MUMBAI FIRST

Can the city regain its former glory?

Corporate chieftains are putting their weight behind Mumbai's makeover.
Presenting the Indigo Marina
Because we like to carry our world with us.

* 1370 LITRES OF STORAGE SPACE
* INDEPENDENT 3-LINK REAR SUSPENSION
* GAS SHOCK ABSORBERS
* 85 PS MPFI PETROL & 62 PS TURBO CHARGED DIESEL ENGINE
* RETRACTABLE AND REMOVABLE PARCEL SHELF

TATA MOTORS

Visit us at www.tatamotors.com. For assistance or queries on our passenger car range, call our toll-free number: 1800-222550. Accessories shown are not part of standard equipment. To locate dealers and service centres, sms "helpline" to 8243. Service available on select network.
Business India

Bombay and Calcutta were amongst the great cities of the East for over a century. But cities can change dramatically in less than 50 years. Bombay and Calcutta have declined dramatically and during the same time, Dubai, Singapore, Shanghai, Kuala Lumpur, and Bangkok have transformed into beautiful places to live and work.

It's a blot on our post-Independence history that while our cities have grown enormously in size, in Bombay almost half the population lives in slums or in housing that is sub-standard, to say the least. Moreover, we know from history that as happened elsewhere in the world, our cities will continue to grow as the population shifts away from agriculture. And while this time's cover story focuses on Bombay, the problems afflicting Bombay have slowly but surely spread to most Indian cities.

It's not that our cities are poor—or short of resources. On the contrary, cities like Bombay, and Delhi, are amongst the most prosperous cities in the world. But the heart of the problem lies in the fact that our cities are not governed within a legal framework that allows the cities to be managed fully and in every way by the people who live in them. To put it bluntly, the people living in Bombay have no real voice in the running of the city. Bombay is governed under the Municipal Act of 1872, under which most powers finally vested with the then British Governor. The British Governor has now been replaced by the state government, which takes all the real decisions. The result is that the civic and legislative responsibilities have been distributed amongst many, but little say in raising adequate resources to meet its needs. And the state government decides and legislates on key issues like octroi, urban land ceiling, and rent control. The municipal commissioner, the city's chief executive, is usually a state-level IAS officer deputed by the state government and whose future lies with the state government. Of course it will be argued that the state government is democratically elected. But the reality is that the majority of the state legislators represent rural electorate. Not unreasonably, they focus on rural concern and rural interests.

The changes we are suggesting are neither complicated nor unusual. One only has to compare how other major cities, in democracies, are governed. What are the legislative powers that vest with the elected municipal officials and to whom is the chief executive of the city (whether an appointed official or a directly elected mayor) answerable? It's time that we too follow simple global practices in this regard.

Without making these simple but basic changes, there is no way that Bombay (or the other cities of India) will be able to raise the tens of thousands of crores needed to make our cities 21st-century habitations. And our citizens will sadly continue to marvel at the transformation brought about in Singapore, Dubai, and Shanghai in less than a lifetime.
Corporate Reports

GUJARAT ALKALIES
India's largest chlor-alkali producer comes in glowing after six years in the cold

WIPRO CONSUMER CARE & LIGHTING
This highly profitable business has made toplife growth its new obsession

HINDUSTAN SANITARYWARE
This extremely successful commodity hardware business grows to encompass luxury bathware and lifestyle brands

CARBORUNDUM UNIVERSAL
50 and still grinding away...

Turnaround

CREST COMMUNICATIONS
Having found new purpose, this former media services company successfully breaks into the 3D animation markets of the US and UK thanks to the dogged determination of CEO A.K. "Mad Max" Mahadevan

Government & Politics

Mannohar Joshi makes it his government's mission to reinvent the bureaucracy

The labour ministry now seems willing to risk investing part of the EPF in equities

Economy

Computer gaming is fast growing into a professional - and dangerous - multimillion-dollar business in India

Banking

As if the low number of RCM terminals wasn't bad enough, acquiring banks in a competitive frenzy are driving merchant discounts to new lows

Marketing

Attractive pricing and packaged convenience make ready-to-eat meals a compelling proposition for Indian households

Infrastructure

India's leading petroleum-producing state, Gujarat conceives a special economic zone especially for this sector

Editorials

• Why shareholders aren't celebrating Suzuki's extra-Maruti investment proposals
• India's strategic perceptions are increasingly being defined by its relations with the US
• China is a far less efficient convertor of investment into growth than democratic India

Follow-up

In its quest for foreign partnerships Glenmark Pharmaceuticals adopts a risk-sharing approach
Mercator Shipping goes heavy weight with two new vessels at the prospect of firm freight rates
Bajaj Electricals turns around at brisk business for transmission towers

Business Notes

The happy days of high margins for pharmaceutical retailers are drawing to an end
Now hearing aids get celebrity endorsement
The tourism minister goes abroad on a promotional jaunt, apparently unmindful of the infrastructure imperatives at home

Health

Hip resurfacing could dramatically improve a debilitating arthritis condition in as many as 50,000 Indians every year. Only it's expensive

Interview

Minister of State for Heavy Industries Santosh Mohan Deb says the public interest is his topmost priority in what he hopes will be an amicable settlement after the recent spat with Suzuki
COVER FEATURE

Mission Mumbai

R. Gopalakrishnan, F.C. Kohli, Ashwini Kakkar, Nasser Munjee and other high-profile members of the Citizens’ Action Group are propelling an ambitious private-public partnership to make India’s commercial capital a city of international standard.

SPECIAL REPORT

Make my PSU

The enticement of enhanced clout in a competitive environment may not be enough reason to merge public-sector units. In fact, it could well turn them into monumental failures.

FOCUS

62
Are two too many?
The decision to have a separate regulator for pensions dashes the expectations of the insurance and mutual fund industries, both of which have been angling for a major slice of the pie.
Making its mark

Your cover story (30 August) made an interesting read. With some big plans on the anvil, India's sombre steel industry seems to be turning into a vibrant one. Led by SAIL and Tata Steel, it is slowly making its mark in the global market. This could change the whole equation of the global steel market, particularly in the Asian region. What's more interesting to note is that the global forays of the Indian steel biggies are meticulously planned and nothing is left to chance or serendipity.

Elsewhere in the same issue, the Union government's banking and finance secretary Narendra Singh Sinha of India may think that the recent debacle in the bank sector is a rare aberration (Interview), but it goes without saying that in recent history India's cooperative banks have been going red with alarming regularity, which clearly points to a failure of the present system of regulation. The pace at which the financial and bank sectors are growing calls for an overhaul of the regulatory mechanism to suit the changed conditions, to make it proactive and not just reactive.

SIDDHARTHA RAJ GUHA
Jabalpur

Why overseas?

Lately we hear news reports suggesting that many Indian entrepreneurs are going east to places like China to set up manufacturing bases for the Indian market. Why at all they have to go all the way out when our government makes available such generous concessions to units like 100 per cent EDUs in India is not understandable. This is because, like China, labour is cheap in India, while the facilities available here for EDUs are indeed beyond expectations, as under:

• To start with, these 100 per cent export-oriented units need not export 100 per cent.
• Second, unlike any local unit, EDUs need not pay any duties or levies on any of their procurements, be they raw materials or capital goods.
• Third, any local supplier of inputs to the EDUs is conferred 'importer status' and eligible

   for duty-free imports.
• Fourth, the EDU policy allows domestic tariff area sales of 50 per cent of export value, by which the 100 per cent EDUs is allowed to sell in local markets at a very affordable price to the consumer as the EDU doesn't pay taxes on any of its inputs.
• Fifth, a local unit which predominantly exports will not get income tax benefits while an EDU, which would export (barely), will be totally exempt from tax.
• Sixth, even if any duties like service tax and central sales tax are borne by the EDU, they are reimbursed as our government believes that taxes and duties should not be exported.
• Seventh, export of one product and local sale of another product is permissible, under the guise of similarity of products/broadbanding.
• Eighth, because of this, one can go up the value chain fast.
• Ninth, the EDUs need just positive net foreign exchange earnings. This is not very difficult as all domestic purchases by EDUs are duty-free (therefore, less need to resort to imports), while sales to other EDUs, advance licenseholders, etc, are construed as exports.
• Lastly, as per the policy itself, EDUs are our 'sacred cows' and to be treated with 'kid gloves'.

Thus, regardless of advice from eminent and well-meaning individuals like Narayana Murthy of Infosys fame to levy tax, albeit even marginal, on export of goods and services, our government still continues to deny that the EDUs are privileged, that there are any subsidies for EDUs, and that all the relief given is towards neutralisation of duties. It insists that its policy is WTO- and GATT-compatible and that there is no revenue loss.

With such sweeping cover and the added honour of earning 'foreign exchange' for the country, why should one think of setting up an unit in far off places like China when our country is so benevolent? It is easier and better to produce here in India and sell literally duty-free or just pay 50 per cent import duties rather than make in China and bring it here, paying full duties. Food for thought.

S. SRIDHAR
Mumbai

Commit to SC/ST uplift

With reference to your editorial on reservation in the private sector (30 August), I do agree that India has to compete in an international arena and so it is not possible or practical to arm-twist the private sector to create a quarter for the SCs and STs. But I disagree that the backward castes and classes lack employment skills and mental agility. It is disappointing to read that "it is cheaper to pay to keep SC/ST employees away than allow them on to the company's premises!" The SCs/STs are not to be blamed — only the fact that a sound educational system meant for them doesn't reach them.

I personally have come across many SC/STs who do have all the required skills for working in an MNC. It will be a better bargain for the nation if the private sector commits to playing a major role in helping uplift SCs/STs by establishing an effective educational system that will reach them, rather than having to be subjected to reservation in private sector.

VINODH RAJADURAI
Dindigul

Clarifications

In your corporate report (13 September) on Sesa Goa we have come across certain facts and figures that are either incorrect and/or may convey a wrong impression. In the second column of p69 the capex plan of our group at about Rs 150 crore over the next 2-3 years has been attributed to me. Please note that during the conversation with your correspondent we discussed in general the various tentative capex options before our group. The figure mentioned is a summation by your correspondent.

Again, the ocean freight rate for iron ore was stated during the discussion as hovering between $70,000 and more than $100,000 per day for time chartering of capesize vessels, not $700 or 1,500 as on p67. Also, India's iron ore exports stood at around 63 Mt and not 163 Mt (p68) during the previous year, and the statement that shipments in the first six months of this year stand at 98 Mt refers to iron ore imports by China from various countries across the globe and not the exports of India. Correspondingly, the whole year's figure of 200 Mt is also the projected figure of annual imports of iron ore by China during calendar year 2004.

On p69 you indicate that the blast furnace of the Sesa group had teething problems. It is actually the coke ovens of Sesa Kembla Coke Co Ltd that had teething troubles. The reason for Sesa Industries Ltd going into the red some years back was primarily the huge drop in pig iron prices worldwide.

P.K. MUKHERJEE
Director (finance), Sesa Goa Ltd
Panijim
Making sure the dew stays non-toxic.

Technology is supposed to make the world a better place. And that’s the aim at MICO and BOSCH – to make sure tomorrow is a better world. The new automotive technology being developed at MICO, supported by Bosch breakthroughs, is in keeping with our corporate principle of environmental protection. So while next-generation vehicles that run on our technology perform better and go faster, they will not harm the environment. Keeping the world the way it should be – clean, green and pure.

Motor Industries Company Ltd., PO Box 3000, Adugodi, Bangalore 560 030.
Tel: 080-2222 0088. E-mail: mico.corporate@in.bosch.com www.micoindia.com

The Bosch environmental protection logo symbolises uncontaminated water, clean air and unspoilt nature.
Under a cloud
Suzuki’s proposed investments via JVs are bad news for Maruti shareholders

Last week, after Suzuki Motor Corporation (SMC) announced its plan to pump money into Maruti Udyog Ltd, there was a meltdown at the MUL counter on the bourse, contrary to all expectations. As per the announcement SMC and MUL announced a plan to invest over Rs6,000 crore over the next 4-5 years towards setting up a new car assembly plant and a diesel engine manufacturing unit, as well as increasing automation and efficiencies in Maruti’s current facilities, apart from research and development (R&D). With lack of clarity and confusion prevailing on the modalities, which are viewed as being against the interest of the minority shareholders, the MUL stock has shed close to 10 per cent since then.

According to the plan Suzuki will be setting up a new car assembly plant as a joint venture in which MUL and Suzuki will chip in equity in the ratio of 70:30. The second announcement was that it would put up a new diesel engine plant through Suzuki Metals India, currently a 51:49 joint venture between Suzuki and Maruti.

While currently this could be Suzuki’s best option to increase its investment in India, it has not gone down well with corporate observers and market analysts. Considering that Suzuki has a controlling stake of 54.21 per cent in MUL, the decision to go via the joint venture route for fresh investments seems to defy logic. Being the largest shareholder in MUL it was logically expected that Suzuki’s fresh commitments would come through MUL or a 100-per-cent-owned subsidiary of MUL rather than new joint ventures with a different shareholding patterns.

The other way out for Suzuki would be to go it solo and set up a new 100 per cent subsidiary for the new projects. But as things stand today, Press Note 18, which hampered MNCS from diversifying their investments in India, still holds sway. Being a promoter of MUL, Press Note 18 carries a caveat: for Suzuki, like most MNCS operating in the country, to go solo it needs to get a no- objection certificate (NOC) from MUL. The PMO is said to have cleared the scrapping of Press Note 18, an outdated provision that prevented foreign companies already in an Indian joint venture from getting into other 100-per-cent-owned ventures without the domestic partner’s permission. In most cases this gave the domestic company a veto against any separate investment by the foreign partner.

This entry barrier has been widely debated and widely used and abused. In many cases, the domestic partner failed to bring in its share of funds for necessary expansion and using the rule book it prevented the foreign partner from going into other wholly owned ventures. Also, many proposals for new investments by foreign companies were rejected simply because the domestic partner in an existing venture refused to give an NOC.

Surely, Press Note 18 contradicts the Indian government’s promise to create a foreign-investment-friendly environment in India. To put it in a nutshell, Press Note 18 restricts the foreign investor’s right to do business; seeks to legislate on matters that are within the contractual domain; creates an unequal and disadvantageous position for foreign investors; and raises a plethora of legal and interpretational issues. Finally, if the government gathers the necessary will to scrap Press Note 18, where there are talks of it being scrapped Suzuki could reconsider and come in on its own.

Nonetheless, if one were to consider the pure mathematics, Suzuki would hold the majority stake in either of the new JVs. Going by the numbers, in the diesel engine unit it will directly (51 per cent) and indirectly through MUL (26.56 per cent, being 54.21 per cent of MUL’s 49 per cent in the JV) end up holding 77.56 per cent. In the car JV Suzuki will directly (30 per cent) and indirectly through MUL (37.94 per cent) control 67.95 per cent.

What worries analysts about Suzuki’s decision is that in the bargain MUL may be slowly sidelinied in the Japanese company’s future strategy in the country and could put pressure on MUL’s profitability in the coming years.

Several issues are raised by this corporate shareholding structure that Suzuki has planned for the JVs. The obvious one is transferring pricing between the companies, which is why the share price of MUL is southward bound.

The other issues relate to future growth of the separate entities. And equally importantly, the public understanding in a transparent manner what the future holds. The trend in recent times has been to consolidate accounts rather than have a myriad of subsidiaries in which case true profits are difficult to determine.

All in all, Suzuki should consider the interests of the other minority shareholders (see Interview, p146) of the old venture (MUL) and take decisions that will create a win-win and an investment-friendly environment that benefits all.
It’s great, but...

While our relations with Pakistan colour all our foreign policy initiatives, it is our equations with the US that are defining our strategic perceptions.

The affable hour-long breakfast meeting Prime Minister Manmohan Singh had with US President George W. Bush on the sidelines of the UN General Assembly has set at rest all speculation about the future of bilateral relations following the recent regime change in New Delhi. The focus was on the broad theme of Indo-US partnership, the American leader saying that India was emerging as a major global partner. Both Singh and Bush felt that ties between their countries, which share values and traditions and act in concert in international institutions, have never been as close as they are at present. And they resolved to set the direction for further development of this strategic partnership so as to enhance global security and prosperity. Both sides have been specially heartened by the recent implementation of Phase 1 of the Next Steps in Strategic Partnership (NSSP), and pledged to carry forward this process in the second and third phases. This policy modification, designed to liberalise American hi-tech exports to India, also involves the removal of the Indian Space Research Organisation (Isro) from the Commerce Department’s Entity List. The NSSP was signed in January by Bush and the then PM A.B. Vajpayee.

Regrettably, despite all assertions to the contrary, American policymakers still largely view India and Pakistan within the narrow confines of the so-called “zero sum game”. Alongside its decision to liberalise high-technology transfers to India, the US followed up on its designation of Pakistan as a ‘major non-Nato ally’ by declaring its intent to supply Islamabad with some crucial military assistance. This is particularly in the form of the F-3C Orion early warning and surveillance aircraft that can carry a defensive force multiplier role against India, both in peacetime and in times of hostility.

New Delhi is nonetheless elated by the high-technology transfer decision, which it perceives as Bush’s pathbreaking concession to the country during the run-up to his re-election bid for the November poll. It is interpreting the move as the beginning of a new era of cooperation and trust. The Congress-led United Progressive Alliance (UPA) is already hailng the move as a major diplomatic triumph, as such transfers have been withheld from 1992 onwards following the technology embargo on Isro, and from 1998 following the nuclear tests in Pokharan.

But this ‘modified’ export control policy announced by the US goes just this far and no further. India’s nuclear and space scientists have not been particularly enthused as they feel the scope of the new policy is still restrictive. For instance, the ‘modified’ policy has removed only the ‘headquarters’ of Bangalore-based Isro from the Entity List, while its seven manufacturing units that actually need to import space hardware remain on the list. There is also the view among nuclear scientists that the relaxation in the policy is driven primarily by the commercial interests of US companies that have been losing out to Russia in the global nuclear sweepstakes. These companies had been pressuring Washington to relax export restrictions in view of Moscow’s recent sales of atomic reactors to India, China, and Iran.

Besides, the wording of the announcement in Washington that these modified licensing policies will “foster cooperation in commercial space programmes and permit certain exports to power plants at safeguarded nuclear facilities” implicitly limits such exports only to nuclear plants that are under International Atomic Energy Agency (IAEA) safeguards. Hence, only the 35-year-old US-built plant in Tarapur and the two plants in Rajasthan, which once received heavy water from the former Soviet Union, are eligible to receive US equipment as they are the only plants under safeguards. And Washington’s articulation that it will permit only ‘certain exports’ indicates that not ‘every equipment’ ordered by India’s Department of Atomic Energy (DAE) will be on offer. Moreover, the new policy specifies nuclear power plants, thereby excluding other DAE facilities like heavy water units, research reactors, and reprocessing facilities from its ambit.

US undersecretary of commerce Kenneth Jaster has, however, clarified that no sanctions are in place any more, but acknowledges that his country still has with India, as with all other countries, licensing requirements for certain sophisticated elements of high-technology trade. Both India and the US realise the vast scope for bilateral high technology commerce, including civilian space commerce. Singh, in fact, remarked, “As two space-faring nations, the sky is no longer the limit of our cooperation.”
Men in iron masks
Pro-business policies are one thing, democracy another for China’s leaders

China has been a growth engine for the world’s industry and business for more than two decades now. In the immediately forthcoming years it will also occupy world attention through the majestically conceived Beijing Olympics of 2008. The Chinese government has deliberately and assiduously positioned the Beijing Olympics as the centrepiece to receive the formal global acknowledgement of its economic achievement (alongside its sporting prowess). These processes will also be used to showcase that everything that is fine with the Chinese political system. Yet, China must be measured on a valid scale of democracy as well.

It is undeniable that Chinese totalitarianism in recent times has remarkably eschewed the turbulence and turmoil of non-democratic political systems in other parts of the world. There is increasing stability and institutionalisation of the way the old guard is replaced by the new. The latest example of this trait came on 19 September, when President Hu Jintao assumed charge as chairman of the Central Military Commission of the governing Communist Party of China. Traditionally the Chinese military has been subordinate to the party; and with this move President Hu has finally come to the helm of the political affairs of the state and become the ultimate boss of the military.

Two things are of note in this transition. First, through this transition the so-called third generation of the economically reformist Chinese leadership – Jiang Zemin, along with Li Peng, and Zhu Rongzi – have voluntarily let go of all the key platforms of direct political control in China. This itself represents a maturation of the reform of political statecraft that was initiated by Deng Xiaoping in the late 1970s and early ‘80s. The second notable point is that even as President Hu is master of China, his immediate subordinates – such as Premier Wen Jiabao and Vice-President Zeng Qinghong – have also been groomed and promoted by the Chinese system over the past decade. This continuity has been basic to China’s emergence as a global economic powerhouse. It attracts an overwhelming portion of the world’s FDI, 7 per cent of its oil supply, 30 per cent its iron ore output, and 27 per cent of its steel products. China has sustained the fortunes of the world’s largest multinationals in recent years; its own demand drives most of the national economies of East Asia including Taiwan, Korea, and even Japan.

All these developments provide two strong reasons for the world to look for democracy in China too. First, an underlying precept of democracy is the rule of law, which is central to the functioning of dynamic economies as well. The rule of law and corollary sets of established practices make doing business sustainable, transparent, and open. China has made some progress in developing business laws and regulation in the past two decades; but far more needs to be done. Even today, much of the economic activity remains restricted to a relatively ‘sanitised’ stretch of coastal territory where local administrators make things work for foreign investors and firms more through authoritative prerogative and less through legal precedent. If the economic growth of this region is to spread to the whole of China – and that would be of critical importance to the sustainability of the Chinese economic miracle – investors and businesses need the reassurance and utility of a commonly prevalent and transparent legal system. Moreover, all dynamic economies undergo downturns and crashes; and there are several experts who predict such a possibility for the Chinese economy. A stable legal system is a prerequisite to keep things going somehow in that eventuality.

The second reason is that economic growth by itself unleashes regional and sectional desires and aspirations that cannot be bound by a totalitarian regime. Long-term economic growth invariably creates pulls and pushes towards a genuinely open and diverse society as well as polity. The Chinese system has still to demonstrate proof of receptiveness and capacity to accommodate such movements that are at the core of any modern nation. Deng Xiaoping was at helm of the repression in Tiananmen 15 years ago, and much more recently Hu was directly in charge of a drawn-out military crackdown in Tibet. When faced by genuine dissent, both opted to wear the iron mask.

It is also important to note that democracies nurture indigenous entrepreneurship that is so critical to sustained economic development. Some economists make the case that this trait optimises growth. There is an interesting comparison here: for all its inefficiencies, India needs just two-thirds of the investment that China needs for every 1 per cent of growth. Reason for small cheer for one country? Actually, it is a pointer that sans democracy, the Chinese economy will always be an expensive affair.
THE BRAINS BEHIND THE BEARINGS.

THE MOST CRITICAL COMPONENT OF TIMKEN® ENGINEERED SOLUTIONS ARE TIMKEN ENGINEERS. BACKED BY 100 YEARS OF INNOVATION, SERVICE AND MANUFACTURING SUPPORT. HARD WIRED TO SOLVE PROBLEMS, NOT JUST DESIGN PRODUCTS. JUST THE KIND OF SMART PEOPLE YOU WANT WORKING FOR YOU.

TIMKEN

WORLDWIDE LEADER IN BEARINGS AND STEEL
Dell | BUSINESS

Freedom from work.

Freedom to work.

Dell™ Inspiron™ 700m 1600 Notebook
Mobility & Flexibility.

Dell™ Inspiron™ 510m 1600LT Notebook
Wireless Mobility & Performance.

Dell™ recommends Microsoft® Windows® XP Professional for Business.

Dell™ Notebooks

Dell™ Inspiron™ 510m 1600LT Notebook

Wireless Mobility & Performance
- Intel® Centrino™ Mobile Technology
- Intel® Pentium® M Processor 725
- Intel® Pro Wireless 2100 Network Card 802.11b
- Microsoft® Windows® XP Home Edition
- 256MB DDR PC2700 SDRAM 333MHz
- 50GB Hard Disk Drive
- Integrated Intel® Extreme Graphics 2 up to 512MB Shared Memory
- 24X CD-ROM
- 38 cm XGA+ TFT Display (1024 x 768 res.)
- Norton Internet Security 2004 (OEM)
- 1 Year Limited Warranty

From Rs. 59,900**

Please quote E-value code: LS41014-481

FREE Upgrade to 24X DVD / CD-RW Combo Drive

variability. System performance measured by MobileMark® 2002. System performance, battery life, wireless performance and functionality will vary depending on your specific hardware and software configurations.

Dell Inspiron 700m 1600 Notebook

Flexible & Highly Mobile
- Intel® Centrino™ Mobile Technology
- Intel® Pentium® M Processor 725
- Intel® Pro Wireless 2100 Network Card 802.11b
- Microsoft® Windows® XP Home Edition
- 256MB DDR PC2700 SDRAM
- 30GB Hard Disk Drive
- Integrated Intel® Extreme Graphics 2 up to 512MB Shared Memory
- 24X DVD / CD-RW Combo Drive
- 30.7cm XGA+ TFT Display (1280 x 800 res.)
- Norton Internet Security 2004 (OEM)
- Integrated 10/100 Fast Ethernet
- 2 USB Ports (2.0)
- 1 Year Limited Warranty

From Rs. 68,900**

Please quote E-value code: LS41017-481

FREE Upgrade to 60GB Hard Disk Drive

Dell Inspiron 510m 1600LT Notebook

Extreme-Performance Widescreen Notebook
- Intel® Centrino™ Mobile Technology
- Intel® Pentium® M Processor 745
- Intel® Pro Wireless 2100 Network Card 802.11b
- Microsoft® Windows® XP Home Edition
- 256MB DDR PC2700 SDRAM
- 60GB Hard Disk Drive
- 64MB DDR NVIDIA® GeForce™ Go 5200
- 16X DVD-RW/DVD-R/DVD-RAM
- 14.1cm Wide-Aspect UltraSharp™ WXGA TFT Display (1280x1024 res.)
- Norton Internet Security 2004 (OEM)
- Internal 56K Capable Fax Modem
- Integrated 10/100 Fast Ethernet
- 2 USB Ports (2.0)
- 1 Year Limited Warranty

From Rs. 86,900**

Please quote E-value code: LS41020-481

FREE Upgrade to 24X DVD / CD-RW Combo Drive

**Sales taxes or value added taxes, local taxes and any other applicable levies are additional. By delivery only. Delivery charges of Rs. 99 per unit are payable on Inspiron™, Rs. 159 on Dimension™, Rs. 1,494 on Latitude™ and Rs. 2,488 on PowerEdge™ products purchased.

1 For hard drives, 1GB means 1 billion bytes accessible capacity with operating environment. 2 On-site service provided by an independent third party service provider and may not be available in certain remote locations.

3 Technicians shall be dispatched if necessary following telephone technical support. 4 The DVD region code can be set up only by the customer. 5 The region setting applies to commercial DVD movies only, and in no way affects use of DVD media software applications. 6 Between 32 and 64 MB of system memory may be allocated to support graphics, depending on system memory size and other factors. 7 Wireless connectivity and some features may require you to purchase or download additional software, services or external hardware. Availability of public wireless LAN access points limited. 8 Weight shown is for base system only. Weight may vary depending on configuration and manufacturing.

Intel® Centrino™ Mobile Technology enables wireless connectivity and faster performance that allows you to work and stay connected wherever you are and thereby helps in increasing productivity and lowering TCO. WLAN access points in your office, at most airports, or anywhere else there's a network hotspot lets you stay connected to the web and your e-mail system.
The Dell™ Dimension™ 8400 Desktop

PICTURE-PERFECT PERFORMANCE AND POWER

The all-new Dell™ Dimension™ 8400 with Intel® Pentium® 4 Processor 520 with HT Technology (Processor speed 2.8GHz, 1MB L2 Cache, 800MHz FSB) and Microsoft® Windows® XP Home is the ideal choice for business users who demand high end computing performance and the maximum return from their computer investment. The Dimension™ 8400 has standard dual channel, DDR2 memory providing awesome processing power for outstanding graphics and system performance.

**Dell™ Desktops**

**Dell™ Dimension™ 8400 Desktop**

Advanced Business Desktop
- Intel® Pentium® 4 Processor 520 with HT Technology (Processor speed 2.8GHz, 1MB L2 Cache, 800MHz FSB)
- Microsoft® Windows® XP Home Edition
- 512MB DDR2 SDRAM at 533MHz
- 80GB (7200 rpm) Serial ATA Hard Disk Drive
- 128MB PCI Express x16 ATI Radon™ X300SE
- Integrated 5.1 Audio
- 48X/32X/48X CD-RW Drive
- 43cm colour monitor (43.3cm v.s.i.)
- Integrated Gigabit Ethernet

From Rs.
48,900**

Please quote E-code: L241012-491I

FREEShipping included with 48X DVD/CDRW Combo Drive

**Dell™ Dimension™ 8400 Desktop**

Advanced Business Desktop
- Intel® Pentium® 4 Processor 520 with HT Technology (Processor speed 3.0GHz, 1MB L2 Cache, 800MHz FSB)
- Microsoft® Windows® XP Home Edition
- 1GB DDR2 SDRAM at 533MHz
- 80GB (7200 rpm) Serial ATA Hard Disk Drive
- 128MB PCI Express x16 ATI Radon™ X300SE
- SoundBlaster® Live! 24-bit Sound Card
- 48X/32X/48X CD-RW Drive
- 43cm colour monitor (43.3cm v.s.i.)
- 56K Modem
- Integrated Gigabit Ethernet

From Rs.
51,900**

Please quote E-code: L241017-491I

FREEShipping included with 48X DVD/CDRW Combo Drive

**Dell™ Dimension™ 8400 Desktop**

Advanced Business Desktop
- Intel® Pentium® 4 Processor 540 with HT Technology (Processor speed 3.2GHz, 1MB L2 Cache, 800MHz FSB)
- Microsoft® Windows® XP Home Edition
- 512MB DDR2 SDRAM at 533MHz
- 90GB (7200 rpm) Serial ATA Hard Disk Drive
- 128MB PCI Express x16 ATI Radon™ X300SE
- SoundBlaster® Live! 24-bit Sound Card
- 48X/32X/48X CD-RW Drive
- 38.1cm Flat Panel Monitor
- 56K Modem
- Integrated Gigabit Ethernet

From Rs.
62,900**

Please quote E-code: L241017-491I

FREEShipping included with 48X DVD/CDRW Combo Drive

**Dell™ PowerEdge™ 1600SC Server**

SCALABLE AND POWERFUL SOLUTIONS FOR YOUR BUSINESS

An entry level, dual processor workgroup class server, designed to meet the needs of small-to-medium organisations

**Dell™ Servers**

**Dell™ PowerEdge™ 1600SC Server**

Entry-Level Workgroup Server
- Intel® Xeon™ Processor 2.4GHz (Dual Processor Capable)
- Tower
- 512MB DDR ECC RAM
- 400MHz IDE Hard Disk Drive
- Embedded Intel® Gigabit NIC
- 48X CD-ROM Drive
- Optional Redundant Power Supply

From Rs.
55,900**

Please quote E-code: L421017-491I

FREEShipping included with 3 Year Warranty (With 3 Year Next Business Day On-Site Service) and Lifetime Telephone Technical Support

**Dell™ PowerEdge™ 1850 Server**

Advanced Rack-mountable Server
- Intel® Xeon™ Processor 2.4GHz (Dual Processor Capable)
- 1 U Rack-mount
- 512MB ECC DDR-2 SDRAM
- 36GB 10K Ultra 320 SCSI Hard Disk Drive
- Embedded Dual Intel® Gigabit NIC
- 48X CD-ROM Drive
- Embedded Base Management Controller with IPMI 1.5 Support

From Rs.
83,900**

Please quote E-code: L421017Z-491I

FREEShipping included with 3 Year Warranty (With 3 Year Next Business Day On-Site Service) and Lifetime Telephone Technical Support

**Dell™ PowerEdge™ 2850 Server**

Advanced Rack-mountable Server
- Intel® Xeon™ Processor 2.6GHz (Dual Processor Capable)
- 2 U Rack-mount
- 512MB ECC DDR-2 SDRAM
- 36GB 10K Ultra 320 SCSI Hard Disk Drive
- Embedded Dual Intel® Gigabit NIC
- 48X CD-ROM Drive
- Embedded Base Management Controller with IPMI 1.5 Support

From Rs.
93,900**

Please quote E-code: L421008Z-491I

FREEShipping included with 3 Year Warranty (With 3 Year Next Business Day On-Site Service) and Lifetime Telephone Technical Support

**Dell™ PowerEdge™ 1600SC Server**

- Entry level, dual processor workgroup class server, designed to meet the needs of small-to-medium organisations

**Dell™ PowerEdge™ 1850 Server**

- Advanced Rack-mountable Server
- Dual Intel® Xeon™ Processor 2.4GHz
- 1 U Rack-mount
- 512MB ECC DDR-2 SDRAM
- 36GB 10K Ultra 320 SCSI Hard Disk Drive
- Embedded Dual Intel® Gigabit NIC
- 48X CD-ROM Drive
- Embedded Base Management Controller with IPMI 1.5 Support

**Dell™ PowerEdge™ 2850 Server**

- Advanced Rack-mountable Server
- Dual Intel® Xeon™ Processor 2.6GHz
- 2 U Rack-mount
- 512MB ECC DDR-2 SDRAM
- 36GB 10K Ultra 320 SCSI Hard Disk Drive
- Embedded Dual Intel® Gigabit NIC
- 48X CD-ROM Drive
- Embedded Base Management Controller with IPMI 1.5 Support

Why PowerEdge™ Server?

Dell’s family of servers represent an end-to-end offering of products to fit your particular business needs.

**PowerEdge™ 1600SC** - An entry level, dual processor workgroup class server, designed to meet the needs of small-to-medium organisations

**PowerEdge™ 1850** - With dual Intel® Xeon™ processor capability PowerEdge™ 1850 delivers the computing power needed for network infrastructure, web applications, SAN compute node, HPCC applications, database front-end, file and print

**PowerEdge™ 2850** - Delivers both the performance customers need with the drive capacity demanded for growing application. The flexibility of the PowerEdge™ 2850 provides a high performing scalable platform with plenty of configuration flexibility.

All offers valid till 8th October 2004.

TO ORDER, CALL DELL MON-FRI: 9AM - 6PM, SAT: 9AM - 12NUNON
1600 444 029

Or Call 080-2506 8029 (Standard charges apply).
For Telephone Technical Support, call 1600 338 045.
Visit us at www.dell.co.in/buy
Choudhury in charge
Foreign junkets, the biggest perk for politicians that they so assiduously seek, are now not so easy to come by given the present regime’s austere and cost-cutting approach. Recently there was quite a to-do over Minister of State for Tourism Renuka Choudhury’s roadshow in Europe. Apparently it wasn’t easy getting official sanction for the European sojourn. But

Choudhury, never one to quietly acquiesce, marched right into the PMO to present her case. Rather than hit the high note verbally, the fiery minister sat down and personally wrote a 20-page plea. The strategy hit the right chord and Choudhury got the green light. Unfortunately that was a tad too late for several travel industry professionals to join the entourage, although the minister did manage to rope in the likes of Thomas Cook CEO Ashwini Kakkar for the first leg in Europe. Of course tourism secretary Amitabh Kant was very much part of this Incredible India band, which rolled through Milan, Florence, Venice, and Rome. Thereafter the flagbearers proceeded to Paris, with the indefatigable Choudhury leading the charge. The PMO had better be prepared as the success of this trip has only whetted the minister’s appetite for more.

Real v/s reel
It could well be a script in itself. First, the Kannada film industry succeeded in getting a seven-week moratorium on the release of non-Kannada films in the state. This, they said, was necessary to protect the local film industry. In retaliation the Telugu, Tamil, and Hindi film industries got together and formed a joint action committee and drew up a series of counter-embargoes. Under these, if the moratorium is not lifted, then no other language films will be released in Karnataka even after the seven-week moratorium. Kannada artistes will not be taken on for non-Kannada movies and artists from other languages will not work in Kannada films. Kannada films will not be dubbed in other languages, no shooting will be done in Karnataka, and several other such measures will come into force. But the Kannada film industry isn’t willing to budge. Kannada Film Producers’ Association president Basant Kumar Patil says: “We will continue with our stand. If they want to resolve the issue, let them come to us. Our doors are open.” Meanwhile some, like Kannada film director Kavitha Lankesh, are completely against the moratorium. Says Lankesh: “Kannada movies must compete on their own steam on the basis on their strengths, content, creativity, and novelty.” With all the twists in this real plot, this is one climax that’s certainly worth watching.

Curtains for BATF?
Ever since the exit of the S.M. Krishna government in Karnataka, the fate of the high-profile Bangalore Agenda Task Force (BATF) has been under a cloud. The BATF was constituted in 1999 as a unique public–private partnership comprising eminent professionals under the chairmanship of Infosys chief Nandan Nilekani. Its mission was to work with the city stakeholders and make Bangalore the best city in India by 2005 by driving better urban governance and infrastructure development. With the Dharam Singh government giving no clear indication of its support for BATF, the first steps towards dismantling it seem to have been initiated. The operating office of BATF, which was being financed by Nilekani through his Adhar Trust and was involved in various projects like solid waste management, building public toilets, renovating parks, ensuring smoother flow of traffic, etc, is closing down. Says Nilekani: “It is a monthly drain for me. I feel it is time to move out of projects and get more into advocacy.” As for the BATF committee itself, it’s wait-and-watch time. According to Nilekani the committee has requested for a meeting with the chief minister. “We’ll have to wait and see,” he says.

Ollila no kiya
Nokia’s corporate motto may be ‘Connecting People’. But last fortnight, on a flying visit to India, the company’s chairman and CEO Jorma Ollila singularly failed to connect. Ollila had come for the Priyadarshini Academy Awards function, where he was slated to receive one of the top international awards. (Other winners included Philippines senatorate member Loren Legarda.)

But the awards ceremony was dominated by past, present, and future politicians — all of them suffering from verbal diarrhoea. While the industrialists and bankers present — Anand Mahindra and Uday Kotak — made brief and sensible comments, the politicians droned on and on. The international guests were seen looking at their watches. Finally some of them even nodded off. The ceremony ended more than an hour behind time. Ollila, who was scheduled for a media interaction, made a quick getaway. “I am terribly behind my own schedule,” he said. End result: no talktime for the newsmen.

Yes to growth
Recently we received a potted moneyplant from the most unlikely source — Yes Bank. It was a nice change from all the other gifts that most corporates send out — diaries, calendars, and the usual gifts. As MD and CEO Rana Kapoor says, having commenced commercial operations, the idea is to systematically build the wholesale and corporate banking business as well as the financial markets, investment banking, transactional banking, retail and private banking business lines across the country. This means growth and nurturing, things a bank stands for. And it is this the bank is trying to portray through the moneyplant. Of course there was a lot of brainstorming before the plant was settled for. A spokesperson says, “The moneyplant symbolises many positives. We want our employees to grow, our clients to grow, and the bank to grow.”

Tailpiece
The festive season is a good time to enter the Indian market with a new product. Upmarket Swiss watch manufacturer Bovet, known for its rare and refined watches that display rare skills of enamel work, miniature painting, engraving, and complicated movements, entered the Mumbai market during the Ganesh festival with a limited-edition watch with a Ganesh miniature. What is also unique about these watches is that it has the unique design of a pocket watch to be worn on the wrist. Obviously, these watches don’t come cheap. The models in rose or white gold will retail from Rs6 lakh.
ENTERPRISE RESOURCE DOING

For over 13,000 businesses worldwide, SSA Global extends ERP across every enterprise process – from supplier to employee to customer – and delivers it faster.

Let’s get started.
www.ssaglobal.com/doing/in
+91 11 2922 9888
$-shop picking?

Hyderabad-based Bakelite Hylam Ltd (BHL), a sick industrial company which was into the manufacture of laminates, sheet, and phenolic moulding resins, is said to have been sold for Rs1 to one of the close associates of the owners of the company. According to its last audited balance sheet dated March 2001, its entire net worth was wiped out by accumulated losses amounting to Rs18.5 crore. The BIFR had appointed State Bank of Hyderabad as the operating agency with the task to conduct a techno-economic viability study and prepare a revival package, if feasible. According to people in the trade, despite financial problems, this once popular company still has a strong brand recall. That’s probably what attracted the buyer.

Spreading its wings

The low-profile Rs100-plus-crore Suhhnen group, which is into the manufacture of decorative and building material products such as pre-laminated and veneer boards under the brandname Uro, is thinking of a big diversification into unrelated areas. Its last diversification was into the manufacture of vitrified ceramic tiles under the brandname Euro.

Now the Suhhnen group has finalised setting up a CD and DVD manufacturing plant in Bhuj. Though the capacity of the plant is not known, it will be up and running by the end of this year and will compete with the likes of Moser Baer.

This privately held group promoted by Nenshi Shah also wants to cash in on the boom in the metals market. It’s already active in the iron ore business at Raipur in Chhattisgarh. It plans to forward-integrate by getting into the manufacture of sponge iron. The business plan for sponge iron is said to have been given the final touches, it is learnt. The total capital expenditure could not be ascertained.

A stitch in time...

Ahmedabad-based Ashima Ltd (formerly Ashima Synjetex), which is into the manufacture of denim, had to rough it out all these years what with the denim boom waning, coupled with the pressures of having to pay the price for overleveraging (à la Arvind). For the year to December 2003 the company notched up sales of Rs428 crore and a loss of Rs113 crore. Another group company from the Chintan Parikh stable, Nachmo Knitex, also had to bear the brunt of overstretching. For the year to December 2003 it posted a loss of Rs14.4 crore on a turnover of Rs102 crore. The only way out for these companies was to go in for CDR. Now, if sources are to be believed, Parikh and company can heave a sigh of relief because their CDR packages are said to be through. The stockmarket may have got wind of it, as can be seen from the stock price behaviour of both companies. While Ashima was quoted at Rs13 barely a month ago, today is at around Rs22. Ditto for Nachmo Knitex, whose scrip tripled from Rs4 to Rs12 in the same period.

The card game

Standard Chartered Bank’s media splash on the virtues of its recently launched Manhattan card is being seen by its rivals as a big push to make good its investment in the brand. The bank had acquired the entire issued share capital of Chase Manhattan Card Company Ltd and Chase’s Hong Kong-based retail banking business for around $1.32 billion in September 2000. This included the Manhattan brand, even though Chase Manhattan itself has disappeared and is now part of JPMorgan Chase. The total consideration for the acquisition, which includes goodwill of $1.02 billion, was paid in cash. Card industry sources said that the marketing spend on Manhattan is $2 million or a tad over Rs9 crore. It remains to be seen whether Manhattan as a standalone brand will be a hit with local customers.

Acquisition spree

Brand acquisition is sweeping across the Indian pharma industry. According to a source in the deal making business, Mumbai-based Indoco Remedies headed by Suresh Kare, which has made the 20 brands it acquired when it tookover Warren Labs into a success story (more than doubled sales from Rs17 crore in 1999 to Rs40 crore in 2004), has now struck a deal to buy the Karvol Plus brand from Solvay Pharma. This anti-cold and cough brand with current sales of Rs6 crore will fetch Solvay close to Rs10 crore. This acquisition will give Indoco further mass in a segment in which it is already one of the top three players. For the year ended March 2004 the company reported sales of Rs177.6 crore, up 23 per cent, and a net profit of Rs21.26 crore, up 51 per cent.

Captive recruitment

After having established a foothold in publishing and television, the India Today group is gearing up to launch a media school by next spring. While details of the school are being worked out, India Today is looking at foreign tie-ups. It is learnt that it is in communication with the world’s leading media schools for collaboration which include Columbia School of Journalism, Illinois School of Communication, and University of Miami’s School of Communication. Its edge over other schools opened by media houses would be that it will be able to absorb a number of students in-house — in its own magazine, newspaper, or television. So students who get admission to the school will not have to worry about placement once their course is over!

Big plans

New-Delhi-based Home Store, a chain of lifestyle stores, is planning an investment of Rs220 crore in the next couple of years to grow its Home Store and Sab Ka Bazaar (SKB) supermarket brands across the country. The first Home Store opened in 1998 and the chain already has 13 stores in different cities. The promoter is planning 58 stores covering the metros, mini-metros, and state capitals. Eight of these will be opened in Mumbai alone. The usp of these stores would be to offer a one-stop destination promoting design-driven products that are not only exclusive but very affordable for the cost-conscious consumer.
Hello. If the words on your phone line are as clear, it has to do with the telecom solutions we develop at Mahindra BT. It has a lot to do with a strategic decision we took a few years ago; to focus on telecom software. It’s propelled us, in just a few years, to the very top of telecom software in India. Just bringing alive the fact that leadership is all about completely focusing on what you do, and then doing it better.
The Business India Book Club offer

India's premier business magazine now brings you — the Business India BOOK CLUB OFFER. Every fortnight, this page will highlight three latest books that are making waves in the international business community. Excellent books on every subject. You will be able to procure them from us immediately — months before any book shop in the country gets them.

Send us a demand draft for book/s. They will be yours instantly. At a 15% discount! (till stocks last; thereafter allow four weeks for delivery)

Only the following books, offered in the previous Business India Book Club offer, are still available (prices mentioned include the discount)

- Understanding Celebrity
- 1001 Financial Words You Need to Know
- Journalism: A Critical History
- Photos of the Gods
- Fabrics, Fashions, and Facts About Advertising
- The Art of Looking Sideways
- The Big Book of Corporate Identity Design
- Effective Advertising
- New Insights on Writing Covered Call Options
- The Roaring Nineties; Seeds of Destruction
- Advertising Basics
- Strategic Financial Management
- Historical Dictionary of Pakistan
- India Infrastructure Report 2004
- Emerging Issues in Supply Chain Management
- The (Un)Common Sense of Advertising
- Financial Crisis, Contagion, and Containment
- Strategic Management
- India Mutual Fund Handbook
- Investment Banking
- Trading Tips
- The Angel Investor's Handbook
- The Financial Analyst Handbook
- The Motivation Handbook
- GE Way Fieldbook
- Winning Legal Wars
- India: Sustaining Reform, Reducing Poverty
- The A to Z of Hinduism
- West and Central Human Development Report
- How to Convert a Taxpayer into a Taxpayer
- Make or Break Issues in IT Management
- The Technical Analysis of Stocks, Options & Futures
- The McKinsey Way

Please send your orders enclosing demand draft/cheque payable in Mumbai favouring BPL A/c Business India Book Club, add Rs. 50/- for postage per copy to: (We don't accept outstation cheques), BPL A/c Business India Book Club, Business India, 14th Floor, Nirmal, Nariman Point, Mumbai 400 021.
Tel: 2288341/42/43/45
Fax: 91-22-22883940.
Email: rafiquebaghdad@hotmail.com
Farmers made Mahindra India’s no. 1 in tractors. Quality experts made us the world’s first.

When hundreds of thousands of farmers in the heartlands of India pine for a better crop, we do our very best to make it happen. So much so that advanced countries like Japan have conferred on us the highest quality prize ever. The Deming Prize. Making us, rather unbelievably, the only tractor company in the world to win one. What a feeling it is to know that we were doing it better all along. Not just in tractor but in all our other businesses. But then at Mahindra we believe that when your work inspires you, recognition takes care of itself.
BUSINESS INDIA INDEX

Rank of India in terms of ‘ease of doing business’ and as the most attractive business destination among 145 countries worldwide: 120
Rank of China in terms of ‘ease of doing business’ and as the most attractive business destination among 145 countries worldwide: 42
Average number of days it takes to start a new business in India: 89
Average number of days it takes to start a new business in Nepal: 21

Total number of Parsis in India during 1941: 1,15,000
Total number of Parsis in India during 2001: 69,601
Number out of these that live in Mumbai: 46,577

Literacy rates among Jain women, in per cent, ranked highest among six major Indian religious groups: 90.6
Female work participation rate among Jains, in per cent, ranked lowest among six major Indian religious groups: 9.2

Average number of hours everyday that inhabitants of Delhi get water supplies, one of the worst in the world: 4
Average number of hours everyday that inhabitants of Karachi in Pakistan get water supplies, one of the worst in the world: 3

Number of tourists who visited India for medical treatment during 2003: 1,50,000
Estimated number of overseas tourists who are likely to visit India for medical treatment in near future: 10,00,000

Change in the number of applications from Indian students at American universities during 2003–4, in per cent: –28
Change in the number of admissions of Indian students at the American universities during 2003–4, in per cent: –19

Share of foreign-born scientists and engineers among all the scientists and engineers in the US: 16.6
Percentage of all foreign-born scientists and engineers in the US that are Indians or Chinese: 33.1

Percentage of all foreign-born computer scientists in the US that are Indians: 24.1
Percentage of all foreign-born life scientists and physical scientists in the US that are Chinese: 29.0 & 25.2

Change in the number of applications from Chinese and South Korean students at the American universities during 2003–4, in per cent: –45 & –14
Change in the number of admissions of Chinese and South Korean students at the American universities during 2003–4, in per cent: –34 & –12

Estimated number of British motorists who openly flirt everyday while driving, in million: 20,00,000
Estimated number of British motorists who sleep with someone after initially spotting them during a road trip: 5,00,000
Estimated number of British motorists who have met their future wives or husbands in traffic: 1,50,000

Number of car accident damage insurance claims studied by a British insurance company to determine that brown-coloured cars were ‘most accident-prone’: 1,00,000

Estimated percentage of American population suffering from compulsive shopping disorders, leading to shopping for unwanted items: 8

Proportion of men earning more than $8,000 per month who complain that they are losing their hair, in per cent: 95
Proportion of men earning less than $1,000 per month who complain that they are losing their hair, in per cent: 35

Estimated number of persons worldwide who try to commit suicides every year, in million: 10–20
Estimated number of persons worldwide who actually succeed in killing themselves every year, in million: 1
Projected number of persons worldwide who are expected to kill themselves annually by 2020, in million: 1.5

Hard work has helped Mahindra to the top. So have holidays.
Capital health

The health and family welfare department of the Government of Delhi recently launched its own portal www.health.delhigovt.nic.in. The site is well designed and extremely rich in content and information. This is necessary since the department caters to the health needs of nearly 13 million people of the ever-growing metropolis and also has to share the burden of migratory as well as floating populations from neighbouring states, which constitute a third of the total intake at the city's major hospitals. The portal offers various listing and interactive sessions which are unique and interesting. For instance, 'Laboratory on the Web' allows you to enter your medical readings and offers advice. You can search hospitals by their location and specialisation. Other useful sections include body fat assessment, standard height and weight, calorie counter, of medicine, local medical colleges including University College of Medical Sciences and Maulana Azad Medical College, the drug control department, prevention of food and adulteration, blood banks, centralised accident and trauma services, the Aids Society, Institute of Human Behaviour & Allied Sciences, Centre for Occupational and Environmental Health, and a list of dental colleges.

Mapping India

MapmyIndia, info systems has launched a useful mapping site www.mapmyindia.com. Positioned as India's first online interactive map-based exercise, the site covers the length and breadth of the country, enabling users to find any place anywhere in India. Apart from general users, the marketing will now be the core activity of Propcare. We have already tied up projects worth Rs40 crore and expect to close this fiscal year with about Rs100 crore.” The portal offers information on home loans, Vaastu, Feng Shui, homes for NRIs, news, property insurance, property merger, now Shriram Propcare will foray into project marketing/conceptualising, positioning, pricing, and exclusively marketing residential projects,” says R. Balaji, CEO of Shriram Propcare Ltd. He adds: “Project site is also intended for businesses, institutions, and home users who want to direct people to their locations through the Internet. In fact, anyone who has a Website and wants to show a specific location in India on a dynamic, interactive, searchable, and highly detailed map should take advantage of this service. Apart from locations, the site provides distances and routes between two major locations, whereas the category search offers users an instantaneous way of viewing around 50 different types of interests under broadly defined categories ranging from hill stations to cinema halls, banks, shopping complexes, etc. The site offers a facility to businesses of a personalised hyperlink on their business Website that links it to the MapmyIndia server, and enables a user to find a location. A caveat: 'The maps displayed on the site are not to scale. Maps should be used for location purpose only.' Nonetheless, it is an extremely useful effort.
Trust. That’s the reason why EPSON Dot Matrix printers have won the PC Quest Users’ Choice Award for 3 consecutive years. Chosen by users themselves this is the ultimate proof of consistent, enduring reliability. Reason enough, we believe, for you to choose an EPSON Dot Matrix Printer.
Active abroad

In a hurriedly called press conference Glenn Saldanha, MD and CEO of Rs350 crore Glenmark Pharmaceuticals, announced that the company has, through its wholly owned subsidiary Glenmark Pharmaceuticals SA (Switzerland), entered into a collaborative agreement with $2.65 billion Forest Laboratories of the US, for Glenmark's PDE4 inhibitor GRC3886.

The agreement states that the US company will develop, register, and commercialise the inhibitor for the north American market, while the Indian company will retain commercialisation rights for the rest of the world. "We felt the risk-sharing model was a better way to move ahead," says Saldanha. Though he refuses to divulge the breakdown of the payments it will receive for its efforts, he says Forest will pay an upfront fee and other milestone payments totally estimated to be around $190 million. "This does not include the royalty payments once it is commercialised," he adds. He expects the product to be through the commercial process by 2009. "We are happy with our achievements, that our four years of effort in research and development front have begun to pay off."

GRC3886 is currently entering Phase I clinical trials in the UK. "The data are easily accepted if they come out of the UK," says Saldanha in justification for conducting trials there. "It is the largest licensing deal concluded by any Indian pharmaceutical company to date. Forest has consistently demonstrated exceptional development, sales, and marketing skills and we are very excited to partner them on this product."

The product is an orally available PDE4 (phosphodiesterase-IV) inhibitor indicated in chronic obstructive pulmonary disorder (COPD) and asthma. According to the Centers for Disease Control, COPD affects approximately 24 million people in the US and asthma affects around 20 million. Combined, these markets are worth over $10 billion. According to Saldanha the development of a PDE4 inhibitor could typically cost between $50 and $75 million in the US.

In an official statement Howard Solomon, chairman and CEO of Forest, says: "We believe that more and more innovative drug discovery will be coming from companies in India and that Glenmark has the skill and foresight to become one of the leading discovery companies... Our relationship, we hope, will expand into some of the other interesting areas they are exploring."

In early 2004 Glenmark entered into a product development and marketing licensing agreement with US-based K.V. Pharmaceuticals and subsequently took over Laboratorios Klinger, Brazil. While the Forest deal seems fine on paper (till commercialisation), only hopes it does not encounter the problems faced in the tie-up with K.V. Pharmaceuticals. According to reliable sources, Glenmark has yet to receive a milestone payment amounting to about $2 million. However, Saldanha refused to comment at the press conference on this particular issue.

In April 2003 Business India reported that Glenmark Pharmaceuticals was moving onto overseas turf. Subsequently we followed that up with updates on its increasing number of forays. Yet another has been announced.

Pitching ahead

In the last four months Mumbai-based Mercator Shipping has added two more vessels—an Aframax and a VLCC—to its fleet at a cost of $58 million. This will see the company's total tonnage pole vault from 4.63 (March 2004) to 8.5 dead weight tonnes (dwt) capacity. "Soon we will be one million in tonnage," says CMD H.K. Mittal, although he does not reveal what new vessels he has identified. While the new 2.8dwt VLCC is the only Mercator vessel to operate on spot basis and plies all over the world, the Aframax is deployed on a time-charter with Glencore. The company has also taken three ships on charter.

"The acquisition was financed by a combination of debt and internal accruals," adds Mittal, who has a 46 per cent stake in the
company, which has a strong balance-sheet and a rising market capitalisation. When Business India first reported on Mercator its market cap was just Rs5.35 crore (March 2001); by March 2004 it was Rs155.46 crore.

For the year ended March 2004 the company joined the Rs200 crore league, logging a turnover of Rs242.46 crore, up three times. Profit at the net level was up nine times to Rs50.09 crore. This translated into an earnings per share of Rs91.04. "Looking at the first-quarter results – a net profit of Rs20.65 crore on a turnover of Rs97 crore, the increase in tonnage further adding to the numbers, – the company should end 2004-5 with a topline of Rs500 crore," estimates a shipping analyst, who sees a great future in the company’s stock, which is currently quoted at a p/e of just 4 times.

The analyst foresees a good future, and expects freight rates to be firm at least over the next 18 months. This would augur well for Mercator, which has 30 per cent of its tonnage operating in the spot market.

A 360° view

Bajaj Electricals Limited (BEL), a Rs503 crore company, seems to becoming healthier day by day thanks to the improved market conditions and a spurt in demand for electrical goods. For quite some time now the company’s focus on its engineering and projects business unit (EPBU) has started paying hefty dividends. Recently this unit bagged orders for supply and installation of transmission towers worth Rs70 crore in just four weeks.

Within this financial year itself the unit bagged orders worth Rs150 crore in special projects, transmission line towers, high masts, and street lighting, making it the largest division of Bajaj Electricals in terms of volumes, surpassing appliances and luminaires. BEL will be supplying and installing transmission line towers for the power grid at Almatti, Tamil Nadu. The 43km project is expected to reinforce BEL’s position as a serious contender in power transmission. It has also been commissioned to supply transmission towers for the power grid in the Vindhya region.

In addition, Andhra Pradesh Transmission Co has also appointed BEL to supply a huge number of transmission line towers. But the best part of the business for the company is coming from overseas clients. EPBU will soon be exporting transmission line towers to Laos and South America, for Jaguar Overseas.

Lalit Mehta, senior vice-president of EPBU, says: “Our focus on transmission is paying dividends. As a result, telecom companies such as Bharti Cellular and Tata Teleservices, and wind energy company Suzlon have placed orders with us. Because of these high-value orders from Powergrid we are now the largest division in BEL in terms of volumes. It is also giving us a healthy growth in revenues and profitability.”

This division offers total turnkey solutions in electricals and illumination engineering, including high-mast lighting. Till date it has executed the largest number of turnkey projects in lighting and associated electricals in the country and has a market share of 60 per cent.

For the year ended 31 March 2004 revenue from operations was higher at Rs503 crore as against Rs433 crore in the previous year, an increase of 16 per cent. The profit after tax too improved at Rs11.36 crore as against a loss of Rs9.8 crore the previous year. “Our focus on achieving a turnaround bore fruit,” says CMD Shekhar Bajaj. He adds, “We achieved good revenue growth while controlling operating expenses, improving margins, and reducing working capital and certain fixed costs. Cost-reduction initiatives at our manufacturing facilities continued with a strategic sale of non-performing assets to improve our the business focus.”

The company has improved its market share in various segments such as fans, appliances, luminaires, and engineering and projects during the year, with aggressive marketing activities and introduction of new products. “To extend and add value to its portfolio of products and solutions, and to meet differing customer needs, Bajaj Electricals is also constantly exploring strategic alliances with business partners around the globe,” says president and COO R. Ramakrishnan. “It is,” he adds, “a 360-degree view to achieving excellence.”
Edusat launch flawless
India’s satellite launch vehicle technology notched up another important milestone when GSLSV, in its first operational flight, successfully placed Edusat, India’s first full-fledged educational satellite, in orbit last week. Not only was this a successful hat-trick for GSLSV, but it also placed in orbit the heaviest satellite by an Indian launch vehicle. “It was the most precise launch we’ve ever had. We’ve shown the world that we can do a job with precision,” said elated Isro chairman G. Madhavan Nair. The satellite is intended to meet the demand for an interactive satellite-based distance education system in India, connecting trained teachers and well-equipped urban educational institutions to a large number of rural and semi-urban institutions lacking the necessary infrastructure.

India among facilitators of business: WB
India figured in the top ten countries to carry out investment climate reforms, but it was easier in rich nations for entrepreneurs to start, operate, or close a business, a World Bank report said. Poor nations, through administrative procedures, still made it two times harder than rich nations for entrepreneurs to start, operate, or close a business, the Doing Business in 2005: Removing Obstacles to Growth report co-sponsored by the World Bank and International Finance Corporation said. The top 10 reformers for the most recent survey year were Slovakia, Colombia, Belgium, Finland, India, Lithuania, Norway, Poland, Portugal, and Spain. The report said that of the 58 countries that reformed business regulation or strengthened protection of property rights, fewer than a third were poor or lower-middle-income economies.

Bharti to enter agribusiness
Bharti Enterprises set up a 50:50 joint venture with the Rothschilds, called FieldFresh Foods, to export fresh fruit and vegetables to the European Union. The investment involved: Rs250 crore. Eloro Holdings India, an investment company formed by Evelyn de Rothschild and Lynn Forster de Rothschild, was to be the investment company for the foreign partner in the venture. “The two partners will each hold 50 per cent in the venture and will start with an initial equity of Rs50 crore,” Sunil Bharti Mittal, chairman and group managing director of Bharti Enterprises said. On Bharti’s expansion into agribusiness, Mittal said the telecom business will gradually take much less of the promoters’ resources, both financial and managerial.

Suzuki on Rs860 cr expansion drive
Suzuki Motor Corporation lined up investments of $191 million (Rs860 crore) to ramp up capacity in its Indian subsidiary Maruti Udyog Ltd. While $91 million (Rs410 crore) will go into a new diesel engine plant with a capacity of 100,000 units, the company is expected to invest another $100 million (Rs450 crore) in a 250,000-cars-per-year assembly plant at Manesar in Haryana. The diesel engine plant will be set up by a 100 per cent Suzuki subsidiary, tentatively named Suzuki Engineering India Ltd. Subsequently the company was asked to explain its investment plans by the Ministry of Heavy Industries, accusing Suzuki of violating the joint venture agreement on Maruti Udyog.

MTNL, BSNL synergy process begins
The Department of Telecom invited expressions of interest from merchant bankers and consulting firms to advise the government on finding the best option for synergising the strengths of Bharat Sanchar Nigam Ltd and Mahanagar Telephone Nigam Ltd. This also included the possibility of merger of the two state-owned telecom firms. DOT formed a joint evaluation committee with the Department of Disinvestment for selecting a consultant. “We are looking at the possibility of synergising operations of MTNL and BSNL, and in that we are looking for merchant bankers who could give us suggestions and guide us,” communications minister Dayanidhi Maran was quoted saying. To a specific query on whether it could mean a merger, Maran said, “It can be a merger, or it can be expanding the operations.”

ITC gets Rs803 cr excise relief
The Supreme Court, which granted Rs803 crore excise duty relief to ITC Ltd, reiterated its judgment by quashing the orders passed by the Customs, Excise and Gold (Control) Appellate Tribunal (CEGAT) rejecting the plea of the company. A bench headed by Ms Justice Ruma Pal pronounced the judgment allowing the appeals filed by ITC against the CEGAT order, but withdrew its judgment within minutes, taking a serious view of the unsigned order having been taken out of the court, though it was given to the counsel only to have a look. Ms Justice Ruma Pal told the counsel that she was reserving the judgment again and indicated that the consequences of the counsel’s action would be “very costly”.

Société Générale FDI plan cleared
The government approved France-based Société Générale Asset Management’s proposal to acquire a stake in PPI Funds Management Pvt Ltd involving foreign direct investment (FDI) worth Rs167.4 crore. The government also approved New-York-based Thunderbird Industries Inc’s plan to bring fresh equity into its Indian subsidiary, Thunderbird Industries (India) Pvt Ltd, involving FDI worth Rs20 crore. The Indian company is engaged in distribution and consulting in the areas of electronic products and telecommunications.

M&M set to buy German, local firms
Mahindra & Mahindra was close to acquiring a majority stake in a Munich-based auto design outfit and an Indian gear-manufacturing company. These deals were to kick off Mahindra’s
much-publicised acquisition drive in the auto component business. While declining to name the two companies, Hemant Luthra, president of Mahindra Systems and Automotive Technologies (MSAT), a recently formed Mahindra wing, was quoted saying: “We are close to sealing a deal with a German design company and also with a local gear company. Formalities such as NSC approval, etc., are pending. It does not make any sense for us to acquire a company fully, especially in the engineering services space. We want to retain the existing management as these are an important resource for us, like the client list of the outfit.”

**Investment in roads needs to triple: study**

India needs to invest Rs210,350 crore in the road sector, thrice the planned amount, to achieve 8 per cent growth in GDP by 2007, according to a study conducted by Four-S Services. “Analysis shows that if India is to achieve 8 per cent target GDP growth for the 10th Plan period, the proportion of investment in roads to the total investment has to increase by 17.25 per cent,” the study said. Nearly 20 per cent of India’s national highway continue to be single-laned. Further, only 20 per cent of paved roads are in good condition compared to 70 per cent in Korea and more than 85 per cent in the US, it added.

**Outsourcing to India to cross $8 bn**

The research and development outsourcing market for information technology in India is set to grow from $1.3 billion in 2003 to over $8 billion by 2010. According to a study by Irish market research resource Research & Markets, India is on the road to becoming the world’s favourite destination for outsourcing. Moving away from call-centres and other low-end services, firms are now beginning to exploit the intellectual calibre that is available in India,” the study said.

**GAIL objects to RIL gas pipeline plans**

State-owned GAIL (India) Ltd strongly opposed the government’s move to allow Reliance Industries Ltd (RIL) to lay interstate gas pipelines in the country. The move comes close on the heels of a similar objection recently raised by PowerGrid Corporation to another Reliance group company, Reliance Energy Transmission Ltd’s proposal to set up 20 transmission lines. In a letter dated 1 September to petroleum secretary S.C. Tripathi, GAIL chairman and MD Proshanto Banerjee questioned the ministry’s move to authorise RIL’s wholly owned subsidiary Gas Transportation Infrastructure Company Ltd (GTICL) to lay natural gas pipelines from Kakinada to Ahmedabad and Goa to Hyderabad. Reliance plans to use these pipelines to evacuate gas from its fields in the Krishna-Godavari basin.

**Manufacturing competitiveness council approved**

The Cabinet Committee on Economic Affairs (CCEA) approved the setting up of a National Manufacturing Competitiveness Council (NMCC) to energise and sustain the growth of the manufacturing sector. This was part of the proposals put forward in the National Common Minimum Programme. According to finance minister P. Chidambaram the NMCC will be under the Ministry of Commerce and Industry and have members from the other ministries concerned, presidents of industry associations, representatives of research and management institutes, economists, and young corporate professionals. He said the creation of the NMCC resulted from the understanding that economic reforms, even though calibrated, had exposed the Indian manufacturing sector to greater domestic and global competition. Sectors such as food processing, textiles and garments, pharmaceuticals, consumer goods, and others were expected to benefit from this.
Red Hat India, the premier Linux and open source software provider, recently launched an education initiative designed to encourage bidding open source software developers in India. The programme is open to students from engineering colleges across India. Steve McWhirter, Red Hat vice-president for the Asia-Pacific region, says: “This is the fastest-growing region. Therefore we have devised a long-term investment strategy for the region which also covers India in a big way.”

Javed Tapia, director of Red Hat India, adds: “To a great extent Red Hat has been able to carve a niche for itself in India. We have gained a significant momentum in both e-governance and the enterprise segment.” The company has a very clear view of its business model in this country and has been able to reach out to various Indian corporations and even certain state governments for the Linux application. It is also looking at the small and medium enterprise segment (SMEs) and feels that the segment will have a lot to gain from the Red Hat Linux operation. “And this is being amply proved by the return on our investments,” says Tapia.

Piaggio Vehicles is positioning itself as the only international three-wheeler company in India. Presenting a new model in its range of light cargo transportation solutions recently, Ravi Chopra, MD of Piaggio India, said that the 1.3-tonner Apé three-wheeler was another advanced vehicle from the company. He says, “Offering the highest horsepower and the highest payload in its category, the Apé 1.3-tonner is a powerhouse of unmatched benefits.” Available as a delivery van and pick-up, the vehicle has covered a trial run of over 100,000 km on Indian roads and is backed by a nine-month unlimited-kilometre warranty. According to Chopra, the Piaggio Apé 1-tonner has already achieved market leadership in the sub-one-tonne commercial vehicle category, accounting for more than 40 per cent of the market in the cargo three-wheeler segment in India. “Today,” Chopra adds, “there are over 200,000 Ape 1-tonners on Indian roads and thousands are being added every month.” Anticipating the needs of the future, the company is developing a range of new products that will include more three-wheelers and four-wheelers as well, distributing them through a network of over 300 sales and service centres across the country.

Egana India, the Indian arm of Egana Goldpfel Ltd, a $600 million group, is upbeat about India. With a portfolio of famous timepiece products such as Dugena, Goldpfel, Carrera, Pierra Cardin, Pratina, Junghans, Cerruti, Esprit and Mexx, the company is increasing its distribution points in India and now has more than 250 stores across 40 cities. “Right now we have 47 brands,” says MD Biren Vaidya, “and several other brands are being introduced within the next few months.” The company recently opened Watches and More, a unique concept store, in Bangalore. Adds Vaidya, “The store will give the fashion-conscious consumer an opportunity to choose international lifestyle accessories in various categories that will make shopping a rewarding experience.”

In the tractor manufacturing sector, which did not have a good run until a couple of years ago, Delhi-based SAS motors is introducing a range of basic functional tractors and farm implements such as a rotavator at much lower prices than the cheapest ones available in the market. And believe it or not, the company is going to launch its 22-horsepower Angad 240-D tractor for just Rs99,000, which is less than half of what the cheapest tractor in India is available for. Just how? MD Ravindra Kumar explains, “We have used a cutting-edge appropriate technology suitable for Indian conditions.” The company involved a team of 150 engineers to redesign the tractor engine and parts sourced from leading Chinese firms. The direct-injection horizontal diesel engine with catalytic converter is simple and rugged and can be repaired even by a cycle mechanic in a village, and assembled at a tahsil-level garage. “The Angad Initiative,” claims Kumar, “will give larger benefits to smaller farms and the rural sector.” The company plans to roll out the tractors in the next few months.
Diwali and winter are right around the corner, both boom seasons for the outbound tourism industry. Gearing up for them is Cox & Kings' global CEO Peter Kerkar, who was recently in Mumbai. "We're expecting 100 per cent growth in outbound travel this season. In the last few years this industry was severely hit because of Sars and the Gulf war. Now everything seems fine at that end and the stock market is also doing well, which means people will spend on holidays," beams Kerkar. To capitalise on this pent-up demand, the company has launched two products — Duniya Dekho, which offers international tour packages, and Fit, tailored for independent travellers. There's another reason for his visit. In three years Cox & Kings will celebrate its 250th anniversary as the longest-established company in the tourism segment. The company has already begun a countdown for that special occasion and is busy planning exciting events for the celebrations. He sure has a busy year ahead of him.

SriLankan Airlines commercial head G.T. Jayaseelan recently visited Mumbai for a dual purpose: to celebrate the airline's 25th anniversary, and to commend the Mumbai office for its fantastic performance. "Every year we award the office that brings in the maximum sales in the South-east Asian region. And this year our Mumbai office has done extremely well," says Jayaseelan. And so the company held an awards ceremony to honour each member of the Mumbai team for their efforts. The airline currently operates 66 flights into India and plans to increase the number to 77 flights soon. As of now, Sri-Lankan covers 11 Indian destinations largely in south India, and Mumbai and Delhi. But plans are also afoot to fly into more cities in the north and east such as Ahmedabad and Kolkata. The company has also launched an initiative called SriLankan Holidays, which offers a variety of Indian destination packages targeted at Sri Lankans. With these numerous plans in the pipeline, we'll be seeing a lot more of Jayaseelan in India.

Geert Massa, director (financial services) of SAS Institute International, Germany, was recently here to conduct vision sessions and build business pipeline with major banks and other clients. SAS provides new-generation business intelligence software and services for creating enterprise intelligence. In this $15 billion market segment SAS, with annual revenues of $3.4 billion and a market share of 9 per cent, is the global leader. The company's software enables clients to develop more profitable relationships between customers as well as suppliers and helps them in making more accurate and informed decisions. Massa claims, "SAS is the only vendor that completely integrates leading data warehousing, analytics, and traditional business intelligence to create intelligence from massive amounts of data." The company is a market leader in India with a share of around 25 per cent. According to Massa, what is driving this market is Indian banks' desire to optimise use of their ATMs to improve customer service and, on the credit side, the drive to conform to Basel II norms as well as Sarbanes-Oxley corporate governance requirements for Indian companies listed in the US.

Dr Ruby Pawankar is a doctor with a mission. This Tokyo-based otolaryngologist was in Mumbai last fortnight to steer the World Health Organisation's global initiative to create awareness on Allergies — a Disease of the 21st Century. The first Indian on the board of the World Allergy Organisation (WAO), an executive body that governs allergy societies in over 60 countries worldwide, Pawankar has managed to rope in India's ace cricketer Sachin Tendulkar to be part of a special social awareness film on allergies. "A fourth of India's population, that is, over 250 million people, suffers from some form of allergic disorder and over half of them suffer from allergic rhinitis, the most common of these allergies," says Pawankar, who is professor at the Department of Otolaryngology at Japan's Nippon Medical School and Showa University School of Medicine, as also guest professor at South Korea's Kyung Hee University School of Medicine. "Worldwide, allergic rhinitis affects 80 per cent of asthmatics of all ages and in Asia, it ranges between 10 and 50 per cent." As executive committee member of the WHO Rhinitis Guidelines Initiative (ARIA) and chairperson of its Asia-Pacific affiliate, Pawankar will organise the 9th Asian Research Symposium in Rhinology and the First ARIA-Asia-Pacific workshop in Mumbai from 19 through 23 November, which will be inaugurated by President A.P.J. Abdul Kalam. The social awareness film will be screened at this event, which will be attended by over 200 doctors from around the world.
The Great Indian Pharma Rip-off

The government gets tough with pharmaceutical companies that charge extortionate prices

It was a move that the National Pharmaceutical Pricing Authority (NPPA) had long been asking for. Early last month Minister for Chemicals and Fertilisers Ram Vilas Paswan swooped down on companies that were overcharging customers by more than 2,500 per cent and decided to bring the prices of more than 300 drugs under control up from the 74 that are currently controlled by the government.

This move follows a study on trade margins conducted by NPPA that revealed that trade margins on select medicines get inflated 30 times by the time they reach the consumer. For instance, generic Centrizine formulations by 13 companies under different brand names are sold at margins ranging from 2,000 to 2,840 per cent. And these are sales of respectable companies like Cipla and Ranbaxy. Other examples include Ranbaxy’s Stamist, which carries a printed price tag of Rs26 for a 10-tablet strip, which is sold to a retailer at Rs1.80, leaving a margin of Rs24.20 per strip. Similarly, Nenseril has a printed price of Rs26, while it is sold to retailers at Rs1.50 per strip. In the same manner Pyrdest-100, Merisulide, and Nicip nimesulide formulations carry price tags of Rs25 each, while they are sold to retailers at Rs1.50, Rs1.96, and Rs2 per 10-tablet strip respectively. It’s the same story with Omeprazole formulations, but with even higher margins of Rs30.50–43.20 per 10-cap strip, while the retailers’ price is Rs4.80–8.

Says Paswan, “This is nothing but sheer loot of the customer.” In addition to expanding the list of drugs under price control, the ministry is thinking of making the declaration of the drug formulation mandatory and reducing the NPPA monitoring exemption limited from Rs4 crore to Rs1 crore. The minister also wants that the packaging carry the cost of manufacture and the maximum retail price (MRP) inclusive of local taxes. The pricing policy is now under the scrutiny of the Supreme Court. Expanding the list of drugs under price control means taking a completely different stance on the issue as the government till now has been in favour of substantially reducing the number of drugs under price control. The number has been brought down every year, and this year the industry expected it to be reduced it to around 35 with the implementation of the new Drug Price Order (DPO).

Taken aback by Paswan’s initiative, the pharma industry insists that the pricing policy followed till recently was a well-made one and in any case competition and market forces should decide prices. Gajanan Wakankar, executive director of the Indian Drug Manufacturers’ Association (IDMA), says: “The government has all the power to curtail companies that allow the retailer to pocket huge profits, but if it refers to a general price rise we do not agree with it.” Dr C.M. Gulhati, editor of Monthly Index of Medical Specialties, differs: “The prices of medicines cannot be regulated by competition. In this case the decision to buy the medicine does not rest with the consumer.”

However, Wakankar says, “There is significant competition in the pharma industry as there are various brands of the drug that is recommended.” Dr Mira Shiva, a director at the Voluntary Health Association of India and coordinator of the All-India Drug Action Network, says: “Doctors are often influenced by the promotional campaigns and incentives of drug manufacturing and marketing companies and prey on the vulnerability of patients.” Wakankar replies, “Market researches conducted by agencies such as ORG indicate that the prices of regulated drugs actually went up, while those of unregulated drugs declined.”

Arguing for lower drug prices, Gulhati also questions the ethics of a section of the government using private surveys to make a case against price control, stressing that there are vested interests involved. He says, “The pharma division of ORG-Marg, for instance, is currently owned by an international pharmaceutical research company. The government’s own price control body, NPPA, also relies on data provided by ORG-Marg.” In an attempt to appease the government, members of the Indian Pharmaceutical Alliance (IPA), which includes Ranbaxy, Dr Reddy’s, and Wockhardt and represents roughly 30 per cent of the industry, have decided to freeze all medicine prices till 31 March 2005.

Although this is does not really address the issue Paswan was upset about, it does appear that the pharma industry is set for more responsible marketing prices.
This is your media plan.

And this is Infomedia Yellow Pages.

You spent crores advertising your brand and building recall. But when the time comes for the consumer to buy your brand, does he know where you are? This is where your presence in the Infomedia Yellow Pages can make or break a sale. Infomedia Yellow Pages enjoys the highest readership amongst all English publications in India. It is what you need to sharpen your media plan and make it work. Without Infomedia Yellow Pages your media plan is incomplete. Think about it.

<table>
<thead>
<tr>
<th>Name of Publication</th>
<th>AIR(000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tata Press Yellow Pages</td>
<td>13498</td>
</tr>
<tr>
<td>Times Of India</td>
<td>7235</td>
</tr>
<tr>
<td>India Today (Eng)</td>
<td>4188</td>
</tr>
<tr>
<td>Hindustan Times</td>
<td>2947</td>
</tr>
<tr>
<td>Hindu</td>
<td>2710</td>
</tr>
<tr>
<td>Readers Digest</td>
<td>2566</td>
</tr>
<tr>
<td>Filmfare</td>
<td>2542</td>
</tr>
<tr>
<td>General Knowledge Today</td>
<td>2187</td>
</tr>
</tbody>
</table>

Source: IRS 2003-2004 Round 1
HEARING AIDS

The buzz gets louder

The hearing aids market in India is estimated to be around Rs 30 crore and growing at 10 per cent a year. There is a range of hearing aids in the market, but the multichannel digital hearing aid is a fast-growing segment. The programmable chip is working wonders in digital hearing aids. These provide sound nearest to the normal: clear and undistorted, they automatically adjust to surrounding noise levels. The cost of a digital hearing aid is in the range of Rs 75,000–80,000 per unit (per ear).

Often hearing-disabled persons tacitly force themselves to learn to live with their problem. A reason for this, especially among adults, is the stigma attached to the use of hearing aids. “In the US, statistics show that individuals wait for about seven years before seeking help for hearing loss. The situation is probably worse in India,” says T.S. Anand, MD of Widex India Pvt Ltd. However, Prabha Unadkat, Indian partner of German hearing aid company Hansaton, feels that in India families’ collective needs override an individual’s needs. “Acquiring a household gadget takes precedence over buying a hearing aid for a family member. It is the last item on the shopping list,” she says. Unwillingness was a deterrent to the use of conventional hearing aids. However, in a multilayered society there is a client for each type of hearing aid, Unadkat says.

Companies are trying to enhance awareness of the behaviour and learning problems that hearing deficiency brings. Siemens holds Open House (camps) to create awareness in the general population and works with associations like Rotary Club to reach out to the hearing impaired population in India. Widex’s vice-president (marketing) Barinder S. Sawhney says his company is planning tie-ups with NGOs and schools, and sponsorships for the less privileged to overcome resistance to using hearing aids. “Besides, we will start a Widex Academy in India to train dealers, dispensers, and audiologists in the intricacies of hearing aids and keep them updated on the latest developments in the field,” he says.

Besides reaching out to society, Widex recently got itself two brand ambassadors – former test cricketer Syed Kirmani and the impish veteran actress Zohra Sehgal – to promote its high-end hearing aids. Kirmani’s hearing was severely affected when a ball struck him and fractured his jaw; he now uses digital hearing aids in both ears. “These hearing aids are ‘small wonders’. No-one can make out I am wearing them,” he says. The aid, weighing three grammes, fits inside the ear. It runs on batteries that last for about five days, depending on usage.

Jayant P. Gandhi, a Mumbai-based consulting ENT surgeon, says: “Boardroom meetings are no longer embarrassing for my corporate clients who use digital hearing aids. These aids selectively amplify sounds that the person needs to hear.” Stockbroker Sameer Jhaveri of Ramniklal Mohanlal Capital Market Pvt Ltd endorses this. Hard of hearing from infancy, he began using a digital hearing aid five years ago and is pleased with it. “Earlier I used an analogue aid that amplified all sounds. The new one is a great improvement,” he says.

Gandhi points out that though high-end analogue hearing aids do permit some fine-tuning, the digital one is more adjustable. Another user, a senior executive in an engineering firm who wishes to remain anonymous, says: “I had problems hearing with one ear. If someone on my left spoke to me softly I felt lost. This was particularly embarrassing during formal meetings. My new digital hearing aid is reassuring. However, it is too early for me to comment on the final outcome as I am still getting it tuned to my needs.”

Most manufacturers provide a range of hearing aids. For example, Siemens Hearing Instruments Pvt Ltd’s (SHIL) product portfolio includes a wide range of hearing instruments — completely-in-the-canal (CTC), in-the-canal (ITC), in-the-ear (ITE), and behind-the-ear (BTE) models. “One in every four hearing aids sold worldwide is a Siemens. Our market share in India is 39 per cent,” says S.K. Sharma, MD of Siemens Hearing Instruments Pvt Ltd. Anand says Widex has 60 per cent of the market in the digital segment.

Sanjay Bagati, director of Pinnacle Electronics Services, Navi Mumbai, importer and service provider of Phonak Hearing Aids, says: “There is a tremendous increase in sales of hearing aids today. Greater awareness of the benefits of using them, longer lifespans that increase the number of hearing disabled, growing noise-pollution-induced hearing loss, and enhanced purchasing power, are pushing up...”
Exchange any of your old tape storage products for complete peace of mind and save up to Rs. 18,822/-.*

HP presents an unbeatable Exchange & Gain offer. Simply exchange any of your data storage drives, whether old, working, non working, for our range of technologically advanced, secure HP StorageWorks solutions. And save up to Rs 18,822/-* in the bargain. After all, why put up with sleepless nights and insecurity when you have an unmatched, reliable money-saving solution? Give us a call right now.

Get more technology, expertise and support from HP’s Smart Office Solutions.

HP StorageWorks
HP DAT 72

HP StorageWorks
HP Ultrium 460 internal

HP StorageWorks
HP Ultrium 215 internal

**HURRY,**
offer valid from
1st Sept. to

CALL
3030 4499 (prefix city code when calling from a mobile) or 1600-444999

CLICK
hp.com/go/storage

VISIT
An HP Authorised Business Partner

*For taxes/levies in your area, please contact the number listed above or an HP Business Partner. Manufacturer’s warranties and delivery conditions apply. © 2004 Hewlett-Packard Development Company, L.P. The information contained herein is subject to change without notice. All other trademarks are used for identification purposes only and belong to their respective owners.
sales. We sell around 900 hearing aids across the country every month.” The cost of Phonak digital hearing aids is around Rs75,000. Vikram Pal, director of Elite Group, the Mumbai-based importer of GN Resound (Danish) hearing aids, says: “In India we are talking of 120 million people who need hearing aids. That is roughly the population of Britain. The digital hearing aids market is a niche segment that is growing rapidly.” GN Resound sells 25,000 units a year and Pal points out that only 10 per cent of the people go for hearing aids in both ears. Of Hansaton’s annual sales of about 3,000 units over 50 per cent are digital. Widex’s annual sales of digital hearing aids since its establishment in 2000 are over 6,000 units. It aims to reach 10,000 units per year by the end of this fiscal year. It envisages growth of over 40 per cent year from last year’s turnover of Rs7 crore and expects to close this financial year with a turnover of Rs10 crore. It is expanding its marketing network and plans to tap Nepal and Bangladesh.

The demand for digital hearing aids is steadily rising. Most companies have also set up wide networks of service centres in India. Siemens hearing instruments are dispensed through authorised Hearing Care Centres in India which offer all hearing-related solutions under one roof. Hansaton has its Quality Hearing Care centres. Widex has a nationwide marketing network of 96 dealers, besides seven company-owned exclusive hearing and speech therapy centres, called Senso Hearing Centres, to dispense hearing aids. Pinnaclle has 400 centres for Phonak, and Elite Group has the same number for GN Resound hearing aids. Hansaton is spreading its wings.

Widex leverages both wholesale and retailing to market its products in India. SHIL has set targets for quicker turnaround time for repairs, providing in-depth training to professionals at their HCCS, consolidating the logistics chain, and benchmarking for 99.5 per cent delivery reliability. Some companies offer upgrades on their digital products. The hearing aids market is truly buzzing.

SUMATI K. SAMPEMALE

TOURISM INDUSTRY
Infrastructure, not roadshows

Members of the travel trade allege that the priorities of Minister of State for Tourism Renuka Choudhury are misplaced. They are of the opinion that instead of organising roadshows to showcase India overseas she should concentrate on improving infrastructure in India. “I see no reason for the minister to have gone to organise roadshows overseas when there are many issues – the most glaring one being infrastructure – that need to addressed here,” says Balbir Mayal, president of the Travel Agents Association of India (TAAI). Mayal was invited to join the minister in the roadshows but he declined the offer.

The minister has gone on a week-long tour in the first phase her roadshows to showcase and promote India as a tourist destination. Paris and Milan are first on her list. They will be followed by roadshows in the UK and

Canon

Are you missing out on important documents because your fax has run out of paper?
Madrid in October. “These places have a low tourist inflow and my objective is to see that the trend is reversed. We will be meeting with tour operators and travel writers in these countries and showcasing India — even inviting some of them over,” Choudhury said shortly before leaving for the Paris–Milan roadshow recently.

With tourism already registering an increase by 25 per cent this season, the industry is buoyant. “We have a lot to offer from spa resorts to health and spiritual tourism, and I am confident that these places will attract tourists in large numbers,” the minister added, but refused to reveal her target projections of tourist arrivals by the end of the ongoing tourist season. In any case there is good news for the forthcoming tourist season. According to industry, all hotels are entirely booked. In fact there is a shortage of 1.5 million rooms in Delhi itself. And there is a requirement for budget properties.

“We are encouraging people to set up bed-and-breakfast facilities and/or paying guest accommodation all across the country. For budget hotels we are seeking assistance from the Ministry of Urban Development to allocate land for budget hotels,” Choudhury added. “It’s purely a pep talk when the authorities speak of helping out people set up budget hotels. But speaking to the Ministry of Urban Development doesn’t mean anything. The real problems begin after that, when one goes to get licences, water and electricity connections. It would help if there was single-window clearance,” Mayal lamented.

With tourism increasing in India there is an acute shortage of hotel rooms. The ones that are available are too expensive and people would prefer to go to Thailand, Bangkok, Sri Lanka, or Singapore, where the infrastructure is good and the tariffs cheaper. “I too was invited to take part in the roadshows in Paris and Milan but backed out as I am of the opinion that we need to set our house in order before extending invitations to high-end tourists or tapping new places for tourists,” says Indian Association of Tour Operators (IATO) president Subash Goyal.

Tour operators feel the time of the minister’s going for the roadshows is not right. “The industry is going through a crisis. The service tax has been reimposed. The problem has got compounded further with the Delhi government announcing an increase in the luxury tax on printed tariffs. All these steps will only act as a deterrent to tourist inflow and not as an encourager,” Goyal adds.

While the travel trade may lament the timing of the roadshows, one will have to wait and see whether they spell success in terms of improving inflow from these sectors or add to the chaos in India—oops!—Incredible India!

YESHI SELI

---

Canon Laser Faxes with Jumbo Memory.

You won’t miss a single fax, even when there’s no paper.

Canon Laser Fax Machines (L220 and L295) come with a Jumbo Memory that can store information of up to 450 pages at a time. So when you’re receiving critical documents and the paper runs out, the information gets stored in the memory. And it is ready to print as soon as you add paper. On the other hand, when you send faxes, they transmit them at a whopping speed of 3 seconds per page. So you save time, save money and save yourself from missing out on any faxed information.

Up to 450 Page Jumbo Memory*

Faxes at 3 secs/page (super G3 modem)*

Amazingly low running cost (less than Re. 1/page)*

Call Canon at 1600 33 33 66 or visit www.canon.co.in

Call Canon at 1600 33 33 66 or visit www.canon.co.in

SOUTH AND SOUTH EAST ASIA REGIONAL HEADQUARTERS: CANON SINGAPORE PTE. LTD., 1 HARBOUR FRONT AVENUE, # 04-01 KEPPEL BAY TOWER, SINGAPORE 098632 WWW.CANON-ASIA.COM

INDIA OFFICE: CANON INDIA PVT. LTD., NEELA GAGAN, MANDI ROAD, MEHRAULI, NEW DELHI-110 030.
HAVING PATIENCE, CURBING IT CANNOT HAPPEN OVERNIGHT

GIVEN OUR RAPID PACE OF PROGRESS DURING THE LAST COUPLE OF YEARS, I AM CONFIDENT THAT SBI WILL RANK AMONGST THE TOP 50 INTERNATIONAL BANKS IN THE NEXT 3 YEARS.

PRIVATISATION OF PUBLIC SECTOR ENTERPRISES SHOULD HAPPEN AS THEY ARE A DRAIN ON NATIONAL RESOURCES.

A.K. PUNWAR
Chairman, SBI

LORD MEGHNAD DESAI
Director of Centre for Study of Global Governance,
London School of Economics
WE ARE IN THE BUSINESS OF BUILDING SHIPS.
BUT WE PRIDE OURSELVES ON BUILDING RELATIONSHIPS.

We are one of India's biggest private-sector shipbuilding companies, building anywhere between 6-8 ships annually. We have a formidable team of Naval architects, Marine engineers and skilled labour who apply their technical expertise to the design and construction of quality ships. Like off-shore supply vessels, Ro-Ro carriers, Hi-powered manoeuvrable tugs, tankers and others, leaving our competition in Japan, Korea and East Europe envious. Our commitment to quality has earned us an ISO 9001-2000 quality certification and an impressive reputation. We are proud to be the shipbuilder for clients in the UAE, Cyprus, Qatar, Syria, Singapore and all over India. But we know that our skill and experience are only as good as the relationships we build.

Bharati Shipyards Limited
Ship builders-Nation builders
www.bharatishipyards.com
Reforming babudom

Manmohan Singh banks on a reinvented bureaucracy

This could turn out to be the theme song of the Manmohan Singh regime. If there is one area that has witnessed a flurry of activity during the last four months, it is work being done to bring about systemic reforms in the administration to make it more accountable. Various proposals have been tossed around and position papers bandied about to tone up the Central and civil services. It appears that the underlying thrust of the exercise is to generate a public debate and apprise the people of what is being done so that the states are tempted to come on board. Unlike the past, when successive administrative reforms panels laboured endlessly to produce voluminous reports that remained largely unimplemented, there is a ring of practical urgency to the current exercise. A three-member committee of secretaries (CoS) consisting of cabinet secretary B.K. Chaturvedi, the PM’s principal secretary T.K.A. Nair, and personnel secretary A. Tewari, is looking at the current methods of recruitment, programmes for training, procedures for promotion, and the problem of dealing with the dead wood. The three top bureaucrats like to call it the grievances committee, but it is surely much more than that.

Shortly after assuming office, Singh set the ball rolling for administrative reforms when he personally interviewed secretaries of all the key ministries. It appeared odd for a PM to do that, but with the Congress and its allies out of power for almost eight years there was no other way of assessing the worth of key bureaucrats and the reasons for which they had been appointed. While most of the secretaries called for the interview assumed that the rookie PM was perhaps getting acquainted with the work of various ministries, Manmohan was also actually zeroing in on his choice for the cabinet secretary’s post. The cabinet secretary heads the civil services and Manmohan felt that that the post should be filled by someone bristling with original ideas about reforming babudom. His choice was petroleum secretary B.K. Chaturvedi, who had stayed above controversy during the NDA regime even while his minister, Ram Naik, got enmeshed in several of them. Chaturvedi had been passed over for the finance secretary’s post in the past and was about to retire. Intelligence agencies also gave him a clear report.

Sources in the PMO say that Singh’s obsession with administrative reforms stems from the realisation that there is no escape from the pulls and pressures of coalition politics in the coming days. With the PM being denied a major say in the selection of members of his council of ministers, and with merit not always being the key consideration for the choice of members of his team, an innovative and dedicated bureaucracy becomes necessary to deliver the goods. For that it was necessary to change the character and structure of the bureaucracy. It is also necessary to boost the morale of the bureaucracy in an era of over-demanding and brusque ministers, and make honest officers believe that there is a system in which they can work in a fair, upright, and just manner. Also, that they will be protected and get fair treatment for working within the rules and get rewarded.

During his long years as a technocrat and later as finance minister during 1991–96 Singh himself must have felt the need for a bureaucratic makeover. Chaturvedi, the current point-man for reforms, points out: “The bureaucracy’s image has taken a beating because it is generally felt that bureaucrats are not upright and fair. We are taking steps to rectify this perception. Besides, too much procedure means corruption. We want to improve the delivery systems. So procedural changes are in the air.”

To start with, the government is toying with an alternative system of recruitment to the civil services and Central services that is followed in France and Singapore. This would involve a national entrance examination, similar to the one for IITs, for the civil ser-
vices (IAS, IPS, Indian Forest Service), and Central services (including Indian Foreign Service). Those who clear the test will go to national academy for a five-year course. At the end of three years they will get a graduate degree. The best among the lot will get service allotments on merit and choice, while the others will be released. Those with service allotments will have to do a service-specific two-year course leading to a degree equivalent to an MBA.

Pointing out the merits of this system, an official of the PMO says that it would to increase the talent pool manifold. Currently only 300,000 students appear for the Union Public Services Commission examination for the civil and Central services. Besides, there would be a catch-them-young rationale behind this concept. Chaturvedi says: “It means that you don’t train to be a civil servant at the age of 30, by when your value systems are set. The idea is to catch them at the age of 17 to acquire a degree akin to a bachelor’s and then groom them for the services.”

The alternative system of recruitment is one of the several ideas that will be discussed with the state governments at the forthcoming meeting of the National Development Council (NDC). Another idea that has come up is of hiring civil servants on a contract basis. It is being felt that while the core of the bureaucracy will consist of permanent employees, there is a case for hiring professionals like economists, international trade experts, scientists, patents lawyers, and IT experts on contract.

Changes at the top
Streamlining the bureaucracy also means improving its quality at the top. Till now the appointments committee of the cabinet (ACC) was charged with the task of picking secretaries, additional secretaries, and joint secretaries. A three-member panel of “outsiders” will now assist the ACC, which consists of the personnel secretary and three other seniormost secretaries. The panel will consist of a management expert, possibly a former or serving head of an Indian Institute of Management, a retired secretary, and a former UPSC chairman. The ACC and the panel will collectively examine the annual confidential reports (ACRs) of senior officials.

The decision to bring “outsiders” to sit over the fate of key bureaucrats apparently stemmed from the discovery that the ACRs of several senior bureaucrats had been handled in a cavalier manner. While some of the ACRs were written as a matter of bad report but also got it endorsed from his minister. He had to cool his heels in the Planning Commission before he was reverted to his state. Another Central service is currently headless because the seniormost officer penned unflattering references on his ACR owing to intra-service rivalry.

The government now plans to set a time frame for the delivery of an ACR. The reporting officer will have to complete it by August of every year, the reviewing officer by October, and the accepting officer by December. If this does not happen the senior officer who fails to complete the ACR will be punished and the self-assessment by the junior will be considered final.

So are babus in for a good deal? Unlikely for the time being, because if things are being streamlined for them, they will henceforth have to cut down their own costs of operation to save funds for the priority schemes of the Common Minimum Programme. The CoS has identified a 25-point austerity drive which could save the government an additional Rs3,000 crore annually. Some of these salient steps are:
- 10 per cent reduction in staff.
- 10 per cent cut in non-Plan salary expenditure.
- Reduction in number of personal staff of ministers.
- Blanket ban on officials’ trip abroad, except those in the rank of additional secretary and above.
- 5 per cent slash in grants to autonomous bodies.
- Check on misuse of official vehicles.

The UPA government is aware that these reforms cannot succeed unless the delivery systems are perked up. A small start will be made by introducing a system of cutting-edge level of delivery of services in five districts across the country by the end of this year. This number will be increased in the coming years, depending on the success of the system and how eagerly the state governments lap it up.
HIGH TEA ON HARRINGTON ROAD.

Experience the flavours of Tamilnadu, a state with a culture as rich and sweet as its renowned flavoured teas and filtered coffee.

Explore Chennai, once a major stronghold of the British Raj, now a vibrant city where many street names and landmarks still stand testimony to the past.

Walk along the second longest beach in the world. Eat a masala dosa on a banana leaf. Enjoy the chaos of the shopping districts bursting with exotic crafts, metal wares, jewellery and the finest silks. Or, just soak in the ambience and take life at the easy pace we Tamilians are so used to.

You are invited.

For details on TTDC’s attractive package tours with excellent accommodation, transport facilities and rail-cum-road tour, please contact: TTDC, Tamil Nadu Tourism Complex, Wallajah Road, Chennai - 600 002. India. Ph: 91-44-25383333/25384444. Fax: 91-44-25361385. E-mail: ttdc@md3.vsni.net.in. website: www.tamilnadtourism.org For online reservations, please log on to: www.ttdconline.com

Call: Chennai 91-44-25388657 • Mumbai 91-22-24110118 • New Delhi 91-11-23745427 • Kolkata 91-33-24237432 • Goa 91-832-2226390.
Investing providently

Despite opposition from within the government and without, the labour ministry considers investing a part of EPF in equities

Union ministers P. Chidambaram (finance) and Sis Ram Ola (labour) seem to be sincere in implementing reforms in the pension and provident fund sectors. The current investment pattern of the Employees Provident Fund Organisation (EPFO) seems to be in for change, with the labour ministry looking for an option to invest a part of the EPF corpus in the equity market. In the same vein, after getting a green signal from Chidambaram, the Pension Fund Regulatory & Development Authority (PFRDA) has also announced that by January 2005 it will set up guidelines for allowing provident fund to invest in the stockmarket.

Labour minister Ola has asked the officials in his ministry to place a proposal before the Central Board of Trustees (CBT) of the EPFO to consider whether a small portion of the EPF funds should be invested in the stockmarket. The ministry expects to place a comprehensive proposal before the CBT only by the end of next year, though no time frame has yet been finalised. To ensure higher returns to EPF subscribers in the long run, the trustees will consider investing 5 per cent in equity-linked schemes, which bear higher risks along with the possibility of a higher return. As per the existing investment guidelines, EPFO is dependent on low but guaranteed returns from government instruments. There is no scope of exploring options for higher returns unless an amendment is introduced.

According to a study conducted by the ministry, returns on investments in equities will be the highest in the long run. Taking note, a suggestion has been made that only those subscribers who continue their accounts for minimum 10 years should get benefit of such investments has been made. Presently, a majority of EPF subscribers withdraw their entire deposits within a few years and only 40 per cent holders continue beyond 10 years. After approval by the CBT, it will be placed before the finance ministry, which has already indicated that it would like to initiate provident fund reforms. For instance, when the bond market was doggedly expecting an interest rate hike in EPF, much due to the composition of UPA, the labour ministry slashed the interest rate by 1 per cent at the behest of the finance ministry.

No scope for higher returns

The government claims it is still paying a higher rate on the EPF compared to secondary bond yields. EPF is a long-term savings rate, while secondary bond yields reflect the short-term interest rate view and the liquidity needs of bond investors. "The government forces such a comparison because it borrows in both the markets. The problem is that interest rates on EPF are not in line with inflation levels. Moreover, investments by EPF are regulated, which provides no scope for earning higher returns during a low interest rate regime, forcing rate cuts during such periods. So restrictions on EPF investment need to go, while a broad investment framework is designed to counter the varied risk preferences of account holders. This will also lead to development of the financial market," says Venkatesh, a provident fund columnist.

As expected, the left parties will not be party to any stockmarket investment by EPF. "We are opposed to the idea of provident funds investing in equities mainly because of the quality of regulation, which provide no safeguards for the small investor. Recommendations made by the joint parliamentary committee (set up after the 2001 stockmarket scam) have not been implemented yet. Those who say that our regulation is as good as anywhere else, I would like to ask them why we see scams in the market time and again? Why is there a lack of correspondence between the state of the economy and market movements?" asks CPI(M) Rajya Sabha MP Nilotpal Basu. CPI MP Gurudas Dasgupta echoes his views. "We can't rely on empirical studies conducted abroad, because the experiences in the Indian context are vastly different. We have to undertake India-specific studies to examine the efficacy of equity investing by provident funds," he says.

The opposition notwithstanding, a free-market structure could lead to a host of secondary benefits. Portfolio management will be easier if money managers classify employee accounts into various maturity-range buckets. This will help in fixing the investment horizon and free the money managers from worrying about gyrations in asset prices. As value buyers, they may add stocks to their portfolio when the market crashes. Such demand would provide a balance to the market and prevent severe asset price declines.

What's encouraging is that Chidambaram has decided to retain the reforms-oriented PFRDA to regulate the provident fund sector, instead of bringing it under the jurisdiction of the Insurance Regulatory and Development Authority. Ola has also shown tremendous grit in first announcing the EPF interest rate cut and now pushing for investment in the equity market. The only concern is, given the political compulsions of the UPA, whether this momentum will continue.
Social justice, not software

Prosperity is meaningless without human rights protection and expansion of individual freedoms. This is important as Prime Minister Manmohan Singh meets President George Bush for a new economic relationship to enrich India and lobby for the United Nations for a seat on the Security Council.

The two most significant Indians of our time, Amartya Sen and C.K. Prahalad, have written and spoken a lot on the issues of poverty, human dignity, and freedom, but as usual we praise, wine, and dine them but pay them little heed. Amartya Sen, who won the Nobel Prize in 1998, has not only insightfully analysed poverty but also outlined pathways out of it based on open markets driven by local enterprise, social welfare and justice driven by government, and controls on the avarice and arrogance of government and private elites.

C.K. Prahalad, the Michigan University business school guru, has demonstrated in detail how poor people can be drivers of local and national prosperity if they are treated as economic partners by corporations, rather than as begging bowls awaiting crumbs from wealthier tables. Together these experts provide the bases for action deserving the attention of an insightful economist like Manmohan Singh. Our greatest corporate leaders would do well to see how the 60 per cent of Indians who are poor and mostly under 30 years old can be turned into energetic consumers.

So far, Indian prosperity stands on very frail legs. Our notorious infotech industries are causing anxiety in the US and Europe because of outsourcing, but within India they are a tiny drop in the national prosperity bucket. They have contributed mainly to enriching a small group of young people, who are turning into American-style consumers. We see all the Western labels and fast-food outlets arriving in India and celebrate our 'advance'. We misjudge them as trampolines for a higher status as a regional power capable of being a 'strategic' partner of the US and retaining a Security Council seat.

The truth is that our poor, who are also a majority in urban centres, don't care for those labels and fast foods. They want other things. That is why 'India Shining' failed so miserably and Uma Bharti is reduced to appealing to base religious sentiments in a style of rabble-rousing made notorious by L.K. Advani's Rath Yatra.

Singh's government has announced a few sops to our poor through better management of agricultural and electricity subsidies and some private-public collaboration in the rural economy. We are also trying to improve rural infrastructure and local justice and good governance through revived versions of panchayats.

But that simply tinkers with the edges. What is needed is a sea change in the attitudes of both the government and big business towards mainstreaming the poor. We are not getting that because of an intellectual vacuum and refusal to think out of the box. Perhaps we need a new panel with both Sen and Prahalad on it together, with some of our best people, with a three-month high-priority deadline. The panel should offer a 'road map' to integrate the poor into India's economy instead of relegating them to the margins as recipients of charity and subsidies. We should separate poverty from politics and make it a matter of economic pragmatism and good governance, in particular regarding the human dignity and human rights necessary to upgrade our 'human capital'.

In the meetings with President Bush our PM and other officials are trying to build the trust required to expand the attention the White House will give to India. America has already relaxed its restrictions on transfers of missile technology and some weapons systems, and is encouraging a stronger economic and business relationship with India. Alongside Germany, Japan, and Brazil, we are also getting sympathy in our bid for a seat on the Security Council.

But the key issues remain. How can we help to fight global terrorism and uphold enlightened democracy and freedom around the world when two-thirds of our people get almost no legal redress, no safe drinking water, no minimal social security or wage levels, and hardly any primary healthcare and decent education? We have plenty of laws and even a national human rights commission, but nearly three quarters of our people do not enjoy the fundamental human rights to food security, employment, sufficient education to be employable, and sufficient social welfare aid not to die of penury or untreated and poorly treated illness.

Our business and government elites really do need to think more deeply about integrating the poor into their strategic plans. Setting up NGOs and charities is far short of a solution to gains that mainstreaming the poor can bring to our talented and intellectually vibrant nation.
A grain to grind

Economic reforms can no longer bypass agriculture, as it is critical to India’s greater long-term prosperity

Though the new political regime at the Centre has tried to restore a focus on agriculture, a comprehensive reform agenda for the sector is still in the coming despite many imperatives for the same. The recent press conference by Union agriculture minister Sharad Pawar also failed to outline a roadmap for such reforms, concentrating mainly on a short-term plan for meeting the shortfall in kharif crop production.

Since India started its economic reform programme more than a decade back the economy has grown at an average annual rate of 6 per cent, making it one of the fastest-growing economies in the world. By contrast the agriculture sector, which still provides livelihoods to over 60 per cent of India’s population, struggled to grow at an average of 2 per cent during the last 10 years, even as its share in the GDP witnessed a rapid decline. Not surprisingly, critics have pointed out that economic reforms have generally bypassed the agriculture sector, ignoring the majority in the journey to prosperity. The reform programme till date has focused primarily on improving the investment environment and encouraging private-sector participation in the industrial and service sectors. The farm sector has been left largely untouched despite some opening-up in the post-WTO environment. So when the new political combination at the Centre focused heavily on the agriculture sector during the latest budgetary exercise, it surprised many. Especially because Prime Minister Manmohan Singh and finance minister P. Chidambaram were the chief architects of first-generation economic reforms. Nonetheless, via deeper introspection, the budget turned out to be more in the nature of sops and appeasement for a sector that had felt neglected over the years, rather than an exercise in outlining a broad policy agenda for agriculture-sector reforms. And this was despite many imperatives for such a move, the slow growth of agriculture in the last decade being just one of them.

The slow growth during the last decade, however, does not undermine the impressive gains achieved by Indian agriculture since Independence. The five decades witnessed staple cereal output quadrupling to 188 million tonnes in 2001 from the level of just 40-45 million during the early 1950s. But major gains were achieved during the late ’60 and ’70s, which were the golden decades of the green revolution, and much of the improvement concentrated on wheat and rice production, supported by an administrative price regime. Experts point out that the very policies that were instrumental in stabilising farm-sector prices and assuring fixed returns to farmers have started hampering further agricultural growth, competitiveness, and diversification. The negative fallout of such policies has been static crop patterns, regional rural imbalances, creation of vested interests, and blockage of private investment in agriculture. Most importantly, the existing policy regime has not been able to alleviate the problem of rural poverty.

In addition, for want of more innovative and forward-looking farm policies, the Indian economy has had to divert and block a significant portion of its funds for supporting the administered price regime. So the food subsidy is now almost Rs20,214 crore, nearly 5 per cent of all government expenditure. The government also subsidises other farm inputs, including fertiliser, power, and irrigation water. The total subsidy bill has now grown to more than Rs55,128 crore annually — far exceeding both public (Rs4,594 crore in 2001) and private (Rs12,863 crore) investment in agriculture. And about Rs50,534 crore of bank credit, or roughly 10 per cent of all bank credit in the country, is now tied up by government borrowings to hold wheat and rice stocks.

An erratic monsoon notwithstanding, there are institutional, financial, and operational issues that impact the entire agricultural operation chain from the farm to the consumer’s plate, affecting productivity, income growth, credit, investment, and value-addition. Expensive credit, a distorted market, many intermediaries who increase cost but do not
add value, laws that stifle private investment, controlled prices, poor infrastructure, and produce that does not meet international standards, have been cited as major bottlenecks inhibiting a second green revolution.

So what has been stopping India from initiating agriculture-sector reforms? As is common knowledge, the chief roadblock to structural reforms in agriculture has been lack of political consciousness. This has been in part because the potential impact of reforms on food prices and employment has been perceived as detrimental to the larger interest by most political parties, but largely due to a lack of political will to disturb the status quo. A good example of this is the refusal to rationalise price support and input subsidy policies, which primarily benefit producers of wheat and rice in surplus regions, despite stockpiling of grain and creation of regional imbalances.

However, there are two major developments that should drive reform in the earnest as both of them create new opportunities for rural India. First of all, WTO has created new opportunities for farmers and they can leverage their low cost of agricultural operations to their advantage. Secondly, the food consumption pattern in India is fast changing with rising income levels and the growing middle class. Indian food consumption patterns have diversified significantly since the 1980s. Consumption of fruits, vegetables, edible oils, and animal products, which are high-value products, is rising much faster than that of wheat and rice, staple grains in the Indian diet. This is significant since an average Indian household spends about 55% per cent of its income on food, a much higher share than in the developed countries.

But for this to happen, as pointed out earlier, the major bottlenecks need to be removed and an enabling environment for greater private investment and industry participation created. To boost private investment and encourage market orientation it has recommended by sectoral and industry experts that the Essential Commodities Act be scrapped and the Agriculture Produce Marketing Committee (APMC) Act be amended as the first step towards achieving the desired objectives. Currently, private investment, though growing, remains small, amounting to only about 1.4 per cent of agricultural output, compared with 24 per cent for the economy as a whole. They have also called for a unified food law. The food law in the country is under the control of nine ministries. For example, while preventing adulteration falls under the health ministry, the regulation of production and supply of infant foods is under the health ministry.

Industry also wants a revamp of rural banking for easy access to farm loans. Unlike easy availability of home or auto loan in urban areas, farmers hardly get loans for their produce. Besides, they sell mostly in the government-managed mandis. Industry advocates direct marketing, which would enable farmers to sell their produce to bulk buyers instead of intermediaries.

However, the biggest impact is going to come from improved rural infrastructure. Better rural roads, more godowns and cold storages, and improved rural electricity supply will all result in faster growth in agriculture. With better rural infrastructure, it will be comparatively easier and more cost-effective to integrate the rural economy with urban and global markets.

There have been few but significant rays of hope in the last few years, giving reasons for optimism. The government has shown more willingness to reform the agricultural sector, even if these initiatives aim at easing peripheral bottlenecks rather than attacking the core. Quantitative restrictions on most farm products are now gone, and the food processing industry has been largely liberalised. On the industry front, agri-business companies have been developing new models to reach out to farmers and consumers, providing new technologies, investing more in modern supply chains and in organised food retailing that sells more and more processed food. Farmers themselves have been increasingly willing to adopt better agricultural practices and wanting to grow better-quality produce at internationally competitive prices. If we quickly sort out a few vexing issues, India could well emerge as a food factory to the world.

The biggest impact is going to come from improved rural infrastructure, which will make it easier and more cost-effective to integrate the rural economy with urban and global markets.

Shelley Vishwajeet
Delivering synchronised business solutions to the world.

From on-time worldwide deliveries to seamless supply chain solutions, UPS can meet all your delivery and logistics needs. UPS, more than just the world's largest package delivery company, takes the load off your hands and delivers more than 3.4 billion packages to over 200 countries worldwide. But more importantly, UPS takes the load off your mind, providing your business with integrated supply chain solutions like inventory management, shipment tracking, warehousing and even cash flow management. In short, UPS can synchronise your business, freeing up time for you to focus on important issues like efficiency and growth.

For service information, please call our toll-free number: 1600-22-7171

www.ups.com
Mission MUMBAI

The arclights are on a private-public initiative to develop Mumbai into a world-class city

Groaning under a population of 18 million that swarms across its 437.71 square kilometres – a per sq km density of 41,123 persons – Mumbai has of late been energised by converging aspirations to transform it into a world city.

A commitment to steer India’s financial and commercial capital clear of a disastrous inevitability does appear to be emerging. Maharashtra chief minister Sushilkumar Shinde has unprecedentedly convened – and chairs – a citizens’ initiative that has rolled out a comprehensive roadmap to accomplish this.

The plans entail a maze of schemes right across – and also right round – the entire city, which involves surface, marine, elevated, and underground transport links and facilities. On the board are such projects as the Rs4,526 crore Mumbai Urban Transport Project (MUTP), designed chiefly to refurbish the local rail network, the Rs2,600 crore Mumbai Urban Infrastructure Project (MUID) master plan for road improvement and for a grid linking the western and eastern suburbs, the Rs1,100 crore elevated 14.6km Mass Rapid Transport System (MRTS) connecting Versova-Andheri-Ghatkopar, the Rs694 crore 4km Bandra-Worli sea link, the Rs2,215 crore second international airport at Navi Mumbai across the harbour, the Rs2,600 crore 25km six-lane Sewri-Nhava trans-harbour link, and the merged special economic zones (SEZs) of Navi Mumbai (Rs5,600) and MahaMumbai (Rs14,400).

An underground-cum-elevated metro is also contemplated, connecting Cuffe Parade, Mahalaxmi, Mahim, and Charkop, alongside a pan-island expressway that will skirt the western and eastern shorelines from the northwestern suburbs to link up with the Sewri end of the trans-harbour link on the eastern side. Besides, MUTP-I has a Rs800 crore slum relocation component, while the municipalised BES&T Undertaking is refurbishing its 3,386-strong fleet by inducting 650 Euro-II buses worth Rs125 crore and by the phased outsourcing of 1,200 buses. Shinde clarifies that a vision for Mumbai need not be confined to its municipal limits as they have been transcended by the city’s growth to include areas like Navi Mumbai, Thane, Mira-Bhayander, Vasai-Virar, and other outlying regions. “Navi Mumbai in particular provides inputs for economic growth that will help Mumbai become a global city,” he notes.

Lending their personal support to the concerted ambition of developing Mumbai – the effort sporting a trilingual catch-all slogan My Mumbai, My Dream:
Let's Make It Happen – are such high-profile corporate leaders as M&M vice-chairman and MD Anand Mahindra, HDFC chairman Deepak Parekh, Thomas Cook (India) MD and CEO Ashwini Kakkar, Godrej & Boyce MD Jamshed Godrej, former TCS head P.C. Kohli, UTI chairman M. Damodaran, former IDFC managing director Nasser Munjee, former Johnson & Johnson MD V.S. Palekar, and Concast (India) Ltd MD Narinder Nayar. They form part of the Citizens’ Action Group that met the chief minister on 23 July to discuss the plan formulated by the voluntary organisation of Bombay First, set up in 1995 by the Bombay Chamber of Commerce and Industry (BCCI).

The Citizens’ Action Group, in turn, has teamed up in the task force set up by the chief minister chaired by chief secretary A.K. Mago. It includes municipal commissioner Johny Joseph, his predecessor Sharad Kale, principal secretaries (urban development) Ramanand Tiwari and (housing) Suresh Joshi, Maharashtra State Road Development Corporation (MSRDC) vice-chairman and MD Anil Kumar Lakhina, Mumbai Metropolitan Region Development Authority (MMRDA) joint commissioner T. Chandrasekar, and secretary (urban projects) Sanjay Ubale, as its member-secretary.

"Such a plan was long overdue," maintains Shinde, referring to Bombay First’s Vision 2013: Transforming Mumbai into a World-Class City, evolved by international consultancy firm McKinsey & Co. Bombay First was conceived by 168-year-old BCCI along the lines of the earlier London First initiative. Vision 2013, presented to the state government a year ago, pegs a requirement of Rs2,00,000 crore for its implementation over the next decade.

Scepticism nonetheless runs high. After all, there have in the past been many grandiose schemes for Mumbai’s improvement that floundered for want of either funding or political will. The city has all the trappings of a successful metropolis with its vast reserves of talent and skill, its high managerial competence with a global perspective, and an advantageous location which can be fashioned into a world-class airport and major transhipment hub port. But over 55 per cent of its teeming millions dwell in the most squalid shantytowns that are a blot on civilisation. People relieve themselves in full view of passers-by, even in the central business districts (CBDs), and it is perhaps divine intervention that has warded off the plague, beyond redemption, with no provision for open spaces, and that the city suffers from a venal local government. But he deems it self-defeating to presume that the situation is beyond salvage. It is for such very reason that Bombay First is promoting with redoubled effort its vision for Mumbai to become the city of the future. “If we fail to intervene now, Mumbai could deteriorate and become something quite different — an island of lofty ambitions and failed dreams,” Nayar stresses.

Ubale rebuts the argument that if the city were indeed to attain a high quality of life, it will lure an even greater influx from the more impoverished areas of India. But he draws upon the chief minister’s observation that while people cannot be prevented from entering the city, they have no

---

**Mumbai: the economic powerhouse**

- **Financial, commercial, services and trade capital of India**
- **Accounts for over a fifth of the proposed industrial and industrial investments in the country**
- **Mumbai and Nhava Sheva ports ensure city’s domination in international trade, exports**
- **Airport handles 40% of India’s international and 25% of domestic passenger traffic**
- **Handles over 35% of cheque clearances, 68% in terms of value, in the country**

---

with putrefying refuse lying unattended in the streets. Footpaths are overrun by hawkers, squatters, and kiosks, and ubiquitous hoardings mar this urban sprawl. With ‘maintenance’ an alien concept, buildings of the past are rapidly succumbing to towering eye-sores. And just about every licence, and the means to circumvent it, is available for a price.

Lamenting that Mumbai has too many shortcomings to even find a place among world-class cities, Tata Sons executive director R. Gopalakrishnan asserts, “The question of comparison on the basis of infrastructure does not even arise.” Concast’s Nayar, who also chairs Bombay First, concedes that runaway construction has blighted the cityscape right to encroach upon public spaces. But if the government is mindful of this, it should be enforcing the vagrancy laws that have remained uninvoked since Independence.

Mumbai is also home to both the National Stock Exchange and the Bombay Stock Exchange, and together these India’s premier bourses dominate the turnover to the extent of 92 per cent and represent virtually the total market capitalisation of India’s corporate sector. The Reserve Bank too is headquartered in the city, which has a three-fourth share in terms of banking transactions. The city’s major seaports of Mumbai, Jawaharlal Nehru, and Nhava Sheva ensure its regional domination in international trade and
exports, while its airport handles 40 per cent of India’s international and 25 per cent of domestic passenger traffic, and equivalent tallies of international and domestic air cargo traffic.

A history of prosperity buttressed the pre-Independence development of Mumbai, as British India’s flourishing centre of progress and national advancement. What staved off its overarching development was its enlightened municipality, which catered to the most fundamental civic needs through systematic town-planning and a benevolent approach to the urban citizenry.

Yet, in the 57 years since Independence, the potential of this once Asian focal point lies in tatters, a city ravaged by its predatory administrators and by its surging tides of immigrants, who identify little with their host city. Mumbai is diseased. This El Dorado for multitudes of fortune-seekers is a victim of its own allure. Some 300 new families daily invade the metropolis with impunity, setting up home wherever they can. Besides, around 300 new passenger vehicles are registered on a daily basis, choking the 1,923.36km road network, which has largely remained static for decades.

Best buses transport 4.5 million commuters every day, while the Western and Central Mainline and Harbour rail corridors, spanning a combined 376.83 km, freight a further 5.9 million, in cattle-car conditions in peak hours where each rake is crammed with 4,500 passengers when it is actually designed for a maximum of 2,000. Besides, while the norm is four acres of green spaces per 1,000 population and while both Delhi and Kolkata have a figure of three acres, Mumbai’s is a miserable 0.03. Such a premium on space has inhibited efforts to relocate encroachments on public land, including those that have besieged the Borivli National Park north of the city. There is a chronic water supply shortage as well, and Joseph acknowledges that the supply of 2,939 million litres per day (Mldp) meets only about 75 per cent of Mumbai’s demand for water, though efforts are on to bridge this shortfall by 500 Mldp by developing the Middle Vaitarna by 2011 and channeling an additional 455 Mldp from Bhatsa by 2021. The corporation is also executing the Rs 1,100 crore city component of the Rs 4,000 crore Maharashtra Sewerage Disposal Project II and the Rs 1,900 crore slum sanitation project, he says.

Declining work opportunities in the rest of Maharashtra have engulfed an influx of economic refugees into the city. In a sense, the failure of Mumbai is rooted in the failure in the state’s rural development and community uplift programmes. Many believe Mumbai had a rousing chance for success if it had been granted independent statehood or converted into a Union territory when Bombay state was bifurcated into Maharashtra and Gujarat in 1960 rather than being merged with Maharashtra. A focused city-state administration would have set the course for its transformation into a global outpost and ringfenced it from the depredations of state governments that have viewed it as little more than a cash cow.

By contrast, other Asian cities like Hong Kong, Shanghai, Singapore, Kuala Lumpur, Seoul, Jakarta, and Bangkok managed to steal a march over Mumbai within a similar time frame. These urban centres too have been swamped by immigrants from the countryside. Kakkar, who is also president of the Bombay Chamber, regrets that Mumbai neither has any tourist destinations worth the name nor has been able to capitalise on its position as the entry point to India, with foreign tourists arriving in the city travelling onward to more popular destinations like Goa, Kerala, Agra, or Rajasthan.

Adi B. Godrej, chairman of the Godrej group that was founded in Mumbai in 1897 by his great-grandfather Ardeshir B. Godrej, is convinced that Mumbai still has a long way to go to become a world-class city. While the city is very dynamic and hence a “great place” to be headquartered in, its physical infrastructure is far from satisfactory, he says. “I do not see much improvement in Mumbai over the next 10 years unless the government overhauls the legal regulations and provides for a framework such as higher FSI (floor space index) together with higher property taxes that a modern urban agglomeration meets,” he indicates.

The growth of many a world city has been driven by real

---

**Mumbai: in reverse gear**

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP growth rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994-98</td>
<td>4.8</td>
</tr>
<tr>
<td>1998-92</td>
<td>4.2</td>
</tr>
<tr>
<td>2002-03</td>
<td>7.6</td>
</tr>
</tbody>
</table>

---

**GDP growth rate (%)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Mumbai</th>
<th>Maharashtra</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994-98</td>
<td>4.8</td>
<td>4.8</td>
</tr>
<tr>
<td>1998-92</td>
<td>4.2</td>
<td>4.2</td>
</tr>
<tr>
<td>2002-03</td>
<td>7.6</td>
<td>7.6</td>
</tr>
<tr>
<td>2003-04</td>
<td>2.4</td>
<td>2.4</td>
</tr>
</tbody>
</table>
Our mission is to improve the quality of human life by enabling people to do more, feel better and live longer.
estate, whereas Mumbai's development has been scuppered by a restrictive regime that has benefited but the policymakers. The Municipal Corporation of Greater Mumbai (MCGM) has been trying in vain to recover Rs383.24 crore worth of arrears due from various departments of the state government, which is burdened with debt nudging Rs1,00,000 crore. Besides, as much as 55 per cent of the civic budget is consumed by staff salaries for the 1.33-lakh-strong workforce and 6,000 non-scheduled employees. The is not considered an option as it is calculated to strain civic finances by another Rs100-150 crore.

Cities are a state subject under the Constitution. But the 74th amendment of 1992 for the first time accorded municipalities a place in it, conferring responsibilities of economic planning and social justice on them, by special enactment of the concerned state legislatures. Yet, self-governance has proved to be a misrepresentation in the Indian context, with the municipal commissioner routinely on deputation from the state government and answerable to his political overlords. The civic body also has negligible legislative powers. Though Johny Joseph suggests a workable autonomy, it is the Maharashtra government that determines civic levies like property tax, octroi, theatre tax, water cess, and other service charges. After all, Mumbai's civic body is India's richest, with its annual budgetary outlay of Rs5,497.24 crore outvailing the budgets of several smaller states. The corporation's own Yearbook 2004 indicates, "The commissioner, a key figure in the local self-government, is the executive head and is virtually under constant watch by the citizens, councillors, and the state administration."

The Citizens' Action Group is hence understandably enthused by Shinde's resolve to revitalise Mumbai, though his legislative constituency is Solapur (south). In fact, Shiv Sena's Manohar Joshi has been the solitary chief minister whose constituency has been from Mumbai. Maharashtra's rulers have long held that their real power accrues from the villages, betraying an underlying unconcern for Mumbai, though the economics of prosperity are closely linked to urbanisation.

If there was a political party eminently placed to serve Mumbai it was the Shiv Sena, with its base in the city, its writ running large in urban Maharashtra, and with six ministers hailing from Mumbai in its previous coalition with the BJP. But it chose to leave its mark solely through the renaming of Bombay to Mumbai in 1995 and erecting a blaze of flyovers.

Now, with the 13 October Assembly elections staring him in the face, Shinde is a man in a hurry. But while he is anxious to ensure that Mumbai's ongoing development plans proceed apace, he bemoans the constraints imposed by what he himself terms restrictive laws. He lists these as the Urban Land (Ceiling and Regulation) Act, or Ulca, of 1976; the Maharashtra Rent Control Act, amended in 1999; the Coastal Regulatory Zone (CRZ) Act of 1991; and the urban heritage and floor space index (FSI) limitations.

"Environmental activism has been a hindrance," Shinde regrets, referring to the emotive issues of CRZ, FSI, and heritage. A committee has been formed to review the issue of FSI in accordance with the official view of seeking area-wise regeneration rather than piece-meal blockwise development. A proposal for a 50 per cent reduction in property tax in the case of ceded buildings has meanwhile been held up on account of the prevailing electoral code of conduct. But his government has yet to repeal Ulca, which has been revoked by all states except Maharashtra and Bihar.

Godrej asserts that Mumbai's biggest problem is its slums and the resultant lack of sanitation. "Mumbai became a commercial powerhouse because during British rule most Indian business and industry were headquartered in Mumbai, whereas British-owned enterprises were mainly based in Kolkata," he recalls. "This led to Mumbai's very strong growth and importance in the post-Independence years."

Tata's Gopalakrishnan cites two principal reasons for which Mumbai has suffered, one from without and one from within. The external driver has been the weak achievements of rural economic growth over the past half-century. Absence of jobs and entrepreneurial opportunities as also any credible infrastructure in rural India caused huge migrations to all the urban centres, Mumbai perhaps having had a disproportionate share, he says. The internal factor has been primarily socio-economic. Drawing an analogy, Gopalakrishnan says that when a wage-earning son was overburdened, other family members worked to ring-fence him and the joint family thus survived as a social and economic institution for centuries. "Mumbai was not similarly ring-fenced within Maharashtra," he remarks. "Archaic labour laws, irrational stamp duties, inadequate funding for better infrastructure, and politicisation of the municipal corporation all contributed to a decline with an increasing gradient."

Crompton Greaves MD Gautam Thapar also blames poor planning, outdated real estate development laws like the Maharashtra Rent Control Act, and lack of accountability as having been
Money makes the world go round.
But who makes the money go around?

The Indian Securities market is one of the world’s most advanced market structures. From the time a security is bought or sold, till the money and securities are exchanged and the transaction is completed, organisations like NSE, NSDL, NSCC, RBI & CCIL and the Systems and Software behind them work in perfect harmony to settle the transactions. Solutions engineered by Tata Consultancy are at work behind the scenes linking the stock exchanges, clearing and settlement corporations, depositories, brokers/participants, custodians, banks and registrars.

It is the experience and expertise from complex projects such as the ones described above that enable Tata Consultancy to build online settlement systems for the Canadian Depository for Securities Ltd, where accuracy is essential when processing transactions worth billions of dollars. These are examples of how Tata Consultancy’s experience and expertise from large complex projects in India are taken to the world and vice-versa. Now, if that’s not global, what is?

TATA CONSULTANCY SERVICES
TRULY GLOBAL
www.tcs.com
behind Mumbai’s steady degeneration. He adds that he sees Mumbai only slightly better than where it is today 10 years from now.

McKinsey’s Vision 203 is mindful of these shortcomings while framing a corporate pattern of governance and a centralised decisionmaking structure. It envisages that the chief minister, as CEO of this private-public endeavour, will appoint specific officers empowered to coordinate the multi-agency effort and implement it. The report is not the first, nor will it be the last, attempt to resolve Mumbai’s problems.

Supplementing the Bombay Chamber’s efforts on Mumbai has been the Indian Merchants’ Chamber (IMC), established 97 years ago, with its own prescription to make the city the most preferred investment destination. Ubale asserts that the first report of the chief minister’s task force, submitted in February, has crystallised a long-term strategy for the city based on the McKinsey report. IMC studies, as well as varied interactions the state government has had with NGOs, the Maharashtra Economic Development Council, and other agencies. An important input was from subgroups enlisted by the task force to study six areas of transformation, namely, strategic planning and financing (headed by Nayar), housing (chaired by Deepak Parekh), economic growth (Mahindra), physical infrastructure (Munjee), social infrastructure (Kohli), and governance (Damodaran). Their mandate was to evolve a Mumbai Action Plan based on proposals ready for implementation and on needs too urgent to be ignored.

Mumbai’s trade has widely resented the octroi levy it is saddled with, clamouring instead for turnover tax. But this levy is the mainstay of the city’s civic finances, garnering Rs2,250 crore of the current income of Rs8,485.26 crore of the MCGM. Octroi checkposts delay consignments and are a major source of corruption, apart from increasing fuel costs as trucks and tempo idles there. Maharashtra’s 12 per cent sales tax has also inhibited trading and commercial activity in the city. By contrast, states like Andhra Pradesh, Karnataka, and Gujarat are courting potential growth sectors like biotechnology, IT-enabled services, and BPO call-centres and backoffices that ensure higher employment opportunities and higher tax revenue. Kakkar asserts that these glaring drawbacks need to be addressed, or else Mumbai will be hard-pressed to retain its competitiveness not only with proactive cities like Bangalore, Delhi, Chennai, and Hyderabad, but even with smaller players like Chandigarh, Gurgaon, and Ludhiana.

IMC president Nanik Rupani recommends rationalising tax controls to impel Mumbai’s growth. “As Mumbai’s property taxes are among the world’s highest, developers retain a huge proportion of their ready properties rather than rent them,” he observes. The corporation’s second-higher source of income, property tax is levied at the rate of the annual rateable value of lands and buildings and comprises general tax of 30 per cent, including 4 per cent fire tax, water tax residential at 65 per cent and non-residential at 130 per cent, sewerage tax residential at 39 per cent and non-residential at 78 per cent, education cess at 12 per cent, water benefit tax residential at 12.5 per cent, and non-residential at 25 per cent, sewerage benefit tax residential at 7.5 per cent and non-residential at 15 per cent, tre cess at 0.5 per cent, and street tax at 15 per cent of the rateable value.

At present this levy is based on the rateable value linked to the rent, which is frozen under the Rent Control Act, rendering the rateable value inelastic and not transparent. To remove this discrepancy MCGM has proposed a new system based on capital value instead of rateable value, the former being linked with value decided for the stamp duty published periodically by the government. This will be based on the type of construction, use, as well the age of the property. The nine various taxes, including the government levies, will be consolidated into one tax component. Details regarding rateable value and the rate of tax will be provided to the taxpayer to enable him to calculate his tax.
QUALITY, RELIABILITY AND TRUST

THE TIES THAT BIND ...

With 140 years of experience the Shappoorji Pallonji Group is a pioneer in the field of construction. A name synonymous with quality, reliability and trust, the group has constructed industrial structures, prestigious commercial buildings, hotels, hospitals, auditoriums, theatres, townships, premium residential buildings, bridges, roads... the list just goes on.

...AND THE GLORIOUS LEGACY CONTINUES

The company is all set to reach new heights with a landmark residential project in south Mumbai. This project will have 60 storied towers, the tallest buildings in India. Shappoorji Pallonji is also developing OZONE, an infotech park spread across 80 acres at Pune. Complete with residential buildings, it shall be a self-contained township and is aimed at IT and ITES companies.

Constantly working towards setting higher standards and achieving excellence, Shappoorji Pallonji is an entity with sound footing and firm plans for the future.
liability on his own. But with vast swathes of properties occupied by tenants under rent control, it is not at all clear how landlords can any increase.

On 1 July the state government halved the 10 per cent stamp duty that was being levied in Mumbai, Thane, and Pune, though the demand has been for its total withdrawal as it has led to falsified valuations with official connivance. Besides, stamp duty refunds are often not paid. Charged for the conveyance of sale deeds for both residential and commercial properties, stamp duty is determined on the basis of the market value of the property as assessed by the authorities, who have adopted no standard method of valuation.

Urban development secretary Tiwari expects the reduced stamp duty to activate the housing markets and bring all transactions within legal purview.

Compounding the city’s ills has been the steady decline in employment. Some 500,000 workers were engaged in Mumbai’s textile industry since the country’s first textile mill was established in the city in 1854. But the inevitable strike from 1982 crippled the sector, which has less than 45,000 millhands today. Mumbai’s public-sector banks too have cut nearly 9,000 jobs, mainly at the clerical and junior officer levels, while Mumbai Port has halved its 32,000-strong workforce through a series of voluntary retirement schemes. And several leading pharmaceutical companies like Cipla, GlaxoSmithKline, Parke-Davis, Roche, Hoechst, and Pfizer, as also small and medium-scale chemical industrial units, have moved their manufacturing facilities out of city limits, shrinking the job market even further. But many other cities have similarly experienced a painful process of rationalising the workforce in response to the competitive market environment that has eventually led to their regeneration and the creation of new job opportunities.

A study by Avalon Consulting titled Revitalising Mumbai and Creating Jobs sees huge employment potential through the development of entertain-

ment infrastructure such as a leisure complex, film city studios, and water-sports. Chandrasekar says MMRDA has been appointed the planning authority for developing a 2,500-acre swath of land in the Gorai coastal region in northwest Mumbai into a special entertainment zone. He also mentions that work on the Rs1,000 crore Phase I of MUIMP started on 1 September, entailing 17 major corridors as also the Bandra-Dahisar stretch of a western freeway. This phase will be completed by 2007, while MUPP phases I and II will be completed by 2007 and 2012 respectively. MMRDA is the apex body coordinating the work of five municipal corporations and 15 municipal councils across the 4,355sq.km. Mumbai metropolitan region.

Lakhina, in turn, is confident that Mumbai’s profile will transform dramatically and qualitatively once the trans-harbour link, which MSRDC is stewarding and which he considers the world’s largest overlapping link being erected on build-operate-transfer (BOT) terms, materialises over the next five years and is dovetailed into the SEZs and the second international airport planned across the harbour. Tenders have been floated and applicant companies have been accorded two months for prequalification bids.

Financing most of the projects is envisaged through a Mumbai Develop-

ment Fund that will ring-fence funding by creating an escrow account, and raising funds from the private sector, through special purpose vehicles and on a BOT basis. Sicom MD V.K. Jairath says his state finance company will gladly get involved in some of the projects if they meet Sicom’s credit policy norms.

Gopalakrishnan maintains that the private sector cannot do what the state is supposed to, but can only assist a state government that wants to do something to save Mumbai. “I don’t know how strong that motivation is within Maharashtra,” he says. Funding of well-intentioned and well-executed projects is, according to him, never an issue as international agencies and private funds can both be accessible. “Good ideas with good administration attract money; good ideas with bad administration complain about funding,” he points out. “But I am an optimist: Mumbai has deteriorated so much that somebody somewhere in power is going to sit up and get cracking. I hope that happens.” He adds that if it does, in 10 years we could stem the decline and start to get a few things improving.

Nayar declares that in this moment of promise and peril Mumbai must take command of its future. If it neglects to change course, it risks entering the graveyard of failed cities. But if it embraces change, there are few cities better equipped to share in the fruits of the 21st century, few places better poised to make an imprint on the world.

SAROSH BANA
It’s not just our fuel that makes you fly

It’s our people. A powerfully clenched teamwork. Of highly competent skills, and continuous upgradation. Of rigorous training and the right attitude. Of a responsive workforce and the best practices. That have helped achieve an ISO 14001 certification for our major airport fuel facilities. To continually provide customised service of a very high order.
Make my PSU

The UPA government's attempt to unscramble the public sector could end up like the curate's egg — partly good and partly bad

Size does matter. This is perhaps one charitable explanation one can safely trot out while trying to make sense of the merger bug that seems to have suddenly bitten the UPA government, or at least the core-sector ministries that have weighty public-sector undertakings (PSUs) under their control. At least this is what Finance Minister P. Chidambaram had in mind when he announced recently that the government would encourage mergers and acquisitions among the public-sector banks. "They need to consolidate and acquire muscle to be able to compete with world-class banks," he said.

With the divestment of profit-making PSUs now deemed a politically risky option, ministers during the past four months have by and large been left to their own devices in dealing with the PSUs under their domain. The national common minimum programme (CMP) of the UPA talks of creating a "strong and effective public sector whose social objectives are met by its commercial functioning" and what better way of doing it than by merging some of them? This appears to be the apparent leitmotif for mergers and acquisitions in sectors like hydrocarbons, banking and finance, and telecom.

But that would be an insular way of looking at things. Terms like competitiveness, synergy, and global competition make little sense when one takes account of the coalition pressures that are at play in these politically tricky times. It is obvious, for instance, that the move to unscramble the public sector in steel is driven by steel minister Ram Vilas Paswan's willingness to oblige the left, which has made the revival of the Indian Iron and Steel Company's (ISICO's) plant in West Bengal a cause célèbre. Therefore the Steel Authority of India (SAIL), which will have to absorb ISICO, may have to take a hit in the long run.

So like Steven Spielberg's gigantic dinosaurs, are Indian PSUs also set for a thumping run? The Ministry of Petroleum and Natural Gas was the first off the mark in airing its aspirations of a "maha-merger". In mid-August it mooted a proposal to bring all companies in the hydrocarbons sector together to create one or two oil and gas giants with interests ranging from exploration to refining to marketing to petrochemicals. According to the proposal, if two companies were formed, one would be under ONGC and the other under IOC. The companies that could be merged with Oil & Natural Gas Commission (ONGC) are Hindustan Petroleum (HPCL), Bharat Petroleum (BPCL), and Gas Authority of India (GAIL), whereas Oil Indian Limited (OIL) and could be merged with Indian Oil Corporation (IOC).

According to back-of-the-envelope calculations based on 2003-4 balance-sheets, the ONGC-led group would have net sales of Rs144,245 crore, a reserve of Rs58,000 crore, and an annual profit of Rs14,141 crore. The IOC-led group would be marginally behind with a turnover of Rs140,000 crore, a reserve of Rs30,000 crore, and a profit of Rs10,000 crore. Both behemoths would be in the Fortune 500 list and overtake Malaysia's Petronas (turnover Rs120,000 crore) to become the unquestioned leaders in the region.

A committee was set up in the Planning Commission to assess and review this proposal and also to look for ways to enhance profitability. Obviously, the premise on which the exercise was to be based is that the enhanced size would enable these companies to compete more effectively. "Several countries like Malaysia, Indonesia, and Saudi Arabia have only one national oil company. I see no reason for us to consider having the same," says an official involved in the exercise.

Minister for Petroleum and Natural Gas Mani Shankar Aiyar, who initially threw his weight behind the proposal, is now playing it safe. Perhaps he hadn’t reckoned with resistance from the PSUs. "I am open to all options — which includes merger of oil PSUs or even their standalone status. It all depends on what is in the best interest of the organisation and whether it serves the needs of the CMP," he says.

A key reason being cited in favour of the merger is that competition in the hydrocarbons sector is leading to duplication of efforts in the domestic market and unhealthy rivalry when Indian companies seek to buy oil or acquire oil capacity abroad. The PSUs, however, have differing views in the matter. "We would like to have a merger. It would strengthen our company and make it more competitive," say sources in ONGC. However, GAIL is far from happy with the suggestion: "We are the country's largest distributor of gas and merging us with another company would only dilute our core competence." GAIL was carved out of ONGC in 1984. "Managing an individual company has its own share of problems where one department has differences with another. Can you imagine the chaos if two or three different entities were to be merged?" IOC sources ask.

Oil industry experts say that it is not such a great idea. Says one: "ONGC has a protected navratna status presently.
The moment it gets into downstream it will lose its focus or its interests in exploration will be diluted. Besides, merging HPCL and BPCL means reducing competition. It would be a better option to divest these companies."

ONGC sources, however, claim that if it were to head a merged group of companies, that would far from dilute its core competence, i.e. exploration. "We are already into refining and retail in MRPL and it's a success story — so we see no reason in not being able to balance the two," officials point out.

Interestingly, a few years back a company called ONGC was formed as a combination of resources from ONGC and IOC. Nearly Rs10 crore was spent on setting up the joint venture, which to begin with had the objective of deploying and recruiting people for upstream and downstream activities within India and overseas. However, this exercise failed and the operation was wound up. Globally, the only successful merger of oil companies was of Elf, Total, and PetroFina – TotalFinaElf, but there have been few other examples to quote success of such ventures. According to a Wall Street rule of thumb, three-fourths of all mergers fall below expectations.

There is a paradox in the suggestion of this merger. While the size of a company may offer competitive advantage and it may grow faster than the others, it may also end up facing problems of inefficiency, slow decision-making, and bureaucratic systems.

But Aiyar’s efforts are paying off. For starters, Indian oil companies band together and sport a common corporate face for their overseas ventures. The idea of "synergy in energy" is to bring all oil companies to work jointly to increase India’s presence in the global energy market. A new joint venture firm in which equity will be held by all the rsu oil companies has been mooted. This company will have interests in the entire hydrocarbon chain — from oil and gas exploration to pipeline ventures and downstream refinery business.

Aiyar’s discretion on the question of merger of PSUs under his ministerial domain is in sharp contrast to the breezy manner in which steel, fertilisers, and chemicals minister Ram Vilas Paswan rushed to announce the merger of IISCO with SAIL. The announcement came shortly after ISCO with SAIL would mean a political brownie point for the left as it has a large workforce. Paswan has cited SAIL’s Rs2,500 crore profit last year as an indication that funds will not be an issue for ISCO’s revival. Interestingly, the steel ministry is also investing Rs50 crore for the revival of Alloy Steel Plants in Durgapur. Mercifully, the merger did not have any impact on the SAIL stock as, on a consolidated basis, ISCO’s performance had already been factored into its valuation.

The PSUs’ merger mania has also affected the telecom sector, with the Ministry of Communications, headed by Dayanidhi Maran, setting up a high-powered committee headed by DoT member (services) Arun Saxena to appoint a consultant/merchant banker to kick-off the BSNL-MTNL merger process. The consultant/merchant banker will undertake independent evaluation drills for BSNL and MTNL before deciding on the precise restructuring option — whether it will be a straight merger or a case of BSNL acquiring MTNL.

However, it is in the banking sector that the real action is expected to unfold soon. Chidambaram has been nudging the public-sector banks to go in for consolidation to acquire "world-class status". He has even made it clear that the government is not averse to megamergers of financial institutions,
and financial institutions with banks as well. The banking industry has already

got into the act. Industry experts have
always held the view that consolid-

ation is long overdue and will help

banks scale up their operations in terms

of lending and risk-taking. The Indian

Banks' Association, under the chair-

manship of V. Leeladhar, recently con-
ostituted a committee to examine the

various factors that could lead to con-
solidation between two public-sector

banks. The committee, which will

study the legalities and look into the

various acts to see if there are any

amendments required to facilitate the

merger, is expected to submit its report

by the end of this month.

Economies of scale — and scope

Actually there is a solid background to

the merger moves among public-sector

banks. The Narasimhan committee on

financial sector reforms originally rec-

ommended reducing the number of

public-sector banks to create a few

banks which would be largescale in

operations and international presence.
 Till now, most mergers that have taken
place in the banking industry have

been under coercion, e.g. Nedungadi

Bank with Punjab National Bank,

Benares State Bank with Bank of Bar-

oda, Sikkim Bank with Union Bank of

India, and recently Global Trust Bank

with Oriental Bank of Commerce.

Spurred by the new thinking, Industrial Development Bank of India

(‘IDBI) and IDBI Bank have set 1 January

as the target date for their merger.
IDBI's objective of merging with its

banking arm is to leverage the bank's

infrastructure and banking relation-

ships so that it can begin its second

innings as a commercial bank without

having to start from scratch. IDBI

recently got a new lease of life as a

commercial bank following a series of

planned notifications and legislation.

The government also announced a

Rs9,000 crore asset stabilisation fund

with the objective of ridding its bal-

ance-sheet of bad loans.

Chidambaram has already clarified

that the government won't intervene

in any bank merger and that its role

will be that of a facilitator. "I will be

present at the marriage to give my

blessings," he quipped.

But it may not be such a smooth
takeoff for the PSUs. Critical to the pub-
tic sector recasting exercise will be the
role of the Board for Reconstruction of
Public Sector Enterprises (BRPSE). All
merger proposals may have to pass
muster at the level of the board first.
That was not how it was meant to be
earlier. In his budget speech Chi-
dambaram had said the board would
advise the government on restructur-
ing PSUs under various ministries,
including cases where divestment or
closure or sale were justified. He ap-
parently wanted the finance ministry
to control the board. But the National
Advisory Council (NAC) headed by
Sonia Gandhi now wants the board to
play a bigger role beyond restructuring
sick public-sector enterprises and advis-
ing on revival packages — to actually
be involved in preparing a roadmap for
strengthening the public sector.

Accordingly, the PMO instructed the
Ministry of Heavy Industries to prepare
a proposal for the Union cabinet after
consulting the NAC.

According to the emerging con-
tours, the board will be a seven-mem-
ber body headed by heavy industries
and public enterprises minister San-
tosh Mohan Deb. The logic behind
this development is that his ministry
has the largest number of PSUs under its
control and is also a nodal ministry for
240 government undertakings. The
board will consist of senior officials
from the ministry and the department
of expenditure, two sitting experts, and
a third domain expert (depending on
the nature of the case being handled).

One of the biggest hurdles that
merged companies may face is post-
merger integration. This involves a wel-
ter of issues like company culture,
human resources, deployment of peo-
ple, and rationalisation of manpower.
Unless the right mix is found and the
balance struck amicably, it will be diffi-
cult to optimise costs in the merged
entity. With the mergers could come
another complication on the human
resources front. Unions will get
stronger. With the left parties fairly
well entrenched in the system now,
this could pose a nightmare.

Former petroleum secretary T.N.R.
Rao points out that examples of US and
European oil majors merging to
become super majors are being quoted
out of context. The motive of the US
and European companies was certainly
not just to be big. In a period of low oil
prices, these companies embarked on
drastic cost-reduction as well as appli-
cation of technology and manage-
ment. Their profit graphs soared as oil
prices declined. The next target was
redundancies, and merger was the
option. After due diligence, job sur-
pluses in hundreds of thousands were
declared, along with resultant cost sav-
ings in billions of dollars. "They walked
the talk and the market rewarded their
shares handsomely. Are there similar
circumstances that warrant a merger or
acquisition of our public-sector oil
companies?" he asks.

Then there will be the disparity in
the market capitalisation of the merged
entity and the market caps of the indi-
vidual (pre-merger) companies. Take
the hydrocarbons sector. The scrips of
ONGC, IOC, GAIL, BPCL, and HPCL have
different market caps. In the event of a
merger or two or more companies the
government will lose value. Post-
merger also, the turnover base will
become very large and growth rate of
individual entities in double digits may
not be sustainable. This may lead to the
scrip further plummeting.

Mani Shankar Aiyar's maha-PSUS
could thus turn out to be rampaging
dinosaurs. A terrible thought!
No way on earth
I'll let you sneak in

Sharing the same German pedigree,
FUCHS lubricants like the German Shepherd
assure maximum protection

ANTICORIT
CORROSION PREVENTIVES

Beware forces of corrosion...
be it in steel, rolling bearings or
automotive industries.

State of the art ANTICORIT
corrosion preventives from
FUCHS lubricants ensure
reliable protection and
long-lasting performance of
tools and components.

Non-toxic and ecologically safe,
FUCHS lubricants are
backed by FUCHS PETROLUB,
AG, Germany, world leaders in
speciality lubricants for:
* Corrosion Preventives
* Metal Working
* Metal Forming
* Industrial Greases

FUCHS LUBRICANTS -
A FEW FACTS
* World’s largest independent
  lubricants company
* Amongst top 10 lubricants companies
* Globally has more than 40 centres
  of excellence and presence
  in over 120 countries
* Certified DAIMLER CHRYSLER
  FIRST CLASS PARTNER
  in 2002 & 2003
* OE fill for India’s leading
  car, truck and tractor
  manufacturing companies
* Full line supplier to India’s top
  MNCs and reputed business houses.

FUCHS LUBRICANTS (INDIA) PVT. LTD.
(A wholly owned subsidiary of Fuchs Petrolub AG, Germany)
Atur House, 2nd Floor, 87, Dr. Annie Besant Road,
Worli, Mumbai-400 018. (India) Tel.: (91) (22) 5666 1046/47/48,
Fax: (91) (22)5666 1049. www.fuchsindia.com

Fuchs lubricants cater to several industries:

Steel  Automotive  Bearings  Mining  Engineering  Oil  Defence  Railways  Power

FUCHS - World leaders in industrial lubricants!
Are two too many?

The government's decision to continue with an independent pension regulator may have upset expectations, but there were sound reasons for doing that

It was a brainstorming meeting on 17 August this year to chart the course of action in devising the country's first modernised, privately managed pension system, which is to be rolled out the 'defined contribution' (self-generating) way, far removed from the existing 'defined benefit' (unfunded) system. The finance minister, along with his officials and consultants, con- fabulated with representatives from the insurance and mutual fund industries, hearing their views. No prizes for guessing that the industry captains pitched for a fair share in all three phases of the pension business — accumulation, asset management, and annuity payment. Among the insurance industry representatives were the chairman of Max India and Ch's insurance commit-tee, Aniljit Singh, LIC chairman S.B. Mathur, ICICI Prudential's Shikha Sharma, Birla Sun Life's Nani Jhaveri, and Ashvin Parekh of Deloitte Touche, while AMFI chairman A.P. Kurian held forth for the mutual fund industry.

Implicit all through the discussion was another pitch: making insurance regulator IRDA the pension watchdog as well, a stand the minister himself was seen to be aligning with over the past several weeks. Whatever may have transpired at the brainstorming session, days after the meeting Chidambaram decided to go in for an independent pension regulator, ending weeks of will-he-won't-he over a common regulator. A 13 September press release from the finance ministry stated unambiguously: "As announced in the budget for 2004-5 the government will introduce suitable legislation in Parliament to provide a regulatory framework for the new pension scheme. The legislation will also provide for a separate pension fund regulator which will have the responsibility of regulating, promoting, and ensuring the orderly growth of the pension market."

The government of course claims there has been no turnaround on the issue. Finance secretary D.C. Gupta calls it a continuation of the decision taken by the previous government largely because the role envisaged for a pension regulator is vastly different from that of the insurance authority. What cannot be denied, however, is that ever since the new government assumed charge there have indeed been confusing signals relating to the status of PFRA (pension fund regulatory and development authority), an interim body set up by the NDA government through an executive order making it mandatory for all government employees from 1 January 2004 to be part of the new system. A defined monthly contribution of 10 per cent of the salary and dearness allowance along with a matching contribution from the government and the investment returns generated were to be deposited in a non-withdrawable pension tier-I account. PFRA's fate hung in the balance ever since revenue secretary Vineeta Rai was asked in July to move out as chairperson. Simultaneously, full-time members Anand Bordia and P.N. Venkataraman, also resigned to pave the way for the government to restructure the authority.

Meanwhile an estimated 50,000 people have already been covered under the new pension scheme and their numbers are swelling every month with fresh recruitment. "The funds are currently being handled by the Controller-General of Accounts (CGA), and being in public accounts they are not being invested," discloses Gupta. Contrary to some media reports about the money being parked in government bonds with an average 6 per cent return, the secretary is careful to point out, the government is paying 8 per cent interest, same as on GPF (General Provident Fund).

What sealed its fate

So what happened to the representation from the insurance and mutual fund associations? An insider who has participated in this process all through says tongue-in-cheek: "Actually it was the insurance industry that helped the minister make up his mind; so ill-prepared were they for the meeting." Three major issues helped seal the argument against a single regulator for pensions and insurance: the track record of insurance players in selling pension plans in the country until now (they have sold only about 14-lakh-odd policies, it was pointed out), the massive bungling in the UK pension market, which was being touted as an example of one super regulator worth emulating, and the prohibitive costs of some of the insurance products, especially the current market favourites — linked plans. While the jury may be out on all three issues, the insurance industry has been left wincing no doubt.

The CEO of a Mumbai-based private insurance player says, "The trend all across the world is to go in for a common regulator for the entire financial sector. The UK, Australia, Canada,
Germany, and Singapore are only some of the well-known cases in point. Only the relatively small players with the exception of the US (where pension is regulated statewise) – such as Japan, Spain, the Netherlands, Portugal, Argentina, and Chile – have opted for dedicated pension regulators. Since the thinking in our setup is already along similar lines – a formal high-level committee drawing representation from the three financial regulators IRDA, Sebi, and RBI has been meeting for the last two years to manage the overlap issues, one regulator would have definitely been preferable.” In fact, just a fortnight ago RBI is believed to have called a meeting on how to uniformly monitor players with operating subsidiaries across different segments of the financial sector. Aviva CEO Stuart Purdy, one of the few willing to go on record, argues along the same lines: “Barriers between pension and mutual funds and insurance products have been constantly coming down. Therefore the decision of a independent pension regulator seems unusual.”

Clearly, a common regulatory approach is what the industry had been pinning its hopes on, citing the synergies between life insurance and the pension business. Frank Koster, MD and CEO of ING Vysya Life, points out: “The pension sector is a natural progression of the life insurance sector as both are in the long-term savings category. The life insurance industry is already well capitalised with adequate reserves and solvency margins, has already invested in distribution assets and built a large customer base. These factors make life insurance companies natural candidates for the new private pension sector.” It is therefore the insurance players’ fond hope that policymakers will take a favourable view towards allowing life companies to participate in the pension sector.

In fact the biggest argument that insurance players put forth is that when they entered the market four years ago they did so on the understanding that they were going to be able to sell pension products along with insurance. Indeed, Section 2(11) of the Insurance Act 1938 of IRDA permits pension business by life insurance companies and most companies are offering pension plans. Koster says, “The life insurance industry is already participating in voluntary pensions with annuity products and in our own case this business contributes 25 per cent of our revenues even today.”

Clearly ING Vysya isn’t the only one.

Quite like the insurance companies, the Association of Mutual Funds of India has been doing its own bit of hectic lobbying. Says AMFI chairman A.P. Kurian, “Mutual funds and pensions go hand in hand. Investment is a crucial element in the entire process, for which gross returns have to be maximised and expenses kept to the minimum. As this is the core competence of mutual funds, they have to be given a major role in both the accumulation and the investment of the assets.” To buttress his argument he points out that one-fourth of the US pension market is managed by the mutual fund industry. For now he would like to wait for PFRDA to take shape. “We made our point to the finance minister and he appreciated our stand,” he says. Another hopeful here.

Why the scramble?
It’s not difficult to understand the pension scramble and why everyone – insurance companies, mutual funds, public-sector banks, and international fund houses – are getting hysterical over getting a piece of the pension action. In the finance ministry’s own conservative estimate we are looking at a Rs50,000 crore business opportunity in as little as six years from now. India Invest Economic Foundation, consultant to the Department of Economic Affairs for a pension policy framework and its implementation, reckons that pension assets will be of the order of four times the existing GDP 20 years from now. Offering a worldwide perspective, Jan Nijssen, global pensions head of the ING Group, pointed out at a CII workshop that of the total assets of €214 billion in the first half of 2004 in all regions of the world together, €179 billion were in pensions. Without doubt therefore, pension will be a bigger bang than anything else, more so in India, where only about 11 per cent of the workforce is covered by government pension plans. That still leaves 89 per cent of the working population—nearly 280 million people—without any formal provision for old-age security.

But what does setting up an independent pension regulator really mean and what good there is in it for the country? A whole lot, if the issue is looked at dispassionately, according to the counsellors behind the whole exercise to whom Business India talked at length. To begin with, the role of a pension regulator is developmental. A fair amount of work has to be done to build the infrastructure—the distribution system of the insurance players is proprietary and hence expensive. There is a phenomenal awareness campaign that has to be undertaken. All of which means a dedicated focus is essential for any pension authority, which IRDA, with its hands already full with its own developmental role for insurance, is ill-equipped to handle.

Koster believes the pension sector is a natural progression of the life insurance sector as both are into savings long-term.
Pensions are going to be the largest business by far and the benefit to the insurance and mutual fund industries can’t be anything more than incidental, it is pointed out. All other assets, in the bank and MF industries, for example, carry varying risks. By permitting an osmosis between any of these with the pension venture, there is every chance that they may end up spilling that risk onto the pension business.

A good deal of heat has also been generated over the issue of asset management. Considering that a pension system should be ideally viable over the long term, there is need for sound knowledge of investment management to be able to generate decent returns for pensioners. These skill sets will have to be of far higher calibre than was needed until now as the PF money could be invested only in government securities or special deposits of the Reserve Bank. Hence the need to select pension fund managers by means of global competitive bidding. The implicit assumption — that fund management is not the core competence of insurance players — is obviously rejected with disdain. “Isn’t LIC the biggest fund manager in the country?” is the retort. Another example is that of Aviva, which Purdy points out is the second-biggest fund manager in the UK. “We have significant fund expertise in India and each of our fund managers has no less than 12 years of experience,” he adds. “In fact, each of the new pension funds will carry a risk element similar to the linked plans we currently offer.”

Pensions reforms, both Purdy and Koster argue, are more than just fund management. The key determinant, according to both, would be distribution. Says Koster, “What’s important is to be able to utilise all the building blocks that already exist in the Indian financial space to maximum effect to meet the pensions challenge. Fund managers do not have distribution infrastructure and customer advisory capabilities that life companies can leverage to achieve a more rapid buildup of pension assets.” Purdy in fact believes that insurance companies have an edge over the mutual fund industry, which has failed to popularise capital savings. With corporate investments making up 95 per cent of MF portfolios, they have limited retail experience, which is what pensions are all about. With about two million dedicated trained agents and 3,000-odd branches for bancassurance, Aviva is head and shoulders above the rest, he says. The argument goes on.

Is insurance overpriced?

What can’t also be disputed is that for the returns to be maximised, a tight lid has to be kept on all expenses including administrative and asset management fees. Much as the insurance industry disagrees, it was established at the finance minister’s meeting that the cost of insurance products, especially linked plans, is way too high. The insider explained it to Business India in detail. To begin with, there is the entry cost of 18-20 per cent on the first-year premium. Added to this are the annual maintenance costs and a trail cost (2 per cent of the premium chargeable from the third or fourth year onwards. To top it all, there is the asset management fee in the region of 2-2.5 per cent. All of these combine to give a benefit that just about balances the yearly payouts and the charges that the policyholder has been forking out over 35-odd long years! It has been established that every 1 per cent rise in costs reduces the pension wealth by 25 per cent over a 40-year horizon. On the other hand, international fund houses operate at costs of less than 20 basis points. Principal operates four of the five schemes of the US Thrift Savings Plan at a cost as low as 2-7bp.

But the biggest reason for opting for a separate pension watchdog is the fact that we are shifting from a defined benefit system to defined contribution.
The DB system, which is what we had prior to the new pension scheme, is centred on a product that promises the pensioner what his benefits at retirement will be. The implementation of such a scheme means having to make actuarial calculations all the time to constantly assess whether the promised return can be maintained, which is why the regulator in such a system would have to have the mindset of an insurance watchdog. Since DB products carry an implicit guarantee from the government, there has been a trend worldwide to shift to the ‘defined contribution’ design, which is the model approved for the new pension scheme. Annuity payment in any case will continue to be the domain of IRDA, which is half of the pensions job. Ajay Shah, consultant to the Department of Economic Affairs, concludes the argument succinctly in a paper: “A suggestion that IRDA should regulate the entire pension system by virtue of its existing regulation of annuity providers is comparable to a suggestion that Sebi perform this function (since Sebi regulates existing mutual funds).” Which is why the OASIS report prepared by the Dave committee strongly suggested creating a new independent regulatory authority for pensions that can take up each of the five identified aspects with regards to pension – collection, record-keeping, fund management, benefits, and education – each requiring radical surgery as compared with existing structures.

According to a study by the India Invest Economic Foundation of the pension structures in about 20 countries, insurance regulators seldom play an important role in the pension system. In most markets, though, the underlying trend, ING’s Nijsse points out, is that of a combined regulator for both pension and insurance.

For all the macroeconomic analysis the bottomline is one. There is a pension liability that has been accumulating at a pace that it is spiralling well out of control. Finance secretary Gupta says, “The immediate trigger for the pension regulator was to tackle the problem head-on. Our defined benefit scheme has got to be self-sustaining so that EBF can be phased out eventually.” Clearly, with a pension liability of Rs23,000 crore currently – up from Rs5,000 crore in 1994-95, – for the Centre alone, there’s no denying that we have a major problem on hand. If the states’ liability of about Rs30,000 crore is also added, we are talking about a pension time bomb ticking away, at an annual pace of 20 per cent.

At the end of it all, the success of pension reforms will really come from being able to sell them to as large a chunk of the working population as possible. Koster observes: “We are confident that whichever regulatory model the government finally chooses, the basic principles of a transparent and open deregulation will apply and successful models such as the IRDA-led insurance deregulation – with no cap on the number of participants – will be emulated. But that’s another story.

Q How soon will the new regulator be able to take up the job?
A Most of the groundwork has already been done. Consultation on the CRA (Central Record-keeping Agency) and selection of pension fund managers has been completed. Which is why we should be able to get started on day one. Even the states of Rajasthan, Tamil Nadu, and Kerala have expressed keenness to join the new pension system.
Growth by bonding

After weathering six rough years, India's largest chlor-alkali producer is back on the growth trail

It looks almost like a new plant,” a Japanese member of a delegation commented recently on his first visit to the Gujarat Alkalis & Chemicals complex in Vadodara in September. Other visitors travelling from Vadodara to Ahmedabad will also share his perception. The familiar stench that once identified the chemical complex, 15 km outside Vadodara, is conspicuous by its absence. As are the piles of material and pipes that used to be strewn across the pathways. The foliage and green trees on the highway leading right to the squeaky clean complex are certainly impressive, to say the least.

But the changes made by P.K. Taneja, the current MD, to the three-decades-old company stretch far beyond the beautification of the plant and cosmetic surgery to the environment. It is nothing short of a total transformation this no-nonsense, hands-on 47-year-old IAS officer has wrought by his unique style of functioning.

A disciplinarian to the core, Taneja and his predecessor A.K. Luke (now in charge of GSFC, another state PSU) have successfully salvaged the country's leading chlor-alkali producing company from the abyss into which it had drifted in the mid-1990s and steered it onto the growth path once again. Their efforts have not only helped restore some of its earlier glory, but also demonstrated that a public-sector unit can be run just as, if not more efficiently, than any in the private sector.

"It's nothing short of a miracle," says P.B. Khatri, a retired professor and a shareholder in the company, who like other loyal shareholders has witnessed the rebirth pangs of the organisation. After bleeding for four consecutive years since 1998-99 the company returned to the black in 2002-3 with a marginal PAT of Rs28 crore on a turnover exceeding Rs1,000 crore. In 2003-4 it consolidated its gains with a threefold rise in PAT at Rs63 crore. The resurging confidence about sustaining and bettering the performance was apparent with the company proposing a dividend, albeit marginal, of 75 paise per equity share.

The shares of this company, which had gone below Rs10, shot up to over Rs60 in the last week of September. Though still way off from the high of Rs320 a decade ago, the current price reflects the growing level of confidence of its shareholders in the management to lead the company to the leadership position it enjoyed earlier.

Analysts who have a ready explanation for every price movement point out that the current up trend in caustic soda prices was brought about by a surge in demand from its consuming industries, including
aluminium, paper, textiles, rayon, and plastics. "We're at the beginning of a new commodity cycle." This is true to a certain extent. The prices of caustic soda lye (less concentrated in liquid form) and flakes (higher concentration), the two major contributors in the 22-chemical product basket of GACL, have been firm for some time now. "Demand is good and the uptrend in the prices of caustic soda witnessed over the last six months does mirror the beginning of a new cycle," says Murli Krishnan, GM (marketing) of Sree Rayaalseema Alkalies and Allied Chemicals, a leading chlor-alkali producer in Andhra Pradesh. The average price realised by GACL for caustic soda lye, which dipped to Rs8,700 per tonne in 2002–3 from Rs12,800 in 2001–2, rose to Rs12,350 in 2003–4. The price of the flakes is around Rs1,000 higher. Pankaj Chugh of Heetu Chemicals, a Mumbai chemical trading company, says: "Prices may remain stable at these levels for the next two months and may go up thereafter." Grasim, another major producer of caustic soda, also saw its average realisation improve by 13 per cent.

Product mix
Higher price realisation in case of caustic soda is, however, just one aspect contributing to the turnaround of the alkali companies, more manifest in the case of GACL. During the downturn nearly six of the 42 chlor-alkali companies operating in the country closed shop. Over the last few years the company has built flexibility in that enables it to change its product mix in response to market trends. "This has enabled us to operate our plant at 100 per cent capacity even during the worst periods," says Taneja. This is in contrast to the industry's average of 70–75 per cent. Of the estimated installed capacity of 2.2 million tonnes in the country, GACL is the largest, accounting for 270,000 tpy.

Apart from sweating existing assets in a supply surplus industry, GACL undertook several new initiatives trimmed storage costs. Changing the raw material base of potash, which earlier used to be imported from Canada, also enabled GACL to effectively increase its margin on caustic potash flakes. Caustic Soda products and Caustic Potash flakes contributes to nearly 50 per cent of the total turnover.

In 2003–4 the company also added a new product – anhydrous aluminium chloride, which was produced on a job contract basis from an outside company. The acceptance of this product has encouraged the company to go in for in-house production. It also recovered calcium chloride from the process waste with the twin objective of environment management and income generation. To reduces costs and optimise production the company replaced naphtha with natural gas at its 90MW captive power plant in its new complex in Dahej, which is the new chemical port-based complex of Gujarat.

CDR and post-CDR reduction
It was this very investment in the new captive power plant and the new complex at Dahej for which the company borrowed heavily in the mid-1990s. Its borrowings reached nearly Rs1,000 crore in 1998–99 and the interest charge peaked at Rs140 crore. Corporate debt restructuring initiatives resulted in interest being brought down to 9 per cent from the average of 15–16 per cent per year. This was further brought down in the post-CDR period through borrowings at cheaper rates to repay swap these loans. As a result of the financial restructuring exercises the average interest charge was brought down from Rs142 crore in 2001–2 to Rs79 crore in 2003–4. The debt–equity ratio of 1.62 is expected to be brought down still further to 0.62 by 2006–7. The company also came out with a rights equity issue in March 2004 to repay a part of its loan to the financial institutions.

Besides reduction in interest charges, raw material costs, and import substitution, another major issue concerned power. Taneja, who was earlier MD of the Gujarat State Electricity Corporation, helped bring down the cost of generation of its captive plant and also negotiated a deal whereby the surplus power generated at Dahej was sold to the state in exchange for power supply at reasonable rates to its Vadodara complex.

GACL already had its entire production based on the more energy-efficient membrane cell technology, as
Lunch, topped with a dividend

Just 10 years back the shares were coveted by every investor in Gujarat and held place of pride in every portfolio. The emotional bonding with state PSUs like GNFC, GSFC, and GACL was high, and every move to diversify or expand was widely supported with risk capital. Even when the prices crossed Rs300 in the mid-1990s it was difficult to find sellers as the government, financial institutions, banks, and mutual funds held more than two-thirds of these companies’ share capital. Even today shareholders vociferously support the management’s initiatives. The rights issue in 2003-4, for funds to repay costly loans, at Rs12.50 when the ruling price was around Rs14 was fully supported by the shareholders.

Even when the company returned to the black in 2002-3 not a single shareholder demanded a dividend at the AGM, realising that the company needed money to consolidate its hold in the industry. The management readily accepted a plea made by some shareholders for lunch at the AGM for investors who had travelled more than 50 km and spent the better part of the day at the venue. At the most recent AGM the investors not only had lunch with the top brass but also had the satisfaction that the company had returned to the dividend list and embarked on a growth path.

The shares are still not on the radars of institutional investors, as is evident from the fact that there are no analyst reports on the company as yet. The CPE of Rs60 discounts 2004-5 earnings less than 10 times, making it a safe long-term bet for patient investors.

The turnaround largely due to the efforts of his predecessor, the freedom allowed him by the government, the commitment of the 1,036 employees, and the state-of-the-art plants. “I would put it down to a team effort by a dedicated workforce,” he says.

The confidence and operational freedom given by chairman R.K. Laheri IAS has spurred Taneja to embark on a growth path. The logic for going in for expansion is clear. At the current rate of loan repayment the company expects the debt-equity ratio to go down to 0.88 by 2005-6 and still further to 0.62 a year later. As opposed to taking pride in being a debt-free company and paying higher tax on income, GACL has chosen to go in for building more assets to enhance its income streams.

Expansion plans

“All the plans have been chalked out with the purpose of becoming a more fully integrated plant in the chlor-alkali segment,” says Taneja. His rationale behind expanding capacities is to enhance GACL’s leadership in its chosen basket of products and give it the capability to make speciality chemicals for immunity to the commodity cycle.

The plans include an evaporation
"With the PeopleSoft upgrade, we freed-up and redirected over 200,000 manhours, and saved millions of dollars in HR IT expenses."

—Steve Rice, Vice President Human Resources, Global Operations, HP

Great companies around the world rely on PeopleSoft enterprise application software.

With the latest release of PeopleSoft Human Capital Management, HP streamlined processes for every employee and helped cut $5M a year in IT costs. Hours previously dedicated to manual HR processes have been redirected to more strategic activities such as global workforce planning, aligning staff to growth areas, and employee development and training. By using the PeopleSoft Global Services implementation team, HP realized savings and maximized value in record time. Visit www.peoplesoft.co.in

PeopleSoft
Human Capital Management
The world's most flexible, adaptable software.
unit of 240 tpd at a cost of Rs70 crore in Dahej for enhancing the capacity of caustic soda production from the existing 240 tpd to 436 tpd. A 12,500tpy hydrogen peroxide plant is also being set up at Dahej for utilising the surplus hydrogen generated during the production of caustic soda. This would entail an investment of Rs100 crore. The project, which has an estimated payback period of five years, is expected to go onstream by October 2006.

A detailed feasibility study for a foray into the agro-chemical market is also being considered. For a Rs1,000-crore-plus company that enjoys the backing of the state government, the expansion projects cannot really be considered ambitious. However GACL is going slow on new projects, probably not wishing to be saddled with the burden of huge interest costs during a downturn, as it was caught last time round.

Concerns
Besides the possibility of a downturn, there are also other concerns. One is the number of new projects being contemplated by the existing players. Kanoria Chemicals & Industries for one is looking at expanding its capacity in Uttar Pradesh to meet the requirements of aluminium producers. Chemplast Sanmar, Sree Rayalseema, and others may also embark on further course if the current price levels are sustained over the next six months.

Dumping
Another threat the industry is likely to face of dumping of products from companies in China, Indonesia, the EU, and USA. Of the estimated 58 Mt of chlor-alkali capacity globally, the US accounts for nearly one-fourth, Europe and East Asia 30 per cent each, and the Middle East for 3 per cent. India accounts for 4 per cent. During a global recession alkali majors who have built surplus capacities often turn to India which, because of its high power cost, facilitates dumping. Last time, in the face of cheaper imports, domestic prices of caustic soda dipped to Rs8,500 levels. A case registered by the association of chlor-alkali manufacturers helped stem these imports. The final ruling by the Directorate-General of Anti-Dumping & Allied Duties in October 2003 stated: "There is many of the consuming industries. The point to be made is that the threat of dumping will always remain and deter companies from raising prices at will. Countries of origin may change.

Divestment
At the AGM on 17 September H.B. Patel, another old-time shareholder, raised the concern about the possibility of the government divesting partially or wholly its 36 per cent stake in the company. Patel felt that with the company returning to the dividend list, its valuation might go up and the government may feel tempted to sell off the "hen that laid the golden eggs" for a one-time payment, like it did with IPCL. It was on this apprehension that the share price had soared to over Rs100 in 2004. While the threat of divestment will always remain, another section of shareholders feel that a sell-off will ensure minimal interference from the government. It would also "once and for all ensure that no subsequent governments can use it as a moneymaking machine".

There is indeed a very strong case for not allowing the government to be in the business of business, chlor-alkali or otherwise. The fear of a pliable official coming to the helm of affairs and a greedy government at the state just cannot be wished away. The lethal combination in such a case could milk any state enterprise dry in no time. "But in troubled times not many private enterprises would have the patience to ride the downturns," says a corporate-watcher.

It is indeed a hard choice for Gujarat government — whether to retain GACL and share in its future wealth or opt to sell out once the going is good. But it nevertheless needs to be made as quickly as possible to allow the company to embark on a more ambitious growth path.
Aiming for the big league

Wipro's consumer care and lighting business wants to push for topline growth

With revenues of Rs 364 crore it is a very small piece of the Wipro pie. It also ranks a low 22 in the fast-moving consumer goods space. But Wipro's consumer care and lighting (CCL) business has a special place in the Wipro family. Chairman Azim Premji says: "It has been available for itself, instead of funding diversifications. Insiders add that the leadership change that took place two years ago, Vineet Agrawal taking over the reins of the business, has also contributed significantly to the growth obsession, the opportunity focus, and the new pace of activity.

A campus recruit who has held many different positions in Wipro, Agrawal was corporate EVP (mission quality, innovation, brands, and communications) and the prime mover behind Wipro's brand repositioning in 1998 before taking over as president of the consumer care business.

It is clear that topline growth is imperative, and has chalked out a two-pronged strategy for the move up: acquisitions and organic growth. "Earlier the focus was more on profitability. We are now pushing for both profitability and topline growth," he says.

One of Wipro's biggest bets for the future in the consumer care business is Chandrika ayurvedic soap, which it acquired from the Chandrika family. The process of acquisition was started in October 2003 and was completed in June this year. While manufacturing is still with the Chandrika family, Wipro has the marketing and distribution rights. Till now Wipro has been selling Chandrika only in select states where it was being marketed earlier. With the acquisition complete, the priority is to take it national.

Interestingly, Wipro is making no changes at present to either the product or its packaging. CCL vice-president (marketing) Kumar Chander says, "Chandrika is a 64-year-old brand and was the first ayurvedic soap brand in the country. It is an excellent product. The formula has remained unchanged over the years and it has a strong base of loyal users. But it is a product we feel has been under-marketed. We understand soaps and customers, and we have a strong distribution network. It is these strengths that we will be leveraging."

This in a nutshell is, in fact, CCL's entire acquisition strategy: to identify under-marketed brands off which it can leverage its existing strengths in marketing and distribution. A quick glance down the division's history will show that its marketing and distribution strengths have been a key factor in its growth when it entered the lighting business and the baby care segment in 1991.

As part of its growth strategy CCL is looking at acquiring products in categories that it is already present in, and in new categories it feels have potential for growth. For instance, Wipro has been eyeing Karnataka Soaps and Detergents Limited's (KSDL) flagship heritage soap brand Mysore Sandal Soap and will be a keen suitor if KSDL decides to put it up for sale.
Meanwhile, a completely new category that Wipro has entered via the acquisition route is the so-called 'wellness'. In April last year it acquired energy drink Glucovita from Hindustan Lever and made its debut here. Earlier this year it introduced two new flavours in Glucovita.

Says Agrawal: "If we had not acquired Glucovita we would have made something on similar lines ourselves." He sees great potential in Glucovita and has aggressive growth targets for it. According to him, Glucovita may have been too small a product in Lever's portfolio and may have therefore got neglected. "We felt we could give it the attention it deserved," he says, adding: "Acquiring a product is very exciting, but the difficult part is to make it grow."

Another recent product in CCL's wellness portfolio is the laxative isabgol, which it has been test marketing under the Sanjeevani brand. Says Kumar: "The isabgol market is worth Rs80-100 crore and mostly unorganised. There are no big brands and we see it as having good potential. We also want to make deeper inroads in the wellness segment."

Opportunities and challenges
According to Kumar there are different estimates for the wellness segment ranging from Rs3,000 crore to Rs5,000 crore, growing at 10 per cent per year. Wipro, he says, estimates it at around Rs3,500 crore. "The wellness segment consists of products that help you live your life to its full potential. It is not from sickness to perfect health but from a certain lower state of health to better health. We have included products consumers are buying to contribute to their well-being."

Wipro's foray into wellness is perceived as a smart move. Industry professionals say there's an increasing awareness of do-it-yourself healthcare, and this is clearly a segment that will grow. However, they point out that it has its own challenges. "The wellness market is very sensitive. It needs a strong recommendation and a trusted name behind it. Wipro is seen as an IT leader. Whether it can translate that association into the wellness segment, win consumer trust, and build big brands remains to be seen," says one.

Others point to Wipro's foray into baby care. The company entered this segment in 1991 with its Wipro Baby Soft range. Interestingly, before this market leader Johnson & Johnson had been selling mainly through chemists. Wipro changed the rules of the game by leveraging its distribution network and went the grocer route for its baby products. However, industry sources point out that despite its strong distribution network Wipro has not been able to expand the market in a significant way. Says a Bangalore-based retailer: "This is largely a price-insensitive market and consumers need a very strong and emotional reason to move to Wipro. Wipro has not been able to offer that successfully."

Kumar agrees that the market has not expanded much, and that it not easy to stand up to Johnson & Johnson, which has huge emotional equity with customers. However, he contends that with the changing demographic profile this segment is poised for growth and that Wipro is well placed to take advantage of it. He points out that in the Rs350 crore baby care market Wipro has been growing at 6 per cent, compared to 5 per cent for the industry. Its growth in this segment has come primarily from its diaper range, introduced in 2001.

Meanwhile Santoor soap, the flagship brand in CCL's portfolio (it accounts for 50 per cent of the division's revenues), was revamped and relaunched earlier this year. The original Santoor was enhanced with skin-softeners and new fragrances, and was successfully relaunched with new packaging. Brand extensions like a fairness
cream and face wash have also been introduced and more are being looked at. Says Kumar: "We are evaluating the entire gamut of skin care and toiletry."

Deodorants, however, are one area it is eyeing. "Deodorants are an extremely low-consumption category in India. It is only a Rs100 crore market, while even in countries like Malaysia and Thailand it is 50 times bigger," he adds.

Other recent launches were Wipro Safewash liquid detergent last year and the north Indian rollout of Wipro’s Milk & Roses soap, which was available earlier only in Punjab.

In its lighting business too, CCL is gearing up for growth. Wipro first entered this business in 1991. At that time 90 per cent of sales in the industry used to be through electric shops. Wipro decided to leverage its strong distribution network for soap, and persuaded the trade to stock its bulbs also. Recalls Kumar: "It was a tough game. We had to sell the concept to the trade, but it worked." At present in the market 60 per cent of the lighting sales are through grocers and chemists and only 40 per cent via electrical outlets.

Its strong distribution network apart, Wipro’s strengths in lighting lie in adopting cutting-edge technology, adapting to customer needs and its focus on aesthetics. Says Agrawal: "Two years ago we launched the compact fluorescent lamp because we felt that energy saving is going to be the trend. We also sensed early on that aesthetics are becoming an important factor, and have been introducing new designs and innovative products in the market."

Two years ago Wipro entered the outdoor lighting segment and last year it set up a separate energy management service team. Lighting, which contributes 25 per cent of CCL’s revenues, grew by 42 per cent in the last quarter.

**ccl’s entire acquisition strategy is to identify under-marketed brands off which it can leverage its existing strengths in marketing and distribution**

**Planned inactivity**

The only product in the CCL portfolio that has not seen any significant action is its Sunflower vanaspati brand. But this is a case of planned inactivity. Kumar points out that this segment is dominated by unbranded players and offers very low margins, and the legal and economic environment also makes it tough for ethical players to run a successful business. At the same time, however, Wipro has no plans to exit this business either. Says Kumar: "We have a reasonable market share and good brand value. It provides grease to our distribution."

At present CCL has 3,000-plus distributors and a total of around 1,600,000 outlets, of which 650,000 are covered directly, making it among the top five distribution companies in FMCG segment. While Wipro is not looking at growing these numbers, the focus is going to be on enhancing relationships by more loyalty-rewarding programmes, increased interface with the retail trade, more senior-level visits, and increased reality checks. Says Kumar: "Retailers in India are very influential. The customers trust them. They are a very important source of intelligence-gathering for us." Last year Wipro formed a separate team to focus on the growing modern retail format segment, which is estimated to contribute around 15–20 per cent of the FMCG market.

Apart from its strong distribution and marketing network, CCL’s manufacturing excellence with Six Sigma quality standards and its people are the pillars on which it stands. Says Premji: "Our manufacturing processes run with world-class efficiency. Not to forget the focus on relationships across the chain of stakeholders from employees to distributors and suppliers."

He adds: "In the FMCG business we have had to compete with the best of global MNCS, be they Hindustan Lever or RJ or Philips, and we have held our own successfully. In effect, we’ve learnt to handle global competition. It has also taught us how to operate in low-growth markets and still grow at multiples of the industry."

For the first quarter of 2004–5 CCL recorded revenues of Rs104 crore, an increase of 31 per cent over the corresponding period the previous year. This comes on the back of 22 per cent growth in 2003–4 over the previous year with revenues of Rs364 crore. The key challenges that CCL faces, according to Premji, are "in terms of sustaining the growth momentum and improving the time to market for new products." Will CCL be hived off as a separate entity in the future? Premji says, "At the moment such a possibility does not exist."

It now remains to be seen whether CCL can overcome these challenges and leapfrog into the big league.

Chander believes Wipro CCL’s real strength in this business is its understanding of “soaps and customers”

---

*Meenu Shekar*
ASIA'S LARGEST ATRIUM LOBBY
THE DIFFERENCE

370 luxurious rooms and suites | 21 serviced apartments | Large banquet and conference facilities | Spacious spa | Theatre

That's INTERCONTINENTAL THE GRAND MUMBAI | Visit us at: www.thegrandhotels.net

InterContinental The Grand Resort Goa  InterContinental The Grand Mumbai  InterContinental The Grand New Delhi  InterContinental The Grand Palace Srinagar  The Grand Temple
IS PERHAPS WHAT MAKES
... GRAND.
Grinding away to glory

Carborundum Universal celebrates 50 years

The announcement of CUMI's golden jubilee theme and the ensuing celebrations were as low-key as the corporate setting for the media briefing at the Murugappa group's Dare House, which has for years presided over Chennai's best-known landmark—Parry's Corner. Both M.M. Murugappan, chairman of Carborundum Universal Ltd (CUMI), and MD Ramesh Agarwal are averse to dramatic claims or spin of any sort. Maybe it is due to the very nature of the workplace products—coated and bonded abrasives—that CUMI pioneered in India, and other material science offshoots like industrial ceramics, ceramic fibres, bonded refractories, and electrominerals. It is also the pervading culture of this group to be self-effacing and workmanlike even when announcing significant achievements.

Murugappan, who has spent 25 years in working his way up to CUMI's top slot, says: "The theme for our golden jubilee is thanksgiving and rededication. Thanksgiving to all those stakeholders and customers who made this evolutionary growth possible, especially our 50-year unbroken dividend record. Rededication to a vision of leadership in all our product lines, not just in the domestic market but worldwide too, and excellence in all that we do." The celebrations were presided over by J.J. Irani, director of Tata Sons. Murugappan is spontaneous in acknowledging the special relationships with two of CUMI's long-standing customers: "Much of our evolution has grown out of close customer interaction. So we chose two very important personalities of the two companies that have been associated with CUMI for a number of years—Tata and Ashok Leyland." R. Seshasayee, MD of Ashok Leyland, highlighted CUMI's manufacturing excellence: "Today people talk about Rs5,200-crore Murugappa group, has emerged as the market leader in the Rs630 crore Indian abrasives market. It has also garnered a significant share of the ceramics and electrominerals business. With over 20,000 abrasive products in its portfolio made in seven plants across the country, CUMI has consolidated its businesses with a number of strategies that have emerged as responses to changing business and industrial environments.

Says Agarwal, "It has been a historic journey from Ajax Products Pvt Ltd, founded in 1938. Over the years we have gained intensely by way of our joint ventures and the resultant technology. Setting up the Super Refractory plant in 1965 and Palghat Electrocast Refractories put us in the growth phase. The next 15 years were a period of consolidation. For example, we successfully delinked made-to-order and bulk products at our Hosur and Ranipet plants, then moved on to product-specific manufacturing and then on to hydroelectricity."

Carborundum Universal Ltd was started in 1954 as a joint venture between the US Carborundum Company, UK's Universal Grinding Wheel Company, and the Murugappa group. Interestingly, the very need for import substitution in the 1950s and '60s made CUMI strong as it had to totally integrate its raw material needs and move up the value chain. In the earliest days the bulk of the raw materials—electrominerals—were imported, making it imperative to have its own captive source. Acquiring a bauxite mine in Gujarat for its aluminium oxide was perhaps one such strategy that paid
off; from making the calcined alumina to converting into abrasive grains, CUMI reaped the benefits and economies of scale and backward-integration.

The US and UK companies cut the umbilical cords, withdrawing from the JV in 1980 and 1990, but CUMI has not allowed this to deter its organic and other routes for growth. The company signed up a JV in 1984 with Morgan Crucible Company, UK, to make ceramic fibre, and Wendt GmbH of Germany to enter into super abrasives. “We have a unique way of handling our partnerships,” says Murugappan. “Recognising our commitment, the Murugappa Morgan JV is holding its worldwide benchmarking conference right here in Chennai at this historic time.”

Continual transformation
From 1994 it has been in a transformation phase, adapting to suit the changing needs of the business environment and growing to wrest 29 per cent of the abrasives market. Agarwal points out that CUMI quickly learnt the values of becoming a more open organisation and factoring quality into every process. Setting up CUMI America in 1999 gave the company marketing access and presence in those highly developed markets that constantly needed customised products and engineering support. “We own 100 per cent of this US company. This gave us a good foothold in that region, a right step in our marketing efforts for both bonded and coated abrasives in Canada too. Overseas customers expect shorter lead times, so we undertook the CAPS production line and dedicated process lines. Then came our cloth processing plant in 2001. Making it a centralised location again taught us to respond to shorter lead cycles.”

The TOM initiative started in 1995 proved to be a tremendous learning and sharing experience, resulting in the annual CUFest, where people from 18 locations come together to share quality practices “Apart from its clutch of ISO 9001/9002 accreditations, CUMI is the only abrasive maker in the country to have ISO 14000 certification. The refractories unit has also the distinction of making heat deflector pads for the ShV and GSLV launch vehicles at ISRO. The industrial ceramics unit won the CII Exim business excellence award in 2003.

Resting on past laurels and slipping into complacency is definitely not for this duo. Both Murugappan and Agarwal are focused on the current growth pattern and on opportunities in specific projects. “We need to grow faster than the GDP. For example, in depressed-centre wheels for fabrication and power tools, there is great potential for exports. Today we can make a far more economical product, with a shorter lead time, in all three product lines — abrasives, ceramics, and electrominerals. Take abrasives. We make cutting-edge tools and drills for razor blades. Malhotra, the biggest maker of razor blades, sources grinding wheels from CUMI. As we make the basic raw materials, electrominerals, we are able to bring down the cost of inputs. The demand for power tools is also growing significantly.”

Setting up CUMI America in 1999 gave the company marketing access and presence in those highly developed markets that constantly needed customised products and engineering support

Perhaps the most significant overseas foray is the Australian JV for coal washeries. Australian coal, with 15 per cent ash content, requires high wear-resistant material, and CUMI supplies the linings of the appropriate hardness. Agarwal is optimistic that at some point Coal India will also set up similar coal washeries at pit heads. “We foresee opportunities here too, as Indian coal has 40 per cent ash content. Indonesia is another country where we can hope to make an entry.” The company is upbeat about its plans to grow exports from the current 10 per cent of sales to 20 per cent in the next three years. Murugappan is bas-
ing this on the new plans envisaged. “We are exploring the possibility of setting up bases in China and Dubai. China may give us a low-cost manufacturing base to serve international markets for high-end products. Dubai is ideal as a transit point to markets in the Middle East, Iran, Iraq, and Africa. The expansion and growth plans also include mergers and acquisitions if the options are present. To back these ambitious forays the company plans to invest Rs25–30 crore per year over the next three years.

CUMI has its own in-house technology, and strategic ties with the IITs and regional engineering colleges. “We believe in value-creation through technology. First comes the market requirement, then the application technology, product development, then the manufacturing process. We have around 16 patents. Our human resources are gifted with good skill sets, and we ensure adequate international exposure. For example, we send our engineers to the US and Russia. There are five in-house doctorates.” The company has steadily increased its turnover from Rs232 crore in 2001, to Rs257 crore in 2002, to Rs284 crore in 2003, and Rs314 crore in 2004. Murugappan is quick to admit that competition is extremely strong. In fact, Grindwell Norton of the Saint Gobain group runs neck to neck in most product lines and these companies have an 85 per cent share of the market.

Perhaps the alchemy of CUMI’s success is in the direction given to it by Murugappan and Agarwal. The latter, 58, has been a major force in bringing integration of the companies acquired and the JV partners, building an organisation where openness and values are pervasive. He has strengthened the R&D, which has 16 patents. He is proud of having five PhDs in-house.

A well-known Chennai-based mutual fund analyst sums up the intrinsic strengths of this company. According to this him, CUMI has grown with a judicious mix of capacity expansion, diversification of product lines, and M&As. Take the acquisition of Chennai-based Cutfast Abrasives, which makes coated and bonded abrasives. With CUMI already having a 15.5 per cent stake in that company, taking it over made eminent sense and synergy as abrasives are a field that has immense growth potential with newer applications, and there is good demand for electrominerals too.

Creating capacity and technology upgradation need deep pockets and CUMI has never had a problem ploughing back a part of its profits into growth. Also, the agility with which the company has used in-house products and import of cost-effective alternatives has given it an edge in marketing. Where power costs are high, the company has gone into power plants and windmills.

So what is the outlook for CUMI’s stock and the promise it holds for investors? The same analyst says, “A Rs10 share has yielded Rs85, and the stock has consistently traded above Rs400. Industrial production is expected to increase 8 per cent annually. Even if there is a domestic slowdown, the overseas markets will pick up the slack and vice-versa. He predicts a 10–15 per cent appreciation for the next year and 25.35 per cent in two years, especially as the auto and auto components industries are picking up speed. “Murugappan is not just dynamic but quietly aggressive and he has a good team backing him up. CUMI is pointed in the right direction.”

*PADMA RAMNATH
I believe that most dreams begin with a home. And I’ve learnt that dreams do come true with a little help and support. All you need is a break. And Bank of Rajasthan is ready to give you a financial break to help you realize your dream of your own home, whether it be your first home or renovating your existing home, or even a second house. Visit your nearest branch today.

* Competitive interest rates with option of fixed and floating rates
* No hidden costs
* Easy documentation & repayment terms
* Free Debit-cum-ATM Card and Demat account*
* Free personal accident insurance*
* Interest charged on daily reducing balance

*Banks apply

The Bank of Rajasthan Ltd. • Corp. Office: Raghuvanshi Mills, 11/12, Senapati Bapat Marg, Lower Parel, Mumbai-400013. Central Office: C-3, Sardar Patel Marg, C-Scheme, Jaipur-302001. Website: www.rajbank.com
Bathrooms and beyond

Hindustan Sanitaryware shifts its product positioning from commodity hardware to high-technology lifestyle brands

We are not here to sell," says Rajendra Kumar Somany, CMD of Delhi-based Hindustan Sanitaryware & Industries Ltd (HSIL). "We are here to make people want to buy."

That may seem a grand statement to make of something so mundane as sanitaryware. But Somany and joint MD and son Sandip Somany are clear that these products have moved out of the closet. With accolades for both their products and their financial performance, the duo are keen to step on the gas.

HSIL is one of the country’s leading sanitaryware and container glass manufacturers. It has been going great guns in recent times. In 2003–4 it had a dream run financially. It has also raised its stock in the capital markets.

Some time back Forbes magazine rated HSIL as one of the world’s 100 top mid-cap companies. Happy with the rating, Sandip quotes Cervantes’ Don Quixote: “A good name is better than riches.” That apart, the company wants to best some of its leading competitors such as Parryware and Cera in sanitaryware, and others in its container glass operations. Vinip Aggarwal, director of Delhi-based Longview Research Advisory Services and a senior market analyst, says: “The company has reasons to be ambitious. In a way it has started making its shareholders ambitious too about their own stakes in the company. More so after HSIL gave a very healthy dividend.”

Aggarwal is referring to the 50 per cent dividend of Rs2.50 per share of Rs5 face value the company paid out recently. The face value of each share was split from Rs10 to Rs5 on 16 February 2004.

HSIL posted sales of Rs271.51 crore as on 30 March 2004 as against the previous year’s Rs223.08 crore. It made a net profit of Rs17.55 crore as against Rs5.54 crore in the previous year. The p/e stands at 9 and EPS increased from 4.93 to Rs15.63 in 2003–4. The share is currently traded at Rs142. Two interesting features of the company is its ability to push up its turnover with lower working capital and reduction in interest charges. The company’s two main businesses are manufacturing and marketing of sanitaryware and container glass.

R.K. Somany: “We are here to make people want to buy”

The company was established in 1960 as Hindustan Twyford. British partner Twyford held a 26 per cent stake initially, which came down to 6 per cent subsequently. HSIL had a small start with an annual capacity of just 600 tonnes. But with continuous innovation, enlargement of its product basket, and very good marketing initiatives over the years it has been able to increase its capacity manifold. Currently HSIL commands a 35 per cent market share in the sanitaryware business and produces over 32,000 tonnes or 2.8 million pieces per year. Right now the company and its main competitor Parryware (turnover Rs160 crore) monopolise the sanitaryware business with a combined share of over 72 per cent.

HSIL’s sanitaryware manufacturing facilities are based in Bahadurgarh in Haryana and Bibinagar in Andhra Pradesh. The acquisition and merger of the Krishna Ceramics in Bibinagar in 1989 drove the company’s sanitaryware volumes higher. With its modernisation and expansion drive it has been able to further increase its capacity. By acquiring Raasi Ceramics, which was a division of India Cements Limited, in March 1999 its production capacity has grown even better, with over 90 per cent capacity utilisation and further consolidation of its sanitaryware business.

In recent years, after consolidating its market position, HSIL decided to enlarge its product basket to become a total bathroom solution provider company, thus raising its stature from a mere sanitaryware manufacturing entity. President R.B. Kabra says, “To achieve this we leveraged the HSIL brand name and very large network of loyal dealers across the country having deep penetration in the market.”

“With the boom in the housing construction business and a growing number of customers with a taste for stylish products, we decided to become a one-stop-bathroom solution provider,” says Sandip. “This meant we had to evolve a strategy that would enable us to add various products like PVC cisterns, bathtubs, whirlpools, airpools, faucets, shower enclosures, and even kitchen sinks to ensure that customers obtained all their bathroom requirements from a single location.”

He adds, “The key focus of the sanitaryware division is strengthening the business model by moving into high-value segments and renewing strategies for enhancing the product range.” The products comprise an assortment of SKUs (stock-keeping units) — from Rs20,000 to more than Rs200,000 per
tone. Marketing chief Ved Berry says, "The products are positioned at such attractive price points that they lure buyers away from the competitors."

Another major thrust of the company has been towards taking MNC brands head-on by importing and marketing world-class products with exclusive tie-ups. One, with European bathroom fittings major Grohe, offers international-quality faucets, which are becoming increasingly popular among high-end users here.

This business too has started reaping dividends and its importance has not been lost on one of its major competitors, Parryware. K.E. Ranganathan, general manager (marketing) of Parryware, says: "We have recognised the need to grow in this segment. Therefore we have also launched a series of high-end sanitary brands and shower solutions which are indigenously manufactured and marketed at competitive price points."

To sharpen its focus in the upper-end market segment HSL has also entered into a strategic alliance with the $1.5 billion Sanitech Group of Finland, Europe’s number one bathroom solutions company, to exclusively market its flagship Keramag brand in India. This is being done through HSL’s extensive all-India sales and distribution network. Keramag sanitaryware under the Matteo Thun, Romantik, and Vivano brands comes with special features that make for easy cleaning and better hygiene.

While the company has been looking at distribution and marketing of upper-end premium products from Europe, its focus on developing and manufacturing bathroom solutions for the domestic market has not been lost. In 1998 HSL introduced the Sleek PVC cistern, which has now become the number two brand in the country and is available in numerous models for different requirements which flush with minimal water quantities. Says Sandip, "Volumes have crossed

With the introduction of the high-end Grohe and Keramag ranges, along with its own HSL range of products, the company’s overall marketing approach is becoming well-rounded. A senior executive from Parryware comments, "The company has indeed gained a superior advantage over its competitors in the market as being a total bathroom solutions provider."

HSL’s outsourced products bathroom solutions revenues have increased to 10.66 per cent from 7.34 per cent in the past couple of years in its total revenues from the sanitaryware business.

"The idea is to change perceptions about sanitaryware — from commodity to lifestyle product," says Berry. In retail showrooms for exclusive dealers. It has added more than 50,000 sq.ft. of retail space in 20 towns and there are some 380 shop-in-shops. "We intend to add some 60 more showrooms in 2004-5," says Sandip. In addition there will be some 21 exclusive Hindware sanitaryware boutiques in prime locations all over the country. This initiative has suddenly helped the company to grow in markets such as Kerala and Tamil Nadu, where HSL’s presence was almost nil.

Another major initiative in the past few months has been to enter the Rs500 crore kitchen solutions market. With the current boom in construction and infrastructure-building activities customers are looking for very good kitchen installations, the primary need being very good kitchen sinks. The company has started producing a large number of kitchen sinks with stainless steel procured from SAIL’s Salem plant, and marketing them in a price range of Rs800-15,000. Going by the response the company feels it will be able to capture a sizable section — up to 10 per cent — of this market in the next three years.

The container glass business

Of late HSL has also been focusing its energies on the development, manufacture, and distribution of container glass. This division has not only turned around but also shown very healthy growth prospects. Until a few years ago it was draining the company’s profit on account of high depreciation and
interest costs. This was the outcome of a general industry slowdown and a decline in realisations in 2001–2 as soft-drinks and liquor manufacturers slowed down their marketing efforts. As a result the company’s interest outflow and depreciation increased even when it was trying to enhance its container glass capacity. Also, the topline was dodging as a result of a per-tonnage decline in realisations. Adding to the problems was a cost escalation owing to the sudden non-availability of natural gas supply at the Bahadurgarh facility and replacement by the more expensive LPG.

In 2001–2 the container glass operation was draining around Rs1.8 crore a month in interest and depreciation. But in 2003–4 its fortunes turned around dramatically — it made a profit (before tax and interest) of Rs19.19 crore on a turnover of Rs168.81 crore. This was due to a sudden resumption in the demand for container glassware. The growth also came as Owen Brockway, a leading global player, sold its glassware facility to Hindustan National Glass. As a result, this led many Indian container glass customers to seek out other midsize manufacturers.

There was also a consolidation move among other players, such as Pune-based ACE, which has a daily manufacturing capacity of 150 tonnes, Victory Glass (100 tonnes), Cana Glass, and three other small manufacturers which shut down their facilities. Another company, Gujarat Glass, with 130 tonnes-per-day capacity, switched over to the cosmetic bottle space, exiting from the conventional container glass segment.

Sandip Somany: “We are becoming a total bathroom solution provider”

Their exit from the business created an undersupply but improved realisations. For HSL, the demand side strengthened, with customers such as Coca-Cola and liquor majors embarking on fresh strategic marketing and branding initiatives. Coke, for example, introduced the economical Rs5 bottle, which it sourced from HSL. Similarly, liquor companies started introducing bottles in several new designs, thus generating fresh demand.

With this favourable industry upturn HSL began to get improved realisations due to timely delivery of large volumes; it converted outstandingings into cash advances, rationalised its finished goods inventory, and strengthened its working capital management. It also increased exports, which helped it escape domestic competition and achieve higher realisations.

The demand for container glassware has been growing for a few years now. Up until 1999 the demand was only 1 million tonnes and remained static for some years. But in the past two years it has gone up to 1.52 Mtpy. HSL’s own growth reflects that of the industry as a whole. As a result of rapid modernisation and efficient energy management, thereby lowering its energy costs, its capacity has grown.

Today the company is trying to derive most from the growth prospects of the liquor, beer, soft drinks, foods, and pharmaceutical industries. “Having seen the downturn,” says Sandip, “we are being very methodical now. Correspondingly, the value chain in our container glass business comprises a CAD/CAM facility to design glass bottles and manufacture in-house moulds, a state-of-the-art six-colour printing line, etc. This is enabling us to shrink product turnaround time for our customers. This apart, the export potential from container glassware is also growing.” The number of customers grew from 489 in 2002–3 to 546 in 2003–4. Its AGI brand has a 450-strong product range and its revenue from exports to Europe, the US, and Australia grew by 66 per cent in 2003–4, from Rs20 crore to Rs33.26 crore.

Naresh Pachisia, MD of SKP Securities, says: “HSL’s container glassware business is poised for higher growth. Despite the fact that the company has been making heavy investments in this division, it is one sector where it will have a dream run for years to come. Unlike sanitaryware, which is a competitive industry, HSL has a sharp edge over the rest in the container glassware business. It is also the segment which is attracting institutional investors who think that the company deserves a better valuation.”

Even Aggarwal of Longview Research thinks that the company is poised for greater prospects in both divisions. “Since both housing and infrastructure sectors are developing fast, the company is bound to do extremely well even in sanitaryware. One of its major themes could be outsourcing, which along with its own production capacity is bound to give it 20 per cent growth year over year.”
A Kolkata-based plywood company draws up ‘concrete’ plans

From wood to concrete. That’s the route Bhajanka and Agarwal of Century Plywood fame have chosen to ply. In a step towards diversification, the duo will set up a one million tonne cement plant in Meghalaya in two phases at Lumshong.

CMCL or Cement Manufacturing Company Ltd will be a joint venture between the Shyam group, Barak Valley Cement and BMW group (it makes steel pipes and LPG cylinders). Promoters of Century will hold a majority stake in CMCL, and production will start in November this year. With an initial investment of Rs100 crore, for three lakh tonnes per annum in the first phase, the company expects the plant to run at full capacity by 2006.

CMCL will primarily manufacture ordinary portland cement. “There is demand for cement in the northeastern region, where the plant is situated. This is a trouble-free area and raw materials, limestone and coal, are high-grade in quality,” Bhajanka points out. Demand for cement in the northeastern state is around 20 lakh tonnes, whereas capacity is seven lakh tonnes. Sixty-five per cent of this is taken care of by suppliers from Madhya Pradesh and Bengal. Bhajanka adds, “In the first year we aim for a turnover of Rs120 crore.”

Century’s beginnings date back to 1985, when the government brought down custom duty of imported veneer and timber from 200 per cent to 10 per cent, but retained 200 per cent duty on plywood. To see this business opportunity, Century Plyboards set up a manufacturing unit at Bishnupur near Kolkata to manufacture plywood from imported veneer.

In October 1986, import duty on veneer was raised to 100 per cent retaining timber at 10 per cent. The company reacted fast and started making veneer instead of plywood from imported timber. During that time, many plywood manufacturers depended on imported veneer, and thus on Century. “We made huge profits,” says Sajjan Bhajanka, managing director of CPIL. In 1988 the company went in for plywood manufacturing. With their own veneer production, they could guarantee the quality of the ply.

In December 1996, the Supreme Court ordered a blanket ban on cutting trees, movement of timber and conversion of timber in Assam and parts of the northeast till environmental safeguards were put in place. The action was primarily targeted at illegal felling of forests. The company then began to source its logs from Malaysia, Myanmar, Europe and Indonesia. The company has taken on lease an almost non-functional jetty from Kolkata Port Trust. The jetty has reduced the handling cost of raw material for the company.

The total Indian plywood market is Rs5,000 crore in size and the organised part is a paltry 10 per cent. CPIL has a turnover of Rs128 crore with net profit of Rs7.28 crore in 2003-4. “We are the largest seller of plywood and decorative veneers in the organised Indian plywood market. With the laminate project we target a turnover of Rs170 crore by March 2006,” says Sanjay Agarwal, deputy MD, CPIL. The company plans a listing on the National and Bombay Stock Exchange and is listed on the Calcutta, Delhi and Ahmedabad Stock Exchanges.

The company manufactures 20,000 cubic mts. of plywood and 110 cubic mts. of veneer a day. The product range includes varieties of plywood such as commercial, boiling waterproof, decorative, shuttering, film face plywood and block board, etc. A Century guarantee for seven years on powder proof plywood was a breakthrough in the Indian plywood industry. “Quality is always our strength and we are the first iso9002 plywood company in India for veneer and plywood. Every six months there is an elaborate iso surveillance audit of every stage of our manufacturing facilities,” claims Ajay Baldawa, executive director of the company.

As part of expansions, CPIL has set up a high-pressure paper-based decorative laminates manufacturing unit adjacent to the plywood factory in Kolkata at a cost of Rs26.5 crore. The installed capacity of the new plant is two lakh sheets per month. The first phase of production has already begun in March this year, and the second phase will begin by December.

While commenting about Century Ply, Rajesh Mittal of Green timber says, “Though they are our competitors, we must say the company is doing good business.” He did not wish to comment on CPIL’s diversification into cement.

Cement is a big numbers business, and the market will keep a close watch on the company’s performance.
A decade ago, the very mention of Hyderabad used to conjure up visions of Charminar and its busy bazaars laden with profusion of goods, and exquisite mosques. Today, the city has gotten a lot more tech savvy, but it still retains quite a bit of the charm of the Shahi days. While you find a lot of young crowd that's cosmic, you'll also find that old bearded “chiccha” who reminds you of the old city world aura.

The history of Hyderabad began with the establishment of the Qutub Shahi dynasty in 1512 with the fortress of Golconda. Inadequacy of water and frequent epidemics of plague persuaded the fifth Qutub Shahi king to establish a new city with Charminar at its center and four great roads fanning out in cardinal directions. Hence, a trip to Hyderabad is said to be incomplete unless visited these landmarks.

Charminar to Hyderabad is akin to the Statue of Liberty to New York. This magnificent edifice epitomizes the pride of the city. There are about 450 shops bustling with pearls and jewellery on either side of Charminar. To the west lies the Laad Bazar, which is a shopper’s paradise. From bangles, to zarosi work to attar, you can buy it all here. The city also offers shopping of exclusive traditional items produced only in Andhra Pradesh. The best buys include Bidar handicrafts, handlooms, paintings of Kalamkari and artifacts from Nirmal.

It is believed that before being the City of Pearls, the city had housed the famous Keh-i-noor at Golconda. Golconda was originally founded by the Kakatiyas, the existing structure was expanded by the Qutub Shahis. The fortress boasts of an amazing feat of acoustics and the sound and light show recreates the legend of Golconda. They leave you wondering what life would have been like in its heydays! About a Kilometre from Golconda are the domes that form an umbrella over the tombs underneath which rest the Kings of Qutub Shahi dynasty. If Golconda and Charminar stand for architectural splendors, Falaknuma Palace does not lag behind either. Built by the Nizam VI, it’s a bizarre grandiose blend of Italian and Tudor architecture.

However, the nascent structures coming up in Madhapur area of the 400 year old city provide a sophisticated contrast to the ancient monuments. Shilparamam, a crafts village set up at Madhapur, has been a bazaar where artists and artisans from all over the country participate. Adjacent is the Shilpaka Vediya, an auditorium with 2000 seating capacity. The combination of an auditorium for dance and music and a crafts village make the whole journey of art forms complete. Bearing testimony to the fact that city is embracing digital technology is the Hitec, a state of the art venue for international exhibitions, conferences, trade shows and corporate events.

Be it the artificially created temperature of -4 deg Celsius at Snow world or a stroll along the natural beauty of KBR Bird sanctuary, Hyderabad has so much to offer that you’ll totally surrender to the charms of the city. A city that blends heritage with hitech, old world charm with modern facilities. Holidays with business. A city so unique that you’ll keep coming back, again and again.

For details contact:
Central Reservation Office
Hyderabad 23453036, 23450165
Central Reservation Office,
Secunderabad 27893100, 27816375
Tourism & Culture Department,
Government of Andhra Pradesh
1st floor, ‘D’ Block, Secretariat,
Hyderabad 500 022, AP India
e mail:aptourism@hotmail.com
Round-the-clock information on AP Tourism Dial: From Hyderabad & Secunderabad dial 1901-334033 and from other places in India Dial: 040-23453999 / 23450444
You can also contact:
Phone:040-23456717 / 23450991 / 23300756
Fax : 040-23450068 / 23454966.
Hi-tech Convention Centre

Shilpakala Vedika, For Conventions, Exhibitions, corporate events to social events & product launches, Shilpakala Vedika offers state-of-the-art equipment & facilities that make it ideal to host national and international events. A seating of 7,000 persons makes it the largest auditorium in the city of Hyderabad. Shilpakala Vedika is located next to the ethnic craft village of Shilparamam & near HITEX, another international standard exhibition & conference centre.

Incredible India

www.aptourism.com; e-mail: aptourism@hotmail.com; Helpline no: +91 (40) 23450444
Picture perfect

Having restructured its business, Crest Communications is now well placed to cash in on the opportunities in the global 3D animation market

After a four-year-long business overhaul there is understandably a sense of relief at Crest Communications. Set up initially as a diversified media services company (the lion’s share of its revenue coming from the production of commercial advertisements, corporate films, audiovisuals, and television programmes in India) in the 1990s, Crest decided to change course in 2000 and reposition itself as service provider in computer graphics imaging (CGI, or 3D animation). “After four gruelling years Crest is now finally ready to target global 3D animation market,” says an equity analyst.

CEO A.K. Mahadevan says, “We are over the hill and can now look forward to better times ahead.” While that may be so, the change hasn’t come without cost. In the process of shifting tracks the company reported losses in each of the last three years. The worst was Rs18.45 crore last year, on a total income of Rs16.79 crore after writing off bad debts and past investments that had gone sour. However, looking at things more positively, a research analyst says, “the company’s balance-sheet is now clear of its old baggage. It can start with a clean slate on its new course.”

Crest was formed in May 1990 from Sham Ramanna’s (son of the former chief of India’s nuclear establishment, Raja Ramanna) advertising and film production company Z-Axis, which he acquired in 1987 in partnership with Louis Banks. Banks subsequently withdrew to focus entirely on a venture of his own, leaving Crest to Ramanna and his wife Seema, its current MD. Raja Ramanna has been the company’s chairman and Sham vice-chairman since it went public in 1995. The issue was of Rs10 shares priced at a premium of Rs20. That being a boom time in the advertising and film industry, the high-calibre, tech-savvy company was readying to cash in by investing in post-production suites.

Crest in fact was one of the early advertising production units to introduce morphing and special effects techniques with ads such as the cheetah transforming into a Kawasaki Rajaj motorbike. But despite gaining recognition and reputation, it began to find the going tough when the industry swelled with low-cost boutiques offering similar services at much lower cost. “Though Crest’s execution skills and quality were unquestioned, it could no longer command premium,” says an industry observer. With margins squeezed, the management decided it was time to rethink its strategies for the future.

On the (re)make

In 1996, after extensive review of its lines, it came to the conclusion that the company’s core strength was its creative manpower, for which there was immense scope in the global CGI business. It felt that with Crest operating from India, pricing wouldn’t really be an issue in the principal global market, North America, where animator fees were very high. “Just as in the case of the Indian IT industry, there was a substantial cost advantage even in this people-driven business,” says Seema. One further luring aspect was the long shelf life and library value of animation products, which could be moved with ease from one medium to another. By its calculation, were Crest to get only a fraction of the $70 billion 3D global animation pie, it would catapult into a different league.

The general incapacity of creative personnel, who were engaged in advertising and corporate film production, to shift gears to technologically complex CGI operations, was a major barrier to entry by anybody and everybody in this business. As a matter of fact, even now the talent pool isn’t quite easily available in Asia and India, and grooming tech-savvy creative animators at short notice is simply out of the question. Given this background, typically risk-averse Indian producers, used to quick paybacks, aren’t particularly comfortable investing in high-end graphics digital studios that require investments in the range of $20–30 million and generate an earnings stream only after a two- or three-year
lag. As for Crest, its animators (groomed by Sham), who had been an albatross around its neck in its earlier business in the light of cutthroat competition, were precious when seen in the context of 3D animation business. But there was a catch.

Since it was difficult to transfer 2D animation skills to technologically much more complex 3D animation, the Philippines and Korea, which had dominated the 2D outsourcing from the US in the 1980s and '90s, were finding it difficult to shift to 3D animation. But this was of little help to an Indian company that was seeking to break into this field as the country, not having participated in 2D animation boom, was completely unknown to the US entertainment industry. Although its IPR prowess had unfolded, Hollywood’s image of India was still antiquated. Thus Crest had a credibility issue that needed to be settled first. But it was exceptionally tough to crack perceptions and break marketing ground quickly.

Mahadevan, who spearheaded the drive for business in North America, says: “I must have made innumerable cold calls to studios, visited over 300 of them, and met 400-500 people in the US.” The outcome in most cases, he admits, was: “All of them laughed at my gall at wanting to break into business that required very complex computer skills, which only a few US entertainment companies possessed.” Coming from lowly India, they felt, it was sheer madness on his part to even think of getting in 3D animation and called him Mad-Max for his temerity. It took tremendous perseverance and composure to build relationships. But that did not deter Crest. Ignoring the difficulties, it carried on passionately in its quest for 3D business, while simultaneously training its animators and ramping up its hardware and software capabilities.

To safeguard against debt default the company raised Rs1.2 crore through private placement in 1999 and paid off the foreign currency loans availed earlier from State Bank of India and ICICI. In 2000 and 2001 it raised Rs85 lakh more for investment in infrastructure. It also acquired Richard Rich’s Rich Animation studio in Los Angeles (without properties as these were mostly 2D animation films) for $2 million during this period. Rich, who had spent 15 years with Disney (the youngest director to have directed a movie, The Fox and the Hound, at the global entertainment giant), had built up his reputation with six animated feature films under his cap.

The acquisition was crucial as Rich’s grasp of the US market in terms of storyboard designing, modelling, voice casting, art direction, background, and in fact the overall feel of the market requirement, jelled well with Crest’s strengths in India. Despite the perfect logic of its business model, the company’s order book for 3D animation remained almost blank until Mahadevan met Mike Young in 2002. In absence of orders from 3D, Crest’s top- and bottomlines began to slide as it wound up its previous business, eventually ending 2001-2 in the red. “This was the foundation period,” says vice-president (corporate strategy and finance) Abhay Bhalerao.

While Crest was busy honing its 3D animation skills, clients were testing out its pilots. Although producers were appreciative of its clips, they were unsure of Crest’s ability to meet strict schedules and were unwilling to chance TV serial production with it, as it required sustained delivery over weeks on end. Yet for the company it was critical to break into this segment if it was to make its mark in 3D animation. A meeting with Mike Young turned out to be fortuitous. The Welshman, who turned out to be a cricket buff, gave Mahadevan five minutes to make his pitch and then spent the rest of the time talking cricket. But the ice had been broken. Mahadevan, while getting up, proposed a dinner meeting. Young agreed on condition that his wife also join him. Finally he arrived at the dinner not only with his wife but a caravan of 16 others from his office. Young gave Crest its first 3D animation contract for $20,000. Impressed with its workmanship, he gave it a 26-episode TV serial, Jokers! The Adventures of Piggley Winks, in 2002.

<table>
<thead>
<tr>
<th>PERFORMANCE INDICATORS</th>
<th>2003-4</th>
<th>2002-3</th>
<th>2001-2</th>
<th>2000-1</th>
<th>1999-00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>16.78</td>
<td>19.51</td>
<td>12.31</td>
<td>24.31</td>
<td>16.14</td>
</tr>
<tr>
<td>PBIDT</td>
<td>-2.91</td>
<td>6.10</td>
<td>0.09</td>
<td>9.19</td>
<td>7.28</td>
</tr>
<tr>
<td>PAT</td>
<td>-17.75</td>
<td>-0.89</td>
<td>-9.27</td>
<td>5.10</td>
<td>2.35</td>
</tr>
<tr>
<td>Networth</td>
<td>81.26</td>
<td>73.96</td>
<td>76.94</td>
<td>90.02</td>
<td>74.94</td>
</tr>
</tbody>
</table>
Jakers! was televised on 17 channels in US, Canada, and Europe. Its nomination for the Annie Awards alongside top-run global producers (Warner Bros, DNA Productions, and Nickelodeon), gave Crest the exposure it was looking for. *Time* magazine profiled it in the US, and Japan Media Broadcasting in Japan after *Jakers!* success. Recently, *Jakers!* and clips from another serial *Pet Alien* (which is to go live in November this year) were showcased on CNN’s week-long programme *India: The Great IPO Debate* as evidence of India’s rise in 3D TV programming. But for the sceptics it’s: “Where is the order book for arresting slides at its top and bottomlines?”

There are others who worry whether the company can sustain delivery of several serials week after week.

To counter their criticism, Crest produced not just *Jakers!* but also *Tenali Rama* (co-produced with MediaCorp TV 12 of Singapore) for Singapore’s Tamil channel. The serial bagged the Film Producers’ Guild India’s Apsara Award recently. It also produced five 5-episode home video assignments for a Christian channel in the US. Its *Kids’ Ten Commandments* is won a Telly Award, which is given every year to the best non-broadcast video program in the US. As for the future, its 26, 30-minutes episodes serial *Pet Alien* is to be aired in November of this year in Scandinavia. Further, the company has two more serials as well as two DVD projects with big banners in home video, on its order book.

Besides, negotiations are in progress on several fronts in the US and Europe. It has also been building up its base in Southeast Asia with its Singaporean subsidiary. Meanwhile, it has upgraded its operations at RichCrest Animation in the US, with $5-8 million raised through GDRs (listed at Luxembourg) in January 2004.

In the past Crest has increased its animator strength from 124 to 268 and taken 6,000 sq.ft. more space on lease in the vicinity of its 25,000 sq.ft. premises at Worli in Mumbai. As for its creative abilities, “an argument that 3D can never deliver the flexibility and emotion as well as 2D animation has been put to rest with technically well-advanced characters in *Pet Alien* that display similar features in 3D,” says production head Anish Mulani. In appreciation of Crest’s work in *Pet Alien*, Jeff Muncy, executive producer at Mike Young Productions, says: “There is nothing even close to this on television.”

Mulani assures, “Processes for allocating animator time to multiple assignments have been put in place to handle the increased load.” But won’t multitasking stifle creativity as the emphasis shifts to animator productivity? HR head P. Rajashekar assures, “Performance criteria to take care of this are being put in place.”

**Creativity stays put**

To better utilise its hardware Crest installed an IBM Intellistation, which runs on Linux. It created high-performance computing software to manage data flows between the powerful workstation, storage, and render farms. Technology head Krishna Prasad says, “Earlier we would struggle to render 40–50 scenes a day, but now we can render 400–600 with ease.”

This has increased Crest’s processing capacity several-fold. But there are fears. “What if global majors coming to India lure away its creative staff with hefty pay packets? Where will Crest be then?” Rajashekar says, “Such fears are unfounded. In the past also people left and came back in no time because they didn’t get the working environment they have here.”

Creative head Nilesh Sardesai says, “Crest has the edge because its middle and senior employees have been with it for over a decade. They are not easy to dislodge.” Industry insiders say that although it is easy to lure software programmers away with a financial bait, it’s not that simple with creative animators. With the work flowing, Crest has done away with jobwork and put everyone on its rolls.

In the first quarter of this year the company showed a turnaround, clocking Rs6.88 crore in total income (up 55 per cent over last year’s first quarter) and Rs45 lakh (as against a loss of 1.86 crore in the same quarter last year) in net profit. If the equity analysts are to be believed, with $10 million worth of orders in hand, Crest is likely to strike Rs35 crore in total income and Rs5 crore in p&l in the current year. With the company now producing only for exports, its profit will be eligible for tax exemption. So will it now be on the dividend list?

Salil Pitale, an analyst at Enam Financial, has this to say: “A company such as Crest needs to be looked at from a perspective of growth rather than dividends.” Others say it would be safe to bet that it will grow at 40–50 per cent in the next few years. Closing at Rs63, Crest’s share crossed the previous annual high of Rs62 (annual low was Rs24) on 22 September and is now well above its net worth per share of Rs45.65. Industry insiders hint that other than five major studios, the rest in US are looking at Europe for downloading some of their volumes from high-cost centres in North America. In fact, “there are some who have even turned to India for outsourcing,” says an industry insider. This augurs well for Crest (and perhaps the industry’s). Having successfully completed TV serials, it is in a comparatively better position to cash in on this development than other Indian companies such as Maya Entertainment, Pentamedia Graphics, Toonz Animation, and Jadooworks (which still have to penetrate in this segment), to deliver high volumes.
In the world of trade fairs, if you have the right partners

1 + 1 = 11

We make markets. Worldwide.
New battles at point-of-sale

The number of terminals to swipe on is low. And now comes a rate war to boot

There is nearly 30 million by way of plastic in circulation: credit cards plus debit cards. But there are only about 135,000 point-of-sale (POS) machines to swipe them on. That is, the number of places where you can use a card is abysmal when compared to the number of cards in circulation.

POS machines are installed by the merchant acquiring banks. Every time a customer makes a purchase on the card, the acquiring bank steps in to settle the amount with the merchant establishment for a fee. To illustrate: when a customer with a Citibank card walks into an upmarket eatery and has a meal that costs Rs1,000, Citibank gets to keep 1.1 per cent of the amount while HSBC, as the acquiring bank, pockets 0.4 per cent. The card issuing bank gets to keep the larger share as it is the risk carrier and also because it helped originate the spend at the outlet.

Poor penetration
Why is the number of POS units so low? “Because outlets still prefer cash transactions,” says HSBC cards head Puneet Chaddha. This is so because tax evasion is rampant. Euronet India MD Loney Antony adds: “These units are restricted to just about 80-100 cities. Ideally they should be in at least 500 cities.”

Plastic is being issued to all comers, but when it comes to POS issues it’s the classic chicken-and-egg story. Outside of the big cities merchant outlets want card usage levels to go up before they set up a swipe machine. Issuers think the other way round. HDFC Bank’s country head (retail banking) Neeraj Swaroop points out: “It is the acquirer who bears the cost of the POS, but the outlet does not want to part with the 1.5 per cent or pay the rental. In the smaller cities the feeling is that they will not lose out on a customer if there is no such unit.”

In effect, these units are the gateways for the payment industry. In the early years of credit cards, some players were reluctant to install POS units lest the competition benefit from them. After all, cards issued under various proprietary brands could be swiped on a single unit, so why widen the market? This attitude has now changed, more so after the emergence of debit cards, but progress has been painfully slow.

The main acquiring banks in the country are HSBC, Citibank, HDFC Bank, and ICICI Bank, and Bank of Baroda (BoB) among the state-run players. Incidentally, issuers need not be acquirers. BoB is largely an acquirer. SBI-GE has the biggest reach, but is not into merchant acquisition.

Again, cost is not the all-important factor. It ranges from as little as Rs4,000 per machine to Rs25,000. In recent times banks have banded informally under MasterCard International’s India Co-ordination Committee to thrash out issues, and to team up like in the case of a closed-loop franchise like American Express and HSBC. And if the acquiring bank is also the issuing bank, then bread, butter, and jam is very much on the table.

Of late, players like HDFC Bank and ICICI Bank have driven discount rates to new lows: 1.25 per cent. Some say even under 1 per cent. Though it is a losing proposition, competition is forcing such madness. As a result, the outlet gets to share less with the acquiring bank. Nobody is complaining: there’s little point in doing so.

“IT is not that a bank is getting less bang for its buck in such cases. There’s a corporate angle to it as well. In the case of big chains a bank can offer cash management and working capital. It assures a bank float money,” explains Chaddha, adding tongue-firmly-in-cheek: “More than on the issuing side, it is in this wholesale part of the game in which a rate war is on!”

Emerging trends
There are indications that banks may team up to install units, but as of now it is not clear how such a partnership will work. There are also deployers like Venture Infotek, which deploy these units on both a per-transaction and flat-fee basis. Euronet, for instance, plans to install POS units for banks on a rental basis and also handle processing.

Coverage is also in play. Some time back HDFC Bank launched ‘mobile POS terminals’ supported by CDMA wireless technology in partnership with Reliance Infocomm and terminal manufacturer Schlumberger. The bank has tied up with SangamDirect, a supermarket on phone from Hindustan Lever Ltd, and a franchisee of Pizza Hut. Partnership, then, is the way ahead.
Cross-border chills

The party is over, but borrowers can still avail of the route

The cross-border loan market has turned cold. After a spectacular run in calendar 2003, when India Inc availed of nearly $6 billion via this route, loan arrangers put the calendar till-date figure at a modest $2.5 billion or so.

"The convertible bond market has tanked. In 2003 just about every other borrower opted for such bonds with global interest rates still remaining soft. Inflation, fears of an uptick in interest rates, and volatility on the bourses are making it difficult for arrangers to price such issues," says ING Vysya Bank’s country head for wholesale banking Ravindra Kumar.

One of the biggest issues in the pipeline is ICICI bank’s $1 billion medium-term note issue. There is also HDFC’s $500 million borrowing, plus a bond issue by GAIL amounting to $150 million. Some of the major deals in 2004 till date have been Reliance Infocoms’s $250 million syndicated loan, the Indian Railway Finance Corporation’s $100 million loan, Exim Bank’s $250 million bond issue, and Bharat Petroleum’s $107 million issue. Others like Zee Telefilms and Bharti Cellular also went in for convertible bonds.

It is also pointed out that the commercial viability of such borrowings has gone down over time. Development Cooperative Bank’s chief forex dealer Paresh Nayar says: "Last year at this time, forwards were going at a discount. At present the six-month forward is at a premium of 1.9 per cent. After factoring in Libor and the spread over it, the costs involved make it unattractive."

Regulatory changes

There have been reports of a few borrowers raising forex loans locally on the back of guarantees issued by banks, but most treasurers say that such deals are

Bank of India’s purchase of dollars, – is now a thing of the past.

Says Basix Forex consultant K.N. Dey: “Raising cross-border loans based on guarantees is not allowed anymore. The Central bank put a stop to it in November 2003. Since then, such loans are only to be used for fresh investments, not for working capital or repaying high-cost debt.”

The big difference perhaps is the fact that unlike in the past, when just about any company could raise such loans, it is now much tougher. Some sectors, though, are still winning. Under the Textile Upgradation Fund, companies in the sector get refinance from IDBI at actuals and up to 5 per cent when such loans are raised. The Small Industries Development Bank of India (Sidbi) is the nodal agency for the smaller entities. Says Dey: “Many companies are opting for this route as the rate is still finer when compared to rupee interest rates at 11-12 per cent. Even after factoring in Libor and forward costs, it still makes sense.”

The days ahead

Some in the cross-border loan market say that under the changed circumstances, potential borrowers have turned cautious. Former RBI governor Bimal Jalan’s observation at the 14th national assembly of the Forex Association of India is worth recollecting. Referring to the East Asian crisis of the mid-1990s, Jalan said: “When times were good such debt was easily accessible. The position, however, changed dramatically in times of external pressure. All creditors who could redeem the debt did so within a very short period... The occurrence of such a possibility has to be avoided and we would do well to continue with our policy of keeping access to short-term debt limited as a conscious policy at all times — good and bad.”

However, the story could well change in the days ahead. There are many who feel that given that the Central bank is now concerned with liquidity and inflation, the rupee could well gain in the near future. And that may see borrowers queue up again. Mecklai Financial Services MD Jamal Mecklai seems to suggest this when he says: “Clearly, forex intervention could be — and has been — a strong force in the effort to contain inflation. From the fact that RBI has had to turn to another — much louder — instrument (the hike in the cash reserve ratio by 50 basis points to 5 per cent), it would seem the believes that forex intervention is reaching its limits.”

There are many who feel that given that the Central bank is now concerned with liquidity and inflation, the rupee could well gain in the near future.
The foreign solution

With A.F. Ferguson finally going under the Deloitte banner, foreign firms rule the roost in the profession

For years, A.F. Ferguson & Co represented the fiercely independent, Indian face of the country’s accountancy profession. As the likes of KPMG, Deloitte, and the erstwhile Andersen came marching in (some through the back door to sneak past archaic laws), Ferguson stood firm against the foreign onslaught. Even when venerable names like S.R. Batliboi and S.B. Billimoria chose to align themselves with international banners (Ernst & Young and Deloitte Haskins & Sells respectively), Ferguson flirted with the idea but did not succumb. In 1994 KPMG came vigorously a-courting, but Ferguson turned down the overtures in no uncertain terms even though it had maintained a link with the erstwhile Peat Marwick for years.

So last month, when Deloitte announced that it had acquired a new associate in Ferguson, it was apparent that virtually the last Indian bastion in the profession had finally fallen into foreign hands. Deloitte’s management structure has been shuffled to accommodate this fifth associate — C.C. Chokshi & Co, Fraser & Ross, P.C. Hansotia, and S.B. Billimoria & Co are the other four. The non-executive co-chairmen are Ferguson’s Ashok Mahindra and Deloitte’s N.P. Sarda, with Dileep Choksi from C.C. Chokshi, Udayan Sen from Billimoria, and Ferguson’s Mukund Dharmadhikari as joint managing partners of the larger entity.

So why the sudden change of heart on Ferguson’s part? Although the official Ferguson view wasn’t available - Dharmadhikari chose not to comment, deferring to Mahindra, who was overseas - a likely picture emerged from speaking to close observers and well-wishers of the firm. It took 10 years of a steadily declining client roster for Ferguson to come to terms with the stark facts of auditing life: with Indian industry fast globalising, it was not just multinationals but even Indian companies that wanted a foreign signature appended to their accounts. “Very simply, clients seek international names particularly if they are listing or borrowing overseas. Even the West Bengal government prefers PricewaterhouseCoopers to Ferguson!” remarks a former Ferguson partner.

This a very smart and strategic move from Ferguson’s view as its practice is audit-dominated. “And Deloitte gets the market size it wants,” says Dinesh Kanabar, deputy managing partner of RSM & Co. With Ferguson in the foreign fold, RSM is the largest Indian firm with a strong tax and risk consulting practice. Kanabar argues that specialist firms like his have been able to stand alone as opposed to generalist firms that have no option but to get aligned with one of the Big Four.

Some would argue that Ferguson was a miss in not sensing the emerging lay of the land and hanging onto its own shingle had less to do with bravado than sheer obduracy. The deal with KPMG a decade ago fell through, it is believed, over sensitive issues like profit-sharing and retirement policies for partners. When the firm mixed KPMG and decided to go it alone there was an exodus of talent who saw it as a terrible mistake. “Sadly the decision to stay independent was driven by vested interests, not the firm’s interest,” recalls a former associate who left at around that time.

Although publicly the firm continued to maintain that it preferred to fly solo, it was well known in accounting circles that Ferguson too was in play. Recently, AFF was reportedly trying to hammer out an arrangement with KPMG which again didn’t pan out. “They flirted with practically everybody,” says a senior accountant, “but the talks always fell through on the issue of autonomy.”

In this respect and others, Deloitte is the perfect solution. Unlike KPMG and PwC, which operate as one entity, it is a federation of firms, each maintaining its independent identity. While Deloitte maintains that associate firms operate under common systems, an ex-Ferguson hand argues that “this is not a true merger but more a marriage of convenience. Nothing major is likely to change at Ferguson and they can continue more or less as before.”

A real integration is not likely to happen anytime soon, with Deloitte indicating its satisfaction over the existing arrangement. Asia-Pacific CEO Manoj Singh was on record saying that Deloitte would be looking for more associate firms to add to its fold as a growth strategy. Another bonus for AFF is that the retirement age at Deloitte is 65, whereas at KPMG partners have to hang their up boots at 58. Even Ferguson’s retirement age is 62, so its seniors now get a longer run of the road. (This has been a sticky point in previously aborted negotiations.)

Close observers feel that although the alliance is a coup, it’s already a tad too late. Ferguson is no longer considered a preferred employer as it used to be in its old glory days. The firm must rebuild its intellectual capital that has declined over years. So too its credibility, which got dented a couple of years ago over alleged financial impropriety by senior partner Y.M. Kale, who was asked to go. So even as Ferguson can be pleased about finding the perfect solution that hasn’t rocked the boat much, it cannot ignore the real issues for long.
Applications are invited for September 2005 entry to the United World Colleges situated in Canada, Hong Kong, Italy, India, Norway, Singapore, Swaziland, UK, USA and Venezuela. Some full and part scholarships are available on the basis of merit at Mahindra UWC, India and only limited scholarships are available at overseas UWCs. For more information log on to www.uwccommindia.net

**The United World Colleges**

- Provide the opportunity for highly motivated young people from diverse backgrounds to transcend the many boundaries which divide our world.
- Offer a two-year programme leading to the International Baccalaureate (IB) Diploma. This is recognised as equivalent to the completion of grade XII by the Association of Indian Universities.

To apply to any UWC, candidates must
- be of Indian origin,
- have been born between 1st September, 1987 and 28th February, 1990,
- currently be in either grade X or XI.

To get an application form, you will need to send a demand draft / cheque payable in Mumbai for Rs.500/
- drawn in favour of “The United World Colleges Committee (India)” and a self-addressed envelope (25 cm x 12 cm) affixed with Rs. 50/- stamp on it to the following address:

**The United World Colleges Committee (India),**
**Mahindra Towers, Ground Floor, Worli, Mumbai - 400 018.**
Tel.: (022) 24974625 / 24905937.
Email: parekh.smita@mahindra.com

Application forms will be issued until 31st January, 2005 only. Completed applications must reach on or before 15th February, 2005. Late applications will not be accepted.
Games people play

The Indian computer gaming industry is fast growing into a multimillion-dollar business

It’s an exciting world in a gaming café. College boys chasing terrorists, dodging bullets, and defusing ‘bombs. Shouts and screams emerge as they manage to free hostages from the terrorist gang, dressed in ripped jeans and spiked hair, sitting five computers away from them. Father and son battle it out on the football field. The rotund father might have a protruding potbelly, but on the field he’s the star player — quick, agile, and determined. And in the midst of this, mothers storm in and drag their sons out of the café, threatening to discontinue their pocket money if they find that even a paisa is spent on those “good for nothing” games.

Scenarios like these have become increasingly familiar. The reason? PC gaming has finally arrived in India and taken our Indian youth hostage. “It’s a totally different world,” says Varun Goel dreamily. And it has our youth addicted. “I play for 4–5 hours a day, seven days a week,” boasts Ankush Agarwal. This does not include LAN parties these gamers organise once in a while, where a game can continue for 48 hours at a stretch. “At one time we lugged our computers to a friend’s place at midnight and hooked them up in his room. But the load was so much that the electricity tripped,” laughs Rohan Dadlani. Far from discouraged, these kids convinced a friend, who owns a gaming café, to open it at midnight and continued the party, or rather the Counter Strike battle, there for the next two days. Often these virtual battles have erupted into real-life ones. “Once when my clan lost, we got into a fistfight with the opposing side,” confides Dadlani. But it’s this fanatic zeal and adrenaline rush that keeps gamers coming back for more.

Take the example of South Korea, which is ‘rocking’ the gaming industry. The country boasts five million power gamers from a total population of 28 million. On its own the country accounts for 54 per cent of the Rs2,600 crore equivalent in revenue generated in Southeast Asia from PC gaming. So far India doesn’t come anywhere close to matching these numbers, but that’s expected to change.

PC gaming is set to take India by storm, what with the burgeoning computer population in the country, a figure already reaching the six million mark. Today PC gaming revenues are a mere Rs50 crore. But the future holds a lot more promise. An AC Nielsen study anticipates India generating $50 million from the industry by 2005, of which $35 million

Currently Popular LAN Games

Warcraft Frozen Throne (Blizzard Entertainment)
Counter Strike
Condition Zero (Valve Corporation)
Need for Speed Underground (2004 Electric Arts Inc)
Unreal Tournament 2004 (2004 Epic Games Inc)
FIFA Football Euro 2004 (2004 Electric Arts Inc)
Quake 3 (id Software)
Reliance sees gaming as a lucrative application for its broadband network

will come from console games and $15 million from PC games. Beyond 2005 the gaming industry is anticipated to reap as much as a billion dollars.

But as is the case with every nascent gaming industry, a majority of Indians do not yet have access to high-speed Internet. Gaming wars have thus been limited to the cybercafés and gaming parlours that have local area networks (LANs) and connections ideal for such duels. Furthermore, LAN gaming allows friends to play with or against each other over the computer but yet face to face. “It’s more fun playing with your friends or strangers who are in front of you, rather than sitting alone in a room playing with someone who is hundreds of miles away,” says Goel. “Gamers get so involved in a game, that screaming and abusing is a reflex for them. For this reason they prefer to play in a place with no restrictions. Gaming cafés allow them this freedom,” adds Raj Sanghvi, manager of Silvi gaming parlour in south Mumbai. Perhaps this is why LAN gaming is currently more popular than online gaming in India. But as the gaming industry matures, online gaming is expected to overtake LAN.

The delighted victims are between 12 and 20 years old and largely male. “Often girls come in and play at the cafés, but they aren’t fanatics like us,” says Goel. “Guys like blood and violence,” he explains. Even boys as young as eight years and men of 30 years seem to enjoy this virtual bloodshed. “I have gamer friends who are getting married in two months and yet they spend hours playing with us. Their fiancées get really mad at them and often wait outside the café till they finish their game,” laughs Dadlani.

Reaping the benefits are gaming parlours, opened by individual entrepreneurs who are often hardcore gamers themselves. These are small spaces packed with 5–50 computers in a LAN, charging gamers Rs30–40 an hour. Ridden with high fixed costs and even larger electricity bills, these parlours are currently not very profitable to run. “Profits depend on how often customers come in. Even though we have regulars, business gets affected because school and college students have other priorities,” says Sanghvi. But he believes this will change as gaming becomes more popular in the country and gaming cafés become places to ‘hang out’.

Organised cybercafés such as Reliance’s WebWorlds and Satyam’s i-Ways are also beginning to recognise the potential in this hobby. “Gaming is an important and lucrative application for the broadband network,” says Sarup Chowdhary, CEO of Reliance WebWorld. This was further substantiated by the enormous revenue these gamers generate at the WebWorld centres. “The average footfall in a day at a WebWorld is around 100, and at
least 30–35 per cent of these are gamers who spend an average of 45 minutes to an hour a day four times a week,” says Nileй Kumar, centre head of one WebWorld outlet. And so last year the company partnered Microsoft to host a Halo multiplayer championship. The event was a great success. The preliminary rounds took place at seven WebWorld locations across the country. Six thousand gamers participated and clocked 48,000 hours in a month practising for the contest. The city winners and first runners-up were then invited to Mumbai to the Dhirubhai Ambani Knowledge Centre for the final. Nickunj Bansal, the 13-year-old winner, walked away with Rs1 lakh in prize money and was also awarded an all-expenses-paid trip to Los Angeles to participate in the worldwide Halo championship. Thrilled with its success, Reliance has hosted several local cybercontests and the Halo tournament and has two national ones slated for this year. The company’s future plans include partnering several game publishers to host more cyber championships.

Satyam i-Way seems to be walking the same path. This year it co-sponsored the Samsung India preliminary of the World Cyber Games (WCG). It took place over 12 cities and the final was held in Mumbai. The event saw 30,000 gamers participate and the winners of the final will participate in the WCG held in San Francisco later this year, which will bring together gamers from 55 countries and a prize money of $350,000. “The event was such a success here in India that we are planning many more initiatives in the gaming arena,” says an official at Satyam i-Way. But the company refuses to disclose details.

Like Samsung, many other sponsors are fuelling this passion by pumping in big money into this industry. Apart from game publishers like Microsoft and Vivendi Universal, companies like Indiagames, Intel, and Hero Honda have co-sponsored gaming events in the past. While their purpose is largely reaching out to their target segment for promotional reasons, they have played an important role in nurturing the industry. “It’s surprising to see so many companies interested in gaming. We already have requests from seven companies who have shown interest in sponsoring gaming events with us in the future,” says Chowdhary.

If this continues, the gaming fever is sure to grip well over the 50,000 gamers that exist in the country today. However, this number only constitutes power gamers. India still has a million potential newbies waiting to be smitten. Reliance has classified them into three categories: ‘avid’ gamers, who like PC games but don’t have the opportunity to play them often; ‘casual’ gamers, who access gaming sites on the Internet once in a while; and the ‘uninitiated’, who are completely unaware of PC gaming. “We want to reach out to all categories and provide gaming titles suited to each subsection’s interests,” says Chowdhary.

At this rate it’s only a matter of time before cyber gaming becomes a professional sport in India. Countries like Korea, Malaysia, China, and Russia already recognise it as one and the Cyberathlete Professional League, an organisation based in the United States, is pushing for it to become a bonafide sport in the US like car racing and bowling. These countries have professional gaming clans (teams) who fly from one tournament to another, with sponsors who fund them, organisations who support them, and fans who idolise them. Take the example of Team 3D, renowned as one of the top Counter Strike teams in the world. Spon sorred by nVidia and CompUSA, they get paid a monthly salary to travel to tournaments across the world and receive top-class gaming equipment to practise on, not including the prize money and products they win at tournaments and endorsement dollars they pocket.

But India has a long way to go for this to happen. Today ask even the most passionate gamer in the country whether he would consider a career in gaming and he would scoff at you. “No way, there’s no money in it,” exhales Agrawal. Cite the earnings of Lim Yo-Hwan, a Starcraft pro, who made about $300,000 from player fees and commercials, and H нg Jin-Ho, whose fingers are insured for $60,000 and who signed a three-year deal with telecom provider KT that will pay him $480,000 altogether. Tell him he could also make money developing or testing games and his eyes widen in disbelief. But he quickly adds, “That might be possible abroad, but it’s unlikely here.” Another gamer asserts, “It’s just a hobby. I wouldn’t want to pursue a career in computer games. I would become a zombie with no money.”

From the looks of it they might just be mistaken. With the vested, yet diligent efforts of players in and outside the industry, coupled with our computer-crazy youngsters who love to role-play in these exciting virtual worlds, PC gaming is set to become the rage in India. And ‘fragging for a fee’ a definite possibility. Then maybe mothers would excuse pocket money they splurge on these games. Who knows, someday they might actually become zombies...with a lot of money.
Capital Gains Investments with sweeter returns.

- 5% Rate of interest p.a.
- YTM of over 9%
- No TDS on interest
- Half yearly, yearly and cumulative interest options available
- Personalised customer service

smarter returns.

- Wide network and service centers across the country
- Over 81,000 satisfied investors
- Total owned funds – Rs 22,371 crores
- NPAs - 0.0016%
- Capital Adequacy Ratio of 39.41%

faster returns.

- Redemption without surrendering of bond certificate
- Electronic Clearing System facility available
- Easy issuance of bonds
- Demat facility available on fresh application

National Bank for Agriculture and Rural Development

NABARD is fully owned by Govt. of India and Reserve Bank of India
Revitalising rural India through urban support

Plot No C-24, G Block, Bandra-Kurla Complex, Bandra (E), Mumbai 400051.

Customer Care Cell: Tel.: 022-26539060, 022-26539078, 022-26539072 Mobile: 98213 19660
Regional Offices (West) • Pune 26511232 • Panaji 2420053, 2220490 • Ahmedabad 7561395 (East) • Kolkata 2216 6657 • Guwahati 513 102 • Patna 233 507 • Ranchi 208 647 • Bhubaneswar 554 023, 554 036 (North) • Bhopal 2467957, 2420608 • Chandigarh 2647549, 5071407 • Dehradun 748610 • Jaipur 743575, 743416 • Jammu 432524 • Lucknow 2223644, 9839075491 • Raipur 682455, 528299 • Shimla 221211, 224373 (South) • Chennai 22278427 • Hyderabad 27807643 • Thiruvananthapuram 325725 • Bangalore 22225248, 2292072. For details, visit NABARD’s website at www.nabard.org

Issue open and on tap.
So long, Mike

The baton finally passes at India’s largest ad shop

We’ll all cross that bridge when the time comes.”
— a senior executive on the succession issue at JWT India two years ago.

Time flies. On 15 September this bridge was crossed. Mahinder “Mike” Khanna, who spent 38 years at advertising agency JWT, called it a day. His retirement, he announced, would pave the way for Colvyn Harris, CEO of subsidiary Contract Advertising, to take over as his successor.

This high-profile move saw more executive changes within the company. President Kamal Oberoi will become chairman of a new marketing communications subsidiary, the setting up of which will be announced later this year. Jagdip Bakshi, who managed the Delhi operation of Contract, will be its new CEO. Each has been with the agency for over 20 years. Both Harris and Bakshi will join the Asia-Pacific board chaired by Singapore-based head Patrick Pitcher. Khanna managed Central Asia operations and was on the worldwide board too. Bakshi will be replaced by senior vice-president Rohit Ohri.

All decisions were taken by Khanna and two other executives from the global JWT team. For years, people speculated over who could suitably replace Khanna after he retired. Sunil Gupta, then president of JWT India, was a strong contender, but he left in 1999 to set up a venture of his own. There was also talk of an expatriate taking over, and of Oberoi, who was president after Harris. Few expected Harris’s elevation.

Harris has spent 24 years at JWT. He joined HTA as a management trainee in Chennai, and moved on Colombo to head that operation. He returned to India to head Contract Advertising when HTA was renamed JWT. His appointment may come as a surprise for some, but few will doubt Harris on credentials. “Colvyn is a person with sound capabilities,” says Pradeep Guha, editor of the Times of India group, who has known Harris since his Chennai days. “He will do justice to this role. JWT will do well under his leadership.” Even Khanna has put his faith in him, and Bakshi. “I have every confidence in their ability to take these organisations to new heights,” he says.

Harris, however, will be judged against the backdrop of his successful predecessors — E.J. (Peter) Fielden, Subhas Ghosal, and Mike Khanna. Each has raised the performance bar higher. Under Khanna JWT has grown from billings of Rs30 crore to Rs1,650 crore in 20 years. The India office is the fifth-largest among around 130 others within JWT worldwide. “From the time he (Mike) took over as CEO in 1984 HTA’s billings have grown by approximately 20 times and gross profit by 60 times. Not many 65-year-old agencies across the globe can match this record,” said Subhas Ghosal in a letter he circulated through the Thompson office in 1995. Even over the past two years, when the industry performed poorly, JWT grew — about 9 per cent in topline and 18 per cent in bottomline. “Look at the billings,” says ad guru Alyque Padamsee, “My nickname for him is Nike Khanna!”

Khanna is known for his work and management-style — for treating subordinates with respect. “This attitude percolates down to the entire staff, increasing employee satisfaction.” Padamsee says, “Instead of bullying his way around, Mike always talks softly but often carries a big stick. He’s one of the very few gentlemen left in this industry.” Ramesh Narayan, CEO of Canco Advertising, adds: “He’s a gentle human being, always ready to help. We’re very glad he will still continue as chairman emeritus.”

Khanna is also known for his commitment to the brand — for instance, he won’t drink or offer a bottle of Coca-Cola because he runs the Pepsi account. The 64-year-old says a large part of his success can be attributed to his ability to look into the future, to expect the unexpected, and his preparation to tackle the overall environment.

The designation change to emeritus will happen in January 2005, and Khanna will retire from day-to-day activity. His role will then be to largely oversee recruitment and provide guidance. This will give him ample time to read fiction novels, watch movies, and travel more to wildlife sanctuaries. Khanna says he’d like to be remembered by the way his company performs after he leaves, and not by how the company performed while he was there.
Just a little more protection.

Avail free accident insurance on home loans and car loans.

**SBI Housing loans:**
- Low interest rates: up to 5 yrs - 7.5%; 5 to 15 yrs - 8%; 15 to 20 yrs - 8.25%
- Optional life cover at low rates
- Free personal accident insurance cover
- No prepayment penalty
- Loans up to 60 times your net monthly income
- Low processing fees
- Prompt loan disbursement

**SBI Car loans:**
- Interest rates - up to 3 years - 9.25%; from 3 - 7 years - 9.75%
- Free personal accident insurance
- Optional Life Insurance at very competitive rates
- Loans for purchase of new as well as used cars and multi-utility vehicles
- Easy and long repayment period up to 7 years for new cars and up to 5 years for old cars

**State Bank of India**
*With you - all the way*

www.statebankofindia.com

For further information, please contact the nearest SBI Branch or Business Planner (P & I) at: Ahmedabad (79) 25506425, Bangalore (80) 2997386, Bhopal (755) 5288174, Bhubaneswar (674) 2402448, Chandigarh (172) 2701513, Chennai (44) 28215443, Guwahati (361) 2606954, Hyderabad (40) 24756758, Kolkata (33) 22130622, Lucknow (522) 2234027, Mumbai (22) 22027648, New Delhi (11) 23368953, Patna (612) 2209081, Thiruvananthapuram (471) 2321287.
The taste of convenience

The ready-to-eat food market has grown to around Rs50 crore in two years, and will double by end-2006

Originally devised for military personnel to sustain themselves during military training or operations, ready-to-eat (RTE) meals are becoming the obvious option for civilians who do not want to spend time cooking in the kitchen. Hemendra Mathur, senior manager (food and agribusiness) at Rabo India, says: “The convenience that these foods offer, together with increased expenditure on food in cities, is bound to make this market grow at an extremely fast pace.”

Launched more than a decade ago in different forms, RTE meals failed to take-off primarily due to a preference for freshly cooked food. Today, however, it seems as though the concept of RTE meals has arrived. The biggest target segment remains working women reluctant to enter the kitchen after a hard day’s work. However housewives, students away from home, and individuals venturing abroad also constitute a significant percentage of this increasing population. Estimated at Rs50 crore, the market for RTE meals is growing steadily at around 35 per cent year on year and is expected to double by the end of 2006.

J. Suresh, CEO and executive director of MTR Foods, one of the first movers in the category, says: “We conducted a market research in 1998 to find out the potential of this industry.” Conducted by Momentum Strategic Consultants, the research said that the market was more than ready for such a product. Interestingly, the first target segment was not the double-income homes but vegetarian Indians venturing abroad. Says Suresh, “The target segment has changed since then as RTE meals have found a bigger market among Indian households where wives want to have some leisure time.” Housewives too are a major target segment as the promoters realise that they too could want sometime to spare.

Various RTE meals include aloo matar, rajma masala, navratan korma, lemon rice, rajma chawal, Peshawari daal, Kashmiri rajma, Amritsari chhole, Chettinad chicken, daal tadka, and daal bakhara. Other specialties include north Indian delights like sarson ka saag and aloo palak. The large players in the market are MTR, ITC Foods, and Satnam Overseas. Smaller players include Tasty Bite and Indo-Nissin.

MTR, the largest player in the category, has over 40 items to choose from. These include 18 north Indian curries, 10 rice items, two south Indian breakfast items, two south Indian curries, seven soups, and a sweet. RTE meals seem to be a phenomenon. MTR launched the first version of its products in 1999 but these were not very successful and hence, after reformulating their contents and changing the packaging, the products were relaunched in 2002. Today MTR claims to control over 70 per cent of the market for RTE meals.

Suresh’s ambition is to make MTR’s RTE recipes as cheap as home-cooked meals

Taking its food business seriously (the company markets Aashirwad datta, salt, and Mint-O peppermints and Candyman candies), ITC first ventured in the RTE meals market with its premium offering called Kitchens of India. Though the company was credited with having brought out a good product that successfully replicated famous recipes from its frontline restaurants, this segment did not yield good bottomline results for the company. The company thus decided to supplement this line with its Aashirwad ready meals. Kitchens of India has six items, and the latter has 13 available for retail. ITC has a market share of approximately 10 per cent.

Pune-based Tasty Bite launched RTEs as early as 1987, but the idea was then ahead of its time, so the company withdrew from the market after only one year of production. In 1998 it was acquired by an Indian-American company Preferred Brands and registered a profit in 2000. Today it is an export-based operation with successful operations in towns like Ahmedabad, Surat, Baroda, Mumbai, Pune, Bangalore, Chennai, and Hyderabad.

A first mover in the industry, Indo-Nissin, came up with cup noodles and today does around Rs1.3 crore in business annually. General manager R.V.K. James says, “We have been consistently growing at 22 per cent. But I’m sure with the market ready to explode, that number will only go north.”

Satnam also has around five northern Indian dishes on its platter and controls around 5 per cent of the market. Its USP is its regional appeal. “Punjabi cuisine, like Punjabi music, is a rage in the rest of the country as well as overseas,” says general manager, Rajesh Trikha, “and we want to serve the flavour of north India, as authentically as possible, from our plant at Murthal in Haryana.”

With the exception of a couple of varieties in Kitchens of India, all the other products are vegetarian. Ravi Naware, divisional chief executive of ITC Foods, explains: “With non-vegetarian food the ability to manufacture and deliver in the same taste is low. Ensuring that the meat product doesn’t spoil is difficult, as the meat and fibre in chicken doesn’t lend itself to retort
ISE openly admits that we are a Management-IT-Mass Com Institute without the opulence and brand name of any business house but, like all poor middle class, we survive on innovation and Scholarship, the twin factors which ensure 100% Placement with the sympathy of not one but all business houses of India. Once admitted to IISE PGDBA, none is labelled as undeserving and extracited if not placed within 2 years at IISE. We have vowed to make everyone deserving of placement, if admitted to IISE's PGDBA, and pursue the placement till he/she gets placement, even after 2 years, though this has not happened once in last 3 out of 10 years of our existence. Indian genius does not reside in the minds of those who can pay “one lakh plus” fee but in those who can barely afford “one lakh minus” fee of IISE and we request the richer class NOT to join IISEs AICTE Accredited PGDBA programme because we don’t provide luxury. We cannot afford to give air-conditioned class-rooms and laptops to our students but our mind-set is air-conditioned with a laptop built in it. What we have is comfort par excellence with demand of hard work from middle class who will find IISE a heaven for their mind and soul. We know that middle-class genius of India, more particularly North Indians, doesn’t have anglicised English accent, but we do not bother about it because we develop super-English-communication-skills also along with Management's down-to-earth skills amongst anglicized-English-accent-have-nots. All this is meant not to flaunt our self-pity or inferiority complex but to put in “show-window” our mind-muscle-power.

We take pride in our AICTE Accreditation and IIM CAT affiliation rather than becoming/joining a University. Who doesn’t know that, in University, students do not attend classes, teachers don’t teach, nobody bothers about placements and their MBA ranking is much below private PGDBA.

**Courses offered:**
- Ph. D (Management)
- ACITE’s PGDBA (with 12 Specializations)
- MCA
- 4 yr MBA including BBA
- 3 yr BBA & BCA
- B.Tech & M.Tech
- BA & MA in Mass Comm
- MA Broadcast Journalism
- B.Sc. Electronic Media
- PG Diplomas: Animation, Multimedia, Hardware, Networking, DTP

**Admission Procedure**

Admission procedure is simple: download IISE Registration-cum-Admission Form from website “www.iiseindia.com” or buy it and send with a DD of Rs.500/- AT ANY TIME of the year, to get IISE Registration, appear in any AICTE approved Admission Test including IIM's CAT which has affiliated to IISE for long years and inform us about your intention to appear in GD/PI along with Admission Test Marksheet and we shall call you at the appropriate time convenient to both of us. There is NO DONATION and no underhand dealing in Admission — only the merit determined with complete transparency of Gangajal.
technology.” Moreover, companies are statutorily required to maintain separate production lines for vegetarian and non-vegetarian food, and pay a higher excise tax for the latter, which is why non-veg-lovers may have to wait a little while longer before they can pick their RTE meats off the shelves.

RTE meals also face the mental block that anything cooked cannot survive so as long as a year without the use of preservatives and additives. Naware agrees: “We try hard to make the customer realise that our foods survive for so long as we use retort technology, in which the food is sterilised at 120°C and the temperature is maintained for 45 minutes. It is then packed aseptically in a four-layer pack that ensures zero bacteria.” Retort technology is used by all the major players. In addition, to assure consumers that the strictest hygiene conditions have been adhered to, the players have all got Hazard Analysis Critical Control Point (HACCP) certification from the British Standard Laboratory which signifies that the factories manufacturing the products follow strict food safety and hygiene norms.

To ensure that the customer gets the most authentic taste MTR has employed food expert Jiggs Kalra as consultant. ITC depends on its five-star chefs to do the same for it. Says Naware, “Our chief chefs include Manjeet Singh Gill, Imitiaz Qureshi, Chef Sultan, and Chef Papaya.”

Affordable for all
To counter the perception that home-cooked meals work out cheaper, the companies have priced their products reasonably. An average pack of MTR’s RTE product of around 400g is available for Rs18. Says Suresh, “Our market research revealed that customers would be willing to spend Rs20 for prepackaged food, but we chose to break that barrier and offer our products for less. ITC’s Aashirwad meals retail for between Rs35 and Rs40 for the 285g packaging. Premium-priced Kitchens of India retails at an average of Rs150 for a 450g tin, but its offerings serve three.

Each packet suffices only for one individual, but the companies are at pains to explain this. Says Naware, currently being promoted on the four counts of convenience, wholesome food prepared without the use of preservatives, usefulness in emergencies, and variety. The concept of Sunday ka khana, when the mother rests and the father has to cook the meal, is finding favour with customers. The print media are also being used extensively to both announce new products and educate potential customers about the existing product range. Naware adds, “We also run a large number of sales promotion schemes. For instance, in one scheme the customer gets two microwaveable dishes free with two packs of Aashirwad. In addition Aashirwad’s meals have been sampled to almost 2.5 lakh individuals in the top eight markets.” ITC’s advertising campaign is being handled by Grey Worldwide. On the ground it has also tied up with travel agents to make it a part of their travel package and the products are being demonstrated and sampled at kitty parties. In this newly launched product category distribution is being seen as a major factor in ensuring the success of a product.

ITC is relying on its huge pre-existing distribution network to ensure timely distribution. Suresh on the other hand claims, “We are already present in 1,100 towns across the country and cover more than 130,000 retailers directly. By 2005 we hope to control around 35 per cent of the Rs200 crore market.” But MTR also has greater ambitions and hopes to make it to dining tables around the world. It has sales and distribution teams in North America, Australia, West Asia, and Southeast Asia.

With RTEs being a relatively new product category, are the targets reasonable? Yes, says B. Narayanawamy, executive director of Indica Research. “Ready-to-eat meals have the potential to grow at higher rates. With microwave ovens becoming popular, the future of RTE meals is assured in the upwardly mobile Indian kitchen.”

A well-known food expert says, “With the new segment witnessing so much of interest and investment the message from the market is loud and clear. Indian food is ready to go places in a pack. Go buy a microwave.”

*ANU SARAF*
How many bank accounts do you need to access 8,000 ATMs in India, free?

Actually, just one.

That's right. Now just one bank account gives you conveniences that many banks put together don't.

Switch to an Orange Account today. There's more than just one reason why you should.

- Free ATM transactions in 8,000 ATMs across banks on the Cirrus network in India
- Free personal accident insurance cover of Rs.3 lakhs for 3 years*
- Accident hospitalisation cover of Rs.35,000 per annum for 3 years*
- Zero commission on P.O./D.D. upto Rs.2 lakhs per annum
- Free international debit card valid at 35,000 establishments
- Free demat account opening
- Free online utility bill payment service
- Smartserv - personal assistance service**
- Cash/cheque pick-up and delivery**
- Internet banking through mi-b@nk

For more information, contact your nearest branch.

* Conditions apply. ** Select cities only
Life ahoy!

Aviva is making widening ripples in India’s life insurance market

The Aviva story in India is something like the image of Dubai, according to Nitin Chopra, senior vice-president and head of consumer banking at ABN AMRO Bank: creating something out of nothing. And just like the emirate converted a desert into a verdant attraction for global business and tourism, the UK’s largest insurance group had to evolve new business models and thoughts to hold its own in a market that it entered when a dozen multinational competitors had already established themselves, says Chopra, whose bank is Aviva’s flagship partner in its bancassurance business. “They innovate, integrate, and involve: they believe in ‘imagineering’!” he adds.

Stuart Purdy, MD of Aviva Life Insurance India, welcomes the competition. “It gives the customer more choice,” he points out. “There are 50 in the UK, which is the market I know best.” And yes, the multiplicity of companies creates some confusion; but he is confident that the broker community will develop, and advise people responsibly.

With the public-sector behemoth Life Insurance Corporation of India still holding on to a massive share of 87 per cent, the private players in the life insurance market have to split the rest. Aviva at 3.2 per cent is fourth from the bottom. “We’re very happy that we have overtaken some of the companies which had entered the market before we did,” says Purdy. “And I genuinely believe that the private companies will achieve a 50 per cent market share by year 10, considering the growth year on year.”

Aviva’s policy of looking beyond life insurance to offer a holistic savings plan has paid dividends. “Given the very, very big opportunity for growth in the savings business, we believe that our strategy of advising customers on a wider plane is the key to the future.” Aviva’s 3,000 agents in its 25 offices are, accordingly, designated FPAs — finance planning advisers. Anurup ‘Tony’ Singh, MD of Max New York Life, is however dismissive of such a strategy. Life insurance, he says, should not be confused with investment products: “We do not believe in selling these with only a thin insurance cover on top!”

Aviva’s foray into bancassurance evoked “tremendous scepticism” in the beginning, Purdy says. The ABN AMRO partnership was a major achievement — “it was the right choice!” he says, a sentiment echoed by Chopra: “We are two companies but one team, even our corporate colours match!” For the bank, he adds, the bancassurance business is an important part of becoming a financial supermarket.

The insurer has five other bancassurance relationships, too; with Amex, Canara Bank, Lakshmi Vilas Bank, Centurion Bank, and Punjab & Sind Bank, giving it access to over 30 million customers and cardholders in a couple of hundred locations. “By year five we aim to be the strongest in this area,” Purdy says. But referral arrangements are the key to success in this area, and the regulators should not prohibit these. Pointing out that Aviva took the lead in formulating a model code of conduct for insurance companies — “We wrote it!” — Purdy says his company would prefer to have a single regulator for the industry, rather than the two it currently has, IRDA and PFRDA, the Pension Fund Regulation and Development Authority. “We also need pension reforms, a removal of the 10 per cent service tax on premiums and commissions; and there should be no strategic changes in the capital markets which would lower yields,” he adds.

Today, with over 100,000 retail policies sold, the 24:76 joint venture with the Rs1,350 crore Dabur group plans to increase its paid-up capital by Rs50 crore from the current Rs243 crore by January 2005. “Capitalisation has a very strong relationship with business growth,” says Purdy, who is looking at Aviva India growing to become one of the top three private players in the arena by 2006–7.
Gujarat has long been hailed as the petroleum hub of the country and each oil and gas find, along with the presence of a large number of E&P (exploration and production) companies, has reinforced that status. Recognising the potential of the state in transforming the oil and gas sector of the country, the Gujarat government recently announced a special economic zone (SEZ) meant exclusively for the petroleum sector.

The proposed SEZ, expected to come up in Kutch as a public-private partnership, was conceived to accommodate the unprecedented growth in the hydrocarbon sector — several multinational conglomerates, as well as domestic public and private companies, are setting up base in the state. Chief minister Narendra Modi says, "The new SEZ will go a long way towards making Gujarat the petroleum capital of the country and it will also attract international oil and gas majors to make Gujarat their base." As it is, Gujarat already houses oil and gas majors GSPL, ONGC, Reliance, Essar, British Gas, Cairn Energy, Niko Resources, Joshi Technology, Interlink Petroleum, Sela Exploration, Phoenix, Geo Global Resources, Heramec, HOEC, Jubilant Enpro, and the like. As of now, the requirements of the E&P companies are serviced totally from the Middle East (in many cases by Indian human resources), mostly based in Jafza (the former Jebel Ali free trade zone).

Moreover, the industry perception is that several MNCs in the oil and gas sector skip India because of the heavy duty levied by the government on equipment for exploration of oil and gas in the country. "An SEZ dedicated to the petroleum sector will do away with this and other attendant problems," says a senior official of a prominent oil exploration company, adding, "With oil and gas finds every other day, there is a need for giving incentives to companies keen on bringing their technology, but which, as of now, continue to work out of Dubai or Singapore as import duties on large drilling machines are very high. As the state is sitting on huge reserves of oil and gas, the SEZ will pave the way for Gujarat to become the petroleum capital of the country. It will also facilitate E&P activities across the nation."

Gujarat currently produces 8.5 million tonnes (Mt) of oil per year and 17 million cubic metres per second (Mcmd) of gas and has the potential of increasing the oil and gas production three to four times. As of today, only 3,000 wells have been drilled in the last 45 years and this has produced just half of the in-place hydrocarbon resource. The other half remains to be exploited and, going by the past record, it involves drilling of 75 wells a year, which translates into Rs750 crore. However, considering the recent discovery in Rajasthan, which is set to produce 5 Mtpy, Gujarat will have to support the various sectors of E&P with Rs1,500 crore per year. While Gujarat contributes more than half of
the country's onshore oil production, its contribution to the natural gas sector is more than 30 per cent. Besides, one out of every three oil and gas fields is in Gujarat, that is, 112 out of a total of 315. Furthermore, 178 out of 301 onshore wells drilled during 2002-3 are located in Gujarat, which is close to 60 per cent of all the wells drilled in India.

**Advanced gas infrastructure**

In addition, Gujarat is the first state to witness development of two LNG terminals — at Dahej and Hazira. The Dahej LNG terminal, set up by Petronet LNG, is already operational. The second terminal, to be set up by Shell Hazira, is expected to become operational by March 2005. Apart from this, Gujarat State Petroleum Corporation, through its subsidiary Gujarat State Petronet Ltd, is in the process of setting up a statewide gas grid of 2,200 km for connecting gas supply and gas demand centres. A network of more than 350 km of pipelines has already been established along the Hazira-Vadodara-Ahmedabad-Kalol belt, which transports 9 Mcmd of gas. The gas distribution licence for Ahmedabad and Vadodara has been given to the Adani group, which is developing a gas distribution network. It has already set up two CNG stations in Ahmedabad and more are in the offing. Additionally, GAIL is setting up a similar network in Rajkot and Surendranagar, while Bharat Petroleum is concentrating on Gandhinagar and Mehsana. Thus Gujarat is witnessing a considerable growth in the hydrocarbon sector, which is evident from the sheer number of multinational conglomerates, as well as public and private-sector companies, setting up activities here. If the proposed SEZ attracts foreign companies, which have the latest technology for exploration activities, the state can increase oil and gas exploration 3-4 times. The SEZ is also expected to streamline the working of the sector as a whole.

"Gujarat will derive several benefits from the SEZ. It will lead to more efficient use of the natural resources of the state. Gujarat can develop as an industry hub for the western region and serve as a base which can service the oil-rich Middle East," says an industry expert. While government officials are not forthcoming about details, the idea at present is to float a special-purpose vehicle for the development of the SEZ, after identifying about 300 acres of well-connected, open land between Bhavnagar and Pipavav for the proposed SEZ. The SPV will have a mandate to develop the free trade zone on the lines of Jebel Ali. While government officials are quite upbeat about the SEZ, not all seem to be convinced about its viability. "The policy on SEZs has not yet been formulated by the central government," says Sanjay Gupta, CEO of the infrastructure division of the Adani group, which also plans to set up an SEZ in Gujarat. "The Centre has not taken it up on a priority basis yet and the legislation relating to SEZ development still awaits clearance."

The idea at present is to float a special-purpose vehicle for the development of the SEZ, after identifying about 300 acres of well-connected, open land between Bhavnagar and Pipavav for the proposed SEZ

Among several petroleum-sector activities is GSPC’s 2,200km statewide gas grid

he adds. Besides, industry insiders point out that there is no clarity as to whether the proposed petroleum SEZ will be in addition to the 25 SEZs already cleared by the Centre. "There is no clear thinking, even in the central government, about how to go ahead with the SEZ concept," says an industry insider. "For instance, earlier the concept of a virtual SEZ was floated, in which units would not have to be physically present in the SEZ area to get the fiscal incentives, but now the commerce and industry ministry has decided not to go ahead with that idea. And while finance minister P. Chidambaram announced significant relief to units operating in SEZs in the recent budget by exempting them from the payment of Central sales tax (CST), the fact remains that the SEZ Bill is still pending clearance."

Hence, while the proposed petroleum SEZ could immensely benefit the oil and gas sector, how soon, and how effectively, Gujarat can set it up in the current situation is a matter of debate.
Walking again, painlessly

For a price, debilitating hip arthritis in the young can be effectively resolved

Doctors in India are seeing an increasing number of young individuals afflicted with aggressive hip arthritis that does not respond to medication. The disease can strike at any age and seriously affects working life. In cases where medication doesn’t help, the conventional treatment is to surgically replace the joint with metal implants. Known as total hip replacement (THR), this procedure is acceptable in sedentary individuals, but it does not restore the full range of normal movements of the joint. Post-surgery, the individual cannot sit on the ground, squat, or undertake brisk physical activity.

A surgical technique pioneered by doctors in Birmingham, UK, overcomes the problem of restricted mobility and is gaining popularity here. The procedure involves shearing off the affected portion of the bones and resurfacing them with metal. A maximum amount of the original bone is retained and results of the surgery have pleased both doctors and patients. Patients can walk up to 8 km a day as early as six weeks after the operation. They can jog, swim, dance, run, and even play high-impact sports, and the resurfaced hip does not dislocate as it can in THR. According to Hugh Clarke, consultant orthopaedic surgeon at Queen Alexandra Hospital, Portsmouth, UK, the surgery is recommended for the high-demand young and active patient, and a study conducted over seven years has shown that Birmingham hip resurfacing (BHR) has stood the test of time.

While the exact number of sufferers in India is not known, Ameet P. Pipatni, consultant orthopaedic surgeon at Jaslok Hospital, Mumbai, explains what the situation in the city may possibly be. About 100 THRs are done in Mumbai every month for arthritis. “Of the hip arthritis patients who need surgery, we know that only 2 per cent actually get operated. One can therefore infer that every year there are about 50,000 persons who need surgical intervention,” he says. Actually afflicted. He has had a THR on one hip joint and a BHR on the other. While the THR cost Rs75,000, the resurfacing cost nearly twice as much but the comfort it affords outweighs the increased cost. “One joint was so badly affected that it could not be resurfaced and I was forced to have a THR,” he moans. Schoolteacher Shamim Khan Shah and housewife Ashwini Lad, who recently underwent resurfacing surgery, are on their feet and waiting out the stipulated three-month period after surgery before trying to sit on the ground and do household work. All three patients are in their early or mid-30s.

Kaushal Malhan, an expert in the field who relocated to India from Britain and is attached to Mumbai’s Wockhardt Bone & Joint Hospital, has been performing this surgery for several years now. He says, “I don’t see many old patients in my practice. The affected individuals may have had some hip condition that hastened secondary arthritis.”

The two major suppliers of the prostheses in India are DePuy Johnson & Johnson Medicals, the biggest supplier of joints globally, and British Midlands Medical Technology. The cost of their products varies marginally. Resurfacing does not come cheap. The cost for one joint, inclusive of the prosthetic and surgery, is around Rs1.50-1.75 lakh. “Even if it were to be performed in a municipal hospital like KEM the cost of resurfacing would not come down drastically as the prosthetic itself is expensive. In practice the surgeon’s fee is pathetically low,” Malhan says.

Malhan points out that every orthopaedic surgeon is eager to get onto the ‘resurfacing bandwagon’. This was obvious at a recent one-day workshop at Jaslok Hospital in Mumbai. “Normally an event like this attracts about 50 participants, but we stretched ourselves and accommodated 230. We had to turn away 250,” says Pipatni.

In fact, both Malhan and Pipatni state that the resurfacing surgery is currently done only in Mumbai and Chennai. A 38-year-old calls this procedure surgeon-driven, and sees the demand growing in metros and up-and-coming metros. Increased patient volumes may pare costs significantly.

Pipatni believes 50,000 hip arthritis patients in India could potentially benefit from BHR.

Left: views of the prostheses in two stages of the artificial resurfacing of a hip joint

many more have hip arthritis but do not need surgery. Even by a conservative estimate, at least 150,000 have hip arthritis in Mumbai alone.

Doctors ascribe various causes such as trauma or injury caused earlier – even in childhood – deficient blood supply to the bone leading to its death (avascular necrosis), infections, rheumatoid arthritis, ankylosing spondylitis, or other diseases. Certain drugs or alcohol may bring it on. The disease recognises neither gender nor socio-economic barriers.

Mumbai businessman Anil Mishra is at a loss to figure out why he was...
Three R's of IB

A seminar highlights the challenges of the International Baccalaureate curriculum

A child's understanding within a meaningful context of what he or she learns, rather than the notion of rote learning, is the emphasis of the International Baccalaureate (IB), says Andrea Muller, associate regional manager for the Primary Year Programme (PYP) in the Singapore-based Asia-Pacific regional office of the in Organisation. Ergo, the greatest challenge in the primary system in the South Asian context is the large numbers of students in each classroom. "These need to be reduced considerably, well below the recommended number presented in government rules," she says.

Conducting formal examinations for primary students, Muller feels, also poses a challenge. "The pressure on parents for the children to achieve in these exams – which measure content rather than understanding – is immense," she points out. With the difficulty in implementing PYP perspective on assessment within the current practice of examinations for primary students, one aspect that needs to be explored is how schools can move beyond the traditional approach to assessment. Each IB programme includes a community service component requiring action and reflection; and students are encouraged to address issues facing young people, some of which extend beyond parochial and national boundaries and require collaborative global solutions. "An IB perspective to community service is presented not as a list of required expectations but a way of thinking and acting," she explains.

Muller, one of those who conducted a four-day workshop for nearly 90 IB schools from all over India at the Mahindra United World College (UWC) near Pune in August, describes the purpose of the PYP introductory workshop as largely due to the local interest and demand in Indian primary schools to "address practice and become more informed on a programme that offers an international perspective." The attending teachers were presented a perspective to planning, teaching, and assessment, with an emphasis on the 'standards, principles, and practices of the in curriculum'.

David Wilkinson, head of Mahindra UWC, says the workshop brought together for the first time all the international schools around India that have so far been "struggling on their own to understand IB". He is especially pleased that the delegates – including four teachers from Bangladesh and one each from Shanghai and Singapore – left feeling that they are all part of the big family of education: "That made it worth it!"

This is the first time IBO has run a workshop in a member school. Earlier programmes were in high-cost cities, which made it difficult for Indian teachers to participate, spending amounts that "make no sense in our context", as Wilkinson puts it. "We have requested IBO for the past year to allow us to run it here instead of in a flashy five-star hotel," he says. "I am overwhelmed by the response!"

In the South Asian context, Wilkinson explains, IB is helping a move away from the existing system of guiding students to one end examination after two years. "Students play around in the first year, then get serious halfway through the second year and work like mad," he points out. "That doesn't work in IB; here, work is spread uniformly: assessment depends on internal projects that continue through each year."

Lt. Gen. Arjun Ray (retd), chief executive of Bangalore-based Indus International School, says: "Workshops of any kind are very useful as they present an opportunity for everyone to learn from one another's experiences. This is a concept central to all learning." Ray too feels that the biggest challenge to IB in South Asia is managing the transition from traditional teaching to modern learning.

There is, Muller says, "enthusiasm and genuine educational thinking that is occurring" in India; and IB Asia-Pacific is collaborating with a number of schools to support this. "These schools are achieving considerable community support for the developments and the positive impact on the children and their learning is reflected in the children's observations of their growing independence to take responsibility for that learning," she adds. With IBO's 'CAS' concept of creativity, action, and service taking root, it looks like achieving its aim of 'moulding students into active learners, well-rounded individuals, and engaged citizens'.

IB students are encouraged to address issues facing young people, some of which extend beyond parochial and national boundaries and require collaborative global solutions.
Postpaid Simplicity

RIM to RIM local - 40p/min. STD any phone - Re.1/min.

Reliance Introduces Joy 499 Plan to give you maximum value.

<table>
<thead>
<tr>
<th>Tariff Plans:</th>
<th>Joy 149</th>
<th>Joy 399</th>
<th>Joy 499</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rental (Rs./month)</td>
<td>149</td>
<td>399</td>
<td>499</td>
</tr>
<tr>
<td>Plan charges (Rs./month)</td>
<td>25</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>Local, Intra-Circle, Inter-Circle - Calls up to 50 kms (Rs./min.)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All Reliance phones Mobile (GSM/CDMA)</td>
<td>0.99</td>
<td>0.4</td>
<td>0.4</td>
</tr>
<tr>
<td>Landline</td>
<td>1.79</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Inter-Circle Calls &gt;50 kms (Rs./min.)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All Reliance phones Mobile (GSM/CDMA)</td>
<td>1.79</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>51-200 kms</td>
<td>1.99</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Above 200 kms</td>
<td>2.99</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Landline</td>
<td>2.99</td>
<td>2.5</td>
<td>1</td>
</tr>
<tr>
<td>Above 50 kms</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SMS - Person to Person (Rs./outgoing msg.)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within India</td>
<td>1</td>
<td>0.5</td>
<td>0.5</td>
</tr>
</tbody>
</table>

The most affordable plan also comes with unique features:

- **SMS**: Anywhere in India @ 50p per message
- **Value Roaming**: No Roaming rental. Receive incoming calls while roaming at Re.1 per minute and make outgoing calls at home tariff rates
- **R Connect**: Surf the net on the move at amazing speeds of up to 144 kbps
- **R World**: Experience movie clips, music, TV news channels, live cricket updates and more only on R World, all at the press of a button

Existing RIM Postpaid customers can also opt for these tariff plans by calling our 24-hour Customer Care at +333 or 3033 3333.

Call 3033 4343

Kar Lo Duniya Mutthi Mein

---

Reliance phones include RIM, Reliance Fixed Line, Reliance FWP/T and Reliance GSM Mobile (Bihar, Jharkhand, Himachal Pradesh, MP, Chhattisgarh and Orissa).

*Joy 499 subscribers have the option of availing 99 paisa/min. tariff for local calls to other mobile phones by subscribing to Mobile Pack with a monthly fee of Rs. 25.

For further details, contact any of our WebWorlds/Authorised Retail Centres or call 3033 4343 or visit us at www.relianceinfo.com. Conditions apply. Reliance Industries Limited (RIL) reserves the right to withdraw and or alter any terms and conditions of this offer at any time without prior notice. Please refer to our website for circle definition. Marketed by Reliance Industries Limited. Internet services provided by Reliance Communications Infrastructure Limited.
Founded on trust

From PVC pipes to soyameal and auto components, this Dewas-based group has come a long, long way

Not so long ago, Madhya Pradesh used to be looking at outside investors to set up industrial units in the state. No-one had heard of any son of the soil actually going out of the state to get into the manufacturing business. They did set up trading establishments, but that was about all.

With a Rs14 crore plastic moulding facility near Pune, Shiv Singh Mehta, an Indore-based first-generation entrepreneur, has now taken a foothold in Maharashtra. "This plant manufactures original equipment for automobiles. We have a good customer base, and gradually we will also make assemblies from these components. We shall also cater to the fast-moving consumer goods segment from this plant," says Mehta.

Located at Ranjangaon, this state-of-the-art facility makes mouldings used by the white-goods and automobile industries, with customers like brand leaders LG, Videocon, and Tata Auto Plastics.

Mehta is aware that this is a very tiny investment in the industrial sector. But then all journeys began with a small first step and he has more than 25 years of experience in following a growth path that has never been a smooth one. An engineering graduate, he has led his Kriti group through a long haul, beginning with a single solvent extraction plant. The multiproduct group had a turnover of Rs264 crore in 2003-4. "The fate of the soya sector has always been linked to that of the monsoon. In drought years our refined oil and soya meal production suffers badly. Through this diversification we shall insulate our group from these ups and downs," he says. In 2002-3 the company's turnover dipped to Rs174 crore because of this factor, after crossing Rs200 crore the previous year.

Mehta started in 1983 with a small privately held company Kasta Extrusions Private Limited that, which was set up with a single screw extruder for manufacture rigid polyvinyl chloride pipes at Dewas, 32 km from Indore. At that time he felt the need to search for greener pastures as he did not envisage any scope for expansion in his father Sajjan Singh's small steel trading business. Mehta had a degree in electronic engineering, but he also realised the futility of setting up an electronic component factory in an area like Madhya Pradesh. He also started an agency division for selling material handling equipment of companies like Nirlon and Elecon Engineering, and tempered springs from the UK. This allowed him to sustain his manufacturing venture. But the exercise was not without problems. Within a short time his lack of experience in manufacturing showed, and soon there was a stage where the unit faced a piled up inventory of wastage that was worth his group's equity. That's when Mehta got in an experienced consultant to streamline production.

"Initially we did not hire experienced professionals from outside as our business grew. We used to depend on our old faithful personnel to handle newer challenges. But then we realised that there were limits to their growth. So we went for professionals and also introduced modern corporate management culture with an emphasis on training," he explains, sitting in his Indore office that is being renovated to meet the expanding needs of the group. A believer in team-building processes, he also heads the Indore chapter of the Indian Management Association and has facilitated the introduction of a corporate management culture in various other businesses.

From pipes to produce

In terms of business growth, once Mehta was turning out pipes of good quality, he concentrated on the task of marketing through an efficient distribution network. Gradually, his Kasta brand of pipes carved out a place for themselves in the states of Madhya Pradesh and Rajasthan. Along with an...
assured market, Mehta then added more extrusion lines. He also acquired a small-scale unit — Purti Pipes & Processors Pvt Ltd. The growth curve has since been upward. It now has 13 extrusion lines. Its product range includes pipes of up to 630mm diameter in all classes and ratings. Its customer base is spread across MP, Rajasthan, Gujarat, and Maharashtra, and includes institutional customers and government departments. From 1990 the company has also been manufacturing co-extruded internally lubricated ducts for optical fibre cables to cater to the needs of the emerging industrial consumers. It also entered the market for huge water pipes for drinking water and sewage disposal applications with HDPE pipes of 450 mm diameter.

The growth of the PVC pipe business had some lessons for Mehta. The 1990s were an era of foreign exchange crunch. His company was forced onto the defensive, as it was largely dependent on import of its basic raw material — PVC resin. It needed large exports to meet its foreign exchange needs and to ward off wide exchange rate fluctuations. Besides, his pipe business created a good working relationship with the farmers, who were his prime customers. So, he took the logical decision to strategically leverage this relationship and create a virtuous business cycle by getting into the soya processing activity.

This was the beginning of the public limited company Kriti Industries (India) Limited, created by amalgamating the existing small-scale companies. Along with it came a 200-tonnes-per-day solvent extraction plant. The company bought seeds from farmers who had bought its rigid PVC pipes. Thus the cyclical peaks and troughs of the PVC business were balanced against those of the soya bean trade to achieve proper financial management. Mehta’s growth continued: the company expanded its seed crushing capacity from 200 to 300 then to 400 tonnes per day. In 1994-95 the company also established a 50tpd refinery and then gradually expanded its capacity to 120 tpd. Initially, the refined oil was sold as unbranded item. But then the company decided to sell its product in consumer packs to directly reach out to the user. This also cushioned it from sudden price movements in the trade and also gave it higher margins in an industry that suffers from several uncertainties.

The company has built its reputation on the core values of credibility, quality, and trust. "Our products, like self-lubricating ducts for optical fibre cables that are prone to attacks from rodents, have stood the test of time, basically because we have to stick to the principle that there should be no compromise on quality. Likewise our PVC pipes and fittings have thrived in the market even in the face of competition from cheaper products," he adds.

Kriti’s success is all the more relevant as it has come at a time when the overall industrial scenario has been rather depressing. There has been a dearth of fresh investments, and even older companies have been facing all kinds of problems. But its performance has proved that there is no substitute for time-honoured values in business. In the core business — soya — the trust of the farmers has always been maintained. The farmers are paid punctually on the due date. This is indeed quite a contrast in this sector where there are several stories of companies going bad due to one reason or other, and the farmers suffering in the process.

The turnover for the Kriti brand of refined edible oil reached Rs118 crore in 2003-4, indicating its market penetration and acceptability in the face of the competition from other multinational brands. Likewise its production of soyameal reached Rs75 crore. The group is a recognised export house, and the bulk of its soyameal production is exported.

Leading companies like Reliance and Tata have been using its PVC products in the telecommunication sector. Its latest foray into auto components has also been an initial success. Fortunately, after a delayed monsoon, the soya sector has also looked up owing to the late rains. A bumper soya crop always augurs well for the company. All these elements will surely combine to give a big push to Mehta’s Kriti group. The turnover looks all set to cross Rs300 crore this year. The production divisions in the fields of plastics, oil, and telecommunications have all been iso9002 certified. Its the largest manufacturer of plastic extruded pipes and tubing in central India and enjoys brand equity for its edible oil, soyameal, and lecithin in the domestic and international markets.

* ANIL SHARMA
A stepping stone

Fashion is being used as a bridge to build Indo-Italian trade relations

Fashion is something most people want to be associated with, which is why so many companies sponsor fashion shows. Now the Indo-Italian Chamber of Commerce is hoping that fashion will help trade between the two nations grow. Last year, the chamber took New Delhi-based fashion designer Tarun Tahiliani to Milan Fashion Week. This year it’s Kolkata-based fashion designer, Sabyasachi Mukherjee’s turn. Says Andrea Bonardi, head of the Indo-Italian Chamber of Commerce, “Fashion is a focal point. It is a means of conversation. If you want to talk to Italians, then talk through fashion.”

Thomas Cook is one of the sponsors of Asia Week which starts on 25 September, an event that is being held during Milan Fashion Week to promote trade between Italy and four Asian countries, namely Hong Kong, Thailand, Singapore and India. Says Thomas Cook’s CEO Ashwini Kakkar, “One of our weakest positions is in Italy. Very few Italians come here, and not many Indians go there. This is strange as we have so much in common—our food habits, and our sense of family and rich culture. Fashion is a great way to start a dialogue.” Which is why he is sponsoring the chamber’s event in Milan (which was last year called Namaste India) for the second time.

When Bonardi came here two years ago he was stunned by what he saw. “India suffers from a bad image in Italy. I want to improve the perception. Two years we staged Fiesta Italiana, bringing the best of Italy to India.” Alberto Masotti, the vice-president of Italy Fashion Council came here. He too was impressed by what he saw, especially “as far as fashion was concerned”. Currently India remains the 16th largest supplier to Italy with trade of €2.5 billion.

Asia Week may take place during Milan Fashion Week (probably the most important of all fashion weeks), but fashion is not all this promotional week is about. Auto major Mahindra & Mahindra, one of the main Indian sponsors, will be taking their Scorpio to Italy during this week. Design Temple, a well known design agency is putting together an exhibit called, “India Indigenous” which will display product design, graphic design and fashion design. Says Design Temple’s founder, Divya Thakur, “Fashion trends will always tend to reflect the socio-economic level of the country. The world over trends are foretold through fashion and film as they appeal to a larger audience.”

Something that Kakkar is banking on. “Fashion and travel are natural partners.” He would like to have more Indians see India as a shopping destination. Says Kakkar, “How many Indians go to London to buy Italian labels like Ferragamo?” As an extension of Asia Week, top fashion houses Valentino and Ermenegildo Zegna will stage shows in India.

“This year it will be bigger and better,” says Kakkar.

Of course, he would be more than happy if the reverse happened, and the Italians came here to shop too. Exposing Indian designers to Italy can only help this process. Last year the chosen designer was Tahiliani and he says, “It is certainly useful as it presents a concerted effort at showcasing fine modern influences from India. Therefore builds a joint platform that engages the press, and hopefully catches the attention of the locals. Milan for me was a tremendous learning experience at many levels, which has resulted in us gaining a great deal of confidence and going out, and making inroads into the rest of the world.” Sabyasachi, this year’s designer is sure that he too will find the experience as rewarding. “It is a great platform. India does not really have the infrastructure yet to become a big international fashion country, but it has the ideas. Fashion-wise so much comes from India—from inspiration to sourcing. So perhaps by doing events like Asia Week, big international fashion houses will see the talent we are rich in and tap into that.”

Sabyasachi already sells in London and says that for him to really be able to make his mark he would need an investment of somewhere between Rs15 crore to Rs25 crore. But he does see India making the grade in his lifetime. “We need to become Jacky and Hydes. Designing different products for the domestic market, and another for the international. Look what Marc Jacobs does for LVMH, and then what he does for his own line, they are so different. We must learn not to wear our Indianess on our sleeves, but in our souls.” Tahiliani agrees, and this was a reinforced by his Milan experience. He says, “Being thrust the first time into the entire ruthless world of international fashion, doing a show and managing to get into some of the top stores like Gio-Moretti and Elenaora, apart from many others, was a big accomplishment. It has forced us to hone the product more to suit those markets.” So who knows maybe fashion will be the bond that brings India and Italy together, after all we have Sonia Gandhi!
Reforms, anyone?

Another political gimmick threatens to delay Rajasthan’s progress in the power sector

The Raje government is in a quandary with the minister of state for power Gajendra Singh, taking a public stand against three state-owned power distribution companies. The companies had asked the Rajasthan Electricity Regulatory Commission to hike the existing tariff structure so as to yield an additional Rs596 crore per year. Political observers are surprised. Singh’s comments have put the chief minister Vasundhara Raje in a spot. Interestingly, Raje has not reacted as yet. If the minister’s statement is taken for granted, all work done by the regulatory commission on a petition filed by the discoms will turn redundant.

“We are at the job contrary to what the minister has said publicly,” avers Arun Kumar, chairman of the regulatory commission. The final order passed by the commission for increase in tariff will have to be implemented by the government. In case no increase in tariff is allowed, the government will have to dole out more money in the form of subsidy to the discoms to meet the shortfall in revenues.

For the current year, the government is committed to give Rs725 crore as subsidy to the discoms to meet losses in making available energy to the consumers. Given its own pitiable financial position, the government is certainly in no position to spend more on subsidy. But then decisions are often taken under political pressure.

The state is set to have both the panchayat and municipal elections shortly, and no popular government will want the people to vote against the ruling party’s candidates for its acts of omission and commission. In addition to the elections the ruling Bharatiya Janata Party will also face two assembly by-elections shortly. It was thus odd for the discoms to have filed a petition to the Commission at this time, seeking a hike in the power rates. The discoms apparently acted in haste without considering the political fallout of the move.

On the face of it the time has come for an increase in power rates in the state as the losses made by the discoms continue to mount to unmanageable levels. At the end of March last, the combined losses of the three discoms – Jaipur, Jodhpur and Ajmer – soared to about Rs5,500 crore and during this year the figure will rise by another Rs1,730 crore. “The fiscal position of the discoms has become indeed tight and an immediate increase in tariff is the only remedy available at this juncture,” says a senior government official.

It is worth noting that the discoms had come into being on the dismantling of the erstwhile rseb (Rajasthan State Electricity Board) in 2000-1, in the wake of power reforms initiated by the government. At that time they began with a clean slate. If the losses have mounted to a staggering level of over Rs5,500 crore during the last four years, it is due to the low tariff and failure on part of the authorities to check transmission and distribution losses, which include unabated energy thefts.

The TED losses are indeed staggering, ranging from 39-44 per cent with the Ajmer discom topping the list, with losses to the tune of 44 per cent. The discom covers districts like Nagaur, Sikar, Jhunjhunu, Churu, etc., which are politically sensitive. The regulatory commission wants the losses to be brought down to the level ranging from 32.9 per cent to 34.25 per cent during the current year, a task that looks impossible to accomplish given the lack of political will and the overall inefficiency of the discoms.

The companies have asked the commission to hike the existing tariff for the agriculturists from 90 paise per kwh to Rs1.20 paise per kWh. For the connections operating on flat rate in the rural areas the revised rate asked for is Rs140 per hp per month from the existing Rs85 per hp per month. On the contrary, the domestic consumers will also have to pay more to the level of Rs3.70 per kWh from the existing Rs2.75 per kWh. Curiously, the discoms have left the industrial consumers untouched as no hike is proposed in their case.

The last revision in the power rates was done in April 2001 giving Rs700 crore additionally to the discoms in a year, but whether this time another revision will be allowed only time will tell. For the present, things appear to be uncertain with Singh taking a firm stand against any hike in the rates.

* M.P. Jain
Safely towards the future

As the demand for physical security increases, Zicom expects to grow in tandem at 30 per cent

In mid-September Manohar Bidaye and Pranam Rao, the promoters of Mumbai-based Zicom Electronic Security Systems Ltd, consolidated their holding in the company through the creeping acquisition route. They acquired 1.82 lakh shares (2.22 per cent of the equity base) at an average price of Rs58. “This indicates that the promoters see a secure future,” says an equity analyst tracking the company from Rs29 (early June this year). Currently the share changes hands at Rs62.

In the previous quarter, in order to de-risk its business, the company altered its position in the market place from being a systems integrator offering total electronic security to launching a service to cater to the retail and home segment. Towards end-July it announced Z-Security, wherein customers would be provided electronic security equipment for a monthly charge.

“Under Z-Security various services can be chosen from an array of packages starting from Rs777. This service offers the convenience of paying for the use of state-of-the-art systems as easily as you pay for your monthly electricity and telephone bills with no capital expenditure,” says MD Rao. Chairman Bidaye adds, “Security was always perceived as a luxury and we needed to change that perception. With Z-Security we plan to target the retail and residential sections, having designed products to suit their requirements.” He demonstrates the bouquet of services in the domain of CCTV surveillance systems and intrusion detection systems (IDS).

An IDS is an intelligent system that communicates in case of any security lapse. Moreover, it can be enhanced to automate lighting and other electronic and electrical appliances remotely through your mobile phone. “IDS is remotely monitored from our central monitoring station with the assistance of Zicom’s information management software. Our CCTV surveillance system is an integrated digital colour video recording system with superior image and audio quality. This technology allows any desired events to be retrieved and viewed virtually instantly,” Bidaye explains.

In August 2004 Zicom followed the Z-Security service up with the launch of ‘Zi-GSM’, a lifestyle IDS system based on GSM technology. Zi-GSM allows the user to remotely control and monitor his premises by means of a cellular phone. In case of security breach it alarms the user via SMS. For example, it allows you to switch on/off your lights in your home/office through the use of your mobile. “This comes in handy when one is out on a holiday to create the impression that the home or office is occupied,” explains Rao.

While the new service offering and products at present are only restricted to Mumbai, judging the response the company plans to offer these services in other cities and towns. In fact, Zicom has been one of the pioneers in the organised electronic security solutions provider in India and has already reached many cities and towns with its earlier offerings. Since its inception in 1995 it has introduced a wide range of products including access control systems, proximity card and biometrics, CCTV surveillance including remote video surveillance, fire alarm systems, smart cards, perimeter protection, and law enforcement products, among others. It has also integrated multiple security applications into one coordinated hardware and software package.

In 1996 Zicom introduced access control systems in India and today it supplies India’s widest range of these systems nationwide — from simple standalone single-door readers and car park security automation systems to high-end biometric face recognition systems with complete integration of access control. With a wide variety of products, it services the diverse security needs of both private and public sectors across industries, banks, BPOs, shopping malls, jewellers, travel agents, multiplexes, retail outlets, oil & gas companies, aviation authorities, and others. It has over 5,000 installations.

Last year the company entered the business of card personalisation services. UTI Investor Services, which was awarded the job of printing and supplying National Security Social Number (NSSLN) cards, has passed the job on to Zicom. The work order, to be executed over the next 20-24 months, covers 3.5 crore workers across India and is estimated to be worth Rs70 crore.

For the year ended March 2004 Zicom made an 18 per cent higher net profit at Rs3.13 crore on 29.4 higher sales of Rs40.84 crore. And while total income from operations went up by 24 per cent to Rs10.23 crore during the first quarter of the current year, the company posted a 13 per cent jump in net profit to Rs81.26 lakh.

Bidaye believes that the market for electronic security products and solutions, estimated at Rs370 crore, will grow at over 30 per cent per year to touch approximately Rs1,000 crore by 2007. He expects Zicom to grow at the same pace.
Raw electric

One more of India's navratna companies, NTPC from the power sector, looks at new businesses as it prepares to hit the bourses

After most PSU stocks have been doing well on the stockmarket after their recent listing, National Thermal Power Corporation (NTPC), the largest power-generating company in India, is making its debut. In this issue the Government of India will be diluting its holding to 89.5 per cent. The 86.58 crore equity shares issue are a combination of fresh equity and an offer for sale by the government.

About NTPC: as of 31 March 2004 its installed capacity of 21,435 MW through 13 coal-fired and seven gas-fired power stations (including the naphtha-fired station at Kayamkulam) represents approximately 19.1 per cent of the total installed capacity in the country and contributes 26.7 per cent of the total power generated. In addition, NTPC also operates 314 MW of capacity through three joint ventures and manage a 705 MW power station owned by the government.

Now NTPC plans to double its capacity to 40,000 MW by 2012. It hopes to add 9,370 MW in the 10th Plan, of which 2,000 MW has already been commissioned, and projects totalling 8,490 MW are under implementation and 5,080 MW under tendering. While most of the funding for the capacity expansion comes from the internal accruals, some proceeds from the current IPO will fund the equity component of the programme.

As it happens, in fiscal 2004, over 99 per cent of NTPC’s total sales of electricity were to the SEBS under long-term power purchase agreements. Although selling to SEBS has its own share of problems, the recent tripartite agreements have made life easy for NTPC and currently 100 per cent of its billings to the SEBS are secured through letters of credit. “We have realised 100 per cent of the amounts due to us from the SEBS for fiscal 2004 and henceforth our receivables are fully secured,” says CMD C.P. Jain, who feels that since most of NTPC’s coal-fired stations are located close to the coal mines that supply to the plants, it helps to reduce supply interruptions and transportation costs.

“Most of our gas-fired stations are also located along major gas pipelines. Our proximity to the primary fuel sources is one of the key factors that enables us to generate electricity at rates that are among the most competitive in India,” he adds.

Another significant factor is NTPC’s scale and fuel used for generation. “We have installed substantial generation capacities in single locations, which we believe offers us significant economies of scale in our operations. Our generation capacity is distributed nationally, which minimises regional or location-specific risks. In addition, we are diversified by fuel type, with approximately 82 per cent of our current capacity being coal-fired and 18 per cent gas-fired. We have also commenced work on our first hydro-powered station in Koldam, which is expected to become operational by fiscal 2009,” says Jain.

However, for additional security on the fuel side, NTPC has long-term coal and gas supply arrangements with its fuel suppliers. “We intend to enter into coal mining and coal washing operations to ensure better control, greater reliability, and lower cost of coal supply. We believe that our entry into coal mining may enable us to benchmark the price at which we obtain coal from our suppliers,” observes director (operations) Chandan Roy.

To ensure reliable supply of gas for the company’s planned capacity addition at Kawas and Gandhar NTPC is in the process of finalising a long-term contract for gas. “We have also commenced a competitive bidding process for our planned gas capacity addition in Kayamkulam. We believe that these initiatives, among others, will give us greater fuel security and control over
our fuel expenses, and enhance our competitiveness," adds Roy.

To better understand the potential of NTDC an overview of the power industry in India, which is characterised by energy shortages, is required. In fiscal 2004 the demand for electricity exceeded supply by an estimated 7.1 per cent in terms of total requirement and 11.2 per cent in terms of peak demand requirement. Although power generation capacity has increased substantially in recent years, it has not kept pace with the growth in demand or the growth of the general economy. According to the UN, India has one of the lowest electricity consumption levels in the world, at 355 units per capita in 2000, due in part to unreliable supply and inadequate distribution networks. This contrasts with 827 units per capita in China, 1,878 units per capita in Brazil, and 12,331 units per capita in the United States in 2000.

Historically, the Central and state governments played dominant roles in the development of the power industry. However, capacity growth did not keep pace with demand owing to inadequate investment and the poor financial health of the SEBS. In recent years the government has taken several actions to restructure the industry, the SEBS and their financial health, and liberalised policies relating to the generation, transmission, and distribution. All in all, this has attracted investments in the sector.

**Step by step**

The government actually initiated reforms in the sector in 1991. To start with, it first looked at attracting private investments by permitting 100 per cent foreign ownership of power generation assets and provided assured returns, a five-year tax holiday, low equity requirements, and for some private generators, counter guarantees against non-payment of dues by SEBS. However, these reforms still did not address the poor financial health of the SEBS, and power shortages persisted. Transmission and distribution (T&D) losses were high, due to inadequate metering, obsolete equipment, and theft. T&D losses were estimated to be 32.9 per cent on average for the nation in fiscal 2001. The commercial losses of the SEBS were Rs25,300 crore in 2001, an amount equivalent to over 1 per cent of India's GDP at that time. By March 2001 overdue payments by the SEBS including interest and surcharges amounted to Rs27,800 crore," an investment analyst points out.

Then, in order to incentivise the states to take concrete measures to restructure their power operations, the government introduced the Accelerated Power Development and Reforms Programme (APDRP) in fiscal 2001. The APDRP aimed to bring down T&D losses to 10 per cent and improve the performance of generating stations.

The APDRP provides financial assistance to states to renovate and modernise their thermal and hydro power stations and to strengthen and improve the sub-transmission and distribution network. The government earmarked a total of Rs40,000 crore for the programme during the 10th Plan. The programme is a judicious mix of investment and incentive components.

Under the investment component of APDRP the government provides financial assistance to the states to strengthen and upgrade their sub-transmission and distribution networks. Half of the cost of such projects is met through concessional loans, the balance arranged by the states as counterpart funding from financial institutions. However, for states in the northeastern region, Jammu & Kashmir, Himachal Pradesh, Uttarakhand, and Sikkim the government provides financial assistance of up to 100 per cent of the project cost.

Under the incentive component, the Ministry of Power makes a grant to the states of 50 per cent of the SEB's actual cash loss reductions year over year. This component has been introduced to motivate the SEBS and utilities to reduce their financial losses.

**ISSUE DETAILS**

| Present Equity (Rs crore) | 7,812.55 |
| Fresh Issue | 86.58 crore shares of Rs10 each |
| Offer for Sale | 43.29 crore shares |
| Price Band (Rs) | 43.29 crore shares |
| Equity after issue (Rs crore) | 52-62 |
| Listing | 8,245.46 |
| NSE & BSE | NSE & BSE |

Besides this, in 2002 the government came up with a scheme for one-time settlement (OTS) of outstanding dues. This has helped to improve the financial health of the SEBS. The OTS, for one, provided for the securitisation of dues outstanding and 40 per cent of surcharge and interest as of September 2001 through tax-free bonds (bearing a coupon of 8.5 per cent and
maturing in various stages, starting from October 2006 until April 2016) and 60 per cent of the state governments to the CPSUS; the waiver of the remaining 60 per cent of surcharge and interest due to the CPSUS by the SEBs; conversion of previously issued SEB bonds into bonds under the OTS; and the full payment of all dues after September 2001 by a mechanism requiring SEBs to provide letters of credit to CPSUS equivalent to 100 per cent of the average monthly billing for the preceding 12 months. In a nutshell, the OTS has gone a long way towards taking care of default by SEBs.

Most recently, the Electricity Act was adopted, consolidating all existing laws governing the industry and creating a programme for restructuring the SEBs. It also introduced greater competition and access into certain segments of the industry. “These developments and policy initiatives will put the industry on track,” adds the analyst.

The demand is an opportunity
With all this, although electricity generation capacity has increased in recent years, the demand for electricity in India is still higher than the available supply. For the near future, the 9th Plan targeted a capacity addition of 40,245 MW, of which 24.4 per cent was to come from hydro capacity, 73.4 per cent from thermal capacity, and 2.2 per cent from nuclear capacity. The MoP estimates indicate that only around 19,251 MW, or 48 per cent, was actually added in the aggregate during the 9th Plan. And the target for capacity addition has been set at 41,110 MW under the 10th Plan.

“So, in addition to increasing our capacity to meet the market demand, we plan to diversify our business by taking advantage of opportunities created by regulatory and economic reforms. We have entered into the power trading business and are considering downstream integration into the electricity distribution. We also intend to enhance our current consulting services capabilities in the domestic and international markets. We believe that these initiatives, together with our plan to enter into coal mining to achieve greater fuel security, will enable us to achieve greater vertical integration and create new avenues for revenue and margin growth,” adds Jain, highlighting NTPC’s operational efficiency.

In fiscal 2004 the average availability of NTPC’s coal-fired plants (excluding two plants taken over from other generators, which are undergoing renovation and modernisation) was 88.8 per cent and their average PLF was 84.4 per cent. This compares favourably to the all-India average PLF for coal-fired plants of 72.7 per cent in fiscal 2004. “In order to consistently ensure high availability of our plants and equipment, we extensively monitor and systematically maintain our plants. We believe that our monitoring and maintenance techniques offer us a competitive advantage in an industry where reliability and maintenance costs are a significant determinant of profitability,” explains Roy.

Financially, NTPC is on a strong wicket. In fiscal 2003 and 2004 it generated total revenues of Rs19,850 crore and Rs25,962 crore, and profit after tax of Rs3,607.5 crore and Rs5,260.8 crore respectively. “Our revenues and profits in fiscal 2004 were significantly higher than in the prior periods because of interest on bonds issued to us, as well as a time-surcharge on outstanding dues from the SEBs pursuant to the OTS,” concludes Jain. NTPC’s strong financial position – a debt-equity ratio of 0.43 and net cash from operating activities for 2004 at Rs5,812 crore, he believes, will enable it to finance its capacity expansion plans.
"Watch out for mid-cap pharma"

"I'm bullish," says Murali Krishnan, director of equity research at Anand Rathi Securities Pvt Ltd. He took on the assignment in August to head and develop the institutional business of the firm and set up process controls. "We need to do more than just buying and selling for clients. The challenge is to study and match clients' aspirations," he says. After starting his career in Canara Bank in 1982 in the credit department, he moved to Canbank Mutual as a research analyst in 1991. In 1993 he joined Prudential ICICI AMC as an analyst and over the years rose to head research (equities). Krishnan spoke to Roy Pinto on the stockmarket and the current craze for mid-caps.

Q  What are your views on the market?
A  The market has moved up strongly, despite a spate of negatives since May — such as the change in the government, the oil prices, and inflationary pressures. Currently it is being driven by the expected lower tax regime (capital gains) and pretty decent liquidity in the market. In the past three months the mid-cap stocks have outperformed the large-caps. The average price/earnings multiple of the mid-cap index is around 15, whereas the large-cap stands at 11.5–12 times. So the valuation gap had to be narrowed and that's what you are witnessing at present. We expect the market to remain strong following a favourable policy on infrastructure growth, with the government willing to dip into the foreign exchange reserves to part-fund these plans. And the GDP growth at 6.5–7 per cent is the best after China and Taiwan.

Q  The current mid-cap craze appears scary. Comment.
A  The mid-cap rally has been missed by many. Currently the valuations look stretched as a lot of discounting has gone into the future. Now these same stocks could see a sharp drop if they do not deliver numbers. In this market the mutual funds are the best bet for small investors as they are very swift to take corrective action. One way is to go in for systematic investment plans, as it is the best vehicle to play volatility. But this is not to say that all mid-caps don’t have a long-term story.

Q  Which are the other sectors or stocks?
A  We are bullish on capital goods and engineering. With a greater defence outlay announced in the budget, Bharat Electronics holds promise. Voltas, with its good exports story, appears cheap. Siemens also appears cheap going by the growing software story within the company and the decision by the parent to outsource 60–70 per cent of its requirement from the Kalwa (Thane) factory. We are bullish on the banking sector. We believe it's more of cost-push inflation and will have to come off that level. Probably we'll be looking at less than 5 per cent by end-December. Yes, in the short term banks will be hit because of treasury operations, but valuation-wise they look good. Union Bank, Canara Bank, and Federal Bank look good on valuation and 16% looks good on the restructuring story. In textiles we are bullish on WTO with opportunities post-2005, but at current prices the valuations are stretched. The larger companies are in capex mode, hence we expect price deflation (export price) to take place when volumes increase post-dismantling. There are negatives such as inadequate infrastructure (such as ports), which may not be able to cope with the volumes that we are talking about, which in turn could increase turnaround time. It’s better to wait and watch.

Q  What's your view on the large-cap stocks?
A  Going forward we expect the operating margins to be flat or under pressure, and most commodity players such as metals are in expansion mode. It will take time for the benefits of expansion to reflect in their financials. Though, however, the expansion we are witnessing this time round are in the changed market dynamics of global competition, economies of scale, underleveraged companies, funding through internal accruals, and lower cost of funds. The year 2004 was good for corporates and analysts were found wanting in their prediction. So there is bound to be a creation of a higher base of expectation in the current year. In 2006 the growth rates could be neutral, I feel. But by the end of this year the Sensex should touch 6000.
For the sixty-plus

A look at the Senior Citizens Savings Scheme

The latest addition to the stable of small savings schemes promises to bring cheer to its investors. Targeted at the senior citizens segment, this scheme is an attempt to fill a void created by the lack of structured social security measures. With a return of 9 per cent per year, the Senior Citizens Savings Scheme (SCSS) emerges as the most attractive one among its peers. The scheme runs over a tenure of five years, with the facility for a three-year extension. Some of the issues relating to the scheme are discussed below.

Who can open an account?
The scheme is available for citizens above 60 years of age; however, a provision has been put in place for individuals who have crossed 55 years of age. Such individuals may invest subject to the conditions that:
- The person has retired under a voluntary retirement scheme or a special voluntary retirement scheme on the date of making the investment
- The investment is made within three months of the date of retirement
- A certificate from the employer, indicating the fact of retirement, retirement benefits, along with the period of such employment with the employer, is attached with the application form.

Hence a broad section of individuals have been granted the opportunity to invest in the scheme. Now the flip side: NRIs (non-resident Indians) and HUF (Hindu undivided families) are not permitted to invest in the scheme.

How to make the investment?
The SCSS is operated from post offices; investments can be made by opening an account. Only one deposit can be made in each account; the minimum amount required is Rs1,000 and the upper limit is Rs15,00,000.

A depositor can operate more than one account subject to the condition that all the deposits taken together don't exceed the specified amount, i.e., Rs15,00,000. Also, more than one account can't be opened in the same post office during a calendar month.

By giving investors the opportunity to invest Rs15,00,000, the SCSS has an edge over the Post Office Monthly Income Scheme (POMIS), wherein investors can invest only Rs300,000 or Rs600,000 in case of an account held in individual or joint capacity respectively.

What are the modes of holding? Can nominees be appointed?
The depositor can hold an account either individually or jointly with his/her spouse. Nomination facility is available under the scheme. In the event of a depositor's death, the amount due is paid to the nominee. Nomination facility is also available in case of joint accounts.

At what frequency is interest paid?
Interest is paid on a quarterly basis on fixed dates, i.e., on 31 March, 30 June, 30 September, and 31 December.

Does the scheme offer tax benefits?
No, SCSS doesn't offer any tax benefits. Interest income received from the scheme is taxable.

Can the investments be prematurely liquidated?
The scheme caters to senior citizens and retirees, a segment for which liquidity is a high priority. This need has been addressed by inserting a provision for premature encashment. However, this facility comes at a price; investors are permitted to prematurely liquidate their investments at any time after the expiry of one year from the date of opening of the account subject to the following conditions:
- In case the account is closed after the expiry of one year but before the expiry of two years from the date of opening of the account, an amount equal to 1.5 per cent of the deposit will be deducted.
- In case the account is closed on or after the expiry of two years from the date of opening of the account, an amount equal to 1 per cent of the deposit will be deducted.

What should your strategy be?
SCSS offers an attractive opportunity which must be utilised by eligible investors. We recommend that investors put a part of their investible surplus into the scheme, but also reserve some portion for the POMIS.
POMIS offers returns on a monthly basis vis-a-vis the quarterly returns from SCSS, something that will appeal to the target audience, i.e., retirees and senior citizens. Secondly, interest income from POMIS is eligible for tax benefits under Section 80L of the Income Tax Act.

The two schemes in tandem are your best bet at earning assured returns regularly without taking on any risk.
Business India-Credence: Mutual Fund Performance: Balanced Schemes

If Rs.10000 was invested in each of these schemes on 18th September 2003, it is worth...

<table>
<thead>
<tr>
<th>Scheme</th>
<th>Fund</th>
<th>NAV based (Rs)</th>
<th>Change (%)</th>
<th>Price based (Rs)</th>
<th>Change (%)</th>
<th>Risk grade</th>
<th>Issue date</th>
<th>Redemption date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Magnum Balanced Fund</td>
<td>SBI MF</td>
<td>15070.18</td>
<td>50.70</td>
<td>14810.96</td>
<td>48.11</td>
<td>I</td>
<td>30-Sep-1995</td>
<td>Open-Ended</td>
</tr>
<tr>
<td>2. Escorts Balanced Fund (Div)</td>
<td>Escorts MF</td>
<td>14169.41</td>
<td>41.69</td>
<td>13994.59</td>
<td>39.95</td>
<td>II</td>
<td>20-Mar-2001</td>
<td>Open-Ended</td>
</tr>
<tr>
<td>3. HDFC Prudence (Gr)</td>
<td>HDFC MF</td>
<td>14163.37</td>
<td>41.63</td>
<td>13886.08</td>
<td>38.86</td>
<td>II</td>
<td>29-Jan-1994</td>
<td>Open-Ended</td>
</tr>
<tr>
<td>4. HDFC Prudence (Div)</td>
<td>HDFC MF</td>
<td>14134.69</td>
<td>41.35</td>
<td>13855.06</td>
<td>38.55</td>
<td>II</td>
<td>29-Jan-1994</td>
<td>Open-Ended</td>
</tr>
<tr>
<td>5. Escorts Balanced Fund (Gr)</td>
<td>Escorts MF</td>
<td>14125.72</td>
<td>41.26</td>
<td>13951.54</td>
<td>39.52</td>
<td>II</td>
<td>20-Mar-2001</td>
<td>Open-Ended</td>
</tr>
<tr>
<td>6. FT India Balanced Fund (Gr)</td>
<td>Templeton MF</td>
<td>14064.57</td>
<td>40.65</td>
<td>13858.08</td>
<td>38.58</td>
<td>I</td>
<td>10-Dec-1999</td>
<td>Open-Ended</td>
</tr>
<tr>
<td>7. Tata Balance Fund (App)</td>
<td>Tata MF</td>
<td>14054.96</td>
<td>40.54</td>
<td>13812.33</td>
<td>38.12</td>
<td>II</td>
<td>30-Sep-1995</td>
<td>Open-Ended</td>
</tr>
<tr>
<td>8. DSP-ML Balanced Fund (Gr)</td>
<td>DSP-Merrill Lynch MF</td>
<td>13970.80</td>
<td>39.71</td>
<td>13795.62</td>
<td>37.96</td>
<td>I</td>
<td>14-May-1999</td>
<td>Open-Ended</td>
</tr>
<tr>
<td>10. FT India Balanced Fund (Div)</td>
<td>Templeton MF</td>
<td>13909.94</td>
<td>39.89</td>
<td>13704.82</td>
<td>37.05</td>
<td>I</td>
<td>10-Dec-1999</td>
<td>Open-Ended</td>
</tr>
</tbody>
</table>

| 39. JM Balanced Fund (Gr) | JM MF | 12022.02 | 20.22 | 11786.30 | 17.86 | V | 22-Dec-1994 | Open-Ended |
| 40. UTI Childrens Career Balanced Plan | UTI MF | 11719.66 | 17.20 | 10966.28 | 9.66 | V | 12-Jul-1993 | Open-Ended |
| 41. UTI Variable Investment (ILP) | UTI MF | 11649.96 | 16.50 | 11503.80 | 15.04 | V | 22-Nov-2002 | Open-Ended |
| 44. UTI-ULIP 1971 | UTI MF | 11529.56 | 15.30 | 11235.07 | 12.14 | V | 1-Oct-1971 | Open-Ended |
| 46. HDFC Childrens Gift Fund (SP) | HDFC MF | 11314.33 | 13.14 | 11202.33 | 12.02 | V | 2-Feb-2001 | Open-Ended |
| 47. Pru ICICI Child Care Plan (SP) | Prudential ICICI MF | 11157.38 | 11.57 | 10712.08 | 7.12 | V | 6-Aug-2001 | Open-Ended |
| Median-Peer Group | | 13233.20 | 32.33 | 12844.96 | 28.45 | | | |

1. Shortlisted schemes are those with common investment objectives and an NAV history of at least one year.
2. Scheme returns are adjusted for dividend, rights and bonus payouts.
3. Price-based returns are fairer indicators and consider "real" entry/exit facilities. These are based on market-price (including entry and exit brokerage cost), and on redemption price offerd by the fund.
4. Risk gradation: I - Least downward risk (relative to other schemes), V - Most downward risk. Downward risk measure often, and to what extent, NAV declines on a month-to-month basis. Grades are based on relative downward riskiness of scheme within its peer group.
5. Scheme Peer Group returns are median returns on all shortlisted schemes.

The short-listed balanced schemes have better performed the benchmark Crisil Balanced Fund Index. The annual median return of the short-listed balanced schemes is 32.33% as compared to the 27.1% of Crisil Balanced Fund Index. Barrings, Pru ICICI Premier all other short-listed balanced schemes (48 schemes) have outperformed all the four benchmark indices.

The stock market made a new-four month high level during the fortnight on the back of strong view that inflation has peaked out and on growing hopes of better quarterly performance by corporate. Government's fresh moves to curb inflation and increase in FIIs activity also bolstered well for the market.

With corporate result around the corner, the market would now focus on fundamental stories for further direction. Oil concerns and bouts of profit booking at higher level may restrain gains on the bourses.

The investment performance however is not uniform across the schemes with the top ten schemes generating positive annual return of more than 35% while the bottom eleven schemes have generated positive annual return less than 20%.

Compared to last mutual fund ranking (as on 07th August, 2004) of balanced schemes, Pru ICICI Child Care Plan from Pru ICICI MF and Alliance 95 Fund from Alliance MF have been dropped out of the list while FT India Balanced Fund (Div) from Templeton MF and HDFC Prudence from HDFC MF have been added to the top 10 rank.

Web Site: www.credenceanalytics.com
Debt

**Sovereign Yield Curve**

<table>
<thead>
<tr>
<th>YTM %</th>
<th>3 Sep</th>
<th>17 Sep</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.8</td>
<td>6.1</td>
<td>6.1</td>
</tr>
<tr>
<td>6.4</td>
<td>6.1</td>
<td>6.1</td>
</tr>
<tr>
<td>6.0</td>
<td>6.1</td>
<td>6.1</td>
</tr>
<tr>
<td>5.6</td>
<td>6.1</td>
<td>6.1</td>
</tr>
<tr>
<td>5.2</td>
<td>6.1</td>
<td>6.1</td>
</tr>
<tr>
<td>4.8</td>
<td>6.1</td>
<td>6.1</td>
</tr>
<tr>
<td>4.4</td>
<td>6.1</td>
<td>6.1</td>
</tr>
<tr>
<td>4.0</td>
<td>6.1</td>
<td>6.1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Week</th>
<th>Month</th>
<th>Term to maturity year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>10</td>
<td></td>
</tr>
</tbody>
</table>

**Turnover in Govt. Securities**

<table>
<thead>
<tr>
<th>Rs crore</th>
<th>Sep 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>5400</td>
<td></td>
</tr>
<tr>
<td>4000</td>
<td></td>
</tr>
<tr>
<td>2400</td>
<td></td>
</tr>
<tr>
<td>1400</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sep 04</th>
<th>10</th>
<th>11</th>
<th>12</th>
<th>13</th>
<th>14</th>
<th>15</th>
<th>16</th>
<th>17</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>10</td>
<td>11</td>
<td>12</td>
<td>13</td>
<td>14</td>
<td>15</td>
<td>16</td>
<td>17</td>
</tr>
</tbody>
</table>

**Top ten traded Govt. papers**

<table>
<thead>
<tr>
<th>Instrument</th>
<th>Volume (Rs crore)</th>
<th>Price range (Rs)</th>
<th>Yield range (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GSGC 2005</td>
<td>6085.00</td>
<td>108.55-111.10</td>
<td>6.01-6.22</td>
</tr>
<tr>
<td>GSGC 2009</td>
<td>5484.28</td>
<td>102.05-103.60</td>
<td>5.77-6.03</td>
</tr>
<tr>
<td>GSGC 2017</td>
<td>3470.00</td>
<td>113.05-115.50</td>
<td>5.27-6.45</td>
</tr>
<tr>
<td>GSGC 2011</td>
<td>3015.00</td>
<td>128.05-131.25</td>
<td>6.43-6.76</td>
</tr>
<tr>
<td>GSGC 2012</td>
<td>2030.00</td>
<td>106.70-108.75</td>
<td>5.99-6.24</td>
</tr>
<tr>
<td>GSGC 2014</td>
<td>1940.00</td>
<td>108.30-110.90</td>
<td>5.88-6.16</td>
</tr>
<tr>
<td>GSGC 2011</td>
<td>1240.00</td>
<td>116.55-118.75</td>
<td>6.03-6.32</td>
</tr>
<tr>
<td>GSGC 2009</td>
<td>1200.00</td>
<td>122.86-125.00</td>
<td>5.75-6.12</td>
</tr>
<tr>
<td>GSGC 2003</td>
<td>1185.00</td>
<td>10089-101.09</td>
<td>5.02-5.22</td>
</tr>
<tr>
<td>GSGC 2011</td>
<td>1070.00</td>
<td>125.20-125.65</td>
<td>6.27-6.61</td>
</tr>
</tbody>
</table>

Yields mentioned are as calculated by NSE

**Avg. turnover in call money market**

<table>
<thead>
<tr>
<th>Jul '04</th>
<th>Aug '04</th>
<th>Sep '04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowings</td>
<td>Lendings</td>
<td>Borrowings</td>
</tr>
<tr>
<td>2000</td>
<td>3000</td>
<td>4000</td>
</tr>
</tbody>
</table>

**Credit spreads (as on 17th September 2004)**

<table>
<thead>
<tr>
<th>Tenor (years)</th>
<th>AAA</th>
<th>AA+</th>
<th>AAA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>1.55</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>1.10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>0.65</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>0.60</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>0.60</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Spread of corporate debt security over comparable G-Sec

**Forward premia for dollars**

<table>
<thead>
<tr>
<th>September 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 month</td>
</tr>
<tr>
<td>2.50</td>
</tr>
<tr>
<td>2.50</td>
</tr>
<tr>
<td>2.50</td>
</tr>
</tbody>
</table>

**CompBEX**

<table>
<thead>
<tr>
<th>Sep '04</th>
</tr>
</thead>
<tbody>
<tr>
<td>1188</td>
</tr>
<tr>
<td>1186</td>
</tr>
<tr>
<td>1184</td>
</tr>
<tr>
<td>1182</td>
</tr>
<tr>
<td>1180</td>
</tr>
</tbody>
</table>

**LiquiFEX**

<table>
<thead>
<tr>
<th>Sep '04</th>
</tr>
</thead>
<tbody>
<tr>
<td>1128</td>
</tr>
<tr>
<td>1127</td>
</tr>
<tr>
<td>1126</td>
</tr>
<tr>
<td>1125</td>
</tr>
<tr>
<td>1124</td>
</tr>
</tbody>
</table>

**BalanCEX**

<table>
<thead>
<tr>
<th>Sep '04</th>
</tr>
</thead>
<tbody>
<tr>
<td>1410</td>
</tr>
<tr>
<td>1403</td>
</tr>
<tr>
<td>1396</td>
</tr>
<tr>
<td>1389</td>
</tr>
<tr>
<td>1382</td>
</tr>
</tbody>
</table>

**MIPEX**

<table>
<thead>
<tr>
<th>Sep '04</th>
</tr>
</thead>
<tbody>
<tr>
<td>1245.0</td>
</tr>
<tr>
<td>1242.5</td>
</tr>
<tr>
<td>1240.0</td>
</tr>
<tr>
<td>1237.5</td>
</tr>
<tr>
<td>1235.0</td>
</tr>
</tbody>
</table>

Source: www.intreasury.com

Source: CRISIL
### A group gainers

<table>
<thead>
<tr>
<th>Company</th>
<th>Price-17 Sep (Rs)</th>
<th>52-week High/Low</th>
<th>2-week % change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jindal Stainless</td>
<td>85.25</td>
<td>114/40</td>
<td>25.09</td>
</tr>
<tr>
<td>Welspun Gujarat</td>
<td>40.70</td>
<td>53/25</td>
<td>22.59</td>
</tr>
<tr>
<td>BEML</td>
<td>223.00</td>
<td>262/99</td>
<td>19.38</td>
</tr>
<tr>
<td>Engineers India</td>
<td>281.75</td>
<td>458/200</td>
<td>17.64</td>
</tr>
<tr>
<td>Cipla</td>
<td>270.25</td>
<td>285/186</td>
<td>14.95</td>
</tr>
<tr>
<td>HMT</td>
<td>20.65</td>
<td>31/14</td>
<td>14.72</td>
</tr>
<tr>
<td>J &amp; K Bank</td>
<td>265.15</td>
<td>525/209</td>
<td>14.04</td>
</tr>
<tr>
<td>EIIL</td>
<td>258.05</td>
<td>323/205</td>
<td>13.73</td>
</tr>
<tr>
<td>HLL</td>
<td>125.75</td>
<td>218/104</td>
<td>13.44</td>
</tr>
<tr>
<td>ITC</td>
<td>1174.10</td>
<td>1185/732</td>
<td>13.09</td>
</tr>
</tbody>
</table>

### A group losers

<table>
<thead>
<tr>
<th>Company</th>
<th>Price-17 Sep (Rs)</th>
<th>52-week High/Low</th>
<th>2-week % change</th>
</tr>
</thead>
<tbody>
<tr>
<td>BILT</td>
<td>75.30</td>
<td>88/52</td>
<td>-3.77</td>
</tr>
<tr>
<td>Apollo Hospitals</td>
<td>213.00</td>
<td>248/150</td>
<td>-4.59</td>
</tr>
<tr>
<td>Gujarat Industrial Power</td>
<td>58.35</td>
<td>78/27</td>
<td>-4.66</td>
</tr>
<tr>
<td>Indian Rayon</td>
<td>270.65</td>
<td>301/170</td>
<td>-4.75</td>
</tr>
<tr>
<td>LIC Housing</td>
<td>150.25</td>
<td>248/117</td>
<td>-5.38</td>
</tr>
<tr>
<td>Birla Corporation</td>
<td>127.15</td>
<td>141/36</td>
<td>-5.43</td>
</tr>
<tr>
<td>Ramco System</td>
<td>261.60</td>
<td>423/182</td>
<td>-6.87</td>
</tr>
<tr>
<td>Maruti Udyog</td>
<td>358.00</td>
<td>602/199</td>
<td>-8.04</td>
</tr>
<tr>
<td>Tamilnadu Newsprint</td>
<td>64.15</td>
<td>104/41</td>
<td>-10.22</td>
</tr>
<tr>
<td>Hexaware</td>
<td>467.05</td>
<td>548/218</td>
<td>-13.54</td>
</tr>
</tbody>
</table>

### American Depository Receipts

<table>
<thead>
<tr>
<th>Company</th>
<th>3 Sep (US $)</th>
<th>17 Sep (US $)</th>
<th>2-week % change</th>
</tr>
</thead>
<tbody>
<tr>
<td>HDFC Bank</td>
<td>28.50</td>
<td>29.80</td>
<td>4.6</td>
</tr>
<tr>
<td>ICICI Bank</td>
<td>12.32</td>
<td>13.51</td>
<td>9.7</td>
</tr>
<tr>
<td>Infosys</td>
<td>53.56</td>
<td>57.41</td>
<td>7.2</td>
</tr>
<tr>
<td>MTNL</td>
<td>6.55</td>
<td>6.82</td>
<td>4.1</td>
</tr>
<tr>
<td>Dr. Reddy’s</td>
<td>15.70</td>
<td>17.38</td>
<td>10.7</td>
</tr>
<tr>
<td>Rediff</td>
<td>7.40</td>
<td>7.97</td>
<td>7.7</td>
</tr>
<tr>
<td>Satyam Computer</td>
<td>21.46</td>
<td>23.64</td>
<td>10.2</td>
</tr>
<tr>
<td>Sify</td>
<td>4.58</td>
<td>5.86</td>
<td>28.0</td>
</tr>
<tr>
<td>VSNL</td>
<td>7.50</td>
<td>7.28</td>
<td>-2.9</td>
</tr>
<tr>
<td>Wipro</td>
<td>17.60</td>
<td>17.75</td>
<td>0.9</td>
</tr>
</tbody>
</table>

### Fund flows

<table>
<thead>
<tr>
<th>Date</th>
<th>FIIs (Rs crore)</th>
<th>MFs (Rs crore)</th>
<th>% change in Sensex</th>
</tr>
</thead>
<tbody>
<tr>
<td>6-Sep</td>
<td>-39.70</td>
<td>18.90</td>
<td>0.5</td>
</tr>
<tr>
<td>7-Sep</td>
<td>38.40</td>
<td>-31.98</td>
<td>0.4</td>
</tr>
<tr>
<td>8-Sep</td>
<td>46.50</td>
<td>77.81</td>
<td>0.6</td>
</tr>
<tr>
<td>9-Sep</td>
<td>155.80</td>
<td>-69.29</td>
<td>0.0</td>
</tr>
<tr>
<td>10-Sep</td>
<td>140.10</td>
<td>22.49</td>
<td>1.4</td>
</tr>
<tr>
<td>13-Sep</td>
<td>110.50</td>
<td>-0.11</td>
<td>0.5</td>
</tr>
<tr>
<td>14-Sep</td>
<td>183.60</td>
<td>5.43</td>
<td>0.6</td>
</tr>
<tr>
<td>15-Sep</td>
<td>104.50</td>
<td>-98.03</td>
<td>-0.2</td>
</tr>
<tr>
<td>16-Sep</td>
<td>148.50</td>
<td>12.18</td>
<td>1.1</td>
</tr>
</tbody>
</table>

### Most active stocks

<table>
<thead>
<tr>
<th>Company</th>
<th>Price-17 Sep (Rs)</th>
<th>Avg. Volume (No. of shares)</th>
<th>Avg. Turnover (Rs crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAIL</td>
<td>43.15</td>
<td>91,27,060</td>
<td>39.38</td>
</tr>
<tr>
<td>Maruti Udyog</td>
<td>358.00</td>
<td>34,71,891</td>
<td>124.29</td>
</tr>
<tr>
<td>TISCO</td>
<td>279.50</td>
<td>27,85,353</td>
<td>77.85</td>
</tr>
<tr>
<td>IDBI</td>
<td>81.25</td>
<td>24,86,777</td>
<td>20.21</td>
</tr>
<tr>
<td>Welspun Gujarat</td>
<td>40.70</td>
<td>22,32,439</td>
<td>9.09</td>
</tr>
<tr>
<td>Reliance Industries</td>
<td>509.25</td>
<td>20,59,660</td>
<td>104.89</td>
</tr>
<tr>
<td>Satyam Computer</td>
<td>380.45</td>
<td>18,12,004</td>
<td>68.94</td>
</tr>
<tr>
<td>Tata Motors</td>
<td>405.75</td>
<td>17,11,870</td>
<td>69.46</td>
</tr>
<tr>
<td>Zee Telefilms</td>
<td>156.60</td>
<td>16,63,867</td>
<td>26.06</td>
</tr>
<tr>
<td>Ashok Leyland</td>
<td>18.60</td>
<td>13,84,794</td>
<td>2.58</td>
</tr>
</tbody>
</table>

### Large market capital companies

<table>
<thead>
<tr>
<th>Company</th>
<th>Price-17 Sep (Rs)</th>
<th>Avg Mkt Cap (Rs crore)</th>
<th>2-week % change</th>
</tr>
</thead>
<tbody>
<tr>
<td>ONGC</td>
<td>746.40</td>
<td>1,01,534.77</td>
<td>1</td>
</tr>
<tr>
<td>Reliance Industries</td>
<td>509.25</td>
<td>68,175.46</td>
<td>8</td>
</tr>
<tr>
<td>Infosys</td>
<td>1,689.00</td>
<td>44,196.45</td>
<td>11</td>
</tr>
<tr>
<td>Wipro</td>
<td>592.30</td>
<td>41,266.36</td>
<td>2</td>
</tr>
<tr>
<td>IOC</td>
<td>435.45</td>
<td>32,522.71</td>
<td>5</td>
</tr>
<tr>
<td>ITC</td>
<td>1,174.10</td>
<td>26,989.69</td>
<td>11</td>
</tr>
<tr>
<td>HLL</td>
<td>125.75</td>
<td>26,348.36</td>
<td>7</td>
</tr>
<tr>
<td>Bharti Tele-Ventures</td>
<td>149.60</td>
<td>25,967.57</td>
<td>2</td>
</tr>
<tr>
<td>SBI</td>
<td>480.50</td>
<td>24,396.11</td>
<td>6</td>
</tr>
<tr>
<td>Ranbaxy</td>
<td>1,082.25</td>
<td>19,298.76</td>
<td>9</td>
</tr>
</tbody>
</table>
After much dilly-dallying, Hollywood’s last major independent studio, Metro-Goldwyn-Mayer, has finally agreed in principle to be bought by Japan’s Sony Corporation. Earlier, US media group Time Warner withdrew its bid for MGM, saying it could not agree on a price. The Sony offer is reported to be $5 billion, over half in cash and the remainder the assumption of MGM debts. The deal will give Sony access to MGM’s massive film library, a key source of cash as more movies are released on DVD. MGM classics include Ben Hur, Gone with the Wind, and The Wizard of Oz; it also has the rights to James Bond. Sony will reportedly pay $12 per MGM share, a total of $2.93 billion, and take on about $2 billion of MGM debt.

Disney chief executive Michael Eisner, who has been at the helm for two decades, announced he will step down in 2006 — just months after a shareholder revolt that almost dethroned him. Since 1984 Disney’s worth rose 20-fold to a high of almost $60 billion. But recently the firm has faltered, and both Walt Disney’s daughter and some key shareholders took up the cudgels against him in March. A compromise was worked out, which saw him keep the chief executive’s job but relinquish the chairmanship. The decision to announce his departure two years ahead of time meets with some of his detractors’ desires. Diane Disney Miller, the iconic founder’s daughter, said in March that she wanted him to start preparing to hand over the company. “It’s time to step down and let someone else come in for the future,” Disney Miller said in an interview.

Saudi Prince al-Waleed bin Talal, said to be the world’s fourth-richest man, is eyeing the Savoy Hotel, a famous London landmark. The owners of the hotel have confirmed they are in talks to sell the business to a group led by the Saudi prince. Quinlan Private, which bought the Savoy and three other London hotels for £750 million in May, said the deal would deliver “an immediate return” on its investment. The deal would also include the Simpson’s in the Strand restaurant. Prince al-Waleed is part of a consortium that also includes the corporate banking arm of HBOS. There was no word on how much the Savoy is likely to fetch, but it is reported that the prince was set to contribute about £200 million towards the deal.

America’s largest tobacco companies are under a cloud as they face a $280 billion government lawsuit. Opening arguments will be heard in the case, in which the Justice Department accuses the companies of deceiving the public about the dangers of smoking. The defendants include Philip Morris US, Reynolds American Inc, Lorillard Tobacco, the Liggett Group, and Brown and Williamson, a US subsidiary of British American Tobacco. The firms, including Altria Group and RJ Reynolds Tobacco, are also accused of targeting teenagers in advertising. The lawsuit, which is expected to take six months to conclude, was filed by the Clinton administration in 1999. The government wants the cigarette firms to surrender $280 billion in profits accumulated over the past 50 years and impose tougher rules on marketing their products.

Australia’s main share index has scaled new heights, buoyed by positive economic news. Last fortnight the benchmark S&P/ASX index rose 15.8 points to 3,625.5 in Sydney, before closing at 3623.2. The rally reflected strong gains in leading retail stocks Coles Myer and Woolworths, which issued upbeat sales outlooks last month. A survey from National Australia Bank showing that business conditions had improved in August also lifted market sentiment. NAB chief economist Alan Oster said the survey pointed to a “re-acceleration of growth.”

China has overtaken Japan to become the world’s second-biggest oil consumer after the US. The Middle Kingdom’s oil imports for the first eight months of 2004 rose by nearly 40 per cent compared with the same period last year, according to state media reports. China imported a total of 79.9 million tonnes of oil between January and August, a 39.9 per cent increase on the year, the Xinhua news agency reported. The figure reflects a slowdown in domestic oil production at a time of rapid economic expansion. Total oil imports for 2004 are set to reach a record 110 million tonnes.

French media giant Vivendi’s woes have multiplied due to the impact of weak dollar against the euro. The company’s net losses climbed to €1.86 billion for the six months to June, up sharply from €632 million during the same period last year. The figure also outstripped the €1.58 billion deficit predicted by the forecasters. The firm said the deficit reflected foreign exchange losses on the sale of its US entertainment business. Vivendi agreed to sell its entertainment assets, which included the Universal Studios film empire, to NBC for some $3.8 billion in October last year. The dollar fell steeply against the euro in late 2003, amid concerns over the US’ spiralling current account deficit.

US Airways has filed for bankruptcy protection after failing to get unions to sign up to a cost-cutting deal. It is the second time in two years that the airline has sought such protection. The concessions it was negotiating with staff represented more than half of a $1.5 billion cost-savings plan proposed by the management. “Since we still lack the new labour agreements that are needed for the transformation plan to succeed, we must preserve the company’s cash resources that are required to implement the plan,” the airline’s chief executive Bruce Lakefield said in a statement.

And now, Yahoo! too wants its share of the highly lucrative digital music market. The company is buying online jukebox provider MusicMatch as it seeks to broaden its appeal to the fast-increasing audience for music downloads. The deal, worth $160 million, will see Yahoo! compete with the likes of Apple and Napster in the music game. MusicMatch has a catalogue of 700,000 songs available in 10 languages. There are currently around 225,000 subscribers to MusicMatch’s unlimited access service. Yahoo expects its music audience to climb from today’s 12.9 million to around 23.9 million as the acquisition is completed at the end of the year.
Acquisition...and its many faces.

SITM
presents
VIII National Telecom Seminar

COMMUNIQUÉ '04
Emergence of a New Landscape

9\textsuperscript{th} - 10\textsuperscript{th} October 2004, 9:00 a.m. onwards at
Symbiosis Vishwabhawan, Senapati Bapat Road, Pune

Esteemed Guests

Dr. Shakeel Ahmad, Union Minister of State for Communication & IT
Mr. Nripendra Mishra, Secretary DoT & Chairman, Telecom Commission
Mr. T. V. Ramachandran, Director General, COAI
Mr. Firdose Vandrevala, Chairman, TTSL & MD, Tata Power Co. Ltd.
Dr. D. P. S. Seth, Member, TRAI

Mr. Prakash Bajpai, President, AUSPI & Reliance Infocomm
Mr. Shyamal Ghosh, Administrator, USO Fund
Justice D. P. Wadhwa, Chairperson, TDSAT
Mr. Vikram Mehra, CEO, Idea Cellular
Mr. S.C. Khanna, Secretary General, AUSPI

Panel Discussion
“Spectrum Allocation - Frequency Mismatch?”

Symbiosis Institute of Telecom Management (SITM)
Atur Centre, Gokhale Cross Road, 1068, Model Colony, Pune - 411 016 • Tel.: 020 - 25674150/25671911 • Telefax: 020 - 25670371

www.symbiosistelecom.com
Répondez s’il vous plaît

France opens its arms wide to embrace Indian investments

A high-powered investment promotion and business delegation from France, led by ambassador-at-large Clara Gaymard, who is special representative of France for international investment and president of the Invest in France Agency (IFA), visited New Delhi and Mumbai in quest of furthering trade between the two countries. The delegation was accompanied by Jean-Louis Latour, head of the Economic Mission for South Asia, and France’s ambassador to India, Dominique Girard.

“France is revitalised and on the path of reform,” exults Gaymard. “The measures taken by the French government – economic initiatives, innovation, streamlining administrative procedures, modernising state machinery – have obviously helped persuade investors that France is indeed an attractive destination.” The measures have also underscored the country’s major advantages, namely the skill and excellence of its workforce and its outstanding infrastructure and logistics, she adds.

The French delegation met Finance minister P. Chidambaram in New Delhi, before arriving in Mumbai, where Gaymard addressed a meeting for invited business heads, “keeping in mind the rapid globalisation of many Indian companies”. The IFA provides assistance to foreign companies to establish offices and enterprises in French territory. Gaymard indicates that France’s attractiveness as a business location is now its government’s priority.

Gaymard presented the official report on foreign direct investment (FDI) in France for 2003 that indicated a renewed surge in growth. “For the first time in three years France saw increases in both employment, which rose by 20 per cent, with 27,335 jobs created (compared with 22,861 in 2002), and the number of projects, which increased by 25 per cent to 547 (438 one year earlier),” the ambassador mentioned. She added that growth was hence restored to the level prevailing in 1998, when 29,400 jobs were created, contrasting with the steep declines of 2001 and 2002, caused by the bursting of the Internet bubble and a crisis of confidence in financial markets.

The IFA measures FDI solely with regard to internationally mobile investment projects, excluding retailing and tourism, carried out by foreign companies in France and generating the heart of the world’s largest market of Europe, was an unquestioned economic power, was among the top four FDI destinations, it was home to businesses and entrepreneurs, a prime site for innovation, endowed with a highly skilled and productive workforce, and with a business-friendly environment.

India has viewed France as an important source of technology for its industries. French companies, on their part, have been active in India in a number of major projects, notably in the construction and engineering sectors. And since 1991, economic and commercial linkages have assumed increasing importance in India’s bilateral relations with France and the growing French interest in establishing its presence in Asian markets have all contributed to a broadening of economic links. Indo-French trade went up by over 106 per cent between 1991 and 2003, Indian exports to France growing by about 173 per cent over the same period. French investments (approved) in India, which were a negligible Rs19.33 crore in 1991, grew to Rs6,583.42 crore by November 2003.

French exports to India consist mainly of electrical equipment, organic chemical products, aeronautical and space construction products, mechanical equipment, general and special-usage machines, and pharmaceutical products. Indian exports to France consist of a wide range of goods and services spread over a large base of Indian companies, especially from the small and medium sector. While traditional items such as garments, leather, textiles, raw cotton and yarn, and marine exports constitute a major share of India’s exports to France, a number of newly developed non-traditional items such as automotive components, electronic and rubber components, chemicals and dyestuffs, pharmaceuticals, granite, and consumer durables are showing promising growth. The balance of trade has been in India’s favour since 1994 — it was €468 million in 2003. Last year Indian exports to France were €1467.97 million and imports were €999.91 million.
## Leading Recruiters

<table>
<thead>
<tr>
<th>Company</th>
<th>Industry/Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>3M</td>
<td>Contract Advertising</td>
</tr>
<tr>
<td>A F Ferguson</td>
<td>HLL</td>
</tr>
<tr>
<td>ABB</td>
<td>CRISIL</td>
</tr>
<tr>
<td>ABN Amro</td>
<td>Dabur</td>
</tr>
<tr>
<td>Accenture</td>
<td>Daimler Chrysler</td>
</tr>
<tr>
<td>Adani</td>
<td>Deloitte Mott Macdonald</td>
</tr>
<tr>
<td>Airtel</td>
<td>Darashaw</td>
</tr>
<tr>
<td>Alembic</td>
<td>DCM</td>
</tr>
<tr>
<td>AMP Sanmar</td>
<td>Dell</td>
</tr>
<tr>
<td>Amul</td>
<td>Dr. Reddy’s Labs</td>
</tr>
<tr>
<td>Andhra Bank</td>
<td>DSP Merill Lynch</td>
</tr>
<tr>
<td>Ashima</td>
<td>E-Serve International (Citi group)</td>
</tr>
<tr>
<td>Atlas Copco</td>
<td>Electrolux</td>
</tr>
<tr>
<td>Aviva Life Insurance</td>
<td>Franklin Templeton</td>
</tr>
<tr>
<td>Bajaj Auto</td>
<td>Frito Lay</td>
</tr>
<tr>
<td>Bank of America</td>
<td>Frost &amp; Sullivan</td>
</tr>
<tr>
<td>Bata</td>
<td>GE Country Wide</td>
</tr>
<tr>
<td>Biological E</td>
<td>Gillette</td>
</tr>
<tr>
<td>Birla Sunlife AMC</td>
<td>Godrej Appliances</td>
</tr>
<tr>
<td>Blue Dart</td>
<td>Goodlas Nerolac</td>
</tr>
<tr>
<td>BOC</td>
<td>Grassi</td>
</tr>
<tr>
<td>Canon India</td>
<td>Grey Worldwide</td>
</tr>
<tr>
<td>Centurion Bank</td>
<td>Grey Worldwide</td>
</tr>
<tr>
<td>CG Maersk</td>
<td>Gujarat Ambuja</td>
</tr>
<tr>
<td>Cholamandalam Finance</td>
<td>HCL Infosystems</td>
</tr>
<tr>
<td>CII</td>
<td>Heinz</td>
</tr>
<tr>
<td>Citi Financials</td>
<td>HDFC</td>
</tr>
<tr>
<td>CMIE</td>
<td>Heinz</td>
</tr>
<tr>
<td>Coca Cola</td>
<td>Heinz</td>
</tr>
<tr>
<td>Cognizent Technology</td>
<td>Hindustan Motors</td>
</tr>
<tr>
<td>orchid Pharma</td>
<td>IBM</td>
</tr>
<tr>
<td>Pepsi</td>
<td>ICICI Bank</td>
</tr>
<tr>
<td>Phillips</td>
<td>Iffco Tokyo</td>
</tr>
<tr>
<td>PricewaterhouseCoopers</td>
<td>IL &amp; FS</td>
</tr>
<tr>
<td>Railis</td>
<td>ING Vysya Bank</td>
</tr>
<tr>
<td>Ranbaxy</td>
<td>Ingersoll-Rand</td>
</tr>
<tr>
<td>Rediffusion DYR</td>
<td>Intelligroup</td>
</tr>
<tr>
<td>Reliance Infocomm.</td>
<td>J P Morgan Chase</td>
</tr>
<tr>
<td>Satyam Computer</td>
<td>Johnson &amp; Johnson</td>
</tr>
<tr>
<td>SBI Life</td>
<td>Kotak Securities</td>
</tr>
<tr>
<td>SEBI</td>
<td>KPMG</td>
</tr>
<tr>
<td>Sonata Software</td>
<td>L &amp; T Infotech</td>
</tr>
<tr>
<td>Standard Chartered Bank</td>
<td>L’Oreal</td>
</tr>
<tr>
<td>Star India</td>
<td>Matofi</td>
</tr>
<tr>
<td>State Bank of India</td>
<td>Max New York Life Insurance</td>
</tr>
<tr>
<td>Sun Microsystems</td>
<td>McKinsey</td>
</tr>
<tr>
<td>Syndicate Bank</td>
<td>Metlife</td>
</tr>
<tr>
<td>TAFE</td>
<td>The Associates</td>
</tr>
<tr>
<td>Tata Infotech</td>
<td>Thomas Cook</td>
</tr>
<tr>
<td>TCS</td>
<td>TVS Electronics</td>
</tr>
<tr>
<td>Wipro</td>
<td>Whitpool</td>
</tr>
<tr>
<td>Xerox</td>
<td>Nestle</td>
</tr>
<tr>
<td>ZEE Telefilms</td>
<td>Novartis</td>
</tr>
<tr>
<td></td>
<td>OM Kotak Mahindra</td>
</tr>
<tr>
<td></td>
<td>Oracle</td>
</tr>
</tbody>
</table>

**IBS Admission Test:** December 19, 2004 at 75 Test Centers

For Prospectus (Rs. 100 by DD in favor of ICFAI University A/c IBS, payable at Hyderabad), please contact: CPAD, 45, Nagarjuna Hills, Punjagutta, Hyderabad - 500032. Tel: 040-23435235-30. Fax: 040-23435247/48. Email: cpanel@icfa.org
Back to the future
Indian Airlines (IA) commercial director Anil Goyal must be beset with a strong sense of déjà vu. With effect from 17 September he has been given additional charge as MD of Alliance Air, IA’s wholly owned subsidiary. Goyal even earlier served as MD of Alliance Air between 1999 and 2002. This time the post fell vacant when Manet Pae was promoted to the rank of deputy MD of IA on 15 September. The other deputy MD in IA is Sushma Chawla, who was earlier finance director.

Goyal joined IA in 1972 as a management trainee. His was the second batch of management trainees that IA recruited. According to a Cabinet decision, one of the six directors of IA will be appointed to head Alliance Air. The six directors on IA’s board are director (finance), director (engineering), director (flight safety), director (inflight services), regional director (north), and commercial director. According to sources, Goyal was the seniormost director and therefore the appointment.

Return ticket
Speaking of returnees, now here’s peculiar tale. Not long ago Pavan Malik, the head of Britannia’s dairy business Britannia New Zealand Foods, a joint venture with Fonterra, was rumoured to be quitting the company. Then suddenly those rumours were scotched and Malik was said to be firmly in the saddle. What gives? According to one account, Malik was indeed on his way out as he seemed to have fallen out of favour with the owners given the dairy venture’s lacklustre performance. But the search for a replacement didn’t prove to be an easy one. The head of Fonterra’s Sri Lankan operation came on a recce but turned down the assignment. So reportedly Malik was asked to stay on. For how long is anyone’s guess.

Second coming
Nasser Munjee, whose dramatic departure as head of Infrastructure Development & Finance Corporation (IDFC) raised a political storm of sorts, has been to hell and back. Now that the dust has settled, Munjee is raising his profile and seems to be scripting an interesting second inning. Given his expertise Munjee wasn’t expected to remain out of the reckoning for long. Although cynics may have written him off as someone who would much prefer a laid-back life in Goa, his favorite hideaway, Munjee was swamped with offers. Practically every Big Four firm was assiduously wooing him in an attempt to leverage his status as infrastructure guru. He recently fell in with one of them, joining KPMG as adviser, turning down, it is believed, offers from the likes of Tata and Ashok Wadhwa’s Ambit. Munjee spends two days a week at KPMG on the firm’s infrastructure and private finance initiative. This, plus his directorships on companies like Voltas, ABB, and Cummins, not to mention his involvement with Jazz India, makes Munjee a busy man these days. And a much happier one to boot!

Flying king
Vijay Mallya, always a high flier, is quite literally flying high these days. When he’s not shopping for planes for his new airline, he’s busy personally recruiting the key people for his newest pet project. While Parvez Damania is on board as adviser, getting the operational team in place is key. And Mallya’s radar quite typically spans the globe. Most recently, Alex Wilcox from JetBlue, the low-cost American carrier, was appointed as chief operating officer of Kingfisher Airline. Among the candidates being considered for the position of director (engineering) is an NRI working for Delta in the US that Mallya is reportedly keen on. The big catch of course is believed to be closer home: Michael Mascarenhas, the former boss of Air-India and an airline industry veteran. Although Mascarenhas has been approached several times, since retiring from the national carrier he’s steered clear from the civil aviation industry. And he intends to remain out for the time being, Mallya’s persuasive powers notwithstanding.

Jet set
Obviously aviation is a hot sector these days as that’s what’s making the news in the executive job market. With new airlines suddenly springing up, airline professionals are much in demand. Hanging on to key employees in this environment could be a challenge. Perhaps that may have something to do with the recent flurry of promotions at market leader Jet Airways. Gaurang Shetty was recently elevated to vice-president (marketing) from his earlier position as senior general manager. Similarly, Sonu Kripalani is now vice-president (sales and West India) from being general manager (West India). Retired Air-India hand P.K. Sinha is now vice-president (all-India sales) in charge of both passenger and cargo. All three are based in Mumbai, and reporting to COO Peter Luethi. This internal shuffling was reportedly necessitated after Nita Goyal moved to London. Goyal, who used to be in charge of sales and marketing, now looks after international sales for Jet. The erstwhile general manager (sales), N. S. Sundaraj, has moved to Singapore, his home base (he was earlier with Singapore Airlines) as vice-president (South Asia). Obviously, the executive pieces are being put in place also in anticipation of Jet taking to the international skies in a big way.
MS Programs

Distance Learning + Training Classes + Web support

- MS (Finance)
- MS (Accounting)
- MS (Banking)
- MS (Insurance)

HIGHLIGHTS
- Duration: Two years for each Program
- Eligibility: Graduates (any discipline)
- Finance (MS) leading to the CFA charter
- Banking (MS) leading to the CBM designation
- Accounting (MS) leading to the CRIM designation
- Quality Courseware
- Training Classes all over India
- Web Support on 24 x 7 basis
- Soft Skills Training and IT Training
- Examinations four times a year at 94 Test Centers

Visit us at: www.icfai.org/icpe for Prospectus and Online Registration

For Details & Prospectus, please contact ICFAI Study Centers at (Ph. Nos given below):

Agra (2527035, 3068775); Ahmadabad : (079-2560342, 2560343); Ajmer : (0144-2827077); Allahabad : (2512-6855); Amravati : (242-2552-1098); Amritsar : (0656-521, 0563-699); Anantapur : (246304); Aurangabad : (224-2474-495); Bangalore : (2731842); Bareilly : (282-2977); Bhopal : (227-2520, 257692); Bhubaneswar : (234-2457); Chandigarh : (2736944); Chennai : (2522521-831, 2790521); Coimbatore : (254-1990, 306-6447); Cuttack : (2353811); Dehradun : (2564002, 2353811); Durgapur : (254433); Faridabad : (2504666, 306); Gandhinagar : (079-2345873); Gurgaon : (233-5958, 595); Guwahati : (233-5958, 595); Hyderabad : (233-5958, 595); Jhelum : (0598-8888); Jabalpur : (233-5958, 595); Jaipur : (256-4002); Jalpur : (233-5958, 595); Jalandhar : (0181-3977, 3977); Jabalpur : (236-5958, 595); Jamshedpur : (234-5958, 595); Kochi : (235-5958, 595); Kolhapur : (224-5958, 595); Kolkata : (235-5958, 595); Lucknow : (226-5958, 595); Ludhiana : (233-5958, 595); Madurai : (234-5958, 595); Mangalore : (234-5958, 595); Meerut : (233-5958, 595); Muzaffarnagar : (235-5958, 595); Nagpur : (235-5958, 595); Navi Mumbai : (235-5958, 595); Nashik : (235-5958, 595); Noida : (235-5958, 595); Patna : (235-5958, 595); Pondicherry : (235-5958, 595); Pune : (235-5958, 595); Raipur : (235-5958, 595); Ranchi : (235-5958, 595); Roorkee : (235-5958, 595); Sagar : (235-5958, 595); Saharanpur : (235-5958, 595); Sambalpur : (235-5958, 595); Salem : (235-5958, 595); Shimla : (235-5958, 595); Siliguri : (235-5958, 595); Solapur : (235-5958, 595); Surat : (235-5958, 595); Thiruvananthapuram : (235-5958, 595); Trivandrum : (235-5958, 595); Udaipur : (235-5958, 595); Vadodara : (235-5958, 595); Varanasi : (235-5958, 595); Vijayawada : (235-5958, 595); Vishakhapatnam : (235-5958, 595); Warangal : (235-5958, 595); Yeniyannagar : (235-5958, 595).

You can also send your request for Prospectus and Application along with your brief bi-data to:
The Programs Officer, The ICFAI University, 23A, Nagarjuna Hills, Purjagutta, Hyderabad 500082.
040-23430431-36, Fax: 040-55639717. E-mail: info@icfai.org

• 129 •
For the long haul

From just one Lifestyle store in Chennai in 2001-2, Kumar S. has spearheaded the opening of seven stores – Hyderabad, Bangalore, three in Mumbai, and one in Gurgaon. With "all under one roof" formats mushrooming across the country and intense competition for footfalls, Kumar confidently asserts that Lifestyle International is here in India for the long haul aiming at leadership in the big store format. "We are the no. 1 player in the Middle East, with over 30 years of retailing experience. This established track-record enables significant supply chain advantages, economies of global sourcing and good financial discipline, the most accepted formula for success in retail chain store format."

Lifestyle International started making profits from its second year of operations in India, with turnover increasing from Rs240 crore last year to Rs320 crore this year. Kumar is optimistic that he won't go wrong in projecting Rs450 crore in the next three years. And he makes no secret of the chain's expansion plans for an all-India presence for which he is constantly scouting around for real estate, both leased and owned. "Already we have outgrown our flagship outlet in Chennai, and may soon relocate with bigger floor space".

It is not as though Kumar was shaped and fired by retailing from his first entry into the workforce. He had that typical middle class upbringing of a Chennaitie... good school from Doveton High, graduation from D.G. Vaishnav College, then on to his CA and a stint with the firm of S.B. Billimoria in Mumbai. "The change to a Mumbaikar, catching the 8.16 a.m. local helped in shaping a disciplined approach," he says. He joined Ernst & Young in 1984 and got a thorough grounding in auditing when he was posted in Qatar. "The work culture there was different... I quickly learnt about organised systems and to keep deadlines. Nothing and no one waits for you," he says.

His first line job, that of finance controller with Pepsico in Kenya taught him all about the intricacies of competitive business. "Kenya is out and out a Coke country, and we needed to streamline our distribution strength. The holding company of this franchise was Chandez G.P. from Tanzania. They owned the Maio Bottling company of Pepsi, and also exported bottles and crown corks to Tanzania. So I got a good exposure to both manufacturing and distribution." Wanting to get back to the Middle East, Kumar was eager to take up the assignment that Bahrain National Oil Company offered as manager (accounts). The biggest challenge here was to prepare a budget and start work on it six months before submission to the government. "I was
part of several projects to set up MIS and helped implement Oracle Financial in that part of the world. We were a team of 50 managers. The $2.5-billion Bahrain National Oil Company had sophisticated budgetary systems. Add to that insurance portfolio and in six years I had gained a lot of experience, invaluable to professional growth," he says.

But soon, at 40, he had to ask that inevitable question... "Where to from here?" He realised that an expatriate of Indian origin could not hope to climb much higher in the organisation pyramid. "I had three choices... more oil company work, join a bank or take up a brand new field - retailing". He joined the Landmark group and moved to Qatar as manager (finance) in 1998. Here Kumar learnt the many fascinating aspects of retailing. "This group expanded to Dubai with its Baby Shop after 30 years in Bahrain. They have wide access to many retail categories - accessories, footwear, the Splash apparel brand for men, women and kids, home care and furniture products, lifestyle retailing, and cook wear, a chain that has 300 outlets across the Gulf. After two years, I was sent to Oman and there we increased our locations from two to 10 outlets in just four years, becoming the strongest retail player in Oman." This success made the group think of establishing its beachhead in India and Kumar was sent to scout around for its first store in Chennai, a litmus test for the group's foray into India.

The success of the Chennai outlet and the subsequent expansion into six other locations have definitely given Kumar a taste for making the Lifestyle Store chain the no. 1 in India. He has plans to open 135 outlets across the country. In the last six years, he has evolved as general manager, with a strong financial foundation. "My core capability is creating an organisation, put systems in place, allow teamwork and above all as a CA, have strong financial discipline. I travel a lot in India and realise that over 200 malls are coming up. I enjoy this chance and challenge to make Lifestyle the one-stop shop for all needs under one roof."

---

**FRONTRUNNERS**

**On a media discovery**

The only thing Aditya Pratap Tripathi, 35, marketing director for Discovery India, was sure of was that he certainly didn't want to sell soap when graduated from IIM Ahmedabad. "My decision to stick to media was considered fairly differently by my peers, but as I had been associated with media before my postgraduation I was sure that I wanted to make my career here."

A London School of Economics graduate, Tripathi began his career with the Living Media group as a marketing trainee and worked on corporate planning and new projects for three years, then moved on to the rival Outlook group after completing his management degree, and then to the Hindustan Times group. "In my stints with both Outlook and HT I was involved in setting up the entire operations of their new enterprises HT City, go4it.com, Outlook magazine, Intelligent Investor, and www.outlookindia.com. Both these stints were particularly challenging as they involved taking the competition - the Times of India and India Today - head on."

At Discovery Tripathi has been responsible for managing a rethink of the programming and marketing strategy of Discovery Channel and changing it from a kids/educational channel to a more adult/family-focused 'real world entertainment' channel. "Television is a dramatic medium and I'm loving every moment of it," he says.

A keen golfer, Tripathi has also represented the Doon School, Rugby School, and is in squash tournaments. Married to Sonam Kalra, who anchors travel shows on BBC, Tripathi admits to a fondness for Indian classical music.

---

**Growing in style**

As CEO of d'mart Exclusif and Woodmart, the Delhi-based Dolphin group's Rs15-crore ventures that deal in international brands of exquisite signature art pieces, 27-year-old Preeti Rao has begun to make waves. The reason is simple: slowly, the numbers of d'mart Exclusif and Woodmart outlets are growing all over the country. "Discerning customers think that the two brand names offer a unique shopping experience to those who have perfected the art of fine living," says Rao.

"Of course, a lot of credit goes to Preeti Rao for making the ventures successful," says Ramona Saigal, a known interior decorator. "She has single-handedly defined and owned a market space through clever repositioning of the brand names and successfully carved a niche for herself."

Starting her working career at 18 while still an undergraduate, Preeti went on to gain floor-level experience in marketing, sales, and promotion. While still pursuing her higher studies in marketing at National Institute of Sales (NIS) after her BCom, she worked with Reebok India and specialised in market research. A couple of years later she went to the UK to do her MSc in international business management. After a stint as a business consultant with a marketing research firm in England, she returned to India and joined d'mart as a marketing consultant. Soon the company started growing as the leading importer and distributor of art decor pieces in India from internationally renowned brands.

So what were Preeti's main achievements while growing d'mart Exclusif as a brand? "Besides increasing its presence significantly from a single boutique to a network of brand franchisees which grew to 14 in all the important centres in the past three years," she says, "we have been able to triple the company's turnover in recent years." She firmly believes that success in retail is possible only through constant innovation and reinvention. "We started with two brands," she adds, "and today we have 14 international brands. There'll be more, she hopes, once she achieves the 25 franchisee targets by the end of the year."
A compilation of positions advertised between Sept 11 and 24, 2004

Chief Operating Officer – Valsad District Co-operative Milk Producers’ Union Ltd. – Valsad. Post graduates in Food Technology, Dairy Technology, or engineering. Postgraduate degree in management would be preferred. Should have minimum of seven years experience in senior positions and out of that, minimum three years in a dairy or food-processing organisation. Total work experience should be at least 15 years. Would head the operations of the business units and would be responsible for design and implementation of strategic plan of the unit while ensuring profitable growth. Email: vacancy@amul.coop. – (ET- 21/9).

Deputy Chief Executive – Head of Corporate Banking – Bank of China – Hong Kong. Will provide overall leadership for all business and support units within corporate banking. Assist the Chief Executive to formulate short and long term business objectives and strategies for the bank in the corporate banking marketplace. Substantial experience with major financial institution with a core strength in corporate banking and exposure to investment banking. Demonstrated success at creating a consistent and compelling corporate banking programme of aggressive business development. A strategic thinker, capable of setting the strategy for the business and successfully positioning for growth and market differentiation. A dynamic leader and people manager with strong business development and management skills. Experience in dealing with business clients in Hong Kong, the Chinese mainland, and overseas. Must have excellent English communication skills. Good working knowledge of Chinese is highly desirable. Email: Selection@spencertuart.com – (TE- 11/9).

General Manager/ Deputy General Manager – Projects – K. Raheja Corp – Mumbai. Should be graduate in Civil Engineering with 15 years site experience, out of which at least 5 years should be at a senior level, working on large projects involving high quality finishes. Should be able to lead a team of engineers and coordinate with architects. Should have a track record of successful completion of large projects with stringent time schedules and budgets. Must be conversant with CPM/PERT method of project schedule and controls. Email: hr@kraheja.com – (TE- 20/9).

Investment Strategist – Tactical Asset Allocation – Leading Global Financial Institution – United Arab Emirates. Graduate, preferably with a strong degree in econometrics, or other highly numerate and qualitative subject from a top tier university. A minimum of ten years’ investment experience with at least five years in global strategy or asset allocation roles in a senior position, or at least five years formulating investment strategy for a regional multi-asset operation. Must have excellent communication skills. The ability to lead, manage and harness the breadth of investment talent within the organisation. Comfortable articulating ideas to a sophisticated audience. Robust yet diplomatic. Email:London@SpencerStuart.com – (TE-11/9).

Internal Auditor – Leisure Industry in South Africa – Johannesburg. A qualified CA/CPA with around 5-7 years relevant experience in the hospitality industry. A self-starter with good communication skills and ability to work in a computerised environment are essential. Preferred age: 32 years. Email: afp@cnf.co.za – (TE- 20/9).

Section Head, Technical Affairs: An independent identity – Kingdom of Bahrain. Must possess qualification in surveying/ planning and not less than 5 years experience in a similar capacity; possess functional knowledge of ESRI GIS systems and Micro Station applications; possess thorough knowledge of principles, practices, regulations, and techniques in the field of land administration planning and land surveys; and ability to prepare and execute plans based on survey and analysis of data and prepare concise, well supported, and effective reports; related graphics materials and maps. Will manage and supervise surveyors and planners resources. Ref: STH/01. Email: executive.recruitment@khm.gov.bh – (TE- 20/9).

National Bodyshop Manager – Al-Futtaim Group – Dubai. Will be responsible for developing the Bodyshop operations at national level and achievement of budgeted business growth through strategic planning and man management. Must have minimum of 5 years experience in a management position, independently managing and developing a fully equipped retail, volume franchised automotive Bodyshop, preferably in the Middle East. Email: afm-hrd@alfuttaim.ae – (TE- 20/9).

General Manager – Marketing – Total Logistics (India) Pvt. Ltd. – Mumbai. Around 15 years experience in sales and marketing with five years relevant industry experience in senior position is a must. Age: 40+. Email: hr@tlpl.com – (TE- 21/9).

Head of Treasury – Janakalyan Sahakari Bank Ltd. – Mumbai. Should be experienced with good exposure in debt market with adequate risk perception and should be from the field of banking or primary dealership and capable of handling a portfolio of over Rs. 600 crore independently. Email: jnktnbk@bom3.vsnl.net.in – (TE- 14/9).

Operations Head – Systems Plus Pvt. Ltd. – Ahmedabad. A minimum of 15-18 years of management experience in handling 100+ resources, people skills, in-depth understanding of core technologies and exposure to the software industry in a senior position is a must. Email: nidhi.s@sppluspl.com – (TE- 21/9).

General Manager Marketing – Mid sized company in Hybrid Seed Business – Hyderabad. Should be an agricultural graduate/postgraduate with MBA in marketing from premier institutes. Age: 40-45 years, with excellent track record and proven performance in rural marketing, preferably in Agri inputs. Strategic thinking, team working, mobility to work in rural areas and result orientation will be key competencies for the job. Should currently be at a senior level managing All India Marketing operations. Email: kgopal@omamconsultants.com – (TE- 21/9).
Contact • Tel = Times of India, ET = Economic Times, TH = The Hindu, TE=The Economist

Head – HRD – Bank of Baroda – Mumbai. An MBA degree with specialisation in HRD from XLRI, IIMs etc or any other top ranking B-School and fully conversant with the modern concepts and tools of strategic HRD. Should have proven experience of 12-15 years including 5-7 years in a senior management position in the above areas in large organisation, preferably in transformation environment (determining factors would be process adopted, competencies built and the track record of implementation). HR professional with high degree of creativity, strong process orientation and proactive attitude. Email: recruitment@bankofbaroda.com – (ET- 21/9).

Marketing Manager – Chowgule & Co. Ltd. – Goa. Would be expected to plan and execute strategies, to establish a market for truck mounted hydraulic cranes and set up a distribution network on all India basis. Age 40-45 years, with suitable qualifications and requisite experience in the similar field. Email: cclcanee@chowgule.co.in – (TH- 22/9).

General Managers – Bharatiya Reserve Bank Note Mudran Private Limited – Bangalore / Mysore / Salboni. A Graduate in engineering (mechanical, electrical, electronics) or diploma in Printing Technology. Post Graduate Diploma / Degree in Management and/or Information Technology / Printing Technology is desirable. A minimum of 20 years experience in large and reputed companies including public sector undertakings of which at least 5 years should be in a senior management cadre. Should have acumen / experience of independently handling all aspects of factory administration. Candidates with experience of working in a Note/Security Printing press will be given preference. The Managing Director, Bharatiya Reserve Bank Note Mudran Private Limited. Corporate Office, No. 3 & 4, 1st phase, BTM Layout, Bannerghatta Road, Bangalore – 560 029 – (TH- 22/9).

General Manager – Plant – Suzlon Energy Limited – Pune. A degree in engineering and preferably with Business management and 12-14 years of experience in a medium / large enterprise. Experience with composites will be an added advantage. Should be able to contribute strategically in the company’s policy making and mobilise an effective local work outfit in line with corporate policies. Must be an experienced generalist in an industrial environment. Will meet production targets and bottom line results of the plant. Achieve quality targets, spearhead a lean organisation to meet stretch targets and maintain plant process to ISO standards. Email: hr@suzlon.com – (ET- 21/9).

Chief Executive – Industrial house having independent companies manufacturing polyester / pharma products – Mumbai. Should have experience of working in large corporate at senior most level. Must be strong in overall management. And have extensive exposure to export marketing. Widely travelled, can be from finance or engineering background. Email: jobs@icfmindia.com – (ET- 14/9).

General Manager – Leading flour and feed mills in the GCC – Middle East. A bachelor’s degree in engineering and ideally a Masters in Business Administration. Demonstrating 15 years experience and a proven track record in a large flour and feed mill is a vital requirement. Must have in depth knowledge of procurement and processing of grains from different origins. Will possess a hands on management style with a background in operation and maintenance of large flour and feed mill plants. As a general manager will drive the business forward, increase competitiveness of existing products and subsequently launch the organisation into new areas. Email: AE-ES5@kpmsg.com – (ET- 20/9).

General Managers Vice Presidents – Operations – Ahuwalia Contracts (India) Ltd. – Delhi/Mumbai/Kolkata, B.E. / B.Tech or M.E. / M.Tech in civil engineering from institutes of repute having 18-20 years of demonstrated experience in multi disciplined engineered building projects with skills in estimating, managing engineering disciplines, preparing/controlling budgets and schedules and forecasting / taking corrective actions, with minimum 5-7 years as head of profit centre. Email: careers@acilnet.com – (ET- 20/9). Head – Data Review – Pfizer – Mumbai. A Master’s degree in Life Sciences, Pharmacy or a related area, or a Ph.D or M.D. degree with total experience of 8-10 years, and managerial experience of 5 years including some in clinical research/ clinical data management. The job involves providing administrative and technical oversight of all data review activities at the Mumbai site, including staff recruitment, training and effective supervision of internal as well as contractual resources. Will provide guidance to lead data managers on appropriate resource allocation, guidelines, quality standards and timeliness. Will be responsible for the overall tracking of performance of the data management group and for ensuring its excellence in work standards. Email: careers_bioometrics@pfizer.com – (ET-20/9).

Investment Director – Hedge Fund Investment Group – Southern Europe. A senior investment professional with at least 10 years’ experience in the financial sector and ideally significant exposure to the hedge fund industry. Trading, analytical, risk management or treasury – related experience gained at a senior level in world-class institutions may in certain cases also be relevant. Exceptional academic credential. A mature and motivated team player of some stature, capable of exercising judgment and discretion. Must have high degree of numeracy and intellectual curiosity. Will take responsibility for identifying new investment opportunities across the full range of hedge fund strategies globally. Play an integral role in monitoring and risk managing an ongoing portfolio of hedge fund investments, and the selection of investment themes and hedge fund managers. Will act as an interface with key stakeholders in the investment portfolio, external counterparties and advisers. Email: London@SpencerStuart.com (TE-18/9).

Overseas

Head of Group Investments - One of the world's leading private investment organisations – Dubai. Someone who has been trained as a commercial lawyer, accountant or investment manager with 5-10 years’ experience in a top international firm. It offers a unique position to someone who is seeking to utilise their skills in a broader, more entrepreneurial environment, with a view to encouraging the positive development of the financial markets as a catalyst for higher social and economic standards. Contact with, or experience in, public sector organisations such as The World Bank, IMF or similar institutions may also be relevant. Must have passion and knowledge about global financial markets and the importance of good corporate governance in public companies. Have communications skills and the ability to present ideas quickly, clearly and articulately, both verbally and in writing. Email: groupinvest@360 inspire.com (TE-18/9).

C.E.O. – A group of companies with head quarters in Hong Kong, dealing in textiles, textile accessories and manufacturing of garments – China, Hong Kong, Bahrain & Vietnam. Professionals from within as well as outside the industry, people from the automobile, electronic, steel, textile and other industries that is labour intensive and in mass production. Will be groomed by the group's senior management for six months before he is handed over his duties as CEO of one of the manufacturing units. Must have at least five years experience as the top most person in manufacturing concern, possess strong leadership skills, a vision for innovation and are a strong man manager. Email: humanresources@mustgarment.com – (TO- 20/9).
AT DLF, WE DON'T JUST DEVELOP TOWNSHIPS.
BUT ALSO CAREERS.

DLF is today, acknowledged as India's first name in real estate and is a leading player in the industry. The Group is professionally managed and has consistently maintained a track record of excellence and performance by combining a strong heritage with relevant and contemporary skills across its businesses.

Today, the Group has a variety of impressive landmarks and exciting growth plans across its residential, retail, commercial, land development and infrastructure businesses. This covers a wide range of contemporary residential, commercial hospitality and institutional projects besides top-end shopping malls, amusement and entertainment centres, food courts and multiplexes, all matching international standards.

The company is now poised to replicate its success in building Asia's largest township DLF City by rapidly expanding the scope of work elsewhere in the country including NCR, Chandigarh, Punjab, Rajasthan, West Bengal, Karnataka, Tamil Nadu, Kerala, Andhra Pradesh, Maharashtra, etc.

To meet this challenging growth and future expansion needs, the Group seeks top quality professionals to join Management/Senior Management positions across various functions/business groups:

<table>
<thead>
<tr>
<th>Function/Area</th>
<th>Qualifications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing</td>
<td>MBA with specialization in Marketing. Degree in Architecture or Engineering will be an added advantage.</td>
</tr>
<tr>
<td>Business Development</td>
<td>MBA from a premier institute with specialization in Marketing/Finance with an Engineering Degree.</td>
</tr>
<tr>
<td>Business Strategy &amp; Finance</td>
<td>MBA with specialization in Finance from a premier institute with a degree in Engineering/Law or CA or ICWA.</td>
</tr>
<tr>
<td>Legal</td>
<td>Degree in Law from a reputed University.</td>
</tr>
<tr>
<td>Coordination</td>
<td>Degree in Civil Engineering/Architecture. Degree in law will be an added advantage.</td>
</tr>
<tr>
<td>Human Resources</td>
<td>Post Graduate Degree in HR/Personnel Management or Social Work from institutes of repute.</td>
</tr>
<tr>
<td>Project Management</td>
<td>Graduate/Post Graduate in Civil/Electrical Engineering from institutes of repute.</td>
</tr>
<tr>
<td>Architects</td>
<td>Graduate/Post Graduate in Architecture from institutes of repute.</td>
</tr>
</tbody>
</table>

Candidates should have proven track record in organizations of repute. These positions require excellent communication, presentation, interpersonal skills, drive and initiative to get things done.

Preference will be given to candidates with related experience in the Real Estate Industry.

The positions offer attractive emoluments and an opportunity for an accelerated career growth within the organization.

If you fit into any of the above profiles and are seeking a good career opportunity, please respond with a copy of your resume and a recent photograph indicating the area applied for within the next 10 days to:

General Manager-Human Resources
DLF Universal Limited, DLF Centre, Sansad Marg.
New Delhi-110 001
or apply through: www.naukri.com/dlf

Residential - Retail - Commercial - Land
GMR Foundation - The Spirit of Sharing

Two square meals a day ● Clean drinking water ● A little medical care
Being able to read & write ● A chance to earn a living

Our Mission
To build entrepreneurial organizations that make a difference to society through creation of value

Is looking for Chief Executive Officer & Director Education

GMR Group is one of India’s leading infrastructure organizations, having an asset base of over Rs. 2,500 crores with interests in Power, Transportation and Manufacturing.

GMR Group believes that social infrastructure is as important to a nation’s development as physical infrastructure. It was in this light that GMR Foundation was set up as a service-oriented, non-profit organization, thirteen years ago by the Group. GMR Foundation’s charter is to help build India’s social infrastructure and to share prosperity with the community.

Currently, the Foundation is actively involved in Education, Healthcare, Hygiene and Empowerment of Rural Youth. Other activities include providing basic amenities like food and water. The Foundation has been active in touching and improving the lives of the rural and urban populace in Rajam (Srikakulam District), Bangalore, Mangalore, Chennai, Hyderabad, Rajahmundry, etc.

To meet its ambitious goals the GMR Foundation is looking for:

Chief Executive Officer
The Chief Executive Officer will have to chart out a strategy for growth that will sculpt our dreams into reality and one who can combine a professional approach with a strong commitment to the tasks at hand. He/She should work towards creating a sense of trust, goodwill, partnership and sustained development in the social systems and communities with which we wish to participate. The job will also involve selecting and developing the right talent as well as mobilising and empowering people to ensure flawless execution.

A person with a deep interest in social development, an excellent track record of leading a large social foundation for a minimum of 5 years and who is between 45-50 years of age will be preferred. Exposure in working with international NGOs, Multilateral agencies or Government aided social welfare programmes would be preferred. Relevant experience in working with funding agencies would be an added advantage.

Director Education
The Director Education will oversee efficient and effective functioning of Engineering college, Degree college and Schools, all of which come under the aegis of GMR Foundation. A self-propelled professional with the ability to develop, motivate, and supervise academic as well as administrative functions will be the ideal person for the job. His/Her academic leadership will be reflected through the ability to develop progressive and innovative pedagogical methods, recruit and retain high calibre faculty, set highest standards of academic excellence and develop a vocational curriculum.

A Post Graduate in Engineering, not over 45 years of age, who has served in the capacity of a Registrar or a similar position in a well-known institution for at least 10 years will be preferred.

The remuneration packages will be attractive. Interested candidates may forward their CVs with details of accomplishments within 15 days to the address mentioned below or e-mail to: srinivasanc@gmrgroup.co.in

Corporate Office:
Skip House, 25/1, Museum Road, Bangalore 560 025, India
Tel: 91 80 22070100 Fax: 91 80 22990577 www.gmrgroup.co.in
A premier public sector bank is on its way to transform itself into a Universal Financial Services Organization to deliver best value to its customers globally. It has a glorious history to be confident and strong vision to march ahead.

The Business Transformation Programme of the Bank envisages a new business model enabled by suitable IT and HR strategies and is one of the first of its kind initiatives in the industry.

If you have dreamt of creating an architecture for a world class organization
If you wish to be a part of the ambitious Business Transformation Programme;
If you have the confidence of linking strategic human resource function to business vision in a technology driven environment;
If you are ready to handle the challenges of unleashing the potential of people, competency assessment, talent management, succession planning, leadership development, culture building, etc;

We need you as HEAD - HRD

To spearhead the future HRD strategy of the Bank

You should have an MBA degree with specialization in HRD from XLRI, IIMs etc or any other top ranking B-School and, fully conversant with the modern concepts & tools of strategic HRD. You should essentially have proven experience of 12-15 years including 5-7 years in a senior management position in the above areas in large organization preferably in transformation environment (determining factors would be processes adopted, competencies built & the track record of implementation).

We are looking for a HR professional with high degree of creativity, strong process orientation, proactive attitude for the position. Preferred age is less than 50 years. The position is contractual and market related compensation package would be offered.

Person meeting the above criteria and confident of handling the role challenges may send in the detailed profile indicating full details of age, qualification, experience, achievements, current package and two references (one from academic field & one from professional field) along with a recent photograph in strict confidence within 15 days superscribing the envelope with 'Head-HRD', to

Executive Director - Bank of Baroda
Baroda Corporate Centre, C-25, G-Block, Bandra-Kurla Complex,
Bandra East, Mumbai - 400 051, or Email to recruitment@bankofbaroda.com

Competent People give the Competitive Edge

In its turnaround journey, Dena Bank strongly believes in the power of competence.

DENA BANK has a history of 66 years of banking service with 8 million customer base. Its over 1100 branch network spans across major part of the country with large presence in Western India. Over 90% of its business and branches are computerized.

The Bank is in its journey of transformation to become a SMART, STRONG AND TECHNOLOGY-ENABLED BANK, offering a wide variety of products and services to different customer segments, through multiple delivery channels.

If you are in the middle of your executive career and have a penchant for doing something challenging and worthwhile, you are invited to apply for positions in strategic areas of Marketing, Technology, HRD, Economics and Law in the Deputy General Manager cadre (Top Executive Grade/Scale VI).

For full details regarding eligibility criteria, compensation package etc, please log on to www.denabank.com

DENA BANK
(A Government of India Undertaking)

Trusted Family Bank
Head Office : Maker Tower "E", 10th Floor, Cuffe Parade, Mumbai 400 005.
We are a group of Companies with head quarters in Hong Kong dealing in Textiles, Textile Accessories and Manufacturing of Garments. We employ over 6000 people in China, Hong Kong, Bangladesh, Bahrain and Vietnam. We seek professionals from within as well as outside the industry, people from the automobile, electronic, steel, textile and other industries that is labor intensive and in mass production.

As CEO of one of our manufacturing units you will be required to have at least five years experience as the top most person in a manufacturing concern reporting only to the owners or the share holders. If you are the ultimate person of this concern and you possess strong leadership skills, a vision for innovation and are a strong man manager please apply for the post.

A successful candidate will be groomed by the group's Senior Management for six months before he is handed over his duties as CEO of one of our manufacturing units. As CEO you will receive housing, transport, medical benefits, travel allowances and an attractive salary together with a profit sharing incentive scheme in the country of location.

Please apply in strict confidence to: humanresources@mustgarment.com
The Terminal

Directed by Steven Spielberg

Most people still view getting delayed at the airport for a few hours as an inconvenience. But try to imagine those hours stretching into days, weeks, and even months. Try nine months in the terminal. It’s important to remember that Steven Spielberg’s latest film is based on a true story.

The Terminal is set in a world after 9/11. The film is inspired by the true story of Merhan Karimi Nasseri a.k.a. Sir Alfred, an Iranian refugee who’s been living in Charles de Gaulle airport (Paris) since 1988. The incredible circumstance is the premise of The Terminal, a modern fable. The film tells the story of Victor Navorski (Tom Hanks), a visitor to New York from Eastern Europe, whose homeland erupts in a fiery coup while he is in air en route to America. Stranded at Kennedy airport with a passport from nowhere, he is unauthorised to actually enter the United States and must improvise his days and nights in the terminal’s international transit lounge until the war at home is over.

As the weeks and months stretch on, Victor finds the compressed universe of the terminal to be a richly complex world of absurdity, generosity, ambitions, amusement, status serendipity, and even romance with a beautiful flight attendant named Amelia (Catherine Zeta Jones). But Viktor has long worn out his welcome with airport official Frank Dixon (Stanley Tucci), who considers him a bureaucratic glitch, a problem he cannot control but wants desperately to erase.

Navorski is an entirely fictional character from the equally fictitious Eastern European Krakozhia.

The screenplay is by Sacha Gervasi and Jeff Nathanson from a story by Niccol and Gerrasi. In Tom Hanks’ expert performance lies the movie’s substance, his blank stares leaving a pleasing deadpan residue. He is the most sympathetic actor in current Hollywood cinema, one of only two actors in history to win back-to-back Academy Awards for best actor. Hanks won his first Oscar in 1994 in

Jonathan Demme’s Philadelphia. The following year he took home his second Oscar for Robert Zemeckis’s Forrest Gump. He might create Oscar history by winning Best Actor for The Terminal.

Steven Spielberg’s 22nd film as a director is his third with Hanks as star. The Terminal is a feel-good blend of comedy, romance, and drama that is typical Spielberg material. The tale is beautifully told, whether you buy it or not. The movie has a running time over two hours you don’t feel it. For Janusz Kaminski’s crisp and dislocating visuals John Williams produces music of a mixture of romance and East European ethnicity. John Williams is at the top of his game.

+ RAFIQUE BAGHDADI
Fahrenheit 9/11

“I’m grateful to any family that helped me become a filmmaker. I can never forget that”

— Michael Moore of the Bushes.

Michael Moore’s Fahrenheit 9/11 is that rare documentary that’s getting action-flick distribution: opening on 500 screens and in case anybody misses it in theatres, the DVD should be out well before the November Presidential election in the US. The movie’s has grossed something like $115 million so far, making it the most profitable documentary ever made.

Fahrenheit 9/11 is Michael Moore’s reflection on the current state of America. This crusading documentary filmmaker explores the “fixing” of the 2000 Presidential election, the Bush family’s link with Saudi Arabia, and the aftermath of the 2001 attacks on the World Trade Center.

The film won the Palmé d’Or, the highest award of the Cannes film festival. In his first film, Roger & Me (1989), Moore invented for himself the genre in which he has continued to work. Call it first-person polemic. Roger & Me tells the story of how General Motors cut its losses in Flint, Michigan, without any regard for the fate of the workers left behind. It takes the form of an imaginary interview with GM chairman Roger Smith. Moore then took on sports shoe giant Nike in his 1997 follow-up The Big One. His third documentary feature was Bowling for Columbine.

Fahrenheit 9/11, for the bulk of the running time Moore acts mostly as a simple narrator, relishing his own scathing prose as he spins a yarn very similar to the opening chapters of last year’s bestseller, Dude, Where’s My Country? and it’s here that the film works best: piling up facts and figure that paint an uncanny picture of a “war based on a lie propagated by a regime founded on an injustice”.

Documentaries are traditionally the sober stepchildren of movies; their makers are usually diligent folks behind the camera and in the editing room. But Michael Moore is an entertainer and a provocateur. Cabin Fever director Eli Roth believes Fahrenheit 9/11 will have a similar effect. “A film can make a difference,” he says. “People don’t read newspapers, they don’t listen to television ads. People listen to the movies.”

* RAFIQUE BAGHDADI
How firms behave

The authors begin by defining business policy. According to them, business policy, also called strategic management, is concerned with setting long-term goals for a firm in line with the expectations of its stakeholders, developing an action plan for meeting these goals, and allocating resources for meeting the plan. They also clarify that they have concerned themselves with a field of economics which studies how some organising mechanism like the market or the firm brings the productive activities in an industry in harmony with the demand for its goods or services, and how imperfections in these mechanisms affect the efficiency with which this demand is met. This discipline is also called industrial economics. It is obvious that business policy and industrial economics, both, are concerned with the behaviour of firms. While the former tries to spell out how firms should behave, the latter tries to find out how firms actually behave and why. They also explain that while the perspectives and approaches are quite different, there is a common ground between the two.

The volume contains 15 chapters. Chapters 1 through 3 deal with important concepts and analytical tools used by economists. Chapters 4 through 7 explain why imperfections in the structure of an industry arise and how firms exploit them by restricting output, charging a price that exceeds the cost of production, and extracting a monopoly rent. Chapters 8 through 12 turn attention from price- and output-setting behaviour to three other aspects of conduct. These are: the way the firm builds and exploits its internal resources and capabilities, selects its products and markets, and establishes its governance structure and practices. In Chapter 13 they explain why some firms prosper over time, while others fail. Chapters 14 and 15 deal with the impact of public policies like competition policy, industrial policy, trade policy, and environment policy.

Dealing with the requirements for long-term success, Sengupta and Sen highlight that the first requirement for a firm to remain profitable over time is that it must maintain its technological superiority over its rivals, which means it should keep innovating. Technological inertia, according to the authors, is profit-maximising only in the short run and reflects strategic myopia. The second requirement for long-term success is continuous growth. A firm has to grow to exploit the potential created by technological innovation. The third requirement is of changing product portfolio. Often a reason why firms cannot grow is lack of demand. A firm can increase the demand for its output by adding new products to its portfolio. The fourth requirement is entrepreneurship. The firm should have a penchant and facility for taking risks for exploiting innovations. The fifth requirement for long-term success is luck. To succeed consistently over time, it is not enough for a firm to be entrepreneurial. It must also be lucky. Success is probably the result of both, deliberate action and luck.

This volume should be of particular interest to business managers.

Of quality — in products and relationships

Retailers almost everywhere are today faced with rising expectations of customers. Application of the body of knowledge contained in this book should assist retailers in meeting or even exceeding customer expectations with improvement in quality of products as well as customer service. This book, the author claims, is an attempt to fill the void in the available body of knowledge by presenting all the relevant information for addressing quality of customer products at the retail level.

Retailers sell a variety of customer products and rely on their suppliers and/or manufacturers to provide them quality products. However, retailers must have some way of verifying that they are receiving products of quality they planned or specified. Retailers should also be able to specify quality levels, if necessary. In his book Pradip Mehta outlines various approaches available to retailers for assured product quality. Obviously the body of knowledge presented in this volume has greater relevance for markets in the USA and other developed countries. Indian markets too are gradually opening up to quality expectations and demands, and the book may be of some use to at least larger retailers here.

For the customer, quality in retailing has two aspects, quality of
MCAT Distance Learning

Highlights
- Two year Program
- Quality Courseware
- Computer Lab Practicals
- Soft Skills Training
- Web support on 24 x 7 basis
- Examinations 4 times a year at 94 Test Centers all over India
- Educational Loans from Bank of Punjab & Union Bank of India
- Placement Assistance

Eligibility: Graduation (any discipline)

For Details & Prospectus, please contact ICFAI Study Centers at (Ph. Nos.):

Agra (2227035, 3276775), Ahmedabad (2656-3042/458), Ajmer (2622207), Allahabad (242-2625/1998), Amritsar (2666821, 5053166), Anantapur (249334), Aurangabad (2624747, 3092350), Bangalore (2628521/3111), Bhopal (2365573, 3061885), Jaipur (26551842/1578260), Rajajinagar (61185873), International Tech Park (57713473, 3153988), Baroda (26200)), Beawar (2620206), Bikaner (2620021), Bhopal (2620267), Berhampur (2225790), Chhindwara (252724), Chhindwara (252724), Dhanbad (2612206), Dehradun (2626002/03), Durgapur (2544433), Gwalior (292033), Guwahati (292033), Gwalior (50900902250282), Hubli (292733), Hyderabad (292033), Hyderbad (292033), Jhansi (292033), Jodhpur (292033), Kolkata (292033), Kolhapur (2655142/4491), Kolhapur (3091476), Kottayam (3091812), Kurnool (2498117), Lucknow (222-4206/4539, 3822), Ludhiana (2222203, 3097022), Madurai (2342169, 5379695), Mangalore (2242000), Meerut (262666, 3292244), Mumbai (2240686, 22243173), Anheri (West), Mysore (2224302), Nagercoil (2245431), Nellore (2301222), New Delhi (2224302), Numerous (2224302), Patna (227395769), Puri (2224302), Ranchi (2224302), Raipur (3056183, 3056183), Saudi Arabia (2224302), Sharjah (2224302), Sambalpur (2224302), Salem (2331222), Srinagar (2224302), Surat (2224302), Thrissur (2224302), Tiruchirappalli (2224302), Tirunelveli (2224302), Trivandrum (2224302), Udumalpet (2224302), Ujjain (2224302), Vadodara (2224302), Visakhapatnam (2224302), Warangal (2224302), Yamuna Nagar (309672).

You can also send your request for Prospectus (with Application) along with your brief bio-data to: The Prospectus Officer, The ICFAI University, 23, Nagarjuna Hills, Punjagutta, Hyderabad 500082. 040-23434031-35, Fax: 040-55639711. E-mail: info@icfai.org

For Prospectus & Online Registration, visit us at: www.icfai.org
products and quality of customer service. This book is primarily about various aspects of product quality. However, service quality as it relates to retailers also finds place, although in brief, in this book.

The book is divided into 11 chapters. It begins with discussing in the first what quality is and why it is important, followed by chapters titled ‘Organising for Quality’, ‘Approaches to Quality’, ‘Standards and Specifications’, ‘Product Safety’, ‘Costs Associated with Quality’, ‘Customer Returns and Customer Satisfaction’, ‘Supplier Quality and Relationship’, ‘Corporate Social Responsibility and Social Audits’, ‘Resources’, and ‘How to Start Managing Quality’. At the end of each chapter key points made in that are listed, together with references and a bibliography.

Appendix I contains quality assurance statements, job descriptions, and training plans; Appendix II gives standard operating procedures; Appendix III delineates standard inspection procedures and has a detailed defect characteristics guide for a large number of consumer products; Appendix IV has model guidelines to quality; Appendix V spells out model terms and conditions for quality; and the last appendix deals with quality of customer service.

Mehta highlights the eight dimensions of quality suggested by David Garvin. These are performance, features, reliability, conformance, durability, serviceability, attractiveness, and perceived quality. By influencing or varying any one or more of the eight dimensions of quality a company can position itself in the marketplace. So quality, then, is a strategic variable.

Price, technology, psychology, time-orientation, product guarantee, and ethical conduct are some of the factors that influence customers’ perception of quality.

A study in 1982 showed that higher or better product quality results in higher return on investment. In a 1989 study, 95.8 per cent of the respondents reported that their profits had noticeably increased, 2.6 per cent said profits remained unchanged, and 1.6 per cent said that their profits actually declined. Yet another study in 2002 has shown that revenue implications of better quality and better service are 10–20 times the cost implication. Six benefits of improved product quality have been noticed and these are greater market share, higher earnings, loyal customers, higher growth rate, premium price, and highly motivated employees. Mehta says it is obvious that it is beneficial for retailers to be actively involved in development and improvement of quality of products. Equally important is the selection of suppliers.

Quality of customer service includes, according to the author, everything other than product quality. Some of the important factors are hours of operation, parking facilities, staffing, layout, appearance, stock, checkout, and actual customer handling. A study conducted by Indiana University in 2000 found that in retail stores shoppers want knowledgeable and courteous sales help, competitive prices, fast checkout, and convenient payment options. Mehta makes a very valid and pertinent observation: consumers evaluate the entire shopping “experience”, not just product quality.

The other book, h-CRM, is all about people: customers and employees. It deals with the need to build lifelong relationships with them, and tells the reader how to do it. Like Mehta, Das too has the ultimate objective of helping business units to survive and grow. The title of the book needs some explanation. Here it is: h-CRM = HRM + CRM = human response management + customer relationship management.

Is h-CRM a must for any company which wants to succeed on a long-term basis and rise to leadership in its field? According to Das it is not a strategy that one can select or avoid. It is the only way one can survive and grow. A business needs a leader and just not a CEO. As a leader one is required to decide upon core values, mission, and vision for the company. Das goes on to suggest how a leader can educate and train his employees to build lifelong bonds with customers. How well one takes care of the customers during the pre-sale, sale, and post-sale periods is critical to the objective of forming lasting relationships with them. Simultaneously, it is also required of the leader to build lifelong relationships with his own employees. I am, however, afraid that in the present context, it is difficult to imagine lifelong relationships with employees, especially key employees, howsoever desirable it may be to do so.

Emphasising the importance of customer service, Das underscores that customer perceptions can make excellent service seem very ordinary and an ordinary service appear extraordinary. Perceptions may vary from customer to customer and may differ from reality, but to the customer perception is reality. A company wanting to be a market leader should focus on customer delight. This can be achieved by giving to the customers more than what they have expected, not once but again and again. A similar prescription Das suggests in regard to employees also. Additionally, a leader has to create a sense of loyalty for the company among customers as well as employees. He suggests steps for meeting this objective through appraisal, reward, and campaign.

Das does not overlook the issues connected with implementation of his ideas. At the end of the discussion he concludes that one needs technology – to be precise, information technology – above all to successfully implement h-CRM completely. He, however, hastens to caution that technology is only an enabler and not the solution. He also has words of advice for managing change and providing for funds for h-CRM.

The book provides some very good ideas for business managers.

* JAYANT KHER
All the economic information that's really needed

FINANCIAL DYNAMICS
A System for Valuing Technology Companies
By Chris Westland
John Wiley & Sons (Asia) Pte Ltd
298 pp, Rs4,350

In life we are often involved in the game of evaluation, be it evaluating a person, place, or thing. But when you evaluate a business transaction or organisation, or a business or government entity, you would need to quantify this assessment in terms of numbers or rankings. You have entered the esoteric world of valuation. Apparently these numbers and rankings do give one a feeling of objectivity in the assessment of the firm. But this is clearly not so. This is what emerges from reading the book under review, which could be termed a sequel to the author’s earlier book Valuation Technology by the same publisher.

The world economy has transitioned from an agricultural economy (that it was for more than 17 centuries) to an industrial economy. The industrial revolution brought in its wake assembly-line production, standardised products, mass supplies, and cheaper prices. This phase lasted for almost three centuries before being overtaken by the technology-laden knowledge economy. While technology in terms of manufacturing processes, communications, and computing has taken a giant leap, the same cannot be said of financial accounting and valuation tools, which are still caught in a time warp. The author very rightly contends that while in the agricultural- and industrial-age discounted cashflow (DCF) and other valuation methods were fine, the same antediluvian tools being used to value today’s knowledge-laden technology industries is suicidal. Financial accounting therefore needs to pull up its socks and devise better valuation models so that the financial catastrophe destabilising the entire world economy is at least controlled, if not avoided. For example, Black Monday – 19 October 1987, when the Dow Jones Industrial Average tumbled 22 per cent, sucking billions of dollars in wealth, can be attributed to finance and accounting’s inability to assess the value of high-yield risk. Then again, the dot.com and telecommunications decade of the summer of 2000 saw $8 trillion evaporate in a matter of weeks after years of irrational growth based only on ideas without any concrete business model.

While the above two events could not have been prevented, certainly their impact could have been lessened had our financial accounting valuation techniques been more articulate. Chris Westland is absolutely on the point when he contends that while fraud is deliberate, intentional, and dramatic, the same cannot be said of errors, omissions, misunderstandings, and misguided strategy of financial accounting. And on the whole these “products of ignorance” are significantly more damaging than fraud. For not only trillions of dollars of wealth evaporate but also jobs are lost, pension funds shrink, and investors become scarce and wary of managers, brokers, accountants, and nearly everyone associated with business. The harm that these things do to competent businessmen is enormous. The solution: better valuation models and more transparency.

Let’s take a look at the history of today accounting. Double-entry bookkeeping as it exists today was the work of the 14th-century monk Pacioli, who codified accounting procedures. From these arose the many conventions such as historical costs, arm’s length transactions, and debit and credit. Pacioli made his method of error-control and principles of valuation very widely known. Accounting objectives evolved considerably during the 19th century with the growth of the railroad. Accountants then used terms such as ‘surpluses’ and ‘encumbrances’, which were forerunners of modern accrual accounting. Wealth tracking evolved from simple inventories to complex estimations of future activity. The latter-day version of wealth tracking is called stewardship accounting, which focuses on providing information that enables the investors and creditors to evaluate how the firm has performed. Product costing (cost accounting), which provided tools to engineers, emerged in the middle of the late 19th century. Managerial accounting, which paid attention to economic decisionmaking and the economic analysis of costs, developed in the 1960s. Tax accounting, which identifies income and forms the basis of national accounts and social policy, came in later. Today a business organisation has all these different flavours of accounting with different sets of objectives and the raw data for each set of corporate accounts derives from a common system for data collection, error-control, and summarisation. These severely compromise the informativeness of accounting. The book under review makes an attempt to rectify the shortcomings with a system called financial dynamics, which can support a broad range of objectives of accounting, be it cost, management, or tax, from common data sources. Financial dynamics is all about valuation techniques and methods—a system of valuing technology companies.

The book is well structured and its 298 pages are spread into 12 chapters. The first three describe the history and characteristics of orthodox meaning and measures of value. Chapters 4 through 6 lay out the components financial dynamics methodology for valuing knowledge-intensive technology companies. Chapters 7 through 9 provide a roadmap to generate value estimators for use in decisionmaking. Applications of financial dynamics are taken up in the remaining three chapters.

In fine, this book on financial dynamics is all about describing and summarising the economic information that is ultimately needed for business decisions. A very interesting read, the book has the twin advantage of being well written and interestingly presented. It is clearly for the finance and accounting fraternity—financial analysts and economists. It will certainly help these readers to think out of the box.

R. KRISHNAN
Promoting healthcare

Recently, New-Delhi-based healthcare provider Fortis Healthcare Ltd opened its fifth hospital in Noida. Though promoted by the promoters of pharmaceutical major Rambaxy Ltd, the two are entirely separate organisations. “Healthcare is a growth area from our perspective,” says director Malvinder Mohan Singh. “We want to provide quality healthcare, and we feel we can fill the gap that is there,” he adds. For now Fortis Healthcare has two multispeciality hospitals in Mohali, Amritsar, and Noida, and one superspeciality hospital in Mohali. The recently opened hospital in Noida is a superspeciality hospital for orthopaedics and neurosciences. The focus is to set up five hospitals in the NCR area. Coming up is another hospital in Gurgaon, after which the company will look at south Delhi.

Tales of a traveller

Most people would love to have a book published by a fancy foreign publisher, but East-German-born Thomas Reissmann decided to get his book Return to La Paz published by a little-known Indian publisher, Frog Books. “It was one of the joys of the Internet,” says Reissmann of his search on the Net for a literary agent. Reissmann left the erstwhile East Germany at the age of 17 and went to the US on an exchange programme, after which he caught the travel bug. A study course in the UK and a university programme in South America took his fancy. It was his extraordinary experiences in South America that made him write his current book. For a 28-year-old the book is rather philosophical. “I want to inspire people to break out and follow their dreams,” he says. That’s not where his travels end. This year he’s in India to see the release of his book, whereas last year Reissmann toured India and made a 30-minute documentary titled An Indian Adventure in North India. The documentary is a perspective of an average traveller to Kolkata, Bodhgaya, Varanasi, New Delhi, Kashmir, and Dharmshala. The documentary comes to a dramatic end in Kashmir, where Reissmann interviews the locals in the wake of a bomb blast and finds out what their interests are. “The Kashmiris want peace and tourism back,” he says. The documentary has already been shown in Mumbai. Reissmann plans to air it on an Indian television and send it to film festivals in the US. “I want to create awareness, especially about the fact that Kashmir is now safe to visit as a tourist destination,” he says.

Book guru

There’s no end to this man’s books! We’re talking about ace marketer Jagdeep Kapoor, head of Samsika Marketing Consultants, who has just written his seventh book. Brandswitch explores why consumers switch brands and suggests ways to gain, retain, and regain customers. “In this day and age there are a vast range of options and customers want to have the best perceived value. It’s like they have an imaginary remote control, through which they are constantly surfing brands and wherever they find perceived value they stop, buy, and consume,” asserts Kapoor. The book lists seven modules of brand switches, and substantiates them through real-life examples, which include the recent P&G–Lever war and the Reliance IndiaMobile launch. Considering his previous six books have been very well received, he’s hoping this one enjoys the same success. And while readers manage to get through this one, he already has another one called 27 Brand Practices in the pipeline. Will he ever stop writing? “No way,” he laughs.
Encouraging soundbites

What is the one responsibility that CEOs should never delegate? This teaser was posed to a group of senior executives in Mumbai recently by T.J. Walker, the leading media training expert. Although CEOs tend to shy away from meeting journalists, Walker thinks that getting over that phobia and becoming an expert on delivering that soundbite is something that can be easily learned. In fact, this former journalist has built a thriving practice teaching top CEOs and heads of state precisely that through his firm, New York-based Media Training Worldwide. The “worldwide” part until now meant that Walker himself was jetting around the globe conducting personalised workshops for his high and mighty clients, who incidentally include the Miss Universe organisation. But the fast-growing Indian market seemed a promising proposition, prompting Walker to consider an Indian arm: Media Training India is headed by long-time communications professional Ravi Shyam, formerly of Philips and Bayer. The fledgling venture is already off to a promising start, signing up clients like Thomas Cook and Actis. An enthused Walker topped off his first Indian visit by giving up his formal Western jacket for an Indian kurta!

Branding flavour

One almost broke into the jingle “Ras ki raclina, Rasna...” as Piruz Khabatta, CMD of Rasna Pvt Ltd, accepted the AMA Zydus Cadila Marketing Man of the Year award at the hands of R. Gopalakrishnan, executive director of Tata Sons, at the Ahmedabad Management Association premises in Ahmedabad recently. Rasna, which has become a household name through the length and breadth of the country, not to mention several overseas nations as well, has been hailed as an example of how brands should be built. Speaking at the occasion, Khabatta said, “In order to be considered successful a product has to exceed customer expectations. At Rasna we have a deal — do not compromise on quality.” It does not sound like too bad a deal — adherence to the maxim has ensured that Rasna has 93 per cent of the market in its category in the country. Commending the efforts of Rasna to carve a niche in the market, Gopalakrishnan observed that under Khabatta’s leadership Rasna is now considered the most trusted brand in the beverage category, leaving competitive brands from multinationals far behind. Abroad, Rasna has jumped to more than 35 per cent market share from zero levels. “Piruz’s contributions to developing innovative concepts and marketing skills, overcoming international competition, his ingenious hands-on management style and emphasis on evolving core strengths in brand salience and phenomenal consumer understanding, are all worthy of emulation,” Gopalakrishnan observed. He also praised Khambatta for his social and professional support to various voluntary organisations. Well, that sure comes across as a multi-flavoured existence!
“Suzuki must take us into confidence”

Union minister of state (independent charge) for heavy industries Santosh Mohan Deb has been in the thick of media attention over the standoff between the Government of India and Suzuki Motor Corporation. In conversation with Manoj Narula the minister gave insights into the government’s objection to Suzuki’s proposed new investments in India. And contrary to popular perception, he pointed out that certain issues have yet to be resolved between the government and Suzuki before an amicable settlement is reached. He also spoke at length about the other priorities in his ministry. Excerpts

Q What prompted the hostile reaction to Suzuki’s investment plans?
A It’s quite simple. As a minister with the Government of India, I am here to protect the public interest. What made me sit up and rakes up the issue was a news item from Japan that Suzuki Motor Corporation was planning to invest Rs1,050 crore in setting up a new automobile plant in India. Now we are joint venture partners with Suzuki Corporation in Maruti Udyog Limited (MUL), and have an 18.28 per cent share. Other shareholders, including the Indian public, hold 27.51 per cent, while the rest is held by Suzuki. But both the Government of India and Indian investors were not taken into confidence before this vital decision. Even the local Suzuki people in MUL told me they had no idea about the investment and this is when we decided to voice our concern. Since then, the Suzuki people have responded and I’m hopeful we will be able to settle the matter amicably.

Q Reports have appeared of an amicable settlement on the issue. This happened very quickly indeed. If the matter was so simple, why such a flare-up?
A We welcome friendly investment. All we have to say is that if Suzuki had any plans for fresh investments, they should have first informed us. Only after discussions with the public shareholders and the government should they have thought of announcing fresh investments. In addition, we have to make sure that fresh investments are only made in the segments that will not be competition to MUL today or tomorrow. After all, they have signed an agreement with the government that Suzuki will participate in MUL so that the joint venture manufactures international-standard cars that will cater to both the domestic and export markets. Even in the case of fresh investment, we have to explore the possibility of government participation. All I can say is that the public interest will be of topmost priority in the settlement.

Q Apart from the Suzuki matter, what are the other priorities of your ministry?
A Most importantly, I have to follow the common minimum programme (CMP) which stipulates that the government will have a fresh look at the functioning of the public-sector units (PSUs) and all actions of the government will have a human face. I am of the firm opinion that we should not divest, under any condition, the profit-making enterprises. Any chronically loss-making PSU will certainly be closed, but not before providing ample protection to the workforce. Those PSUs that are occasionally in losses and there are possibilities of reviving them, we will have a fresh look and opt for their turnaround by extending all possible help.

Q But how will you determine what category a PSU falls in?
A At the moment, as far as my ministry is concerned, I am supervising everything myself. We will seek opinions of experts that will be taken into account once our preliminary exercise is complete. For the record, of the 48 PSUs under me, there are only nine profitable ones. Seven of the remaining 39 have already closed down. In our exercise I have been made to understand that 17 out of the 31 enterprises can definitely be made viable. I have formed an informal committee of various ministry officials who regularly brief me in this regard. A consultant is being hired to further fine-tune the basic parameters that we have formulated. The details will be made public after this exercise is completed.

Q And then?
A Then, with specific proposals for each enterprise, we will go to the finance ministry for a package under the rehabilitation scheme. During the budget exercise the finance minister had announced that a public-sector enterprise reconstruction committee would be formed. I am going to enact that committee in my ministry and it will be placed before the Cabinet soon.

Q Are you exploring any option for generating resources internally?
A See, we have only one navratna with us - Bharat Heavy Electricals Limited (BHEL). Still, I am hopeful that we will perform well with most of our PSUs. I have already assured both the Lok Sabha and the Rajya Sabha that all salary, wage, and statutory dues due to the tune of Rs538.72 crore will be cleared within this financial year. I would like to conclude by saying that for trade unions, this will be their last chance to turn the human resources employed in the public sector from being looked upon as a liability to be seen as an asset in the future.
A reliable bank you can step in...

...a dependable friend you can lean on

- Powerful Nationwide presence
- Fully Computerised branches with networked ATMs
- The widest range of Insurance linked savings schemes and loan options
- Innovative Corporate Banking Services aimed at industrial growth
- A wide spectrum of International Banking Services

Andhra Bank
(A Govt. of India Undertaking)
H.O. : Dr. Petaiah Bhavan, Saltabad,
Hyderabad - 500 004,
www.andhrabank-india.com
First in Service - Best in Banking
Tangent now Presents
World-Class Office Furniture

- Home Furniture  - Office Furniture  - Accessories

Ideas for better living

Tangent™
THE FURNITURE MALL

Showrooms • MUMBAI: Malad - (022) 2879 3000 (4 Lines), Mulund - (022) 2591 5888 Vashi - (022) 2783 1497
• PUNE: (020) 2567 9672 • BANGALORE: (080) 2563 1307 • AHMEDABAD: (079) 2687 1202 • SURAT: (0261) 559 2323
Contact Corporate Office Tel Nos.: (022) 28763412 • Email: tangent@tangentindia.net Website: www.tangentindia.net
FRANCHISEE ENQUIRIES SOLICITED