

CFO INSIGHTS



REALIZING

THE USD 5 TRILLION ECONOMY

It's a time to
BE POSITIVE

PG. 04

Gearing for Transformation in
**INDIA'S AUTOMOTIVE
SECTOR**

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MAKE
IN
INDIA **2.0**

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A publication of





Building global homegrown brands in India



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I took over as the Editor of the CFO Insights Magazine towards the end of 2019. As we sat down to decide the theme for the new edition, I found media reports rife with the emerging near-term economic concerns. Personally, I continue to believe in India's growth story, and feel that the country is fundamentally well poised for a sustained growth momentum. The government has set a target of achieving USD 5 trillion economy, and in my view, we have all the ingredients for reaching this milestone. While there has been much written about India's growth already, we wanted to bring out views and opinions straight from India Inc.

It is my pleasure to bring to you this new-year special edition of CFO Insights, with commentary from 19 CEOs and CFOs on the Indian economy, across a range of sectors including BFSI, Pharma, Energy, Manufacturing and IT, among others. While these leaders present various triggers for growth, there's one aspect that I particularly want to highlight. Having spent many years in marketing, I am convinced that for India to truly become a competitive world economy, it is imperative for us to build big global homegrown brands. According to a recent study published in the European Research on Management and Business Economics* on the correlation between growth rates of 38 countries during 2008-17 and top 500 brand values, brand building can bring competitive advantage to a nation and play an instrumental role in growth in the long term. We have already seen Japan build worldwide dominance through automotive and electronics brands, and more recently, several Chinese brands have come into global limelight as well. However, I do see the winds of change in India. The startups are paying heed to brand building, with several of them going global.

In this edition, you will also find a new section on spirituality and mindfulness. With our increasingly demanding work life, a focus on mindfulness can provide a framework to strike the right balance and remain positive & calm, while making our work more enjoyable.

I hope that you enjoy reading this special edition of CFO Insights, and wish you a great year ahead. Please do send me your feedback.

Jasneet Bachal

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*<https://www.econstor.eu/bitstream/10419/205784/1/s2444883418301153.pdf>

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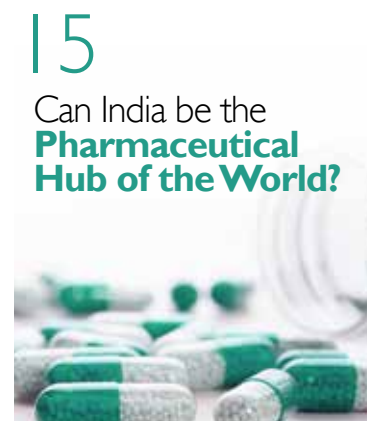
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It's a time to **BE POSITIVE**

How India can deliver double digit growth and overcome the slowdown through its structural strengths?

by **Sundeep Sikka**



There is a lot of debate about Government of India's target of making India a \$5 trillion economy by 2024. In the current environment of growth slowdown, to many opinion makers this looks like an overambitious target. Let's evaluate all the factors to ascertain how achievable this target is.

Solid structural story

For any economy to sustain high level of growth three key factors need to be supportive. Demographics, Debt profile and Deregulation.

Demographic dividend: With nearly 1.35 billion people, India accounts for over one-sixth of global population. The dependency ratio is low as large proportion of population is young. When most major economies are witnessing adverse demographics, India's demographic trends remain extremely supportive at least for the next couple of decades.



Image source: Shutterstock

Supportive Debt profile: Total private sector debt in India has been very low and as % of GDP India's debt has remained constant since global financial crisis of 2008. India's household debt is particularly low and as % of GDP it is less than 20% of GDP.

Favorable demographics and low debt is a formidable combination for a prolonged period of virtuous cycle of consumption, incomes, savings and investments. No other major economy in the World has this combination in its favor.

Deregulation/reforms: India has undertaken numbers of reforms towards better compliance and transparency. Implementation of common tax as Goods and Services Tax (GST), Insolvency and Bankruptcy Code (IBC), Real Estate Regulation Act (RERA), etc are all landmark reforms to enhance the formalisation of the economy.

On a long-term structural basis, no economy looks as attractive as India. However, there is a sudden rise in skepticism about India's prospects owing to near term cyclical slowdown. The slowdown has been severe as the real GDP growth for 1HFY2020 came in at 4.8%yoy.



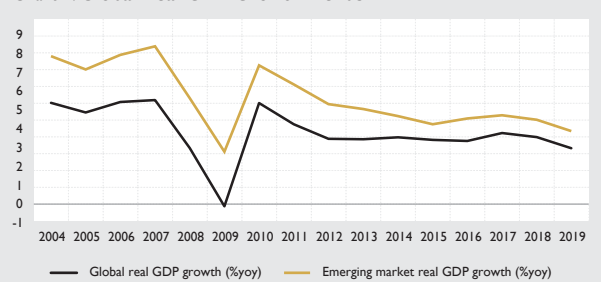
Sundeep Sikka

CEO, Nippon India Mutual Fund

So, what are the factors behind the current slowdown?

Weak global growth: Global growth has been at the weakest point in 10 years. As per IMF, 2019 real GDP growth is likely to be lowest since global financial crises at 3%yoy. Emerging markets are also growing at the slowest pace in this decade at below 4%yoy (chart 1). In terms of major causes, US- China trade tensions and global monetary tightening in the 2HCY2018 led to a material deceleration in global growth. Global merchandise trade saw a decline and that led to weaker exports performance in emerging markets including India. India's exports have degrown by 2.3%yoy between April-October 2019.

Chart 1: Global Real GDP Growth Trends



Source: IMF World Economic Outlook Database October 2019

Informal sector under pressure: Various structural reforms which the Government has undertaken over the last 5.5 years have led to improved growth potential for the medium to long term. However, these reforms including demonetization, IBC and GST have been introduced in quick succession. This has led to a near-term consolidation in supply chains across sectors. The smaller businesses are taking time to adjust to the new environment. In the very short term this has led to some income displacement and sentimental impact to the small and medium enterprises (SMEs).

During the 2QFY19 India witnessed a mini crisis in the NBFC space. As the crisis aggravated and risk aversion increased, credit market came to standstill. This has also impacted flow of funds particularly to SMEs.

Consumption slowdown: Post the independence, this is the first decade where share of consumption in India's overall GDP has risen. Consumption remained the clear growth engine, wherein low inflation and steady increase in consumer leverage led to steady growth in consumption till FY2018. Post the NBFC crises, higher risk aversion among lenders in general led to slower flow of credit towards retail sector. Muted income growth and tighter financial conditions for consumers led to consumption slowdown in key segments like autos and housing.

Slowdown in private capex: Heightened global uncertainty, low profitability growth and tougher credit conditions led to deceleration in private capex in recent period.

Policy Response

In response to the slowdown both the Government as well as the RBI have taken various steps.

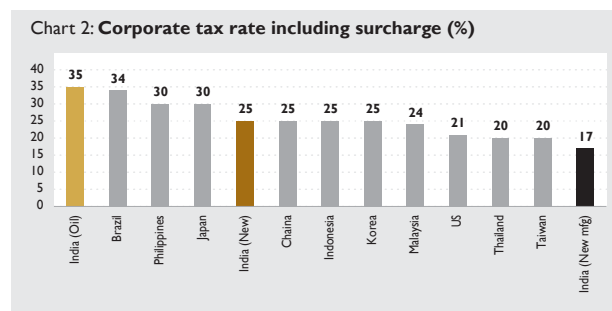
RBI: The RBI has done massive policy easing by infusing liquidity worth over 3 Lakh Cr INR post the breakout of NBFC crisis in 2HFY2019. Alongside, the RBI has so far cut policy rate by 135 bps in CY2019 while keeping the policy stance accommodative to signal further policy easing.

Government: Key measures undertaken include:

- To address the rural stress, the Central and state Governments have announced income transfers schemes like Central Government's scheme called PM Kisan.
- PSU Banks recapitalization/consolidation: Upfront release of INR 700 billion to PSU banks. Announced merger of 10 PSU banks into 4.
- Revival of the housing market: To provide credit support to stalled housing projects, Government has announced setting up of fund with initial corpus of INR 250 bn.
- Various other sector specific measures to revive autos, NBFCs and SME segments.

Corporate rate tax cut: Amongst the major reforms, Corporate tax rate cut is a huge reform. India has reduced the effective corporate tax rate to 25.1% from an estimated over 30%. In addition, firms who set up a new unit will enjoy effective tax rate of 17.1%. Corporate tax rate cut is a big shot in the arm for India's enhanced competitiveness versus global peers (chart 2). Along with large interest from domestic entrepreneurs India will attract massive FDI.

Foreign companies likely to increase India investments for its domestic market and/or use it as an alternate export base. There is some progress already made in areas like electronics manufacturing.



Source: Various sources, Nippon India Mutual Fund estimates

Factors working in favour

There are other factors which are working in India's favour but probably underappreciated at this point. These include:

Lower crude oil prices: Despite various geo political uncertainties, crude oil price has been well behaved at a lower level of around 60 \$ per barrel.

Low inflation: Lower global commodity prices, muted domestic demand and various compliance reforms undertaken over the last few years have led to sustained low inflation.

Worst of the NPAs getting behind: With the introduction of the IBC there has been significant progress on the resolution of stressed assets for the financial system. Banks balance sheets are in much better shape and continue to improve.

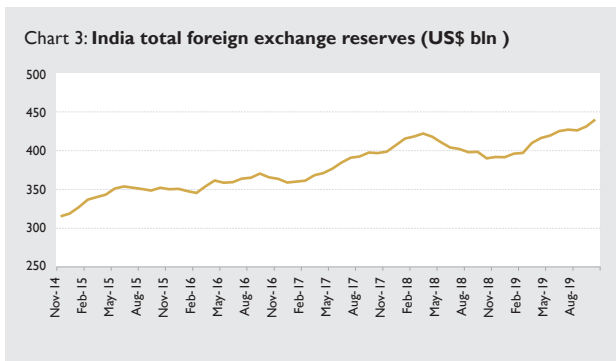
Monsoon: With above normal monsoon this year, the outlook for winter (rabi) crop is benign and this bodes well for rural incomes in near term.

Record high foreign exchange reserves and stable currency: India's forex reserves are at record high (chart 3) on the back of strong foreign capital inflow led BoP surplus. INR has also been very stable in the past few quarters.

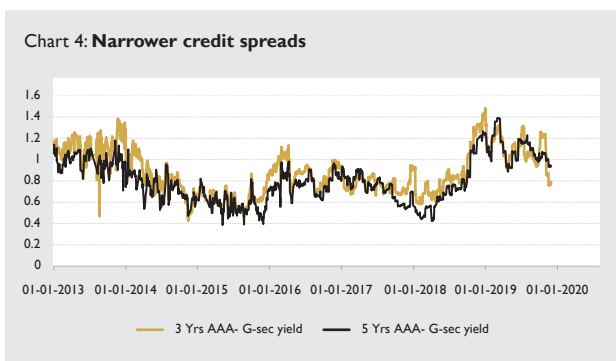
Improvement in monetary transmission: With the surplus liquidity in the banking system persisting for the last 6 months, monetary transmission has picked up pace. Policymakers have taken various steps to bring the confidence back in the credit market. Owing to this credit spreads have started to narrow sharply across categories (chart 4). Lending rates have also started to decline (chart 5), and this bodes well for credit growth recovery in the coming quarters.



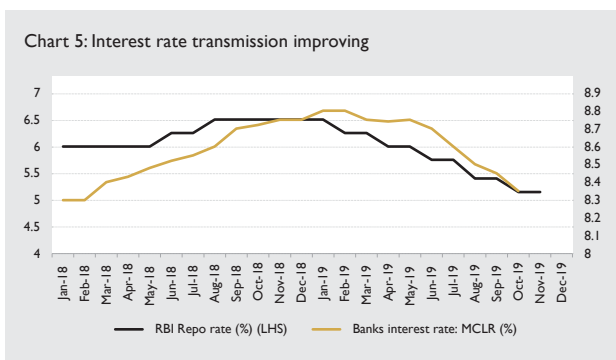
Image source: Shutterstock



Source: CMIE



Source: Bloomberg



Source: CMIE, Bloomberg

Factors of production tailwind for next upcycle: From a perspective of next cyclical expansion, how are various factors placed today?

Land: Cheaper with improved availability. For eg in housing the affordability levels are at multiyear high.

Raw materials: Commodities prices are at multi-year low and raw material to sales for Indian businesses is at lowest level in this decade.

Capital: Cost of capital is falling, and availability is improving.

Labour: Availability of talent is high and rise in labour cost is measured.

Taxes: Both direct and indirect tax rates for Indian corporates are at unprecedented low levels.

Overall, all the ingredients which are required before the beginning of a strong upcycle are in place.

What's missing?

Only thing which is missing is “end demand” and the pricing power for Indian businesses. The good news here is that balance sheets of various stakeholders have materially improved. After a prolonged deleveraging, Corporates and banks balance sheets are in much better shape versus five years ago. Despite near term hiccups, household balance sheet remains largely underleveraged and offers tremendous potential in the years to come.

What's probably missing is confidence. Consumer confidence is low as reflected in retail sales and business confidence is low as reflected in capex intentions. This is not a structural problem but a cyclical one. From policy standpoint, India has already seen various structural measures. Hereon what may be required is cyclical boost to reignite short term domestic demand.

Few measures which can boost near term demand and confidence:

Personal income tax cuts: Reduction in income tax rates to boost to bring forward consumption demand.

SMEs: Measures like further simplifying GST rules, faster clearance of Government dues, short term interest rates subvention for small businesses and incentivizing banks to lend to SMEs could be few useful measures.

Capital markets: To unplug the NBFC sector and to improve the transmission, Government with the help of the RBI can look for comprehensive scheme to purchase perceived troubled assets of lenders. Removal of LTCG, tax on buybacks and dividend distribution tax can go a long way improve investor confidence.

Continuation of rate cuts: Despite sharp rate cuts, real interest rate in India remains high. GDP deflator is below 2% in 2QFY20. In order to achieve easier financial conditions, the RBI may need to further cut rates.

Privatization: To address fiscal concerns, Government has taken bold steps towards largescale privatization. Faster completion of few large assets' sale would be a great confidence booster.

To conclude, Indian economy has very likely bottomed and the stage for next upcycle is set. Policymakers have been working hard to revive sentiments and the support is likely to continue. Since many of these measures work with a lag the odds for steady recovery in coming quarters remain high. Amidst near term gloom and doom, for some the \$5 trillion economy by 2024 may look difficult. However, there are various factors working in India's favour which might be underappreciated at current juncture. If there is one major country which can deliver double digit nominal growth in the coming decade it is India. With structural strengths well intact, the virtuous cycle in India will surely unfold. It's a time to “BE POSITIVE”.

The opinions expressed in the article are the author's own.

Gearing for Transformation in India's Automotive Sector

Satyakam Arya, Managing Director and CEO of Daimler India Commercial Vehicles (DICV), speaks about the transformation of the global automotive sector and the avenues for growth within India.



Image source: Shutterstock

The Government of India has set a goal of making India a \$5 trillion economy by FY 2024-25. With your experience of over two and a half decades across the value chain of the industry, what could be the roadmap to achieve this goal and unlock opportunities?

First of all, there's a massive opportunity for everyone if we go to \$5 trillion. But before we explore the opportunities, let us look at some numbers. We were at \$2 trillion in FY 14-15 and now we are at \$ 2.8 trillion. That means in the last few years we had 8% growth. If we have to go to \$5 trillion by 2024, we are talking about an average growth of 11.5%, which means what we did so far would not be enough and we will have to scale it up further.

Principally, I believe in the \$5 trillion number because I believe India has a massive opportunity to grow. However, I am not sure about the timeline, and why I am not sure is, looking at the current slow-down which we see, we are not even at 8%. We are at 4.5%. To achieve 11.5% growth requires a very different kind of action. So keeping the timeline apart, I definitely believe in the \$5 trillion number.

Now when we look at the Indian economy and we slice at various sectors, you will see services as the major portion, comprising about 55-60%, followed by the industry which is about 25%. And then comes agriculture, forestry and fishing which is about 15% and then the remaining 5% is with the rest. If I look at the 3 major pieces, I see massive opportunities to grow. Services, where the government is actively working to bring out incentives and remove the roadblocks for growth. In fact there is a fund setup of five thousand crores which is focusing on 12 champion service sectors. When it comes to industry, I see a similar

When you look at India, I think the government has taken a very aggressive stance on e-mobility and I think we need that. We need that because we have the most polluted cities in India, and EVs can bring down the pollution at the point of use.



However, there is another dimension to consider. If you look at automotive sector globally right now, we are going through a massive transformation. This transformation is due to introduction of new technologies and also the change in propulsion system, which I think the environment demands and I believe that there would be a lot of action in that space. It will start with the vehicles getting connected, to the user and to the ecosystem, and this will help in creating lot of business models. There is a lot of talk going on around electrification, and we believe sustainable mobility is the future, so there will be lot of investments happening there. And then of course, autonomous driving and shared mobility. All in all, there would be a lot of excitement and investments into the automotive sector going forward.

thing and the government is targeting \$1 trillion out of the industry sector. There is a target to bring in \$100 billion of FDI every year. And this will spur lot of investments.

When you look at agriculture, which has been our traditional backbone, the government is targeting to grow the exports from \$39 billion to \$60 billion by 2022.

I think this can be enabled by modernisation and mechanisation of agriculture where massive investments are being planned. And of course what will definitely help here, is increasing the income from the farm and increasing the income of the farmers. So, all in all, if you see the 3 major phases, there is a massive potential to grow and if we do that then there are lot of opportunities.

It will mean investments, it will mean entry of new global players, it will mean emergence of new companies, and it will also mean creation of jobs and definitely increase in our foreign exchange income.

So I see a massive potential also for us and everyone else in the game.

How do you see the automotive sector contributing to economic growth going forward?

If you look at automotive sector now, we are about 7% of GDP. So it is a very formidable sector. And we are 50% of the manufacturing GDP. So that speaks volumes about what automotive industry contributes.

If you consider commercial vehicles, which is the space we operate in, there is still a massive headroom in India to grow, even with the millions which we produce. If you would make a simple plot diagram of the population in the country to the number of trucks sold, you will find that India is still an outlier compared to other economies. For mature markets like Germany or the US, you find that there is a line you can draw between the two. You can also match that line when you consider a country like China which has a massive population. With the growth we saw in last 5 years, India is fast catching up, therefore, what we see right now is temporary disruption. We believe in fundamental growth potential of Indian economy.

DICV has been one of the fastest growing multi-national manufacturing companies having broken even in last 6 years in India. Please elaborate on the growth journey.

It has been a very exciting journey and all DICVians take pride in that. When we came to India in 2008, we had just one single minded focus, to transform the Indian commercial vehicle industry. We started with lining up a product which was the benchmark in terms of efficiency, safety, reliability and comfort. Apart from that, we built a completely new plant. We have built a new brand 'Bharat Benz' and we also created a completely new sales and supply network. So, all in all, what we did and what we achieved tells us that we were successful. We are not satisfied with what we have achieved, definitely. With the massive investments of more than INR 5000 crores, achieving break even was certainly a good milestone. But from now, we are looking for growth in market share.

From the long term perspective, what segments and new product lines or products do you expect will contribute to business growth?

First of all, when companies like us come to a particular country, and we've made major investments here, we always come with a long term view. The slowdowns are structural in nature, but we believe that India would be out of that and the growth potential would be there for everyone to capitalize on. If you look at Daimler, we are always looking at avenues of growth and this comes by expansion of our product portfolio, and also expansion of our geographical reach. Look at 2019 for example. We have launched 47 new product variants so far. So what we do is, we always scan the market, and we look at the bright spots we have and come up with new products. In this year, we also launched a light duty truck which we export to Middle East. We plan to launch about 37 new variants in 2020.

Various regions across the world like Japan and Europe took years to shift from Euro IV to Euro VI, or its equivalent. However, India has leapfrogged this in just 3 years. What is the approach at DICV with regard to such shifts in technology?

Well, it was a lot of hard work I think for everyone in the automotive industry to do that in a time-frame of 3 years. This is not done yet, we are in the final stage. For us, it is a little bit different, and this is because we have experience of BS VI of equivalent norm of more than 8 years since we have done it in other parts of the world. In fact as we are talking today, we have more than 1.4 million trucks and buses running with that technology in different continents. So what we had to do in the last 3 years is we had to bring that technology to India, which we did. We had to localize and industrialize this technology in India, which we are doing. And another thing which is very important, and we did that right

from beginning, is that we want to give the technology to the customer or consumer here which fits to the Indian driving cycle. The driving cycle in India is very different from Europe or USA or Japan because here we do more low speed driving. So we always have to adapt our technology to the local driving conditions. We calibrated our technology so that in the end, the customer would get a product which is even more efficient than what we do with BS IV.

period 2011-2018, this government agency studied 1100 accidents, 15 of Bharat Benz trucks were involved in the accidents, and then we compared the severity of the crash and the fatalities, you would be surprised that we were up to 200% better in Bharat Benz as compared to a cowl or even a competitor truck. This is because our cabins are designed that way - it can take the crash better, it protects the driver, and another very important thing in accident is many deaths

If you look at automotive sector now, we are about 7% of GDP. So it is a very formidable sector. And we are 50% of the manufacturing GDP. So that speaks volumes about what automotive industry contributes.

What are some key innovations driven by technology that DICV is looking to focus on or bring to India in the next 2-3 years?

Bharat Benz was positioned on technology. We have always said we should give the technology which the customer needs and not what we have. When we started, our focus was again, on efficiency, reliability, safety and comfort. These were the 4 pillars we took. And we made sure our product is leading the industry in all these 4 pillars. You will be surprised, that even today, 80% of long haul trucks sold in India are cowl. And in cowl, you can see a half built cabin with a sheet and a wooden chair, which is been driven. This is not a truck. This is a half-done truck. Which then goes to a body builder where a wooden cabin is built over next one month. One month! Now that cabin does not satisfy ANY international standard on safety. We did a study, we took the government data on accidents, and we found that from the

happen because the driver could not be taken out of a crashed cabin. We have designed our cabin in a way that the driver can be easily taken out even if there is a crash. So that's technology which we bring.

We consider safety as very important, and recently also launched a driver state monitoring system in our trucks. The system is simply watching the driver, and if the driver is fatigued, it gives a warning. You will be surprised that 40% of accidents on the highways happen due to fatigue of the driver. With this system we can prevent all such accidents. Also, when it comes to BS VI, we have launched a state-of-the-art telemetric system. This system gives you an in-depth understanding of what's happening in the truck and you can use the data to bring in more efficiency and more safety. In the next 2 years, we are going to scale up that system even more to provide insights into the truck which no one else in India can offer.



There is a lot happening in India in the domain of electric vehicles (EV). Please elaborate on the market adaptability of EVs across the globe. How would you compare the EV initiatives being taken in India vis-à-vis the rest of world?

Well, EV is the space where a lot of excitement is happening. Globally, the adoption rates of EV are at different levels. For example, some Scandinavian countries have more than 40% adoption and China, which has made significant gains, is at a level of 5%. If you look at Daimler, we have also announced quite loud and clear, that sustainable mobility is our future. And by 2039 we intend to make our products and operations 100% carbon neutral.

When you look at India, I think the government has taken a very aggressive stance on e-mobility and I think we need that. We need that because we have the most polluted cities in India, and EVs can bring down the pollution at the point of use. I think we have to work on maturity of technology, and affordability. There is still a lot of work has to be done. And therefore, I believe that for the next few years, the e-mobility transition will be supported by the government by

subsidies or incentives. It has to be, till the time we reach a point where this technology becomes as affordable as conventional diesel or gasoline.

When it comes specifically to trucks or buses, we believe buses will definitely switch to electric at least in the intra city driving. But when it comes to trucks, there I see EVs not addressing the full spectrum of a commercial vehicle. For a small and light duty commercial vehicle which operates within the city, we believe e-mobility is the answer. But when it comes to long haul trucks, there we believe fuel cell is a better feasible technology.

What would be your 3 key asks from the government which could help promote growth in the commercial vehicles segment?

The first of the 3 key requests from the government is definitely to look at the GST. Since commercial vehicles are the backbone of the economy, I would say we should bring GST down to 18%. The second thing would be to bring back growth. Knowing that we are going through a massive downside and sales, a scrappage policy would definitely help. An effective and a very well

designed scrappage policy could bring back the growth. There are other benefits also to scrappage policy. It will bring down the pollution massively in cities, because if you look at BS VI, 12 BS VI trucks produce the same pollution as 1 BS III. So we are talking of a massive improvement in emission levels. And therefore, we should use this chance when BS VI is coming, to have a scrappage policy which can incentivise people to scrap old vehicles. The third thing then would be to frame a clear road map for regulatory environment. You know, we should avoid the rush like we rushed towards BS VI. So it will be really good if the stakeholders in the government and the industry can sit together and make a plan for what is needed in India for future. It could be a 10-15 year plan which we could then use to line up our investments and resources. These are the 3 things I would ask government to do.

Cross Border Payments through Collaboration

Sohini Rajola

Head of Network – APAC and Middle East, Western Union shares her opinions on leveraging technology, strategy and collaboration to combine the physical and digital world of payments to create value for customers.



The Government of India has envisioned a target of attaining a \$5 trillion economy by 2024-25. In your opinion, what are some of the policy measures that are needed to attain this target?

First of all, I think it is a very ambitious goal both for economic levels of performance as well for human development. If we are able to get to that level of performance, in terms of economic goals for the country, it will be great for entire human development index of the country. In terms of what would be needed to actually to get there, I think one of the key things, apart from major investments and policy measures, we should also focus on both attracting and retaining the right type of talent. This is because when people talk about economic development, and there is a whole lot of focus on infrastructure, investments but talent gets left behind sometimes. In the increasingly digital era, it will be extremely critical and crucial to focus on not just the development of right kinds of skills

that are needed domestically, but also on how India can be a part of the global economy. So I do hope that focus on attracting, retaining and developing talent both for domestic as well as the global needs of the new economy, should be something which would go a long way towards attaining this ambitious goal.

What are some of Western Union's focus areas globally? Please elaborate on how this connects with your growth strategy.

At Western Union, our mission has always been to offer our customers, whether it is consumers or businesses, more and more avenues to both send and receive money globally in a seamless manner. I would say there are two focus areas for us. First, is our omni-channel strategy. We have always believed and heavily invested in ensuring that everything that we do is truly inclusive in nature. We offer our digital platform in more than 75 countries, mobile app in 44 countries, and we have access to billions of bank accounts, wallets, etc. Our strategy is omni-channel because

In the increasingly digital era, it will be extremely critical and crucial to focus on not just the development of right kinds of skills that are needed domestically, but also on how India can also be a part of the global economy.

we want to connect the physical and the digital, and we are in a unique position to be able to do that. That inclusive growth is what will give the momentum to get to the next level of development.

The other focus area for us is to open our cross-border platform and capabilities to other brands who want to move money globally and have access to our cutting-edge technology, our settlement systems, our network, and our compliance capabilities. Because, when you are doing business cross-border, it is really important that every transaction, which is subject to multitude of regulations, is as per the regulations of both sending and receiving country. So, globally there are many brands who want to have access to this. In the past, we were very focused on just furthering the Western Union brand. But, recently we have embarked on the strategy of opening up our cross-border platform. And it is really interesting because we have companies such as Kenya's Safari Com, Korea's KEB Hana Bank, Saudi Arabia's Saudi Telecom, etc. who have all moved their cross border businesses on the Western Union platform. So at the backend it is the Western Union platform that is running. These brands, because they are very strong locally, have an appeal and a customer base in their areas of operations. They offer it as a service which is powered by Western Union. So, collaborating with other companies and opening up our platform to them is also a key part of our strategy going forward.

The other key and very unique example of a partnership where we are opening up our network, not just our settlement capabilities but also our cash collection network across the world, is our tie up with Amazon. So as Amazon, world's largest digital retailer, was finding it difficult to cater to a large number of people, who wanted to buy global or online but they wanted to pay

via local currency or in physical cash. But today, Amazon in a large number of countries is able to offer this service through their partnership with Western Union. You might think that this service is restricted for some Asian or Latin American countries, but you would be surprised to know that we also offer this service in the US. And it is picking up very fast. There are customers within the United States who want to shop on Amazon, but they want to pay via physical means or by going to their neighbourhood Western Union location. We are able to combine the physical and the digital world and there is value in that.

You have recently launched WU.com, a new digital touch-point for customers. How does this platform tie in with your core service offering?

We are really excited about launch of WU.com in partnership with Yes Bank. It is the next step for our presence in India. We have been serving customers here for more than 25 years and primarily we were able to offer our services to a large number of customers who were receiving money. India as you know is the top recipient of global remittances and Western Union plays a key role in being able to offer its network of physical locations to facilitate inward remittances from around 200 countries for Indians. The partnership to launch WU.com now opens up our digital platform and our collaboration capabilities for Indians who want to send money online. The customer will be able to pull money from his bank account and send money in real-time to a large number of countries. So yes, we are very excited about this next step in our service offerings for the Indian customers.

The direct-to-bank business coming into India has significantly increased over the years. Do you anticipate that the outward business at WU.com could also significantly scale up for you going forward?

Absolutely. Typically, when you think of cross border, you only think about Indians going abroad and sending money back home, but we fail to realise that there is a very large population of Indians who are now sending money overseas and it is not a bad thing. It is important because when there is an Indian citizen who is going overseas, whether it is for travel or whether it is for education, there is a huge probability that they are going to either send back money or they are going to also invest and be participating in this whole growth story. So, the business itself is growing.



Image source: Shutterstock

We offer our digital platform in more than 75 countries, mobile app in 44 countries, and we have access to billions of bank accounts, wallets, etc.

How do you plan to build competitive advantage against fintechs that are operating within your domain?

We are constantly evolving our capabilities to be able to offer to the customers what they truly care about. In the consumer-to-consumer space, what matters to customers is trust, reliability, flexibility and the right price at the right time. A software engineer sitting in San Francisco, while having his dinner wants to use his mobile app to send money, but his mom in Vijayawada wants to be able to go the neighbourhood post office and be able to speak to somebody and get her money in cash.

We should be able to provide that entire seamless experience. I think we welcome competition because competition is good. It also has the potential to foster collaboration and that we have always seen at Western Union that it leads to 2 things, better outcomes for the customer and more inclusive growth.

What is your strategy for deepening the remittance business in India and what is your opinion on the whole philosophy of migrating from cash to digital? How is this influencing your business?

At Western Union, we have always been both supporters and admirers of the way the technology and the payment systems in India have evolved. India is amongst the first countries to offer the real time payment services, and it has been a big boon because of the time zone differences. Earlier, the time it would take between sending money and receiving money, particularly to bank accounts, was significant. So at Western Union, we have done two things.

One, we believe in bringing the best of our technology and systems for the benefit of the Indian consumer, and also riding on some of the key technology developments and the payment system innovations that are happening in country to be able to further improve our services. One of the key examples of that is Western Union being the first cross border money transfer operator to offer cross border transactions on UPI.

We recently announced that customers do not need to remember the IFSC or the bank account number when they are sending money to bank accounts. They can simply use UPI, which I would say is a revolutionary payment system innovation, and Western Union has enabled it in partnership with Yes Bank for our customers overseas.

So, in this whole journey of both moving towards digitization yet ensuring that the customer who still wants to have his access to cash, for whatever be the reasons that they have, Western Union wants to serve both ends of the spectrum. As we increasingly bring our digital services, we also make it easy for the customer.

We in fact help them through this journey of transitioning from cash to digital. So, hopefully as the India growth story continues, Western Union will continue to be a part of it.



Can India be the Pharmaceutical Hub of the World?

Role of pharmaceutical companies in the overall growth of the economy.



Kedar Upadhye
Global CFO, Cipla



Image source: Shutterstock



Healthcare (including pharma) will play a significant role in helping the economy in its pursuit of becoming a 'healthy' US \$5 Trillion economy by fiscal 2025. As per the World Bank data, India's current healthcare expenditure as percentage of GDP remains significantly lower than the World average at 3.66%. Nearly 65% of the healthcare spend is still out-of-pocket (vs World average

of less than 19%) with government share at ~25% (when the world average is over 74%). These macro statistics clearly point out the opportunity to expand access, increase market penetration and drive India towards a healthier economy. The prevalence of lifestyle diseases is substantially increasing which is a matter of concern and signifies the need to act fast and promote access. We need to work towards creating an environment of strong collaboration between government and private enterprises to drive growth in the healthcare sector. Some of the recent steps taken by the Central government such as Ayushman Bharat are in the same spirit.

Indian pharmaceutical companies have created strong R&D, manufacturing and commercial capabilities to drive growth both in the domestic market and in exports. Indian pharmaceutical supplies today dominate the world market (including a significant share in the US pharma market) with products manufactured in India serving patients across the globe. In fact, Indian pharmaceutical companies have helped governments and patients across the world save billions of dollars in healthcare costs by providing access to affordable and high quality medicines. Manufacturing plants in India get inspected by global regulatory bodies such as US FDA (United States Food

and Drug Administration), EMA (European Medicines Agency), among others, which reflects the high standards of quality established by large Indian pharma players. With support from the government on policy, India can establish itself as pharmaceutical manufacturing and export hub of the world.

Pharmaceutical companies in India have also played a significant role in executing 'Make in India', supporting the economy through direct and indirect employment. On the domestic side, Indian companies continue to dominate the market and have been driving access to medicines in interiors of the country. To further bolster the growth prospects, companies are expecting strong support from the government to operate under stable policy regime, incentivization for R&D and manufacturing investments, among other reforms.

Government's investments in expanding the footprint of public healthcare infrastructure can help expand access to life saving medicines across the country. With increased access, it will also become extremely important to ensure that the drugs entering the pharma supply chain are of high quality and required efficacy. This would require investments towards building a strong regulatory body to inspect plants and ensure compliance to cGMP (current Good Manufacturing Practices) standards.

Overall, Indian pharma, with required policy and investment support, can help drive expansion of access to life-saving medicines across the country. At the same time, help India become a global pharmaceutical exports hub and achieve its US \$5 trillion economy milestone.

The opinions expressed in the article are the author's own.

ROAD TO REVIVAL

Sugata Sircar, CFO & Country Finance Director, Schneider Electric India Pvt Ltd shares his views on the energy sector in India and the company's growth plans for technology and renewables.



While the Government of India has targeted to reach the \$5 Trillion economy by 2024, what according to you, would be required to attain this milestone?

I believe in the long term growth potential of this country. The trajectory that we have had over the last two decades gives us that confidence. If you take parameters like corporate revenues and earnings, GDP size and average income, urbanization and industrialization, the current numbers are several multiples of what they were 20 years ago.

Having said that, it is also true that certain factors which have led to sharp growth in earlier years, are comparatively weak at the moment. This includes the growth of the financial sector and the growth of exports.

We are a large country. Digitisation, through 1.1 billion mobile connections, 1.2 billion Aadhaar registrations and 320 million Jan Dhan Accounts has connected millions of people who were never connected with the mainstream before. This is a large platform to leverage for skill development, productivity, consumption and investment. Customised products, including financial products must be designed to serve through this platform. This would also lead to inclusive growth. Currently, 1% of the population takes 21% of the total income in the country. Broad basing the growth would bring purchasing power in the hands of millions and would provide larger opportunities for business, leading to growth for all.

Large scale urbanization is planned with several smart cities coming up. These have to become centers of activity and investment. They have to attract people to migrate to them.

For industrialization, investment in automation would be necessary to make our manufacturing more competitive in global markets. Equally, we have to think about job creation possibilities in new areas, as our country will continue to have a large and young workforce.

While exports growth will also depend on external factors like global demand growth, we have to look for opportunities in the current situation between US and China. To offer strong investment opportunities to foreign investors, State Government policies must be conducive to offer land and fast clearances; there has to be predictability of laws and regulations.

Our logistics infrastructure and services have a strong potential to be stepped up so that average logistics efficiency improves significantly.

As regards the taxation regime, positive measures like GST, corporate tax rate rationalization, automation in returns filing and processing are taking place. The recommendations regarding the DTC should be seriously considered.

How do you see the energy sector in India evolving, especially given the growing focus on renewables and technology?

There is a huge opportunity for increase in efficiency in the distribution and consumption of energy. With smart technologies distribution losses can be minimized. The difference in energy consumption between the best in class and the average facilities in industrial and commercial buildings, hospitals, airports, and such others can be from 30% to 80%.

That is the potential for energy efficiency improvement. Efficiency in distribution and consumption will be necessary to meet the demand for electrical energy which is expected to double by 2030.

So electricity distribution and consumption will become more efficient. As for renewables, I think public policy should promote several clean energy sources like natural gas, hydrogen, biofuels and electric.

What are the key challenges facing the energy sector in India and what innovative solutions can be used to address them?

Challenges include fund constraints to invest in efficiency, in distribution as well as consumption of energy.



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Financial condition of Discoms is also big hindrance. Viability of renewable energy generation and distribution, especially solar is something which need to be worked upon.

The policy on energy needs to be comprehensive, integrated and simpler. Investment is necessary; equally, tariffs have to reflect returns which are viable for investments. This is the only way to steadily make this sector robust. When we try to make energy artificially cheap to the consumer, the whole mechanism does not work.

What are your growth plans for the Indian market?

Schneider Electric has a wide portfolio of offers in energy management products, solutions and services. We cater to several market segments including Commercial Buildings and Industrial Buildings, OEMs, datacenters, telecom, infrastructure, transportation, energy, consumer products and others. The drive to improve efficiency through automation across sectors, places Schneider Electric in a strong position to cater to these markets with its technology solutions.

Currently, the growth rate is comparatively low in residential realty, auto and textile industries. However, we expect strong growth in the medium to long term in all the segments.

We have multiple manufacturing units in India and are geared to cater

to this growth. In addition, exports of products manufactured by Schneider Electric in India has been growing and we expect this to continue.

What are priority growth segments for Schneider in India over the next 5 years?

We cater to several segments and all those are in strong focus as we expect them to grow and upgrade to solutions with higher levels of efficiency. Our offers, in products, solutions and services, are in the following lines. Low Voltage distribution, Medium Voltage distribution, Industrial automation, Digital Power and Digital Building, Secure Power and final distribution in homes.

You recently launched the Smart Distribution Center in Mumbai. Tell us more about the Center and your plans to introduce more such technology-led initiatives.

The Smart Distribution Center commissioned in Mumbai recently uses intelligent systems to manage DC operations. It uses Schneider Electric's Ecostruxure solution for efficient energy management in the DC which is expected to optimize energy consumption by 10 to 12% and improve overall logistics efficiency by 5%. It's part of the company's digital transformation program for the entire supply chain.

Streamlining Value Capitals for Growth

Importance of each sector contributing towards the target of US \$5 Trillion Dollar Economy.



Rajesh Kumar Gupta

Whole-time Director (Finance) and Group CFO, Havells India Ltd.



Introduction

The vision of the Government of India to drive our country to a \$5 trillion economy by 2024 looked more of a dream than reality at the time of its announcement in Union Budget 2019. However, seeing the level of commitment and bold reforms, it seemed that this dream can certainly be turned into reality and it would require massive rationalization in prevalent regulations, streamlining of labor laws, privatization of state entities and investments in infrastructure to bolster growth.

Image source: Shutterstock



Challenges

For India's economy to reach the mark of \$5 trillion by 2024 from current \$2.7 trillion, we would need on average nominal GDP growth rate of nearly 12%, which means that India would need real GDP growth rate of 8% (assuming inflation @ 4% and USD/INR remaining at similar levels) over the next 5 years. India has been able to achieve this feat of doubling its economy only once in 2003-2008 period. This period was characterized by positive external climate – global economic growth as well as trade and investment led by the USA, Japan, European Union and China.

India's domestic economy was strong in that period with high savings rates, bank credit growth of about 20%. Further, the export growth in that period driven by thriving global trade also helped in maintaining USD/INR exchange rates at similar level.

Currently, there are two major sets of problems confronting the Indian government.

One, on the domestic front, most PSU banks have virtually stopped lending as they are under consolidation mode. NBFC liquidity crisis has further impacted the credit growth especially in Real Estate and Consumer Financing. Further, the new measures announced so far by the government are yet to be implemented to translate into growth.

Second on the international front, US GDP growth is steadily slowing. Further, government bonds have inverted yield curve across USA, UK and Japan. The trade conflict between USA and China is impacting the trade across the globe with many countries following protectionism policies resulting in de-globalization. Impact of all this, coupled with fluctuation in crude oil price and exchange rates is directly felt in all emerging economies and India is no exception.

Policy reforms

Government of India has started major reforms like corporate tax reduction and revival of real estate etc. in order to achieve the milestone of US \$5 trillion economy. Both the Government and RBI have taken steps to combat liquidity crises. However, Government needs to address NBFC crisis on war footing along with recapitalization of nationalized banks in order to strengthen the credit growth. Land reforms and labor reforms would give a great push to Make in India. Increasing use of renewable energy and electric vehicles will control our import bill on crude oil and therefore control the rising exchange rates.

Fast moving electrical goods (FMEG) as drivers

India has a large young population with growth in urbanization so demand for fast moving electrical goods (FMEG) is bound to expand rapidly. The Government of India initiatives like electrification drive, setting up of US \$3500 million fund to revive stalled housing projects, doubling of farmer's income in next five years, focus on affordable housing and smart city projects would also support FMEG growth across urban and rural markets.

Government's move to reduce corporate tax would benefit organized sector and would create a sustainable shift from unorganized to organized sector. This would encourage Make in India and we expect large capital investments from the private sector.

We believe that technology, digitization and modernization will play an enormous role to accelerate growth in every industry. Digital interventions are evolving at such a rapid pace that all involved have to continuously reorient themselves to stay ahead of the curve. Over the last few years, we have launched several mobile applications, dashboards and portals to bring our customers and business partners closer. For instance, Havells has strong banking partners like YES Bank, who is pioneer in Digital Banking and is a key partner in our digital growth strategy.

To conclude, the target of Government of India to drive the country to a US \$5 trillion economy would require every sector to accelerate growth supported by a holistic investment environment.



The opinions expressed in the article are the author's own.

MAKE IN INDIA 2.0



Josh Foulger

Country Head & Managing Director of FOXCONN India talks about the challenges faced by electronics manufacturing industry in India and how FOXCONN is overcoming these challenges to stay ahead of the competition.

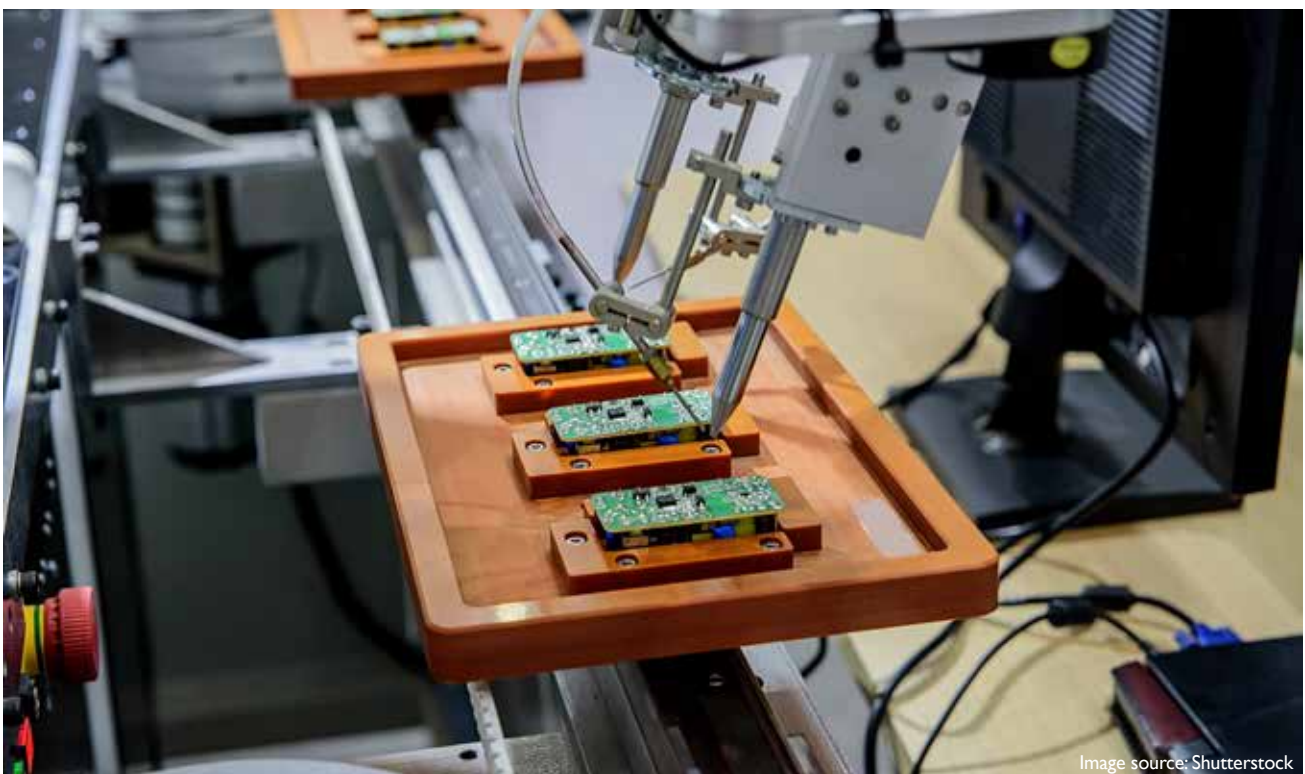
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overnment of India has set out a very key target, to reach the 5 trillion dollar economy by 2024. What are your views about this goal and what do you see are the policy reforms which are needed to achieve this milestone?

I think in my view, 5 trillion is a good stepping stone for good 10 trillion Indian economy. I think India should really be a 10 trillion economy, but I think the jump of 3 to 5 at present, is a very logical step. I believe 2024 is a reasonable time frame to achieve this. 'Make in India' has been a successful story in our sector in the last 5 years. But I would like to call it Make in India 1.0'. What we are now trying to set up is 'Make in India 2.0' - making it for the world. This is going to be one of the big drivers important to set up the 5 trillion economy.

According to the goals in the National Policy of Electronics 2019, the aim is to hit the 400 billion mark in this time frame. So, with the policies in place, I think we can drive this forward. Of course, there are a few other things which are also important, which are, the enablers. One of the key enablers is R&D, not offshore R&D but integrated R&D with new product qualifications. I think from overall infrastructure stand point, India has come a long way in ease of doing business. From rank of 140 to 63 is very laudable. But areas such as taxation and tax interpretation need some improvements.

I feel if the electronics industry needs to reach \$400 bn by 2024, it will require a workforce of about 12 to 13 million people



In terms of infrastructure, I think manufacturing infrastructure is very important. Road connectivity, airport capacities, power stability, water availability, support from manpower, housing, all of these things are very important when you really talk about 'Make in India' for the world.

I believe there are lot of good policies that are in place. We work very closely with the government to advise them on all of these things from our global benchmarks and we believe that there is a lot of traction today in the government. So, I am quite confident that India will see this 5 trillion by 2024.

The industry has gone through a lot of technological development, from land line to pager, pager to feature phone and then smartphone and now, we are talking about wearables now. How do you see the technology evolving going forward and what are the technologies FOXCONN is betting on?

See, I think India has always been seen as a 'software country' in a global lens. But I have to say that since I moved back to India, right in the Chennai neighbourhood, me along with my team and my previous employer Nokia, have made 1.1

billion phones in this neighbourhood. That's roughly 3 phones a second for the last 13 years. So, I know that India is a hardware force to reckon with. Yes, there are some challenges, but we can do it in India. What I see in next 36 months, is a four-piece puzzle. I think global companies, countries would have to understand how this puzzle gets managed. First is big data, which is a big enabler for data availability. Second is Artificial Intelligence, which makes sense of this data with heuristics. Third is IoT, which pulls all of these thing and the fourth is the 5G platform on which all these things will ride on. So, a combination of this puzzle and how we play this out is going to be very very important. I am keen on



Image source: Shutterstock

the hardware side of that, servers, billions of IoT devices, the network gear which enables all of this and the 5G latency and speed. And the number of used cases, the number of technologies which will enable us is going to be quite incredible. FOXCONN is a great partner for India. In this manufacturing journey, our chairman had committed to Mr. Modi 5 years ago.

We are continuing to execute on the plan which, our chairman had committed to Mr. Modi 5 years ago. So, we feel quite comfortable and confident that regardless of which way India plans this 4-piece puzzle, we will be there to support and take India forward in this direction.

Me along with my team and my previous employer Nokia, have made 1.1 billion phones in this neighbourhood. That's roughly 3 phones a second for the last 13 years.

What are the challenges electronic manufacturing industry is facing and what role the government can play to ease out these challenges?

People always talk about skill, but I am not too worried about skill. I think our Indian talent pool is extremely trainable and the level of commitment which we see in India is quite stupendous. So, I am not concerned about skill. I think our challenge really is mindset. I think we need to look at the whole 'Make in India 2.0'. This is now 'Make in India' for the rest of the world. So, the goal should be to incentivise exports. So, one of the challenges which we are facing from an exports stand point today is the MEIS, a subsidy, which has been challenged in WTO.

The government is working very feverously to replace this. I think this is going to be one of the very first things the government should address because the disabilities we have today vis-à-vis other manufacturing powers, can be addressed by this subsidy which really is a production subsidy and I think it is going to be one key things.

In terms of employment, I feel if the electronics industry needs to reach \$400 bn by 2024, it will require a workforce of about 12 to 13 million people. And we cannot put factories in multiple locations. So, providing housing to these people, is going to be very challenging. And we may have 5 or 6 large manufacturing centres in India and big companies like FOXCONN will be key manufacturing cluster centres. But the housing will become a challenge. So, the government can help in looking at providing support for housing for low-income people.

Finally, the whole enablement of speed of execution. I have already mentioned about making 3 phones in a second. When we implement IoT, this will be 10X of that or may be even more. So, you have to back plan everything based on that speed. The number of buses coming in with your employees, the number of parts coming in, to manufacturing, and from the government's stand point - the approvals which need to happen. So, the customs clearance

needs to happen quickly, if it's going into a SEZ for the active functioning. Interpretation of taxes should be very streamlined because the tact time - the pace with which this industry will clock, is going to be quite fast. So, the government has to be ready to support this.

There is a huge reliance on import from a chip standpoint. Considering that, what are your views about government's focus on indigenisation of semiconductor manufacturing in the country and how do you think is right recipe for localising sourcing from India?

So, I think one of the things in 'Make in India 1.0' which we did in the mobile phones space, was the face manufacturing programme. And the face manufacturing programme has been extremely successful so far and it's really played out in indigenising manufacturing of phones, manufacturing of circuit board assemblies, manufacturing of chargers, batteries, mechanics, etc. We had left out semi-conductor in that particular aspect because the initial and sustaining investment in semi-conductor is quite high.

Now there are lot of established capacities today in countries like Taiwan, US, Korea, and Japan. So, they've taken what I call the 'Dollar Route'. It is very capital intensive. We do a lot of captive offshore design services which are happening today. So, the skillset is already there. We can do the backend which is called ATMP, where we get the dyes, coming from Taiwan or any other country and you basically cut and do the rest of process including the packing. There are investments in this space but I think the approach needs to be a bit more pragmatic.

I feel if the electronics industry needs to reach \$400 bn by 2024, it will require a workforce of about 12 to 13 million people.

How has been your experience in electronic industry manufacturing ecosystem, policy reforms and as framework in India vis-à-vis other countries like China & US?

See I think India took a path and it was very successful in software, in the mid-90s. China at the same time took the hardware path and is been extremely successful. And the difference of approach in China was to have a sort of global scale, more export driven. Indian software industry was and is predominantly an export space. So, I think this helped build and bring and consolidate and strengthen a lot of global supply chain around this electronics hardware in China. So, the path China took was over the course of 25 years, have really built a very very strong ecosystem for the tier 1 tier 2 tier 3 tier 4 levels of manufacturing electronic hardware, of course supplemented by good intermediary R&D skills.

Now, I think India does not have 25 years. So, there needs to be a unique path to get on this brand wagon. It is going to be a pragmatic approach, working with the few top global OEMs, and few top global multinationals who are in the manufacturing space like us. Because the way it works is - the OEMs Tier 1 player like us can start to move the needle and the rest of the value chain, the rest of the supply chain member will start to come in and make the necessary investments to support us. So, 'Make in India' set the foundation but with 'Make in India 2.0', I am quite confident that with focused government support, there is a definite possibility of taking the next leap.

You did talk about the government reforms needed in this sector earlier. If I were to ask you to summarise 3 key asks that as an Industry you may have from the government to enable the growth, going forward, what will those 3 points be?

I think export mindset, followed by replacement of the MEIS scheme would be right at the top of my list. The second thing would be, targeted infrastructure developments. Chennai is getting developed as the next big electronic hub. So, the infrastructure for the industrial parks, the adjoining areas, should be of the highest quality. The power supply, the water supply, the roads coming in and out, the approvals -for things going in and out, should be top notch. The third thing would be aiding the ease of doing business via quicker interpretation of taxes in a more streamlined and simplified manner. There should be a single window to execute this at a scale.



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IT & Social Infrastructure

The new pillars for disruptive technology

If there were a time to be in Information Technology, it is now

A few months ago, after the elections, the Prime Minister Narendra Modi, declared that he wanted India to become a US \$5 trillion economy by 2024, the year for the next General Elections in India. We are currently a \$2.8 trillion economy and to become \$5 trillion economy by 2024, the economy must grow by 12% a year in dollar terms. To put this in context, India's current GDP in real terms is hovering around 6%, which is much lower than expected.

Some more details to ponder: 74% of the Indian doctors cater to a third of the urban population, only 11% of the population has health insurance, 40% of the roads are unpaved and national highways only constitute 3%.

There are only 19 bank branches per 1 lakh adult population and 9 per lakh in rural. India is at a threshold of a huge socio-economic transformation, characterized by rapid growth trajectory and surmounting challenges - rapid urbanization, strained infrastructure, growing per-capita incomes and unbalanced urban-rural growth.

Massive infrastructural development, easing credit, and major structural changes in agriculture brings more GDP to the country. For this, states will have to become the key agents of growth to help India achieve the target of becoming a USD 5 trillion economy. They must work together and learn from each other to radically transform India. States must double and triple their GDP and implement major structural reforms in various sectors like agriculture and labour. They have to put emphasis on



Rajeev Garg

CFO, Hitachi Systems Micro Clinic Private Limited writes about the contribution of technology and innovation towards attaining US \$5 Trillion economy.

This would be “challenging but achievable”.

Increasing the size of the economy is intertwined with per capita income, purchasing power of people, rise in demand, production, expansion in manufacturing and services across sectors, and employment.

There is a big change fuelled by technologies such as “integrated IT and OT”, Automation, Robotics, Machine learning, Artificial Intelligence, and Big Data that is changing business models, manufacturing practices, agricultural output, customisation of services and definitively changing the lives of people forever.

The trend points such as 225 million online consumers, around INR 4 Billion hotel reservations by 2020, 3.5 million rides a day through online car services, 2.5x increase per year

via digital payments and about 32.5 million online video streaming services consumers by 2024. IT sector has transformed the way companies produce and sell their goods and services while opening new markets and launching new models. Innovation is an enabler of higher productivity. It helps to produce more or generate greater output with same quantity of inputs which results into growth of economy at a faster rate. Great product doesn’t just happen, it needs a lot of innovative ideas, people, and processes with the help of innovative business models.

Organizations and Government will focus on automation and creating command centres for each of their independent entities be it in Central Government, State Government, Banking and financial sector or other public sector enterprises. All this can’t come from government alone so private sector too has to pitch in and Private Public Partnership (PPP) will be the key in achieving this herculean task.

Where is the Prime Minister getting this confidence from?

Well, some facts that make a case for contemplation and analysis are

Over 200 million upper income households

77% millennials or Gen Z

Top ten fastest growing cities in the world

Over 50,000 rural towns coming up and More than 627 million internet users

IT Infrastructure and services organizations have huge opportunities around retail, content and entertainment, health diagnostics and healthcare, knowledge sharing, manufacturing, and governance. The social engagement models in a large mobile demography environment is driven by analytics delivered from the cloud and most importantly it will see capabilities, expertise dramatically change from pure technology to a business-technology engagement encompassing business models.

If there were a time to be in Information Technology, it is now. Every facet of business be it financial, production, people, process will require analytics led, socially engaged pervasive computing.

Social infrastructure, IT solutions, healthcare solutions, automotive solutions, consumer durables, FMCG retail need development in terms of superior, original technology products which can then deliver innovations that answer society’s challenges. Organizations need to gear up to be a part of this changing environment and become an ‘Innovation Partner’. It does require expertise to formulate information technology strategies that help companies improve IT costs and agility. Organizations have opportunities immediately around innovative, cost effective and comprehensive payment solutions for banking and financial industry, intelligent transport system, end to end IT services and software solutions.

The rapid expansion of data will continue to give companies more data about customers that will enable organizations to customize the product suite as per the customer’s needs.

In a vast and densely populated country like India, harnessing such voluminous data and its analysis has a wide-ranging impact. Not only, will it help in understanding the trends and investment, it will also aid in understanding the future demands that will significantly impact business decisions. This would result in companies undertaking timely measures to ensure smooth transitions for both short and long term growth of organizations and the economy.

The opportunity is before us. The possibility is realistic. Will it become a reality? Let’s wait and watch.

The opinions expressed in the article are the author’s own.

URBANISA

is the key to development



Ulka Kalaskar
CFO, Pune Smart City

The Need

We are moving from \$3 Trillion dollar economy to \$5 Trillion dollar economy by 2025. This year we are likely to overtake the UK to become the fifth largest economy in the world. In order to achieve a \$5 Trillion dollar economy, a nominal growth (real growth + inflation) of 12% every year is needed. Since the RBI is mandated to keep inflation at less than 4%, it means that actual growth rates have to be at least 8%. Finance Minister Nirmala Sitharaman had indicated in her budget speech that technology and digitization will play a crucial role in achieving the \$5 trillion milestone by 2024. "Use of technology to create smart cities and ease of living, all that is work in progress. The smart cities project is the fastest implemented project anywhere in the world," the minister said.

The government has a massive poverty alleviation agenda, probably the biggest yet. The poverty headcount ratio in 2011 measured 21.2 per cent of India's population, earning less than \$1.90 per day. A \$5 Trillion Economy will make India a global economic powerhouse and become a less poorer nation by 2025.

T I O N



Image source: Shutterstock

The Roadmap

India needs \$1 trillion exports to become a \$5 trillion economy

High export growth rate is crucial for India's goal of becoming a \$5 trillion economy by 2025. To achieve this objective, the economy will have to grow at an average rate of 8% during the next four years. India's exports will have to grow at an even higher rate. Services contribute to 56.5 per cent of GDP. So far, IT sector has been the star, based mainly at Urban centres, exporting over 80 per cent of its \$150 billion turnover.

Services on the rise

Travel and tourism, health, and professional services can be the other star service sectors. Better delivery of infrastructure, education and essential services through Urban Local Bodies (ULBs) would also create a large number of jobs and growth. The travel and tourism sector created 40 million jobs and contributed a significant 10 per cent to GDP. Considering the variety of experiences India

offers, the sector can grow manifold with project-driven investments in budget hotels, medical tourism, tourist safety, and top 100 attractions. Swachh Bharat Abhiyan driven through ULBs is an attempt to make India more beautiful and attract more tourists.

While most of the Indian workforce is still employed in the agricultural sector, it is the services sector that generates most of country's GDP. In fact, when looking at GDP distribution across economic sectors, agriculture lags behind with a mere 15 percent contribution. Some of the leading services industries are telecommunications, software, textiles, and chemicals, and production only seems to increase – currently, the GDP in India is growing, as is employment.

Projections are that by 2031, about 600 million Indians will reside in urban areas, an increase of over 200 million in just 20 years.

Increasing urbanisation

The world is increasingly becoming urban and India is playing a big role in the global demographic shift. India alone will account for nearly a fifth of global growth in urban population by 2050. More than 2/3rd of the world will be urban in 2050

India will lead the world in Urban Growth

Growth in urban population (2018-2050)



India will have 7 mega cities by 2050

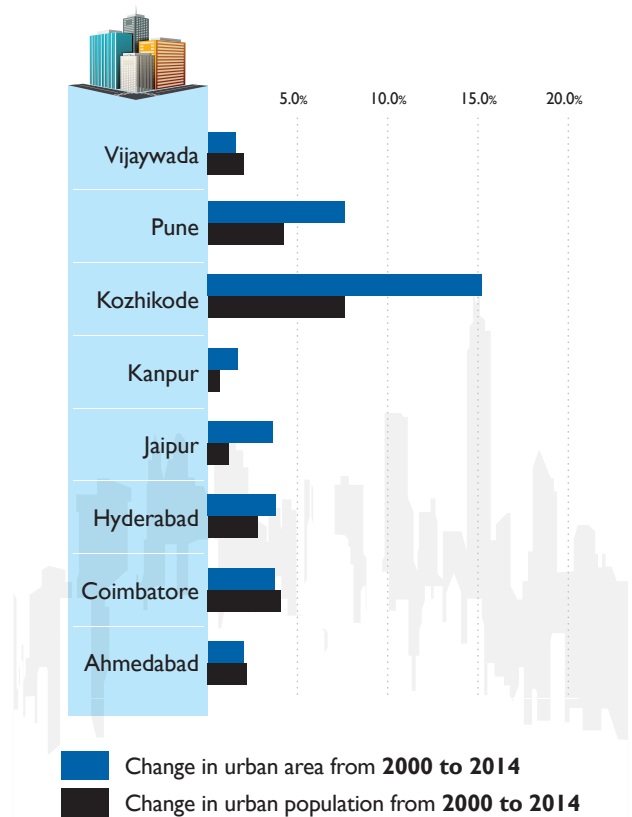


Image source: Shutterstock

Main reasons behind the growth of services include rapid urbanization - bringing ULBs into spotlight, the expansion of the public sector and increased demand for intermediate and final consumer services. Access to efficient services has become crucial for the productivity and competitiveness of the entire economy. About 377 million Indians comprising of about 31 per cent of the country's population, live in urban areas according to Census 2011.

With the more rapid growth of the Indian economy in recent years, which is expected to continue, the rate of urbanization will increase. Projections are that by 2031, about 600 million Indians will reside in urban areas, an increase of over 200 million in just 20 years. Urban areas are engines of economic growth. Urbanisation increases avenues for entrepreneurship and employment compared to what is possible in dispersed rural areas. It thereby enables faster inclusion of more people in the process of economic growth.

Although the theme of a 'rural-urban divide' still colors some policy discourse in India, there is a growing recognition that urbanisation is necessary to realize India's growth potential, and that rural-urban linkages must be strengthened. Indeed this will accelerate growth of the rural sector also, putting ULBs all the more central to India's growth. The need to adopt a unified approach to achieve planned, inclusive and sustainable urban development through ULBs has long been recognized for making our cities engines of inclusive growth.

Lessons from China's urbanisation model

In China, multiple incentives for local urban growth, has resulted in massive growth of a formally housed new urban middle class. In India, on the other hand, urbanization, although slower, occurs outside of formal institutional processes without adequate financing and delivery of public goods and services. China has associated urbanization with broad-based improvements in wages and living standards. Since 1988, China has framed urbanization as one of its top priorities to absorb surplus rural labor and ensure economic growth.

Massive urbanization is occurring along with infrastructure development, but without the emergence of a large informal sector. At the same time it has experienced rapid increase in GDP and drop in extreme poverty. High ranking officials have emphasized the importance of urbanization for China's sustained development. For example in 2005, Chen Yuan, Governor of the China Development Bank wrote that "Urbanization is the most important and enduring force in stimulating consumption and investment in China's domestic economy.

It is also the engine to simultaneously propel China's economic and social development." India, on the other hand, has experienced slower economic growth and a slower rate of urbanization, accompanied by rising urban poverty rates (although rural poverty levels have declined).

Nonetheless, much of the urbanization is happening informally, with neither the provision of adequate infrastructure nor the presence of a strong municipal governance structure, essentially to be fixed through ULBs for our journey to trillion club.

Role of ULBs

Successful management of India's urbanisation would not only require a significant step up in investments for urban improvements, but also emphasis on measures to address the glaring weaknesses in urban governance and management. In addition, reducing urban poverty has emerged as a major thrust area in managing our cities.

Hence making an effective Financial plans (CAFO's role) that indicate the sources of funds, innovative financing like Municipal Bonds for infrastructure creation for cash strapped Municipal Corporation is the need of the hour required for the holistic urban development of a city along with Development plan is the major role of ULBs. Modern financial instruments can prove as panacea to cash starved corporations. In spite of numerous advantages of Municipal Bonds and similar financing instruments, India is far lacking in its efficient usage due to lack of awareness.

Challenges for ULBs

The first challenge is to significantly step up infrastructure and investment conducive for creation of jobs in the urban sector. The second set of challenges before the ULB is to guide the process of urbanisation and ensure that basic services, for example, sanitation, water supply, and basic housing are provided to urban citizens expected to be around 600 million within 20 years. If these challenges are not tackled expressly, not only would India's cities get increasingly chaotic and choked, rural poverty will be converted to urban poverty with no gains to improvement of livelihoods of India's burgeoning population.

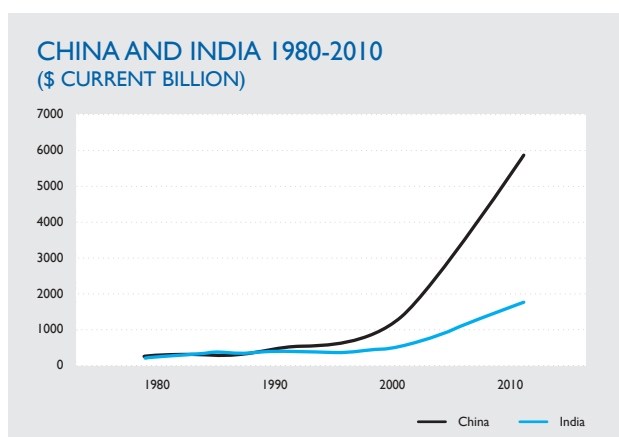
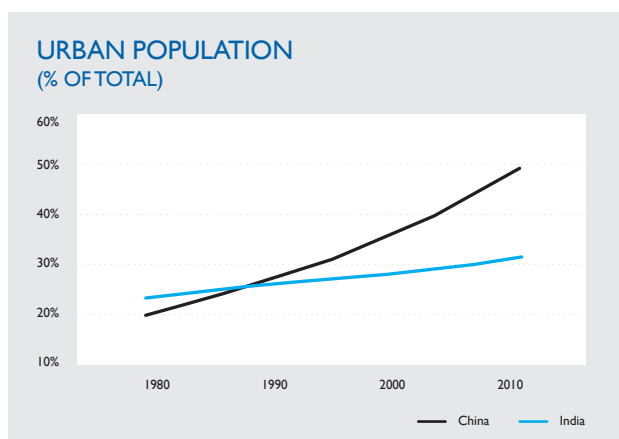
Conclusion

A \$5 Trillion economy cannot be expected to end all our economic woes unless it is accompanied by job growth, equality of opportunity and better health & education. It is important not only to worry about achieving this short-sighted goal but also worry about how we would want the \$5 Trillion economy to look like.

India at the moment is going through a serious job crisis, agrarian distress is at its worst, and private investment, which Economic Survey suggested shall be the most important contributor to India's growth, is slowing down. In such a situation it is not only important to have ambitious goal targets, but it's equally important to make them in line with solving the problems of the present. The most common error when equating development with GDP number is ignoring the fact of the distribution of resources. It is possible, and indeed most likely, that most of the growth in the next 5 years will come from only a few richest individuals in the country while incomes of the poor remain stagnant or grow at a very slow pace.

We can collectively cross macro headwinds in our journey to \$5 trillion economy with the contribution of each stake holder and build a new India.

The opinions expressed in the article are the author's own.



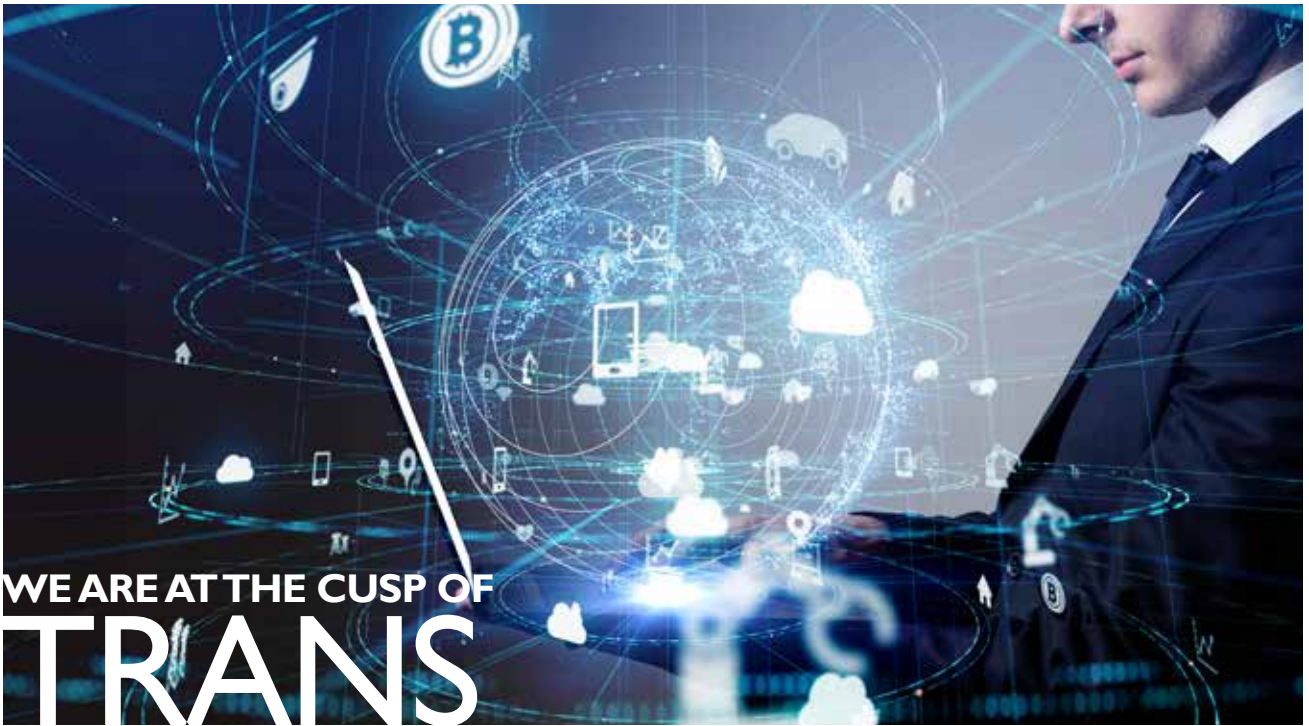


Image source: Shutterstock

WE ARE AT THE CUSP OF
**TRANS
 FOR
 MATION**



Praveer Kumar Surana

Vice President and Head of Finance, Atyati Technologies writes about how India could capitalize on its strengths to become an economic super-power.

India has an important role in the world economy today, capitalising on the demographic profile, stable macroeconomic policies and continuing structural reforms since 1991. India remains among the world's fastest-growing large economies, its contribution to global growth is set to go up, while those of more mature economies would slow down.

India stands on the cusp of a transformation that could lead to unprecedented economic growth combined with significant improvements in the Human Development Index. We need to create at least 10 million jobs every year in the next decade.

The key reforms undertaken to boost the economic growth include the Goods and Services tax (GST), robust monetary policy framework, Insolvency and Bankruptcy Code (IBC), liberal FDI regime and the significant improvement in ease-of-doing-business rankings.

While India has been one of the fastest-growing large economies in recent decades, investment growth has been comparatively modest and formal job growth has been insufficient. This creates challenges for creating jobs for a young and growing population and sustaining inclusive growth.

To propel India to USD 5 trillion economy by 2024, India needs further progress in reducing fiscal deficits, greater foreign direct investment (FDI) liberalization, and investment in people-centric innovations.

How Technology and Financial Inclusion could contribute to attaining the USD 5 trillion Economy milestone

The increased focus on financial inclusion has provided greater impetus to sustaining inclusive growth. Financial inclusion and the last-mile delivery of financial products would continue to be the key focus areas of the policymakers.

Financial Inclusion entails ensuring access to financial products and services needed by the vulnerable groups such as weaker sections and low-income groups at an affordable cost in a fair and transparent manner.

Technology can ensure financial inclusion through easy, affordable, secure, and timely access to financial products and services. Emerging technologies can expedite the lending processes of financial institutions by interpreting repayment patterns and discovering complex linkages of creditworthiness with non-financial data such as education, age and geography, and psychometric data such as cognitive biases, emotional stability, etc.

By building stronger competitiveness and improving industrial dynamics, innovation in this sector will help in lowering the cost of delivery by simplifying the processes and ensuring faster delivery, thereby leading to greater efficiency and higher growth in the economy.

Policy reforms needed

The policy reforms need to be targeted at creating an environment in which businesses get the urge to take risks, making them believe that in doing so they could get supernormal returns. The objective should be to promote fair and effective regulations that conform to the business climate.

It is difficult to strike the perfect balance between regulations and free enterprise. The will to undertake reforms will require a complete change in attitudes. The Government needs to facilitate the ecosystem, enable the smooth flow of capital, and reform regulations and procedures to facilitate entrepreneurship.

Unlike China, our manufacturing sector remains relatively small, reflecting major rigidities in labour and land policies. By providing disincentives to hire more, these rigidities stifle productivity growth and formal sector job creation. Labour laws, which currently number around 250 including both the federal and state laws, need to be streamlined. Labour market rigidities push down female labour force participation, which is among the lowest in peer countries. Reforms to hiring and dismissal regulations would improve productivity, facilitate job creation to support the large demographic dividend. The policy reforms shall facilitate innovation to focus equally on business-to-business (B2B) deliveries.

Implementation of structural and financial sector reforms with efforts to reduce public debt remain crucial to boost economic growth. Strengthening financial sector balance sheets, including through accelerated resolution of non-performing assets (NPA) under IBC framework, should be reinforced by enhancing governance of banks.

Challenges and opportunities

India's spending at around 1% of GDP on health and around 3% of GDP on education pose the biggest challenge to the human capital foundation for growth.

India has around 50 million small and medium enterprises, and hence their impact on the economy is significant. They contribute ~46% to the manufacturing output, account for ~40% of total exports, and play an important role in job creation. However, the regulatory environment is difficult for them in terms of multiple procedures and the cumbersome processes required to start a new business. As a result, ~95% of SMEs remain unregistered, which leads to issues such as shortage of skilled workers, limited market exposure, and restricted access to growth capital. India needs to develop physical and digital infrastructure to stimulate the growth.

The benefits of demographic dividend and a huge domestic market puts us in an advantageous position to become USD 5 trillion economy by 2024. However, the growth is contingent upon improving competitiveness, attracting more foreign and domestic investment, creating enough employment opportunities to absorb the growing population and overcoming the challenges of exclusion and inequitable distribution.

The job-enriching growth strategy that leverages all sectors of the economy in a balanced way will reduce the risk of wage and employment pressure. India's way forward is to innovate in new products, services and delivery channels that require new and high-

demand skills. Measures to reduce administrative and regulatory burdens, enhance labour productivity, improve governance, strengthen competition and implement land reforms will boost potential growth.

India needs to rethink its fuel supply and boost its power-generation capacity. The policies enabling the development of infrastructure for the use of alternative energy sources and expansion of energy production need to be put in place.

Reforms in the financial sector will encourage greater private participation in banking and support more efficient allocation of financial capital. This will raise the productivity of investments, which will further catalyse GDP growth.

India's economic growth could serve as an example for the much of the developing world. If India can take its economy to USD 5 trillion by 2024, it will have great significance for other developing economies. To achieve this, the Government and the private sector will have to work together closely.

While the GDP of USD 5 trillion will make India an economic super-power, unless the issues of inequality and underemployment are addressed, the sustainability of growth will remain a question.

The opinions expressed in the article are the author's own.

BFSI Sector: India's Growth Pivot

How the BFSI sector can contribute to make India a \$5 Trillion Economy?

by **Siddharth Mehra**



Image source: Shutterstock

P rime Minister Narendra Modi has a vision of making India a \$5 trillion economy by 2025. India is now a \$2.7 trillion economy, having grown by a trillion US Dollars in the last five years. India's GDP grew at an average of 7.5% in the last five years and putting aside considerations like rupee depreciation, must grow at 8% to reach the \$5 trillion goal. Inflation needs to hover around the 4% mark to ensure a proportional rise in purchasing power. Inflation which was on a declining path had spiked to a 16-month high of 4.62% in October. This needs to be controlled to get to the \$5 trillion target.

The BFSI sector, in particular can play a pivotal role in contributing to building a US \$5 trillion economy. The life insurance space has seen growth in recent times, as youngsters opt for pure protection plans and there's higher demand for annuity, pension and other retirement products among traditional customers. Pure protection plans offer higher protection at lower premiums. The low availability of government sponsored social security schemes and rising awareness on retirement planning has contributed to this rise.

The life insurance sector could see a growth of 14-15% a year, with expanding insurance distribution in the rural areas and a rise in sales of online plans. The Government

launched Ayushman Bharat Yojana program in 2018, aims to provide health insurance to 10 crore families in India. Insurers see massive cross-selling opportunities in the health insurance sector with the launch of this plan. The insurance sector is laced with problems like a high lapse-ratio, uncertainty in the regulatory landscape and low income of individual agents. These problems must be solved to achieve double digit growth.

The insurance sector needs reforms to propel it to the next level. Persistency, or the number of life insurance plans that get renewed in a given year, is a benchmark for ethical sales practices. Insurance agents have been arm-twisting the insurance regulator with threats of attrition, against any hard measures to boost persistency. IRDA had attempted to shore up persistency numbers, by mandating a minimum achievement on this key business parameter for the renewal of an agent's license.

The roots of mis-selling also lie in the commission structure paid by insurers to agents. Parity between commissions on the sale of all types of life insurance plans is the need of the hour. Reforms are needed in traditional insurance products if India is to become a \$5 trillion economy. The Government mandates 50% of funds mobilized from traditional life insurance plans to be deployed towards Government Securities. Traditional plans are locked-in long term products and IRDA must consider hiking the allocation in equities to earn double digit returns if India is to see growth in this space.

The Government's decision to consolidate 10 public sector banks into four mega state-owned lenders is the building block for achieving the USD 5 trillion economy target. The country would have globally competitive banks with wide-ranging synergies. Mega Banks with stronger lending capacities have a wider reach and offer better products and



Siddharth Mehra
CFO, India Money

services. The banking sector would be technology driven, responsive and clean, supporting all players in the financial sector.

MSMEs are crucial to economic growth, job creation and local development, employing nearing 12 crore people across the country. These engines of growth badly need access to bank credit. The banking sector allocates a mere 5% of the portfolio to small enterprises. The small industries which do have access to bank credit are forced to borrow at exorbitant rates of 25-50%.

The share of loans to MSMEs rises as new players get banking licenses. A competitive banking sector whose core business is to lend, focuses on the growth plans and credit history of the small enterprises, sanctioning loans to the best of them at competitive rates. Better credit information systems, sharing of company information and tax filing reduces asymmetry of information between lenders and small enterprises, lowering credit rates. This would be a boon to an industry which employs nearly 40% of the workforce and contributes significantly to the GDP.

The GST collection must consistently break the Rs. 1 Lakh crore barrier each month as the Government brings more goods and services under the tax net. The same applies to personal income tax which must see a cut in tax rates over the next five years. Corporate investment is bound to follow with better capacity utilization, boosting corporate credit growth. This increases job opportunities and boosts consumption as people focus on the quality of life.

Public Sector banks are saddled with non-performing assets to the tune of more than Rs. 8 Lakh crores, impeding their ability to lend. This hampers lending to genuine borrowers as banks concentrate on recovering previous loans. In spite of the RBI repo rate cuts, banks are not able to pass on lower interest rates to borrowers as they make provisions

Industry AuM has grown from INR 17.5 trillion in March 2017 to a massive INR 24.5 trillion in July 2019.

for potential losses. The new rules set under IBC are the answer as India's bankruptcy laws come of age. Banks are able to keep unscrupulous promoters away with the primacy of secured creditors in asset-sales proceeds.

Non Banking Finance Companies (NBFCs) play an important role in promoting inclusive economic growth, extending low-cost credit to MSMEs and unbanked customers. This sector is in doldrums with asset-liability mismatch, absence of robust government controls, low corporate governance and regulatory supervision leading to a liquidity crunch. NBFCs must come out of this hole and enhance revenues for India to become a \$5 trillion economy. A focus on MSMEs with dynamic operating models, synergistic alliances with Fintech firms, targeting merchants and suppliers in the e-commerce market and an increase in fee income through advisory services makes for fit-for-future NBFCs. NBFCs convert savings to investments, generate employment, attract FDI, contribute to wealth creation and help develop the core sectors.

The corporate bond market has been stagnant for three decades. The debt market is dominated mainly by government bonds and securities. Indian Companies issue bonds with semi-annual interest payments. These bonds have limited investor base and poor liquidity. In sharp contrast, the International market enjoys

high trading volumes in the debt market. Liquidity is high with buyers and sellers trading in bonds with low credit ratings for high payoffs. Companies can raise funds for major infrastructure projects with long gestation periods, without having to depend on government funding.

For India to replicate this, the Government must look to deepen the market for long term bonds with a specific focus on corporate bonds. Corporates must be forced to go to the bond markets to raise funds and ease the pressure on banks. Investors could invest in lower rated corporate bonds and enjoy higher returns. This is a win-win for both the investors and the industry.

The Mutual Fund Industry has grown by leaps and bounds. Industry AuM has grown from 17.5 trillion in March 2017 to a massive 24.5 trillion in July 2019. In spite of this, just 2% of the population invests in mutual funds compared to a much higher figure in developed countries. Mutual Funds have the potential to cross Rs. 100 trillion in AuM in the next decade. To achieve this target, the investor base must increase from 2 crores to 10 crores. The industry must build a robust and sustainable network in tier 2 cities, bring the middle income Rs. 3 Lakh to Rs. 10 Lakh household under the mutual fund ambit and increase penetration of mutual funds in overall savings.

The trinity of risk management, lower costs and improved efficiency can be used to deliver an improved customer experience. The industry must innovate with digitalization, partner with fintechs and small finance banks, and leverage technologies like AI and machine learning to improve self-governance. Simpler on-boarding norms, the launch of focused social programs and consistent taxation norms would propel the mutual fund industry into the Rs 100 trillion AuM and India into the \$5 trillion club.

The opinions expressed in the article are the author's own.

FUNDING IS THE KEY FOR REAL-ESTATE SECTOR



A. Srinivasa Rao

Chief Financial Officer, My Home Constructions Private Limited highlights the importance of the support from the banks and the government in the growth of real estate sector.

Time and again, we would have come across the fact that the Real Estate Sector is the second largest employer in the country and is next only to the agriculture in India. The dream of the every Prime Minister of India and more so of the current Prime Minister Shri Narendra Modi is to have the Housing for All. We always hear that the changes brought in the GST Law and other laws that affect the real estate are initiated only to act as stimulus for growth in the Real Estate Sector, but the reality God only knows. If all these measures are true and everyone is really supporting the sector, then it should have been shining much better than any other sector in India. No one needs a professor's support to state that this industry is suffering with lack of fuel (money). The organised Real Estate Companies have started facing more troubles with demonetisation, RERA, changes in GST, weakening NBFC's health, lack of support from the banks, understanding of the taxation troubles being faced by this Industry etc., apart from the quite precarious condition of the unorganised real estate sector in the country. It is a known fact that several thousands of innocent customers suffered due to non-delivery and/or delayed delivery by the developers across length and breadth of the country.

As the name suggests, the investment in this sector creates "Real visible asset" and not much of math or statistics is required to justify the investment. We often hear that the REIT market world over is bigger than the equity market cap in stock exchanges as the REIT has visible Real Estate Assets as underlying investment. Had this not been true, several international investors like Blackstone,

GIC, Xander, Brookfield Asset Management, Abu Dhabi Investment Authority etc., would not have invested billions of dollars in this industry. Understandably, based on their investments in the Commercial Real Estate, they are aiming for the substantial control of the organised Commercial Real Estate in major cities in India. The first REIT launched in India has been very successful and several other players are planning to follow the same. This is sufficient to draw an inference that there is merit to have real estate as asset.

In my opinion the least affected industry, despite several technological changes is the Real Estate (Commercial, Residential and other Real Estate forms) and disruption to this sector with the changes in habits of human kind also is the least as after all we need to have the buildings to live in and work in and thus the thrust for the growth in this sector is similar to the infrastructure in the country and is a never ending business. More so with the changing habits and want of sophisticated and advanced buildings, this industry has potential for long term growth, especially in India and growing beyond having a sheltering space between the walls.

Real estate sector comprises four sub sectors - housing, retail, hospitality, and commercial. Real estate sector in India is expected to reach a market size of US\$ 1 trillion by 2030 from US\$ 120 billion in 2017 and contribute 13 per cent of the country's GDP by 2024. Retail, hospitality and commercial real estate are also growing significantly, providing the much-needed infrastructure for India's growing needs.

(Report published in [www. ibef.org](http://www.ibef.org))



Image source: Shutterstock

Realising the \$5 Trillion Economy Milestone by 2024 without the double digit growth in the Real Estate Sector is impossible and such double digit growth is not at all achievable unless the Builders or Developers in this industry receive the required support.

A large number of developers in this industry are completely dependent upon funding from the NBFCs/PEs as the financial support to this industry is quite limited due to several regulatory restrictions. Collapse of the NBFCs in the recent times is mainly due to over leverage and Asset-Liability Mismatch (ALM) and this has seriously impacted the Real Estate funding and many Real Estate Companies are suffering at no fault of their actions. This obviously will impact the growth of the Real Estate sector and consequently the growth of the country. Even if a structure is completed with the abnormal interest costs it has become costlier than the original cost. Unless Real Estate Sector is supported with sufficient funding, India reaching \$5 Trillion Economy is a myth.

India is projected to have a USD 9 trillion economic opportunity by 2030, wherein the per capita income could touch USD 5,625 for a population of about 1.5 billion and required annual spending on infrastructure will touch 7-8% of its GDP.

- By 2030, residential real estate has the potential to almost double from the current stock of 1.5 million units in key cities
- Office stock to grow from 600 mn sq. ft. in mid-2019 to 1 billion sq. ft. by the end of 2030; flexible to become mainstream – comprise 8-10% of the total office stock
- Warehousing stock to touch 500 mn sq. ft. by 2030; share of grade A stock to witness continuous increase
- Retail shopping centre stock to cross 120 mn sq. ft. by 2030

CREDAI - CBRE report – August, 2019

Unless Real Estate Sector is supported with sufficient funding, India reaching \$5 Trillion Economy is a myth.

The need of the hour

The funding model of the Banking sector to this industry has to drastically change and the new methodologies of funding the working capital needs of the industry in lines of manufacturing industry should be explored. Now that the RERA is in place, escrow mechanism of customer receipt also happening, several companies are completing the old non-RERA projects and running the new projects in RERA scenario. For e.g., if the overall excess cash flow in a project is beyond 30% in case of a development project (Residential), the gap of expenditure incurred vs the receipt from the customers can be funded as Working Capital financing similar to that of manufacturing industry. This protects the bank as the amounts funded by them will go only for construction and they have the control on the receipt in the manner of Escrow apart from having visibility of future receivables and potential receipts etc., If required, banks may advise the companies to have each project in a separate SPV or a wholly owned subsidiary and do the needful. In this way while protecting the loan amounts, they can support the developer.

Getting full funding to meet the construction cost of a commercial project is very difficult. As long as the title is clear and the Bank is funding only for the Construction cost, undoubtedly the completed constructed areas' sale value would be higher than the funded value with interest. With this view only so far banks are funding the Manufacturing Companies. Today's problem is lack of sufficient funding to complete the projects and it has several cascading effects disturbing several sections of the society. Banks are not lending, even with a margin, for the purchase of land even in Government auctions which are meant for solely residential construction. Undoubtedly, the current scenario of funding the Real Estate is becoming costly and creating a scary condition for investors.

The old discussion of Special Residential Zones / Special Real Estate Zones (SRZs) can be discussed again for the fresh investment and quality development.

Parting thoughts

Several Indian cities are way behind in terms of ranking for the best cities in the world. In order to improve this ranking, people will need space for comfortable living and working along with other required infrastructure. If we want to be 3rd largest economy in the world and reach \$5 Trillion soon, the Government has to think of the required support to various sections of the real estate sector. If the support is not provided at the need of the hour, even if the Government extends this support at a later date, the owner of such development will not be an Indian or Indian Company. The government needs to ensure that the India's Real Estate development means development with a local ownership.

The opinions expressed in the article are the author's own.

Realizing the USD 5 Trillion Economy

Amidst a challenging and uncertain global economic backdrop where geo-political uncertainty and trade tensions have taken a center stage, India's relative global appeal remains intact, albeit in the medium term.



India's economy took a watershed turn in 1991 with policymakers embracing large scale structural liberalization to not only pull the country out of an imminent Balance of Payments Crisis, but more importantly, to lay the foundations of a stronger economy in the future. At the time when this sweeping change was afoot, India's economy stood at \$275 million, 16th largest in the world. The journey since then has been part of India's popular economic folklore.

The country took 16 years to become 4.5 times its size to eventually enter the billion dollar club in 2007, and in the process became the 12th largest economy in the world. After a gap of seven years in, India added another billion dollars to its economy in 2014 to become the 10th largest in the world. Between 2014 and 2019, India's economy has multiplied 1.4 times with the estimated size for 2019 standing at \$2.9 trillion, the 5th largest in the world. With 2020 marking the beginning of a new decade, India's economy is well poised to make its way into the 3-billion dollar club, a distinction that is currently held by just four countries in the world - US, China, Japan, and Germany.

The 5-trillion dollar aspiration

At the current juncture, there is a palpable buzz generated around India potentially becoming a \$5 trillion economy with the Prime Minister himself turning it into a clarion call for the entire nation in 2018.

The most important collateral benefit of this journey would be the implied elevation of India's per capita income from its estimated level of \$2172 in 2019 to over \$3500, thereby putting the economy on the verge of transformation from low-middle income to high-middle income category. Increasing the size of this economic pie is critical as India, with its 18% share in world population, has an increasingly young and aspirational populace, whose average age is just about 29 years.

Resetting the macro framework

To achieve this on a sustainable basis, the country needs to target a Nominal GDP growth of at least 11% on constant currency basis in the coming decade. This will require a holistic approach to policy making involving all stakeholders in the economy.

India's investment ratio (GFCF/GDP) is estimated to have slipped to a 19-year low of 28.1% in FY20. While slowing global and domestic demand in the post Global Financial Crisis played a major role in this, leveraged corporate balance sheets and policy uncertainty on the domestic front have also inhibited fresh addition to capacity. Policymakers need to make 36% investment ratio as a primary goal with as much as 3-4% of the required incremental earmarked for public investments.

Public investment plays a pivotal role boosting construction and infrastructure. India's demand for urbanization is progressing rapidly with as much as 700 mn people expected to be a part of this wave by 2050, as per a McKinsey study. This will require massive demand for housing and public infrastructure, which has large multiplier effect for rest of the economy. The government has already introduced schemes for Smart Cities and Affordable Housing. These need to be juxtaposed in the federal context with active involvement of states and municipalities.

On the wider topic of infrastructure, the government recently announced over \$1.4 trillion projects under the National Infrastructure Pipeline covering sectors like power, railways, urban irrigation, mobility, education, and health. This is laudable and would need time bound implementation along with private investments, which can be incentivized through a renewed public-private partnership (PPP) mechanism on the lines suggested by the Kelkar Committee.

Getting the right micro fit

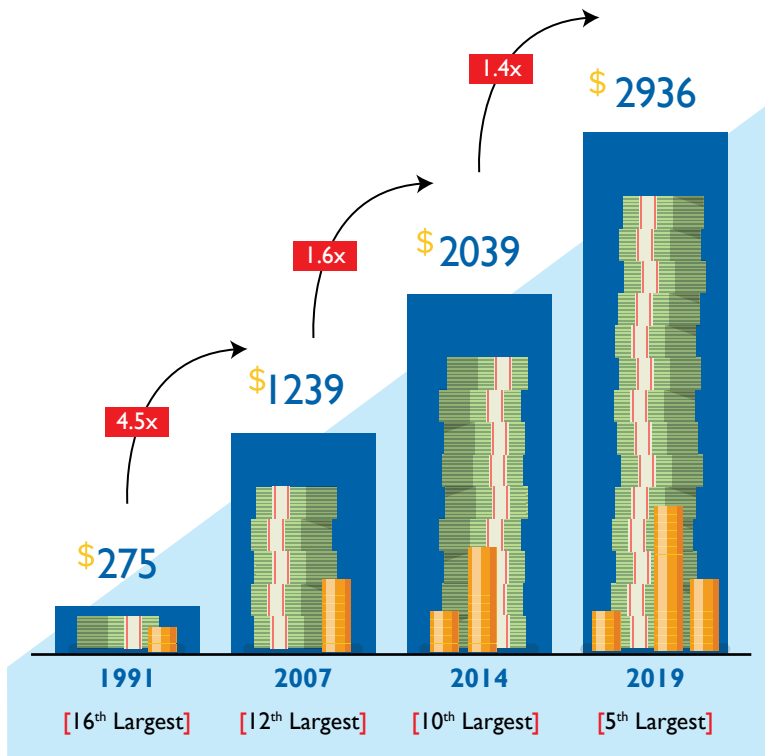
The policymakers also need to ensure that India's manufacturing (and exports) sector remains globally competitive under the Make in India initiative. From a near term perspective, priority should be accorded to rationalization of GST architecture with an unambiguous roadmap for the final construct, phasing out of inverted duty structure in some sectors, creation of global hubs for sunrise sectors (like medical services and pharmaceuticals, electronics, defence, renewable energy, etc.) along with traditional sectors like khadi & handicrafts, food processing, ready-made garments, jewellery, and tourism. In addition, MSMEs (which contribute ~29% to India's GDP) need a facilitating environment for easier access to finance, liquidity, and new age technology in order to drive formalization and scale their operations.

From a medium term perspective, the recent reset of corporate tax rate will go a long way in boosting India's manufacturing capabilities. However to make it successful, policymakers will also need to seamlessly dovetail reforms on land and labor, which are currently archaic. Showcasing of technology and a persistent and attractive nudge towards liberalization by the central government would help states to push for adoption of best practices in factor market reforms.

These policy steps will provide the necessary supply side condition for job creation in the economy, a sine qua non for a country like India that has a significant demographic endowment. This will need to get supplemented with enhancing labor employability through various educational and skilling programs focusing on general rather than specialized vocational training. Further, this will ensure that workers retain their basic cognitive understanding and their skills do not become redundant in the age of fourth industrial revolution.



Indian Economy (\$ bn)



Outlook

It is indisputable that India is a very high potential economy. With advancement in technology along with the concomitant spread of knowledge and sharing economy, the aspirational quotient is becoming strong. Hence, it is imperative for policymakers to embark on the blueprint to convert aspirations into reality. I am hopeful that this would be India's next transformational decade.

Inclusion and sustainability go hand in hand

While the above mentioned steps would help bolster India's economy via the investment-manufacturing ecosystem, we also need to ensure that growth is inclusive, lest its sustainability could be challenging. In this context, the following areas need special attention:

- **Rural and Agriculture Sector:** Nearly two-thirds of India's population is dependent on the rural sector for livelihood (with ~60% of income being generated from agriculture and the remaining ~40% from allied activities). DBT linked schemes of MGNREGA and PM-KISAN offer considerable policy support and can get potentially expanded. This also needs to get supplemented by formal access to credit and insurance to drive the objective of Zero Budget Farming. In addition, policy framework on MSP and EXIM needs to get predictable along with a wider coverage of e-NAM facility across the nation. Linkages with MSMEs in the field of micro irrigation, warehousing, and processing could give a further fillip to the sector as a whole.
- **Female labor participation:** The idea of an economically strong nation will not see fruition without gender inclusion. India's female labor force participation rate has been declining and currently stands at a historic low of 23.3% in FY18 (against a global average of ~48%). This is starkly concerning and calls for urgent policy intervention in removing socio-economic hurdles to create equal opportunity in the labor market. There is tremendous scope for improvement in provision of specialized skill development training for women, access to child and maternity care, and safe and accessible mobility solutions.

The cover story is prepared by The Business Economics Banking Team of YES BANK.

Going Digital to Drive the Dream



Image source: Shutterstock

How a \$1T digital economy can fulfill the overall target of \$5T economy?

By **Saurav Banerjee**

Ambition is what drives countries and companies forward. It often translates itself into long term targets that then guide tactical execution. However, ambition often ends up being a double-edged sword as overly ambitious targets are usually stillborn. Underwhelming targets are often accomplished with little dissonance but fail to propel the organization into a new paradigm as the process of creative destruction and churn- a critical ingredient for innovation- is never set in motion.

Therefore, when the Honorable Finance Minister announced the target of transforming India into a \$5T economy by 2024, she put forth a tantalizing compromise between an ambitious target and a socio-political aim. Accounting for an average 2% INR depreciation against the USD and inflation targets of <4%, Indian GDP will need to grow at 9% in real terms to achieve this target by 2024. Given the sheer magnitude of what we are trying to achieve, ensuring that our capital efficiency as an economy increases is also critical. Globally, as economies develop, capital allocation becomes more effective and efficiency increases. A large part of it is driven by more information symmetry and increased use of technology. In fact, over the last two decades we have seen technology emerge as a key lever of growth, not only enabling efficiency but also ensuring far-reaching distribution that has redefined our base-case assumptions around scale.

Hence, I believe that the digital economy is going to play a huge role in India's journey to becoming a US \$5T economy. I expect the Indian digital economy to jump from ~300B in 2018 to \$1T in 2024. This means that roughly 30% of the incremental GDP is going to come from the digital sector. And the drivers for the same are already in place.

Just like 1991 was a watershed year in Indian history as we moved towards a more liberal economic model, 2016 will be remembered as the year that truly connected us and nudged us towards a digital future. The launch of Jio and the ensuing telecom war has benefitted the user as data costs have fallen below \$0.1/GB. This has seen Indians across social classes get hooked onto digital services, ranging from food delivery and e-commerce to content and gaming. Similarly, affordable smartphones and the rapid development of IndiaStack (Aadhar, UPI, Digilocker) has enabled companies to scale up rapidly. As our disposable incomes increase, consumer spending is now expected to increase disproportionately as well. Currently, India stands on the precipice of that S-curve and by 2024 will be firmly placed in the upwards trajectory, with a 4X increase in per capita FMCG spending. At the same time, it is not just the quantum of our spending but also the nature of that spending that is expected to change. By 2024, millennials are expected to form ~60% of our workforce. The aspirations of and radical identity assertion by millennials, combined with their lifestyle and digital affinity, will change consumption trends in favor of several new themes such as the shared economy, rentals, challenger brands, social commerce, subscription models, and entertainment.



Saurav Banerjee

Venture Partner, Kalaari Capital

India is likely to witness a unique golden era in the next decade, wherein the confluence of three mega trends - data penetration, millennial dominance, and a spurt in consumption expenditure - will exponentially drive digital consumption and will benefit companies that are either driving or leveraging digital innovation.

This target of a \$1T digital economy will require contribution from three broad pillars to grow. First, the core digital sector, which includes IT-BPM (the likes of Infosys, TCS, WIPRO), communication, telecom services and electronic manufacturing, is expected to grow from ~\$200B in 2018 to ~\$400B in 2024. This sector has been the backbone of our current digital economy since the 90s, growing consistently on the back of services and labor arbitrage while serving the corporations in the west. However, as the world takes a more productized approach towards technology and software, the importance of cheap talent and labor arbitrage will go down. At the same time, as new technologies such as AI, ML firmly establish themselves across industries, these companies will need to significantly retool their business models to find new levers of growth. These businesses represent profit pools in the industry and are expected to generate healthy cashflows and profits for all stakeholders involved.

Second, the burgeoning startup economy will play a pivotal role in realizing this target. Over the last ten years, we have seen the first wave of Indian technology startups. This has mostly been led by first-time founders who have adopted technology to drive solutions primarily for the urban Indian audience. As startup innovation becomes broad-based, we expect ~\$350B in total value created on the back of VC/PE investments worth \$100B. E-commerce GMV, currently around \$35B on the back of 100M shoppers, is expected to increase to ~\$250B by 2024 as innovative models that serve the needs of shoppers beyond metros establish themselves. We are already seeing early signs of that with companies such as Meesho, Shop101 & Mall91 trying to differentiate themselves in the way they acquire and serve this new customer class that is now coming online. Similarly, non-consumption categories such as content and gaming too are expected to increase on the back of this massive user base. To put the magnitude of this user base in perspective, the recent India v New Zealand cricket match at the 2019 World Cup had more than 12M Indians watching it ONLY on Hotstar, while the entire population of New Zealand is less than 5M people!

Such innovations will continue as more Indians take up to entrepreneurship. We are seeing a large number of second-time founders who have already exited their first companies, starting up again. This cohort is scaling up companies much faster now, with a deep focus on unit

economics as they already have the relevant experience. Similarly, key executives from large startups such as Flipkart, PayTM, Ola and Oyo are now breaking off to start their own companies. As an economy, we need to continue to support this entrepreneurial risk taking as the rewards at the end of the rainbow are no smaller than the proverbial pots of gold. And a key driver for this is the voracious appetite these companies have for capital.

Overall, as the low interest rate environment prevails globally, we expect more capital to flow into India as the country remains the only market that can provide high growth at such a scale. As domestic investors also warm up to the idea of value creation through technology, we believe foreign capital will be augmented with domestic institutional capital as well.

Third, the digital transformation of traditional industries. Financial services present a glowing example of how private enterprise piggybacking on public digital infrastructure can lead to massive innovation and value creation. Initiatives such as UPI, Aadhar, e-KYC and Account Aggregators have now made India one of top fintech innovators, globally. Apple is struggling with the payment infrastructure in the US while Indians now make payments as low as INR 10 with the help of QR code. This sector has also presented a case study on how corporates can be nimble while working with startups. Indian banks adopted digi-banking much before their global peers and have continued to create products that exceed market expectations, such as wealth management tools. We expect similar trends across a host of industries such as Agriculture, Healthcare, Logistics and Manufacturing and IoT.

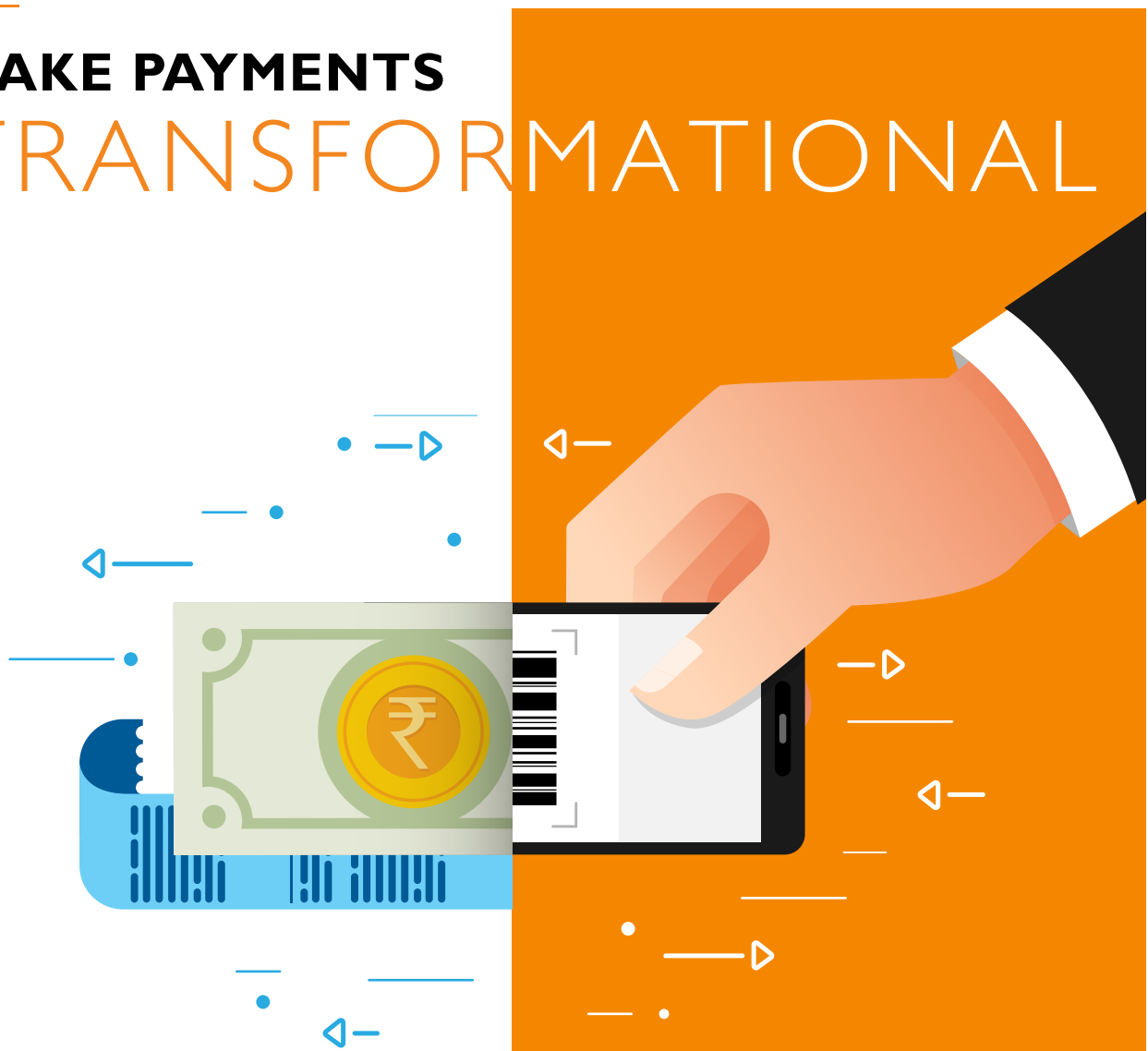
Investing in digital as well as physical infrastructure will ensure that pace of innovation is faster and its reach, wider.

As a large part of it is predicated on attracting foreign capital across greenfield and brownfield projects, we need to ensure consistency while setting up policies across regimes. This will take the guesswork out of investing and make India even more attractive on a risk-adjusted basis. Further, we need to create a robust exit environment as the bulk of this investment is in privately held, illiquid assets. Even though they generate the highest returns, there is limited visibility on exit options in given time frame. This leads to sub-optimal returns and can subdue interest. Creating a framework to establish accessible and deep public markets that can support the scale of current Indian companies will ensure that value doesn't migrate abroad when companies go public. Finally, investing in digital as well as physical infrastructure will ensure that pace of innovation is faster and its reach, wider. This will further create employment and take us closer to the promise of the elusive trickle-down economics.

Ambition has now triggered India's innovation flywheel into motion. While all sectors will have to pull their weight towards this economic transformation, digital economy is set to lead the way and disrupt the paradigm in which we operate forever.

The opinions expressed in the article are the author's own.

MAKE PAYMENTS TRANSFORMATIONAL



The government has been taking steps to make some of our dreams come true, particularly in the last five years. Prime Minister Narendra Modi's recent speeches has made the right noise - India's economy to double from the current \$2.7 trillion to \$5 trillion by the year 2024, thereby positioning India as the fourth largest economy after US, China & Japan. In reality, the growth that is needed to fire-up India's economy has to come from its 28 states. According to a report by CRISIL, states such as Gujarat and Karnataka grew faster than the national average in the five financial years (2013-2017).

It's also interesting how Bihar outpaced all the other Indian states with a spike of 11.3% in GDP. Every district, every state and every union territory now has a more important and exciting role to play! Let's understand the what and how.

Is The Target Achievable?

A definite Yes!

In the budget speech given by our finance minister, Nirmala Sitharaman had mentioned that the Indian economy which was around \$1.85 trillion in 2014, went up to over \$2.7 trillion in 2019. Before that, in the last 70 years, the country was a little less than a \$2 trillion economy. We added \$1 trillion to the economy in just five years. Now we are looking forward to making the nation a \$5 trillion economy. And to achieve this target would mean that India needs to grow at over 8% year after year for the next five years.

With a current growth rate of 7% per annum, the challenge now is to accelerate this growth. This can be done, provided the rupee has a strong pull against the dollar, and if inflation is kept under check. But again, sustaining a growth rate of 8% GDP would be a challenge as India is yet to find favour in aspects like savings, job creation and exports - these factors are key to a country's economic growth.

The cryptocurrency law in India could have been more regulated where players could have been allowed trade with the jurisdiction of the RBI.

The Key To Achieve The Goal

The current government needs to implement radical policies and transformational reforms, some of which has been embarked upon. One such movement is support for start-ups. It's important that the government continues to ease the regulatory burden on startups - this will accelerate momentum on tech innovation. Removal of angel tax for instance was a reflection that the government has recognized startups play a critical role in driving innovation and economic growth for the future.

Window for more foreign direct investments, reduction in corporate taxes, ensuring credit momentum to non-banking institutions, taking back the tax surcharge on foreign investors, single tax system, consolidation of public banks are all great steps to make the economy more efficient. While we retrospect on these aspects, let's analyse what could have been better in the run up to the \$5 trillion economy.

The cryptocurrency law in India could have been more regulated where players could have been allowed trade with the jurisdiction of the RBI. The government could have also worked on the data localisation law closely with big players of the industry such as Whatsapp to make sure that there was no hindrance.

With the mobile phone being the only gateway to the Internet for consumers, it has spurred growth of a huge mobile ecosystem and transformed lives of millions by improving access to education, healthcare, financial



Shashank Kumar

Co-Founder, Razorpay

services, retail, among others. While it's important to think about financial inclusion for consumers, there's very little attention paid to financial inclusion for businesses. There's a dire need for payments and banking to be made trivially simple and accessible for businesses, so that the entire ecosystem including consumers and businesses witnesses an inclusive growth which in turn will impact the overall GDP.

This digital tech infrastructure development also requires a scale of investment that governments simply can't achieve alone. Clubbed with foreign and domestic investments, the tech infrastructure will enhance India's influence and make it the next global tech hub. The potential to tap into international markets and bring in new sources of capital and expertise will make India an attractive destination to long-term global infrastructure investors.

Razorpay's Pivotal Role

In continuation to what I said earlier, there's no denying that India has witnessed a relatively progressive acceptance and adoption of FinTech innovation in the last couple of years. However, one of the major challenges in digital payments beyond awareness that continues to be a major concern for businesses is the lack of efficient technology infrastructure, especially B2B payment technologies, ones that can help manage the entire money movement within an organisation.

Opening a new world of opportunities, Razorpay has been actively involved in recognising and solving for new age banking problems, ahead of time. Building new intelligent technologies that powers financial systems of businesses to do more has been the core differentiator for us at Razorpay. My team believes that fintech in India has moved beyond just accepting payments and being transactional to transformational and impactful.

It is of supreme importance to always recognise a market not being catered to, identify challenges and provide a wholesome solution, at scale. Having built solutions for payment acceptance and disbursement, there was also a need to address other challenges in the industry around payment management such as payouts and lending to be able to serve for India's huge underserved business community. The idea was to be able to embrace cash-rich traditional sectors such as Education, Government, Insurance and new age e-commerce companies to adopt digital payments, with tech solutions beyond payment



acceptance and disbursement and hence launched the neo-banking platform, Razorpay X and the lending arm, Razorpay Capital last year.

Enabling Credit for Startups and SMEs, improving banking experience for businesses via increasing usage of Current Accounts and payment and digitisation support for freelancers are some of our focus areas which will expand our horizon in payments and banking and solve new challenges for ambitious businesses who are wanting to disrupt the Indian economy. We intend to continue to work closely with banks to increase their penetrations through direct sourcing and direct partnerships. We want to make banking trivially simple and accessible for our partner businesses so that while they focus on building new ideas, products and experiences, we take care of their concerns around financial processes.

With Credit Cards, Razorpay hopes to improve the payment infrastructure and solve challenges around access to credit, short term credit, reconciliation, expense filing and help businesses lead a healthy financial life. Our partnership with YES BANK for innovations such as eNACH and disbursements has helped drive digitisation and API based banking among new age and traditional business alike. In traditional cash-rich sectors such as government and education, our partnership has helped bring down operational and other significant manual costs through increased adoption of financial technology. E-NACH & e-Mandate are new payment services which replace the

physical mandate system of ECS, allowing anyone with a bank account to easily automate recurring payments, thereby reducing the payment processing time by nearly 80%.

With continuous innovation, our desire is to take FinTech to its next level for all our partner businesses and their consumers. Today, payments and banking aren't transactional anymore; they are transformative and impactful, and the only way to stay relevant and impactful is by creating value for businesses in an ever-evolving environment.

We look forward to India becoming a 5 trillion dollar economy by 2024, though it's a dangerous projection, we want to do our bit and encourage others to do theirs so that together we can make this happen.

The opinions expressed in the article are the author's own.

Increase in ice-cream consumption to Boost growth



Saurabh Kasat

CFO, Dairy Classic Ice Cream Pvt. Ltd. writes about the development of the Ice-cream and frozen desserts industry



Recently, Indian government announced an ambitious yet achievable target of making India a US \$5 trillion economy by 2024.

This will also make India a global economic powerhouse catapulting it to the 3rd largest economy (from 7th largest at present) at current exchange rates. In order to achieve this, our economy needs to grow over 13% every year and for this,

the contribution must come from all industries especially the consumption-driven sectors.

During 2014-19, ice cream & frozen desserts industry has grown at a CAGR of 16-17% and reached a size of Rs. 15,000-16,000 crores. For next 5 years, i.e. till 2024, the industry is expected to continue this momentum and cross Rs. 30,000 crores. With such growth rates, Indian ice cream & frozen desserts is one of the fastest growing segments within food processing industry.

Key Drivers and Opportunities for the industry:

1. India's per capita consumption of ice-cream is just 400 ML per annum as compared to 22,000 ML for the US and 3,000 ML for China, offering huge growth opportunity.
2. Various MNCs such as Unilever, Lotte, General Mills etc. and large Indian companies such as Amul, RJ Corp, Hatsun, Vadilal have been active in this industry. Regional but fast-growing players like Dairy Day have attracted PE investment.
3. Significant improvement in cold chain infrastructure (both for storage and transport purpose) has enabled brands in scaling up across geographies.
4. Introduction of new formats like sandwich, extruded products and innovation in flavours such as ethnic varieties (paan, gulab jamun, gajar halwa) have created a lot of excitement in consumer's mind which tempts them to try new things hence leading to industry growth.
5. Rising middle class and upper middle-class population with increasing disposable income are key macro-economic drivers fuelling growth.
6. Consumption shift from colas and traditional sweets to ice-cream is likely to be the next big trend as Ice-cream offers best alternative for sweets and cool

drinks together. Ice Creams are gradually entering the mainstream as an after-meal dessert option.

7. Formalization of sector and shift from unorganized to organized present huge potential to scaled up large players. At present, only 50-55% of the market is organized.
8. Rising affinity for premium and healthy ice-creams offers a great price premiumization opportunity, which will enable companies increase realizations and margins. Ice-Creams, like other food products, are also experiencing the discerning consumers who are willing to pay a premium for superior ingredients / quality. Magnum by HUL is a great example of this trend.

While the industry growth is good and there are many drivers leading this growth, the ice cream and frozen dessert industry is also facing challenges, some of which are unique to the segment.

1. The industry is quite fragmented with the largest player contributing ~10% of overall industry and top 5 players accounting for less than 30% of the overall market. There are hundreds of brands focusing on only one or two districts or in some cases only one state.
2. Ice-cream requires high upfront capital investment in manufacturing, storage and distribution infrastructure. On an average, for every Rs. 100 of consumer sale – capex requirement may be as high as Rs. 40-45. High capital requirement restricts many good smaller players in scaling up.
3. The industry derives 40-50% of annual sales in summer season which creates twin challenges for the companies – one is managing supply chain, ensuring no product shortage during peak season and the other is capacity under-utilization and managing fixed overheads during lean season.
4. From the time ice-cream is produced till it is consumed, it must be stored at -18 degree or below. The product shelf life majorly depends on efficiency of cold storage facility.
5. Overall industry's focus on packaging and display at point-of-sale is not comparable with other segments of food processing industry which makes ice-cream less appealing at various places especially crowded recreational places.
6. Almost 1/3 of ice-cream production cost is accounted by commodities like milk, milk powder, sugar, dry fruits etc. which keep on fluctuating, posing pricing challenges to ice-cream producers. Since ice-cream brands can't change MRP frequently, their margins depend on these raw material prices to a great extent.

Despite challenges, ice cream and frozen dessert industry is expected to grow much faster than the overall economy and contribute towards achieving the \$5 trillion milestone. The growth in ice cream industry will have a multiplier effect on the economy as it generates, both revenues and employment directly and indirectly. The Ice cream industry growth will benefit the entire ecosystem of equipment suppliers, input suppliers, ice cream companies, transporters, distributors and retailers.

India's per capita consumption of ice-cream is just 400 ML per annum as compared to 22,000 ML for the US and 3,000 ML for China, indicating huge growth opportunity.

Below mentioned policy measures including some specific to ice cream industry are expected to benefit the industry in medium term –

1. Integrated cold chain scheme of Ministry of Food Processing Industry (MOFPI) has shortlisted various ice cream manufacturing companies and provided capital subsidy (up to Rs. 10 cr) on eligible components. The objective of the scheme is to provide integrated cold chain and preservation infrastructure facilities, without any break, from the farm gate to the consumer.
2. Implementation of GST has created a level playing field for both organized and un-organized players and led to formalization of the sector.
3. Reduction in corporate tax rate will benefit profit making ice-cream companies by increasing their return ratios and allowing them to generate more cash flows for future investment.
4. Pradhan Mantri Mudra Yojana (PMMY) is a scheme launched in 2015 for providing loans up to Rs. 10 lakhs to the non-corporate, non-farm small and micro enterprises. Various trade partners like distributors and retailers have benefited due to this scheme.

In my opinion, following policy reforms are still needed to unlock the potential in the industry and catapult growth -

1. Reduction in GST rate and smooth implementation

While GST remains one of the key reforms in the recent past and one of the key forces behind formalization of the industry, Ice cream still attracts 18% GST – the highest among value added milk products. Reducing GST rate will help companies pass on price benefit to the consumer.

2. Labour reforms

Due to seasonality of business, ice cream players need flexibility in hiring and letting go its work force. In developed countries, ice cream companies pay their work force for 6-8 months and letting them work in other industries which do well in winter thus managing their fixed overheads efficiently. Pragmatic labour reforms are required for faster growth of ice-cream industry.

The opinions expressed in the article are the author's own.

Reforms
Investments
Employment
Consumption
Growth

R E P E A T

Opportunities across various sectors which can fuel the economic growth of the country

by **Anup Vikal**



Image source: Shutterstock

As a country, we are driven by ambitions, of our own and those of the collective. And, it has indeed augured well for us. To understand the Indian economy, one needs to draw a broader horizon and look at the bigger picture. India has never looked back since the liberalisation of its economic policies in 1991. The country continues to draw interests from across the world and, is rightfully, seen as the next growth engine for the global economy.

Despite its scale and diversity of people, culture and politics, the country has always set itself an ambitious growth target and delivered on it. The Government's ambition of taking the country's GDP from the current USD 2.7 trillion to USD 5 trillion by 2024 has raised the bar by a few more notches.



Anup Vikal, CFO, Nayara Energy

Interestingly, ever since this ambition was projected by the Government of India in the budget speech earlier this year, it has stirred up a vociferous debate in many quarters and the balance between believers and non-believers keeps shifting. As has been happening with other major economies, India too has had its challenges and, especially in the current economic environment, this target may look seemingly far away.

However, I see it as a glass half-full. There are many things working well for India and the fundamentals of the economy remain strong. India over the last ten years has grown at a breakneck speed and remained one of the fastest-growing economies. Even at an estimated 6% growth this year, India will be the second-fastest growing economy in the world. I am confident the economy can make big strides, to make up for small but transformational steps that it appears to be taking today. I draw my confidence from the fact that the country has consolidated its position in many growth areas. To state a few, India is the fourth-largest auto market; ranks third in the world on technology innovation; India has surpassed the US to become the world's second-largest and the fastest-growing smartphone mobile market, with double-digit growth; and the country also has a leading position in renewable energy.

That said, for the economy to recover from the slowdown, a combination of structural reforms in industrial and agriculture sectors, better fiscal management, a gradual increase in manufacturing and infrastructure initiatives, and leaving more money in the hands of consumers together will pave the way for future growth.

The technology revolution witnessed in the country has redefined consumption. Especially over the last decade, technology has been a quintessential part of India's growth journey, changing the socio-economic landscape for us. Unlocking the true potential of technology has helped various sectors to innovate and evolve. Today, there is hardly a sector that is still to be digitized. We have the largest youth population in the world at over 65 % and today's youth thrives on pace and change. They are consuming everything, ranging from food to shopping, banking, healthcare to even dating by using technology.

India over the last ten years has grown at a breakneck speed and remained one of the fastest-growing economies.

To achieve the USD 5 trillion mark, India needs to grow significantly faster at over 10 percent in the next five years. The current Government's focus is on bridging this 4-5 percent GDP gap. A lot of reforms to this effect have been brought out such as roll out of Goods and Services Tax (GST), Insolvency and Bankruptcy Code (IBC), and Real Estate and Regulatory Authority (RERA). The recent reduction in corporate tax rate from 30 percent to 25 percent was a big commitment to growth demonstrated by this Government. Having said that, the next set of reforms in new direct tax code, amendments in the Companies Act and banking reforms along with land and labour reforms will bolster investors' confidence in the Indian economy.

The divestment of public sector undertakings needs to happen quickly to bridge fiscal deficit and for an effective turnaround of some of these units. India's foreign exchange position is strong and at an all-time high at USD 440 billion and proceeds generated from divestment drive and strategic monetization of public assets such as rail tracks, roads, ports and power units will provide the Government with higher capital expenditure that will create a greater fiscal space. The Government's push for large infrastructure projects and greater involvement of the private sector will lead to the growth of domestic manufacturing that will in turn help generate employment.

The other essential component of this jigsaw puzzle is the agricultural sector, the backbone of the Indian economy. Despite its healthy contribution of 18 percent to GDP, the sector is confronted with issues such as deteriorating soil health, insufficient water for irrigation, electrification of rural areas, unstructured incomes, etc. The Government of India has tried addressing these issues by bringing in land and labour reforms such as doubling-up farmers' income, constructing roads using clean technology, supporting with livelihood security and fair pricing for the agricultural produce. The direct benefit transfer scheme launched by the Government of India, leveraging the Jan-Dhan accounts and Aadhar, has had a direct positive bearing on the rural sector and the economically weaker sections. It has helped grow consumption at the bottom of the pyramid.

Clearly, a shot in the arm for the Agriculture sector came in with 100 percent electrification of villages, which empowers them economically and socially. However, the power is yet to be well distributed and made available 24*7. This is where energy companies can play a big role by making fuel accessible and providing reliable supply to the hinterlands. Today, at Nayara Energy, we are operating the largest private sector fuel retail network with 5,500 outlets and are constantly looking to grow this number in the coming five years. The environment-friendly, BS-VI compliant fuel will help bridge the gap created by the lack of reliable and affordable electric power.

To summarise, I strongly believe that the intent on the part of the Government is clearly there to provide impetus to the economy and to rejuvenate growth. It is not as important to achieve a short-term goal as it is to remain true to the path of sustained, long-term growth.

The opinions expressed in the article are the author's own.

Driving the Digital Metamorphosis

How Fintech can be a critical pillar of the \$5 Trillion Economy?

By **Manish Kumar**



As India moves along the direction of digital metamorphosis, the increasing penetration of cutting-edge technologies possesses colossal economic opportunities. In today's increasingly data-driven world, the government is moving towards achieving its target to drive India to a \$5trillion economy

by 2024; aiming towards cementing its footprint as an emerging economic superpower. To reap the benefits, India must harness large, micro, small and medium enterprises, start-ups & entrepreneurs in every sector possible. For India, this is an opportunity worth seizing.

In 2019, India marked its presence as the world's sixth-largest economy, ready to turn into the fifth. However, it slipped an indent to the seventh spot as a result of the collapse in consumption that slewed gross domestic product (GDP) development to the weakest in six years. ICRA revealed that India's GDP would further depreciate to 4.7 % in Q2 of FY2020. This implies that to attain the desired number, the nation needs to have a Year-on-Year growth rate of 12.4% annually over the next 5 years.

The current conversion rate of the Indian rupee is ₹70 against the US dollar. Given the present situation, the \$5 trillion economy target in Indian rupee stands at Rs 3,50,00,000 crore of GDP, which is the ostensible GDP (barring inflation). To achieve the desired number, India needs to increase the total production, i.e. output expansion by 84% in 5 years. This implies that the annual growth rate must be scaled up to 13% (approx.) at nominal GDP. However, if 4% of inflation is taken into account, the actual growth rate comes down to 9% per year. To attain this target, India will not only require exceptional changes in all sectors but also make a perspective shift from policies to projects. Additionally, emphasis on fixed investment rate needs to increase from 29% to 36% over the next 5 years.

PM Modi's vision of making India a \$5 trillion economy by 2024, like every other gargantuan aim by the government, was intended to be a cornerstone post the events of demonetisation and GST reforms under Modi 1.0. While the \$5T dream was initially met with unparalleled optimism, the enthusiasm has been waning with every passing remark from scholars and economists on what they refer to as a 'lofty dream.'



The micro, small and medium enterprises (MSME) sector, in particular, play a crucial role in assisting the nation to reach the \$5T target within the stipulated time. With their notable contributions to GDP and employment generation, MSMEs, though plagued by various cash-related challenges, are instrumental in fulfilling this vision.

The increasing penetration of cutting-edge technologies possesses humongous economic opportunities to solve problems for the business community as India moves along in the direction of digital transformation.

Heading into such a situation, fintech, which is an amalgamation of finance empowered with technology, will be a key player in disrupting the financial status quo of supporting and providing growth incentive to the economy. From opening a bank account to getting a loan approved without red tape, increasing documentation and operational processes, fintech has revolutionised the way businesses look at financial institutions today.

The emergence and advancement of technology in the financial sector are reminiscing to the great strides and has helped to accelerate economic growth and financial inclusion in the nation.



Manish Kumar

Founder and CEO,
KredX



Image source: Shutterstock

Creating A Sustainable Economy For Inclusive Growth

As per the Organisation for Economic Co-operation and Development (OECD), inclusive growth is the “economic growth that is distributed fairly across society and creates opportunities for all”. To achieve the desired \$5 trillion number, India needs to harness a robust and sustainable plan to create an inclusive growth economy - a challenge that needs to be viewed under different lenses. One of the essential aspects for businesses to grow is the ease and access to credit that will help create a harmonious cycle of business opportunities, entrepreneurship, and consumption, thereby helping the economy grow.

Creating a robust financial infrastructure involves various industry stakeholders - from policymakers, regulators to public and private banks, financial services institutions, telecom sector, and credit bureaus. Fintech companies, especially, will play a significant role in joining the juggernaut of potent stakeholders in fostering an infrastructure that triggers the right growth opportunities for the economy.

The rise of fintech has created accessible opportunities in the form of lending, credit, operational processes like payments, and investments, thereby contributing to the

growth of the economy. KredX - an integrated cash flow solution provider was formed with the sole vision to provide liquidity to credit-deficit businesses by utilising an asset lying idle in their balance sheet - accounts receivable. We realised that accounts receivable once appropriately harnessed, has the potential to solve working capital issues, thereby accelerating growth. Keeping this at the very core, the KredX ecosystem was designed to enable a holistic cash flow across industries.

KredX evolved from an invoice discounting platform to solving challenges like early payments for corporate treasuries in the form of Early Payments Technology and CapEx Discounting- a hybrid product, amalgamating the concept of invoice discounting and extended tenures to solve capital expenditure challenges. Today, the KredX suite of products help ease out the entire supply chain in business, thereby creating smooth business growth both for the enterprise and the suppliers.

The \$5 trillion economy vision has given us a better sense of purpose together as a nation to achieve something that has never been achieved before.

The Bottom Line

Holistic growth and development of the economy demand a robust financial infrastructure that enables not only basic banking activities but also supports critical financial services like credit, insurance, fundraising through capital markets, and more. Traditional financial institutions like banks must work towards addressing the needs of a rapidly evolving demographic, embrace intuitive products and leverage multimedia options like visual and voice mediums to make the process seamless.

Equal importance should be given to enhance financial literacy programs to ensure larger adoption scale. Fintech will play a critical role in enabling the same by utilising cutting-edge technology like data analytics to understand and evaluate the creditworthiness of potential borrowers, leading to faster turnaround of loan disbursement. For the days to come, India needs to create various suitable vehicles for businesses to expand their global footprint, while channelising a culture that facilitates fintech companies.

It is crucial to remember that the \$5 trillion economy vision has given us a better sense of purpose together as a nation to achieve something that has never been achieved before. There is much that needs to be done to help the nation inch closer to the target, but the road ahead may not be all bleak. To achieve the \$5T target, all stakeholders, including organisations, policymakers, and entrepreneurs must take charge, leverage technology, and forge ahead!

The opinions expressed in the article are the author's own.



Image source: Shutterstock

India's Global Leadership in Dairy

The challenges and opportunities for India to sustain its global leadership position in milk production.

by **Rahul Kumar**

India has been the largest milk producing country in the world for last 25 years & today it contributes to approximately 17% of the total global milk production. Indian dairy has progressed by leaps and bounds in the last five decades. With mere 17 million metric tonnes (MMT) milk production in 1950, to an estimated peak of 180 MMT in 2018. It is equally important to note, being the largest milk producer, India is also ranked the largest milk & milk products consuming country with population of 1.3 billion. The estimated milk production by 2020 is 200 MMT, twice that of the United States. At CAGR of 4.5% over past 4 decades, India has surpassed global milk production

CAGR of 1.5 %. On the consumption side, India's per capita consumption CAGR is at 3% compared to global average of 0.9 % CAGR.

In India, milk is the largest agriculture crop, contributing 30% of agriculture GDP, and touching lives of about 70 million marginal or landless farmers. The estimated value of Indian milk industry is USD 80 billion. Although India consumes most of its milk production, there is growing window for exports, especially in south-east Asia. Considering huge young population, nutrition requirement, improvement in income, innovation in developing milk products, India shall contribute to be at forefront of milk production as well as consumption in coming decades.



Rahul Kumar
CEO, Lactalis INDIA

Contributing to US \$ 5 Trillion Economy

Undoubtedly Dairy is going to be among the sunrise sectors with milk demand estimated to grow at 6-7% annually till 2030. By 2025, India will produce approximately 240 MMT of milk annually. The rising trend of consuming value-added dairy products, more processed milk products & big export potential would be main drivers for the growth contributing 5% of the US \$ 5 trillion economy. There is likely to be remarkable growth in consumption of packaged milk, cheese, flavoured milk, whey protein, yoghurts & many other value-added dairy products.

Challenges

India's phenomenal rise in milk production between 1970s to late 90s also created tremendous wealth for Indian dairy farmers along with generating mass employment at grassroots level by linking micro production system to burgeoning urban demand. The combined demand in the coming years is going to put tremendous pressure on milk production, which needs long term planning. Despite India milk production systems being based on "low input low output", the milk output kept increasing without much focus on productivity and efficiency. Today, India has over 300 million bovine population which consists of 42 million cross bred cows, 110 million buffaloes, 150 million non-descriptive ingenious cattle. The milk yield per day of cross bred cow is 6.5 kg, indigenous 2.2 kg and buffaloes 4.5 kg. The poor milk yield of such

a huge bovine population is a key challenge. Further, scientifically designed nutritious concentrated cattle feed has not been propagated aggressively amongst dairy farmers.

India needs to have minimum 70 million tonnes of cattle feed capacities as against the installed capacity of 20 million tonnes. This huge gap would be very critical in ensuring proper feed to animals. Ensuring feed security for the entire bovine population is a must to ensure efficient and quality milk production.

India also has challenges of infertility of bovine animal population, which is close to 30 % of the total universal animal count in India. By 2020, India is going to have more than 325 million bovine animals and with this rate of infertility, close to 100 million would be infertile. Managing every infertile animal means disruption in milk production and making it costlier than rest of the world.

Although the demand side looks very positive, on supply side Indian Dairy needs a sea change by 2025 & beyond. It will not be easy to produce 10 MMT additional milk per annum for next decade with the same level of productivity, rumen efficiency and management at grass root level. The most critical aspect would be to ensure highest feed to milk conversion ratio. It would be imperative to ensure availability of scientifically designed cattle feed to maximise productivity, meet

world class milk quality, and assure sustainable profits for farmers to remain in milk business. There would be major switch from small scale milk production system to medium scale by increasing herd size from 4-5 cattle to 15-20 cattle per farm.

Today Indian dairy farmers have initiated use of silage. By 2025, silage use shall have a very important place in feeding of bovine population. It is estimated that by 2025 about 40% of milk production would be through such medium size farms to attain certain economies of scale and better use of dairy farm mechanization. During the next decade, feed management shall be core to improving rumen efficiency as just by increasing number of animals to meet milk demand would have catastrophic effect on cost of milk production.

Recently, food safety has become crucial and regulations are being tightened which require tremendous effort to ensure milk produced in India meets global food safety parameters such as permissible limits of aflatoxins, heavy metals, pesticide, and insecticide residues. Further, there are efforts needed to design cattle feed for huge bovine population to ensure appropriate dosages of vitamins, chelated minerals and feed supplements, which improve milk yield and minimise infertility issues. The current productivity level of 1200 litres per lactation has to be improved by at least 20 % by 2025 to produce 240 MMT of milk. It is estimated that by 2025, India will face shortage of green fodder by 75 %, dry fodder by 16 % and concentrated feed by 25 %, hence there is no other option but to improve productivity.

Policy Paralysis

Although having such importance in Indian agriculture scenario, dairy sector lacks appropriate government policy support. Indian dairy farmers are still beyond reach for cattle loans, nationwide breeding policy, and feed price control. There is no mechanism of inventory management of skim milk powder & butter which results in erratic market prices of these commodities, affecting income of dairy farmers.

Government has to also rationalize GST on various dairy products to spur demand amongst huge middle-class population.

The opinions expressed in the article are the author's own.





The various structural reforms in taxation to help make the Government's target realizable.

by Archit Gupta

India aims for a \$5 trillion GDP (gross domestic product) by the financial year 2024-25. With the GDP currently standing at \$2.8 trillion, India needs to add another \$2 trillion dollars in the next 5 years. Our finance minister believes that the goal of making India a \$5 trillion economy is 'challenging', but 'realisable'. The IMF too believes the goal is achievable and estimates the GDP at \$4.7 trillion by 2024.

However, the task now seems daunting in the face of a slowing economy and lower than expected economic growth. The Index of Industrial Production (IIP) has been on a decline, which hints towards a deeper economic slowdown. In the April-June quarter for FY 2019-20, the GDP growth touched a six-year low of 5%, the slowest in over six years.

A slowing economy has had an impact on the revenue collections too. The growth in the direct tax and GST collections has been slower than expected. The direct tax collections until 31 October have grown at 3% only. The GST collections for the April-October 2019 period increased 3.38% on a year-on-year basis.



Archit Gupta,
Founder & CEO, ClearTax

The coming of GST

The launch of Goods and Services tax (GST) in 2017 subsuming various indirect tax laws laid the path for indirect tax reform for India. GST's reconciliation and automated matching facility aims at ensuring seamless flow of input tax credit.

In the realm of GST, the government has taken several steps to rationalise the rates and simplify the compliance. With the new GST returns scheduled to be operational from 1 April 2020, the GST system should ensure automated matching and reconciliation, as well as a smooth transition from the present system. ClearTax has rolled out an online GST course to train tax professionals and enterprises. The firm estimates to generate a business of Rs 100 crore by March 2020. GST law requires further simplification, with fewer rates and facilitating easy claim of input tax credit. The law needs to be stabilised and procedures streamlined for claiming refunds by taxpayers. This would ease the cash flow for enterprises.

Technology Backbone

India has witnessed a growing demand for digital payments. The government estimates digital economy to touch \$1 trillion in 2025. Estimates suggest digital transactions would surpass cash transactions by 2023. The push for digital economy has created the need for a new ecosystem for digital awareness and digital payments. Fintech firms have joined forces to innovate and contribute.

The government set up the Unified Payments Interface (UPI), an instant real-time payment system in 2016. The digital payment infrastructure, extensive smartphone coverage and easily accessible internet facility have sought to increase the inclusiveness of the digital economy. As banks enabled payments through UPI enabled apps, fintech players too joined the bandwagon. Fintech players have transformed the way Indians buy and sell both under e-commerce platforms and brick and mortar structures.

The government is also contemplating facilitating payment of income-tax dues through credit cards, UPI and mobile wallets, apart from the net banking and debit cards modes of payments.

The threat from slowdown

The government has, in the last three months, announced several measures to counter the effects of the economic slowdown: relief measures and rate cuts in Goods and Service Tax, corporate tax rate cut under Income tax act, Rs 70,000 crore upfront capital infusion into public sector banks and setting up of Rs 25,000 alternative investment fund for the real estate sector. Thus, the government has addressed several supply side concerns. However, little has been done at the demand side. The Reserve Bank of India (RBI) has, however, cut rates addressing liquidity concerns and making available low-cost credit. This has made retail loans cheap with low interest and low monthly EMIs. Retail loans include home loans, vehicle loans, consumer electronics and so on.

With the lowering of the corporate tax rate, Indian tax rates are among the lowest in South & South-East Asia. Thus, India can become a favourable destination for setting up or relocating manufacturing operations. While this would help revive private investment and boost wage growth, India needs other investment-related reforms in manufacturing particularly land and labour. Also, India needs to fast track approval processes and reform ownership & pricing of infrastructure services.

Similar to the corporate tax reforms, the government should consider reforms on the personal income-tax front. The task force on Direct Tax Code has submitted its report to the finance ministry. Amongst other things, the task force has suggested

widening of the personal income-tax slabs. The move would boost household cash flows and push up consumption.

The government could also consider rationalising the tax law dealing with tax savings and real estate investments. A profiling of the taxpayers based on their income slabs would help in making savings tax efficient and minimise revenue losses for the government.

Challenges and opportunities

India's GDP growth in the past 3 years has been in the range of 6.8-7.2%. Further, to attain the goal of US \$5 tn GDP, NITI Aayog estimates that India's GDP needs to grow at 12.4% annually for the next five years till FY 2024-25. This is assuming the rupee-dollar rate remains stable. The rupee could further depreciate against the dollar due to geopolitical risks, crude oil prices, domestic economic factors, trade policies and so on.

A decline in consumption, especially in rural areas poses a challenge to economic growth. The decline has been partially due to low wage growth. Further, the decline of the industrial output and the manufacturing index has negatively impacted income growth and employment generation.

India has to undertake several measures to attain the goal of \$5 trillion economy. While India has to reform its direct and indirect tax law, along with compliance and enforcement the law, core reforms are awaited in the factors of production. The manufacturing sector needs reforms to create quality jobs. The service sector ranks for the best jobs and is a core contributor to the GDP. However, the manufacturing sector has lagged behind.

India must seek to benefit from the ongoing US-China trade war and attract quality manufacturing investment into India. For this, both labour and land reforms are critical to make India a globally competitive manufacturing hub.

The opinions expressed in the article are the author's own.

Digital Transformation

Survive and Thrive in an Era of Mass Extinction



Author

Thomas M Siebel

Right at the outset, I must say that one thing that I really like about this book is how it provides a clear roadmap for digital transformation of an organisation. Whether you're a techie or a business executive figuring out the best digital strategy for your organization, this book will provide great insights.

According to the author, Thomas Siebel, there are four key pillars of digital transformation- Cloud Computing, Big Data, Artificial Intelligence (AI), and Internet of Things (IoT). He has dedicated a chapter to each one of them to help the readers understand the technology, its significance, and its contribution to overall digital transformation. Today, several companies have their operations on cloud and some are still doing cost-benefit analysis to decide whether to move operations to cloud or not. For the latter, Siebel makes a strong point of how by moving operations to cloud, companies can convert their CapEx to OpEx. He writes in the book that instead of investing in depreciating assets such as servers and hardwares, an organization can use on demand resources in the cloud and thereby convert their CapEx to OpEx.

One bottleneck in the adoption of Artificial Intelligence has been the fear of loss of jobs. Siebel argues that while traditional jobs will lose its relevance, new jobs will emerge. He is bullish about the benefits of AI and highlights the importance of retraining the workforce along with the adoption of AI. According to him, the future will be AI powered and if a company or a government institution doesn't adopt AI now, probably will lose shine. He also underlines the criticality of big data management for AI and digital transformation to be effective.

The last big pillar that he writes about in great detail is Internet of Things and according to him, mostly asset-intensive industries such as manufacturing, transportation and logistics, and utilities will benefit from IoT. He also writes that most economic potential lies in B2B applications than consumer applications of IoT.

For those working in Government or partnering government agencies, there is a dedicated chapter on the application of AI in government. Overall, this book creates a sense of urgency to focus on digital transformation by citing examples of mass corporate extinctions due to not adapting with time and technology. The book also provides a very useful chapter called 'The CEO Action Plan' to help business executives create their own roadmap for digital transformation.

Book Review: Neeraj Agarwal

The Future of Capitalism

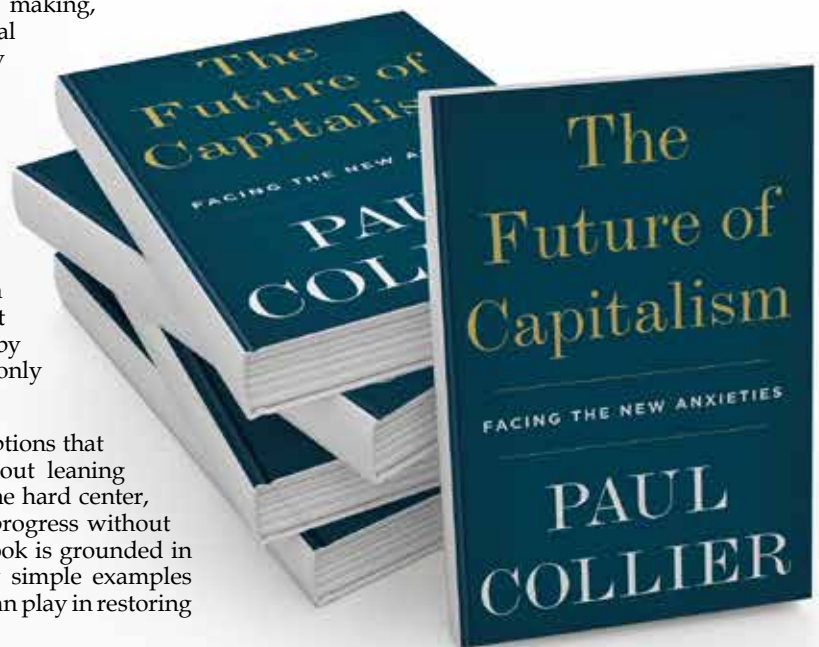
AUTHOR: PAUL COLLIER

This book presents a very insightful evolution and analysis of capitalism. While it pays due respect to capitalism and emphasizes its importance in driving prosperity by listing its virtues vis-a-vis other models, it also highlights the current perceived shortcomings of capitalism in the form of divides it has created in the society, and the need to reset priorities aimed at addressing these divides.

The author highlights these divides across, geographic (largely between regions in a country), skill and morale (the class differences), and global (among countries). While recommending potential solutions to address these divides, the author advocates the need to bring back pragmatism in policy making, given the gradual corrosion in the ethical foundations of the traditional social democracy approach.

These solutions are further elucidated through a series of documented socio-economic examples, while strongly propagating the need to have an informed electorate as the ultimate public good to bring in pragmatism in policies. Underlining that the book is aimed for citizens rather than politicians, the author also highlights that unlike other public goods that are provided by the government, informed electorate is the only one that has to come from the people.

The author beautifully balances out various options that can take the world economy forward. Without leaning on either left or right, the author focuses on the hard center, and this is of key importance to collectively progress without leaving out any sections of the society. The book is grounded in moral values along with ideas supported by simple examples from real life and stresses upon the role ethics can play in restoring capitalism.



Book Review: Nishant Gehlot

Mindful Matters

It is an irrefutable phenomenon that spirituality has slowly and gradually found its way into boardrooms and conference rooms of the corporate world. There has been a growing curiosity in spiritualism as a practice among individuals, especially professionals in

leadership roles across organizations. How did this shift happen? The changing business environment along with social, political and economic changes, has ensured that leaders change gears quickly without letting their eyes off the radar.

As businesses get more complex, spirituality has equipped individuals to manage challenging situations and complexities efficiently without getting overwhelmed. Oft misconstrued as adherence to any religious belief, moral principles and traditions, spirituality is about focusing on knowing and believing in one's true self. This not only improves concentration, enhances performance and thereby productivity, but also boosts the general happiness index.

Infact, Spirituality can become an integral part of an organizational culture and be a powerful tool to not only traverse difficult situations, but also improve performance and increase productivity.



“
Whatever comes,
don't push it away.
When it goes, do not
grieve.

- MOOJI



In conversation with

Naz is a life coach with over 20 years of experience. She leads Law of Attraction workshops and facilitates emotional healing retreats, supporting individuals in their spiritual journeys.



Naz Chougley

Life Coach & Co-Founder,
AspiRise

Myths busters

Myth #1

On the path of spirituality, you will eventually give up worldly possessions and human relationships

Busted

When you embark on a spiritual journey, you are embarking on a journey to know the real you. Spirituality does not mean that you become an ascetic and renounce society. It is liberating and blends effortlessly with our normal social life. In fact, you can be a corporate honcho and still be spiritual at heart.

1. Why do you think there is stress at workplace? Do you think it is because there is so much negativity in people? If yes, why is it so?

We are operating in an environment where there is competition, constant pressure to succeed, in addition to the desire to outperform even your colleagues. You have to understand that we are neither negative nor positive, we simply are.

The way we think and perceive our environment, gets mirrored in what happens around us which is labelled as positive or negative. Most of us are living in an emergency mode and as such get stressed as we feel either incompetent or too pressured to perform. This usually happens when we generalize our past experiences -- when we do this, we have already made assumptions based on the past for the future, most of which are skewed towards failure. We have been conditioned through societal experiences to always be prepared for worst case scenarios as competition and perceived threats are given more importance.

As a consequence, we end up living in constant fear, anxiety and distress which creates a whirlpool of unpleasant emotions. This in turn has tremendous impact on our self-worth wherein we start questioning if we are worthy of being appreciated or even capable of carrying out a particular task. To add to that, no one really focusses on expanding thought around what one wants to create and manifest. As energy flows where attention goes, all our energies are focused on how to avert unpleasant scenarios rather than creating pleasant work experiences. As a result, we end up experiencing stressful situations at the workplace, since we are a sum total of the energies we carry.

2. How important do you feel is positive thinking in corporate world?

It is extremely important since we are working for almost eight to nine hours in a space full of contrasting energies. Our thoughts create things, which means positive thoughts can translate to positive outcomes (events and circumstances). This is the basis of the law of attraction. The focus in today's work culture is on results which emerge from actions. Somewhere we seem to have forgotten that our thoughts precede our actions. When results don't match the actions taken, we must pause and ask ourselves - what have we

been thinking? We focus so much on goals, but very little on energy (thoughts). As a result, by default we tend to create from fear, and not so much through deliberate creation.

3. What do you mean by deliberate creation?

The art of deliberate creation emphasizes on paying attention to what we are thinking and how we are feeling about our goals or desires. If we have fearful thoughts around our goals (default mode), we will create matching scenarios. I personally feel that most of us don't realise the power of our own thoughts. Once we become aware of our thoughts and the power we hold as deliberate creators, we can, not only change our thoughts but also feel empowered.

The vibration of any desire is always constant happiness while the individual vibration keeps fluctuating based on how we perceive our reality and how we respond to situations.

4. You spoke about Law of attraction. What is it and how is it applicable in the corporate world?

We have been doing a lot of work around introducing Law of Attraction (LoA) in the corporate world. Law of Attraction simply means like attracts like. As human beings, our energies are always equated to how we feel in a given moment. If we are feeling good, we vibrate at higher frequencies, to the likes of love and joy; and if we are not feeling good, we vibrate at lower frequencies, experiencing fear, anger or despair. In other words, our frequencies determine our state of being. As creative beings, it's only natural for us to desire more and the LoA helps us manifest these desires in our lives. LoA states that manifestation of any desire happens when the individual's vibration matches the vibration of the desire. The vibration of any desire is always constant happiness while the individual vibration keeps fluctuating based on how we perceive our reality and how we respond to situations.

So in corporate world, the desire for superlative performance needs a higher vibration, which means focused (positive) thinking in the direction of what one wants and a good feeling to help manifest that outcome. Because we are so conditioned to 'what if' scenarios, the focus is shifted and opposing vibrations are sent out to the universe. Since what we send out is what we receive, there is a clear gap in aspirations and achievements in most cases. If we understand that we create our realities simply by the way we think and feel, and the universe responds to what we send out as vibrations, we could consciously change our thoughts as and when there are contradictory thoughts.

5. What should one do to deal with stress at work?

Stress as a response has somehow become acceptable to most of us as we have got used to operating from this state. Unless we get pushed against the wall and health alarms are triggered, we don't take it seriously. Stress is a consequence of impoverished thinking. The mind is racing and the brain is highly active in beta state. As I spoke earlier, our habitual way of thinking activates the 'flight or fight' response as we are constantly perceiving threats in the environment. Most of these are based on assumptions, which we sometimes realise in hindsight.

In my experience with people, stress gets activated because one's actions are dominated by fear which is nothing but false evidence appearing real. Recognising fear as a low vibration, one is stuck in the loop of attracting similar situations. We have to learn to question our thoughts if we really want a way out. How can we be so sure of disasters? Why not learn to deliberately create 'feeling good' scenarios (using LoA techniques) favouring our situation? For e.g., if the stress is around a project, performance or client situation, it's a good idea to practice thoughts such as 'my boss or my clients value my contribution' and 'our project is on track and the current situation supports its success'. When we do this, we are activating a higher vibration (through repetition) so that the universe can honour it with a matching outcome.

Myth #2

There are a lot of rules to follow!

Busted

A very common belief is that spirituality somehow clips our wings and limits our dreams since its very binding with lots of rules. On the contrary, in spirituality, the only rule is that there are no rules.

Sometimes stress can also be alleviated just by talking about what is bothering us. It's a good idea to 'buddy' our colleagues periodically to help release the emotions underlying stress. Please note that emotional discharges are different from venting or cribbing - on the contrary, they heal. Other body processes such as Yoga, meditation and Taichi can be very helpful to facilitate clear thinking. Anchoring in breath can be also be an effective tool. Learning to synchronise ones' breath in slow sequential breathing pattern helps align the brain to alpha state. As we offer this moment one 'wholesome complete breath', we can experience immediate relief from our stress. In addition, meditation helps bid stress goodbye from our lives. It's encouraging to see how organisations are now more open to having meditation sessions as a part of their wellness programs at work.

CHINA: BEYOND YOUR IMAGINATION



C

hina is one of the favorite tourist destinations around the world. In the year of 2018, China inbound tourist arrivals reached 141.2 million with an increase of 1.2% over the same period of last year. The number of overnight tourists were 62.9 million, increasing by 3.6% over the year 2017. When it comes to China, what comes to your mind first? Probably the Great Wall, cute pandas, martial arts movies, iconic Chinese goods like silk and porcelain, or maybe delicious Chinese food. Of course, these elements are all authentically Chinese, but they are far from being all that China has to offer.



OVERVIEW OF CHINA

China is one of the largest countries by area. It is around 5,200 kilometers from east to west, and over 5,500 kilometers from south to north. In such a vast territory, natural landscapes and climates are of great diversity. Here you can discover everything from the world's highest plateaus and mountains, to deep and vast canyons, green rolling plains and beautiful tropical islands, and diverse climates from temperate to tropical. This makes China an ideal tourist destination in any season.

In winter, you can head to the northeast to see towering castles and intricate sculptures carved from ice and snow, or ski in Heilongjiang. If warmer climates are more your thing, enjoy relaxing in the tropical paradise of Hainan in China's far south.

In spring, you can explore the unique heritage and architecture of canal towns near Shanghai. In summer, you may get to learn the unique customs of ethnic minorities in Yunnan and Guizhou where spring seems everywhere all the year round. And in autumn, you can witness the colors of autumn in Sichuan's Jiuzhai Valley, a photographer's paradise of red leafed forests and turquoise lakes. It's truly a photographer's paradise! So no matter what season you choose to visit China, an unforgettable and rewarding trip awaits you, and each one is sure to be different!



CULTURAL HERITAGES

CHINA IS KNOWN AS ONE OF “THE FOUR GREAT ANCIENT CIVILIZATIONS. THAT MEANS THAT WHEN YOU COME TO CHINA, YOU’LL BE

IMMERSED IN A LIVING HISTORY, STRETCHING BACK OVER 5,000 YEARS. THANKS TO THESE DIVERSE CULTURAL LEGACIES, CHINA IS HOME TO 55 UNESCO WORLD HERITAGE SITES, RANKING THE FIRST IN THE WORLD. THIS HERITAGE IS NOT ONLY A SOURCE OF NATIONAL PRIDE FOR CHINA, BUT A TREASURE OF MANKIND.



THE PALACE MUSEUM, BEIJING

The Palace Museum, also known as the Forbidden City, was the palace where emperors handled government affairs and resided. It is a must on every visitor’s list while visiting China.

THE GREAT WALL

Since 7th century BC, the Great Wall has been built for over 2,000 years. It runs across northern China, connecting the seashores of the east to the deserts of the far west. With total length of over 20,000 kilometers, the Great Wall is both the world’s longest defensive wall and the wall with the longest construction period.



WELCOME TO CHINA!



TERRACOTTA WARRIORS AND HORSES, XI’AN, SHAANXI PROVINCE

The Terracotta Warriors and the Mausoleum are the burial pits of the first Qin Emperor, the first emperor of China. Hailed as one of “Eight Wonders of the World”, the museum and underground complex are the world’s largest ancient military relics ever unearthed. The faces of Terracotta Warriors were molded after real soldiers and each has different facial expression and demeanor.

There are so many other outstanding examples of ancient Chinese civilization: the Summer Palace and Temple of Heaven in Beijing; Chengde Imperial Summer Retreat in Hebei; the Temple of Confucius, Cemetery of Confucius and Confucius Family Mansion in Qufu, Shandong Province; the old town of Lijiang in Yunnan Province; the

ancient city of Pingyao in Shanxi Province; the Dazu Rock Carvings in Chongqing; Xidi and Hongcun ancient villages in Anhui Province; the Longmen Grottoes in Luoyang, Henan Province; Tulou, the round earth dwellings of Hakka people in Fujian Province; the defensive buildings in Kaiping, Guangdong Province. When it comes to cultural heritage, the Silk Road cannot be missed. This transnational world-class cultural heritage originated more than 2,000 years ago, which is named after the caravan trail that originally transported silk from China to Europe. The ancient Silk Road started in Xi'an, the capital of China at the time, and ran through Asia toward Europe and Africa.

The Silk Road quickly evolved from being a commercial and trade channel into a pathway for cultural exchange, bridging the east and the west. The starting point and most of famous Silk Road sites still in existence are in China. The natural scenery is magnificent: travelers will pass lakes, grasslands, deserts, Yardang landforms and the colorful Flaming Mountain. Along the way, the Terracotta Warriors, Flying Goose Pagoda, Dunhuang Mogao Caves, Jiayuguan Pass, and Ruins of Gaochang City bear witness to the thousand-year history of the Silk Road.



MOGAO CAVES, DUNHUANG, GANSU PROVINCE

The Mogao Caves in Dunhuang, Gansu Province was an important transit point for east-west trade on the Silk Road, and also the place where different religions and cultures converged. 492 existing grottoes, still preserved in the site of Mogao Caves, are famous for their vivid murals and colorful sculptures. The brilliant murals depict Buddhism stories and give us an insight into what life was like so long ago and across successive dynasties.

GOURMET KINGDOM

Food is always on the top of everyone's travel bucket list, and China is definitely a foodie's paradise. Food is an integral part of Chinese culture. China has a vast territory and the food is really as varied as the landscape. Every region has its own characteristic diet and favorite dishes. It is impossible to remember the names of so many delicacies if you only visit China once. Make the most of your meal by trying the many types of Chinese tea, rice wine and liquors available.

CONVENIENT TRANSPORT

When it comes to transport, although China is vast in territory, the convenience and ease of travel in China may greatly surprise you. Today's China ranks first in terms of mileages of high-speed railway, highway and urban rail. The number of airports is among the largest in the world. The greatest facilitation is available for travel across China.

China operates the most modern railway network in the world and is the world leader in high-speed rail. By the end of 2018, high-speed rail reached totaled over 131,000 kilometers of mileage, which is two-thirds of the total of the world. Taking the bullet trains is a highlight of tourists' visit in China.

COMFORTABLE ACCOMMODATIONS

In order to make tourists feel comfortable, the quality of our facilities is constantly improved. There are more than 870 5-star hotels in China, while 4-star and 3-star hotels are more widely distributed. You can find internationally-recognized hotel chains including InterContinental, Hilton, Sheraton, Marriott, Sofitel and Kempinski in almost all major cities. You can also book a homestay online.

In this great country of cute giant pandas and the Silk Road, nature and culture come together and history and the future blend in perfect harmony. Awe-inspiring landscapes, unique cultures, all kinds of souvenirs and mouth-watering delicacies all await you.

China is beyond your imagination: you have to see, feel and taste it for yourself to believe it!

Courtesy:

Text & Pictures : China National Tourism Administration, New Delhi



AUSTRALIA INVITES CRICKET FANS TO CREATE A
WORLD RECORD AT THE FINALS OF THE ICC T20
WOMEN'S WORLD CUP ON INTERNATIONAL WOMEN'S
DAY (MARCH 8)



Melbourne Cricket Ground,
Victoria

2020

is the year of cricket in Australia. Whilst the ICC T20

Men's World Cup will be held in October 2020, it's the women who are leading the season. Starting February 21, ten best international women teams will compete for the coveted ICC T20 Women's World Cup. The International Council of Cricket (ICC) have announced a vision to make this event a turning point in the history of women's sports and create a world record for the highest attendance for a women's sporting fixture at the finals of the women's tournament being played at the Melbourne Cricket Ground on International Women's Day, March 08, 2020.

With just a few days to go for the women's games, it is the perfect time to plan a visit to the Land Down Under and be a part of history (and make it her story). Cricket action coupled with some stunning natural beauty and unique wildlife is just the right line-up for an amazing holiday. Here's a guide to following the women's World Cup journey at some of Australia's iconic host cities and having an absolute blast while you're at it!





SYDNEY

Like the saying goes – when in Australia... And there are few things more Aussie than heading down to the beach to hang ten on a surfboard! The beautiful Bondi Beach needs no introduction, but what we will tell you is that's its waves are among the best in the region to learn how to surf on. Sign up for a lesson with the delightful guys and gals at Let's Go Surfing, who've been teaching on this beach since the '90s.

For a unique introduction to Australia's heritage, you must join Aunty Margret or one of her guides on a Dreamtime Southern X tour around The Rocks. It's a insightful, fantastic way to gain a glimpse into the deeply storied history and culture that has been passed down over centuries, and we promise you'll see Sydney – and the world – through fresh eyes at the end of it.

If you like markets, wake up bright and early (trust us, it's worth it) – to see the Sydney Fish Market come to life. Alex will keep you entertained as he walks you through the largest fish market in the

Southern Hemisphere, and clues you in on the astonishing variety of marine life that passes through here every day. If you're up for a road-trip, get back into the cricket frame of mind and head about three hours out of the city to visit the Bradman Museum and International Cricket Hall of Fame in the quaint little town of Bowral. This is where the legendary Sir Donald Bradman spent some of his formative years, and the cricket tragic could spend hours exploring the excellent collection.

The city of Sydney itself has a long list of notable attractions; there's the Sydney Opera House, of course, and the Sydney Harbour Bridge and the colourful district of The Rocks to explore, so even if you decide to stay in the city, you'll be spoilt for choice. Try and squeeze in a dinner at the Bennelong restaurant within the Sydney Opera House – there's something special about dining within the iconic structure, and you'll be torn between looking out at the fab views and focusing on the beautiful plates of food in front of you.



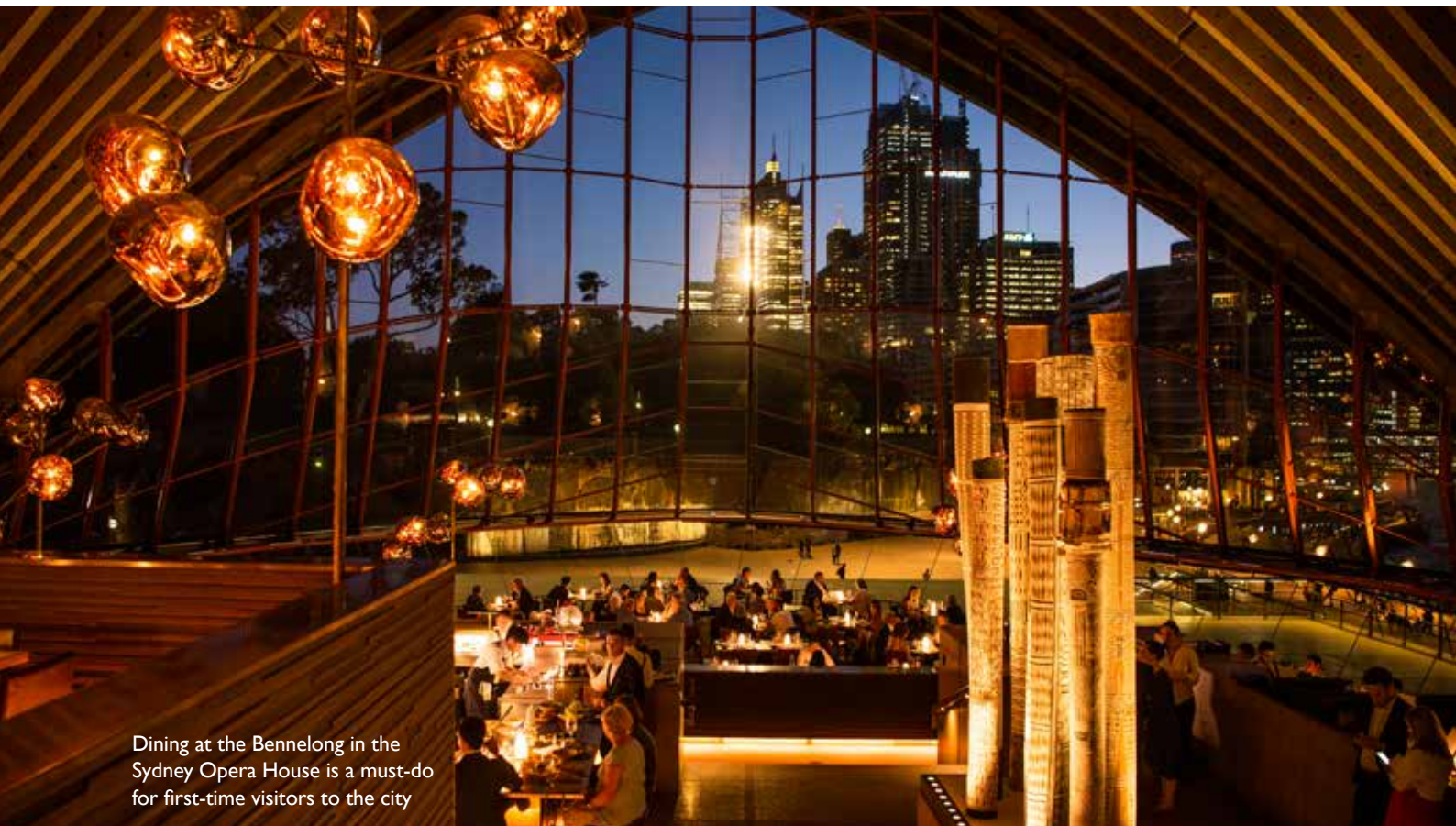


PERTH

Amidst all the cricketing action and buzz, spend some quiet time at the beautiful King's Park soaking in the lovely views, or visit the Perth Cultural Centre, home to the Art Gallery of Western Australia and the Perth Institute of Contemporary Arts.

Make sure your phone's fully charged before you hop on the ferry for a day-trip to nearby Rottnest Island. This little slice of paradise lies just 18 kms off the coast of Perth, and is home to the adorable quokka, a native marsupial and the happiest animal on the planet that you'll want to grab a few selfies with. Rottnest is also home to a variety of birdlife, and has 63 beaches to lounge on or go swimming or snorkelling from. There are no cars on the island, so you can rent a bicycle and peddle around, or sign up for a tour that'll make sure you don't miss out on any of the island's highlights.

Another highlight is the Fremantle area, just outside Perth city. You can take a boat down the Swan River to this charming port town, which bursts with history and culture, and has some fantastic craft beers to wash it all down with. A tour of the Fremantle Prison, the largest convict-built structure, will give you a glimpse into the past, as will the Western Australia Maritime Museum. Then it's pub-crawl time! Fremantle's arguably the hub of the craft beer explosion that's taken over Australia, and you'll have plenty of options to choose from. There's the Little Creatures Brewery, of course, as well as the stellar Monk Brewery and Kitchen.



Dining at the Bennelong in the Sydney Opera House is a must-do for first-time visitors to the city



Kayaking along the Yarra River in Melbourne offers you a whole new perspective of the city

MELBOURNE

Melbourne's such a vibrant, colourful city that you're going to want to be out walking around all day! But before you sink your teeth into the city, go on a tour of the Melbourne Cricket Ground. This ground has brought out the best in some of the legends of the sport, and as you walk along the halls and through the stands with one of the knowledgeable guides (who are a wealth of interesting stories!) you'll feel like you're walking on hallowed ground. And you're going to be keeping your fingers crossed that the Women in Blue hoist the cup on this field at the finals on March 8, 2020! Post the tour spend some time walking around the city - it's great for people-watching with a stop for some of Melbourne's famous coffee. Because if there's something Melbourne does really well, it's food and drinks. For dinner, make a booking at Supernormal, which dishes out exquisite Asian plates that you will want to sample. Our tip - get a variety of dishes, and go at it family style!



Beautiful street art is a Melbourne standard

Slip on your walking shoes, and head out on a Hidden Secrets: Arcades and Laneways tour. This casual but informative walking tour will take you to some of Melbourne's historical old shopping arcades and wee laneways - some of which house hip boutique stores, coffee shops and eateries that you'll want to come back to and check out. Don't forget to keep an eye out for the gorgeous, ever-changing street art that bedecks some of the laneways!

For another unique perspective of the city, sign up for a Moonlight Kayak Tour with Kayak Melbourne. You don't need any prior kayaking experience - just settle in, get paddling, and cruise down the Yarra River from the Docklands up into the heart of the city. You'll break for a fish and chips supper partway through so you'll have the energy to power through - though the Insta-worthy views will keep you going, anyway.

*Courtesy:
Text & Pictures : Tourism Australia, Mumbai*

Achieving more is
your ambition
Getting you more
is our endeavour



7.50% p.a.[^]

Senior Citizens Earn **8%** p.a.[^]



Overdraft against
FD for any liquidity
requirement



Premature withdrawals
in multiples of INR 1
with Sweep-in facility



Choice of Monthly /
Quarterly payout

YES BANK Fixed Deposits 








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