India's Foremost Trade & Investment Magazine

INDIA GLOBAL BUSINESS

UK Edition

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The UK-India banking story: Mutual growth & Innovation

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President, Infosys

September 2018 £4.95

www.indiaincgroup.com

ISSN 2516-3930

Gujarat Secondary & Higher Secondary Education Board, Gandhinagar
Examination Wing, Vadodara
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Any clues? The UK's 'Global Britain and India' inquiry is timed just right.

I was fascinated and somewhat enthused when British PM Theresa May coined the term "Global Britain" soon after coming to power to indicate how a post-Brexit UK would not sink into isolation but welcome engagement with the wider world. Her first foreign engagement was in New Delhi, giving rise to optimism that the Theresa May's Global Britain would emerge as a natural partner to Narendra Modi's Global India.

Nothing much came of that visit or subsequent engagements with India. Mrs May didn't define what exactly she meant by Global Britain. Little, if any, public thought has been given to what exactly that phrase means and what it could mean in practice.

Brexit divide

But a couple of years later, the Brexit shenanigans have left people confused, frustrated and fatigued. You could be left thinking that Britain is a country at war with itself, especially with rather incendiary language used by Brexiteers such as Boris Johnson. "We have wrapped a suicide vest around the British Constitution – and handed the detonator to [EU Brexit negotiator] Michel Barnier," the former foreign secretary wrote recently.

AT LAST, THERE IS A SINCERE AND, HOPEFULLY, CREDIBLE ENDEAVOUR TO CHART OUT A COURSE FOR BRITAIN'S ENGAGEMENT WITH INDIA.

It pains me, as I am certain it does other champions of closer UK-India ties, that this potentially bountiful and otherwise close relationship has been allowed to drift without coming anywhere close to realising the promise it has.

So, I am particularly pleased that the Foreign Affairs Committee (FAC) of the House of Commons has launched an inquiry into the state of bilateral ties with India. At last, there is a sincere and, hopefully, credible endeavour to chart out a course of Britain's engagement with India which has strong political insights and hopefully backing.

Winning Partnership

I have, on numerous occasions in the past, not least during the UK-India Week organised by India Inc. in June this year, and in my book 'Winning Partnership – UK India Relations Beyond Brexit', spoken and written about how the UK's centuries' old ties with India could become one of the defining bilateral relationships of the 21st century. In trade & commerce, science & technology, security and geopolitics and in people-to-people ties – the template is already in place. All it needs is a little political push, preferably with strong and focussed leadership from 10 Downing Street for the relationship to blossom.

Instead, I must note with concern that tensions are simmering just under the surface especially over the UK's reluctance to ease visa norms for Indian students and professionals, and the two governments talking sometimes at cross purposes on issues such as the extradition of fugitives and rising anti-India activities from British soil. So, the FAC inquiry hasn't come a moment too soon.

Clues on the ground

Tom Tugendhat, the Chair of the Foreign Affairs Committee, hit the nail on the head when he said: "How we work with India will be key to our place in the world in coming decades."

The committee, which encouragingly also includes former Cabinet minister and Indian Diaspora Champion Priti Patel, will take a close look at the entire gamut of issues, starting with the impact of the UK's (in my opinion) short-sighted immigration policy and encompassing cooperation on counter-terrorism, regional security, innovation, technology and multilateral institutions.

I would strongly urge Tugendhat's committee to come out of the Palace of Westminster, engage with Britain's vibrant Indian 1.5 million strong diaspora across the UK, and indeed, visit India and experience for themselves India's own global aspirations.

Our cover this time, is an illustrative example of what, I feel, is the need of the hour. The UK needs to delve deeper for the clues that will make relations with India a "Winning Partnership".

Manoj Ladwa
Publisher & CEO, India Inc.
@manojladwa

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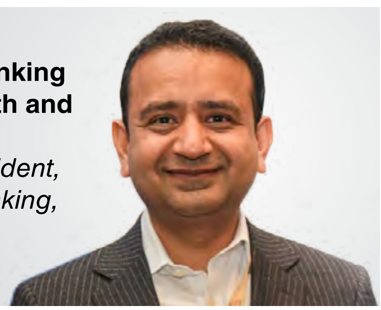
The UK Edition of '**India Global Business**' flags the crucial Global Britain and India inquiry initiated by the UK Parliament to get some clues to strengthen India-UK relations post-Brexit. Besides, we analyse why the falling Rupee should not cause major worries for overseas investors keen on the India market along with a usual range of interviews and insights.

THE BIG INTERVIEW



FROM THE TOP

DESPATCH BOX

GUEST COLUMN

Published by

india inc.
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Incorporating

India Investment Journal

www.indiaincgroup.com

Editorial
editorial@indiaincgroup.com

Advertising & Sponsorship
sales@indiaincgroup.com

PRICE £4.95
PUBLISHED IN LONDON

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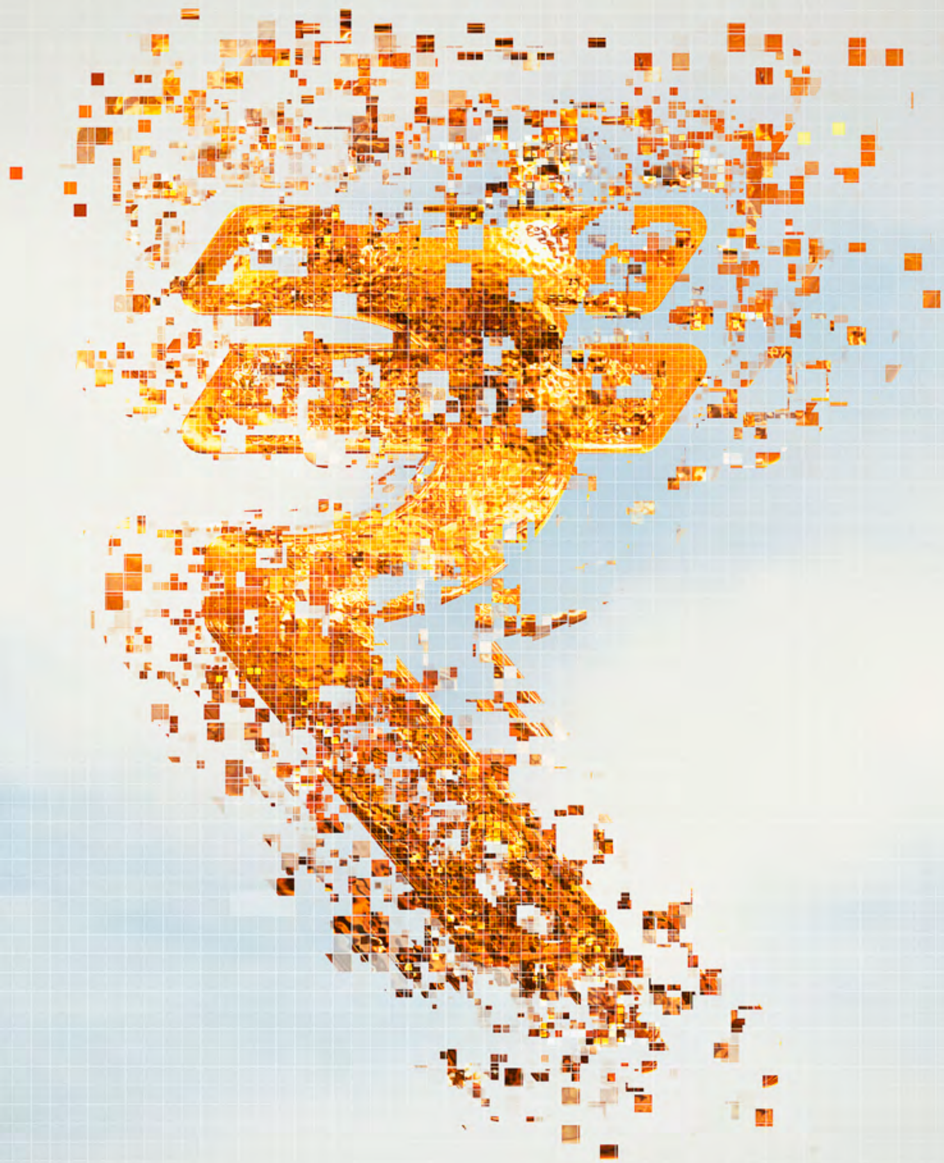
Rupee fall: A global contagion hits India

The depreciating Indian currency could force the Reserve Bank of India (RBI) to hike rates and some foreign investors to pull out. This will cause some turmoil over the short to medium term but is unlikely to damage the long-term India growth story. No less a person than Jamie Dimon, head of US banking major Jamie Dimon, has said so.

Though the Indian Opposition parties are criticising the government's handling of the economy, there is little Prime Minister Narendra Modi and Finance Minister Arun Jaitley could have done about the falling Rupee. Global oil prices are on fire, Turkey is on the brink, Russia is under sanctions and US President Donald Trump is expanding the scope of his trade war against China.

Global investors are naturally skittish – and are retreating to safe havens in the West, leaving behind a trail of destruction in the form of devalued emerging market currencies. Over the last five years, the Argentinian Peso has lost 546 per cent in value, the Turkish Lira 221 per cent, the Brazilian Real 84 per cent, the South African Rand 51 per cent, the Mexican Peso 47 per cent, the Indonesian Rupiah 28 per cent and the Malaysian Ringitt 27 per cent. The Indian Rupee, in comparison, is down a much smaller 13.5 per cent ever since the contagion began to spread a few months ago.

What does this mean for India; and what impact will it have on foreign investors? Read about it in the following pages.



Falling Rupee could hurt India, but long-term damage unlikely

by India Inc. Staff

The depreciating Indian currency could force the Reserve Bank of India (RBI) to hike rates and some foreign investors to pull out. This may cause some turmoil over the short to medium term but the longer term outlook is not all bad.

The Indian Rupee continues to fall. By mid-September it was hovering around the 72.97 mark to the US Dollar and could well breach the 73 per USD mark and depreciate further in the days ahead.

In India, which will see four important state elections in three months and the all-important general elections five months after that, Opposition politicians of all hues are, expectedly, excoriating the government for its alleged mismanagement of the economy, which, they charge, is responsible for the 13.5 per cent fall in the value of the Indian currency from 64.14 per US Dollar levels a year ago.

How valid is this allegation? And how will this devaluation of the Indian currency impact various sectors of and stakeholders in the Indian economy, especially, foreign investors?

Mismanagement; really?

First, let us examine the veracity of the accusation that the Narendra Modi government in India has mismanaged the economy.

Most independent analysts such as the global rating agencies and multilateral agencies such as the World Bank, the International Monetary Fund (IMF) and the Asian Development Bank (ADB) have been fulsome in their praise of the government's management of the economy. IMF Managing Director Christine Laggard had, only a year ago, called India a beacon of brightness in the otherwise gloomy global economy.

The hard numbers as well as the anecdotal evidence supports this position. If anything, the government deserves credit for managing to limit the currency fall to less than the levels experienced by its Emerging Market peers.

Macro indicators are still comfortable

The reasons for this are prudent management of the macro indicators and pursuing policies that are generating an extremely high (and enviable) growth rate.

Since coming to power in 2014, the Modi government, and Finance Minister Arun Jaitley in particular, have shunned populism and politically motivated giveaways in order to nurture the broken economy they had inherited back to shape.

Four years of patient hard work is now bearing fruit. The Indian economy recorded an 8.2 per cent growth rate in the first quarter (April-June 2018) of the current financial year. And though almost all institutions such as the World Bank, the IMF and the Reserve Bank of India are projecting an annual growth rate of about 7.4 per cent, many experts expect this figure to be closer to, if not higher than, 8 per cent for the full year.

Then, the inflation rate is also relatively moderate, at 4.17 per cent in July, despite runaway oil prices. Though this rate is expected to rise to 4.8 per cent in the second half of the year, it will still remain within RBI's comfort zone.

The two other very important macro indicators, the fiscal and current account deficits, are also modest and within the acceptable range, though CAD could rise to 2.5 per cent and beyond if global oil prices don't cool in the coming months.

It's a global contagion

Let us look at some of India's global peers to see how other emerging market currencies have been doing recently.

Over the last five years, the Argentinian Peso has lost 546 per cent in value, the Turkish Lira is down 221 per cent, the Brazilian Real has fallen 84 per cent, the South African Rand 51 per cent, the Mexican Peso 47 per cent, the Indonesian Rupiah 28 per cent and the Malaysian Ringitt 27 per cent.

The Indian Rupee, in comparison, has lost a far more manageable 16 per cent. Among emerging markets, only the Chinese Yuan has performed marginally better than the Indian currency, falling 12 per cent.

SINCE COMING TO POWER IN 2014, THE MODI GOVERNMENT, AND FINANCE MINISTER ARUN JAITLEY IN PARTICULAR, HAVE SHUNNED POPULISM AND POLITICALLY MOTIVATED GIVEAWAYS IN ORDER TO NURTURE THE BROKEN ECONOMY THEY HAD INHERITED BACK TO SHAPE.

Just to put things in perspective, even the mighty US Dollar has lost 18 per cent during this period. The main culprits for the falling value of Emerging Market currencies are the Turkish Lira and Russian Ruble.

The Turkish economy is on the brink, with rising foreign debt, an annual inflation rate of about 18 per cent and a diplomatic spat with the US all exacerbating situation.

Then, US and European sanctions against Moscow have made matters worse for the beleaguered Russian economy with the ruble following the Turkish Lira into a downward spiral as international investors, fearing an emerging markets contagion, remove their funds to safe heaven currencies of the US and western Europe.

And finally, 10-year yields in the US have breached the 3 per cent level amid indications that they may rise further. This is leading to rush of dollars from emerging markets, including India, back to the US, leading to a fall in the Rupee (and other EM currencies).

Oil, the other culprit

Like a ship caught in a heavy storm, the Indian economy is being buffeted by global headwinds. The Middle East is in turmoil, thanks to the Saudi Arabian-led spat with Qatar, the civil war in Syria and, most importantly, the renewed US sanctions against Iran.

This last, in particular, is hurting India very badly. With most countries winding down their imports of Iranian crude, which is much cheaper than other varieties, demand for supplies from rival countries is rising, leading to a sharp spike in the global oil prices.

India is the world's third largest oil importer and imports about 80 per cent of its crude requirements from abroad, a significant part of it from Iran. This is hitting the Indian economy hard.

Consider this: every $1 increase in the price of India's crude basket raises India's import bill by $1 billion.

Inflation set to rise

For now, the inflation rate in India is still relatively benign and its macro-economic indicators stable. But if crude prices keep rising, that could change. And that could influence how foreign investors view India going forward.

Media reports have indicated that the government is not keen on cutting duties on fuel to keep retail prices in check because any fall in revenue collections will lead to a cutback in development and investment expenditure that is sine qua non to keep the wheels of the Indian economy moving.

But if the country's import bill continues to rise, then the current account deficit, the difference between the values of all goods and

services exported and imported, will widen. And as the government's expenditure also rises to meet the rising costs of crude imports, the fiscal deficit will also increase.

This may be a signal for some foreign funds – already skittish about a potential Emerging Markets contagion – to start withdrawing their investments to safer havens in the West.

Then, rising transport costs will lead to a spike in prices of all manufactured goods and agricultural commodities across the board in India, thus, raising the inflation rate, which is currently at a comfortable 4.17 per cent.

Interest rates could rise

These developments – the depreciating Rupee, rising twin deficits and increasing inflation – will almost certainly force the hands of Monetary Policy Committee (MPC) of Indians central bank, the Reserve Bank of India (RBI), which has already increased interest rates twice over the last year, to raise rates again.

AMONG EMERGING MARKETS, ONLY THE CHINESE YUAN HAS PERFORMED MARGINALLY BETTER THAN THE INDIAN CURRENCY, FALLING 12 PER CENT.

"We were expecting a 25 basis points interest rate hike in December, but it could even happen in October now," Chief Economist of ratings agency CARE, Madan Sabnavis, told the media.

This will raise the cost of borrowing, set back the incipient growth of the investment cycle and slow down the economic growth engine, which is showing encouraging signs of picking up speed.

It will also hit affect household budgets and hit consumer demand, which has been the primary driver of economic growth in India in recent quarters. In particular, demand for housing, which is showing signs of coming out of a prolonged slump, automobiles, among the main drivers of the Indian economy in recent times, and white and brown goods, which are mainly funded by bank loans, is likely to be hit.

All of this will have a huge negative impact on the Indian economy and set back the good work done over the last four years by the Modi government in nursing the economy back to health.

THE MAIN CULPRITS FOR THE FALLING VALUE OF EMERGING MARKET CURRENCIES ARE THE TURKISH LIRA AND RUSSIAN RUBLE.

Returns of foreign investors to be hit

Many foreign, mainly stock and bond, investors are already counting their losses from the depreciating Rupee. The 13.5 per cent fall in the Rupee value against the dollar over the last one year means that foreign investors will have to earn at least that much in Rupee terms to maintain the status quo. Anything less than that will mean they will incur losses when repatriating their funds even though they may have earned profits in Rupees.

If an international investor was meeting his internal rate of return (IRR) – an important parameter for most such investors – expectation of 15 per cent in Rupee terms over a horizon of five years, then this 13.5 per cent decline in the value of the Rupee will reduce his returns by 270 basis points (10 basis points = 1 percentage point) annually.

Media reports have quoted S. Harikrishnan, Managing Partner, Blue Lotus Capital Advisors, which manages a private investment in public equity (PIPE) fund of about $40 million, as saying: "We raised our fund two years back when the Rupee was at 63-64 against the dollar and now it's at 72.5 against the dollar… it just means that no matter how well you do, you have already lost more than 15 per cent to the currency."

This will hit US funds and others who invested in US dollars the most but since all market-based exchange rates are linked, investors in other currencies such as the Pound Sterling or the Euro will not remain entirely unaffected.

"Currency volatility is proving to be a big concern. As a 10-year fund, we factor in fall of 1 per cent to 2 per cent annually of currency risks, but such a dramatic fall in Rupee creates havoc and directly impacts the NAVs of our funds," adds Harikrishnan.

Hedging of little use

Exporters and importers usually hedge their foreign currency risks but this mechanism becomes difficult for foreign funds as exit timings cannot be planned months and years in advance. "There is no certainty on the exact timing of exits. Hence, it is difficult to hedge the risk. Under such circumstances, hedging would be tantamount to speculation," Padmanabh Sinha, Managing Partner, Tata Opportunities Fund, told a leading Indian newspaper recently.

It could also be prohibitively costly to hedge risks over multiple years. The average hedging costs over the last decade has been about 5.5-6.0 per cent; so, private equity players have been reluctant to walk down this path.

Rupee-dollar rate likely to stabilise at current levels

"We expect the USD-INR to stay in the 72-74 range in near term. The Rupee has depreciated owing to the strength in the US dollar on the back of improving US economy and rising US interest rates. A further Rupee depreciation… as thereafter RBI will have to change stance and increase interest rates in the forthcoming policy or maybe mid-way," MD & CEO of Axis Securities Arun Thukral told the media.

Not everyone thinks falling Rupee is a bad thing

Former Finance Minister and Opposition Congress party leader P. Chidambaram has written a column recently titled 'Why India Should let the Rupee Fall', in which he says: "A weaker currency helps export growth, which has been weak in recent years… A weaker Rupee could also offset competition of cheap imports from countries like China, which could give domestic industries a much-needed boost. The RBI and India's government, at present, are calm. This is a strong posture that must withstand the daily news, media pressure, lobbying and political taunting. In 2016, the RBI had been given a new mandate to meet its inflation target and maintain growth. Defending the currency at all costs isn't part of the brief. This latest weakness will test its resolve."

Future tense but not necessarily grim

The coming months and quarters will give Finance Minister Jaitley many sleepless nights as he and his team keep a close vigil on international developments beyond their control. There will be many tense moments for the Indian economy, but the future is not necessarily looking grim.

If the domestic factors-led growth momentum can be kept up – even with a slight moderation due to external reasons in the short term – it can provide the best hedge against rising oil prices and a falling currency over the longer term.

Advancing our bilateral & prosperity partnership with India

by Priti Patel

India has no shortage of potential partners, so the UK must act to ensure that we are India's partner of choice, writes an outspoken Brexiteer.

The global economy is undergoing historic transformations as economic and political power continues shifting towards Asia. With a rising share of the world's total GDP, the UK needs to ensure it achieves greater strategic access into Asia's biggest markets, notably into India. The importance of this preferential access cannot be overstated: as India is the world's fourth largest economy with 1.2 billion people and a growth trajectory that presents enormous commercial opportunities for decades to come, deepening UK-India relations is crucial to securing our place as India's business partner of choice.

The UK's work in India has seen some great achievements over recent years through targeting cooperation in areas that are most important to both India and the UK; the foundation on which to grow the UK-India relationship was strong.

Which brings us to the future of new trading horizons, where Britain's departure from the European Union (EU) presents a new opportunity to enhance trading links with our friends in India. It is a fact that while Britain remains in the EU and bound to EU rules on trade and tariffs, Britain and India cannot forge an independent strategic trade partnership.

The EU controls UK trade policy and determines tariff and non-tariff barriers. These controls act as a serious restriction on the UK's ability to increase trade flows between our two countries and the rest of the world. Barriers to trade erected by the EU remain firmly in place as the EU and the Customs Union act as a protectionist bloc designed to protect the narrow vested interests.

The proposed India-EU Bilateral Trade and Investment Agreement is a classic example where protectionist interests have shown the EU's lack of understanding of India and her own hopes and aspirations on world trade. The proposals for a free trade agreement were put forward in 2006 with negotiations beginning in 2007. Eleven years on and 16 rounds of negotiations later, a final deal is still some way off. The bureaucracy involved with a block of 28 countries with different priorities and interests trying to agree a united position has complicated matters. On top of this, during that time, the EU has put the securing of trade deals with other countries first and arrogantly abandoned efforts to address the matters preventing this deal being made.

Rigid labelling requirements, restrictions on services and outsourcing and barriers to market entry for food and medicines are among the biggest restrictions put up by the EU. It is a damning indictment on the EU that they have neglected India and shown little respect to a country of the size and importance of India.

A future bilateral trade and partnership between Britain and India must be one based on an equal partnership and build on mutual trust and respect. India, especially under Prime Minister Modi, has shown itself to be an open and outward-looking country, keen to take its place in the world as one of the great powers of the twenty-first century and committed to a programme of liberalising reforms. With democratic institutions and the rule of law underpinning its economic and democratic foundations, India offers investors and trade partners a level of stability that other fast-growing and developing economies do not.

Unfortunately, there are too many in the British government focused on securing a post-Brexit trade deal with the EU at any cost, there is a risk that they are losing sight of the significant trade opportunities that the rest of the world offers, including India. By the middle of this century, the EU's share of the global economy will be less than 10 per cent, having fallen to just a third of its level thirty years ago. Fast growing economies like India and emerging markets offer Britain a great opportunity to boost global trade flows and increase jobs and prosperity in Britain and with those counties we trade with. Our future lies with closer partnerships with the rest of the world and not being bound into the EU as its power and influence diminish.

By the middle of this century, India is set to be the world's third-largest economy, with the largest working-age population of any country. This growing market of consumers is supplemented by a healthy entrepreneurial spirit giving India over 36 million micro, small and medium sized businesses. With our shared history and language, and the strong connections that over one and a half million Indians living in the UK provide, the British government should be prioritising trade with India.

To be frank, over the last few years not enough serious focus has been given by the British government on building upon the significant bilateral relationship established between our two nations during the Cameron era. For this to change, a more open and equal bilateral partnership must follow covering every aspect of Government policy ranging from home affairs, the environment, defence and the economy. British diplomats and politicians seem to judge success on visits and meetings with officials rather than the actual ability to find ways to advance relations based upon mutual recognition and interest. India has no shortage of potential partners, so the UK must act to ensure that we are India's partner of choice.

IT IS A FACT THAT WHILE BRITAIN REMAINS IN THE EU AND BOUND TO EU RULES ON TRADE AND TARIFFS, BRITAIN AND INDIA CANNOT FORGE AN INDEPENDENT STRATEGIC TRADE PARTNERSHIP.

Our current levels of bilateral trade should be higher and that must be a priority for the British Government. In 2016 Britain exported £5.7 billion worth of goods and services to India and imported £9.7 billion. There is significant capacity for growth and an acceleration in trade as we leave the EU and if the British and Indian governments can agree a comprehensive free trade deal quickly.

There are a wide range of sectors where the conditions and expertise our two countries have created good conditions for trade growth and more partnership working. These include technology, engineering, advanced manufacturing, IT, infrastructure, medicine and scientific research and development.

But while governments can lay the foundations or trade, the deals that create jobs and prosperity are done by businesses and entrepreneurs themselves. A new trade deal with India will help existing trade forums that exist between Indian and UK businesses – such as the CEO Forum and Joint Economic and Trade Committee. However, while those high level corporate connections between big businesses and multinationals are important and have already delivered jobs and prosperity, an India-UK trade deal must facilitate trade between our two countries' micro, small and medium-sized businesses. With 36 million such businesses in India and 5 million in the UK there are huge opportunities for those firms to rise to the challenge and strengthen relations between our two countries. Our economies are built on the successes of small businesses and entrepreneurs and a long-term and deep trade and partnership agreement that brings together businesses of all shapes and sizes.

Our unique connection is underpinned by a deep, mutual understanding of each other's cultures and by our shared values. The UK must move into the era of stronger bilateral relationships and ensure that the shared interests binding our two Great Nations together delivers a shared glorious future for us both.

Priti Patel is a former UK Cabinet Minister and was the UK government's first-ever UK Indian Diaspora Champion.

Weaving Indian heritage and culture into hospitality

Puneet Chhatwal, Managing Director and CEO of Indian Hotels Company Limited (IHCL), talks 'India Global Business' through the Indian hospitality major's latest tie-up with the Hayre Group to set up a new Vivanta Hotel in London. He also delves into wider global plans for the company behind the iconic Taj brand of hotels.

What is at the heart of IHCL's tie-up with the Hayre Group?

IHCL was the first Indian hospitality company to foray into the United Kingdom with the iconic St. James' Court hotel in 1982. Today, we are proud to partner with Hayre Group Limited in bringing the first Vivanta branded hotel to London. The signing of the agreement between IHCL and Hayre Group further reiterates our growth strategy of adding hotels in key locations globally.

Please give some details of the Vivanta planned for London by 2021.

The Vivanta brand caters to the Upscale segment of business and leisure travellers. The new Vivanta hotel is a Greenfield project slated to open in 2021. It is conveniently located across from Terminals 1, 2 and 3 at Heathrow Airport and we are looking at a high percentage of business and transient travellers. The hotel will have approximately 108 spacious rooms, an all-day-diner, a bar and lounge, gym as well as banqueting facilities.

We are also opening the fourth outpost of our award-winning restaurant, Bombay Brasserie; given the kind of success the restaurant has had across locations coupled with the fact that the Heathrow area lacks a good Indian style restaurant. This would help attract diners who appreciate Indian cuisine.

What are IHCL's other global expansion plans?

Internationally, we aim to target the locations that have significant customer crossover and where our brands have great visibility and acceptance. Cities with presence of a large Indian diaspora who are ambassadors of our brand would be key entry points for us to venture into newer geographies. We are excited about our expansion in the MENA region, with two hotels due to open in Dubai and our first foray into the Holy City of Makkah, Saudi Arabia apart from introducing the Vivanta brand at London Heathrow.

Within the Indian subcontinent, we are passionate about opening up lesser-known areas to the international luxury traveller. We have just reopened one of South Asia's oldest historical icons – Taj Connemara after a year-long renovation. We are also looking forward to showcasing the natural beauty of Rishikesh with Taj Rishikesh Resort & Spa opening this winter.

Today we have 170 hotels, which includes 25 under development across four continents, 12 countries and 80 locations.

What sets the Taj and Vivanta brands apart in the hospitality sector?

The reason why guests choose Taj and Vivanta Hotels is due to the ability to weave Indian heritage and culture into the services and offerings in the most iconic assets around key markets whether in India or New York, San Francisco, London, Cape Town, Maldives, Dubai and many more such destinations.

INTERNATIONALLY, WE AIM TO TARGET THE LOCATIONS THAT HAVE SIGNIFICANT CUSTOMER CROSSOVER AND WHERE OUR BRANDS HAVE GREAT VISIBILITY AND ACCEPTANCE.

We have summed this up as 'Tajness', which is our soul and it has several elements to it. It is the way we have inculcated the Indian form of hospitality to welcome our guests, it is also about our efforts in the community, the values we stand for, and the way we treat all our stakeholders. Vivanta, on the other hand, is an upscale brand with primarily domestic presence but the UK is the first market where we have ventured to establish international presence. It is young, bold, driven by design and focusses on the essentials.

What is the group doing to stay ahead of the digital revolution curve within the industry?

As our customer profile changes 'glocally', optimising digital is becoming an imperative need. At IHCL, the traveller experience begins with the company's digital touchpoints and we diligently worked towards ramping up our online presence and ensuring a strong social media footprint. This includes our website, the new tajhotels.com, which is now available in four additional languages---German, French, Simplified Chinese and Spanish, besides a new mobile app, allowing guests to make bookings and reservations through it.

We also have a strong presence across key social media platforms to actively engage with the digitally evolved consumer. We recently developed Taj.Live, our social media and digital command centre, to monitor and analyse global trends, relevant conversations and brand reputation across online platforms.

Would you say Indian hospitality has made a significant global mark or there is still some way to go?

IHCL has a strong international presence across some of the world's most significant tourism markets including London, New York, Boston, Cape Town, San Francisco and Maldives. We have received numerous global awards and accolades which bear testimony to the fact that Indian hospitality has been making a significant mark in the global space.

For instance, as per the KPMG Global Customer Experience Excellence Report, IHCL has been chosen as India's leading brand by consumers and has been recognized as one of the 'Top 20 Hotel Brands in the World' by Travel + Leisure. Our flagship hotel, The Taj Mahal Palace, Mumbai ranked at the top spot globally according to an evaluation by TrustYou, the world's largest guest feedback aggregator. These awards and accolades are encouraging but the journey to become the world's best hospitality company is ongoing.

Indian market will help improve the UK's market share of globally mobile students

by Pooja Kumari

A policy specialist presents some of her key findings from an official Higher Education report that calls for greater flexibility on Indian student numbers coming to the UK post-Brexit.

Pooja Kumari is a policy and public affairs specialist with seven years of experience working in the education sector. She authored the UK Higher Education Commission's sixth inquiry report during her time at Policy Connect.

The Higher Education Commission is set to publish its sixth inquiry titled 'Staying Ahead? Are International Students Going Down Under?' this September. The inquiry was initiated with the aim of assisting the Government to achieve its ambition of boosting the value of international higher education to £30 billion by 2020, but this will not be easy given the continued ambiguity around the welcome given to international students and migration targets.

The report, therefore, seeks to assess the best routes to achieve growth including what the government needs to do to support the higher education (HE) sector. The report examined issues with immigration policy and the regulatory regime, which resulted in over-reliance on particular markets abroad, to the detriment of other source countries like India.

Trends in enrolments

Between 2011/12 and 2015/16 enrolments in the UK increased by only 0.8 per cent. In the same period, global mobility grew 16.6 per cent. Graph 2 suggests the recruitment of Chinese students to the UK has compensated for losses from other source countries: 22 per cent of first year non-UK enrolments in HE in 2016-17 were Chinese (HESA, 2018). The relative growth in Chinese students has been accompanied by a fall in the number of Indian students. Since 2012-2013 the number of first year enrolments of Indian students in the UK has decreased by 26 per cent (HESA, 2018). This is not a sustainable approach in the long term, not least as China's 18-22 year old population is set to decline over the next decade.

MUCH OF THE DECLINE IN INDIAN STUDENTS IS ATTRIBUTED TO THE CLOSURE OF THE POST-WORK STUDY ROUTE.

Much of the decline in Indian students is attributed to the closure of the Post-Work Study route. An analysis carried out by HEPI-Kaplan International assessed the impact of the closure of the Post-Work Study routes. This suggests that closing off this route to work in the UK after graduation led to a 20.3 per cent decline in enrolment at an undergraduate level.

Where are Indian students going?

Universities UK (2018) has concluded that Australia, a competitor nation which has seen a 15 per cent year on year growth in international students between 2016 and 2017, has 'picked up' part of the UK's former share of the Indian market due to the attractive post work study options on offer in Australia. This raises concerns about the sustainability of the UK's source countries and the danger of over-reliance on particular markets. Currently, over 50 per cent of India's population is under 25 years old and by 2020, India will outpace China as the country with the largest tertiary age population.

Patterns of Indian enrolments show that the UK's competitors are claiming a greater share of the Indian market. UNESCO reported that in 2015 233,540 Indian students enrolled in higher education abroad, representing an overall increase of 23 per cent since 2013 (ICEF, 2016). However, since 2012/2013 there has been a 26 per cent decrease in the number of Indian enrolments in UK higher education institutions. Meanwhile, Indian student enrolments at competitor countries have increased: US Indian enrolment grew 62 per cent, Canada 40 per cent, and Australia 50 per cent over the period 2013-2015.

Indian students are increasingly choosing other destinations, with surveys of prospective students showing that attractive visa policies and post-study employment options are a major factor in this decision. After the meetings between Prime Minister Theresa May and Indian Prime Minister Narendra Modi took place, the then Indian Commerce and Industry Minister [Nirmala Sitharaman] noted:

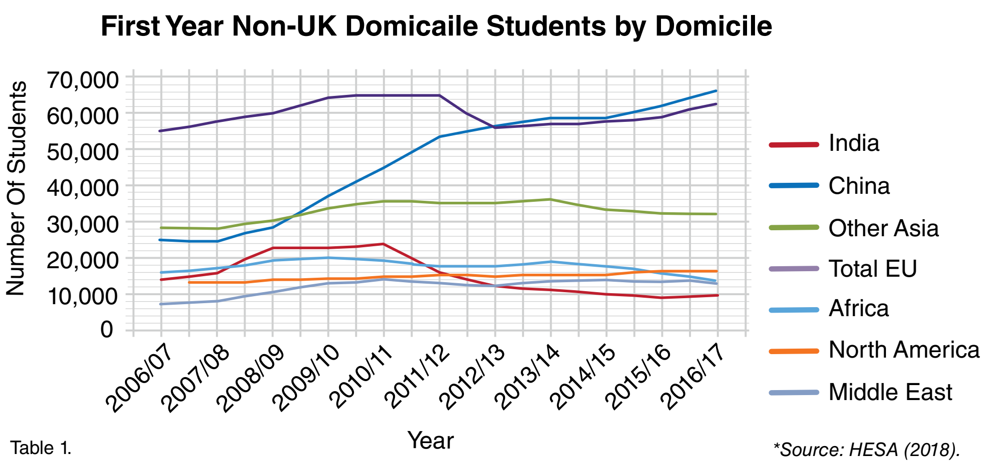


Table 1.

*Source: HESA (2018).

"I did raise the issues of visa fees, student visas, and how Indian students no longer prefer to go to UK universities, which was the top priority earlier, because of the nature of visa regulations and requirements." (ICEF, 2017)

Post Study Work route

The most notable aspect of the changes in immigration policy was the decision to remove the Post Study Work route in April 2012. This policy enabled graduates to remain and work in the UK for up to two years after graduation. The Commission was told the closure of the Tier 1 Post Study Work route is likely to have been a 'significant factor' in the reduction of students from Commonwealth markets like India, Pakistan and Nigeria. Evidence drawn to the Commission's attention included the fact that at the same time as South Asian intakes into the UK were falling, numbers were increasing to competitor countries that have improved their Post Study Work offer, notably Canada and Australia.

Current Post Study Work opportunities are limited. Under the (now closed) Tier 1 Post-Study Work route graduates had the right to remain in the UK one year after graduation. Now graduates have only four months to secure graduate level jobs with a Tier 2 sponsor and must meet minimum salary thresholds. This has had a significant impact on take up. In its final year of operation 38,505 students took the opportunity to work in the UK two years after graduation. These numbers have crashed significantly under the new Tier 2 route: in 2016 there were 6,037 graduates.

THE REPORT CONCLUDES THAT THE GOVERNMENT SHOULD CREATE A NEW INTERNATIONAL STUDENT GROWTH LIST WHICH STRATEGICALLY FOCUSES ON COUNTRIES WHICH HAVE THE FASTEST GROWING YOUTH POPULATIONS.

Open Post Study Work routes are particularly attractive to Indian students, and with demand set to increase globally from Indian students, it is vital that the Government rethinks Post Study Work options, bringing our regime in line with our competitors. Otherwise there is a real risk that in this more competitive environment the UK's declining intake of Indian students will penalise the country and UK institutions heavily.

Tier 4 Visa Pilot

The immigration and regulatory regime, in its focus on zero visa refusal rates, discourages institutions from attempting to recruit students from 'non-traditional' source markets. The Commission also heard that this regime encourages institutions to take a risk-averse approach to recruitment, and potentially withdraw or reduce recruitment from certain markets.

In summer 2016 the government relaxed the student visa regime for Master's students at four pilot universities in the UK: Bath, Cambridge, Imperial, and Oxford, as a test of a 'differentiated approach'. Under the pilot scheme:

- Universities were made responsible for eligibility checks, reducing the number of supporting documents students have to submit as part of their applications

- Students within the pilot were allowed to stay in the UK for six months after their course to find a graduate level job. Although this was a welcome change, it did not re-introduce the post-study work visa, as the pilot was only designed to give students time to find employment via the Tier 2 skilled work visa (THE, 2016).

The original four pilot institutions were chosen because of:

"...their consistently low level of visa refusals. The pilot is intentionally narrow in scope in order to monitor the pilot outcomes against the stated objectives and to minimise the risk of unintended consequences before considering rolling it out more widely." Times Higher Education (2016)

When the Government expanded the pilot, the Home Office said that the additional 23 universities were selected because their visa refusal rates were "consistently the lowest in their area or region". The focus on low visa refusal rates as the rationale for joining the pilot means universities would have to reduce their visa refusal rates. The Commission heard from witnesses that this can only be done by cutting back on recruitment from 'risky' markets, such as India. The report concludes that the Government should create a new international student growth list which strategically focuses on countries which have the fastest growing youth populations, as identified by the British Council (2018) in Table 1. This should consider nations who do not feature in our top-10 source countries, such as Ethiopia, Pakistan, and Kenya. In addition, this growth list should consider nations in our top-10 source countries such as India, who may be considered 'high risk' to the Home Office but have been identified by the British Council (2018) as the top countries with the fastest growing 18-22 year old populations.

but also to long-term patterns of trade and business cooperation. PwC projections show that the economy of India will be the second largest in the world by 2050.

The British Council has projected that the total growth in student mobility internationally is expected to slow between 2015-2027 but numbers of Indian students travelling overseas is predicted to buck this trend – increasing by 185,000 to 439,000

Top 10 fastest growing 18-22 year old populations

COUNTRY	2007	2027	CHANGE
India	120,241	124,572	4331
Nigeria	16,862	24,293	7431
Ethiopia	10,535	13,316	2,782
Kenya	4,672	6,340	1,668
Angola	2,616	4,093	1,477
Egypt	8,178	9,651	1,472
Indonesia	22,120	23,446	1,326
Iraq	3,501	4,688	1,187
Indonesia	9,849	10,600	751

Table 2. *Source: British Council (2018).

Implications for the UK

Successive governments have based their immigration policies on recruiting the "brightest and the best students around the world". Since 2014, there has been an emphasis on recruiting genuine international students through the tightening of the visa regime, this has resulted in institutions avoiding 'risky' students, but in turn has led to institutions moving away from markets that have great potential, such as India. This issue is very significant for the UK economy, not just in relation to HE by 2027. A key reason for this increase in Indian student numbers is that India is seeing a demographic boom in the peak education age groups.

The UK's current visa and regulatory regime has reversed the growth in students coming to the UK for their education, putting UK universities at a disadvantage to their competitors in other nations. At worst, government policy has sent a message globally that UK PLC is closed for business. Against Brexit and a backdrop of uncertainty for our future trading relationships with other countries, the UK must address this issue. Growing the UK's market share internationally will increasingly centre on the competition for the Indian market. Given the numbers of Indian leaders who were educated at UK universities – such as Mahatma Gandhi, Jawaharlal Nehru, Indira Gandhi, and Manmohan Singh – it is vital to both the UK's national interest and soft power diplomacy that the Government creates an international higher education strategy that welcomes Indian students.

How technology is enabling the India-UK relationship to grow from strength to strength

by Kishore Jayaraman

Rolls-Royce's India chief explores the India-UK relationship from the context of manufacturing and technological advancements.

India and the UK have been collaborating across multiple fields and at diverse levels. Several UK companies continue to play a major part in supporting India's development. For example, Rolls-Royce has been supporting Indian Armed Forces since the past 85 years when it powered the first aircraft of both Indian Air Force and the Navy. Today, the share of Indian companies investing in the UK is also rising significantly.

While India has undergone several significant technological and economic transformations in the recent years, there still exists opportunities for partnerships with developed economies like the UK. Particularly in the new and emerging technologies sector that are boosting business growth across the world, both the Indian and the UK can collaborate to pursue larger goals, like the enhancement of ties across financial markets and the exploration of modern technologies. In many ways, PM Narendra Modi's recent visit to the UK further strengthened the commitment by both countries to boost their strategic partnership.

THE UK HAS TRADITIONAL STRENGTHS IN SCIENCE AND INNOVATION WHICH CAN HELP INDIA BUILD A HIGH-END SCIENCE AND TECHNOLOGY ECOSYSTEM TO PROPEL THE COUNTRY IN THE RIGHT DIRECTION.

Undoubtedly, technology will be the underlying foundation to drive growth. The areas meanwhile that could benefit from this enhanced technological collaboration can be varied such as digital, trade, finance, climate change, defence, cyber security, education etc.

Technology – the key driver

Firstly, with the UK preparing to leave the European Union by March 2019, it is looking to re-energise its economy and look for more partners. In this scenario, enhancing partnership with India on a technological front can lead to a win-win for both countries.

Secondly, India's established leadership in the software services industry, made possible on the back of a skilled talent pool, supportive policies and a culture of innovation, positions it to contribute meaningfully to the partnership. Today, the country has moved beyond outsourced services and is rapidly gaining ground in technology innovation. For example, numerous companies have set up R&D centres in India to leverage the skilled talent pool and the conducive start-up environment. With Bengaluru being recognised among the top 10 tech innovation hubs in the world, India is now in the elite club of tech leaders such as US, the UK, China and Japan.

Thirdly, the UK has traditional strengths in science and innovation which can help India build a high-end science and technology ecosystem to propel the country in the right direction. The UK can leverage this partnership to assist India with developing superior technological skills as well as modern manufacturing and business processes, to help increase India's self-reliance ambitions.

Lastly, the two countries have a long history of collaborative success. The UK is the largest G20 investor in India for decades and India has the fourth largest number of investment projects in the UK, where technology plays a key role. More than 700 British companies such as British Petroleum, JCB, Caparo and Vodafone already operate, assemble and manufacture in India, employing thousands of people. Tata, an Indian conglomerate, is one of UK's largest manufacturing employers.

The UK has also played a pivotal role in India's defence modernisation and shares a strong history of cooperation in sectors such as technology, skills development and education.

- Rolls-Royce started its journey in India over 85 years ago with the powering of the first commercial aircraft as well as the first Indian military aircraft.
- Today, we are expanding our engineering footprint; building world-class digital, manufacturing and supply chain capabilities and investing in skills and partnerships to support India's strong growth aspirations.
- With presence across three businesses: civil aerospace, defence aerospace and power systems, we are well-positioned for future opportunities.

Working towards common goals

So, what does this mean for both India and the UK?

India requires advanced technology and manufacturing capabilities to bridge the existing gap while the UK needs a huge boost to trade and investments. Given their historical engagement, both the countries can work towards common goals by leveraging each other's complementary strengths.

Using technology as the foundation, both nations can open new avenues for technology transfers and join production, collaborate through knowledge sharing and research and development, establish partnerships between world-class innovation clusters as well as academia in order to continue remaining at the forefront of the technological revolution.

The next steps

India's population, a growing consumer base and talent pool, stands at 1.2 billion people, and is set to grow even larger. Its purchasing power is also expected to increase, presenting a huge opportunity for homegrown products and services.

With technology increasingly underpinning economic development and competitiveness the world over, the next step in the India-UK relationship would be collaborations in 'sunrise' future technology areas such as Artificial Intelligence, health technologies, clean technologies, smart urbanisation and future mobility. Industry 4.0 is another very important area of opportunity where India could benefit through its partnership with the UK. Through this, India can advance to high-end manufacturing, foster innovation, develop skills and build future-ready manufacturing infrastructure. This will also create high-value jobs especially for the world-class innovation clusters in both countries.

So, although India and the UK go back a long way, there are new opportunities emerging to build a stronger partnership using technology as the foundation.

Kishore Jayaraman is the President for India & South Asia at Rolls-Royce. He has strong global expertise in the field, having worked with GE across Europe, Asia and the US for the past 25 years.

The UK-India banking story: Mutual growth and innovation

by Mohit Joshi

The banking sector head of one of India's leading software giants, Infosys, explores the strengths of the bilateral partnership in the field.

Historically, India and the UK have been long-standing trade and investment partners. Over the past few years, the dynamic of this relationship has changed significantly driven by explosive growth, innovation and policy reform within India. A report by PwC predicts that India will become the world's third largest domestic banking sector by 2050 after US and China. The prediction in itself throws light on the rapid pace at which the Indian banking industry is innovating to meet the growing needs of local and global markets.

Origin of Indian banking

While banking as an organised industry began in India during the British rule, the post-independence era has seen a succession of strategic, well-defined and far-reaching reforms such as consolidation of banking landscape, emergence of public sector banking, economic liberalisation, foreign direct investment, etc., all of which have contributed immensely to unprecedented growth. The Reserve Bank of India (RBI) – the cornerstone of banking in the Indian economy and key regulator of the financial sector – and the government of India have continuously evolved their policies to keep pace with innovation. In 1991, the government called for economic liberalisation of banks in India. This coupled with the IT boom spurred the growth of private sector banking where private finance companies became harbingers of next-gen banking, leveraging new technologies to meet the banking needs of India's rising urban workforce. Later, as additional reforms were instituted to allow foreign direct investment, international banks too began making inroads into the Indian economy.

RECENT REFORMS BY THE INDIAN GOVERNMENT HAVE ALSO PLAYED A KEY ROLE IN DRIVING FINANCIAL TRANS-FORMATION.

Foreign banking in India

Post liberalisation, India has witnessed an influx of UK-based banks such as HSBC, Standard Chartered Bank, RBS, and Barclays to name a few that quickly set up operations in metropolitan cities across India. As part of a highly competitive industry, these foreign banks leverage home-grown innovations as well as local ones to sharpen their competitive edge. Many foreign banks do not have the advantage of widespread physical branches in India that private or government banks do. Instead, they are finding new ways to tap into the potential of the banking sector. For example, recognising the dearth of physical channels, Standard Chartered Bank is now leaning heavily into digital channels to grow

Mohit Joshi is President of Infosys. He is Head of Banking, Financial Services & Insurance (BFSI), Healthcare and Life Sciences at the company and is also responsible for firm-wide sales operations and reporting processes.

their customer base in India. In fact, 20 per cent of the bank's credit card and personal customers are sourced through digital channels.

Cross-border partnerships also have an important role to play in improving trade, investments and business growth. Today, the strategic relationship between India and the UK is based on strong investments and shared goals. Consider how India is among the top five investors in the UK and, conversely, how the UK is the number one investor from G20 in India.

With India emerging as a strategic global market, the relationship between these two countries is poised for rapid growth in the future. The recent India-UK Free Trade Agreement demonstrates a step in the right direction to improve trade. A 2018 report on UK-India bilateral trade relations indicates that the export market for financial services from the UK to India amounted to £195 million in 2016 while the same year, India's export of financial services to the UK was £94 million. Further, UK-based expertise can be instrumental in helping India implement robust cyber security solutions that address security concerns raised by the FinTech disruption.

This relationship isn't one-sided either. India is credited with making several innovative contributions to the global and UK economy as well. India is set to invest over £1 billion in 2018 to create or safeguard nearly 5,700 British jobs. Additionally, India-based companies are driving digital excellence and adoption of technologies such as AI, blockchain and digital – all of which are in high demand in the UK. Despite concerns over Brexit, India continues to be an important investment partner for the UK. Recently, the State Bank of India announced the launch of its UK subsidiary with an initial capital of $225 million. Another India-based bank, YES Bank, has signed an MoU with Santander UK to increase India-UK trade and provide opportunities for businesses in India seeking to expand into the UK.

DESPITE CONCERNS OVER BREXIT, INDIA CONTINUES TO BE AN IMPORTANT INVESTMENT PARTNER FOR THE UK.

Banking innovations from India

Clearly, the innovation curve in India is rising steadily as the government, private companies, FinTech start-ups etc discover new ways to bank. In 2015, India witnessed the emergence of payment banks, a unique initiative to improve financial inclusion. It began with the RBI approving licenses for payment banks and small finance banks to serve customers like the unorganised sector, micro-industries, etc. Now, these banks offer basic banking services like lending, receiving deposits and savings instruments as well as cashless transactions, bill payments, and more through mobile phones.

Recent reforms by the Indian government have also played a key role in driving financial transformation. Two major initiatives, the Jan Dhan Yojana and Aadhar, are perhaps the world's largest financial inclusion and identity management schemes. Another, the unification of disparate state-led tax regimes into a common Goods and Services Tax (GST), aims to rationalise the tax on businesses while enhancing trade and improving logistics.

In recent years, India has been the hotbed of FinTech innovations like Paytm, an online and mobile wallet, that has significantly disrupted the payments space by providing instant cashless transactions to a significant portion of India's population. Aiding the increased use of mobile wallets is the United Payments Interface (UPI), a technology platform from the National Payments Corporation of India based on open banking. This initiative aims to transform the entire ecosystem of banking by supporting transactions, mobile apps and technology solutions for non-banking customers, merchants etc to transact seamlessly, instantly and easily. Moreover, banks such as ICICI Bank are increasingly using innovative technologies, evolving from RPA process bots to AI chat bots to improve efficiency and customer centricity.

This spirit of disruption driven by finance start-ups poses lucrative opportunities for UK-based banks. In fact, tapping into India's reputation as an innovation hub, Barclays organised a hackathon in 2016 in India to leverage APIs and enable Indian FinTech start-ups to discover innovative solutions to the PSD2 directive in Europe. As an economy that has withstood the ravages of global financial recession, India continues to improve on its banking practices by merging inter-national best-practices with local needs. The benefits are there for all to see: the gestalt of these measures has spurred India's rank to 100 in the Ease of Doing Business Index 2018. The UK can benefit immensely from sustaining and strengthening this partnership – as will India.

India-UK tie-ups on track

Healthcare to finance, the bilateral relationship reflected a promising trend.

UK-based ClearScore enters India

ClearScore, a London-based free credit checking service, has entered India by launching its web and mobile-web services in the country. The start-up has recently got acquired by Experian, a Dublin, Ireland-based consumer credit reporting giant, in March this year. ClearScore is also is getting ready to introduce Android and iOS apps in India, later this year.

ClearScore matches consumers with personal financial products and offers free credit reports. The start-up is touted as being the first company in the UK to do so and monetises from the commission on products sold to users after they've completed their credit check. The website uses real-time data to present users with credit suggestions tailored to their financial situation.

Justin Basini, CEO at ClearScore, said in a press release statement: "Our focus has always been on helping our users achieve greater financial well-being, through a beautiful, simple interface. We're making it easier for people to get control over their financial situation and access the best offers in the market."

Hrushikesh Mehta, GM – India at ClearScore, said in a press release statement: "It makes perfect sense for ClearScore to enter India right now. Millennials aspirations to India's rapid acceptance of fintech innovations over the past two years provide the perfect backdrop for ClearScore's entry into India at the time."

Pi Ventures raises $6mn from CDC Group

Early stage venture fund pi Ventures, which focuses on artificial intelligence and internet of things-based (IoT) start-ups, has raised $6 million from the UK government's CDC Group Plc.

The investment comes after pi Ventures completed the second close of its debut fund at $25 million in January this year, raising funds from Hero Enterprise chairman Sunil Kant Munjal, Electronic Development Fund (managed by Canbank Ventures) and the corporate financing arm of Hero Electronix, along with other high net-worth investors.

The VC firm plans to complete its final and third closing for its debut fund shortly.

The fund is co-sponsored by In Colour Capital from Canada and backed by Small Industries Development Bank of India (Sidbi), Accel Partners, IFC, prominent angel investor T.V. Mohandas Pai and entrepreneurs such as Flipkart Group's Binny Bansal, MakeMyTrip's Deep Kalra, Bhupen Shah and Sanjeev Bikhchandani.

The fund will be used to invest in start-ups with deep-tech capabilities, or ventures building products using technologies such as AI and machine learning, pi Ventures said.

Alagappan Murugappan, MD and head of Intermediated Equity for South Asia at CDC, said: "This allows our capital to support early-stage companies that are innovating through technology to provide affordable goods and services at scale in areas such as healthcare among others."

Policy forum to enhance India-UK healthcare collaborations

A new policy forum created in Britain is set to encourage healthcare partnerships between India and the UK as well as identify avenues of new research and investment.

The BAPIO India-UK Healthcare Policy Forum, launched at the Indian High Commission in London in August, is aimed at harnessing the contribution made by an estimated 60,000 Indian-origin doctors to the UK's state-funded National Health Service (NHS) and influencing healthcare initiatives in both countries.

"I am sure this initiative will go on to make a significant contribution to the healthcare sector in both countries, particularly as people of Indian origin play such an important role in healthcare delivery in the UK," said Indian High Commissioner to the UK Y.K. Sinha.

BAPIO's new forum is aimed at developing a network of experienced clinicians, policy-makers and entrepreneurs to provide advice and practical support to the health services in the two countries, with the objective of enhancing outcomes for patients. It will also serve as an important vehicle for implementing healthcare policies, shaping themes of debate in the two countries, encouraging bilateral training programmes for healthcare professionals as well as strengthening healthcare-related infrastructure through greater two-way investment flows.

Paving the way for a cleaner India through responsible investment

by Sanjay Nayar

In the wake of investment firm KKR acquiring a 60 per cent stake in environmental services and solutions firm Ramky Enviro Engineers Ltd, one of the key driving forces behind the deal delves into how the Clean India campaign is becoming bankable.

As India becomes an increasingly attractive investment destination due to sustained business reforms, deepening capital markets, and greater ease of doing business – as evidenced by the recent 'World Bank - Ease of Doing Business' report, where the nation broke into the top-100 for the first time — we encourage members of the investment community to consider their impacts on India's broader society.

As India becomes an increasingly attractive investment destination due to sustained business reforms, deepening capital markets, and greater ease of doing business – as evidenced by the recent 'World Bank - Ease of Doing Business' report, where the nation broke into the top-100 for the first time — we encourage members of the investment community to consider their impacts on India's broader society.

As a global investor with a strong focus on India, we believe that the thoughtful management of environmental, social, and governance (ESG) issues is an essential part of long-term success in a rapidly changing world. In 2009, we became a signatory to the United Nations-backed Principles for Responsible Investments (PRI), which, in accordance with our own guidelines, encourages acting in the best long-term interests of our beneficiaries. KKR specifically commits to PRI principles for our private equity investments that include incorporating ESG issues into investment analysis and decision-making processes, among others.

With these considerations in mind, we've sought to identify ways in which our investment activity can have a more tangible positive impact on society at this time of this robust economic growth. And in doing so, we have found the environmental services sector particularly appealing – specifically the area of waste management given the correlation between economic growth and solid waste generation, which poses a real challenge to India.

To illustrate the scope of the problem, India generates over 150,000 tonnes of municipal solid waste per day, yet only 83 per cent of it is collected, and less than 30 per cent of it is treated. Hazardous industrial waste in India is expected to grow by 62.5 per cent from 2017-2022, while municipal waste is expected to grow by 21 per cent a day in that timeframe. The World Bank expects India's daily

WE HAVE FOUND THE ENVIRONMENTAL SERVICES SECTOR PARTICULARLY APPEALING – SPECIFICALLY THE AREA OF WASTE MANAGEMENT GIVEN THE CORRELATION BETWEEN ECONOMIC GROWTH AND SOLID WASTE GENERATION, WHICH POSES A REAL CHALLENGE TO INDIA.

waste generation to reach 377,000 tonnes by 2025.

At a national level, the administration's Swachh Bharat Abhiyan is playing a critical role in addressing this issue. In terms of the mission's focus, solid waste management (SWM) has grown in prominence, with the percentage of available funding as part of the initiative rising to 45 per cent in 2016-2017 from 25 per cent in 2015-2016.

In assessing the challenges around India's waste management sector, we also identified the opportunity to invest behind solutions. This is what prompted KKR's recently announced investment in Ramky Enviro Engineers Limited (REEL), a leading comprehensive environmental management company offering end-to-end environmental and waste management services. REEL is a first mover in providing such services to the Indian market and is well positioned to capture this significant growth opportunity.

The company frequently samples and analyses its business' impact on the air, soil and water of the areas where it operates, in addition to managing community outreach and engagement programs. It has been recognised for its safety and environmental efforts in numerous municipalities in India, and we are extremely excited to support its important work.

Through this partnership, KKR believes it can work alongside the government to help REEL build a world-class management team, apply best practices in ESG, compliance, technology implementation and support international expansion. And in the process transform it into an even stronger regional and global leader.

However, industrial waste is just one area of the environmental management spectrum. Plastic recycling is another.

While we've seen the gains made by large-scale corporations like REEL, we also recognise the smaller players in India that are making a difference. In 2015, we came across a Hyderabad-based social enterprise called Banyan Nation which manages a sustainable plastics recycling business. Banyan sources waste materials from aggregators, sorts and grades plastic waste, and manages a treatment and recycling process. As a result, Banyan produces higher-quality plastic pellets with a longer lifespan than pellets produced by the majority of recycling companies in the country.

This is a notable mission because India has relatively high rates of plastic recycling, thanks to the informal sector that recovers and recycles the vast majority of this waste. However, the plastic this sector produces is often of low quality and can be detrimental to the environment, as well as to the workers who recycle these plastics.

With an aim to scale up, Banyan teamed with KKR and its partners Impact Investment Exchange and Shujog to receive the necessary financial, analytical, and operational expertise to best position the business for third-party investment. KKR did this on a volunteer basis to leverage the firm's expertise and advance Banyan's mission.

We believe that both REEL and Banyan Nation are strong examples of how Indian corporations and individuals can help provide a critical solution to India's environmental management problems and support the Swachh Bharat Mission, in addition to individual communities.

As corporate citizens, private investors can also play an important role in helping these impactful businesses achieve their objectives. We view this as a positive step towards addressing a key societal issue, but for the government to successfully keep pace with the growing need for efficient solid waste management, increased funding and operational expertise can go a long way.

Sanjay Nayar is Member & CEO, KKR India Financial Services Private Limited.

Building shared prosperity across the Commonwealth of nations

by Snober Abbasi

Pegged around a recent visit to Bangladesh, the Commonwealth Secretariat presents a vision of shared goals across the 53-member organisation.

Secretary-General Patricia Scotland recently shared her vision to ensure that the Commonwealth remains relevant and vigorous during "troubled and troubling times".

She was speaking at the Bangladesh Institute of International and Strategic Studies (BIISS) seminar during her first official trip to the country.

Joining the Secretary-General, on the theme of "Commonwealth Advantage: Progress and Potential", were Foreign Minister Abul Hassan Mahmood Ali and Foreign Affairs Minister Shahriar Alam.

Secretary-General Scotland gave delegates insights into last April's Commonwealth Heads of Government Meeting (CHOGM) where 53-member states agreed to a swathe of initiatives to build on the progress being made since she took over the organisation more than two years ago.

CHOGM highlights

"A distinctive feature of CHOGM, as of all Commonwealth ministerial meetings, whether for finance ministers, foreign ministers, health and education ministers, ministers of trade, for youth, for sport, or for women, is the ready access afforded to those on whose behalf they work," she said.

"There is a special feeling of family in the closeness and symbiotic nature of the relationship ministers and their supporting officials enjoy with Commonwealth networks of practitioners and professionals active in their spheres of responsibility. The organic and human characteristics of Commonwealth growth and development bring immensely valuable goodwill and trust to our relationships and the way in which we do business.

"That we are family, not foreign, is recognised by the fact that our member nations are represented to one another by high commissioners, not by ambassadors."

Focus on trade

There were no winners or losers at CHOGM, said the Secretary-General, because decisions were made by consensus and not by vote. The Commonwealth is helping to share

prosperity among the 53-member states. The ‘2018 Commonwealth Trade Review’ showed that even though the Commonwealth was not constituted as a formal trading bloc, trade and investment remained strong. That was because it was 19 per cent cheaper when Commonwealth countries traded with one another, when measured against comparable country pairs.

"This rising tide of intra-Commonwealth trade underlines the growing significance of Commonwealth markets for many of our member countries," said Secretary-General Scotland. "Our research finds that there are enormous untapped opportunities to boost intra-Commonwealth trade in goods, services and the digital economy. For example, we have found that we can grow intra-Commonwealth merchandise exports by five per cent if we reduce by 10 per cent the red tape and paperwork confronting exporters in daily transactions."

This should be relatively simple because 44 of the Commonwealth’s 49 World Trade Organisation Commonwealth members have already ratified the WTO Trade Facilitation Agreement.

Scotland said: "Of course, sustaining trade growth depends on there being enabling conditions in the world economy.

"With rising protectionist sentiments and a backlash against globalisation in many countries, and even talk of trade wars, the role of the Commonwealth becomes increasingly important as a positive influence for strengthening trade links across boundaries and building prosperity in which all can share."

Commonwealth leaders expressed strong support for the multilateral trading system to respond to growth threats from rising protectionism, Secretary-General Scotland said. They have also backed the connectivity agenda which could increase intra-Commonwealth trade to $2 trillion by 2030.

Faith in Youth

The third Faith in the Commonwealth Youth Training of Trainers workshop, which took place in Dhaka, reiterated this message of shared prosperity. The training led participants through a practical programme on peace facilitation and project management, anchored on the values of global citizenship, mutual respect and youth empowerment.

> **"THERE IS A SPECIAL FEELING OF FAMILY IN THE CLOSENESS AND SYMBIOTIC NATURE OF THE RELATIONSHIP MINISTERS AND THEIR SUPPORTING OFFICIALS ENJOY WITH COMMONWEALTH NETWORKS OF PRACTITIONERS AND PROFESSIONALS ACTIVE IN THEIR SPHERES OF RESPONSIBILITY."**

The government of Bangladesh is fully behind the project’s objectives. In May, its State Minister for Youth and Sports, Biren Sikder, opened the training workshop in Dhaka and said: “As we live in an increasingly interconnected and complex world, it is more important than ever that young people learn the values, attitudes and communication skills that equip them to navigate their way in the world, and to work with others in ways that promote mutual respect and understanding.”

The Secretary-General also praised the success of the Faith in the Commonwealth project: “What this incredibly innovative training of trainers’ module did in Bangladesh was to take 26 young leaders from all backgrounds and galvanise them into a movement to encourage peace, development and deep understanding of different cultures.

“These were people from all faiths and those of none, all social strata and gender with a variety of skills. We had entrepreneurs, lawyers and community workers undertaking this course. Their connections are now life-long, and they have become true friends with a respect for diversity and the determination to increase social cohesion among our youth.”

Global citizenship

The project, a partnership with the Khalili Foundation, promotes global citizenship education and religious literacy among youth in the Commonwealth.

The Bangladesh Open University has offered its experience in online learning to help the Secretariat develop an e-learning version of the curriculum. The university has also agreed to deliver a global citizenship education toolkit by the end of this year and promote it to other universities across Bangladesh.

Faith in the Commonwealth is one of the Commonwealth’s projects to promote peace and development across its member states. Others include the Sport for Development and Peace programme which is helping Bangladesh revise its national sports policy and “Peace at the Crease”, which uses the popularity of cricket to build consensus on development issues.

Snober Abbasi works in the Communications Division of the Commonwealth Secretariat.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Indian start-ups go global

by Param Shah

Against the backdrop of Ola's recent entry into the UK market, our industry expert explores the increasingly global appetite of Indian start-ups.

As India leapfrogs among global economies, increasing number of Indian start-ups are going global and expanding their global footprint. A decade ago, it would have been difficult to think of a young Indian company becoming global so quickly. The only ones that would have thought or would have expanded globally would have been steel giants or an FMCG brand or a software giant. Global aspiration would need to be supported by a global outlook, clubbed with huge capital investments.

One decade later, there are more Indian unicorn and sub-unicorn start-ups heading for the global shores. The Indian market is just not enough for some of the start-ups. After creating firm roots in India, these start-ups are turning globetrotters. Over the years, start-ups like Zomato, FusionCharts, Freshdesk Inc, Oyo, Ola and many others have gone global.

Founded in 2008 in New Delhi, Zomato is one of the biggest online restaurant and nightlife guide. It stepped beyond India and now covers restaurants in Brazil, Indonesia, New Zealand, the Philippines, Portugal, Qatar, South Africa, Sri Lanka, Turkey, the United Arab Emirates and the United Kingdom and many more.

Today, this restaurant search and discovery platform provides more than 230k restaurants in 10,000 cities across 24 countries. In the UK, Zomato covers 14 major cities providing services like restaurant search & discovery, online ordering, table reservations & management, POS systems, and subscription services.

Freshdesk Inc, a Chennai-based start-up, provides a cloud-based customer support software that lets individuals support customers through traditional channels like phone, email, and social media channels like Facebook and Twitter. With over 20,000 businesses globally, it incorporated in US for ease of transaction.

Launched in 2013, OYO is India's largest hospitality company. Its network currently spans over 230 Indian cities including all major metros, regional commercial hubs, leisure destinations, and key pilgrimage towns. Earlier this year, Oyo rooms announced its was venturing into China after successfully expanding in Nepal and Malaysia. Oyo now has more than 11,000 hotel rooms across 26 Chinese cities, including Hangzhou, Xian and Guangzhou.

The road to globalisation is not easy; it is rather a bumpy ride. The journey to global success has had its own share of problems. Zomato and Oyo had to go slow in some of the global markets. This go-slow strategy could be a result of various reasons like competition, local regulations, among others. However, the advantage of going global to these start-ups is worth the pain. Going global exposes them to a full array of financial investors, access to global talent, market expertise leading to higher valuations. So, while OYO and Ola's expansion abroad may be a sign of the Indian start-up ecosystem's evolution, how the bold moves pan out will be worth watching out for.

UK Calling…

In keeping with the globalisation flavour this month, we take a break from 'India Calling' to talk about Ola's global expansion and recent announcement of its expansion in the UK. Ola joins a string of Indian tech start-ups like Zomato and Hotstar.

Founded in 2011 by Bhavish Aggarwal and Ankit Bhati, Ola is one of the world's largest ride-hailing companies. It integrates city transportation for customers and driver-partners onto a mobile technology platform ensuring convenient, transparent, and quick service fulfilment. Ola says it is

OLA's Bhavish Aggarwal

focused on leveraging the best of technology and building innovative solutions ground-up, that are relevant at a global scale.

Over the years, the company built itself into India's leading ride-hailing company by catering to the particular needs of Indian customers, who often like to settle fares in cash and jump on cheap, three-wheeled auto-rickshaws for short trips.

The Bangalore-headquartered company has never been short of cash. It received a $1.1 billion investment from SoftBank, a Japanese technology investment group. This has equipped Ola with the ammunition to take on existing ride-hailing operators in the UK, like Uber and Gett.

In August 2018, Ola's launch in South Wales marked its entry into the UK market. This follows its successful launch in Australia in February 2018, where it now operates in seven major cities. Over 40,000 drivers across Australia have registered since its launch in February and have completed millions of rides. Ola now conducts 1 billion rides each year globally, with more than 1 million drivers and 125 million customers in over 110 cities.

OVER THE YEARS, START-UPS LIKE ZOMATO, FUSIONCHARTS, FRESHDESK INC, OYO, OLA AND MANY OTHERS HAVE GONE GLOBAL.

Ola said it is working with local authorities across the UK to expand nationwide by the end of 2018 and has already obtained licences to operate in Greater Manchester. Bhavish Aggarwal, Co-Founder & CEO of Ola, said: "Ola is excited to announce its plans for the UK, one of the world's most evolved transportation markets. The UK is a fantastic place to do business and we look forward to providing a responsible, compelling, new service that can help the country meet its ever-demanding mobility needs.

"We look forward to our continued engagement with policymakers and regulators as we expand across the country and build a company embedded in the UK."

Ola plans to expand UK-wide by the end of 2018. It is already attracting global talent in Britain and has started creating jobs locally. It has appointed Ben Legg as Managing Director for its UK operations, who joins Ola from AdParlor, the New York-based global marketing technology company, where he was CEO for two years. Prior to this, he was Group CEO of Adknowledge, the digital advertising technology firm, between 2011 and 2016. He has also worked as Chief Operating Officer for Google Europe, as well as previously holding senior roles at Coca-Cola and McKinsey. Before embarking on a corporate career, Ben was a Captain in the British Army's Royal Engineers for 10 years, which saw him lead various engineering organisations across the world.

Ola is always exploring new opportunities for the business and this often includes assessing the potential of new cities. With successfully launching across Australia and the UK this year, the global march of this unicorn will always be a good case study to track.

Dr Param Shah is Director – UK, Federation of Indian Chambers of Commerce & Industry (FICCI).

**The views expressed herein constitute the sole prerogative of the author. They neither imply nor suggest the orientation, views, current thinking or position of FICCI. FICCI is not responsible for the accuracy of any of the information supplied by the author.*

India's mega water management challenge

by Gareth Price

Against the backdrop of the devastating floods in Kerala, an expert weighs up the manifold threats faced by the country in the field of water management – from water scarcity to flooding.

Water management will be one of the greatest threats to India meeting its economic potential. The threats are manifold. Both quality and quantity are challenges. Pollution is widespread, providing significant threats to health and in turn economics.

Around 70 per cent of India's water is thought to be contaminated; only one-third of wastewater is treated while the presence of arsenic and other chemicals exacerbates the threat to health. Around 200,000 deaths a year are attributed to lack of access to safe water while 500 children per day die from water-borne diseases.

Quantity is equally a problem – India experiences both water scarcity and annual flooding. This year, Kerala was worst affected, though rivers flowing from the Himalayas frequently flood large parts of North and North East India.

Many in India feel that the country is already experiencing the effect of climate change – essentially more intense weather, more often. Fundamentally, the challenge for India is that around 90 per cent of its rainfall occurs in the relatively short monsoon season. Thus, for part of the year there is a risk from flooding; for the rest of the year the challenge of storing water. Just over half of India's agricultural land remains rain-fed, hence vulnerable to the vagaries of the Monsoon. The more intense the rainfall, the greater the challenge of water storage.

AROUND 200,000 DEATHS A YEAR ARE ATTRIBUTED TO LACK OF ACCESS TO SAFE WATER WHILE 500 CHILDREN PER DAY DIE FROM WATER-BORNE DISEASES.

The government's think tank, NITI Aayog, recently published a report comparing flood management between India's states. Generally, those states already facing water scarcity scored higher than those where water is more abundant. Kerala performed worst out of India's southern states. But India's northern states, home to half the country's population, performed worst. The report included some concerning forecasts. It predicted that 21 cities, including New Delhi and Bengaluru, would run out of groundwater by 2020; it argued that India is already experiencing its worst water crisis, and that by 2030 demand will outstrip supply, potentially costing 6 per cent of GDP.

The challenges are not confined to India, but are regional, with the same rivers flowing between countries and acting as a source of wealth but providing the threat of disaster. Bangladesh split from Pakistan in 1971 in part as a response to poor government response to extreme flooding the previous year. Now, Pakistan too faces challenges of water scarcity combined with occasionally severe flooding.

Given the shared challenge, regional flood management or flood forecasting could be seen as an opportunity for regional engagement. Instead, more often, the shared rivers are seen as a source of contention. Each downstream riparian has blamed flooding on the upstream country opening dams. Lack of data sharing allows this belief to circulate unchallenged, and at times there appears to be an element of truth to the claims. Water management in India is the responsibility of its states. There are disputes between states

over the allocation of water and some blamed the Kerala floods on dams being opened upstream as reservoirs came close to over-flowing.

Putting safety and environmental concerns to one side, dam-building in upstream countries is seen through a securitised prism in those downstream. India fears Chinese activities on the upper reaches of the Brahmaputra; Pakistan is critical of India's dam-building. In this context, India's offer to help Afghanistan construct a dam on the Kabul river, which flows into Pakistan, does little to augur regional harmony. Power asymmetries coupled with a lack of trust lead countries to assume the worst rather than work together to use hydraulic infrastructure to limit the impact of heavy rainfall.

What are the solutions to the challenge? Cape Town recently averted a severe crisis as it approached "Day Zero" – the day it would run out of water. There a range of carrots and sticks were introduced to encourage reduced water usage. The starting point in India is different. Many consumers still see water as a fundamental human right, or a gift from God. Farmers are an important electoral constituency. Many states feel they will only be elected by promising farmers free power, with which they can over-pump groundwater, exacerbating the water crisis and undermining the finances of state electricity companies. Something between 70 per cent and 90 per cent of water is consumed by farmers and some innovative schemes have been introduced to encourage lower consumption, using drip irrigation for instance. Western advice has long been to introduce charging for water usage. But consumers are reluctant to pay for water (or electricity) unless they receive a guaranteed supply. And where charging schemes have been introduced in India, the outcomes have been mixed. When faced with charges, some farmers use less water. In other cases, however, the guaranteed supply allows a shift to more water-intensive cash crops, so farmers use more water. Thus, as a means of saving water, the impact of charging varies contingent on the local geographies.

Alternatively, there is a growing emphasis on assessing the costs of the water crisis, and exploring how averting these costs could create a revenue stream. One study suggested that the provision of sanitation in rural India could provide a market of $25 billion Some were surprised at India's Prime Minister, Narendra Modi, when he stressed that providing sanitation would be a priority. But it is a policy that works on two levels. Politically, it is popular with women. Economically, averting sickness from poor sanitation means that people can work; ill health can rapidly push poor people towards poverty.

As water usage shifts towards industry and urban India from agriculture, a range of measures will need to be taken to avert a water crisis, focussing on limiting consumption, both through carrots and sticks, and micro-level actions to maintain existing infrastructure. Leaking pipes cause significant waste at present. Limiting agricultural consumption will require successful initiatives to be up-scaled, rapidly. Lessons from water-scarce states need to be learnt by those that currently have a greater abundance of water. Some in India still look at water through a technical, engineering mindset whereby large-scale engineering projects will provide the solution.

The NITI Aayog report suggests that this approach is evolving, and that the realisation that the solution requires a multi-layered set of responses is becoming more widely accepted.

Dr Gareth Price is Senior Research Fellow, Asia Programme, Chatham House

Trump puts India in a fix on Iran

by India Inc. Staff

The decision of the US government to impose economic sanctions on Iran, which came into effect from August 6, has put India in a precarious position.

The unprecedented sanctions that were unilateral in nature unlike by the US government in the past that were taken in consensus with its allies in Europe are a consequence of Trump administration's decision to withdraw from the Joint Comprehensive Plan of Action, an international deal that sought to limit Iran's nuclear programme in exchange for easing pressure on its domestic economy. President Trump wants all countries to start winding down their ties with Iran from August to a complete isolation by November – to the extent that the US has threatened to freeze its trade ties with any country that is found to be doing business with Iran by November 5.

It is a scenario that puts India in a fix. India has for long shared a healthy relationship with Iran, with the Middle Eastern nation in particular helping to quench India's seemingly endless thirst for crude oil. With an annual crude production of 234 million tonnes in 2017, Iran is the world's fifth-largest oil producing nation. India on the other hand imports over 80 per cent of its crude oil requirement every year and is the world's third-largest oil consumer. In 2017-18, India imported crude worth $ 88 billion, a 25.5 per cent growth over fiscal 2017. In volume terms, refiners imported 220 million metric tonnes in fiscal 2018 against 214 million metric tonnes in the previous fiscal.

Iran's contribution to this import basket has always been significant even as it has fluctuated depending on global sanctions that have in the past forced India's hand as well.

Traditionally, Iran was India's second-largest supplier after Saudi Arabia till 2010-11. Sanctions from the western countries led by the US in subsequent years saw its position slip to outside the top five.

Since 2015, however, as the sanctions eased, supplies rose to an all-time high of 27.14 million tonnes in fiscal 2017. That also made Iran the third-largest supplier of crude to India.

Imports fell by 16.8 per cent in fiscal 2018 as India reacted to Iran's decision to award development rights of its Farzad B gas fields to other companies. Further, Iran which routinely sweetens the deal for oil imports to India, also decided to lower the discount on freight from 80 to 62 per cent.

Indian refiners received about 458,000 bpd (barrels per day) of oil from Iran in 2017-18, compared to about 543,500 bpd during 2016-17. State refiners, including Indian Oil Corp, Mangalore Refinery and Petrochemicals Ltd, Hindustan Petroleum Corp and Bharat Petroleum Corp, along with its subsidiary Bharat Oman Refineries Ltd that account for almost four-fifth of the oil imported

from Iran, lifted about 27 per cent less oil during the fiscal. Overall, India imported 22.6 million tonnes of crude from Iran in fiscal 2018, worth $8,979 million.

Earlier this year, however, the two countries began an attempt to mend fences by resuming their negotiations on the Farzad gas field. Iran also offered to increase the freight discount to India to 100 per cent. Further, it also provides higher import credit of 90 days to India as compared to 30 days by other countries. This lowers the working capital requirement of Indian refiners when they import from Iran.

On the back of this, Iranian minister of petroleum Bijan Zanganeh hoped in February this year that he would be able to sell 500,000 bpd oil to India in 2018-19, even as the threat of sanctions from the US was lurking in the background. At that time, sources in the Indian government had in fact indicated imports from Iran could rise to as much as 600,000 bpd given the rising prices of crude globally. It made more sense for India to trade with Iran given the price sensitivities.

It is this dependence on crude from Iran that has prompted India to take an initial defiant stand against the US

IRANIAN MINISTER OF PETROLEUM BIJAN ZANGANEH HOPED IN FEBRUARY THIS YEAR THAT HE WOULD BE ABLE TO SELL 500,000 BPD OIL TO INDIA IN 2018-19, EVEN AS THE THREAT OF SANCTIONS FROM THE US WAS LURKING IN THE BACKGROUND.

sanctions. In July, Indian minister for external affairs V.K. Singh said in a written reply to a question in India's Lok Sabha that its ties with India were not dependent on a third country.

"Both sides are engaged in developing a long-term partnership in energy deepening of trade and investment cooperation and an early and full operations of Shahid Beheshti Port at Chabahar", he said.

Oil minister Dharmendra Pradhan has been a bit more cautious.

"We will go by our own interests," he says. "There is not a single crude oil producing country today from where we don't buy crude today. We have even placed orders with Brunei. So there is no threat of supply disruptions because of the latest threat of US sanctions."

Yet at the same time, beyond the realm of state diplomacy, India can ill afford to antagonise the US. Bilateral trade between the two countries was worth $126.1 billion in 2017, making US the second-largest trading partner for India. The two countries have set a target to increase bilateral trade to $500 billion in the future. In contrast, India's bilateral trade with Iran is just $13 billion, with oil contributing $9 billion of that. More importantly, India enjoys a trade surplus of nearly $21 billion with the US, which means it exports more than what it imports from there enabling it to earn foreign exchange in the bargain. With Iran, India has a massive trade deficit.

As a result, the impact of the strain in relations between the US and Iran is already being felt on India-Iran bilateral trade. Though there has been no official communication yet, the Indian government has given feelers to its refiners to prepare for drastic reduction in import of crude from Iran from November onwards. Already, private refiners like Nayara Energy and Reliance Industries plan to put a complete halt to their imports in future. They significantly cut imports in June. To give a context, in 2017-18, Reliance Industries had boosted imports from Iran by about 50 per cent to about 81,000 bpd.

India does have a few options to circumvent the sanctions against Iran. The most obvious one is to seek a waiver from the US. In the past, the Obama administration had given waivers to India and some other countries to import crude from Iran. From a strategy point of view, it may not be in the interests of the US for a complete clampdown of crude oil trade between India and Iran, as that would make Tehran more dependent on China and move the two countries closer. For India to make a case for a waiver this time, it would still have to make a significant reduction in imports from the current situation. Even then, that would be a better bet as against no waivers at all. In that case, India may find it hard to find a replacement without a significant increase in its oil import bill.

“In the absence of waivers, Indian refiners will have to seek alternatives that are likely to be more expensive,” says a report by Edelweiss.

Further, a severe drop in oil production in Iran may also have a cascading impact on global crude prices that can exacerbate matters further for India. Already, demand for crude is strong globally while there are supply side constraints due to the crisis in Venezuela where crude oil production is in dire straits. Adding Iran to the mix will probably trigger another round of price increase.

India’s macro position would worsen if oil prices were to shoot above $80/barrel, said Kotak Institutional Equities in an August report. A $10/barrel change in the crude oil price results in 50 basis points impact on the current account deficit expressed as a percentage of gross domestic product and 30 basis points impact on inflation.

The other option for India would be to resort to using currencies other than the dollar to pay Iran for the oil purchases. The US sanctions would mandate that payments are routed through either local or foreign banks that don’t have close ties to America. The last time sanctions were in place India initially paid Iran via a Turkish bank before routing payments through a domestic financial institution. It also, along with China, sought to get around the restrictions by trading oil with Iran for local currencies and goods including wheat, soybean meal and consumer products.

In the interim period, there may be a spike in imports from Iran till November, before state refiners finally begin to cut supplies. According to data from DGCIS, imports from Iran jumped by 45 per cent to 8.14 million tonnes in the first quarter (April-June) of this financial year.

Imports surged 41 per cent at 3.1 million tonnes in July as well against 2.2 million tonnes in July 2017.

“The processing of Iranian crude also gives better yields and better operating margins. Crude oil imports from Iran during June and in the first quarter may have increased due to a low-base effect the financial year 2017-2018 and pre-buying by Indian oil refiners in response to the November deadline,” says K. Ravichandran, Senior Vice-President at ratings and research agency ICRA.

A lot will still depend on how hard the stance of the Trump administration will be from November onwards. The issue is likely to get prominence when Indian External Affairs Minister Sushma Swaraj and Defence Minister Nirmala Sitharaman jointly host US Secretary of State Michael Pompeo and Defence Secretary James Mattis in New Delhi for the India-US 2+2 Strategic Dialogue on September 6.

For now, it is certain that the issue will play out in diplomatic circles before it impacts the economics of India-Iran trade. Between trying to manage its oil economics where Iran lends a helping hand, and more far-reaching strategic ties with the US, India finds itself between a rock and a hard place.

India-US 2+2 Strategic Dialogue: A good beginning but…

by India Inc. Staff

The first-ever dialogue between foreign and defence ministers of India and the US has resulted in a closer strategic relationship but adding an economic component to the talks could add heft to this very important bilateral relationship.

The much anticipated and twice-delayed 2+2 dialogue between the Indian External Affairs and Defence Ministers and the US Secretary of State and US Secretary of Defence has answered several questions that had been exercising the global strategic community. All of them are positive for the future of India-US ties.

But the architecture of the dialogue omits a very, many will argue, important aspect of the vibrant and multi-faceted relationship – the tensions on the economic and commercial aspects of the relationship.

It was 2+2 about 2

The ministers leading the talks on the two sides were Indian Foreign External Affairs Minister Sushma Swaraj and Defence Minister Nirmala Sitharaman with their US counterparts Michael Pompeo and James Mattis but China and, to a lesser extent, Russia were looming large over the talks.

Neither country was mentioned either in the joint statement or in behind the scenes media interactions by the two teams, but the tenor of the statements spoke volumes.

Clearing the doubts

The 2+2 dialogue had been scheduled, postponed and rescheduled twice in the recent past. Many analysts and experts had wondered, in the light of the unpredictability of the Donald Trump administration and the widely reported US clampdown on H1B visas, if the White House was signalling a downturn in what has promised to become a defining relationship between both countries without quite always delivering on that potential.

The joint statement has banished those apprehensions at least for the moment. Whether it is on Pakistan and terrorism, on taking the geo-strategic relationship forward, on defence cooperation or on the much-delayed transfer of top-of-the-line military technology, the statement clearly pointed to a better understanding of each other's positions and greater convergence of goals.

The statement says: "The Ministers reaffirmed the strategic importance of India's designation as a Major Defence Partner (MDP) of the United States and committed to expand the scope of India's MDP status and take mutually agreed upon steps to strengthen defence ties further and promote better defence and security coordination and cooperation.

"They noted the rapid growth in bilateral defence trade and the qualitative improvement in levels of technology and equipment offered by the United States to India in recent years. They welcomed the inclusion of India by the United States among the top tier of countries entitled to license-free exports, re-exports, and transfers under License Exception Strategic Trade Authorization (STA-1) and also committed to explore other means to support further expansion in two-way trade in defence items and defence manufacturing supply chain linkages."

Convergence on Pakistan and terror

In keeping with a recent trend – and proving wrong sceptics who had predicted that the US may soften its stand on Pakistan in order to wring concessions on Afghanistan – the two countries mentioned Pakistan by name in the section on terror.

"Welcoming the expansion of bilateral counter-terrorism cooperation, the Ministers announced their intent to increase information-sharing efforts on known or suspected terrorists and to implement UN Security Council Resolution 2396 on returning foreign terrorist fighters… The Ministers denounced any use of terrorist proxies in the region, and in this context, they called on Pakistan to ensure that the territory under its control is not used to launch terrorist attacks on other countries.

"On the eve of the 10-year anniversary of the 26/11 Mumbai attack, they called on Pakistan to bring to justice expeditiously the perpetrators of the Mumbai, Pathankot, Uri, and other cross-border terrorist attacks. The Ministers welcomed the launch of a bilateral dialogue on designation of terrorists in 2017, which is strengthening cooperation and action against terrorist groups, including Al-Qa'ida, ISIS, Lashkar-e-Tayyiba, Jaish-e-Mohammad, Hizb-ul Mujahideen, the Haqqani Network, Tehrik-i-Taliban Pakistan, D-Company, and their affiliates…"

ARGUABLY THE MOST IMPORTANT NEWS COMING FROM THE FIRST 2+2 DIALOGUE WAS ON THE SIGNING OF THE COMMUNICATIONS COMPATIBILITY AND SECURITY AGREEMENT (COMCASA) THAT HAD BEEN HANGING FIRE FOR YEARS.

Closer strategic clinch

Arguably the most important news coming from the first 2+2 dialogue was on the signing of the Communications Compatibility and Security Agreement (COMCASA) that had been hanging fire for years.

This is particularly important for India as it gives New Delhi real time access to the US's vast and global intelligence network. Additionally, it also provides India access to the intelligence gathered by US allies subject to India's bilateral arrangement with that country permitting this.

According to media reports in India, US intelligence proved very important during the border crisis with China in Doklam at the tri-junction between India, Bhutan and China when People's Liberations Army (PLA) troops infiltrated into Bhutanese territory and severely undermined Indian positions in the region. China withdrew to agreed positions at the end of the 73-day stand-off. The reported availability of US intelligence on troop movements within China and Tibet enabled New Delhi to calibrate its response in an appropriate manner.

Then, the two countries have agreed to start a new tri-services exercise in which the Army, Navy and Air Force of each country will participate in joint exercises. This will be the first such programme for India with any country and promises to increase interoperability between the two forces.

Strategic autonomy intact

The Opposition, expectedly, has called the signing of COMCASA a sellout to the US and labelled it a signal that India has now become a junior partner to the US.

This is complete tosh. The joint statement very clearly says: "Recognising their two countries are strategic partners, major and independent stakeholders in world affairs, the Ministers committed to work together on regional and global issues, including in bilateral, trilateral, and quadrilateral formats…"

Apprehensions that this deal will undermine India's traditional defence relationship with Russia are also misplaced.

The missing ministers

As this report points out earlier, the 2+2 dialogue does not have an economic component. This could prove problematic, especially as the US and India have widely differing position in several economic and commercial issues that are increasingly becoming pain points in the otherwise healthy relationship.

Another dialogue involving Indian Finance Minister Arun Jaitley and Commerce & Industries Minister Suresh Prabhu on the one side and their US counterparts on the other could help sort out some of these problem areas.

The trade surplus

Most senior Indian government

TRUMP HAS PROBLEMS WITH THE $23-BILLION TRADE SURPLUS THAT INDIA ENJOYS WITH THE US AND WANTS NEW DELHI TO TAKE URGENT STEPS TO WHITTLE THIS DOWN TO AN UNNAMED LESSER FIGURE.

officials admit privately that Trump's "America First" makes them uncomfortable. They point out the sharp contrast with Indian Prime Minister Narendra Modi's "India First" credo, which envisages an embrace of free trade and forming partnerships with the world's leading industrial and technological countries to make Indian companies world class as opposed to the US version that is

more narrowly focused on squeezing foreign suppliers and companies out of the American market.

Trump has problems with the $23-billion trade surplus that India enjoys with the US and wants New Delhi to take urgent steps to whittle this down to an unnamed lesser figure.

The US government may be jumping the gun. Bilateral trade between the two countries needs to be encouraged to achieve the goal that Prabhu has set at $500 billion, a four-fold jump from the current level of about $125 billion. To put the current figure in perspective, it is worth noting that US-Mexico trade volume is $600 billion and the US-South Korea trade figure is at $250 billion.

Then, Trump has threatened to cut what he called "subsidies" to growing nations such as India and China. He probably meant the Generalised System of Preferences (GSP), under which the US does not levy any import duty on thousands of produces it imports from about 120 countries.

Indian goods worth about $5 billion get the benefit of this exemption, making India the leading beneficiary of this programme. Cutting back on this programme could threaten thousands of jobs in India.

Again, just as the 2+2 dialogue offers a platform to discuss contentious issues such as arms purchases from Russia and oil imports from Iran, the parallel 2+2 dialogue by ministers in charge of the key financial and commercial portfolios will facilitate solutions for difficult trade-related issues.

A good beginning

The joint statement ended by saying that the next 2+2 dialogue will take place next year in the US.

This augurs well for the two nations and if it can build on the platform created by the positive outcomes of the first meeting, it can be a force multiplier for both countries.

But with Trump at the helm, everyone will be keeping their fingers crossed.

Indian firms take flight across borders

From acquisitions to expansions, Indian companies widened their horizons in recent weeks.

IndiGo adds Kuwait, Abu Dhabi to its network

Indian budget carrier IndiGo said it will add Kuwait and Abu Dhabi to its international destination from October this year. The carrier will operate a daily flight from Chennai to Kuwait and from Calicut to Abu Dhabi from mid-October. Besides, it will operate a daily flight from Abu Dhabi to Kochi, a statement issued by the airline said.

Beginning 1 October, it will also operate a daily flight between Doha and Thiruvananthapuram and a daily flight between Doha and Ahmedabad.

On the domestic sector, IndiGo will become the first domestic airline to introduce services connecting Port Blair with Hyderabad and Vadodara. These flights will commence from September 2018.

In addition, the airline will operate its first daily return flight between Surat and Chennai, daily non-stop return service between Delhi and Imphal, direct flights to Vijayawada from Delhi.

"We will operate the first flight between Kuwait and Chennai and Calicut and Abu Dhabi starting October this year. It also gives us immense pleasure to add 24 additional flights to 6E network," the statement said.

Infosys opens fourth innovation hub in the US

Indian software services exporter Infosys has inaugurated a new technology and innovation hub, its fourth in the USA.

The new hub in Raleigh, North Carolina, will help Infosys work more closely with clients in fields such as Machine Learning, Artificial Intelligence, user experience and advanced digital technologies, including big data and Cloud.

The hub will train and retrain Infosys clients' employees in the technologies required to help American businesses accelerate their digital transformations.

Bangalore-headquartered Infosys already has technology hubs in Indianapolis, Indiana as well as in Hartford, Connecticut and Providence, Rhode Island. Infosys began a drive to set up technology hubs and increase the hiring of Americans after the Donald Trump administration began tightening visa requirements and resorting to other protectionist measures.

The company claims that since 2017 it has hired more than 4,700 American employees, and aims to increase that number to 10,000.

Tech Mahindra to acquire Czech firm

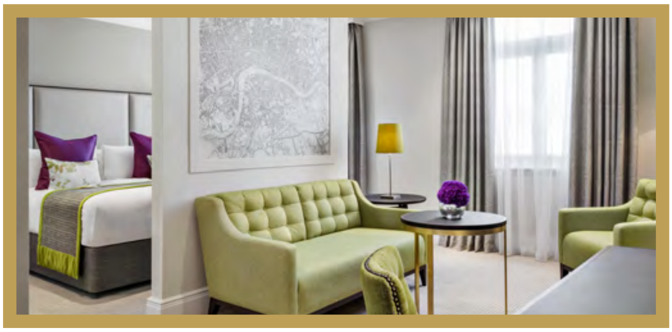
IT company Tech Mahindra said it will acquire Czech Republic-based engineering services firm Inter-Informatics for around Rs 80 million ($1.14 million) through a wholly-owned subsidiary.

"The investment committee of the board of directors of the company has approved the proposal to acquire 100 per cent shareholding on a fully diluted basis in Inter-Informatics spol.s.r.o.," Tech Mahindra said in a regulatory filing.

Inter-Informatics had posted a revenue of $10.7 million in 2017. It has a presence in the Czech Republic and Romania.

The investment to acquire the firm will be done by Tech Mahindra's subsidiary Mahindra Engineering Services (Europe) Limited.

The filing also said, "The deal will bolster company's presence in the cabin engineering space and also provide a highly skilled engineering team focussed on the Aerospace vertical."



India's e-commerce policy caught between a rock and a hard place

by India Inc. Staff

A new Draft E-Commerce Policy has set off a fierce debate in India about discounts, control and, most importantly, data security.

The Indian government is reworking the Draft E-commerce Policy it had released recently following criticism mainly from foreign players and several independent analysts.

In particular, the draft drew criticism for its alleged bias in favour of protectionism and for making the domestic RuPay card, promoted by the National Payments Corporation of India (NPCI), the mandatory payments gateway. It had also suggested the setting up of a government-aided platform to promote micro, small and medium enterprises (MSMEs).

Salient features

The 19-page draft contains several proposals to regulate the e-commerce sector. Among other features, it proposes:

- Greater restrictions on global e-commerce giants such as Google and Amazon to provide what it calls a level playing field for domestic start-ups
- A phasing out of deep discounts in a time-bound manner in order to enable smaller Indian players compete with global giants and large domestic players with international investors as backers who leverage their deep pockets to burn cash in order to gain market share at the expense of their smaller Indian rivals
- Restricting foreign investments in online companies that operate on the inventory model to sell Made in India goods and services to 49 per cent
- Making it mandatory for foreign companies to store personal data on Indian residents in India
- Amending the law to enable founders of Indian start-ups to retain control of their companies even with minority stakes.

A recent Reserve Bank of India (RBI) circular mandating that overseas companies stop the transfer of personal information from India to their foreign-based servers has only added to the controversy. And the report on data security by a high-level panel headed by Justice B.N. Srikrishna, which has major implications for the financial services and healthcare sectors in particular, has exacerbated the situation.

The three developments are not connected to each other but since all of them relate to data security, among other things, this report attempts to look at them holistically.

Massive market

The draft e-commerce policy and the RBI circular on data storage within India comes at a time when the Indian e-commerce market looks set to explode.

Just how massive this untapped opportunity is can be gauged from a recent report by Google, Bain & Co. and the Omidyar Network that projects more than half a billion Indians to get access to the Internet in the wave of expansion. Already 390 million have access, though only about 125 million conduct online transaction, the report says. Leading Indian industry body, the Confederation of Indian Industry (CII) pegs the number of online shoppers in India to reach 220 million in the next two years alone.

Despite this still relatively modest Net penetration, the per user data consumption of 8 GB per month is at par with that in developed markets.

Consider the hard numbers: The current size of the Indian e-commerce market is estimated at a shade under $40 billion. This is projected to grow to about $64 billion by 2020 and $200 billion by 2026. Some estimates even peg the size of the Indian digital economy at 50 per cent of GDP by 2030 – and we're talking of what could, by then, will become a $7-8 trillion economy.

India central to global e-comm

These existing numbers and mouth-watering projections as well the relative ease of entry for foreign players into the Indian market, compared to highly restricted countries like China, gives what is essentially a domestic policy initiative global ramifications.

This may, therefore, call for some amount of circumspection from India and the RBI on the final shape of the e-commerce police and the circular on forcing payments companies to store customers' data in India.

Since the loudest protests are coming from US companies such as Google, Amazon, Facebook and Apple, it might just present the highly protectionist current US administration under Donald Trump an opportunity to jump in and raise the pitch, thus, politicising a policy discussion in India.

Notably, Apple has put the rollout of its Unified Payments Interface-based payment platform in India on the backburner. This follows the decisions by Amazon and Facebook to defer the rollouts of similar products.

If other countries join the protectionist chorus, it might end up hurting India's giant $150-billion IT outsourcing industry.

The end result could be to fragment the internet, thus, negating the benefits of improved connectivity.

As India Inc. CEO Manoj Ladwa recently noted: "Maybe it's time to consider a kind of Geneva Convention on data".

Widespread criticism

The draft drew criticism not only from foreign players but also from dozens of Indian industry such as Infosys Co-founder and Chairman Nandan Nilekani, who said the draft shows "some kind of protectionist thinking… may stem from a feeling that Indian start-ups should be given a boost, something on the lines of the China model… What's happening in India is only a reflection of the global mood where after decades of globalisation and trade, we are seeing tariff and non-tariff barriers emerging across the world".

THE DRAFT E-COMMERCE POLICY AND THE RBI CIRCULAR ON DATA STORAGE WITHIN INDIA COMES AT A TIME WHEN THE INDIAN E-COMMERCE MARKET LOOKS SET TO EXPLODE.

Google CEO Sundar Pichai has also written to Indian IT Minister Ravi Shankar Prasad on the free flow of data across international borders saying this will encourage international companies boost the growth of India's digital economy and also help expand the Indian start-up universe.

"Free flow of data across borders - with a focus on user privacy and security – will encourage start-ups to innovate and expand globally and encourage global companies to contribute to India's digital economy," he wrote.

Others like industry body Internet and Mobile Association of India (IAMAI) have also joined the discussion, saying the Indian start-up eco-system will be hurt by what it called "restrictive" clauses of the draft.

In particular, it spoke out against the fact that forcing companies to store customer data in India would force Indian start-ups to look for inefficient and expensive domestic options when cheaper, better alternatives were available in the market.

But the draft e-commerce policy has also found backing from some influential quarters. Leading trade body, the Confederation of All India Traders (CAIT), which has been protesting against deep discounts by online retailers stealing customers from their brick and mortar counterparts, has written to the Commerce Ministry demanding that the stringent provisions of the draft e-commerce policy should not be diluted.

New committee

Reacting to criticism at home and abroad, the government has set up a committee comprising members from the Ministry of Information Technology, the Department of Commerce, the Department of Economic Affairs and Niti Aayog to take a fresh look at the draft e-commerce policy.

Given the different pull and pressures and the powerful constituencies lined up on both sides of the e-commerce and data protection fault lines, the government will have to carefully finesse its position when it comes out with a final policy.

This is an election year and the retail lobby is strong in India. So, it may not be wise to antagonise them politically. On the other hand, any overtly protectionist policy will go against the very grain of the Modi government's globalising instincts.

It won't be easy squaring this circle. In all probability, the issue will land the Prime Minister's Office for a solution that addresses both the genuine concerns of the brick and mortar retailers and the imperatives of maintaining India's global competitiveness especially in outsourcing.

Digital India attracts global investors

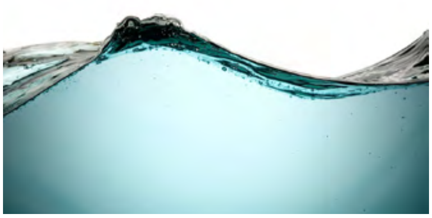
Foreign enterprises capitalise on the country's digital and water treatment potential.

Xylem bets big on India

American water solutions company Xylem Inc. has zeroed in on India as its fastest growing market in the next three years even as it readies the country to be an export hub by localising production.

Xylem is considering adding another factory in the country that will localise its water treatment capabilities.

Patrick K. Decker, CEO, Xylem, said: "Currently, the China-India combine represent less than 10 per cent of our total revenue…but in terms of growth rate, in the course of next three to five years, India is expected to be our fastest growing market."



Decker also said that even though its strategy of acquiring companies in the clean water and wastewater side is 90 per cent complete, it may look at larger scale mergers and acquisitions in the industrial water management side.

But before considering acquisitions, Xylem would look at scaling its projects and bidding pipeline that has already been growing at a high double-digit rate.

Through its engagement with local as well as global NGOs, it wants to position itself also in a socially relevant manner by penetrating related areas like sanitation and supplying treated water to people in villages.

Amazon Pay to acquire Bengaluru-based Tapzo

Amazon Pay India, Amazon India's payments arm, has acquired Bengaluru-based app aggregator Tapzo to ramp up its digital payments business in the country amid increased competition from rivals. Amazon Pay India picked up Tapzo in a cash-and-stock deal valuing the company at $30-40 million.

Sequoia-backed Tapzo has so far raised over $20 million from Sequoia Capital and American Express Co., among others, since it was founded in 2009 by Ankur Singla, Vishal Pal Chaudhury, Avinash Vankadaru, and Vishrut Chalsani.

Amazon also launched a new bill payments service, which will enable prepaid and postpaid bill payments on the Amazon Pay platform. As part of the new service, the company has tied up with hundreds of billers for electricity, mobile and broadband bill payments, among others.

Over the past two years, Amazon has been aggressively investing in building its payments business in India and has invested in several payments and fintech start-ups to boost its own offerings.

In its current avatar, Tapzo allows users to access over 35 apps, including Flipkart, Amazon, Uber and Ola. As part of the deal with Amazon, Singla and his team at Tapzo will join the online retailer.

Singapore firm invests in Jaipur's InstaCash

Jaipur-based re-commerce platform InstaCash has raised an undisclosed sum in fresh funding from Singapore-based CompAsia, an information technology refurbishment firm, a company statement said.

The company will use the capital to scale its business in India and expand its presence in international markets like Southeast Asia and East Asia, the statement added.

The start-up, which runs a web portal and a mobile app, allows users to resell their used or old smartphones on its platform and offers home pick-up and instant payment facilities. The app can test an old phone's functionalities and provides a resale price via an intelligent algorithm.

InstaCash has also launched its app in Malaysia, where it operates in eight cities. The company is also present in 13 Indian cities.

Julius Lim, CEO, CompAsia, said: "India being the second largest smartphone market, the investment in InstaCash gives CompAsia a footprint in the huge Indian smartphone market. In addition, we have recently launched the InstaCash app in Malaysia and will soon roll it out to the rest of the Southeast Asian markets, which will help us reach out to more customers."

He added that the strategic investment will help CompAsia reach a target of selling 6 to 7 million devices by 2020, where InstaCash is likely to contribute 1 million devices to the supply chain.

UK returns 12th century stolen Buddha statue to India

by India Inc. Staff

In what was held up as an example of India-UK collaboration across all sectors, Britain's Metropolitan Police recently marked India's Independence Day by handing back a rare sculpture stolen from India in 1961.

Scotland Yard returned a 12th century Buddha statue stolen from Nalanda in Bihar nearly 60 years ago to the Indian High Commissioner to the UK, Y.K. Sinha, as part of a ceremony to mark Independence Day at India House in London on August 15.

The bronze statue with silver inlay is one of 14 statues stolen in 1961 from the Archaeological Survey of India (ASI) site museum in Nalanda and changed several hands over the years before surfacing at a London auction. Once the dealer and the owner were made aware the sculpture was the same one that had been stolen from India, the Metropolitan Police said they cooperated fully with the Met's Art and Antiques Unit and agreed for the piece to be returned to India.
"I am delighted to return this piece of history. This is an excellent example of the results that can come with close cooperation between law enforcement, trade and scholars," said Met Police Detective Chief Inspector Sheila Stewart, who was accompanied by officials from the UK's Department for Digital, Culture, Media and Sport at the handover ceremony.

THE MODEL OF A SEATED INDIAN GOD VISHNU WAS ONE OF 14 STATUES TAKEN FROM AN ARCHAEOLOGICAL MUSEUM IN NALANDA, EASTERN INDIA.

"Although this was stolen over 50 years ago, this did not prevent the piece being recognised and the credit must go to the eagle eye informants who made us aware that the missing piece had been located after so many years," she said.

The statue was identified at a trade fair in March this year by Lynda Albertson of the Association for Research into Crimes Against Art (ARCA) and Vijay Kumar from the India Pride Project, who then alerted the police.

Sinha described the return of the "priceless Buddha" as a "wonderful gesture" and a particular honour given his own roots in Bihar.

"I hope it will now go back to where it originally belongs... On our Independence Day, it [return of the

statue] highlights the multi-faceted cooperation between our two countries," he said, after a Tricolour-hoisting ceremony to mark India's 72nd Independence Day at the Indian High Commission in London. Detective Constable Sophie Hayes, of the Met's Art and Antique Unit, said it had been established that there was no criminality by the current owner or the dealer who had been offering the stolen statue for sale.

"Indeed, from the outset they have cooperated fully with the police to resolve this matter and they have made the decision to return the sculpture via the police," Hayes said. "We are delighted to be able to facilitate the return of this important piece of cultural heritage to India," she added.

"ALTHOUGH THIS WAS STOLEN OVER 50 YEARS AGO, THIS DID NOT PREVENT THE PIECE BEING RECOGNISED AND THE CREDIT MUST GO TO THE EAGLE EYE INFORMANTS WHO MADE US AWARE THAT THE MISSING PIECE HAD BEEN LOCATED AFTER SO MANY YEARS"

The Art and Antiques Unit was founded 50 years ago and is one of the oldest specialist units in the Metropolitan Police Service. The unit prides itself on a "long history of reuniting owners with their stolen property".

Michael Ellis, UK Minister for Arts, Heritage and Tourism, said: "As we celebrate India's Independence Day, I am proud to highlight the latest example of the UK's cultural diplomacy in action. Thanks to the work of the Metropolitan Police's Arts and Antiques Unit, we are one of the first countries to recover one of the 14 elusive Buddha statues stolen from Nalanda nearly 60 years ago.

"This underlines how law enforcement and the London art market are working hand in hand to deliver positive cultural diplomacy to the world."

Valuable artefacts have been stolen from India over the centuries by colonial plunderers. However, the latest case involved a notorious smuggling ring.

The model of a seated Indian God Vishnu was one of 14 statues taken from an archaeological museum in Nalanda, eastern India. It is believed to have changed hands several times before it was unsuspectingly offered for sale and both the owner and the dealer agreed for it to be returned to India, for it to return to the place it was snatched from.

The recovered relic is a delicate artwork that depicts Buddha in the Bhumisparsha mudra—seated, with his right hand resting over his right knee, reaching toward the ground and touching his lotus throne. The gesture symbolises the moment that Buddha summoned the earth as a witness to his enlightenment, and it is commonly represented in Buddhist iconography. It was created using the specialist "lost wax" technique, which involves a wax model being made which can be used only once, as the wax melts away when the molten bronze is poured into the mould. This makes the statue an extremely unique piece of art and part of India's ancient tradition.

The identity of the dealer and fair have been kept under wraps.

Making India high priority for UK companies

Patricia Hewitt, Former Chair of the UK-India Business Council, explores various avenues to strengthen UK-India ties while explaining why broadening its connections is crucial for the UK in the post-Brexit scenario.

Backdrop

As the UK's new Prime Minister, Theresa May chose India for her first bilateral visit outside Europe. The symbolism of the visit, in November 2016, was appreciated by India's political and business leaders who clearly welcomed her message that the Brexit referendum did not mean that Britain was turning inwards or protectionist, but instead rebalancing its relationships to give greater priority to the rest of the global economy in general and to India in particular. Whatever one's view of the referendum, there is no doubt that India—already one of the UK's most important global partners—is now an even higher priority for the British government.

Opportunities for partnership

There are many reasons why bilateral trade has fallen short of the high ambitions set by political leaders. Nonetheless, the opportunities for economic partnership between the two countries are compelling.

On the one hand, India's scale, growth and demographics make it a market that no ambitious company should ignore. In less than three years, Narendra Modi has swept away many long-standing restrictions on foreign direct investment (FDI), even in sectors as sensitive as defence, while his strategy of 'competitive federalism' is accelerating state governments' moves to improve the ease of doing business.

On the other hand, Britain remains one of the most business and investment-friendly environments in the world. Despite the uncertainties inevitably created by Brexit, Nissan has recently confirmed a major new investment in its Sunderland factory and the government has emphasised that it will seek to maintain easy access to EU markets.

At a time of unprecedented technological change, India and Britain have more to offer each other than is sometimes recognised. Although Indians often see Britain as more 'heritage' than 'high-tech', the UK's world-leading science base and close partnerships between industry and academia should be a magnet for technology-hungry Indian investors. And Indians, with their centuries-old tradition of 'jugaad', have revealed an extraordinary capacity for innovation, giving India a world-leading presence in automobile components as well as its world-leading digital services sector.

Equally important, Britain and India have an 'installed base' of companies and people—including Britain's 1.5 million-strong Indian diaspora—that, along with a shared language and common legal systems, makes it easier to do business together.

Migration concerns

India and the UK, however, are service-led economies and any new bilateral arrangements must reflect that fact. Unlike manufactured goods, which have traditionally dominated trade negotiations, trade in services has two unique characteristics. But trade in services also means movement of people. It is vital to understand that what is at stake here is not permanent migration, but instead the temporary movement of people, buying and selling, delivering and consuming services. This includes the 330,000 Indians visiting the UK each year and the 800,000 British tourists to India (many of them encouraged by India's excellent online visa-on-arrival scheme), all participating in a sector that is vital to both economies.

ALTHOUGH INDIANS OFTEN SEE BRITAIN AS MORE 'HERITAGE' THAN 'HIGH-TECH', THE UK'S WORLD-LEADING SCIENCE BASE AND CLOSE PARTNERSHIPS BETWEEN INDUSTRY AND ACADEMIA SHOULD BE A MAGNET FOR TECHNOLOGY-HUNGRY INDIAN INVESTORS.

Unfortunately, in British public debate, temporary movement of people has got muddled up with long-term migration. Even worse, visas are treated as if they were a completely different issue from trade. These confusions will have to be cleared up if we are to succeed in establishing the new economic relationship with India that could bring so much benefit to both countries.

Road ahead

In India, the UK–India Business Council has been backed by the British government to provide much stronger support to SMEs looking to enter or expand in India. UK Export Finance, also now part of DIT (Department for International Trade), has responded to business criticisms by substantially improving its offer. Government and business together need to raise the appetite of British firms to internationalise—ideally with a big, sustained marketing effort across all media and every organisation that SMEs come into contact with. Thousands of British Indians are already doing business in India (and Africa) or are employed by larger firms to lead their efforts in India and South Asia. But far more should be done to build on those invaluable family ties across the wider diaspora community. With the government, business and the wider community working even more closely in partnership, we have a unique opportunity for Britain to weave a powerful web of connections between entrepreneurs, businesses and consumers in both countries—to the great benefit of all.

The above is a synopsis of one of the chapters from 'Winning Partnership: India-UK Relations Beyond Brexit', edited by India Inc. Founder & CEO Manoj Ladwa.

Bolstering the foundations of social impact

by India Inc. Staff

India's state-run Steel Authority of India Limited (SAIL) prides itself at leading the way on corporate social responsibility in the country.

The Steel Authority of India Ltd (SAIL), a "Maharatna" steel producer under the aegis of the government of India claims to continuously contribute to laying a sound infrastructure process for industrial development of the nation.

The company says it conducts business in ways that produce social, environmental and economic benefits to the communities in which it operates and recognises that its business activities have a direct and indirect impact on the communities. With the underlying philosophy and a credo to make a meaningful difference in people's lives, SAIL highlights how it has been structuring and implementing CSR initiatives since its inception. These efforts have seen the erstwhile obscure villages located around SAIL plants turn into large industrial hubs today.

SAIL CSR initiatives are undertaken in conformity with the CSR provisions (Section 135) of India's Companies Act 2013, CSR Rules 2014 and Schedule-VII of the Cos. Act 2013. "SAIL, being sensitive to the requirements of the community at large, carries out CSR projects in and around the periphery of steel townships, mines and far flung locations across the country in thrust areas falling in line with the Schedule-VII, namely, Education, Medical and Health Care facilities, Village development, Access to Water & Sanitation facilities, Environment Sustenance, Women Empowerment, Sustainable Income Generation through Self Help Groups, Assistance to Divyangs(People with Special Abilities), Promotion of Sports, Art, & Culture, etc," the company said.

Healthcare

Good health contributes to better economic growth, as healthy populations add to the productivity of a nation. Aligned with it, specialised and basic healthcare is extended to peripheral population through our extensive and specialised Healthcare Infrastructure at plants and units. Treatment of hearing impairment, anaemia and identification & counselling of Sickle Cell & Thalassemia patients, women with

gynaecological disorders, Leprosy & Tuberculosis patients are provided free of cost treatment. Nearly 17 million patients were benefitted during the period 2011-18.

Quality healthcare is brought at the doorsteps of the needy through regular health camps in the periphery of plants/ units, mines & remotes. During FY 2017-18, about 4130 Health Camps were organised facilitating over 76,000 villagers, 7 Mobile Medical Units (MMUs) covered about 44,000 villagers at their doorsteps in remotes and 27 Primary Health centres exclusively provided free medical care and medicines to 343,000 villagers.

Education

Training and education is one of the key drivers of nation-building. SAIL is supporting about 77 schools imparting modern education to more than 40,000 children in the steel townships. About 68,000 students in over 630 government schools at Bhilai and Rourkela are provided mid-day meals in association with Akshya Patra Foundation and respective state governments.

Under SAIL's initiatives, 19 Exclusive Schools (Kalyan & Mukul Vidyalayas) are educating around 4,274 BPL students with facilities like free education, meals, uniforms, textbooks, stationeries, bags, etc. across steel plants.

More than 524 tribal children get free Education, Accommodation, Meals & Uniforms, textbooks, etc. at Saranda Suvan Chhatravas, Kiriburu; RTC Residential Public School, Manoharpur; Gyanodaya Chhatravas, BSP School Rajhara, Bhilai; Kalinga Institute of Social Sciences, Bhubaneswar; Gyanjyoti Yojna for Birhors, Bokaro. Over 2,300 school students are awarded annual scholarships in plant peripheries.

SAIL HIGHLIGHTS HOW IT HAS BEEN STRUCTURING AND IMPLEMENTING CSR INITIATIVES SINCE ITS INCEPTION.

Vocational and specialised skills development training is targeted towards sustainable income generation are imparted to rural youths and woman folks in areas such as Nursing, Physiotherapy, Driving, Computers, Mobile repairing, Agriculture techniques, Mushroom cultivation, Goatery, Poultry, Fishery, Piggery, Achar/Pappad/Agarbati/Candle making, Screen printing, Handicrafts, Sericulture, Yarn Weaving, Tailoring, Sewing & embroidery, Gloves, Spices, Towels, Gunny-bags, Low-cost-Sanitary Napkins, Sweet Box, Soap, Smokeless chullah making etc.

Approximately, 601 youths and 1,468 women were trained during 2017-18 at Bhilai Ispat Kaushal Kutir, Swayamsiddha & PG College of Nursing, Bhilai with Free Boarding & Lodging, Kishori at Rourkela, Shipangan & Skill Development and Self Employment Training Institute (SDSETI) at Durgapur, Vocational Training Centre & 'Mahila Mangal Sabha' at Burnpur, Garment Technician Training at Salem, JHARCRAFT centre at Bokaro and Self Employment Centre "KIRAN" at Kiriburu Ore Mines & Meghahathaburu, Aashaye Handloom Center at Gua, etc. SAIL is also instrumental in marketing of the products manufactured at such centres.

Almost 845 youths have been sponsored for ITI training at ITCs Bolani, Bargaon, Baliapur, Bokaro Pvt ITI and Rourkela etc. and 71 youths have undergone training in Plastic Engineering through CIPET at Bokaro. The ITIs at Bolani and Bursua have been adopted for upgradation and operation by SAIL–Raw Materials Division (RMD). Also, at Bokaro Pvt ITI youths from the periphery are being trained in streams of Electrician, Welder & Fitter.

Rural infrastructure

SAIL, since inception, has been instrumental in rural infrastructure development and has connected over 790,300 people across 450 villages to mainstream through roads. Also, over 5 million people in remote areas have easy access to safe drinking water via installation of 8,128 water sources approx.

To promote renewable sources of energy, solar street lights and solar lanterns and smokeless chullahs have been distributed in Saranda and other locations. Maintenance of parks, water bodies, botanical gardens and plantation of over 200,000 trees in townships has been undertaken during 2017-18. SAIL has supported setting up and operation of 100 KW Capacity Solar Power Plant at Jari, Gumla in Jharkhand.

Divyangs, or children/youth, are empowered with tools such as tricycles, motorised vehicles, callipers, hearing aids, artificial limbs, etc. SAIL supports Enabling Centres, such as "Sneh Sampada", "Prayas" and 'Muskaan" at Bhilai, "Schools for blind, deaf & mentally challenged children" and ''Home and Hope" at Rourkela, "Ashalata Viklang Kendra" at Bokaro, "Handicapped Oriented Education Program" (Hope) and "Durgapur Handicapped Happy Home" at Durgapur, "Cheshire Home" at Burnpur, Old age homes, viz. "Siyan Sadan" at Bhilai, Acharya Dham and Badshah at

Durgapur etc.

Lepers Colonies have been adopted and maintained in peripherals.

Sports, Arts & Culture

The promotion of such activity helps revive the creative ecosystem of communities in deprivation. Thus, bringing about positivity and giving shape and voice to the goals the local populations are striving to achieve. SAIL is supporting and coaching aspiring sportsmen and women through its residential sports academies at Bokaro (football), Rourkela (Hockey) – with world class astro-turf ground, Bhilai (Athletics for boys), Durgapur (Athletics for girls) and Kiriburu, Eklavya Archery Academy & Ladies Cricket Coaching Club, Jharkhand. The company is regularly organising inter-village sports tournaments, extending support to major national sports events & tournaments. Cultural events like Chhattisgarh Lok Kala Mahotsav, Gramin Lokotsav are organised every year.

In an effort to bring the marginalised masses of Saranda forest, Jharkhand to the mainstream of development, SAIL provided ambulances, 7000 each of bicycles, transistors, solar lanterns and established an Integrated Development Centre (IDC) at Digha village in Saranda forest. IDC comprises of facilities like Bank, Panchayat Office, Ration shop, Telecom office, Anganwadi Centre, Meeting room etc. for the local populace.

Model Steel Villages

In order to bridge the gap between rural and urban areas and to provide comprehensive development of both physical and social infrastructure, 79 Model Steel Villages across the country (in eight states). The developmental activities undertaken in these villages include medical & health services, education, roads & connectivity, sanitation, community centres, livelihood generation, sports facilities, etc. These facilities are maintained regularly.

SAIL constructed 672 toilets in schools in Plants & Mines peripheries in the States of Chhattisgarh, West Bengal, Odisha, Jharkhand, Madhya Pradesh and Tamil Nadu; as allocated by the Ministry of Human Resource Development, under the "Swachh Bharat Abhiyan" initiated by the Hon'ble Prime Minister of India.

**This article is based on information provided by the Steel Authority of India Limited.*

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Indian real estate on stable ground

by Deepak Varghese

An Indian real estate expert analyses property trends following the implementation of Real Estate Regulatory Agency (RERA) and Goods and Services Tax (GST) in the country.

The screaming headlines may warn of doom – such as "Assets of Unitech promoters to be liquidated to payback home buyers"; "Jaypee to reach into promoter assets to repay homebuyers"; or "DLF debt shrinks to less than $1 billion". However, the Indian real estate sector has undergone deep-rooted transformation and the last two months seem to indicate that the green shoots may be here to stay.

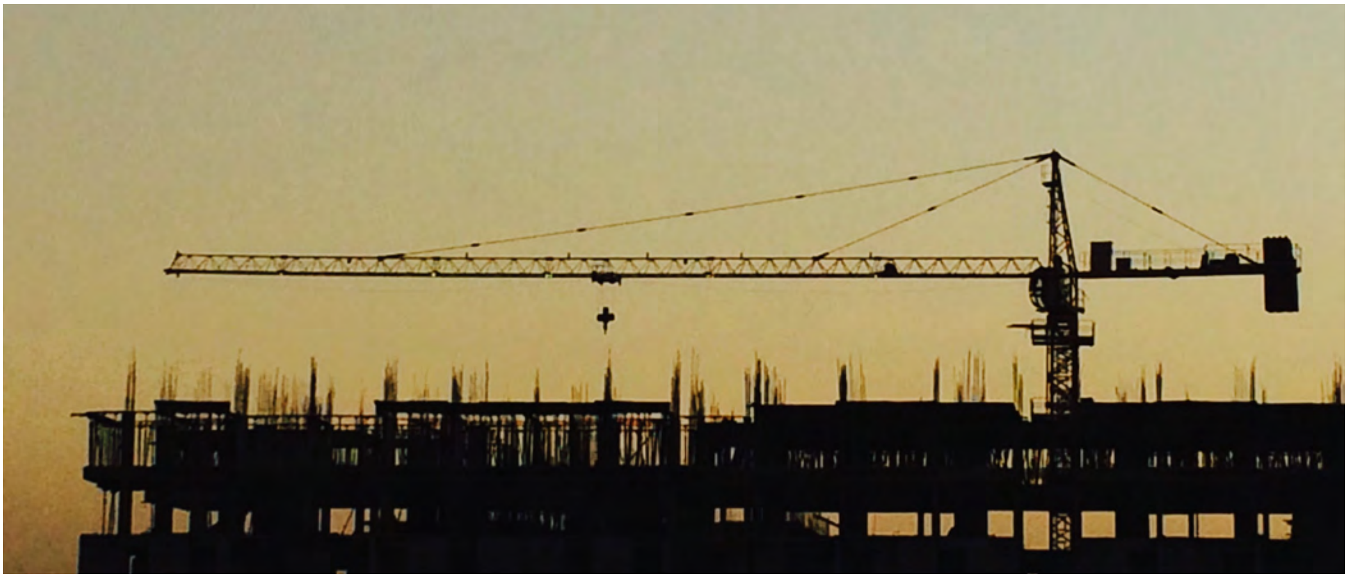
The macro environment has been led by the US trade war with Turkey. The aftershock for India meant that the INR dipped below Rs 70 against the US Dollar for the first time and a hardening of interest rates. This has led to a drop in the broader equity markets despite the BSE Index enroute to touching an all-time high due to increased liquidity. For the realty sector in the key cities, the green shoots seem to be here to stay.

While the Indian banking system is still struggling with its non-performing assets crisis, one must note that the realty sector – excluding infrastructure – is not causing ripples of stress, except for the ones named above and a few other smaller entities.

WHILE THE INDIAN BANKING SYSTEM IS STILL STRUGGLING WITH ITS NON-PERFORMING ASSETS CRISIS, ONE MUST NOTE THAT THE REALTY SECTOR – EXCLUDING INFRASTRUCTURE – IS NOT CAUSING RIPPLES OF STRESS.

Overall for the residential sector, the month of July, from the 15th onwards, has seen brisk sales of units priced below Rs 75 lakhs ($110,000) in the cities of Hyderabad, Pune, Bangalore, Chennai, Noida, Gurugram and some Tier 2 cities. Most of the developers, who are typically the larger ones, expect this trend to continue and if that does happen, we are looking at a watershed quarter for this segment. One of the developers from South India launched a 2,000-unit residential project in Goa and over a four-month period sold nearly 1,000 units. A never-heard-of phenomenon, especially when a majority of the buyers were non-Goans. A takeaway from this success story would be that clearly location is king. Centrally located unit sizes ranging between one, two and three bedrooms, not exceeding 1,500 sq ft, and priced around the Rs 5,500 per sq ft mark are clearly attractive. Besides, being a brand of repute backed by leading banks, financial institutions and suppliers also adds weight to such projects.

Investors may have been shied away from the residential sector for at least the past two-three years, but HNIs in the same period have used the Liberalised Remittance Scheme (LRS) to invest in overseas markets. It has typically been the US markets where four times of leverage is possible given the low interest rates and high yields compared to Indian residential assets, typically targeting 8-11 per cent USD returns.



Commercial realty continues to be hot with even more developers paring their residential projects and increasing the share of commercial developments. Brigade Enterprises, Assetz and Salarpuria Sattva Developers have unveiled this as part of their strategic shift in portfolio. This has also been supported by investors who in the past typically invested in residential units. Commercial assets started growing in popularity five years ago and given the success of that part of the investors' portfolio, there has been a rush towards commercial property investments. The demand is quite heavy, to the extent that with the Reserve Bank of India (RBI) Monetary Policy Committee (MPC) increasing the indicative rates and signalling that the next few quarters will be led by a higher rate regime – the yields are still in the 7.5-8.5 per cent range and not shown any sign of increased yields. This segment is now being led by tenants whose businesses are growing and require more space and investors with a growing appetite for this asset.

Interestingly, Brigade Enterprises and Prestige Developers have started growing their hospitality portfolio too where Brigade is focussing on the five-star properties and Brigade on the three-star plus segment. Given the relatively high cost of prime properties, which is essential for hotel developments, this is one segment that will see a slowdown with fewer new hotel launches in the five-star category.

COMMERCIAL ASSETS STARTED GROWING IN POPULARITY FIVE YEARS AGO AND GIVEN THE SUCCESS OF THAT PART OF THE INVESTORS' PORTFOLIO, THERE HAS BEEN A RUSH TOWARDS COMMERCIAL PROPERTY INVESTMENTS.

After nearly five years of being seen as a stressed segment with the rise of e-commerce, the malls have selectively started posting better interest. Businesses have reconfigured formats and many e-commerce players have started acquiring retail spaces in malls and high streets. Lenskart and Urban Ladder are just some of the names of companies born online but now having an offline presence too.

Besides this, traditional companies have gone online with a set of varied formats for mall/retail space. Based on recent statistics, it is expected that from September 2018 to August 2019 over 20 million sq ft of new mall space will be launched in India. Over the past year, a couple of mall-dedicated international funds have come into India with some of them even setting up dedicated mall management companies. According to reports, over 5 million sq ft of mall space is under negotiation with various funds for sale to investors.

The year has been marked by the launch of built-to-suit co-working spaces and we have noticed tenant profiles change from start-ups to established firms moving into such co-working spaces. This is because it is more cost efficient and faster, besides saving the hassle of office management. We are also expecting to see the launch of built-to-suit co-living spaces targeting single working professionals.

Some residential developers like Ozzone, Brigade, Mantri, Ashiana Housing have seen success with the conversion of part of their residential developments into senior citizen living accommodations – this segment is gathering more interest to cater to a segment that has the means to pay for what they see as an ideal product. This sector has attracted the interest of US senior care big weight Columbia Pacific Management, which recently acquired Serene Senior Care.

To summarise, Indian realty has shifted from catering to the upper segment of society to focus on middle India across the segments of residential, commercial, senior care, co-living, malls and hospitality.

Deepak Varghese is an india-based Real estate finance specialist.

A new public sector merger bodes well for Indian banking reform

The big news from the Indian banking sector this month has been the bold announcement that three public sector banks – Bank of Baroda, Vijaya Bank and Dena Bank – will merge to create India's third-largest lender.

Last year, India's largest bank, the State Bank of India (SBI), merged with State Bank of Bikaner and Jaipur (SBBJ), State Bank of Mysore (SBM), State Bank of Travancore (SBT), State Bank of Hyderabad (SBH) and State Bank of Patiala (SBP) to create India's only global-scale lender. Prior to this merger, SBI had been ranked as the 52nd largest bank in the world.

The Narendra Modi government seems to have kicked off an ambitious programme to reform India's notoriously laidback banking sector. This is yet another much needed politically sensitive issue in India given the still powerful presence of strong trade unions in all these banks.

The 'phone banking' crisis

It would be fair to say that the Indian banking sector, particularly banks owned by the government of India, is in a mess – a legacy of what is being called "phone banking," wherein senior (mostly Congress) politicians would routinely call up top bankers and order them to clear irregular and sometimes downright illegal advances to favoured businessmen.

This apart, the sector was packed with one medium-sized bank (by global standards), the State Bank of India (SBI), the largest in India, and dozens of smaller ones.

One only has to visit a typical public sector bank branch in India to realise that they are bloated, inefficient and, in many cases, very corrupt.

When the NPA bomb burst

Little wonder then that when the Narendra Modi government, which came to power in 2014, and the Reserve Bank of India (RBI) decided to crack down on dubious loans and crony capitalism that the ticking time-bomb, in the form of loans that have not been paid, exploded, setting back the growth trajectory of the Indian economy by years.

The RBI estimates the size of the non-performing assets (NPA) problem at about $61 billion or about 12 per cent of all advances. This has restricted the ability of banks to lend afresh and contributed significantly to India's tepid investment cycle.

> THE NARENDRA MODI GOVERNMENT SEEMS TO HAVE KICKED OFF AN AMBITIOUS PROGRAMME TO REFORM INDIA'S NOTORIOUSLY LAIDBACK BANKING SECTOR.

Merger part of a larger story

Each of these steps, the two sets of bank mergers and various steps to tackle the NPA issue have been announced separately – possibly to keep the politically-induced clamour to maintain the status quo in check. But the Modi government has discretely kicked off far-reaching reforms that promise to clean up the Indian banking sector and usher in governance and loan recovery protocols that are among the best in the world.

Here are some of the major banking reforms undertaken by the Modi government:

Insolvency and Bankruptcy Code (IBC): This new law mandates full resolution of the loan recovery process within a period of 180 days (extendable to 270 days if 75 per cent creditors agree), failing which defaulting companies are liquidated. This has ensured that politically connected businessmen can no longer get away by defaulting on large loans.

Credit Risk Management: Banks now have to regularly apply various analytical tools to existing loan accounts on an ongoing basis to track the health of each debtor and raise red flags in case of suspicion.

Giving RBI more powers: Banking laws have been amended to allow the RBI to more effectively monitor large accounts and also set up oversight committees to oversee these suspicious accounts.

Stricter provisioning norms: Public sector banks are being forced to recognise problem accounts early and provide larger reserves to deal with loan defaults. These are hurting their quarterly numbers but this is the bitter medicine that can cure their disease.

Corporate Governance: Norms on senior-level appointments have been tightened to ensure that only the best people rise to positions of authority.

It is going to be a long battle of attrition as powerful vested interested and the political backers are getting badly bruised. Already, some of India's top industrialists, including several Forbes billionaires, have lost control of their flagship companies and may more are likely to follow suit.

It is highly likely that more mergers of public sector banks will follow. Larger banks will have better capital adequacy ratios, need less fund infusions from the government and help Indian industry compete better with the world.

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