Kerala Chamber Business News (Monthly) April, 2018 - Price Rs. 25. RNI No: KERENG/2008/25119
Registered : KL/EKM/683/2016-18. Posted at Kochi PSO, Kochi - 682 035.
Date of Publication: 25.04.2018, Number of pages 52

IS MODI'S BEST NOWHERE NEAR GOOD ENOUGH? | DE – MO DEVIL? | BIGGEST CHALLENGE FACING INDIA'S FINANCIAL SECTOR | THE CRISIS AT INDIA'S PUBLIC SECTOR BANKS | DENIM OVERDOSE

VOL. 8 ISSUE 06

KERALA CHAMBER BUSINESS NEWS

RS. 25 An Authentic Business Magazine from Kerala Chamber of Commerce and Industry APRIL 2018

DR THOMAS NECHUPADAM BDS MDS

SMILYST

SMILING
BUSINESSMAN
UNLIMITED

APRIL 2018 VOLUME VIII ISSUE VI PRICE 25

TRIVANDRUM DISTRICT CENTER
TC 26/114 (38), 3rd Floor Capitol Centre,
Statue Jn., M. G. Road, Trivandrum.
Ph: 0471-257 0161 Email: infotvm@keralachamber.in

CALICUT DISTRICT CENTER
Khaleej Mall, Bypass Road,
Govindapuram, Calicut-673016.
Ph: 0495-274 2929.
Email: infoclt@keralachamber.in

KANNUR DISTRICT CENTER
Mascot Square Building, 2nd Floor,
Near S.N.Park, Kannur - 670 001
Ph: 0497 27147000.
Email:infoknr@keralachamber.in

PATHANAMTHITTA DISTRICT CENTER
Anchakkala Junction,
St. Peter's Vettipuram Ring Road,
Pathanamthitta P.O.,
Pathanamthitta - 689645
Ph: 0468 2329111.
Email: infopta@keralachamber.in

KOLLAM DISTRICT CENTER
Y.Daniel Nagar,
Ashramom P.O.,
Kollam - 691002

IDUKKI DISTRICT CENTER
Pulimoottil Plaza
Thodupuzha
Kerala - 685608
Email Id:infoidk@keralachamber.in

EXPORT IMPORT HELP CENTRE
Port User's Complex No.1,
Opp Ernakulam Wharf Gate W/ Island,
Cochin-682 003,Kerala, India
Ph.04842667407
Email:chambereximhelp@keralachamber.in

COCHIN AIRPORT HELP CENTRE
Space No:16, Canopy Retail Building
CIAL, Nedumbassery. Ph : 0484 - 2610490
E-mail : cokeximhelp@keralachamber.in

CALICUT EXIM HELP CENTRE
KSIE Cargo Complex, Room No. 6,
Calicut Airport, Karipur PO,
Malappuram- 673638. Ph: 0483- 2715044.
E-mail : clteximhelp@keralachamber.in

TRIVANDRUM EXIM HELP CENTRE
KSIE Air Cargo Complex (Exports)
KSEB Jn., Chackai, Trivandrum- 695008.
Ph: 0471-2922364.
E-mail: tvmeximhelp@keralachamber.in

Editorial

Restore confidence and rebuild our belief

What is the most important responsibility of a head of government? At a time when a country is troubled, in anguish and even in a state of self-doubt, the primary duty of a prime minister is to articulate a national response around which we can all rally. This is more than political or economic leadership, it's moral or ethical leadership. In fact, it's an attempt to salve wounds, heal hurt and pain, restore confidence and rebuild our belief in ourselves.

Now, after the ghastly Surat, Unnao and Kathua rapes, India is a troubled country. In fact, I would go further. We face a moment of crisis, of grave self doubt. We're more than shaken and disgusted. "How could we have done this?" This is the question we keep asking but cannot answer. This is why we needed the prime minister to take a moral stand we could rally around. Eventually he did but only in generic terms. The specific and horrific details of Kathua and Unnao were not mentioned. More importantly, by the time he spoke, it seemed it had been forced out of him. It didn't feel like leadership. More like proof of his vacillation, even indifference.

The sad truth is this is not the first time he has failed to rise to the challenge. In these matters timing is critical whilst Narendra Modi's delays seemed deliberate.It's this moral dimension of that Modi either doesn't believe in or cannot rise up to. Whatever his other achievements - and, let me be honest, there are many - this lapse is why many criticise him whilst not a few who voted for him are today disappointed and dismayed.

K.N.Marzook,
Managing Editor.

Edited, conceived and designed by themediafactory1@gmail.com

Follow us on : https://www.facebook.com/KeralaChamberOfCommerce
Follow us on http://www.youtube.com/user/keralachamberkcci. Follow us on : https://twitter.com/Chamberkcci
Read KCBN Online : http://www.keralachamber.in/magazines

Affiliated to : ASSOCHAM FICCI Kerala Regional Office : ICA Indian Council of Arbitration
Head Quarters : Chamber Corner, Shanmugham Road, Cochin - 682 031, Kerala, India.
Tel: 91-484- 2380950, 2354885, Fax : 91-484 - 2374253
E-Mail: info@keralachamber.in, www.keralachamber.in

INSIDE

DR THOMAS NECHUPADAM BDS MDS

SMILYST

SMILING BUSINESSMAN UNLIMITED

A young man with effervescent smiling face is all that most people remember after the meeting with this gentle man. The ideas that he proposes to most people are beyond their expectations but when the Pandora box opens of his debuts in various enterprises and entrepreneurial trials with most of them in good health we could ever think "a doctor of business"

D Dr.Thomas Nechupadam is a versatile personality with keen interests in aesthetic dentistry which made him stay at the economic capital of the Kerala, Kochi. It was just the first step of his in the business of spreading smiles in any business he ventured in. The excerpts from the casual interview with this entrepreneur was shedding lights on newer arenas of business that he is steering on.

The History

Born to DR.K T Paulose Nechupadam a renowned dentist and the first private practising Orthodontist in Kerala, young Thomas was inspired by his father and the family of entrepreneurs -the Nechupadam

family. This family from Kolenchery has excelled many in fields of hospitality, hospitals, spice trade, construction and contracting. It gave him a childhood full of narration of his forefathers and uncles making leaps & strides in various fields of business. Living in the village of Kolenchery in a family house with cow rearing amongst paddy, spices and vegetable farming, he is passionate in eco-friendly sustainable agri-businesses. The off time from school was mostly spend in meeting people all walks of life coming to meet his father in this clinic to relive pains or to change their appearance. Thus the basic etiquettes of networking was well nurtured in the early years. Thanks to the clinical inspiration from his father's exceptional mastery of dentistry motivated him to become a dentist especially an Orthodontist with astute focus on aesthetics . The motivation was so powerful that all his three siblings and their spouses are dentists and now the third generation has also stepped into dentistry making 9 dentists at home for this smile family. Dr Nithia Sara Thomas is his wife and is blessed with three children Nissi Nidhi & Noah

The Business,

When asked about why other businesses the reply was sharp "You at Kerala Chamber of Commerce and other Organisations inspired instilled motivated and pushed me into business ''. But he was thankful for the same as the experiences and the volumes of knowledge gained was priceless and the network of friends and associated through business and business organisations an asset that he holds dear to heart.

The first business was his clinic at marine drive which attracts citizens of 44 different countries for state of the art dentistry and Aesthetic transformation . The clinic experiences made him part of the tourism sector and other industrial organisations .The association with Kerala chamber instilled the entrepreneurial spirit with exposure and right contacts helped to propel business like corporate training ,media , Event management so on and so forth .The Dairy farm at Peermade is another budding venture. He is Now director of 4 Private Limited companies.

Newer Ventures

With the aim to skill the rural segment through the central government initiative Skill India the new

The Aviation connect helped Dr. Thomas to start new venture with his friend and advisor Veteran Aircraft Charter Specialist, Captain Syed Ahmed Al Rashid of Kingdom International Aircraft Leasing & Charters which now enabled Dr. Thomas and his team start the new 360* Aviation Company with portfolio of Aircraft sales wet & dry leasing , Air Charters, Air Ambulance, Maintenance and so on

business of Central Institute of Aviation and aerospace research was started on Jan 2018 under the auspices of Aerospace and Aviation sector skill council of the National Skill development Corporation [NSDC].The Sevents Consultants Pvt Ltd which was an event management company was converted to a training and skilling company and now trains 260 rural women on facets of Aviation. Skilling Ground handling team ,Cabin Crew ,load controllers and other streams of aviation under the Kudumbasree DDUGKY project the project will encompass placement of Kerala rural women in handling aviation duties across the globe .The project to start two centres of excellence in Aviation in Kerala& Maharashtra is also swiftly progressing .This will upscale the skilling size to 10000 work force skilled ,upskilled and reskilled for aviation industry across India.

The Larger One

The Aviation connect helped Dr. Thomas to start new venture with his friend and advisor Veteran Aircraft Charter Specialist, Captain Syed Ahmed Al Rashid of Kingdom International Aircraft Leasing & Charters which now enabled Dr. Thomas and his team start the new 360* Aviation Company with portfolio of Aircraft sales wet & dry leasing , Air Charters, Air Ambulance, Maintenance and so on. Soon the company is launching its fleet of aircrafts for regional connectivity for smaller cities under the UDAN scheme of Pradhan Manthri Shree Narendra Modiji.

Dr Thomas Nechupadam is also a video blogger and spends time in scripting and pitching new business ideas and is keen on start-up facilitations. Along with His team of young professionals in business like Vysakh Valsan and Sreekumar, he is set to leave no stone unturned to go for the limitless skies in business.

Accolades and recognition

Dr Nechupadam is an appearance expert and orthodontist with Bachelor and Master Degree in Dental Surgery who expanded his skill sets will didactic trainings in Prosthetics, Implants and endodontics from renowned faculties around the globe. He is a certified Invisalign(R) provider, clear aligner expert and a Fellow in Dentistry of World Clinical laser Institute. He is also listed among the 100 most impactful Global healthcare leaders 2018 and one of the few accredited smylists(R) in India. He is the past Director of Kerala Chamber of Commerce and industry and is the current Youth forum co- convenor. He was the President of Business Networking International BNI Winners chapter and the General secretary Kerala State for CEFI. He has been recognised by various national and international awards in dentistry and in Business.

As we Finished our conversation we found this short statured man an inspiring human being with various faces of a family man, a doctor, an appearance expert,a business man, an evangelist, a blogger, writer and many more varied interests that he is wearing and dreaming of. He gives all the credits of success to his devotion to Lord God and Saviour Jesus Christ who he believes and follows as the greatest role model. We could sense the immense positivity and enthusiasm of this man of vision in all the thought provoking ideation breaking most conventional views of a doctor in business. Really a business man unlimited.

by Special Correspondent

IS MODI'S BEST NOWHERE NEAR GOOD ENOUGH?

The failure to reform has meant that there is no buzz about job opportunities, or about urban opportunities enticing young people off the farms. And it is this failure that has contributed to the widespread disappointment that threatens to make the next general elections closer than expected

One year from now, India will be in the middle of what is likely to be a fiercely contested general election campaign — if, that is, the elections are held on schedule.

What is notable is the new consensus that the elections will not just be fiercely but also closely contested. This was not predictable after Prime Minister Narendra Modi's resounding success in 2014, nor was it evident when he was riding high half-way through his term.It is important to note that Modi's personal popularity continues to appear very high, whether you judge anecdotally or through surveys. It was clear in 2014 that he was the most popular Indian leader since Indira Gandhi, and this has not changed.

It is also very relevant that the Opposition, in spite of a certain recent infusion of energy, has not yet managed to re-invent itself as a credible challenger or aspirant to power. Given that these two facts are indisputable, it is even more surprising that Modi's re-election is not considered to be a fait accompli.

The problem is, in the end, with the economy. Much is being made of the moderate recovery in economic growth in recent months. But most observers, if asked in 2014 whether Modi would manage to deliver better growth than the United Progressive Alliance's jinxed second term, would resoundingly agree.

They would be even more emphatic if told that global conditions, such as the flow of capital and the price of oil, would be benign. Yet Modi's government has delivered under-par growth. Why is this the case, and what are the consequences?

Modi's under-performance is only partly his fault. He had to deal with some bad monsoons, which always depress demand and divert attention and resources to alleviating rural distress. The introduction of the goods and services tax would also have been somewhat disruptive in the best of scenarios, with an impact on either inflation or growth or government revenue.

And it is not as if there have not been important and forward-looking structural reforms put into place. Besides the GST, the Insolvency and Bankruptcy Code (IBC) needs to be highlighted, as well as the increasing digitisation of government processes and permissions. The government's commitment to climate change and renewable energy is marked, and eminently praiseworthy.

Yet it is clear that the government's positive economic efforts were either half-hearted or too late. Worst of all, many of them were poorly planned and executed, and betrayed a lack of capacity and understanding of the issues. Enough has been written about how the GST roll-out was mismanaged. Even the IBC is in danger of being scuttled by entirely predictable problems.

The government was warned that a cadre of independent resolution professionals was needed to add capacity to the new bankruptcy professionals and keep disputes from flooding the courts. That requirement was unfortunately taken out of the final draft of the law. Meanwhile, other forms of mismanagement undermined the positive efforts. Most prominent among these was demonetisation, a completely hare-brained scheme that destroyed demand, hamstrung the informal economy, and added to mass unemployment.

Meanwhile, it achieved little of what it set out to do — whatever its true economic aim may have been, an uncertain question at best. As has been recently reported, cash in circulation is now at levels comparable to the pre - demonetisation status quo ante.

Additional errors of commission, as opposed to omission, include the nature of the UDAY (Ujwal DISCOM Assurance Yojana) scheme, aimed at restructuring power sector debt, which has merely postponed a reckoning with the state of the distribution companies; the abandonment of the fiscal consolidation path in the last Union budget; the decision to hold capacity in the higher judiciary hostage to a dispute about appointments; the excessive use of cesses, which undermines India's federal nature by withholding funds from the states; populist and misconceived price control measures in such fields as medical equipment, pharmaceuticals, and aviation; attempts to de-link Indian exchanges from the world economy; a medical insurance scheme that might bankrupt the fisc and enrich only private operators; and the exceptions to reasonable regulation being carved out to benefit the still-to-take-off Gujarat-based international financial centre.

There are many other such. The errors of omission are even more glaring, beginning with reforms to labour and land markets. Structural reform of factor markets has largely been abandoned. True reform of public sector banks is off the agenda in spite of their obviously flawed operation.

The regulatory burden on entrepreneurs is still too high. Tax investigations have become more intrusive, not less. Public procurement of foodgrain remains unreformed. No offline nationwide market for agricultural produce exists. Administrative reform is still a dream. Education has not been touched. Skill India has failed.

Meanwhile, India has turned protectionist in a manner not seen in 25 years. The promise of 'Make in India'- which was thought to be an attempt to revive manufacturing in India through deregulation, infrastructure investment, and investor protection - has turned into a reality in which Indian companies seek protection behind high tariff walls. Far from creating employment, this will lead to inefficiency, high costs, and misallocation of resources.

Perhaps this is indeed the case. If so it is clear that his best is nowhere near good enough.

India deserves better.

Business News Corp.

MONSOON FORECAST

SHOWERS INDIAN ECONOMY WITH CHEER

Rainfall is likely to be normal during the June-to-September southwest monsoon season, the government's weather office said .

"For the third consecutive year, India will have a normal monsoon. There is very less probability of experiencing a deficit monsoon. We will come out with the next assessment on 15 May about the onset of monsoon over Kerala," said K. J. Ramesh, director general of the India Meteorological Department (IMD) said.

IMD will update its forecast in early June with details on month and region-wise distribution.

If indeed the IMD forecast does pan out then it will have a salutary impact on the macroeconomic framework—especially with respect to food inflation—and mitigate some of the farm distress.

Rainfall will be 97% of the 50-year average with a 54% probability that rains will be normal to above normal, the IMD said in its first stage long range forecast. Probability that rainfall will be deficient (less than 90% of 50 year average) is 14%, it added.

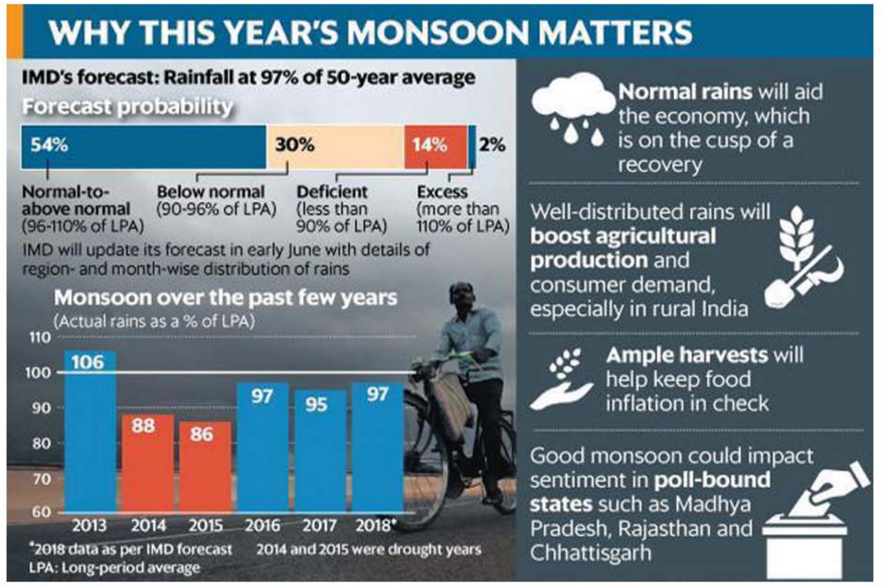
The onset of the monsoon in June is the trigger for planting of rain-fed Kharif crops. India receives 70% of its annual rainfall in the four-month period, which in turn irrigates over half of its farm lands lacking assured irrigation.

A normal monsoon is crucial to push economic growth, which slowed last year under the lingering impact of demonetisation and disruptions due to implementation of the goods and services tax (GST), both of which impacted private consumption demand as well as exports, CRISIL research said in a note.

"Today's monsoon forecast is the first set of good news but for agriculture spatial and temporal distribution of monsoon is as critical," said Dharmakirti Joshi, chief economist at Crisil Ltd. "The revival in the farm sector will depend on the prices that farmers receive...there is no clarity yet on the government's proposed minimum support price policy which will be important in a good production year," Joshi added.

IMD's forecast of 97% rainfall comes with a model error of (plus-minus) 5%. Monsoon is considered to be normal when rainfall is between 96%

A normal monsoon is crucial to push economic growth, which slowed last year under the lingering impact of demonetisation and disruptions due to GST rollout



and 104% of the 50-year average. The average rainfall over the past 50 years, or the long-period average (LPA), is 89 cm.

Past data show a positive correlation between growth rate of agriculture GDP and actual rainfall. Successive years of drought in 2014 and 2015 led to a fall in crop production and dismal farm sector growth rate which fell to a low of -0.8% in 2014-15 and -0.1% in 2015-16. Normal rains in last two years—95% of LPA in 2017 and 97% of LPA in 2016— helped a rebound in farm growth rate to 6.8% in 2016-17 and an estimated 3% in 2017-18.

However, consecutive years of good harvest in 2016-17 and 2017-18 led to crash in wholesale crop prices leading to protests by farmers. The centre in its budget this year promised minimum support prices (MSP) at costs plus 50% margin and said it will announce a policy for effective procurement of crops at support prices.

Business News Corp.

SKYMET WEATHER PREDICTS NORMAL RAINS

Skymet Weather, a private forecaster, has come out with a reassuring statement. According to it, monsoon 2018 "is likely to remain normal at 100 per cent (with an error margin of +/-5 per cent) of the long period average (LPA) of 887 mm for the four-month period from June to September."

The agency has predicted a 55 per cent chance of normal (seasonal rainfall between 96 to 104 per cent of LPA) rainfall. There are 20 per cent chances each for above normal (between 105 and 110 per cent of LPA) and below normal (between 90 and 95 per cent of LPA) rainfall.

It also says there is a five per cent chance of excess (more than 110 per cent of LPA) rainfall. And fortunately, there is a zero per cent chance of drought (seasonal rainfall of less than 90 per cent of LPA).

June will be the wettest of the four rainy months, recording 111 per cent of LPA (about 164 mm). July, the wettest month, will see 97 per cent of LPA (289 mm), while in August it will be 96 per cent of LPA (261 mm). September will see 101 per cent of LPA (173 mm), says the agency.

DE-MO DEVIL?

CASH CRUNCH AT ATMS COULD BE THE AFTER-EFFECTS OF DEMONETISATION

Over the past few weeks, multiple reports of non-functional ATMs have revived fears of a cash shortage in the economy. Astatement issued by the ministry of finance tried to allay such fears. The statement notes that "there has been unusual spurt in currency demand in the country in last three months". The statement also held out an assurance that adequate currency notes would be supplied to "meet even higher levels of demand if such demand were to continue in the coming days/months".

The statement named Andhra Pradesh, Telangana, Karnataka, Madhya Pradesh and Bihar as the states which have witnessed unusual demand for currency.

If the government's prognosis is right, the cash shortage should subside within days.

However, a statistical analysis also suggests that this shortage could be a result of persistence of tightness in overall money supply which started after the November 2016 demonetisation of high-value banknotes. Here's why.

Bank-notes in circulation reached their pre-demonetisation levels in February 2018. Whether or not this is enough to cater to demand for cash in the economy depends on the extent to which cash preference has fallen in the post-demonetisation period. As has been pointed out by R Gandhi, former deputy governor of the Reserve Bank of India (RBI) in an interview to Bloomberg Quint, currency in circulation should have been Rs 5 trillion more than what it is today had demonetisation not taken place.

By extension, if electronic or cashless transactions haven't touched that number, it means there is a shortage of cash in the system.

We can look at two indictors to understand whether the replenished currency stock is enough to cater to the demand for cash in the economy: ATM withdrawals as a percentage share of total banknotes in circulation and growth in bank deposits.

The former gives an idea of day-to-day cash demand. The latter would capture whether people are hoarding cash outside of the banking system.

Both these indicators were influenced by the disruption caused by demonetisation. However, even after remonetisation had been completed, they are not back to their pre-demonetisation levels. Total value of ATM withdrawals as a percentage of total banknotes in circulation in February 2018 was still higher than corresponding values in the pre-demonetisation period.

It needs to be understood that ATM withdrawals would underestimate the day-to-day demand for money if ATMs are not working, because people would not be able to withdraw cash.

Similarly, annual growth in bank deposits is still lower than pre-demonetisation values. This suggests that some people are hoarding money rather than depositing it with the banks.

An attempt to replenish cash stocks used for carrying out economic activities outside the tax-net could be behind the move.

In his interview with Bloomberg Qunit, Gandhi listed elections, festivals and central/state government payments in social welfare schemes as possible reasons which could have led to an increase in demand for cash in certain regions. Gandhi also said that if people had gone back completely to their pre-demonetisation cash preferences, existing supply of cash would not be enough to meet the demand.

CP Chandrasekhar, professor of economics at Jawaharlal Nehru University said that at a time when the cash supply situation is already tight, even a minor shortage can trigger hoarding due to panic. This is likely to further worsen the supply situation.

It will take some more time to say with certainty whether the current cash shortage is due to logistical or structural factors. In case it is the former, a mere transfer of cash stock from surplus to deficit states would solve the problem.

In case of the latter, it would require a significant increase in supply of currency.

Business News Corp.


KCCI Youth Forum Convenor and Joint Convenors with The British Deputy High Commissioner, Chennai

NEW CHAIRMAN FOR KCCI


Dr. Biju Ramesh, Chairman and Managing Director, Rajadhani Group

BIGGEST CHALLENGE FACING INDIA'S FINANCIAL SECTOR

India has come a long way since it embarked upon its journey of economic reforms more than two decades ago.With a projected gross domestic product or GDP growth of over 7 per cent, it is now one of the fastest-growing major economies in the world.

The high growth rate has been supported by a growing financial sector, in addition to continued efforts by the Narendra Modi government to push forward with structural reforms.However, the recent rise in financial sector vulnerabilities has added a dose of anxiety to an otherwise sunny outlook for India's growth prospects.

To sustain India's high growth rate and spread its benefits more evenly, the financial sector has a crucial role to play in mobilising resources and channelling them to productive uses.India's efforts to push through financial sector reforms in the last two years have been promising.

Some of the important accomplishments include the introduction of an inflation-targeting regime, easing of norms to apply for banking licences, introduction of an Insolvency and Bankruptcy Code (IBC), and the launch of the Pradhan Mantri Jan Dhan Yojana, to name a few.

However, India has a long, unfinished reform agenda that it needs to pursue with utmost urgency to sustain the high growth rate in the long term.The most pressing issue facing the Indian financial sector is the rising stock of non-performing assets or NPAs in the banking system.

Bank credit is an important source of finance for households and firms in India.The rising stock of NPAs, which amounts to over Rs 7 lakh crore, has been eroding banks' profits and inhibiting their ability to provide credit.

Even though non-food bank credit growth has recovered, growth of bank credit to the industrial sector remains subdued.Within the industrial sector, credit to medium enterprises continues to decline, while growth in credit to large enterprises is barely positive.Robust credit growth to the industrial sector is essential to support capital formation and economic activity.

It will be difficult for the banking system to support high growth, especially in the industrial sector, if the growth in NPAs is not checked.It is certainly promising that the government seems to recognise the urgency for broad-ranging banking reforms, but effective implementation and a multi-pronged approach are essential.

Recapitalisation of public sector banks (PSBs) is important, but should be done in tandem with governance reforms that make these banks more accountable and change their incentive structures to promote efficient allocation of credit to the most productive uses.

More competition through entry of new banks and greater private ownership of PSBs would increase the overall dynamism of the banking sector.At the same time, it is important to develop corporate bond markets, which can provide an alternative source of funding to firms.

As we argue in our recent Brookings Institution report, quantitative restrictions on institutional investors should be removed to broaden the investor base.There is also a need to develop secondary markets which will allow market participants to hedge risks arising from their investment in corporate bonds.

The current issues with each segment of the Indian financial sector may seem disparate but are in fact interconnected.For instance, the statutory liquidity ratio (SLR) for banks is 19.5 per cent of their net demand and time liabilities.Such a high SLR implies that banks have little room in their portfolio to invest in assets other than government securities.

A high SLR, in addition to quantitative restrictions on institutional investors to invest in corporate bonds, translates into weak demand for corporate bonds.As the corporate bond market remains underdeveloped, corporate are left with few avenues to raise debt.They end up turning to the banking sector, thereby exposing the banking sector to concentration and credit risk.

In the absence of a robust bankruptcy framework, banks have to bear the burden of losses emanating from failed projects, largely reflected in rising NPAs, further inhibiting their capacity to lend.Hence, what is needed is an integrated approach to financial sector reforms that takes into account the nexus between different sectors rather than thinking about reforms in each sector separately.

The underlying institutional framework needs to be strengthened to support primary and secondary capital markets.This would require effective implementation of the IBC, creation of a resolution mechanism for failing financial institutions, and consolidation of regulation across closely connected markets.

The most pressing issue facing the financial sector is the rising stock of non-performing assets in the banking system

It would be helpful to lay out a clear medium-term path for bringing down the SLR, a process that the Reserve Bank of India or RBI has already initiated, in order to deepen bond markets and reduce financial system distortions resulting from financing of fiscal deficits.In addition to fixing financial markets as we have described above, it is equally important to sustain momentum on increasing financial inclusion, improving financial literacy, and strengthening consumer protection.

India has enormous growth potential. To unlock this potential and to maintain an upward growth trajectory, it is crucial that the government pursue financial market development and reforms.

It is clear what needs to be done - what is needed now is a strong political will to push through the unfinished reform agenda aggressively and rapidly.

Business News Corp.

GST ON HOUSES:

NINE MONTHS AFTER ROLLOUT, CONFUSION REIGNS SUPREME RESULTING IN BUYERS FEELING CHEATED

The Goods and Services Tax (GST) is hardly a year old, having been rolled out on 1 July 2017. While it is still beset by procedural hassles, confusion reigns supreme in the market for residential houses. There exits a mistaken view that ready-to-occupy flats with occupancy certificates (OCs) are free from GST. And that builders charging a GST on such ready-to-occupy flats are cheating buyers. In fact, a view is being propagated that it is better to purchase a ready-to-occupy flat as it is exempt from GST, as opposed to registering with a builder and making staggered payments for a unit, depending on the stages of construction. This is not true.

GST is a destination based tax. Accordingly, the buck stops with the ultimate buyer. The tab has to be picked up by the buyer, whether he participates at the inception of the project or steps in when the flat is ready. To be sure, there are advantages in stepping in when the flat is ready to occupy vis-à-vis being an early bird — immunity from the vagaries of the construction industry, immunity from being a victim on account of diversion of funds by a builder, among other things.

But contrary to ill-informed or deliberate propaganda, there is no escaping GST for those stepping in when a flat is ready unless of course the builder, unable to sell, reduces the price and markets the deal as 'GST saved'.

KCCI Youth Forum Convenor Mr. Rajesh Nair and Jt. Convenor Dr. Thomas Nechupadam Visited Hyderabad for Wings 2018 an aviation conference and show

A builder is supposed to maintain a meticulous account of the GST paid on various inputs used in a project, as the GST rate on various construction materials is not uniform. This is a direct consequence of the GST rate not being uniform which is the case in many countries that have embraced VAT of which GST is a variant.

According to a report in media, different tax rates are applicable to materials used and services hired. This results in builders paying a different GST amount for each project. As builders are eventually transferring the GST burden on to home buyers, it is essential for people to take note of the following while buying a new home: Different GST rates are applicable on different construction material. For instance, cement is charged at 28 per cent, a works contract at 18 percent and bricks at five percent. As the GST varies from item to item and also from location to location, builders are calculating the whole amount and charging buyers, the newspaper added.

The news item reproduced above is by and large true except that the GST rate cannot vary from location to location unless the builder is economical with the truth. The builder receives an input tax credit when he calls upon homebuyers to pay the GST incurred on the whole project. And for the process, it is immaterial whether he has collected staggered payments or has been able to sell ready to occupy flats, or a combination of both as is common in the real estate market.

The GST Council should clear the air with a media campaign in public interest. It must correct the notion that there is no GST on ready-to-occupy houses. The confusion arises as the contract is either a works contract or a sale of immovable property. It's a works contract for buyers who participate in the process at the construction stage and a sale for those who buy when the flat is ready.

But this distinction does not make any difference to buyers' tax fortunes. Whether it is a buyer participating at the inception or one stepping in when the flat is ready, both aren't interested in bricks, paint, sanitary fittings, among the other things used in the flat. They enter into agreement to buy a habitable and completed residential house. And hence the incidence of GST on both should be the same, contrary to the view that early birds bear a greater burden.

Business News Corp.

EGO BATTLE

WHY THERE WON'T BE ANY WINNER IN DONALD TRUMP'S TRADE WAR

A "trade war" triggered by the US could be a defining factor that retards growth across the globe.Donald Trump proposes to impose a 25 per cent customs tariff on steel imports and a 10 per cent tariff on aluminium.

In retaliation, the European Union (EU), Canada, Brazil, China, etc, have threatened to impose customs duties on US exports.In the meantime, India's budget has imposed higher customs duties on a variety of items, though this hasn't invited retaliatory action as of yet.Protectionism of this nature creates lose-lose situations.

For example, while there could be jobs created in the US steel industry, the price of steel will rise in America.As steel prices rise, US construction costs will go up (since steel is essential raw material). So will the price of all items manufactured in America using steel.

Ditto with aluminium, which is used in construction, aircraft and automobile manufacture, etc. That means inflation for Americans.It also means less demand for such products. Users of infrastructure will face higher costs as well.Construction services are driven by real estate development and by creation of new infrastructure - every sort of project in power, roads, transportation, telecom, etc, requires construction.

Net-net, that will mean less jobs for Americans. Job losses downstream will outnumber jobs protected in metals production.

In a more generic way, as inflation rises, consumption may ease down, leading to lower GDP growth.Meanwhile, jobs will also be lost in more competitive metals-producing countries, which can no longer export to the US. So, there will be a slowdown elsewhere as well.

As the US-made goods become more expensive, America may decide toimpose tariff barriers in downstream industries.Indeed, Trump has threatened import tariffs on European cars (and on Indian two-wheelers). And, of course, trade partners could retaliate.

This sort of chain reaction can push the entire world into recession.It happened in the 1930s when every nation tried to protect respective domestic industry after the Great Crash of 1929.That made the Great Depression even worse as every national economy became less competitive and jobs were lost across the world as global demand fell off a cliff.

Trade wars could have peculiar effects in the currency markets as well.Inflation will mean rate hikes.Rates hikes could translate into a stronger dollar and further slow GDP growth.Other nations may also try to maintain competitive export pricing by keeping currencies weak.

One can't tell where such things will end but currency volatility is a given.As of now, dollar strengthening looks likely to be a theme for quite a while.Indian exporters to the US would be worried.

> India's economy could also suffer some ill-effects without necessarily triggering retaliation via higher tariff barriers against Indian goods.

India's domestic economy could also suffer some ill-effects without necessarily triggering retaliation via higher tariff barriers against Indian goods.During decades of protectionism via placement of very high customs duties on all sorts of goods, India's domestic industries all turned into monopolies producing shoddy, over-priced goods.

There were just two car models available for over 30 years, for instance.GDP growth was low, inflation was high and employment stagnated.From the financial traders' perspective, the rupee has lost ground against dollar, yen and euro in the past month.

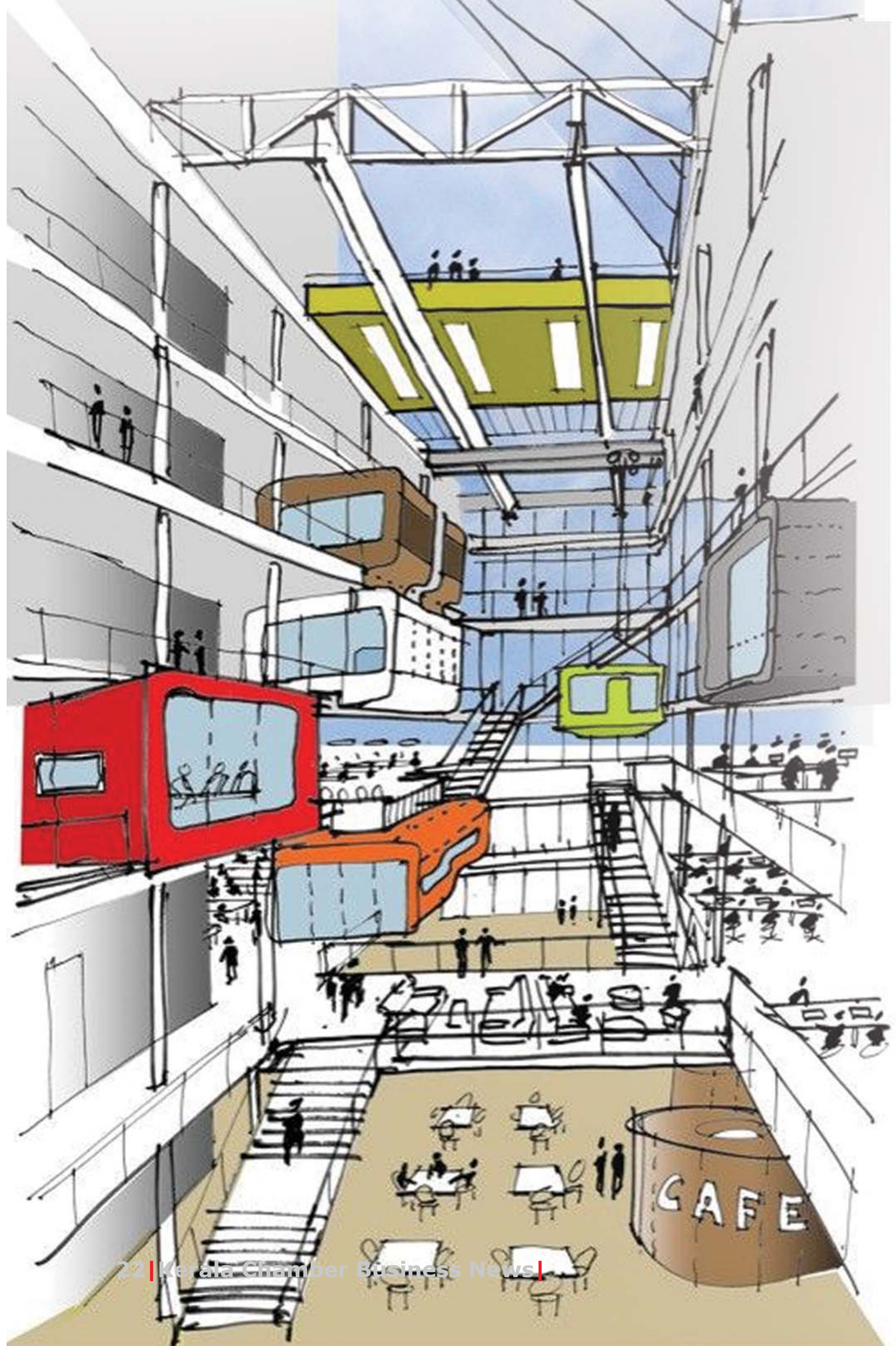
There has also been a shakeup in metals. The stocks of non-ferrous metal producers (aluminium, copper, zinc) have been hit hard. Indian steel manufacturers have done better, due to the positive effect of protectionist duties.

In WTO feedback, India is among the many nations that have confessed to being seriously concerned about American protectionism.A weaker rupee could perhaps help with keeping exports competitive.But if every major economic bloc starts raising protectionist barriers, the quantum of global trade will just drop.

There can be no winners really in such a war.

Business News Corp.

INDIA'S RETAIL REAL ESTATE MARKET GAINING MOMENTUM



During 2016, the Indian retail real estate market witnessed the foray of international brands, the launch of few quality retail developments and robust demand for space across key retail markets. More than 19 new brands entered the country during the year, primarily through the NCR market. In total 180 prominent global brands entered/ expanded their footprint in India during the year. Add to that, the sector received more than US $0.7 billion of investment by PE firms/wealth funds. As per reports, private equity investments into the segment are expected to increase by as much as 20 percent in 2017, signalling that overall market dynamics for the segment continue to be positive.

While international retailers such as H&M, Zara, etc. are likely to dominate the fashion segment, the F&B segment, is likely to be a healthy mix of domestic and global operators across the QSR, café, brewery and casual dining formats

Approximately 3.4 mn sq.ft. of new retail supply entered the market in 2016, with a majority of the supply (more than 40 percent) concentrated in Delhi NCR, followed by Bengaluru and Pune. The key developments completed during the year that contributed to this supply addition included Logix City Centre in Noida, Worldmark Phase I, II and III in Delhi, Pioneer Park in Gurugram, Brigade Orion East and Mfar mall in Bengaluru and Westend mall in Pune. During the year, global retailers expanded their portfolio with multiple store-openings led by international apparel and domestic F&B players who continued to dominate demand for organised retail space. New entrants in the market included Kiko Milano, Justice, Armani Exchange, Cath Kidston, Massimo Dutti, Hunkemoller and Longchamp. Existing retailers such as GAP, H&M, Marks & Spencers, Decathlon, etc. continued to expand their presence across the major cities of the country.

Rental trends varied across key high streets and malls in 2016. While some micro-markets witnessed stable rentals, other saw varying levels of rental increments. The upward movement of rentals in these select micromarkets was due to constrained availability of retail space, amidst a scenario of robust demand.

In 2017, we expect further positive movement for the segment. Close to 7 million sq. ft. of Grade A supply, is expected to enter the market, led by the Southern cities of Hyderabad and Bengaluru. With this, we are likely to see global and national brands execute their entry and expansion strategy in these cities, leading to a more uniform development of retail space across India. Even with this strong supply pipeline, the demand for organized retail space will continue to exceed the supply in most leading markets.

With increasing urbanisation and policy initiatives we are witnessing a shift in consumption patterns towards a more mature nature

Demand for retail space during 2017 is expected to be dominated by fashion and F&B. While international retailers such as H&M, Zara, etc. are likely to dominate the fashion segment, the F&B segment, is likely to be a healthy mix of domestic and global operators across the QSR, café, brewery and casual dining formats. Besides these categories, Family Entertainment Centers (FECs) and multiplex operators are also going to be active in leasing space at existing and upcoming malls in 2017.

Rental values are expected to witness divergent trends in 2017 as well. For high streets, the completion of infrastructure initiatives will play a pivotal role in deciding the rental trajectory of markets. However, rental growth in most high streets across key cities is likely to be limited as they have already reached their peak.

For organized supply (malls), most prominent developments are likely to witness a steady rental growth in 2017, however the rate of growth is not likely to be uniform; with some malls having a higher bargaining power than others due to their brand mix, footfalls and catchment areas. Also, certain developments are likely to witness a rental decline due to factors such as age of development and a sub-optimum tenant mix.

Outlook

With increasing urbanisation and policy initiatives we are witnessing a shift in consumption patterns towards a more mature nature. With the advent of REIT's in the near future, the quality of malls is expected to improve and the concept of strata sale of properties is expected to reduce considerably. With GST due to be implemented by July 1, 2017, we will also see a rationalisation of tax at different level as well as improvement in ease of doing business and overall movement of retail goods. We also expect affordable luxury to garner more traction and in turn drive the luxury retail segment.

Business News Corp.

NARENDRA MODI GOVT'S CREATIVE DESTRUCTION

Support for the Narendra Modi government is not what it used to be. The Reserve Bank of India's (RBI's) survey of consumer confidence found that in December 2017, 50.7% of those surveyed expected their incomes to increase a year ahead; in September 2014, 63.9% had said they expected their incomes to go up a year later. There are other straws in the wind - farmers and Dalits are restive, while the middle-class mood is reflected in the profusion of jokes about the Prime Minister on WhatsApp messages, a marked change from earlier.

Public memory of the corruption, weakness and the dithering on policy of UPA-II, so reminiscent of the Weimar Republic, seems to be dimming.

And yet, the Modi government has set the stage for ushering in a mature capitalism in the country. The initiatives taken in the last four years will change the face of the Indian economy. Modi's demonetisation gambit, together with the introduction of the goods and services tax (GST), has dealt a huge blow to petty commodity production and paved the way for an expansion of the formal sector, as gleeful brokerage reports never tire of pointing out. The Insolvency and Bankruptcy Code will lead to a rapid turnaround of stranded assets. The Real Estate (Regulation and Development) Act, or RERA, besides cleaning the Augean stables in the sector, will eliminate the smaller and shadier operators. Extending contract labour to all sectors of the economy will increase "labour flexibility". Environment restrictions and regulations have been whittled down and there has been a massive programme of building infrastructure.

Consider the changes on the macro front, such as the decision to bring in an inflation targeting regime at RBI, bringing down inflation, keeping the fiscal deficit in check, laying down the red carpet for foreign direct investment (FDI).

In politics, Modi has taken steps to transform India into a hard state, emulating the East Asian model. Not all his policies are working, of course, but it isn't for want of trying. No wonder foreign investors are all praise for him.

All this is underpinned by the ruling party's ideology, which aims to restore the lost glories of Hindu India, but is, at the same time, a modernizing rather than a conservative movement. Their use of religion and chauvinism has been a potent weapon of mass mobilization. It's a way of papering over the cracks in a society riven by the fissures of caste, class, language and culture. It's a great way to sell capitalism to the masses.

Why then the recent doubts? One, the party has had to make several populist concessions, such as loan waivers. The uneasiness is underlined by utterances such as those of RSS chief Mohan Bhagwat, who last year made the mystifying statement that only India could rescue the world from the clutches of capitalism. But this is rhetoric—governments today have little choice but to put in place the policies that will make them attractive to global capital. A strong economy is, after all, essential for Bhagwat's vision of a strong Hindu Rashtra.

The recent sops have been doled out solely on electoral considerations. Recall that Modi used to have nothing but ridicule for the national employment guarantee programme. Experts say his promise of higher minimum support prices for farms may not translate into major gains for farmers. And note that his ambitious Modicare scheme has private sector participation.

The main problem is the reforms being undertaken have a short-term cost. GST, for instance, has caused a lot of disruption. Cleaning up the banks is proving to be a Herculean task and it could lead to more caution on lending, affecting smaller businesses. The spate of scams in banks hasn't helped. The bankruptcy code, like GST, is a messy work-in-progress. The informal economy has been badly hit.

True, finding decent jobs for people moving away from unviable farming is a huge challenge, but it's one common to Third World countries and has led to what Mike Davis calls a "Planet of Slums". The global landscape is fraught with risk, with rumblings of trade wars and lower liquidity in the markets.

On the other hand, the economy has turned the corner, investment demand is picking up and company bottom lines are growing fatter, which should encourage job growth.

> The Narendra Modi government's aim is a radical right-wing revolution - in the economy, in society, in culture. The current disruptions are a symptom of that revolution

But these are transient issues. It is far more important to realize that the Modi government is a fundamental break with the past. Its aim is a radical right-wing revolution—in the economy, in society, in culture. The current disruptions are a symptom of that revolution.

Business News Corp.

THE CRISIS AT INDIA'S PUBLIC SECTOR BANKS

In less than a fortnight, the credibility of public sector banks, which commands about 70% share of the bank loan market, took a serious hit. And three incidents have contributed to this fracas.

First, the country's largest bank- the State Bank of India -reported its first quarterly loss in 19 years.

Second, Bank of Baroda's decision to shut operations in South Africa.

BoB came under the scanner after it emerged in April 2016 as the only bank willing to do business with the Gupta brothers - Ajay, Atul, and Rajesh - who are accused of benefiting unduly due to their closeness to former South African president Jacob Zuma and his family members.

Three, the Rs 114 billion fraud in the Punjab National Bank through letters of undertaking issued to jewellery designer Nirav Modi and Gitanjali Group.

No wonder, the Nifty PSU Bank Index has fallen 17% in the past month, and there are expectations that things may worsen.

"The PNB fraud is definitely a shock. As far as cases like Vijay Mallya or the Gupta brothers go, the board of the bank had made the decisions to lend. That is still a comfort. In PNB's case, it seems only two-three employees were aware. This is quite different and much more difficult to understand," said a former Reserve Bank of India deputy governor.According to him, the banking sector's credibility is on thin ice. Unless the government takes strict steps, things could get worse.

This crisis comes at a time when there was a feeling that the government's Rs 2.11 trillion recapitalisation largesse would provide enough 'growth capital' to banks to kick-start the economy suffering from the dual shocks of demonetisation and the goods and services tax.SBI Chairman Rajnish Kumar recently told the World Economic Forum in Davos that the bank would use the entire amount it receives - Rs 88 billion - from the government's package to fund growth.Now, it seems, these numbers may not be enough and the 'growth capital' that banks get would be spent more on provisioning and cleaning up their books.

Sample this: The government was planning to give PNB Rs 57 billion for recapitalisation. The fraud is double that figure.In its third quarter results, SBI said there was a divergence between the assessment of non-performing assets of the RBI and the bank's and there was a difference of more than Rs 230 billion at the end of FY17 and the burden of provisioning for this was more than Rs 60 billion.

That's not all. With the RBI banning all debt recast plans, around Rs 2.8 trillion worth of loans, where payments have remained outstanding for 60 to 90 days, are under threat of becoming NPAs. This implies significantly higher provisioning.

"With the government being the majority owner of PSBs, any additional loss on account of higher NPAs due to additions in the new NPA resolution scheme or due to extraneous reasons has to be covered by additional infusion of capital over and above the Rs 2.11 trillion. This will hold more so, if any bank is unable to make provisions from internal funds," said Madan Sabnavis, chief economist, Icra.

There are doubts on whether the recapitalisation will work.Says Nilesh Shah, managing director, Kotak Mutual Fund: "The recapitalisation package announced is likely to be inadequate for some reasons. PSBs have incurred more than the anticipated treasury losses due to rising yields; the new circular from the RBI to close various packages in favour of one single way of treating NPA is likely to increase NPA and the need for provisioning; there could be higher provisioning on cases referred in the National Company Law Tribunal. It is also corroborated from the announcement of capital-raising from a few PSBs."

According to him, the main issue is compensation of top management of PSBs and the administrative freedom to do the work without external influence."The market will provide as much capital as PSBs need if the above two issues are tackled on a permanent basis," added Shah.

What may come as a respite is that raising funds from abroad, though costlier, may not pose any challenge.The cost increase won't be because of the recent fiasco, but spreads have generally gone up.

"Our macros are worse than a year ago, with rising twin deficits, commodity prices, and the uncertainty of the upcoming elections. However, as of now, global investors still see India as a bright, long-term story," says Ananth Narayan, professor, SP Jain Institute of Management Research.

"While headlines such as the PNB scam are irritants, investors are sensible enough to look through short-term hiccups. Global fixed income investors appear to be more optimistic about our prospects than their domestic counterparts," points out Professor Narayan.

On the other hand, the banking sector's NPAs woes are unlikely to recede soon.On a gross basis, Indian banks added a whopping Rs 4.16 trillion of bad debt in financial year 2016-2017, out of which Rs 3.28 trillion belonged to PSBs, the RBI data showed.The banks wrote off Rs 1.08 trillion, and recovered Rs 1.3 trillion, taking the system-wide gross NPAs to about Rs 8 trillion, or about 9.3% of the loan book.

The estimates of stressed assets in the system vary, with some projecting it to about 14% of the total loan book.Even as the insolvency proceedings were to bring the lid on such abysmally high bad debt numbers, the haircuts to be incurred by banks make the process difficult for lenders.

The first case where insolvency proceedings succeeded was in the case of Synergies Dooray, where bankers were told to take a 97% haircut.Add to that, the revised stressed assets framework by the RBI 'could imply higher slippages and provisioning for FY18/FY19 — the new scheme is applicable for existing stressed accounts under resolution as well, and will warrant higher provisioning if not resolved as they move to the Insolvency and Bankruptcy Code,' Morgan Stanley said in a report.

All these would have been fine if banks really had money to set aside.The government has earmarked Rs 880 billion as recapitalisation to PSBs in this fiscal year. Clearly, that would not be enough.The large 40 accounts itself on the list of the RBI required banks' total provisioning of at least Rs 2 trillion, roughly about half of which has already been provided for.

With several banks reporting high bad debts, and as capital adequacy dips in these banks, the RBI is imposing prompt corrective action.Currently, 11 PSBs, including Bank of India, are under PCA. When under PCA, a bank cannot take large loan exposures, and this affects the economic activity of the country itself.

RBI Deputy Governor Viral Acharya recently said that the resolution is something that would give impetus to the economic recovery through uncluttered balance sheet of banks.

The question: How much time will it take?

Business News Corp.

FURNI CHANGE

IKEA'S INDIA ENTRY MAY QUICKEN SHIFT TO ORGANIZED FURNITURE RETAIL

Swedish giant Ikea Group's entry into India will likely accelerate expansion of the country's organized furniture market. But the company will have to rely heavily on after-sales assembly services rather than the do-it-yourself (DIY) model it uses elsewhere if it is to become really successful, experts said.

Ikea is scheduled to open its first store in India in Hyderabad in mid-2018. And everyone, including analysts and executives at other furniture companies, agrees that its entry will prove beneficial for the industry.

"That Ikea will play a very important role in helping the market organize faster is a fair assumption. It's not just its size, it is an incredible company and will do great work," said Ashish Goel, chief executive of Urban Ladder Home Décor Solutions Pvt. Ltd.

Ikea is expected to bring standardization - in terms of quality, raw materials, product dimensions, supply chain and inventory stocking - to an extremely fragmented furniture market and thus provide consumers with more reasons to turn to the organized space.

Analysts also list the Swedish company's vast array of products - its global portfolio has around 9,500 - as an advantage. Indian consumers still have it tough when it comes to finding satisfactorily diverse offerings for the home at a single store or location.

"In India, 90% of the unorganized market mostly comprises small and medium businesses. If Ikea works with them, it will ensure the market gets more organized and small businesses will benefit in the process," said Ambareesh Murty, CEO and co-founder of Pepperfry.

India's indoor furniture market grew at a compound annual growth rate (CAGR) of 10.9% between 2012 and 2017, and is forecast to grow at a 3.8% CAGR between 2017 and 2022, according to Euromonitor International.

Indian firms have also ramped up expansion plans. Pepperfry has 28 stores currently and plans to expand to more than 50 stores by the end of the year, said Murty. Urban Ladder has four stores but declined to comment on its expansion plans.

Ikea may be able to boost industry growth and expansion overall, but its success will be hugely dependent on how well it adapts to India. Across the globe, the company focuses on DIY products, which account for roughly 65% of its portfolio.

"DIY is not a concept that is common in India at all. And it will take a lot of time for it to come to India as a model. Assembly and distribution is a challenge in the furniture space and global players need to either find a model of alliance with home services players and logistics partners or have their own in-house fleet to do it," said Sreedhar Prasad, head of consumer markets at KPMG.

But Ikea will have to rely heavily on after-sales services rather than the DIY model it uses elsewhere if it is to become really successful in India

"We believe the young and progressive Indian will surely enjoy assembling furniture with Ikea. But we appreciate the service need of a service-based economy like India, and to cater to that need we will have a team of well-trained professionals to assemble products for Ikea customers in their homes," said Christian Kampe, country sales manager at Ikea India.

Ikea typically targets a younger demographic, mainly those under 35, in the markets where it operates. But according to Devangshu Dutta, chief executive of retail consultancy firm Third Eyesight, the young urban Indian's demands will be very different from those of his or her European counterpart.

European consumers are used to functioning more independently, whether it comes to using self-service at the store or assembling their own furniture, because labour is scarce and expensive. In comparison, labour is available more easily and at much lower cost in India.

Ikea has already started preparing by recruiting people to provide after-sales services. These people are being trained at an assembly training centre in Hyderabad, Kampe added.

Business News Corp.

Indian cosmetics industry to touch US $35 billion by 2035: Survey

India's cosmetics and grooming industry market size is expected to rise manifold to US $35 billion by 2035, with consumption of cosmetics among teenagers increasing rapidly, says a survey.

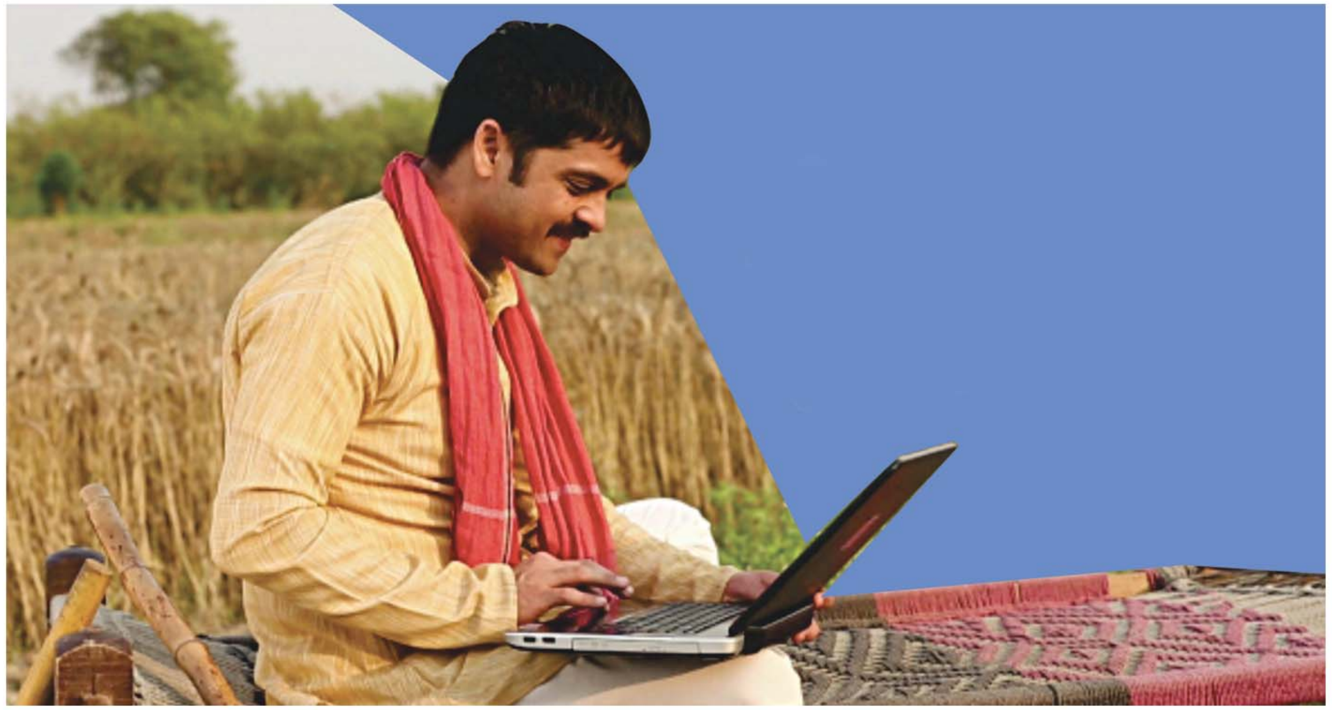
Besides, the herbal cosmetic industry is expected to grow at 12 per cent in India, considering that Indian consumers tend to purchase natural and herbal cosmetic products

The joint study by Assocham and research agency MRSS India pegged the current market size at US $6.5 billion."The consumption pattern of cosmetics among teenagers went up substantially between 2005 and 2017 because of increasing awareness and due to the desire to look good," the survey said.

Besides, the herbal cosmetic industry is expected to grow at 12 per cent in India, considering that Indian consumers tend to purchase natural and herbal cosmetic products.Indian market has herbal cosmetic brands like Forest Essentials, Biotique, Himalaya Herbals, Blossom Kochhar, VLCC, Dabur, Lotus, Jovees, Patanjali and Just Herbs, among others. The survey stated that 68 per cent of young adults feel that using grooming products boosts their confidence.

In terms of method of purchase, the survey said 62 per cent young consumers in big cities prefer to buy online beauty and grooming products.

RURAL RELUCTANCE



IT'S NO MYSTERY WHY BANKS HAVE LITTLE APPEAL TO THE URBAN POOR: THEY SERVE NO PURPOSE

As the cornerstone of its national mission for financial inclusion, the union government launched the Pradhan Mantri Jan Dhan Yojana on 28 August 2014. The scheme would extend banking services to the hitherto unbanked and contribute the first letter to the acronym JAM (Jan Dhan, Aadhaar, mobile), the holy trinity that presides over the prime minister's dream of a cashless India.

Jan Dhan, like many a government scheme that preceded it, floundered. Until November 2016 that is, when the prime minister's second assault on cash (this time black money) sent a tidal wave of unaccounted money flooding into hastily opened Jan Dhan accounts. 'J' had unwittingly become the preferred conduit for money laundering!

Jan Dhan has since slipped back into somnolence. As Shiv Kumar, 38, from Garinda village in Bihar who works as a daily-wage labourer in Begampur, Delhi, recollects, "I got to know about the scheme in a panchayat meeting held in December 2014 in my village. The sarpanch told all the villagers that the government had brought a scheme for bank accounts with zero balance to be opened. He said he faced no difficulty in opening an account. He just submitted his Aadhaar card and electricity bill and the bank staff helped him with the paperwork."

So, Kumar also opened a Jan Dhan account that month. "I have an ATM card but I don't use it because I fear my money will get stolen. Once I received a call saying I have won Rs. 30,000 in the lottery. The company wanted to transfer the money to my bank account and was asking for my ATM pin. I immediately cut the call as I knew they were frauds."

Most only want to transfer money

The problem is the banking system is incomprehensible and quite inaccessible for many of the urban poor. The most important financial service they need is a money- transfer service, which the banks consider a waste of time.

Sachit Kumar, from Madhubani, Bihar who works as a labourer in Wazirpur, Delhi says, "Banks are not for the poor and illiterate, the process is very complicated. I once went to the bank to transfer money and asked the bank staff for help. He gave me a form to fill. When I told him I am illiterate, he asked me, 'Then why are you coming to the bank? We don't have time to help you.' I felt ashamed and left and after that incident, I never visited the bank."

Sanjay Kumar, 36, is a daily-wage worker from Bhagalpur, Bihar. He opened an account in 2016 with the help of a friend who works as a security guard at the bank in his village, by submitting his Aadhaar card as residential proof. But he hasn't been inside a bank since. He transfers money to his relative's bank account back home through a cyber cafe, which charges him Rs. 60 for every transaction.

Jogeshwar Yadav, 37, from Hardoi in Uttar Pradesh couldn't open a bank account in Delhi after the bank staff told him his Aadhaar card, with a Hardoi address, wasn't valid address proof. So, Yadav started using a cyber cafe to transfer money. "We work from 8 am to 5 pm and earn Rs.300 each day. We'll lose half a day's wage if we go to the bank. We save about Rs. 3,000 a month and send half of the savings back home through friends travelling there or through cyber cafes."

Khushnoda, 28, who works at the Society for Labour and Development, an NGO in Delhi says, "Migrant labourers are not able to open a bank account because they don't have residential proof. Those who have bank accounts face problems using them. For a small job they have to travel to the bank two or three times."

Many labourers give their money to labour contractors who transfers the money to their families back in the village. Arvind Rai, 33, who works as a contractor, says he transfers at least Rs.1 lakh every month. Rohit, who owns a cyber cafe in Begampur, says he transfers money using websites such as eko.co.in and myoxigen.com for 15-20 customers daily. He says many ration shops and mobile stores also transfer money

The problem is the banking system is incomprehensible and quite inaccessible for many of the urban poor. The most important financial service they need is a money- transfer service, which the banks consider a waste of time

on request. Manoj Kumar, who owns a mobile repairing shop in Mangolpuri, Delhi says he helps 10-12 customers do transactions of Rs. 40,000-50,000 every day.

No Aadhaar, No banking?

Amit Kumar, 49, a daily labourer from Faridpur, UP says he once went to the bank to transfer money but the bank staff told him to use a machine. He walked out as he was unfamiliar with the machine and feared he would lose his money. His colleague, Satish Jain, says "I do not have a bank account as I could not get the Aadhaar card made. I filled a form for that 4 months ago but have not got any reply."

Dheeraj Kumar, 49, senior manager at Bank of Baroda, insists that bank staff help uninformed customers and that big branches have a dedicated customer-care counter. J.K Bansal, bank manager at Syndicate Bank, is more candid: "Jan Dhan isn't working for ignorant workers as they are not educated and fear using an ATM card. Government should provide cheque book to Jan Dhan account owners and should make provisions to validate the Aadhaar card (across) the whole country." He doesn't explain how they would write cheques though.

Bharati S, bank manager at Punjab and Sind Bank, says, "Many workers opened accounts in three or four banks hoping to get the Rs. 10,000 in at least one of the account as promised by the prime minister. But when the money didn't materialise, they lost hope of getting any other benefit and started using other means."

Raj Chauhan, who owns a mobile-recharge shop in Wazirpur, Delhi and also runs a money-transfer business, says, "Most of the labourers come to us after 6 pm when they get free from their work. Banks close by 4 pm so we are the only option left for them."

Business News Corp.

CARGO BENEFIT

Amazon, Flipkart to drive growth in cargo segment; air cargo to benefit by Rs 1,000 cr.

The e-retail industry led by the likes of Amazon and Flipkart has brought about a major disruption in the domestic cargo sector with an expected contribution of about Rs 5,000 crore this fiscal, of which the air cargo segment would garner around Rs 1,000 crore, a report said.

The Rs 17,000 crore domestic express industry, comprising shipments transported and delivered within the country by road and air, is currently growing at 15 percent, with the e-retailers being a key driver of growth

According to a PTI report: The Express Industry Report 2018 released last week said the e-commerce players have challenged the traditional express operations and unlocked many opportunities by providing newer avenues for value addition.

The Rs 17,000 crore domestic express industry, comprising shipments transported and delivered within the country by road and air, is currently growing at 15 percent, with the e-retailers being a key driver of growth, the report said.

Air cargo express, which contributes Rs 5,000 crore to the domestic industry, will continue to reap dividends from the healthy growth of e-commerce players even as the e-retailer players are increasingly looking at surface transport for delivery of goods and products, the report said.

The e-retail industry is estimated to contribute close to Rs 4,000 crore to domestic surface express and close to Rs 1,000 crore to domestic air express during this fiscal, the report said.

Talking to PTI, COO of Express Industry Council of India, Vijay Kumar favoured re-evaluation of the Government policy to allow the domestic cargo airlines to offer international operations, thus wooing more players into the air cargo business. At present, the notable player in the domestic air cargo airlines is Blue Dart Express.

More players and avenues in the cargo business could mean more scope for expansion for the e-commerce players.

Today, the top two e-commerce players Amazon and Flipkart contribute as much as 80-85 per cent to the industry revenues. But with the entry of newer players such as Paytm, ShopCluesand aggressive investments from incumbents to capture a higher share of the lucrative Indian e-retail market, the competitive intensity in the express industry has increased significantly, the report said.

"E-retail, as a part of the B2C express segment, is estimated to contribute Rs 5,000 crore to the express industry during this fiscal. In terms of volume, close to 1.3 million shipments is being shipped daily – including the forward fulfilments and returns , the report said.

The dynamic and competitive nature of the e-retail segment has brought in many new trends for the industry such as adoption of alternate delivery methods, customer centric delivery, shift from air express to surface express, increase in regional movement, adoption of technology and expansion to remote locations, the express report underlined.

Business News Corp.

CAIT WRITES TO PM SEEKING NATIONAL RETAIL TRADE POLICY

Traders' body CAIT said it has written to Prime Minister Narendra Modi seeking a national policy for retail trade and formation of a separate ministry of internal trade.

The traders' body claimed that these steps will not only strengthen the domestic trade but also improve export performance of the country.

In a statement, the Confederation of All India Traders (CAIT) said it has also suggested that foreign trade may be assigned to the Ministry of External Affairs instead of Ministry of Commerce, which is presently the nodal government department for it. The traders' body claimed that these steps will not only strengthen the domestic trade but also improve export performance of the country.

"It will be prudent if Foreign Trade is given to Ministry of External Affairs, which may regulate the foreign trade on the strength of its expertise and infrastructure in foreign matters," CAIT said in the statement.

The body's Secretary General Praveen Khandelwal said that domestic trade has remain neglected by every government and no focus is given to streamline the internal trade.

"It is regretted that internal trade was never on priority of any Government so far. AS per NSSO report, it consists of about 6.5 crore small businesses across the country thereby strengthening the economy… Despite such a magnificent contribution to economy and exchequer, no special attention has been given to this sector," Khandelwal said.

He also argued that all other sectors of the economy like agriculture, industries, small industries, farmers etc have a national policy and a separate ministry but "unfortunately so far internal trade has been given a step motherly treatment in the country".

"To ensure structured growth of internal trade, it is necessary to have a national policy for retail trade and formation of a separate ministry of internal trade to administer, regulate and monitor the domestic trade in India," Khandelwal said.

DENIM OVERDOSE

DENIM FABRIC WILL CONTINUE TO WITNESS OVERCAPACITY AND MARGIN PRESSURES

India Ratings and Research (Ind-Ra) expects the domestic denim fabric industry to continue to face margin pressures during FY19 due to oversupply, with 15-20 percent of the total capacity remaining underutilised. India is one of the leading denim fabric manufacturers in the world, with a manufacturing capacity of about 1,500 million metres per annum (mmpa). Additionally, competition will intensify as several players have undertaken capacity additions to add another 100-150mmpa by FY19.

Garmenting Capacity to Grow at a Slower Pace than Fabric Capacity

The long-term demand potential for the segment remains intact due to denim's versatile fashion appeal among young populace, rising disposable income and untapped semi-urban pockets of the country. However, Ind-Ra expects denim fabric capacity additions to outpace garmenting capacity additions over the short term, translating into a continued denim fabric surplus in the market. The denim fabric industry is cyclical in nature and is characterised by periods of excess capacity; however, Ind-Ra expects the present downturn to be relatively prolonged, partly on account of the regulatory disruptions that the industry underwent in FY17–FY18.

The research firm expects the sector's operating margins to remain in the range of 10-11 percent in FY18-FY19. The agency's denim fabric peer set average EBITDA margins deteriorated in 9MFY18 to 10.7 percent (FY17: 11.6 percent, FY16: 12.9 percent).

Softening Cotton Prices May Cushion Margin

For denim manufacturers, cotton forms over 35 percent of the total raw material requirement. With farmers switching from soybean to cotton, the 2017-2018 season has seen about 19 percent rise in cotton acreage. However, the overall cotton production is likely to rise by only 10 percent as bollworm attack has affected production in some regions. The higher production may soften the cotton prices during FY19 and help curtail margin contraction for denim fabric manufacturers. Companies with value-added fabrics and order-backed production are better placed to sustain margins than those in commoditised offerings.

Impact of Regulatory Disruptions to Linger in 1HFY19

During FY18, the textile industry has been reeling under the impacts of two major regulatory disruptions viz demonetisation and GST implementation. The last leg of denim value chain; comprising activities such as stitching, washing, garmenting, sewing etc.; is characterised by high labour intensity. A sizeable chunk of these activities is undertaken by small scale industries which are yet to get fully accustomed to the formal banking system and the GST regime. While there has been a gradual recovery, Ind-Ra expects the impact of these disruptions to linger on during 1HFY19 for these small scale market participants, resulting in demand headwinds for the sector growth.

Exports to Marginally Absorb Surplus

While a part of the denim fabric surplus will get absorbed in the global markets, India's denim manufacturers majorly depend on the domestic market with exports accounting for below 20 percent of the total production. In FY17, denim fabric exports stood at 142 million metres (FY16: 132 million metres) as against imports of 9 million metres (10 million metres). The exporters will also see some impact on margins because of reduced duty drawback, notwithstanding the increase in the availability of input tax credit. Furthermore, any adverse outcome of the ongoing dispute with the US Trade Representative at the World Trade Organization with regards to India's export promotion schemes such as Merchandise Exports from India Scheme and Export Oriented Units

The long-term demand potential for the segment remains intact due to denim's versatile fashion appeal among young populace, rising disposable income and untapped semi-urban pockets of the country

Scheme may have a material impact on exporters' margins.

Rating Outlook

The research firm expects the credit profile of denim fabric manufacturers to moderate over FY19 amid the continuing contraction of operating margin and debt-funded capacity expansions. Aggregate peer set adjusted net leverage (adjusted net debt/ EBITDA) is expected to stretch to about 3.75x for FY19 (1HFY18: 3.57x; FY17: 3.40x; FY16: 2.82x). Working capital requirement of most manufacturers has also gone up with inventory build-up, following the drop in demand, longer credits extended to customers as well as pending GST input credits.

Nevertheless, industry players with diversified revenue lines and having a mix of man-made textile products are expected to be more resilient than the pure denim fabric manufacturers.

■■ **Business News Corp.**

BABA RAMDEV TO LAUNCH PATANJALI GARMENTS IN 2019

Yoga guru and co-founder of Patanjali Ayurved Baba Ramdev announced that his company would foray into the garment manufacturing business next year.

Speaking about Patanjali's fiscal policies, Ramdev said his company has not employed fat-salaried professionals but the people who are committed towards the work

"People are asking me, when are you launching jeans of your company in the market. So, we have decided to launch garment products, including ethnic wear, catering to kids, men and women next year," the 52-year-old yoga guru was quoted by PTI as saying.

According to a PTI report: Ramdev also announced that his company, which is already in the business of cosmetic and food products, will also launch garments for sports and yoga.Last year, he had announced plans to enter into garment manufacturing with a 'swadeshi' line of clothing.

He claimed that Patanjali Ayurved has been doing better financially year after year and will be the country's biggest company in terms of turnover in the days to come.

MANGO TIMES

AS YIELDS DROP, MANGO LOVERS WILL HAVE TO PAY A HIGHER PRICE THIS YEAR

Mango prices are likely to remain firm this year because of lower production estimates on adverse climatic conditions and the government's sustained effort to boost India's exports during the ongoing harvesting season.

Adverse agro-climatic condition with a mix of sudden change and hot and cold weather followed by untimely rainfalls and hailstorms across the north-eastern states has resulted in massive crop damage this year.

The weather suddenly turned hot during the peak mango flowering season of January and February, followed by immediate change to cold weather and then warm conditions again.

The harvesting of early crop was preceded by a hailstorm in major growing regions, including the north-eastern states, resulting in huge crop damage.

Thus, consumers who wait for a year to taste mango, the king of fruits, will have to pay more this year.

While the mango season started with the Alphonso variety trading at Rs 18 a kg (model price), it jumped to Rs 30 a kg at the wholesale Vashi mandi.

Its price, however, fell to Rs 14 a kg by the second week of April before recovering again to trade at Rs 20 a kg.

In the physical retail market, the Kesar variety is being quoted at Rs 100 a kg which stands at 30-40 per cent higher than last year.

"Adverse agro-climatic condition has lowered mango crop size this year by 10-15 per cent. Sudden change in weather from cold to warm and vice versa during the peak flowering season, followed by hailstorms during early progress of fruits, damaged mango crop heavily. Thus, we expect mango price to remain elevated throughout this season," said Ravi Vaghasiya, partner, Nilkanth Organic Mango Farm, a Gujarat-based exporter which primarily sends its mangoes to Canada and Switzerland.

Based on early indication, however, the Union agriculture ministry in its First Advance Estimate released in January, had forecast India's mango output to rise by 5 per cent to 20.7 million tonnes (mt) this season compared to 19.5 mt last year.

"Based on lower output estimate, mango supply is set to remain scarce this year. Thus, Indian exporters may find it difficult to meet growing export demand of certain varieties of mango," said a senior official in charge of mango exports at one of India's largest fruit exporters.

However, D K Sharma, vice-president of All India Mango Growers' Association, believed weather conditions in the next two months would be crucial for the growth and saleable quality of mango.

Meanwhile, the Agricultural and Processed Food Products Export Development Authority (Apeda) has initiated a massive promotional programme to boost exports of mango this season.

Apart from the traditional markets, Apeda has designated its dedicated officials to focus on increasing India's market share in China, Kazakhstan, South Korea and Iran.

Special attention is being given towards growth of mango exports to the US and European Union. India primarily exports Dusheri, Badami, Hapus, Safeda and Totapuri varieties, to name a few, to consumers of Indian and local origins.

"Iran opened its market for mango import from India last year and we exported some quantity last year. Being a natural ally importing many commodities from India, we see huge potential for mango exports to Iran.

"We plan to ship container-loads of mangoes through the sea route. We would take some of Pakistan's share in the Iran market," said a senior Apeda official.

India enjoys a very thin presence in the global mango market. Data compiled by Apeda showed India's total exports at 52,761 tonnes (worth $ 66.94 million) for the financial year 2016-17 compared to 36,779 tonnes ($50.04 million) in the previous year.

The weather suddenly turned hot during the peak mango flowering season of January and February, followed by immediate change to cold weather and then warm conditions again

Experts forecast an increase of at least 15 -20 per cent in mango exports this year.

Business News Corp.

Kochi Public Transport day campaign by Youth Forum in association with CPPR

RBI'S MOVE UNNERVES CRYPTOCURRENCY BUSINESS IN INDIA

The Reserve Bank of India's move to regulate the influx of parallel currencies seems to have unnerved virtual currency trade and stakeholders now rue the fact that they were not consulted before RBI took its decision.

While the crash of Bitcoin wallet could be attributed mainly to the weakness of the instrument that has no collateral backing or government guarantee, traders are trying to attribute it to RBI move to expose crypto-market weaknesses before investors.

What has hurt the Bitcoin maniacs more is the tax authorities bringing the trade in virtual currencies under its lens and the Reserve Bank barring banks from lending to virtual currency trade and warning investors of the pitfall in investing in unregulated financial instruments.

"Reserve Bank has repeatedly cautioned users, holders and traders of virtual currencies, including Bitcoins, regarding various risks associated in dealing with such virtual currencies. In view of the associated risks, it has been decided that, with immediate effect, entities regulated by RBI shall not deal with or provide services to any individual or business entities dealing with or settling VCs.

Regulated entities which already provide such services shall exit the relationship within a specified time. A circular in this regard is being issued separately," RBI had stated in a report on development and regulation.

At the same time, RBI has pointed to the need for

technological innovations, including those underlying virtual currencies, which have the potential to improve the efficiency and inclusiveness of the financial system.

"However, virtual currencies (VCs), also variously referred to as cryptocurrencies and cryptoassets, raise concerns of consumer protection, market integrity and money laundering, among others," RBI noted.

"Rapid changes in the landscape of the payments industry along with factors such as emergence of private digital tokens and the rising costs of managing fiat paper/metallic money have led central banks around the world to explore the option of introducing fiat digital currencies. While many central banks are still engaged in the debate, an inter-departmental group has been constituted by the Reserve Bank to study and provide guidance on the desirability and feasibility to introduce a central bank digital currency. The report will be submitted by end-June 2018," the report added.

RBI's announcement on cryptocurrency has not only unnerved traders and the virtual currency exchanges but also weaned away investors who were in a state of loss.

"This unprecedented move by the RBI has stirred the market and impacted the industry at various levels. The exchanges have witnessed a steep decline in daily trade volumes and price fall for all tokens. In addition, traders who were looking at long-term investment through crypto assets will suffer heavy losses, especially those who have made hefty investments, out of their livelihood savings," IANS quoted Rahul Raj, co-founder and CEO, Koinex, as saying.

Praveenkumar Vijayakumar, founder and CEO, Belfrics Global, another cryptocurreny exchange, said while the RBI's move may sound the death knell for many Indian exchanges and drive away investors, it will not affect cryptocurrency transactions in the long run.

"As and when global prices advance, Indians will find their way to get these assets through p2p (peer-to-peer) markets," he was quoted as saying.

Last week, the RBI, in its first bi-monthly Monetary Policy Committee meeting of this fiscal, announced that regulated entities already providing services to any individual or business dealing in digital currencies have been given three months to exit the relationship.

"The RBI has cautioned on at least three occasions members of the public and users of virtual currency regarding risks they are exposing themselves to through these cryptocurrencies," RBI deputy governor BP Kanungo said.

"We have now decided to fence RBI-regulated entities from the risk of dealing with entities associated with virtual currencies. They are required to stop having a business relationship with entities dealing with virtual currencies forthwith, and unwind the existing relationship within three months," he added.

"This move by the RBI might see an irreversible negative ripple effect across the ecosystem. So, overall, the mood in the market is dismal," said Rahul Raj.

The industry stakeholders also rued the fact that they were not consulted before RBI took its decision.

Business News Corp.

Warehousing sector to see investment of Rs 43,000 cr by 2020: JLL

The warehousing sector will attract investments of about Rs 43,000 crore and create 2 lakh job opportunities in the next three years, driven by GST implementation and growth of the e-commerce sector, according to property consultant JLL India.

JLL said that the overall growth in e-commerce and a shortening turnaround time for delivery has necessitated a sharp growth in warehousing in the country

In its report, JLL estimated that the amount will be invested in creating warehousing facilities across India from 2018-2020. Warehousing stock is expected to rise to 247 million sq ft by 2020 from 140 million sq ft in 2017.

"In these three years, different categories of warehousing will also create jobs to the tune of 2,00,000 at different levels of specification and specialisation," the report said.

The consultant attributed the implementation of GST and the rapid growth of e-commerce as two important factors that have created a significant growth prospects in warehousing sector.

CREATING 'EMPLOYEE VALUE' IS ESSENTIAL FOR SUCCESS

A large number of jobs in the information technology sector are at stake.Automation and new technology are disrupting the industry.Skills that created value so far are becoming redundant.New skills are required to work with new technologies, such as big data, artificial intelligence, Internet of things, robotics and virtual reality.

Companies have started up-skilling existing employees and recruiting those with required skills.Employees who are unable to acquire new skills are losing jobs. In the above context two questions have emerged.

The first question is whether it is better for the top management to take a pay cut rather than to lay-off employees in difficult years.The other question is whether IT employees should form a union to protect their interest when the going gets tough.The first question is relevant when the job loss is due to a slowdown, which is transitory.

In that situation, the pay cut by the top management will be for a short period in order to retain the talent that will be used after the bad period is over.It is not relevant when jobs and skills become redundant due to disruption caused by technological advancement or some other mega event.The second question is relevant in all situations from the perspective of the employees.

Having access to bargaining power is relevant in all types of negotiations and collective bargaining is desirable when individual bargaining power is low.Protecting the job during tough times or securing adequate compensation when a job is lost requires hard negotiation with the employer.Therefore, it is no surprise that employees, including IT employees, have the propensity to form a union.

There are no straight answers to both the vexed questions.Although the IT industry is in focus at present, such disruptions occur in almost all industries due to the fast changing technological, social and geopolitical environment. Therefore, it is appropriate to examine the issue from the perspective of corporate governance.

A company creates value through its operations, while complying with the law and social norms and taking care of social and environmental concerns.A very small portion of the value is shared with the socially and/or economically marginalised population of society through corporate social responsibility.

Shareholders, customers, providers of inputs (including human capital and debt capital) and the government share the value created by the company.The government gets its share through direct and indirect taxes.Companies, through industry associations or otherwise, lobby with governments to reduce their share of the value.

The share of customers and input providers in the value created by the company depends on the market forces and their relative bargaining power vis-a-vis the company.The share of shareholders is the residual amount.The shareholders' primacy is well established in corporate governance. Therefore, companies focus on creating 'shareholder value' while being ethical and fair to the other stakeholders.

There are two reasons for the same.First, financial capital is sticky in the sense that once invested in non-financial assets (such as plant and equipment) to build capacity, it cannot be recovered without substantial loss.Second, the non-controlling shareholders, after entrusting their funds to the company, cannot participate in strategic and operating decisions.

In the absence of focus on creating 'shareholder value' and effective monitoring, the management might misallocate the resources, causing the shareholders' wealth to deplete permanently.Human capital is also 'sticky' like financial capital.

After completing a substantial period of employment in a company, employees develop specialised skills which are not useful in other industries. Consequently, their market value outside the industry is very low, almost zero.Similarly, when a business model or technology changes, many of those skills become redundant.

Therefore, those who lose their job due to a change in the business model or technology cannot find an alternative employment.In this context, it is important to consider whether employees should also be considered as a primary stakeholder along with shareholders.Companies should focus on both 'creating shareholder value' and 'protecting and creating employee value'.

It is not enough to merely honour the initial employment contract with an employee.It is important that employees are trained to acquire skills that would be needed in future, when the company sees disruption coming — that is, much before the disruption occurs or the company plans to change the business model.

Companies should ensure alternative livelihood for those who cannot acquire new skills, particularly if they are employees earning a low salary.The issue is complex, particularly because companies engage a large number of employees on short-term contracts and in off-roles. It deserves serious debate among academicians, regulators and practitioners of corporate governance.

'It is important that employees are trained to acquire skills that would be needed in future, when the company sees disruption coming — that is, much before the disruption occurs or the company plans to change the business model

Business News Corp.

TOYOTA, SUZUKI
IN PACT TO FORTIFY MARKETS FOR EACH OTHER IN INDIA

Japanese carmakers Toyota Motor and Suzuki Motor on Thursday announced a basic agreement to produce cars for each other in India in a move that would help Toyota also increase its share in the fast-growing market.

Under the agreement, Suzuki will supply its fast-selling models like the Baleno hatchback and Vitara Brezza compact SUV to Toyota, while Toyota will produce the Corolla sedan for Suzuki, the automakers said in a statement, adding that the agreement would cover vehicles, including gasoline hybrids.

Toyota and Suzuki will produce the models for each other as original equipment manufacturers, and these will be included into each others' branded offerings, the companies said.

The agreement takes forward a partnership announced by the two Japanese carmakers in November for cooperation in selling electric cars in India from around 2020, by including sharing of expertise on new technologies and parts supply as well

Both companies will begin supplying cars - for hybrid and other cars - in 2019 as Toyota advances to fortifying its position in emerging markets as India cements its position as a growing automotive market.

Details regarding the models, supply schedule, number of units to be supplied, vehicle specifications, and pricing will be considered at a later date.

The transactions will be carried out through respective Toyota and Suzuki subsidiaries in India through their sales networks.

Toyota and Suzuki said they would strive to invigorate the Indian automotive market and improve their product lineups and service to customers in a challenging and competitive setup where both work towards the goal of mutual improvement.

Pursuant to the agreement first announced on 6 February 2017, Toyota and Suzuki will explore other collaborative projects that contribute to a sustainable mobile society through fair and free competition

Business News Corp.

FORD, M&M
IN PACT TO JOINTLY DEVELOP SUVS, EV

The country's top SUV maker Mahindra & Mahindra (M&M) and Ford Motors through its Indian arm Ford India have signed an agreement to develop midsize and compact sports utility vehicles and an electric vehicle in India

The two companies had signed a memorandum of understanding signed six months ago to establish an alliance

This was followed by Mahindra & Mahindra helping Ford Motor Co develop its cheapest electric car globally Now the companies have agreed to co-develop a midsize sports utility vehicle which will be "sold independently by both companies as separate brands."

The products that may be developed as part of the agreement will be targeted towards India and other emerging markets.

As part of the pact, the mid-size SUV will be made on M&M's platform. It will be sold independently by both companies as separate brands.

The companies have further agreed to evaluate the co-development of a compact SUV and an electric vehicle, along with sharing powertrain portfolios, including the supply of Mahindra powertrains to extend Ford's product range.

The alliance aims to focus on leveraging the benefits of Ford's global reach and expertise and Mahindra's scale in India.

While the agreement will help Ford expand its distribution network in India, it will help M&M in gaining market share in emerging markets where Ford has a strong manufacturing and distribution network.

Business News Corp.

FIXED TERM EMPLOYMENT
AN OVERVIEW

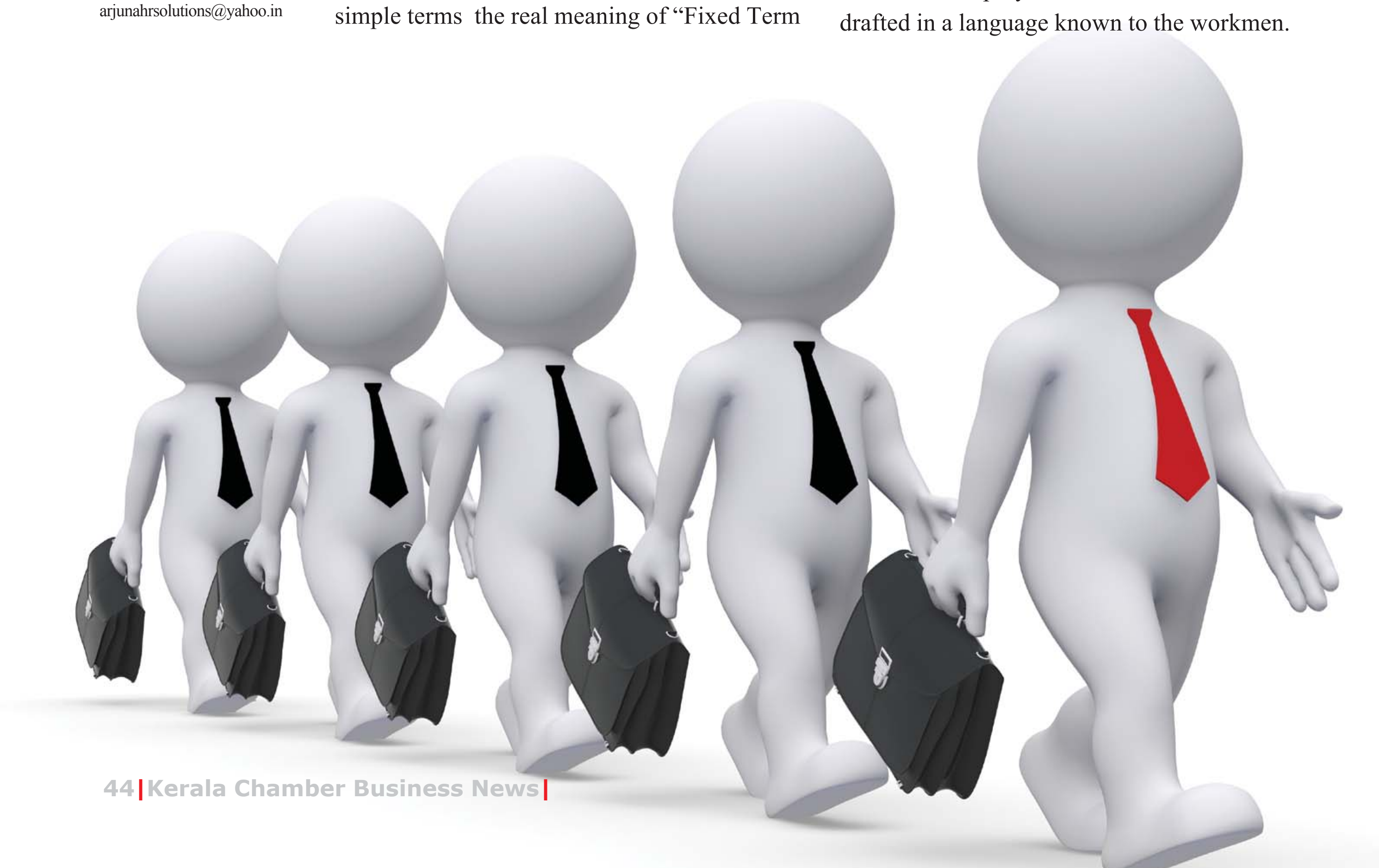
K.N.Vimalan
Joint Labour Commissioner [Retd.]
arjunahrsolutions@yahoo.in

The latest subject which is being caught the attention of the Industrial Sector as well as the Trade Union leaders alike was the notification dated 16.3.2018 issued by the Central Government, by which the right to engage workmen for a fixed period for all sectors was given to the employers, of course, subject to certain terms and conditions. Naturally, a lot of discussions had been held and plethora of articles were published evaluating the merits and demerits of fixed term employment and its relevancy in the present industrial and economic scenario of our nation. But, majority of our industrialists and other entrepreneurs are still not fully aware of the implications of the notification dated 16.03.2018, may be due to technical jargon used for explaining the subject by the legal experts and intellectuals.

Here in this article, I am trying to explain in simple terms the real meaning of "Fixed Term Employment" and how can it be utilised by an employer in his favour and in furtherance of his business.

As per the definition given to fixed term employment workman in the Industrial Employment (Standing Orders) Central Rules,1946, he is a workman who has been engaged on the basis of a written contract of employment for a fixed period.

That means, an employer can engage any numbers of workers, according to his requirement for a fixed duration. The duration of employment can be for any period. But, there should be a written contract of employment executed between the employer and the concerned fixed term worker/workmen. The terms and conditions and duration of employment should be specifically stated in the contract of employment and it should be drafted in a language known to the workmen.



On expiry of the employment contract, the employees can either be terminated from service, or re-engaged by renewing the employment contract for a further fixed period. The employer need not issue notice or pay in lieu of such notice while terminating the services of a fixed term employee.

During festival seasons, owners of shops and commercial establishments may be in need of extra number of employees due to the seasonal hike in their business. Needless to say that, it may not be practical to appoint permanent employees to meet the temporary and seasonal demand. In such circumstances, an employer is free to engage workers, according to his requirement till the season is over. Similarly, for the completion of a particular task or project, an industrialist can appoint fixed term employees till the task, project or scheme is over, without any burden or obligation to appoint them permanently.

But, the hours of work of a fixed term employee, his wages, allowances and other benefits shall not be less than that of a permanent workman in the establishment doing the same nature of work. If minimum rates of wages have been fixed for the employment, fixed term employees are also entitled to minimum rate of wages as per the notification.

A fixed term employee is also eligible for all statutory benefits and it shall not be less than that of a permanent workman. Thus, if the permanent employees are paid Bonus @ 20%, the fixed term employees employed in that establishment shall also be paid Bonus @ 20% proportionately according to the period of service rendered by them. If the permanent employees are eligible for casual leave, sick leave, leave with wages, festival holidays, national holidays, coverage under EPF, ESI Scheme etc., the fixed term employees working in that establishment will also be eligible for the same benefits, of course proportionately to the period of their service in the establishment. Similarly, even if the period of employment of a fixed period employee does not extend to the qualifying period of employment required in the statute that alone will not disentitle a fixed term employee from claiming the benefits. He will be eligible for the benefits proportionately to the period of his service. For example, a fixed term employee having less than 5 years of continuous service cannot be denied gratuity on the ground that he is not having 5 years continuous service in the establishment as stipulated in the Payment of Gratuity Act to claim gratuity. Thus, apart from the benefit of job security, fixed term employees will be eligible for all other statutory benefits at par with the permanent employees, subject to their length of service.

One of the major apprehension expressed and allegation raised by the trade unions against the introduction of the fixed period employment in the industrial sector is that permanent employment will vanish from the industrial sector and all jobs will be converted into temporary contract work for a fixed duration. But, the above argument is unfounded. Fixed term employment is not at all a new concept to the industrial sector. The Government of Kerala as early as on 28.10.2015 had introduced fixed term employment by amending the Kerala Industrial Employment (Standing Orders) Rules,1958 and from 28.10.2015, fixed term employment workmen has been an inevitable category of workmen along with other categories such as permanent, probationers, badlis or substitutes, temporary, casual and apprentices in the certified standing orders made applicable to thousand and thousands of industrial establishments. But till this date, no allegation has been raised by the trade union leaders or the permanent workers to the effect that the post of permanent employees were being substituted with fixed term workers. There is also no complaint pertaining to the alleged exploitation or victimization of fixed term employees.

Moreover, in the Industrial Disputes Act,1947, which is considered as the mother of all labour enactments, there is a specific provision for fixed term employment which was inserted on 18.8.1984. As per this Section [Section 2(oo)(bb)] termination of the service of the workman as a result of non-renewal of contract of employment between the employer and the workman concerned on the expiry of the contract or such contract being terminated under a stipulation in that behalf contained therein cannot be considered as a retrenchment. Thus, it is crystal clear that termination of a contractual appointee, appointed for a fixed period, on condition that his service would be terminated on completion of the fixed period, or before the completion of the fixed period subject to a stipulation in that behalf in the contract of employment executed between the employer and the employee concerned cannot be considered as a retrenchment and hence, the employee will not be eligible for any compensation or notice pay. Such an action from the side of the management will not fall under the category of "unfair labour practice", provided that the intention behind the employment contract for a fixed period is not malafide and that the contract is genuine.

In short, as per section 2(oo)(bb) of the Industrial Disputes Act, an employer is legally entitled to appoint employees for a fixed period on the basis of a proper employment contract. Thus, during festival season or for the completion of a particular project or task we can engage fixed term employees without any statutory obligation to give them permanent appointment even after completion of 240 days of continuous service in a year in the establishment. Even though this facility has been available to industries across all sectors since 18.08.1984, it seems that, majority of the industrialists in India are not utilizing it properly for their benefit.

As I have already mentioned, the Government of Kerala vide its notification GO(Rt) No. 2934/2005/LBR dt: 22.10.2015 had incorporated the category of fixed term employment in the Kerala Industrial Employment (Standing Orders) Rules, 1958, to give flexibility to the employers in appointing suitable persons directly in their establishments for a fixed duration, according to their requirement. Every fixed term employment workman so appointed shall be provided with a fixed term employment card, which shall be surrendered on completion of his term of employment. Once again it is reminded that, even though a fixed term employee cannot demand permanent employment as a matter of right, he will be eligible for all statutory benefits available to a permanent workman proportionately to his service in the establishment.

It may not be fair to complete this article without referring to the provisions of the Contract Labour (Regulation and Abolition)Act,1970 and the Rules framed there under. As per the Contract Labour (R&A)Act, an employer has got every right to engage contract labours through a contractor, for carrying out any type of work in his establishment, unless and until engagement of contract labours in such an employment or establishment is prohibited by the Government under Section 10(1) of the Contract Labour Act. The employees engaged through a contractor will be the employees of the contractor as long as the supervision and control of the contract workers are vested with the contractor. The wages and other statutory benefits due to the contract workers shall be paid by the contractor himself. More over, the contract executed between the contractor and the principal employer should not be ruse or camouflage. If the aforesaid guidelines are followed, an employer (principal employer) can engage employees on contract basis through a contractor without the risk of giving them permanent employment in the establishment. The only difference between a fixed term employee appointed directly by an industrialist or shop owner and a contract labour appointed through a contractor is that, in the latter case there is a middle man, but in the former case, the employee is appointed directly by the employer. The services of both the fixed term employee as well as the contract labour will come to end as soon as their employment contract is over.

> Not only in India, but across the world, the practice of engaging workers on contract basis for short term is on the rise. We are living in a global village wherein cut-throat competition is the order of the day, especially in the manufacturing sector

Not only in India, but across the world, the practice of engaging workers on contract basis for short term is on the rise. We are living in a global village wherein cut-throat competition is the order of the day, especially in the manufacturing sector. Only those establishment which can supply good quality products at a cheaper rate can control the market and survive. Engaging workers for shorter period following the order of production cycle and seasonal increase in the business will definitely help the employers to reduce production cost and optimize productivity. This may be one of the reasons that the union government notified the category of "fixed term employee'' in the schedule attached to Industrial Employment (Standing Orders) Act,1946, and again after a lapse of 18 years, defying the strong pressure from the trade unions, including Bharathiya Mazdoor Sangh.

Naturally, the decision of the union government to allow fixed term employment in all sectors will provide the much needed freedom to the industrialists and entrepreneurs to engage workers temporarily as and when required and they will have flexibility to not to carry over the extra labourers appointed for the lean season also.

AIRCRAFT MAKERS BULLISH ON INDIAN MARKET

Global aircraft makers are looking to the Indian market for aircraft sales as more Indians take to air travel and airline operators place ever increasing orders. Both Airbus and Boeing are bullish on the Indian market to drive their sales, avaiation analysts say.

Airbus' projections detailed in its latest India Market Forecast, put the number of new planes that India will need at 1,750 over the next 20 years to cater to the rising demand in both passenger and freight traffic.

Airbus projects its own deliveries at an aircraft a week on average to Indian carriers over the next 10 years.

According to Airbus, India will need 1,320 single-aisle and 430 wide-body aircraft, valued at $255 billion and though much of this air traffic growth is expected to be driven by a fast-expanding economy, rising wealth and urbanisation, it says ambitious government-backed regional connectivity programmes will also increase demand for air travel.

Airbus has over 300 planes in operation in India at present.

"Domestic traffic in India is expected to grow five-and-half times over the next 20 years, reaching the same level as the domestic traffic in the US today, making it one of the worlds fastest growing markets," the report said.

"Airbus will be delivering one plane on an average per week to airlines in India over the next 10 years," Airbus Commercial Aircraft, India president Srinivasan Dwarakanath, said at aviation event Wings India in Hyderabad yesterday.

He added India was on course to become the world's third-largest aviation market by 2019/20 and Airbus is well positioned to partner its growth with backlog orders of over 530 aircraft to date.

He added that Make in India is at the heart of the company's strategy, and pointed out that, Airbus sourcing volumes had grown 16 times over the past 10 years and are currently at over $ 550 million annually.

Business News Corp.

ISH China, 22. - 24. May 2018 Beijing

ISH China is one of the leading Chinese trade fairs for the heating and cooling industry and offers manufacturers and dealers the opportunity to see innovations in this area. Aside from the information available on the latest materials and applications, numerous factual submissions and seminars are held.

The ISH China will take place on 3 days from Tuesday, 22. May to Thursday, 24. May 2018 in Beijing.

Paper Expo China ,
25. - 27. May 2018 Guangzhou

The Paper Expo China in Guangzhou is a trade fair for the paper industry and one of the largest and most important fairs of its kind in China and throughout Asia. Visitors will find the latest products and innovations in the fields of pulp and paper production, paper machines, paper towels and disposable hygiene products. Visitors can find in depth and comprehensive information here about the latest developments, trends, products and services in various fields. The Paper Expo China will take place on 3 days from Friday, 25. May to Sunday, 27. May 2018 in Guangzhou.

TRADEFAIRS INDIA & ABROAD

Expo Comm Wireless Japan , 23 – 25 May 2018 , Tokyo

The Expo Comm offers a wide variety of products from the information and communications industry. In addition to landline and mobile phone providers and Internet service providers, hardware and software companies also present their products and services. An additional program of lectures and workshops gives an overview of the latest trends and developments. On the whole the organisers welcomed on the 3 days of the fair, from 27. May to 29. May 2015, about 114 exhibitors and 44701 visitors on the Expo Comm Wireless Japan in Tokyo. For the twenty-second time there is the Expo Comm Wireless Japan on 3 days from Wed., 23.05.2018 to Fri., 25.05.2018 in Tokyo.

EuroSphere Ho Chi Minh City, 18. - 20. May 2018

EuroSphere taking place at the GEM Center of Ho Chi Minh City is an exhibition about European lifestyle products, with the aim of enabling the European Art of Living to gain access to the Vietnamese and Southeast Asian market. In this context, EuroSphere with an estimated number of over 100 exhibitors from European countries and 3,500 trade visitors is the first and only event of its kind in Southeast Asia. The event is based on the recent EU-Vietnam Free Trade Agreement for products made in Europe. Accordingly, a wide range of lifestyle products, ranging from fashion, jewellery and cosmetics to gourmet food, wine and spirits as well as furniture and interior design awaits the visitors of EuroSphere. The 2-day event also includes conferences and B2B meetings on relevant issues as well as some entertaining program points such as a cocktail reception, a gala dinner, wine tasting and a fashion show. The luxurious venue, equipped according to the latest technical standards, is considered to be a premium address for exhibitions within Vietnam. The EuroSphere will take place on 3 days from Friday, 18. May to Sunday, 20. May 2018 in Ho Chi Minh City.

Rice Pro-Tech Expo
18. - 20. May 2018, Ludhiana

The Rice Pro-Tech Expo is a trade fair for technologies for rice processing. Exhibitors are showcasing their latest and most advanced products for rice processing. These are not only shown but partially presented in demonstrations. This exhibition is communication and information platform in the industry and offers the exhibiting companies the opportunity to present themselves to a professional audience. Visitors can find in depth and comprehensive information on the latest trends and products in the industry. For exhibitors, the fair is an excellent marketing tool to introduce new products to make business contacts, to strengthen their brand and to maintain existing business contacts. Visitors and exhibitors meet for the eighteenth time on the Rice Pro-Tech Expo on 3 days from Fri., 18.05.2018 to Sun., 20.05.2018 in Ludhiana.

Concrete Show India
24. - 26. May 2018, Mumbai

At the Bombay Convention & Exhibition Centre BCEC in Mumbai, the Concrete Show India, an exhibition and conference dedicated to the concrete construction technology is held annually with an increasing number of exhibitors and visitors. The event provides a comprehensive insight into the process chain presenting the latest products, methods, machines and tools used in the processing of concrete and the realisation of construction projects. The event is unique within India as regards its range and importance for the Indian infrastructure and is the perfect platform to establish new business relationships and partnerships. The Bombay Exhibition Centre is the largest and most important exhibition centre in India.

G- Fair Mumbai 2018 - 16 – 17 May 2018

Gyeonggi Business Center has the pleasure of announcing the G-Fair Mumbai-2018 which is going to be held from 16th to 17th May 2018 at Sahara Sapphire Event Hall ,Hotel Sahara Star. G-Fair Mumbai is one of the largest Korean B2B expo in India focusing on manufacturers of Industrial, Electrical & Electronics, Consumer & Health care Products. G-Fair Mumbai provides all attendees the opportunity to network and trade with some of the top Korean companies while providing valuable information about the industry. G-Fair Mumbai provides a platform for importers, traders, distributors, manufacturers to source new technology, products and business opportunities from South korea.

Medical Expo
25-27 May 2018, Brilliant Convention Centre, Indore

4th Medical Expo 2018" from 25th to 27th May 2018 at Brilliant Convention Centre, Indore, Madhya Pradesh, India, an specialized Hospital Equipment Show with focus on Medical equipment , Lab equipment, and Diagnostic Equipment only, Medical Expo Showcase the innovations in field of Surgical instruments, Medical Devices, Medical Disposable, Hospital Furniture & Equipment, Diagnostics and other healthcare devices.

Medical Expo is one stop solution for doctors, surgeons, paramedical staff, hospital owners, healthcare consultants, Hospital administration staff, dealers and distributors of Medical equipment, diagnostic equipment and lab devices. Live presentation and demonstration of makes easy to understand and helps to take right decision during purchasing of hospital equipment. Medical Expo, Indore is followed by 3 days Knowledge Conference “Connect & Share” focus on Hospital Planning, Management, Marketing & Operations with Experts of industry from pan world.

The Taiwan Expo in India - 17 – 19 May 2018, New Delhi

The Taiwan Expo in India will be held in New Delhi in May 17-19 at Pragati Maidan Hall 11.The Expo is the most important platform for bringing together Taiwanese and Indian corporates.It will feature dedicated pavilions such as Taiwan Excellence, Green Products, Smart Cities, EV Alliance, Healthcare, Meet Taiwan, Tourism, Food Processing Machinery and Textiles. The products will showcase a range of ICT, green products, auto parts, fasteners, EV, medical devices, sports, agriculture, food and more. Besides, the expo also offers Taiwan culture performance, industrial seminars and business match making.

Taipei World Trade Center (TWTC) is organizing five Taiwan Expos across Indonesia, India, Vietnam, Thailand and Malaysia. The Expos aim to create industrial cooperation with targeted countries, leveraging Taiwan’s advanced technology and industry experience. Moreover, TWTC is seeking more interactivity in the cultural, tourism and educational fields with our allies.

Business News Corp.

FAHADH FAASIL

IN A DIFFERENT LEAGUE

"I will continue to do films that excite me. I won't change my methods because I got an award like this"

Celebrity kid or not, rarely does Malayalam cinema give an up-and-coming actor a chance for a comeback, especially if your debut was less than lacklustre. But actor Fahadh Faasil is proving to be an exception to that rule. After the debacle that was his debut – Kaiyethum Doorathu (2002), veteran director Fazil's son has gone and re-invented himself and his career with some of the finest performances in some interesting movies over the past years.

Now, critically acclaimed Malayalam film Thondimuthalum Driksakshiyum, which was directed by Dileesh Pothan, bagged several top honors at the 65th National Film Awards. Actor Fahadh Faasil won the best supporting actor (male) award for his performance as a petty thief in the drama, that also became a successful venture at the box office.

"When I began acting, my biggest fear was whether the audience will appreciate the kind of films I do. It is because I was born a Malayalee, I'm able to do such films. I feel blessed and very happy," Fahadh , told the media."I don't expect to win awards while working in films. I want my films to make money first. Awards and all can come later," said Fahadh.

"I was afraid of the commercial viability of this film (Thondimuthalum Driksakshiyum), but Dileesh was very confident and assured that this film will be appreciated by the masses and will become a bigger hit" revealed the National Award winner.

He said his approach to cinema will remain the same. "I will continue to do films that excite me. I won't change my methods because I got an award like this," said the actor.

Edited, Printed and Published by K.N.Marzook, Published at Kerala Chamber of Commerce and Industry, Chamber Corner, Shanmugham Road, Cochin, printed at Sterling Print House, Ernakulam