

IndiaNow

October-November 2010 | Volume 01 | Issue 4

B U S I N E S S A N D E C O N O M Y

RURAL UPDATE

RETAILING BOOM ECHOES
THROUGH RURAL INDIA

INNOVATION CORNER

TEENAGED STUDENTS DESIGN
SOPHISTICATED SATELLITE

EMERGING ENTREPRENEUR

THE MAN WHO BUILT INDIA'S FIRST
BUDGET HOTEL CHAIN



SOLID.SECURE. SURGING.

How India's central bank, The Reserve Bank of India, helped it weather the crippling recession and emerge literally scratch-free.

Lit up and lighter of heart

Having celebrated a far brighter festival of lights this year, Indians are upbeat about the year ahead.

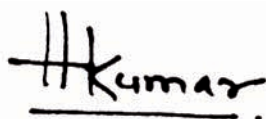
Autumn is a time for celebration. A time for Diwali, for instance, the festival of lights and harbinger of prosperity. There's a nip in the air but hearts are warm. The financial tsunami that had fanned out of the American shores, had swept upon the economies of the world, drowning them in waves of recessive gloom.

The picture this autumn, however, is profoundly different. Closely monitored and well-managed, the sturdy Indian economy not only withstood the financial shock waves well, but also stood up and starting running before long. That India is now at the leading edge of the recovery process is a testimony to the solidity of its regulatory institutions and the financial astuteness of its managers. Whether manufacturing, services or infrastructure, the mood is upbeat. Business is picking up steadily, investment is pouring in and all economic indicators are pointing up.

Indians have worked hard to make this happen, whether in taking risks, setting up new enterprises, scientific research, economic advance, or the more fundamental exercise of financial inclusion and poverty alleviation. It is inspiring, therefore, to learn of an Indian rocket launching a miniature satellite designed by teenaged college students. It is equally encouraging to meet a bright engineer who left a promising career in the corporate world to set up a budget hotel of his own, and is now running a hugely successful nation wide chain of such hotels. No less heart warming to hear of low income families in the remotest of Indian villages are operating bank accounts on mobile phones.

The economic growth is not only noticeable, it is also widespread.

For that reason, and many more, this Diwali has been a better and brighter one. The next promises to be just as bright, perhaps brighter.



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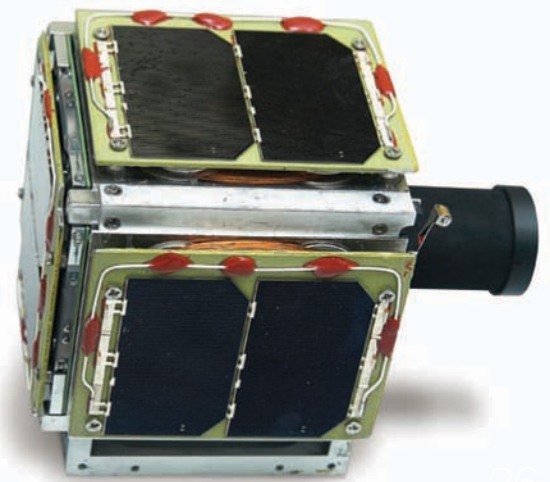
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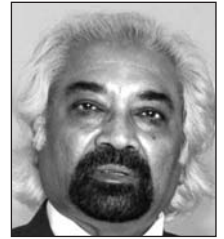
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VOICE OF VISIONARY
It is time to use
technology to
expedite our
education process



National ROUND-UP



PHOTO BY PHOTOS.COM

Exports on the Rise. India's exports increased by 29% in September this year.

THE WORLD market is truly emerging from the effects of recession and nothing reflects it better, than the export figures of an economy. Between April and August 2010, India exported goods and services worth more than US\$85 billion. According to the Department of Commerce, this is a nearly 29 per cent rise over the same period, last year. According to the Society of Indian Automobile Manufacturers, aggregate car sales between April and August stood at a quarter of a million. Compared with car sales over November 2009 to March 2010, this means an increase of 34

per cent. In a recently released report, the Federation of Indian Chambers of Commerce and Industry (FICCI), said India's automobile exports alone will account for almost US\$18 billion by 2016.

Gems and jewellery export, especially of cut and polished diamonds, increased by nearly 90 per cent on a year-on-year basis in January 2010 when compared to the corresponding period in 2009. Gold jewellery exports seem to have had a fantastic year. At US\$1.5 billion, its exports in September this year, have jumped 114 per cent over September last year.

DATA BRIEFING

\$85
billion:
India's
export
earnings
from April
to August,
2010



PHOTO BY PHOTOS.COM

The Stock is Mighty Good.

Sensex scales peak it hasn't touched in three years—over 19,900 points.

SENSEX, the 30-stock sensitivity index of the Bombay Stock Exchange, has performed brilliantly this year. It has gained from the impressive performance of IT companies and the manufacturing sector, as well as a surge in foreign portfolio investments. In July, the manufacturing sector marked the beginning of a new growth cycle with strong industrial figures.

In October, the Sensex rose for a third straight session, scaling a peak it hadn't touched in nearly three years—more than 19,900 points. Foreign funds have been a critical propelling force in this stock rally. Analysts are saying that if the economy continues to show signs of being steady, this year's foreign fund inflow can easily cross last year's US\$17 billion. The growing risk appetite of investors is also boosting fund inflow. India is one of the only two trillion-dollar economies targeting a double-digit growth rate.

In October, international ratings agency Standard and Poor's raised India's credit rating outlook from negative to stable. The government has also cleared a host of foreign direct investment proposals totalling more than half-a-billion dollars.

THEY SAID IT N.R. NARAYANA MURTHY

The Non Executive Chairperson of Infosys Technologies was addressing a conference on improved efficiency and lowered costs, organised by the All India Management Association in Bengaluru.

Growing at its current rate of 20 per cent, India's IT industry can reach the US\$ 300 billion mark in a decade, from the current figure of US\$50 billion. Most often, we have performed better than what the projections have said.

—N.R. Narayana Murthy, Infosys Technologies.



UPDATE ON RESEARCH



PHOTO BY PHOTOS.COM

Australian and Indian researchers are working together on leading-edge science and its development. Jointly funded projects underway include work to develop a vaccine for malaria, research into cancer therapies, leading-edge nanotechnology, and collaboration on drought and disease resistant crops.

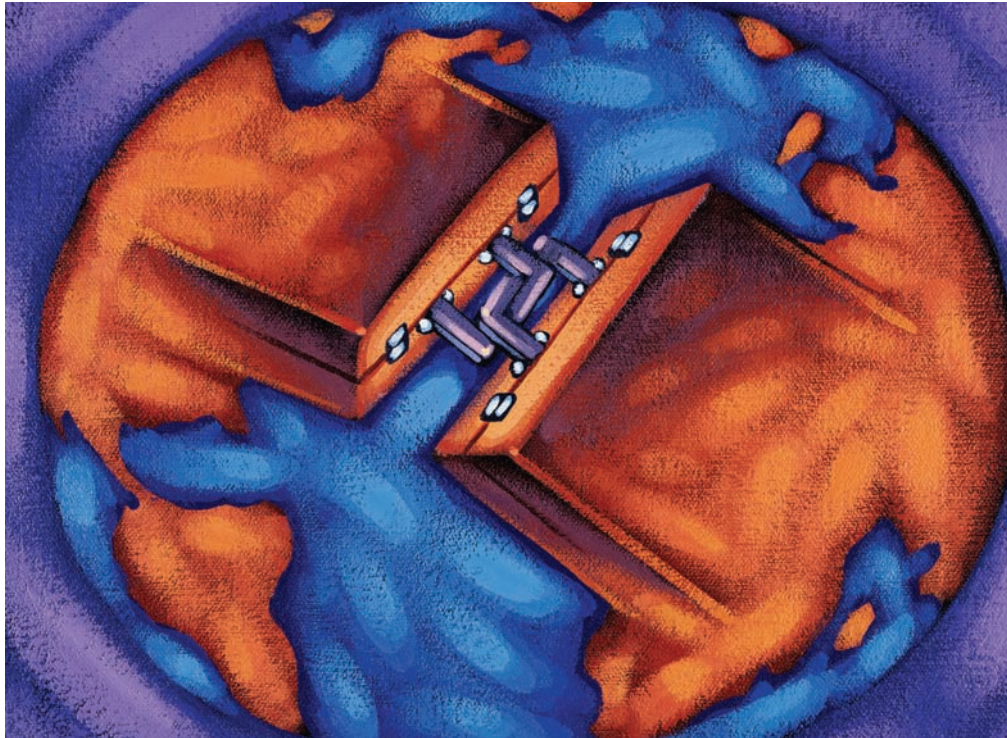


PHOTO: PHOTOS.COM

Resurgent Merger Activity Signals Economic Consolidation. September alone records 57 mergers and acquisitions.

FOR THE first time in two years, mergers and acquisitions have picked up in corporate India, demonstrating that the economy is reviving, says a recent report of the international consulting firm, Grant Thornton.

In its half-yearly Deal Tracker Report for this year, the firm said 525 such deals had exceeded US\$45 billion in value by June itself. By comparison, the first-half of a recession-damaged 2008 had recorded 368 deals that fell short of US\$10 billion. Though the first half of last year was a lot

better, it was still slightly more than US\$23 billion, with 455 deals, said the report.

This year's first half has been significant in outbound deals, too, where Indian companies acquired firms overseas. The total value of such deals touched

Most action happened in the power, energy, hospitality and infrastructure sectors: Thomson's Deal Tracker

US\$18 billion in this period, with more than 100 mergers and acquisitions, said the report. By comparison, the first-half of last year pales into insignificance, with 31 deals of less than half-a-billion

dollars in combined value.

In September this year alone, 57 deals speak of a rapidly expanding economy, said the report. September last year saw 23 deals. In spite of the jump in numbers, however, the deal value did not change, underlying corporate India's cautious approach to expansion. It was US\$597 million in September 2009, and US\$601 million in the same period this year. Most of the action has been in hospitality, power and energy and infrastructure, said Grant Thornton's Partner, C.G. Srividya. Fifteen outbound deals notched up US\$210 million in September this year, more than 20 times in value, compared to US\$10 million through nine deals in September last year.

SOUND BYTES



“In today's free market, I don't think you can stop projects to expand overseas. There has to be a two-way aspect to all economic policy.”

—Lakshmi Mittal, Chairperson, Chief Executive Officer, ArcelorMittal



“I am convinced of the need for incorporating social and humanistic concerns into the core values that inform the world of business.”

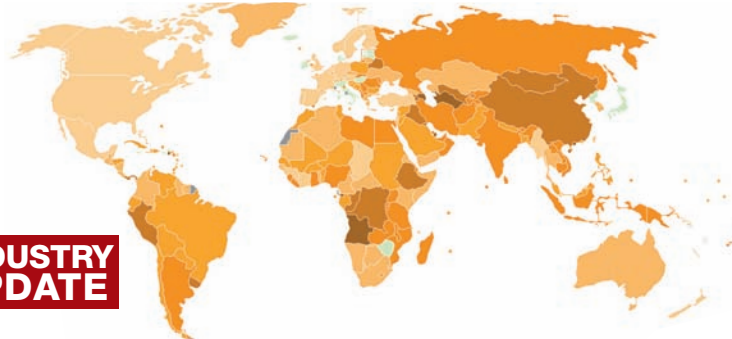
—Anand Mahindra, Vice-Chairman and Managing Director Mahindra & Mahindra



“Managing currency rates in the face of volatile flows entails costs, no matter what you do.”

—Dr D. Subbarao, Governor, Reserve Bank of India

INDUSTRY UPDATE



Boomtime for Real Estate The demand for luxury homes has steadily been rising this year, almost reaching the 2007 mark.

THIS IS indeed boomtime for India's real estate business, and the opportunities range from direct purchase of estate to buying equity in select companies. The economic revival is evident in the way land prices have appreciated. By August, the residential real estate prices in Mumbai and Delhi and its neighbourhood had reached their 2007 levels. Property prices in Chennai, Hyderabad, and Bengaluru, too, are rising.

The boom is more visible in the residential property slice, and economic revival has meant a noticeable rise in the demand for luxury homes, in the US\$10 million bracket. The early adopters are always the high net worth CEOs, professionals, and non-resident Indians, and they are going for what are now being called 'luxury boutique homes.' According to a study by PricewaterhouseCoopers (PwC) and the Urban Land Institute, the aggregate expected demand in the residential seg-

ment is nearly 690 million sq ft across India. For comparison, the sprawling T3 international airport terminal in New Delhi is just a little under 5.5 million square feet. Of the total demand for land, nearly 80 per cent will come from the seven big cities of India, said

80%
OF THE DEMAND FOR LAND WILL COME FROM SEVEN BIG CITIES OF INDIA, PWC REPORT STATES

the report. Delhi itself will need close to 114 million square feet by 2012. A lot of global players have shown interest in the Indian real estate sector. Vision India Real Estate, a closely-held business group in the US is investing US\$ 5 million in Gem Group's upcoming residential project in Chennai. This will be the first joint development project for the U.S. company that is proposing to invest US\$ 100 to US\$ 200 million over the next three years on projects, especially in the logistics arena. The PwC-Urban Land Institute report also says that India will be the top Asian market for investment in real estate and urban development, this year.

UPDATES
HIGHER EDUCATION

INDIA INC DONATES GENEROUSLY TO US UNIVERSITIES



PHOTO: PHOTOS.COM

Indian industry stalwarts Ratan Tata, Narayan Murthy and Anand Mahindra have done their bit for higher education in science, arts and business by donating generously to American centres of research, especially to the renowned Harvard University. The Tata Group became the largest donor ever in the history of Harvard Business School (HBS). Group Chairman Ratan Tata donated US\$50 million from the Dorabji Tata Trust and the Tata Education and Development Trust—philanthropic arms of the Tata Group. The donation is expected to fund a new academic and residential

building on the HBS campus in Boston, Massachusetts. HBS hopes to break ground for the building, which will be named Tata Hall, in spring next year. Tata is a Harvard alumnus who attended its Advanced Management Programme in 1975. Anand Mahindra, the head of the Mahindra Group, has also gifted US\$10 million to Harvard's humanities centre. He is also a Harvard alumnus. Narayana Murthy gifted US\$5 million to Harvard's Clay Sanskrit Library. Several US universities, including Cornell, Penn, Stanford and Yale, have recently been the beneficiaries of Indian philanthropy.

BUSINESS TRACKER

Good Times for Knowledge-based Outsourcing 60% of global business to come to India

THE INDIAN knowledge process outsourcing or KPO segment is estimated to be worth US\$50-70 million. According to global research company Gartner, this segment will grow by 30 per cent

by 2013 in India. The success in outsourcing business process operations to India has encouraged firms to start outsourcing high-end knowledge work as well. Cost savings, operational efficiencies and

access to talented workforce are underlying expectations in offshoring high-end processes to India. KPO involves offshoring knowledge-intensive business processes that require qualifications, knowledge, extensive cross-curricular exposure and an ability to link and analyse facts.

According to market intelligence firm, Evalueserve, the global market will be worth US\$17 billion by 2013. By



then, a little more than US\$10 billion of the KPO business should come to India. That's nearly 60 per cent of the business generated worldwide. Nearly a quarter-of-a-million

people are expected to be working for this segment in India. The recession has affected every business, but some sectors in the business of outsourcing, have actually gained. In trying to squeeze the most juice out of the recessive dollar, American and European companies are aggressively reaching out to KPO companies in India. Big gainers include KPOs in banking and finance.

INDIA WATCH

56%
2 year Growth in Sensex
 (September 2008 to 2010)

Area	Population	Male	Female	Population Density	Urban Population
3,287,590 sq km	1.17 billion	613.42 million	552.08 million	361.1per sq km	350 million

Key performance indicators of the Indian economy, with patterns, trends and forecasts

India's Economic Outlook Projection

Fiscal Year	2007	2008	2009	2010
GDP Growth	9.40%	7.30%	5.40%	8.50%
CPI	6.40%	9.30%	5.50%	14.10%

Source: Data taken on 7th May,2010 from RBI website

Mean Probability Pattern of Real GDP Growth Forecasts

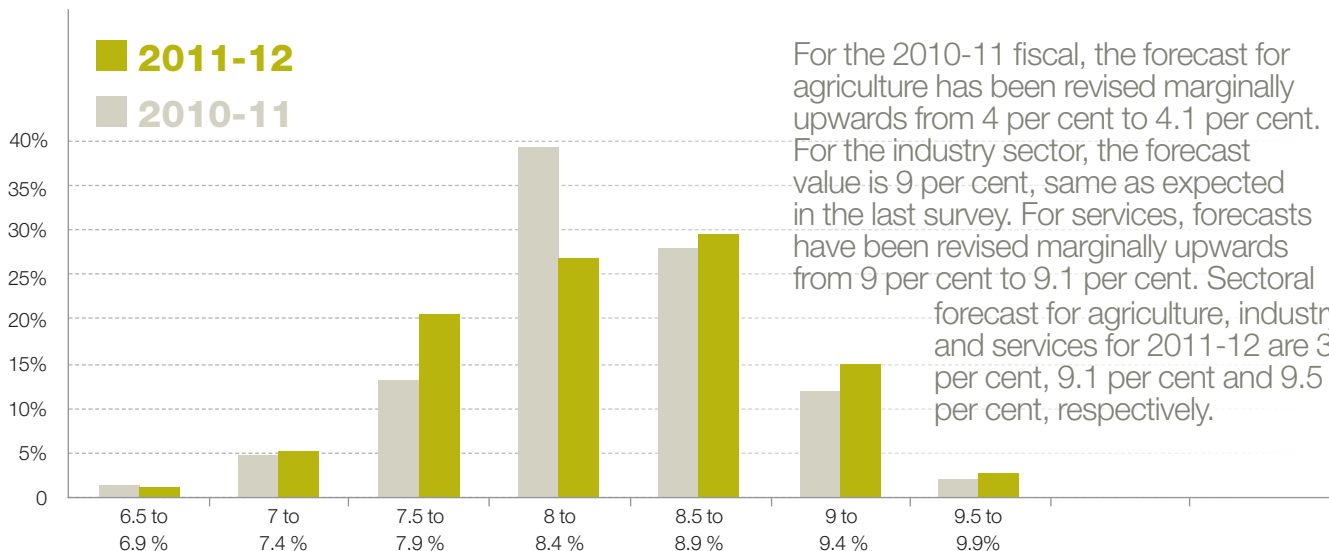


Chart 1: Year-on-Year Growth IIP

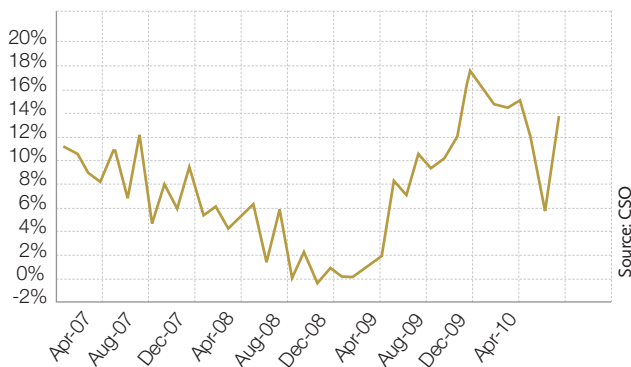


Chart 2: Year-on-Year Growth in Sectoral Indices

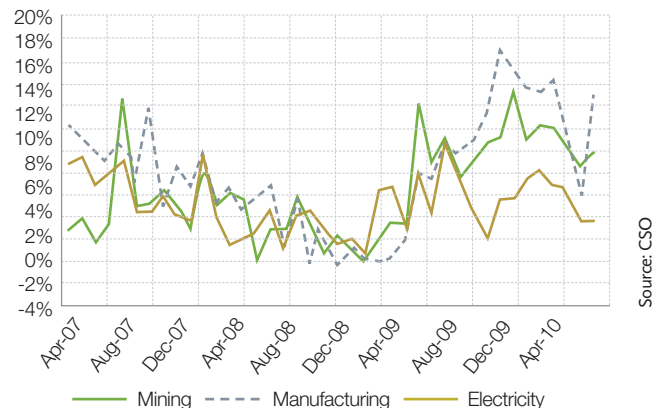


Chart 3: Contribution to IIP Growth in July 2010

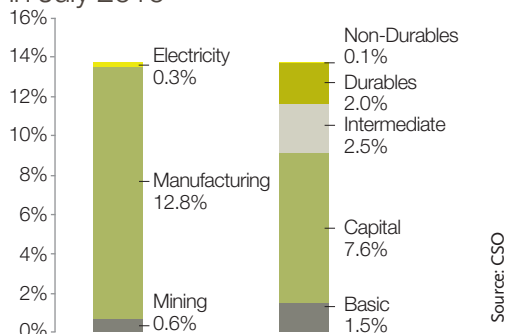
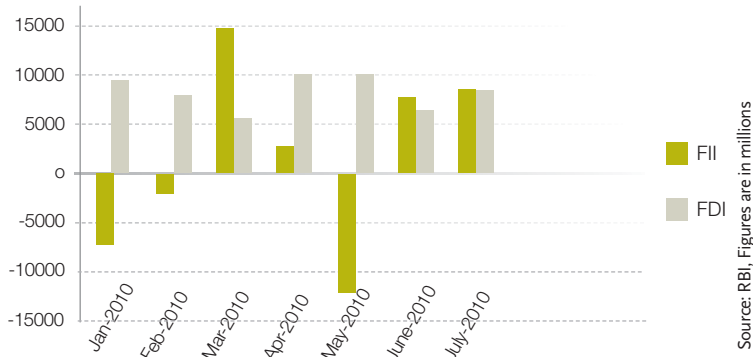
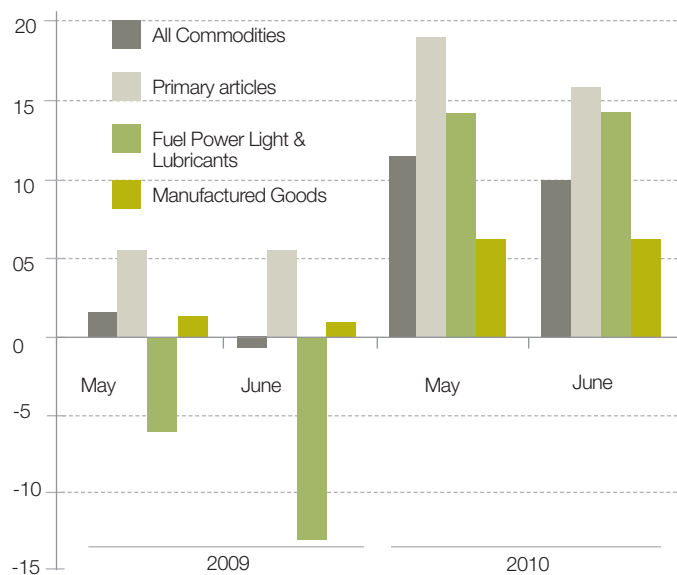


Chart 4: FDI & FII Inflows

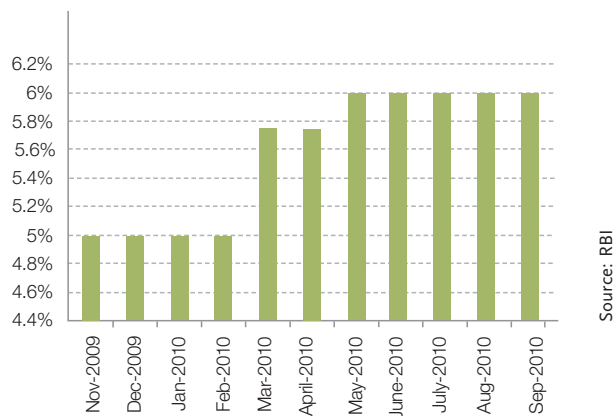


Monthly trends in Wholesale Price Index- monthly average (% change)

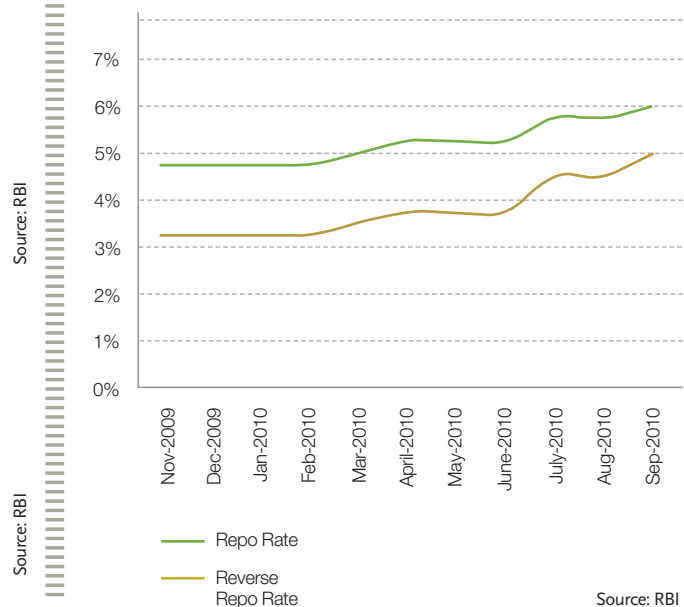


Key Macroeconomic Indicators

Cash Reserve Ratio



RBI Policy Rates



Stock Market

Date	BSE Sensex	% Change	S&P CNX NIFTY	%Change
1.06.10	16,572.03	-4.68	4970.2	-4.84
1.07.10	17,509.00	5.66	5251.4	5.66
2.08.10	18,801.21	7.38	5431.65	3.44
1.09.10	18,205.87	-3.17	5471.85	0.75

Source: RBI

Currency exchange rate

Date	INR/USD	INR/GBP	INR/JPY	INR/EUR
Mar 2010	45.5	68.53	50.25	61.8
May 2010	45.08	68.09	48.23	58.75
July 2010	46.58	72.87	53.51	60.96
Aug 2010	46.89	72.51	55.33	59.47
Sep 2010	44.95	71.46	53.92	61.38

Source: RBI



COMPANY DASHBOARD

- ▲ **YEAR OF ENTRY:** 1995
- ▲ **INDIA HEADCOUNT:** 10,000
- ▲ **RETAIL NETWORK IN INDIA:** Available in 200,000 stores
- ▲ **R&D CENTRES:** Bengaluru and Mumbai
- ▲ **MANUFACTURING CENTRE:** Sripurumbudur, Chennai

INDIA CALLING!

Fifteen years ago, Nokia entered India to tap into its fledgeling mobile telephony market. Now, Nokia's mobile phones connect more Indians every single moment than all the other phone manufacturers put together. **BY SHREYASI SINGH**

T'S NEARLY IMPOSSIBLE to chronicle India's large, fast strides in telecommunications without the mention of Nokia. The first-ever cellular call in India was made on a Nokia mobile phone over a Nokia-deployed network, in 1995. Ever since, Nokia has set benchmarks for the Indian market. Along the way, India has become the company's second largest market after China.

In the second quarter of this year, mobile phone sales crossed 325 million, globally, according to international research firm Gartner Inc. Nokia led the pack with a nearly 37 per cent share of the market, says Gartner. At number two position, Samsung's market share of 19 per cent is almost half that of Nokia. As a result, Nokia Worldwide recorded net sales of nearly US\$14 billion. According to the Indian research firm IDC, nearly 100 million handsets sold in India last year, and almost 55 per cent of them were made by Nokia.

"In the developmental context in India, people use the word digital divide. When we started operations, we wanted to bridge that divide," says V. Ramnath, director of operator channel for Nokia India, and member of the India management team.

"The first few years were slow," Ramnath recalls. "Other telecom and handset manufacturers were discouraged. But we remained invested because we could see a huge future. The real boom happened ten years ago. We got a head start because we had faith in the Indian market."

The head start set off a record-making streak. From the first phone to have a Hindi ringtone to the first with a Hindi menu, and many others. Eight years ago, Nokia introduced the 7650, the first camera phone, and in 2003, Nokia 1100, the first made-for-India phone. At the upper end, it introduced us to the Wi-Fi phone, the communicator series.

Ramnath says deep, acute consumer insight has dictated this market leadership. "In India, especially, we have done a lot of research in understanding the consumers' minds. This is such a diverse country. There are so many different consumers."

Several innovations in Nokia handsets, he says, have emerged from the Indian experience, such as longer battery life to tackle errant electricity supply, dust resistant and water proof keypads, and even a torch. "We have been determined to share the fruits of mobility with all sections of the society."

Multiple language interface has done a lot for that goal and the company actively applies insights picked up in India to Africa, Latin America and Indonesia. "A key success factor

for us has been our ability to localise. The Indian consumer is very value conscious, not just price conscious. Many companies make a mistake in understanding that critical differentiation."

Handsets like the Internet-ready Nokia 2690 are available for as little as US\$62. In a country of millions of bicycles, the company will soon launch a cycle-mounted phone charger. "It was a big challenge to educate customers that mobility was not the privilege of a well-heeled, upper class. Our products have helped shatter technology inhibitions. Studies have shown that a country's GDP goes up with greater mobility penetration," says Ramnath. Much of this has become possible through the government's determined efforts to propagate mobile telephony to every nook of the nation. For, phones will be of any use only if the technological infrastructure is in place for them.

Nokia converts its consumer insights into solutions at its research & development centres in Bengaluru and Mumbai. The Bengaluru centre plays a pivotal role in assimilating local flavours.

To broaden its bandwidth in the country, the company set up a manufacturing unit at Sriperumbudur near Chennai in the southern state of Tamil Nadu. Spread over 210 acres, the plant began with 550 workers, four years ago. Today, it has more than 8,000 employees, 70 per cent of whom are women.

But, the company isn't resting on its considerable laurels. "As we speak today, penetration is at 50 per cent. There are more than 600 million mobile phone connections in India. The next trend we are picking up is the consumer asking - what more can the mobile phone do for me?" says Ramnath. "For that, we will launch a suite of services."

Nokia is taking a "services + devices = solutions" approach with the launch of Ovi, its internet services brand. Services to help users get more value from devices are at the core of its business strategy. One key initiative is the Nokia Life Tools programme, giving rural users access to education and agro-related tricks and tips. Launched last year, Life Tools already has more than three million subscribers. Nokia has also launched Mobile Money Services with Yes Bank, and Ovi Store, a one-stop shop for mobile content.

"Mobility is blurring a lot of industry boundaries. Take music for example. The industry's horizon and canvas has completely changed with mobility," adds Ramnath.

There is a Nokia mobile phone ringing somewhere in India, whatever time of day or night. Such market penetration comes not just from being the first in the business, but among the very best. ■



“THE REAL BOOM HAPPENED TEN YEARS AGO. WE GOT A HEAD START BECAUSE WE HAD FAITH IN THE INDIAN MARKET.”

— V Ramnath,

Director, Operator Channel, Nokia India



**SOLID. SECURE.
SURGING.**

Through a prudent blend of reform, openness and control, India has weathered the downturn rather well. And it's showing.

BY RAKESH PANDEY

T

As the economic recession is slowly fading, incomes are rising and so is demand. Production is on the upswing, too. News about banks collapsing in the US and Europe is now a thing of the past, tucked away into painful memory cells. Cautious optimism has replaced the general pall of gloom that had engulfed the world markets during the

peak of the global financial collapse.

India wasn't untouched by the crisis, but it weathered it rather well. Careful analyses of the way the government and its financial watchdog, the Reserve Bank of India (RBI), swung into action and took matters into their hands are now available. Through a prudent mix of close monitoring, cautious intervention and policy moves, India avoided the impact of the global recession that devastated some economies.

In its annual report, the Reserve Bank said in June, this year, that it has been on guard since early last year. It has been an exceptionally challenging time for the apex Indian bank, especially pertaining to financial stability, economic growth and inflation. By the middle of last year, the policy measures it had taken, bore fruit, ensuring the return of normal conditions. After the collapse of global financial giants, preventing a financial crisis at home became possible only because of RBI's swift and comprehensive policy measures, sound financial regulation and supervision, and financial integration.

Even though India avoided a crisis, the government response and its magnitude matched its preparedness to meet one. The Centre could deal with the effects of the crisis only through a seamless coordination with the RBI. It built back the confidence in the markets by providing a cautious stimulus programme, substantially increasing its borrowing programme, making money easily available through RBI, and by significantly reducing policy interest rates. It also spoke of the solidity of India's financial



markets, with the RBI allowing the financial sector to aid in the recovery effort.

ANALYSING RECOVERY

According to RBI's first quarter review of the Indian economy, released in June 2010, the global economy recovered faster than expected, led by robust growth in emerging market economies. In the first quarter 2010, global output increased by over 5 per cent but it soon hit a soft patch owing to concerns stemming from the sovereign debt situation in the Euro area. Fiscal austerity measures being adopted in many advanced economies could potentially dampen the growth impulses in these economies.

According to the review, emerging markets will continue to normalise their monetary policy because of their stronger recovery. Advanced economies, on the other hand, may further delay this monetary exit, due to the emergence of new risks to recovery. Economic recovery has gained momentum and GDP growth can be higher than 8 per cent, as projected in the Monetary Policy Statement of April 2010.

To understand how RBI functions at all these levels, we must see what the bank does, among other things. As regulator of the financial system, it supervises all commercial banks, financial institutions and non-banking finance companies. It formulates, implements and monitors the monetary policy, maintains price stability, and ensures adequate flow of credit to productive sectors.

In a major policy move, RBI made banks switch to a new 'base rate' system of lending that came into effect in July 2010. The base rate of upto 8 per cent will help make loan pricing transparent, one of the biggest concerns of economies, especially after the sub-prime bust in the US.

According to the Reserve Bank, the gross domestic

According to the Reserve Bank, India's Gross Domestic Product (GDP) will grow at a healthy 8.5 per cent in 2010-11

The ABC of GDP

GDP looks set to grow in 2011, given the robust recovery, seen early this year

The Reserve Bank says the GDP looks set to grow at a healthy 8.5 per cent in 2010-11

The economy grew rapidly in the middle of this year, led by double digit growth in industrial production

Turnaround: in the second quarter of 2009-10, the economy grew by eight per cent

product (GDP) will grow at a healthy 8.5 per cent in 2010-11. Earlier this year, the bank released its annual report detailing its assessment of how the economy functioned between 2009 and 2010, and laid out its prospects for the future.

Since the economy started bouncing back from the recession, RBI said its policy attention shifted last year, from crisis management to recovery. Growth did consolidate, but last year's weak monsoon also affected farm output, creating temporary inflationary conditions. While the growth outlook for 2011 remains robust, inflation has emerged as a concern.

QUICK AND DECISIVE ACTION

The magnitude and the speed of monetary policy response were unprecedented, reflecting the scale and potential impact of the global crisis.

The GDP looks set to continue to grow in 2011, given the broad-based, robust recovery seen early 2010. It is driven largely by the industrial recovery, a good monsoon, and the remarkable resilience shown by the service sector. Production of consumer durables and auto sales suggest a gradual pick-up, which could accelerate to make growth more self-sustaining.

The RBI has had to grapple with two challenging situations during the recession—falling supply from sluggish industrial and agricultural production on the one hand, and falling demand from lower incomes on the other. Each situation has its unique solutions. When production falls, prices rise, and when incomes decline, demand trips, pulling down prices.

"Many times, doctors face such a dilemma. You get a patient in the emergency room, with, say, rapid pulse and falling blood sugar. Hypothetically, treating one condition might worsen the other. What, then, does a doctor do? While training tells him he should do this, instinct is telling him to try the other. Obviously, he goes for what might still save the patient's life—take a chance, lower the blood sugar, the pulse can stay a bit high, for example. In the same way, the Reserve Bank has had to work with the economy. Sometimes going with instinct, and at other times, pure economics," says economist and former chairman of the Forward Markets Commission, Anand Kumar Bhatt. "If the shock is coming from the supply side, there is little the bank can do to help raise production in the short term. But if the shock comes from the demand side owing to falling incomes, the bank does step in with a more relaxed fiscal approach. But that has the potential to increase inflation – exactly what the supply side shock does. It comes from too much money chasing fewer goods. The bank, therefore, encounters the dilemma of stabilising output versus containing inflation."

PRICE CONTROL

If the economy has to sustain what is known as 'inclusive high growth', prices have to remain low so that the middle income and poor families do not suffer. But what does an economy do if it is rigged to an international web of economies where shock waves travel across the network? Sluggish demand in the advanced economies reeling under the financial bust forced down our exports and that led to lower production and falling incomes. One thing led to another, and we had a sudden downswing.

"Just loosening the purse strings does not control inflation, in fact, it only exacerbates the situation. What is inflation? It is more money chasing fewer goods, which kicks up their prices because buyers are competing to buy them. But, first of all, how did this situation happen? Demand has fallen as a result of falling incomes. So, in order to raise incomes to help push up the demand, if RBI loosens the fiscal controls on the economy and makes more money available on the market, it should, hypothetically, raise demand and that in turn should help raise industrial production in the short run. Right? Wrong. Just making more money available may not raise demand. It will, in all likelihood, worsen the price situation by making the competition fiercer among the buyers," says Bhatt. "Then what should the bank do? Tighten monetary control some more? Not necessarily. This requires financial wisdom and administrative insights that come from having done this thing year upon year, and it comes from learning. That's the kind of wisdom Prime Minister Manmohan Singh has, and so does his current governor of RBI, Dr D. Subbarao—a technocrat, who earned a doctorate in economics and served in the elite Indian Administrative Service (IAS) for decades, before being appointed to the lead job."

Manmohan Singh was also the Govern-

RESERVE BANK OF INDIA

Set up in 1935 in then Calcutta, and moved to former Bombay, two years later, the Reserve Bank is India's apex or central bank. It is banker to the government and to all scheduled banks in India. Headed by governor Dr D. Subbarao, the bank performs a host of financial regulatory, monitoring and management functions:

- Formulates, implements and monitors the government's monetary policy, stabilising prices and ensuring that credit flows unhindered to the productive sectors.
- Regulates and supervises the financial mechanism by prescribing the broad functional parameters for the banking and financial system.
- Manages foreign exchange and facilitates external trade and payment.
- Issues currency and coins, and exchanges or destroys them, if they are unfit for circulation.



nor of the bank from 1982 to 1985.

"This is a team that understands the economy, its requirements and has hands-on experience of having run it for decades put together. You don't normally go wrong with this kind of exposure," says veteran economic journalist and writer Raman Nanda.

In India, services account for the largest share of the GDP, and people spend an increasing proportion of their disposable income on services, prices of commonly used services have become important from the standpoint of assessment of consumer welfare.

TOUGH, TO BEGIN WITH

In its pre-budget economic survey this year, the government had said candidly that fiscal 2009-10 had begun as a difficult one. That was primarily because of the financial crisis in the Western world and the eventual

collapse of leading banks through much of 2008. India's GDP had grown at a subdued 6.7 per cent in 2008-09. There was apprehension that this trend would persist for some time, as the full impact of the economic slowdown in the developed world worked through the system.

It was also a year of reckoning for the policy makers, who had taken a calculated risk in undertaking substantial fiscal expansion to counter help contain the effects of the global slowdown. Inevitably, India's fiscal deficit increased to an estimated 6.8 per cent of GDP in 2009-10. A delayed and severely subnormal monsoon added to the overall uncertainty, according to the economic survey. Reeling under the weight of the recession for most of 2009-10, the developed world dropped its demand, affecting India's exports and choking the capital inflow pipeline. Yet, in just about a year, the economy bounced back remarkably, not just in numbers, but more importantly, in terms of its fundamentals, according to the survey.

That's what has justified the government's optimism for the economy in the medium to long-term.





DYNAMIC AND GROWING MARKET

20 Cities account for
10% of India's Population
60% of Total Surplus Income
21% of Total Spending

“

This is a team that understands the economy, its requirements and has hands-on experience of having run it for decades put together. You don't normally go wrong with this kind of exposure.

—Raman Nanda, Veteran Economic Journalist and Writer

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The real turnaround came in the second quarter of 2009-10 when the economy grew by nearly 8 per cent. This recovery is impressive for a few reasons, said the survey. First, it said, the economy has recovered in spite of slightly sub-optimal agricultural performance owing to the dull monsoon. Second, it speaks of a renewed momentum in the manufacturing sector that had been constantly on the decline for almost eight quarters since 2007-08. It's encouraging, therefore, that the growth in manufacturing has more than doubled from 3.2 per cent in 2008-09 to 8.9 per cent in 2009-10.

INDUSTRIAL REVIVAL

The economy grew rapidly in the middle of this year, largely led by strong double digit growth in industrial activities. Core industries and infrastructure services have also shown recovery as supply bottlenecks ease and demand strengthens. The robust growth momentum in telecommunications, particularly the wireless segment, continues with monthly additions exceeding 17 million connections, said the

survey. The fast-paced recovery of the economy underscores the effectiveness of the policy response of the Government following the financial crisis.

The survey says that encouraged by the broad-based nature of the economic recovery, the government now feels confident to roll back some of the expansionary measures that had become necessary during the recession. The roll back would put the economy back on the growth path of 9 per cent, according to the survey.

In its World Economic Outlook earlier this year, the International Monetary Fund

(IMF) had said output in the advanced economies would grow by a little over two per cent, and in the emerging and developing world, it would grow by about six per cent. A

The government has adopted a holistic approach that focuses on governance and administration

lot of the recovery in the developed world has come from their momentous stimulus plans, and analysts are concerned that once the support is withdrawn, the recovery will lose momentum. For the now recovering emerging economies, which are already on the path to recovery, there are challenges emanating from increased capital flows with rami-

fications for monetary growth, inflation and exchange rate uncertainty, along with policy implications for the capital account.

The survey had also said that mining and quarrying, manufacturing, and electricity, gas and water supply had significantly improved their growth rates at more than eight per cent in 2009-10. Construction, trade, hotels, transport and communication have also improved their growth rates over the preceding year, though to a lesser extent, according to the survey. Financing, insurance, real estate and business services have retained their growth momentum at around 10 per cent.

In the medium term, the economy will return to its pre-2008 robust growth of around 9 per cent. Exports have been steadily consolidating since early this year. Railways, transport, power, telecommunications and civil aviation, have also begun climbing back since late last year.

Naturally, the economic review was extremely optimistic about the economy's prospects. It said, given the steadily improving fundamentals of the economy, its medium-term prospects seem really strong. If the urban and rural infrastructure improve, and governance and administrative reforms take place, "it is entirely possible for India to move into the rarefied domain of double-digit growth and even attempt to don the mantle of the fastest-growing economy in the world within the next four years," said the survey.

And it stands to reason. In its mid-year update of the World Economic Outlook in July, the International Monetary Fund (IMF), revised India's GDP growth forecast to 9.5 for the current fiscal. It cited favourable financing conditions which will fuel investments and robust corporate profits as the reasons for the change from 8.8 per cent it had forecast early in the year.

Analyses and reports everywhere are saying the same thing. Early in July, the US Treasury Department told Congress in a report that the financial crisis had a relatively muted effect on India owing to its limited dependence on external demand and the strong monetary measures the government had taken.

CO-ORDINATED RESPONSE

The compelling circumstances of the global crisis helped forge significant coordination between the government and the Reserve Bank in planning policy actions. This was significant because western economies were unable to fine-tune this balance. The leading economies are struggling with a dilemma that began after the collapse of their financial markets. They are asking themselves whether to continue providing the financial stimulus to sustain their recovery or to return to fiscal consolidation to preserve medi-

New Tax Code for Growth

By the middle of next year, the new Direct Tax Code (DTC) and Goods and Services Tax (GST) will become operational.

GST will be a comprehensive, indirect tax on the manufacture, sale and consumption of goods and services.

GST will allow a single price for each product across the country.

As a result, it will reduce indirect taxes paid on most goods and services.

Product prices can, therefore, fall, and ensure demand growth. The integration of goods and services taxes will improve tax collections.

It will end the long-standing differential treatment of the manufacturing and services sectors.

GST will facilitate credit on uniform terms.

um-term growth prospects. However, RBI continued to urge the need for fiscal consolidation once signs of a stronger recovery started to emerge early this year. By contrast, this was the time when several European countries started showing results of fiscal imbalances on their growth and financial stability. By now, the term 'sovereign risk' had gained currency, especially in the context of a few countries, in anticipation of their possible default on loan payment, and their feared collapse.

The high cost of fiscal stimulus used by countries in response to the global crisis has now started to surface. It has led to the understanding that when financial markets fail, and governments step in with bags of money, a fiscal crisis of even greater proportions might be brewing. After the sovereign debt-related fallout of the crisis in the Euro zone, international investors will closely scrutinise fiscal conditions of a country before planning their country exposures, directly impacting capital flows.

Recognising this important weakness, the Union Budget for 2010-11, stresses upon consolidation to help the economy, through a structured fiscal exit plan, where government intervention will slowly recede into the background, allowing market forces to take greater control.

CAUTIOUS CONSOLIDATION

As a measure of how this fiscal consolidation is taking place, let us take the case of the government auction of the 3G spectrum for mobile communications, earlier this year. The government had hoped to earn nearly US\$8 billion from the auction, by itself a huge estimate. It ended up, however, with a momentous three times as much—more than US\$24 billion. This money could have easily gone into bridging the fiscal deficit, to fund budgeted expenditure. "That would have been the simplest of actions," asserts D.K. Bose, long standing economist and professor of economic prudence at the management institute, IIPM, New Delhi. "Instead, the bank urged the government to use that money for alternative expenditure. It has rightly advised funnelling the additional money into the states' supplementary demands for grants for this year and the next. Why? Such one-off gains are not available to manage the fiscal deficit. They inculcate a spirit of financial discipline within the government and keep it from hoping for a windfall to cover gaps that come essentially from matters of good governance and management."

Therefore, the government has adopted a more holistic approach that focusses on the elements of governance and administration—more efficient and sustained revenue collection and a rationalisation of recurring expenditure. As a result, the government

has been mulling reforming the subsidy regime, especially on petroleum prices. Linking petroleum prices to international prices will remove the burden on the recovery system, a major potential fiscal stressor.

Also, by the middle of next year, the reform-oriented Direct Tax Code (DTC) and Goods and Services Tax (GST) will become operational, reflecting the changing structure of the economy and aiding its integration with the rest of the world. The GST will be a comprehensive indirect tax levy on the manufacture, sale, and consumption of goods as well as services at a national level. It will allow a single price for each product across the country. It will reduce indirect taxes paid on most of the goods and services. Product prices, therefore, can fall and ensure growth in demand. In addition, the integration of goods and services taxes will improve tax collections and help increase economic growth. It will also end the long-standing differential treatment of the manufacturing and services sectors. GST will also facilitate credit on uniform terms across the entire supply chain and across all states.

Another tax reform that is likely to become effective in near future is the Direct Tax Code, which is designed to greatly simplify the dual tax structure. DTC will achieve this by eliminating distortions in the tax structure, expanding the tax base, and improving tax compliance by introducing moderate levels of taxation. Initial analysis shows that most of these objectives are achievable.

MEASURED ADVICE

While balancing the goals of efficiency and stability in introducing reforms, the Reserve Bank has moved towards the deregulation of interest rates, encouraged competition, both from outside and within the country, promoted the development of markets, and strengthened the legal infrastructure to facilitate better enforcement of financial contracts.

Yet, the bank has favoured a market-driven process. One issue relates to



India needs to spend nearly **US\$1 trillion** on its infrastructure from 2012-17, in the Twelfth Plan

“Balancing between growth and financial stability is still a consideration. We have said in the expected outcome of policy measures that we should not disrupt growth. Our liquidity management comes in the context of inflation management.”

— D. Subbarao, Governor, Reserve Bank of India

mergers and amalgamations of banks, something that the RBI scrutinises with a special microscope, especially in the light of what happened to the Lehman Brothers in the US, and what happened to the whole world after that. The bank recognises the importance of mergers, as they can create stronger banks with larger capital base that have higher exposure thresholds. But if operations-technology compatibility issues remain unsorted, mergers can trigger customer attrition, raise implementation costs, and cause staff issues. Here, the preference is for ‘the right size’ of bank—neither too small to lack scale efficiency nor too large to cause too-big-to-fail fears.

CONTROL AND REGULATION

On the question of allowing foreign banks to operate in India, the roadmap was reviewed last year, and the entry was put on hold in light of the global financial crisis. As announced in the Annual Monetary Policy for 2010-11, RBI is preparing

a discussion paper on how these banks need to operate in India, once allowed entry. Lessons from the global crisis, however, support the view that it is better to let them operate through wholly owned subsidiaries or consider the domestic incorporation of foreign banks. This would give the government better regulatory control over these banks and also make it simpler to resolve cases of bankruptcy, if such a thing happens.

Closely linked with banking, are the extremely vulnerable insurance and pension sectors, as the global crisis has shown. Life’s savings can evaporate in a matter of seconds, exposing millions of people to the vagaries of the financial markets. Therefore, the proposed Financial Stability and Development Council (FSDC) aims at strengthening the institutional mechanism for financial stability, with an emphasis on prudential supervision and regulatory control.

ROLE DEFINITION

Since the global financial crisis, countries have shifted decisively towards a tougher role for their central banks. Now, the apex banks will closely monitor and regulate the financial system. This, however, has been the order in India, one of the reasons why we weathered the recession so well.

In a free market, where buyers and sellers have unrestricted access to resources and to each other, the push and pull of demand and supply brings the fulcrum to a resting point. But markets need monitoring and regulatory control, too. Through its Financial Stability Unit, RBI works on the development of markets, and it monitors and analyses the impact of market trends on the economy and financial institutions.

After all, RBI has the over arching mandate of being the Lender of Last Resort (LOLR). During the global financial crisis, central banks of the world's leading economies had to give liquidity support to market bodies they did not even regulate. Why? In order to avert a liquidity crisis magnifying into a financial crisis.

In India, however, a combination of regulatory control, prudential supervision and systemic oversight, allowed the Reserve Bank to keep the financial shock waves from the collapsing financial markets of the West from magnifying into tidal tsunamis of doom.

In a document on the genesis and impact global economic crisis, the RBI has analysed the nuts and bolts of history's worst recession. The document, called Global Financial Crisis and the Indian Economy, comments on the speed and intensity with which the US sub-prime lending crisis of mid-2007 transformed itself into a global financial crisis and then into a global economic crisis. The document lists the role of easy money, financial innovations, global imbalances financial market and regulatory loopholes as some of the prime reasons for the bust.

At the fulcrum of the crisis was too much of leverage that led to systemic fragility and imbalances. Easy credit and under-pricing of risks both by the households as well as financial intermediaries created bubbles in real estate, energy and other sectors that had to face a disorderly unwinding.

The document names Western markets' over-reliance on self-regulation, overall lack of transparency and a distorted incentive structure that encouraged operators to take excessive risks, as leading reasons for the precipitation of the crisis. It also blamed high asset prices,

irresponsible leveraging and high levels of consumption fuelled by easy credit and inflated asset prices.

In an article published early this year, international ratings agency Standard & Poor's, said India proved to be less vulnerable to the crisis than many had first anticipated. The article, titled Why India Will Continue To Gain Stature In The Global Economy, went on to say that though not insulated from the crisis, India's financial sector stayed fairly healthy.

An Asian Development Bank (ADB) study, released earlier this year, put it quite succinctly, when it said: "When compared to countries across the world, India stands out as one of the best performing economies." Authored by ADB economist Nirupama Bajpai, the study, titled "Global Financial Crisis, its Impact on India and the Policy Response," said India's economic recovery seems to be well underway. Sectors including mining and quarrying; manufacturing; and electricity, gas and water supply have significantly improved their growth rates in comparison with 2008-09, it added.

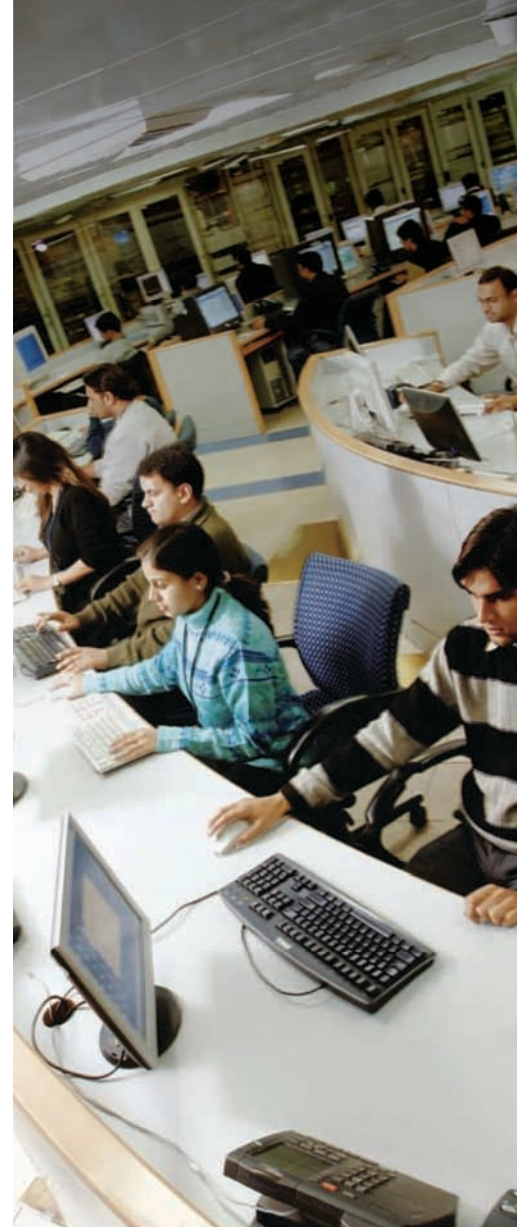
Finance minister Pranab Mukherjee recently told the International Monetary Fund (IMF) about a concern that is haunting every government of the world. Addressing the fund's annual meeting in Washington DC in early October, he said: "... risks to global financial stability have increased in the wake of the sovereign debt turbulence."

In a world of interlinked and integrated markets and economies, a country cannot de-couple or insulate itself without also isolating itself. As a result, oscillations somewhere else can travel far and wide, amplifying with devastating impact upon reaching international markets.

That is the reason why a country's financial safeguards and institutions of monitoring and governance need to be solidly codified, implemented and refined. In that respect, the RBI has performed well, stepping in to insulate, not isolate, the economy against shock, and leaving it enough elbowroom to manoeuvre freely and weave its own path of recovery. The economy is recovering and there is every sign to show that the road ahead is smooth. ■

IT GLOBAL POWER

US\$ 60 Billion Industry
2 Million People
275 Fortune 500 Clients





LEMON TREE HOTELS

REFRESHINGLY DIFFERENT



The awe-inspiring success story of a business hotel chain that was born less than six years ago. **BY VIKRAM SINGH**

Patu Keswani knows his business. After all, he has set up an entire chain of highly successful medium-priced hotels from the ground up, in less than six years. He is the chairman and managing director of Lemon Tree Hotels, a brand recognised all over India, especially among price-conscious business travellers.

I spoke with him over the telephone, as he is truly a man on the move. His deep sonorous voice sounded crystal clear as he said I would have to shout to be heard—he was at the construction site of a hotel he was building, deep in the heart of corporate Bengaluru. In a calm, meticulous manner, then, he proceeded to explain to me the coordinates that make up the complex matrix of the hotel business, both in India and globally.

Keswani, 50, is a BTEch from IIT, Delhi and an MBA from IIM, Kolkata. But, he learned all about the hotel business during the 15 years that he worked for the Taj Group, including as Chief Operating Officer of Taj Business Hotels. The idea for Lemon Tree had been forming in Keswani's mind long before he formed the company in 2002. But in 2004, when he opened the first of the Lemon Tree hotels in Gurgaon, his dream truly began to take shape. He says, "The first property was a modest 49-room midrange hotel that went by the tag of 'India's first moderately priced, upscale, full service hotel.'" The idea was to operate in the mid-price segment and cater to business and leisure travellers looking for upscale accommodation at moderate prices. It worked and the word spread rapidly.

Customers welcomed their spic and span premises, excellent service and highly competitive prices. Keswani proudly states that his customer 'stickiness' is very high—more than half of the people who come to his hotel are repeat customers. Calling itself 'refreshingly different', Lemon Tree designs, develops, owns and manages all its properties.

Two years after setting up Lemon Tree, Keswani started Red Fox Hotels, a chain of sharp and zippy select service, economy hotels for the highly-price-conscious business or leisure traveller

looking for unbeatable value. There are two such hotels in operation—in Jaipur and in East Delhi. But Keswani is planning more soon. Consumer insights gathered from the success of Lemon Tree Hotels helped launch Red Fox, offering a world class product-service mix, at extraordinary prices, as a compelling

alternative to local small hotels and guest houses.

In 2006, venture capital and private equity bigwig Warburg Pincus bought 26 per cent each in Lemon Tree and Red Fox Hotels, for US\$64 million. Warburg Pincus is a global leader in private equity. In 40 years of existence, it has invested more than US\$35 billion in approximately 600 companies in more than 30 countries around the world. With the cash in hand, Keswani was a man on a mission, planning, organising, expanding.

Now, there are 14 Lemon Tree hotels all over India and six are opening shortly. These hotels have outstanding rooms, front desk, business and conference centre, coffee shop, room service, housekeeping and laundry facilities, all

Lemon Tree
PATU KESWANI
FORMED HIS
COMPANY IN 2002.
IN 2004 HE OPENED
HIS CHAIN

available 24X7 and run by experienced hotel professionals, at an extremely attractive price point. The hotels have been designed to be business and leisure friendly with fitness facilities, Wi-Fi, a lounge bar and extensive entertainment and menu options.

While five star hotels in India are at par with their global peers, there is a near absence of internationally acceptable three and four Star hotels. This gap is now being filled by the Lemon Tree, says Keswani.

Earlier this year, a power group of the US-based Asian American Hotel Owners Association (AAHOA), visited India to evaluate investment opportunities in the mid-segment category of hotels. AAHOA members own 22,000 mostly mid-segment hotels in the US, making up nearly 45 per cent of the total lodging. Late last year, a report by market intelligence firm Evalueserve said there has been a shift from the star hotels to the budget segment. The report found high-end consumers opting for cheaper accommodation such as serviced apartments, guest houses and budget hotels.

The travel and tourism market in India touched US\$ 92 billion last year, growing at more than 16 per cent each year, since 2005. By 2019, it will exceed US\$266 billion, according to a recently released report of Maple capital advisors and the Tourism Finance Corporation of India (TFCI). Maple is an Indian company that advises business



on mergers and acquisitions, private equity and leverage capital.

Quoting the World Travel and Tourism Committee (WTCC), the report said India currently has approximately 130,000 hotel rooms, and over the next two to three years, it will need at least 50,000 more. India currently has approximately one hotel room per 10,000 people. By comparison, the US has nearly 1.6 rooms per 100 people, added the report.

In a detailed paper on the performance of the Indian hospitality industry, management consulting firm Technopak said last year that the size of the industry would

more than double to US\$36 billion by 2018. The report called “Dissecting the Indian Hospitality Industry”, said a substantial part of that growth would come from the investment of nearly US\$ 13 billion in the sector, as also the entry of more than 20 new international hotel brands, by 2011.

There are a lot of new entrants to this rapidly emerging sector. Flush with funds, real estate developers have begun investing in hotels and so have IT companies, with a steady flux of visitors and business travellers, said the report. In 2007, DLF Ltd. announced its equal partnership with Aman resorts at an estimated value of US\$360 million. IT giant Infosys Technologies has a country wide room inventory of 13,000, and Wipro 500 rooms. Many private equity funds are allocating as much as half of their planned real estate investments into hotels, adds the report. Credit Suisse invested US\$60 million in The Park Hotels, added the report.

Real estate boom in India is has come as a blessing to the hotel industry. In the big cities, mixed-use developments incorporating residential, retail, entertainment, hospitality and corporate offices, are fast becoming a trend. Kshitij venture capital



“The first property was a modest 49-room mid-range hotel.”

— Patu Keswani
Chairman & MD, Lemon Tree Hotels



What we need are carefully chosen young people **with the right attitude and a passion for this line. We will then train them, so that they hit the ground running**

fund introduced 'Market Cities', retail-led mixed-use development projects in Mumbai, Chennai and Bengaluru. The Brigade group is focussing on the 'hotel-cum-mall' options with Brigade Metropolis, a business hotel being developed in Chennai. The Leela Kempinski, Gurgaon is located in such a complex of luxury homes, retail spaces, entertainment and wellness units.

According to the report, mid-segment and budget hotels together account for just a little less than one-fourth of the total room supply in India. This is a high-growth area and the report says investments of almost a billion dollars are planned in it. The Gammon India and the Wyndham Hotel Group will invest almost US\$100 million.

Leading hotel management group Accor and construction giant Emaar MGF Land will invest almost US\$200 million in Ibis hotels. From luxury to budget, Accor operates in 90 countries and its brands include

Sofitel, Pullman, Mgallery and Ibis.

Roots Corporation will invest almost US\$44 million in the nation wide Ginger hotel brand. A subsidiary of the Tata Group Indian Hotels Company Ltd., Roots Corporation operates Ginger, Tata's entry into the world of economy hotels.

The two-billion dollar international private equity firm Berggruen Holdings plans to invest US\$100 million in the rapidly expanding Keys hotels brand across India.

Auto major Ashok Leyland's hospitality joint venture with France's Golden Tulip group will also spend nearly US\$200 million in the next two years. The Paris-based Golden Tulip Hospitality owns 230 mid- upper- and luxury scale hotels in 40 countries.

International hospitality and travel company Carlson today said it plans to manage over 100 hundred hotels in India, by 2015 as part of its international expansion plan. Headquartered in Minneapolis, USA, Carlson is a hospitality and travel company operating in 150 countries, managing leading brands like Radisson and Country Inns & Suites. The company, which manages 31 hotels across India, said recently it will have over 11,000 rooms in the next five years.

Keswani says he understands the sudden interest in his kind of hotels. It is both encouraging and challenging. But he says he is working away feverishly, having had the beginner's advantage of many years. He says that by 2012, Lemon Tree will own and operate 20 hotels aggregating over 3000 rooms with 4000 employees across 16 major Indian cities.

Keswani says he wanted to play golf and travel, but destiny had other plans for him. His keen vision and sharp insights into the hospitality industry sucked him into a journey which held promise and showed tremendous potential.

Explaining the hotel industry landscape in India, Keswani says building large, five-star hotels and maintaining them is not everyone's cup of tea. It is the dream of multi-millionaires only. Having worked with the Taj Group of Hotels for nearly 15 years, he realised that there was a felt need for economy hotels that gave excellent service. That's when the idea of Lemon Tree was born—in 2002. Two years later, the first of the hotels opened to customers in Gurgaon. Now, he has 2,500 rooms across 12 cities.

Keswani says that such is the quality of the rooms, their upkeep and service, that one of the world's most authentic hotel rating websites, www.tripadvisor.com, rates Lemon Tree Hotels even higher, at times, than the five star hotels in the cities where they are located.

By 2012, he wants to own 3000 rooms and by 2020, 30,000 rooms, not just in India, but all over Asia. This year alone, Keswani will add 700 rooms to Lemon Tree as well as Red Fox.

About the future, he says he now wants to fan out into vocational training for jobs connected with the hospitality industry—construction workers, housekeeping, kitchen and restaurant staff, bartenders, fitters, electricians and security men, to name a few. The highly labour-intensive hotel sector is already facing a shortage of skilled and experienced people. When it goes into its accelerated expansion phase, the shortage is going to be acute, especially in the budget hotel segment. The existing 25 institutes of hotel management and 180 other educational institutions produce nearly 11,000 graduates to cater to the industry's need for manpower in all the different departments that make up the hospitality sector. "But going to an institute is one thing, and being industry-ready is quite another," says Keswani. "What we need are carefully chosen young men and women with the right attitude and a passion for this line. We will then educate them, train them, arm them and prepare them for the industry, so that they hit the ground running." The idea is to make people employable in his own industry—pick them early, train them and employ them. His companies themselves will be hiring nearly 2000 people each year now, given the rate at which they are expanding.

To take his success in the hospitality industry to another level, Keswani is eager to embark upon an ambitious brand extension exercise. Now, he wants to expand into affordable housing. He says he wants to sell houses on the basis of their carpet area, not the super built-up area. That way, he says, he will give people exactly what they are paying for, not an inch less.

Focussed, sure-footed and determined, Patu Keswani certainly knows his business. And I know that it is for men like him that they say that the world makes way for the man who knows where he is going. ■



Pharmaceuticals: India is on its way to joining the top 10 world markets Pg 27



Travel and Tourism: Incredible India is shining brighter Pg 30



Ports: Expanding foreign trade ensures rapid and sustained growth Pg 32

SECTORAL UPDATE

AUTO COMPONENTS



DATA BRIEFING

80%

THE SHARE OF ORIGINAL EQUIPMENT MANUFACTURERS IN AUTO PARTS EXPORTS FROM INDIA

Geared For Growth

Auto components industry is upbeat as the economy's growth engine revvs up. **BY CHARU BAHRI**

The Indian auto consumer is spoiled for choice. As the world's seventh largest automobile market, India produces more than 14 million vehicles each year. Such is the rate of its growth, that in just five years, the Indian automobile industry has almost doubled its turnover. What was a little less than US\$21 billion in 2005, stood at nearly US\$39 billion, last year, according to the Automotive Component Manufacturers Association of India (ACMA). Since two-wheelers take up more than two-thirds of

the market share, their ecosphere sustains a burgeoning ancillary industry that's gaining in sophistication and finesse.

Industry in top gear

The global economic meltdown came and went without denting the Indian automotive component market much.

ACMA says demand is rising and the future looks even better. Last year, the automotive component industry recorded a combined revenue of a little less

than US\$17 billion. This year, the revenue is estimated to cross US\$20 billion, a clear 20 per cent jump, especially in a post-recession year. When the automotive component industry tabulates its production statistics, it does not take into account the components that vehicle makers manufacture, nor the components produced in the unorganised sector.

According to ACMA executive director Vinnie Mehta, in the first quarter of this year itself, the Indian automotive industry has recorded a growth of more than 30 per cent. As a result, he says, the industry will grow by more than 18 per cent this year.

“A fast developing infrastructure and better purchasing power are aiding the automotive industry’s rapid growth. This is creating new demand for tyres in both the commercial vehicle and passenger car tyre category,” says Neeraj Kanwar, vice chairman and managing director, Apollo Tyres Ltd.

Kanwar cites *Vision 2020*, an Ernst&Young report that predicts the Indian auto component industry will grow four-fold to reach a figure of US\$110 billion by 2020. “This would be the direct result of a surge in domestic vehicle production. Higher sales of passenger vehicles are fuelling the demand for genuine spares. The introduction of Euro-standards compliant emission norms has also compelled manufacturers to modernise their facilities and product lines to meet the demand for improved products. Any growth in vehicle production will drive demand for tyres as well,” adds Kanwar.

Destination India

At a time when the world’s auto sector is struggling with sluggish demand, India’s success story is bringing global auto component manufacturers rushing in. The government, too, has worked to promote this image and attract foreign direct investment.

Now, foreign equity investments for manufacturing automobiles and components receive automatic approval. The automobile industry has been completely delicensed and the import of components is freely allowed. In this year’s Union Budget, the government also rolled back the excise duty to 2 per cent and increased the deduction limit for research and development in the sector from 150 to 200 per cent.

As a result, India is fast becoming a global

“The outlook for the domestic side looks pretty good. Strong domestic demand is driving companies across the industry to enhance production capacity.”

—N.K. Taneja, head, corporate marketing, Ashok Minda Group

hub for R&D. Multinational giants such as Daimler Chrysler, Bosch, Suzuki and Johnson Controls have set up development centres in the country and international auto-component majors like Delphi, Visteon, Bosch and Meritor are now operational in India.

India-specific investments

Earlier this year, Bosch announced that it will invest more than US\$430 million in its Indian operations in the next two years. Most of the money will go into Bosch’s automotive components business. According to Sanjay Chakravarty, GM and head, corporate communications, Bosch Ltd., “India’s healthy GDP growth of around 8 per cent and the increasing purchasing parity of its

expanding middle class are driving the automotive sector. The country also has a favourable investment climate. So, although Bosch has a large R&D facility in Germany, India has also contributed to R&D and innovation based on local needs.”

Apollo Tyres is developing a greenfield manufacturing and R&D hub in Chennai at a cost of about US\$500 million. Once complete, the plant will increase the company’s capacity to one-and-a-half times, which will also be used to drive exports. Interestingly, the project took off during the slowdown. Apollo’s Kanwar had astutely realised that once the market recovered, there would be a strong surge in demand from the replacement market, closely followed by original equipment manufacturers. “We went ahead with our investments at a time when most tyre manufacturers were putting their growth projects and plans on hold. We believe this strategic decision has already given us a lead over the competition, this year and the next,” he adds.

Auto-component major Motherson Sumi Systems Ltd. plans to invest nearly US\$65 million in India. “To emerge as a single-service interface for multiple customer needs, we aim to add new products to our product line,” says the company’s COO, Pankaj Mital. The company collaborates with global leaders to bring newer technologies into the Indian market. “These joint ventures help us offer our clients quick solutions. We do, however, conduct R&D to develop new mirror technologies and know-how,” adds Mital.

Technology enhancements

Enhancing the momentum of R&D would help the industry move into top gear, so to speak. ACMA’s Mehta says auto component manufacturers will be compelled to develop not just product, but also process technolo-



Where the auto components industry stood in 2009-10

- Turnover grew by 20 per cent to US\$22 billion.
- Exports remained stagnant at US\$3.80 billion.
- Imports of auto components grew by 20 per cent to US\$8.16 billion.

What the auto components industry manufactured and what it sold in 2009-10

- Engine parts — 31 per cent
- Drive transmission & steering parts — 19 per cent
- Suspension and braking parts — 12 per cent
- Body and chassis — 12 per cent
- Equipment — 10 per cent
- Electrical parts — 9 per cent
- Others — 7 per cent

Source: ACMA

gies. The bulk of the industry is made up of small or medium-sized business units operating on thin margins. A Technology Development and Upgradation Fund (TDUF) will help the industry develop the much-needed processes, he adds. “The industry must get involved with new product development if it is to move up the value chain. At present, most units work on designs received from their original equipment manufacturer (OEM) clients. They must move beyond this existence and remain in sync with the latest. Vehicle technology design is fast adopting futuristic green, energy-efficient and alternative-fuel technologies. We are in talks with the government to partner in setting up the TDUF,” says Mehta.

Nurturing relationships among the industry, academia and testing agencies would also help further product development capabilities. In this context, Mehta sees room for OEMs to take component manufacturers into their confidence, guide them in adopting appropriate technologies and processes, and invest in the industry.

N.K. Taneja, head, corporate marketing, Ashok Minda Group, says the industry’s fortunes are inextricably linked to the pace of reforms and expansion of infrastructure.

Addressing manpower shortages

The Ministry of Heavy Industries and Public Enterprises has drafted a 10-year Automotive Mission Plan to quadruple the industry’s turnover, increase export revenue to US\$35 billion, and help employ 25 million people by 2016.

The aim is to take the industry’s share of the GDP to 10 per cent, by 2016.

Creating an ecosystem conducive to growth is the need of the hour. Mehta says that if it grows as envisaged, the manpower-intensive auto component industry will generate a million additional jobs by 2020. Introducing training courses aimed at creating an industry-ready workforce will help a great deal. To that end, the establishment of the industry-sponsored Auto Skill Development Council (ASDC) is a step in the right direction, adds Mehta. The council will develop a curriculum and methods to train an industry-ready workforce.

Boosting foreign trade

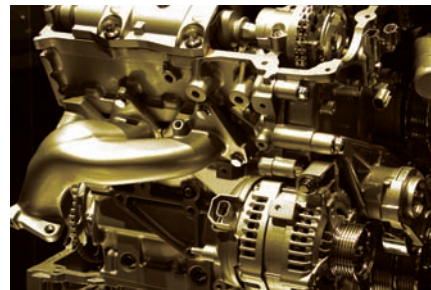
Last year, the OEM segment accounted for

PERFORMANCE OF THE AUTO COMPONENT INDUSTRY IN RECENT YEARS

(US\$ billion)

	2007-08	2008-09	2009-10
Turnover	18.00	18.40	22.0
Growth rate	20%	2%	20%
Export	3.52	3.80	3.80
Growth rate	32%	8%	-
Imports	5.22	6.80	8.16
Growth rate	45%	30%	20%
Investment	7.20	7.30	9.00

Source: ACMA



“We aim to add new products to our product line with the objective of emerging as a single-service interface for multiple customer needs.”

—Pankaj Mital, COO, Motherson Sumi Systems Ltd.

80 per cent of auto component exports, the rest going to the aftermarket segment. Exports, however, remained stagnant at US\$3.8 billion last year, in contrast to the growth trajectory of domestic markets. The slow recovery of the international markets is largely responsible for the flat export graph. Europe accounted for more than 40 per cent of the exports, followed by Asia and North America at 24 per cent and 22 per cent, respectively.

Ashok Minda’s Taneja observes, “The outlook for the domestic side looks pretty good. Strong domestic demand is driving companies across the industry to enhance

“A fast developing infrastructure and better purchasing power are helping the automotive industry grow at a rapid pace.”

—Neeraj Kanwar, vice chairman and managing director, Apollo Tyres Ltd.

production capacity. One can’t say the same for exports, which are not so strong owing to the continued recession and downturn in Europe. It will take exports at least three more years to recover to the levels of 2007-08.”

“On the export front, it is important that the government continues its scheme of incentives, as many of our export contracts are long term in nature,” suggests Mehta. In addition, India should consider establishing Foreign Trade Agreements (FTAs) with countries like Brazil, South Africa and Iran which already have a ready market for Indian auto components. Here, the government should ensure that the FTAs do not invert duty structures or discourage sourcing or manufacturing in India.

Looking ahead

Last year, the auto component industry added US\$1.7 billion in capacity through several greenfield as well as expansion projects, taking the cumulative investment in the auto component sector to US\$9 billion. The industry is expected to add at least another US\$2 billion, this year. These investments will help meet the growing demand for auto components as well as ensure that this sunrise industry lives up to the expectations from it. ■

PHARMACEUTICALS

The Science of Success

India is well on its way to joining the super club of the top 10 pharmaceuticals markets in the world. **BY CHARU BAHRI**

The Indian pharmaceuticals industry is poised for unprecedented growth. It's the world's third-largest in volume and fourteenth in sales value. A report from leading market analysis firm PricewaterhouseCoopers says that India will join the league of top 10 global pharmaceuticals markets by 2020. By then, sales will double to US\$50 billion, according to the report.

Promising future

The positive outlook is mostly attributable to growing urbanisation. Hospitals are mushrooming in cities and health insurance coverage is expanding. Better incomes ensure increased sales of medicines. More people than ever before are now working in cities. There are newer, better and more widely available drugs for treating lifestyle-related ailments such as diabetes, hypertension and gastric conditions.

However, three-fourths of the domestic pharmaceutical market is still dominated by drugs for acute therapies. Shushmul Maheshwari, CEO of research organisation RNCOS, says, "Anti-infective drugs alone had a market share of 19 per cent last year. The spread of infectious diseases is expected to keep this trend unchanged in the coming years, aiding the pharma industry."

International consulting firm Ernst and Young conducted a study with the Federation of Indian Chambers of Commerce and Industry (FICCI) on the pharmaceuticals industry. Called *The Glorious Metamorphosis—Compelling Reasons for Doing Clinical Research in India*, it said the market for patented drugs will grow exponentially. By 2015, the growing highest income group could help open up a US\$8 billion market for multinational corporations with patented drugs. This alone could account for upto 10 per cent of the market.



PHOTO: PHOTOS.COM

Nutraceuticals: The next big thing?

Urbanisation is adding affluent nuclear families focussed on improved lifestyles and health. Better media penetration is driving this group towards consuming wellness products. An entire class of over-the-counter formulations combining nutrition and wellness has come to be known internationally as nutraceuticals. Last year, this market notched up revenues of more than one billion dollars.

Interestingly, the nutraceutical segment is dominated by multinational giants such as Pfizer, GlaxoSmithKline, Novartis, Abbott, and the Indian subsidiary of Merck Limited. Ernst&Young's report, *Nutraceuticals—Critical supplement for building a healthy India*, cites this market as growing at more than twice the global growth rate of 7 per cent. That this segment of the pharmaceutical industry falls outside the purview of government pricing control also adds to its attractiveness. Maheshwari estimates that the market will grow at about 13 per cent.

Pharma outsourcing

Last year, exports made up 42 per cent of the industry’s total revenue. Exports will remain important, especially in the light of India’s growing attractiveness for outsourcing generic drug manufacturing. Four leading factors contribute to this development: favourable pricing, low production costs, world-class manufacturing facilities, and a rising number of US Food and Drug Administration (FDA)-approved plants. These factors have ensured that more than one-fifth of the world’s generics are manufactured in India. Many of these generics are life-saving formulations. Over time, Indian companies have emerged as one of the world leaders in producing generic drugs.

Among the other factors that help the generics business: America and Japan are now increasingly more accepting of generics produced here; leading Indian producers of such drugs have aggressively expanded their overseas distribution networks; America and Europe are cutting healthcare costs, and the patents of many blockbuster drugs are expiring, paving the way for generics.

Glenmark Pharmaceuticals Limited, for instance, is looking to introduce new branded generics across emerging markets where it operates, and also expand its presence in various therapy areas. “In the Active Pharmaceutical Ingredients (API) business, we will aggressively target regulated markets like the US and Europe. In the pure generics business, we will continuously file abbreviated new drug applications and will continue with our strategy of targetting niche or complex-to-manufacture segments to expand our US and UK businesses,” says the company’s CEO and MD, Glenn Saldanha.

In a report called Booming Generics Drug Market in India, Indian market research firm RNCOS says that the generics segment will grow by 17 per cent annually in the next two years. It is worth US\$11 billion at present.

At the government level, India recently signed an agreement with Singapore to fast-track the registration of Indian generics in that country. The agreement provides that if a generic is already registered in the US, Canada, the European Union, or Australia, then Singapore will consider it as “already cleared” and ready to be imported.

“Most of our growth will be derived from contracted business which will help us predict our earnings strongly and position ourselves well in the world markets.”

—C.H. Ram, Head, corporate communications, Orchid Chemicals and Pharmaceuticals Ltd.

Clinical trials

At present, an overwhelming 85 per cent of the entire business of India’s pharmaceutical outsourcing industry, comes from contract manufacturing. Preclinical and clinical trials, also known as contract research outsourcing (CRO), contribute a mere three per cent to this turnover. Maheshwari of RNCOS says this share will soon grow as more and more international companies outsource their clinical trials to India.

India’s one billion plus population is helping the expansion of pharma outsourcing in more ways than one. The available population of patients of cancer, diabetes and other diseases help the outsourcing industry tremendously. Companies are able to quickly

recruit subjects for clinical trials from the diversified patient population. Swift recruitment brings quick trial results. It is natural, therefore, for India to emerge as a preferred global hub for quality clinical trials.

India’s medical infrastructure is world class, its physicians have impeccable credentials, the market for patent-protected therapies is growing, and trained English-speaking investigators are abundantly available. Many of these investigators have experience with clinical trial processes in the West. Indian companies’ high quality standards and adherence to tight timelines make for an excellent clinical research environment. The icing on the cake, of course, is undoubtedly the cost benefit that India offers.

Cost advantage

According to US-based research firm CenterWatch, clinical research in India costs less than half of what it does in the US. Releasing its findings last year in a study called the *State of the Clinical Trials Industry*, it said mature drug development trials in European markets are equally expensive. Since such trials can cost nearly US\$150 million in the US, multinationals stand to save substantially in India, largely owing to cheaper manpower. For instance, the hourly expenditure on a data entry operator in India is only US\$10 to 20, compared with US\$30 to 50 in the developed economies. Biostatisticians and medical writers charge US\$30 to 70 per hour in India, as against US\$100 to 150 in the developed West.

Cost is the driving force behind this surge of business in the clinical research services industry. An Ernst & Young and FICCI report says offshored clinical trials

PHARMACEUTICAL INDUSTRY REPORT CARD

Size of the market

2009 – US\$19 billion
 2010 – US\$ 21.73 billion (approx)
 2020 – US\$ 50 billion (PwC estimate)

Domestic market

2009 – US\$ 11 billion (approx)
 2010 – US\$ 13.04 billion
 2020 – US\$ 30 billion (PwC estimate)

Exports

2009 – US\$ 8 billion (approx)
 2010 – US\$ 8.69 billion
 2020 – US\$ 20 billion (PwC estimate)



Source: Department of Pharmaceuticals, Ministry of Chemicals and Fertilizers and Global pharma looks to India: Prospects for growth, a PriceWaterhouse Coopers Report

as a business are growing almost thrice as rapidly in India as compared with the rest of the world. While the figure is 21 per cent in India, it is 7.5 per cent globally. Today, nearly 50 Indian companies offer such services, including complex studies and end-to-end services, to add value to their clients' drug development programmes. Their list of multinational clients is a veritable who's who of the pharmaceutical world: Pfizer, Eli Lilly, AstraZeneca, Glaxo SmithKline and Bayer, among others.

According to C.H. Ram, head, Corporate Communications, Orchid Chemicals and Pharmaceuticals Limited: "Most of our growth will come from contracted business, helping us predict our earnings and position ourselves well in the world markets. Our growth strategy also targets niche products that have limited global competition."

Indian pharma R & D

Indian companies are now graduating from manufacturing generics to innovation with a global footprint. According to Ram, "Indian pharma majors are increasingly focussing on diverse therapeutic segments which have a strong pipeline of patented products."

"Glenmark is focussed on four business-

“Government support would facilitate drug discovery and create a ripple effect on the economy by creating thousands of jobs and helping retain Indian talent within the country.”

—Glenn Saldanha, CEO and MD, Glenmark Pharmaceuticals Limited.

CATEGORY-WISE SHARE OF THE DOMESTIC PHARMACEUTICAL MARKET

Anti-diabetic	6%
Anti-infectives	19%
Cardiac	12%
Dermatology	4%
Gastro-intestinals	11%
Gynaecology	7%
Neuro/CNS	5%
Others	9%
Pain/analgesics	8%
Respiratory	10%
Vitamins, minerals & nutrients	9%



Source: RNCOS Estimates

es: drug discovery, branded formulations, APIs and generics. Our effort will be to grow in all. In the drug discovery area, we will look at moving our molecules forward in clinical trials and building a pipeline of molecules which are either best-in-class or first-in-class," adds Saldanha.

"The industry should produce significant breakthroughs by 2015," says Dr Khalid Khan, managing director, Fermish Clinical Technologies. He would like Indian pharma majors to take up research for better drugs for tuberculosis, malaria and kala-azar (*visceral leishmaniasis*). "The government could help by offering tax incentives and soft loans for such research. Innovative ideas for finance and funding are the need of the hour," he adds.

"The clinical trial industry would benefit from a shorter review period for approvals, allowing provisional approvals of applications based on minor clarifications sought by experts, bringing onboard and remunerating experienced external experts to review applications, establishing a system of automatic approvals on the lines of the USFDA, and finally, launching a scientific campaign to educate physicians and patients about the advantages of participating in clinical trials," says Abhijit Barve, COO, Clinigene.

Saldanha would like the government to elevate the status of the pharmaceutical industry to a focus sector and become the enabler for its development. "The government should make sweeping changes in policies to help Indian companies match big pharma resources and retain their hard-earned competitive edge. Taking one molecule to market

requires an investment of \$ 500 to 700 million and 10 to 12 years of work. Plus, the business is risky – a molecule can fail at any stage. How could leading Indian companies make such huge investments when the risk is disproportionate and the gestation period more than a decade? Government support would facilitate drug discovery and create a ripple effect on the economy, as it will create thousands of jobs and help retain Indian talent in the country," adds Saldanha.

Government initiatives

The government's Pharma Vision envisages developing India as a leading destination for end-to-end drug discovery and pharma innovation hub by 2020. To this end, it is going all out to ensure that the sector shines. It has introduced 100 per cent foreign direct investment under the automatic route in this sector. A US\$640 million venture capital fund to boost drug discovery and strengthen the pharmaceutical infrastructure is also on the anvil. The Drugs and Pharmaceuticals Manufacturers Association recently broached the possibility of establishing a special economic zone (SEZ) for pharmaceuticals, bulk drugs, APIs and formulations in the industrially developed port city of Visakhapatnam in the southern Indian state of Andhra Pradesh. The government has approved the request in principle.

It is clear that the government and the industry share the same goal. It will take astute planning and concentrated effort, but India is on track to joining the league of top 10 global pharmaceutical markets by 2020. ■

TRAVEL AND TOURISM

Tourism in India Continues to Show Positive Trends

One of the most promising markets in the world, Incredible India's magic shines even brighter. **BY DEEPALI GOEL**



PHOTO: PHOTOS.COM

India is among the world's most promising tourism markets. Nearly one-tenth of all jobs in India come from this industry. In the words of the Minister of Tourism, Kumari Selja, "The industry accords a perfect opportunity to translate our vision of inclusive growth to reality."

India expects nearly five million tourists this season. New Delhi invested heavily on infrastructure and capacity enhancement and was spruced up for the recently concluded Commonwealth Games. Better, wider roads, bridges and shopping areas, a city-wide smart metro rail network, and a world-class international airport have added to the city's lustre.

The Games also generated business for tourist spots in the adjoining western state of Rajasthan and the Himalayan hills of Himachal Pradesh and Kashmir, among others.

Health tourism on the rise

India has also emerged as one of the most attractive destinations for medical tourism in the world, especially for American and European tourists. Rising medical bills in those countries and the west's simultaneous understanding of the quality consciousness of the Indian health care industry, have contributed to this development. The most

attractive aspect of this gradually solidifying trend is the compelling combination of world-class doctors and hospitals at unbelievably low costs.

Renowned cardiac surgeon and chairman and managing director of Global Health Pvt Ltd., Dr Naresh Trehan says: "Seven per cent of the doctors in the US are Indian. India can provide the best of the western and eastern health care systems. People are skilled here. India provides value for money."

Patients come to India from Southeast Asia, Africa and the Middle East, too. As a result, Indian hospitals have entered into tie-ups up with hospitals in Mauritius, Tanzania, Bangladesh and Yemen, among others. Encouraged by their rising popularity among medical tourists from these regions, some Indian hospitals have extended their brands to operate hospitals in Sri Lanka and Dubai.

According to Vishal Bali, CEO, Fortis Hospitals, of the nearly 4,000 medical tourists his hospitals received last year, more than half came from the developed world.

Almost all hospitals catering to medical tourists are accredited either by the Joint Commission International or the National Board for the Accreditation of Hospitals and Health Care.

Incredible India: A campaign to brand India

More than eight years ago, Incredible India was conceived as a campaign to brand India as a unique, vibrant and inclusive identity. Since then, the campaign has succeeded in attracting tourists from all over the world.

Incredible India has organised many road shows and promotional campaigns all over the world to promote Commonwealth Games. The government has also opened the doors to the established global norm of bed-and-breakfast and budget home stay schemes. Early this year, the government also made it easy for tourists from Finland, Japan, Luxembourg, New Zealand and Singapore to obtain month-long, single-entry visas on arrival in India.

\$38bn
REVENUE EXPECTED
FROM INDIA'S TRAVEL
AND TOURISM SECTOR
BY 2020, ACCORDING
TO THE WORLD
TRAVEL AND TOURISM
COUNCIL

Rural tourism development efforts are paying off. At 2010's Macau International Travel Mart, India bagged the PATA grand award for its rural development project in the Hodka village in Gujarat's Kutch region.

Cashing in on opportunity: MICE

The lucrative business travel market of meetings, incentives, conferences and events (MICE) has so far been concentrated in Singapore, Hong Kong, Malaysia and Dubai. The global MICE market stands at nearly US\$300 billion. At US\$6 billion, India's share is small, but it is steadily gaining popularity as a MICE destination.

A World Travel and Tourism Council study says business travel and tourism in India will exceed US\$38 billion by 2020.

"For investment in travel, India is one of the most compelling markets," says Arjun Sharma, Managing Director, Le Passage to India, a travel company.

Rural tourism

A recent entrant to the field is rural tourism, especially as more and more foreign tourists express interest in the rustic charm of the

villages of India. "It is all about persuading middle class people to go on a holiday and explore the unexplored destinations of India that are out of the purview of the large tourism packages," said Nachiket Mor of the Chennai-based Institute for Financial Management and Research (IFMR). The institute runs the Rural Tourism Network Enterprise (RTNI), a social enterprise. Working on a unique business model, RTNI encourages local

entrepreneurs to identify village households and low-cost hotels willing to house guests.

"We have 400 rural properties now and

this initiative is a kind of pioneering one in the country as far as rural home stays are concerned," says Bindu Ananth, President, IFMR Trust.

Rural tourism development efforts are paying off. At this year's Macau International Travel Mart, India bagged the prestigious PATA grand award for its rural development project in the Hodka village in Gujarat's Kutch region.

The largely untapped potential for developing tourism in the sprawling villages of India is now a distinct business and cultural opportunity.

The road ahead is sustainable tourism. The concept of sustainable tourism is gaining importance in India since it not only aims at generating employment and income but also conserving natural resources and enhancing the value of local culture and traditions.

Many travel agencies are actively involved in sustainable or responsible tourism or eco tourism. The Blue Yonder, an organisation based in the southern state of Karnataka's capital city of Bengaluru, raised funds to revive tourism along the Nila river. It is one of longest rivers of southern India.

More than just being exotic, mythical and mysterious, India is now emerging as a travel destination for vacationing, sight-seeing, events and free-wheeling nature adventures. Its history is rich, people friendly and food memorable. The world is waking up to its economic and geopolitical importance. Indeed, once the infrastructure becomes world-class, the world will be heading for India. ■

PORTS

Indian Ports – Beacons by the Sea

As India's economy recovers, trade is expanding and its ports are buzzing with activity. **BY HEMANT KUMAR**



India is on a high growth path. In spite of the crippling global recession, if its gross domestic product (GDP) of more than seven per cent was impressive last year, it is going to be even more sparkling this year. According to a recent estimate of the International Monetary Fund (IMF), India's GDP will touch ten per cent by the end of this financial year. Foreign trade is one of the critical pillars of the GDP structure. Ports, therefore, play a key role in the economy's march ahead. Peninsular India's uninterrupted coastline of more than 7,500 kilometers is dotted with major ports from Kolkata in the east to Marmugao in the West. Together, the ports of India handle almost 95 per cent of all foreign trade.

There are 13 major ports in India, all operated by the Government of India.

Four of them are in the east. Kolkata's Haldia, the country's only riverine port, Paradip in Orissa; Vishakhapatnam in Andhra Pradesh, and; Port Blair of the Andaman and Nicobar islands.

Port Blair is the youngest member of the power club of India's major ports. In June, this year, the government passed an order to this effect.

The south has five major ports: Chennai, Tuticorin and the privately owned Ennore in Tamil Nadu; Kochi in Kerala and Mangalore in Karnataka.

The busy west coast, too, has an impressive lineup of four major ports. Marmugao in Goa; Mumbai and the Jawaharlal Nehru Port Trust near Mumbai in Maharashtra, and; Kandla in Gujarat.

There are approximately 200 intermediate ports, too.

As the economy grows, the traffic at the ports is growing, too. According to a recent report, this traffic has grown steadily at more than nine per cent in the last four years. The report on the performance of India's port sector was compiled by consulting firm Ernst and Young for the Federation of Indian Chambers of Commerce and Industry (FICCI). It said that the growth was driven largely by the performance of the non-major ports that are operated by state

governments. Credit rating company ICRA also said in an August report that this year, the traffic had jumped nearly 15 per cent over the last year.

The country's maritime industry encompasses ports (both major and non-major), shipping (overseas and coastal), inland water transport (IWT) and aids to navigation and manpower both on board and ashore. Around 70 per cent of India's external merchandise trade by value is transported through maritime transport, said the report.

To leverage the opportunity in ports and to ensure optimum utilisation of the coastline, the government is encouraging private sector participation in port development. Indian ports are now evincing unprecedented interest from strategic buyers like international liners, terminal operators, banks and infrastructure funds.

At a national conference on ports and shipping in Mumbai in August this year, chairman of the Federation of Indian Chambers of Commerce and Industry (FICCI), Hemant Kanoria had said "The government expects the private sector to invest nearly US\$14.5 billion to develop major and non-major ports in the eleventh five year plan ending 2012."

A report compiled jointly by FICCI and international consulting firm Ernst and Young, says India presents an exciting investment opportunity with its 13 major ports, more than 200 non-major ports and a coastline of 7,500 km. Called 'The Indian ports and shipping sector: breaking boundaries, tapping potential', the report said offshoring in general, and the likely prospect of India emerging as a manufacturing outsourcing hub, will help its maritime industry grow.

According to figures released by the Indian Ports Association (IPA), the volume of goods handled by Indian ports increased by 3 per cent in April, raising hopes that the sector is on track to meet the 6.5 per cent throughput growth target for this year, says international business intelligence firm Business Monitor International (BMI). Total tonnage throughput at the 12 major ports was 46.6 million tonnes in April, compared with 45.4

As the economy grows, traffic at the ports is also growing. This traffic has grown at more than 9% in the last 4 years, driven largely by the non-major ports, operated by state governments, says a recent industry report.

million tonnes in April 2009. The figures showed significant volume growth at the ports of Kandla, JNPT, Chennai, Mormugao and Mumbai., said the report.

After slowing to just 7.7 per cent in 2009, India's production index will record an average growth of more than 13 per cent this year, led primarily by a strong construction and infrastructure sector. In the first quarter of this year, India's steel output grew by 11 per cent, driving up imports of iron ore and other commodities. Strong consumer spending is also a major driver.

A strong recovery is in progress and the performance of the economy is supportive of the freight transport sector, says the report. Over the next ten years experts expect annual economic growth in the 7-8 per cent range, making India one of the top-performing emerging markets.

Foreign trade this year will grow a stronger 12.5 per cent, and remain in double digits in the future. All this adds up to strong freight demand, particularly for bulk commodities such as oil, coal, iron ore, steel and a range of agricultural foodstuffs, adds the report.

Across India's major ports there is double-digit annual growth in both total tonnage and containers handled. At the Port of Jawaharlal Nehru (POJN), total tonnage handled will surge ahead this year, rising by 15.6 per cent to nearly 70 million tonnes, a dramatic increase in pace after the 4.7 per cent

growth experienced in recession-hit 2009. At the Port of Chennai, one of India's top-12, an 11 per cent growth is expected this year, says the BMI report.

The ports sector is poised for significant growth from new manufacturing and power projects and greater cargo traffic. Increase in containerised trade coupled with the government's active initiatives to develop the ports sector, are expected to further boost the growth.

The commissioning of multiple innovative power projects based on imported coal and the setting up of steel projects and offshore exploration and production projects are likely to drive the Indian ports sector. Additionally, the government has been promoting public-private participation in the ports sector on a build-operate-transfer (BOT) basis, thereby stepping-up capacities and traffic handling at ports, besides enhancing their efficiency. The government prioritised the expansion and modernization of ports as part of its five-year plan initiatives in 2007. It has been instrumental in redefining the role of ports from mere trade gateways to integral parts of the global and logistics chain. The major Ports highlighted for redevelopment are namely Kandla, Mumbai, Mormugao, New Mangalore on the east coast, Cochin and Tuticorn to the South, and Chennai, Ennore, Vizag, Paradip and Kolkata on the east coast.

India's maritime sector has attracted considerable international interest in recent years, and the first quarter of this year proved no exception.



Demand for port services is also growing, and throughput at the country's major terminals is showing signs of a recovery after a decline in the country's trade volumes in 2009. Handling at India's 12 major international terminals grew by 6 per cent between April last year and January this year, indicating that volumes will show a significant recovery over the full year.

According to the report, while developing competition among investors will benefit the long-term growth of the port sector, further restrictions to private investment may hinder short-term expansion.

According to an official release of the Department of Shipping, the government plans to increase the cargo handling capacity of major ports by 200 percent to reach 1.5 billion metric tonnes by 2012.

It aims to achieve this through an investment of US\$25 billion through public-private partnerships. An independent Crisil report focussing on Indian ports and maritime transport estimates that port capacity will grow by 160 per cent by 2012. By then, cargo handling at the major ports is projected to grow at 7.7 per cent annually, while cargo traffic will reach 877 million tonne. Containerised cargo is expected to grow at 15.5 per cent over the next seven years. The new foreign trade policy sees India's share of global exports doubling in the next five years to US\$150 billion. A large portion of the newly generated foreign trade is expected to be via shipping, says the release.

The government has undertaken the expansion and modernisation of ports on a priority basis as part of its initiatives in the upgradation of India's infrastructure achieving the targeted growth rate. According to the Ministry of Shipping, its plans include formulating a national maritime development policy to facilitate private investment, improve service quality and promote competitiveness. For this goal, the government has allocated US\$ 11.33 billion.

Under the plan, the government will also invest more than US\$9 billion by 2015 on 111 shipping sector projects. In the last fiscal, it had launched 10 major expansion projects at an estimated investment of more than a billion dollars, 60 per cent of which

GOVT INVITES PRIVATE PLAYERS

The government has invited private firms to develop cargo-handling berths, container terminals, dry docks, and to install cargo-handling gear on a Build-Operate-Transfer (BOT) basis. It has also allowed 100 per cent foreign direct investment for port and harbour building and maintenance projects, through the automatic route of clearance.



was allocated to the Chennai mega container terminal.

The government has also given its permission for 100 per cent foreign direct investment for port development projects under the automatic route, said the release.

The experience of operating berths through Private-Public Partnerships (PPPs) at some of the major ports in India has so far been successful. The government has decided to expand the programme and allocate new berths to be constructed through PPPs.

The government has also decided to enable the 12 major ports to attain world-class standards; to this end, each port is preparing a perspective plan for 20 years and an action plan for seven years.

A high level committee has finalised a plan for improving rail-road connectivity of major ports. The plan is to be implemented within three years.

The National Maritime Development Program is expected to bring a total investment of over US\$120 million into port infrastructure; improvements in the scale and quality of Indian port infrastructure are recognized

as significantly improving India's competitive advantage in an increasingly globalized world.

A recent report in LogisticsWeek, an online industry portal of the logistics and supply-chain network, said India's largest private port, the port of Mundra, is set to

expand over the mid term. Its owner, the Adani Group, plans to invest US\$1.3 billion on the facility in the next three to five years. Not content with being India's largest private port, Mundra aims to become the country's largest tonnage-handling port, too. When the work is complete, Mundra could overtake the current number-one port in tonnage terms, Kandla. The port of Mundra is already performing well in terms of throughput volumes. Mundra began operations in 2001, and by 2007, it had become India's number ten port, said LogisticsWeek.

In an interview to the Reuters news agency in September, Shipping Minister G K Wasan had said India will modernise its ports to accommodate larger vessels and make transporting iron ore and coal to roads and railways more efficient to keep up with its booming economy. India's port capacity is expected to climb to 1.3 billion tonnes a year by April 2012 from the current 920 million tonnes, Reuters had said, quoting the minister.

Key players

In this industry, there are three areas of operation where activity is mostly centered: ports, shipping and shipyards. In the port sector, the key players are DP World, L&T Infrastructure Development Projects Limited, Gammon India Limited, APM Terminals and the Container Corporation of India Ltd. In the shipping business, the important players are the Shipping Corporation of India (SCI), Essar Shipping Ports

13
THE NUMBER OF
MAJOR PORTS ALONG
THE MORE THAN 7,500
KM SHORELINE

and Logistics, and The Great Eastern Shipping Company. In the shipyard business, major players include Hindustan Shipyard Limited, ABG Shipyard Limited and Bharti Shipyard Limited.

These companies have made substantial investments over the years. DP World is the world's largest port operator with operations in 20 countries worldwide. In India it is engaged either as a port operator or a developer of terminals at the Mundra, Navi Mumbai, Kochi, Chennai, Visakhapatnam and Kulpi sea ports. It has so far invested US\$ 2 billion in India, and plans to invest another US\$ 12 billion in the next five years.

L&T Infrastructure Development Projects Limited specialises in building roads and bridges and developing railway and port projects. Gammon India is another big construction contractor in the port sector. One of its major projects has been the construction of berths at the Vishakhapatnam Port.

Major trends

The outlook for demand-supply dynamics remains positive. In the early part of this year, as the economy began emerging from the effects of the global recession, cargo handling at the ports picked up in volume. The outlook for volume growth is positive. According to a study by the credit rating agency, ICRA, investments in key end-user industries like power, steel, and refinery, point to a favourable demand environment for the port sector, not just in cargo volume, but also in areas like logistics and service activities.

From dealing in just crude oil and iron ore, most ports have diversified to include high-return coal, petroleum, oil & lubricants (POL), and container cargo. Traffic relating to offshore exploration and production activities and the emerging trend of coastal shipping will also generate substantial revenue, according to the ICRA study. According to the study, the port sector will receive an investment of nearly US\$7.5 billion in the near future.

Ports don't just handle cargo. They also provide a host of critical services to arriving and departing vessels. These services will experience a healthy growth in the near future, especially with increased investment and expansion projects. Some of these services include operation and main-

tenance (pilotage, harbouring, mooring, lighterage, and dredging) and provision of marine assets (like tugs, mooring launches, pilot launches, barges, and dredgers).

Government inviting private players

The government has encouraged the private sector and public-private partnerships in this sector. Some of these efforts include:

- Inviting private companies to invest in developing cargo-handling berths, container terminals, dry docks, and installing cargo-handling equipment on a Build-Operate-Transfer (BOT) basis;
- Allowing upto cent per cent Foreign Direct Investment (FDI) for projects involving the construction and maintenance of ports and harbours, utilising the automatic route of clearance;
- Offering special tax incentives for investment in the port sector as well as a 10-year tax holiday to enterprises engaged in developing, maintaining and operating ports, inland waterways and inland ports, and;

India will commission 24 greenfield port projects in 6 coastal states between 2016 and 2025, to raise its ports' cargo handling capacity by 835 million tonnes per year, says an ICRA report

- Allowing non-major ports (operated by state governments) to decide their own tariffs.

Private equity investments

The port sector offers substantial investment opportunities for both domestic and foreign investors. Private Equity investors have recognised this growth opportunity, having invested nearly US\$321 million in just five deals. The first port to receive PE funding was Gujarat Pipavav, in 2005. It received US\$29 million through IDFC PE'S India development fund. Soon, others followed suit. PE firm 3i has invested in the Mundra and Krishnapatnam ports, and Warburg Pincus investment in the Ganagavaram port.

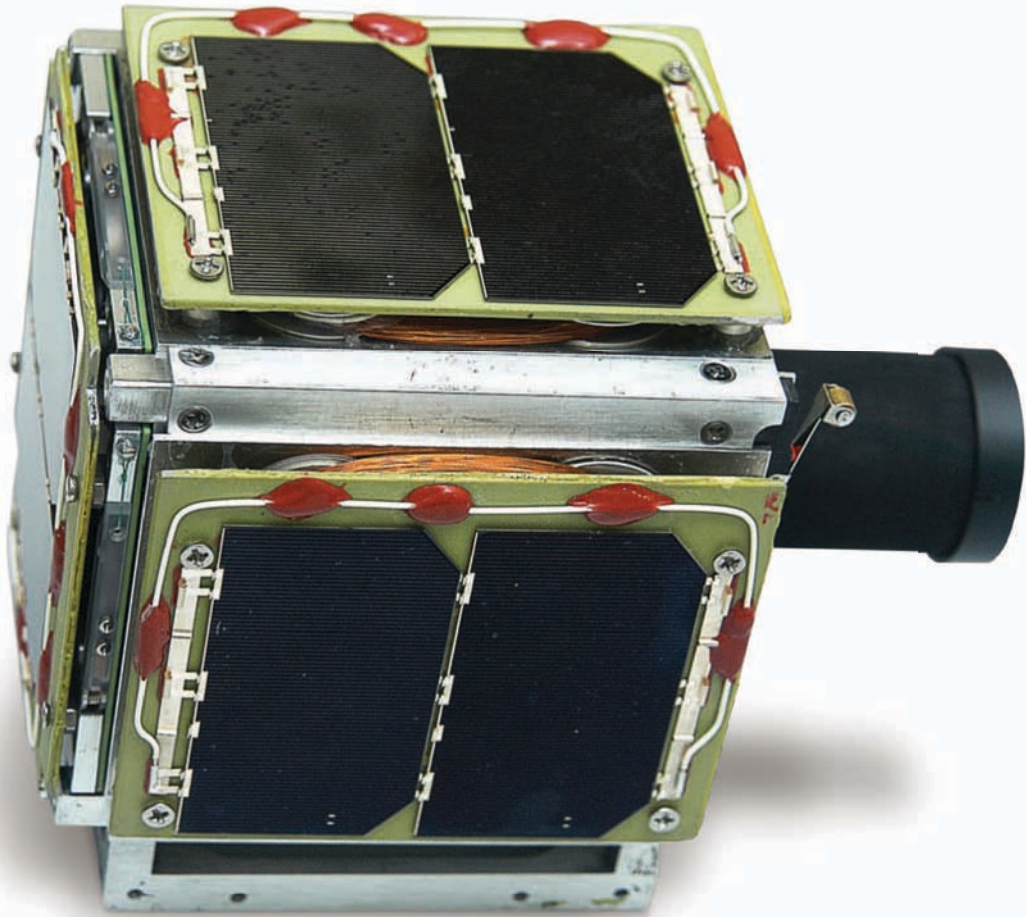
Greenfield Port Projects

According to the ICRA report, India will commission 24 green field port projects between 2016 and 2025. These projects will be spread across six coastal states. Once commissioned, they will raise the cargo handling capacity of Indian ports by 835 million tonnes annually.

A report by the Federation of Indian Chambers of Commerce and Industry (FICCI) and international consulting firm Ernst & Young, said everything seems to be going right for India, and its growth engine is fully geared to leap into the top five emerging economies of the world. Ports are one such growth engine for India's expanding trade and shipping, a vital transportation link for national and international cargo, said the report.

The global ports and shipping sector saw a rebound with 13 PPP projects being awarded. Port Blair was declared as the 13th major port, and this positive step may result in the development of Andaman & Nicobar as a region. Further, the announcement of large projects such as the fourth container terminal at JNPT is another positive development in the sector, added the report.

With the growth of this vital sector in mind, the Government is planning and implementing policies that could take the Indian shipping industry to new highs. Such initiatives include introduction of cruise shipping policy, extension of ship-building subsidy scheme, reviewing provisions of Shipping Trade Practices Act among others. ■



A SPACE ODYSSEY 2010!

Undergraduate students design and build a complex miniature satellite, rally their colleges to pay for it, and once the space agency launches it, they track and monitor it in space.

BY HEMANT KUMAR

The time: 9.22am, July 12, 2010.
The place: The Satish Dhawan Space Centre in Sriharikota, a spindle-shaped island on the east coast of Andhra Pradesh.

All eyes on a steaming rocket, loaded with fuel and ready to go.

“... 3...2...1 ... Lift Off!”

As the giant rocket shot off the launch pad and tore into space, scores of students exploded into ecstatic applause. But that morning they were not cheering India's Polar Satellite Launch Vehicle as ordinary spectators. Hearts pounding wildly and misty-eyed with elation, they knew they had achieved something extraordinary. A satellite they had designed was on board the soaring rocket. They had a stake in the launch as real as the scientists who were manning the controls.

Called Studsat, for student satellite, the tiny satellite was designed and built by 45 engineering students from 10 colleges in Hyderabad and Bengaluru.

It all started in 2007, when four students of an engineering college attended an international conference on aerospace engineering in Hyderabad. An idea was born: we will design a satellite of our own and send it into space. But how? Enter the Indian Space Research Organisation (ISRO). The students approached their colleges with the idea, and the colleges went to ISRO.

To cut a long story short, ISRO liked the idea and asked for a detailed presentation, with design parameters. A series of meetings later, the concept, design and fabrication details were thrashed out. By now, there were 45 students on the team, from 10 different colleges of Hyderabad and Bengaluru. Eventually, seven colleges, led by the Nitte Meenakshi Institute of Technology of Bengaluru, formed a consortium to manage the ambitious project.

Studsat employed several frontline technologies and it took the students about a year and a half to design, build and test the satellite and its complex sub-systems.

On its 16th flight, the powerful PSLV rocket ejected the Studsat into a sun-



synchronous orbit, 630 km above the Earth. The command centre received the first signal from the satellite two hours later, the same day. Studsat is the smallest operational satellite ISRO has ever launched.

The satellite was built for less than a quarter-of-a-million dollars, including the cost of the support infrastructure to track and monitor its movement. Studsat carries a complementary metal oxide semiconductor (CMOS) camera and four small solar panels mounted for power supply. The CMOS is a chip that holds data without external power source. Weighing just under a kilo, the

near-cubical, palm-sized satellite has a body made of space-qualified, high grade aluminum alloy. It functions as a remote sensing satellite, clicking panchromatic images of earth's surface with a resolution of 90 metres, the best achieved by any 'pico' category satellite in the world. The images will help determine the conditions of the landmass, its vegetation, moisture content or dryness in the soil for agriculture and other farming activity. Studsat is expected to have a lifespan of six months to a year.

The students have also designed a ground station to communicate with the satellite. Called NASTRAC, for Nitte Amateur Satellite Tracking Centre, the station is a technological marvel in itself.

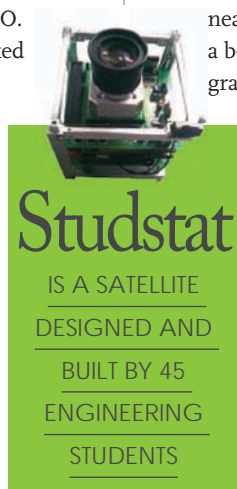
Many of the members associated with the



Weighing just under a kilo, the near-cubical, palm-sized satellite has a body made of space-qualified, high grade aluminum alloy

project have decided to continue with the institute to build the next two satellites that will have two-three additional instruments for astronomical, atmospheric and terrestrial studies, including terrain mapping.

Studsat's mission is experimental in nature and the main aim is for the students to have a hands-on experience of the design, fabrication and realisation of a space mission at a minimum cost. It was the first, but more are on their way. Students at IIT Kanpur and Mumbai are building two small satellites, while two more are being built at colleges in Chennai. All four satellites are scheduled for launch next year. Space is at a premium on launch rockets, especially when the flights are paid for by foreign customers. But ISRO has done well to accommodate experimental satellites on board. Also, its insistence that colleges shoulder the responsibility of designing and building the satellites has ensured that they have a long-term commitment to promoting space research. ■



India now has 600 million mobile phone users. And soon, all of its quarter-million *panchayats* will be connected through fibre-based, high-speed broadband Internet. When that happens, web-based financial transactions will make the goal of financial inclusion a reality. Meanwhile, mCommerce, using mobile phones, seems the perfect technological tool for that part.

Millions of people are unable to open or operate bank accounts in rural India. But a majority of them have mobile phones. With the help of intermediaries, called business correspondents, micro finance institutions reach people in remote areas.

Reserve Bank guidelines allow business correspondents to conduct mobile banking operations that include debit and credit of funds into and out of an account, and checking account status, among other things. Right now, the correspondents can transfer only up to INR 2,500 (US\$ 56.14) in each such transaction. The bank also limits these transactions to a maximum of INR 5,000 (US\$ 112.3) per customer per day.

RBI guidelines necessitate a two-factor authentication of the customer's identity, one of them being the encrypted mobile personal identification number, or mPIN. A business correspondent carries a mobile phone, a smart card reader and a miniature printer—all portable electronic devices. When he reaches a customer in a village, the correspondent dials into a bank's server using his cellphone. Once connected to the secure server of a bank, he authenticates the customer's identity using a biometric smart card reader. Depending upon a few factors, authentication allows him to read the customer's account details, and either deposit money into it, or withdraw. When the transaction is done, he receives a text message, with details of the transaction. Right then, he can take a print out of the transaction using a miniature printer. The mobile payment balances can be recorded either on a SIM card or on a distant server hosted by a Trusted Service Manager representing the Bank or the Payment Service Provider.

The Reserve Bank requires that banks establish proper Firewalls, intruder detection systems, data file and system integrity checking, surveillance and incident response procedures and containment



Banking on Connections!

Telecom service providers and banks join hands to make credit available to the needy. **BY HEMANT KUMAR**

procedures before launching into mobile banking. Also, the dependence of banks on mobile banking service providers may place knowledge of bank systems and customers in a public domain. Mobile banking system may also make the banks dependent on small firms with high employee turnover. It is therefore imperative that sensitive customer data, and security and integrity of transactions are protected.

For now, the transactions are kept simple. Later, multiple access channels such as SMS, downloadable client, mobile Internet (WAP) and mobile banking will entice users to explore the service more. While the subscriber base for mobile banking may be small, services are gaining popularity in rural India, through micro finance institutions. Welcome to the world of branchless banking. In a mobile-based micro bank, the mobile phone acts as a bank branch by storing the customer database. It also has

a smartcard that biometrically stores the identity of a customer (name, address, photograph, fingerprint templates and relevant details held by the issuing bank). Customers are given an account number, while agents handle deposits and dispense cash.

Public sector banks are now actively in the process of setting up mobile phone-based micro banks. Even telecom providers such as Bharti Airtel and Reliance Communications, have tied up with banks to extend their mobile remittance services to the villages. Technology firms such as Ekgaon Technologies and Spanco Systems, have also stepped up to offer mobile banking tools and integrated solutions. In India, mobile banking may be in its nascent stages. But, it is looking more and more likely that the need for financial inclusion will drive the rural market towards a full-blown adoption of this technology making it as common as text messages. ■



PHOTO BY NITISH SHARMA

A BOX OFFICE BONANZA

PVR isn't happy just showing us how movies really deserve to be watched. The company is now producing cinema that can storm the box office as well. **BY SHREYASI SINGH**

We still don't think it is a revolution," says Sanjeev Bijli, Joint Managing Director of PVR Cinemas, about his company's starring role in India's multiplex cinema boom. Coming from him, that's just a bit too modest. Ever since PVR opened the first multiplex cinema in New Delhi, almost 13 years ago, it hasn't had to look back. Today, its 33 cinemas across 18 cities boast a staggering total of 142 screens. Last year, PVR took 16 million Indians to the movies.

Its largest multiplex cinema is an unprecedented 11-screen behemoth in Bengaluru. PVR

is the top player in ticket sales contributions to the film industry. A Hindi movie makes nearly 15 per cent of its collections through PVR, while a Hollywood movie collects a quarter of its proceeds through the company.

"It's about keeping up with the times,

HOW TO MAKE MOVIE MAGIC

All entrepreneurs must necessarily have faith in their instincts. "Gut" becomes an even more acute ingredient for success for those who define or pioneer industries they work in with no precedence and few benchmarks. The Bijli brothers have displayed that admirable quality.

In 2001, they opened their first multiplex in Gurgaon's Metropolitan MGF Mall. It was a huge 7-screen project. This was

years for the property to gain speed. Today, it does over a million admissions annually. "At the time, we did doubt our decision. The situation made it seem like a wrong one. We were worried it was our one bad apple. We stood our ground though, remained patient."

These instincts have helped them make other gutsy moves. "The eleven screen theatre in Bengaluru did seem like such a gamble. But, today it is the multiplex with the highest turnover in the country. It was a huge high from the business point of view," says he.

But, nowhere is the gut more valuable than in selecting scripts and choosing the kind of movies they want to produce. "You have to believe in the movie you are making," Bijli states passionately when we ask him about *Taaare Zameen Par*. The movie, directed by superstar Aamir Khan, was the story of a compassionate, driven teacher who helps a dyslexic child understand his unique abilities. A huge box office hit, the movie also raked in tremendous critical acclaim. It was India's entry to the Oscars as well in 2008.

"It's very rare to have that kind of success," says Bijli gratefully. "Even now so many people come up and say how much they enjoyed the movie. It's been one of the greatest highs for us." He hopes to repeat that magic. "We need to take PVR Pictures to another level." The focus will be on finding similar gems, of making meaningful, sensible cinema that is also successful. "But, don't be surprised if you see us do a commercial pot boiler though," he cautions jokingly.



in the days before the fast-growing Delhi suburb boasted its Millennium City tag. "The multiplex didn't do well. We had negative returns," remembers Bijli. "ICICI Ventures, our partners, told us to shut it down. The property was bleeding us."

PVR Cinemas kept the faith, telling their Mumbai-based financial partner that they could read the buzz on the road in Delhi and that Gurgaon would boom. It took nearly two and a half

adapting to the modern way," explains Bijli. He who runs the company with his elder brother, Ajay. "We just changed the format," he recalls of his brother's early experiments with the family-owned Priya Cinema in New Delhi. Ajay decided to shift his focus on improving the movie going experience at Priya, bringing in plush seating, better refreshments and western releases that weren't available anywhere else.

In 1995, when the Bijli brothers set up a joint venture with Australian cinema business giant, Village Roadshow, it worked like the clap shot for their multiplex business. For, Village Roadshow was one of the largest non-American cinema exhibition companies in the world, with more than 1,000 screens under operation. Within two years of setting up the joint venture, there were PVR Anupam and PVR Priya, both in Delhi. The Priya Village Roadshow (PVR) brand was well entrenched.

"After Anupam started doing well, there was proof that cinema wasn't something Ajay and I were just passionate about. It could give us huge, tremendous returns. Village Roadshow's international experience enabled us to do this. We used international best practices," Bijli adds.

In 2002, Village Roadshow sold its entire shareholding in PVR to Priya Exhibitors Private Limited, the company the Bijlis owned. Under the terms of the contract, they could keep the PVR brand name.

Since then, growth has been brisk. "Our multiplex business is growing at 30 per cent annually. We have a vision to build a 500 screen empire within the next five years," says Nitin Sood, the company's chief financial officer.

Globally, three-fourths of all cinemas are multiplexes. In India, the proportion is inverse-- only 10-15 per cent of them are multiplexes.

"Growth is happening all across India. The movement in real estate and the rising number of shopping malls are helping the business. Regulatory mechanisms will also pace up. We are in 18 cities right now. In the next three years, the number should be 40," says Sood. By the middle of next year, PVR plans to add 50 screens.

Sanjeev Bijli says he is not worried about the challenges in getting there. "I don't see too many stumbling blocks. Everyday

business challenges are there, of course. But those are healthy. As long as the flow of content is good and regular, footfall is not a worry.”

The landscape was different, ten years ago, he recalls. The retail boom hadn't begun and the food-and-movie culture of shopping malls was nowhere on the horizon. Converting existing cinemas was the only option, Bijli explains.

“Obtaining permissions was tough. The authorities found it ludicrous that when cinemas were closing down, we wanted to take one and make four of them in its place,” says Bijli. Bye laws and legislations were tricky to manage because they weren't geared for such developments. Convincing consumers to pay substantially higher ticket prices also took time. “Many thought a single ticket entitled them to watch all the movies at the multiplex,” he adds, laughing.

Many of those issues fade into insignificance now as PVR notches up a turnover of US\$125 million this year. In the next three years, it wants to be twice as big—a US\$250 million integrated entertainment lifestyle company. “The idea is not to scale up in the cinema space alone. We want to be a complete retail entertainment provider,” explains Sood.

PVR Cinemas has already branched out in many verticals including distributing and producing films. PVR Pictures, a company subsidiary held by PVR Ltd, JP Morgan and ICICI Ventures, has co-produced movies like the critically acclaimed *Taare Zameen Par*, *Jaane Tu Ya Jaane Na*,

PVR'S BOX OFFICE RECORDS

■ With the idea of becoming India's premium retail entertainment company, PVR has set up a joint venture with Thailand's film exhibition and retail entertainment firm Major Cineplex Group, to bring lifestyle entertainment concepts to India. The ambitious venture will establish bowling alleys, karaoke centres, ice skating rinks and gaming zones across the country to enhance the out-of-home entertainment experience for Indian consumers.



Contract and Mere Khwabon Mein Jo Aaye. It also distributed big releases like *Ghajini*, *Golmaal Returns*, *Dasvidaniya*, *Sarkar Raj* and most recently, the *Twilight* series. Its latest release, *Aisha*, netted a little less than US\$8 million domestically and another million overseas.

“As an entrepreneur, you want to grow with the business and get into other verticals. Distribution was a logical move ahead. Producing movies has been amazing,” says Bijli of their expanded focus.

The content business will bring in almost 30 per cent of this year's revenue. Bijli says they are just hitting base camp. “The potential of content is much more. The production business can hit US\$125 million much faster than an exhibition company can. PVR Pictures will be a sizeable company, as large as our exhibition

business. It requires a lot more effort than what we are doing right now. As a co-producer or co-financier, our roles are very well defined. We limit our role to reading the script, liking it and letting the creative team do it. But, we enjoy the process, marketing, publicity, promotions a lot,” Bijli elaborates.

“Three films are under production right now and another dozen are lined up for distribution. The story is fairly good. We expect five-fold growth in our content business. The Indian cinema industry provides a good environment for that,” adds Sood.

PVR is looking forward to its next two releases this fiscal. Directed by ace director Ashutosh Gowariker, *Khelenge Hum Jee Jaan Se*, stars Abhishek Bachchan and Deepika Padukone, and should release in December. It will be followed by Rakesh Om Prakash Mehra Productions' *Mad Madder Maddest* in January, next year.

But, what the company is most excited about is introducing Indian consumers to unique entertainment concepts. To do that, it has set up a joint venture with Major Cineplex Group, a leading retail entertainment company based in Thailand. Together, they want to set up bowling alleys, karaoke centres, ice skating rinks and gaming zones across the country.

Even as they import concepts, PVR is confident about growth abroad. “We are already operating in the multiplex cinema space in neighbouring countries,” says Nitin Sood. “But, India is a very great opportunity. It offers tremendous scope. We want to stay focussed.” ■

“As a co-producer or co-financier, our roles are very well defined. We read a script and let the creative team do the rest. But, we enjoy the process of marketing, publicity.”

—Sanjeev Bijli, Joint Managing Director, PVR

ARTS & CULTURE



PHOTOS: HEMANT KUMAR

◀ **Colours of Life:** The artist in her studio (left), working on an elaborate folk theme. Like Cezanne's, her palette too, she says, spans the entire range of colours (below).

Fine Art, Finer Artist

A walk through the mythical, magical world of renowned painter Jayasri Burman. **BY HEMANT KUMAR**

Jayasri Burman lives in a rather narrow lane, tucked into a corner of a predominantly Bengali-speaking part of New Delhi. If you didn't know she was an artist whose work enthralled art lovers the world over, you would miss it for any ordinary Bengali home, complete with an earthen bowl brimming with water, and topped with fresh rose petals. But enter the modestly-built two-storey house, and you will be transported into a magical world of extravagant colours, fine lines, exotic stories and splendid expressions. For, here, she creates her powerhouse canvasses that move millions, and command millions of rupees at galleries throughout the world.

Indian folklore inspires National Award winning Jayasri. She weaves its thematic motif into the melodic matrix of her intricate, detailed and dense designs. The easy charm of folk idiom and its natural swagger come alive in her giant allegorical canvasses and metal works. She also etches the sensuality of the feminine form.



The artist is at home on canvas as well as on metal, with the paint brush and her bare hands. In that sense, Jayasri is both old-world and contemporary, blending the magic of time and space into bold expressions that are at once stark and real.

Born in Kolkata in 1960, Jayasri studied art at Santiniketan's Kala Bhavan institute of fine arts. In 1912, writer-poet-prophet-laureate Rabindranath Tagore had established Santiniketan (now renamed Visva Bharati University), 180 km north of Kolkata, as a centre of higher learning.

She has been deeply moved by the life and works of the legendary Vincent Van Gogh. So moved, in fact, that 10 years ago, she was driven into creating a series of high-power paintings devoted to the Dutch master.

▶ Jayasri Burman

After graduating from Santiniketan, Jayasri went to the College of Visual Arts, Kolkata, for higher studies in

fine arts. Later, she went to France to learn print making. Her work is influenced by the Bhakti Movement, portraying creative realism. She uses the

sensual feminine form and everyday things. Like several artists of her generation, Jayasri realised that Indian art, however contemporary,

could not be delinked from its history, mythology and folklore. Her style, therefore, is contemporary, yet distinctly Indian, in spirit and essence.



She exhibited the canvasses, aptly called “A Tribute to Vincent Van Gogh”, at the Vadehra Art Gallery in New Delhi. She charges ordinary water colours, oils and natural pigments with the energy of pain, joy, dreams, aspirations, beauty, anger and humility. She has exhibited her work at numerous solo and group shows in Delhi, Kolkata, Mumbai, Bengaluru and cities across India and the world. Her creations are held in public and private collections including at the National Gallery of Modern Art in New Delhi.

Her work is infused with the recurring evocative themes of man and animals, fantasy and imagery, legend and scriptures. Mythology is her passion, and it comes alive in a recent creation ‘A Mythical Universe’. It features themes from the *Mahabharata* and Indian scriptures. In an interview to *The Hindu*, earlier this year, she said she was raised on stories from the epics. She has spent a good part of this year working on a series of 35 paintings and sculptures called ‘Fables & Folklore’ that opened recently at Mumbai’s Jehangir Art Gallery. Jayasri has held solo exhibitions in almost every big city of India and the world. From 1983 to 85, she also participated in what was called the ‘Three Person Exhibition’ in Paris.

Jayasri is the niece of world-famous contemporary artist Shakti Burman, who has been living and working for the past 50 years in France. In 2005, Jayasri had helped create an exhibition called ‘The Family,’ featuring works of these artists. Her son is a highly

A usual day: A book, contemplative silence and art—these are the little, but large, parts of a typical day in the artist’s life. Above, she admires an old woman’s photograph her talented son clicked a few years ago. The large painting beside the picture is one of her early works, a full canvas of contemporary colours in a finely balanced composition. Jayasri says the painting is inspired by the French impressionist master, Paul Cezanne. On the right, Jayasri puts finishing touches to a painting of Goddess Durga. In her words, it was an outpouring of emotions after a momentous human tragedy far from the shores of India. She keeps revisiting the canvas and says she is never going to sell it.



talented photographer, whose pictures, she says, she can admire for hours.

Working from her studio jammed with canvasses, frames, paint and brushes, she lives in New Delhi with her eminent artist husband, Paresh Maity. ■

TOURISM UPDATE



PHOTO: PHOTOS.COM

▲ **Shack happy:** these bamboo and straw umbrellas dot the stunning beaches of Goa.

◀ **Anjuna Beach:** its white surf, golden sands and tranquil appeal attract millions of tourists from all over the world

▼ **The Church of St Francis of Assisi:** situated in the same complex as the famous Se Cathedral, the church was made in 1661 from laterite blocks and plastered with lime.

Sumptuous Goa

Calangute, a tall glass of coconut water, and spicy crabs. Yes, that's what dreams are made of.... **BY ALPANA SINGH**

The very mention of Goa conjures up images—stunning beaches, hospitable people, and all night parties. It's all those things, no doubt. But to me, Goa means food. If I had to describe Goanese food in just three words, they would have to be—fish, coconut and rice.

As I pack my bags on a balmy October morning in Delhi, ready to take my mid-morning flight to heartwarming Goa, thoughts of *masala* prawns, pungent pork *vindaloo*, and sticky sweet *bibinca*, just over two-and-a-half hours away, put me in a happy place. Sunblock: check; beachwear: check; appetite: oh yes, check! Check! Check! Settling down in my seat on the plane, I flip through the *Lonely Planet*. Here



goes: situated on the southwestern coastline, Goa is—and no prizes for guessing—the place for a perfect holiday by the beach. Add to that: hospitality, cuisine, heritage, and adventure sports, and we have a winner.

As I emerge from the Dabolim Airport, I can't wait to explore. Into a cab and I am off to capital Panjim, 30 picturesque kilometres away. There, a luxurious Portuguese style villa awaits my arrival—a place I will call home for the next few days. A couple of mind-stilling hours later, I am warmly welcomed, smilingly checked in, and profoundly comfortable. Now, some soul food.

I meet a local friend, and we rent a bike to head north. Goa is small, and the easiest way to get around

is by renting a bike or a car. The rates are reasonable. Most vacationers prefer bikes, and so, my friend and I hop on to an Enfield and zip away.

We are headed for Calangute, also called the queen of beaches for its unmatched beauty, parasailing, water skiing and wind surfing. In the shade of palm trees, feast on stalls selling everything from fried prawns to seashell trinkets. Here, the more than 400-year old church of St Alex is a must-see, with its twin towers, magnificent dome and ornate altars.

Hitting the beach, we make our way to Souza Lobo's, one of Goa's oldest and most popular restaurants. I order fish curry and rice, while my friend goes for the stuffed crabs, and we decide to share a plate of Goan *masala* prawns. As we sit back and watch the waves wash over the beach, I think— can life get any better than this?

Well, it can. And I find out soon enough when our food arrives. My tender fish curry is tangy and mildly spicy. I take a nibble of the stuffed crab—it's cheesy and mouth-watering. The prawns are fresh, and fried in the traditional red Goan *masala*. As I take a bite, the fire of the red chilies and the tanginess of the vinegar sock my palate alive. As we tuck into the sumptuous lunch we promise ourselves we will return for the renowned lobster thermidor.

By early evening, we had digested our lunch and were ravenous once again. Goan cuisine is a fine blend of Indian and Portuguese influences. So, to get a taste of authentic delicacies, particularly Fish Ambotik, we decided to head south, to Betalbatim this time, tucked between the famous Majorda and Colva beaches. Majorda is known not only for its breathtaking beaches but also for absolutely the best bakeries. If you go to nearby Colva, do visit the famous statue of Menino Jesus (Baby Jesus) at the Church of Our Lady of Mercy. You can watch a Barcelona-style bullfight, but set to Konkani music, at Benaulim. But Betalbatim, where we are now headed, is also known as Sunset Beach. Stand among its cold pine groves and you will get grand stand views of breathtaking sunsets.

Fish Ambotik is a sour and hot curry dish, and a good place to have it is at Martin's. Even in the leanest of seasons, the restaurant is known to serve fresh fish.

I would also recommend butter-garlic crabs or the Racheiada—fresh pomfret stuffed with red *masala*, grilled and served whole. If you want to give the chilies a break go for the caldeirada in which fish or prawns are cooked into a stew with vegetables.

For me, no food exploration is complete without chicken. Most people would not really travel to Goa to eat chicken, but I would say, do give the chicken *Xacuti* a try. Pronounced *sha-koo-tee*, it is chicken curry flavoured with coconut and dry



FIVE KEY HIGHLIGHTS

1. REIS MAGOS CHURCH



Also known as the church of the Three Magi Kings, and built in 1555, it's a must see.

2. ANJUNA FLEA MARKET



On a Wednesday, head for this famous north Goa bargainners' paradise, and shop till you drop.

3. BOGMALO BEACH



Pristine, peaceful and gorgeous, Bogmalo was a fishing village until tourists started to pour in.

4. O'COQUIRO RESTAURANT



The restaurant has a long tradition of serving authentic Goan and Portuguese cuisine.

5. THE GOANESE PLATTER

Fish, pork and chicken, spicy and curried—and dirt cheap—you get the drift...



Fort Aguada: built in 1612 to guard against Dutch and Maratha armies, it also served, in those days, as a visual reference for vessels sailing in from Europe.

roasted cinnamon, cloves and poppy seeds. You can easily find this at any of the mentioned restaurants.

Of course, I declare my favourite to be the Chicken Cafreal, the best version of which can only be had at Florentine's in the village of Saligao with a population 5,000, and not far from the Calangute beach. Saligao is small but neat, and has an appeal distinctly its own. Here, do visit the nearly 140-year old church of Mae de Deus. Its stunning Gothic architecture makes it one of the most attractive churches in Goa.

Now back to the Chicken Cafreal—tender and succulent, the meat is grilled in a delicious *masala* of chillies and coriander. I had mine with *pao*, washed down with a glass of fresh coconut water.

Every meal has to be rounded off with something sweet. Simona bakery, a quaint little boulangerie, at the Mapusa market provided the perfect experience.

An important north Goanese commercial centre, Mapusa (pronounced *map-sa*) is made up of two konkani words that mean measure and fill. Famous for its heavy-bargain Friday markets, Mapusa is situated 13 km north of capital Panaji, and is also an important gateway to the north Goa beaches of Calangute, Baga, Anjuna and Arambol, among others. At Mapusa, take some time out to visit the Bodhgeshwar temple, and then, the Hanuman theatre right across, where you can watch local actors and musicians performing. The place is also home to the church of Our Lady of Miracles, built in 1594.

At the Simona bakery, first, a taste of the famed Bebinca, or *bebinc*. An eight-layered cake, it is made of eggs, milk, sugar and coconut. Then it was on to dodol, made with rice flour, coconut milk, jaggery and cashew nuts. Yummy, but a bit too sweet for my taste.

People leave Goa with trinkets and sarongs as keepsakes; I head back with a slightly expanded waistline and a bag full of local foods as souvenirs. I may have eaten all kinds of curries and breads the place has to offer, but will I be back for more—certainly. ■

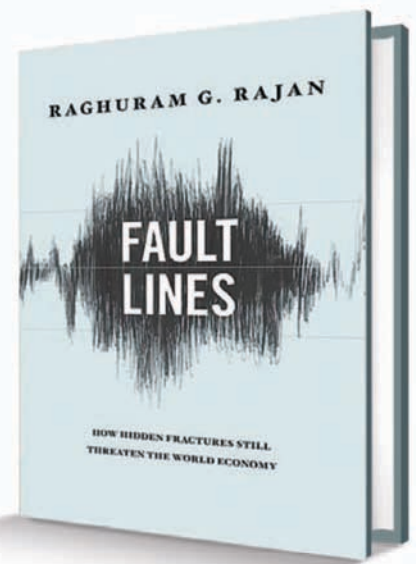
“Typically, everything
does not remain
the same”



Author: Raghuram
Rajan

Dissecting the Fault Lines

A new and erudite analysis of the global economic crisis offers pragmatic ideas to promote enhanced growth and development. **BY MAHESH RAVI**



THE global business landscape in general, and the financial sector in particular, have witnessed a major transformation over the past 20 years. The fall of the Berlin Wall heralded the opening up of many economies to global trade and commerce. New advances in technology, especially the Internet, dissolved borders, promoting a freer movement of labour, capital and ideas. In fact, the dawn of the millennium brought breathless expectations that the Internet and new advances in technology would transform our lives. The middle of the 2000s saw a period of unprecedented global growth, and analysts assumed that economic growth could now be taken for granted.

The collapse of Lehman Brothers, a century-old financial institution, and the onset of the US domestic mortgage market crisis sent the financial world into a tailspin. All of a sudden, hitherto stable financial institutions, such as the world's largest insurer, AIG, were seeking massive US government bailouts. While no one had predicted this crisis, there were some who had detected the contours of such an emergency.

In his brilliant book *Fault Lines: How Hidden Fractures Still Threaten the World Economy*, renowned economist Professor Raghuram G. Rajan shares his perspectives on the challenges that key players ignored. He also suggests that unless these issues are addressed, we will see more economic crises in the future. Rajan is the Eric J. Gleacher Distinguished Services Professor of Finance at the University of Chicago's Booth School of Business in USA. He is also the economic advisor to Prime Minister Manmohan Singh.

Professor Rajan writes in a refreshing manner, dissecting and simplifying complex economic and financial concepts for the benefit of laymen. He is careful not to submit to any dogmatic representation of ideas or positions. Rather, he takes the middle path to explore the nuances of economic policies and actions, trying to decipher the “fault lines” which led to the global economic meltdown.

His insights derive fundamentally from his re-examination of *ceteris paribus*, an assumption of Economics that “all things are equal” while analysing a particular economic phenomenon. Rajan holds that the

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Raghuram Rajan is the Eric J. Gleacher Distinguished Service Professor of Finance at the University of Chicago's Booth School of Business. He is also an economic advisor to the Prime Minister of India. Dr Rajan has also served as Chief Economist at the International Monetary Fund between 2003 and 2007.

assumption no longer works in a complex and integrated global economy. The connections that countries have established today via trade, tourism, sports, immigration, etc. have made their economies more interlocked with each other. Thus, our understanding of economic behaviour itself needs to change, as Rajan realises. He notes, “Typically, everything does not remain the same. Most important, deregulation and developments like securitisation had increased competition, which increased the incentives for bankers...to take on more complex forms of risk.”

Rajan identifies the first fault line as the indiscriminate expansion of housing credit in the US, without examining the credit histories of the borrowers. The social goal of a house for everyone overrode the economic prudence of the loan issuing process. As a result, banks issued loans to people with limited capacity to repay them.

Fault line number two points at countries that pursue aggressive export-led strategies for economic growth. Such economies exert pressure on the rest of the world to create

excess demand to consume their exports. Rajan cites the case of Japan, and its razor-sharp focus on exports, which actually diminished domestic demand and created a cycle of dependency. As a result, the Japanese economy needed foreign demand to stimulate growth.

Such economies exert pressure in two ways, says Rajan. One, they offload huge amounts of goods onto foreign markets. Two, they also raise their own foreign exchange reserves. This production-export-foreign reserve conveyor belt forces large importers like the US to continue importing and to serve as global engines of growth.

Rajan also targets the weak social safety net in the US, as a cause for the crisis. The absence of such a safety net encourages, or in fact, forces the government to stimulate the economy and create jobs, but with uncertain results. This situation further compels the Federal Reserve to maintain an easy monetary policy, in its effort to increase employment.

Offering solutions

One of the most striking chapters in the book talks of finance sector reforms to prevent such crises. Here, Rajan takes a strong stand and refuses to be sucked into the tide of outrage that had initially marked people's reactions to the actions of the bankers and financial sector mandarins. He recognises that the system has merits and demerits and prefers taking targeted action for damage control.

He argues that the "real issue confronting us...is how to harness the benefits from financial development while limiting its instability." Broadly, he argues for promoting a competitive financial system, as that would continue to ensure financial innovation. While financial innovation has been criticised recently for giving us complex financial instruments, such as credit-default swaps or collateralised debt obligations, it has also produced credit cards and

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indexed funds, that have helped expand credit, promote growth and drive investments. Rajan also seeks to reform the current incentive system for bankers, which possibly encourages them to take on more risk, without fear of losses. He would also like to end government subsidies and support to financial institutions as they introduce anomalies in the competitive environment. Finally, he argues for enacting regulations that are, in his words, "comprehensive, nondiscretionary, contingent and cost-effective."

Professor Rajan discusses his ideas on changes in the economic structure of the US, to prevent such crises. He argues for enhancing greater access to opportunity in America by calling for improvements in the education delivery system, and the availability of better teachers. The key is to improve human capital, which would then drive economic growth.

The case for India

Rajan is optimistic about India's model of inclusive growth and economic development. While he believes that India has a balanced economy, he is also concerned that the nation needs to take more decisive actions to help drive growth. He believes India's advantages lie in its rising numbers of youth entering the workforce and a high savings rate to finance investments. He believes productivity will only rise in India as sectors continue to grow. More

BOOK EXCERPTS

Typically, everything does not remain the same. Most important, deregulation and developments like securitisation had increased competition, which increased the incentives for bankers...to take on more complex forms of risk.

Education plays a far greater role than simply improving an individual's income and career prospects: it has intrinsic worth of its own, allowing us to make use of our finer faculties.

jobs need to emerge in manufacturing and high-value services. India's growth can also inspire other countries to understand that democracy and free speech are compatible with high economic growth.

But India needs to focus on delivering improved infrastructure and a better understanding and enforcement of property rights. Creating titles would initiate further growth as the institutional environment would be stronger.

Professor Rajan's book deserves to be read carefully by all who have an interest in learning why the world economy plunged into crisis two years ago. His analysis combines an erudite understanding of the factors underlying the crisis and a remarkable capacity to connect the dots that explain its origins. At the same time, he shares his ideas for reforms that can help create a safer, yet competitive world economy.

He is one of the few economists in the world who possibly saw the first signs of the looming imbalances. In his introduction, he refers to an analysis he shared with global central bankers at a conference in the United States in 2005. In it, he had warned of potential threats to the entire banking system due to the new structure of incentives and the possibility of new financial instruments collapsing.

If you want to understand the workings of the world economy, you must read this book. ■

RURAL UPDATE

Rural India Goes Shopping!

As incomes rise, village households open up to a bevy of organised retailers. **BY HEMANT KUMAR**



Rural India is not new to retailing. Retailing, however, is looking at rural India in a brand new way. And it isn't just about kitchen and farm supplies.

Nearly 800 million Indians live in the villages. That's more than two-and-a-half times the population of the US. A white paper prepared late last year, by the authoritative Confederation of Indian Industry (CII) and management consulting firm Technopak, paints a rainbow across the horizon for the rural retail market. According to the paper, by the middle of next year, the Indian rural retail market will stand at a whopping US\$425 billion, almost double of where it was five years ago.

An industry body report says Indian rural retailing should register a nearly 30 per cent growth in 2010. To realise its full potential, however, the sector must address three issues: infrastructure, supply chain and product pricing, according to a recent report released by CII and Yes Bank.

Retailers are learning that the rural customer is just as quality conscious

as he is price conscious. As more families switch from subsistence to commercial farming, rural per capita income will double to almost US\$320, by 2012, says the report. This income jump will spur demand for a range of products and services in the villages of India.

There will be more than 150 million rural households by the end of this year, turning rural India into one of the largest markets in the world, the CII-Yes Bank report said. As retail grows, it will create jobs in the villages and check migration.

A recent report by consulting firm Nielsen shows the changing pattern of consumption in rural India by comparing toothpaste sales figures with urban markets, in the first quarter of this year. Sales in rural markets grew by more than 9 per cent—that's more than twice the rate of toothpaste sales in urban India.

Last year, AT Kearney's 8th Annual Global Retail Development Index once again ranked India as the most attractive nation for retail investment, among 30 emerging markets.



INVESTMENT

Last year, consulting firm AT Kearney's 8th Global Retail Development Index once again ranked India as the most attractive nation for retail investment among 30 emerging markets. This year, foreign direct investment in single-brand retail trading has touched US\$195 million, says the Department of Industrial Policy and Promotion.

Foreign direct investment inflows in 2010, in single-brand retail trading, touched nearly US\$ 195 million, according to the Department of Industrial Policy and Promotion. Business giants like Reliance, AV Birla, DCM, Bharti, Pantaloon, Godrej, Tata, Hindustan and Unilever, have entered the market. By the end of 2010, the Bharti-WalMart joint venture plans to take its number of retail outlets to 140, from 100. Vice Chairman of Bharti Enterprises Rajan Bharti Mittal said his company also plans to invest nearly US\$ 2 billion in the next 10 years to establish a solid supply-chain network in the rural markets of the country.

Like Britain, India, too, has several small-time entrepreneurs setting up shops. The nearly 12 million shops nationwide offer one outlet for every 90 Indians, one of the highest such densities in the world. But that's about to change, as global retail giants enter the fray.

One thing is for sure—shopping in rural India will never be the same again. ■