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IN THIS ISSUE

Unleashing India's Textile Talent

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ENGAGING LEADERS
INCISIVE CONTENT
IMPACTFUL EVENTS

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UNLEASHING INDIA'S TEXTILE TALENT

The Indian textiles industry is a $100-billion giant, which employs about 50 million people, making it the country's largest employer in the organised sector. It is also one of the largest contributors to the export trade, accounting for nearly 15 per cent of India's total exports. This 5,000 year old industry is arguably also the oldest in the world. So, it might appear a bit strange for me to then call this moulting giant a sunrise sector – until you realise that the headline figures, as impressive as they are, merely scratch the surface of its untapped potential.

The Indian textile sector already has all the ingredients necessary for global leadership: abundant raw material– both natural and man-made, talented and relatively cost-effective labour, world class design talent and an entrepreneurial class with astute business acumen.

The one key input that this sector lacked so far was sufficient governmental support in the form of freedom from bureaucratic red tape and official zeal to push ahead of all players.

With an ambitious minister like Smriti Irani now in charge of the ministry and the full support of a 'can-do-will-do' Indian Prime Minister, that last requirement is now no longer a constraint.

The opportunities are massive. India has a minuscule sub-four per cent share in readymade garments. This is the segment where the maximum value can be captured. It's also the segment in which India lags behind countries such as China, Bangladesh, Vietnam, the Philippines. There is no reason for this status quo to continue, and I'm glad to see that the Indian government is actively collaborating with the industry to fix the situation.

After decades of gathering dust in the proverbial closet, the textiles sector is witnessing a rejuvenation.

Global majors such as Zara, Benetton, Levi's, Marks & Spencer, H&M, as well as Indian majors such as the Aditya Birla Group, Raymond and Bombay Dyeing are investing billions of dollars to use India both as a sourcing base as well as a market for their products.

Wages are rising in China, diminishing the competitive edge of its producers, many of whom are contract robbers for large Western buyers. These American and European principals, as well as many Chinese companies, are now looking for other destinations to move their factories. It is the perfect opportunity for India to step up its game and capitalise on this shift in the global market.

India is the largest producer of cotton and jute, and the second-largest producer of both silk and man-made fibres in the world. Its large pool of talented workers, abundant local sourcing opportunities for the wide range of materials and the thousands of design school graduates mean India can easily achieve the required dramatic ramp up in capacity. The nearly $1 billion Textile Policy unveiled recently aims to facilitate precisely this transition.

After decades of gathering dust in the proverbial closet, the textiles sector is witnessing a rejuvenation.

The textile sector, which is highly labour intensive, has a huge job potential and can generate millions of low, medium and high skilled jobs for the large battery of young Indians who enter the Indian employment market every month.

It is a little-known fact that the fabled Roman Empire had to impose a partial embargo on imports of Indian textiles because Indian merchants were taking away a disproportionate amount of gold, creating major problems for the Roman economy. Such was the draw of Indian textiles in an earlier age.

The current shifts in the global market mean the entire western market, as well as those in Africa, South America and the Far East, could be up for grabs. If Irani and her team works closer with India's Commerce Ministry to explore ways in which to boost exports, especially in Africa, with a major focus on job creation, this market could easily fall into India's lap.

The next few years should be an interesting time for Irani, and if she and her team can pull this transition off, they might just restore the historical status Indian textiles once enjoyed in the world.

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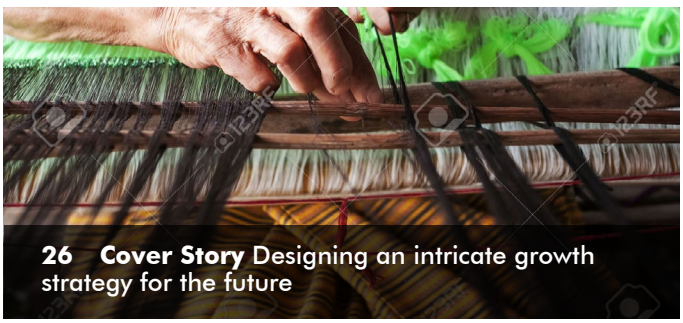

SECTOR FOCUS: FOOD RETAIL

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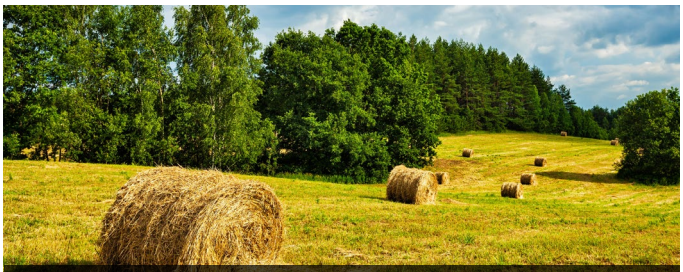

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STATE FOCUS: KARNATAKA

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EDITOR'S NOTE

'India Investment Journal' has chosen India's textile sector as its Cover Story package this time. The industry, the country's second-largest employer after the agriculture sector, seems to have been waiting for its due credit on the international stage for far too long.

After stagnating for a few decades, this sector has seen some promise of fresh investments, with foreign investors pumping in more than $2.5 billion over the last decade or so. Foreign brands such as Marks & Spencer, Benetton and Zara have flocked to grab a slice of the lucrative middle class pie. As part of our profile of Smriti Irani, the minister in charge of this promising sector, we evaluate what lies in store for Indian textiles.

Some expert voices also weigh in on what the Goods and Services Tax (GST) could mean for the industry and why it is time for India to regain some lost ground in terms of garment exports under the wider Make in India banner.

The Sector Focus this time is on another high-growth segment of the Indian economy – food retail. A central interview with India's food processing minister, Harsimrat Kaur Badal, sets the stage for the first-ever World Food India summit later this year. We also analyse how food retail could prove a game changer for the government's growth and employment push, leading to Indian Finance Minister Arun Jaitley inserting a provision in Budget 2016-17 to allow 100 per cent foreign direct investment (FDI) in multi-brand retail for food products.

Besides, this edition is packed with the usual highlights from some of the Indian government's many flagship schemes – from an update on Housing for All to a UK university's unique solar project targeted at villages of India. Under Digital India, we explore what a recent injection of global funds could mean for the agri-technology in India.

As part of our CSR Focus, we have a Guest Column on how multinationals are increasingly embedding themselves into the local communities they operate in India.

The Country Focus this time in on Indo-Japanese ties against the backdrop of the recent visit of Arun Jaitley, outgoing defence minister, to Tokyo, and the visit to India by Japanese premier Shinzo Abe. There is much excitement over Abe's latest tour which marks the launch of India's first bullet train project, symbolic of the fast track on which the bilateral ties are set to take off.

The State Focus this time is on the southern Indian state of Karnataka and what makes it such a darling of foreign investors. An Expat's Guide to its capital city of Bengaluru and a French diplomat's overview on what attracts France to the state, completes the picture for a state that is leading in the FDI stakes in the country.

A regular Yoga Corner rounds off yet another information-packed edition of 'IIJ'.

Aditi Khanna
Editor, India Inc.

FOOD PLUS

Food retail can potentially fulfil two of Indian Prime Minister Narendra Modi's dreams – double farm incomes and make Make in India successful. It is also showing every sign of emerging as the largest recipient of FDI. Amazon, WalMart and several others have either invested or are waiting in the wings to pour in billions of dollars into India's food retail sector. Because of the regulation that MNCs can sell only Made in India packaged food products, the sector has the potential of linking the farm to the fork – critical for ensuring farmers get more for their produce and also produce more. The employment generation capacity of this sector is also massive. Not only will it provide remunerative prices for a range of crops and vegetables to the farmer, it will also create infrastructure like cold storage chains, refrigerated truck fleets and new factories to produce goods for the customers.

But the government has to be mindful of the fact that pure food retail has not been successful on a large scale anywhere in the world. The strategy should provide for "food plus" – permission to retailers to sell a few items related to food and cooking – to make their businesses viable and remunerative. It is early days yet but a sound foundation has been laid, making most analysts optimistic about the future of this sector.

Read on to find out more about how the government proposes to change the face of rural India.

FOOD PROCESSING IS INDIA'S SUNRISE SECTOR

Harsimrat Kaur Badal, as the minister in charge of India's Ministry of Food Processing Industries, has been on a worldwide mission to attract investors to the country's $915bn farm-to-fork ecosystem. During a recent visit to London, 'India Investment Journal' was given an insight into her plans for India's first-ever World Food India summit this year.

What is the investment update since your last visit to the UK?

From our last meeting, all the big retail chains were hoping for some relaxation in the FDI (foreign direct investment) policy. The existing model in India is only for food and most of them do food plus other items. That is a decision the government will be taking very shortly and the serious interests will become apparent once that clarity is there.

Meanwhile, we have had people who have in any case applied for FDI for food. Amazon has committed $500 million over the next three years in the food sector, not just in e-retail of food but also brick and mortar – which is a new model for them. And there have been others like Big Basket, and Grofers.

There has already been an additional 40 per cent of FDI since the FDI policy was announced. And, in case there is a further relaxation given, then I think the numbers will grow pretty significantly.

In the UK, the retailers may say that they want to replicate their existing model in India. To make a new model which is only food, they would need to rework their entire plans. Food has to have very low margins but requires huge amount of infrastructure. If they had the option to bring in their current model of food plus other items, they would be competing against each other for the Indian market.

Which areas of food processing are growth segments in India?

Wellness foods and organic foods is something which is growing worldwide. In India, we have the advantage of many

of our states being naturally organic – our entire North East and all our hilly states are naturally organic. While many of the Western countries have had to actually detox themselves and de-chemicalise themselves and become organic, we from time immemorial have been organic.

So, that is an added advantage – we have already got the infrastructure for people who want to get into the processing of just organic. These same areas of India have a lot of health products, Ayurveda, herbs and spices and natural healing which are becoming very popular worldwide.

Which countries are keen to invest in this sector?

Japan was one of the first countries which had applied to be the partner country in World Food India because they currently import almost 40 per cent of their food and India has a very small segment of that. They are very interested in increasing the import of vegetables from India and replace some our neighbouring countries as a source, one of the reasons being because we are not genetically modifying our food and they know they are in safe hands.

The attraction is also the huge raw material base that we have and agro-climatic zones which can grow almost anything in some part of India.

Then we have the Arab countries, which are huge food importing nations showing a lot of interest in our food parks where they want to come and manufacture to their standards and take back to their country. Geographically, India is located in such a way that with the infrastructure thrust and incentives being offered to companies who set up base here, the cheap and skilled work force on offer, coupled with ease of doing business, food processing has become a sunrise sector.

Italy is very interested because it is starting business and trade with India after a huge gap of four years. They are interested in the retail and dairy sector as well as technology. Other machine manufacturing nations like Germany are also interesting in coming into the sector. For every Western market which is saturated or ageing, India compares as one of the fastest-growing economies in the world today which attracts huge amounts of FDI.

The World Bank also highlighted India as the one bright spot in a gloomy global economy. Keeping that in mind and the rapidly growing urban middle class and demand, there are very few countries which can in fact afford to ignore India.

What are the priorities you have set for your ministry?

It would be to get the infrastructure up and running and also used to optimum levels. Then to ensure that the infrastructure actually impacts the lives of farmers because for food processing, the raw material of this industry is the farmer's produce. The whole idea is to cut out the middle man and get the industry to partner with the farmer so that the industry can hand-hold and help him with technology, know-how, seeds and assured buy-back of his produce.

Also, ensuring there is value addition to what the farmers are doing and supplement his income and at the same time the consumer benefits through additional processing and availability.

What are some of the milestones achieved in food processing so far?

In the last three years, this government of Mr Modi has taken all the necessary steps to address the infrastructure needs of the food processing sector, starting by separating the ministry of food processing industries from the agriculture ministry. With 127 agro-climatic zone across India and as one of the largest food producers of the world, this combination was not ideal. Now there is the required focus on food processing industries.

Geographically, India is located in such a way that with the infrastructure thrust and incentives being offered to companies who set up base here, the cheap and skilled work force on offer, coupled with ease of doing business, food processing has become a sunrise sector.

We have put in the investment to create mega food parks and cold chains and offer cheaper credit options. We have 42 mega food parks coming up in practically every state across India – out of them nine are already functional and another three will become functional this year and all 42 will be operational in the next two years. There is huge capacity building underway.

Under the cold chain scheme, 113 are already functional and the government has sanctioned 101 more cold chains which will also be ready in another two years. The good news is that this year the government has sanctioned Rs 6,000 crore ($90mn) to incentivise this sector to create such infrastructure over the next three years.

What impact do you see GST having on FDI?

GST is one of the biggest reforms that has taken place in this decade. In the first few weeks, any kind of roadblocks and queries which are coming up are being handled and addressed on the spot. The very fact that the government has undertaken such an exercise, which I would say after the Jan Dhan Yojana or inclusive banking for the Indian population, is among the biggest economic reforms in modern history. So far, there has been successful implementation in bringing all the states on board. The government is committed to ensuring there are no hurdles in achieving one nation, one tax.

What will attract countries to the first World Food India?

India is a $600 billion retail sector, out of which 70 per cent is just food retail and this is set to treble in the next three years. An average Indian will be spending 50 per cent more on food in the next five years. So, that is the kind of huge market that we have.

We feel the platform is ready for World Food India, which would be a place for people to meet and take partnerships to another level. We are looking to invite a lot of retailers and food processors to come and set up in India. We look forward to taking India's food diplomacy to the next level.

**World Food India takes place between November 3-5 in New Delhi*

POISED FOR EXPONENTIAL GROWTH

by India Inc. Staff

Demographics, rising incomes and a low existing base all point towards a paradigm shift in the fortunes of India's still fledgling food retail sector.

It can potentially become the largest recipient of foreign direct investment (FDI) and will definitely play a major role in realising the Prime Minister's goal of doubling farm incomes by 2022. Food retail, the largest component of India's more than $500 billion retail sector, is standing at the cusp of greatness. How its fortunes play out over the next five to 10 years could well decide the success of the government's ambitious Make in India initiative as well as the direction of politics by influencing how the critical farm lobby votes in future elections.

Budget push

Realising that food retail could be a game changer for the government's growth and employment push, Finance Minister Arun Jaitley inserted a provision in Budget 2016-17 to allow 100 per cent FDI in multi-brand retail for food products, which will reduce wastage of fruit and vegetables, help diversification of farming, provide an alternative market for farmers and facilitate the entry of global food retail giants into India's food processing sector and enable the much desired farm-to-fork linkage.

Earlier, Harsimrat Kaur Badal, Union Minister for Food Processing Industries, had written to Prime Minister Modi requesting a "relook at our FDI policy in multi-brand retail in food processing as a part of the Make in India initiative so that both farmers and consumers are benefitted and which will result in creation of critical infrastructure".

Till then, rules allowed up to 51 per cent FDI in all multi-band retail, including in food retail.

Huge investor interest

This Diwali, Indian consumers are set to get a taste of Amazon food products as the US internet giant has decided to roll out a private grocery label in India as it has done in its home market.

Amazon will invest Rs 3,500 crore ($550 million) on this venture over the next five years and has received permission for selling and storing food items in online and offline stories. It will sell locally produced and third-party products besides products made under its private label at these stores.

Besides Amazon, online grocery firms Grofers and BigBasket have also been permitted to receive FDI for retailing food products made in India.

These three companies together plan to invest close to $700 million in India's food retail and processing sector. Another company, Supermarket Grocery has also proposed to bring in FDI of Rs 800-1,000 crore ($50-60 million) in this sector.

Meanwhile, WalMart, the world's largest retail company, is also eyeing this sector following the easing of rules for 100 per cent FDI in multi-brand food retail. Walmart India operates

in the wholesale segment in India and has 21 cash-and-carry stores across nine states. It plans to increase this to 50 stores by 2021.

Food plus

To further ease FDI rules in the food retail and food processing sector, the government is considering relaxing the norms to allow food retailers to sell a given amount of locally-made non-food products.

According to sources, the government is thinking of permitting an FDI-back retailer to sell non-food products made in India up to a threshold of 20-25 per cent of its investments at the farm gate level. A second school of thought holds that the limit should be fixed as a percentage of FDI as farm gate level investments may be difficult to calculate and pave the way for disputes and litigation.

Many large global chains such as Metro Cash and Carry, Tesco, Auchan Group and WalMart have expressed their willingness to set up shop in India provided the government relaxed rules to allow them to sell more non-food items.

The government is considering the matter very carefully as these retailers have made it clear that a food-only retail model will yield very small margins and make achieving profitability very difficult. And since they don't follow a food-only model anywhere else in the world, they will have to change their business model for India unless the government makes the concession, they argue. Left unsaid but conveyed clearly is the point that a food-only model would not be attractive enough for them to pour mega-bucks into India.

To further ease FDI rules in the food retail and food processing sector, the government is considering relaxing the norms to allow food retailers to sell a given amount of locally-made non-food products.

Huge market size

The Indian food market, which was estimated at about $360 billion in 2014, will grow exponentially to about $630 billion over the next three years, a Boston Consulting Group study has said. This makes India the world's sixth largest food and grocery market in the world. The retail sector contributes 70 per cent of these sales. And the food processing industry, which contributes heavily to the retail trade, accounts for almost a third of the Indian food market.

The Indian food retail market is currently dominated by local mom-and-pop kirana stores and organised retail, represented by the likes of Reliance Fresh, Big Bazaar and a host of other players account for a very small share of the market.

But this market is growing very rapidly. The online food market, especially, is undergoing rapid change as it grows at a frenzied pace. Apart from online grocers like Amazon, BigBasket, Grofers and others, food delivery companies such as Zomato, Swiggy, FoodPanda and a few others have brought order to a scattered and disorganised market, which is growing at 150 per cent a year with an estimated gross merchandise value of $300 million in 2016.

There are no figures available for the likely FDI inflow into this sector if the government relaxes norms as stated above, but unofficial figures place the figure at $5-10 billion.

Why food retail is important

India is the largest producer of fruits and the second largest producer of vegetables in the world. But because of a lack of sufficient cold storage capacity about 25-30 per cent of this production, valued at about $16 billion, perishes before it reaches the market.

Result: the farmer is deprived of additional income.

To achieve the goal set by the Prime Minister of doubling farmers' incomes by 2022, reducing and eliminating this wastage is sine qua non.

Badal has called for infrastructure at the farm gate level, as elaborated in the exclusive interview published alongside this article.

In order to mitigate and ultimately resolve the issue of post-harvest losses of agricultural and horticultural produce, her ministry has cleared the setting up of 42 mega food parks and 236 integrated cold storage chains that can preserve and add value to farm produce and facilitate an increase in farm incomes.

The supply chain

The food processing industry plays a critical role in feeding the supply chain and the retail store with a continuous supply of food products the consumers want. But despite recent strides, food processing levels remain abysmally low – at less than 5 per cent of all food and vegetables grown compared to 30-70 per cent in developed countries.

To expedite the rollout of the food processing industry, the government has launched the National Food Processing Mission to address these problems, facilitate a large increase in farm incomes and generate additional jobs. This mission envisages developing food clusters, food parks, agricultural SEZs, contract farming, cold chains and other physical infrastructure required for the sector as well as tax breaks to encourage investments.

Poised for growth

Despite the challenges, Indian food retail – and its feeder industry, the Indian food processing sector – is poised for exponential growth in the years to come.

Given the rise in disposable incomes and changing lifestyles – with ever rising numbers of women joining the workforce –Indian society is expected to follow the trajectory of its counterparts in the West and in South East Asia and increasingly take to packaged foods.

As mentioned above, the BCG estimates that the Indian food market will touch $630 billion by 2020 on the back of a three-fold increase in household incomes over the preceding five-six years.

The dollars are flowing in. During April-January 2016-17, FDI worth $663 billion flowed into the country compared to $506 billion for the entire preceding year. And according to executives at India Invest, the government's investment promotion and facilitation agency, a disproportionately large number of foreign investment proposals are in the food processing and food retail sector.

Most experts, therefore, agree that the sector could be at an inflexion point.

Fact File: Food Retail in India

Food retail, the largest component of India's more than $500 billion retail sector, is standing at the cusp of greatness.

Indian Food Retail at a Glance

India's Retail Sector is estimated at: **$600 billion**

Food retail constitutes an estimated 60% share of the retail sector: **$360 billion**

Modern food retail is estimated at 2% of total food retail: **$7.2 billion**

Estimated size of Indian food market in 2020: **$630 billion**

Potential for foreign investments if FDI rules are relaxed: **$5-10 billion**

FDI in April-January 2016-17, up 31% over all of 2015-16: **$663 million**

Food retail can be divided into Food & Grocery (FG) retail and Food Service (FS) retail with FG growing at 15% pa and FS growing at 22% pa

Source: FAS India analysis and trade estimates

Food Retail – the next big opportunity

- Largely unorganised - around **92-95%**
- Share of organised sector is expected to increase to **24% by 2020**
- **15 million** mom and pop stores in the country
- Online market is expected to reach **530 million shoppers by 2025**
- E-commerce sales are expected to treble, reaching **120 billion by 2020**
- Policy support – **100% FDI in food retail** for foods manufactured/produced in India
- The Indian food and grocery market is the world's sixth largest, with retail contributing 70 per cent of the sales.
- India placed second in retail potential in the 2016 Global Retail Development Index (GRDI).

Source: AT Kearney

Retail Market Growth

Supply side	Demand side
Infrastructure development	Increasing urbanization
Multi-channel marketing	Increasing disposable income
Easy credit availability	Increasing youngsters
Private labelling	Increasing working women
	Raising middle class population
	Consumer awareness & changing preferences
Regulatory	Increasing travelers
FDI policy in "Multi Brand Retail sector"	International TV shows, food festivals, internet penetration

Key Challenges in Food Retailing

Penchant for fresh/home-made and value consciousness:

The Indian consumer, unlike his Western counterpart, has a penchant for freshly cooked food over packaged food.

Diversity of tastes/preferences:

Multiple cultures, languages and religions have a huge bearing on the tastes and preferences of the Indian consumer. This will pose a challenge for players aspiring to develop a pan Indian presence.

Willingness to travel:

Given the current density of retail outlets in India, retailers will have to motivate the consumer to trade convenience with price, range and ambience.

Big becoming bigger:

While many players are entering the retail space in India currently, the growth stage will be characterized by rapid expansion and consolidation among these players.

Real estate availability and cost:

Rentals account for 7-7.5% of the total costs for organised retail in India against global benchmarks of less than 3%. Real estate availability and costs will continue to remain a challenge in the retail industry with factors like adequate parking, ambience and proximity being the key drivers of footfalls.

Manpower availability:

As organised retail expands, there is expected to be a dearth of skilled manpower. The lack of institutions and courses for different aspects of retail management will have an impact on the overall supply of quality manpower.

Sourcing base and efficiency:

The fragmented agri supply base coupled with an inadequate legal framework make it difficult for retailers and food processors to procure quality produce at competitive costs directly from farmers. The small size of the food processing industry further limits the supply options.

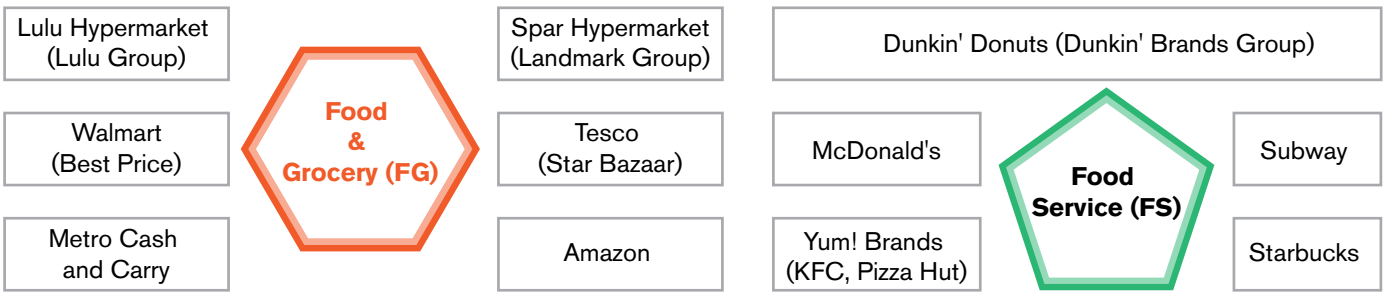
Increasing focus on private labels:

As competition in the organized retail market increases, discounts and promotions are expected to play a critical part in generating footfalls. To counter the impact on profitability, organized players will find it more attractive to promote private labels or store brands given their higher margins. The consumer too would benefit from lower prices.

ManpoRise of organic foods and health and wellness segment:

Consumer attitudes and preferences are undergoing a shift owing to factors like increased disposable incomes, changes in lifestyle patterns, shift in age structure, increased number of working women and multi-cultural exposure. These would lead to increasing health consciousness in the future. Organic foods and wellness products would be emerging opportunities in the years to come.

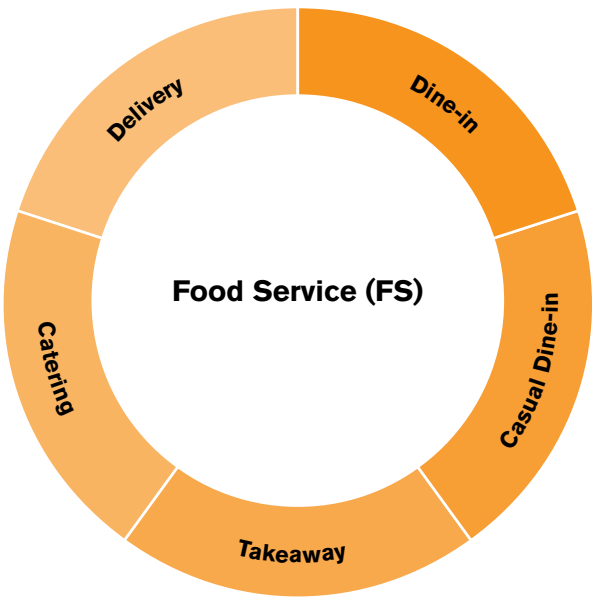
Rise of organic foods and health & wellness segment:



Recent Announcements in Food Retail

- Future Consumer Ltd has formed a joint venture (JV) with UK's largest wholesaler, Booker Group, with an investment of around $7.5mn, to set up 60-70 cash-and-carry stores in India in the next 3-4 years.
- US-based Pizza chain Sbarro plans an almost threefold increase in its store count from the current 17 to 50 over the next two years through multiple business models.
- Walmart plans to open 50 new cash-and-carry stores in India over the next three to four years and locate half of the stores in Uttar Pradesh and Uttarakhand, creating over 40,000 jobs in the two states.
- DIPP has approved Amazon's proposal to invest $500mn in offline and online food retailing in India.
- Bengaluru-based online grocer Bigbasket has received government approval for FDI proposal to undertake retailing of food products, which are manufactured or produced in India. It had proposed an investment of around $16.5mn.
- Online grocery firm Grofers has received government nod to undertake both online and offline food retail trading in the country. Grofers, which had initially made commitments to invest about $25 million, said that it will be making an additional investment of $40 million.
- Ecommerce player Flipkart is gearing up to pilot its on-demand grocery delivery service in select cities, ahead of its commercial launch across the country. The 10-year-old start-up is currently testing the service in Bengaluru.
- Spar Hypermarket, part of the Dubai-based Landmark Group, will increase its stores in India by 50 per cent from the present 18 in the next 12 to 24 months.

Food retail formats in India:



Source: Krysalisco, The India Food Report 2016

Main components of the Indian food & beverage market:

Dry Food Grocery

This includes cereals, grains and related products; grams and its products; pulses and its products; sugar in all forms; edible oils; and dry fruits and accounts for more than a third of the total market. The market size is estimated at $125 billion (2014) and has grown at a CAGR of 11 per cent over the last decade.

Milk and Dairy Foods

This is the second-largest component after Dry Food Grocery and contributes about 16 per cent of the overall food market in India. Milk and related dairy products are worth about $55 billion and have grown at a CAGR of 12–14 per cent during the last decade.

Spices

The market for spices is estimated at $23 billion and has grown at a CAGR of 13 per cent over the last decade. By 2020, the market is likely to grow twice as big as its present size with the same growth rate. Branded spices account for just about $1 billion of this sales figure.

Fresh Produce

This market is estimated at $60 billion and has been growing at a CAGR of 14 per cent since the last 8–10 years. Fresh produce covers just two broad segments of fruits and vegetables. Among the two, 70 per cent is contributed by vegetables alone. Although fruits are a growing segment, they contribute a current share of just 30 per cent.

Perishables

This segment, comprising fish, seafood and meat is worth about $30 billion and is growing fast at a CAGR of close to 20 per cent – the highest among all food groups. The four primary sub-segments of perishables are fish & seafood, meats including mutton, beef, pork, poultry and game birds and eggs. About 45 per cent of the total market share is occupied by fish & seafood.

Beverages

This category contributes 8-9 per cent to the total F&G market in India. Within it, tea is the largest segment with a 79 per cent share. The average monthly per capita spend on tea is Rs 106 at present. Together with tea, coffee is another strong beverage market. Packaged drinking and flavoured water is the smallest segment in beverages market and is worth Rs 6,000-7,000 crore [$1bn].

Other Processed Foods

This market is worth $30 billion and is strongly growing at a CAGR of almost 20 per cent. Namkeen and Snacks is the largest segment within this category and accounts for 40% of it. The biscuits market is the second-largest within this sub-segment and is growing at 20-23 per cent annually. The ketchup and sauces market in India is estimated at a low Rs 220 crore [$33bn]

SHORT TAKES

Alibaba plans BigBasket investment

China's Alibaba and its Indian online marketplace investment, Paytm Mall, are in talks to pick up a significant stake in online grocer BigBasket.

The online marketplaces are seeking to invest around $200 million in one of India's largest online grocer, BigBasket, at a valuation to be decided after due diligence is completed, according to Indian media reports. A estimate figure of around $1 billion has been doing the rounds for BigBasket.

Part of BigBasket's appeal is its express grocery delivery feature, which lets customers receive grocery deliveries within 60 minutes. Its main competitor is Grofers India, which is backed by SoftBank. Amazon is said to be eyeing a stake in Grofers to counter Alibaba.

Grocery is one of the fastest-growing segments of India's e-commerce industry. According to eMarketer, India's retail e-commerce market will be worth $55.3 billion by 2018 — up from $6.1 billion in 2014.

Burger King wants more India outlets

American fast-food giant Burger King is keen to add up to 35 new outlets in India this year.

The burger chain crossed its 100-restaurant mark in the country in August, making India a profitable market for the company.
Rajeev Varman, CEO, Burger King India, said: "India is one of the fastest-growing markets for Burger King.

"We are extremely positive and bullish about the potential of the Indian QSR (quick service restaurant) industry for the next three-five years. We should probably end this year with 130-135 restaurants."

The company, one of the late entrants to the Indian QSR space, is already present in 28 cities. It has recently also been focusing on growing its home-delivery business. Earlier this year, the company launched its first television commercial in India.

Pizza Capers eyes India entry

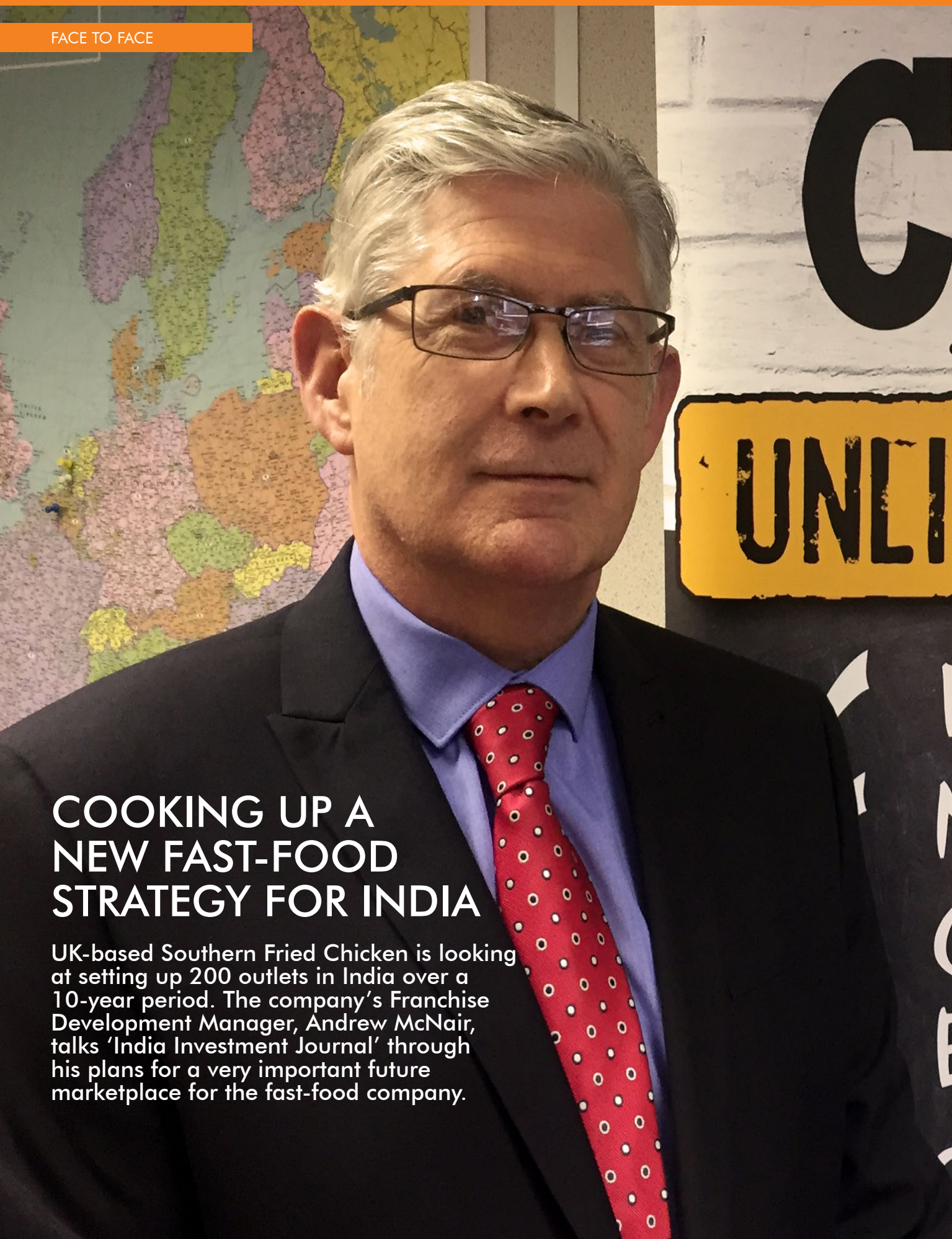
Australian gourmet fast food chain, Pizza Capers, has announced plans to venture into the Indian market via a master franchise license with Pune firm Krsna Foods (India) Pvt Limited.

Pizza Capers, part of the Retail Food Group Limited (RFG) stable of brands, said it wants to introduce its high quality gourmet pizzas to the Indian market. Chief Executive – International, Mike Gilbert, said: "A surge in consumerism coupled with increasing incomes and changes to lifestyle and eating patterns within India has meant that entry into the territory has long been on our radar."

The company's international expansion model is based on recruiting master franchise partners who develop the brand in a defined territory.

Gilbert said that RFG was conscious to partner with a robust master franchisee capable of applying sufficient resources, expertise and resolve to ensuring the successful entry of Pizza Capers into the Indian market.

"Krsna Foods (India) Pvt Limited satisfies each of these pre-requisites and we have every confidence of the Brand's success in the territory," he said.



COOKING UP A NEW FAST-FOOD STRATEGY FOR INDIA

UK-based Southern Fried Chicken is looking at setting up 200 outlets in India over a 10-year period. The company's Franchise Development Manager, Andrew McNair, talks 'India Investment Journal' through his plans for a very important future marketplace for the fast-food company.

What makes Southern Fried Chicken bet on the Indian market?

Southern Fried Chicken have a development plan to franchise across the world and see the successful Indian economy as a very important future marketplace. The country has a growing middle class with an increasing disposable income and after allowing for the high preference for vegetable options, there is still a substantial demand for top quality Fried Chicken.

What are some of the company's India investment plans going forward?

This The mode of market entry chosen by Southern Fried Chicken is through the development of 20 Areas across India; each one of these Areas will have Sub-franchise rights for 10 or more individual outlets. Our five-year projection is for more than 50 outlets, with a country potential in excess of 200 outlets over a 10-year period.

competitive fast-food market?

There are a number of fried chicken brands across India as well as being one of the fastest growing sectors all over the world. However, today's quick service restaurants are judged not only on food, but also brand image, quality and service by their ever more discerning customers. With consistently high standards, this is where Southern Fried Chicken is scoring strongly within the industry today.

We really do offer one of the most comprehensive packages available in global franchising with ongoing design and essential support, flexible local supply options and of course training based on nearly 40 years' experience. The core equipment is purchased through us together with the seasonings and packaging to ensure uniformity across the brand worldwide. The other items are sourced through local supply and we work with our franchisees to achieve the highest quality and standards.

We have employed an experienced Franchise Development Manager based within India who together with Indian based franchise facilitators will be extensively marketing the brand. He will also be coordinating locally-sourced ingredients and packaging suppliers, together with the franchisee overview and support.

Initial training and set up for the outlets will be by fully trained personnel from the UK. We will be building upon our Indian based team once we have multiple outlets trading.

The mode of market entry chosen by Southern Fried Chicken is through the development of 20 Areas across India; each one of these Areas will have Sub-franchise rights for 10 or more individual outlets.

Please trace the brand's trajectory in the country so far.

Southern Fried Chicken have signed our first Area Franchisee for the states of Andhra Pradesh and Telangana, with the first restaurant expected to open in Hyderabad before the end of 2017. There are several other interested parties in the pipeline with openings expected in two Tier I cities in very early 2018.

What would be the brand's winning formula in India's

What makes India an attractive food retail market for the world? Are its FDI reforms striking the right note?

Southern Fried Chicken are entering India purely as a franchisor and do not currently have plans to directly open stores as an investor or through a joint venture.

Recently the Emerging Market Private Equity Association (EMPEA) market attractiveness survey found India has become the most attractive emerging market for global partners (GP) investment over the coming 12 months. This will continue to build upon the increasing per capita income and accordingly the disposable income. This new disposable income will allow the population to follow the world pattern of spending more money on entertainment and this will directly help the food and beverage industry.

This is what makes the Indian marketplace such an attractive proposition for a premium brand – Southern Fried Chicken.

SHORT TAKES

Amazon gets food retail nod in India

The Indian government has approved US e-commerce major Amazon's proposed $500-million investment in food retail in India. The proposal was pending before the country's erstwhile Foreign Investment Promotion Board (FIPB).

The Department of Industrial Policy and Promotion (DIPP) stepped in to give its go-ahead to the proposal. As per the proposal, the company will open a wholly-owned subsidiary in India to carry out the business and will stock food products and sell them online.

Currently, the government permits 100 per cent foreign direct investment (FDI) in the food processing sector. As per the norms, a foreign company can open a wholly-owned subsidiary in India to retail food products produced and or manufactured in the country by way of opening stores or online.

Amazon has proposed to invest around $500 million in the food retail segment.

The Indian government had allowed 100 per cent foreign direct investment (FDI) through the approval route last year for trading, including through e-commerce, for food products manufactured and produced in India.

Tesco-Tata JV launches hypermarket

Trent Hypermarket, a joint venture between the Tata Group and Tesco, has launched a new hypermarket store in India.

Star Hyper has been set up at Gachibowli in the IT hub of Hyderabad and plans to rapidly expand its network of stores across different formats from 42 to 200 over the next three years.

Jamshed Daboo, MD of Trent Hypermarket, said: "This is the second southern market that we have ventured into after Bangalore. It is in line with our strategy to focus and expand in strategic markets.

TESCO
Every little helps

"At Star, we believe in creating value for our customers by offering a range of good quality products as affordable price points. Our store will also offer a wide choice of fresh fruit and vegetables and a dedicated range of meat and fish, fulfilling our customer promise around freshness, variety and price."

The company has set up its chain across Mumbai, Pune, Bengaluru and Hyderabad and plans to expand its network significantly in these markets.

Coca-Cola renews India drive

Global beverage giant Coca-Cola has said it expects to return to "vibrant" growth in the Indian market.

The popular soft drink brand recorded a decline in sales in India in the last quarter of 2016 and the first quarter of 2017. However, Coca-Cola President and Chief Executive James Quincey has confirmed that the company's plans to invest $5 billion in India by 2020 were on track.

During a visit to India this week, he told Indian media: "The most immediate challenge for the country is to become number five in the foreseeable future, but in the end my vision for India is we will be one of the top three markets in the world for Coca-Cola company.

"We had a rough few months — end of last year and beginning of this year — but things are starting to come back. India is going to return to a vibrant growth."

He also believes that faster growth in India would come from non-carbonated drinks but fizzy drinks will also continue to grow.

SMRITI IRANI: THE POLITICIAN WEAVING HER OWN MAGIC

Feisty, determined and courageous are just some adjectives that define one of India's most dynamic young ministers.

Smriti Zubin Irani has been a model, Miss India contestant, a McDonald's worker, a top TV actress, India's favourite small screen daughter-in-law, a multiple award winning actor, feisty politician and the youngest Cabinet minister in Prime Minister Narendra Modi's Cabinet. And all this before she turned 38.

Along the way, she has faced and overcome many hurdles, sparked several controversies and faced two electoral defeats, but every time, she has displayed a remarkable ability to bounce back strongly. And it is this resilience and determination that marks Smriti Irani out as a politician to watch out for.

Middle class beginnings

Irani (nee Malhotra) was born to a cosmopolitan middle class family, the oldest of three sisters. Her father was Punjabi and mother Bengali. According to media reports, Irani got her first modelling assignment while still a schoolgirl studying in Standard 10 – for promoting beauty products.

Along the way, she has faced and overcome many hurdles, sparked several controversies and faced two electoral defeats, but every time, she has displayed a remarkable ability to bounce back strongly.

joined the BJP in 2003 and was appointed Vice-President of the party's Maharashtra youth wing. The following year, she contested the Lok Sabha elections against ace lawyer and Congress candidate Kapil Sibal from Delhi's Chandni Chowk constituency and lost, but got noticed by the party leadership for her hard work and dedication.

This earned her an executive membership of the party's Central Committee and a few years later the position of Secretary and a short while later as the chief of the party's women's wing. In 2011, the BJP rewarded her with a membership of the Rajya Sabha.

Entry into the world of glamour

She contested the Miss India title in 1998 but couldn't reach the finals. Like many beauty pageant contestants, she too decided to enter Mumbai's famed tinsel town, moved to India's "Maximum City" and supported herself by working at McDonald's even as she regularly auditioned for roles.

India's favourite daughter-in-law

After a period of struggle, she landed the role of Tulsi Virani in producer Ekta Kapoor's blockbuster serial 'Kyunki Saas Bhi Kabhi Bahu Thi' on Star Plus. It was this role as the daughter-in-law in a business family that made her a superstar and the nation's favourite small screen bahu (daughter-in-law).

The serial ran for a record eight years, won her four consecutive Indian Television Academy Awards in 2001, 2002, 2003 and 2004 as well as several others. She built on this success by setting up her own production house called Ugraya Entertainment and hosting a successful dance reality show in 2008 and also showed off her acting prowess in the comedy serial Maniben.com.

Political career

Irani, who married Parsi businessman Zubin Irani in 2001,

Irani again captured the nation's imagination when she was put up by the BJP to contest the prestigious Amethi constituency against Congress Vice President Rahul Gandhi. This was a Congress pocket burrow and had been nurtured by the Gandhi family for decades. But the feisty Irani campaigned hard, gave the Congress scion a scare and reduced his victory margin by more than half – proving once again that regardless of the odds, she was no pushover.

Ministership

Prime Minister Narendra Modi appointed her Human Resource Development Minister in 2014. This immediately became controversial because of her own lack of formal education and the alleged discrepancies about her qualifications in two different affidavits she had filed.

She sparked off another controversy by adopting a combative stand on the death of a student in Hyderabad that caused a national furore.

In 2016, she was transferred to the Textiles Ministry as Cabinet Minister and, in July this year, was given additional charge of the Information and Broadcasting portfolio following the resignation from that position of Venkaiah Naidu, who was elected Vice-President of India.

Irani has two children from her marriage to Zubin Irani as well as a step-daughter from her husband's previous marriage.

DESIGNING AN INTRICATE GROWTH STRATEGY FOR THE FUTURE

The Indian textiles sector has received much-needed attention but its future continues to hang in balance unless bold initiatives begin to pay off.

The Indian textile industry is the country's oldest, going back five millennia, and its modern day avatar employs more than 45 million people, making it the country's second largest employer after agriculture.

Over the last couple of decades, however, this industry has been facing global and domestic headwinds that are threatening its continued wellbeing. But governmental and industry efforts to overcome these challenges also offer considerable upsides and the proposed renewal of the industry promises to rejuvenate it and make it ready for the challenges of the 21st century.

Leading producer

India is among the world's leading producers of cotton textiles, jute, silk, wool and man-made fibres. Cotton alone accounts for about 60 per cent of India's textiles industry.

The following is a list of the components of India's varied textiles industry:

- Cotton: This is the largest component of the Indian textile industry and provides direct and indirect employment to millions of people.
- Silk: India is the world's second largest silk producer, accounting for almost a fifth of the global output. The main varieties of Indian silk are mulberry, eri, tassar, and mooga.
- Jute: India produces 63 per cent of the world's jute and is by far its largest producer in the world. Jute, which is called the golden fibre on account of its colour and also because of the many fortunes it created in the past, is produced mainly in India's eastern region.
- Wool: This is easily the smallest sub-sector of India's large and sprawling textiles industry. India, which accounts for about 2 per cent of global wool production, is the world's seventh largest producer.
- Handlooms: This is, arguably the most famous of India's textiles sectors. Its production is still highly decentralised. Many producers still use traditional, non-motorised methods of producing handloom cloth though powerlooms have proliferated in recent decades. Handlooms have a 13 per cent share of the Indian market.
- Man-made fibres: This is the most recent addition to India's millennia-old textiles industry. These are produced in large factories from synthetic filament yarn, account for 62 per cent of India's total production and employ about 5 million people.

Market size

The Indian textiles industry has an annual output valued at approximately $100 billion and is expected to grow almost 100 per cent over the coming decade. It has a 15 per cent share in India's export basket and is among those sectors where 100 per cent FDI is permitted. According to India's Ministry of Textiles figures, the textiles industry contributed about 14 per cent to the country's industrial output and 4 per cent to GDP in 2015-16.

Spurt in investments

After stagnating for a few decades, the Indian textiles industry has seen a surge in fresh investments over the last decade and a half from domestic as well as foreign players. During this period, foreign investors pumped in more than $2.5 billion into the sector.

Marks & Spencer, Zara, Benetton, Levi's, Promod, Rieter, Zambiati, Bilsar, Monti, Trutzschler, Soktas, CMT, E-land and Nisshinbo are some of the foreign companies that have set up base in India.

The Indian textiles industry has an annual output valued at approximately $100 billion and is expected to grow almost 100 per cent over the coming decade. It has a 15 per cent share in India's export basket and is among those sectors where 100 per cent FDI is permitted.

The following are a few of the other large ongoing investments in the sector:

- Max Fashion, a part of Dubai-based Landmark Group, is expanding its operations across 120 cities by setting up 400 new stores at an investment of $60 million.
- Future Group is planning to open 80 new stores under its affordable fashion format, Fashion at Big Bazaar (FBB), and is targeting sales of 230 million units of garments by March 2018. This is expected to grow to 800 million units by 2021.
- Raymond has partnered with Khadi and Village Industries Commission to sell Khadi-marked readymade garments and fabric in KVIC and Raymond outlets across India.

Exports are booming

India exports Made in India yarn to a number of countries such as the US, the UK, Russia, Singapore, Japan, France and Sri Lanka, among others. In 2015-16, it exported textiles worth $40 billion and this is expected to grow to at a CAGR of 10 per cent to about $45 billion in the current year. The main items of export are bedding, bath and home décor items and some textiles.

Struggling in garments

Despite its position as one of the world's leading players in the textiles industry, India's share of the global garments market is a miniscule 4 per cent. The main problem is that Indian garment manufacturers have to import cloth from other countries. Then, relatively high labour costs, stringent and archaic labour laws, lack of scale and insufficient forward and backward linkages to the global supply chain are other constraints that hold back this sector.

As a result, India loses out to cheap garment manufacturers exporting their products from bases countries such as China, the Philippines, Bangladesh and Vietnam, among others.

Policy boost

The Narendra Modi government announced a Rs 6,000 crore ($900 million) package for the garments sector last year.

"This sector has tremendous job generation potential. The new policy aims at creating 11 million new jobs over the next three years," India's Textiles Minister Smriti Irani has said.

The package is designed to create jobs for women and includes several tax and production incentives. There is also a plan to introduce more flexible labour laws to increase production.

"In a first-of-its-kind move, a new scheme will be introduced to refund the state levies that were not refunded so far. Drawback at all industries rate will be given for domestic duty paid inputs even when fabrics are imported under the Advance Authorisation Scheme," an official statement had said when the new policy was introduced. A sum of Rs 5,500 crore ($800 million) has been allocated for this drawback scheme.

The government has also announced export promotion policies for the sector and permitted 100 per cent FDI under the automatic route.

Following are some of the government initiatives to revive the sector

- The government will soon announce a package for the powerloom sector, which will include social welfare schemes, insurance cover, cluster development and upgrades of obsolete looms. It also plans to provide tax benefits and marketing support. These steps will help the power loom sector revive.
- The government has roped in 20 e-commerce companies that will enable artisans and weavers across the country to selling their products directly to the consumer.
- Textile parks, textile processing, machinery and carpet development initiatives, among other things planned in order to improve the fortunes of the textiles sector. MoUs to this effect were signed during the Vibrant Gujarat 2017 Summit.
- The government has sanctioned $5 million for the promotion of handlooms made in Meghalaya.

All these measures are expected to generate fresh investments of more than $12 billion in the textiles sector over the next three years.

Besides, these, Finance Minister Arun Jaitley also announced the following measures in Budget 2017-18 to boost the textiles sector:

- Encourage new entrepreneurs to invest in sectors such as knitwear by increasing allocation of funds to Mudra Bank from $20.4 billion to $36.6 billion.
- Provided $330 million for reskilling and upgrading the skills of people working in the textiles industry.

Road Ahead

The new policy and other initiatives of the government of India has given the Indian textiles industry a boost and the future looks promising on the back of strong domestic and export demand.

But, experts warn, the precise trajectory of the sector will depend critically on how the policy is implemented and how the industry capitalises on emerging opportunities in India and abroad.

Textiles: All dressed up and ready to party

The Indian textiles industry is poised for fast expansion over the coming years.

The Big Numbers

1. **$100 billion**
   Current size of India's textiles industry

2. **$40 billion**
   Textiles exports from India in 2015-16

3. **10% CAGR**
   Growth rate of Indian textiles exports

4. **68 million**
   Total direct and indirect employment in the Indian textiles industry

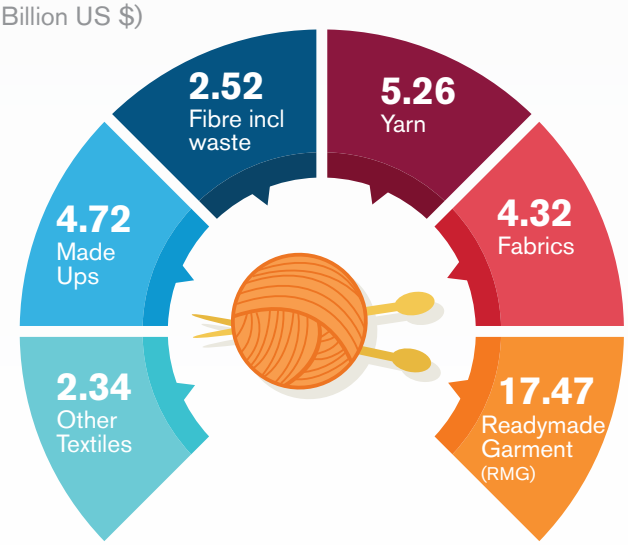
5. **$200 billion**
   Projected size of the industry in 2022

6. **$45 billion**
   Projected textiles exports in current financial year

7. **45 million**
   Direct employment in the Indian textiles industry

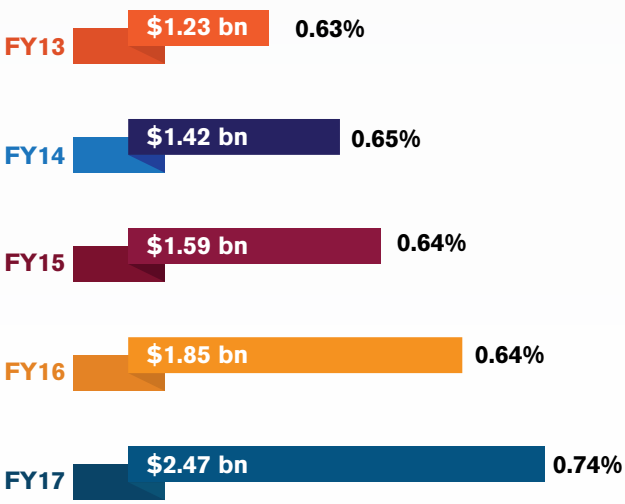
8. **60%**
   Share of cotton in the Indian textiles industry

Export of major textile items in 2016-17
(in Billion US $)



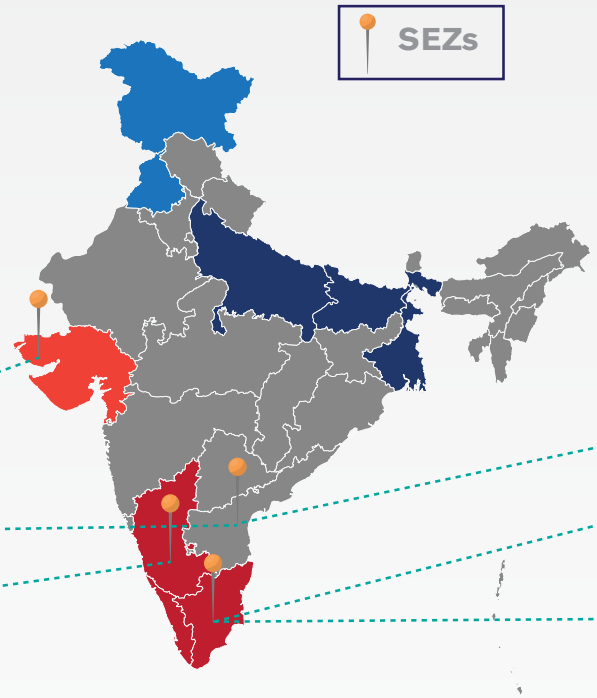
Source: The Directorate General of Commercial Intelligence and Statistics (DGCI&S)

FDI in Textile Industry (% of Total Inflows)



Source: Department of Industrial Policy & Promotion (DIPP)

Key Textile Apparel Zones and SEZs



North

- Kashmir, Ludhiana and Panipat account for **80 per cent** of woollens in India

West

- Ahmedabad, Mumbai, Surat, Rajkot, Indore and Vadodara are the key places for cotton industry

Gujarat
Surat Apparel Park

Andhra Pradesh
Brandix India Apparel City (BIAC)

Karnataka
Karnataka Industrial Area Development Board (KIADB)

East

- Bihar for jute,
- Uttar Pradesh for woolen
- Bengal for cotton and jute industry

South

- Tirupur, Coimbatore and Madurai for hosiery.
- Bengaluru, Mysore and Chennai for silk

Andhra Pradesh
Mas Fabric Park (India) Pvt. Ltd

Tamil Nadu
IG3 Infra Limited (ETL Infrastructure Services Limited)

Tamil Nadu
Mahindra City SEZ

Special package for Textile and Apparel sector

The Government of India plans to generate over **10 million jobs** in the textile industry over the next three years. The special package will help achieve this goal by providing incentives to boost exports, labour-friendly policies and scaling up the production. With the implementation of this package, exports are expected to increase by **$30 billion** over the period of three years.

How GST will impact the textiles sector

- GST is the biggest tax reform ever in India.
- The new tax will result in **'Fibre-neutrality effect'** on the Indian textiles sector.
- This means that all man-made and natural fibres will be treated equally from the tax point of view.
- This will encourage product diversification in the industry as manufacturers will consider blending synthetic fibres with cotton fibres.

Source: IBEF

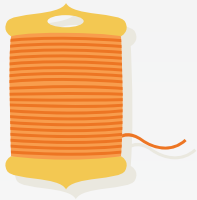
Source: The Directorate General of Commercial Intelligence and Statistics (DGCI&S)

Opportunities

- Strong domestic and export demand
- Attractive incentives package provided by government
- Rising costs in China opening up markets for Indian products
- MNCs like M&S, Zara, Levi's etc. have set up sourcing bases in India
- 100% FDI via automatic route expected to attract major global players

Challenges

- Inadequate skills of Indian workers
- Poor quality perception about Indian products
- Lower cost of production in countries like Vietnam and Bangladesh
- Archaic labour laws
- Lack of economies of scale



Policy Push

The Government of India has launched the following initiatives to strengthen textile production and encourage the industry to cater to the domestic and international markets efficiently

Scheme for Integrated Textile Parks (SITP)

The Scheme for Integrated Textile Parks (SITP) is at the centre of developing a sustainable infrastructure for the textile sector. Under this scheme, the government will provide funding for infrastructure, buildings for common facilities like design & training centre, warehouse, factories and plant & machinery.

Integrated Processing Development Scheme (IPDS)

IPDS is being implemented to make Indian textiles more competitive and environment-friendly. The government will assist the existing textile processing units to follow relevant environmental standards using latest technology. The process parks created for this purpose will deal with waste water management and promote the use of cleaner technology in the processing sector.

Integrated Skill Development Scheme (ISDS)

Textile weavers and workers lack formal training in the latest technology. This reduces their chance of getting better jobs and higher wages. ISDS plans to bridge that skill gap by training 1.5 million people at a cost of $300 million. The primary objectives of the programme are to standardise courses, increase industry involvement and provide robust monitoring systems in vocational training.

Amended Technology Upgradation Fund Scheme for textiles industry (ATUFS)

ATUFS provides incentives to entrepreneurs and business owners to upgrade technology. A one-time capital subsidy will be offered to business owners from Technical Textiles, Garments, and Weaving. The central government will provide 15 per cent subsidy to the garment, apparel and technical textile sectors. A total of $2.7 billion has been allocated for ATUFS.

Market Access Initiatives (MAI)

The MAI was launched to promote Indian exports. The scheme funds various market studies and surveys to assist exporters. Universities, laboratories, exporters and trade promotion organisations can apply for MAI where the level of assistance is already fixed. The Empowered Committee chaired by the Textiles Secretary looks after the implementation and approvals of various projects under MAI.

Market Development Assistance (MDA)

MDA was launched to encourage exporters to conduct promotional activities for their products. The export promotion programmes will be organised in specific markets such as Latin American countries, Africa and ASEAN. The objective of this programme administered by the Department of Commerce is to develop the already established markets overseas for textile.

Merchandise Exports from India Scheme (MEIS)

MEIS is aimed at stimulating the growth of textiles exports from India in various traditional and emerging markets. The market coverage of MEIS scheme has been extended. $3.2 billion has been sanctioned by the government for the MEIS. According to the Ministry of Textiles, the textile sector is one of the biggest beneficiaries the MEIS.

Source: IBEF

TIME FOR INDIA TO GET GARMENT EXPORTS SPINNING

by Shishir Jaipuria

A country-specific export strategy could turn the tide in India's favour in the sector, explains an industry expert.

Shishir Jaipuria is Chairman, FICCI Textiles Committee, and Chairman and Managing Director of Ginni Filaments Ltd.

The world apparel trade stood at $445 billion in 2015 down by 8 per cent from previous year. India's apparel exports grew by 3 per cent in 2015 whereas that of Bangladesh and Vietnam grew by 8 per cent and 16 per cent respectively in the same year. After the phasing out of quotas in 2005, Bangladesh and Vietnam grabbed the opportunity and their apparel exports increased rapidly. Bangladesh surpassed India in apparel exports in 2008 and Vietnam in 2012 as can be seen from the chart below and their apparel exports have been consistently growing and have been higher than India's exports throughout.

Overall, government needs to take a closer look at relevant trade, labour, industrial, and infrastructure policies affecting the garment exports of country. Trade and investment policies play an important role in access to capital. Given the relatively high tariffs applied to apparel products in developed countries compared to other manufactured goods, trade preferences shape how countries fare in the global apparel industry. Indeed, they determine the number and volume of orders a firm receives. In the US, which is a major market, we still face tariffs as high as 32 per cent on clothing. As a least-developed country (LDC), Bangladesh enjoys duty-free access under the "Everything but Arms (EBA)" scheme. Vietnam also gets duty-free access in Canada, European Union (EU) and Japan.

Time taken for shipments at ports, labour laws, dormitories for workers, lower GST rate for man-made fibres and technology acquisition are specific pain points which need to be addressed as a priority for India to perform better than Bangladesh and Vietnam and regain its lost position.

India may also have to relook at its export incentives in the light of our WTO commitments.

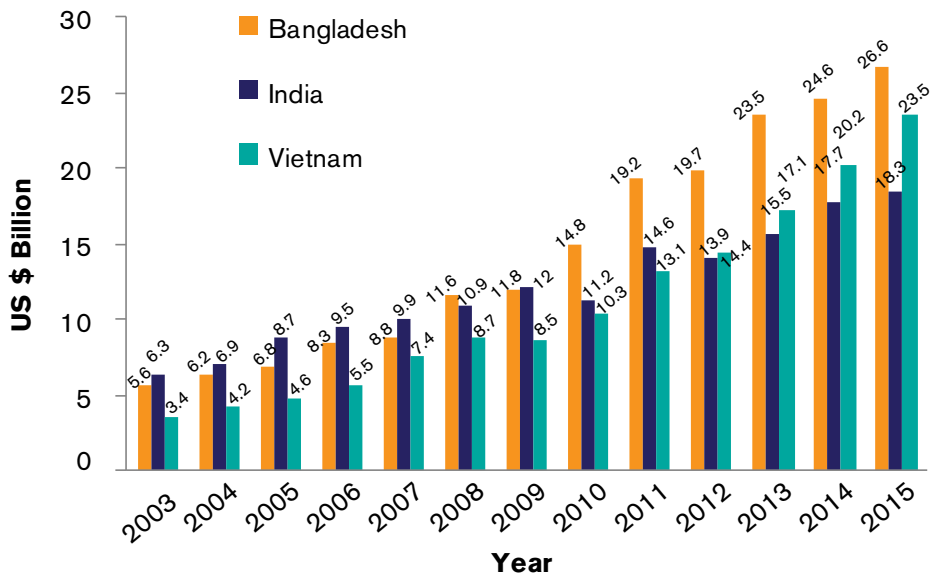
India needs to focus on synthetic fibres to cater to the world market as the top 10 traded apparel products in the world (as given in the table below) are synthetic based and India is practically non-existent in all of these products. India largely exports products which are cotton based; to tap the export opportunity, our domestic mix which is currently in favour of cotton has to mimic the global demand pattern. The GST rate of 18 per cent on MMF (man-made fibres) is leading to blockage of input tax credit as the GST on fabrics is only 5 per cent. There is an immediate need to correct GST rate on MMF and support the sector by way of bringing in fiscal and non-fiscal reforms, tax holidays, and land availability at subsidized rates.

The world over $22 billion worth of knitted jerseys, pullovers, cardigans etc of man-made fibres are traded and India's share is just 0.2 per cent whereas Bangladesh and Vietnam's share is almost 6 per cent each of these products. Similar is the case of women's/girls' anoraks, wind-cheaters, wind-jackets etc of man-made fibres and men's/boys', anoraks, wind-cheaters, wind-jackets etc of man-made fibres where India is not present whereas Bangladesh and Vietnam have a share of 1 per cent and 4 per cent each respectively in exports of these products.

Also there are several large markets like Japan, Canada, Australia, Switzerland and Russia in which India's trade share is very low ranging from 0.93 per cent to 4.3 per cent. India needs to focus on country-specific export strategies; initially four-five major markets need to be identified in which the share of Indian exports can be increased and specific policies to be framed to increase exports in those markets.

There is a need to improve the quality and productivity levels to achieve the scale required for increasing exports. For this to happen, the Ministry of Textiles needs to run a National Manufacturing Competitiveness Programme for Lean Manufacturing, ICT, Technology & Quality Upgradation, Entrepreneurial and Managerial Development, Design Promotion, Quality Management, IPR, Marketing Assistance, etc. This programme should target to cover all textile clusters in the next five years so that the Indian sector comes at par with its competitors in a short span of time.

Labour policies, especially policies governing wage levels, play a critical role in shaping costs. Overall, India's minimum wages are lower compared to China, however, in recent times India has also started seeing the signs of rise which are comparatively higher than some of its competitors like Bangladesh, Vietnam and Cambodia. In Table 4, India's minimum wages are compared with its competitors for garment exports.



India's wages are lower only compared to China and Cambodia while in comparison to Vietnam, Bangladesh, Indonesia and Myanmar India's garment export manufacturers pay higher wages. Bangladesh's rise as an apparel powerhouse is in large part due to its low wages. Against this backdrop, India will need to find ways to boost productivity to maintain competitiveness. Overall, productivity levels in India remain lower than its competitors China, Bangladesh and Vietnam. In India, labour productivity is almost one-third the level in China in the apparel sector. A key way to increase productivity is by reforming labour regulations, such as those governing number of hours worked during peak demand.

One study finds that India's stringent labour regulations result in lower output, employment, investment, and productivity in the formal manufacturing sector. The recent announcement of the government to employ labour with fixed term employment will largely address this issue. The Indian government last year announced a special package for textile and garment makers, including Employee Provident Fund incentives, tax refunds and relaxation of overtime rules with an aim to create 10 million jobs and boost exports by $30 billion in the next three years. Funds against Return of State Levies (ROSL) need to be released to respective exporters as currently most of the exporters are facing problems in this area. Time taken for shipments at ports, labour laws, dormitories for workers, lower GST rate for man-made fibres and technology acquisition are specific pain points which need to be addressed as a priority for India to perform better than Bangladesh and Vietnam and regain its lost position.

To conclude, we feel that the potential for export of garments exists, provided we scale up our operations and attract customers who are willing to place volume orders with us. Also, flexibility in labour laws and better operational efficiencies will improve our competitiveness. While we have to capitalise on our strengths in cotton garments, we should also focus on garments made of MMF fibres, which has a longer export requirement. Lastly, the absence of free trade agreements (FTAs) with bigger developed markets like the EU and Canada are hampering our exports. The government must further address all these issues and create a conducive ecosystem for growth of this sector, which will lead to large-scale employment and exports.

Minimum Wages in India

Countries	Minimum Wage in Garments Per Month, USD	India's Wage Compared to its Competitors in per cent
China	155	88.4
Cambodia	140	97.9
India	**137**	**100.0**
Vietnam	107	128.0
Indonesia	104	131.7
Bangladesh	68	201.5
Myanmar	63	217.5

Source: ILO, 2017

GST: IMPLICATIONS FOR INDIAN TEXTILES

by Rakesh Mohan Joshi, Jacqueline Symss & Rashmi Taneja

India's Goods and Services Tax (GST) has the potential to make the country's textile industry more competitive.

A long-awaited taxation reform aimed at "One Nation, One Tax" became a reality in India when the Goods and Service Tax (GST) Act was passed in Parliament on March 29 this year and came into effect from July 1.

The act is a landmark reform in the Indian taxation system, which was gripped in a plethora of multiple taxes levied at the central and state level. The unification of the tax rate is expected to bring various advantages for the entire nation in terms of minimal cascading effect of indirect taxes, reduction in transaction cost, improved competitiveness, enhanced transparency in the value chain, decline in the tax burden for consumers, etc.

The various GST tax rate slabs – Nil rated, 5 per cent, 12 per cent, 18 per cent and 28 per cent – for different products may bring some product categories within the tax bracket that were earlier either fully or conditionally exempt from most of the taxes at the central and state level. This will be beneficial in terms of widening of the tax base and tax collection for the government, but the industries in the unorganised sector may face challenges in terms of increased compliances and the high cost of acquiring production intermediaries during the initial phase of implementation of GST.

GST would ensure transparency in the current taxation system pertaining to the textile industry as many units were out of the tax net and remained untraceable.

At this juncture, GST could either be a milestone or a millstone for respective industries as assurance of the benefits that will accrue in the long run is a reality that is yet to be tested.

Scenario Before GST

The textile industry is one of the most fragmented industries in India. As the industry is mainly comprised of Micro, Small and Medium Entrepreneurs (MSMEs) in the unorganised sector, it has by default been exempt from taxes and compliances. At the same time, given the importance of the textile industry's contribution to employment generation, the GDP and foreign exchange, the government has nurtured the big players in the sector by means of nil or low taxation, capital and interest subsidies, refund of taxes through the duty drawback scheme for exporters, etc. Further, most of the players across the value chain operate on the optional route and pay zero excise duty provided they don't claim the Input Tax Credit (ITC), thereby resulting in the incidence of nil or low duty.

These tables provide a broad idea about the extent of benefits the Indian textile industry had been receiving during the pre and post GST regime.

Confidence vs Concerns

After the application of GST, there will be an increase in the effective tax rate, which is likely to have a negative impact for the textile industry in terms of high cost of production, increased compliances and high administration cost. For instance, the tax slab in the case of readymade garments will be 12 per cent under GST instead of the pre-GST slab of 4-5 per cent VAT and 2 per cent excise duty. This higher tax slab will increase the price of readymade garments for the consumers.

Man-Made Fibre (MMF) or Man-Made Yarn would attract 18 per cent GST as compared with 5 per cent GST on cotton and cotton fibre/yarn, thereby resulting in a rise in input cost and adversely impacting the entire synthetic value chain in India. Due to this rise in cost of synthetic textile inputs, the MMF sector may further lose its cost competitive advantage in the global textile market, which is significantly shifting from the use of cotton yarn to MMF.

Apart from the financial strains in terms of an increase in the working capital requirement and greater inter-dependence on the supply chain to claim Input Tax Credit, the other significant concern is around migrating to an automated filing system. This will make the transition even more challenging as several of the units are in the SME category and thereby will require further skills and training to file returns on time.

Despite these concerns pertaining to the levy of GST in the textile industry, there is an unrelenting confidence that GST will boost the economy and industry in many ways. First, there is a likelihood of more and more units shifting towards the organised sector. A major segment of the textile industry currently operates under the unorganised sector, thus creating a gap in the Input Tax Credit system. If the registered taxpayers buy inputs from the unorganised sector, they cannot avail of this credit facility. GST on textile will bring a significant change in the ITC system and in turn reduce the gap between the organised and unorganised sectors of the industry.

Second, GST would ensure transparency in the current taxation system pertaining to the textile industry as many units were out of the tax net and remained untraceable. As ITC claims will have to be backed by the full information chain of purchases and sales, this would enhance the transparency in the taxation system.

Pre-GST Regime: Tax Structure Applicable for the Textile Sector	
Central Excise	Cotton industries - Exempt from payment of excise Apparels - Excise duty at effective rate of 1.2%
VAT	Various textile products – Exempt from levy of VAT (in almost all States)
Entry tax	Exempt in most of the States
Custom duty	Exports – Nil Imports – Basic Custom Duty (BCD) – Nil (leviable to CVD and special CVD)
Export Incentives	Duty Drawback, rebate, refund of taxes paid, EXIM Scrips etc.

Post-GST Regime: Tax Structure Applicable for the Textile Sector	
Fibre	Cotton and other natural fibre - 5% Man-made fibre - 18%. Jute and silk fibre – Exempt
Yarn	All yarn (except man-made) - 5% Man-made yarn - 18%
Fabric	All fabrics - 5%
Readymade apparels	5% (for sales value not exceeding Rs 1,000) 12% (for sales value exceeding Rs 1,000)

Third, earlier Indian textile manufacturers needed to pay heavy excise duty while importing capital goods. This excise duty added to the cost of production. However, with the launch of GST, the excise duty will have an ITC facility and it will decrease the total import cost for capital goods.

Fourth, GST would streamline the process of claiming ITC, thus allowing the textile industry to become more competitive in the export market.

Fifth, currently, manufacturers and traders are not inclined towards exports due to the extensive procedure costs and delays in the processing of duty drawback. Under GST, the system of duty drawback will lose its significance. Input Tax Credit will be provided as a refund under GST instead of current duty drawback schemes. This will be a significant boost for promoting the export of textile products.

As India moves towards a more systematic and less complex tax structure it will lead to a boost in further investments from foreign participants, streamlining of movement of goods across the country and will help the textile industry in the long run by getting more registered taxpayers under a well-regulated system. It can also be hoped that GST will help the textile industry become more competitive in both the global and domestic markets and create opportunities for sustainable and long-term growth.

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HOUSING FOR ALL IS SLOWLY PICKING UP PACE

by India Inc Staff

The Indian Prime Minister's Housing for All initiative has got off to a slow start but latest trends provide hope for a rapid ramp-up.

Of all the flagship schemes undertaken by the Narendra Modi government, the Housing for All programme, which envisages providing pucca (brick and mortar) houses for 20 million Indians by 2022, is, arguably, the most evocative and the one most likely to make a dramatic difference to the lives of millions of poor Indians.

After a relatively slow start, India's Ministry of Housing and Urban Affairs recently sanctioned about 218,000 new houses under the Pradhan Mantri Awas Yojana (PMAY), as the scheme is called, in six states, taking the total number of houses sanctioned under the scheme to a little more than 2.61 million.

Newly-appointed Housing and Urban Affairs Minister, Hardeep Puri, a former Indian Foreign Service officer who had served as India's Permanent Representative to the United Nations earlier, has his work cut out to fulfil the Prime Minister's dream of providing affordable housing to every Indian by the deadline.

Massive shortage

India faced a massive shortage of almost 19 million houses in 2012-13, according to the Technical Group on Urban Housing Shortage. Bridging this gap in the next five years will not be easy. Thus far, only a little over 100,000 houses, of the 2.61 million sanctioned, have been built under the scheme.

Newly-appointed Housing and Urban Affairs Minister, Hardeep Puri, a former Indian Foreign Service officer who had served as India's Permanent Representative to the United Nations earlier, has his work cut out to fulfil the Prime Minister's dream of providing affordable housing to every Indian

Obviously, the pace of sanctioning new houses as well as building them on the ground needs to be speeded up by a factor of several times. Here, the example of former Power Minister Piyush Goyal's stupendous success in rapidly ramping up the country's solar power capacity and Roads and Highway's Minister Nitin Gadkari's achievement of turning around the moribund ministry he took charge of in 2014 offer two templates that can be emulated.

PMAY fine print

The Pradhan Mantri Awas Yojana envisages providing government assistance of $31 billion to build houses for the urban poor, categorised as Economically Weaker Sections (EWS) and Low Income Groups (LIG).

The scheme has four parts:

i) In-situ slum redevelopment with private sector participation using land as a resource
ii) Affordable Housing through credit linked subsidy
iii) Affordable Housing in partnership with private and public sector
iv) Beneficiary-led house construction/enhancement. Beneficiaries under these schemes will get central assistance ranging from $1,600 to $3,600.

Eligibility criteria

In keeping with the Prime Minister's stated goal of improving the lot of women in India, PMAY mandates that houses built or improved under this scheme should be owned fully or partly by women.

The other criteria that applicants have to fulfil are they must be less than 70 years old and must be from the EWS (annual income of less than Rs 3 lakh or $4,700) or LIG (annual income between Rs 3 lakh and Rs 6 lakh or $4,700-9,400). Another condition is that the beneficiary or any of his family members should not own another house anywhere in India.

The challenges

Building so many houses for so many people across such a vast and diverse country like India is undoubtedly a very challenging proposition. The problems of managing the logistics of such a humungous project apart, there are also several structural problems that are holding up the rapid rollout of this scheme.

Availability of land: The first and obvious problem is the one relating to the scarcity of land, especially in urban areas. With the revamped Land Acquisition Bill stuck in Parliamentary limbo and the existing one, enacted by the previous Congress-led UPA government making it all but impossible to acquire any land for any purposes whatsoever, overcoming this challenge calls for out-of-the-box thinking and innovative solutions.

One way out could be to encourage people, who are currently occupying existing houses in highly congested localities to upgrade their houses and add floors which can then be sold or leased to people currently without houses.

This has been attempted with some success in

redeveloping a few slum areas in Mumbai but has not made much progress in other parts of the country. Efforts are on in the government to take this template to other cities.

Incomplete property records: Under PMAY, individuals availing of the scheme get a subsidy on the interest they pay on home loans as well as a direct subsidy for construction and/or home enhancement. The challenge here is that most potential applicants do not have proper titles to the properties they are occupying.

In some cases, the property may be in the names of deceased ancestors. In other cases, most slum dwellers, who make up a large proportion of targeted beneficiaries under PMAY, do not have any title at all and hold only possession rights.

Then, land, being a state subject, comes under each state's revenue department, while PMAY is being implemented by the housing department. Most intended beneficiaries, therefore, are unable to fulfil the requirements to avail of the scheme.

In Ahmedabad, the Slum Networking Program has circumvented this problem by providing people without title rights with security of tenure. This no-eviction-guarantee has encouraged slum dwellers to invest their own money to upgrade houses and benefit from PMAY.

Some states such as Andhra Pradesh and Gujarat have fully computerised and digitised property records and made it easier for individuals to search titles, effect transfers and get certified copies of their land records, making them eligible for benefits under PMAY. But most states are lagging in this regard.

Key highlights

- Houses have to be owned fully or partly by women
- Beneficiaries should be less than 70 years old
- Beneficiaries must have annual income of less than $4,700 for EWS scheme
- Beneficiaries must have annual income of $4,700-9,400 for LIG scheme

Vacant houses:

The 2011 Census recorded 10 million vacant homes. That is enough to bridge half the shortfall in urban housing in India. But many house owners in India are wary of letting out their vacant properties on rent as India's rental laws make it extremely difficult to evict tenants. So, rather than lose their valuable properties to recalcitrant tenants, house owners prefer to keep them vacant.

It is common in cities such as Mumbai and Kolkata to find tenants occupying large properties in prime areas but paying a pittance of only a few hundred rupees as rent. The laws are heavily skewed against landlords and repossessing a property from a tenant often takes decades.

Housing Minister Puri will have to find a way to convince state governments to enact progressive legislation that balances the interests of both home owners and tenants to facilitate the growth of a vibrant rental market for residential properties in India.

Addressing these challenges will make it easier for the government to meet its Housing for All goal.

Picking up pace

As mentioned at the beginning of this report, the government has so far sanctioned 2.61 million houses, or about 13 per cent of the target. These houses will entail an investment of about $22 billion, of which about $6 billion will be in the form of central assistance in the form of direct subsidy as well as interest subvention.

Leaders and laggards

Andhra Pradesh is clearly the leader in PMAY, with more than a fifth of all houses sanctioned under the programme falling in the state.

But Gujarat leads in construction, with about 23.5 per cent of all houses constructed under the scheme. In second place is Karnataka, with about 12.5 per cent, followed by Tamil Nadu (12 per cent), Rajasthan (8 per cent) and Maharashtra and West Bengal (7.3 per cent each).

The worst performers are Punjab (336 units), Kerala (595 units), Telangana (843 units) Haryana (1,070 units) and Orissa (1,643 units).

Collateral benefits

The construction industry is the largest employer in India after agriculture and textiles. A pick up in the speed of implementation will also help generate millions of jobs and help the government fulfil its election promise of creating new employment opportunities.

Then, major industries such as steel and cement, which are facing poor or moderate offtake, will also benefit from PMAY. Since the housing and construction sector has forward and backward linkages with more than 250 feeder and downstream industries, the expected boom in the affordable housing sector will also facilitate a revival in the private sector investment cycle, which has so far stubbornly refused to yield to several incentives.

'India Investment Journal' has learnt that the Ministry of Housing and Urban Affairs has instructed the states to hasten the identification of projects and submit proposals so that fresh building activity can start early. The government has allocated $6.8 billion for this.

Faster implementation

'India Investment Journal' has learnt that the Ministry of Housing and Urban Affairs has instructed the states to hasten the identification of projects and submit proposals so that fresh building activity can start early. The government has allocated $6.8 billion for this.

"Now, states have started coming forward with projects and the Centre has so far approved construction of 26.13 lakhs houses in many states," a senior official in the ministry was quoted in the media as saying.

The agenda for the new housing minister, Hardeep Puri, is clear. Now, he has to ensure delivery.

Housing for all: Turning a dream into reality

The Pradhan Mantri Awas Yojana, launched in 2015, is a flagship initiative of the Narendra Modi government that envisages providing financial assistance and facilitation support to help India's urban poor build 20 million new or improved houses by 2022.

20 million
Target for building new houses by 2022

31 billion
Assistance to be provided under PMAY

19 million
Housing shortage till 2012-13

6.8 billion
Assistance allocated so far

2.61 million
New houses sanctioned till date

1,600-3,600
Assistance envisaged for each beneficiary

PMAY's four pillars:

i) In-situ slum redevelopment with private sector participation using land as a resource
ii) Affordable Housing through credit linked subsidy
iii) Affordable Housing in partnership with private and public sector
iv) Beneficiary-led house construction/enhancement.

A TECH-LED REIMAGINING OF INDIAN AGRICULTURE

The UK-based Global Innovation Fund, which invests in innovations targeted at improving the lives of the poorest people in developing countries, has pumped in millions to back an Indian farm mechanisation project.

EM3 AgriServices, India's leading private sector farm mechanisation services company, has raised a $10 million Series B round from London-based Global Innovation Fund (GIF) and existing investor Aspada. The company had earlier raised a $3.3 million Series A from Aspada in June 2015.

EM3 AgriServices is India's first provider of farm services for the entire cultivation cycle, on a pay-per-use basis. With two-thirds of India's farms smaller than a hectare, most of India's small-hold farmers rely on manual labour as they cannot afford capital equipment such as advanced farm implements, tractors and harvesters. EM3 solves this problem by offering an entire range of interventions from soil preparation to harvesting, where farmers pay a service fee on a per hour or per acre basis. These services are cheaper than hiring manual labour, with service levels guaranteed by the company.

EM3 AgriServices is India's first provider of farm services for the entire cultivation cycle, on a pay-per-use basis

At a time when Indian agriculture is seeking structural solutions, marquee investors believe that addressing key fundamental aspects will allow the country to usher in the next green revolution. With this investment, EM3 plans to expand geographically across the country, boost ecosystem capacity and invest in building technology.

Alix Peterson Zwane, Chief Executive Officer, Global Innovation Fund, said: "We were impressed by the potential of EM3's pioneering approach towards solving one of Indian agriculture's most fundamental challenges.

"As they embark on their next phase of growth, we look forward to EM3 continuing to be a market leader in a rapidly growing market in a sector critical to India and its millions of small-hold farmers."

With a strong established footprint in Central India, EM3 has also recently partnered with the state government of Rajasthan to provide services to farmers across the entire state.

Adwitiya Mal, CEO, EM3, explains: "The next farm revolution is taking place through access to mechanisation. However, with a disorganised mechanisation ecosystem today, the rural economy is not able to fully realise its potential. We are pleased that GIF and Aspada are investing in building tomorrow's farm economy."

Kartik Srivatsa, Co-founder and Managing Partner, Aspada, adds: "Over the last two years, EM3 has been able prove its pioneering model of Farming-as-a-Service (FaaS) to emerge

At a time when Indian agriculture is seeking structural solutions, marquee investors believe that addressing key fundamental aspects will allow the country to usher in the next green revolution.

as the leading independent farm services player in India. We now embark on the next phase to rapidly scale the FaaS model as well as our mobile platform for small-hold farmers to access services across the agriculture value chain.

"The company's proprietary access to farm level data through its operations places it in a unique position to become a canonical leader in the sector."

EM3 Founder and Managing Director Rohtash Mal expressed his excitement to have GIF as an integral part of the EM3 growth story.

He said: "In both GIF and Aspada we have partners who are thought leaders for cutting-edge innovations and long-term collaboration. EM3 is committed to providing every farmer an opportunity to use farm services at a price point and convenience that will improve his yields and enable him to aspire for more crop per acre with enhanced economic value creation.

"We value the foresight of GIF and Aspada in understanding the untapped opportunity and potential of this huge market."

Founded in 2014, EM3 AgriServices is India's first provider of farm services on pay-per-use basis. Services are provided for the entire cultivation cycle including land development, land preparation, seeding, sowing, planting, crop care, harvesting and post-harvest field management.

Farmers are able to access EM3's services digitally through a mobile app or physically by contacting a "Samadhan Kendra", the company's local fulfillment centre. Having serviced over 8,000 farms through 10 farm service centers since inception, EM3 has validated the feasibility of a model that brings affordable and reliable mechanisation as a pay-per-use service to small-hold farmers.

Aspada Investment Company is a holding company and venture capital investor with a significant commitment from the Soros Economic Development Fund (SEDF). The firm is an active investor in India, with investments across agricultural supply chains, logistics, financial services, education, and healthcare. Aspada also manages the portfolio of SONG, an early stage venture capital fund backed by the Soros Economic Development Fund, Omidyar Network, and Google.

The newest investor in EM3, GIF, is an innovation fund that invests in the piloting, rigorous testing, and scaling of innovations targeted at improving the lives of the poorest people in developing countries. GIF aims to support a portfolio of innovations that collectively open up opportunities and improve lives for millions of people across the developing world.

The fund is created and supported by USAID, UKAID, the governments of of Sweden and Australia and the Omidyar network.

India needs a digital mindset to tackle tech taking over jobs

by Nitin Dahad

Re-skilling and up-skilling must go hand-in-hand with tech advances in India, writes a digital expert.

Last month, the lead singer of 70s band Talking Heads, David Byrne, wrote in the 'MIT Technology Review' about how tech is eliminating humans. With AI, autonomous vehicles, robots, automated self-service check-outs, and lots more, he says the art of human interaction will die away, since there will be no humans doing the traditional jobs of serving customers. But what does that mean for India, where there are over a billion people: if tech will replace all the manual jobs that give people a daily living, what will they do?

In some countries, there is debate about whether governments should consider providing a universal basic income. And some have said that big tech companies like Facebook, Google and Apple should be able to fund this since they are capable of doing so with their billions of dollars of cash reserves.

In India's context, it's probably an issue of re-skilling, and this is going to be a vital part of the country's Digital India, Make in India, Start-up India and many other initiatives. As NASSCOM said in July this year: 'Technological shifts are the most profound and reshaping businesses, and how we live'. The pace of technological change is exponential, with new shifts such as data being the new oil, AI (artificial intelligence) being a disruptor, and the internet of everything connecting many objects.

Change is indeed occurring in every sector – consumer, retail, industrial, government, healthcare, education, agriculture and government. Technology and IT is not only driving these changes, but is also itself being impacted by it – for example with the move to the '-as-a-service' (like software-as-a-service) economy being a key shift to transforming business models. While technology is eliminating jobs, it is also creating jobs – throughout history it has created many more jobs than it has eliminated. The US and UK are examples where, despite aggressive technology adoption, unemployment levels have not been significantly impacted – though many people are now in the 'gig' economy (on-demand, zero-hour contract jobs like those taken by Uber and Deliveroo drivers) rather than in the conventional full-time jobs that people might have been employed in the past.

The shift to digital means new skills need to be developed around emerging functions that would be needed in this new era. Those skills might be in big data analytics, data science, cloud and cybersecurity, IoT (internet of things), service delivery automation, robotics, AI, machine learning and so on. It will also require more subject matter and domain expertise – for example in sociology, security and finance.

At a large company level, where IT jobs are being affected most, a study from People Matters and Simplilearn, 'Skill acquisition for the digital age', found that in the face of the ongoing digital disruptions and the imminent automation wave, it is evident that re-skilling and up-skilling are going to be major responsibilities of learning and development teams in the immediate future.

Respondents in the study identified the most important learning priorities as:

- Instilling a digital mind-set at the leadership level, and
- Benchmarking current skills levels within organisations to help in streamlining future job roles

The study concludes that the efficacy of online courses and certifications is currently challenged by low course completion percentages and to overcome this, these programs must be appealing to end-users and organisations alike. A majority

of employees at entry to mid-level are amenable to online learning. It found that the major demand for skill enhancement is in areas such as artificial intelligence, machine learning and big data analytics; and that online learning initiatives can provide the latest content related to these faster than traditional modes of training such as on-the-job and classroom training.

Rachita Sahgal, head of learning and development at GE South Asia, says that making sense of data is key to drive business impact, and that it is also crucial for employees to understand data to support the organisation's digital strategy. She adds: "To address this challenge, our approach is to leverage both skill acquisition as well as talent acquisition. As far as skill acquisition is concerned, we are utilising an arsenal of delivery modes like MOOCs, podcasts, virtual instructor-led classrooms, videos, besides classroom sessions."

This is echoed by other heads interviewed in the study. In addition, Niranjan Harikumar, head of learning at Piramal Group, says: "In this new era of digitisation, the role of the learning function is no longer to create content but to curate the right content, 'just in time', 'just enough' and 'just for each individual learner'. The ability to create bite-size learning paths that can be consumed on the go, and the ability to integrate learning into everyday work are other important skills. Learning can no longer be outside of work, instead, it has to be embedded into work."

The pace of technological change is exponential, with new shifts such as data being the new oil, AI (artificial intelligence) being a disruptor, and the internet of everything connecting many objects.

NASSCOM says this is an entire industry imperative, with structured digital skills programs needed with different training levels.

But outside of industry, what happens to the many people who are not in large institutions but find themselves out of work due to automation? Well it's going to be up to them as individuals to motivate themselves to re-train and re-skill. There are many online learning platforms that they can access, including the established Coursera and Udacity, but for basic digital skills there are also emerging India-grown players serving India-specific needs, like Clone Futura.

India is considered a country where education is important. So those who find themselves out of a job due to automation or other efficiencies enabled by technology, as indicated by David Byrne, may want to consider how to prosper in the digital age, by learning even the most basic of digital and data skills.

Nitin Dahad is a journalist, entrepreneur, and advisor to the technology sector and government trade agencies, with over 30 years' experience across Europe, US, Asia and Latin America in corporates, start-ups, and media. He currently edits 'The Next Silicon Valley' and 'Go4Venture'.

UK UNIVERSITY PROJECT TO BUILD SOLAR POWER STATIONS IN INDIA

A consortium of 12 British and Indian universities led by Swansea University in Wales has won £7 million of UK government funding to build five self-sufficient solar-powered buildings in remote Indian villages.

A new solar project, called SUNRISE, will develop printed photovoltaic cells and new manufacturing processes which can be used to construct solar energy products in India. These will then be integrated into buildings in at least five villages of India, allowing them to harness solar power to provide their own energy and run off grid.

The programme is part of the Swansea University led SPECIFIC Project, which had recently opened the UK's first "energy-positive classroom" and revolves around a "buildings as power stations" concept.

"The energy-positive classroom we built shows that this technology works, successfully turning buildings into power stations. This funding will enable us to export this model to support India's plans to boost solar energy," said Professor Dave Worsley of Swansea University, head of research at the SPECIFIC project and leader of the SUNRISE team.

"The Swansea team will be working closely with our partner universities in the UK and India. Our hope is that if we can show this works on five villages in India, then it could be rolled out to other buildings in India and around the world," he said.

Swansea University says the project is in line with Indian government plans, announced by Prime Minister Narendra Modi, to turn the country into a solar energy leader, leap-frogging fossil fuels, and to boost the Indian manufacturing sector. The university team's concept of a building as a power station has been working in the form of its first energy-positive classroom on the Swansea University Bay campus.

"Designed and built by the SPECIFIC project, the classroom can run off grid. Electricity is generated by a steel roof with integrated solar cells, supplied by SPECIFIC spin out company BIPVco. It is connected to two saltwater batteries, which are being used in the UK for the first time and are capable of storing enough energy to power the building for two days," the university said in a statement.

Our hope is that if we can show this works on five villages in India, then it could be rolled out to other buildings in India and around the world.

The building uses Tata Steel's perforated steel cladding for the generation of solar heat energy, which can be stored in a water-based system, and an electrically-heated floor coating that has been developed by SPECIFIC researchers.

Some of the other universities part of the consortium include Oxford, Cambridge, Brunel, and Imperial College London and the £7 million award comes from the UK

government's Global Challenges Research Fund (GCRF), which supports cutting-edge research that addresses the global issues faced by developing countries.

Jo Johnson, UK minister for universities and science, said: "From healthcare to green energy, the successful projects receiving funding highlight the strength of the UK's research base and our leadership in helping developing countries tackle some of the greatest global issues of our time.

"At a time when the pace of scientific discovery and innovation is quickening, we are placing science and research at the heart of our Industrial Strategy to build on our strengths and maintain our status as science powerhouse."

One of the key aims of the SUNRISE project for India is to provide a real-life example which proves that this technology works, and that it is appropriate within communities. The plan is that it will encourage local industries to manufacture affordable prefabricated buildings, adapted for their environment, that can generate, store and release their own power.

Swansea University's Active Classroom generates, stores and releases its own solar energy. It is branded as a building for learning from, not just in.

Electricity is generated by a steel roof with integrated solar cells, supplied by SPECIFIC spin-out company BIPVco. It is connected to two Aquion Energy saltwater batteries, which are being used in the UK for the first time and are capable of storing enough energy to power the building for two days.

Architect Jo Morgan says: "Some of the technology is new, but most is already available on the market and affordable. Whilst each product is in itself important, the real innovation is in the way they work together to generate, store and release energy."

The Active Classroom's clever control system combines technical performance data from each component with occupancy and seasonal weather variations to manage the building's energy use and provide a comfortable environment for students.

"For us this project wasn't just about showing that it works technically: it was also about working closely with our construction industry partners on a real project, developing skills and helping to bring low carbon buildings like this closer to market," Morgan adds.

Solar Plants is one of many partners on the project. The Port Talbot, Wales, based company is assisting the SPECIFIC team with the design and installation of the solar-to-storage connectivity.

Ian Hewson, Off-grid Engineer for Solar Plants, said: "We are proud to be involved with this game-changing project. This classroom challenges commercial property design norms, and if successful will help shape the way buildings are designed going forward.

"Working with engineering giants Tata Steel and innovators SPECIFIC has been an incredible experience and has helped Solar Plants develop market leading knowledge in this new technology."

The Active Classroom provides teaching space and a laboratory for Swansea University students, as well as a building-scale development facility for SPECIFIC and its industry partners.

SPECIFIC is led by Swansea University and works with more than 50 partners from academia, industry and government to deliver its vision for buildings as power stations. Its Strategic Partners are Tata Steel, BASF, NSG Pilkington Glass and Cardiff University, and it is part-funded by Innovate UK, EPSRC, and the European Regional Development Fund through the Welsh Government.

INTEGRATING TWO WORLDS: GLOBAL BUSINESS WITH LOCAL COMMUNITIES

by Rusen Kumar & Abhishek Ranjan

Corporate social responsibility (CSR) observers weigh up how CSR in India is different from the rest of the world.

A majority of Fortune 500 companies have a base in India and according to a Bain analysis report, between 1991 and 2012, the number of MNCs in India more than quadrupled. And over 20 years, total MNC revenue grew at a compound annual rate of 18 per cent — faster than the overall economy.

Isn't it a great growth story? But when we talk about the triple bottom line, we also need to understand how these MNCs have done social good for the communities. William Clay Ford [Ford Motor Company] said that creating a strong business and building a better world are not conflicting goals – they are both essential ingredients for long-term success. The most important factor is how global companies are solving local community challenges and here it comes to our mind how CSR in India is different from the rest of the world.

We strongly believe that the future of India is linked with pace of social development and the Sustainable Development Goals (SDGs). India's large population facing socio-economic challenges for a long time provides an opportunity for social innovation for multinationals working in India. Every local challenge is a global challenge in the light of the SDGs. The age of technology has broken the physical boundaries, i.e. nation, region and time zones. Everyone is a global citizen in this age of globalisation and liberalisation. Solving global human and ecological challenges are shared responsibilities of people and institutions.

Image Credit: Canon.co.in

CSR is seen as voluntary internationally; India is one of the few countries that made it mandatory.

Corporate America spends over 5 per cent of its pre-tax profit on charity. It might surprise you to learn that this is not under any compulsion from the US government. By contrast, Corporate India had to respond to the creation of law mandating CSR practices in 2013, which came into effect the following year. The law demands a compulsory 2 per cent spend of pre-tax profit on suggested CSR activities. Global MNCs have an existing CSR framework, and they had initial hiccups when it comes to meeting the compliance requirements of India's CSR law.

Global companies operating in India have played an integral role in solving the socio-economic problems of the nation. MNCs are actively participating in the government of India's various initiatives, and they are positive to take it forward for a larger impact. All the major MNCs have heavily invested in India, see India as a long-term strategic partner and they are also committed to solving community challenges where they work and operate.

These quotes from some MNC chief executives reflect this:

- Canon India's President and CEO, Kazutada Kobayashi, once said on India's CSR Mandate Move: "I think the philosophy is good and matches our corporate philosophy of 'kyosei' (living and working together for the common good)."
- Canon has a flagship CSR initiative, "Adopt a Village" and the company has adopted four Indian villages for an overall development of the people and community infrastructure.
- H.C. Hong, President & CEO, Samsung Southwest Asia, said: "Samsung is proud to help impart technical skills to youth of this country. We are totally committed to the government's Skill India mission. Our collaboration with the ministry of MSME [Micro Small and Medium Enterprises] has enabled us to tap the potential of youth and make them job ready with the help of the Samsung Technical School initiative."
- Rakesh Srivastava, Director – Sales & Marketing, Hyundai Motor India, noted: "Hyundai is a responsible and caring organisation. 'Happy Move-Save our Heritage' is a unique initiative in association with the Archaeological Survey of India. We are thrilled to mobilise an enthusiastic group of Happy Move volunteers from different backgrounds and cultures to jointly work and make this a mass movement towards a common goal of preserving India's rich cultural heritage; while also raising the awareness level of school students as well as contributing to the welfare and development of school facilities."
- Venkatesh Valluri, Chairman, Ingersoll Rand India, said: "For direct interventional projects, we plan to focus on a PPP model where we will allocate resources in education, sustainability, healthcare-sanitation, skill-

development and livelihoods as part of CSR spend mandated by the Companies Act, 2013."

- Richard Northcote, Chief Sustainability Officer, Covestro AG, said: "Covestro aligns its CSR activities to the United Nations Sustainable Development Goals in order to contribute to improving the lives of those less fortunate in the societies in which we operate. "We believe these centres will benefit the youth of this area and contribute significantly to better enable these schools to build our children's future, enabling them to make the world a brighter place tomorrow."
- Dr Akshay Bellare, Vice-President of Honeywell Technology Solutions India, said: "I'm delighted to meet the brilliant design students at the Aerospace Design Challenge 2017. They are India's future for building human-centered software industrial solutions for our country."

Global FMCG giant Unilever plans to spend €100 million by 2019 on sanitation programmes in India while it looks to become a key partner in Prime Minister Narendra Modi's Clean India campaign.

These testimonies clearly indicate the seriousness with which global companies are meeting local community needs. With changing consumer preferences, corporations have to meet the expectation of new-age employees/customers – so-called Millennials – and increasing investors' concerns and demands. The invisible stakeholders and social license to operate is making it more difficult and that is why global corporations are increasingly recognising the importance of sound CSR practices that enable meaningful and impactful programs for the local communities that also reflect business value.

India's large population facing socio-economic challenges for a long time provides an opportunity for social innovation for multinationals working in India. Every local challenge is a global challenge in the light of the SDGs.

Benchmark for Corporate Performance

In India, Corporate Social Responsibility and Sustainability reporting have become a key corporate performance parameter. The organisations are required to evolve the CSR model in the exponentially dynamic corporate world to ensure maximum productivity by optimal utilisation of resources. As CSR is becoming increasingly important, so is a globally acceptable performance benchmark by the corporate and financial entities across the world. The Indian Companies Act 2013 is a significant step in the direction of CSR. With the growing connect between big business and corporate social responsibility, the Bombay Stock Exchange (BSE) has set up a CSR Index. As per a recent BSE analysis, there were 1,294 companies listed on its exchange that were required to spend nearly Rs 7,800 crores ($1.15bn) on CSR activities in FY'16.

SDGs and role of Corporate + Government = Collective Impact

Governments and Corporations tend to align and measure social impact based on the United Nations' 17 Sustainable Development Goals, which range from 'no poverty' and 'zero hunger' to 'peace, justice and strong institutions'.

There is a growing belief that large-scale change in India can be achieved through corporations supplementing the efforts of the government, as opposed to trying to substitute the government's efforts. India's fight against polio was one such exemplary success story where government, non-governmental, international and private stakeholders worked together towards a singular outcome. In 2014, the WHO finally declared India a polio-free nation.

Innovation and Digital India will lead to significant impact on communities

Looking at the future, digital stands to be our great enabler, our most potent driver of change as we move forward, culturally, socially, politically, and economically. As a global hub for IT and related innovation, India is no stranger to the potential. There is a window of opportunity here (with a great view, if we might add!) for companies to deploy expertise and technologies to build outcome-based CSR models that truly impact their communities and help the government achieve common goals.

For instance, the Smart Cities project is one such area that is ripe for exploring the full potential of CSR. Collaborative innovation through meaningful CSR partnerships can help shape the future of Digital India and bring the ambitious vision of Smart Cities to life.

Integrate CSR with Brand Strategy

Sound CSR practices are also about making a sound, resonating, driving dialogue and conversations to deliver returns – in terms of social progress, the bottom line (profit) and brand perception. That is why we see 'reputation returns' as critical to sustainable and effective CSR.

CSR is actively contributing to brand loyalty. Never before has CSR played such a vital role in helping customers form brand perceptions. At a time when battered investors, customers, and employees are wondering whom they can trust, the ability of a familiar brand to deliver proven value flows straight to the bottom line.

In India, corporations have started debating on Strategic CSR models and how it can become a sustainable and advantageous synergy soon. Organisations have understood that sustainability is profitable, but they need to go beyond the Triple Bottom Line and make it Cultural.

The mutually beneficial relationship between global corporations and the community will begin to throw up promising outcomes if it is aligned with changing local needs. Remember, the Indian CSR Act is just a hardware. To make it successful, it needs the software of Vision, Values, Culture and Engagement.

Rusen Kumar is the Founder and Managing Editor at India CSR Network (www.Indiacsr.in), India's largest CSR Network. Abhishek Ranjan is the Global CSR & Sustainability head at Brillio Technologies, a global IT MNC.

**The views and opinions expressed in the article are solely of the authors in personal capacity and do not in any way represent views of any institution, entity or organisation that the author may have been associated with.*

A COLLABORATION FOR SOCIALLY RELEVANT ENTERPRISE

by Fred Deakin

The man behind a unique social enterprise initiative bringing together young talent from the UK and India explains what Modual: Mumbai is all about.

I'm writing this from day three of the Modual: Mumbai workshop. Already the ideas are flowing through a cultural collaboration that has exploded into more energy than even we experienced Modual-ers had anticipated.

As part of its pioneering approach to delivering creative education, University of the Arts London (UAL) has funded, supported and nurtured the Modual initiative for four years. I developed the programme to bring students out of a traditional university lecture environment, and into a context that better reflects the professional creative world. Participants are given the challenge of delivering positive change and, through forming pop-up creative studios, develop their idea into a business proposition.

In just eight days, each group of four students comes up with their own idea for a social enterprise start-up venture and then produces a Kickstarter-style video, an advertising campaign and various other digital and real world assets that represent their project. They then present these live to an audience of high-level professionals and industry experts at a vibrant launch night and networking event.

The seventh iteration of Modual is the first time it has ventured into Asia and embraces cross-cultural exchange. Ten students from University of the Arts London in the UK have flown into Mumbai and have joined 20 participants from India to collaborate with each other throughout this 2017 international Modual programme. The resulting cohort allows collaboration with peers not only from different creative backgrounds, but also a broad range of social and cultural contexts.

This year's students are passionate, committed and talented, and are propelling all of these qualities into their work with more vigour every day. The wide range of skills in the room are creating surprising opportunities, and already we are seeing promise of real innovation and social change. Early ideas are tackling stress and anxiety; prejudice; lack of confidence in young people, and preservation of traditional arts.

Of course, being submerged in a cultural centre as vibrant as Mumbai helps. Every turn provides a new experience, colours, sounds, smells merge to tingle all of the senses and boost the imagination. Particularly for the students who have flown in from the UK, the experience has opened their eyes to a range of inspiration and experience which will no doubt influence their future work, not just in their Modual projects, but also their careers far beyond.

Those of us experiencing Mumbai for the first time have had a crash course (almost literally) in travel in the city. Chaos reigns on the roads in the morning and evening rush hours, with vehicles of all shapes and sizes competing to fit into the smallest gap to progress a few inches in their journey. We have learnt to allow an extra hour for the commute, just in case. The travel time does, however, provide ample opportunity to observe Mumbai life – something which exists in abundance. The constant energy within Mumbai is infectious, and carries through into the workshop each day.

The UK and Indian participants have also been collaborating socially with the hosts being extremely generous with their time and energy. After a week of brainstorming and planning, production on these projects is about to begin and again the locals' expert knowledge will be essential to enable these projects to reach fruition before their presentation on launch night.

We can't wait to see the resulting projects that emerge from this unique collaboration opportunity, and we would love to share them with you when they do.

**The launch night for Modual: Mumbai took place on September 14 at the British Council in Mumbai*

Professor Fred Deakin is Chair of Digital Arts at University of the Arts London (UAL).

SHORT TAKES

Indian start-ups get FDI policy boost

A new consolidated foreign direct investment (FDI) policy framework issued by the Indian government this week includes provisions specific to start-ups which is being seen as a major boost for the sector.

According to the 2017 FDI policy document released by the Department of Industrial Policy and Promotion (DIPP), start-ups in India can raise up to 100 per cent of funds from Foreign Venture Capital Investors (FVCIs). They can issue equity or equity-linked instruments or debt instruments to FVCIs against the receipt of foreign remittance.

The document reads: "Startups can issue convertible notes to persons resident outside India (subject to certain conditions).

"A start-up engaged in a sector where foreign investment requires government approval may issue convertible notes to a non-resident only with approval of the government."

Foreign residents, except those in Pakistan and Bangladesh, will be permitted to purchase convertible notes issued by an Indian start-up.

Google in Made in India plan

Google India has announced its 'Made in India' initiative for building high quality products "for India by India".

The company said that starting now, Indian developers can apply for a chance to have apps specifically optimised for the Indian market, showcased on the Google Play store in India in a special section.

Purnima Kochikar, Director, Business Development, Games & Applications, Google Play, said: "At Google Play, we are committed to helping Indian developers of all sizes seize this opportunity and build successful, locally relevant businesses.

"A lot of what we do at Google Play is support developers' imaginations and make Android consumers aware of the amazing new experiences our developers are creating."

At its first ever App Excellence Summit this week, Google said it has brought together over 700 Indian app and games developers and shared tips and tools to help developers create the best quality Android apps that are locally relevant.

Canadian Solar in 25-year India plan

Canadian Solar has signed 25-year power purchase agreements for an aggregate 80MW of solar power projects in the Indian state of Maharashtra with the Solar Energy Corporation of India (SECI).

Canadian Solar, which continues its downstream progress, was originally awarded the projects via a competitive auction for a total of 450MW capacity. The benchmark tariff was set at INR4.43/kWh ($0.066) and the firm bid for viability gap funding (VGF) support of INR1.999 million/MW ($30,379).

These projects are due to start operations by late 2017.

Shawn Qu, chairman and chief executive of Canadian Solar, said: "We are pleased to secure our first 80MW of solar power projects with SECI, a bankable and reputable off-taker operating under the Government of India.

"This investment adds to our India pipeline that stands at 110MW and represents a significant milestone for Canadian Solar in one of world's fastest growing renewables markets."

The company is a vertically-integrated manufacturer of silicon ingots, wafers and PV cells and modules.

SHORT TAKES

Israel offers help to clean Ganga

Israel has offered its expertise in water management and help with the ambitious Ganga cleaning project.

Israel's water management, desalination and recycling techniques, which helped it overcome a water crisis following years of drought, have been emulated by several countries. Israel has also set a template for reusing wastewater for irrigation. It treats 80 per cent of its domestic wastewater, which is recycled for agricultural use, and nearly 50 per cent of the total water used for agriculture.

In July, Israeli officials met their counterparts in the Indian Ministry for Water Resources, River Development and Ganga Rejuvenation, headed by Uma Bharti, to offer help in water conservation and the Ganga cleaning programme.

A delegation of experts from Israel will be back in India in August to assess the areas of Ganga cleaning that the country can contribute to.

"The advantage we have is that we have a wide range of solutions for problems; there are specific problems in different States and our experts have solutions. We are pushing for more government-to-government agreements," a spokesperson for the Israeli embassy in New Delhi said.

Oracle backs India's cloud drive

Oracle has launched its first Digital Hub in Bengaluru, which will provide small and mid-size businesses (SMBs) access to the cloud solutions and resources they need to power digital transformation.

The new facility, one of the five Digital Hubs set to open in Asia Pacific, highlights Oracle's commitment to better serving the midsize market in the new cloud economy. India's new Digital Hub, part of a global network of best practice centres for SMBs, will

help small and midsize businesses leverage Oracle Cloud solutions to streamline operations, boost innovation and gain a platform for growth.

The hub will house Oracle's new digital sales team and focus on helping more midsize organisations transition to the cloud quickly and easily. With a distinctive Indian feel, and exuding the energy of a start-up, the team will provide timely, personalised and effective support to customers, using the latest collaboration tools, techniques and technologies to transform the buying experience.

François Lançon, Senior VP, Oracle Japan and Asia Pacific, said: "The cloud is democratising IT; you just need a web browser or a mobile phone app to take advantage of it. What's more, it has incredible transformation potential for small businesses, enabling them to do things they have never been able to do before, at an affordable price, such as use technology to streamline business processes, gain access to an easy-to-use platform for innovation, and digitise their customer experience."

Polish tech firm expands in India

Poland-based global ad tech company RTB House has decided to expand its operations in India.

The move follows a record-breaking 2016 for the company, which saw it increase its workforce and revenue and also launch operations in Australia and New Zealand.

Jakub Ratajczak, Managing Director for the Asia-Pacific region, said: "The Indian digital economy has the potential to become the world's third largest within the next decade. E-businesses will grow manifold and will require our innovative digital marketing solutions in order to tap into the next billion digital natives."

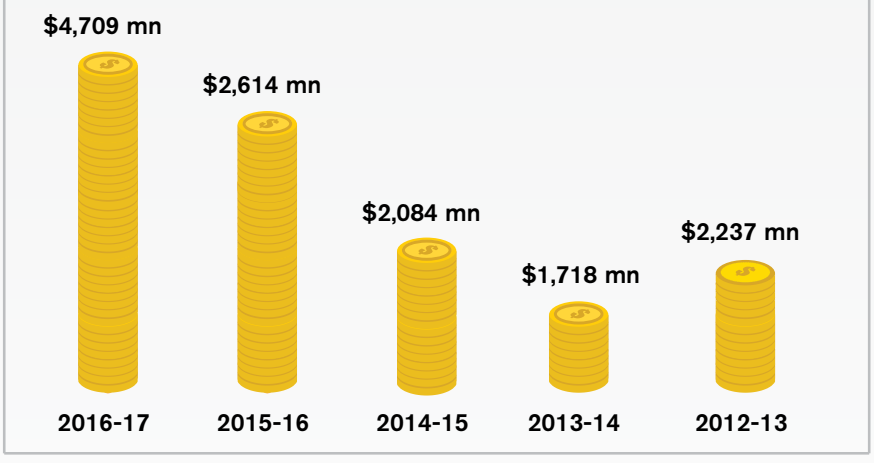
RTB House has developed and implemented its own proprietary technology for purchasing advertisements in the RTB model (real-time bidding) – where buyers participate in real-time advertising space auctions.

The firm also appointed Kshitiz Randhir Shori as its new Country Manager for India.

Fact File: Japan

As Japanese Prime Minister Shinzo Abe lays the foundation stone for India's first bullet train in Indian Prime Minister Narendra Modi's home state of Gujarat, here is a recap of bilateral relations between the two countries.

FDI from Japan

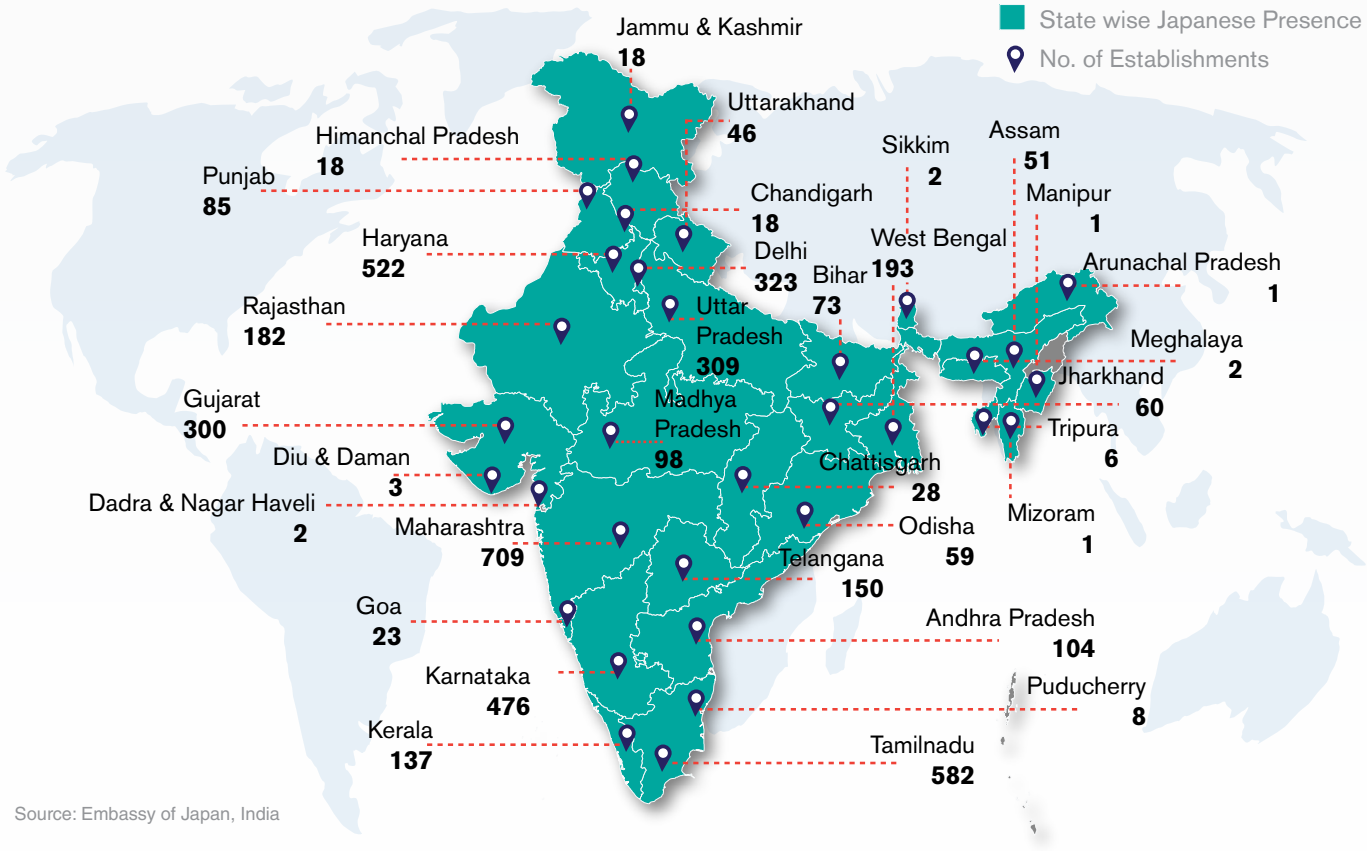


Source: Department of Industrial Policy & Promotion

Japan is the 3rd top investing country in India

Source: Department of Industrial Policy & Promotion

State-wise Japanese Presence (as of October 2016)



Source: Embassy of Japan, India

Top sectors that attracted FDI equity inflows from Japan
(from January 2000 to December 2015)

Drugs & Pharmaceuticals	Automobile Industry	Services Sector	Metallurgical Industries	Electrical Equipment
23%	18%	14%	8%	6%

Source: Department of Industrial Policy & Promotion

Bilateral Treaties and Agreements

1952
Treaty of Peace

1956
Agreement for Air Service

1957
Cultural Agreement

1958
Agreement of Commerce

1960
Convention for the Avoidance of Double Taxation

1985
Agreement on Cooperation in the field of Science and Technology

2011
Japan-India Comprehensive Economic Partnership Agreement

2012
Agreement between Japan and the Republic of India on Social Security

2016
Agreement between Japan and the Republic of India on Social Security

2015
Agreement between the Government of Japan and the Government of the Republic of India Concerning Security Measures for the Protection of Classified Military Information

2015
Agreement between the Government of Japan and the Government of the Republic of India Concerning the Transfer of Defence Equipment and Technology

Source: Ministry of Foreign Affairs of Japan (MOFA)

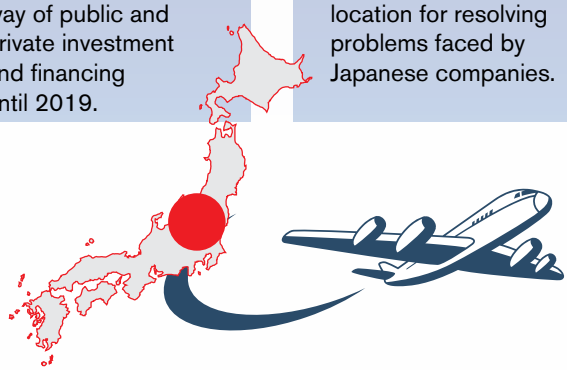
Initiatives to Attract Japanese Investment

Maruti Suzuki, leader in passenger vehicles, announced to set up a first-of-its-kind Industrial Training Institute in Mehsana, Gujarat. Called **"Japan-India Institute of Manufacturing" (JIM)**, it will go on stream in August 2017 and eventually train **300 youths** per year in technical trades and Japanese shopfloor practices.

The India-Japan Investment Promotion Partnership since 2014 under which Japan offered to invest **3.5 trillion Yen ($33.5bn)** in India by way of public and private investment and financing until 2019.

In 2014, India initiated the establishment of the **'Japan Plus'** office at the Ministry of Commerce – to serve as a one-stop location for resolving problems faced by Japanese companies.

A **'Visa on Arrival'** facility set up to ease travel for Japanese businessmen.



Industry: Auto and Truck parts **Year of Establishment:** 1996

Bridgestone set up its state-of-art manufacturing plants – one at Pithampur Industrial Area, near Indore, Madhya Pradesh, in the year 1996 and a second plant in 2013 at Chakan Industrial area near the city of Pune, Maharashtra. As part of its aggressive growth plan in the Indian market, Bridgestone has been expanding its one stop shop 'Select Stores' across the country.

Industry: Automotive **Year of Establishment:** 1999

The company established its first factory in 1999 at Manesar, District Gurgaon, Haryana and started operations at its second plant in Tapukara, District Alwar, Rajasthan. India has now become the largest production hub for two-wheelers for Honda globally. The company aims to be the top two-wheeler manufacturer in India by 2020, overtaking erstwhile partner Hero MotoCorp.

Industry: Electronics **Year of Establishment:** 1997

Canon India Pvt. Ltd. is a 100 per cent subsidiary of Canon Singapore Pte. Ltd and has offices spread across 14 cities in India and an employee strength of over 1,000 people. The company claims to offer a comprehensive range of over 200 sophisticated and contemporary digital imaging products in the country, that includes digital cameras, digital SLR's, lenses, accessories etc.

Industry: Conglomerate **Year of Establishment:** 1935

Hitachi opened an office in Mumbai in November 1935 and now has 31 business bases in India with over 10,000 employees. Hitachi Research & Development Centre in Bengaluru, India, is an integral part of the Hitachi's global R&D network with labs in countries like Japan, UK, France, Germany, US, China, Singapore and Brazil. Tata Hitachi, a subsidiary company of Hitachi Construction Machinery Co. Ltd. is one of the largest manufacturer of construction equipment in the country.

Industry: Electrical equipment **Year of Establishment:** 2000

Daikin Airconditioning India Pvt Ltd (DAIPL) is a 100 per cent subsidiary of Daikin Industries Ltd, Japan, a global leader in the manufacturing of commercial-use and residential air conditioning systems. The Daikin India network includes 11 branch offices (sales & service), 15 sales offices, 4 mother warehouses, 22 supporting warehouses, 300+ Daikin Solution Plaza (DSP), 3100 + channel partners, and 310 + Authorised Service Providers (ASP).

THE COUNTER BALANCE WITHIN A VOLATILE LANDSCAPE

by India Inc. Staff

Arun Jaitley significantly ramped up India's ties with Japan in one of his last major foreign visits before handing over the defence portfolio to Cabinet colleague Nirmala Sitharaman.

India's outgoing defence minister, Arun Jaitley, left no doubts about India's close ties with its neighbour Japan during a recently concluded tour of the country in early September.

The bilateral Defence Ministerial Meeting in Tokyo saw Jaitley and his Japanese counterpart, Itsunori Onodera, clinch a range of significant tie-ups in the field of defence cooperation, combat exercises and exchanges and counter-terrorism. The significant ramping up of ties is undoubtedly being viewed as a counter-balance to the increasingly volatile situation in the region, with India's continued tensions with China over Doklam and North Korea's increasingly belligerent overtures with missile tests.

"The ministers exchanged views and ideas with the aim to further strengthen defence and security cooperation under the framework of the Japan-India Special Strategic and Global Partnership," reads the joint statement issued by the two ministers at the end of the summit, which marked a precursor to the visit of Japanese premier Shinzo Abe to India later in September.

India and Japan committed to encourage equipment collaboration, including defence and dual-use technologies. India plans to acquire the US-2 ShinMaywa aircraft from Japan for its Navy, a move which has been irking China. The two sides have also agreed on greater counter-terror cooperation, besides deepening engagement among all units of the armed forces in both countries.

India and Japan committed to encourage equipment collaboration, including defence and dual-use technologies.

A so-called "constructive engagement" between the Acquisition, Technology and Logistic Agency (ATLA) and India's Defence Research and Development Organisation (DRDO) will commence technical discussions for research collaboration in the areas of Unmanned Ground Vehicles (UGVs) and Robotics.

Jaitley was also inevitably banging the Make in India drum and briefed the Japanese side on India's recent policy reforms in the defence manufacturing sectors, which offer

opportunities for foreign industries to play an active role.

Seeking to further intensify naval cooperation, Onodera expressed his intention to have state-of-the-art Japanese assets, including P-1 maritime patrol aircraft, participate in next year's trilateral Malabar Naval Exercise – which also involves the US Navy.

According to the joint statement: "The two sides will consider inclusion of Anti-Submarine Warfare (ASW) training to expand cooperation. In addition, the ministers agreed to pursue exchanges and training by ASW aviation units such as P-3C."

India is concerned about the increasing presence of Chinese nuclear submarines in the Indian Ocean, while China lays claim to the Senkaku Islands, a group of uninhabited islands currently controlled by Japan in the East China Sea.

Over the last few years, India, Japan and the United States have brought together their respective Navies to form a Naval alliance of sorts against the might of the Chinese. All three challenge China's claims to the South China Sea, with each side stressing the importance of freedom of navigation in the disputed region.

India-Japan ties received a boost with the visit of Indian Prime Minister Narendra Modi last November, when both sides had decided to ramp up bilateral defence and security cooperation. Abe's upcoming visit to India is expected to further enhance this momentum.

The Abe-Modi talks would be the first major opportunity for Japan to share its concerns on the North Korean developments with India.

During a recent visit to India, Abe's foreign policy adviser – Katsuyuki Kawai – asserted Japan's vision for the region.

He said: "Our national security environment has been drastically changed since the crisis in the Korean peninsula escalated. Under the present conditions, Japanese self defence forces may consider acquiring Inter-Continental Ballistic Missiles and cruise missiles to deal with the threat we are facing.

"We are demanding total rollback of the nuclear facilities of North Korea."

The Abe visit to India will see the launch of an Asia-Africa Growth Corridor (AAGC), an initiative seen as a welcome alternative to China's One-Belt-One-Road (OBOR). The premiers of both countries are set to outline the vision for the AAGC, widely acknowledged as an attempt to balance Beijing's efforts to expand its geopolitical influence in Asia and Africa, particularly through the OBOR cross-continental connectivity initiative.

India has been vocal in its opposition to the China-Pakistan Economic Corridor (CPEC), the flagship project under OBOR which proposes to pass through Pakistan-occupied Kashmir – something Delhi views as an infringement of sovereignty.

Tokyo, meanwhile, while participating in the OBOR Summit, had adopted a cautious approach. Its own troubled ties with China over territorial matters have cast a shadow over its participation in the OBOR initiative, which is also being criticised for putting the smaller participating nations at the risk of being caught in a debt trap.

It is against this backdrop, that the ramping up of Indo-Japanese collaboration could prove a counter-balancing move for the region.

SHORT TAKES

Japan's NTT eyes India growth

Japan's NTT Communications Corporation (NTT Com), an ICT solutions and international communications business within the NTT Group, has announced the launch of its international data network services in India through its affiliate NTT Communications India Network Services (NTTCINS).

The acquisition of this licence in India follows the initiation of construction of the company's two new data centres in Mumbai and Bangalore, through Netmagic, a subsidiary of NTT Com and one of the leading managed hosting and cloud service providers in India.

NTT Com President and CEO Tetsuya Shoji said: "India has been a key strategic market for us with the accelerating shift of IT services from traditional enterprise data centres into the cloud-based services.

"For the past few years, our business in India has consistently grown over 35 per cent annually. With further expansion of data center foot print and addition of international data network services to our service portfolio, we aim to meet the growing market needs for Mobility, e-Commerce, Internet of Things (IoT), Cloud and Big Data."

Japanese firm invests in SastaSundar

Japan's Rohto Pharmaceutical Co. plans to expand its base in India with online pharmacy SastaSundar Healthbuddy as its preferred partner and has invested $5 million to acquire a 13 per cent stake in the app.

Rohto said it is open to further investments in the Indian firm, which is modelled around online access to medicines.

Established in 1899, Rohto makes and markets pharma products, cosmetics and functional foods. It set up the wholly-owned subsidiary

Rohto Pharma (India) in 2010 and launched brands like Lipice, OXY and Acnes in the domestic market.

SastaSundar, which owns and operates the digital healthcare network SastaSundar.com, currently operates only in West Bengal and is looking at pan-India expansion. The company, which operates through franchise model, aims to have 250 Heathbuddy stores in West Bengal and 50 stores in Delhi by March 2018.

Rohm Semiconductor eyes India growth

Japanese electronics company Rohm Semiconductor has said it is targeting 30 per cent growth in its India business over this fiscal year.

The company, which specialises in electronic chips or semiconductors for power management in electronic products, has its own electronic chip making plants in Japan, Thailand, the Philippines and Malaysia.

Rohm Semiconductor MD Daisuke Nakamura said: "We expect pick up of business in mobile segment but at present all mobile companies are importing PCBs (printed circuit board or the motherboard) from abroad.

"The ratio of the contribution from automotive and industrial will come down but their overall contribution in our India sales will increase."

The company said it has started customising its electronic chips to meet the requirements of the Indian market via its Bengaluru-based design centre and said it plans to add more products at the centre, especially those required in the automotive and two-wheeler segment. Rohm employs around 30 engineers at its Bengaluru centre and plans in increase headcount by one-and-half times in the next two years.

INDIAN REALTY SECTOR PROJECTS INVESTOR-FRIENDLY IMAGE

A favourable regulatory environment and attractive asset valuations are enhancing investor confidence by changing the perception of Indian realty in the global arena, a new official report reveals.

The Confederation of Real Estate Developers' Association of India (CREDAI), the apex body for private real estate developers in India representing 11,940 developers across 23 states and 171 city chapters across the country, held its annual national convention (NATCON) in London recently to project the sector's increasingly investor-friendly image.

In collaboration with the CBRE Group, a Fortune 500 company headquartered in Los Angeles and the world's largest commercial real estate services and investment firm, it launched a new report titled 'Indian Real Estate in 2017 and Beyond'. The report encapsulates the major policy related disruptions by the government of India which are challenging the traditional operating environment in the Indian realty segment. It highlights a cocktail of measures like the Real Estate Regulatory Agency (RERA), Goods and Services Tax (GST) and Real Estate Investment Trusts (REITs) which are aimed at improving transparency in the sector, increasing the share of the organised segment and enhancing the overall investor sentiment. The combined measures will help catalyse ease of doing business in the country while supporting corporate entities entering or expanding their footprint in India.

The combined measures will help catalyse ease of doing business in the country while supporting corporate entities entering or expanding their footprint in India.

Jaxay Shah, President, CREDAI National, said: "The government's aggressive push to formalise, regulate and encourage investment in the sector with a slew of measures like RERA and REITs is consolidating India's position on the global map. We believe that these disruptions and encouraging trends will definitely manifest a more exciting future which will be full of possibilities and opportunities for Indian real estate."

The new report tabulates breakthrough disruptions across what it terms as four cornerstones for the sector – Regulation, Finance, Customers and Technology. These disruptions are likely to have a positive impact and facilitate a more conducive ecosystem. With a series of reforms, the Indian government has taken a lead in challenging the operating fabric and made

affordable housing the growth catalyst in the residential segment.

The report further highlights growing investor confidence, evident from an unprecedented interest from offshore equity investors, large Indian corporates and high net worth individuals (HNIs) – roughly estimated to hit $7 billion in 2017. Furthermore, while the office and residential segments are expected to remain the traditional drivers for the industry, alternate sectors such as retail and warehousing will also come to the forefront.

India is also witnessing significant changes in customer preferences in office, retail, residential and warehousing space. For instance, the dynamics in office spaces are being disrupted with the entry of millennials – over two-thirds of Indian millennials feel the quality of their office design impacts their productivity to a large extent.

In the warehousing segment, the entry of international players is ensuring that better and larger warehouses emerge in key markets. In the residential segment, customers will have a say in operations with effective grievance redressal. Customer experience has also taken centre-stage in retail strategy, which is fuelling future trends such as customisation and hyper customisation. As per a survey conducted by CREDAI and CBRE, more than 40 per cent of retailers in cities such as Noida, Gurgaon, Delhi, Mumbai and Kolkata prefer locating in malls as so-called experience destinations.

Anshuman Magazine, chairman, India & South East Asia, CBRE, explained: "In this burgeoning Indian economy, the one sector that has emerged from the restraints of the past is real estate. The real estate sector in India is one of the key contributors and mainstays for India's development as a nation.

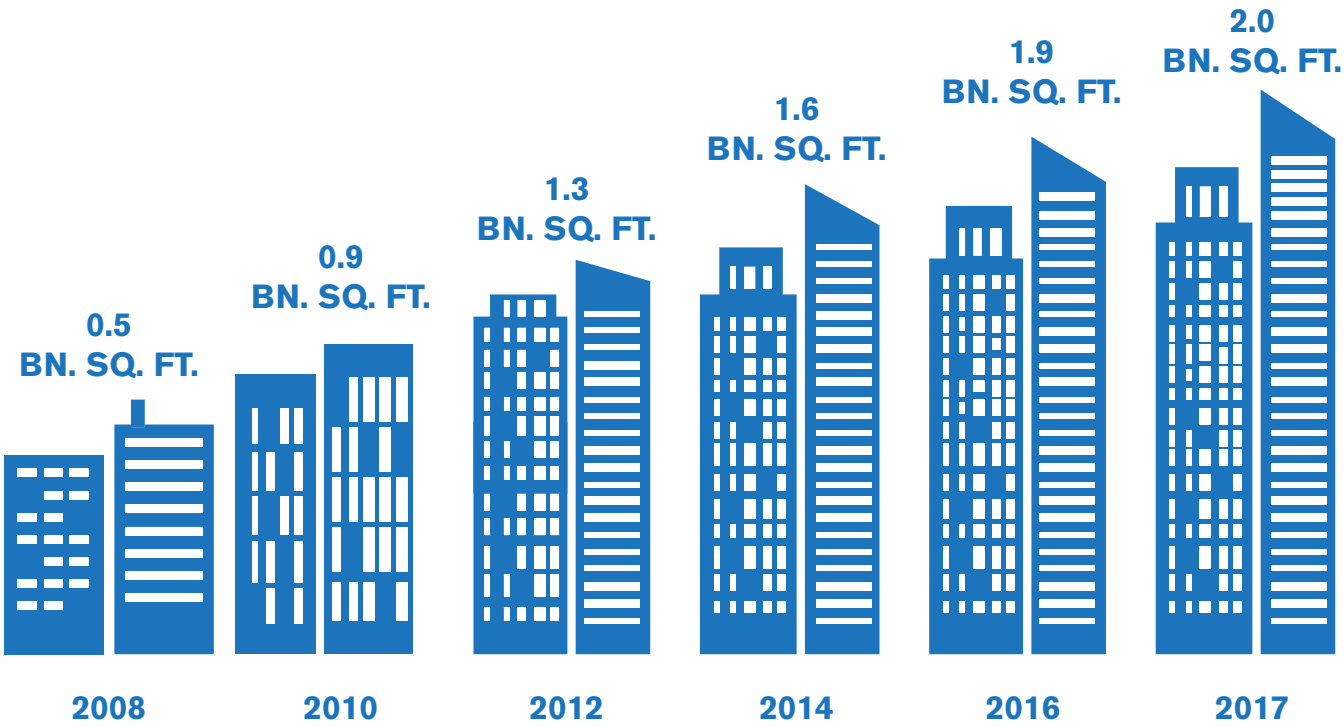
"Real estate in India continues to be in a dynamic phase and the pace at which the four cornerstones – Regulation, Finance, Customers and Technology – are evolving, a more than incremental transformation in the sector is expected in the coming years. In this report, we have dwelled on how a strong foundation for this change has already been laid with a conducive operating environment, the future growth of the sector will be determined by many other factors".

The report concludes with the observation that new disruptions in technology are paramount over all other cornerstones.

The report notes: "The fourth cornerstone, Technology, has come into sharper focus more recently. Moving away from times where technology was only relevant for specific sectors, today it is being used as an important tool to ensure seamless integration with the other cornerstones of real estate (Regulation, Finance and Customers).

"With simple steps such as online registration of developers under RERA, GST rate finder app, to the more complex implications such as automation and robotics in the office segment, technology is the common thread that binds all the real estate segments.

"In all, the changes being witnessed by each of these cornerstones are likely to be positive for the sector and will help in shaping a real estate ecosystem, that is at par with the real estate environment in major economies of the world."



source: CBRE Research

India Inc. property expert analyses the post-implementation impact of the Real Estate Regulation Act (RERA) and Goods & Services Tax (GST) in India.

A SILENT REVOLUTION IN THE INDIAN BROKING MARKET

by Deepak Varghese

If there was one common concern that all developers, especially the ones in residential developments, had in India in the month of June and July, it was the implementation of Real Estate Regulation Act (RERA) and Goods & Services Tax (GST). Larger firms had dedicated internal teams while smaller firms had a battery of consultants and temporary staff assisting in this implementation. The management was fully focussed on getting these two tasks done with sales and construction trailing behind as non-implementation would mean stoppage of business.

All the major states across the country have implemented RERA so far, with the exception of Goa and Kerala whose rules have been notified and the developers are in the process of implementing. While most of the sound-bytes have gone around the developers getting compliant and organised – the silent revolution that is taking place is the formalisation of the real estate broking market. Pre – RERA – anybody could become a broker, represent anything and push products. Agni aka India Homes was a large real estate primary homes broking platform that stopped sales of new properties last year. This firm had marquee investors like Helion Ventures, Foundation Capital and NEA who have invested millions in the booming growth period of residential sales.

Now that brokers of all shapes have to be registered and their history, including complaints from buyers and penalties paid, being made an integral part of their profile – we hope to see the rise of informed and ethical distribution. In fact, if an existing customer refers another and gets any benefit – cash or kind – even the referrer is liable to a penalty equal to 5 per cent of the value paid.

Now that brokers of all shapes have to be registered and their history, including complaints from buyers and penalties paid, being made an integral part of their profile – we hope to see the rise of informed and ethical distribution.

While all the right steps have been taken, the change has been extremely painful. It will put out quite a few brokers – which will not be so much of an impact as more than 85 per cent of the brokers in the past did less than two sales in a month. Instead, it will create an organised broking platform(s) that will be compliant and fair to the buyer. JLL Residential has already been hived off under a brand called Anarock that has begun aggregating distributors and independents to come under their platform.

The judiciary has been getting stricter with developer promoters and rulings related to them. In the case of Unitech in Delhi, two of the promoters have been in judicial custody since April this year. Karnataka RERA has issued a notice to

all developers that they will crack down from September 1 on developers and brokers found guilty of promoting any project that is not registered.

With the matter of compliance set, residential unit sales numbers in August have been good for the market overall and given estimates, it looks to be at par if not to exceed the sales figures of February – which has been the best month this year. That said, one must not discount the possibility that this sales trajectory could be the outcome of two months of deficit sales in June and July. September and October will be crucial months for sales, not just because it is the peak buying season but also as months that can help the developer bring a fair financial close to 2017 and get set for 2018.

While it has been doom and gloom for residential, the sun has been shining on the commercial realty front. Given that loans are available only to top developers for well graded commercial projects, cross-market absorption has been in the high 80s across markets. Some key deals being Deloitte leasing 1.5 million square feet in Bengaluru and TCS leasing over half a million square feet between Bengaluru and Chennai. One of the leading International Property Consultants (IPC) declared Delhi/NCR to be the numero uno leasing market in the Asia Pacific region. And another IPC has just launched an online platform for office search and leasing.

DLF of Delhi NCR continues to struggle with nearly $5 billion of debt on its books but with GIC closing a deal of promoter dilution for a consideration of $1.5 billion, this could hopefully be the turning point for this large commercial realty group that has been struggling for the past few years.

Now trending

This year has seen four product lines trending. In the residential space, student accommodation has become a buzz word with quite a few firms focussing on this segment that is off campus living near colleges and universities. Co-living targeted at young married and unmarried professional without kids typically near ITES places of work is another area, besides senior citizen co-living in urban spaces. In the commercial space, co-working is the buzz word with at least four to five companies having acquired over 2 million square feet of space each across cities

Deepak Sam Varghese is founder-director of Moonbeam Advisory

TOWARDS A GLOBAL QUALITY STANDARD FOR YOGA

by Keerti Mathur

A well-rounded approach to teaching methods will result in more aware Yogis and instructors.

Keerti Mathur is an associate at the Gait and Posture Centre at Harley Street in London and has been practicing Osteopathy for 10 years. He is part of the Art of Living faculty and a keen musician. Under the guidance of Art of Living Founder Sri Sri Ravi Shankar, Keerti worked to set up India's first school of Osteopathic medicine in Sri Sri University Orissa.

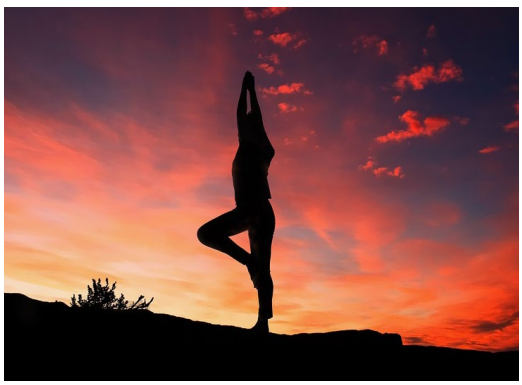
Now that Yoga starts its journey towards regulation, standardisation and achieving higher educational and practitioner quality in the form of the Quality Council of India's governance, aspiring Yogis and instructors are being subjected to testing and examination on the profound depth of the wisdom held in this ancient practice.

It is this wisdom that makes it a spiritual practice and distinguishes itself from the plethora of physical workouts that exist in today's wellbeing and fitness marketplace. Such Yogis are also being tested on the less esoteric anatomy and physiology of the human body.

Just last week I had the pleasure of lecturing the latter at the Art of Living retreat centre deep in the Black Forest of Germany, where over 70 students gathered from over 20 countries from around Europe for a five-week intensive training programme to make them fully-fledged Yoga instructors that meet the QCI standards set by the Government of India.

What struck me about the curriculum set out by the Sri Sri School of Yoga (SSY) is that whilst there's a clear need to educate its students on the body systems and structure, the course encourages its students to better understand (largely through experience) how these systems integrate with each other and, perhaps more importantly, how they respond to Yoga.

Over the course, students study functional anatomy and integrating their learning with Asanas (Yogic postures). These students are understanding neurology, endocrinology, cardiology, pulmonary sciences whilst posing in asanas in-between to see how a seated spinal twist encourages fluid dynamics and respiration whilst engaging in eccentric muscle contraction, performing muscle energy techniques (MET), which improves the range of motion and joint stability.



With the Quality Council of India's agenda to set standards and push the boundaries on education, we can expect Yoga practitioners to excel.

At the heart of this 'less esoteric' study is the basic appreciation that at the physical level Yoga increases the body's circulation, nutrition and drainage. The movement of fluid is vital for delivering nutrients to the cells and removing their metabolites (by-product of cellular activity or waste). Yoga is perhaps one of the ONLY disciplines that is so uniquely dedicated to ensuring that this is achieved throughout the body. This is done via a carefully considered and age-old sequence of seemingly benign postures and movements, which carefully and strategically shift fluid in the form of lymph, blood and interstitial fluid around the body, facilitating it to reach its destination quickly, efficiently and without delay.

Dedicated practitioners go on to study more demanding postures and routines which challenge the neurological control of the body demanding high levels of coordination and precise action. Such activity pushes the bar on cardiovascular fitness and can result in athletic levels of coordination.

Improved circulation, nutrition and drainage is the key to maintaining and promoting good health as well as fighting disease and degeneration. As I have said before in previous articles, Yoga is perhaps the most comprehensive form of exercise. Whether you're stretching at your desk or engaging a routine which you practice regularly, the effects on the body and mind are clear.

The depth of the practice takes time to understand and appreciate. With the Quality Council of India's agenda to set standards and push the boundaries on education, we can expect Yoga practitioners to excel. The Indian government is investing significantly in its graduates giving them opportunities abroad to fly the proverbial flag of Yoga.

Yoga is one of India's greatest exports and helps define what Indian culture is. It objectifies spirituality to a certain extent.

KARNATAKA: INVESTOR'S DARLING

by India Inc Staff

Having attracted the most investments in 2016, Karnataka is already a favorite with investors but blessed with rich minerals and abundant skilled manpower, there is still a lot of untapped potential.

The year 2016 was a landmark one for Karnataka. As per the Department of Industrial Policy and Promotion (DIPP), during the year the proposed investments in the state saw a massive five-fold jump from Rs 31,668 crore ($4.8bn) in 2015 to Rs 1,54,173 crore ($23bn).

It placed the state not only at the number one position in terms of investment attractiveness, it was head and shoulders above the others. With investment of Rs 56,156 crore ($8bn), Gujarat was a distant second. As a result, Karnataka's share in total investment proposals across states around the country went up from 5.3 per cent to 12.5 per cent.

The numbers are remarkable given the fact that Karnataka is no stranger in the game. It has one of the highest growth rates in the country with a CAGR of 13.6 per cent in gross state domestic product in the last 10 years. A robust domestic economy is a significant magnet for investors both domestic and overseas. The total foreign direct investment (FDI) into Karnataka since April 2000 is estimated at $22.37 billion. As such the challenge before the state is different from others. It is not about merely attracting investments but whether it is able to fully exploit its potential.

India's Silicon Valley

With the state capital Bengaluru as the nerve centre of the Indian information and technology industry, the sector's contribution to the state's economy is immense. It all started back in the 1970s when the state's focus on higher education and private sector participation led to the mushrooming of various technical universities in south Karnataka. It is home to over 200 engineering colleges today. This led to a steady stream of skilled manpower that enabled the growth of the IT industry.

The state has 47 IT/ITeS SEZs, three software technology parks and dedicated IT investment regions and with software exports of $10.38 billion, is easily the largest exporter in India.

Karnataka's share in total investment proposals across states around the country went up from 5.3 per cent to 12.5 per cent.

Today virtually every IT company worth its salt, including the three biggies TCS, Infosys and Wipro, has its headquarters in Bengaluru. There are around 3,500 IT companies including 750 multi-national companies in the state today that directly employ over half a million people, roughly a third of all IT professionals in the country. Bulk of them are in the capital city, which has become the fourth-largest IT hub in the world after Silicon valley and Boston in the US and London in the UK.

"Our experience is that Bengaluru is a source of technical talent. It has very nice weather, people with very strong science background and it is a cosmopolitan city," said Azim Premji, chairman, Wipro at the Invest Karnataka Summit last year.

The city accounts for 16 per cent of the state's population and a mere 0.4 per cent of its total land area, yet it contributes 52 per cent of its total excise duty collections, 57 per cent of its commercial taxes and 98 per cent of its software exports. Karnataka itself accounts for 38 per cent of India's total software exports. The heavy influx of population from across the country is taking its toll on the infrastructure of the city but its popularity remains unabated.

"Youngsters, from both Karnataka and other parts of India, all want to work in Bengaluru. We have worked so hard to convince youngsters to go from Bengaluru to Mysuru and other cities such as Indore, Nagpur, Bhubaneshwar," says Infosys founder and chairman emeritus N R Narayan Murthy. "The reality is all youngsters want to be in Bengaluru."

Its near monopoly in the IT-ITES sector has contributed to the development of other industries as well. Bengaluru is a favourite research and development destination for companies across sectors. There are as many as 400 R&D centres and 85 chip designing houses located in the state for companies as diverse as Qualcomm, Intel and AMD to Bosch, Mercedes Benz, General Motors and Airbus. Further, more than 60 per cent of the biotechnology companies in India have a base in Bengaluru and the state drives 50 per cent of the total revenues in India's biotechnology sector.

Beyond the capital city, the state government is trying to replicate the same model for development of software industry in other parts like Mysore, Hubli, Dharwad, Belgaum, Mangalore, Shimoga and smaller tier II/III cities as well. Nearly 40 kilometeres outside of Bengaluru, a 3,000-acre IT park is being developed at Devanahalli.

High on minerals

If south Karnataka is high on skills, technology and software, the northern region is blessed with abundant mineral resources. Covering an area of 1.92 lakh sq km that includes 29 districts of the state, the mineral belt of the state is rich in gold, silver, copper, iron-ore, manganese, limestone, dolomite, asbestos, bauxite, chromite, kaolin and granite rock.

The gold mines of Hutti and Raichur produce on an average 3,000 kg gold every year, accounting for 84 per cent of country's gold production. Similarly, in iron ore the state has resources of over 9,000 million tonnes concentrated in the districts of Bellary, Hospet and Chitradurga. It also has the largest reserves of limestone and manganese. The presence of these minerals has resulted in robust mining, steel and cement industries in the state. Currently, there are 24 iron ore mines operational in the state and two of the 13 integrated steel plants in India are in Karnataka. This includes JSW Steel's Vijaynagar Steel Plant in Hospet, the country's largest single location steel plant.

"The mineral resources of Karnataka is one of the best not only in India but in the world," says R.K. Sharma, secretary general, Federation of Indian Mineral Industries. "I would say we have not exploited even 30 per cent of the potential. Mineral resources is something that has a tendency to grow as we explore more as we do not for sure what all minerals and in how much quantity are hidden deep in the earth."

The story of the state not utilising its full potential is particularly true in this sector. A number of global steel majors including L.N. Mittal's ArcelorMittal and Korean steel giant Posco had in the past shown interest to set up multi-billion-dollar facilities in the state owing to its iron ore resources, ports and central location. Yet, none of these projects could materialise.

The state's mining industry is also the victim of widespread corruption charges and rampant flouting of environmental norms that led to the Supreme Court imposing a temporary ban on mining in the state in 2012. This was a major set-back to the industry. With the new mining act doing away with discretionary allotment of mines in favour of open auctions,

> Our experience is that Bengaluru is a source of technical talent. It has very nice weather, people with very strong science background and it is a cosmopolitan city.

Azim Premji, Chairman, Wipro

the power of state governments to lure investors by promising mineral licenses has also been curbed.

"In 2007-08, many steel projects were cleared by the governments with good intentions, they were promised mining leases. Now the Supreme Court has said that mining leases can only be done through auctions and those who have an established steel industry can participate in the auction," says R.V. Deshpande, minister for large and medium scale industries. "We had even cleared Lakshmi Mittal's project. But they ask us if we can give them mining leases and we have to say no. In the present environment, it looks very difficult and we can't blame anybody for it."

Rising competition from other states

The state also has its fair share of critics that say there is a sense of complacency that has crept into the bureaucracy considering that the state ranks high among investors anyway. The criticism rings true if one looks at the number of big manufacturing projects Karnataka has lost in the past to other more aggressive states.

When Tata Motors was looking for an alternate location for its high-profile Tata Nano factory after its project in Singur in West Bengal got embroiled in political cross-fire, Karnataka was one of the prime candidates. A team of executives also visited the state multiple times and were shown numerous potential locations including one in Dharwad as well. Eventually, however, the factory was shifted to Sanand in Gujarat which has used the Nano factory as a springboard for a fledgling automotive industry in the state.

Later in 2014, Hero MotoCorp, India's largest two-wheeler manufacturer also chose to set up its upcoming factory in Andhra Pradesh after taking a good look at Karnataka. So too did Kia Motors of South Korea, the sister brand of Hyundai Motor Corporation that recently announced a Rs 10,000 crore ($1.5bn) investment in Andhra Pradesh. A more telling example was that of iconic British bike maker Triumph's pull out from the state apparently frustrated by the tardy progress on land acquisition and the lackadaisical approach of the state government.

The company had initially planned to build a 250,000 unit per annum manufacturing facility in the Kolar district spread over a 30-acre plot in Narsapura at an investment of Rs 850 crore ($127mn). It would have been close to an existing two-wheeler factory owned by Honda. Despite several reminders, the state government did not respond to Triumph's grievances regarding commencing operations, which prompted the company to move its operations to Manesar, which it found was more welcoming in comparison. Haryana is already an established automotive hub in the country with a number of factories including that of US bike maker Harley Davidson, an arch rival of Triumph.

"There was a lot of pro-activeness when we were scouting for a location but once it was settled the state government became lazy," says a company official. "The pace of progress wasn't as per our satisfaction."

The success of the Invest Karnataka summit in 2016, however, indicates the state is keen on shedding that aura of complacency. Among the many steps that have been taken to facilitate ease of doing business in Karnataka include a dedicated single-window agency for projects, computerised property registration and provision for online approvals for a host of facilities like consent from the pollution control board, commercial tax, building plan approval in Bengaluru and labour and factory related registrations and renewals.

Earlier this year, the state also introduced an NRI policy to attract investments from non-resident Kannadigas. The hunger for more, is palpable.

"These days every state organises investment summits and crores are promised at these events but I was actually hesitant to sign these Memorandum of Understandings. (But) they are taking shape and many have been converted into investments," says Deshpande. "But a lot has to be done. I always think that I got less and should get more. I believe in results."

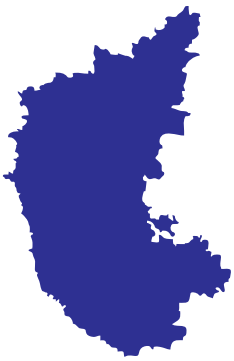
With the state on top among investors, at least in perception the results are visible.

Fact File: Karnataka

India's Department of Industrial Policy and Promotion (DIPP) data reveals that proposed investments in the state saw a massive five-fold jump from around $4.8bn in 2015 to $23bn in 2016. It places Karnataka at the number one position in the country in terms of investment attractiveness.

Focus Sectors:

- **Agri-Business & Food Processing**
- **Automotive & Auto Components**
- **Biotechnology**
- **Electronic System Design & Manufacturing**
- **Energy**
- **Heavy Engineering & Machine Tools**



- **Infrastructure**
- **Drugs & Pharmaceuticals**
- **Information Technology**
- **Textile Industry**
- **Aerospace Industry**
- **Animation, Visual effects, Gaming and Comic (AVGC)**

Source: Invest Karnataka

Operational SEZs (as on July 2016)

Karnataka has 25 operational, 40 notified, one valid in-principle approval and 61 formal approval SEZs, as of July 2016.

68%	IT/ITeS
4%	Biotechnology
4%	Hi-tech engineering products and related services
4%	Electronics hardware and software/ITeS
4%	Aerospace and industry
4%	Pharmaceuticals
4%	Textile
4%	Multi product
4%	Precision engineering product

Source: Department of Commerce, Ministry of Commerce & Industry

State Government Incentives & Concessions:

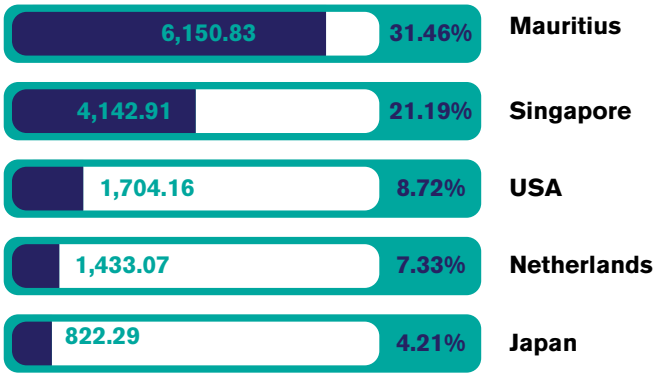
- Investment Promotion Subsidy
- Exemption from stamp duty, entry tax, tax on electrical tariff
- Concessional registration charges
- Subsidy for setting Effluent Treatment Plant (ETP)
- Interest subsidy for Micro enterprise
- Water harvesting/conservation measures incentives
- Energy conservation incentives
- Encouragement to women entrepreneurs, minorities/backward classes, physically challenged and Ex-servicemen entrepreneurs
- Encouragement to export promotion
- Encouragement for adoption of green and clean practices
- Intellectual property rights incentives
- Incentives for large, mega, ultra mega, super mega enterprises
- Additional incentives for focus sectors

Source: Invest Karnataka

Foreign presence in Karnataka

gsk GlaxoSmithKline, SANYO, AT&T, SIEMENS, GE, Motorola, PHILIPS, Microsoft, VOLVO, Nestlé, TOYOTA, Unilever, BOEING, AIRBUS, DreamWorks, zynga, intel, QUALCOMM, SAP, CISCO

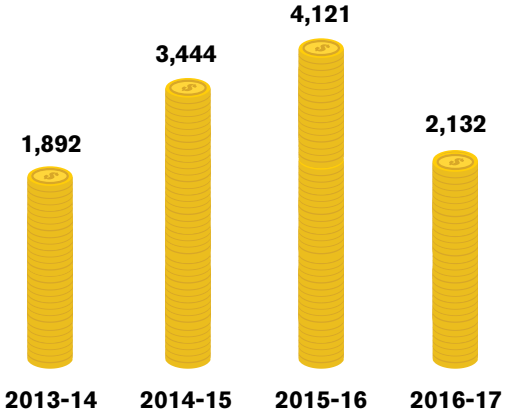
Top Five Countries in FDI Equity Inflows (From January 2000 to December 2015):



FDI in US$ million % age of FDI equity inflows

Source: Department of Industrial Policy & Promotion

Foreign Direct Investments: Values in US$ million



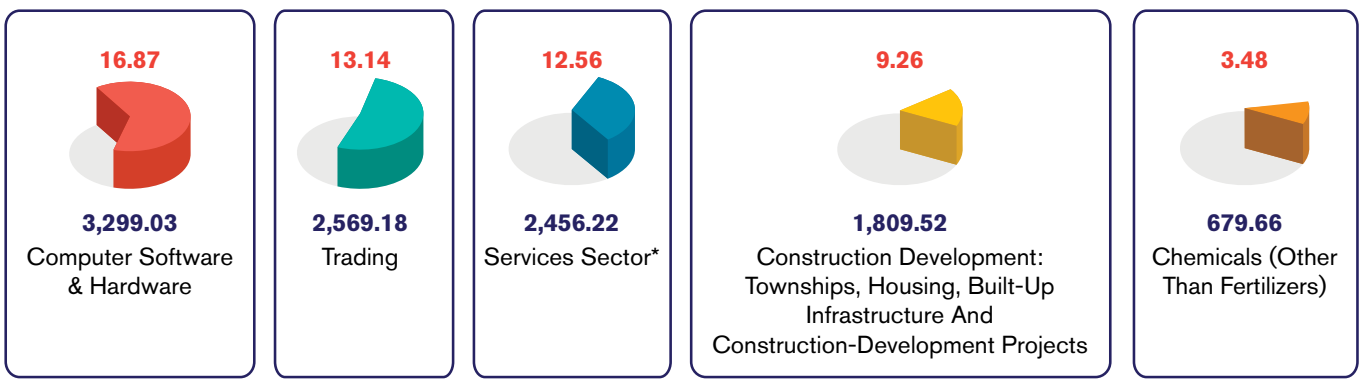
Source: Department of Industrial Policy & Promotion

Initiatives on Ease of Doing Business in Karnataka

- Dedicated Single Window Agency for project approvals formed under Karnataka Facilitation Act, 2002.
- Guide to Investors on setting up of Industrial Enterprise provides holistic information on infrastructure, registrations, approvals, etc. on Single Window portal.
- All commercial tax related services provided online.
- Timelines fixed for providing most of the industry related services under Karnataka Guarantee of Services to Citizens Act.
- Online Consent for Establishment from Pollution Control Board.
- Property registration fully computerised.
- Online Building Plan approval in Bangalore City Corporation area.
- Project approvals provided online through Single Window portal. (www.ebizkarnataka.gov.in)
- Registrations/approvals of 10 departments provided online through Single Window portal.
- Online information on availability of land in Industrial Areas.
- Labour and Factories and Boiler Dept. related registrations & renewals are being made online with provision for online payment and digitally signed downloadable & verifiable certificates.
- Consent fee payable to Pollution Control Board being revised by excluding the investment on land and building from the total project cost.
- Consent for adaption of revised concept of categorisation of Industrial sector into Red, Orange, Green and White categories based on composite scoring of pollution index (discharge of emissions & effluents and its impact on health) instead of size of the Industry and consumption of resources.

Source: Invest Karnataka

Top Five Sectors in FDI Equity Inflows (From January 2000 to December 2015):



% age of FDI equity inflows FDI in US$ million

Source: Department of Industrial Policy & Promotion

With its tremendous untapped potential, Karnataka is an appealing locus for French companies.

FRANCE AND KARNATAKA: A LASTING PARTNERSHIP

by Jean-Marc Fenet

France and India have always been very close. The ties between our two countries have nevertheless been strengthened over the years: whether it be culture, defence, the economy, education, politics or science, our relationship has now grown into a full-scale partnership. While our bilateral trade in goods is expected to come near the $10 billion mark this year (€8.6 billion in 2016), it bears reminding that our trade in services has also thrived, with France's exports and imports to and from India reaching about €1.4 billion and €1.8 billion, respectively.

At the same time, a growing number of French companies, some of which have been present for decades (Alstom, BNP), are looking to invest in India. France is now a leading foreign investor in India, which has consistently been ranked amongst the top FDI destinations for French companies over the past years. This concurs both with France's investment-oriented export model, which favours implantation to bilateral trade as value chains are becoming increasingly globalised, and with the "Make in India" strategy. Around 570 French companies, among whom about 10 per cent are SMEs, are currently present in India via about 1,000 offices and sites. They can be found in the services sector (finance and insurance, IT services), which received net inflows of more than €850 million last year, in the pharmaceutical & chemical sectors, in agribusiness, in electronics, in electrical components and in the automobile sector. This represents an extremely dense network of firms. Lastly, French banks are an important lender to India with consolidated bilateral positions of more than $15 billion.

Bengaluru has become a foremost destination for French companies from the IT and consultancy sector.

Emerging as a major investment destination within India with cumulative equity inflows of nearly $25 billion since 2000, Karnataka appears, in this context, as a particularly attractive location for French companies, more than 150 of which are based in Bengaluru. Endowed, thanks to the presence of top-tier higher education institutions (IIIT-B, IFIM Business School, IIMB, IISc), with a huge talent pool, Karnataka stands out as a leading IT hub on the world stage and offers a conducive environment for business as well as for innovation, matching many French areas of excellence.

Bengaluru has become a foremost destination for French companies from the IT and consultancy sector. It hosts one of the main offices of Capgemini, the single most important French employer in India (about 100,000 employees, a fifth of whom spread across four locations in Bengaluru alone), and is home to Gemalto (digital security company), Technicolor (digital animation) and 3DS (visual identity). Atos, an IT services provider which

employs about 20 per cent of its global workforce in India, also operates an office in Bengaluru. Several major banking and financial services providers are similarly present, some of which are Crédit Agricole, Société Générale, BNP Paribas and Axa Bharti. Although they have harnessed Karnataka's potential as a BPO hub, these companies increasingly cater to India's own domestic market. As a major tourist destination within India, Karnataka has also received significant investments from the French hotel group Accor.

Host to the fourth-largest technology cluster in the world, Karnataka's vibrant innovation ecosystem has created manifold opportunities for French technical and manufacturing services providers and attracted numerous companies from the engineering sector. Many of them have been associated with the aviation and aerospace industry, where French companies have developed a leading edge worldwide as well as in India (French aircraft exports to India have topped €1 billion over during the first half of the year, and Airbus is expected to deliver one aircraft a week over the next ten years). In addition to Airbus Engineering, Airbus Defence & Space and Airbus Helicopters, ATR, Axon Cable (a mid-cap company currently building its second production site in Bengaluru), Dassault, GAD Aerospace, Mach Aero, Radiall, Recaero, Safran Aerospace, Snecma (a joint venture with Hindustan Aeronautics) and Sonovision Aetos are all present in Karnataka.

It bears reminding that the French National Centre for Space Studies (CNES) has established a permanent liaison office in Bengaluru, where the Indian Space Research Organisation (ISRO) is headquartered, to foster our more than 50 years' old partnership in the space sector, which has led to the launch of several joint satellites. Countless projects between French companies and the Indian "NewSpace" sector are currently in the pipeline. These ties are set to be strengthened as India's "Strategic Partnership" with France matures further.

Host to the fourth-largest technology cluster in the world, Karnataka's vibrant innovation ecosystem has created manifold opportunities for French technical and manufacturing services providers and attracted numerous companies from the engineering sector.

Beyond aviation and aerospace, French expertise in innovative technologies has been embodied, over the past 10 years, by Schneider Electric's sprawling R&D Centre in Bengaluru, which develops innovative solutions specifically geared for the Indian market and fully embraces the tenets of "frugal innovation". With more than 30 factories spread across India and more than 75 per cent of its production directed at the domestic market, Schneider has become a major stakeholder in the "Make in India" initiative with Karnataka as its centrepiece. One could also mention the presence of Altran, Assystem and Valtech, which have developed cutting-edge expertise in manufacturing services with their implantations in Bengaluru, as well as industrial groups such as Decathlon (sport equipment), Alcatel-Lucent (electronics) or Saint-Gobain Crystals & Detectors (innovative materials). In the future, French companies would be well advised to take advantage of Karnataka's leading position within the textile sector – especially if one thinks that the International Sericulture Commission has recently moved its headquarters from Lyon to Bengaluru.

French companies have also played an important role in the development of urban mobility, a leading area of cooperation with India as France has become a major partner of the "Smart Cities" initiative. The French Development Agency (AFD) has extended two loans for a total of €310 million for the construction of the Bengaluru metro. Several French companies like Alstom, Thales and Systra have been, directly or indirectly, involved in its construction. Beyond this project, French companies are routinely partnering with Indian counterparts to improve urban infrastructures, energy, IT and Communications, Water, Waste Management, Environment and planning with a range of actors spanning from Veolia (Hubli-Dharwad, Belgaum and Gulbarga 24/24 drinking water project) to Degremont (water and waste treatment), Lumiplan (bus network) and Tractebel (design of Belagavi's Smart City proposal).

As the world's third most innovative country in 2016, according to Clarivate Analytics, France has naturally emerged as a major investor in biotech, pharmaceuticals and agrifood, both sectors where Karnataka occupies a foremost position within India – around 60 per cent of Indian biotech companies have an office in Bengaluru. Mérieux NutriSciences, a major actor on the food safety market, has just closed the acquisition of Bangalore Testing Laboratories in June this year. Limagrain, a cooperative group involved in plant genetics and seed improvement, has recently opened a research and development centre in Bengaluru. Its subsidiary Clause India owns a breeding station in Arjunabettahali. Roquette, a starch manufacturer, has established a production facility in Gokak while Lactalis, a major dairy manufacturer, accounts for a strong presence in Karnataka. Sodexo, a food services company which counts over 40,000 employees in India, has, for its part, opened an office in Bengaluru.

Karnataka has also proven a fertile ground for scientific cooperation. The Indo-French Cell for Water Science (IFCWS), premised upon a cooperation between the Indian Institute of Science (IISc) and the French Research Institute for Development (IRD), is based in Bengaluru, where it has been working on more than 20 projects since 2010 ranging from agro-systems to environmental biotechnology and water management. Karnataka is home to more Franco-Indian joint laboratories than any other state, covering issues ranging from structural biology, systems biology and water science to applied mathematics and high energy physics.

Last but not the least, Karnataka's vibrant start-up ecosystem, enshrined in its Start-up Policy 2016, has proven attractive for French entrepreneurs. This is why Airbus has chosen Bengaluru for its first business accelerator outside Europe – BizLab India, where it nurtures Indian start-ups such as Neewee, eFlight and Qualitas Technologies. In the same vein, NUMA Bengaluru, the only European member of the Global Accelerator Network, has recently announced the third batch of its acceleration programme, which offers advantages worth about $2 million to Indian tech start-ups.

While French companies have, as we see, been very active in Karnataka, many more opportunities remain to be tapped. While Bengaluru is now widely recognised as an innovation and IT hub, the emergence of new hubs in Mysore, Dhawar or Mangalore should encourage investors to go deeper into the state.

Jean-Marc Fenet is Minister Counsellor & Head of the Regional Economic Service for South Asia at the Embassy of France in New Delhi.

SHORT TAKES

IKEA chooses Bengaluru for third Indian store

Swedish furniture giant IKEA has finalised Bengaluru as the base for its third Indian store after Hyderabad and Mumbai.

The company has announced plans for 25 stores in India by 2025, with the first set to open in Hyderabad early next year.

In Bengaluru, the firm has acquired a 14-acre land parcel from the Bangalore Metro Rail Corporation at Nagasandra on Tumkur road. The IKEA store in Bengaluru is expected to have more than 5 million visitors per year and will be connected to the Nagasandra metro station to offer easy access for the customers.

Karnataka Chief Minister Siddaramaiah said in a statement: "IKEA will bring best business practices, many employment opportunities, infrastructure development and contribute to the growth of the retail sector in the State. IKEA will work as a catalyst in our development plans."

IKEA India CEO Juvencio Maeztu added: "Karnataka is a highly strategic and important market for IKEA. Along with retail stores, IKEA's purchasing team will also grow local sourcing and engage with local artisan and communities in many projects."

Bengaluru firm to set up in London

Bengaluru-headquartered RxPrism plans to set up a regional innovation hub in London to expand its footprint in the UK and Europe.

The global healthcare-focused digital marketing and customer engagement services and solutions provider is among 20 start-ups selected in this year's India Emerging 20 (IE20) programme, which supports Indian companies to grow their international business via London.

Dr Maruthi Viswanathan, Founder-CEO of RxPrism Health Systems, said: "London was an immediate choice as the place is appropriately positioned to cover the US and APAC time zones. We have already registered our subsidiary in the UK. Therefore, we aim to complete this expansion plan in about three months from now and get the UK centre functional by this October-December."

The firm is planning to invest $2 million over two years, a part of which would come from the company's innovation fund and the rest from UK-based venture capitalists.

The company is set to create over 250 job opportunities for software developers and creative specialists in the next two years, with 30 per cent of this strength working in its R&D lab.

Honda expands South Indian plant

Honda Motorcycle and Scooter India, the 100 per cent subsidiary of Japan's Honda Motorcycle Company, has expanded its South Indian plant.

The move makes the Narsapura plant in Karnataka the company's biggest manufacturing unit, with an annual capacity of 24 lakh two-wheelers. This is the fourth Indian plant for the second-largest two-wheeler manufacturer in India, after Hero MotoCorp.

India has also become the largest production base for Honda worldwide, with a total capacity to manufacture 64 lakh units, outstripping the Indonesia manufacturing facility.

The Japanese major, along with its suppliers, has invested around Rs 5,400 crore ($806mn) in the Karnataka plant and is expected to add 22,000 direct and indirect jobs at the unit.

Honda Motor Company Chief Officer Regional Operations, Asia and Oceania, Shinji Aoyama said India contributed 28 per cent to Honda's global two-wheeler sales in 2016-17 and became the number one contributor to Honda's two-wheeler business.

An Expat's Guide to Bangalore (Bengaluru)

Known as both the "Garden City" and "The Silicon Valley of India", Bangalore (now Bengaluru) boasts the highest concentration of IT companies in India. There are a number of expats from across the world living in the city due to its growing attraction as a base for multinational companies. In spite of heavy industrialisation, the city has kept its heritage in perfect harmony with the evolving modernity. As multinationals aim for the sky with spiralling workplaces all around the city, some of the most beautiful gardens and a monumental palace sit comfortably amid the high-rises.

Top Hotels

Novotel Bengaluru Techpark

Opposite RMZ Ecospace Business Park,
Marthahalli Sarjapur Outer Ring Road,
Bengaluru, 560103
Tel +91 806 670 5000
Fax +91 806 670 5001
h6453-re@accor.com

Bengaluru Marriott Hotel Whitefield

8th Road, Plot No 75, EPIP Area, Whitefield,
Bengaluru, 560066
Phone: +91 804 943 5000
Fax: +91 804 943 5333

Vivanta By Taj – Whitefield

ITPB, Whitefield Main Road, Whitefield,
Bengaluru, 560066
Phone: +91 806 693 3333
Fax: +91 806 693 3344

Shangri-La Hotel Bengaluru

No 56-6B Palace Road, Bengaluru, 560052
Phone: +91 804 512 6100
Fax: +1 804 512 6199

Hilton Bangalore Embassy GolfLinks

Off Intermediate Ring Road, Bengaluru, 560071
Phone: +91 806 679 9999
Fax: +91 806 679 9000
bangaloreresidences.reservations@hilton.com

Popular Local Dishes:

Dosa
Bisi Bele Bhath
Idli
Pongal
Uppittu (Upma)
Biriyani
Maddur Vade
Mangalore Bun
Tandoori Chicken
Sheek Kebabs
Chicken Kebabs

Source: Various

Popular Restaurants:

Bene

For Italian, Pizza, Mediterranean
Address: Sheraton Bangalore Hotel, 4th Floor, 26/1, Dr. Rajkumar Road, Malleswaram-Rajajinagar, Bengaluru 560055
T: +91 80 4252 0166, +91 80 4252 1000

Saffron

For Indian, Asian, Vegetarian Friendly
Address: No 56-6B Palace Road, Level 18, Bengaluru 560052
T: +91 80 4512 6430

Alto Vino

For Indian, Italian, Vegetarian Friendly
Address: Bengaluru Marriott Hotel, 8th Road, Plot No 75, EPIP Area, Whitefield, Bengaluru 560066
T: +91 80 4943 5000, +91 90 6603 0492

Time Traveller

For Indian, Asian, International
Address: 144-C/1, Kirloskar Rd, Hebbagodi, Bengaluru 560099
T: +91 80 4040 0400

K & K

For Indian, Vegetarian Friendly, Halal
Address: 1 Residency Road | ITC Gardenia Hotel, Bengaluru 560001
T: +91 99160 75267

Popular Fairs & Festivals:

- Karaga Festival
- Kadalekaye Parishe (Peanut Festival)
- Makara Sankranthi (Pongal)
- Ganesh Chaturthi
- Dussehra
- Diwali
- Mahashivratri
- Ugadi
- Varamahalakshmi Festival

Top Attractions – In and Around Bangalore:

Bangalore Palace
The majestic Bangalore palace, enclosed by beautiful gardens, is one of the most eye-catching tourist attractions in the city of Bangalore, which is now owned by the Mysore royal family. The main building spreads across 45,000 square feet and it is a mixture of Tudor and Scottish Gothic architecture. Apart from being a major tourist destination, it is also preferred for important events and other cultural programs. The wooden structure of the palace along with the splendid carvings depicts various architectural styles and showcases the royal culture. It is said that King Chamarajendra Wadiyar drew his inspiration from Windsor Castle in the UK.

The Lalbagh Botanical Garden
The Lalbagh Botanical Garden in Bangalore is of royal origin and was started initially as a private garden in an area of 40 acres by Hyder Ali, one of the most famous rulers of old Mysore in 1760. Lalbagh, for its unique achievement in nurturing the concept of horticulture and aiding the development of horticulture, has earned a pride of place among the gardens of the world and it has come to be regarded as one of the best gardens in the East for its layout, maintenance, scientific treasure and scenic beauty. Lalbagh also takes centre-stage to host the city's famous flower shows.

Tipu Sultan's Fort & Palace
Tipu's Fort is a prominent landmark of the city of Bangalore and depicts intricate Islamic style architecture. The palace was built by Tipu Sultan and he named it as "Rashq-e-Jannat", meaning "Envy of Heaven". The sultan used the palace, built completely of pure teak wood, as a summer retreat. The palace was opened to the general public in 2005.

Vidhan Soudha
The Vidhan Soudha is the seat of the legislative assembly in Karnataka. It is an impressive building and is known for its grand architecture and is a popular tourist attraction in Bangalore. This enormous building is a massive example of neo-Dravidian architecture, with four domes on its four corners. It houses the Legislative Chamber of Karnataka Government, as well as accommodates many government departments.

Accessibility

Air

Kempegowda International Airport or Bangalore Airport connects the city with all prime Indian and international cities.

It is the third busiest airport in the country after Delhi and Mumbai.

Direct flights details:

London	- British Airways
Singapore	- Scoot, Jet Airways, Indigo
Dubai	- Indigo, Emirates
Hong Kong	- Cathay Dragon
Bangkok	- Thai AirAsia, Thai Airways
Male	- Air India
Kuwait City	- Kuwait Airways
Paris	- Air France
Colombo	- Sri Lankan Airlines
Frankfurt	- Lufthansa

Rail

Two main railway stations connect Bengaluru to the rest of the country – Bengaluru City Railway Station and Yeswantpur Junction.

Both the stations have regular trains running from various cities of the country.

Road

Bangalore is well connected with various cities via excellent network of state and private buses.

It has a comprehensive local bus network, operated by the Bangalore Metropolitan Transport Corporation (BMTC; www.mybmtc.com), with a useful website for timetables and fares. It has the highest number of Volvo buses operated by a public transport company in India.

Very few autorickshaw drivers use meters but if yours does, the fare charged will be 1.5 times the regular meter rate between 10 pm and 5 am.

Shiny new AC metro service, known as Namma Metro, is still a work in progress, but it does have two lines up and running.

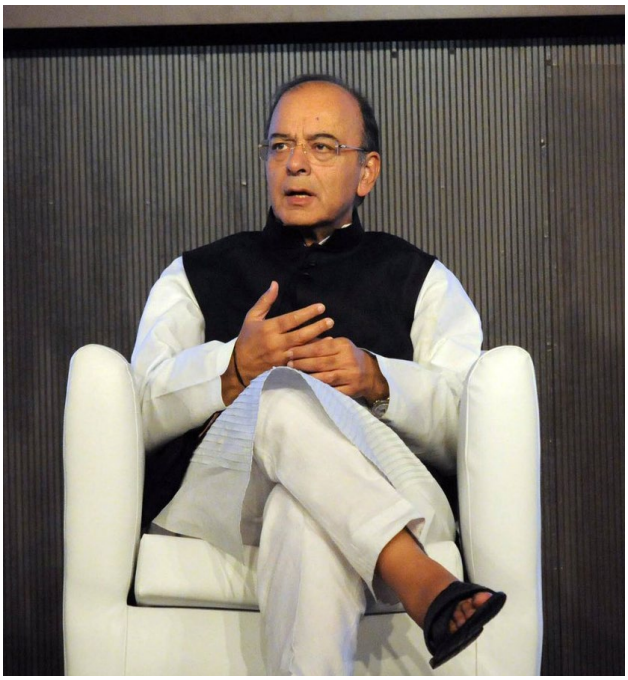
GROWTH RATE DIP A TEMPORARY BLIP FOR INDIA

Ignore the doom mongers, India will return to the high growth path by winter.

There's an old truism about India which holds that for everything that is true about this country, the exact opposite is also correct. This is true for the Indian economy as well.

The country's foreign exchange reserves recently crossed the $400-billion mark, making India the world's sixth-largest holder of forex, ahead of the Euro zone, Brazil and Taiwan. The Indian rupee, which had fallen to a low of Rs 68.85 against the US dollar four years ago under the previous Congress-led UPA regime, has gained about 6 per cent to about Rs 64 and experts expect it to strengthen further.

Driving this surge in foreign currency inflows is the flow of foreign investments into Indian equity and debt as well as the longer-term foreign direct investment (FDI).



Now for the other truth: India's GDP growth in the April-June quarter (Q1 of 2017-18) slipped to a three-year low of 5.7 per cent on weak private investments and the lingering effects of demonetisation and the launch of the Goods & Services Tax (GST).

Since both these contradictory trends – of foreign investors remaining bullish about India even as Indian industrialists fight shy of making fresh investments – are undeniably true, how should one interpret them? What are foreigners seeing that Indians are not?

Yes, demonetisation has led to a temporary contraction in demand. The lingering after-taste of the withdrawal of 86 per cent of currency has played a role in the loss of growth momentum.

But this is only half the truth and we will return to this in a moment.

Now, let us address the other issue – of GST. The introduction of any new tax regime – and especially one that replaces a complex multi-layered, multi-state, multi-levy system with one single tax – would have been disruptive at the best of times.

And so it has been.

Now look at the positives.

Demonetisation has led to the unearthing and de-registration of about 200,000 shell companies, many of which were conduits for tax evasion and money laundering. So, it will be fair to say that demo has played a big role in rooting out the generation of unaccounted, or black, money. Higher income tax collections testify to this.

Then, GST collections in the first month – July – were in excess of the target by about 2 per cent, in spite of about a third of taxpayers not filing their returns and remitting their taxes. This belies predictions that the new tax would result in revenue shrinkage. What's more, World Bank India chief Junaid Ahmad has described GST as a "tectonic shift" that could take India's growth rate to 8 per cent and beyond.

And after playing truant for a while, the Monsoon rains have returned with a gusto giving rise to optimism that this will be a normal Monsoon year. This augurs well for rural demand, which accounts for a large chunk of the Indian GDP.

Finally, Indian Finance Minister Arun Jaitley has hinted at a package to revive growth and employment.

Many economists are confident that growth will pick up on the back of the positives described above.

"We expect the impact of demonetisation to fade and GST mechanism to stabilise… and growth to return in the last quarter of the year on the back of a good Monsoon and the festive season bump," Randstad India MD & CEO Paul Dupuis told reporters.

Cleaning up any economy is a time consuming task. The twin blows to the shadow economy – in the form of demo and GST – have undoubtedly caused some short-term pain. But do keep in mind that a large part of the pain, caused by the bad debt overhang at banks, is a legacy issue the BJP government inherited from the Congress regime. As many parents of young children know, prescribing bitter medicines is the only way back to good health.

US government agency USDA estimates that India will grow at an average rate of 7.4 per cent to become a $6.84-trillion economy by 2030 and emerge as the world's third-largest economy, surpassing Japan and Germany.

So, let us not pay heed to the doom mongers. Come winter and, hopefully, India will return to the high growth trajectory.