India's Foremost Trade & Investment Magazine

INDIA GLOBAL BUSINESS

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Tata Group: Navigating Troubled Waters

I have admired the Tata Group for almost as long as I can remember. I took great pride when Tata acquired marquee British brands such as Tetley, Corus (renamed Tata Steel Europe) and Jaguar Land Rover. And I celebrated when the group emerged as the UK's largest manufacturing sector employer. It helped prove my consistent argument that Indians are "job makers, not job takers" when investing abroad.

Not only was the Tata Group riding a crest, it was also basking in the global attention bestowed on its fabled ethical management standards, including introducing an eight-hour work day at Tata Steel years before it became mandatory in much of the West and the launch of a provident fund for workers, three decades before it was mandated by law in India.

But following the sudden unceremonious sacking of Cyrus Mistry as Chairman, the public domain began to fill up with stories about alleged governance breaches and conflicts of interest at or near the top of Tata's hierarchical pyramid. These are now matters for the Indian courts.

Tata's growth was the easy part but culturally integrating discrete parts spread across Thailand, South Korea, the UK, the US and large parts of Africa seems to have taken their toll.

TATA'S GROWTH WAS THE EASY PART BUT CULTURALLY INTEGRATING DISCRETE PARTS SPREAD ACROSS THAILAND, SOUTH KOREA, THE UK, THE US AND LARGE PARTS OF AFRICA SEEMS TO HAVE TAKEN THEIR TOLL.

Here, I am not even getting into the issues faced by Tata Steel Europe, which is now being merged with ThyssenKrupp's steelworks in a 50:50 joint venture. Allowances have to be made for a business decision that did not pan out as planned. It has happened to the most hallowed names in global business and will doubtless happen many times again.

In one of our articles last year, we had been critical of another iconic Indian business leader, Infosys founder N.R. Narayana Murthy, for not being able to let go of his "baby" even after formally retiring from all executive and non-executive roles.

Tragically, Ratan Tata, another equally iconic Indian business titan, has done the same. The exact sequence of events leading up to that sad denouncement is lost in a welter of accusations and counter-accusations but most accounts agree that the Tata Trusts used their special powers, vested in them around the time Tata demitted office, to oust Mistry. Such a significant decision and its manner impacting the $140-billion group ought to have been a lot more sensitive and transparent.

There are now serious allegations about the Tata Group's investments in Air Asia India being in breach of foreign investment norms. Tata must confront these charges head on, and place in the public domain all material facts instead of taking refuge behind legalese. That's what the world has come to expect of the Tata and any deviation from its own high behavioural benchmarks is bound to raise eyebrows.

There are also similar imputations of impropriety in the decision to keep Tata Motors' Nano production line in operation despite mounting losses.

As the messy legal battle meanders through the Indian courts, the merits of the case won't matter to the public but a perception that something is not right may gain currency. Given the public's general lack of faith these days in Indian business houses, the good name of the Tata runs a big risk of getting tarnished. That will be a sad day for Indian businesses and overseas Indians such as myself who have often used the Tata Group's achievements as a proxy for the global successes of India.

Therefore, if there is an amicable settlement in sight, and this a big 'if', then both parties must for the sake of all its stakeholders, make that extra effort. That will save the group any further beating and can, arguably, help it regain some lost ground in the global brand sweepstakes. Otherwise this epic feud, increasingly playing out like David versus Goliath, will continue to be a drag on all concerned. And, as in many past instances of such corporate battles, history may ultimately judge Cyrus Mistry better. But there are much bigger stakes for Brand India here also.

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The first Global Edition of 'India Global Business' is a nod to women's achievements across different fields to mark International Women's Day this month. Besides, the Sector Focus is on India's vigorous banking reforms and the Hotspot country this time is Brazil.

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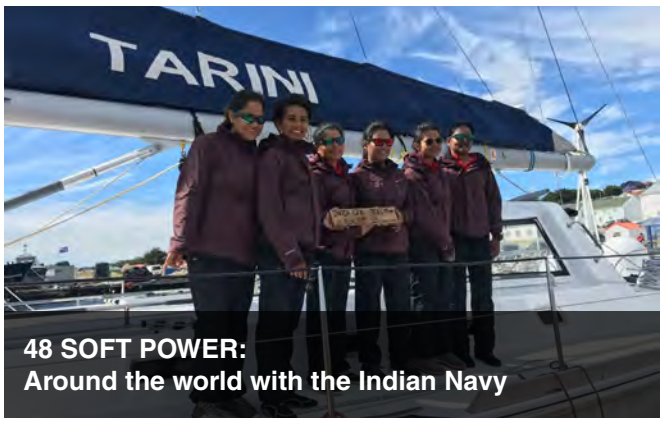
SPOTLIGHT

REALTY CORNER



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HOUSE OF TATA: TRANSITION TIME

In many markets around the world and certainly to many watchers of Indian business, the House of Tata is synonymous with all that is good about Indian industry. So, it is a matter of concern not only for Tata shareholders, but all Tata stakeholders, which means pretty much most of India, that the value of its brand has fallen a fair bit over the last few years, taking its ranking in the global brands pecking order from the Top 50 to below 100.

As yet unproven allegations about conflicts of interest and still not established concerns about alleged gaps in governance have undoubtedly dented the image and value of the group that has, over the last one-and-a-half centuries established itself as the gold standard of Indian business.

And steroid-charged global top line growth, a lot of it inorganic, and indifferent financial performance in some key domestic industries have also contributed to this decline.

The Tatas will have to address these issues squarely and there are indications that the top leadership is aware of this.

Our Cover Story takes a deep dive into the Tata empire to examine the issues as the group transitions from its most messy succession while charting out its future direction.

Tata Group has to get the wind behind its sails

by India Inc. Staff

The Tata Group is the best-known Indian business house in the world, but it has to address several issues to maintain its position as the gold standard of the country's industry.

The Tata brand remains India's most valuable and also the best-known global calling card of Indian industry. But in 2017, it fell out of the list of the world's 100 top brands for the first time since 2007, clocking a rank of only 103. This marked a 14-position decline compared to the previous year, according to Brand Finance, a global consultancy that publishes an annual list of the world's most valuable brands.

Many experts have attributed this fall to the controversy over the bitter exit of Cyrus Mistry as Chairman of the group. There is no doubt that the unceremonious departure of the former chairman has dented the Tata reputation but to be fair, the fall in the standing of the brand had begun even before feud became public. The 2016 ranking was a 21-position decline from the previous year's ranking of 68. The Tata Group's brand value has been pegged at $13.1 billion, down from a peak of $18.1 billion in 2013. In each of the two years before it reached its peak valuation, the Tata brand was ranked among the world's top 50.

Incidentally, Apple is the world's leading brand with a value of $145.9 billion, according to the same Brand Finance study. And other Indian brands among the global top 500 are Airtel, Life Insurance Corporation of India, Infosys, State Bank of India, Reliance Industries, Indian Oil Corporation, HCL Technologies and L&T.

"The brand value drop of 4 per cent is clearly not positive. However, it is a lesser decline than between 2015 and 2016, when brand value fell 11 per cent. Tata is present in a number of industries in which operating conditions are very challenging for all participants.

"In this context, the slight decline can be seen as a stabilisation in challenging times. As Tata's new chairman, Natarajan Chandrasekaran, settles in and attempts to streamline the conglomerate's activities, we expect Tata to return to brand value growth soon," the CEO of Brand Finance, David Haigh, said in a statement soon after the report was released.

The Tata Group has long been considered the gold standard of Indian business not just in India but also globally. So, any erosion in

its brand value may also affect the standing of Indian businesses across the world. This is a matter of concern for everyone who tracks Indian business going global. It follows then that some nifty housekeeping must be in order at the House of Tata.

A blow to Tata image

The group has its work cut out. Over the last year and a quarter, serious allegations have been made about governance standards and alleged conflicts of interest at or near the top of the Tata Group pyramid. These matters are being adjudicated by the courts and so 'India Global Business' will refrain from discussing them here.

Till these issues are resolved, they will continue to be discussed in the public domain and if it drags on for too long, will prove to be a drag on the Tata image and can possibly continue to have a downward bearing on its brand value.

Then, there are concerns over the profitability of some of major group companies such as Indian Hotels, which runs the Taj Group of Hotels, Tata Motors and Tata Power.

New man at the helm

Following the very public falling out between Cyrus Mistry, whose family at over 18 per cent are the largest private shareholders in the group holding company – Tata Sons, the group brought in TCS veteran Chandrasekaran to do precisely that – stabilise the diversified business house, which has about 100 companies – 25 of them listed – in its fold. Among the marquee brands in its portfolio are Jaguar Land Rover, Taj Group of Hotels, Tata Steel, Tata Motors, Titan watches, Tanishq range of jewellery and a lot more.

Chandra, as Chandrasekaran is known to his Tata Group insiders, has focused on consolidating businesses, cutting losses and ensuring profitability.

"We cannot boil the oceans. We have got to pick the big areas and then go after them. These are areas in which we are working on. Many of our businesses have got huge potential to scale. So, this theme will be applicable irrespective of the segments we look at," he told a leading business news channel in an interview.

Investors give a thumbs-up

The investor community, which had beaten down Tata stocks in the aftermath of Cyrus Mistry's exit, seems to have regained confidence in the intrinsic worth value of these companies.

EVERY COMPANY OR GROUP OF COMPANIES, ESPECIALLY ONE AS OLD AND DIVERSIFIED AS THE TATAS, HAS A STRONG INTERNAL CULTURE THAT MAKES IT RESISTANT TO BIG BANG CHANGES. AT THE SAME TIME, OSSIFICATION LEADS TO CERTAIN DEATH.

Since February 21 last year, when Chandrasekaran assumed charge as the new Tata Chairman, the market capitalisation of all the listed companies of the group have risen a cumulative $20 billion. TCS, which he headed before being promoted to the group's corner office, had made investors wealthier by about $12 billion. Tata Steel, which had been a bit of a laggard since the Corus purchase turned sour, has added $4 billion to its M-cap. However, another group flagship, Tata Motors, has seen its market value fall by a fifth to about $19 billion in the first year of Chandrasekaran's reign at the top of India's largest business group.

"We look at simplification in all dimensions in each of the seven or eight areas in which we operate," Chandrasekaran said in the interview. "Synergy is something that is significant in terms of productivity, in terms of consolidation of procurement, technology and businesses. There are many different dimensions in which we can get synergy, but we are going to be careful."

Impressive though these figures are, when juxtaposed against the $50-billion increase in group M-cap during the three-and-a-half preceding years, when Cyrus Mistry was at the helm, it points to a continuation of a trend rather than a dramatic improvement in performance.

The outside insider

The Tata Group has always been headed by a Parsi who was either a Tata or related closely to the promoter family. Even Mistry is actually related to the Tatas. His sister is married to former Chairman Ratan Tata's half-brother Noel.

Chandrasekaran, on the other hand, has no Parsi or Tata connection with the exception of his professional ties. He has also never worked in any non-IT vertical and is a complete stranger to businesses like steel, power, automobiles, consumer durables, jewellery and the myriad other sectors that the Tata Group is present in.

Having spent all his life in the IT industry, he is, however, credited with engineering TCS' steroid-powered surge to the top ranks of India's m-cap sweepstakes – TCS alone accounts for more than half the group's $135 billion-plus market value.

New team

Like Ratan Tata and Mistry before him, Chandrasekaran is also building a new core team of leaders, mostly in the 45-50 years age group, to take on leading roles across the diversified group, which makes everything from bottled water to branded jewellery to steel, cars, salt, software and a lot more in between.

And like his two immediate predecessors, he has selected more than half of his new team from outside the Tata Group, an implicit admission, perhaps, that the group's internal bench strength isn't as strong as he might have wanted it to be.

For example, he has recruited Saurabh Agarwal, who in his previous

assignment as Head of Strategy at the Aditya Birla Group had driven the merger of group companies Aditya Birla Nuvo and Grasim. He also oversaw the merger of Idea and Vodafone and the takeover of Jaypee's cement business by UltraTech, as Group CFO, and brought in Shuva Mandal from law firm Fox & Mandal as Group General Counsel. And he has shifted some of his senior colleagues from TCS to important group-wide positions.

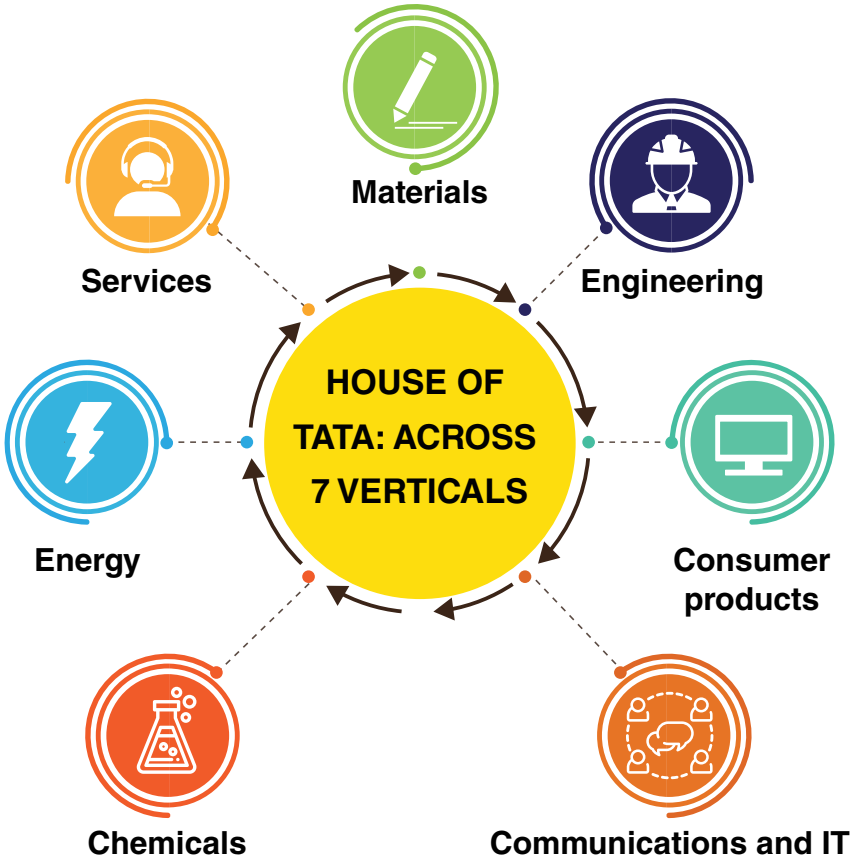
These have been accompanied by a few high-profile exits as well. Anil Sardana has quit as Managing Director of Tata Power and Brotin Banerjee as Managing Director of Tata Housing. Both companies have been placed under Banmali Agarwal, former Country Head of GE in India, who also heads the group's new defence industry vertical. Then, Rajiv Sabharawal, former banker and Partner at True North Managers, has been brought in as Managing Director of Tata Capital.

Commenting on these changes, the group told a newspaper: "We want to drive a culture of agility and high performance within the group. To achieve this, it is important to have to right people in the right roles across functions."

This is not to say that internal talent has been given the short shrift entirely. T.V. Narendran, head of Tata Steel's Indian operations has been named the company's global CEO and even the European business, which is being merged into a 50:50 joint venture with ThyssenKrupp's steel business, will report to him. The goal seems fairly clear and is a continuation of a process begun by Ratan Tata to bring the loosely-bound-together group he inherited into one, with a stronger core that exercised absolute control.

Bench strength concerns

The series of moves does seem to indicate that the group's internal talent pool is a little stretched and that it lacks sufficient numbers of senior managers who could be groomed to take up critical leadership roles across the conglomerate.



This is clearly an area of concern for a group that has, historically, groomed, nurtured and promoted many stalwart leaders such as Russi Mody, Sumant Moolgaonkar, F.C. Kohli and Darbari Seth, among dozens of others.

How the new management handles this critical issue will have a bearing on the group's future.

Resolving sticky issues

Soon after taking over as group chairman, Chandrasekaran announced a resolution of its dispute with Japanese partner Docomo and the sale of its mobile telephony business to Bharti Airtel – for free. He also paid back about $2.6 billion that the telephony business owed creditors with funds infused by Tata Sons.

This deal was certainly the result of some out-of-the-box thinking. At one go, the group got rid of a bleeding asset that had no possibility of turning around, it staunched any further losses and it saved the Tata Group the potential embarrassment of having to lay off hundreds of people in the event of having to close the company down.

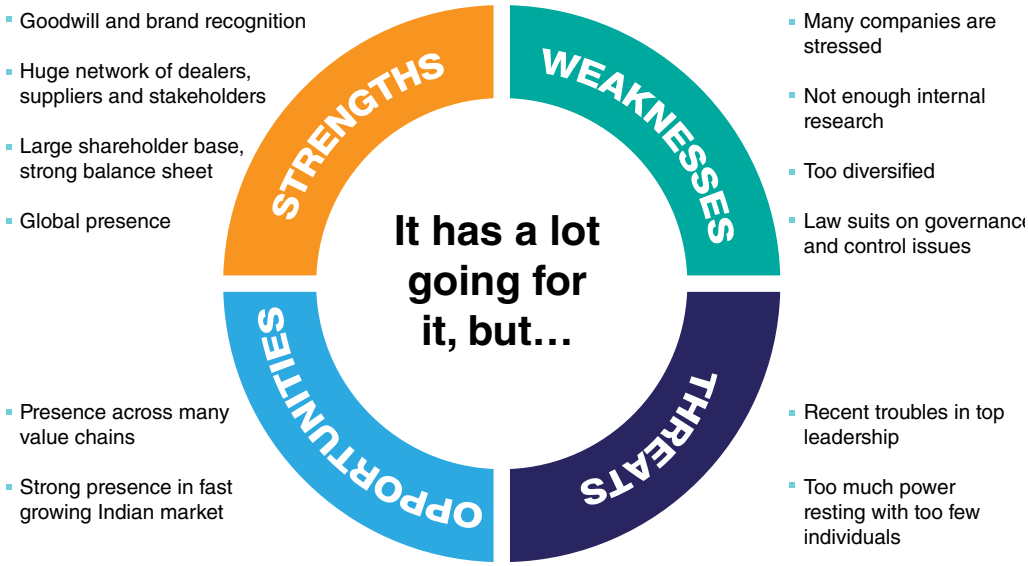
Then, he also gave the finishing touches and finalised the joint venture agreement with ThyssenKrupp for the business operated by Tata Steel Europe (formerly Corus), which had been weighing down the steel company's balance sheet and preventing it from expanding in India.

With its European operations no longer an Albatross around its neck, Tata Steel is now focusing once again on consolidating its position in India. The company is almost certain to clinch the acquisition of the bankrupt Bhushan Steel for about $5.6 billion and position it to regain its position as the largest domestic steel producer in India.

The group, which already runs two airlines – Air Asia India and Vistara – in the domestic market, has also

made it known that it will consider bidding for Air India, which was promoted and run by J.R.D. Tata before it was nationalised, when it is put up for disinvestment. Though red flags have been raised, as murky allegations of breaches by Tata of India's strict restrictions on foreign management and control continue to swirl, and are the subject of acrimonious court proceedings.

In the automotive sector, there are signs that the group's domestic passenger car business is turning around. Tata Motors has clawed its way back into the ranks of India's top five passenger car companies by sales in recent months and its recent launch, the Tiago, is among the top 10 best-selling cars in India – a first for a Tata Motors car in almost six years.



Teaching an elephant to dance

Every company or group of companies, especially one as old and diversified as the Tatas, has a strong internal culture that makes it resistant to big bang changes. At the same time, ossification leads to certain death. A good leader, therefore, has to calibrate pace of change to ensure that the resulting shock doesn't kill it.

Teaching an elephant to dance is never an easy task… Teaching an old dog new tricks is even more difficult… because a leopard never changes its spots.

That is what the Tata Group is attempting to do. To be fair to Mistry, this is precisely what he too attempted, but his efforts obviously didn't find favour with the Tata Trusts, public Trusts which control Tata Sons, the holding company of the group.

The new group chairman has also embarked on a similar course of action – only, this time with what many believe is the express blessings of group patriarch Ratan Tata, who effectively controls the Trusts.

Early days yet

The Tata Group is in the throes of change led from the very top. In some ways, the process will have to mirror what is being done to Bombay House, its iconic head office in Mumbai's Flora Fountain area. The 94-year old building is having a complete internal makeover in keeping with the needs of a leading 21st century global business house while retaining its heritage façade with all its external trappings and embellishments.

Lots to fix

The group has its mission cut out. As this report points out, building bench strength and grooming middle level managers to occupy senior positions and senior managers to assume leadership roles is a crucial gap that the new leadership has to focus on.

Then, addressing the many governance concerns flagged in the public domain will also test the mettle of the group's top leadership, not least because it will have to maintain, and even improve upon, the rich legacy Tata legacy of transparency and good governance.

The conglomerate may also have become too unwieldy and large. It has become imperative to take a hard look at its portfolio and companies and take a dispassionate decision on which ones fit into the bigger picture and which ones don't.

And finally, it will also have to decide on how much control the trusts, which own two-thirds of Tata Sons, should exercise over the operating companies, most of which are widely held.

The House of Tata is a massive ship and making changes mid-course, even minor ones, will take elaborate planning, time and lots of energy. It has to do this to get the winds behind its sails.

In the meantime, the questions and concerns will persist.

THE TATA STORY

London is determined to remain a top choice for Indian businesses

Sadiq Khan, Mayor of London, tells 'India Global Business' about his determination to keep London as the top choice for Indian talent and businesses.

How would you describe your India visit in December 2017 in terms of closer partnerships struck for the city of London?

The longstanding relationship between Britain and India plays a big role in modern London, and the huge contribution of the Indian community to London's success over many decades is part of the fibre of our city. It has played a vital role in shaping the culture and economy of our capital.

There is a strong, enduring bond of friendship and collaboration that exists between Britain and India – and I want this special relationship to grow even stronger. But we can't escape the fact that this relationship has changed: countries and cities around the world are now competing to trade with India and to access India's great pool of talented people. As the Mayor of London, I'm determined to fight to ensure my city remains a top choice for people of Indian origin who want to work, study and do business outside of India.

What are some of the key sectors of collaboration?

I know there is a huge amount we can learn from each other and that there is scope for even greater collaboration. I'm passionate about deepening the relationship we have across a wide range of areas – from trade and business to tourism, technology, education, sport, culture and the arts.

I believe that through a new focus on smart city initiatives, we can not only take big steps forward in creating greener and more sustainable cities, but also transform the way we design public services and deliver infrastructure to improve everybody's quality of life.

In recent years, too often the debate around the relationship between the UK and India has been solely around boosting trade. Of course this is vital, but there are so many other areas where we can work together to speed up innovation and to tackle some of the shared challenges we face.

That's why when I was in India last year I was proud to announce London and Bengaluru will lead a new air quality partnership, with the aim of working with other key cities in India and across the world. To solve these major health and economic challenges, which are becoming ever more common to major cities around the world, it is important that politicians, policy-makers and business leaders create deeper city-to-city partnerships.

What are the kind of transport links London and Indian cities can benefit from?

Shortly before I visited India, Jet Airways become the first international carrier to operate three daily direct flights between London and Mumbai – this is a clear sign that businesses are looking to meet the growing demand for air travel between our countries. This is good news for members of the Indian diaspora living in our city, good news for Londoners who want to visit India as tourists, and good news for London's companies who want to do business with their counterparts in Mumbai and elsewhere in India. I look forward to seeing more and more transport links between London and the great cities of India developing as time goes on.

Is Brexit a big worry among Indian businesses?

Brexit is dominating our political conversations here in London and the rest of the UK – and when I visited India and spoke to business leaders there, it came as no surprise that they share many of our concerns about the future of the UK's economy and its relationships with countries around the world. There is no doubt that Britain's vote to leave the European Union and the British government's misguided approach to visas has caused uncertainty and concerns.

My job is to reassure everyone in India that London remains – and will always remain – open to business, trade and people from the subcontinent. Now, more than ever, I am working to ensure the world knows that London is an outward-looking city that embraces talent and entrepreneurship and welcomes people from all corners of the world.

What steps are you taking to ensure London's supremacy as a financial centre for Indian companies?

Attracting talented people from around the world is part of London's DNA – and this is what the city's businesses come back to time and time again when outlining their concerns about the UK leaving the European Union. We have always been a beacon of entrepreneurship, innovation and enterprise and have welcomed with open arms people seeking new opportunities and looking to be a part of the great London success story.

Ambitious Indian businesses looking to expand internationally should look no further than London and take advantage of our status as one of the world's leading financial centres and Europe's largest technology hub. Since becoming Mayor, I've met many Indian businesses, including leading companies such as Tata, Air India and HCL Technologies.

Not only do we want to attract more investment to London from India

AS THE MAYOR OF LONDON, I'M DETERMINED TO FIGHT TO ENSURE MY CITY REMAINS A TOP CHOICE FOR PEOPLE OF INDIAN ORIGIN WHO WANT TO WORK, STUDY AND DO BUSINESS OUTSIDE OF INDIA.

and to see more businesses setting up offices in our capital, we want to share ideas and expertise in new and exciting sectors.

I was delighted to appoint Deepak Parekh as the first member of my International Ambassadors Network: as a highly respected Indian business figure, his experience and profile will be invaluable as we build on the excellent relations London already has with India. I was also really pleased to lead a trade mission of 20 business people to India – alongside my Deputy Mayor for Business, Rajesh Agrawal – as part of my International Business Programme, which has secured £120 million of investment and created over 400 additional jobs since I took office.

WHEN I WAS IN INDIA LAST YEAR I WAS PROUD TO ANNOUNCE LONDON AND BENGALURU WILL LEAD A NEW AIR QUALITY PARTNERSHIP

On a personal note, how would you characterise the significance of your visit to both India and Pakistan?

Spending time in these incredible, historic countries felt very special to me: my grandparents and my parents were born and raised in India before moving to Pakistan. The welcome I received in both countries was very moving and I'm truly grateful for the hospitality I was shown throughout. The trip was memorable in many ways and will leave a lasting impression on me.

Indian companies eye new markets

From consumer goods to nuclear energy, there was a wide sector coverage of India's interests across the globe.

Japan's Sumitomo eyes Indian JV

Tokyo-based diversified conglomerate Sumitomo Corporation is set to form a joint venture with an Indian company to build integrated township projects across the country.

The Japanese company is at an advanced stage of finalising the structure of the venture and, as its first project, it may start a large-scale integrated township, including a condominium development. This will be the first time that a Japanese company will participate in Indian real estate space.

Sumitomo would develop large-scale projects across the country and not confine itself to any particular region.

India currently allows 100 per cent foreign direct investment (FDI) under the automatic route in the construction development segment, which includes townships, housing, built-up infrastructure and real estate broking services.

International real estate developers, especially Chinese developers such as Wanda Group, have been showing interest in Indian real estate. Most of these companies are interested in building large-scale projects across the country.

Britannia to scout for new markets

Indian Consumer packaged goods major Britannia Industries Ltd has plans to launch around 50 new products under its existing as well as new categories by the end of the next fiscal as part of efforts to be a total food company.

In view of its growth strategy, the Kolkata-headquarteredcompany will launch dairy products by October-November and croissants through its joint venture with Greek cakes and confectionery major Chipita by March 2020.

Besides, the company will continue with its strategy of adding new countries in its list and scout for new markets in Africa, while foraying into Bangladesh and Myanmar.

Britannia is looking to diversify in bakery and non-bakery segments and also focussing on snack items.

The company is in the process of putting up a manufacturing line with its JV partner Chipita for croissants, which is expected to come up by the third quarter of the coming fiscal.

The company is also in the process of setting up a Rs1,000-crore ($156-million) plant at Ranjangaon, Pune which would be an integrated food park, he said, adding two plants in Guwahati and export-oriented unit at Mundra SEZ would be commercialised early next year.

Britannia's Nepal plant would start in the fourth quarter of the next fiscal as it is awaiting environmental clearance there.

Bharti Airtel explores IPO of Africa unit

Indian telecom operator Bharti Airtel Ltd said the unit managing its Africa operations is considering a potential initial public offering (IPO).

In a stock exchange filing, Bharti Airtel said the board of Bharti Airtel International (Netherlands) BV has authorised the management to begin non-binding exploratory discussions with banks and intermediaries to evaluate the possibility of a public listing.

The company added: "The above discussions are at an exploratory/ preliminary stage and at this juncture, there is no certainty of any final decision or outcome."

The company's aggregate customer base in Africa has increased from 84.1 million as of December end from 76.9 million in the corresponding quarter last year, an increase of 9.4 per cent. It offers 3G services and Airtel Money across 14 countries in Africa and 4G services in four countries in the continent.

Bharti Airtel entered Africa in 2010

when it purchased Zain's operations in the continent for $10.7 billion. Over the past few years, it has been trying to capture the African market through local deals. It has made three small-ticket acquisitions in Uganda, Congo Brazzaville and Kenya.

Petronet in Sri Lanka JV with Japan firm

Petronet LNG Ltd, India's biggest importer of gas, and its Japanese partners will invest $300 million to set up Sri Lanka's first liquefied natural gas (LNG) terminal near Colombo.

The Indo-Japanese partnership will set up a 2.6-2.7 million tonnes a year floating LNG receipt facility off the island's western coast, bigger than the previously envisaged 1.5-2 million tonnes a year facility.

Petronet will hold 47.5 per cent stake in the project while Japan's Mitsubishi and Sojitz Corp will take 37.5 per cent stake. The remaining 15 per cent will be held by a Sri Lankan entity.

Prabhat Singh, CEO, Petronet, said: "We are in the process of signing MoU with the Sri Lankan government for setting up of the LNG terminal."

Sri Lanka has plans to build a 300-mw gas-fired power plant in Kerawalapitiya, on its west coast, adjoining an existing power plant. The existing plant, which uses oil to generate power, will also be converted to LNG once the terminal is set up and gas imports start.

The terminal in Sri Lanka is part of Petronet's vision to own 30mt per annum of LNG import and regasification capacity by 2020.

Taiwan seeks business partnerships in India

Taiwan is likely to lead investments of more than $10 billion to make India its business partner, as an attempt to counter Chinese investments.

James Kuo, Deputy Executive Director, Taiwan External Trade Development Council, said: "A large Taiwanese chemical firm alone is setting up a $10 billion investment in the southern part of India, to make polypropulene raw materials for making plastic."

Kuo said that alongside investments by firms in the chemical sector, Taiwanese companies are also seeking 'Indian partners' for investments in sectors like Information and Communications Technology (ICT), virtual reality (VR), shoes, and even in the manufacturing of iPhones by Foxconn, the Taiwan based iPhone manufacturer.

India and Taiwan have an annual bilateral trade which currently stands at $3 billion per annum. Kou said that this is expected to multiply on the back of fresh Taiwanese investments and exports to be generated out of India.

Aiming to seek out capable partners in India, Taiwanese businesses are going to participate in three trade expositions to be held across India. One of them, Computex, is already reputed to be the best technology show around the world.

India, Russia & Bangladesh in nuke pact

India signed a tripartite agreement with foreign partners Russia and Bangladesh for civil nuclear cooperation last week.

Nuclear Power Cooperation of India Limited (NPCIL) will play a key role in building a nuclear power plant on foreign soil with the proposed supply of equipment and material for a power station being built by Russia in Bangladesh. India is also extending support for capacity building and has been training Bangladeshi nuclear scientists for the project.

Russia's civil nuclear body Rosatom is constructing nuclear power plant in Bangladesh on a turnkey contract basis. The scope of work includes design, production and supply of equipment, construction, installation, pre-commissioning and commissioning.

The Memorandum set a framework for the interaction of the Russian Contractor, Indian and Bangladeshi experts in the implementation of the project. The parties will cooperate in the field of personnel training and mentoring, exchange of experience and provision of consulting support.

This is first occasion where Delhi will be involved in a civil nuclear project on foreign soil marking India's global entry into a strategic sector. It will also boost the Make in India initiative amid a proposal by Delhi to Moscow for manufacturing of some nuclear power reactor equipment in India.

UK WEEK 2018 INDIA
18-22 JUNE 2018

india inc.
ENGAGING LEADERS
INCISIVE CONTENT
IMPACTFUL EVENTS

Defining the contours of a new trade dynamic

The year 2018 has seen an electrified burst of activity in the UK-India corridor. Two months into 2018, and already we have a flurry of Indo-British activities.

The recent UK-India Createch Summit, which hosted a delegation of 62 UK businesses in Mumbai, saw deals worth £58 million signed in collaborative projects between UK and Indian businesses in sectors across technology, transport, healthcare and more.

The year 2018 so far appears to be the year of strengthening the living bridge flagged by Indian Prime Minister Narendra Modi as key to the bilateral relationship.

The healthcare mission to India is another promising development in the UK-India dynamic, coming on the back of Indian Finance Minister Arun Jaitley's Budget unveiling one of the world's largest healthcare programmes. The timing for the trade mission led by the UK's National Health Service (NHS) England chief, Sir Malcolm Grant, could not have been more apt.

Even British royalty was getting in on the India action, with the British Asian Trust, founded by Prince Charles, celebrating its 10th anniversary of working with South Asian charities with a proposed launch of a new Development Impact Bond for education in India. The Earl of Wessex's visit to India saw a focus on

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innovation and technology in healthcare, including the official inauguration of the DICE Health and Wellness accelerator.

On the Indian side, we witnessed some concrete steps to cut red tape and roll out the red carpet to attract more foreign direct investment (FDI). Commerce Minister Suresh Prabhu's visit to London threw India's interest in renewables, clean technology and the Commonwealth as a potential trading bloc into the spotlight. The Indian minister urged UK and Indian businesses to take the lead in transforming an ailing Commonwealth into a trade bloc, promising Indian government support for such an initiative.

India Inc. has designed the UK-India Week 2018 to take matters forward, as part of the wider vision of nurturing bilateral relations through our annual events

The year 2018 so far appears to be the year of strengthening the living bridge flagged by Indian Prime Minister Narendra Modi as key to the bilateral relationship.

India Inc. has designed the UK-India Week 2018 to take matters forward, as part of the wider vision of nurturing bilateral relations through our annual events. This first-of-its-kind series of events in June this year will be aimed at fortifying the living bridge between the UK and India and transform it into a runway for a smooth take-off of closer ties.

- The UK-India Leadership Conclave 2018 (June 20-21) is designed to open dialogue and debate around the future of the bilateral relationship. Held over two days in a luxurious manor in the English countryside, the conclave will provide the inside track on India and the UK.
- The High Commissioners' Cup (June 19) is an exclusive golf day for the revitalised Commonweath community to brainstorm and power network amid some light-hearted banter.
- The UK-India Awards 2018 (June 22) are designed to celebrate mutual and individual achievements within the UK-India dynamic.

- The UK-India 100 (June 22) is an exclusive list of key influencers that enrich and make the UK-India relationship tick.

The UK-India Week 2018 brings together a string of A-list, invitation-only events. Use this link to register your interest in time.

Nominations for the UK-India 100 Most Influential in UK-India Relations as well and UK-India Awards 2018 will be closing soon.

India-Canada: A missed opportunity

by India Inc. Staff

The recent India visit of Canadian Prime Minister Justin Trudeau failed to hit the right note for investment potential.

For two economies as culturally interlinked as India and Canada, the intensity in trade ties have always flattered to deceive. In 2017, bilateral trade between the two nations stood at $8.4 billion with India having a trade deficit of approximately $2 billion. Trade has grown since 2010, when it was just $3.21 billion, but it still does not reflect the true potential. India accounts for only 1.95 per cent of Canada's global trade.

These are underwhelming numbers in the face of deep cultural roots that the two countries share. The Indian diaspora is now a sizeable part of Canada's demography and accounts for over 3 per cent of the country's population. It is also well represented in federal Parliament and provincial legislatures. In the present House of Commons (elections in October 2015), there are 21 MPs of Indian origin (up from nine). Four of them now hold Cabinet berths – up from two Ministers of State in the last Cabinet.

Canadian Prime Minister Justin Trudeau's seven-day state visit to India in February was expected to impart the required thrust in nurturing trade ties between the two countries. The two nations are negotiating a bilateral investment treaty, the Bilateral Investment Promotion and Protection Agreement (BIPPA), and a free trade agreement, Comprehensive Economic Partnership Agreement (CEPA), but progress on both fronts has been tardy.

Cold shoulder?

Right from the moment Trudeau and his entourage, which included his family of five, touched down at the Indira Gandhi International Airport in Delhi on February 17, the trip was marred by a diplomatic standoff that refused to ebb for the better part of the seven days he spent in the country. He was received at the airport by a minister of state for agriculture, who is not even part of the Indian Cabinet. While it does not flout any protocol, in many cases,

Prime Minister Narendra Modi has himself received heads of states at the airport.

Some also perceived this cold shoulder treatment was further extended at the Canadian Prime Minister's visit to the Taj Mahal, where the state chief minister Yogi Adityanath failed to turn up. The grapevine went into overdrive to speculate on the reason for this apparent snub. Trudeau's Liberal Party's perceived ties with those who support the Khalistan separatist movement of the 1980s in India, and an invitation sent out to Jaspal Atwal, a convicted Khalistani terrorist, to a pair of high level receptions were bandied around for the frostiness.

India steadfastly refuted any suggestion of a less than warm welcome being extended to the Trudeaus and the Canadian administration itself apologised for the Atwal incident and the invitation was promptly rescinded. Yet, the needless controversies did cast a rather long shadow on the Canadian visit. By the time Trudeau met Modi on February 23, the last day of his visit, the controversies had cooled off but a bitter aftertaste lingered.

Joint statement

The biggest take away from the joint statement issued after the meeting was the promise to finalise "mutually acceptable technological protocols" within 2018. The seemingly innocuous statement has far reaching implications in the current scenario as it could enable export of Canadian pulses to India free from pests of quarantine importance.

India's decision in November to raise import duties on pulses by up to 50 per cent and putting stringent fumigation requirements impacted Canada the most, which supplies pulses of around $1 billion to India every year. Canada had been exempted in the past from any fumigation requirement as the cold climate there was not conducive for the pests to survive. That exemption expired last September and has not been renewed yet. At the same time, India gave less time to Canada to comply with the new fumigation norms compared to the other countries like the US and Australia.

India has been the largest market for Canadian pulses, peas and lentils. Traditionally a net importer of pulses, India has since last year received a bumper crop in pulses and is unwilling to import the staple food, to protect domestic farmers.

The controversy over tariffs on pulses may just be a passing thing but it does highlight the moribund state of affairs between the two nations.

THE CONTROVERSY OVER TARIFFS ON PULSES MAY JUST BE A PASSING THING BUT IT DOES HIGHLIGHT THE MORIBUND STATE OF AFFAIRS BETWEEN THE TWO NATIONS.

Trade deals

The negotiations for a Canada India Economic Partnership Agreement (CEPA) trade deal for example has not moved an inch even after 10 rounds of talks over at least seven years. Talks on CEPA began at the end of 2010 after Prime Minister Stephen Harper visited India and a joint study forecast a deal would produce a GDP gain of $6-15 billion for Canada. The following year's throne speech declared the government's intention to complete negotiations on the deal in 2013.

Similarly, the two countries have not been able to arrive at a consensus over the relatively more tangible BIPPA. India was close to signing an agreement in 2014 but following the election of the Narendra Modi government, a draft BIT (bilateral investment treaty) was brought in that diluted provisions like investor-to-state dispute settlement mechanism and asked all partner countries to renegotiate such existing treaties. This put Canada in a spot as it had already spent substantial energy and time in negotiations and did not want to protract anymore. India now wants both BIT and CEPA to be finalised simultaneously for a more balanced outcome.

"The most critical thing is to get a deal signed. Everything else is semantics," says Dr Vivek Dehejia, Assistant professor of Economics and Philosophy at Carleton University in Ottawa. "A CEPA would cover farm products in general, agricultural products and restrain one country from unilaterally slapping high tariffs on the other."

"The deal wasn't going anywhere before this visit, but now it's certainly dead. I think it would be a miracle if [CEPA] sees the light of day at this point, given the low ebb of the relationship," Dehejia said. "Even if the trip had been neutral, and the visit had gone ahead with no mishaps, there would have been some glimmer of hope. But now, it is really pessimistic."

Road ahead

It isn't however, as pessimistic as it may sound. India's growing prominence on the global stage has largely not reflected on its ties with Canada but things have begun to change in the last few years. In his only visit to Canada in 2015, Prime Minister Modi had secured a landmark nuclear energy deal with Canada for supply of 3.2 million kilograms of uranium over a five-year period. It had formally ended a long-standing moratorium on Canadian exports of nuclear to India. In the 1970s, India used Canadian technology in its nuclear programme and came 45 years after Canada had banned uranium exports to India.

The political rumblings aside, Canada's open economy and ease of doing business has always lured Indian companies to invest there. The cumulative India FDI, as per Statistics Canada in 2016, was $2 billion as against Canadian FDI of $0.9 billion in India. Indian companies have invested especially in the IT, software, steel and natural resources sectors.

Substantial operations in Canada include Aditya Birla Group, Essar Steel, Tata Consultancy Services, Tata Steel Minerals Canada, Tech Mahindra, WIPRO, Infosys Technology, Jubilant Life Sciences, Abellon Energy Inc, IFFCO and Gujarat State Fertilisers and Chemicals Limited (GSFC). Two banks – State Bank of India and ICICI – also have seven and nine branches respectively in Canada.

"We are very happy investors," said Kumar Mangalam Birla, chairman, Aditya Birla Group at the start of his meeting with Trudeau. "I think just the ease of doing business, the business friendliness of the Canadian government across the country I think is something that is a true delight for an investor. Someone who's tasted that will always want to come back for more."

The Birla Group — which already owns pulp mills in Ontario and New Brunswick— has plans to expand in three areas in Canada, in fibre, carbon black and aluminum products.

At over 1.2 million, Indians account for the second-largest immigrant community in Canada. Over 124,000 students also land on Canadian shores every year for education. Thanks to the large Indian community there, Canada is also a favourite tourist destination.

Trudeau's visit may not have achieved much, but with so much going for it, the inertia in trade between the two countries is bound to be temporary at best.

Justin Trudeau's India visit 2018

1. Canadian and Indian companies signed 66 new contracts worth $1 billion in total during Prime Minister Justin Trudeau's seven-day visit to India in February. A quarter of this will be Indian companies investing in Canada and the bulk $750 million is the other way around.
2. More than half the Canadian investment in India comes from Toronto's Brookfield Asset Management $480-million deal to buy a 1.25 million sq ft office complex in Mumbai.
3. Another $200 million comes from Fairfax India Holdings Corp. of Canada, which acquired a 51 per cent stake in the Catholic Syrian Bank in Kerala. This is the first time a foreign firm has been allowed majority shareholding in a domestic bank by the RBI.
4. The investments from India include a new operation in Canada from telecom equipment manufacturer Valiant Communications, a Canadian manufacturing facility to produce natural health products by Clarion Pharmaceutical and an Ontario operation for Vision Controls, which works on automation.
5. Jubilant Life Sciences will spend $100 million to expand its existing facility in Kirkland, Quebec, which manufactures medical devices.
6. India's fifth-largest IT services firm, Tech Mahindra will invest $79 million over five years to set up a centre of excellence in artificial intelligence (AI) and blockchain at Toronto.
7. The deals struck during the Trudeau visit are expected to create at least 5,800 jobs in Canada.

Big reforms underway but Indian banking still a long way away from good health

by India Inc. Staff

The Narendra Modi government and the Reserve Bank of India (RBI) have taken major steps to bring recalcitrant promoters to book and clean up the $210-billion bad loan crisis plaguing the Indian banking system. These can address the issue for now but privatisation is not politically feasible.

The scandal over fugitive billionaire Nirav Modi flying away to an unknown destination leaving behind unpaid loans of $1.8 billion has brought the festering bad loan crisis in the Indian banking system to a boil.

Public sector banks in India are sitting on a massive pile of bad loans aggregating to about $210 billion. This has crippled lending as banks are in no position to advance credit and large corporate houses, many of whom are in the dock for unpaid loans, are in no position to borrow. Result: Private investment is down in India and this is preventing the economy from moving into a higher growth trajectory.

But much before the problem of unpaid loans degenerated into a political slugfest between the ruling BJP and the principal Opposition party, the Congress, the Narendra Modi government and the Reserve Bank of India had begun the process of cleaning up the mess by passing the Insolvency and Bankruptcy Code (IBC) in May 2016, which shifted the balance of power from the borrowers to the creditors and mandated a resolution of individual cases within 180 days (270 days if 75 per cent of lenders agree to extend the timeline) failing which the assets of the defaulting debtor would be liquidated.

Big fish in the dock

In India, unscrupulous businessmen have often defaulted on loans from public sector banks, misused or siphoned them out and then got friendly politicians to write them off… only to start the process all over again. But the Modi government and RBI signalled the end of business as usual by not only passing a stringent law to bring defaulters to book but also directing lenders to pull the plug on the so-called dirty dozen, 12 large companies that account for a fourth of all bad loans.

Dirty Dozen firms account for **4th** of bad loans

At one go, the promoter families of large companies such as Essar Steel, Bhushan Steel, Binani Cement, among others, lost control of their crown jewels, which was handed over to a resolution professional, setting in motion the process of either selling these companies to the highest bidder or liquidating them piecemeal. Recently, the RBI added another 28 large companies, which account for 40 per cent of outstanding loans, to the list. Now, more big companies such as Essar Projects, Orchid Pharma, Ruchi Soya Industries, Nagarjuna Oil Refinery and Visa Steel are also on the block.

The days of politically connected industrialists skimming off public money to enrich themselves at the cost of society are now decisively over.

Opportunity for foreign investors

"The whole world is looking at India now," Edwin Wong, the Chief Investment Officer of Hong Kong-headquartered SSG Capital Management and an ex-Lehman Brothers Holdings Inc. banker was quoted in the Indian media as saying. "It could be a once-in-a-lifetime opportunity."

He and several other global funds see massive investment opportunities as RBI pushes banks to resolve the bad loan crisis by invoking the stringent bankruptcy law.

"It's getting a lot of attention because there is a timetable for the bankruptcy process," the same article quoted Wong as saying. "If the government sticks to what they say they will do, things have to happen."

RBI shows its teeth

In December, there were strong rumours that the Mumbai-based Bank of India would shut down. The immediate trigger was the RBI's decision to place it under the Prompt Correction Action (PCA) framework.

The Finance Ministry and the Indian central bank had to step in to urgently quash the outbreak of public panic.

Financial Services Secretary Rajeev Kumar tweeted: "No question of closing down any bank. Government is strengthening PSBs by 2.11 lakh crore recapitalisation plan. Do not believe rumour mongers."
The RBI, on its part, issued a statement saying: "The PCA framework is not intended to constrain normal operations of the banks for the general public."

One-third of banking sector is sick

Ten public sector banks – Corporation Bank, Central Bank of India, IDBI Bank Ltd, Oriental Bank of Commerce, Uco Bank, Indian Overseas Bank, Dena Bank, United Bank of India, Bank of Maharashtra, and Bank of India – have been placed under this framework.

They account for 30.55 per cent of total deposits in all public sector banks, 30.08 per cent of all outstanding loans and 30.44 per cent of all banking assets.

The writing on the wall is clear: one-third of India's banking sector is suffering from problems and will need surgery at the very least to survive.

The framework

PCA, which was introduced in 2002 when the Atal Bihari Vajpayee government was in power, was revised in 2017. The framework looks at three things – capital through the capital adequacy ratio, asset quality through the ratio of capital to risk-weighted assets and net non-performing assets and profitability through return on assets. It also tracks the debt levels of banks.

The framework has graded risk thresholds, each of which mandate a particular course of corrective action. Any bank that breaches the third and highest threshold is either amalgamated with another bank or wound up.
Crossing either of the lower risk red lines also leads to penal action that includes restraining the bank from declaring dividends, placing fetters on expansion and capping senior management salaries.

Bad loans to rise further

The good news is that none of the banks placed under the PCA framework meet the criteria for being shut down. But that tiny sliver of silver lining is where the good news, such as it is, ends.

RBI's Financial Stability Report from December 2017 projects bad loans to rise further from 10.2 per cent of advances in September 2017 to 10.8 per cent in March 2018 and further to 11.1 per cent by September 2018. The report, however, adds that the financial system will remain stable.

THE DAYS OF POLITICALLY CONNECTED INDUSTRIALISTS SKIMMING OFF PUBLIC MONEY TO ENRICH THEMSELVES AT THE COST OF SOCIETY ARE NOW DECISIVELY OVER.

The news gets worse here: The RBI projects that the capital to risk weighted asset ratio of as many as six of these banks could fall below the minimum level of 9 per cent if macro conditions deteriorate by the end of the current month. If conditions don't deteriorate, as they haven't, the prognosis is for two banks to have CRARs of less than the minimum prescribed level. This, and a general decline in the health of banks will bring down the CRAR of the Indian banking to 11.2 per cent at the end of March 2018 from 13.3 per cent a year ago, a precipitous 210 basis points (bps; 100 bps = 1 percentage point) in one year, the December 2017 report says.

1/3rd
of banking sector under severe strain

A December 2017 IMF report also points to the same danger. It says some of India's mid-size and small public sector banks are "highly vulnerable to further declines in asset quality and higher provisioning needs".

Brandishing the stick

As briefly mentioned earlier, the Banking Regulations (Amendment) Act 2017 and the IBC gave RBI the powers to direct banks to initiate insolvency proceedings against defaulting borrowers and give directions for resolution of stressed assets.

Subsequently, the government amended the IBC to ensure that delinquent promoters and wilful defaulters were barred from participating in the resolution process. This was done to avoid the moral hazard of defaulting promoters bidding for and winning back control of their companies even as banks and other creditors took big haircuts.

The RBI also got into the act, directing banks to provide 50 per cent provisioning for secured assets and 100 per cent provisioning for unsecured ones in cases that came up for bankruptcy resolution.

Cleaning the Augean Stables

The Nirav Modi fraud has brought the chickens home to roost, but it is only the tip of the iceberg, the most prominent among several such cases. Kingfisher Airlines promoter Vijay Mallya had earlier escaped to the UK leaving behind unpaid loans and interest of about $1.5 billion as well as thousands of unpaid employees.

More cases, such as those involving the promoter of Rotomac Pens and Simbhaoli Sugars, have also come to light in recent weeks. Reuters obtained RBI data through the Right to Information Act to show that over a period of five years to March 2017, public sector banks reported 8,670 cases of loan fraud involving an amount of $950 million.

Recapitalisation and reforms

In October last year, the government announced that it will infuse $35 billion into public sector banks in order to help them out of the bad loan crisis they were facing and lift credit

growth in the Indian economy, which had fallen to a 25-year low on account of the twin balance sheet problems.

Of this amount, more than half will be in the form recapitalisation bonds, the details of which will be announced by the Finance Ministry soon. This will have to be accompanied by several far reaching and deep reforms like strengthening the boards of banks, resolving the issue of NPAs and changes in systems and procedures to ensure that similar problems don't recur in future.

"Reform agenda is the highest priority, which has to be implemented along with capitalisation. A whole lot of reforms will come so that genuine borrowers don't suffer and get hassle-free, need based credit," Rajiv Kumar, Financial Services Secretary in the Ministry of Finance, told Indian media, adding that these reforms would focus specially on ensuring adequate flow of credit to micro, small and medium enterprises, job creation and financial inclusion.

The RBI's directive to banks on recognising NPAs and provisioning for them has increased the amount of bad loans in public sector banks by 250 per cent between March 2015 and June 2017.

The government has also asked all public sector banks to check all NPAs more than $5.5 million and directed them to address all their technological and operational risks within a given timeframe. Public sector banks have also been directed to rationalise their foreign operations.

Further, the government will soon enact a law, called Fugitive Economic Offenders Bill, to seize assets and recover dues from bank loan defaulters who leave the country without paying back their loans. A Special Court has been proposed to deal with cases of such fugitive corporate defaulters.

8,670
cases of
loan fraud

Need for fewer, larger banks

And finally, the Modi government has given public sector banks in-principle clearance for state-owned banks to amalgamate through an alternative mechanism. A panel comprising Railways & Coal Minister Piyush Goyal and Defence Minister Nirmala Sitharaman under the chairmanship of Finance Minister Arun Jaitley has been set up to vet proposals from banks in this regard. This panel will report on the proposals to the Cabinet every three months and seek approvals for the same.

RBI'S FINANCIAL STABILITY REPORT FROM DECEMBER 2017 PROJECTS BAD LOANS TO RISE FURTHER FROM 10.2 PER CENT OF ADVANCES IN SEPTEMBER 2017 TO 10.8 PER CENT IN MARCH 2018

RBI Governor Urjit Patel had hinted at this on April 25 last year when he said the Indian banking system would be better served by consolidating and merging banks to deal with the issue of stressed assets.

"As many have pointed out, it is not clear that we need so many public sector banks. The system could be better off if they are consolidated into fewer but healthier banks," Patel said at the Kotak Family Distinguished Lecture at Columbia University, adding that "some banks can be merged, as a quid pro quo for timely government technical injection."

What to avoid

Experts had lauded the initiatives taken by the Modi government and the RBI to clean up the mess in Indian banking but have warned that any overkill will stifle lending and be counter-productive.

10 state banks
under Prompt
Correction Action

They point out that the decision to inspect all NPAs above $5.5 million can cause panic among bankers and prompt them to stop lending altogether. A few high profile arrests of senior bankers as well as more routine investigations by government agencies have affected the functioning of some banks."

This could be one of the reasons why public sector bankers seldom agree to take haircuts to settle bad loans. They can never be sure when investigative agencies will open or reopen an old case of lending on charges of fraud or favour.
Therefore the proposed reforms must have strong safeguards protecting bankers so that they are able to take commercial decisions without fear.

Governance norms in public sector banks also need to keep pace with developments in the sector. The P.J. Nayak Committee on banking reforms had said in its 2014 report: "Government officers and regulators may not possess the skills to appoint the top management of commercial banks. Banking is a very specialised activity, and top management needs to combine strategic foresight with a good commercial knowledge of sectors to lend to, prudent risk management and human resource skills."

This is critical and needs to be addressed along with the other proposed reforms.

Privatisation not politically feasible
Many of the problems faced by public sector banks – political interference in appointments and lending decisions (earlier rampant but thankfully at a minimum under the Modi dispensation), slow decision-making processes, fear of action by the Central Vigilance Commission and other investigative agencies – can be addressed by privatising public sector banks.

But as Jaitley has publicly admitted, any move in this direction needs a broad-based political consensus that is currently not possible to achieve.

Well begun but long road ahead
Experts are unanimous that the initiatives taken by the Modi government and RBI can clean up India's banking sector and set the stage for higher growth in the economy.

$950mn
fraud-hit amount

But they caution that the road ahead is full of potholes. They question whether the government will be able to build a consensus across India's political fault lines to insure these reforms against future political interference from rival political parties.

They also say it will be difficult to inculcate a "private sector mindset", if privatisation is not possible, in a sector that has long been used to working under the thumb of the ruling party at the Centre.

But they also add that if the announced reforms are carried out to their logical conclusion, it will make the Indian banking sector much healthier and, in future, lead to the emergence of Indian banking behemoths that can match their global counterparts in size as well as financial heft.

Blockchain, cryptocurrency on Indian radar

There was considerable activity within India's banking and finance sector in recent weeks.

NASSCOM teams up with Blockchain Institute

India's National Association of Software and Services Companies (NASSCOM) is partnering with the Blockchain Research Institute (BRI) to help spur a digital economy within India.

NASSCOM will work with BRI researchers backed by the Canadian government to help developers learn more about blockchain platforms in preparation for creating and launching tools within the nation.

The two groups have signed a memorandum of understanding (MoU) establishing a financial and research partnership. Each organisation will invest in webinars and other types of seminars whereby researchers within the BRI can share their knowledge using case studies with Indian government departments and other entities.

Raman Roy, Chairman, NASSCOM, said that while he is delighted to launch a research initiative, he understands that encouraging blockchain use in the country will be a long-term effort, rather than something they could plug and play they could do later.

The MoU splits the research push into two parts. BRI's Don Tapscott explained: "We need to create an awakening in India, showcase the power of blockchain and we can do this by looking at incentives/discounts to organisations that do this. That's phase one."

Phase two would be to build a blockchain institute in India, which will be specifically aimed at helping grow the digital ecosystem in the state of Telangana.

Fairfax India to buy Catholic Syrian Bank stake

Fairfax India Holdings Corporation announced that it has entered an agreement to invest Rs 12.1 billion (approximately $186 million) for a 51 per cent equity ownership in Kerala-headquartered Catholic Syrian Bank Ltd. (CSBL). The investment is subject to customary closing conditions and is expected to close in the first half of 2018.

Prem Watsa, Chairman of Fairfax India and Chairman and CEO of Fairfax Financial Holdings Limited, said: "We have great admiration for the legacy and tradition behind Catholic Syrian Bank, an adored brand across the South of India. For almost a century, the bank has been a pillar of support for the community.

"Under the able leadership of Mr C.V.R. Rajendran, based in Thrissur, we intend to take Catholic Syrian Bank to great heights through our re-capitalisation as well as a long-term orientation towards management."

Reliance Jio planning its own cryptocurrency

Following various free offers and hyper-competitive tariffs, Reliance Jio Infocomm Ltd plans to create its own cyptocurrency, JioCoin.

With Mukesh Ambani's elder son Akash Ambani leading the JioCoin project, Reliance Jio plans to build a 50-member team of young professionals to work on blockchain technology, which can also be used to develop applications such as smart contracts and supply chain management logistics.

The company plans to hire 50 young professionals with an average age of 25 years for Akash Ambani to lead. There are multiple applications of blockchain (for the company). The team would work on various blockchain products.

Blockchain is a digital ledger for storing data including, but not limited to, financial transactions. The most popular application of the technology has undoubtedly been cryptocurrency.

Reliance Jio also aspires to get into Internet of Things (IoT), where Blockchain technology will come in handy.

From laggard to leader, the journey has just begun for UP

by India Inc. Staff

The Yogi Adityanath government has set its ambitions very high. But its goal of transforming Uttar Pradesh into an industrial powerhouse shows early signs of promise.

Progressing from pauper to prince is the stuff of dreams. So, when Indian Prime Minister Narendra Modi asked at a recent investor summit whether Uttar Pradesh, India's most populous state with a population of 200 million, could compete with Maharashtra to try and become India's first trillion-dollar state, there were polite smiles all around.

That's because Uttar Pradesh is still to live down its status as a BIMARU state, a grouping of four traditionally backward Indian states comprising Bihar, Madhya Pradesh, Rajasthan and UP. Bimaru is also the Hindi word for illness.

Only time will tell whether the state can rise to the challenge but Chief Minister Yogi Adityanath is determined to give it his best shot – if not to achieve the trillion-dollar economy tag, then at least to push his state into the ranks of India's powerhouse provinces.

Change of image

The state government recently organised an investor summit on the lines of the Vibrant Gujarat Summit, which has attracted billions of dollars of foreign and domestic investment into Modi's home state, to kick-start that effort and change the image of Uttar Pradesh.

"There was an image of crime and corruption connected with Uttar Pradesh earlier. But with our government's approach of 'zero tolerance' to crime and corruption, we have been able to create a fearless environment for investors. After considering and studying policies of various states, we have formulated our new industrial policy, which will encourage investments in Uttar Pradesh," Dinesh Sharma, Deputy Chief Minister of Uttar Pradesh, said at a roadshow for the summit.

"Our focus will be on development of under-developed regions of the state. Logistics, textiles, information technology, dairy and tourism are some of the areas in which we look for expertise from Gujarat," he said.

Readymade platform

Despite its reputation as a crime-prone economic laggard, Uttar Pradesh hasn't done too badly for itself. It has the second-largest gross state domestic product (GSDP), $220 billion in 2017-18 (estimated), among all Indian states after Maharashtra, which leads the pack with a GSDP of $308 billion in 2016-17 (the current year's estimates haven't been

announced yet). And it is growing at 8 per cent, which is faster than the national average.

Agriculture has a share of 25 per cent in the state's GSDP, manufacturing 24 per cent and services 51 per cent. However, it comes in at a poor 25th place among Indian states with a per capita income of only $1,300 (2017-18, estimated).

Incidentally, Morgan Stanley had predicted last year that the Indian economy will grow from $2.56 trillion in 2017-18 to $5 trillion in 2025. So, the projected fast pace of India's growth should augur well for the states, including UP.

Rich in resources

Uttar Pradesh is blessed with adequate reserves of coals, precious stones, sulphur, silica sand, magnesite and limestone, among many other minerals.

Noida, in the National Capital Region (NCR) of the state, has emerged as a major base of the IT-ITeS industry in recent times because of its large base of skilled labour. The city is also fast becoming a hub for India's nascent semi-conductor industry as many domestic and international companies have set up offices and R&D centres there.

Then, Uttar Pradesh is among the top 10 Indian states in the ease of doing business rankings for Indian states by the Department of Industrial Promotion and Policy and the World Bank, occupying the 10th position and also comes in at No. 5 in complying with labour regulations, according to a study by the World Bank and global consultancy firm KPMG. It is also home to the Taj Mahal and many important Hindu pilgrimage spots, thus, making it a magnet for domestic and foreign tourists. In 2016, more than 3.1 million foreign tourists visited Agra where the Taj Mahal is located. Further, Modi announced that one of the two planned defence industrial corridors would be in the state's Bundelkhand region, which is among the most backward.

"Of the two defence industrial corridors mentioned in the budget, one is proposed in the Bundelkhand region of the state, which will bring an investment of Rs 20,000 crore ($3 billion). This will lead to industrialisation of the Bundelkhand region at a faster pace and generate employment avenues for 2.5 lakh people," the Prime Minister said.

India's food basket

Uttar Pradesh, which is situated in the middle of the uber-fertile Ganga-Yamuna plains, is the country's largest food grains producer, and accounted for a sixth of the country's total food grains output in 2016-17. Rice, wheat, maize, millet (bajra), gram, pea and lentils are the major items produced in the state. It is also the largest producer of vegetables in India.

That year, it also produced a sixth of India's milk output.

A firm votary of value addition and the food processing industry, the Prime Minister told the investor summit: "Uttar Pradesh has values and virtues, but it also needs value addition," while lauding the concept of 'One district one product' introduced by the Yogi government that he said could prove to be the game changer for the state.

Incentives for growth

Under the Industrial and Service Sector Investment Policy, 2004 and Infrastructure & Industrial Investment Policy, 2012, the government of Uttar Pradesh, offers several incentives and subsidies to encourage industries to set up shop in the state while simultaneously providing proactive policy support for a wide range of industries such as IT, manufacturing, food processing, tourism and aviation, among others.

The Yogi government in the state has charted out an ambitious path for itself. And though it is only just setting out on its journey to transform itself from laggard to leader, the effort, if not yet the result, needs to be commended.

Industry bets on Uttar Pradesh Investors Summit 2018

Attracted by the opportunities, large business houses such as the Tatas, Reliance Industries, the Aditya Birla Group, Adani Group and Mahindra Group announced massive investments in the state.

• "Tata Consultancy Services Ltd has a very strong presence in UP and we are committed to setting up a new campus of **30,000** people here. We will also open an IT-enabled services centre in Varanasi soon," Narayan Chandrasekaran, Chairman of the Tata Group, announced.

• Mukesh Ambani, Chairman of Reliance Industries, said he will invest more than **$1.5 billion** over the next three years on the operations of his Jio telecom network in the state and also create 10 million "sustainable livelihood opportunities" across the three other verticals that Reliance is present in – petroleum, polyester and retail.

• Committing investments of **$4 billion** in the state over the next five years, Kumar Mangalam Birla, Chairman of Aditya Birla Group, said he plans to expand his cement, chemicals and financial services operations in UP.

• The Chairman of the Adani Group, Gautam Adani, promised to build **600,000 tonnes** of farm produce capacity in the state and also also invest in multi-modal logistics infrastructure and cold storage facilities. "We have lined up plans for developing road and Metro projects in Uttar Pradesh," he said, adding that he plans to invest almost **$6 billion** on these projects.

• Lauding UP's size, its wide railway network and rich human resources, Anand Mahindra, Chairman of the Mahindra Group, said the state should be competing with other nations instead of merely pitting itself against other states. Mahindra & Mahindra proposes to build an electric three-wheeler manufacturing plant in UP.

"A LANDMARK BOOK"

THE TIMES OF INDIA

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'Winning Partnership' is a collection of essays on what a modern India-UK partnership could mean.

The book comes at a critical juncture in global affairs. India and its engagement with the world is being transformed under the leadership of Prime Minister Narendra Modi. Whilst the United Kingdom, one of the most prosperous nations in the world, is going through tumultuous change following its epic decision to leave the European Union.

India emerges as world's big defence spender

by Rahul Roy-Chaudhury

India's defence budget overtook the UK for the first time in 2017; to be counted among the world's top five.

India's actual spend of $52.5 billion (including defence pensions) in 2017 makes it the fifth-largest in the world, overtaking the UK to reach the 'Top 5' slot for the first time, according to the authoritative annual 'Military Balance 2018' published last month by the International Institute for Strategic Studies (IISS), the London-based think-tank I work for.

According to the IISS, India's actual spend in defence is the largest after the United States ($602.8 billion), China ($150.5 billion), Saudi Arabia ($76.7 billion) and Russia ($61.2 billion). Since Prime Minister Modi took charge, it has risen from $45.2 billion in 2014, when it was the eighth-largest, to become the fifth-largest in 2017. This jump in ranking primarily reflects a relative decrease in defence spending by the UK, France and Japan; in 2017, for example, the UK's defence spend decreased to $50.7 billion from $61.8 billion in 2014. Tense relations with India's two largest neighbours, China and Pakistan, requiring preparation for a 'two front' conflict as indicated recently by India's Army chief, as well as an expanded role for India's Navy in the Indian Ocean, entail the modernisation and enhancement of the operational capability of the armed forces.

India has strengthened its military capabilities in select areas: its first nuclear weapon-armed submarine Arihant is operational; the second, the Arighat has been launched; the first of 36 French-built Rafale medium combat aircraft are to be deployed into the Indian air force next year; and for the first time in 30 years India ordered (in November 2016) artillery systems (145 BAE Systems M777 lightweight artillery guns from the US).

India's geo-strategic realities

However, the reality of defence spending is sobering when seen in the context of neighbourhood military balances and defence spending/GDP as well as the budgetary and policy challenges the Indian armed forces face in their modernisation and expansion plans.

India shares a long disputed land border with its largest and more powerful neighbour China, with which it has a primarily adversarial relationship. Last June, tensions were sparked during a 73-day military 'stand-off' in the disputed Doklam area leading to jostling between Indian and Chinese troops. Although no shots have been fired between the two since their war in 1962, the possibility of escalation of tensions between these two nuclear weapon states through misadventure, misperceptions or misunderstandings remain high.

China's economy is five times larger and its defence budget is assessed to be three times more than India's. The Chinese army has over 600,000 more active personnel than India; it has nearly 1,200 tactical aircraft compared to India's 785, and 55 more cruisers, destroyers and frigates than India. India's traditional influence over the Indian Ocean is also being challenged by China's shipbuilding. Since 2000, China has built more submarines, destroyers, frigates and corvettes than Japan, South Korea and India combined. According to IISS analysis in this year's 'Military Balance' report, Chinese military technologies do not simply seek to catch up with the West, but to challenge traditional Western military dominance.

Limits on military modernisation

India's defence budget for 2018, announced on 1 February 2018, indicates a nominal increase of 9.3 per cent (including defence pensions) to $57.38 billion. But, in view of the personnel-intensive nature of India's armed forces, fixed-costs revenue expenditure (including defence pensions)

comprises three-quarters of the total budget, leaving only a quarter for the capital acquisition required for India's military modernisation. This year's relatively low 9.5 per cent increase on the capital side, just about covers 5 per cent inflation/rupee depreciation, resulting in a real increase of less than 5 per cent. This will need to cover payments for some recent major deals, including the Rafale fighters, C-130J transport aircraft, AH-64 attack helicopters and M-777 howitzers, leaving little funding for new procurements.

This essentially means that, as noted in by 'Military Balance 2018', the Indian armed forces will not significantly be able to enhance their overall capability through modernisation, alongside the replacement of ageing equipment or overcoming shortages of ammunition and spare parts. According to a recent EY (India) report, this also "reflected uncertainties for the speedy progress of some of the big ticket programmes on the anvil". This is accentuated by India's focus on agricultural and rural spending in a pre-election year.

This harsh reality comes at a time when India's armed forces are "over-stretched" in their mandates and responsibilities to ensure the defence of the state. The Indian Air Force's current strength of 33 squadrons is only three-quarters of the required strength of 42 squadrons; the number of the Navy's submarines are in decline with no follow-on acquisition programme; and there is a real shortage of artillery equipment.

As a means to overcome this marked deficiency, the Indian government's 'Make in India' policy in defence aims to strengthen the defence-industrial base through measures including reforming the cap on Foreign Direct Investment (FDI), and, most recently, the announcement of two defence industrial corridors. By seeking greater levels of FDI in the defence sector, New Delhi hopes to encourage indigenous manufacturing of defence equipment in partnership with foreign companies to provide modern equipment and services for its armed forces, and to reduce defence imports.

India was the world's largest arms importer between 2012 and 2016, and the intention is to drastically reduce the level of imports. The November 2016 BAE Systems M777 deal, for example, provided the establishment of a final assembly, integration and testing facility for the artillery system in partnership with the Mahindra Group, a first by any foreign defence company in India.

INDIA'S ACTUAL SPEND IN DEFENCE IS THE LARGEST AFTER THE UNITED STATES ($602.8 BILLION), CHINA ($150.5 BILLION), SAUDI ARABIA ($76.7 BILLION) AND RUSSIA ($61.2 BILLION).

However, foreign defence companies still need to overcome significant Indian bureaucratic hurdles to gain formal government approval for investments beyond the 49 per cent threshold. Indeed, the single proposal by a French naval company seeking such a higher FDI was reportedly rejected by the government. According to official Indian figures, since the launch of the 'Make in India' programme on 25 September 2014, only 12 foreign investment proposals had been approved in the defence sector. Not surprisingly, in March 2018 India's Minister of State for Defence, Subhash Bhamre, stated that FDI in defence from April 2014 till December 2017 had only been a paltry $0.18 million. This has significantly hindered India's defence manufacturing policy.

My colleague Antoine Levesques, IISS Research Associate for South Asia, also notes another key challenge. With the notion of the Indian defence market changing under the Modi government, there is now greater interest in "government-to-government defence contracts set in the context of India's most important strategic partnerships". In effect, despite 'Make in India' in

defence, "foreign procurements are no longer a last resort", he writes. However, going forward, a useful model for implementation could be a government-to-government sale with possibly a Make in India component – like the M777 acquisition.

Higher growth rates

A key factor influencing defence spending is the rate of economic growth. A fast-growing economy provides additional resources for defence spending; the opposite is true for a slow-growing economy. India has an advantage in this respect. In 2018, it is expected to once again overtake China to become the world's fastest-growing major economy.

The International Monetary Fund (IMF) has forecast an increase in India's economic growth from 6.7 per cent in 2017 to 7.4 per cent in 2018 and 7.8 per cent in 2019, compared to a slowdown in China from 6.6 per cent in 2018 to 6.4 per cent in 2019. This suggests that India's defence expenditure (excluding defence pensions) will still be only 1.59 per cent of projected GDP in 2018-19, the lowest in decades. It also indicates that India's economy is set to overtake the UK as the fifth-largest global economy this year.

Rahul Roy-Chaudhury is Senior Fellow for South Asia at the International Institute for Strategic Studies (IISS), London.

Investing in Brazil

Apex-Brasil, one of Brazil's leading investment bodies, lays out points of attraction for Indian businesses to invest in Brazil.

Brazil has been a top investment destination for many years, and it still is, despite the volatility generated by the recent crisis the country went through. Since 2010, Brazil has remained among the world's 10 main foreign direct investment (FDI) recipient countries. Last year (2017), nearly $75 billion in FDI were received by the country. This year, close to $80 billion are expected.

The size of Brazilian domestic market is relevant for investors: Brazil has the fifth largest population in the world, with 208 million people – a third of all Latin American population. The country is also the seventh largest economy in the world, with a GDP of $ 1.796 trillion (2016).

Brazil's open and diversified economy, with a wide array of opportunities across multiple productive sectors, generates exciting possibilities for many investors, seeking to develop their business in such a vast and dynamic market.

BRAZIL'S LARGEST CITIES ARE CONSOLIDATING THEIR POSITION AS GLOBAL INVESTMENT HEADQUARTERS

There are numerous opportunities, especially in areas where the country most needs investments, such as infrastructure. However, there are also prospects in sectors as energy, oil and gas, automotive, health care and R&D. Brazil is home to a competitive industrial sector, including Latin America's largest aerospace, automotive, oil and gas, mining, capital goods, medical equipment and chemical industries.

Sectors of interest

One good example is the wide range of opportunities in the renewable energy sector. The country is the third largest global market and the largest Latin American market for renewable energies. Brazil's share of non-hydro renewables in its electricity matrix is expected to increase from 16.5 per cent in 2015 to 53 per cent in 2040.

Also in the energy sector, Brazil has one of the largest petroleum reserves and is home to one of the biggest oil discoveries made in the Western Hemisphere in the past 30 years:

the ultra-deepwater oil finds off the country's southeast coast, known as 'pre-salt' oil. In addition, Brazil is one of the top producers and exporters of ethanol biofuel in the world. Both sectors have plenty investment opportunities for foreign companies.

There is also a huge opportunity in the agribusiness sector. There is an increasing demand to feed the growing global population, expected to reach 9 billion by 2050. Brazil became one of the world's largest agricultural producers and exporters in the last two decades, becoming one of the greatest global food suppliers. As mentioned by the World Food Organization (FAO), Brazil will be fundamental for the world's food security by 2030. Due to that, new investments in technology (Agritech) and agribusiness-related infrastructure are fundamental and represent an important opportunity niche for foreign investors.

Brazil is also a permanent member of the free trade agreement with the largest markets in South America, known as South American Common Market (Mercosur).

One important reason for Brazil's constant need for investments is the fact that the country currently invests about 2 per cent of its GDP in infrastructure. However, an investment of at least 3 per cent of GDP would be necessary just to avoid the depreciation of the existing infrastructure.

Public-private partnerships

Therefore, the Brazilian government is seeking private partnerships and changing rules to grant more attractiveness and security for foreign investors. This effort for private money resulted in the launch of the "Crescer (To Grow) - Building a Brazil of Opportunities" program, designed to organise concessions and privatisation of infrastructure projects in highways, railways, ports, airports, mining, oil and gas, and electric power.

Out of 145 projects qualified for the program, 56 already have been auctioned or renewed, which accounts for an execution of nearly 39 per cent of the schedule established by the Concessions Program of the Federal Government. The estimate of investments with auctions exceeds the amount of R$ 133 billion, and the grants total R$ 28 billion.

Last, but not least, it is important to highlight that one of the main reasons for Brazil to continuously receive foreign direct investment and attract leading and innovative international businesses is the country's robust investment protection legislation, enforced by an independent judiciary and a fair regulatory environment, which provides security for investors.

Apex-Brasil

The Brazilian Trade and Investment Promotion Agency (Apex-Brasil) is a not-for-profit governmental Agency linked to Brazil's Ministry of Foreign Affairs (MRE), and works to promote Brazilian products and services abroad, and to attract foreign investment to strategic sectors of the Brazilian economy.

Apex-Brasil organises several initiatives aiming to promote Brazilian exports abroad. The Agency´s efforts comprise trade and prospective missions, business rounds, support for the participation of Brazilian companies in major international trade fairs, arrangement of technical visits of foreign buyers and opinion makers to learn about the Brazilian productive structure, and other select activities designed to strengthen the country's branding abroad.

Apex-Brasil also plays a leading role in attracting foreign direct investment (FDI) to Brazil, by working to identify business opportunities, promoting strategic events and lending support to foreign investors willing to allocate resources in Brazil. All services provided to investors are free of charge.

To strengthen and expand communication with investors, Apex-Brasil launched the brand "Invest in Brasil", which identifies the investment promotion initiatives of Apex-Brasil regarding the FDI attraction.

With a focus on sectors that are strategic for developing the competitiveness of Brazilian companies and the country, Apex-Brasil is one of the private sector's main partners regarding the analysis and implementation of productive investments in Brazil.

BRAZIL'S OPEN AND DIVERSIFIED ECONOMY, WITH A WIDE ARRAY OF OPPORTUNITIES ACROSS MULTIPLE PRODUCTIVE SECTORS, GENERATES EXCITING POSSIBILITIES FOR MANY INVESTORS

Investment climate

Companies seeking to invest in Brazil should have in mind that the country has abundant natural resources, ranking as a major global player in raw materials. It is a major producer and exporter of agricultural products and mining products (especially iron ore), to name a few. Its forests are a vast source of wealth. The country is also water-rich, estimated to hold the biggest fresh water reserves in the world.

Moreover, Brazil's largest cities are consolidating their position as global investment headquarters, not only for Brazil but for the entire Latin American region, since the country shares land borders with Argentina, Bolivia, Colombia, Guyana, Paraguay, Peru, Suriname, Uruguay and Venezuela, as well as the French Overseas Region of French Guiana.

Swati Pandey

Indian female entrepreneurship makes its global mark

Two Indian women entrepreneurs have bagged $30,000 each as the finalists of the 2018 Cartier Women's Initiative Awards with their innovative environmentally-friendly business concepts.

One has created an environmentally-friendly sweetener and the other markets 100 per cent biodegradable sanitary napkins, and what they both have in common is that they have been short-listed for one of the world's coveted global female entrepreneurship awards.

Swati Pandey of Arboreal Agro Innovations, which oversees the production of an innovative, high-yielding variety of Stevia sweetener, and Kristin Kagetsu of Saathi Inc, which uses banana fibre to create sanitary napkins, were announced as the Asia-Pacific finalists of the awards set up to honour and support women entrepreneurs. This year's finalists were selected from around 2,800 applications from over 130 countries for the awards created in 2006 as a joint partnership project initiated by Cartier, McKinsey & Company and INSEAD business school.

"With a growth in both the quantity and the quality of the businesses applying, the initiative has become a transformative step in the lives of women entrepreneurs," said Cyrille Vigneron, CEO of Cartier – the French luxury goods conglomerate.

Delhi-based Swati Pandey's business was selected for its a triple focus on achieving economic, social and environmental value. Inspired by her mother who suffers from diabetes, the entrepreneur is confident that the use of Stevia instead of sugar can have a positive impact on the society and economy in India, as well as the ecosystem.

The natural sweetener uses less water and land but reportedly delivers the same level of sweetness as sugar. The company employs local farmers who could see their income potentially double in five years due to Stevia's higher cash profitability per acre.

"Stevia is the next generation, zero calorie, 100 per cent natural sweetener," Pandey claims. Incidentally, India also has the highest number of diabetics in the world. Diabetes and Obesity are new age epidemics, with people suffering from diabetes having increased from 180 million in 1980 to 422 million

Kristin Kagetsu

in 2014, according to World Health Organisation. It is also predicted that increased consumption of added sugar calories leading to diabetes will be the seventh leading cause of death in 2030.

Arboreal was originally conceived as a social venture idea that was presented to a jury at the end of a sustainability focused programme at Imperial College London. One professor was so impressed by the potential impact, he invested in Swati's idea then and there with a $7,000 cheque. Swati followed it up with further market research and overtime the idea transformed into a plant biotechnology company with a clear focus on Stevia.

"I was driven by a sense of conviction that our generation must build upon the sacrifices of our parents, by taking up risks and building global ventures that will solve some of the biggest challenges facing India and the world," says its founder.

For Ahmedabad-based Kristin Kagetsu, her discovery was born out of being confronted with the environmental challenges India was facing as conventional sanitary pads commonly used in the country contain toxic chemical agents and, on average, 3.4 grams of plastic each. They make up 150,000 tons of waste, which is generally disposed of by burning, with each sanitary pad releasing 23.4 grams of carbon dioxide in the process. Saathi Inc's 100 per cent biodegradable sanitary pads are made of banana fibre, a natural by-product of banana farming, which is converted into a soft absorbing pad via a patent-pending fibre-processing technology.

"WITH A GROWTH IN BOTH THE QUANTITY AND THE QUALITY OF THE BUSINESSES APPLYING, THE INITIATIVE HAS BECOME A TRANSFORMATIVE STEP IN THE LIVES OF WOMEN ENTREPRENEURS," SAID CYRILLE VIGNERON, CEO OF CARTIER

"For the consumer there is a health benefit because it is a completely chemical-free process and we are using all-natural materials," said Kagetsu, who is also working on ensuring access to the product across rural India.

Her discovery was quite an accidental one. When Kagetsu decided to move to India, with her Mechanical Engineering degree from the Massachusetts Institute of Technology, Saathi planned to develop and sell machines that produce sanitary pads. However, on arrival in India she quickly decided to focus on the production of environmentally-friendly sanitary pads instead.

"We wanted to make an impact on women, but realised there was an even greater opportunity to combine the solution to two problems at once," she says.

"In 10 years, we want Saathi to be a leading example in the industry, as a sustainable and ethical manufacturing business. But right now, we know that Saathi has the potential to make serious environmental and social progress," she adds.

The Indian finalists will join 16 others from around the world in Singapore to participate in an awards week programme, including business workshops and coaching sessions, in April. The award-winner, to be unveiled on April 26, will be receive $100,000 and one-to-one personalised business mentoring.

India makes firm strides on women in the workplace

by Shuchita Sonalika

Against the backdrop of International Women's Day on March 8, an Indian industry expert weighs up the role of women in the workplace and the road to achieving women's economic empowerment.

According to UN Women, when more women work, economies grow. The McKinsey Global Institute (MGI) finds that $12 trillion could be added to global GDP by 2025 by advancing women's equality. Even after decades of progress towards making women equal partners with men in the economy and society, the gap between them remains large.

India has made strides in advancing women in the workplace; the year 2017 especially has been a transformational year. We have a record number of women in the Indian government today, including the first female Minister of Defence, Nirmala Sitharaman. Though at six out of 27, we have some way to go. A little-known fact to highlight: in April 2017, all Chief Justices at India's four major High Courts (Delhi, Bombay, Calcutta and Madras) were women. While men may jeer at our driving skills, India boasts the maximum number of pilots, with 12 per cent female commercial pilots against a global average of 5.5 per cent.

Dr Neelu Rohmetra became the first woman ever to head an Indian Institute of Management (IIM). Dr Tessy Thomas, the 'Missile Woman of India' hailed 'Agniputri' broke Twitter as the first woman to head an Indian missile project. Indeed, we welcomed Ms Shobana Kamineni as the first female President of the Confederation of Indian Industry (CII) in its 123-year history! If you are in need of more inspiration, I highly recommend 'First Ladies', a remarkable publication of India's Ministry of Women & Child Welfare.

INDIA HAS MADE STRIDES IN ADVANCING WOMEN IN THE WORKPLACE; THE YEAR 2017 ESPECIALLY HAS BEEN A TRANSFORMATIONAL YEAR

Challenge ahead

No doubt, there are tremendous systemic constraints and challenging social norms in India which inhibit the full and equal economic participation of women. At 17 per cent, India has a lower share of women's contribution to GDP than the global average of 37 per cent, which is the lowest among all regions in the world. India stands to gain the most with the potential of bringing an additional $2.9 trillion to annual GDP in 2025 by fully bridging the gender gap in the workplace, which is 60 per cent higher than business-as-usual!

Aren't we all guilty of disempowering women at some stage? From taking domestic work for granted, to encouraging women to be risk-averse, selecting male colleagues for leadership roles, being indifferent to gender pay gaps, commenting on women's appearance and attitude instead of their work, and so on. Every bias contributes to an ever-widening gender gap.

But there isn't a "silver bullet" to close this gap. There is an important role for government, business, civil society, academia – and women, themselves – to effect change. A recent meeting I attended at Wilton Park, a think tank of the UK Foreign & Commonwealth Office (FCO), looked at creating an enabling environment through strategic initiatives and partnerships and focused on three areas for impact: opportunities for financial, digital inclusion and entrepreneurship for women-owned and women-led enterprises; addressing adverse norms, discriminatory beliefs and limiting practices that affect women's economic participation; and the unrecognised care economy.

Bridging the gap

Today, drawing from the depth of knowledge and insights of more experienced women and mentors, I can now reflect that the business community has a huge role to play in bridging this gap. Indicators suggest that gender parity at work influences and enables greater parity in society. The first step in this challenge is recognising that this is not a "women's issue". Rather, this is a business issue, an economic issue, a social issue, a local, regional, national and a global issue. You don't need a huge infrastructure or a women's division to bring about a more level playing field. Here is an attempt to distil some thoughts for practical, business use.

So, what can we do? How can we learn and adopt best practices to enable, encourage and empower women in business? Where are our role models? And on the ground-level, what can businesses do? Apparently, a lot.

- **Self-audit:** One of the first things you can do is start asking the right questions. Just ask. In other words, do a self-audit. What is the male-to-female ratio in your organisation? Is there a male/female pay gap for the same jobs in your organisation? I recently asked at a meeting with at least 20 businesses, "Do you have women in senior management or leadership roles in your organisations?" and I was met with pin-drop silence with all male representatives looking at each other, trying to find the best answer. Asking makes you aware.

- **No 'Manels' and No Interruptions:** No more all-male panel discussions. We have seen that a bit too often. And I am guilty of doing this myself, as charged! "There aren't any women" is a lazy excuse. Make an effort to identify and incorporate women in your panel. Your discussion will be richer for it. Also, stop interrupting or cutting women short when they are making a point. I cannot tell you how many times I have experienced this. It is belittling, disrespectful and annoying. If you do this, check yourself.

- **Meeting Timings:** This is one of those limiting practices that don't even cross our minds. Is the timing of meetings conducive to enabling women participation? Do you do early breakfast meetings or late-night receptions (I'm not saying this is how it should be, but these are times when women, largely more often than men, must head home to fulfil family commitments, getting mornings organised for the family or preparing dinners or tucking kids in bed)?

- **Support Network:** When you look around – is the work environment around you calibrated towards enabling male and female participation? As businesses, we can create support networks to help women learn from each other and from other men. By doing this, you are instilling a corporate culture, which enriches the work environment to be more respectful, inclusive and diverse. It is for this reason that CII started an Indian Women Network (IWN), a network for them to discuss their experiences and challenges to become better professionals at work; as well as to emphasise the importance of creating gender parity for women in Indian business and society.

- **"You can't be what you can't see":** This was my favourite phrase from Wilton Park and has stuck with me since. Let's not underestimate the role of role models. We have dynamic women on the global stage, but what about women around you? Take a moment to identify women that you can look up to – who may be a few steps ahead of you, who you can relate to, and you can aspire to be. Ask to be mentored. And also ask how you can be a mentor to others. There is a raft of resources that can come floating your way

Shuchita Sonalika is Director and Head – UK, Confederation of Indian Industry (CII).

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Indian innovation is key to solving the globe's vision-related disabilities

by James Chen

Poor vision, as the world's largest unaddressed disability, requires investment to prevent its crippling impact on economic growth.

Prime Minister Modi created waves at this year's World Economic Forum, when he announced that India's economy, already the fifth-largest in the world, would double to $5 trillion by 2025.

Though met with some scepticism, Modi's optimism is not without grounds; with infrastructure spending on the rise and global consumer brands from Unilever to Samsung benefiting from the country's growing middle class.

India's tech sector is offering the most potent promise for the country's economic growth and social development. India is home to one of the world's most active start-up ecosystems, now boasting 10 'unicorns' (companies valued over $1 billion) and attracting over $20 billion in investment over the past three years.

The nation's booming innovation environment is no accident – Modi's government has invested heavily in creating a digital infrastructure that's allowed paperless, cashless services to thrive: allowing digital payments to boom and facilitating the success of flagship biometric ID scheme 'Aadhaar'.

However, India's tech success has also been born out of necessity.

Despite the economic giant's growth, India still faces a range of significant challenges to its ambitious growth projections – from continually low levels of financial inclusion to a systemic shortage of hospital beds and medical staff, a lack of teachers and little growth in university places.

However, I have seen first-hand that those challenges have also created new spaces for technology innovation and creative business models providing the health sector in India to display unrivalled leadership.

A global oversight

Over the last 12 years, my work has focused on an issue that often fails to make the agenda of events like Davos: poor vision.

Poor vision is not a life-threatening condition, and in comparison to global threats like HIV Aids or Malaria, it has historically failed to garner the attention, investment or funding of more pressing health crises.

However, the Vision Impact Institute estimates that there are 2.5 billion people around the world suffering from poor vision, with no means of correcting it – making it the largest unaddressed disability in the world.

Current rates of uncorrected poor

vision are a crippling impediment to economic growth, in developing economies from Brazil to Bangladesh.

The Vision Impact Institute estimates that 550 million people in India, or roughly half the population, suffer from poor vision but have no means to correct it. Across the country, India is estimated to lose $37 billion in annual productivity as a result.

But the effects of poor vision are felt far beyond economic losses. A recent report by India's Union Ministry of Road Transport and Highways showed that 80 per cent of drivers involved in car accidents had an uncorrected visual impairment. The World Health Organisation (WHO) estimates that 200,000 people are killed in road traffic accidents in India a year – the second highest rate in the world.

Perhaps most surprisingly, however, it is estimated that 90 per cent of all cases of poor vision could be solved with a simple pair of glasses – an invention created some 700 years ago.

'Frugal Innovators'

However, despite the lack of global attention around the issue, India's tech ecosystem is already leading a wave of innovations vital to tackling this global health challenge.

About five years ago, spurred on by a landmark piece of research by NESTA, and embodied by the country's $75-million mission to Mars (the cost of four Bollywood movies, as one commentator put it) India earned a reputation for 'frugal innovation'.

The term referred to below-the-radar inventors – devising low-cost solutions to local problems – borne of a significant necessity.

I came across two such vital innovations two years ago, when we launched The Clearly Vision Prize, a global competition to find the tech start-ups with the innovation and ingenuity to overcome the existing barriers to diagnosis and distribution, that prevent glasses getting to the people who need them.

The first was the Folding Phoropter; created by the Srujana Centre for Innovation at L V Prasad Eye Institute, the Phoropter is a paper device made using simple origami. It takes just a few minutes to construct and can accurately test for refractive errors, like short or long-sightedness – even the most remote locations.

INDIA'S TECH SECTOR IS OFFERING THE MOST POTENT PROMISE FOR THE COUNTRY'S ECONOMIC GROWTH AND SOCIAL DEVELOPMENT.

The second was Essmart, a start-up connecting the technologies with the capacity to change lives with the people that need them. Essmart have created a digitally-enabled local market place for vital technologies, by supplying local family-owned retail stores (which account for 90 per cent of India's total retail spending) with the products its customers need most – from reading glasses to solar-powered lanterns.

Visionary Leadership

These two 'frugal' or simple innovations present vital innovations to help overcome the barriers to diagnosis and distribution that well help us tackle this global health crisis.

However, solving this issue on a national, as well as global, scale will require the sort of connected leadership that has facilitated the growth of the nation's tech ecosystem. It will require us to integrate new eye care technologies into Prime Minister Modi's flagship new 'Modicare' services, to encourage fast-growth consumer technology giants like Amazon to include eye testing for their thousands of truck drivers to increase road safety.

In April, Prime Minister Modi will reportedly return to another global leadership forum at this year's Commonwealth Heads of Government Meeting (CHOGM) in London. Six of the globe's leading eye health organisations, including Clearly, are calling on leaders to commit to delivering "vision for everyone".

I hope Prime Minister Modi recognises the vital need to tackle this systemic issue – and the opportunity for India's technology sector to lead once again, and solve a global health crisis.

James Chen is founder of Clearly and author of 'Clearly: How a 700 Year Old Invention Can Change the World Forever'.

Budget 2018: Populist or watershed?

by Deepak Varghese

Indian property market expert analyses the Budget for 2018 to see what it has in store for the sector.

The stakes were high for the government, which steam-rolled its way through demonetisation, Goods and Services Tax (GST) and Real Estate Regulation Authority (RERA).

For a central government that looked steadfast on its way without compromise, irrespective of the Budget that they presented, it was expected that the Budget would be directed at the 2019 elections. So throwing caution to the wind, the key policy announcement for the year seems to have done just that. Might as well get accused of being populist, seems to have been the attitude. That being said, have we considered that this might actually be a watershed budget, if implemented in good faith?

As the budget was being announced on February 1 by the Finance Minister of India, Arun Jaitely, the most common cry was that agriculture was getting the maximum attention, and then came the cry that healthcare for the masses was completely unthought-of fiscally – where would the government find the funds. Some even accused the Budget of being an Aam Aadmi Party (APP) statement presented by Bharatiya Janata Party (BJP).

But if one considers some of the wise voices, it is a Budget directed at the heart of reforms – agriculture, healthcare for millions of Indians, education and job creation – especially rural job creation. This combined with a push for infrastructure investments that would create jobs in rural India, the key impact would be felt not just in companies that were linked to rural infrastructure but companies that supplied goods to these infrastructure companies. And a possible shot at slowing down the growth in urban areas, which is crumbling under the influx of economic migrants.

THIS BUDGET HAS PROBABLY FOR THE FIRST TIME RECOGNISED REALTY AS A SECTOR THAT REQUIRES INDIRECT STIMULUS RATHER THAN DIRECT STIMULUS FOR ITS LONG-TERM GROWTH PROSPECTS.

Housing sector

After the push in last year's Budget of providing infrastructure status to the government's ambitious policy of Affordable Housing for all by 2022 under the Pradhan Mantri Awas Yojana (PMAY), this year an Affordable Housing Fund has been established under the National Housing Bank. Setting a target to build 10 million rural homes by end of FY 2018-2019 (5 million in FY2017-18 plus 5 million in FY 2018-19) seems quite a long-term measure at creating economic activity at the rural level that could help slow down population migration to urban India.

To further boost the rural economy, the allocation for export of agri-commodities has been doubled this year to Rs 1,400 crores ($20 million). Along with creating employment opportunities for the rural population, this will further provide impetus to the warehousing and cold storage sectors in Tier 2 and Tier 3 cities.

Healthcare impetus

The National Health Policy proposed by the government provides healthcare coverage for 50 crore (500 million) Indians and proposes to establish 150,000 facilities to deliver the same, is another winning stroke. Finally, India is in line with other developed countries which are providing similar healthcare facilities to its masses. But setting politics

aside and looking through a real estate development lens, this will provide the much-needed push to the healthcare sector along with attracting public and private investors into Tier 2 and Tier 3 cities.

The salaried segment barely received any relief except a negligible standard deduction on income. The micro, small and medium enterprises (MSMEs) earning up till Rs 250 crore ($38.5 million) received reduced tax benefits of 25 per cent from the previous 30 per cent, which brought about a lot of cheer. This relief comes after the much harm caused after the implementation of GST and slowing sales in 2017.

Some quarters of the investing segment believed that the imposition of 10 per cent of long term capital gains tax on gains from investments from the equity markets, where profits exceed Rs 100,000 in a financial year, would mean a shift of investments from the equities market to real estate market. The past track record would show that the three preceding years have been an interesting phase for the equity markets, while the real estate markets have been at best flat. Such a charge on long-term capital gains would, in some views, help in cooling off a heated equities market and prevent flight of hot money which would mean that funds chasing a longer-term investment horizon would find the Indian markets more attractive.

Infrastructure boost

The above measures, if implemented well, would mean a good boost to infrastructure linked industries like cement, steel, paint, sanitary ware, pipes and others.

A holistic infrastructure uplift has been proposed in the Budget, where whopping Rs 50 lakh crore ($780 billion) has been proposed for road, rail and inland waterways. In a recent scenario where the railways budget has been combined with the financial budget – the highest budgeted capital expenditure was for the railways infrastructure at Rs 1.48 lakh crores ($23.1 billion). In a first, no new trains have been introduced as focus has been on strengthening existing and new infrastructure. This is quite contrary to a typical pre-election Budget.

A specific boost has been given to the railways of Mumbai and Bengaluru to the extent of Rs 17,000 crore (nearly $3 billion) – sums quite unheard of. Political commentators believe that the allocation to Bengaluru is a ploy to buy votes in the lone state that is standing tall against the central governments potency. But pragmatists look at it as a welcome investment into the Silicon Valley of India that will change the economic and infrastructure landscape forever. This will most likely catapult it into the league of a first world developed city by way of infrastructure, besides just a city with world class human capital and good weather.

Other infrastructure initiatives proposed are operationalising 56 unserved airports along with national highway development. All these measures will further boost real estate development in the country by providing impetus to commercial, retail, hospitality and logistics sectors. The proposal to mint revenue by investing in the top 10 iconic heritage cities for tourism is a smart move by the government. This proposal will mould the social and physical landscape of the cities, coupled with economic activities, and drive sectors such as retail, hospitality and F&B along with generating massive employment.

In the long term, if the Budget proves a boost to economic activity, the realty sector will thrive. That the Budget has no specific relief for the realty sector, a subject of complaint from various quarters, can be disproved only by the passage of time.

This Budget has probably for the first time recognised realty as a sector that requires indirect stimulus rather than direct stimulus for its long-term growth prospects.

Deepak Sam Varghese is Senior Director – Colliers International.

Around the world with the Indian Navy

An Indian Navy sailing team is out to make history as the first-ever voyage by an all-woman crew to circumnavigate the globe.

Six women officers from the Indian Navy have been navigating choppy ocean waters since they were flagged off by Indian defence minister Nirmala Sitharaman from Goa in September last year. They are on a mission to make history as the first-ever voyage by an all-woman crew to circumnavigate the globe and recently departed from Port Stanley, the capital of Falkland Islands – a British Overseas Territory.

INSV Tarini had entered the port after covering approximately 15,000 nautical miles since setting off from India, crossing the Equator, Cape Leeuwin and Cape Horn. The vessel is captained by Lieutenant Commander Vartika Joshi, with her crew comprising Lieutenant Commanders Pratibha Jamwal and P. Swathi, and Lieutenants S. Vijaya Devi, B. Aishwarya and Payal Gupta.

THE VOYAGE BY THE WOMEN OFFICERS IS DESCRIBED AS A PERFECT SHOWCASE OF THE 'MAKE IN INDIA' INITIATIVE ON AN INTERNATIONAL FORUM.

"It is always a surprise when nature catches you unaware just when you are lost into its mesmerising beauty, such as our awe when we witnessed the Auroras – the southern lights… only a lucky few get to witness this at sea," said Lt. Aishwarya, who has been cataloguing the group's experiences.

Make in India

The indigenously-built INSV Tarini is a 56-foot sailing vessel, which was inducted in the Indian Navy last year. The voyage by the women officers is described as a perfect showcase of the 'Make in India' initiative on an international forum.

The vessel and the crew experienced rough weather and stormy winds during their passage across the Pacific Ocean, which spanned 41 days. This was coupled with the extremely cold climatic conditions of the region and strong winds.

The expedition, titled 'Navika Sagar Parikrama', was flagged off by Sitharaman as part of a national initiative aimed at empowering women to attain their full potential. It also aims to showcase "Nari Shakti" on the world platform and help revolutionise societal attitudes and mindset towards women in India, by raising the visibility of their participation in challenging environs.

The vessel, which set off for Cape Town in South Africa last month, is scheduled to return to Goa in April. The expedition is being covered in five legs, with stopovers at four ports. The first port halt was at Fremantle, Australia, in October 2017, the second at Lyttelton, New Zealand, in November 2017, then Port Stanley in the Falkland Islands in January-February this year, and finally Cape Town in South Africa – where it will be docked before the journey back to India.

Data collection

The crew has also been collating and updating meteorological, ocean and wave data on a regular basis for accurate weather forecast by the India Meteorological Department (IMD). They are also charged with

monitoring marine pollution on the high seas. They have been interacting extensively with the locals, especially children, during their port halts to promote ocean sailing, the spirit of adventure and Make in India.

"During our stay in New Zealand we also celebrated Navy Day and dressed Tarini for the occasion and were fortunate to talk to our honourable defence minister who conveyed her best regards to us," says Lt. Aishwarya.

INSV Tarini was constructed at Aquarius Shipyard at Divar in Goa and after undergoing extensive sea trials, the vessel was commissioned to Indian Navy service in February last year. The construction, a highlight for the Indian government's Make in India programme, was overseen by the Warship Overseeing Team, Goa.

The ship's hull is built of wood-core and fibreglass sandwich and it has six sails, including mainsail, genoa, stay, downwind and storm sail. The vessel is capable of sailing in extreme conditions, something the all-women team have been attempting to demonstrate with their unique voyage. The mast, custom built by Southern Spars, is about 25 meters tall.

Naval history

The Indian Navy operates four sailing vessels capable of open ocean deployments – Tarangini, Sudarshini, Mhadei and Tarini – all four of which have been built at shipyards in Goa. The female globe-trotting mission is also an attempt by the Indian Navy to revitalise open ocean sailing. The Navy has plans to induct four 40-feet, state-of-the-art open ocean racing sail boats.

Tarini is similar to its predecessor, Mhadei, which has travelled over 115,000 nautical miles during her eight years of service. Several improvements were incorporated in the latest ship, based on experience gained from operating INSV Mhadei. Tarini is fitted with advanced features such as satellite communications and Raymarine navigation suite.

The crew has successfully navigated the vessel across rough Monsoon seas and heavy winds, displaying its agile handling capabilities. Their passage through the Indian, Pacific and Atlantic oceans so far has witnessed winds in excess of 60 knots and waves up to seven metres high.

The Goldilocks moment for interest rates in India is here

The Reserve Bank of India (RBI) is at a point when the country's economic climate is just right – neither too hot, nor too cold.

In the well-known fairytale 'Goldilocks and the Three Bears', a little girl enters the house of three bears, tastes three bowls of porridge and declares that she likes the one that is neither too hot, nor too cold… in other words, the one that is just right.

Little children across English-speaking countries are familiar with this story but are Reserve Bank of India's (RBI) Governor Urjit Patel and the five other wise men of the Monetary Policy Committee who sit around the table to decide the macro rates that determine the cost of money in India?

'India Global Business' is not being facetious here. For the Goldilocks analogy is also applicable to national economies that set a fast pace of growth accompanied by a low-to-moderate rate of inflation. According to the latest numbers released in March, India's factory output, as measured by the Index of Industrial Production (IIP) expanded at a robust pace for the third consecutive month, at 7.5 per cent in January 2018 even as the Consumer Price Index, which tracks retail inflation, declined for the second successive month to 4.4 per cent in February. The comparable previous month figures were 7.1 per cent for IIP and 5.1 per cent for CPI.

The unanimous inference of economists, analysts and policy-makers is that the Indian economy has shaken off the effects of demonetisation and the introduction of the Goods and Services Tax (GST), two very necessary but highly disruptive structural reforms.

If one takes a disaggregated look at the inputs that went into these headline figures, it will be evident that the high rate of growth was driven by the manufacturing sector, which maintained its recent accelerated rate of growth, expanding 8.69 per cent.

Even more encouraging is the fact that the capital goods sector grew at a very robust 14 per cent, indicating that a broad-based industrial recovery led by a revival in private industry is underway. Just as encouraging is the 7.6 per cent growth in electricity generation, which, again points to rising activity in India's sub-optimally functioning factories.

WHEN THE SIX WISE MEN GATHER AROUND THE TABLE AT THE RBI HEAD OFFICE IN MUMBAI ON APRIL 5 TO DECIDE ON INTEREST RATES, THE DATA THEY WILL SEE WILL BE JUST RIGHT – OF THE KIND GOLDILOCKS WOULD HAVE APPROVED.

Readers will recall that the reluctance or inability of the Indian private sector to invest in expanding capacities has hamstrung headline growth in the Indian economy.

The lower rate of price rise was as result of falling prices of vegetables and fuel and electricity.

If this trend sustains through the current quarter – and economists are unanimous that it will – then the growth rate for the full year will be around the 6.75 per cent mark as estimated by the Economic Survey.

A few caveats will, however, be in order: The effects of GST are yet to play out fully but most economists say that the main glitches have already been addressed.

Then, maverick US President Donald Trump's fiscal stimulus could fuel global inflation and his increasing resort to protectionism could not only hit India's export growth, it could also make the country a destination for dumping of goods desperately looking for alternatives to the American market.

Then, the higher minimum support prices announced by Finance Minister Arun Jaitley in his Budget could lead to a rise in government borrowings, thus, squeezing out private sector borrowers from the market, and the resulting higher prices of food could fan the rate of inflation and force the RBI to increase the cost of money.

But all that is in the future. When the six wise men gather around the table at the RBI head office in Mumbai on April 5 to decide on interest rates, the data they will see will be just right – of the kind Goldilocks would have approved.

But the central bank has, over the past four or five years, displayed a stubborn determination to only pursue its mandate to check price rise, completely ignoring its obligation to also facilitate growth.

A slight nudge from Patel and his associates at this point in time can push India's GDP growth rate into a higher growth trajectory and set in motion the market forces that have felt stifled for long.

But will they pay heed to the cries of Indian industry? The road to magical 8 per cent plus growth could depend on the answer to that simple question.