HICET Business School

Coimbatore-32

Half Yearly Magazine

January - June 2019

BUSINESS AFFAIRS

Department of Management Science started in the year 2005,in order to transform the students community into business professions by offering two years Business administration Master's program with the specializations in Finance, Marketing and Human resources,Production & Operations Systems, and logistics.

All the activities of the business school is evolved around the vision, Mission, programme, Educational objectives, Programme outcomes, and graduate attribute statement are guided by its core values.

FOUNDER AND CHAIRMAN'S MESSAGE

The management is extremely happy to see the outcome of the MBA Department of our college in bringing out with a department magazine called "BUSINESS AFFAIRS 2019". I hereby extremely happy for the interest shown by the department. Today, business news has an important connotation in the competitive world of business. So, it is an important step in bringing out contents of business in a magazineform for students to deliberate and discuss over, students should become industry readymanagers for future generation. I convey my blessings and good wishes to all members involved dedicatedly for the magazine preparation.

Thiru T.S.R Khannaiyan

MANAGING TRUSTEE'S MESSAGE

I am delighted to note that the department of MBA has come up with a department magazine called "BUSINESS AFFAIRS 2019". This type of magazines makes students to explore new business paradigms, I hope and wish this magazine will help our studentsin enhancing their knowledge in various spears of business and help them to succeed intheir career or business ventures. This magazine will also serve as a business knowledge repository for the existing andupcoming batch of students. My regards for MBA department to scale new height in the days to come.

Thirumathi Sarasuwathi Khannaiyan

EXECUTIVE TRUSTEE & SECRETARY'S MESSAGE

It gives me immense pleasure to know that the department of MBA has come up with a department magazine called "BUSINESS AFFAIRS 2019". These kinds of efforts will motivate the students in building their future profile and will give confidence in upbringing their hidden talents. I wish this magazine will help our budding management leaders to develop a sharp intellect in the areas of business affairs and bring out a competitive model of successful businesses in future. My good wishes for MBA department for bringing out this magazine.

Thirumathi. K. Priya Sathish Prabhu

ADVISOR'S MESSAGE

Hindusthan College of Engineering and Technology is an amalgamation of competent teachers, Energetic students and with an experience and efficient administration. The college came into existence with the vision of creating a safe and supportive environment for its students to provide a perfect balance of Academics, Sports, Artistic and Social opportunities. Learning should be a joy and we strive for that.

We believe in giving our students strong values along with a set of wings which may carry them far and wide. In turn, our students are equipped to face the challenges of the rapidly changing world. Today's India is an empowered, enlightened and enterprising nation. We wish to make it even more powerful with conscientious, smart and confident citizens who would make us proud by augmenting their multifaceted skills.

It gives me immense pleasure to give my best wishes to HOD and faculty fraternity of management sciences for bringing out the magazine "**BUSINESS AFFAIRS 2019**". The students and faculties of the department are always proactive in taking initiatives in Educational, Technical, Cultural and Social events in bringing laurels to the institution. I hope that this magazine will serve the purpose of reflecting all the important information in the recent business trends and it will also inspire many other students who want to aspire for the MBA programme.

Dr .S. Annadurai
Advisor, Hindusthan Group Of Institutions, Coimbatore

PRINCIPAL'S MESSAGE

Hindusthan College Of Engineering And Technology primarily intends to nurture the shelved potential in students providing an ideal platform for them to channelize their creative outbursts and lend expression to their thoughts and views on various aspects in serene manner.

Our institution believes that the purpose of education is to turn mirrors into windows, and as such is focused not only on pure studies but also on providing opportunity to each students to explore his or her own capabilities and in their area of interest like curricular, Co-curricular or Extra-curricular activities.

We fortunately have a committed and supportive Management, dedicated teachers and cooperative students which blend harmoniously to create a students centric college. In the MBA department it is natural to find the intensive use of a variety of thinking activities, Strategies and active ideas so that the department becomes alive. This edition of the Magazine "**BUSINESS AFFAIRS 2019**" is a Milestone that marks our growth, and gives life to business thoughts and aspirations.

I congratulate the entire editorial team for their hard work and dedication that has resulted in the publication of this issue of the department magazine. With this I extended my best wishes to you all in your academic journey towards excellence, knowledge and wisdom.

Dr. T . Kannadasan,
Principal, HICET.

CONTENT

Page. No

January

1. NBFC crisis: Running on empty - Half a decade of slowing demand, regulatory changes and tight financing have taken the real estate sector and those lending to it to the brink of a shakeout — 1
2. Gone in 6 missed calls: Mumbai businessman cheated of Rs 1.86cr in SIM swap fraud — 6
3. Ending country cap in Green Cards may allow India, China to dominate path to US citizenship: Report — 8
4. The pain of holding a stock: Case of Kotak Mahindra Bank — 11
5. China slowdown takes a bite out of Apple, but could it give teeth to Indian markets? — 14
6. Consumers want e-commerce cos to continue cashbacks, discounts; check on fake products: Survey — 17
7. India invites Chinese participation in its plans to expand Electric Vehicles — 19
8. GST exemption limit doubled to give relief to small businesses — 21

February

1. New e-commerce policy comes into effect: Know all about it! — 23
2. Ecommerce rules aim for vendor neutrality — 26
3. Social Forces Shaping Business In 2019 — 28
4. The Expanding Spectrum Of Financial Mergers — 30
5. Braced For Growth : Leasing of hotels has emerged as a promising business model, but a lot depends on the brands' risk appetite. — 32

March

1. Boeing crisis makes it advantage Airbus -With Jet Airways on the brink of collapse, Boeing could lose its biggest customer in India which could adversely impact its market share — 36
2. Political strategists: The campaign makers — 38
3. The paradox that is Indian aviation — 44
4. Robots, robots everywhere — 46

April

1. Merger of Bank of Baroda, Vijaya Bank, Dena Bank: Power of 3 — 50
2. Reliance Retail became India’s first retail company to cross the Rs.1 lakh crore annual revenue milestone — 51
3. The Defence Industry Can Give A Major Fillip to Growth of Manufacturing — 52

4. Jet Airways suspends operations with last Amritsar flight; 20,000 jobs at stake 54
5. Government extends ban on import of milk products from China 55
6. Saudi Aramco to buy 25% stake in Reliance's refining & petrochemical business 56
7. Ministry of Rural Development presented recommendations for fostering Finance Commission 57
8. Reliance Jio acquires Haptik for Rs 230 crore 58
9. PepsiCo sues Indian farmers over the FC5 potato row 59

May

1. Death Knell for Retail Distribution? 60
2. Seamless Digitising 62
3. Entrepreneurs Pedal the Virtuous Cycle of Growth 64
4. Roadmap to Farmers Welfare 66
5. Trade: This Illusive Chinese Lantern 68
6. China proposes 4-point initiative to improve Sino-India ties 70
7. In Search of Sustainable Solutions 73
8. Investment: Money Mistakes We Make 76

June

1. Mumbai listed among the top 20 most expensive cities in Asia 78
2. Wipro to acquire US International Techne Group for 312 Crores 79
3. PepsiCo to build Rs 500 crore food plant in Uttar Pradesh 80
4. RBI issued fresh prudential framework for resolution of stressed assets 81
5. Facebook announces Libra Cryptocurrency Project: What is Libra? 83
6. Salesforce acquired analytics platform Tableu 85
7. CCI imposes Rs 74 crore fine on four pharmaceutical companies 86
8. Fiscal Deficit Under Stress 88
9. Second Bi-monthly Monetary Policy of RBI 2019-20 89

References 91

January

1. NBFC crisis: Running on empty - Half a decade of slowing demand, regulatory changes and tight financing have taken the real estate sector—and those lending to it—to the brink of a shakeout

"The truth is that you will see a lot of projects lying unfinished," says the managing director of Piramal Capital and Housing Finance. "Thanks to consolidation, there are several developers doing well whereas some are in distress," he adds. He's well placed to know. After all Piramal has ₹38,700 crore lent to the country's developers and Jijina admits that he's recently taken a close look at his loan portfolio. Visible from the conference room of the Piramal Capital offices in central Mumbai is the outline of a vast decade-long project—the Lodha World Towers. It's Exhibit A of a decade that saw inflating asset prices that investors piled up, based on the Greater Fool theory (there's always a sucker around the corner willing to pay a heavy price). Circa 2018 we're left with slow user demand and an overleveraged industry grappling with a changing business model.

The last five years have seen India's home builders hurtle from one crisis to another. Each time they've kicked the can down the road and borrowed money to stave off the inevitable. As a result, most developers survived on what can at best be described as an oxygen mask of money at high interest rates. There is every indication now that this mask is being pulled off all but the very best. Jijina's second prediction is that only 10 percent of developers, who have a clear focus on execution and sales, will survive.

Let alone predict the next upcycle, they acknowledge that they've consistently picked the bottom incorrectly over the last three years. Over the last decade the leverage in the sector has increased from about ₹125,000 crore to ₹500,000 crore according to a cross section of

industry professionals. The result: An industry that is up to its neck in debt with cash flows that have dried up and limited their ability to service the debt.

Which way the cookie finally crumbles decides who—the buyer, the developer or the financier—escapes with the smallest haircut. "It is not fair for lenders to insist on such quick deleveraging. The sector has slowed down and everyone has to accept reality," says Sudhin Choksey, managing director of Gruh Finance, an HDFC subsidiary.

A Once-in-a-Generation Boom

The half decade-long real estate boom from 2003 to 2008 meant that the industry and buyers both ceased to remember what a downcycle looks like. Industry executives look back not too fondly to the days when a new generation of swashbuckling fund managers deployed millions of dollars in projects from Guntur to Mamallapuram, and realty developers never missed a chance to flaunt their Armani and Ermenegildo Zegna suits. At industry association conferences, no expense was spared with developers, brokers and at times high net worth clients being flown to some of the most expensive hotels in the world. Seven-star The Atlantis in Dubai was a favourite. Those were the days when anyone who owned a land parcel or had built even one building called himself a real estate developer.

In the 2000s, the idea of building a project was simple. Landowners (developers) would take money at high rates (18-20 percent) to get permissions. With the approvals in place the business was one with negative working capital. Here's how: Developers would launch projects aggressively and the money raised through initial sales was used to start the project. Once the basic structure was complete the developer would have collected 90 percent of money from buyers but would have spent only a third. The rest of the money was diverted to buy land parcels elsewhere. The cycle repeated itself across projects. With the market booming and projects selling out within days of launch, it turned out to be a virtuous circle.

As land prices skyrocketed, most developers paid exorbitant amounts to acquire these parcels. The initial sales came from investors who wanted their fingers in the lucrative pie of Indian real estate; the exuberance resulted in developers losing sight of the end customer and building homes for which there was little end-user demand. Exhibit A mentioned earlier is a good example. Greater Noida, where there are no takers for constructed homes, is another. And then came the final nail in the coffin: The global financial crisis. It was also the time when Lehman did its last transaction in India by investing in Unitech Ltd's Mumbai project

in May 2008. Unitech, then the second largest developer by market capitalisation, now trades at ₹2 per share (down from ₹500) on the Bombay Stock Exchange.

As markets faltered, foreign capital shied away from striking equity deals in the residential space. Homegrown fund managers saw this as an opportunity. One in which private equity funds mostly participated in structured debt or mezzanine deals where funds are lent to developers at a very high cost, sometimes in the range of 18-23 percent that also had an equity kicker if the project could meet a certain threshold. With banks pulling their hands away, real estate private equity funds and non-banking financial companies (NBFCs) had found their new growth funnel. So started the second wave of deployment towards realty developers at higher interest costs which developers seldom found difficult to repay. "The reason a lot of developers were attracted to this expensive money was because they thought the demand slowdown was temporary. They thought they would use this money to tide over the next two years but it's been five years and counting now," says Pritam Chivukula, co-founder of Tridhaatu, a Mumbai-based developer.

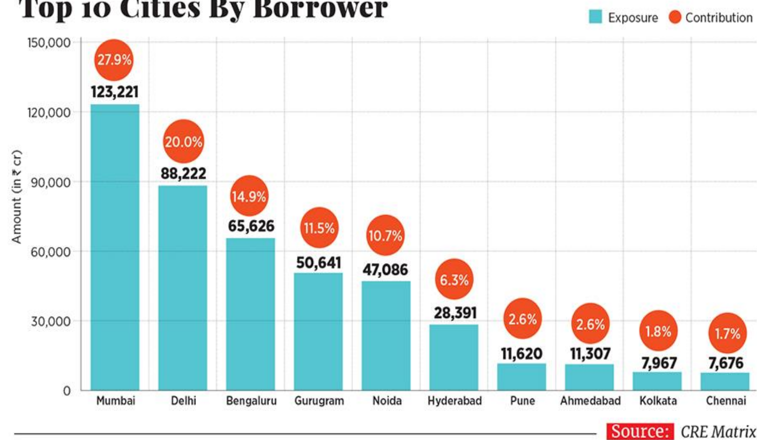
And thus began the game of 'passing the parcel' of loans to each other. Developers were busy shifting loans from one lender to the other, seeking favourable terms and lenders rescuing each other and passing the baton. But, lenders and NBFCs now believe that this time around it may well be the end of the road.

In the absence of sales it has become crucial to tie up working capital. Demonetisation dealt a body blow, with investors who did a lot of deals with cash pulling out. Then came the Goods and Services Tax (GST) that levied 12 percent on under-construction projects. The Real Estate Regulation and Development Act (RERA) meant that developers had to put aside 70 percent of money collected in a project in a separate account. As capital turns scarce for developers the industry will move towards well capitalised players, like the large corporate houses.

"Globally real estate is a capital-intensive business and those with strong balance sheets participate in it. In India anyone with a land parcel could start development. With all these regulations coming into play and NBFCs becoming serious about who they will lend to, only developers with capital to see through the end of the project will be able to survive," says Mahesh Singhi, founder and managing director of Singhi Advisors.

What Next

The debt-fuelled party of the last decade masked the fact that there is very little equity left in a large number of residential real estate projects. If the developer walks away from the vast majority of unfinished projects across the country or files for bankruptcy, he has very little to lose. It's a point that Amit Bhagat, managing director at ASK PIA, has been making for over a year now. "The better known developers can still raise equity capital but the lesser known ones will need to find partners soon," he says. Else there is a very real fear of projects not being completed.



Considering the way projects have been developed—with developers collecting 90 percent of the money due but spending only 30 percent on construction and the balance to complete the building having being siphoned off—the project grinds to a halt. Add to that the fact that markets have several years of inventory left—Mumbai is, for instance, estimated to have nine years—and the number of units that may never be constructed runs into tens of thousands. Jijina believes these will lie unfinished until the market picks up and a new developer comes along to complete them. Piramal Capital has a set up a wing to get partners for stressed developers but the process is agonisingly slow.

Meanwhile, financiers have now turned wary. Ask any developer how life changed after September 6 when IL&FS defaulted and a shudder may well run down his spine. India's government banks with lower than required capital found themselves in a position that forbade further lending. Their deposits were however sticky and had increased as a result of demonetisation. This resulted in a regulatory arbitrage and banks and mutual funds rushed to lend to NBFCs with their less stringent capital requirements.

According to a note by ratings agency Crisil on December 5, growth in assets under management of non-banks (NBFCs and housing finance companies) is expected to halve to nearly 9-10 percent in the second half of fiscal 2019 because of funding-access constraints, after clocking a robust 20 percent increase in the first half.

Commercial papers (duration one year or less) were used to raise money that was lent for longer tenures. With the IL&FS default, credit markets froze and the commercial paper rollovers became difficult. Developers said that disbursals stopped for projects where credit lines had been approved. The situation is slowly getting back to normal with NBFCs accessing longer-term wholesale bank loans. These financiers also admit that they are using this period to remove the weak performers from their portfolios. Tier 2 and 3 developers will find it hard to access credit even when the markets get back to normal.

With the introduction of RERA there are also stiff penalties for missing deadlines. "The business will now split up with three distinct categories—developers, financiers and land aggregators," says Mohit Malhotra, managing director of Godrej Properties. A large number of listed developers are also unlikely to keep large amounts of land on their books as unlike pre-2008 the market has begun valuing companies only for their execution capabilities and not for their land parcels.

In the next decade expect a lot more joint development agreements between developers and landowners. In exchange for a fixed share of top-line the developer doesn't have to lock his capital into buying land. Permissions are also mostly the landowners' headache. Developers are responsible only for designing and marketing the project. Big brands like Godrej Properties, Larsen & Toubro and Shapoorji Pallonji have aggressively signed on projects in the past year. "We have a large holding and about a year and a half ago we did a check on what we can develop and in what timeline. We did a study across the country and found that one developer in one location cannot do more than a million square feet," says Dharmesh Jain, managing director of Nirmal Lifestyle, which owns some of the largest land parcels in the suburb of Mulund in Mumbai. Going forward he plans to do only joint development deals. He won't be the only one.

2. Gone in 6 missed calls: Mumbai businessman cheated of Rs 1.86cr in SIM swap fraud

The money was reportedly transferred to 14 accounts through 28 transactions across the country

A businessman based in Mahim was duped of Rs 1.86 crore on December 27-28 through SIM swapping, the latest con technique used to cheat mobile phone users, Mumbai Mirror reported.

The victim, V Shah, received six missed calls on his phone at 2 am, one of which showed the dialling code of the United Kingdom (+44). When he tried to call these numbers back in the morning, he found his SIM was deactivated. Upon enquiring, the mobile service provider informed Shah that his SIM card was blocked upon his own request. He smelt trouble as he had made no such request.

When he visited his bank branch, he learnt that Rs 1.86 crore was siphoned out of his company's account. The money was reportedly transferred to 14 accounts through 28 transactions across the country. Upon trying, the bank was able to retrieve Rs 20 lakh of the total sum, but the rest was gone.

The SIM replacement request was filed with the company at 11.15 pm on December 27 and the missed calls came at 2 am on December 28.

"My company's bank account is linked to my mobile phone, but never in my wildest dreams did I imagine that the cheats will empty my account with such ease," Shah told Mirror.

An FIR was filed in the BKC Cyber Crime Police Station. "We suspect the scamsters had access to Shah's unique SIM number and had initiated a SIM swap. To ensure he doesn't suspect anything, they called him late in the night when his phone was on silent mode," a police officer told the paper.

The unique SIM number was obtained by the conmen through hacking, as Shah is sure he didn't share this number with anyone, neither did anyone call him asking for that information.

"Even when you open a fake version of your bank website, your details are automatically compromised. Your data is accessed by scamsters every time you access unsecured web connections. We suspect Shah may have accessed one such email or app," the officer added.

3. Ending country cap in Green Cards may allow India, China to dominate path to US citizenship: Report

Indian-Americans, most of whom are highly skilled and come to the US mainly on the H-1B work visas, are the worst sufferers of the current immigration system which imposes a seven per cent per country quota on allotment of Green Cards or the Legal Permanent Residency (LPR).Eliminating the country quota from the most sought-after Green Cards will end the current discrimination in the US labour market, but would allow countries like India and China to dominate the path to American citizenship, according to the latest Congressional report.

Having a Green Card allows a person to live and work permanently in the United States.

Indian-Americans, most of whom are highly skilled and come to the US mainly on the H-1B work visas, are the worst sufferers of the current immigration system which imposes a seven per cent per country quota on allotment of Green Cards or the Legal Permanent Residency (LPR).

The bipartisan Congressional Research Service (CRS), an independent research wing of Congress, said if the per-country cap for employment-based immigrants was removed, many expects that Indian and Chinese nationals would dominate the flow of new employment-based LPRs for as many years as needed to clear out the accumulated queue of prospective immigrants from those countries.

This queue would include those with approved employment-based immigrant petitions waiting to file either a visa application with Department of State or an adjustment of status application with the US Citizenship and Immigration Services (USCIS), the CRS said in its latest report.

The CRS regularly prepares reports on various issues for the lawmakers to take informed decisions.

A copy of the report 'Permanent Employment-Based Immigration and the Per-country Ceiling' dated December 21 was made available to PTI, ahead of the new Congress beginning January 3, wherein several lawmakers are planning to introduce a legislation to eliminate per-country quota for issuing Green Cards to foreign nationals.

As of April 2018, a total of 306,601 Indian nationals – mostly IT professionals – were waiting in line for Green Cards, according to the USCIS figures.Indians constitute 78 per cent of the 395,025 foreign nationals waiting for Green Cards in just one category of employment-based LPR applications.

Due to the cap, the current wait period for the majority of Indians to get a Green Card is nine and half years, the CRS said, adding this could increase or decrease further depending on the number of new applications every year. India is followed by China with 67,031 in line for Green Cards. Lawmakers favouring eliminating the per-country cap contend that such circumstances effectively encourage employers to sponsor prospective employment-based immigrants primarily from India.

Proponents argue that removing the per-country ceiling from employment-based immigrants would "level the playing field" by making immigrants from all countries more equally attractive to employers, the CRS said.

According to the CRS, eliminating the per-country ceiling would reduce certain queues of prospective immigrants more quickly, and remove the perceived employer incentive to choose nationals from these countries over other countries.

"Shorter wait times for LPR status might actually incentivise greater numbers of nationals from India, China and the Philippines to seek employment-based LPR status. If that were to occur, the reduction in the number of approved petitions pending might be short-lived.

"A handful of countries could conceivably dominate employment-based immigration, possibly benefitting certain industries that employ foreign workers from those countries, at the expense of foreign workers from other countries and other industries that might employ them," the CRS said.

Because the Immigration and Nationality Act (INA) grants LPRs the ability to sponsor family members through its family-sponsorship provisions, removing the per-country ceiling would

alter, to an unknown extent, the country-of-origin composition of subsequent family-based immigrants acquiring LPR status each year, it said.

Changes in the country's demographic profile tilted towards people from one part of the world, was one of the prime reasons for the current per country quota. This, on the other hand, restricts the flow of the best talented foreign workers.

The INA allocates 140,000 visas annually for all five employment-based LPR categories, roughly 12 per cent of the 1.1 million LPRs admitted in fiscal 2017. It further limits each immigrant-sending country to an annual maximum of seven per cent of all employment-based LPR admissions, known as the per-country ceiling, or "cap".

Two popular employment-based pools of foreign nationals, who have been approved as employment-based immigrants but must wait for statutorily limited visa numbers, totalled in excess of 900,000 as of mid-2018. Most originate from India, followed by China and the Philippines, the CRS said.

Some employers maintain that they continue to need skilled foreign workers to remain internationally competitive and to keep their firms in the US, it said.

Proponents of increasing employment-based immigration levels argue it is vital for economic growth. Opponents cite the lack of compelling evidence of labour shortages and argue that the presence of foreign workers can negatively impact wages and working conditions in the US, the CRS said.

4. The pain of holding a stock: Case of Kotak Mahindra Bank

The fear makes us sell it even if its primary business is fundamentally strong. In fact, under panic, we fail to analyze the capability of the management that works day and night to make it really successful.

Dhruv Girdhar (Financial blogger at RichifyMeClub)

A few days ago, I was reading an analysis report on Kotak Mahindra Bank by Jana Vembu. It explains how KMB emerged as a survivor by providing its banking services to consumers, corporates and commercial businesses.

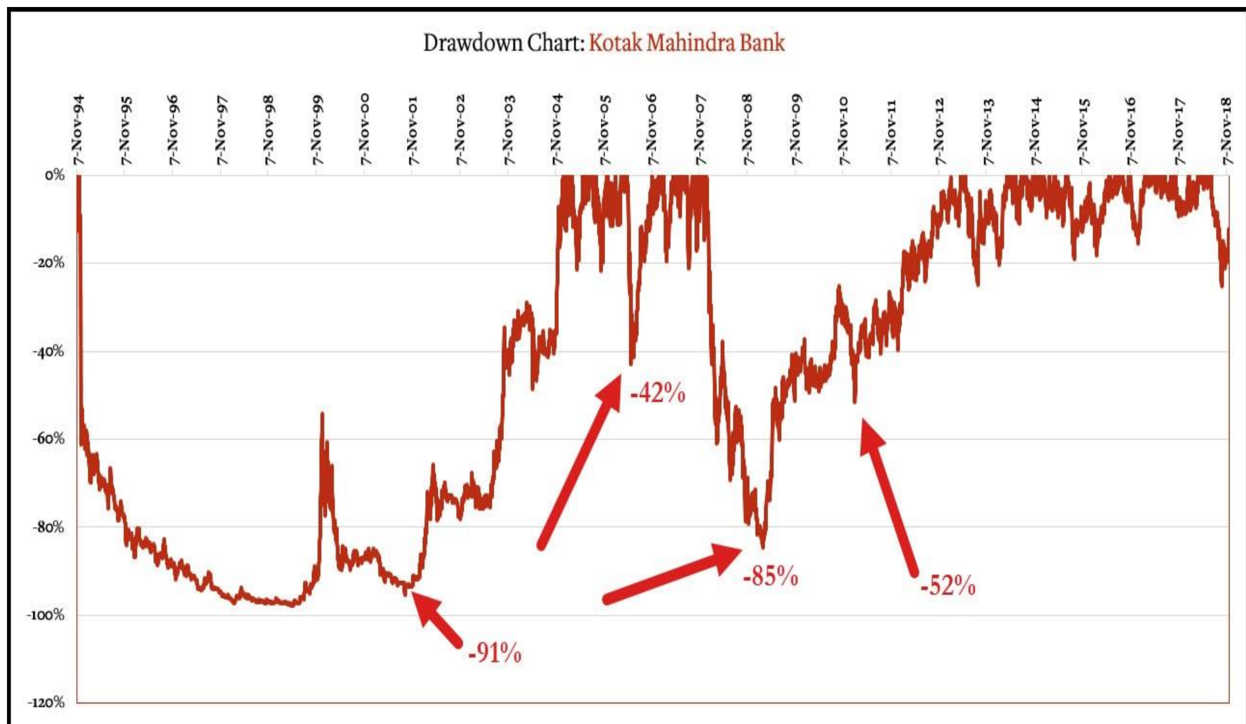
As per the report, Re.1 invested with Uday Kotak (Managing Director, KMB) in 1985 would be worth Rs 2 Lakh today. Let me make it sound a little more fanciful. With lots of ups and downs in 33 years, Rs 1 Lakh invested in Kotak Mahindra Bank (KMB) would be worth 2,000 Crore. That's an astonishing rise of 1,99,99,900 percent. Really amazing. Isn't it? Besides, who doesn't love to own such companies? Almost all of us. And yet, a majority of us fail to grasp such exemplary returns.

Why?

Because owning such companies can turn out to be real nightmares during the holding period. The fear that erupts inside us after seeing a decline in stock price outpowers the conviction with which we had bought the stock in the very first place. Thus, the fear makes us sell it even if its primary business is fundamentally strong. In fact, under panic, we fail to analyze the capability of the management that works day and night to make it really successful.

The pain of holding a stock

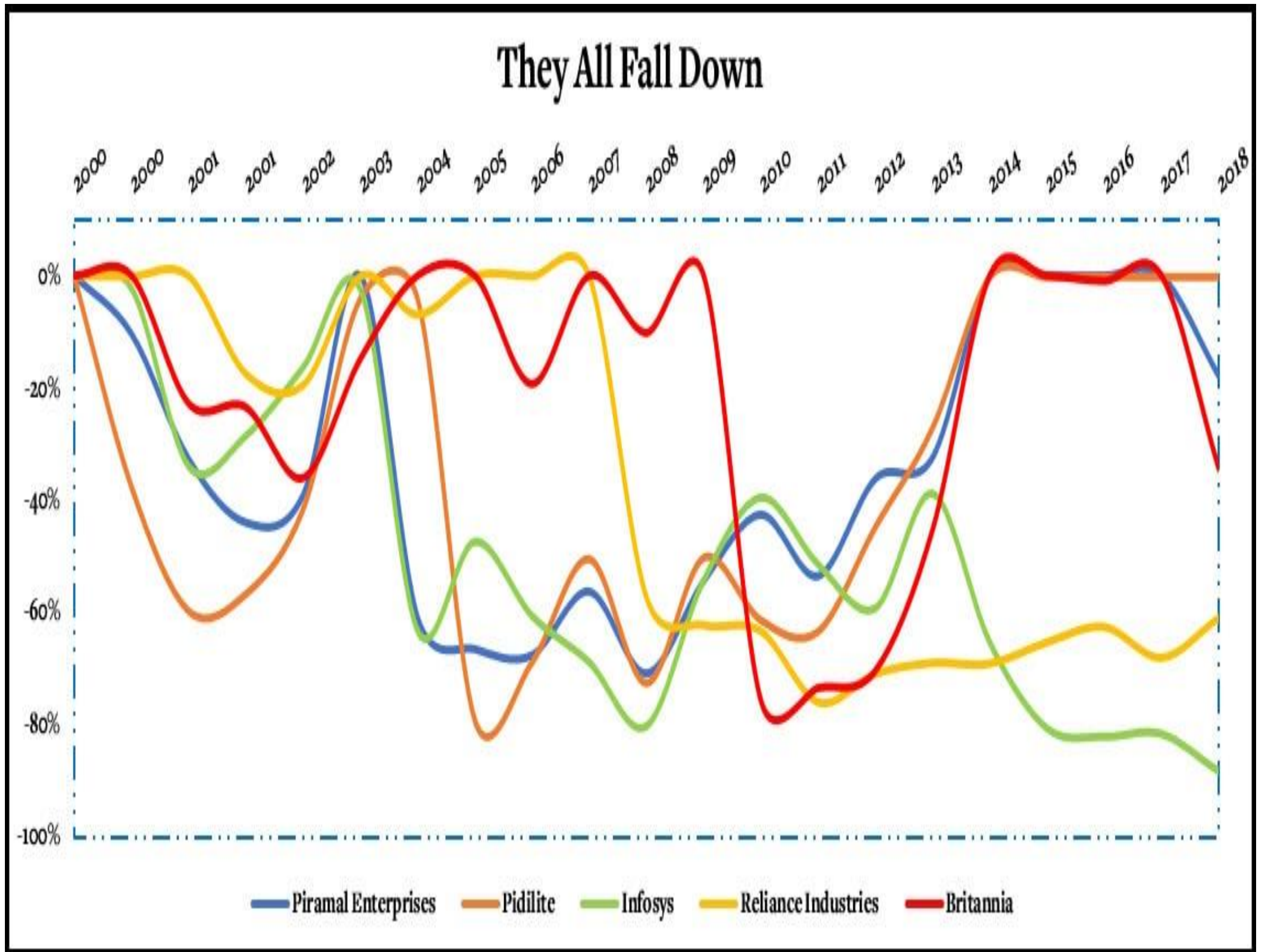
In a span of 33 long years, KMB compounded at a CAGR of 45 percent. But this didn't happen every year. The high returns did come at a cost. The below chart portrays totally a different picture altogether. The kind of torture that its investors had to go through, can easily be noticed.



During the 2008-Recession, it lost its value by 84.9%. Post-recession, it took more than 5 years to reclaim its 2008 peak. Not only this. At least on 6 occasions, the stock fell down by more than 50 percent. Around 73 percent of the time, during its journey, it stayed below its previous all-time high open price. Besides, it tasted the aftermaths of Kargil War, Asian Currency Criss, the Dot-Com Bubble Crash, 2008-Recession and other global key events that made investors pee in their pants.

Despite all these sufferings, I wish I had owned the shares of KMB. I wish I could be one of those investors who was made filthy rich by KMB. But why? Because it's headed by one of those intelligent fanatics, Uday Kotak, who has built the Kotak business worth billions of dollars from scratch. And this is not an easy task.

The truth is that all great companies go through such adverse stages. The pain of holding a stock lies in the fact that it can face a drawdown in extreme double digits. That too for a long period of time. Sometimes, it may never even recover within a stipulated timeframe. The other times, it may test your patience by staying stagnant. Be it the adhesive big player Pidilite or biscuit maker Britannia. They all have fallen down in the past.



On the other hand, the ones who have the stomach to ride such roller-coaster rides throughout the awful phases make the real money. All they need to do is ignore the short-term fluctuations in the stock prices and focus on the long-term business prospects instead. With a growing business and its earnings, the stock price eventually starts resonating.

5. China slowdown takes a bite out of Apple, but could it give teeth to Indian markets?

Shares of Apple, one of the world's most valuable company by market capitalisation, which fell 10 percent in a single day, grabbed global headlines last week. This was in response to Apple slashing its revenue projection — the first in over a decade — on lower China sales. The reaction to this news was apocalyptic, with the S&P 500 and Nasdaq falling 2.5 percent and 3.4 percent, respectively, on January 3, triggering a sell-off in markets around the world.

Much of the bad news at Apple appeared to stem from idiosyncratic factors, including peaking of smartphone demand. Apple grew a percent in China in 2018, while Huawei and Xiaomi growing 41 percent and 43 percent, respectively. Apple now ranks fifth in the top 10 smartphone selling companies in China (where they were ranked numero uno at one time). It seems local competition and attractive pricing is making it harder for Apple to sell a premium phone.

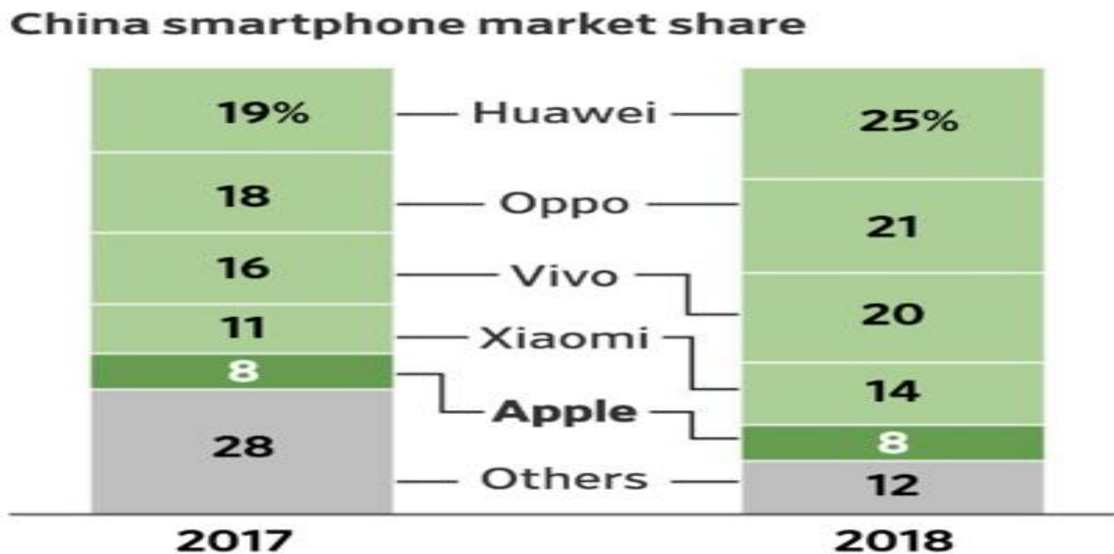
Why is the market worried about slower mobile phone sales from a single company?

"It's not going to be just Apple," warned Kevin Hassett, Chairman of the White House Council of Economic Advisers. Other companies could face similar problems. The fallout from a Chinese economic slump is already visible in certain sectors like automobiles and will potentially affect all large multinationals that are doing business in Asia's largest economy, not just US companies. Companies globally are vulnerable to an economic slowdown in China due to the exposure of their manufacturing supply chains to China and also because the

latter is a key consumer market for many of them (the likes of Starbucks, Burberry, Ford, etc.)

Threat of a Chinese economic slump bigger than potential US recession

China confronts huge economic challenges. It has been gorging on debt for almost a decade, reaching a level where it has started to look unsustainable, prompting talks of an economic 'hard-landing'. With the global environment turning much more hostile, unresolved US-China trade issues is weighing on the slowing Chinese economy. While Chinese authorities are



trying to address distortions in its economy, the same would be not achieved without short-term repercussions. The latest contraction of Chinese PMI being a case in point.

The investment world seems to be more perturbed of a US slowdown and is busy predicting the timing of the next recession. The bigger cause of concern, however, is the potential pain that a slowing China can inflict on global growth and markets.

The same has been alluded by Shailesh Jha, a keen observer and writer on global macros. He stated: "Markets may just be looking in the wrong direction when it comes to checking symptoms of the next recession – rather than looking West, they could perhaps pay more attention to the East – China."

To bolster his argument, he explained China's economic heft with some numbers: "As of 2011, China produced 91 percent of world's computing equipment, 80 percent of its lighting equipment, 74 percent solar cells, 71 percent mobile phones, 63 percent shoes, 60 percent

cement, 48 percent coal and 45 percent ships and shipbuilding equipment as calculated by Schwenza (2013)." Hence, even a slight slowdown in Chinese economy can cause ripples globally and well explains global market reaction to Apple's low China sales.

Implications for India

India is unlikely to emerge unscathed from slowing global growth. Having said that, it remains relatively less vulnerable to a global slowdown as large part of its growth is propelled by domestic consumption. Does this mean India will become the next China? Not really.

India's economy is one-fifth of China's and is the roughly the same size as China was a decade ago. Assuming the 2017 trend continues and India grows faster than China in the decade ahead, its rise will not be a simple catch-up story. The manufacturing-paved path to growth, which China has mastered over the last decade, is much more challenging, if not impossible. However, India is operating with such a range of inefficiencies that addressing these over time should naturally open new avenues for the next leg of growth.

Also, changes in the global economy are shifting India's way. We can expect softer commodity and crude oil prices on account of China slowdown and subdued global growth outlook, which bodes well for the energy importing Indian economy. Apprehensions of the Chinese economy's hard landing had caused a sharp fall in Brent prices to as low as $30 per barrel in February 2016.

6.Consumers want e-commerce cos to continue cashbacks, discounts; check on fake products: Survey

Nearly 60 percent of the respondents did not want a check on cashback and 72 percent opposed the ban on discounts

The new e-commerce policy, which barred deep discounts and cashback on online shopping portals, shocked patrons across India. According to a survey by LocalCircles, while consumers believe the sector requires better governance and regulation, they are not ready to part with the attractive offers yet.

The new e-commerce policy was enacted to protect the interests of small, local businessmen who accused online portals of stealing their business through predatory pricing and heavy discounts.

Nearly 60 percent respondents did not want a check on cashbacks and 72 percent opposed the ban on discounts.

Consumers believe the online portals must be held more accountable for customer complaints and how they are dealt with. Shoppers want websites to make sure fake products aren't sold on their platform. Close to 78 percent of the respondents believe counterfeit activity on e-commerce sites would reduce if details of the vendors — like GSTIN, address etc — would be listed on the portal.

About 35 percent of the respondents said the primary reason for them to shop online was convenience and 26 percent said it was discounted prices. Product variety and fast delivery are other factors that come into play.

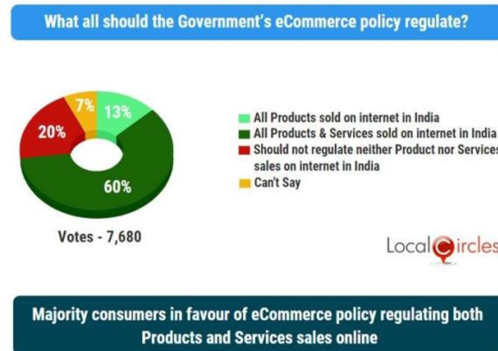
The survey also shows that consumers want to subject social media websites like Facebook, WhatsApp and Instagram to such policies as they have become popular means to run businesses, and peer-to-peer selling must be checked.

Sellers on these platforms feel the same way, member of an online seller group told The Economic Times. They only demand regulations on discriminatory discounting and are not against the practice of discounting.

Devangshu Dutta, CEO of management consultancy Third Eyesight, told the paper that the only positive for customers in the new policy will be that competition will lead to a wider product range for them.

He added that the consumer protection infrastructure in India is very weak and customers have to bear huge costs for the process of approaching a company that has wronged them.

7. India invites Chinese participation in its plans to expand Electric Vehicles



China is both the biggest manufacturer and the biggest market for cars globally. But the car sales fell in 2018 by about six percent to 22.7 million units for the first time in 20 years, sending shock waves across the industry

India plans to achieve electric mobility by 2030 and welcomes Chinese industries participation and investment in the expansion of Indian Electric Vehicles (EV) Market, NITI Aayog Principal Advisor Anil Srivatsava has said.

"He mentioned that for India's ambitious objective of achieving electric mobility by 2030, we see very substantive role for the Chinese EV players," a press release from the Indian Embassy here said on Sunday.

China EV100, a private electric vehicle association of over 200 leading Chinese electric mobility industries, is organising the 5th China EV100 Forum in Beijing. The government as well as industry representatives from all over the world attended the event.

China is both the biggest manufacturer and the biggest market for cars globally. But the car sales fell in 2018 by about six percent to 22.7 million units for the first time in 20 years, sending shock waves across the industry.

The drop is largely attributed to the continued slowdown of the Chinese economy, stringent measures to restrict new car sales to cut automobile pollution and the ongoing trade war with the US.

The most recent figures show that New Energy Vehicles (NEVs), a category which includes electric and hybrid models, has defied trend of slowdown, growing substantially over the past year, a recent BBC report said.

China's NEV market made a major gain this month with Elon Musk, the CEO of US electric carmaker Tesla, on Monday laying foundation to set up USD seven billion plant in Shanghai.

Tesla became the first to benefit from a new C policy allowing foreign carmakers to set up wholly-owned subsidiaries in China.

The new plant, Tesla's first outside the US, is located at a high-end manufacturing park in the southeast harbour of Shanghai. It is designed with an annual capacity of five lakh electric cars.

In his meeting with Chen, Srivatsava said that given the market size of India and China together, there is huge cooperation potential for EV industries of both countries.

He said EV industries of both countries should have more interaction and proposed to establish a formal interaction mechanism between an Indian EV Industry association, supported by NITI Aayog, and China EV100, which can meet periodically.

He proposed to organise an industry meet of players of two sides in the first half of this year in Beijing or a suitable venue to explore cooperation possibilities between EV Industries of two countries, the release said.

"Chen mentioned that India is an important country for Chinese EV players and he welcomes Chinese industries participation and investment in Indian EV market," it said.

Earlier, Srivastava spoke about the Indian government's policy for promotion of electric mobility, current state of play and future roadmap.

Addressing the forum, he said EV sales were expected to be 30 percent of total sales in 2030 with 25.36 million EVs and 59.17 million (Internal Combustion Engines) ICEs.

The total automobile sales in India were expected to 84.53 million in 2030.

He mentioned that India is committed to global environmental commitments, and will encourage development and adoption of clean energy and new energy transportation.

Leading Indian auto-makers such as Maruti Suzuki, Tata, TVS, and industry associations such as Society of Indian Automobile Manufacturers (SIAM) and Automotive Component Manufacturers Association of India (ACMA) took part in the event.

The Indian industry is looking for technologies related to DC motor, motor control systems, EV battery cells, the release added

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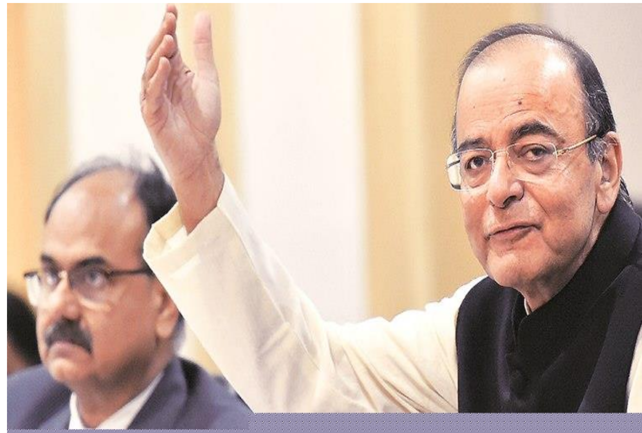
8. GST exemption limit doubled to give relief to small businesses



States, however, will have the option to choose between the two exemption thresholds of Rs 20 lakh and Rs 40 lakh and will have to intimate their decision within a week.

The GST Council on Thursday approved doubling of the exemption threshold under Goods and Services Tax (GST) regime to Rs 40 lakh along with raising the turnover limit under composition scheme to Rs 1.5 crore from current Rs 1 crore with effect from April 1. States, however, will have the option to choose between the two exemption thresholds of Rs 20 lakh and Rs 40 lakh and will have to intimate their decision within a week.

The Council also allowed Kerala to levy a 1 per cent disaster cess on intra-state sale of goods and services for a period of up to two years to mobilise revenues to meet the cost of rehabilitating parts of states that were ravaged by floods last year.

The revenue loss on account of hike in exemption threshold to Rs 40 lakh is estimated to be around Rs 5,200 crore, assuming 50 per cent of the taxpayers will go out of GST, an official said. Other 50 per cent is still expected to stay within the indirect tax regime to take the supply chain benefits under GST.

Finance Minister Arun Jaitley said the GST Composition Scheme, under which small traders and businesses pay a 1 per cent tax based on turnover, will also be extended to service providers up to a turnover of Rs 50 lakh at a tax rate of 6 per cent.

On GST rate for real estate, the council has decided to form a seven-member group of ministers after differences of opinion emerged at the meeting, Jaitley said, adding there were diverse views on lottery. A ministerial panel will look into it as well.

Jaitley said those opting for the composition scheme would have to file just one tax return annually but pay taxes once every quarter. “A very large part of GST comes from formal sector and large companies. Each one of these decisions is intended to help the SMEs. You

have given them various options. If they are in service sector, they can get 6 per cent compounding, if they are in manufacturing and trading up to Rs 1.5 crore they can get 1 per cent compounding. They can make use of exemption of up to Rs 40 lakh," he said.

The finance minister said there would be two thresholds — Rs 40 lakh and Rs 20 lakh — for exemption from registration and payment of the GST for the suppliers of goods, with the facility that one can 'opt up or opt down' depending on revenue. "Few states had a view that if the turnover threshold is hiked to Rs 40 lakh, their assessee base gets eroded. So if they inform the Secretariat within a week then they would be given the option to opt down. Puducherry has kept this option… This is a one-time exception and does not affect businesses with inter-state supplies," Jaitley told reporters after the meeting.

Under the composition scheme, traders and manufacturers can pay taxes at a concessional rate of 1 per cent, while restaurants pay 5 per cent GST. There are over 1.17 crore businesses which have registered under the GST, which was rolled out from July 1, 2017. Of these over 18 lakh have opted for composition scheme. While a regular taxpayer has to pay taxes on a monthly basis, a composition supplier is required to pay taxes on a quarterly basis and is not required to keep detailed records compares with a normal taxpayer under GST.

February

1. New e-commerce policy comes into effect: Know all about it!

India's new e-commerce policy came into effect on February 1, 2019. The implementation has caused widespread disruption for the online retailers, forcing some of them to take down an array of items from their website.

According to an official notification released on December 28, 2018 by the Department of Industrial Policy and Promotion, a new set of policy rules were formed for the e-commerce companies. It gave them a 60-day window period for aligning themselves to the government's modified foreign direct investment (FDI) rules.

Key Highlights

• The new e-commerce norms bar online retailers from selling products through vendors in which they have an equity interest.

• It also bars them from entering into exclusive deals with brands for selling products only on their platforms.

• All online retailers will be required to maintain a level playing field for all the vendors selling their products on the platform, and it shall not affect the sale prices of goods in any manner.

• Further, the policy disallows e-commerce players to control the inventory of the vendors. Any such ownership over the inventory will convert it into inventory based model from marketplace based model, which is not entitled to FDI.

• Under the new rules, the e-commerce retailer shall be deemed to own the inventory of a vendor if over 25 per cent of the purchases of such a vendor are through it.

• Hence, not more than a quarter of the inventory on an e-commerce platform can come from a single vendor.

• The policy has also restricted marketplaces from influencing prices in a bid to curb deep discounting.

• With this, special offers like cashback, extended warranties, faster deliveries to some brands will be prohibited, with the view to provide a level playing field.

Objective

The key objective behind the revising the FDI rules for the e-commerce giants is to level the playing field in the retail space, as heavy discounting on online retail sites was causing heavy losses to the small and medium brick and mortar stores.

According to many small traders, e-commerce giants use their buying power and control over inventory from affiliated vendors to create an unfair marketplace where they can offer deep discounts on some products.

The arrangements will be barred under the new policy. The new rules will force the big e-sellers to change their business structures, which will raise their compliance costs.

Impact

The policy will impact global e-commerce players like Walmart-owned Flipkart and Amazon, who would have to change their business structures to comply with the new policy, which was announced late in December.

According to analysts, the new norms could take a massive toll on the earnings of Amazon and Flipkart. Earlier this month, both the e-commerce companies had asked that the deadline be extended by 4 and 6 months respectively, leading to traders' opposition.

By the midnight on January 31, a number of items sold by vendors such as Cloudtail, in which Amazon holds an indirect equity stake, were no longer available on the Amazon India site.

Clothing from Shopper's Stop will also no longer be available, as Amazon owns 5 percent of the company.

Further, Amazon's own range of Echo speakers, its Presto-branded home cleaning goods and other Amazon Basics products such as chargers and batteries will also not be available.

Background

In December, the government modified foreign direct investment (FDI) rules for its growing e-commerce sector, which has drawn major bets from not only Amazon.com but also the likes of Walmart Inc, which bought a majority stake in homegrown e-commerce player Flipkart in 2018.

Both the companies have bet heavily on India being a big growth driver. While Amazon has committed to investing $5.5 billion in India, Walmart spent $16 billion on Flipkart.

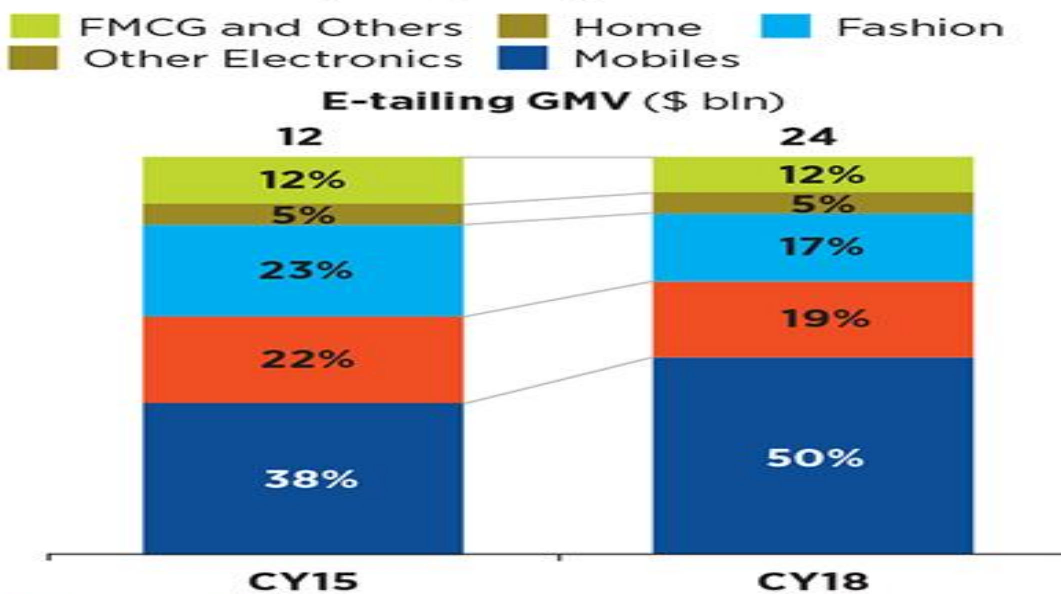
2. Ecommerce rules aim for vendor neutrality

Restrictions on Amazon's JVs and Flipkart's flash sales seek to level the playground with offline retailers

One in five of India's approximately 600 million internet users is an active online buyer, according to market researcher and consultancy Redseer Consulting. New rules introduced by India on December 26—known as Press Note 2 or PN2—placed tougher restrictions on the way online marketplaces or their parent ecommerce companies could operate in the country. For instance, the marketplace could source no more than 25 percent of its inventory from a seller linked to it.

Amazon was most hit by this, and had to restructure its holding in Cloudtail, its largest seller. It also had to pull an estimated half a million products from its site, according to market researcher Market Pulse.Similarly, Amazon had to pull products from another of its sellers, Appario Retail, and also those of Shoppers Stop in which it holds a 5 percent stake. Amazon will reduce its holding in Appario as well, a joint venture (JV) with Patni Group, The Economic Times wrote on February 6.

Cloudtail, operated via a 49:51 JV between Amazon and Catamaran Ventures, had to stop selling on Amazon India from February 1-6. Amazon has since reduced its holding to 24 percent while Catamaran raised its ownership in the seller's parent, Prione Business Services.



Flipkart has been affected by another norm, along with smartphone makers, which says that online retailers will also not be allowed to resort to festive season sales. So Xiaomi, for instance, will no longer be able to sell its Mi phones exclusively on Flipkart. Flipkart also had an exclusive partnership with Oppo.

Brick-and-mortar retailers have been lobbying with the government that online marketplaces are driving them out of business with festive season sales, which they felt were predatory in pricing. Another gripe was that Amazon's investments in vendors like Cloudtail and Appario were a roundabout way to stock inventory and against the spirit of FDI norms. In the long run, the new rules will deliver a more harmonious relationship between the sellers and ecommerce companies, Redseer said.

Like in China and other markets, India's seemingly insatiable hunger for smartphones is bound to fizzle out, so a shift towards a broader mix of categories, including long-tail ones like fashion, is on the horizon, Redseer said. These are categories where "pure marketplace play is more crucial than direct partnerships… these latest regulations will likely accelerate the shift".

3. Social Forces Shaping Business In 2019

The start of a new year can be both an exciting and anxious time for business leaders. Understanding trends, anticipating shifts in consumer behaviour and responding appropriately poses a different level of challenge when you are based in a diverse region

Southeast Asia is experiencing what some call 'the rising wave' — a large emerging middle class — which is getting ready for an exciting future. Fueled by growing economies, bold entrepreneurs and rising incomes, the middle class in Southeast Asia will be 350 million strong with a combined disposable income of $300 billion by 2022.

This is a population that has leapfrogged into the mobile-first lifestyle, which influences how people discover, evaluate and converse with businesses and ultimately, how and where they make purchases. This shift is particularly pronounced in countries like Thailand, Malaysia and Indonesia, where people spend 3.9, 3.7 and 3.4 hours, respectively, on their devices.

At Facebook, we are seeing three significant consumer communications trends which we expect will intensify in 2019: Video, Stories and Messaging. Last August, we rolled out Watch, a video platform, and found strong adoption in Southeast Asia, especially in the Philippines, Indonesia and Malaysia. We also found that Southeast Asia leads the way in people accessing video content on mobile.

Another interesting development is the consumer adoption of the ephemerality of the Stories format. People now share more than one billion stories every day across Facebook, Instagram and WhatsApp. A recent eMarketer report which examined the popularity of Stories said it plays into several broad consumer communication trends — a preference for sharing photographs or video over typing out a text update, the comfort of knowing what you post isn't going to stick around forever and the need to share everyday moments with smaller audiences.

This preference is also driving the rise of messaging. People are turning to messaging when they want a brand's guidance or expertise, when they seek a more streamlined shopping experience and when they want to signal that they are open to important updates.

This preference for messaging is even more pronounced in Southeast Asia, with 85 per cent of the people Singapore, Malaysia, Thailand, Indonesia, Philippines and Vietnam using messaging apps or services several times a day.

Messaging is important because it draws people and businesses into what can become an ongoing conversation. In many cases, messaging can offer people a concierge-like experience. After answering an initial filtering question, people are able to engage in a two-way dialogue, unlocking a more meaningful and personalised brand experience. We surveyed people across four countries and found that being able to message with a business made people feel more confident about the brand and more connected to it.

What do these trends mean for business leaders? Where should they focus their energies in 2019? I have two areas of recommendation. First, experiment with different mobile-first formats from Stories, videos and slideshows to engage customers. Second, choose messaging tools for your business that can help you start conversations with your audience and build relationships.

4. The Expanding Spectrum Of Financial Mergers

Banks could be buying technology companies – and vice-versa. A new era of technology-driven inorganic banking dawns

It is not hyperbole to say that technology will be one of the prime reasons why banks and financial firms will seek new partners, drive mergers and create new and even bigger financial entities. The transformative effect of technology is widely visible. In recent months, the mushrooming of various mobile applications from payments to e-banking to transfers has put banking at the fingertips of individuals and corporate bodies.

Technology is driving more banks to communicate with each person, facilitate cross-border transactions, and effortlessly move large amounts of money across the globe. More advanced layers of technology such as blockchain are adding another dimension of security in the paperwork, enabling tamper-proof systems that facilitate instantaneous movement of banking documents, thus further enabling financial penetration.

Technology enables massive scalability. Banks and financial companies are able to grow loan books without the need for branches. Newer payment banks have on-boarded a large number of customers in no time. Banks are able to service millions of transactions due to technology. Between April and December 2018, the number of transactions through IMPS increased to 1.22 billion, of a value of Rs 11.12 trillion.

In banking particularly, technology is no longer being used merely to automate services. It is being used to deliver advanced services to customers. As digital footprints expand, its effect on digital lending too has been exponential. Digital lending to micro, small and medium enterprises is expected to touch $100 billion by 2023. Teledensity increase in rural areas is seeing inroads being made as RBI and banks unveil banking services to the unbanked.

The adoption of technology has resulted in several benefits including greater productivity, efficiency, 24x7 operations, a huge reduction in operating costs, faster service and, more importantly, last-mile connectivity to ever larger sets of customers.

More relevant, technology is available on tap. A bank can now easily plug into new systems, access newer networks through fintech, and newer technologies. Banks and financial services with two vastly different technological ecosystems can quickly be integrated, thanks to switches, connectors and API. This makes it easier for them to merge and offer a more diverse set of products to one another's customers.

Banks and financial services have an ever-growing quest for acquiring new customers and reducing costs. A merger such as between IDFC Bank and Capital First is clearly focused on serving more retail customers, especially through asset or loan products. It is possibly the best example of merger of a corporate lender and one with retail & MSME loans.

The recent mergers of PSBs (Baroda, Dena and Vijaya) to create India's third-largest bank is the clearest example of how banks are coming together to cut costs, and overlapping.

Therefore, the growing influence of technology will create humongous partnership and merger possibilities for banks and financial-services companies, besides partnership opportunities for fintech and business correspondents. There are partnership opportunities from payment firms to lending firms, and from micro-finance companies and convenience-service providers to technology-enablers.

Therefore, were one to gaze at the proverbial crystal ball for trends in the next decade, mergers in financial services will not only be commonplace but also diverse and more unconventional. They will be driven by the need to acquire customers, cut costs, and for technological integration. Banks could be buying technology companies – and vice-versa. A new era of technology-driven inorganic banking dawns.

5. Braced For Growth : Leasing of hotels has emerged as a promising business model, but a lot depends on the brands' risk appetite.

Over the past few years, the iconic Hotel Ashok, in the heart of Lutyens' Delhi, has been grappling with an uncertain future. First, there were talks of disinvestment, and of late, plans are afoot to lease it out for 60 years to allow private players to redesign, rebrand and run the business. It may sadden old loyalists, but the leasing model seems to be gaining traction as real estate is exorbitantly priced and no one is too keen on large-ticket exposure.

The hotel industry has witnessed two key business models - brand-owned and operated properties and those managed by brands under management contracts. Now comes the leasing model, under which a brand takes over both day-to-day running and the P&L of the asset, for which the lessor gets a fixed return and at times, an added revenue share, as per the deal. According to Saurabh Gupta, Managing Partner at the Gurgaon-based hospitality consulting firm Hotelivate, "Leasing works for property owners who are looking to invest in the hospitality industry but need the comfort of assured returns. It also incentivises fresh capital to enter the sector. In addition, leasing of hotels allows brands to grow robustly, thus paving the path for some investments."

Leasing of hotels is yet to take off in a big way in India (even the ITDC-owned Ashok is getting few offers), but some operators are quite bullish about its growth prospects. "We handhold owners until the completion of the asset, and when the hotel is ready, we take possession," explains Zia Sheikh, Chief Managing Director and Chief Executive Officer of Svenska Hotels. This Swedish boutique hotel chain runs as many as 21 properties in India while 20 more projects are on the cards. Svenska started onboarding leased properties in FY2014/15, around the same time when the model became prevalent in the Indian market.

Some hotel chains are getting leases directly from owners, and most of the luxury properties are now managed for 10-35 years. "These are typically very long-term leases, say for 25

years. The minimum guarantee is what an owner would typically expect to receive in the first or the second year until the hotel stabilises. After that, revenue share usually kicks in," adds Sheikh.

Besides Svenska, a few other players, including Howard Johnson, Royal Orchid and Bloomrooms, have adopted the leasing model. But right now, there are too few 'leased' properties in the market compared to 'owned-and managed' and 'managed' ones. "The lease is a contingent liability on a balance sheet, a key reason why many international chains operating in India do not adopt it," says Gupta of Hotelivate. Nevertheless, a few Indian brands such as Ginger and the Indian Hotels Company (Ginger is part of IHCL) have a blueprint in place for leasing fully fitted assets.

Deepika Rao MD and CEO, Ginger

"In fact, fully fitted leases are the preferred lease model for growth," says Deepika Rao, MD and CEO of Ginger. "We have a new design prototype that can be synced with the construction capabilities of our partners to ensure faster hotel opening. Besides, this model will enable optimisation of resources and deliver an appropriate level of profitability." Ginger currently operates 25 leased properties in locations such as Indore, Vapi (Gujarat), Faridabad and Jaipur.

Advantage Leasing

According to Hotelivate's 2018 Indian Hospitality Trends and Opportunities report, "Proponents of this structure (leasing) are of the view that the true 'skin in the game' factor by leasing of hotel assets offers a huge confidence boost to developers in a sector that is sometimes criticised for its uneven risk-reward ratio. The leasing model is essentially an inverted management contract in some ways. The operator/brand takes the P&L risk whereas the owner/landlord is offered returns off the top-line of the asset."

A look at the industry's growth will further explain the scenario. An ICRA report released in December 2018 says that the Indian hospitality sector is expected to grow by 9-10 per cent per year until 2023. The Hotelivate report also points out that the highest growth in revenue per available room has been in the three-star hotel segment, with an increase of 8.2 per cent in 2016/17. Next comes the two-star segment, with a 7 per cent increase.

Moreover, domestic travel is growing at a fast clip - a total of 16,525 lakh visits were clocked in CY2017, the latest year for which data is available. Hence, it is no surprise that brands, especially mid-market operators and budget players, are looking at aggressive expansion in cities, both big and small. The new model looks increasingly attractive as they can take on ready assets and invest in their upkeep and branding.

Kashyap Shah, General Manager, Business Development, at Ahmedabad-based Unique Mercantile India, is optimistic. His company has secured master development rights for the US-based Wyndham's Howard Johnson brand and plans to develop and operate 35 hotels in India over the next 15 years. Howard Johnson currently operates two hotels in Bengaluru and Kolkata but has projects under development all over the country - from Lonavala to Ludhiana and Bhubaneswar to Coorg. And Shah is actively evaluating the leasing model for future projects within the country.

"Most of the hotels in India are owner-owned and owner-operated," he says, adding that these could be missing out on "the opportunity to make a lot more money and a lot more revenue and might be short selling themselves". As more brands move towards the leasing model, Shah sees operators - with their sales offices, consistent brand standards, loyalty programmes and of course, brand recognition - massively benefiting the owners who "are not juicing their profits".

Anshu Sarin CEO, Berggruen Hotels

Anshu Sarin, CEO of Berggruen Hotels, which runs the Keys Hotels chain, admits that none of its current properties falls under the 'leased' category, but the model is being evaluated for new assets that the company hopes to bring into the Keys' fold. According to Sarin, "(The) fundamental leasing model has been there for a while; it is not a new concept." However, long-term leases benefit operators as they can avoid "high development risks associated with owning an asset", namely, access to and cost of capital, completion time and permissions required.

Sheikh of Svenska Hotels has a different take. "If (an owner) is happy with other businesses he/she may have and there is just one property that needs to be converted into a yield-producing asset, we would normally recommend a lease and the entire operating risk is transferred from the owner to the operator." Plus, there is another upside, he points out. "As soon as the asset is completed, (the owner) starts getting returns. Normally, during the first

year, (the hotel) bleeds, but you are getting minimum guaranteed returns from the very outset."

However, not everyone buys into the concept. Take, for instance, what InterGlobe Hotels is doing. This 60:40 joint venture between Indigo Airlines owner InterGlobe Enterprises and Accor Asia Pacific (part of the French hospitality major Accor) is developing purpose-built hotels under its ibis brand for every market it is entering. The benefit: One has control over everything, from room size to the number of keys and more. Says J.B. Singh, President and CEO of InterGlobe Hotels, "It was a kind of reverse engineering in terms of what the market was looking at and how we could deliver it with the highest level of product, and that brought us back to the drawing board saying: Okay, we need to build our hotels." To date, 17 ibis hotels have been built and at least five more are in the planning or construction stage.

The Bottom Line

In spite of debates and differences, most of the stakeholders agree that a healthy mix of business models is necessary. "For example, Ginger has evolved through various business models. We have a mix of freehold, managed and leased assets," says Rao.

Industry experts also think leasing would become a more accepted growth strategy in the coming years, especially in the budget segment as more operators with bigger risk appetite enter the market. Brands are cautious, though, and say certain factors must be considered before leasing a property. According to Sarin, "The leasing model is business and leisure-agnostic, and in my opinion, leisure is going to be the way forward for the industry. It has immense growth potential and also offers immense scope in terms of experiential products and the ability to re-price yourself."

Shah of Unique Mercantile thinks leasing in established markets like Goa, Mumbai or Bengaluru is not a high-risk proposition. But in each case, the micro-market, or the area around the property, should be studied beforehand. Then, there are other things which act as a trigger, he adds. "The way we pick our properties is based on how a customer thinks and chooses when she is looking for a hotel. And we have to look at different demographics for that."

March

1. Boeing crisis makes it advantage Airbus --With Jet Airways on the brink of collapse, Boeing could lose its biggest customer in India which could adversely impact its market share

The Asia growth story of the two big global aircraft manufacturers, US-based Boeing and Europe's Airbus, is intrinsically linked to the success of Indian airlines. So much so, when Boeing-operator SpiceJet was on the verge of shutting down in 2014, the maker of the bestselling B737 aircraft series stepped in to help the Indian airline overcome its difficulties.

"We assisted them (SpiceJet) to ensure that some of their aircraft would continue to stay in their fleet and, yes, we helped them financially as well," Dinesh Keskar, senior vice president, Asia Pacific and India Sales, Boeing Commercial Airplanes, told Forbes India in 2017. The revival of SpiceJet, "made sure that our market share and legacy continues in India", he admitted.

SpiceJet scripted a remarkable turnaround, but Boeing, says Diogenis Papiomytis, global programme director, commercial aviation, Frost & Sullivan, falls well behind Airbus in India, both in terms of aircraft numbers and orders.

IndiGo, India's largest airline, has 400 Airbus aircraft (A320neo and A321neo) on order. It operates a fleet of about 200 Airbus aircraft, a combination of A320ceo, A320neo and A321neo. Besides IndiGo, Air India, GoAir and Vistara operate a fleet of Airbus aircraft.

The two main Boeing operators in India are Jet Airways and SpiceJet. While Jet has on order 225 Boeing B737 MAX aircraft, SpiceJet has 155 of the same aircraft on order. Hence, if Jet Airways were to collapse, the impact on Boeing, in the context of India, would be significant. "Even if Jet were to continue flying, it may have to restructure its fleet order and potentially cancel deliveries of B737 MAX," says Papiomytis.

The crisis at Jet has only worsened with its pilots threatening to stop flying from April 1 due to non-payment of salaries. Its engineers, too, have been vocal about their dissent. "We are in tremendous stress due to non-payment of salaries on time, since the last seven months. As of now, three months' salary is overdue," Amit Kelkar, vice president, Jet Aircraft Maintenance Engineers Welfare Association, wrote in a letter.

Owing to financial woes, Jet operates less than 50 percent of its 119-strong fleet. It has also pulled out from Hong Kong, a key global market.

An email sent to Boeing on whether it plans to help Jet Airways, like it did with SpiceJet, did not get a reply. But Boeing has a far bigger problem to deal with: The grounding of its B737 MAX aircraft across the world, after two plane crashes in five months.

"I don't foresee airlines [Boeing operators] rushing to secure MAX deliveries, so we are looking at an almost complete market dominance by Airbus in the country," says Papiomytis. "In the next five years, we could see the ratio of operating narrow-body fleets going from 3:1 to 5:1 in favour of Airbus."

In fact, given the crisis at Jet, SpiceJet could have stood to benefit by increasing capacity. However, the grounding of 12 of its B737 MAX aircraft would hit its growth plans.

2.Political strategists: The campaign makers

Political strategy and consulting firms have mushroomed across the country over the last decade. As India gears up for elections, they are already on the road, using data to drive campaigns that can help swing polls

It was the winter of 2017. Amit Vij, then 39, was working as vice president-corporate affairs with Reliance Industries. Twenty-one days before the Punjab assembly elections in February, he ended up getting a ticket from the Indian National Congress to contest from Pathankot. Vij is no stranger to politics as his father Anil Vij is a senior Congress leader from the same region. But this was his first big battle and Vij hired Gurugram-based political consulting firm PoliticalEdge to help him strategise for the election. After all, he was contesting against BJP's Ashwani Kumar Sharma, who had won the seat in 2012 with a 19 percent margin.

"There were challenges at various levels as Amit was contesting against a seasoned politician," says Saurabh Vyas, founder, PoliticalEdge.

After analysing Vij's profile and the demography of the Pathankot constituency, PoliticalEdge came up with three important insights: To focus on youth and promise to industrialise and create jobs, to use his personality trait of being humble and soft-spoken to differentiate him from others, and lastly, as he was not seen in the constituency as a regular politician, it was decided that he would do a rigorous door-to-door house campaign, spending 18 hours on the field every day.

"The strategy, based on data insights, was dynamically changing and we had to create a data analysis and war room from the very first day," says Vyas. "It was like a 24-hour cycle where at the end of the day you recalibrate the campaign and fine-tune the strategy for the next day... we did this over ten days till the final campaign took shape."

He adds that once the campaign was curated, effective distribution of content in the last ten days was the next challenge. "We did this through social media, volunteer training, party worker training, field inputs, events for focussed groups and route mapping for the candidate for maximum output."

Vij went on to win the seat with 56,383 votes, while the sitting BJP MLA managed 45,213 votes.

This is a small glimpse into the world of political strategy and consulting, which has mushroomed across the country over the last decade. As India goes to polls in 2019, the stakes are higher than ever. It is said elections are fought on emotions and they are an art more than science, but the rise of these geeks would suggest otherwise.

The Rise of Strategists

Vyas and Gaurav Rathore were batchmates at IIT-Bombay. Vyas has a dual degree in aerospace engineering, while Rathore studied metallurgical engineering and materials science, but their love for politics and data analytics skills brought them to political consulting.

They officially registered PoliticalEdge in 2011 and to date have advised over 700 candidates across the country, including Sachin Pilot for the Rajasthan Pradesh Congress Committee and for assembly elections 2018, Shashi Tharoor, Milind Deora and HD Deve Gowda for the 2014 general elections, among others.

"We always propose the candidate a jump of 4-6 percent vote share especially while working with individual leaders, by using all our expertise, but it's never a victory promise. When we work with parties, a 5 percent margin share can help a party form a government," says Vyas.

The numbers testify to this. For example, during the Madhya Pradesh state assembly elections in 2018, Congress won 114 seats, the BJP 109 seats while the None Of The Above option played a significant role as 1.2 percent population of the state or 542,295 voters opted for it. Similarly, during the Gujarat state assembly elections, 16 Congress candidates lost by less than 3,000 votes, a crucial factor that every party is taking note of.

While PoliticalEdge was charting its story from its office in Gurugram, the breakout poster boy of political consulting had emerged in the form of Prashant Kishor whose team advised the Narendra Modi-led BJP to a resounding win of 282 seats in the 2014 general elections. No party had come to power with such a majority since 1984.

Kishor started Citizens for Accountable Governance (CAG) as a non-profit in 2013. Two years later, it was rechristened Indian Political Action Committee (I-PAC), which has since strategised and campaigned for candidates in five elections. In 2014, it launched some of the marquee campaigns to build 'brand Modi' like Chai Pe Charcha (conversations over tea) and the Statue of Unity movement; it also implemented 3D hologram rallies in India for the first time with Modi while positioning him as Vikas Purush (man of progress).

Kishor is now a political leader with the Janata Dal United (JDU) in Bihar but I-PAC is presently working with the regional YSR Congress Party (YSRCP) led by Jagan Mohan Reddy for the upcoming state and general elections.

In its latest campaign strategy devised by I-PAC called Samara Shankaravam, YSRCP has formed a network of 505,120 booth-level workers with one convenor and 10 workers at each booth in Andhra Pradesh. Through this, Reddy will meet booth-level workers in each of the 13 districts in the state.

Partha Pratim Das got into consulting when for his final project at IIM-Bangalore he advised Dr Ajay Singh, who was contesting from Jewargi, Karnataka, in 2013 for the state assembly elections. Singh went on to defeat the sitting BJP MLA by 36,700 votes. Das founded political strategy firm Chanakyya in November 2013 along with Arindam Manna, and his team and he once again worked with Singh in 2018 to win the same seat.

Das is advising a political party in northern India for the upcoming general elections and two potential MP candidates in Karnataka.

Likewise, Tushar Panchal founded WarRoom Strategies in 2016. It has a 40-member team that expanded to hire 700 more people to work with them during the 2018 Chhattisgarh assembly elections. The firm was strategising for a political party to contest elections and once polls were over, it was back to being the small team.

How they swing it

A political campaign is usually months in the making and every strategist has a different approach of creating one for their candidate. Generally, the strategists offer end-to-end services to a politician or a political party, and start work five to six months ahead of the elections.

They offer data services, which include poll-booth data of each constituency, historical data on how the seat has witnessed a shift in voting patterns as well as on-ground surveys to understand the concerns of the voters (electricity or minimum support price for grains, jobs, savings, increase in food prices or at best survival), and then create a campaign and advise the politician and ground workers to implement the same.

“We have booth-level past election data and we explain to political workers how people have voted in the past from his or her village, equipping them with information. For a candidate to win their respective seat, it is important that they win every polling booth and we help them achieve that target,” says Chanakyya’s Das.

Targeting too is key. “These days people have data on the basis of your public digital profile, your pin code which determines if you are in a particular area, what your socio-economic composition would be, the kind of phone you use to your mobile bills, your spending power... all forms of data is available, which is then dissected and targeted campaigns are created and sent to the individual,” adds Panchal.

One of the biggest shifts from the 2014 elections to the 2019 polls, as Vyas puts it, is targeted content sharing and how everyone is moving away from sending merely pictures to political videos to keep voters engaged.

"Social media is an important factor for communication. While Twitter is mainly used by political leaderships and influencers, YouTube, WhatsApp, Facebook and LinkedIn are important platforms to send communications to the general electorate," says Das.

Political observers say parties and candidates are now sending messages in local languages through apps like ShareChat and TikTok and making videos of lower quality that could be easily downloaded and shared in bulk.

But Panchal strikes a word of caution, saying there is nothing new left in social media anymore and political parties have to be careful in their tone of conversation and the relatability of their campaign.

Besides, the job doesn't end with elections. "Once the results are out, we do a post-poll review and try to learn what has worked and what didn't, so that we can implement it in the next project," adds Das.

The Campaign Conundrum

Although there is a rise in the number of political consultants these days, one would have to go back in time to understand the rise of political strategists in India, a country so complex that every district represents a different story.

While the period from 2005 to 2011 saw some chief ministers and leaders being re-elected on the back of development, since then challengers have found it easier to beat incumbents. Caste and religion—two key ingredients in the Indian poll masala—have in the past decade become even more primary, arguably preceding development in a clutch of elections.

Panchal says, "There are no templates to win elections, each comes with its own challenges. People in India vote on the basis of caste, creed, religion, local factors, regional factors. In fact, we have observed that development has no agenda in electioneering."

Then there is also the factor of floating voters, known as swing voters, who more often than not decide the fate of a candidate. In any election, it is the 3-7 percent swing in each constituency that determines which way the election is headed. As one political observer says, the whole thing comes down to try and find the swing voter and to get them to vote for you.

"The floating voter percentage is on the rise due to various social, political and economic changes that are constantly happening around us. It is usually 20 to 25 days before an election that swing voters start making up their mind on the basis of what a candidate stands for, and whether their campaign appeals to them or if it has a personal impact on their lives," says Rathore of PoliticalEdge.

In his book Democracy On The Road, Ruchir Sharma notes that while working closely with Pramod Mahajan—the mastermind of BJP's electoral strategy in the Atal Bihari Vajpayee era—it was politician Sudhanshu Mittal who brought the modern election war room to India. Together, Mahajan and Mittal had introduced the scientific use of data to identify winnable districts, steer funding and manpower to those battlegrounds, as well as identify candidates in Rajasthan.

But not all believe that data science in India is as evolved as it is in the global world. Also, political strategists don't get it right all the time. They have faltered on many occasions.

"Although the quality of data has improved, I still think that the process of data selection in India still remains unscientific," says Sharma. "If you look at the data, it is still very much about candidate selection and to me it still appears to be like who has the most money, best family connections, the influence with the top leadership. I feel those factors are still the determining factors of it."

Even before the Election Commission announced the poll dates, most political strategists were already on the road, advising parties and preparing their behemoth of content. And some of it has slowly been seeping into our phones and conversations. After all, politics is a hotly debated and contested topic in India.

3. The paradox that is Indian aviation

While the sector has been dealing with issues like loss-making airlines and poor regional connectivity, India remains the world's fastest growing aviation market

India’s aviation sector is something of a paradox. On one hand, Asia’s third-largest economy continues to be the fastest growing aviation market in the world, with domestic passenger numbers clocking 18 percent growth in 2018. On the other, there is the perennially loss-making nature of airline companies, the colossal failure of a regional connectivity scheme and even massive debts raked by airport operators.

Yet, something about Indian aviation continues to lure many to enter the sector. In early March, Adani group, the country’s largest port developer, emerged as the winner to develop five operational airports that are now being privatised, in an attempt to improve their infrastructure. This is the first time that the salt-to-port operator has forayed into the airport space in India.

The Gautam Adani-led group now has the right to upgrade and operate the airports of Lucknow, Jaipur, Thiruvananthapuram, Mangaluru and Ahmedabad after it offered higher payment for per passenger fee to the Airports Authority of India (AAI). The group will get to manage these airports for 50 years. It makes it the largest private player in the airports business by the number of airports.

“The sector is a lucrative business to be in,” says Mahantesh Sabarad, head, retail research, at SBI Cap Securities. “Air travel in the country continues to grow and the airport side will see sustained growth. As far as the debt aggregated by other airport operators is concerned, it could be a case of miscalculation because by itself, the airport business has huge potential. This time, however, there has been a change in policy, and a better framework created for bidders made it easier and more lucrative.”

Earlier, when India decided to allow privatisation across airports, airport operators had to share a certain percentage of revenue with AAI. Over a decade ago, the GMR group agreed to share 45.99 percent of revenue with AAI for developing the Delhi airport while GVK group offered 38.7 percent for the Mumbai airport development. This time, however, bidders had to offer fixed revenue per passenger to the authority.

A change in the revenue share model was sought after AAI felt that the operators weren't showing enough revenue from airport operations, leading to lower payment to AAI, forcing the government to look at other methods of revenue share. It also helped that the government did away with the requirement of prior experience while bidding for projects.

Across the six airports that had recently invited bids from the private sector, passenger traffic was to the tune of 30 million passengers—23.6 million domestic and 6.4 million international—last fiscal, according to research agency ICRA. In contrast, the GMR group-run New Delhi airport handled 65.69 million passengers in fiscal 2018 while the GVK group-run Mumbai airport saw 48.5 million travellers during the same period.

"The Adanis are buying into profitable airports that see a large number of passengers and have the potential to grow in the future," says Mark Martin, founder of Dubai-based aviation consultancy firm Martin Consulting. "Unlike before, flying isn't a luxury anymore. It is a necessity and that means we are seeing huge growth in passenger traffic."

For airport operators, much of their revenue comes from the non-aero side that includes retail and monetising real estate across airports. Passenger traffic across India is set to swell and the International Air Transport Association reckons that the number of airline passengers in the country is set to touch 50 crore by 2037 even as airline companies struggle to keep up with growing demand for pilots and fluctuating oil prices.

Despite all this, Adani's entry into the aviation sector is likely to bring more stability and growth. "Having a new player in the market breaks cartels and creates a level-playing field, so a lot depends on how focussed they are with airport development," adds Martin.

4. Robots, robots everywhere

For 20 years Intuitive Surgical owned its market. Now the operating room is getting crowded

It was the femoral artery of a rat that piqued the curiosity of Gary Guthart. Then a new hire at a research institute spun from Stanford University, he was assigned to a surgical robotics lab. He was asked to sew a severed artery back together by hand, and then to try it again with a prototype robot.

“That’s what people have to do in surgery?” Guthart recalls thinking. “That looks like both a really interesting, important problem and a really hard ¬problem, and that got me really excited.”

Three years later, in 1996, Guthart was working at a startup called Intuitive Surgical, which had licensed technology from the institute, SRI International. Intuitive launched a robotic surgical helper, branded da Vinci, in 1998. The da Vinci would go on to change surgery in the same way the iPhone has transformed cellphone use.

Today, nearly 5,000 da Vincis are in operating rooms, used in one million surgeries per year. Intuitive went public just after the tech bubble peaked in 2000, and still the stock ended the dec-ade 17 times higher than at its IPO. Why? Because, until now, Intuitive has had the business to itself. The price tag on a da Vinci is about $1.5 million. Plus, it sells about $1,900 in replacement parts per operation. The company’s 30 percent net profit margin eclipses Microsoft’s.

Guthart, 53, has been chief executive since 2010 and is sitting on $315 million worth of Intuitive stock and options. But now he’s going to have to work a little harder. Medtronic, a medical-device maker with sales eight times Intuitive’s, and Verb Surgical, a partnership between Johnson & Johnson and Alphabet, are expected to enter the surgery robot market in the next year. They’re likely to compete on price.

There's another problem, much like the one that caused Apple to recently warn on sales: After a period of explosive growth, a pioneer confronts saturation in its original markets. A plateauing of sales is inevitable. Morningstar analyst Alex Morozov expects Intuitive's rich multiple (41 times expected 2019 net) to come down. He rates the stock a sell.

And yet Guthart and Intuitive have somehow defied gravity so far. In 2012, a national advisory panel declared that some prostate cancer screening (and the resulting surgeries) did more harm than good; still, prostatectomies are common, and Intuitive's machine is used in at least 80 percent of them. Last year the company increased its revenue by 19 percent to $3.7 billion, on which it netted $1.1 billion. Guthart is moving into new territory with a machine to help doctors inspect lungs for cancer. He is expanding abroad. He is pushing the da Vinci into stomach-shrinking surgery.

Guthart, the son of a defence engineer and a science teacher, grew up in Sunnyvale, California, just a few miles from where Intuitive's headquarters now lie. His high school math teacher snagged him an internship writing code at a Nasa research operation, where he was the youngest person in the lab. He got engineering degrees at UC Berkeley and Caltech, with dreams of becoming an academic. But a professor turned him down for a postdoc. "I think you're a bright enough person," Guthart remembers him saying. "But I don't think you would make a good professor. You don't like to write, and you spend a lot of time chatting with people."

Two months later Guthart found a job at SRI, where he was drafted by a robotics startup founded by surgeon Frederic Moll, engineer Robert Younge and venture capitalist John Freund. They licensed technology from the research institute, which had received funding from the Defence Department to build a system that would enable a surgeon to operate a battlefield robot remotely. That idea never panned out, but the startup, Intuitive Surgical, had plans to improve minimally invasive surgery, a new technique at the time.

In 1998 surgeons used the da Vinci to perform what the company reported to be the world's first computer-enhanced closed-chest heart surgeries, like mitral-valve repair. But robotic cardiac procedures didn't get a big uptake in a market where doctors were focused on a different medical innovation: Heart stents.

In 2001 the da Vinci got a big break when the Food & Drug Administration cleared it for prostate surgery. Dr Ben Davies, a professor of urology at the University of Pittsburgh School

of Medicine, has been using it for the six to seven prostatectomies he's been doing every week for the past decade. Before the robot came along, he says, this very invasive open procedure would be a challenge because the prostate gland is surrounded by sensitive parts of the body that need to be delicately dissected. The result could be lots of blood loss. With robotics, the doctor operates the precise controls while watching a feed from a camera set inside the patient. Blood loss is "min¬us¬cule", Davies says.

Sales dipped in 2014, after the bad review of prostate screening and a warning about robotic hysterectomies from the head of the major US professional group for ob/gyns. Intuitive got back on track by expanding into hernia repairs, which accounted for 12 percent of da Vinci procedures in 2017, according to one analyst's estimate. But then there was yet another complication. The New England Journal of Medicine published two studies showing that women who had a minimally invasive hysterectomy—whether robotic or not—to treat early-stage cervical cancer were more likely to die later of the disease than they were with open surgery. While radical hysterectomy to treat cervical cancer is not a huge portion of Intuitive's business, Guthart told investors in January he expects some impact.

What's Guthart going to do about the new competitors, which could attack all of Intuitive's markets? Its first-mover advantage should help for a while. Hospitals invest in training and equipment for the da Vinci, which could make it harder for them to switch. Intuitive is adding features to the da Vinci that seem plucked from a medical bag of health care buzzwords: Augmented reality, big data analytics and artificial intelligence, advances aimed at keeping Intuitive's technology in the lead.

Still, Guthart aims to take the company beyond the da Vinci. The Ion is a robotic-assisted bronchoscope awaiting FDA clearance. Guthart says the device could have helped his mother when she was successfully treated for lung cancer seven years ago. Someday, the tool might become a way to destroy cancer cells inside the lung, much as gastroenterologists can both detect and remove precancerous polyps during a colonoscopy.

But this time Intuitive won’t be the first to market. In 2003, Moll left the company he had co-founded and later started a rival medical robotics company called Auris Health, attracting more than $700 million in venture capital. Auris received FDA clearance in March 2018 for a device to perform lung biopsies. Intuitive has sued, alleging patent infringement, and Guthart says he’s not in regular contact with his former boss, whose company denies the charges. The case is pending. All things considered, it’s fair to expect Guthart’s next nine years to be more of a battle than his last nine.s

April

1. Merger of Bank of Baroda, Vijaya Bank, Dena Bank: Power of 3

The merger of Bank of Baroda, Vijaya Bank, and Dena Bank became effective on April 1, 2019, marking the first-ever three-way merger in India's banking sector. The amalgamation of Vijaya Bank and Dena Bank into Bank of Baroda was first announced in September 2018.

With this, Dena Bank and Vijaya Bank became a part of the Bank of Baroda, leading to the creation of the India's second largest Public Sector Bank after the SBI and India's third largest lender overall after the SBI and ICICI Banks with a total business of more than Rs 14.82 lakh crore.

2. Reliance Retail became India's first retail company to cross the Rs.1 lakh crore annual revenue milestone

On 19th April 2019, the retail arm of the Mukesh Ambani-led Reliance .

Industries became India's first retail company to cross the Rs.1 lakh crore annual revenue.

Key Points:

i. The revenue for 2018-19 is Rs. 1,30,556, which is 89% more from the previous fiscal.

ii. The company added **2,829 stores** during the financial year, taking the total to 10,415 stores, thus becoming the **first Indian retailer** to cross more than 10,000 stores.

iii. It also opened more retail stores and added 26.6 million new subscribers to its Jio mobile phone service.

3. The Defence Industry Can Give A Major Fillip to Growth of Manufacturing: S.P. Shukla

In an interview with BW Business world, S. P. Shukla, Group President - Aerospace & Defence, Mahindra Group, talks about economy, skills, technology, national security and creation of jobs

On building capability and capacity in India and on harnessing the potential of the defence industry to be the catalyst of industrial growth over the next five to ten years

India already has a thriving manufacturing sector. We are among the largest manufacturing hubs for automobiles, automotive components, pharmaceuticals etc. The defence industry has clearly been identified as one of the key sectors for growth.

In the next five to ten years it is the private sector industry that is likely to witness growth in this sector, which will augment the capacity of the defence public sector undertakings (DPSUs).

With reputed Indian companies like Mahindra, which have proven expertise in engineering and manufacturing of complex platforms and has partnerships with reputed global original equipment manufacturers (OEMs), the defence industry is certainly poised for exponential growth in the coming years.

On the defence industry being the 'next big thing' in terms of its contribution to the economy, skills, technology, national security and creation of jobs

The defence industry can give a major fillip to the growth of the manufacturing sector in India. Once a significant portion of the defence equipment which is currently being imported is produced indigenously, it will lead to growth in jobs and the economy.

Moreover, any sovereign nation would like to reduce its dependence on foreign countries for supply of critical defence equipment. This is important from the perspective of national security. Here again, a thriving Indian defence industry would ensure that we are able to

remove the unflattering distinction of being the largest importer of defence equipment in the world.

On the defence industry being the 'next big thing' for the economy, skills development, technology transfer, national security and job creation

I very strongly believe that the defence and aerospace sector can catalyse the Make in India movement in the country and help boost economic activity. Last year, the Ministry of Defence introduced the Defence Production Policy 2018. The policy articulates a vision to make India self-reliant and one of the top five countries of the world in the aerospace and defence sector. It sets an objective to achieve an annual turnover of $26 billion in defence goods and services by 2025.

Some salient features of this policy are

attracting additional investments of up to $10 billion, creating 20-30 lakh employment avenues, setting up a Defence Exports Organization, bringing in more synergy between Defence Procurement and Defence Production and achieving complete self-reliance in major weapon systems like fighter aircraft, helicopters, warships, gun systems, land combat vehicles etc.

Implementing the Defence Production Policy 2018 in right earnest and with speed will give the much-needed fillip to investments, production scale capacities and indigenous capability building in the sector.

On the policy framework at the macro level

As an active stakeholder engaged in this sector for the past several decades, I can with a strong conviction, claim that never in the past have so many measures been taken to give a fillip to the private sector in defence than in the last four-and – a - half years. However, going forward in the next 12-15 months, the focus has to be on implementation, expediting execution of major procurement programmes and awarding contracts to the private sector.It is of paramount importance that India stop relying on foreign powers for Transfer of Technology (ToT) and create 'know-how' and 'know-why' for fighter aircraft, warships, guns, land combat systems, helicopters and all those 13 weapon systems which have been identified in the Production Policy 2018. I am 100 per cent sure that we are heading in this direction.

4. Jet Airways suspends operations with last Amritsar flight; 20,000 jobs at stake

Cash-strapped Jet Airways on April 17, 2019 suspended all its domestic and international flights indefinitely with immediate effect after the lenders refused to release emergency funds for the carrier.

Once India's top airlines, Jet Airways flew its last flight on Amritsar-Mumbai-Delhi route at 10:30 pm on April 17 after flying for 25 years. The grounding of Jet's operations has put the future of over 20,000 employees at stake who were left with no work at hand. Jet Airways also owes to lessors, suppliers, pilots and oil companies.

5. Government extends ban on import of milk products from China

The Union Government has extended the ban on import of milk and its products, including chocolates, from China till laboratories at ports for testing the presence of toxic chemical melamine are upgraded.

The Directorate General of Foreign Trade said in a notification that the prohibition on import of milk, milk products including chocolates, chocolate products, candies, confectionary and food preparations with milk or milk solids as an ingredient from China is extended until the capacity of all laboratories at ports of entry have been suitably upgraded for testing melamine.

The ban was imposed after apprehensions arose on the presence of melamine in some of the milk consignments from China. Melamine is a toxic chemical used for making plastics and fertilisers.

6. Saudi Aramco to buy 25% stake in Reliance's refining & petrochemical business

Saudi Aramco, a Saudi Arabian national petroleum and natural gas company, is in talks to acquire a 25 per cent stake in Reliance Industries' refining and petrochemicals businesses.

This stake sale of Reliance Industries Limited (RIL) would fetch around USD 10-15 billion, valuing Reliance's refining and petrochemicals businesses at around USD 55-60 billion.

Reliance Industries is India's biggest refining and petrochemicals company, controlled by Mukesh Ambani. Reliance runs 1.4 million barrels per day (bpd) refining complex at Jamnagar in western India. It plans to expand capacity to 2 million bpd by 2030.

Saudi Aramco

• Saudi Aramco is the state-owned oil company of the Kingdom of Saudi Arabia.

• Over the past 80 years, the company has become a world leader in hydrocarbons exploration, production, refining, distribution and marketing.

• The company manages crude oil and condensate reserves of 261.1 billion barrels.

• The average daily crude production of the company is 10.2 million barrels per day.

• Headquartered in Dhahran, Saudi Arabia, Saudi Aramco has offices and operations throughout the Kingdom with over 65,000 workers worldwide.

• The company has its subsidiaries and affiliates located across the globe in China, Egypt, Japan, India, the Netherlands, Korea, Singapore, the United Kingdom and the United States.

7. Ministry of Rural Development presented recommendations for fostering Finance Commission

The Ministry of Rural Development headed by Secretary Amarjeet Sinha, made a detailed presentation on the Ministry's plans on fostering higher inclusive growth, equity, efficiency and transparency – to the Chairperson N.K. Singh and Members and senior Officials of the Fifteenth Finance Commission on April 11, 2019.

The Presentation dwelled upon the changing structure of rural economy; Gram Panchayat led, data driven and accountable development approach; governance reforms for better outcomes and other specific proposals for rural development.

- Higher/New State Share – PMGSY, PMAY (G).
- Extra Budgetary borrowing – PMAY Gramin.
- Finance Commission transfer.
- Massive rise in loans to SHGs – ₹ 81,077 cr.
- Increasing incomes through livelihood thrust – farm ponds, wells, animal sheds/resources.
- Larger effective transfer due to governance reforms – IT/DBT – Decline in leakages.
- Other specific proposals of Rural Development like maintenance of roads, transfer of certain schemes, and Human Resource Reforms.

The presentation also made a case of Government's Reforms and conversant growth Panchayat Development

- Governance Reform and Convergent Gram Panchayat Development Plans as necessary pre-condition for fund transfers
- Capacity building of Panchayats (along with women SHGs), use of technology, data driven financial management reforms, and geo-tagging as necessary conditions.
- Comprehensive HR as part of recommendations.
- Earmarking for road maintenance.
- Transferring DRDSs to States.
- The Commission shall now take into consideration all the issues raised for the purpose of framing its recommendations to the government.

8. Reliance Jio acquires Haptik for Rs 230 crore

India's telecom company Reliance Jio has acquired chatbot making startup Haptik recently. In the Rs. 700-crore deal, Rs. 230 crore will go for business transfer and Rs. 470 crore will go towards expansion. Reliance Jio acquired 87% stake in Haptik. Haptik Co-founders AakritVaish and SwapanRajdev and employees will have a minority stake in Reliance Jio.

Highlights of the deal

- Haptik has entered a strategic partnership with Reliance Industries, through its subsidiary Reliance Jio Digital Services Ltd.
- The total transaction size, including primary capital investment, is about INR 700 Crores (100 million USD), with Rs. 230 Cr as the consideration for the initial business transfer from Haptik to Jio.
- The Haptik team will continue to drive the growth of the business, including the enterprise platform as well as digital consumer assistants.
- On a fully diluted basis, RIL will hold about 87% stake in the company, with the rest with Haptik's founders and employees.

About Haptik

- Chatbot making startup Haptik was born in 2013. AakritVaish and SwapanRajdev are co-founders.
- For over half a decade Haptik was at the forefront of the Conversational AI revolution in India.
- This platform has cumulatively processed over 2 billion conversations to date.
- Apart from Reliance Jio, Times Internet acquired a majority stake in the company and invested USD 11.2 million into the business.
- Haptik app is a chat-based personal assistant allowing users to set reminders, book a cab or flight tickets, recharge phones, pay utility bills, find places in their vicinity or do a web check-ins.
- It uses artificial intelligence (AI), machine learning to deliver fast, precise results.

9. PepsiCo sues Indian farmers over the FC5 potato row

PepsiCo Inc has sued four Indian farmers on April 29, 2019 for cultivating a potato variety that the snack food and drinks maker claims infringes its patent. PepsiCo has sued the farmers for cultivating the FC5 potato variety, grown exclusively for its popular Lay's potato chips. The FC5 variety has a lower moisture content required to make snacks such as potato chips.

Farmers believe that section 39 of the Protection of Plant Varieties and Farmers' Rights (PPV&FR) Act, 2001 allows farmers to grow and sell any variety of crop or even seed as long as they don't sell branded seed of registered varieties.

PepsiCo's view

- PepsiCo has invoked Section 64 of the Protection of Plant Varieties and Farmers' Rights (PPV&FR) Act, 2001 to claim infringement of its rights.
- The section prohibits anyone other than the breeder of seeds or a registered licensee of that variety to sell, export, import or produces such variety.
- The farmers were allegedly growing a variety of potato namely FL 2027, also called FC5, on which PepsiCo claimed exclusive rights by virtue of a Plant Variety Certificate (PVC).

What is FC5 potato?

FC5 potato is a variety of potato grown exclusively for PepsiCo's popular Lay's potato chips. Humidity in this variety of potato is relatively low, due to which it is used in making potato chips.

PepsiCo's Proposal

PepsiCo India has proposed to amicably settle with people who were unlawfully using seeds of its registered variety. PepsiCo has also proposed that they may become part of its collaborative potato farming programme.

May

1. Death Knell for Retail Distribution?

Sebi's move to reduce the profit margins of AMCs for the sake of retail investors is going to end up curtailing distributor commissions

Let's consider the complex Mutual Fund ecosystem in India for a moment. On the one hand, we have investors who have deployed roughly Rs. 24 lakh crores into them. This money is invested with 39 AMC's (Asset Management Companies) – ranging from behemoths like HDFC and ICICI Prudential who boast of assets exceeding Rs. 3 lakh crores apiece, to the relatively inconsequential players like Taurus, Shriram and Sahara, who manage lesser than 500 Crores in assets on last count. The proverbial "big boys" wield substantial clout, with the top 8 players controlling more than 75% of the assets.

Next in line, we have the trusty army of an estimated 120,000 IFA's (Independent Financial Advisors) who've played a pivotal role in taking Mutual Funds into a market that still by and large swears by traditional postal schemes and life insurance. Another 1168 RIA's (Registered Investment Advisors) have chosen to bravely (or quixotically, in hindsight?) forsake embedded commissions in favour of charging fees to customers directly. Anecdotal evidence suggests that most of them are struggling to collect fees now, especially with the frustratingly tepid show that the equity markets have put on since early last year. Recent trends in technological innovation have thrown a new player into the fray – the deep-pocketed, "DIY" investment platform that's armed with burn capital and requires no cashflow for the next several years to survive - and can therefore sanctimoniously present calculations of how commission savings stack up over the years; all the while conveniently ignoring the pernicious behaviour gap that erodes billions of dollars in unadvised investor wealth every year!

Complicating the turf further is the fact that Asset Management Companies offer "direct" variants of the "regular" schemes distributed by IFA's, in effect competing with the very people who are taking their product to the market – with a "cheaper variant of the same model", so to speak. And finally, we have the capital markets regulator SEBI controlling Mutual Funds with an iron fist; while AMFI acts as the apex body that is representative of the AMC's. And guess what? After all this hubbub, Mutual Fund penetration in our country of 134 Crore people stands at a paltry 1.5 per cent, with roughly 2 Crore unique investors.

2. Seamless Digitising

Digital technology is establishing new rules and requirements. For example, fintech ventures use algorithms, user behaviour and patterns to provide greater and personalised access to credit.

Technology-led transformation is impacting banking like never before. While retail banking embraced the digital revolution a few years ago, the landscape of corporate banking is no longer a tech-dinosaur. For BNP Paribas, our clients are at the center of our universe, and they want us to provide the most relevant data to guide them in an increasingly complex and globally integrated financial world.

Banks face four major challenges: Telecoms and big tech companies are entering the financial services market, and significant activity in the digital payments space is being led by non-banks. Mobile wallets and tech giants have made inroads by launching convenient payments solutions and the digital payments landscape is expected to evolve rapidly in the coming years. Digital technology is establishing new rules and requirements. For example, fintech ventures use algorithms, user behaviour and patterns to provide greater and personalised access to credit. A recent Global Distribution and Marketing Consumer study by Accenture states that 83 per cent of customers care most about low cost without any compromise on the saving. Our pragmatic approach to fintech helps us meet two main goals—to rethink the banking experience and to accelerate the bank’s positive impact on society.

We have always believed that consumer-led development is a differentiating factor that delivers value-added features with a standard offer and helps win long-term loyalty from clients. This approach keeps us agile in adopting new technology and fostering the co-creation of products. Similarly, we provide our clients with holistic solutions that meet their working capital needs through innovative solutions, superior structuring capabilities and state of the art technology.

At a Group level, BNP Paribas has launched a special investment fund that aims to take minority positions in the most promising fintechs that develop services and solutions linked to key functions within the group, which includes consumer pathways, asset management, etc. Going digital is a big part of our strategy and aligns with the broader trend of going slow on opening branches. As a group, we look at bringing about 3.4 billion euros of savings from our digital investments and expect nearly 80 per cent of that saving to be recurring. This would help the company cut its cost-income ratio to 63 per cent by 2020.

In a world where digital and physical services go hand-in-hand, it's crucial for banks to streamline customer journeys more than ever. Digitisation, automation, and analytics have disrupted much of the retail banking and wealth-management worlds already. But large sections of the commercial banking world still rely on manual processes, despite their replacement by technology platforms at several banks. Commercial banks are experimenting with digital over the full scope of operational, policy, partnerships, analytics, data, innovation, and front- and back-end technology, but have yet to reach their full potential. According to a Mckinsey study, digitising of commercial processes can result in 25 per cent improvements to commercial banks' margins along with improved pull-through rate and experience for both RMs and clients (significantly improving customer satisfaction scores). With digitisation, we aim to provide a seamless delivery channel to our clients around the world, through our network, along with bespoke advisory.

3. Entrepreneurs Pedal the Virtuous Cycle of Growth

India's priorities are to be questioned. We are disproportionally spending more resources in supporting the job seeker, and not the job creator. Policymakers need to recognize that entrepreneurship is the driving force of the economy and focal to employment creation. It is the catalyst of innovation and sustainable growth. Entrepreneurs create and fulfil unsatisfied demand, propelling consumption, investment and growth.

The ability of the government to create jobs is limited; the big industries haven't, and can't solve India's job problems either. A crore invested by the large companies creates no more than ten jobs. This number is 250 for the MSE sector, with a higher multiplier. India's primary employer and the feeding bowl (agriculture) is no longer able to add to its 'underemployed, disguised' and 'value reducing' labour force. The services sector, which grew phenomenally, capitalising on 'educated and cheap' labour, is now staring at stagnation and diminishing returns, unable to absorb additional labour. The manufacturing sector is the new hope. But has a mountain to climb.

Entrepreneurship requires intensity and quality. Such has been the apathy of policymakers that 'entrepreneurship' is the last recourse for many. The dice is loaded against them. They start with almost no capital, in a very 'hostile' environment and with headwinds. There is acute shortage of skills, and expertise. Infrastructure has for decades been the big elephant in the room.

The reluctant entrepreneur starts micro and remains small. Over 70 per cent of them fail to survive year one, only a quarter live to fight in year three. Most don't make it, those who are still running, go off the track and make easy meat. This is a setback. The economic cost is eternal as lenders, collaborators and enablers suffer. The social cost to the economy is intangible and difficult to measure. The price another generation lost.

However, the minuscule who survive do scale up and thrive. Many more can bloom, under a nourishing ecosystem. The government needs to institute policy measures to nurture entrepreneurship and create an entrepreneur-enabling ecosystem. Most government programmes are poorly planned and badly implemented. The detached approach hasn't helped either. Sample this:

l Start-up and Stand-Up India: aimed at providing a 360-degree approach to enable startups is floundering.

l Make in India: a roadmap to a manufacturing hub is stumbling, without the critical backward and forward linkages.

l Atal Innovation Mission: lacks the holistic ecosystem.

l TREAD: a 'financial assistance for procurement', and 'purchase preference' programme lacks the teeth to augment their effort.

l STEP & PMKVY: badly planned, and much worse, implemented.

All the above have just remained initiatives. There are institutions to monitor, but none to ensure implementation. FasalBima must inspire the government to provide a 'safety net'. Insurance goes against the very grain of entrepreneurship; but we are far away from an enabling ecosystem.

It is impossible to dampen the Indian entrepreneurial spirit. These driven, creative individuals compete against the best in the global market. They battle adversity every day, all the way; and win. The 1991 reforms had freed markets for products. Now is the time to unshackle the business. Revamping and developing robust, pragmatic and sustainable policies will strengthen and accelerate the entrepreneurial ecology.

The government must be a facilitator and a catalyst alike, ensuring that the entrepreneurial journey is fostered, nourished and sculpted for the long haul.

4. Roadmap to Farmers Welfare

Generation of gainful employment for the vast population, including the teeming youth, will obviously draw major traction.
With 48 per cent of its 1.30 billion population engaged in agriculture, India is an agricultural economy. A sector that decides the livelihood and well-being of about 0.60 billion people cannot but receive priority attention of any government.

The new government is effectively the preceding one, and by implication, the policy framework will persist and evolve. Generation of gainful employment for the vast population, including the teeming youth, will obviously draw major traction. This will warrant every economic sector including agriculture to engender as many productive jobs as possible. It is a no brainer that the developmental strategy of the new government will flow from the manifesto of the principal party, a reading of which makes it clear that agriculture will be centrally anchored in its overall economic vision. The tangible theme would be the farmers' income and welfare. And income is a function of employment.

There is a high degree of correlation between welfare as defined by the Committee on Doubling Farmers' Income and the winning party's manifesto To begin with, there is a commitment to double the farmers' income by 2022. The manifesto rightly aims at

monetisation of the farmers' produce; offers farmers a robust welfare package; enables risk management; negotiate structural weaknesses; and make agriculture knowledge and technology-centric. The focus is on post-harvest management and letting the farmers capture maximum value including village storages, processing, revised market architecture (Gramin Agriculture Markets or GrAMs, alternate wholesale markets APMCs and export promotion), supported by a predictive import-export policy. The farmers are bound to benefit from greater income shares, even when the production curve remains unchanged. Though, the policy will focus on higher productivity, diversification and deficit bridging in sectors like oilseeds. The promise to make PMFBY (crop insurance) more farmer-friendly will possibly see lower premium and higher technology for quick claim settlement. The focus on micro-irrigation targeting an additional 10 million ha is also a welcome risk negotiator. The intended investment of Rs 25 lakh crore will positively impact agricultural growth. The sequel is amendments to various acts and rules and promoting ease of doing business so that private investments will crowd in.

The indicated loan of Rs 100,000 at zero per cent interest; and negotiable warehouse receipt linked post-harvest loans will not only free the farmers from the debt trap but also yield higher incomes and savings, cascading into farm investments. The structural reforms will include legalizing land lease, organizing 10,000 FPOs, farmer cooperatives linking perishables with city markets, contract farming etc. The emphasis on secondary agriculture will encompass solar power generation on farms, beekeeping and honey mission, as also precision agriculture linked agri-entrepreneurship. The farmers' welfare will get wholesome with the coverage of all the farmers under PM-KISAN; and pension scheme proposing to cover all the small and marginal farmers.

5. Trade: This Illusive Chinese Lantern

Sino-Indian diplomatic relations have been upbeat post-Doklam, but in the realm of trade India is still on the back foot. Moreover, the dragon still breathes fire down the BRI lane

Lu Yong is a folk hero in China. He was a patient of leukemia when he began importing generic anti-cancer drugs from India for himself and a thousand other fellow victims of chronic myeloid leukemia (CML) who could not afford the medicine available in the domestic market. Lu Yong's story is now a blockbuster titled Dying to Survive. The movie has received rave reviews in China, but any assumption of India's predominance in the Chinese market for pharmaceutical products is entirely misleading.

China imports medicines worth a whopping $25 billion, but from markets other than India. The India-China trade story remains one sided, with imports from China far exceeding Indian exports to China. During the 2017-18 financial year for instance, imports from China were to the tune of $76.22 billion, while Indian exports to China were a paltry $ 13.34 billion (please see chart). The trade balance weighed a mammoth $62.88 billion in China's favour.

In February this year the Union Ministry of Commerce and Industry bragged of a declining trade deficit with the Chinese dragon. Indian exports to China, driven primarily by marine products, organic chemicals, plastics, petroleum products, grapes and rice, were a rosy $12.7 billion during the first six months of the 2018-19 fiscal (April to December 2018). The reason for the ecstasy was that the half-yearly statistics were almost comparable with the export figures for the whole of the 2017-18 financial year, when India's exports to China had been worth $13.33 billion.

The Union commerce ministry exulted that the trade imbalance with China had shrunk by a whopping $10 billion in just a year. The truth is that the India-China trade relationship is one-sided, in which India figures as an essentially colonial-style raw-material partner of the Chinese economy. It is no secret that while we were dreaming of Industry 4.0, trading rather than manufacturing dominated economic activity within India.

While low-end to high-end products with Made in China tags sourced through the likes of Alibaba flooded the Indian markets, industrial growth within India slumped to 0.1 per cent in February. In the Index of Industrial Production, the category titled 'Manufacture of machinery and equipment' plummeted to (-) 12.8 per cent. India's trade imbalance was a humungous (-) 142.52 billion with most of its top ten trading partners in 2017-18, with a surplus of a mere $31.69 billion from some partners (please see chart).

6. China proposes 4-point initiative to improve Sino-India ties

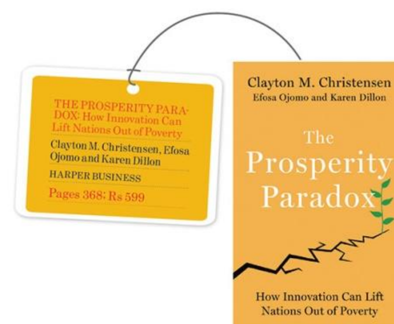
The development of China, India, Pakistan and the stability of the whole region call for a stable and friendly environment, Chinese envoy Luo Zhaohui said.

Amid increasing strain in Sino- India ties, China has proposed a four-point initiative to overcome differences and deepen relations which includes aligning its 'One Belt One Road' project with India's 'Act East Policy' and restarting negotiations on a free trade pact.

The proposal put forward by Chinese envoy Luo Zhaohui also includes starting negotiations on a 'China-India Treaty of Good Neighbourliness and Friendly Cooperation' and prioritising finding an early solution to the border dispute between the two countries.

"Firstly, start negotiation on a China-India Treaty of Good Neighbourliness and Friendly Cooperation. Secondly, restart negotiation of China-India Free Trade Agreement. Thirdly, strive for an early harvest on the border issue. Fourthly, actively explore the feasibility of aligning China's 'One Belt One Road Initiative' (OBOR) and India's 'Act East Policy'," he said.

The Chinese envoy made the remarks while speaking at defence think-tank United Service Institution on Friday but the text of his closed-door address was released by the Chinese Embassy today.



Referring to Indo-Pak ties, Luo said China is willing to mediate to resolve differences between the two countries if both sides accept it.

He said good ties between the two countries were conducive to regional stability and in China's interests.

The development of China, India, Pakistan and the stability of the whole region call for a stable and friendly environment, he said.

"Otherwise, how could we open up and develop? That's why we say, we are willing to mediate when India and Pakistan have problems. But the precondition is that both India and Pakistan accept it. We do this only out of goodwill. We do hope that there is no problem at all," Luo said.

"When the Mumbai terrorist Attack on November 26, 2008, took place, I was Chinese Ambassador to Pakistan, and I did a lot of mediation at that time," he said.

On the China Pakistan Economic Corridor (CPEC) which passes through Pakistan-occupied Kashmir, Luo said China has no intention to get involved in the sovereignty and territorial disputes between India and Pakistan.

"China supports the solution of the disputes through bilateral negotiations between the two countries. The CPEC is for promoting economic cooperation and connectivity. It has no connections to or impact on sovereignty issues," he said.

"Even we can think about renaming the CPEC. China and India have had successful experience of delinking sovereignty disputes with bilateral relations before. In history, we have had close cooperation along the ancient Silk Road. Why shouldn't we support this kind of cooperation today? In a word, China is sincere in its intention to cooperate with India on the OBOR, as it is good for both of us," he said.

The Chinese envoy said the OBOR and regional connectivity could provide China and India with fresh opportunities, calling the project a major public product China has offered to the world.

"It is a strategic initiative aimed at promoting globalisation and economic integration," he said.

Referring to the views in India that China always puts Pakistan first when handling its relations with South Asian countries, he said the government always follows 'China first' policy and that "problems" are dealt with based on merit.

"I want to tell you this is not true. Simply put, we always put China first and we deal with problems based on their own merits. Take Kashmir issue for example, we supported the relevant UN resolutions before 1990s. Then we supported a settlement through bilateral

negotiation in line with the Simla Agreement. This is an example of China taking care of India's concern," he said.

On India's bid for the membership of the Nuclear Suppliers Group (NSG), he said, "We do not oppose any country's membership, believing that a standard for admission should be agreed upon first."

The envoy's four-point suggestion to overcome differences comes at a time when the relationship between the two Asian powers has been going through a rough patch due to differences on a range of issues, including China blocking India's move to get Jaish-e-Mohammed (JeM) chief Masood Azhar banned by the UN and its opposition to India's bid for NSG membership.

On trade ties between the two countries, Luo said he was happy to see that China has contributed its share to India's development.

On trade ties between the two countries, Luo said he was happy to see that China has contributed its share to India's development.

"Today, China is the second largest economy in the world, with a GDP of 11 trillion US dollars. China's development also benefited from India's participation.

"We sincerely hope that India can become more developed, as it not only benefits Indian people but also creates more opportunities for China's development. Some people in the West misread China and tend to think that the 'Dragon' and the 'Elephant' are inevitable rivals, and that China would not like to see India developing. This conception is wrong. We hope to see India develop well and we are more than happy to help India develop to achieve common development," Luo said.

On combating terrorism, he said China has been a victim of terrorism.

"China strongly opposes terrorism; second, China is ready to work with India, Pakistan, Afghanistan and the international community in fighting terrorism, and believes that terrorism knows no borders; third, countries need to have compatible policies, consensus and actions in fighting terrorism," he said.

7. In Search of Sustainable Solutions

In this, the author emphasises differentiating market-creating innovation from sustaining innovation and efficiency driven innovation. Amidst the noise and din of the Internet and social media where news and theories are built every day, management "gurus" are an endangered species. Clayton Christensen is undoubtedly one of the few survivors. His model of disruptive innovation was originally proposed based on studying mundane industries like steel and disc drives more than 25 years ago. His ideas got a lot more attention thanks to the progressive disruption of a whole range of industries in this digital era. Professor Christensen might argue that not all such disruptions meet his definition of "disruptive innovation," but his name is inextricably linked with one of the defining challenges of contemporary business.

Christensen's initial ideas were captured in the bestselling The Innovator's Dilemma. Since then, he has written a series of books building on his original model. The Prosperity Paradox, co-authored with EfosaOjomo and Karen Dillon is the latest. The sub-title of the book tells us what the book is about – How Innovation Can lift Nations out of Poverty. In this, Christensen emulates earlier gurus like Sumantra Ghoshal and C.K. Prahalad who shifted their attention to broader human concerns as they got older!

Christensen argues that three approaches that countries have followed to address the problem of poverty – creating institutions in the western model; addressing corruption; and investing in infrastructure haven't worked. In his view, institutions have a cultural context and hence can't be transplanted easily; corruption is not inherent to any region or people, and will reduce naturally when people don't need corruption to sustain their lives; and costly infrastructure is difficult to sustain on its own.

So, what's the solution then? Market-creating innovation is Christensen's mantra to drive growth and prosperity in poor countries. In this, he emphasises differentiating market-creating innovation from sustaining innovation and efficiency-driven innovation.

Sustaining innovation focuses on the next better product with improved features – say, an iPhone X compared to an iPhone 8. No new market is created, volume growth is, at best, incremental, and it typically involves no new investment or growth in employment. Efficiency-driven innovation is the continuous improvement of processes that organisations do every day to reduce the consumption of materials, energy or human effort. This results in incremental improvements in profitability, but often reductions in employment.

What is market-creating innovation? This is innovation targeted at non-consumption – consumers who have needs but whose needs are currently not being addressed because of issues of affordability and accessibility. Typical examples are MPesa in Africa that allows simple banking transactions through mobile phone to those who can't otherwise access or afford them and Aravind Eyecare in India that provides low-cost eyecare services (particularly cataract surgeries).

Why is this market-creating innovation critical to economic growth and prosperity? Christensen's argument is that in poor countries such innovation has high growth potential because of the large number of people who are potential users of such products and services. It results in genuine growth in employment, which is important to raise living standards. Unlike employment created to serve export markets based on cost arbitrage which is inherently impermanent because the next favoured low-cost destination may come along soon, this employment is more stable and embedded in the economy.

What is the challenge of such market-creating innovation? Because it is targeting non-consumption, it is difficult to estimate demand as there is no data to go by. In short, its risky and involves careful problem formulation. But, when successful, it can have significant impact. Moreover it can also create the kind of demand that makes investment in infrastructure viable. It can improve the standard of living of poor people and make them more capable of contributing to and using modern institutions.

Reading this book gave me a sense of déjà vu. Fifteeen years ago, another management guru C.K. Prahalad wrote a book that made waves with a similar promise. We remember that book as The Fortune at the Bottom of the Pyramid but there was another part of the title that bears an uncanny resemblance to that of this book: Eradicating Poverty Through Profits. While Christensen does acknowledge Prahalad's book in a footnote, the excitement around the BoP as Prahalad called it has waned over time.

Why did this happen? Many companies found the BoP too difficult to address. Margins were low, and substantially below the margins that could be earned in established markets through sustaining innovations. Sales, distribution and support were complex. Getting the value proposition right was far from easy. We saw several products targeting the BoP launched by large companies struggle to survive – Godrej Chhotukool, once a highly lauded initiative to provide compact, non-compressor-based refrigerators to rural BoP customers struggled in the market; and PUR, a low-cost water purifier became a CSR project of Procter & Gamble rather than a commercial proposition. We still teach the same Aravind and Narayana healthcare case studies, and don't have too many successful examples to offer.

8. Investment: Money Mistakes We Make

Ignorance and deep-rooted biases are often the bane of investors. Here are a few common mistakes one must watch out for

From the climbing millennial living pay check to pay check, to the seasoned business tycoon with coffers overflowing, there are some all too common money mistakes that investors repeat with alarming consistency. Some of these stems from ignorance about how certain financial instruments work, while still others may be attributed to deeply rooted behavioural biases. Here are a few common ones to watch out for.

Mutual Funds Do this…

Before anything else, understand that mutual funds work differently from the traditional investment instruments you may have been used to before. Returns from mutual funds are non-linear and market linked, and so you must be mentally prepared to sit patiently through low to negative return phases. Build your portfolio in a top-down manner, with a thorough assessment of your individual risk tolerance leading up to a target asset allocation. Ignore the noise and stick to this target asset allocation resolutely. Review your portfolio once a year to rebalance, optimise, and weed out laggards.

… Not that

Beware of the perils of investing unadvised, especially if you're a newbie. Whatever your choice of engagement model (RIA or distribution), it pays to have a trusted advisor by your side. Don't make the mistake of just "buying" into new fund offers or direct plans on a whim — over time, your underperforming portfolio will look more cluttered than a supermarket grocery bill! Also, investing simply based on past returns, especially short-term, can land you in some serious trouble. Remember, what goes up could come down and vice versa.

Insurance Do this…

As far as financial instruments go in India, there are few that are as widely misunderstood (and mis-sold) as insurance. The concept of paying somebody just to take on your financial risks is one that has very limited acceptance among the masses in our country. Stay ahead in the game by educating yourself on the real purpose of insurance. Before you sign above the dotted line, understand the specific risk that your policy is covering, and ascertain whether the cover is sufficient. Follow the simple rule of sticking to pure risk products that have zero payoffs at the end, such as term insurance and health insurance. Aim to optimise your risk cover instead of trying to solve two problems with a single financial instrument.

… Not that

Do not make the mistake of buying a "traditional" insurance policy. Much of their terms and conditions are obscured within verbose fine print. You are bound to discover later, to your horror, that the "returns" from such products work out to barely 5-6 per cent on an annualised basis, and over a very long-time horizon to boot. Typically, they also add precious little value in terms of augmenting your life cover. Remember, the same principle applies to child education plans or money back plans that are of the traditional kind.

SIPs Do this…

If there's one really good thing you can do with your SIPs, it's the act of linking them to your future goals using an online programme or even a simple spreadsheet. Aligning your SIPs to your goals brings in a plethora of benefits that go beyond the obvious. First off, your choice of asset class (equity or debt) will be governed by your time horizon, and not your attitude to risk taking. You'll also be able to cultivate 'big picture' thinking, and remain resilient during tumultuous market cycles. Lastly, you'll automatically have the proclivity towards stepping up your SIP amounts periodically, which can turbo-charge your goal-based investments and really put you in the driver's seat.

… Not that

Don't stop and start your SIPs in an imprudent effort to time the market. Remember, SIPs operate on the principle of rupee cost averaging, and they actually draw upon the volatility that's intrinsic to markets to deliver superior risk-adjusted returns in the long run. Don't become restless and impatient if you don't see returns stacking up in the early stages of your investment. Also, don't spread yourself too thin by starting SIPs in too many funds. Anything more than five is most probably an overkill, and will result in over diversification.

June

1. Mumbai listed among the top 20 most expensive cities in Asia

- Ranked at the 67th position out of the total 209 cities surveyed, Mumbai gets listed as India's most expensive city and included in the list of top 20 most expensive cities in Asia.
- The other Indian cities included in the list are New Delhi, Chennai, Bengaluru and Kolkata with 118th, 154th, 179th, and 189th place respectively.
- The figures for Mercer's cost of living and rental accommodation cost comparisons are derived from a survey conducted in March 2019. Exchange rates from that time and Mercer's international basket of goods and services from its cost of the living survey have been used as base measurements.
  - **Key findings:**

    i. According to the findings, **Mumbai** is the most traffic-congested city among **403 cities in 56 countries** with a congestion level of **65 percent**, while **New Delhi** ranked **fourth** with congestion of **58 percent**.

    ii. The other top cities in the list of congested cities are Bogota (63 percent), Lima in Peru (58 percent), Moscow in Russia(56 Percent), Brussels (37 Percent), London (37 Percent) and Paris (36 percent).

    iii. Top five most congested North American are in the list are Mexico City (52 per cent), Los Angeles (41 per cent), Vancouver (38 per cent), New York (36 per cent) and San Francisco (34 per cent).

2. Wipro to acquire US International TechneGroup for 312 Crores

- IT major Wipro it will acquire US-based International TechneGroup Incorporated for $45 million (around ₹312 crore).
- International TechneGroup Incorporated (ITI) provides Computer Aided Design and Product Lifecycle Management interoperability software services. Founded in 1983 and headquartered in Ohio, USA, ITI has offices in the UK, Italy, Israel and Germany.
- ITI is privately held and has 130 employees as of March 2019. Its revenue stood at $ 23.2 million in FY'18 (year ending June 30). The acquisition complements Wipro's core strengths in Industry 4.0 and will allow Wipro to offer end-to-end solutions in Digital Engineering and Manufacturing. ITI's offerings and solutions will be consolidated as a part of Wipro's industrial and engineering services business and will function as a wholly-owned US subsidiary of the company.

3. PepsiCo to build Rs 500 crore food plant in Uttar Pradesh

- PepsiCo India will invest nearly ₹500 crore to build a food manufacturing plant in Uttar Pradesh. It will invest $2.1 bn in India by 2022, which is part of the $5.5 bn it had promised in November 2013.
- It is part of PepsiCo's efforts to expand capacity in India's growing packaged foods market. The makers of Lay's chips and Kurkure snacks, PepsiCo will invest along with its local bottling partner.
- PepsiCo, which sells Tropicana, 7Up, Mountain Dew and Kurkure chips, among others, services the domestic market through 62 food and beverage plants. The bottling operations are owned by its local partner Varun Beverages. The packaged snacks and foods market in India are expected to grow 22.3% between 2018 and 2022.

4. RBI issued fresh prudential framework for resolution of stressed assets

The Reserve Bank of India (RBI) has issued new NPA **guidelines "Prudential framework for resolution of stressed assets"** to deal with bad loans, as the previous circular that was issued by RBI on Feb 12, 2019 rejected by Supreme Court. The new framework will replace the all the previous models. The directions have been issued in terms of the provisions of **Section 35AA of the Banking Regulation Act, 1949**, for initiation of insolvency proceedings against specific borrowers under the Insolvency and Bankruptcy Code, 2016 (IBC).

Key highlights:

- RBI has mandated the lenders to review the accounts **within 30 days of default** and initiate a resolution plan or Insolvency and Bankruptcy Code (IBC) process before the default, in comparison to the Feb 12 circular which stated to initiate resolution or restructuring of loans even if the default was recorded for a single day.
- Lenders have been given complete discretion to design, implement resolution plan.
- Lenders should follow a board-approved policy for resolution of bad loans.
- Mandatory to sign inter-creditor agreement (ICA) by all lenders, which will provide for a majority decision making criteria.
- The earlier norm of 100 percent approval from creditors is also changed. ICA shall now provide any decision agreed by lenders representing 75 percent by value of total outstanding credit facilities and 60 percent of lenders by number shall be binding upon all the lenders.
- Lenders must resolve over **Rs 2000 crore NPA** account within **180 days**.
- Lenders will have to make 35 percent provisions–first 20 percent for 180 days and then an additional 15 percent if no resolution is found within 365 days.

- Lenders shall submit a weekly report of instances of default by all borrowers (with aggregate exposure of Rs 50 million and above) by close of business on every Friday, or the preceding working day if Friday happens to be a holiday.
- For borrowers with exposure between **Rs 1,500 crore** and **Rs 2,000 crore**, the new norms will be applicable from January 1, 2020, while for loans up to **Rs 1,500 crore** will be announced in due course.
- RBI also warned that any action by lenders to conceal the actual status of accounts or evergreening the stressed accounts, will be subjected to stringent supervisory/enforcement actions.

Business Confidence Index drops 9.1% in Q4 of 2018-19: NCAER
According to a recent survey by the National Council of Applied Economic Research (NCAER), Business confidence index (BCI) of India Inc slipped 9.1 percent in the fourth quarter Q4 of the financial year 2018-19. Meanwhile, the Political Confidence Index (PCI) of businesses has increased by 12.1% on a quarterly basis in Q4.

BCI

It is an indicator of business sentiments across the Indian industry segments, compiled by NCAER.
It is made up of four components; all have equal weight in the computation of the index. They are,

i. Overall economic conditions will be better in the next six months.
ii. The financial position of the firms will improve in the next six months
iii.The present investment climate is positive.
iv. Present capacity utilization is close to or above an optimal level.

It plunged by 9.1 percent to reach 115.4 at the end of the fourth quarter of the last fiscal, on a quarter-on-quarter basis. On a year-on-year basis, the BCI plunged by 12.2 percent. BCI of consumer durables and consumer non-durables sectors fell by 12.1 and 15.9%, respectively on a quarter-on-quarter basis.

PCI

It measures businesses' expectations from the government on managing economic growth, maintaining favourable political environment and pushing economic reforms.

5. Facebook announces Libra Cryptocurrency Project: What is Libra?

Facebook's Libra cryptocurrency project: Facebook has formally announced its much-anticipated 'Libra' cryptocurrency project, which aims to make moving money around the world as easy and cheap as sending a text message. The main objective behind the creation of Libra cryptocurrency is to create a simple global currency that can reach and empower billions of people around the world.Speaking on the cryptocurrency, Facebook CEO Mark Zuckerberg said that he wants to make sending money as easy as sending a photo: digital, immediate, free and secure.

Libra Cryptocurrency?

The Libra cryptocurrency is a digital currency, built on a blockchain designed with security in mind. It will be stored in a digital wallet called ‘Calibra’, which will be available as an app, as well as within Facebook Messenger and whatsapp as an integrated payments system. This will enable users to send and receive money through messages.

Will the Libra cryptocurrency work offline as well?

Facebook aims for Libra to be used for offline payments as well including for public transport, buying groceries or paying bills. Facebook also plans to make its cryptocurrency available for exchange from traditional currency through physical ATM machines.

Who will be able to access the Libra cryptocurrency?

The Libra cryptocurrency will be accessible to anyone with an entry-level smartphone and data connectivity. It will be available for everyone around the world. The cryptocurrency aims to foster an ecosystem of products and services, where people can use Libra is their daily lives. The Libra transactions will be quick and easy, no matter where you are sending, or spending your money.

Who will manage the Libra cryptocurrency project?

Facebook will not be governing the services of the Libra cryptocurrency. The social media giant has created an independent organisation called the Libra Association, which will build applications related to the new digital currency.

Will Libra Cryptocurrency be secure?

The cryptocurrency will be backed by a reserve made to keep its value stable. Libra is designed to be a currency where any user will know that the value of a Libra today will be close to its value tomorrow and in the future. Similar to Euro, holders of Libra, too, can be confident the value of their coins today will be relatively stable across time. Further, Facebook clarified that the digital wallet account details will not be shared with Facebook or third parties for advertising purposes, except for cases of data sharing.

What is the difference between Bitcoin and Libra cryptocurrency?

Though popular, Bitcoin cryptocurrency has been known to be volatile, especially in recent years. Unlike Bitcoin, Libra will be backed by a reserve of real assets, meaning that the value of the currency will be linked to something with intrinsic value rather than driven by demand or scarcity. The Libra reserve will include bank deposits and government bonds in several international currencies. The reserve will be administered by a non-profit associated headquartered in Geneva, Switzerland.

Where is Bitcoin legal and illegal?

Introduced in 2009, Bitcoin cryptocurrency is popularly used for transactions in many nations across the world including the United States, European Union, Canada and Australia. However, the cryptocurrency is considered illegal in many nations such as China, Russia, Vietnam and Bolivia.

6. Salesforce acquired analytics platform Tableu

Salesforce is a US-based Cloud computing firm which announced acquisition of leading analytics platform Tableau Software on June 11, 2019. Salesforce managed this deal for USD 15.7 billion in an all-stock deal. Salesforce writes in press release that world's #1 CRM and #1 analytics platform come together to supercharge customers' digital transformations.

Major Highlights

- Salesforce will play an even greater role in driving digital transformation with Tableau, enabling companies around the world to tap into data across their entire business and surface deeper insights to make smarter decisions, drive intelligent, connected customer experiences and accelerate innovation.
- With Tableau and Einstein together, Salesforce will deliver the most intelligent and intuitive analytics and visualization platform for every department and every user at any company.
- Tableau will make both Customer 360 and Salesforce's analytics capabilities stronger than ever, and enable the company to reach a much broader set of customers and users.
- Tableau will operate independently under the Tableau brand, driving forward a continued focus on its mission, customers and community.
- As part of the world's #1 CRM company, Tableau will remain headquartered in Seattle, Wash. and will continue to be led by CEO Adam Selipsky and the current leadership team.
- The acquisition of Tableau is expected to be completed during Salesforce's fiscal third quarter ending October 31, 2019.

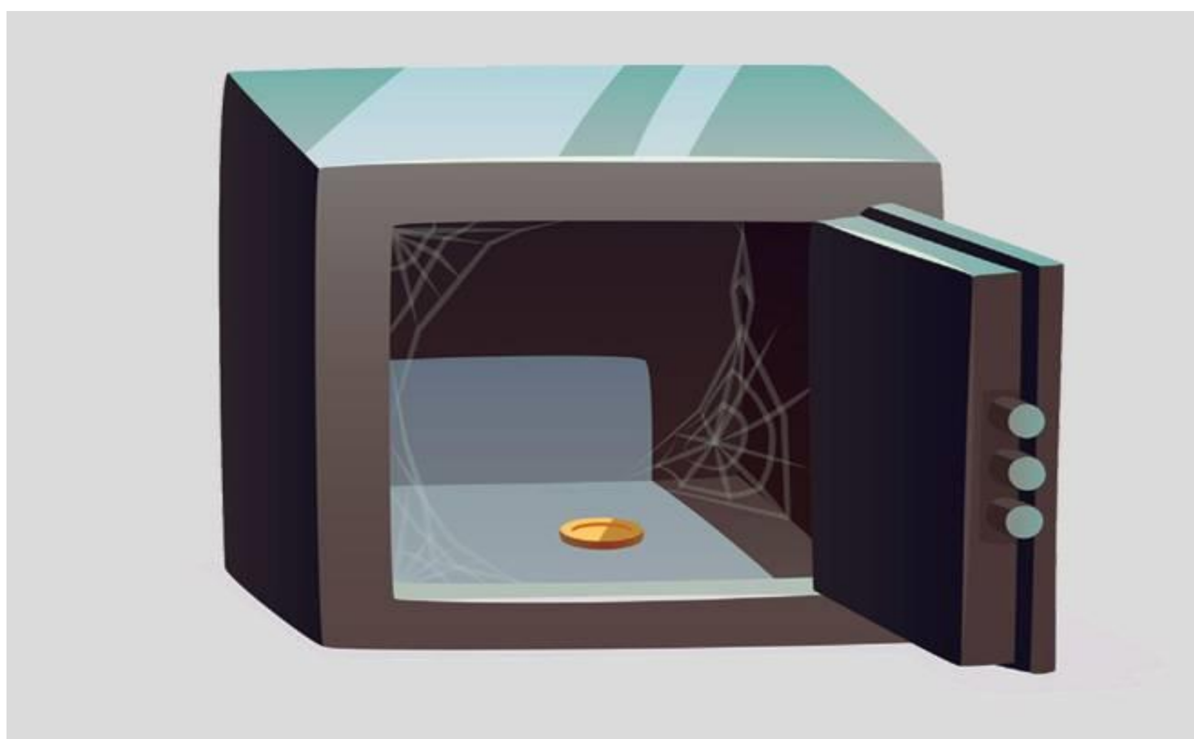
About Tableau

Tableau helps people see and understand data. Tableau's self-service analytics platform empowers people of any skill level to work with data. From individuals and non-profits to government agencies and the Fortune 500, tens of thousands of customers around the world use Tableau to get rapid insights and make impactful, data-driven decisions.

7. CCI imposes Rs 74 crore fine on four pharmaceutical companies

The Competition Commission of India (CCI) has imposed a heavy fine amounting to Rs 74 crore on four chemists and pharmaceutical companies after they were found violating the provisions of Competition Act, 2002.

The **CCI** found Madhya Pradesh Chemists and Druggist Association, Indore Chemists Association, Himalaya Drug Company and Intas Pharmaceuticals Limited along with some of their office bearers to be in contravention of the provisions of the Competition Act, 2002.



PenaltyImposed

The CCI has imposed a monetary penalty on the associations, which is stated below:

Madhya Pradesh Chemists and Druggist Association (MPCDA): Rs 4,18,404

Indore Chemists Association: Rs. 39,142

Himalaya Drug Company: Rs. 18,59,58,000

Intas Pharmaceutical Limited: Rs. 55,59,68,000

The monetary penalty is, in addition, to cease and desist directions, issued under Section 27 of the Act.

Besides this, penalties were imposed on office bearers who were found to be violating the provisions of the Competition Act, 2002. The penalty was also imposed on certain officials of these companies.
The Commission, however, did not find any evidence of contravention on the part of certain other associations and pharmaceutical companies.

Other Details

The Commission directed MPCDA to organize at least five competition awareness and compliance programmes in the next six months for its members and directed ICA to organize one competition awareness programme in Indore.

Further, the Commission further directed HDC and IPL to organize a Competition Compliance Programme and file compliance report with the Commission.

The penalties were imposed by the Commission after information was filed by Madhya Pradesh Chemists and Distributors Federation alleging contravention of the provisions of Section 3 of the Act by MPCDA and others including certain pharmaceutical companies.
The allegations stated that the chemist and druggist associations, through their practices of mandating 'No Objection Certificate' or Letter of Consent prior to the appointment of stockists were stifling competition in the market by limiting access of consumers to various pharmaceutical products and controlling the supply of drugs in the market.
The Commission had directed the office of Director General to conduct an investigation into the matter, which confirmed the violations by the associations and officials.

8. Fiscal Deficit Under Stress

The Union government is staring at a tax revenue shortfall of almost Rs 1 lakh crore if not more. Of the Rs 14.8 lakh crore tax revenue it had expected to collect, it could manage only Rs 11 lakh crore till end- February, leaving a gap that is too wide to be covered in March.

This could have a ripple effect on the economy in the next financial year as experts believe the fiscal deficit number for the last financial year may not look good despite the government's efforts to dress up its books.

The fiscal deficit in absolute terms was already Rs 8.5 lakh crore against the Rs 6.3 lakh crore revised estimate. This revised estimate was arrived at by factoring in tax revenues of Rs 14.8 lakh crore. With the government having already revised its fiscal deficit target from 3.3 per cent to 3.4 per cent, the revenue shortfall might further increase the fiscal deficit number closer to the 4 per cent mark.

9. Second Bi-monthly Monetary Policy of RBI 2019-20

The Reserve Bank of India (RBI) announced its second Bi-Monthly Monetary Policy Rates for 2019-20 in Mumbai on June 6, 2019. The three-day policy review meeting by the six members of Monetary Policy Committee (MPC) was headed by RBI Governor Shaktikanta Das with the members Dr Chetan Ghate, Dr PamiDua, Dr Ravindra H. Dholakia, Dr Michael Debabrata Patra, Dr Viral V Acharya. The next monetary policy statement is scheduled from August 5-7, 2019.

Highlights of the meeting:

The following announcements were made in the meeting:

In a rare 6-0 majority, Repo rate was reduced by 25 bps under the liquidity adjustment facility (LAF) to 5.75 per cent for third time in a row. It fell below 6% for the first time in 9 years since September 2010.

- RBI changed the policy stance to accommodative from neutral.
- RTGS and NEFT charges were waived off to promote digital transactions.
- A panel to review ATM charges and fees levied by banks was set up.
- It insisted to issue draft guidelines for ‘on tap’ licensing of small finance banks by August.
- It flagged sharp slowdown in investments, moderation in private consumption growth as concern.

- Average daily surplus liquidity in the system stood at Rs.66,000 crore in early June.
- Foreign Exchange Reserves stood at $421.9 billion on May 31, 2019.

RBI raised the Retail Inflation Forecast for April-September FY20 to 3-3.1%

RBI raised the **Retail Inflation Forecast** marginally to **3-3.1%** for the first half of the current fiscal due to a rise in food prices mainly vegetables. It forecasted risks to inflation trajectory from monsoon uncertainties, an unseasonal spike in vegetable prices, crude oil prices, financial market volatility, and fiscal scenario.

- In the first bi-monthly policy, it had forecasted that the retail inflation will be hovering in the range of 2.9-3% for six months till September.
- For the second half of this fiscal, **October-March**, it has been cut to **3.4-3.7%** as against RBI's previous projection of 3.5-3.8%.

GDP growth forecast lowered to 7% from 7.2% for FY20 by RBI's MPC

The RBI's MPC (monetary policy committee) lowered its **Gross Domestic Product** (GDP) growth forecast to **7%** from 7.2% for FY 20 due to a slowdown in domestic activities and escalation in global trade war.

- In the April monetary policy, the growth of Gross Domestic Product (GDP) for 2019-20 was projected at 7.2% – in the range of 6.8-7.1% for the first half of the fiscal and 7.3-7.4% for the second part – with risks evenly balanced.
- Data for January-March quarter 2018-19, indicated that domestic investment activity has weakened and overall demand has been weighed down partly by slowing export.

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