source: Enforcement Directorate

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THE MONEY-SPINNING HUBS

Tax havens and what differentiates them



- **Switzerland:** Created banking secrecy; most popular but has become expensive over time. Easier for settlements.
- **Singapore:** Many Indians have reportedly moved funds to Singapore. Enjoys Double Taxation Avoidance Agreement with India
- **Caribbean Islands:** Holiday packages and resorts. Use money to have a good time. Proximity to North America. Popular among NRIs
- **Luxembourg:** Has low-tax corporate structures. Proximity to key developed economies of Europe. Additional benefits to MNCs.
- **Hong Kong:** Attractive tax regime and follows strict privacy laws for companies

are legal entities and are bound by professional beneficiary agreements, which act on clients' instructions and maintain 100 per cent confidentiality," says another Delhi-based corporate lawyer, who did not wish to be identified. "Since the beneficial owner of the trust is a foreigner, there is no way to know whose money is being handled."

Some banks allow 'numbered accounts', where the account holder is identified by a number rather than his name. "Blind shields are created through trusts in these jurisdictions to protect the identity of the ultimate beneficiary. The trust deed always remains a private document," the lawyer adds.

The return

Many professional services companies also advise on converting black money to white. While the money is typically used to buy property abroad, holidaying, or on healthcare, children's education and buying jewellery, they are also routed back to India.

The return journey of black money typically has a se-

quence. Money is parked in a trust-friendly jurisdiction, such as Switzerland, before it is moved to a tax-efficient country such as Cyprus, where the taxation levels are very low, or have no taxes. It is then routed to a tax-friendly country like Mauritius, before reaching the final destination in India. India has a Double Taxation Avoidance Treaty (DTAA) with Mauritius.

According to experts who track black money, foreign direct investment is the favourite tool.

"There are advantages when you bring in FDI through Mauritius. When you sell shares, you can avoid capital gains tax. And, any money that comes in as FDI is presumably clean money. This is happening now. It can happen in IT-ITES, manufacturing and even in the restaurant sectors," says Brar of KPMG.

Trade mispricing, the very tool used to siphon off money, can also play an important role in bringing money back into India. Instead of inflating invoices, a business can under-invoice and export machinery or software. But, how does one convert black into white in India? There are several options. Some are less tax efficient and may involve forgery. One can

open a company to sell bags or a restaurant. The business may not take off, but the owner can still show cash sales of ₹1 lakh to ₹2 lakh a day. Slowly, but surely, all money would be legitimate one day!

That's a game many Indians have perfected. Law enforcement agencies will find it tough to catch up – not just because of the layering process, but also due to the number of people involved. At an estimated 56 per cent of the GDP, the black money conundrum appears systemic.

BT met a former customs commissioner, who now practices law, Krishna Pratap Singh, at a five-star hotel in New Delhi. He laid out many reasons why the law will find it difficult to catch up. It is difficult to detect over- or under-invoicing of products by Customs. It is even more difficult if it's a sale of software, which can be delivered over e-mail. "The ED is understaffed," he reveals, adding: "The veil is lifted only in cases of very intensive investigation and when the State seriously wants to act." ♦

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INDIA'S BEST SMEs

Braving the Odds



RAJ VERMA

Small businesses rise up to the challenges of stiffening competition, increasing costs and slowing export markets.

By TASLIMA KHAN

Headquartered in Rajkot, Gujarat's bustling engineering hub, Atul Auto is a medium-sized company manufacturing three-wheelers. The company, over the past three years has grown its turnover from ₹350 crore to ₹490 crore this year. But it has not been easy. Growing competition, falling margins, rising costs and slackening export markets have all been making the fight to survive tougher by the day.

However, Jitendra Adhia, Director-Finance at Atul Auto, figured out a difficult but viable way out for the company to keep sailing. Three years ago, the company made a conscious decision to go debt-free, so it does not have to depend on banks for any of its credit requirements. That was the only way out to meet competition and maintain bare margins. "The market leader (Bajaj Auto) in three-wheelers operates at an EBITDA of 30 per cent whereas we operate at 11 per cent," says Adhia. "At such margins, if I were to afford a bank loan at 14 per cent, I would not make any profit."

Atul Auto's challenges practically define the current situation with respect to small and medium enterprises, or SMEs, in India, which, at an estimated 26 million enterprises is the country's biggest employer, after agriculture. While working on the special feature "India's Best SMEs", *Business Today* conducted a survey on 15,040 companies falling under the turnover limit of ₹500 crore. These include both listed and unlisted companies operating in diverse sectors ranging from

SME TRENDS

For last three fiscals: 2011/12 to 2013/14

■ Total income increased from ₹7,23,779 crore to ₹7,43,822 crore, while the rate of growth (YoY) in percentage terms has dipped from 9.15 per cent to 1.20 per cent.

■ Net profit fell from ₹8,699 crore to ₹7,924 crore.

■ Value of exports from the SMEs increased from ₹93,528 crore to 1,02,402 crore - yoy growth falls from 15.35 per cent to 11.24 per cent.

■ Interest expense increased from ₹41,867 crore to ₹57,957 crore, but growth rate of interest expenditure came down from 21.27 per cent to 15.53 per cent.

■ Debt grew from ₹6,08,239 crore to ₹8,57,801 crore.

Source: Business Today's survey of financial data from 15,040 companies with turnover under ₹500 crore.



INDIA'S BEST SMEs

textiles, power, agriculture, IT&ITES to trading and financial services besides others that have declared their financials at least over the last three fiscals, 2011/12 to 2013/14 (see *How We Did It*). The data we arrived at reflects the trends inherent in Atul Auto's case.

While the total interest expenditure has increased from ₹41,867 crore to ₹57,957 crore, the rate of growth of interest expenditure

over 21 per cent in the previous year.

High cost of credit is the most important reason why some small companies are being forced to think of reducing their exposure to bank loans. "If you add up other bank charges, such as processing fee, collateral requirements for loans upwards of ₹1 crore besides other costs, the total cost of credit actually turns out to be about 17 per cent. This is exorbitant for small

challenges for SMEs. While total income has increased from ₹7,23,779 crore to ₹7,43,822 crore over the past three fiscals, the rate of growth in percentage terms has dipped from 9.15 per cent in 2011/12 to a precipitous 1.20 per cent in 2013/14. Also total net profits over the corresponding period have fallen from ₹8,699 crore to ₹7,924 crore.

There are multiple factors at play here. Out of the 15,040 companies, 724 companies operate in the real estate sector, which include companies operating in infrastructure-related verticals like cement and steel. "Real estate is one sector that has typically performed badly in the last three years. The huge confusion on the land bill coupled with land issues has hampered growth prospects," says Bhatia of FICCI. "Other sectors like auto have continued to grow."

Also, although the total contribution of the SME sector to exports is around 42 per cent, companies under ₹500 crore have significant exposure to export businesses. "Exports have been slowing down quarter-on-quarter, owing to disturbances in West Asian countries, while demand in European markets continues to slow down," says Bhatia. Data from the survey falls in consonance with the overall slowdown in exports. The total value of exports from the companies increased from ₹93,528 crore to ₹1,02,402 crore, but growth cooled down to 11.24 per cent (in 2013/14) from 15.35 per cent in (2011/12)

Falling levels of profitability by far remains the most significant worry for the SME sector. Besides high cost of credit, power and cost of labour, input prices, have escalated as well. Since most inputs are sourced from large companies, small companies



SHEKHAR GHOSH

The Jury: (L to R) Mahendra Swarup, MD, Avigo Capital; Prosenjit Datta, Editor, BT; Vivek Kulkarni, MD, Brickwork Ratings; Anil Bhardwaj, Secy-Gen, FISME; Vikas Gambhir, Director, Business Risk Services, Grant Thornton

has come down from 21.27 per cent to 15.53 per cent. What we can infer from this is that most SMEs' exposure to bank credit is falling. The same trend is also reflected in a recent report by the Reserve Bank of India, which states that while the growth of bank credit to industry, in general, has slowed down, it has declined to an alarming 10 per cent for micro, small and medium enterprises—from

companies and sucks out their bottom lines," says Sanjay Bhatia, Managing Director of Delhi-based packaging company Hindustan Tin Works, who serves as Chairman of the MSME Committee at industry body FICCI.

Besides the onslaught of high credit costs, the data from BT's survey reveals falling rate of growth of income and severe profitability

How we did it

This is the sixth Business Today Best SME Survey. The survey was carried out through an online questionnaire published on BT's website, and printed forms were also distributed with the magazine and to SMEs across the country. The data processing was validated by Grant Thornton. Listed and unlisted companies with total revenues less than or equal to Rs 500 crore in 2013/14 were eligible to apply. In addition, BT dipped into the CMIE Prowess database to pull out numbers of companies that fit the revenue benchmark. This was done so that good companies with audited data are not missed, even if they did not apply for the awards. The three years of the study were 2013/14, 2012/13 and 2011/12. In all, data of 15,040 companies was crunched. Companies that did not make any profits in any one of the three fiscals, and whose latest, audited financial year results are not available, were eliminated.

For the rest, we measured three-year average growth of revenue, profit and net worth, three-year average PAT margin, and three-year average ROCE. Each company was scored on the basis of these parameters, and the scores were combined in equal weightage. Then the companies were divided into three groups by revenues – less than or equal to Rs 100 crore, Rs 101-250 crore and Rs 251-500 crore – and further into four segments – agriculture, manufacturing, services and trading. Then, each company was scored on how far it outperformed/ underperformed the median for their segments. For the Global Business Excellence award, growth in exports and share of exports to total income of the company were considered.

We also have two special awards – for the best woman leader and for innovation. The top companies in each category were presented before a jury for the final decision on the winners. The jury comprised **Anil Bhardwaj**, Secretary-General, FISME; **Vivek Kulkarni**, Managing Director, Brickwork Ratings; and **Mahendra Swarup**, Managing Director, Avigo Capital. **Vikas Gambhir**, Director, Business Risk Services, Grant Thornton, provided technical support.

enjoy very little bargaining power. Also these companies are usually not the market leaders in their segments and, hence, cannot dictate prices in the market. The only way to survive is to keep a strict control on costs while maintaining product quality to meet their sales targets.

New regulatory compliances are also proving to be an added cost for SMEs. As per a recent regulation, companies with upwards of ₹1,000 crore turnover, ₹500 crore net worth or ₹5 crore profits need to shell out two per cent of their profits on corporate social responsibility activities. "These are the kind of regulations that affect the financial health of companies," says Bhatia. MSME industry associations are lobbying with

the government on several issues to make the business environment better for SMEs. The biggest of them all is the problem of delay in payments from large private companies and PSUs, which get their supplies from these SMEs. While companies are required to repay bank loans in 60 days, receivables from large companies take as long as 120 days or more, without any interest payment. This is one of the major factors affecting working capital.

Also, FICCI is pushing for restoration of the two per cent interest subvention scheme for exporters, which was pulled out recently. Besides, it wants the ambit of companies classified as MSMEs to be expanded from ₹10 crore turnover to ₹25 crore turn-

over so as to enable more small companies to avail government schemes. If this proposal is implemented, more SMEs will be able to take bank credit, since banks go by the MSME ministry classification of micro, small and medium enterprises to disburse credit under various schemes. Currently, roughly five per cent of India's SMEs have access to bank funding.

The good news, however, is that this fiscal, as announced by MSME Minister Kalraj Mishra in March, the Centre has allocated ₹3,300 crore for implementing a special programme for developing infrastructure related to MSMEs and for implementing various schemes for this sector. ♦

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INDIA'S BEST SMEs
[TOTAL INCOME ₹251 Crore - 500 Crore]

BEST SME-OVERALL/ MANUFACTURING

A New Beginning

Symphony Ltd was once referred to BIFR. Over the last few years, it has managed to script a dream turnaround. By P.B. JAYAKUMAR

The 27-year-long business life of Achal Bakeri, the Chairman and Managing Director of Ahmedabad-based Symphony Ltd, is a fascinating tale of ups and downs. The company, in its first phase, tasted phenomenal success in a short period, followed by near bankruptcy. In the second phase, it learnt from its mistakes, won back customer and investor confidence, and emerged as India's largest air-cooler manufacturer with a market capitalisation of over ₹6,300 crore.

No wonder, it has won two awards — "Best SME-Overall" and "Best SME-Manufacturing" — in the ₹250 crore and above turnover category in the 2015 edition of *Business Today's* Best SME Awards.

The first part of Bakeri's entrepreneurial journey started in 1988, when he decided to launch air coolers instead of joining the family's real estate business. Back then, the industry was totally unorganised. The products, too, looked odd and clumsy. So, Bakeri launched an air cooler that resembled an air-conditioner, for ₹4,300. In just two to three years, Symphony was able to match competitors such as Crompton Greaves, Usha and Polar, which were large multi-product companies, in the air-

KEY FACTS

■ Symphony has 50 per cent share of the organised air cooler market, followed by Kenstar, Bajaj Electricals, and Usha

■ Its products command a 10-12 per cent premium over products of its competitors

■ About 15 per cent of Symphony's revenues come from exports to 60 countries

cooler category. Then, it decided to diversify. In 1994, it got listed on exchanges, built a large factory, and launched new models. It tried to replicate its success with air-coolers in other categories by launching new models of water heaters, room heaters, water purifiers, air-conditioners, washing machines and exhaust fans. But the products failed to attract consumers. Worse, this made Symphony lose focus on air coolers. By 2001, investors lost faith in the company, its net worth eroded, and the stock became a penny stock. The company was referred to the Board for Industrial and Financial Reconstruction or BIFR. It had a debt of over ₹50 crore.

"There was no cash on the books, our products were considered me-

too, our dealers had virtually given up on the brand and amusingly (now that I can afford to use the word) the only constant was revenue invisibility," Bakeri recalls in the annual report for 2013/14.

The second part of Bakeri's business life begins here. Instead of closing down the business, as advised by many, he decided to give it a try again, and this time concentrated only on his core competency, air-coolers. "We continued to believe that one of the first things people aspired to own was a residential cooling product," says Bakeri.

So, the company abandoned other products. Instead, it launched new air-cooler models in various formats. In the next six years, the focus was on bringing down costs to increase margins. It also decided to outsource manufacturing to become asset light.

Its next move was to tap overseas markets. A breakthrough came when it acquired a bankrupt Mexican company, International Metal Products Co (IMPCO), in 2009, which gave it access to the US market and newer models.

There has been no looking back since then. From ₹238 crore in 2010/11, the turnover grew to ₹466.39 crore in 2013/14. Net profits in these three years have been



₹50.3 crore, ₹62.6 crore and ₹98.9 crore, respectively.

Symphony has a 50 per cent share (40 per cent in volume terms) of the domestic organised market, followed by Kenstar (35 per cent), Bajaj Electricals (15 per cent) and Usha.

“The size of the air-cooler market is estimated to be seven million units worth ₹3,000 crore. It is expected to grow to 10 million units by 2020. The global market (except China) is estimated to be another ₹4,000 crore. However, only 20 per cent volumes come from the organised sector,” says Nrupesh Shah, Executive Director, Symphony.

The company’s products command a 10-12 per cent premium over products offered by competition. About 15 per cent revenues come from exports to 60 countries.

“Over the years, we have introduced a wider range, created large AC-like air coolers, launched premium air coolers, put air coolers on castors and moved to central air-cooling through the acquisition in

Mexico. We have implemented just about everything the purists had warned us against – and succeeded,” says Bakeri.

Last month, Symphony bought Munters Kerulair Air Treatment Equipment (Guangdong) or MKE, China, which had a turnover of ₹93 crore last year. It has one of the best manufacturing and research facilities in Asia, which will help Symphony in

the coming years, says Shah.

“Symphony de-risked the seasonal nature of the business by offering good discounts during off-season and penetrating countries like Sri Lanka,” says Himanshu Shah, an independent director on the board of Symphony.

The best part is that Symphony still has a huge market to tap, say Motilal Oswal analysts Niket Shah and Atul Mehra. “While 54 per cent out of 143 million households live in hot and dry climatic conditions and 4 per cent live in moderate climatic conditions, only about 8 per cent own air-coolers, providing a huge opportunity for growth,” they say.

Nrupesh says the company is poised to grow at a compounded annual growth rate of 20-25 per cent in the medium term.

For the time being, everybody is buying Symphony’s growth story, and it seems that Bakeri can afford to forget his past mistakes. ♦

Symphony Ltd

Ahmedabad

Topline growth:	25.9%
Bottom line growth:	31.4%
Networth growth:	23.7%
Net profit margin:	20.0%
RoCE:	39.5%

*All numbers are 3-year averages

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INDIA'S BEST SMEs
TOTAL INCOME ₹251 Crore - 500 Crore

BEST SME-SERVICES

High Flyer

Cochin International Airport has raised the bar for other airports in the country. BY NEVIN JOHN

Ready for takeoff: Cochin International Airport has weathered the recent macroeconomic headwinds



The international airport in Kochi was envisaged as a public-private venture in the early 1990s. At the time there was no proven business model for infrastructure projects to emulate. All the same, Kochi International Airport Society, the special purpose vehicle of the Kerala government created to build the airport, acted swiftly. It raised nearly ₹300 crore from inves-

KEY FACTS

- First greenfield airport in India under public-private partnership
- Seventh busiest airport in India in 2014/15, ferrying 6,814,867 passengers
- Building a new Rs 1,100-crore international terminal, with built-up space of 1.5 million sq. ft.

tors in a matter of a few months – mostly NRIs, public and private companies, exporters and cooperative societies. And in just three years, the registered company, Cochin International Airport Ltd (CIAL), completed construction and started commercial service.

CIAL has successfully weathered challenges over time. In the recent past, the dip in air travel post the global economic meltdown in 2008

Cochin International Airport

Kochi

Topline growth: **13.9%**

Bottom line growth: **11.4%**

Networth growth: **11.4%**

Net profit margin: **35.9%**

RoCE: **21.6%**

*All numbers are 3-year averages



and severe financial crisis afflicting most airlines had affected airports across the country but CIAL navigated the lean period without taking a big knock. In the three financial years upto 2013/14, the airport registered an average revenue growth of 14 per cent to ₹363 crore while profit rose 11.4 per cent annually to ₹124 crore.

V.J. Kurian, Managing Director of CIAL, attributes the stellar perfor-

mance to a cost effective business model that does not compromise on operational parameters. "We had built a greenfield airport with a minimal investment of around ₹300 crore. It inspired us to take up new projects at the airport without inflating costs" he says. Today, CIAL runs most of the businesses at the airport including duty-free outlets and aero operations (parking, landing, handling fee). Indeed, almost 80 per cent of the airport's revenues comes from these two segments.

Meanwhile, in the last three to four years, the CIAL management has created an integrated airport management system to improve efficiency. All the airport operation verticals have been brought under a single software platform. A ₹37 crore new commercial complex and a ₹62-crore airport road widening project are under way. "The company is well run and has an innovative business model. Its investors, too, have contributed to the smooth running of operations," says V.K. Vijayakumar, Investment Strategist, Geojit BNP Paribas Financial Services.

High growth trajectory

Kurian foresees high growth potential for the domestic aviation sector. His company is gearing up to cash in on the emerging opportunities. "We are upgrading the facilities to face the challenges of the future," says Kurian. CIAL is constructing a ₹1,100-crore international terminal with a built-up space of 1,500,000 sq ft. It is designed to handle 4,000 passengers in an hour and will be commissioned by May 2016. The two-level terminal will have 112 check-in counters with in-line baggage screening facilities, 100 immigration counters, duty-free shops spread over 30,000 square feet



"We built a green-field airport with minimal investment ... It inspired us to take up other new projects."

V.J. Kurian,
Managing Director, CIAL

at departure and arrival lounges, 19 boarding gates and fully covered alighting and boarding area.

The existing domestic terminal would be converted into "Royal Pavilion" and would handle VIP and private chartered flights and jets. The current international terminal will become a domestic terminal with five aero-bridges and 10 boarding gates facility, apart from a substantial increase in parking bays.

In the financial year 2014/15, Cochin was the third busiest airport in India in terms of international passenger traffic after Delhi and



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Mumbai ferrying over 3,751,225 passengers and seventh busiest airport in India carrying 6,814,867 passengers.

Powering ahead

Meanwhile, CIAL commissioned a 12-MW solar project in mid-August on 45 acres near the cargo complex at the airport. The project was executed by Bosch at a cost of ₹62 crore

in about six months. "The company has been showing better adaptability to situations. For example, when we learned that the power bills are on the higher side, we decided to switch to renewable energy. Now we are the first airport company in the world to fully operate on solar energy," adds Kurian. The project is estimated to generate about 50,000 units of electricity daily. The company had also

commissioned a 1 MW solar plant in 2013. Consequently, the airport has surplus power supply. It has now entered into a pact with the Kerala State Electricity Board for feeding power produced from its solar stations to the power grids.

CIAL appears to be raising the bar for other airports in the country. ♦

@nevinjl



BEST SME- TRADING

When the Going Gets Tough...

Jullundur Motor Agency has managed to grow at a decent pace despite a slowdown in the commercial vehicle market. By DIPAK MONDAL

For Jullundur Motor Agency (Delhi) Ltd, a ₹386-crore auto spare parts trading company, the past four-five years have been a grind. The reason is negative or flat growth in two auto segments, heavy commercial vehicles (HCVs) and tractors, which account for 50 per cent of its revenue. Tough competition added to the woes.

Despite the challenges, the 88-year-old company has expanded revenue by 10.5 per cent a year, on an average, for the past three years,

Jullundur Motor Agency

Gurgaon

Topline growth:	10.5%
Bottom line growth:	2.3%
Net worth growth:	17.3%
Net profit margin:	4.1%
RoCE:	17%



SHEKHAR GHOSH

Deepak Arora:
Betting on
service quality



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KEY FACTS

- It distributes spare parts of 38 manufacturers in India, such as TVS Group and Rane Group
- It has 80 branches and seven regional offices

helped by its diverse portfolio and pan-India reach. Its turnover grew from ₹326 crore in 2011/12 to ₹375 crore in 2013/14. Net profit saw a minor drop – from ₹14.8 in 2011/12 to ₹13.8 crore in 2014/15.

In 2014/15, revenue grew just 3 per cent. In its annual report, it cites the reason as “no improvement in mining activities”. This is because around 40 per cent of revenue come from HCVs used in mining and other infrastructure activities. “While sales have fallen in HCV and tractor segments, we have grown in multi-utility, sport utility and passenger car segments,” says Managing Director Deepak Arora.

But the company has had a healthy return on equity of 13.5 per for the past three years. It has also managed to keep its finances in order despite slow revenue and profit growth. It had a debt of ₹7 crore in 2013/14. In 2014/15, it finally became debt-free.

The company, started in 1927, has 80 branches and seven regional offices. It distributes 15,000 parts across 38 product lines. “We have our own warehouses. The customer does not have to come to us. We send our sales agents to retailers for taking orders,” says L.K. Nagpal, General Manager (Purchase). The company has over 300 sales persons. While the company’s service-focused model is a plus, it also has transparent pricing policies that give it credibility.

The company distributes spare parts of 38 manufacturers. Some of the bigger partners are the TVS group, Rane group, Amalgamation group and Anand group, among others. ♦

@dipak_journo



RACHIT GOSWAMI

Sprouting success:
Ajeet Seeds MD
Sameer Mulay at the
Aurangabad factory



BEST SME- AGRICULTURE

Seeding Growth

Ajeet Seeds aspires to be a ₹1,000-crore company in the next three years.

By AJITA SHASHIDHAR

In 1996, Sameer Mulay’s destiny was sealed over an evening cup of tea with his father. The then civil engineering aspirant, who was planning to join the family construction business, escaped the concrete jungles and stepped into the open green fields to nurture his father’s passion, and Ajeet Seeds.

After completing his graduation from the College of Agriculture, Pune, in 2001, Mulay started working for the Aurangabad-based company. “My father had forayed into the seeds business purely out



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of passion and was struggling. He wanted me to get professional training in agriculture so that I could help him run the business," recalls Mulay. Today, the 37-year-old MD of Ajeet Seeds feels it was the best thing that could have happened to him.

When he entered the business, it was a ₹18-crore business. "My father used to invest money from the construction business into the seeds business but his friends would discourage him to do so," he says. Mulay worked very hard in the subsequent years to make Ajeet a ₹422-crore company by 2013/14, and, hopes to breach the ₹1,000 crore-mark in the next three years, considering that he says it is now a ₹700-crore entity.

One of the largest producers of cotton seeds, including hybrid variants, Ajeet caters to 15 Indian states. And, innovation has been key to its success. Like any other company in the seeds business, it had to indigenously come up with variants that would fend off pest attacks. However, for a company based in the rain-starved Marathwada region, the bigger problem was water.

In 2006, Mulay launched Ajeet 155, a genetically modified (GMO) seed, which could survive both pest attacks and grow in conditions with less moisture, in collaboration with Monsanto Mahyco. While the earlier variant, Ajeet 11 could keep away bollworm attacks, which affects 70 per cent of cotton crops in India, Ajeet 155 not only kept the pests at bay but was also tolerant to sucking pests. "A farmer who uses Ajeet 155 needs to do a pest control spray only once, compared to other seeds that would require pest control sprays at least four times. This helps the farmers immensely," says Mulay.

The Ajeet 155 launch got the company back to profitability in

Ajeet Seeds

Aurangabad

Topline growth:	41.8%
Bottom line growth:	58.1%
Networth growth:	65.5%
Net profit margin:	11.8%
RoCE :	23.5%

*All numbers are 3-year averages

KEY FACTS

■ Ajeet Seed is one of the largest producers of cotton seeds, with presence in 15 states

■ Its growth has been driven by innovations like Ajeet 155, a GM seed that is resistant to both bollworm and sucking pests

■ In 2006, the company diversified from cotton into paddy, corn and vegetable seeds

2008, and the period 2009 to 2013 turned out to be its best years, growing consistently by 10-15 per cent year-on-year. Jagannath V. Kale, a seed distributor, says: "Its focus on quality has given it a clear advantage over competition. It produces seeds as per the farmer's needs and that has worked in its favour."

However, according to G.V. Bhaskar Rao, MD, Kaveri Seeds, the biggest challenge for Ajeet is its over dependence on cotton. Mulay agrees: "I had realised it way back in 2006 and, therefore, forayed into seeds such as bajra, corn, wheat and vegetables. Despite doing so, almost 70

per cent of the company's revenue today still comes from cotton." He is determined to reduce it to 50 per cent in the next three years.

Mulay has been tying up with foreign universities to develop paddy, corn and vegetable seeds since 2011. "We want to first make our research base strong. It takes five years to evolve a hybrid for any crop," he says. In 2012, Ajeet started a rice research station in Hyderabad. "We should be ready for all variants of rice in two years that may be in demand from any part of India."

Droughts and fluctuating cotton prices have strengthened Mulay's intent even more to diversify. As cotton prices fell 50 per cent in the past year to ₹3,000 per quintal, farmers preferred to plant pulses as first rains arrived in June, as it was a more lucrative proposition. Hence, the acreage of cotton dipped 20 per cent this year. It's a different matter that after the June downpour, the rain gods have completely evaded the Marathwada region. "We need to take care of this last moment changes in cropping patterns, for which we need a basket of products," says Mulay, adding that his revenues could dip slightly this year.

Mulay wants to make Ajeet resistant to such uncertainties by launching new products. "We are coming up with seeds that require less moisture and are tolerant to drought." Raj Barwale, MD, Mahyco Seeds, says, Ajeet has already established itself as a quality seeds company, but it must attract good talent and build a professional team. "It is now looked upon as an organisation where the owner calls all the shots. Now it should make itself aspirational to attract good talent," he says. ♦

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Going global:
NFPIL Chairman
Nitin Shah

S. KUMAR

BEST SME- GLOBAL BUSINESS EXCELLENCE

Fire in the Belly

Nitin Fire Protection Industries plans to expand its footprint through new acquisitions and become a billion-dollar company by 2020.

By ALOKESH BHATTACHARYYA

Most companies have a breakthrough moment – something that puts them on the path to their true potential. For Mumbai-headquartered Nitin Fire Protection Industries Limited, or NFPIL, – a provider of fire solutions ranging from basic fire ex-

tinguishers to sophisticated fire protection systems and gas-based fire suppression systems – that moment came in 2004, when Siemens India pulled the plug on Nitin's distributorship. "That's when we started getting our international approvals," says Rahul Shah, Director at NFPIL and Chairman Nitin Shah's son. "If

Siemens had not walked away, we would not have gone overseas. We would have been confined to India."

Getting international approvals for fire protection systems was not easy – it took NFPIL six to seven years to get them. Primary among the approvals include the ones from Underwriter Labs of US and Factory



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Mutual of UK. Starting with exporting to the UAE in 2012 today it has its own manufacturing there as well, apart from four plants in India the company started exporting its products to countries as far apart as Malaysia, UK, and Turkey. So successful has it been in the past three years that exports now account for more than 70 per cent of its revenues of ₹457.74 crore (standalone, in the year ended March 2014), and growing at an astounding three-year average of 80 per cent-plus. In consolidated terms, its revenues were ₹1,016 crore in 2013/14, with net profits of ₹66.5 crore.

It's goal? "We want to be a billion-dollar company by 2020," says Nitin Shah. That's huge growth in five years, not an easy target. So, how does NFPIIL aim to do that? By growing organically and also by acquiring companies in the Gulf, Europe and Africa. "Certainly, the growth looks possible going by their numbers," says Suganya Rajan, Industry Analyst, Energy and Environment Practice, Frost & Sullivan. "They have an order book of about ₹2,000 crore; they are also working aggressively for the World Expo 2020 in Dubai." Rajan, however, is unsure of the potency of the acquisition strategy, because while the outlook for the industry in Europe isn't that good and companies might be willing to sell off, the picture in the Gulf and in Africa is quite different. "I'm not sure if companies there would be willing to sell off to Nitin," says Rajan.

If NFPIIL reaches \$1 billion revenue, it would be quite an achievement for Nitin Shah, who started the business by maintaining portable extinguishers in offshore oil drilling rigs and power plants in 1984. His first order for supply of extinguishers came from the Department of Atomic Energy. Value: a princely ₹10,000.

Nitin Fire Protection Industries

Mumbai

Topline growth:	49%
Bottom line growth:	-6.9%
Export growth:	80.1%
Net profit margin:	4.4%
RoCE:	4%

*All numbers are 3-year averages

Thereafter, the company started making strides in India. From fire extinguishers, it moved to making fire suppression and detection systems. It got its first really big order in 1995, to protect the telecommunication sites of Tata Teleservices in Hyderabad, for ₹1 crore. Its turnover at that point was ₹88 lakh.

"We have installed more than 4,000 systems in telecom towers in India," says Rahul, for companies including Idea, Vodafone, Aircel and Dishnet. From telecom, NFPIIL moved to protecting server rooms, data centres, control rooms of oil refineries, offshore platforms, and manufactur-

ing plants of pharmaceutical and automobile companies, among others. "Every year we get about 200 customers, 50 of which are repeat customers," says Rahul. It counts among its customers companies such as Glenmark Pharma, Maruti Suzuki, Indian Oil Corporation and BPCL, among several others. It's not easy getting business in an industry where NFPIIL competes with the likes of global giants UTC, Honeywell, Tyco and Siemens. Frost & Sullivan's Rajan pegs the Indian market for automated fire protection and suppression systems at about \$2 billion (₹13,000 crore), and growing at 5-6 per cent currently. However, she predicts the market will pick up pace in 2016, and will grow at a CAGR of 8-9 per cent till 2020, driven by the growth in retail, commercial real estate, education and construction sectors.

But exports is where NFPIIL has really cracked the code. Its biggest customer is in Malaysia – Tenaga Nasional Berhad or TNB, the country's state-owned and largest power company. Malaysia contributes 40 per cent to NFPIIL's exports, and TNB contributes the bulk of it. NFPIIL had applied for registration as a fire systems provider in 2007, informs Jude Pereira, who runs distribution for NFPIIL in Malaysia. The approval was received in 2012 and starting early 2013, about 300 systems have been installed by the company in TNB's sub-stations. Pereira is confident of future growth as well. "Lots of new development is happening in Malaysia compared to Singapore and Thailand," he says. "TNB is also adding 1,000 sub-stations every year." And NFPIIL can hope to bag some of them, going forward.

The fire in NFPIIL's belly is likely to only get stronger. ♦

KEY FACTS

- The Mumbai-based company is a leading player of fire protection systems in India
- It provides fire protection for critical assets in different industries – oil refineries, power plants, nuclear plants, etc.
- It has a foothold in UAE, UK, Malaysia and Turkey as well

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Ink in your office - Myth busters

Many people still have the misconception that inkjet printers are more suited for home printing and not businesses. This is simply not true.

HP has specifically designed the OfficeJet Pro & OfficeJet Pro X series to meet the printing demands of businesses—particularly in the areas of low cost of ownership, laser-like print quality, performance, and reliability.* These printers have manifold benefits in the workplace.

Myth 1: Ink in the office is expensive - It's time to put this number one myth to rest because it's simply not true. For

instance, HP OfficeJet Pro printers boast up to 50 percent reduction in cost per page and running cost as compared to competitive laser printers. Moreover, HP OfficeJet Pro products also rank high on energy efficiency using up to 50% to 80% less energy than equivalent laser printers.*

Myth 2: Inkjets just don't perform as well -

The fact is, HP OfficeJet Pro printers deliver laser-like prints and are designed specifically to withstand business-class recommended monthly print volumes with duty cycles ranging from 15,000 to 75,000 pages per month and print speeds ranging from 30 to 70 ppm (pages per minute).^{1,2}

Myth 3: Laser printers provide better quality printing than inkjets -

At HP, print quality is No.1 priority. Ink cartridges used in the HP OfficeJet Pro printers feature quick-drying, fade resistant, water proof and long-lasting pigment inks that offer highly durable, professional print quality lasting for over 100 years.³

Myth 4: Inkjets just aren't made for business—and certainly not for IT managers -

The cost savings and desktop

design might make one think that HP OfficeJet Pro printers aren't up to the demands of a network. But in reality, these small but mighty machines are designed specifically for the IT managed workforce and integrate seamlessly into office printing environments—managed or unmanaged. These printers offer the same manageability and security features as the legendary HP LaserJets making it as easy as ever to process workflow, manage your network and keep your business running smoothly.

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- Higher productivity with prints at twice the speed of color lasers.^{1,2}



"HP's innovations in printing technology are set to transform the office printing environment for Indian businesses. SMBs and Enterprise have told us that they require technologies to improve efficiency and reduce costs, and that's exactly what these devices do. They are simply designed for business."

These innovations offer laser-comparable, robust performance along with affordability, which will empower businesses to decrease running costs and greatly increase productivity, thereby driving the adoption of Inkjets in Indian offices."

— Parikshet Singh Tomar, Country Category Leader, Printing Systems, PPS, HP India.



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World's most preferred printers claim based on worldwide printer marketshare, and HP printer brand awareness, consideration and preference study in 9 markets 2014. *OfficeJet Pro X Series: Claim is based on the majority of color laser MFPs <\$1000 USD and color laser printers <\$800 USD as of February 2015, based on market share as reported by IDC as of Q4 2014; OfficeJet Pro 8100 and 8600: Majority of color lasers www.hp.com/officejet. Cost per page (CPP) comparisons for laser supplies are based on published specifications of the manufacturers' highest capacity cartridges. HP OfficeJet CPP based on high-capacity HP 970XL/971XL, 950/951 XL and standard-capacity HP 980 ink cartridges estimated street price, published yield for color prints and continuous printing in default mode. Actual prices and yields can vary. See www.hp.com/go/learnaboutsupplies. 1. OfficeJet Pro X Series: Majority of color laser MFPs <\$1000 USD and color laser printers <\$800 USD as of August 2013. For details, see hp.com/officejet. Cost per page (CPP) comparisons for laser supplies are based on published specifications of the manufacturers' highest-capacity cartridges. HP OfficeJet CPP is based on high-capacity HP 970XL/971XL, 950/951 XL, and standard-capacity HP 980 ink cartridges estimated street price, published yield for color prints, and continuous printing in default mode. Actual prices and yields can vary. See hp.com/go/learnaboutsupplies. 2. Comparison based on manufacturers' published specifications of fastest available color mode (as of August 2013) and includes color laser MFPs <\$1000 USD and color laser printers <\$800 USD available August 2013 based on market share as reported by IDC as of Q2 2013 and HP internal testing of printer in fastest available color mode (sample 4-page category documents tested from ISO 24734). For more information, see hp.com/go/printerclaims. 3. Fade resistance based on paper industry predictions for acid-free papers and Original HP inks; colorant stability data at room temperature based on similar systems tested per ISO 11798 and ISO 18909. Water-resistance based on HP internal testing, using paper with ColorLok® logo. 4. Compared with the following: OfficeJet Pro X series: Claim is based on the majority of color laser MFPs <\$1000 USD and color laser printers <\$800 USD as of February 2015, based on market share as reported by IDC as of Q4 2014; OfficeJet Pro 200 series: Majority of color laser AIO's <\$500 USD and color laser printers <\$300 USD as of September 2012; OfficeJet Pro 8610/20/30: Majority of color laser AIO's <\$500 USD and color laser printers <\$300 USD as of October 2013. OJ Pro with highest-capacity cartridges. Energy use based on HP testing. For details, see www.hp.com/go/officejet. © Copyright 2015 HP Development Company, L.P.



INDIA'S BEST SMEs
TOTAL INCOME ₹101 Crore - 250 Crore



Thrust on innovation: Newgen's Diwakar Nigam

VIVAN MEHRA

BEST SME-OVERALL/ SERVICES

Consummate Communicator

Building products which people could use to work together has taken Newgen Software ahead. By JYOTINDRA DUBEY

The odds against him were formidable when Diwakar Nigam set up Newgen Software Technologies in the early 1990s. Indian software services companies were beginning to make a mark, but Indian software product companies were unknown. The market was dominated by global heavyweights such as Microsoft, Oracle, SAP, IBM and others. "It was very tough initially," he says. "There was a lot of resistance from companies to our products."

Delhi-headquartered Newgen specialises in products and solutions relating to Business Process Management (BPM), Enterprise Content Management (ECM), Customer Communication Management (CCM), Document Management Systems (DMS), Workflow and Process Automation (WPA). "From the start, we wanted to build products which people could use to work together no matter where they were based," Nigam adds. "Our company motto is 'One World, One Workplace'."

But the odds have long been overcome. And today, Newgen has a customer base of over 450 at more than 1,000 installations in over 50 countries. Around 70 per cent of its revenues come from outside India, the US topping the list of foreign clients with 29 per cent, followed by West Asia at 28 per cent. It has development centres in Delhi, Noida and Chennai, employing over 1,500 people, plus fully owned subsidiaries in the US, Canada and Singapore.

Its products cover a wide range of industries – banking and finance, which contributes more than 50 per cent to its revenue,

Newgen Software Technologies

New Delhi

Topline growth:	27.8%
Bottom line growth:	90.6%
Networth growth:	30.9%
Net profit margin:	14.4%
RoCE :	24.7%

*All numbers are 3-year averages

KEY FACTS

■ Newgen is into Intelligent Business Process Management (BPM), Enterprise Content Management (ECM), and Customer Communication Management (CCM).

■ It has businesses across continents and its customers include the likes of Astra Zeneca, Caterpillar, Citibank, Coca-Cola, Dow Jones, Electronic Arts, Aadhar-UIDAI, Airtel, Bajaj Allianz, and Deutsche Bank.

■ In February 2014, Newgen raised ₹100 crore from IDG Ventures and private equity firm Ascent Capital for an undisclosed amount

■ It recently launched a mobile medicare enrollment solution for Health Plan

along with healthcare, telecom, BPO and shared services. With a compounded annual growth rate

of 28 per cent in the last three years, it has earned revenues of ₹241 crore in 2013/14, while net profit rose from ₹6.8 crore in 2010/11 to ₹42 crore in 2013/14.

Nigam is a first-generation entrepreneur, with a post graduate degree from IIT Madras, who spent two years at HCL before plunging into his first entrepreneurial venture in 1978. Newgen is his second effort. "We recognised early that the Internet would play a vital role in businesses and built our products around it," he says. Digitising paper documents was a major task in those early days and Newgen's first break came from Canon, which licensed its document processing software. The Japanese company, in turn, supplied this technology to CitiBank in India and, thereafter, there was no looking back for Newgen.

"We were looking for an ideal technology partner to support our rapid business expansion plans and Newgen matched our requirements perfectly," says V. Krishnan, Senior Vice President, IT, L&T Financial Services. "Its BPM solution helped us centralise our retail lending operations, cut operational costs and reduce process cycle time, which in turn, gave us the necessary operational agility to scale up and enter new markets."

With its sustained focus on innovation, Newgen invests a huge amount on research and development. It keeps enhancing and innovating its products to keep pace with industry developments, adding stronger capabilities to existing products and developing new ones in emerging technologies such as mobile and web applications. ♦

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INDIA'S BEST SMEs
TOTAL INCOME ₹101 Crore - 250 Crore

BEST SME-MANUFACTURING

The Master Trainmaker

San Engineering and Locomotive has done well in a difficult environment.

By VENKATESHA BABU

Bengaluru's Whitefield suburb hosts campuses of top technology companies, both domestic and multinational. These include GE's Jack Welch Technology Centre, Huawei's R&D facility and offices of SAP, TCS, Microsoft, iGate and numerous others who have helped India build its technological prowess.

This chaotic area, a Mecca of services companies, is an unlikely setting for a manufacturing company to thrive. But this is exactly what San Engineering and Locomotive (SEL) has done. SEL may be small, but is pugnacious and has taken on the competition. The company, which calls itself the only 'organised private sector rail vehicle manufacturer' in India, has shown impressive growth during the last five years.

SEL was incorporated in 1969 by two railway engineers. The current management "took over the company in the mid-80s", says Narayanan Ramanathan, the rather taciturn Chief Executive of the com-

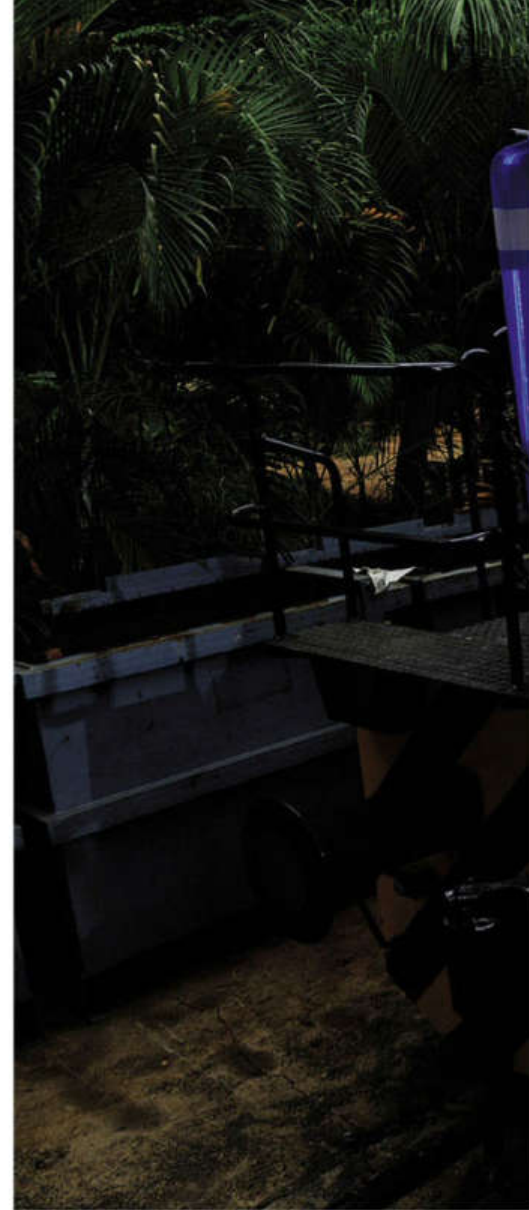
San Engineering & Locomotive

Bangalore

Topline growth:	27.7%
Bottom line growth:	27.9%
Net worth growth:	34.1%
Net profit margin:	14.2%
RoCE:	29.4%

*All numbers are 3-year averages

pany. SEL has a large 32-acre land parcel in the area where it makes over 500 types of gear boxes for varied applications, apart from locomotives, transmission systems, shafts and axle drives. Its gears — spur, helical, bevel and planetary — are used by cement, steel, sugarcane and defence companies. They are also used in cranes and windmills.



In locomotives, it builds diesel hydraulic, diesel electric and special locomotives, including flame-proof and narrow-gauge models. For the defence sector, it produces planetary gear boxes used in battle tanks.

SEL, which counts Indian Railway, ACC, Tata Steel, BHEL and BEML among its marquee customers, delisted from the bourses in 2005. In the past four years, its revenues have grown by 250 per cent and were \$30 million in 2014/15, says Ramanathan. The growth has been driven by newer segments, expansion of the product portfolio and emphasis on after sales and support.

"Today we get approximately 20 per cent revenues from after sales and support. We want to take it to 50 per



Riding to glory: SEL CEO Narayanan Ramanathan

KEY FACTS

■ It builds diesel, hydraulic, diesel electric, and special locomotives, including flame-proof and narrow-gauge models

■ It also makes gear boxes for use in locomotives, transmission systems, shafts, axle drivers

NILOTPAL BARUAH

cent," says Ramanathan. He says their products are 'well-engineered and built to last.' The company also has a manufacturing unit in Mysore. While the Bengaluru plant is for hydraulic and electric locomotives, special vehicles, power packs and drives, the Mysore unit focuses on producing all kinds of gears & gearboxes apart from Cardan shafts. SEL employs about 500 people at these two locations.

Exports is another area the company wants to focus on. "We have in the past exported to several African countries and the Middle East. However, this is where as an SME we hope that some government support and handholding is forthcoming," says Ramanathan.

A case in point is a recent order, worth Rs 56 crore, from the Sudanese government. The size of the order was almost a quarter of the company's annual revenues. However, no financial institution was ready to fund the company because of the current unrest in Sudan and sanctions on the government there. Consequently, the company could not execute the order.

"While on quality we are on a par with the best in the world, we still suffer. China, for instance, supports its exporters by offering preferential credit to those who buy from its exporters," says Ramanathan.

The company has expansion plans. It is in the process of installing a press for precise assembly of wheel sets and is also setting up a state-of-

the-art fabrication facility for main frames, bogies and other parts. Then, another fabrication facility for its subsidiary, San Motors, is being modernised.

The good thing, says Ramanathan, is that when they wrote to the Prime Minister's Office on the issue of the Sudanese order, they received a response directing them to the Ministry of External Affairs, "which is more than what we got in the past."

"If India's 'Make in India' aspirations have to become a reality, things for players like us need to improve," says Ramanathan. One can hardly disagree with that. ♦

@venkateshababu



BEST SME- TRADING

Game, Set and Match, Cravatex

Rajesh Batra quit professional tennis to join his father's business and turn it into a ₹100-crore fitness product distributorship. By ALOKESH BHATTACHARYYA

We will never be able to match the might of the big boys, but there will always be a niche." Rajesh Batra has always been practical. Whether it is now, when he talks of sportswear brand Fila – his company Cravatex is its official distributor – and how it is up against the likes of Nike, Puma, Adidas and Reebok. Or whether it was 37 years ago, when he quit professional tennis to join his father's business.

He was merely 22 then, and he had achieved a rank of No. 6 in India in the early 1970s. But that wasn't good enough for him. "I figured that unless you can make top 50 in the world, there's no point in playing," reminisces Batra, now Chairman and Managing Director of Cravatex. And that, he reckoned, was a tall order.

Having quit professional tennis – he still plays with his buddies at the CCI in Mumbai – he joined his father's textile processing business in 1978, split with the partners in a few years, and with younger brother Rajiv – also a tennis player – launched sportswear brand Proline in 1983. Today, in addition to Proline, Cravatex distributes Wilson tennis

KEY FACTS

■ Cravatex is into retail, brand licensing, sourcing and distribution of fitness products

■ The major chunk of its business – more than ₹100 crore – comes from Italian sportswear brand Fila

■ Eighty per cent of Fila sales for Cravatex in India are from sports shoes, which it imports Chinese Fila-approved factories

■ Cravatex also supplies fitness equipment to gym chains like Talwalkars and Gold's Gym, plus housing societies and others

racquets (earlier it had the licence for Prince racquets), Taiwan's Johnson Health Tech's fitness equipment, Fila's sports goods, and Polar's heart rate monitors. The choice of getting into the sports equipment business was easy. "It resonated with the kind of people we were," says Batra.

The past three years leading to March 2014 have been particularly good, with its top line growing at an average 28 per cent to ₹189.4 crore in 2013/14. While net profit has

been low (₹4.12 crore in 2013/14) and slipping (three-year average growth of negative 8.6 per cent), net profit margin has averaged 3.9 per cent over the past three years.

The major chunk of Cravatex's business – more than ₹100 crore – comes from Fila, the 1911-founded Italian sportswear brand that is now owned by Yoon-Soo Yoon, who was once its Korean licensee. Cravatex has the licence to sell Fila products in India and other countries of South Asia. A leading sports brand in the early 1980s, Fila is still strong in places like China and Hong Kong, but has negligible presence in India.

And that too has come about only since 2010, when Cravatex signed a five-year licensing deal with Fila, and followed up with a really long-term, 30-year deal in 2013. "I told the brand owner that if we have to be relevant, we have to think long term." It worked, and Batra is hopeful of taking it further, though he still remains grounded.

It's not difficult to understand why. Having started late, Fila has just 35 stores in India – 17 are rented and run by Cravatex; rest franchised – whereas the likes of Nike, Adidas, Puma and Reebok have stores in the



RACHIT GOSWAMI

Serving an ace: Rajesh Batra, CMD, Cravatex

hundreds. Then, brand Fila is not consistent across countries – so consumers who travel abroad find a different Fila in India from, say, the US or China. That is because Fila's licensees are free to themselves design and manufacture sports shoes, apparel, etc., after taking approval from Fila's design centre. "We buy some things that are standard throughout the world," says Batra. "Fila is known for tennis, skiing – so tennis products we carry what the global line is. But otherwise you've got to tailor-make to local preferences."

In fact, Fila licensees across countries can also buy from one another if they like a particular product. "Especially in apparel, Cravatex is one of the most innovative partners we have globally," says Jon Epstein, a Fila board member and President of Fila US. "Most recently we launched a massive programme with Urban Outfitter, one of America's most trendy retailers. The product is selling with great success."

Eighty per cent of Fila sales for Cravatex in India are sports shoes, which it imports from Fila-approved factories in China. Fila-branded apparel and slippers are outsourced to Indian factories.

Batra, of course, feels that Fila having 35 stores is the biggest upside to Cravatex, because once he takes the stores up to about 150, it will drive profit growth for the company. To that end, over the next 3-5 years, Batra wants to increase apparel's share in Fila sales from 15 per cent to 35 per cent, because "margins are better on apparel. Secondly, it's made domestically so you don't have the exchange rate fluctuation problem".

He is betting on both online and offline retail for growth. Currently,

20-25 per cent of Fila sales comes from online. "There is huge scope online – they (Amazon, Myntra, etc.) are growing phenomenally, and we are growing with them," says Batra. "Offline players are also expanding. Reliance Footprint is opening stores, Metro Shoes, Planet Sports, Shoppers Stop, Lifestyle – as they open more stores, we grow with them."

In the fitness business, Cravatex has approached Johnson Health Tech with the idea of setting up manufacturing in India, as that would help Johnson diversify its manufacturing, and also make it more economical for Cravatex. Currently, Cravatex sells Johnson treadmills and other fitness equipment at 50 Proline Fitness stores across India. It also employs 110 engineers to provide after sales service to customers – including gym chains like Talwalkars and Gold's Gym, housing societies and others.

Batra is hopeful of growing Cravatex's businesses by 15-20 per cent each year. That is not way off the mark, considering that a report by Images F&R pegged the ₹6,000-crore sportswear market in India to be growing at 13 per cent annually. ♦

Cravatex

Mumbai

Topline growth:	28.2%
Bottom line growth:	-8.6%
Networth growth:	19.6%
Net profit margin:	3.9%
RoCE :	10.6%

*All numbers are 3-year averages

@alokeshb



INDIA'S BEST SMEs
[TOTAL INCOME ₹ 101 Crore - 250 Crore]

BEST SME- AGRICULTURE

Assam Tea's Flagbearers

Rossell India shrugs off the effects of climate change to beat Assam average.

By ANIK BASU



ANINDYA SAHA

Serving it hot: Rossell India's Chirinjiv Bedi

Conventional wisdom says if an agri-business is hit by both droughts and floods, it is best to weather the storm before venturing out. Rossell India, which has the lion's share of its revenues coming from tea, has dealt with the twin blows at its plantations in Assam, but still says it will not stop acquisitions in the state, which is either grappling with too much rainfall or too little. There are reasons for Rossell's boldness – a 23.7 per cent average growth over the past three fiscals, with an accompanying 20.4 per cent rise in net profits.

"Does a farmer stop sowing paddy because of floods or poor rains in the previous year?" asks Chirinjiv Bedi, Managing Director, Rossell India, a 47-year industry veteran who believes "climatic change" in the state is the biggest challenge for planters. "We did look at an acquisition in Malawi, but have now taken a conscious decision to stick to Assam."

A Kolkata-based aviation products-and-tea manufacturer, Rossell India has seven gardens in Assam – four of them in the northern districts

Rossell India

Kolkata

Topline growth:	23.7%
Bottom line growth:	8.8%
Networth growth:	18.1%
Net profit margin:	20.4%
RoCE:	10%

*All numbers are 3-year averages

where floods devastated its estates this August, while two are in Jorhat district that was crippled by a severe drought last year. But the company is unfazed, and wants more gardens. "If the right property is available, we will buy it right now," says Bedi.

It is a "very wise decision," reflects Sumon Majumder, General Manager (Marketing and Exports), Darjeeling Impex, a Kolkata-based company that owns the Borokai tea estate in Cachar in Assam. "Assam has always been less risky for tea growers despite the climate," says Majumder, who also feels Rossell's turnover of ₹140 crore last fiscal, though lower than the previous year, was "very good for a tea company".

Bedi prefers Assam because growing leaves and manufacturing tea are both more "standardised" compared to the Darjeeling hills.

V. Chaitra Narayan, Associate Director, Chemicals, Materials and Food at industry tracker Frost & Sullivan, is sceptical about locating of all plantations in a state impacted by climatic extremes. "If a company has all its gardens in Assam, which is a rare case, it would definitely be making losses that year," she says.

And Rossell indeed has seen the elements taking a toll on its bottom line. Its crop yield fell 12 per cent, pulling down its gross revenue a tad lower from ₹141.43 crore in 2013/14 to ₹140.49 crore in March 2015. The rainfall was the worst in 80 years, weakening the bushes and pushing up input costs. What also had an impact were the depreciation norms under the Companies Act 2013, and the ₹21 increase in wages per man hour, along with the statutory outgoes that came in force this January.

For a business that is agriculture-dependent such as that of Rossell,

KEY FACTS

■ The Kolkata-based company has diverse interests in tea, aviation, defence technology and engineering, and hospitality

■ All its seven tea gardens are in one state - Assam - including four in the northern districts, and two in Jorhat

■ Its average orthodox teas have fetched ₹51 more than the Assam average per kg in 2014/15; CTC was ₹44 more

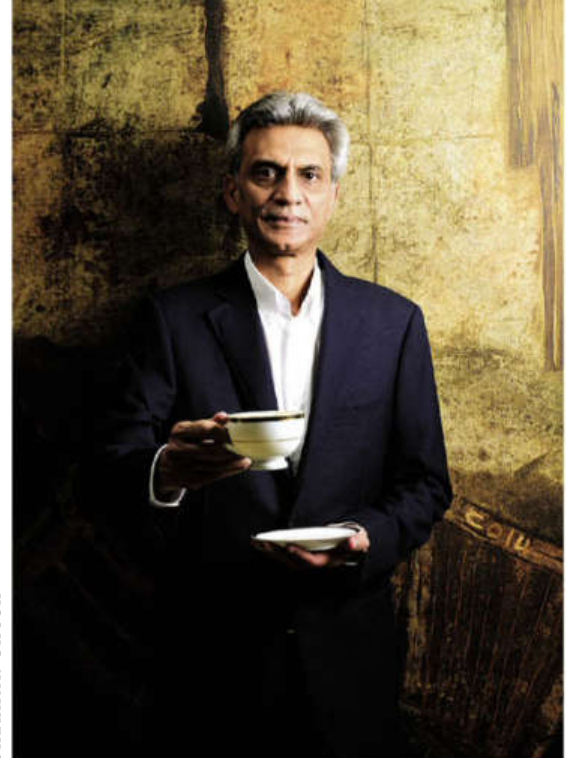
■ Its tea exports increased 18 per cent to ₹41 crore

says analyst Chaitra Narayan, it is best to focus on the premium segment and have a "portfolio spread across different products and grade type" to address seasonal emergencies and crop failures.

Bedi says that is exactly what his company has done - focus on quality produce in both orthodox and CTC. As a result, the company has outperformed the market; its average orthodox teas have fetched ₹51 more than the Assam average per kg in 2014/15, while CTC was ₹44 higher.

Rossell has also pandered to varied tastes by producing both orthodox and CTC at its gardens: Dikom, Nokhroy, Bokakhat and Namsang concentrate on the former, and Nagrijuli, Romai and Kharikatia on the latter. The "judicious product mix" has been its strategy for years, and helped it exploit the core competence of each garden, says Bedi.

This has come especially handy in meeting the challenges on the export front, as in Iran, where the demand was depressed last fiscal due to over-supply. Therefore, despite a 12 per cent lower output, Rossell



SHEKHAR GHOSH

"Rossell is on a tremendous growth path for the next three to four years"

HARSH MOHAN GUPTA
Rossell India/ Executive Chairman

saw its exports move north by about 18 per cent to over ₹41 crore, accounting for 30 per cent of its total production across gardens and 40 per cent of its revenue.

The most telling commentary on Rossell's commitment has perhaps been its investment in its tea business over ₹150 crore in the 20 years under Harsh Mohan Gupta, the Executive Chairman of the company. When Gupta inherited the tea business after separating from his former partners in 1994/95, he got three gardens. He sold one and bought another five, and is eyeing for more. "We are on a tremendous growth path for the next three-four years," says Gupta. "We want to be the best in whatever we do." ♦

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BEST SME- GLOBAL BUSINESS EXCELLENCE

Oil King

Demand from China helps Everest Flavours post stupendous growth.

By MAHESH NAYAK

Anand Ladsariya, 57, is a known face in the angel investing community. Since 2007, the founder and Managing Director of Everest Flavours has invested Rs 6.5 crore in 60-odd companies, including OYO Rooms, GreenDust and Speakwell. A first-generation entrepreneur, Ladsariya started his entrepreneurial journey as a trader in menthol and peppermint oils in the early 1980s as a 25-year-old. The surge in demand for these oils – used in toothpaste, pharmaceuticals, balms, tobacco products & confectionery – over the past three years, especially from China, has helped the company make big gains.

After starting trading operations in 1983, he opened a factory in Mumbai in 1986 that could produce 50 tonnes of menthol crystals. In 29 years, that capacity is now up to 2,500 tonnes. Having started with the domestic market, the company ventured into exports in the 1990s. To mitigate the fluctuating prices of mentha leaves, Everest decided to sell one-third of its produce to Singapore-based Tien Yuan Chemical on the basis of a fixed-formula under a long-



Anand Ladsariya:
Betting big on China

term contract. "In 1984/85 we used to import from Tien Yuan; after 1986/87, they started importing from us," says Ladsariya. "Selling one-third of our produce under a fixed formula helps us mitigate risk." Adds C.L. Shih, MD of Tien Yuan Chemical: "Our three-decade-old relationship with Everest has been a win-win situation for both of us."

Today, Everest Flavours exports 95-99 per cent of its products, with demand from China – driven by the

Everest Flavours

Mumbai

Topline growth:	86.2%
Bottom line growth:	-13.2%
Export growth:	115.3%
Net profit margin:	2.7%
RoCE:	5.3%

*All numbers are 3-year averages

KEY FACTS

- Everest Flavours is a manufacturer and exporter of menthol, peppermint oil and essential oils
- China's policy of focusing on food crops has helped Everest
- It has increased menthol capacity from 50 tonnes to 2,500 tonnes in 29 years

country's focus on food crops since 2008 acting as a driving force. In 2013/14, the company's revenues reached Rs 123.45 crore, and it enjoys net margins of 4-5 per cent.

What are the challenges? "The Chinese slowdown has already impacted us with volumes falling 10-15 per cent," says Ladsariya. In terms of future plans, he says his focus will be on value-added products. "We have started manufacturing blended oil. It will improve margins and increase profitability," Ladsariya hopes the rise in global consumption of consumer products could help grow Everest's top line by 10 per cent and profits by 15 per cent over the long term. ♦

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INDIA'S BEST SMEs
TOTAL INCOME ≤ ₹100 Crore

BEST SME-OVERALL/ TRADING

Keeper of the Fortress

Adtech has taken on global majors in the security systems and solutions space in terms of quality, but has a cost advantage over them. By NEVIN JOHN

In the early 1990s, when PCs had just started making their way into businesses and homes, every machine, invariably, would require uninterruptible power supply (UPS) device to safeguard against erratic supplies and regulate the flow of power. To clinch the early bird advantage, M.R. Subramonian, along with his two brothers, M.R. Narayanan and M.R. Krishnan, set up a UPS manufacturing facility. Adtech Power Systems was founded in 1992, at an industrial park run by the Kerala State Industrial Development Corporation in Thiruvananthapuram, in collaboration with an Israeli firm.

However, by the late 1990s, rising competition from the unorganised sector threw the company off-guard with huge debt piling up on its books. Subramonian did not falter. Instead, he decided to branch out into integrated electronic security systems. "During a trip to Tel Aviv, I had seen anti-shoplifting tags and security devices installed at shops. I wrote to the manufacturing company and, fortunately for us, we sealed the

KEY FACTS

- Adtech is a specialist in electronic security systems
- It supplies security products to retail chains like Shoppers Stop, Future Group, Globus, etc.
- It has strategic tie-ups with leading global security companies across the US, France, Germany and Taiwan
- Its employee strength stands at over 120 spread across branch offices and support centres in all major cities in India
- Its range of security systems, includes CCTV, IP CCTV, time and access control systems, fire detection equipment and anti-shoplifting devices

deal," he says. Initially, the going was tough. The Adtech management realised that setting up the distribution business would require fresh capital and, at the same time, it would have to settle all its debts.

To tide over the difficult times,

his experience as a computer hardware professional came in handy. Subramonian, who had completed his graduation in electronics engineering from Bangalore University in 1984, had worked in a Chennai-based computer hardware company. Two years later he had joined his brother Narayanan's company, Transmatic Systems, which was into manufacturing communications equipment and dot matrix printers.

However, the liabilities of the UPS business haunted him for the next three years. "It was only during 2007/10 that we did well and managed to pay back all the loans," says Subramonian. Initially, police departments, hospitals, hotels, and research and development institutions were the company's clients.

Once Adtech was debt-free, it started clocking reasonable profits. Between 2010/11 and 2013/14, the company's revenues grew at an average of 35.3 per cent to ₹76.95 crore, while its profit increased by 31 per cent to ₹6.69 crore. After three years of 27.4 per cent average growth, its net worth stood at ₹23 crore. The net profit margin was 9.7



All wired up: The Thiruvananthapuram facility of Adtech Systems

Adtech Systems

Thiruvananthapuram

Topline growth:	35.3%
Bottom line growth:	31%
Networth growth:	27.4%
Net profit margin:	9.7%
RoCE :	32.1%

*All numbers are 3-year averages

per cent during the period.

Adtech's employee count is over 120, spread across branch offices and support centres across the country. It has strategic tie-ups with leading global security companies, such as the US-based Tyco Sensormatic, InVue Security, MTX Global and Alpha Security, Shopline in France, Germany-based Mobotix, and Star Vedia in Taiwan, for an entire range of security systems, including CCTV, IP CCTV, time and access control systems, fire detection equipment and anti-shoplifting devices.

At present, the retail segment is the major focus for Adtech and the sector contributes almost 30 per cent to the company's overall revenues. It supplies products to retail chains such as Shoppers Stop, Lifestyle, Globus, Landmark, Star Bazaar and Future Group. It provides display secure solutions for the stores of Microsoft, Nikon, Canon and Samsung in India, apart from a host of big names in the jewellery business. Software companies and banks are also important customers for the company.

Says Prasad Lengade, Project

Head, Max Hyper, Landmark Group: "It has superior technology in terms of power saving and longevity, and very good after-sales servicing." The Landmark Group has been buying anti-shoplifting devices from Adtech for the past six to seven years. The Loss Prevention Head of Reliance Industries, Kuldeep Rana, shares Lengade's views. "We have been purchasing display secure systems from Adtech for the past eight to 10 years. The company always deals in upgraded technology in tune with the changing times and keeps adding improved security features to their products. Overall, they are on

"Overall, Adtech Systems is on a par with the international players in the segment"

Kuldeep Rana,
Loss Prevention Head, RIL

a par with international players in the segment," says Rana.

Adtech also started exporting to neighbouring countries in 2012. This became a key driver for bringing in more revenues. The share of exports in the overall revenues is around 30 per cent.

Subramonian is planning to expand Adtech's product portfolio to clock 30 per cent annual revenue growth. It has tied up with an Australian firm for intelligent building automation products, which have applications across all customer segments, including residential villas, apartments, hotels, hospitals, private and public enterprise buildings. "World leaders like Schneider and Honeywell are the majors in this segment. We are right there in terms of quality but our product costs are at least 30 per cent less than the others," says Subramonian. Adtech is pursuing business opportunities in alternative energy, including solar, and has formed a separate team in consortium with an Australian firm to diversify further. ♦

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BEST SME- MANUFACTURING

The Genie on Your Bottle

Control Print aims to garner 25 per cent market from the present 16-17 per cent in next five years.

By ALOKESH BHATTACHARYYA

Have you bought a bottle of mineral water lately? Or a chocolate bar, perhaps? You would notice the small printed matter mentioning the batch number, date of manufacturing, expiry date, and so on. Such printing is done by extremely high-tech, sensitive printers such as continuous inkjet printers or CIJs (for printing on bottles and packages), thermal transfer printers (wafer and biscuit packets), laser printers (auto components, semiconductors, PC components). And companies that make such printers and their consumables are considered part of the coding and marking industry.

"Coding and marking is a legal requirement," says Shiva Kabra, Director of Marketing at Mumbai-headquartered Control Print. "It is also important

KEY FACTS

- A Mumbai-based manufacturer of industrial coding printers and inks
- It sells about 1,500-2,000 printers a year, ranging from ₹75,000 to ₹3.5 lakh
- It exports in a small way to Sri Lanka and Bangladesh, and has bigger plans

Leaving his imprint:
Control Print's
Basant Kabra

for traceability; for instance, printed batch numbers help identify batches in case of a product recall." In the three years leading to March 2014, the company's topline has grown at an average 14 per cent to reach ₹93.8 crore, with net profits of ₹14.1 crore. And in 2014/15, topline has reached ₹112.92 crore and net profit ₹19.15 crore. Margins, too, have improved. "Consumption has grown in India, so the consumer and packaging industries have also grown," says Ekansh Mittal, Founder of Katalyst Wealth, who also owns some stock of Control Print. "These factors have helped Control Print grow."

Its plants in Nalagarh in Himachal Pradesh and Guwahati in Assam manufacture a wide range of coding and marking printers, and inks. Control Print sells about 1,500-2,000 printers a year. Printer prices start at ₹75,000 and go up to ₹3.5 lakh. Ink prices are ₹6,000 to ₹10,000 per litre.

Established in 1991 by Shiva's father Basant Kabra, Control Print has made admirable strides in the coding and marking industry. The company has a wide range of customers, including Holcim, ACC, UltraTech Cement, Unilever, Emami, and Tata Steel. What makes its achievement more special is the fact that this business is very technology-intensive, and specialised. "There are only about 12-13 companies in the world that make such printers and inks," says Shiva Kabra.

Basant Kabra, the son of a silver merchant, did his chemical engineering from Nagpur, and initially started a polymer manufacturing company in Mumbai, with a plant in Baroda. After splitting with his partner, he got into the coding and marking business. In the beginning, the company would distribute products of Videojet Technologies and a couple of other companies. "The initial days were tough," says Kabra, Managing Director of Control Print. "It was difficult to get people to join the company because it was small. We decided to list it in 1993, so that people have confidence in the company." To assure customers, Control Print established offices in about eight cities for providing customer service. "Our first breakthrough came with Pepsi, which was setting up a plant in the late 1990s, and wanted a lot of printers," says Kabra, adding that in those times, even manufacturing companies were not buying coding printers.

Around 2007, the partnership with Videojet broke up, and thereafter, Control Print tied up with Germany's KBA-Metronic AG for CIJ printers, and decided to get into manufacturing to be cost competitive. "We have some 8-9 partners right now for different technologies, and we

Control Print

Mumbai

Topline growth:	13.9%
Bottom line growth:	34.8%
Networth growth:	17%
Net profit margin:	14%
RoCE :	16.1%

*All numbers are 3-year averages

manufacture all their products under licence in India," says Shiva, who worked as an investment banker in New York till 2005 after doing his MBA from INSEAD, Singapore.

The company made a couple of strategic decisions in the past few years that have borne fruit. It started to localise as many of the printer parts as possible. It has done this on two fronts – by developing some of the parts itself, and by urging suppliers to raise their bar and produce better quality parts. Today the company has achieved localisation of parts to the tune of 96 per cent.

"We are looking to develop some new products ourselves in some new fields, like thermal inkjet technologies, so that we are at the cutting-edge,"

says Shiva. The company currently exports in a small way to Sri Lanka and Bangladesh, but plans to expand to other South Asian countries and beyond.

The Indian coding and marking market is dominated by four companies – Videojet, Domino Printech, Markem-Imaje India and Control Print. According to Shiva, Domino is the leading player with about 32 per cent revenue market share, Videojet has 27-28 per cent share, Markem-Imaje about 22 per cent, and Control Print has 16-17 per cent market share. As per numbers available with Registrar of Companies, Domino had revenues of ₹170 crore in 2013/14. Back-of-the-envelope calculations show that the entire industry size is about ₹550 crore-600 crore. Industry estimates peg the growth rate at about 12 per cent. Control Print aims to garner 25 per cent of the market in the next five years.

The company is bullish on future growth as packaged foods and other products increase, and as manufacturers pay greater attention to the quality and type of information printed on packages. There's another twist. "We manufacture our printers in a way that they support all Indian languages, be it Hindi or Bengali, or any other," says Shiva. Citing the example of Europe where exporting companies need to ensure that key information is printed in multiple languages, including the language of the destination country, the father-son duo feels that in India, too, all packaging should have key information in local languages besides English and Hindi.

But there are always challenges on the horizon, sometimes unexpected. As Katalyst's Mittal says: "It is a very technology-driven business, and it is difficult to see what new technologies might come up. That's where the major challenge would come from for Control Print." ♦

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In good health:
HSCC India's
Gyanesh Pandey

VIVAN MEHRA

BEST SME- SPECIAL JURY AWARD

Health Care's Hidden Jewel

State-run HSCC has managed to successfully crack a sector primarily dominated by private players.

By JYOTINDRA DUBEY

HSCC India does what very few expect from a government company — it operates in the niche segment of hospital consultancy. The company, under the Ministry of Health & Family Welfare, provides consultancy and procurement management

services to the health-care sector.

HSCC's growth is an example of how a mix of right policies and decisions can make even state-run companies do well. Established in 1983, HSCC, in its initial years, used to conduct feasibility studies and prepare project reports. Gradually, it also started providing de-

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HSCC

sign and engineering consultancy. After that, it started offering procurement services as well. It is now into turnkey hospital projects.

"In the last three years, HSCC has emerged from nowhere. Very few people know that there is a (government) company that specialises in building hospitals," says Gyanesh Pandey, Chairman and Managing Director, HSCC India.

HSCC's achievements look even more admirable if we consider that the work involved is really challenging. "The architecture of a hospital is critical. It is different from the architecture of other buildings. Hospitals have to be designed after analysing patient flow, plumbing layouts are complicated, and a lot depends on where medical equipment are placed. Even air-conditioning is customised. For instance, air change requirement for a neurology operation theatre (OT) is different from that of an orthopaedic OT. A neurology OT requires more frequent air changes. A lot of things have to be taken care of while designing hospitals," says Pandey.

HSCC has recorded a sharp rise in its numbers in the past three years. Its turnover rose from ₹33.5 crore in 2010/11 to ₹65.3 in 2013/14. Net profit trebled to ₹24 crore during this period. The order book expanded exponentially from ₹22 crore to ₹301 crore.

The company's ongoing projects include development of National Cancer Centre at AIIMS (Jhajjar), re-development of Safdarjung Hospital in New Delhi and building of a super-specialty block at Dr. Ram Manohar Lohia Hospital, New Delhi. Apart from these, HSCC is also executing one project each in Sri Lanka, Nepal and Myanmar.

Though the going is good for HSCC with an expanding order book and growing turnover and profits, things were very different till 2010/11, when it had very few projects. That was the time when costs were high and operating margins negative. Then, Pandey stepped in and rationalised manpower and other costs. He also took several steps to increase operational efficiencies. HSCC also completed a lot of critical and time-sensitive projects. For instance, it got the project for renovation of AIIMS

Noida

Topline growth:	25.9%
Bottom line growth:	45.4%
Networth growth:	15.9%
Net profit margin:	35.3%
RoCE:	19.7%

*All numbers are 3-year averages

KEY FACTS

■ Noida-headquartered HSCC is a Mini Ratna government of India enterprise which is into a comprehensive range of professional consultancy services in health-care and other social sectors, both in India and abroad.

■ It now plans to diversify its services. It has already started to offer hospital maintenance and waste management services. It is also exploring the possibility of setting up diagnostic centres in India and other South Asian countries

OPD, which was in very bad shape. The major challenge was to work without disturbing the day-to-day operations of the OPD, which had an average daily footfall of 1,200-1,500 patients. HSCC also built a highly-critical BSL-IV virus testing laboratory at National Institute of Virology, Pune, in 2011. Finishing a few such critical projects on time earned it a lot of goodwill. As a result, a lot of new projects started flowing in.

Rising costs has been the company's biggest challenge. Manpower and other expenses have been rising drastically at a time when consultation fee margins are falling. The consultation fee used to be 8-9 per cent of the project cost. It has now come down to 4-5 per cent. The company has been on a cost-cutting drive for the past few years to maintain operating margins.

"HSCC used to have a top heavy hierarchy when I took charge in 2012. I changed it to a pyramid structure, which improved operational efficiencies, and inducted young energy in the organisation," says Pandey.

Another challenge has been retaining talent. "The attrition rate at HSCC is very high. Many employees leave after getting an experience of four-five years for lucrative offers in the private sector. We try our best to keep our employees motivated," he says.

HSCC plans to diversify its services. It has already started offering hospital operation and maintenance and waste management services. It is also exploring the possibility of setting up diagnostics centres in India and other South Asian countries.

"Health care is a priority for the government. Its expenditure on health is expected to increase from 1.2 per cent of gross domestic product at present to 2.5 per cent by 2017 and above 3 per cent by 2022. The government is upgrading the existing infrastructure. New hospitals and medical institutions are being announced. All this will bring in a lot of opportunities for HSCC in the future. However, there are challenges related to retaining talent and skill enhancement, which are high on our agenda," says Pandey. ♦

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A. PRABHAKAR RAO

Ramping up: Srikanth Chakkilam, Executive Director (left) and C.V. Subramanyam, Chairman, MD

BEST SME- GLOBAL BUSINESS EXCELLENCE

Tried and Tested

Cigniti Technologies has developed niche software testing skills, which is driving its growth.

By E. KUMAR SHARMA

C.V. Subramanyam has an ambitious goal. The founder of Cigniti Technologies aims to increase the software testing company's revenue nearly five-fold to \$300 million in 2017/18 from \$63 million in 2014/15. The odds are in his favour. For, the company has expanded at a rapid pace over the past few years.

Cigniti's journey began in 1998 when Subramanyam set up

Chakkilam Infotech, a generic IT services company. For almost a decade the company remained an also-ran in a sector crowded with IT services providers. It was in 2008 that the company shifted gears. Srikanth Chakkilam, Subramanyam's son, had returned from the US with a masters degree in computer science from University of Southern California. He felt that the future lay in picking niche areas for growth and they decided to become a software testing services company.

In 2008/09, the first year as a software testing services company, it posted revenue of around \$1 million. By 2010/11, its revenue had inched ahead to \$2 million. Realising the need for scale, especially in a space where there are bigger players, in October 2011, Chakkilam Infotech opted for inorganic growth and acquired Cigniti Inc, an \$18-million US software testing services and consulting company. Not only was the target company nine times Chakkilam's size, but it also gave the Indian company a foothold in the US market, where it wanted to be.

Chakkilam rebranded itself as Cigniti Technologies thereafter, and has not looked back. In 2013, it acquired Gallop Solutions Inc, a US-based specialised software testing services company with revenues of around \$9 million. The deal brought along intellectual property since Gallop specialised in building and implementing niche solutions. The two acquisitions have enabled the company to bid for larger projects, says Srikanth Chakkilam, the company's Executive Director. Before the takeovers, the company could bid for orders worth \$100,000. Now, it is able to bid for projects worth \$1 million or more from Fortune 500 and global 2000 companies, he says. Subramanyam, who is also the com-

Cigniti Technologies

Hyderabad

Topline growth:	100.2%
Bottom line growth:	296.4%
Export growth:	141.4%
Net profit margin:	7.7%
RoCE :	5%

*All numbers are 3-year averages

KEY FACTS

■ Cigniti is a specialised software testing services provider

■ It is strong in banking and financial services, aviation, healthcare, retail, technology (gaming, e-commerce, mobile)

■ Thanks to its acquisitions, it can now bid for projects worth \$1 million or more

pany's Chairman and MD, says the company has about 170 clients in 13 countries, including close to 40 from Fortune 500 and global 2000 clients "The strategy now is to get to serve 100 global 2000 clients that have budgets of \$2-3 million each for software testing so that we get to \$300 million by 2017/18," he adds.

Over the past three years, says Chakkilam, the company has built strengths in six verticals. These include banking, financial services and insurance (BFSI) industry, airlines, healthcare and life sciences, retail, and technology, which includes online gaming, e-commerce and mobile applications. What makes Cigniti different from other software testing

companies? "Here testers are treated as rock stars, which is not the case in large companies," says Chakkilam. He cites the example of Kalyan Rao Konda, who joined Cigniti as head of global delivery after starting out as a tester in AppLabs, a software testing company that got acquired by US-based CSC, and is now heading a business unit in the US with a 12-member sales team reporting to him.

Chakkilam says Cigniti, which has 1,800 people, has added capabilities in each vertical with specialists getting honed at its centres of excellence. Giving an example of insurance, he says: "We need to ensure we have people who know the insurance domain, the testing processes it requires and have a good understanding of the specific tools required there." Subramanyam cites the example of the airlines vertical, where Cigniti is working with several global airlines. "We started out in this space last year with a team of four people. Today, we have close to 200 people in this vertical with this business contributing around 15 per cent to our total revenues."

Cigniti's clients, too, vouch for the company. "Their biggest selling factor is that they have niche skills in testing and that to me is where the value driver lies," says Imraan Kadir, Executive Vice President at MultiChoice, a leading South Africa-based pay-TV company. MultiChoice has been working with Cigniti since December last year. On why MultiChoice chose Cigniti and not a bigger company in the testing space, Kadir says, "It is because of the relationship we have developed from day one, which is not of a vendor and a client but of collaborations and that is something you seldom find in large corporations." ♦

@ekumarsharma



BEST WOMAN LEADER

Change Manager

PM Relocations bets on a rise in number of people shifting cities in search of better job opportunities.

By MANU KAUSHIK

KEY FACTS

- The company is a relocation service provider
- The business has two parts - domestic and overseas, where it partners with big companies
- The company is targeting the growing expat population



Aakanksha Bhargava: Lending a helping hand

VIVAN MEHRA

Shifting to a new city is tough. It involves finding a house, getting children into a new school, transferring household goods, and getting familiar with the new place.

PM Relocations (PMR), which packs and moves residential and commercial goods, within as well as outside India, makes the process seamless and painless. People are becoming more and more ambitious and don't want to stay at one place all their lives, says PMR CEO Aakanksha Bhargava. So, as more and more people move from one city to another for better opportunities, companies such as PMR are doing brisk business.

In 2007, when Bhargava joined the company run by her father, it had 38 employees and three offices. Today, it has 495 people, and is present in 14 locations.

Bhargava says it has taken a lot of sweat and tears to take the company to this level. For instance, soon after joining, she moved to Bangalore to set up an office there. "I realised that there was potential, let me give myself a chance. I was 21. I had no idea about the market. It was the most testing time of life," she says. One problem was that people did not take her seriously because of her age. Many calls for business didn't yield satisfying answers. But she never

PM Relocations

Gurgaon

Topline growth:	21.4%
Bottom line growth:	7.2%
Net worth growth:	48.9%
Net profit margin:	2.7%
RoCE:	30.1%

*All numbers are 3-year averages

gave up. She strongly believes that one must lead by example. "I didn't want to sit in an AC cabin and instruct employees. I have stood in warehouses till late at night." The momentum picked up after one year. "I think perseverance is the key."

The business has two parts – domestic and overseas, where it partners with big relocation companies. For instance, the global employee relocation contract of Microsoft is with the US-based Graebel, which works with PMR in India.

Nearly 55 per cent of PMR's business comes from global operations. The tenure of a typical contract varies from one year to 10 years. However, some engagements are for the long term. The relationship with Airtel, for instance, is 21 years old. American Embassy is a stable customer, and so is Britannia.

Also, the expat population is swelling, a market PMR wants to tap. "When an expat comes to India, we

do work related to immigration, moving household goods and home search. We also offer settling-in services and cultural training," she says. In 2009, the company ventured into end-to-end settling where, apart from shifting house, it helps children settle into the new school and offers utility services. It also helps people move pets and vehicles. PMR also offers a car rental service. The company is looking to raise private equity money this quarter for investing in technology and marketing.

Anuj Puri, Chairman and Country Head, JLL India, says that in a growing economy, businesses move to better locations and into higher-capacity offices, retail players move into better-managed shops in more lucrative catchments, and people move into larger homes or homes nearer to their workplaces. "Relocation is a central concept in the real estate business," he says.

The company is now betting big

on technology. For example, it wants to create an app or a website for someone who wants to move to a different city but has no idea about the relocation services there. This will also help the company offer customised solutions.

Bhargava, also a singer and a dancer, says her father never thought she would be interested in this male-dominated business. "I always knew I wanted to help my father. But when I got into it, I realised I could not have done anything better with my life than this," she says. When Bhargava joined, PMR's turnover was ₹2.9 crore. It aims to close the current financial year with ₹46 crore. "It's easy to grow numbers but we want to do it well because at the end of the day our people are moving into somebody's bedroom. We don't move goods, we move sentiments," she says. ♦

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BEST SME- INNOVATION

Indigenous Innovator

Forace Polymers drives revenue growth through in-house innovations.

By JYOTINDRA DUBEY

Core competence:
Forace MD Vikas Garg at the Haridwar plant

KEY FACTS

- A fourth of Forace's revenues come from innovations by its in-house R&D team
- It has developed a solid resin technology for use in shell process in foundries, which is more efficient than traditional liquid resin

SHEKHAR GHOSH

Forace Polymers, which started off as an ancillary of BHEL's foundry plant in 1980, moved to producing resins for the refractory industry much later. Today, the Haridwar-based company makes a wide range of products, including resins, catalysts, and hardeners for foundry, refractory, abrasives and rubber industries. Its turnover has skyrocketed from ₹0.8 crore in 2002/03 to ₹224 crore in 2013/14.

A fourth of Forace's revenues come from its innovations, which are propelled by a specialised R&D team. It has developed a solid resin technology for use in the shell process in foundries, which is more effi-

Forace Polymers

Haridwar

Topline growth:	18.6%
Bottom line growth:	33.5%
Networth growth:	42.2%
Net profit margin:	1.6%
RoCE:	173.5%

*All numbers are 3-year averages

cient than the traditional liquid resin technology used in India. "The cost of solid resin technology is almost 15 per cent less, the productivity is almost four times higher than the traditional liquid resin technology, and even the performance of the end product is better," says Vikas Garg, 40, a second generation entrepreneur who took charge of the company in 2001.

Garg is quite hopeful about growth opportunities: "The company's future strategy is to expand business through diversifying, while utilising and leveraging core competencies, focusing on innovation, developing new products and keeping abreast with latest technologies." ♦

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TALENT HUNT

A power-packed panel debated the challenges confronting small companies in attracting and retaining talent. **By ALOKESH BHATTACHARYYA**



Brainstorming session: (L to R) Sanjay Athalye, Chief Risk Officer & CMO, Reliance Commercial Finance and Reliance Home Finance; Gaurav Varma, Director, Technical, Recktronc Devices & Systems; K. Sudarshan, MD, EMA Partners India and Regional Managing Partner-Asia, EMA Partners International; Pradeep Bhargava, Director, Cummins India; Aquil Busrai, CEO, Aquil Busrai Consulting; Harsh Kapur Pillai, Founder Director, Terragni Consulting; Ajita Shashidhar, BT; and Vidyadhar Limaye, India Director, Faurecia Interior Systems

On the evening of August 28, heavy traffic flowed in the city of Pune. Part of that was because of the rush to the Hyatt Pune hotel for Business Today's roundtable on "SMEs: The Talent Challenge". Undoubtedly, talent acquisition, development and retention ranks amongst the biggest activities as well as concerns of all organisations. But small companies certainly have a harder time. BT put together a power-packed panel to discuss the issue threadbare.



The two most experienced panelists were Pradeep Bhargava and Aquil Busrai. Bhargava, Director of Cummins India, had spent close to a

decade as MD of Cummins Generator Technologies India, and was well versed with people matters. And Busrai is an HR veteran with more than 39 years of experience in HR, IR and other areas of workforce management. Giving them admirable support and representing corporate India was Vidyadhar Limaye, India Director of Faurecia Interior Systems, an auto-components company in Pune that has grown sizeably over the years.

Two more HR experts underscored the importance of the topic.

There was K. Sudarshan, Managing Director, EMA Partners India and Regional Managing Partner-Asia, EMA Partners International, a 20-year veteran of executive search and placement; and Harsh Kapur Pillai, Founder Director of Terragni Consulting, another 20-year veteran who specialises in executive coaching for leadership development, especially in the manufacturing and services industries. But perhaps the most important person on the panel was Gaurav Varma, Director-Technical, Recktronc Devices & Systems, a Pune-based SME that provides end-to-end solutions for real time monitoring, surveillance and control projects in the areas of water treatment and pumping, canal automation, electricity, marine and GIS. The panel was moderated by Ajita Shashidhar, BT's Senior Associate Editor.

The discussion started with Sudarshan admitting that there is indeed a talent challenge – not just for SMEs but for large companies as well. But he qualified that by asking whether SMEs were looking at the challenge through the right lens. Were they trying to compete with large companies in getting the talent they need? That might not be the right approach.

Picking up the thread, Cummins's Bhargava started by saying that he used to sell gensets, and there is a term there called RTU or ready to use, somewhat similar to plug and play in IT. "I think we need to understand that talent isn't an RTU," said Bhargava, adding that companies should not expect to hire employees that can straightaway hit the ground running. Customisation of talent was essential, he said, adding that while we all blame technical institutes and the government for not developing the right talent, companies need to acknowledge that they need to develop talent themselves as well. Small companies can do it in their own organisations, and large organisations can do it by working with skill providing institutions like ITIs.



Absorbing discussion: The audience listens in rapt attention to the panellists at the BT SME roundtable

Taking the discussion further was Pillai, who said that organisations have two things that are unique to them: employees and customers. "Over time, technology can be bought, money can be made available, infrastructure will be available, but can you really overnight change your people?" she asked, adding that if companies don't believe that people are their appreciating assets, and they need to develop them, then companies can't possibly see their business goals and objectives coming true. She also pointed out that such development is much more possible in an SME where the decision-making hierarchy is much smaller.

Then Busrai took over, and challenged the self-perception of SMEs that they were small and therefore unable to get the kind of talent that a large company would attract. "SMEs have an advantage that they have to market – which is that they are the only ones who can create an entrepreneurial atmosphere in the company for mavericks to work independently," he said, adding that SMEs should not promote themselves to talent by showing their growth, but by outlining the kind of work that fresh talent will be able to do there.

Limaye started by saying that the talent challenge for SMEs is both an issue and a non-issue. "If you are branding your organisation properly,

right talent is not a problem," he said, adding that if companies are low on confidence and brand themselves as small companies, then the market too won't be attracted to them. He further added that it was not necessary for SMEs to hire the best talent. They could hire less than the best, and "train them, coach them, and make them more and more loyal".

Varma said his company, which started with two people, now has 110, but it was always a challenge to find the right kind of people, so more often than not skills had to be developed in-house. He also pointed out that most of those people are still with the company, partly of course due to the extreme niche nature of the job.

After the panellists concluded debating on the subject, there followed an engaging Q&A session with the audience. Finally, a vote of thanks was proposed by Sanjay Athalye, Chief Risk Officer & Chief Marketing Officer, Reliance Commercial Finance and Reliance Home Finance, who applauded the courage of SMEs in the audience for venturing out on their own instead of taking up regular jobs.

The roundtable was sponsored by Reliance Commercial Finance, which is also the sponsor of the BT Best SMEs survey. Reliance Commercial Finance is presented by Reliance Capital Ltd. ♦

@alokeshb



POWER PACK

Business Today showcased the rapid strides made by women in corporate India at a glittering ceremony in Mumbai. **By SARIKA MALHOTRA**

It was an evening to remember. Business Today's Most Powerful Women in Indian Business awards ceremony – at Mumbai's ITC Grand Central on September 10 – saw a packed house. As always, the event celebrated the remarkable achieve-

ments of the awardees. Some had taken up challenging roles successfully, some came up with innovative solutions in a competitive market while a few others reinvented themselves to impact their organisations and the community in a big way.

The awards were given by chief

guest Heather Bresch, CEO of global generic pharma giant Mylan, and Raj Chengappa, Group Editorial Director (Publishing) of the India Today Group. Bresch pointed out that the US numbers did not differ much from the Indian numbers, when it came to women entering the workforce and



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Rahul Bajaj, Chairman, Bajaj Auto, addresses the audience at BT's Most Powerful Women in Indian Business awards



In good company: (From left): Kirthiga Reddy, MD, Facebook India; Neelam Dhawan, MD, Hewlett Packard India; Prosenjit Datta, Editor, Business Today; Priya Nair, Executive Director (Home Care), Hindustan Unilever; Geetu Verma, Executive Director (Foods), Hindustan Unilever; Arundhati Bhattacharya, Chairman, State Bank of India; Deepika Arora, Regional Vice President (Eurasia), Wyndham Hotel Group; Heather Bresch, CEO, Mylan; Aruna Jayanthi, CEO, Capgemini India; Shanti Ekambaram, President, Consumer Banking, Kotak Mahindra Bank; Ipsita Dasgupta, Chief Commercial Officer, GE South Asia; Pallavi Shroff, Managing Partner, Shardul Amarchand Mangaldas; Chitra Ramkrishna, MD & CEO, National Stock Exchange; Jyoti Deshpande, Group CEO and MD, Eros International and Raj Chengappa, Group Editorial Director (Publishing), India Today Group

Mylan CEO Heather Bresch (left), talks to Nita Ambani, Director, Reliance Industries, at the awards



Heather Bresch interacts with Raj Chengappa (left) Group Editorial Director (Publishing), India Today Group and Prosenjit Datta, Editor, BT

Founder, MD and CEO of Multiples Alternate Asset Management Renuka Ramnath (left) shares her views with a guest at the awards



eventually reaching the top of their organisations. Women only account for six per cent of the senior management in corporate India and at the board level they are even lesser.

Bresch asserted that the best management style has to be open, and must welcome diversity. "Most people want work ethics, compe-

tency... irrespective of gender." Women bring unique skills to management, stressed Bresch, adding: "Women are better at multitasking, tend to be more compassionate and can be more balanced."

The effervescent Chairman of Bajaj Auto, Rahul Bajaj, who had also chaired the jury meeting for

the awards to decide on the winners, gave an inspiring speech. Sam Balsara, another jury member and Chair-man and Managing Director of advertising and media buying house Madison World, also attended the event.

The award ceremony was preceded by intellectual sparring, as top

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women business leaders – and some men as well – took part in two panel discussions. “Glass ceiling: Are there some industries that are still women-unfriendly?” was the topic for the first. The panellists came from a wide array of sectors. Veteran corporate lawyer Pallavi Shroff, Managing Partner of Shardul Amarchand Mangaldas; Radhika Piramal, MD of VIP Industries; Jyoti Deshpande, Group CEO and MD of Eros International; GE’s Chief Commercial Officer for South Asia, Ipsita Dasgupta; and Santrupt Misra, Group HR Head, Aditya Birla Group, took part in the brainstorming session.

The speakers agreed that, increasingly, there were more discussions on the need for diversity in businesses and it was rare for organisations to have women-unfriendly policies. They echoed that most companies need to promote diversity for innovation and also realise that they are not doing women a favour by giving them more representation.

The second panel had India’s top banker Arundhati Bhattacharya, Chairman of the State Bank of India. Joining her in the discussion was Aruna Jayanthi, CEO, Capgemini India; Kirthiga Reddy, MD, Facebook India; and Renuka Ramnath,

Founder, MD and CEO of Multiples Alternate Asset Management. The discussion was moderated by Sudhanshu Tripathi, Group President-HR of the Hinduja Group. This group debated the topic: “Mid-career breaks: Is it difficult for women to come back?” The panellists believed that there was a dire need for organisations to fix the issue of ‘leaking pipeline’, referring to the trend of women give up their careers early.

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REACHING THE RICH WORLD'S POOREST CONSUMERS

FIVE LEADING COMPANIES HAVE ADAPTED NONPROFIT BUSINESS MODELS TO SERVE THE BOTTOM OF THE PYRAMID IN FRANCE.

By MUHAMMAD YUNUS, FRÉDÉRIC DALSACE, DAVID MENASCÉ, and BÉNÉDICTE FAIVRE-TAVIGNOT

Poverty is not just an emerging-market problem. In the United States, more than 45 million people, or 15 per cent of the population, are officially poor, according to the Census Bureau. What's more, this percentage has increased every year but one (2006) since the 21st century began. At 16 per cent, Japan is doing no better. And in the European Union almost 120 million people – one in every four – are classified as at risk of poverty or social exclusion.

In the past, businesses in the developed world have largely ignored the needs of these groups. To be sure, they know that not all their customers are rich, and many

companies have invested significantly in creating low-cost products and services specifically tailored to people on a tight budget. Most automakers have offered low-budget cars for decades: The Model T Ford, the VW Beetle, the Mini Cooper, and the Citroën 2CV were in their time designed for what their manufacturers saw as the budget market. Low-cost “hard discounters” such as Aldi and Lidl in Europe and Market Basket in the United States have emerged relatively recently in the retail industry.

But the low-cost, low-price products and services that have traditionally served poorer consumers in Europe are usually still out of reach for the 25 per cent who are at risk of poverty. Consumers in this group often can't buy es-

sential products and services without significant aid from the state – whose ability to provide such aid is diminishing even as the need for it grows. Limited public transportation, for example, means that many poor people in rural districts must rely on ageing, extremely cheap vehicles. Someone whose car breaks down may be out of work as a result.

In recent years, a number of large corporations have started approaching problems of this kind in a new way. In 2009, Martin Hirsch, the former French high commissioner in charge of poverty alleviation, and Emmanuel Faber, then the food giant Danone's deputy general manager (now its CEO), came together to form the Action Tank – a not-for-profit association directed by Jacques Berger, of HEC. Through the Action Tank a number of leading multinationals have joined forces with NGOs and government organisations to experiment with developing social businesses in France.

"Social business" is a concept originally developed in the context of poor countries.

Such a business has three key characteristics:

First, it seeks to alleviate social problems, including all forms of poverty. Second, it must be run sustainably that is, it should not lose money. Third, profits – when they exist – are reinvested in the business rather than funnelled back to shareholders. Investors eventually get back only the money they initially invested. Danone and a growing number of other multinationals have for some time been engaged in social businesses in Bangladesh and other poor countries, but applications in the developed world are rare.

Among the first companies to join Danone in the Action Tank were the eye-care company Essilor, the construction giant Bouygues, the telecommunications group SFR, and the carmaker Renault. Early results from these companies' experiments suggest that the social business model is both an efficient way of fighting poverty and a productive source of new business ideas. Their ventures are sustainably providing high-quality products and services to very poor people at rock-bottom prices.

Essilor's social business, Optique Solidaire, is a good example. Working with all the company's supply chain partners, including insurance companies, it has succeeded in driving down the cost of a pair of high-quality reading glasses to poor pensioners from 230-300 euros to less than 30 euros. After spending 15 months working out the offering and three months conducting an experiment in Marseille, Optique Solidaire has built a network of more than 500 "solidarity retailers" across France. They are opticians who have volunteered to spend some of their time selling the glasses at a sharply reduced profit margin. Target customers – people over 60 with minimal resources – receive a voucher and a letter

from their insurance company telling them about the offer and supplying the address of the closest participating optician. Essilor's goal is to recruit 1,000 retailers in France and to equip 250,000 to 300,000 people with glasses they could not otherwise afford.

In the following pages we present the social business model that is emerging from experiments like this and demonstrate how radically it differs from traditional low-cost business models. The new model, perhaps counter-intuitively, looks more like that of a

high-end solutions provider than that of a discount supplier. Obviously, financial profit is not its goal. We will describe the business benefits, both tangible and intangible, that social businesses can provide and the factors that contribute most to their success.

The Model

Let's begin by looking at the value propositions that social business models offer. These typically involve:

Customer exclusivity. Unlike low-cost models, social business models are exclusive: Companies determine up front which and how many consumers the programme will serve, and no one else is eligible for the offer. The target may be broad. For instance, SFR and the French charity Emmaüs, which focuses on the homeless, regard all poor people who have a mobile phone as eligible for the services offered through their project Téléphonie Solidaire. But the



target may also be narrow, such as poor consumers older than 60 (Essilor), poor families with a child aged six months to 24 months (Danone), or poor consumers who need a car to get – or keep – a job (Renault).

In determining eligibility, social businesses usually work with nonprofits, which rely in turn on local associations and public programmes to find potential beneficiaries. This approach also reduces companies' costs.

High-quality products and services. In a low-cost business model, every consumer, whether poor or not, evaluates the trade-off between the company's standard and low-cost offers. If they are too similar, the company runs the risk of cannibalising its standard offer. Thus it must downgrade key attributes in the cheaper offer to create a distinct trade-off.

In a social business model, the offer can remain un-

as Essilor did. And as we'll see, companies that devise an integrated, solution-style offering can offset costs in one component with savings in other components.

Carefully designed solutions. Unlike low-cost companies, which are defined largely in terms of products and services, a social business often (though not always) expresses its value proposition as a solution to a social problem customers have. Renault's Mobiliz is a case in point. The project's goal is to resolve transportation issues for poor people. In cities, Mobiliz works with the NGO Wimoov to find the cheapest form of mobility for working poor people, whether it be the metro, buses, or bicycles. In rural areas, however, the project's customers need access to a cheap car and affordable maintenance, which Mobiliz provides through a network of "solidarity garages." Network participants (garages owned or fran-

chised by Renault) dedicate a portion of their time and resources to repairing damaged or broken cars for qualifying customers at a nominal cost. The French NGOs Wimoov, FASTT, and UDAF are responsible for "recruiting" customers.

An often-important part of social business solutions is promoting behaviour change on the part of customers. Danone's Projet Malin, a joint programme with the French Red Cross, provides low-income parents with affordable and nutritious food for children, educational materials, and courses delivered by independent third parties. "The purpose of our programme is to ensure that children are well nourished," says Benjamin Cavalli, of the Red Cross.

"We ask the mothers if they want

to attend an educational workshop to develop good nutritional practices. Many do." (Programmes must take care not to seem patronising; for example, there's no need to lecture poor commuters on how to travel.)

Thinking in terms of solutions can help companies with the challenge of costs. Since 2000, French law has required that a city of more than 3,500 inhabitants that is part of an "urban centre" of more than 50,000 must have at least 25 per cent of its dwellings qualify as social (public) housing. Understandably, companies doing this kind of construction try to minimise direct costs through efficiency. But Bouygues realised that building apartments inexpensively didn't necessarily make them affordable over the long term.

Early results from these companies' experiments suggest that the social business model is both an efficient way of fighting poverty and a productive source of new business ideas

changed if the economics allow. This is important, because the goal of the social business is precisely to give poor people access to an *existing* product or service whenever possible. Danone, Renault, and SFR provide poor customers with products and services identical to those offered to richer ones. The only difference in Optique Solidaire's offering is a limited assortment of frames; lens quality remains the same.

The commitment to high quality means that social businesses don't lower their costs by redesigning products or manufacturing processes, as low-cost businesses may do. They focus on changing the economics of sales and distribution. The solution is often to partner with nonprofits or to work with distributors on a noncommercial basis,

Working with the Action Tank, the company estimated that in the Paris area, construction accounts for less than 30 per cent of total housing costs over the life of a building. Land accounts for about 12 per cent, financing for 15 per cent, maintenance and repair for 12 per cent, and usage (heat, electricity, water, garbage collection, and other running expenses) for about 35 per cent. So the company has broadened its scope to offer a more integrated service. It has proposed innovations such as decreasing the size of individual units in order to build in neighbourhoods with better connections to public transportation (an idea borrowed from the hotel industry), creating a common laundry room (unusual in France), asking tenants to take care of the cleaning (including the garbage), and setting up efficient water distribution systems. Some of these innovations would entail up-front costs, but the downstream savings would more than cover them.

The Hidden Payoffs

The primary purpose of a low-cost business is to create shareholder value by generating profits. Although the business makes products accessible to poor consumers, that is merely a means of delivering on its promise to shareholders. Because a social business seeks to alleviate social problems sustainably, however, its profits are plowed back into the company. But that's not to say that social businesses yield only social returns. In fact, the spillover effects of creating them may in the long run be as commercially valuable as the profits of a low-cost business. Those effects include uncovering opportunities for innovation in new markets, motivating employees, and enhancing the company's reputation – along with demand for its products and services.

Breakthrough innovation. Social businesses have long been recognised as what Rosabeth Moss Kanter, of Harvard Business School, has called “beta sites for innovation.” Emmanuel Faber has described Danone's social business in Bangladesh, which started in 2005, as “the best R&D lab ever.” To be sure, low-cost businesses do often trigger innovation in processes and design, but the innovation of social businesses tends to be more radical, because they are trying to maintain the original quality of their products and services. As we saw with Bouygues, this forces them to break away from product-centred innovation and focus instead on *consumer-centred* innovation.

François Rouvier, the manager of Mobiliz, says:

“Developing the Dacia [Renault's low-cost car in Europe] was a formidable challenge for Renault. We started with existing cars and left no stone unturned to make it cheaper. In a sense, we were going downward. But in the social business model we put the constrained customer, not the product, at the centre of the action, and we seek to help her go upward. This is a whole new mindset.”

As a result, companies can identify ways to increase access to their commercial products as well. For example, Renault's consumer-centred research revealed that the prohibitive cost of qualifying for a driver's licence was a major reason that fewer and fewer young people in France were buying cars. The company teamed up with ECF,

The innovation of social businesses tends to be more radical, because they are trying to maintain the original quality of their products and services

France's leading driving school, to develop a computer game for learners. By speeding up the learning process, it can drastically cut the overall cost of lessons.

Social business models also spark innovation through the high level of collaboration they involve. In particular, they enable companies to leverage existing capabilities in the not-for-profit sector. Essilor has launched several commercial projects as a result of its experiment. In Southeast Asia, for example, it has applied the idea of sending vouchers to customers via a third party. Rather than waiting for people to visit opticians and buy glasses from them, Essilor works with corporations that send letters to their employees offering to share or even bear the cost of glasses. This improves both employees' quality of life and the quality of their work – a triple win that benefits Essilor, its customers, and their employers.

Motivation. Our experience shows that social business models generate a lot of motivation and meaning for workers, who are often less engaged when their employer's sole purpose is to make shareholders happy. One of Renault's

goals for Mobiliz was to strengthen the social DNA of the company; the name stands for both the mobility of the consumers Renault serves and the mobilisation of its people. The company has been surprised by how positively its dealer network and sales force have reacted.

"We thought Mobiliz would not be welcome, because by definition the model makes it impossible to make money," says Claire Martin, Renault's Vice President for Corporate Social Responsibility. "But we received encouragement from people throughout the firm. The reaction of the sales department was so favourable that we are now facing a highly unexpected problem: too many garages that volunteer and not enough low-income car owners who can be identified and channelled through our partnering NGOs." This level of enthusiasm almost certainly translates into higher rates of employee retention and productivity.

Reputation. Large corporations that introduce low-cost products are quickly suspected of trying to make money on the backs of the poor, which can damage their overall brand image. For instance, after Danone introduced low-cost yogurts on the French market in 2010, public reaction forced the company to discontinue the product line. Nutriset, the world leader in emergency food for developing countries, had to abandon two consecutive attempts to sell nutrition bars to very low income consumers in France, because social activists argued that it was an immoral way to make money and that the goal should be to offer "real meals."

But when a company starts a social business, which is expressly not for profit, it can change stakeholders' perceptions. The model breaks down barriers and helps the company build new relationships based on trust. Emmanuelle Vignaud, Danone's brand marketing manager, says: "Social business projects show that our firm has a more comprehensive and long-term mindset. We are not considered 'predators' anymore, which has concrete consequences. One key paediatrician, who had refused to meet

with us before, agreed to be interviewed for more than two hours to help us understand how baby food will evolve. We have also earned the trust of two paediatricians' union leaders, who are involved on the board of Projet Malin. These relationships could be immensely useful as we look for new product ideas going forward."

To be sure, the low-cost model has a long history – probably best exemplified by the Model T Ford – of providing people with access to goods and services. Its ability to generate financial returns aligns it with the goals of most companies. We believe, however, that the social business model has the potential to provide even greater access, and its spillover benefits can create value over the long term, making it a significant alternative to low-cost business ventures.

Making the Model Work

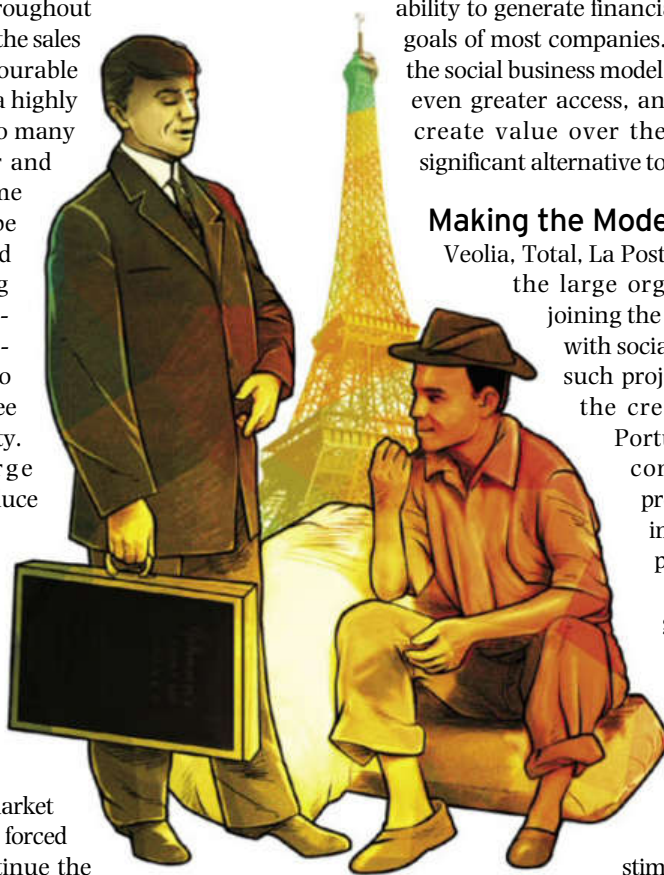
Veolia, Total, La Poste, and Michelin are among the large organisations that are now joining the Action Tank to experiment with social businesses. The success of such projects in France has spurred the creation of action tanks in Portugal and Belgium to help companies develop similar programmes. Our experience in France has enabled us to pinpoint the crucial factors.

Always put the social goal first. Companies must keep in mind the point we made earlier: Social businesses have *social goals* and *business spillovers*, not the reverse. If a social business is created to stimulate innovation or improve

reputation, it will generate suspicion

among its partners, threaten the cooperation needed for innovation, and look like corporate hypocrisy to company employees. This doesn't mean, of course, that you can't talk about the spillover effects – just that they have to take second place or you won't get them at all.

Be patient and selective in partnering. It takes time to construct the right model for the social problem you are addressing. (Schneider Electric has worked with the Action Tank since the latter's inception, but because it's primarily a B2B firm, selecting a project was challenging. Schneider is only now starting to experiment with measuring energy consumption for poor people.) Negotiations are necessary both internally and with external ecosystem partners. Finding the right organisations to partner with is difficult:





How Social Businesses Differ from Low-cost Businesses

Here's a quick comparison of the two models:

	Low-cost	Social
VALUE PROPOSITION	OBJECTIVE TO MAKE A PROFIT BY IMPROVING ACCESS TO PRODUCTS AND SERVICES	TO IMPROVE ACCESS TO ESSENTIAL PRODUCTS AND SERVICES IN A FINANCIALLY SUSTAINABLE MANNER
	EXCLUSIVITY ANY CONSUMER CAN BUY THE OFFER	THE COMPANY DECIDES WHO THE TARGETS ARE AND HOW TO FILTER THEM
	QUALITY LOWER, TO AVOID CANNIBALISING THE REGULAR OFFER	UNCHANGED
	FOCUS LOW-PRICE PRODUCTS AND SERVICES	AFFORDABLE SOLUTIONS TO SOCIAL PROBLEMS
	OPERATIONS RECONFIGURING THE PRODUCTION SUPPLY CHAIN TO REDUCE COSTS	RECONFIGURING THE DISTRIBUTION SUPPLY CHAIN TO REACH TARGETED CONSUMERS
SOURCE OF VALUE	PARTNERSHIPS OPTIONAL CO-CREATION WITH PROFIT-MAXIMISING ORGANISATIONS	REQUIRED CO-CREATION WITH THIRD PARTIES THAT HAVE A SOCIAL WELFARE OBJECTIVE
	INNOVATION PRODUCT-CENTRED	CUSTOMER-CENTRED AND ECOSYSTEMIC
	EMPLOYEE MOTIVATION WEAK	STRONG
	REPUTATION MAY BE QUITE LOW	LIKELY TO BE HIGH

You need to understand their cultures and mindsets especially when they're nonprofits, whose participation and credibility are essential for success. The Action Tank has been helpful in making connections and deepening understanding of partnership challenges, and many of the world's top consultancies have practices that specialise in social ventures.

Keep it as simple as you can. Poor people in developed countries often have a lot of choice. SFR and Emmaüs have identified more than 300 social service programmes in France. But each has its own, sometimes complicated, processes and eligibility criteria, and poor people with limited time find it hard to make an informed choice among them. Even when a social business can identify all potential beneficiaries (as Optique Solidaire was able to), it's generally able to reach only about 30 per cent of them. Some social businesses are now developing traditional push marketing initiatives such as advertising and couponing to raise public awareness of their products and services.

Start local. Don't try to launch a national programme from scratch. Figuring out how to collaborate with nonprofits is better handled on a small scale. Luckily, the customer exclusivity of social businesses makes it easy to run experiments. Essilor needed 18 months to work out the right model, including its pilot project in Marseille, and Danone's Projet Malin is still being refined in just four cities. Determining how to filter customers can be especially challenging.

SOCIAL BUSINESS is still in its infancy. Early evidence suggests, however, that it can help companies looking for market-based solutions to poverty issues. Its business spillovers innovation, motivation, and reputation are significant. More important, it is demonstrating that large corporations can be powerful agents of social change when they partner with other organisations. And social businesses can unify all society's organisations, including businesses, nonprofits, and government agencies. That is no small achievement, because we need all our talents in the fight against poverty. ♦

Muhammad Yunus, the founder of Grameen Bank, a microfinance business that first operated in rural Bangladesh, won the 2006 Nobel Peace Prize. **Frédéric Dalsace** is an associate professor of marketing and holds the Social Business, Enterprise and Poverty chair at HEC Paris. **David Menascé** is the managing director of Azao, a consulting company specialising in social business, and an affiliate professor at HEC Paris. **Bénédicte Faivre-Tavignot** is an affiliate professor at HEC Paris and the academic director of its master's programme in sustainable development. This article was published in Harvard Business Review, March 2015. Copyright ©2015 Harvard Business School Publishing Corporation. All rights reserved.

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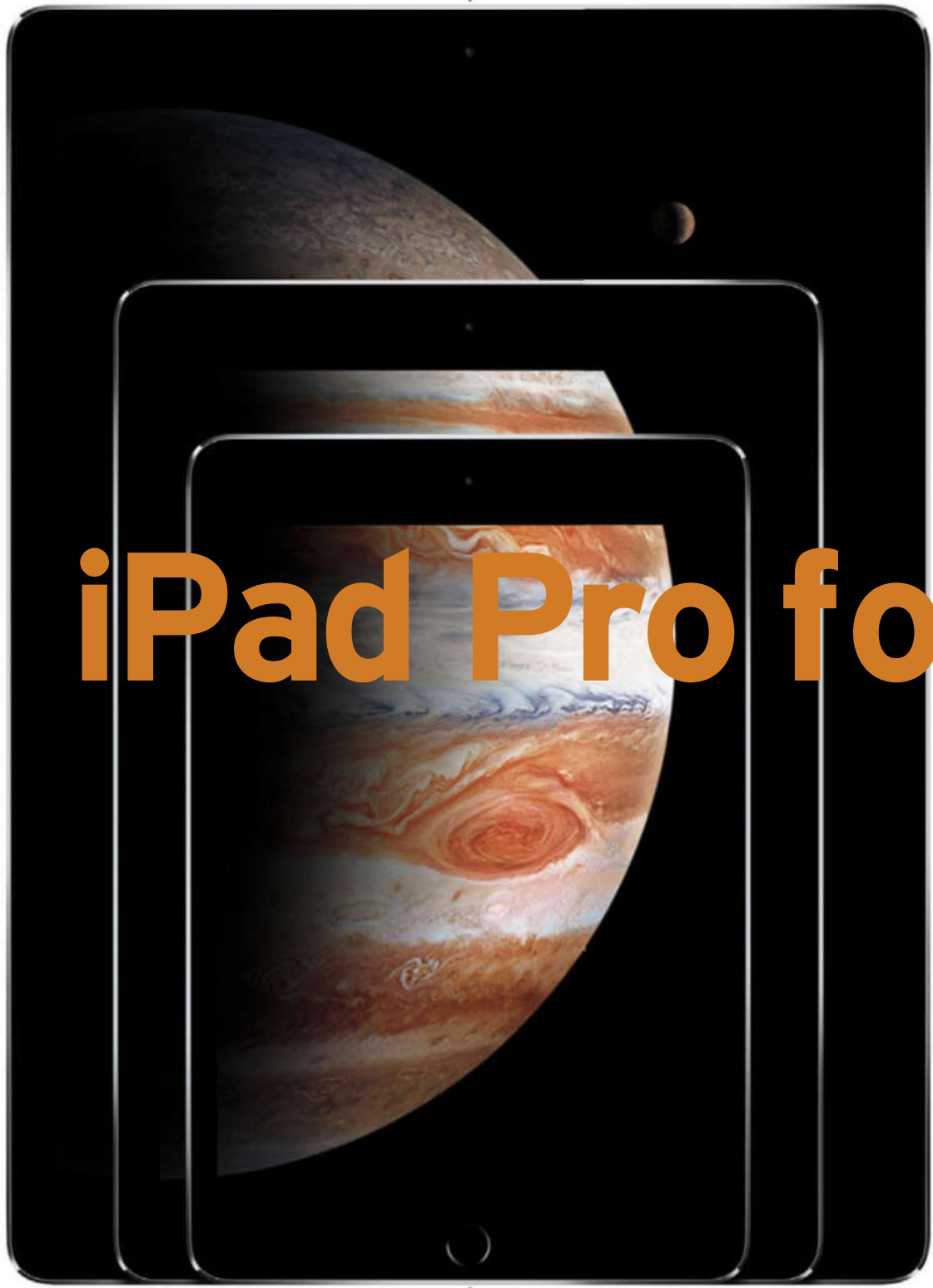
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With the bigger
12.9-inch iPad Pro,
is Apple eyeing the
enterprise segment?
By NIDHI SINGAL

Apple has finally broken the barrier and has put the iPad in direct competition with Microsoft's Surface Pro3. Since the launch of the touch-driven Windows 8 operating system by Microsoft, other PC makers, including HP, Lenovo, Dell and Toshiba, had taken to hybrids, but Apple had, so far, decided to keep away from the rat race. Now, with the 12.9-inch iPad Pro, it has stepped into the two-in-one, or hybrid segment. In fact, over the past few years, the Cupertino tech giant had been struggling with the sale of its iPads.

The Surface Pro 3 and iPad Pro are similar – they come with pressure sensitive stylus and the covers double up as

lose 'em. Yuck! Nobody wants a stylus. So let's not use a stylus." So far, therefore, it had just been a play between the capacitive touch displays and your fingers. The iPad Pro has changed all that with the Pencil – an optional stylus, it has been designed to expand the versatility of multi-touch, working alongside the touch of your finger. But what makes the 'Pencil' a premium product priced at \$99?

The Pencil has been designed to work on the capacitive touch display with optimal accuracy. When you use it, the system scans the input twice as often to capture more points, or strokes. High responsive sensors, which have been built on the tip of the Pencil, detect force, tilt and position. Signals are emitted from two separate points of the tip to calculate the angle and orientation, and produce dark or light strokes. It has a unique tip signature that allows it to be used simultaneously with the

Enterprises?

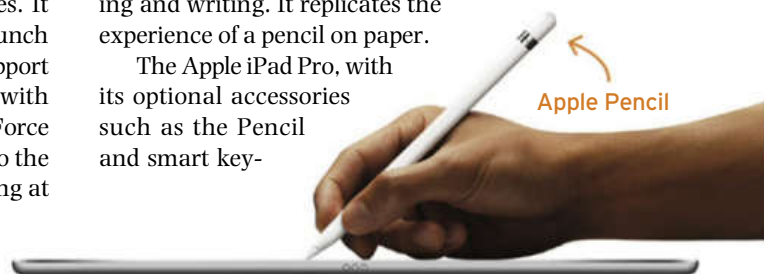
smart keyboards, which give them the look of serious work devices. However, while the Surface Pro 3 is a 12-inch device that runs on Windows 10, Apple prefers a slightly larger screen for its iPad Pro. It continues with the iOS platform that has a clear advantage over other operating systems for its security features. It has also come a long way since its 2007 launch and has evolved over the years to even support a host of third-party applications. Now, with the feature-rich innovations, such as the Force Touch and Apple Pencil, it has packed into the iPad Pro, the company is definitely looking at the enterprise segment. The fact that Microsoft participated in the presentation to showcase the smooth functioning of MS Office on this new tablet, also speaks volumes.

Apple Pencil

In 2007, when Steve Jobs had introduced the iPhone, he had proclaimed: "Who wants a stylus? You have to get 'em, put 'em away, you

finger touch. This feature consumes more power. So, the iPad Pro comes with an in-built battery that lasts for 12 hours with full charge. A lighting connector is embedded in the pencil cap that is used to charge the hybrid device. The Pencil can also be used for sketching, painting and writing. It replicates the experience of a pencil on paper.

The Apple iPad Pro, with its optional accessories such as the Pencil and smart key-



board, looks promising. While Microsoft has not yet launched its Surface range of devices in India, Apple has been aggressively marketing its products, including Macs, Macbooks and iPads, without any lag. The iPad Pro is certainly an evolved device, but the price is sure to decide the fate of this new tablet in India.

Gadgets Galore

Several new gadgets, including Apple iPhones, are lined up for launches in the coming months.

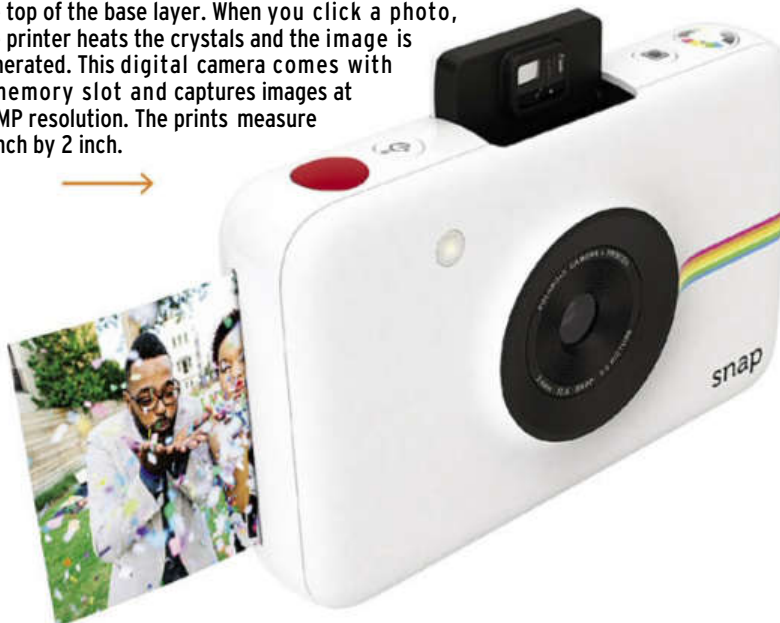
By NIDHI SINGAL

September is an important month for the technology world. The wait is not just for the new iPhones, but also about new product launches from the stable of other tech giants. Interestingly, this year smartphones will not dominate this space. Instead, wearables, laptops and tablets are set to grab the eyeballs.



INTEL SKYLAKE: Intel has launched its latest range of processors, the Codenamed Skylake. It claims improved performance, battery life and graphics. The 14 nanometre-sized transistors used in the chipset are optimised to handle 4k videos. This sixth generation CPU has more security features and introduces two new extensions which are aimed at locking down the PC.

POLAROID SNAP: Polaroid is reviving the past to give shape to a smarter future. The slim rectangular Polaroid Snap prints photographs using ZINK paper – a multilayer material comprising coloured eye crystals stacked on the top of the base layer. When you click a photo, the printer heats the crystals and the image is generated. This digital camera comes with a memory slot and captures images at 10 MP resolution. The prints measure 3 inch by 2 inch.



TOSHIBA SATELLITE RADIUS 12: Toshiba has announced the world's first convertible with ultra high definition, or UHD, display, running Windows 10. The Satellite Radius 12 features a 12.5-inch display with a native 3,840 x 2,160 resolution. It is powered by Intel sixth gen Core i Series (Skylake) processors. The aluminium frame of the laptop is 0.6 inches thick and allows 360 degree movement. It also has an infra-red camera to unlock the laptop using facial recognition.





SONY XPERIA Z5 PREMIUM: Sony has announced its flagship smartphone for the year. The Xperia Z5 Premium is the world's first smartphone with 4k display and built-in 4k upscaling. It is equipped with a 23 MP rear camera and 5MP front camera. Sony claims better imaging and the fastest 0.03 second autofocus speed. It is powered by Snapdragon 810 processor and is paired with a 3GB RAM.



SAMSUNG GEAR S2 SMARTWATCH: Samsung has announced the Gear S2. The smartwatch has a circular dial, touchscreen, and 'home' and 'back' buttons on the side. A rotating bezel allows easy access to lists, apps, watch faces, and more. The ambient mode gives quick access to the clock. It runs on Samsung's own Tizen OS and has dynamic faces that can update information. You can check notifications, and can also reply to incoming messages with canned responses, emoji, or text using voice recognition.

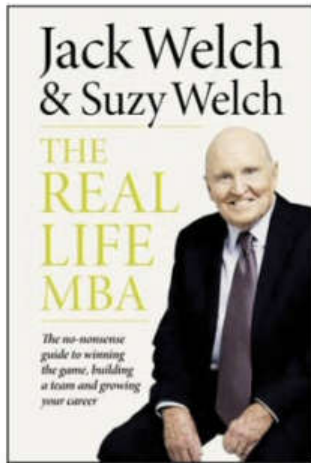
DYSON AM10 HUMIDIFIER: Dyson is turning ordinary home appliances into style statements. The Dyson AM 10 has launched a new humidifier that can kill bacteria in a water tank. Usually, a humidifier breeds bacteria in water tanks, but this product from Dyson kills them using built-in UV lights. The company claims to eliminate 99 per cent bacteria in water. It has received an approval from Asthma and Allergy Foundation of America.



ASUS ROG GX700: The Asus's flagship does not look like a regular laptop, but a beast. This prototype is a 17-inch gaming machine featuring Intel Skylake and has an interesting water cooling system. Asus hasn't revealed the specifications of this machine yet, apart from two things - Nvidia GeForce GTX Graphics and a 4k resolution display.

Superhighway of Life

The book goes to great lengths to elucidate the real life principles and practices of what doing an MBA is all about. By JAMES THOMAS



The Real-Life MBA By Jack and Suzy Welch

PAGES: 256

PRICE: ₹1,385
HarperBusiness

It is interesting to see how the book puts its weight behind building a positive culture and teams having a positive outlook all the time

There was a time when MBA schools were mushrooming all over India as the next big thing in education to fetch that elusive six figure salary and a well heeled job. Things have come a long way from there, but still doing a full-time or a part-time MBA, or even an executive management programme is very alluring to most professionals. It's in this context that the book becomes very relevant and timely.

I found doing my MBA – after a few concrete years of work life in the corporate sector – was insightful, practical and particularly rewarding. In this book, authors Jack and Suzy Welch, who have synthesised their collective experiences of teaching, coaching and mentoring managers globally for over 30 years, have gone to great lengths in elucidating the real-life principles and practices of what doing business and being in business means and how that's what doing an MBA is all about. In a very easy, lucid style, they start with the favourite analogy of mine that everything is a sport and a game, and it's always about the "GAME" – strategising, analysing the strengths and weaknesses of the opponents, and tactically placing your talent and teams to play to win, while following the rules. It's easier said than done. And Jack and Suzy tell you just how.

From there on to leadership and building winning teams... Building high performing teams, sustaining and scaling them up is as much of an art as science. Building a great team surely starts with hiring right and how carefully the right culture needs to be proactively built. It's also interesting to see how the book unambiguously puts its weight behind building a positive culture and teams having a positive outlook all the time, no matter the various business challenges that an organisation or teams face from time to time. The need to cull negativity and negative personalities very early is critical to building a promising culture for a "wow" team that creates and sustains high performance, and has fun while doing that. The concept of enjoying all this as a fun game, is so refreshing and Jack and Suzy make it amply clear in the book about the need to be sporting in one's life journey.

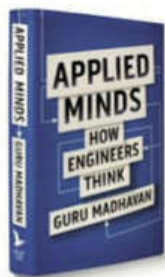
The final part of the book is absolutely the game changer – Life being all about "You". Life being on two superhighways and identifying one's AoD (Area of Destiny) and trying to be in that zone all the time is simply brilliant. It's so true that most people struggle to intersect these two superhighways of capability and happiness, and live a life of constant upheavals, frustrations, and resentment. It's so important, as Jack says, to reinvent and find that balance of life by making the right choices and facing up to the consequences. To find what one is really good at and to zero in on that is not easy, while it may be easier to identify what one enjoys doing. And to find an opportunity at the intersection of that both is even more difficult and trying. But there is absolutely no doubt that doing what you are good at and what you enjoy most is surely at the core of leading a happy, successful and satisfying life. It's only then that one's passion comes to the fore to drive excellence and add the necessary energy, zip and zest to life, and the ride on the highway becomes rather easy. The book provides an excellent narrative and some great examples of people who made some remarkable and outlier career shifts to be in their zone of destiny – "AoD"

Overall, the book is an excellent read, practical to the core, and offers enough to drive the reader into the AoD's on the superhighways of life. ♦

The reviewer is Country Head (India), Kronos Incorporated

An engineer's delight

The book points out solutions that an engineering mindset can create. By GANESH NATARAJAN



**Applied Minds:
How Engineers
Think**
By Guru
Madhavan
PAGES: 272
PRICE: ₹449
Penguin Books
India

The most captivating part of this insightful book is the chapter on the cleaning of the Ganges in Varanasi, a subject that has been discussed in many forums by the present as well as past governments. Quoting Mark Twain's famous assertions that "In religion, all countries are paupers, India is the only millionaire" the author recounts his meeting with a 'holy engineer' the high priest of the Sankat Vimochan Hanuman temple.

Mishra graduated in civil and municipal engineering and fluid mechanics, followed by a PhD and then became a Professor and Head of Department at the Banaras Hindu University. He spent many years using his engineering background, combined with priesthood, to research causes and possible solutions for cleaning the Ganges. Dispelling the popular notion that the river has been soiled because of the number of bodies deposited into the river, Mishra and his colleagues attribute 95 per cent of the problem to 'point sources' like

domestic and industrial sewage. They advocate installation of nonelectric, gravity-fed interceptor sewers to collect treat and recirculate the waste, an engineering solution based on appropriate technology.

This book is an engineer's delight as it provides multiple examples of the solution spaces that an engineering mindset can create for solving complex problems. Articulating the engineering mindset as the ability to 'see' structure where there is none and the adeptness to design under constraints, the author considers science, philosophy and religion as the pursuit of truth while engineering is at the centre of producing utility under constraints. Google Maps is one outstanding example provided. It emanates from Google's mission to 'solve really large problems' which motivated their engineers to consider over fifty million miles of paved and unpaved roads in 195 countries. The solution emanated from the acquisition of visual data and the development of a large-scale systems model along with accurate road-positioning. This book provides many such insights and is a worthy addition to the bookshelf of every engineer and manager.

Another great insight attributed to none other than the late Dr Kalam comes from the story of an engineering project that had to be finished in a tight deadline in his junior year in college. Kalam famously said, "If something is at stake, human minds get ignited and the working capacity gets enhanced manifold". Quoting him, the author suggests that deadlines and constraints don't suppress innovation but serve to give it direction. With so many millions of engineers graduating every year in our country, maybe it is this book and specifically this exhortation that can provide the spur to action this country needs on so many fronts. ♦

The author is Chairman, NASSCOM Foundation and Chairman of Knowledge Management and Business Transformation Committee of CII

Who Cheats and How?

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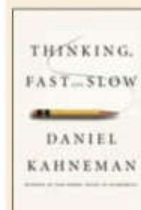
By Robin Banerjee
SAGE Publications
Price: ₹475

This book presents a comprehensive perspective on the frauds and scams that pop up in the corporate world.

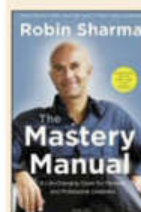
BUSINESS BESTSELLERS*



Zero to One
By Peter Thiel
Random House
Price: ₹499



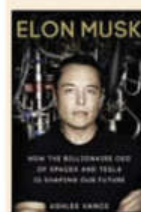
Thinking, Fast and Slow
By Daniel Kahneman
Penguin
Price: ₹499



The Mastery Manual
By Robin Sharma
Jaico Publishing House
Price: ₹199



Arise, Awake
By Rashmi Bansal
Westland Books
Price: ₹200



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By Ashlee Vance
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Deputy General Manager

Location: Bengaluru / Bangalore**Job ID:** 17452421**Description:** Administer everyday working of all marketing, claims and underwriting departments.**Pragati Corporate Consultancy**

Head – Human Resources

Location: Mumbai**Job ID:** 17416448**Description:** Develop and implement the HR Strategy in-line with the Vision of the Company, Oversee and implement all HR policies.**Complete Management Solutions**

National Sales Manager

Location: Chandigarh**Job ID:** 17449288**Description:** Developing and implementing sales strategies for increase of market share and profitability on sustainable basis.**Technology Solutions And Services**

Sr. Ad Sales Manager

Location: Delhi**Job ID:** 17315217**Description:** Must have B2B Sales experience in business Development.**Vitasta Consulting Private Limited**

Sr. Manager - Contracts and Compliances

Location: Mumbai**Job ID:** 17449661**Description:** Candidate should have at least 10 – 15 years of relevant experience in a finance/legal function.**Saviance Technologies Private Limited**

Head Operation

Location: Noida**Job ID:** 17450066**Description:** Strong People, Process, and Service Management skills etc.**Core Edge Solutions**

AVP - Legal

Location: Mumbai**Job ID:** 17443219**Description:** Identify and drive key initiatives including development of systems and SOP's for effective transactions.**Vertex Corporate Services India Pvt. Ltd.**

Zonal Manager HR

Location: Hyderabad / Secunderabad**Job ID:** 16679616**Description:** Should have a good network. Ability to function in a rapidly expanding result oriented environment.**Sukhvarsha Management services Pvt. Ltd.**

Senior Quality Manager

Location: Chennai**Job ID:** 15989654**Description:** Responsible to reduce Customer Complaints and In-house complaints.**Polaris Financial Technology Limited**

PM - Project Manager

Location: Mumbai, Thane**Job ID:** 17260657**Description:** Client handling skills are must, BFS experience is added advantage.**TecHunt Consultants**

Devops Engineer/Cloud Operations Engineer

Location: Mumbai**Job ID:** 17452380**Description:** Experience tuning Java applications and J2EE servers.**Business Intelli Solutions India**

Automation Tester

Location: Hyderabad / Secunderabad**Job ID:** 17452797**Description:** 3 to 5 years of test automation experience using QTP and related frameworks.**Arise Career Solution**

Android Developer

Location: Ahmedabad**Job ID:** 17452770**Description:** Develop and improve mobile applications with standard development tools.**Orcapod Consulting Services Private Limited**

Associate Consultant SAP PP

Location: Chennai**Job ID:** 17452763**Description:** Ability to understand the customer business processes and the IT landscaperapidly and able to foresee the likely challenges.**iQuest Management Consultants Pvt Ltd.**

Sr. Backend Developer

Location: Bengaluru / Bangalore**Job ID:** 17452762**Description:** Expert-level knowledge in either PHP or Node.js or both.**Comfy Solution**

Dot .Net Programmer

Location: Chennai**Job ID:** 14515843**Description:** Developers with knowledge or trained in any one of vb.net, Ado.net, Asp.net or c#.net.**Replicon**

Senior Cloud Operations Engineer

Location: Bengaluru / Bangalore**Job ID:** 14518866**Description:** Responding to Alerts on monitoring tools, Identify the root cause and troubleshoot etc.**Athena HR Services**

Scheduler Administrator

Location: Noida**Job ID:** 17453834**Description:** Scheduler Administrator to perform L2 Batch Scheduling work with sound knowledge in scheduling concepts.**Teneno**

Java Developer

Location: Hyderabad / Secunderabad**Job ID:** 17452696**Description:** Proficient in Core Java/J2EE programming, Java script, spring and Eclipse IDE.**Jobsnta HR Services**

Android Developer

Location: Cochin / Kochi / Ernakulam,

Thiruvananthapuram / Trivandrum

Job ID: 17126381**Description:** Sound knowledge in Java and object oriented concepts.

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CoreIT Services Private Limited

Business Development Executive

Location: Mumbai

Job ID: 17452647

Description: Ability to develop relationships at CEO and CTO/CIO level and "read" and access decision makers.

Sunrise Consultancy Services

Marketing Manager

Location: Jaipur

Job ID: 17452486

Description: Ability to maintain good public relations with corporates, colleges & Hospitals.

Strategic Outsourcing Services Pvt. Ltd.

Sales Executive

Location: Bengaluru / Bangalore

Job ID: 17452376

Description: Will be responsible in handling entire Sales & developing new clients.

Mastermind E Solutions private Limited

Marketing Executive

Location: Delhi, Gurgaon

Job ID: 17450612

Description: Looking for someone with a strong personality and a bottom-up attitude.

DS Placement Services

Business Development Executive

Location: Bengaluru / Bangalore, Chennai

Job ID: 17449412

Description: Need to Generate Leads from Your Own Network Market. Get Hr Contacts or Job Opening Status Etc.

NetBrains Consulting & Solutions Private Limited

Sr. Sales Executive

Location: Noida

Job ID: 17449033

Description: He must have exposure of selling of Commercial and Residential Building.

Dexterous Solutions Limited

Marketing Executive

Location: Mumbai

Job ID: 17448406

Description: Selling products of the Company- Geriatric/orthopedic equipments.

ABC Consultants Private Limited

Business Development Manager

Location: Mumbai, Pune

Job ID: 17448200

Description: Business development including market making, demand generation and demand fulfilment.

Matrix Management Services

Sales Manager

Location: Chennai

Job ID: 17447919

Description: Responsible for the business strategy of the Horeca channel.

Futures Ahead

Financial Controller

Location: Mumbai

Job ID: 17452798

Description: To supervise and manage financial processes and operating policies & procedures of the company.

HR Zones Management Consultants Private Limited

Accountant

Location: Mumbai

Job ID: 17452636

Description: Prepare Monthly Financial Reports in SAP and knowledge of Excel.

RR Donnelley India Outsource Private Limited

Financial Associate

Location: Chennai

Job ID: 17452624

Description: Analyze financial statements and disclosures of US companies.

Topsourcing Infotech Solutions Private Limited

Sr Executive Internal Accounts

Location: Pune

Job ID: 17131734

Description: Ensure that the tasks assigned are completed on time, accurately and completely.

Royal Consulting Services

Accounts Executive

Location: Delhi, Dehradun

Job ID: 17447277

Description: Vendor Payments & issuing cheques, Preparation of General Accounting & Invoices.

Oceanic Placement

Finance Manager

Location: Mumbai

Job ID: 17445616

Description: Should have very good contacts with banks, financial institutions, knowledge in forex.

Golden Global Human Resources

Sr Executive - Billing Department

Location: Chennai

Job ID: 17445542

Description: Coordinate with Qube Marketing for receiving the Billing details for your territory and raise correct invoices.

Team One

Senior Manager Finance & Accounts

Location: Cochin / Kochi / Ernakulam

Job ID: 17444811

Description: Responsible for Overall incharge of finance and accounts.

Multi Recruit

Accounts Head

Location: Bengaluru / Bangalore

Job ID: 17442534

Description: Responsible for handling independently entire Accounting functions of the Company.

Sampoorna Computer People

Sr. Manager Finance

Location: Chennai

Job ID: 17439491

Description: Looking for an Executive / Asst. Manager - Finance who is highly organized with good Communication Skills.

RightMatch HR Services Private Limited

Manager - Accounts

Location: Mumbai

Job ID: 17435263

Description: Preparing MIS (summary of Company surplus treaties entered into by the company) on monthly and quarterly basis.

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Nana Patekar

Actor

Real Life Hero

Deficient monsoon rainfall has affected farmers across the country. Maharashtra, in particular, has been dealt a body blow with the state government planning to declare nearly 8,000 villages drought-hit. Amidst the despair, help has come from an unlikely quarter. Bollywood actor Nana Patekar has set up Naam Foundation with fellow Marathi actor Makarand Anaspure and will donate money to distressed farmers. A National Film Award winner, Patekar and Anaspure have reportedly donated some ₹15,000 each to 113 families of farmers who have committed suicide in the state.



Cyrus Poonawalla
Chairman, Poonawalla Group

Home Truths

The real estate market is somnolent but big-ticket deals appear to be making a strong comeback. Two recent deals in Mumbai show that some high-networth individuals have retained their appetite for buying coveted addresses. Take the instance of Cyrus

Poonawalla, Chairman of Poonawalla Group, who has scooped up a seaside mansion – Lincoln House – which was used as the US consulate. At ₹750 crore, it is considered one of the most expensive

residential purchases in the country. The deal comes hot on the heels of industrialist Kumar Mangalam Birla's decision to snap up Jatia House, an iconic 30,000-sq ft south Mumbai bungalow for a staggering ₹425 crore.

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DRIVEN BY PASSION



N.R. Narayana Murthy (left) and Nandan Nilekani

New Beginnings

Internet and mobile tech start-ups seems to be attracting the founders of software giant Infosys. N.R. Narayana Murthy has recently invested in online insurance distribution portal Coverfox.com. It provides comparison of insurance plans, expert recommendations. Another Infosys co-founder Nandan Nilekani has also invested in an early-stage start-up. He is betting on Bangalore-based mobile payments data startup Mubble. It is Nilekani's second investment this year.



Sanjay Kalra (left) and Shiv Nadar

Dynamic Duo

Nearly 39 years after setting up his most successful venture HCL, Shiv Nadar has launched an investment firm along with Sanjay Kalra, former CEO of Tech Mahindra. He will spend some \$500 million in acquiring IT product and platform companies, especially in the healthcare technology space, in India and the US. The investment firm – Shiv Nadar & Sanjay Kalra Associates LLP – will look at the broad spectrum of areas within healthcare, including hospitals, ambulatory, physician practice, information exchanges, commercial insurers, insurance exchanges, among others.

COMPILED BY MANU KAUSHIK

Star Catalyst

Prime minister Narendra Modi's ambitious 'Make in India' programme got a major fillip recently when German engineering conglomerate Siemens announced its plans to invest one billion euros in India and add 4,000 more jobs to its existing headcount of 16,000. Joe Kaeser, CEO of Siemens and the man behind the move, has worked in various capacities in the company over the past 30 years. Indeed, he could be influential in persuading other CEOs to make a commitment to the 'Make in India' initiative which has received a lukewarm response so far. In India, Siemens works across eight sectors including power, mobility and, healthcare.

Joe Kaeser
CEO, Siemens



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“It is a lot easier being a private company”

On a recent visit to India, **Michael Dell**, Chairman and CEO of his eponymously named firm Dell Inc, spoke at a select media roundtable which included **Venkatesha Babu** of Business Today. Edited excerpts from the conversation



NITOPAL BARUAH

How has going private helped the company?

If you look at market share data, we have had growth and marketshare gains for ten quarters in a row. That is the first time in a decade that has happened, which indicates that something different is happening. Being a private company has helped us focus on a 5-10 year kind of vision rather than short-term ones which public companies are often forced to. We are investing heavily in sales, partners and channels capacity. There have been no downsides about going private. When we went public in 1988, we couldn't have got that kind of capital anywhere else. It is a whole lot easier being a private company.

What is your outlook on the PC market?

We see a consolidation in the PC space. If you look at the top three companies, they are gaining share. In the first half of this year, we outgrew the other two in notebooks. The last 10 quarters in a row we have continued to gain share. The top three only have about 53-54 per cent share, so I personally believe the top three could go to like 80 per cent market share not in a year or two but more like in five-six years. We have been growing (our share) inspite of the overall (PC) market shrinking.

Your view on the startup eco-system in India?

It is dramatically different from what it was even four to five years ago. We do a lot of things around the world to support entrepreneurs. We want to be their best friends and sell our products to them. We provide services, capital, ideas, mentoring and we have the Dell women entrepreneur network. Dell Ventures makes investments across the world including Asia. I am currently the UN ambassador for Entrepreneurship. I am excited about the startup ecosystem in India.



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GET DRUNK TO DETOX, P43

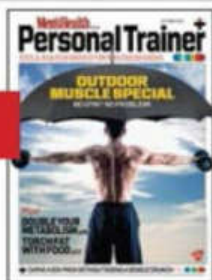
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GAURAV ARORA
"When I was fat, I had no confidence, no friends, no girlfriend!" P44

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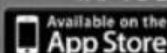
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