

India Now Business and Economy

JUNE-JULY 2014 | Volume 01 | Issue 02

INSIDE

SPECIAL REPORT

Union Budget 2014-15 has spelt out the reformist agenda

INNOVATION CORNER

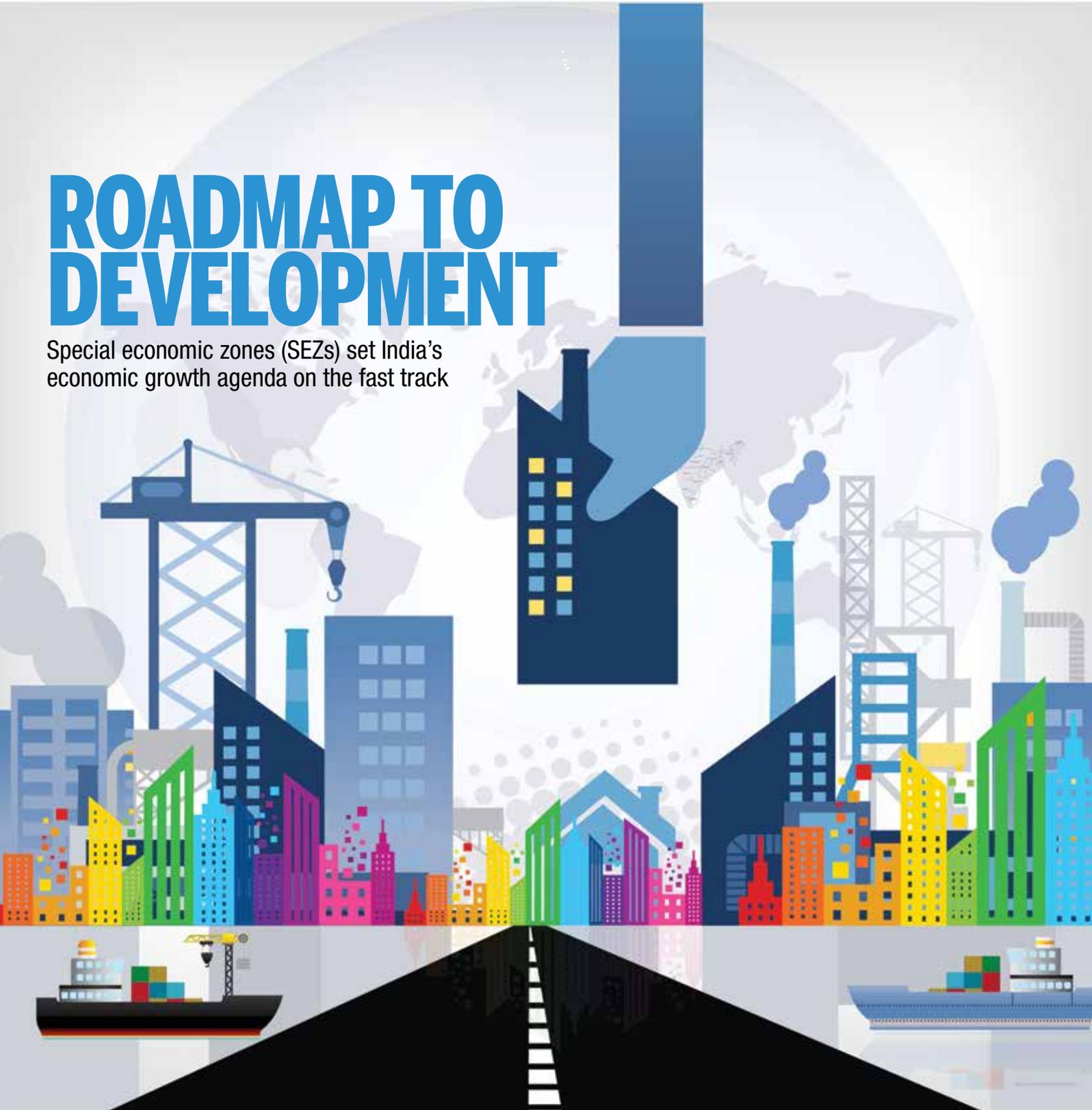
A breakthrough that brings sweet news to the diabetics

RURAL UPDATE

A self sustaining farm to market model for, by and of the farmers

ROADMAP TO DEVELOPMENT

Special economic zones (SEZs) set India's economic growth agenda on the fast track



THE DIAMOND HUB

14 out of 15 of all the world's diamonds are processed in India.



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EDITORIAL

Spring in India's Step India prepares to take the next leap on sound policy backing.

Though it's monsoon in India, there is spring in its step. A new government at the Centre, a promising Budget high on action and reforms, a universal optimism in the air and a general *joie de vivre* gripping the nation—that in sum is the mood of the India.

The Budget has focussed on an action agenda with a long term vision plan for the Indian economy. India's engines of growth—manufacturing, SME, agriculture, real estate, automotive industry, foreign direct investment, etc—get the right push. We give a brief insight into Budget highlights in our *Special Report*.

India is on the world's radar and people the world over have given their wholehearted mandate. Take for instance Japanese brokerage firm Nomura forecasting that it will be Asia's biggest turnaround story and the US Secretary of State John Kerry declaring "US and India can and should be indispensable partners for the 21st century". Business sentiment is also at an all time high with 90 per cent of business leaders surveyed by professional networking site LinkedIn reposing confidence in the country's economic progress.

One of the important sectors receiving a booster dose for growth in the Budget was the special economic zone (SEZ). These enclaves of excellence have been instrumental in catapulting India into the league of developed nations. Read about India's SEZ journey in our Cover Story. A scion of a business family chooses not just to take his family rug export business to unprecedented heights but to build a republic of diversified niche enterprises that are high on aesthetics. We try to figure out his love for scaling new summits in *Emerging Entrepreneur*. In *Innovation Corner* we cover a serial innovator of the Siddha stream who has commercialised the world's only herbal diabetic sugar, and in *Rural Update*, two young men win our hearts with their sustainable self-help social enterprise model for the farming community. Discover the many nuggets of India in this issue!



Sangita Thakur Varma

India Now Business and Economy

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“As a leader, I am tough on myself and I raise the standard for everybody...I want people to excel...aspire to be me...”

—Indra Nooyi, Chairperson & CEO, Pepsico



National ROUND-UP



PHOTO BY THINKSTOCKPHOTOS.IN

India-Brazil Deepen Trade & Investment Ties Sign three pacts

IN A MAJOR boost to bilateral ties, India and Brazil decided to expand trade and investment flows while deepening collaboration in the fields of renewable energy, defence and cyber security as they signed three pacts including one on cooperation in the environment sector.

The decisions were taken during the first bilateral meeting between Prime Minister Narendra Modi and Brazilian President Dilma Rousseff in Brasilia. In a statement issued later, the external affairs ministry said that the two leaders agreed to take steps to scale up and diversify trade and investment flows and

deepen cooperation in agriculture and dairy sciences, conventional and renewable energy, space research and application, defence, cyber security and environment conservation. They also agreed to intensify their cooperation in international fora and multilateral institutions including the G-20. Modi and Rousseff called for urgent progress on reforms of the United Nations including the Security Council, by 2015.

Bilateral trade between India and Brazil stood at US\$ 9.4 billion in 2013 with balance of trade in favour of India. Total FDI by Indian companies in Brazil from 2007 to 2013 was US\$ 0.1 billion.

DATA BRIEFING

**US\$
9.4
Billion**
Bilateral
trade
between
India &
Brazil in
2013

PHOTO BY THINKSTOCKPHOTOS.IN



Defence, India's Next Sunrise Sector Opportunity for industry

DEFENCE COULD become India's next hot sector to watch out for with the impetus it received from the government in the recently announced Union Budget. The decision of the government to reduce dependence on imports of defence equipment and raise the foreign direct investment limit in the defence production sector from 26 per cent to 49 per cent has provided a major fillip to the industry. According to reports, the government cleared proposals for procurement amounting to Rs 21,000 crore (US\$ 3.45 billion) and also passed a proposal for production of transport aircraft indigenously.

A report released by Edelweiss Securities Ltd subsequent to the Budget on July 10 projected India's likely defence outlay at US\$ 248 billion in the next 10 years with the country engaging in large-scale modernisation of its armed forces and the consequent increase in spending. KPMG forecasts that the defence budget could grow at a compounded annual growth rate of 8 per cent to touch US\$ 64 billion in by 2020. Both foreign and domestic players are set to benefit from bigger opportunities with the government firm on promoting the domestic defence sector via another round of reforms.

THEY SAID IT JOHN KERRY

Washington, July 28, 2014

“The US and India can and should be indispensable partners for the 21st century. The dynamism and entrepreneurial spirit of our relationship is needed to solve some of world's greatest challenges...The new Indian government plans *Sabka Saath, Sabka Vikas*, together with all, development for all, a vision that we want to support...”



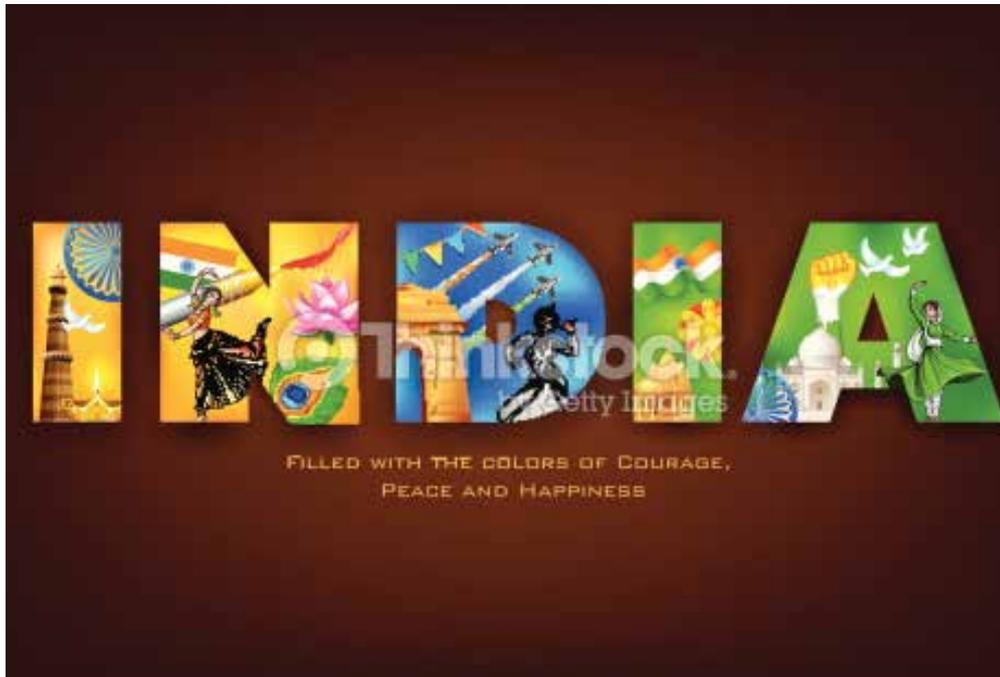
— US Secretary of State John Kerry

RESEARCH UPDATE



‘Seedless’ Mangoes Tested in Bihar

Researchers at Bihar Agriculture University have tested a new ‘seedless’ variety of mangoes called Sindhu. Weighing around 200g, Sindhu is less fibrous as compared to other varieties with the seed accounting for less than 10 per cent of the total weight.



India to be Asia's Biggest Turnaround Story, says Nomura GDP to rise over 7 per cent in FY16

A REPORT by Japanese brokerage firm Nomura finds India set to be Asia's biggest turnaround story with the country's GDP growth expected to rise to over 6 per cent in FY 2015 and over 7 per cent in FY 2016. According to the report, 2014 would mark an inflection point and 2016 will be a watershed year. "Under Prime Minister Narendra Modi's new reform-minded government, the medium-term outlook is much improved," it said.

"We expect real GDP growth to rise from an average of 4.7 per cent in 2013-14 to 6.3 per cent in 2015, 7.1 per cent in 2016 and 7.7 per cent in 2017," the report said. "It is not an exaggeration to expect India to stand out as the biggest emerging market turnaround

story in the next five years," Nomura added. It expects reforms to revitalise real investment growth to 10 per cent per annum, lifting potential output growth to around 7 per cent in the next five years. If reforms are fast tracked, real investment could hit 15 per cent per annum, raising potential growth to above 8 per cent, the report said.

Harvard University professor Gita Gopinath also expects the Indian economy to grow at 6 per cent in 2014-15. She also foresees a reversion to a growth rate of around 7-8 per cent in coming years. "Let's just say that 6 per cent growth rate in FY15 would not be unreasonable..." With good governance, speedy implementation, improved infrastructure and manufacturing revival, 7-8 per

cent growth is certainly within reach, she said in an interview. Gopinath has pitched for India's rating upgrade.

The Economic Survey for 2013-14 too predicted an improvement in the country's GDP growth rate to 5.4-5.9 per cent in the current fiscal. The survey forecasts a reversion to a growth rate of around 7-8 per cent beyond the ongoing fiscal and the next fiscal.

Facebook Chief Operating Officer Sheryl Sandberg too said in an interview that India has the potential to become the largest economy in the world. Sandberg said that the over US\$ 2 trillion Indian economy has immense potential to create jobs and drive growth, especially with its huge base of small and medium businesses.

SOUND BYTES



"...Prime Minister Modi comes in

with strong wind at his back from the business community and confidence from the investor community about the plans...and the vision that he has outlined for India's growth..."

Nisha Desai Biswal, Assistant Secretary of State for South and Central Asia, US



"India is a huge force, not only in terms of

people coming online, but also shaping what the digital future can be. As we figure out how people understand the web, India absolutely has to be at the core of that."

Mark Surman, Executive Director, Mozilla Foundation



"The world needs more diamonds.

There are no great discoveries. And the Madhya Pradesh mines are high grade deposits."

Sam Walsh, Chief Executive Officer, Rio Tinto Group

SECTOR UPDATE

India has Ambitious Plans for Renewable Energy Investment enhanced to expand capacity

INDIA'S WIND energy sector is one of the top performing renewable energy segments in the country. India is the fifth largest producer of wind energy. The sector constitutes 68 per cent of the total renewable energy produced in the country. This information was shared by India's ambassador to the UAE, T P Seetharam.

Seetharam was recently appointed India's permanent representative to International Renewable Energy Agency (IRENA). The 21-member IRENA is based in Abu Dhabi. India

is a member and the current vice chairman of its council.

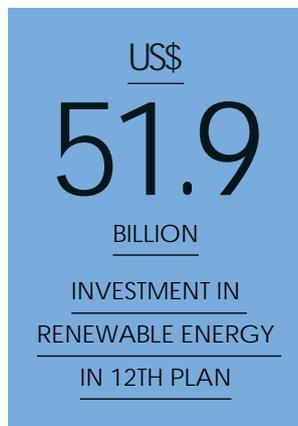
IRENA, an inter-governmental organisation, supports countries on enabling a sustainable energy future and promotes interna-

tional cooperation in the field. The annual growth rate of renewable energy in India in the last decade has been about 22 per cent. Hydropower, bio-energy and solar energy are other promising sectors that offer opportunities for sharing

experiences. India plans to add an additional renewable capacity of 30 Giga Watts during the 12th Five Year Plan (2012-17) period.

The projected investment in renewable energy for this enhancement of capacity is to be four times that of the 11th Five

Year Plan, Seetharam said. The projected investment in the 11th Five Year Plan was ₹89,200 crore (US\$ 14.54 billion) while for the current plan it is ₹3,18,600 crore (US\$ 51.92 billion).



DEVELOPMENT TRACKER

India to Head BRICS' US\$ 100 Billion Development Bank US\$ 100 billion currency reserve pool also set up by partner countries



A US \$ 100 BILLION development bank and a currency reserve pool were launched by leaders of BRICS emerging market nations, marking the first concrete step toward reshaping the Western-dominated international financial system.

For the first five years, India will preside over the bank's operations, followed by Brazil and then Russia, leaders of the five-country group announced at a summit. The bank based in Shanghai is aimed at funding infrastructure projects in developing nations.

"The agreement towards

setting up the BRICS New Development Bank is a significant step. I am happy the initiative announced in 2012 in Delhi has become a reality," Prime Minister Narendra Modi said.

They also set up a US\$ 100 billion currency reserve pool to help countries forestall short-term liquidity pressures.

The bank is the first major achievement of the BRICS countries—Brazil, Russia, India, China and South Africa—since they got together in 2009 to press for a bigger say in the global financial order.

TOURISM TRACKER

India in Top 5 Medical Tourism Hotspots List

INDIA is one of the top five medical tourist destinations in the world. It has hosted nearly 166,000 medical tourists from across the globe in 2012, said a PHD Chamber's *Medical and Wellness Tourism Report* released recently.

The report forecasts that the medical tourism industry will reach US\$ 6 billion by 2018 and credits the presence of highly skilled doctors coupled with improvement in medical infrastructure among the reasons behind India's rising attractiveness in



the medical tourism market.

To further promote India's native advantages, the Union Ministry of Health and Family Welfare is trying to engage international agencies for the promotion of alternative and traditional medicines. The government is trying to promote traditional medicinal practices like Ayurveda and yoga around the world with the help of WHO.

INDIA WATCH

Area	Population	Male	Female	Population Density	Urban Population
3,287,263 sq km	1.27 billion	655.8 million	614.4 million	382 per sq km	380.214 million

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

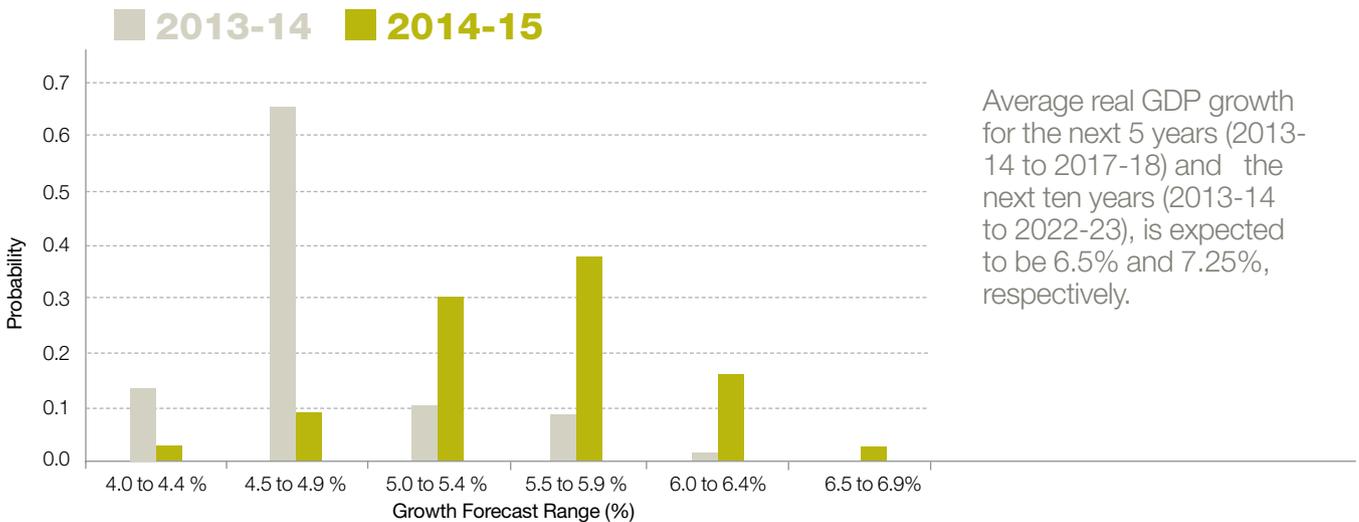
India's Economic Outlook

Fiscal Year	2009-10 *	2010-11 *	2011-12 *	2012-13 *	2013-14 *
GDP Growth	8.6%	9.3%	6.2%	5%	4.7%
CPI	5.5%	14.44%	8.87%	9.5%	8.45%

Source: RBI

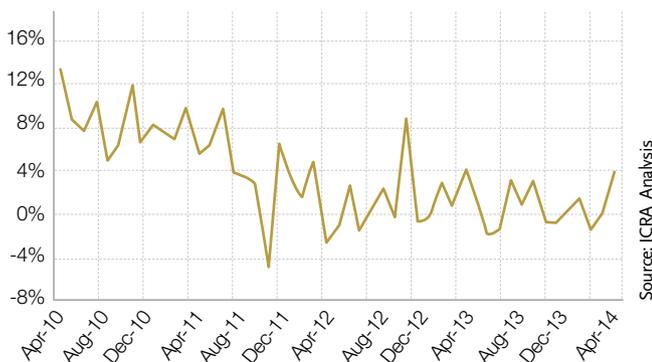
* Actual

Mean Probability Pattern of Growth Forecast



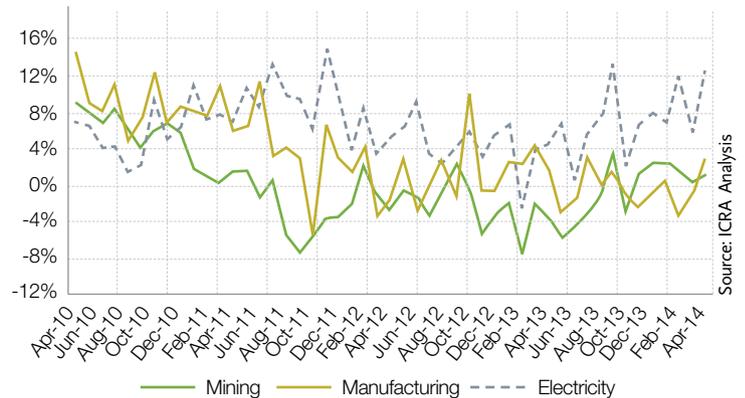
Source: RBI survey of professional forecasters, 27th Round (Q4: 2013-14)

Chart 1: Year-on-Year Growth in IIP



Source: ICRA Analysis

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



Source: ICRA Analysis

Chart 3: Contribution to IIP Growth

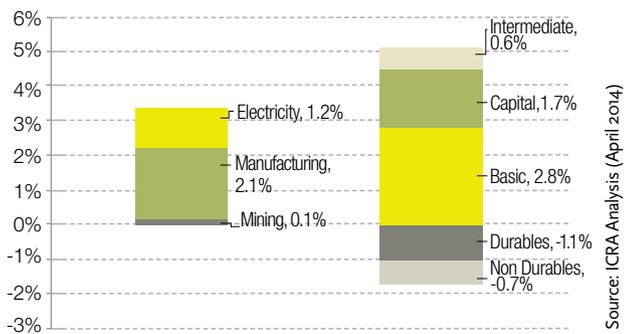
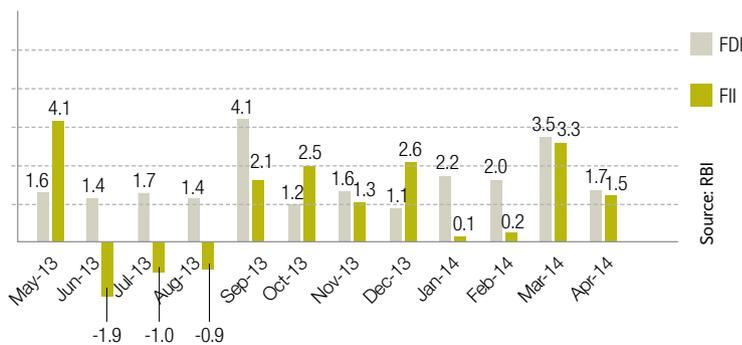
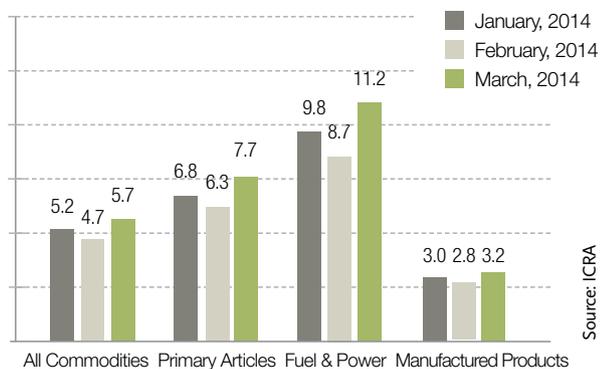


Chart 4: FDI and FII Inflows (in US\$ billion)



YoY Wholesale Price Index (Inflation)



Key Macroeconomic Indicators

Cash Reserve Ratio (%)



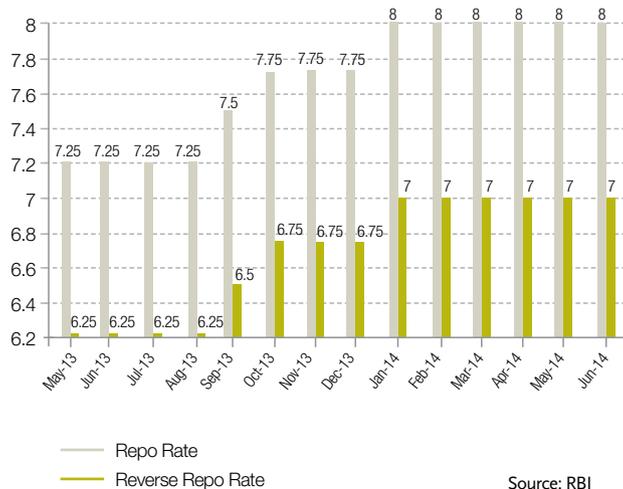
Stock Market

	Sensex	%age Change	S&P CNX NIFTY	%age Change
Oct-13	20,492.94	4%	6,083.87	5%
Nov-13	20,791.33	1%	6,128.64	1%
Dec-13	21,170.68	2%	6,246.87	2%
Jan-14	20,513.85	-3%	6,223.16	0%
Feb-14	20,521.34	0%	6,098.74	-2%
Mar-14	21,815.71	6%	6,507.98	7%
Apr-14	22,585.44	4%	6,760.85	4%
May-14	24,217.34	7%	7,083.16	5%
Jun-14	25,413.78	5%	7,542.84	6%
Jul-14	25,006.98	-2%	7,630.31	1%

Currency Exchange Rate

	INR/US\$	INR/GBP	INR/JPY	INR/EUR
Oct-13	61.61	99.2	84.9	62.99
Nov-13	62.63	100.88	84.53	62.68
Dec-13	61.91	101.4	84.82	59.83
Jan-14	60.42	102.29	84.6	59.66
Feb-14	62.25	86.89	84.96	61.18
Mar-14	61.01	102.97	84.61	61.01
Apr-14	60.36	101.08	83.35	58.86
May-14	59.31	99.94	81.49	58.28
Jun-14	59.73	100.98	81.24	58.53
Jul-14	59.91	102.68	81.65	58.91

Repo Rate and Reverse Repo Rate (%)



Reformist Budget Aims at a Vibrant Economy

The government in its maiden Budget has aptly kept its focus on reform measures to boost business and accelerate economic growth.

BY SANJAY K OJHA

The Union Budget 2014-15 of India was much more eagerly awaited than is normal with a new government in the saddle. The government certainly did not disappoint. It presented a well constructed roadmap for the future growth of India that has won it a solid round of global applause. "We shall leave no stone unturned in creating a vibrant India," with these words, Union Finance Minister Arun Jaitley presented the government's



ment's first Union Budget in Parliament on July 10. The government had got its priorities right—placing the industry at the fulcrum of a sustainable and developed India.

By unleashing a practical budget, the government steered clear of populist promises and announced measures that would effectively catalyse industrial growth in the country. Among them was setting up of a mechanism for regular consultation with trade and industry to improve clarity on tax legislation. The government's move to launch an e-Biz platform by December 31 this year to provide a business and investor-friendly ecosystem in India—by making all business and investment related clearances and compliances available on a 24x7 single portal, with an integrated payment gateway—received accolades from industrialists and experts alike.

“Overall, I found this budget conveying a positive vibe to the industry. Besides many other steps announced in the Budget, I feel a crucial role would be played by the IT based single window e-Biz service. This should help in reducing business hassles for the industries along with boosting ease of doing business in India. Another impressive step is the focus on developing the infrastructure sector in the country, which is essential to facilitate industrial activity,” said Dripto Mukhopadhyay, Chief Economist and Head-Microeconomics, Indicus Analytics.

The Budget bonanza was also applauded by Amar Sinha, Executive Director, Wave Infratech. “I am very optimistic about the budget as an industry associate. It's not for a short haul and the government has to perform during its tenure of rule. They have made a very good beginning. There is a little of something for every sector. I think the government has taken a pragmatic approach,” he said.

Boosters for SMEs

Small and medium enterprises (SMEs), which form the backbone of the Indian economy accounting for more than 45 per cent of the country's industrial output and employment, got the government's attention in the Budget. Realising that financing is critical to SMEs' growth, the government has proposed to appoint a committee with representatives from the Finance Ministry, Ministry of Micro, Small and Medium Enterprise (MSME) and the Reserve Bank of India to give concrete suggestions in three months.

“This year's Budget has taken some proactive steps that would certainly boost the MSME sector. These include creating a corpus of ₹10,000 crore (US\$ 1.64 billion) to encourage startups, launch of Skill India initiative, programme to facilitate backward and forward linkages, establishment of Technology Centre Network, establishment of nationwide District level Incubation and Accelerator Programme and a few similar ones. The Budget also spoke of developing a bankruptcy framework to facilitate easy exit for MSMEs. In general, the MSME sector must expect positive growth in coming years,” Dripto observed.

Rail Budget Private Investment in Driving Seat

- Investment in rail infrastructure through domestic and FDI routes
- Bulk of future projects to be financed through PPP mode, including the high-speed rail project
- Foot overbridges, escalators and lifts at all major stations through PPP route
- Involvement of individuals, NGOs, trusts, charitable institutions, corporates, etc to provide passenger amenities
- Outsource cleaning activities at 50 major stations to professional agencies
- Attract investment for connectivity projects under PPP through BOT and Annuity route
- Development of identified stations to international standards with modern facilities and passenger amenities through PPP mode

The government also exhibited its commitment to support special economic zones (SEZs) and make them effective instruments of industrial production, economic growth, export promotion and employment generation—by reviving the investors' interest to develop better infrastructure and to effectively and efficiently use the available unutilised land. Besides, the proposal to establish an export promotion mission is also a step forward in boosting the morale of the exporter community across the country.

Growth Corridors

The development of industrial corridors forms the cornerstone of the strategy to drive India's growth in manufacturing and urbanisation and the government, with an initial corpus of ₹100 crore (US\$ 16.37 million), has proposed to set up a National Industrial Corridor Authority, with its headquarters in Pune. Jaitley proposed an investment of ₹37,880 crore (US\$ 6.2 billion), which included ₹3,000 crore (US\$ 491 million) for the northeast region and set a target to construct 8,500 km of national highways by 2014-15. An inland waterway of 1,620 km from Allahabad to Haldia has been proposed at an outlay of ₹4,200 crore (US\$ 687.5 million). The project is expected to be completed in the next six years.

A comprehensive policy to promote the Indian ship building industry and enhance port trade including 16 new port projects with a focus on port connectivity, Outer Harbour Project for development of Tuticorin port, SEZs in Kandla and JNPT, was also proposed by the government.

There is a proposal to set up a Hastkala Academy for the preservation, revival, and documentation of the handloom sector through PPP mode in Delhi. The government has also announced that it will develop new airports in Tier I and Tier II cities through Airports Authority of India or PPPs, to reach

out to large numbers of aspirational Indians. Shyama Prasad Mukherji Rurban Mission will be launched to deliver integrated project based infrastructure in the rural areas through PPP schemes, and there is also a proposal for a PPP model in National Housing Bank.

To give a thrust to investment in the economy, PSUs will invest through capital investment a total sum of ₹247,941 crore (US\$ 40.6 billion) in the current financial year to create a virtuous investment cycle. Ultra mega solar power projects in Rajasthan, Gujarat, Tamil Nadu, and Ladakh in J&K, a scheme for solar power-driven agricultural pump sets and water pumping stations, development of 1 MW solar parks on the banks of canals and implementation of the Green Energy Corridor Project are critical steps expected to steer industrial growth.

Besides, Ultra-Modern Super Critical Coal Based Thermal Power Technology scheme to promote cleaner and more efficient thermal power, efforts to end the existing impasse in the coal sector to unlock dead investments and rationalise coal linkages, accelerate production and exploitation of coal bed methane reserves, encourage investment in mining sector and promote sustainable mining practices, revise royalty rate on minerals—are critical steps towards catalysing growth in the country.

Real Estate on a High

The realty sector is upbeat with the introduction of real estate investment trusts (REITs) and infrastructure investment trusts, which will enable it to attract new pools of much-needed equity capital to strengthen its balance sheets and free up resources for investment in new asset creation and growth. As Amar says, “REITs will boost the realty sector as more real estate properties would come up, along with a lot of transparency. Also, investors will be able to invest and earn their return in a very transparent manner. So, it is a step in the right direction as it will give industry status to the real estate business.”

To realise the Prime Minister’s vision of developing ‘One Hundred Smart Cities’—as satellite towns of bigger cities and



by modernising the existing mid-sized cities to create better living conditions for the neo-middle class—the Budget provided a sum of ₹7,060 crore (US\$ 115.67 million) in the current fiscal year. The allocation of ₹4,000 crore through National Housing Bank would enable cheaper credit for affordable housing to the urban poor and buyers in the LIG and EWS categories, which will also enable government agencies to attract small developers into the development system. The increase in interest rate deduction limit on housing loan to ₹2 lakh (US\$ 3,273.7) from ₹1.5 lakh (US\$ 2,455.4) is a booster to real estate companies and buyers alike. Amar added, “The proposal for smart cities, which were pioneered by IBM worldwide, is a great step in the right direction, because India is a growing economy. The industry is growing and business is growing. Therefore cities must have right infrastructure and living conditions. People must have all that is required for people to stay, live and work and to grow business. In addition, ₹8,000 crore (US\$ 1.3 billion) has been allocated for the rural housing programme, which is a great boost for the real estate sector. This money will largely flow into Tier II, III and IV cities and will develop small players.”

The government has also proposed to amend the Land Act to make land acquisition easier, which again is set to activate real estate projects. Besides, in order to create smart cities and facilitate housing for all, the government made changes in FDI norms and proposed a reduction in built-up area from 50,000 sqm to 20,000 sqm, and minimum capitalisation from US\$ 10 million to US\$5 million respectively, with a three-year post completion lock in.

FDI Promotion

The Budget has proposed to increase foreign direct investment (FDI) limit in insurance and defence sectors from 26 per cent to 49 per cent. Experts feel that FDI enhancement in defence

Mega Clusters

- Trade Facilitation Centre and a Crafts Museum to develop and promote handloom products and carry forward the rich tradition of handlooms of Varanasi, with creation of a textile mega-cluster.
- Mega-clusters are to be established at six other places—Bareilly, Lucknow, Surat, Kutch, Bhagalpur, Mysore and one cluster in Tamil Nadu.
- Pashmina Promotion Programme (P-3) and a programme for the development of other crafts of Jammu & Kashmir

will boost indigenisation of defence hardware in the country.

“There is nothing to oppose in the proposal to increase FDI limit in the defence sector. India is one of the largest buyers in the defence market. We cannot expect domestic investment to meet the defence sector’s requirement in terms of technology and production. Allowing FDI would enable purchase of new technologies as well as increase production compared to a scenario dominated by domestic investment,” added Dripto. Vishnu Mathur, Director General, Society of Indian Automobile Manufacturers too hailed it as a “good sign”, saying that “it will give a fillip to the automotive industry as lots of demand for vehicles would be coming from the defence sector.”

Auto Industry Upeat

The automotive sector is happy with Jaitley’s announcement of looking into the goods and services tax (GST), which will enable a uniform tax structure and provide a boost to industrial growth. Besides, the much-needed extension of excise duty cuts by the government in June till December 31 this year—which was announced in February’s interim Budget—has been well received by the auto industry. Experts say that it is set to enhance automotive sales, as the figures for June—particularly of cars and two wheelers—have already vindicated the policy decision.

“The auto industry has welcomed the Budget. In fact, even before the Budget, the government had extended the excise duty cut on vehicles till December 31 and it was mentioned in the Budget also. We hope that the cut will be extended beyond December 31. Apart from it, it’s a very positive Budget for the industry. The whole issue of excise valuation was under discussion and that issue has been sorted out. We also hope that many more such announcements will be made to give a boost to the auto market,” said Mathur.

Competitive Edge to Agriculture

The government outlined several measures to make farming—which contributes nearly 1/6th to national GDP—competitive and profitable. While aiming at a sustainable growth rate of 4 per cent in agriculture sector, it called for urgent need to step up investment, both public and private, in agro-technology development and creation and modernisation of existing agri-business infrastructure. Two agricultural institutes in Assam and Jharkhand on the lines of Indian Agricultural Research Institute, Pusa are proposed to be established. The Finance Minister announced the setting up of Agri-Tech Infrastructure Fund, 100 mobile soil testing laboratories to maintain the fertility of soil, National Adaptation Fund to meet climate changes, and Price Stabilisation Fund to mitigate uncertainty in farm produce and price volatility by providing finance to five lakh joint farming groups of Bhoomi Heen Kisan through NABARD. Agricultural universities in Andhra Pradesh and Rajasthan and horticulture universities in Telangana and Haryana were also proposed to be established. Technology driven

Economic Survey 2013-14

- GDP growth rate expected at 5.4- 5.9 per cent in 2014-2015, around 7-8 per cent beyond FY15
- Emphasis on regaining growth momentum
- Restoration of domestic macroeconomic balance and revival of business sentiment
- Stable inflation through fiscal consolidation, monetary policy framework, and a competitive national market for food
- Fiscal adjustment, new Fiscal Responsibility and Budget Management (FRBM) Act, better tax regime, greater transparency, improved budgetary management for sound public finance
- Proposes to set up 16 Manufacturing Zones under National Manufacturing Policy
- Creation of a national common agriculture market, facilitating investment in agro-processing sector by providing greater incentives for private sector
- Services sector treading robust path from 2000-2001 to 2013-2014, contributes to 57 per cent of total GDP; second fastest growing sector with 9 per cent CAGR
- 88,537 megawatt (MW) power capacity planned to be added over next five years
- Agriculture and allied sector achieves a growth of 4.7 per cent in 2013-14
- Record food grain production of 264.4 million tonnes expected in 2013-14

second green revolution with focus on higher productivity including protein revolution will be an area of major focus. To protect the interests of both farmers and consumers, the Union government would accelerate setting up of a National Market, and work closely with the state governments to reorient their respective APMC Acts. The state governments will be encouraged to develop farmers’ markets in town areas to enable farmers to sell their produce directly. A sum of ₹50 crore (US\$ 8.2 million) was provided for the development of indigenous cattle breeds and an equal amount for starting a blue revolution in inland fisheries, while a target of ₹800,000 crore (US\$ 130 billion) was set for agriculture credit during 2014-15. The corpus of Rural Infrastructure Development Fund (RIDF), which helps in creation of infrastructure in agriculture and rural sectors across the country, has been raised by an additional ₹5,000 crore (US\$ 820.34 million) from the target given in the Interim Budget to ₹25,000 crore (US\$ 4.1 billion) in the current financial year.

The government’s proposed policy reforms have brought cheers to the industry as the focus shifts to creating the right environment for boosting business and investments. The effects are already visible on the market as investor sentiments have got a boost with easing inflation and there is also renewed buying interest from foreign funds. ■



Renault Rides on Duster Storm

The Duster gave much needed fillip to Renault's ambitions in India and the country's engineering potential promises far greater gains for Renault's drive globally. BY SANJAY K OJHA

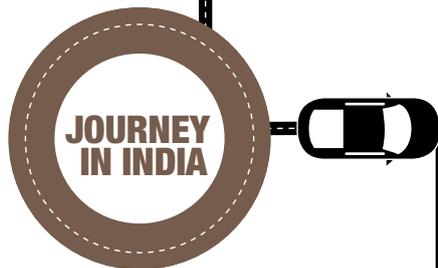


COMPANY DASHBOARD

- ▲ **COMPANY**
Renault India
- ▲ **ESTABLISHED**
Registered in 2005
- ▲ **HEADQUARTERED IN**
Mumbai
- ▲ **AREA OF FOCUS**
Four wheelers
- ▲ **NETWORK**
 - Manufacturing plant in Chennai
 - Renault Design in Mumbai
 - Warehouse for international parts & logistics centre in Pune

The engineering prowess in India inspired Renault-Nissan CEO Carlos Ghosn to coin the term frugal innovation in 2006 and redirect the resources of the Franco-Japanese alliance to leverage the promising talent pool available in the country. Around eight years since that term captured the global imagination, Renault has found a firm footing in the Indian automotive market as well. Renault India Private Limited, a fully-owned subsidiary of Renault SAS of France, is driving high on its ever-increasing sales graph in the country even as it plans to roll out innovative cars to capture international imagination.

Set up at Oragadam near Chennai in February 2008 with an initial investment of ₹45 billion, the manufacturing facility of the company began its operations in 2010. The initial production capacity of the plant was around 400,000 units per annum, which has now increased to nearly 480,000 units per annum. Renault India at present has 131 dealer outlets



- **2005:** Renault India registered in Mumbai
- **2008:** Manufacturing plant in Oragadam near Chennai set up; Renault Design begins operation in Mumbai; Logistics centre launched in Pune
- **2010:** Chennai plant begins operation
- **2011:** Launches first car in India, Fluence
- **2012:** Launches Renault Pulse and unveils Renault Duster at the Delhi Auto Expo 2012; Renault Scala launched
- **2013:** Warehouse for International Parts Centre (IPC) network in Pune; Launches the Gang of Dusters, a community for Duster owners; Won over 43 awards starting from 2011, which included 29 awards for Duster
- **2014:** 100,000 cars milestone on Indian roads in less than 3 years of operation

across the country. Renault Design India was established in September 2008, the first vehicle design studio set up by a foreign manufacturer in India. It customises global products keeping in mind the customer trends in India.

The company at present offers five models in the Indian market—the premium sedan Fluence, the luxury SUV Koleos, the premium compact car Pulse, the sports utility vehicle (SUV) Duster and the premium sedan Scala. Renault India also exports Duster to a growing number of right-hand drive markets.

Duster: The Game Changer

Within a few years of setting up its operations in the country, the French auto giant has wrested a market share of about 2.6 per cent and aims to double it to 5 per cent over the next three to four years by tapping the potential of the fast growing multi utility vehicles (MUV) segment in India besides making a presence in the sub-₹4 lakh (US\$ 6573.54) car market with new launches in the price range in the pipeline.

The Duster, its iconic SUV launched in 2012, is a major contributor to Renault's spectacular growth in India. The company registered an over eight-fold jump in sales in March 2013 to reach 8,232 units—with Duster accounting for 6,313 units—compared to 1,005 units sold during the corresponding period in the previous year. The French firm marked another milestone when it reported a two-fold increase in sales in July 2013 that stood at 3,763 units—with Duster sales reaching 3,089 units—from 1,776 units in the corresponding period in 2012.

Expansion on the Fast Track

Renault has set its eyes firmly on expansion in India after Brazil and Russia. To tap the huge Indian automotive market, the company is coming up with innovative promotional strategies to lure customers. For instance it kept all its

showrooms and service stations across the country open round the clock on May 24 and 25 under a unique initiative—Round the Clock. Under this programme, customers were offered attractive EMI offers, an additional two year warranty and free roadside assistance for four years, besides gifts. The offer was valid on select variants of Duster and Scala. Renault India also organised forty six Renault Car Clinics across the country in May this year in continuation with the French firm's strategy to reach out to a wide base of customers. Since January 2014, over 125 Renault Car Clinics have been organised, servicing more than 10,500 cars.

In addition, Renault has partnered with ICICI bank in a promotional campaign that will enable the firm to reach out to approximately 22 million customers of the bank across the country. The company knows the importance of

being on the social networking platform to enhance its fan base. With aggressive campaigning, Renault has made over one million Facebook fans in less than three years of its presence in India, accounting for over 10 per cent of its global Facebook fans.

Renault India supported the cycling event, Tour de India 2013, held for the first time in December 2012, aimed at promoting cycling sports in India while bringing international cycling to the country. It also sponsored a cricket series between India and Sri Lanka in 2013. The company partners with ESPN Cricinfo Awards, which acknowledge cricketers for their performance and achievements in Test Cricket and One Day Internationals every year.

The Renault workshop at Noida received a special assignment during the 2013 Airtel Indian Grand Prix—painting two Caterham F1 chassis before

the Grand Prix. On the cinema front, the French firm partnered with actor John Abraham to leverage his movie *Madras Café* for in-film brand promotion of the Duster. In association with the Producers and Directors Guild of India, Renault India organises Renault Star Guild Awards, which recognise the efforts and achievements of Indian artists in entertainment and cinema.

Renault's active partnership in socially relevant initiatives has also contributed significantly towards enhancing its brand equity. For instance, the company in partnership with Linc Pen and Plastics Ltd launched a road safety and education programme—SPELLINC—for schoolchildren in September 2013. The mission of the module was to not only make students aware but also to convert them into road safety ambassadors.

The Next Leap

In 2013, Renault-Nissan announced its plan to double investments in India over the next few years to US\$ 5 billion. From the market perspective, the focus is to boost market share to an ambitious 15 per cent for the Renault-Nissan and Datsun brands put together. The group has chosen India as the hub for its entry into the ultra low cost cars segment with the CMF (common module family) platform.

Through the CMF approach, cars are defined in terms of five basic modules—engine bay, cockpit, front underbody, rear underbody and electrical/electronic architecture. These compatible parts can then be potentially combined to come up with hundreds of configurations—achieving both brand differentiation and efficiency. The first car under this platform is expected to be launched under the Renault brand name in India by 2015. All the models produced through this platform will reflect cost breakthrough pricing and will be targeted at India and similar fast growing economies.

Buoyed by its recent successes and supported by India's engineering talent, Renault is certainly looking at whipping up a major storm globally. ■

MILESTONES SINCE GENESIS

- **1899:** Renault Freres founded by Louis' two brothers, Marcel and Fernand
- **1902:** Renault produces its first engine and files patent for first turbo
- **1905:** Takes orders for 250 taxis in Paris and for exports to London, New York and Buenos Aires
- **1927:** Naming of cars begins
- **1945:** French government nationalises Renault
- **1952-55:** Expands market outside France
- **1980:** Becomes Europe's leading vehicle maker
- **1981-84:** Alliance with US manufacturer AMC
- **1990:** Alliance with Volvo announced
- **1994:** Proposed merger with Volvo falls through
- **1996:** Renault privatised; Extends presence in Brazil, Argentina and Turkey
- **1999:** Alliance with Nissan; Takes over Romania's Dacia
- **2000:** Becomes main shareholder of Volvo
- **2003:** Renault-Nissan Alliance emerges as world's 4th largest vehicle maker
- **2008:** Initiatives to promote electric vehicles commence



IN THE FAST LANE

India has emerged as a global automobile hub.



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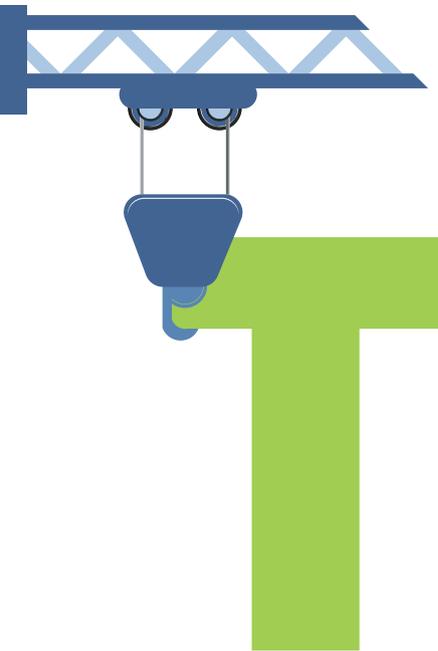


SEZs
SPECIAL
ECONOMIC
ZONES IN INDIA

BOOSTER DOSE FOR RAPID GROWTH

Recognising the important role played by special economic zones (SEZs) in its growth story, India is mulling comprehensive reforms and drawing up a special package to further incentivise these enclaves of excellence to promote exports and generate employment.

BY **SANGITA THAKUR VARMA** DESIGN BY **CHARU DWIVEDI**



he importance of special economic zones (SEZs) can be best understood if we look at them through the prism of the term Centre of Excellence (CoE). Hitender Mehta, Partner, Vaish Associates Advocates and Co-Chair, National SEZ Council, ASSOCHAM, defines them as such, saying, “The Government of India (GoI) announced its special economic zones (SEZs) Policy in the year 2000 with a view to create islands of economic excellence by providing an internationally competitive business environment and thus make SEZs as engine for economic growth of

the country.” Mehta is also the author of *Law & Practice*, which is a comprehensive guide on SEZs for investors.

Broadly, a CoE functions to provide leadership, best practices, research, support, training, etc., to other departments in an organisation in a micro context. It also has another important function—to energise stalled projects. In a more immediate context, SEZs are in-principle geographic concentrations of globally competitive enterprises within a specially demarcated frame of reference offering the best business environment—state of the art infrastructure, facilities, logistics and regulatory ease of doing business—to promote exports, create employment and spur growth.

Seen in this context, since their inception, SEZs in India have had a large role to play in the country’s growth story. The latest statistics released by the Ministry of Commerce and Industry, GoI, in July this year, highlight the important role essayed by SEZs in India’s development. Recognising the role of SEZs in recharging the economy, the new Government at the Centre is keen to provide it the much needed impetus. In his maiden Budget speech, Finance Minister Arun Jaitely, while announcing the government’s commitment to SEZs said that the government will take “effective steps” to make them efficient instruments of industrial production, economic growth,

export promotion and employment generation. Outlining the way forward, he added, “For achieving this, effective steps would be undertaken to operationalise the SEZs, to revive the investors’ interest, to develop better infrastructure and effectively and efficiently use the available unutilised land.”

Though the Budget stopped short of announcing further fiscal incentives and rolling back Minimum Alternate Tax (MAT), according to reports, the government is working on a comprehensive package for these economic enclaves and to address the concerns of the industry and thereby generate more interest and boost investments in SEZs.

Why SEZs?

Bringing out the imperative of setting up SEZs in India, Som Mittal, Former President, Nasscom, draws a larger global picture, “Today we are following global service chains. No country can produce every component of a product for export. SEZs are an efficient way of procuring materials quickly and exporting products as quickly.”

Clarifying the point further, Dr P M Murali, President, Association of Biotechnology Led Enterprises (ABLE), says, “Globally, the philosophy behind SEZs is to attract more capital to enhance economic activity in the location and step up exports. The tax sops offered make it a profitable proposition to invest in such ventures. In fact, in India, SEZs by definition act as engines for export led economic growth. The SEZs also act as centres for establishing close global contact and thus bring in faster globalisation.”

The institutional definition of SEZ delineates it as a “specifically demarcated duty-free enclave and shall be deemed to be foreign territory (out of customs jurisdiction) for the purpose of trade operations and duties and tariffs”. India’s tryst with SEZs began when it adopted the New Economic Policy—Liberalisation, Privatisation and Globalisation (LPG) in 1991. “Historically, India was the first in Asia to recognise the effectiveness of the

Contribution of SEZ Exports to Overall Country’s Exports & Employment Generated in SEZs in the Last Three Years

Financial Year(s)	Total Exports of the Country** (₹ Crore)	Total SEZ Exports (₹ Crore)	% share of SEZ exports in the total exports of the country	Employment in SEZs*
2011-2012	1,465,959	364,478	24.86	844,916
2012-2013	1,635,261	476,159	29.12	1,074,904
2013-2014	1,892,892	494,077	26.10	1,283,309

(Source: DGCI, Kolkata)

export processing zone (EPZ) model in promoting exports, with Asia's first EPZ set up in Kandla in Gujarat in 1965," says Mehta. Seven more zones were established thereafter, with another coming up in Surat (Gujarat) and others in Santa Cruz, Mumbai (Maharashtra), Falta (West Bengal), Chennai (Tamil Nadu), Vishakapatnam (Andhra Pradesh) and Noida (Uttar Pradesh).

Over a period of time the government realised that EPZ model had various shortcomings and there was a need for a better framework to address them. Additionally, unlike the government owned EPZs, the SEZ Policy facilitated formation of SEZs with private participation. "This encouraged many private developers to commit long term funds for development of SEZs across the country," Mehta highlights.

Initially, from November 1, 2000 to February 9, 2006, SEZs functioned under the provisions of the Exim Policy/ Foreign Trade Policy. Fiscal incentives were made available through the provisions of relevant statutes but it was decided that more had to be done to generate investor interest. "To give a long term and stable policy framework with minimum regulatory regime and provide an expeditious and single window clearance mechanism, a central Act for special economic zones was found to be necessary," explains Mehta. It was therefore deemed prudent to provide the right regulatory environment for SEZs to enable them to discharge their assigned task.

Thus in 2005, the government enacted The Special Economic Zones Act, 2005 (SEZ Act) and subsequently in 2006, the Special Economic Zones Rules, 2006 (SEZ Rules) were notified. The SEZ Act came into operation on February 10, 2006. The government also added some more features to convert SEZs into islands promoting excellence within India.

- Apache SEZ Development India Private Limited, Andhra Pradesh (Footwear SEZ)
- Nokia Special Economic Zone in Tamil Nadu (Telecom equipments SEZ)
- Mahindra City SEZ, Tamil Nadu (Apparels and fashion accessories; IT/ hardware; auto ancillary)
- Mundra Port and Special Economic Zone, Gujarat (Multi product SEZ)
- Moser Baer SEZ, Noida, Uttar Pradesh (SEZ for non-conventional energy including solar energy equipment)
- Divis Laboratories Limited, Andhra Pradesh (Pharma SEZ)
- Flextronics SEZ in Tamil Nadu (Electronic hardware SEZ)
- Biocon Limited, Karnataka (Biotech SEZ)
- Serum Bio-Pharma Park, Maharashtra (Pharma SEZ)
- Hyderabad Gems Limited, Hyderabad (Gems and Jewellery SEZ)
- Maharashtra Airport Development Corporation Limited, Maharashtra (Multi product SEZ)
- Reliance Jamnagar Infrastructure Ltd (Multi product)
- Suzlon Infrastructure Ltd. (Hi-tech engineering products & related services)

SOME SEZs WITH MAJOR FDI COMPONENT OF INVESTMENT

(Source: IBEF)

Promoting Islands of Excellence

While there is some concentration of SEZs in certain states, the fact that the approved SEZs are spread over 20 states and three Union Territories indicates that the growth is not lopsided. The six major sectors of IT/ITeS, hardware etc; textiles and apparel (including wool); pharma and chemicals, biotech, engineering and multi-products account for around 80 per cent of SEZ formal approvals granted so far. Of this, IT/ITeS/electronic hardware/semiconductor is the single most important segment accounting for over 60 per cent of the total formal approvals followed by biotech and engineering SEZs. Nearly 70 per cent of the formal approvals issued so far are in an advanced stage of notified SEZs. Among the top sectors, the ratio is 68.39 per cent for IT/ITeS, etc, 63.33 per cent for biotech and 90.91 per cent for the pharma/chemicals sector.

In the IT & ITeS domain, in 1991 the government had set up Software Tech-

nology Parks of India (STPI) for the promotion of software exports from the country. STPI was instituted as an autonomous society under the Department of Electronics and Information Technology. STPs rendered statutory services, data communications servers, incubation facilities, training and value added services to the software exporting community. STPI's contribution in the promotion of the country's software exports has been immense. The STPI Scheme is a 100 per cent export oriented scheme with a focus on SMEs and startups. Under it, software companies are allowed to set up operations in inexpensive locations of their convenience and plan investment and growth driven by their specific business needs. The scheme was so successful that today more than 4,000 units are registered under it. By stepping up export portfolios of these units, it has successfully promoted the growth of the software industry, fetching international acclaim for India.

While the STPs have been doing yeoman service for the country's IT and ITeS industry by pushing export oriented units (EOUs), Mittal says, "These were company based SEZs. They helped in easy imports of computers and exports of software. But SEZs have an even more important role to play—both for services and manufactured parts".

In fact, there has been an inclination towards setting up IT/ITeS SEZs out of

the various other formats available, says Mehta. "One reason for this is the small land requirement for such a SEZ."

That is not to say that the SEZ Act did not provide a push to other export agglomerations in the country. However, there is a need to vigorously promote multiproduct SEZs which have large land requirement account, adds Mehta. Currently accounting for less than 5 per cent of the total notified SEZs, "they act

as catalysts" for export growth, employment generation and income creation, infrastructure development and ultimately, economic progression and in the long run the competitiveness of SEZs can be sustained only with balanced dispersal of investment across all sectors and states, according to Mehta. To make the country's SEZs a paradigm of success, Dr Murali suggests encouraging them "within manageable parameters."

Nokia Special Economic Zone, Tamil Nadu (Telecom equipments)

- Physical exports of ₹12,136.54 crore (US\$ 2 billion) in six years (2006-2007 to 2011-2012)
- Direct employment to 15,264 persons
- Investment of ₹2,539.28 crore (US\$ 416.6 million) has already been made, out of which FDI is ₹548.80 crore (US\$ 90 million)

Mahindra City SEZ, Tamil Nadu (Apparels and fashion accessories; IT/hardware; auto ancillary)

- A cluster of three sector specific SEZs
- Physical exports worth ₹4,580.85 crore (US\$ 751.57 million) in six years (2006-2007 to 2011-2012)
- Direct employment provided to 24,475 persons
- Investment of ₹1,442.74 crore (US\$ 236.7 million) has been made

in this SEZ, out of which FDI is ₹64.68 crore (US\$ 10.61 million)

- Projected investment of ₹1,001.83 crore (US\$ 164.37 million) and projected direct employment of 37,162 persons

Reliance Jamnagar Infrastructure Ltd, Gujarat (Multi product)

- Physical exports worth ₹148,495.56 crore (US\$ 24.36 billion) in four years (2008-09 to 2011-12)
- Direct employment provided to 1,141 persons
- Investment of ₹37,421.22 crore (US\$ 6.14 billion)
- Projected investment of ₹35,050 crore (US\$ 5.75 billion)

Apache SEZ Development India Private Ltd, Andhra Pradesh (Footwear)

- Physical exports worth ₹216.42 crore (US\$ 35.5 million) in six years (2006-2007 to 2011-2012)
- Direct employment provided to 6,622 persons, out of which 2,697 are women employees
- Investment of ₹130.54 crore (US\$ 21.4 million) made, of which FDI is ₹130.54 crore
- Projected direct employment of 20,000 persons

Mundra Port and Special Economic Zone, Gujarat (Multi product)

- Physical exports worth ₹1,706.19 crore (US\$ 279.9 million) in five years (2007-2008 to 2011-2012)
- Direct employment provided to 2,807 persons, out of which 53 are women employees
- Investment of ₹33,300.80 crore (US\$ 5.46 billion) has been made in the SEZ, of which FDI is ₹309.65 crore (US\$ 50.8 million)
- Projected investment of Rs 50,475.29 crore and projected direct employment of 212,173 persons

Moser Baer SEZ, Noida, Uttar Pradesh (Non-conventional energy including solar energy equipment)

- Physical exports worth ₹266.83 crore (US\$ 43.8 million) in five years (2007-2008 to 2011-2012)
- Direct employment provided to 565 persons
- Investment of ₹1,648.72 crore (US\$ 270.5 million)

SEZs SUCCESS STORIES

The Commerce Ministry terms the following SEZs as prominent new generation ones that have made significant progress in terms of exports, employment and investment generation in the country.

Taking care of the land requirement is essential and the government must approve a SEZ only after thorough scrutiny of the sustainability of a proposal with a preference for developing them in barren regions, suggests Dr Murali. "In this way we will not affect the cultivable areas of the country," he opines.

The success of the SEZ model depends on a number of factors. The government has to compensate and rehabilitate the

landholders and the affected with well balanced standard compensation package including employment opportunities; provide well developed infrastructure facilities within the perimeter of SEZs with forward and backward linkages; and above all, develop basic transport infrastructure including export infrastructure while operationalising the SEZ units to ensure smooth movement of goods produced and thereby enhance the competitiveness of

the products in the world market.

Dr Murali also proposes limiting the fiscal concessions and standardising them with a focus on long term perspective and adoption of a balancing strategy to safeguard the interest of all constituents affected by SEZs in India.

How SEZs have acted as channels to promote industry, infrastructure, employment generation and growth can best be seen from the success of the

- Projected investment of ₹1,378 crore (US\$ 226 million) and projected direct employment of 1,000 persons

Wipro Limited, Andhra Pradesh (IT)

- Physical exports worth ₹2,459.16 crore (US\$ 403.47 million) in five years (2007-2008 to 2011-2012)
- Direct employment provided to 12,420 persons
- Investment of ₹309.27 crore (US\$ 50.74 million)
- Projected investment of ₹277 crore (US\$ 37.24 million) and projected direct employment of 9,500 persons

Divis Laboratories Limited, Andhra Pradesh (Pharma)

- Physical exports worth ₹636.68 crore (US\$ 104.46 million) in five years (2007-2008 to 2011-2012)
- Direct employment provided to 1,563 persons, out of which 18 are women employees
- Investment of ₹449.71 crore (US\$ 73.78 million)
- Projected direct employment of 1,300 persons

Flextronics, Tamil Nadu (Electronic Hardware)

- Physical exports worth ₹110.49 crore (US\$ 18.13 million) in five years (2007-2008 to 2011-2012)
- Direct employment provided to 1,234 persons
- Investment of ₹314.37 crore (US\$ 51.57 million)
- Projected investment of ₹440 crore (US\$ 72.19 million)

ETL Infrastructure Services Limited, Tamil Nadu (IT)

- Physical exports worth ₹1,989.39 crore (US\$ 326.4 million) in five years (2007-2008 to 2011-2012)
- Direct employment provided to 9,713 persons, out of which 2,936 are women employees
- Investment of ₹110.72 crore (US\$ 18.17 million)
- Projected investment of ₹714.07 crore (US\$ 117.16 million)

Wipro Limited, Karnataka—2 SEZs in Sarjapur & Electronic City (IT)

- Physical exports worth ₹7,849.45 crore (US\$1.29 billion) in five years (2007-2008 to 2011-2012)

- Direct employment provided to 19,748 persons, out of which 5,542 are women employees
- Investment of ₹870.25 crore (US\$ 142.8 million)
- Projected investment of ₹1,420 crore (US\$ 232.98 million) and projected direct employment of 21,600 persons

Biocon Limited, Karnataka (Biotech)

- Physical exports worth ₹349.08 crore (US\$ 57.27 million) in six years (2006-07 to 2011-12)
- Direct employment to 2,359 persons, of which 303 are women
- Investment of ₹1,182.36 crore (US\$ 195.37 million)
- Projected investment of ₹1,740 crore (US\$ 285.48 million) and projected direct employment of 2,325 persons

Serum Bio-Pharma Park, Maharashtra (Pharma)

- Physical exports worth ₹964.62 crore (US\$ 158.26 million) in five years (2007-08 to 2011-12)
- Direct employment provided to 700 persons
- Investment of ₹739.11 crore (US\$ 121.26 million)
- Projected investment of ₹835.75 crore (US\$ 137.12 million) and projected direct employment of 1,622 persons

Manyata Embassy Business Park, Karnataka (IT/ITeS)

- Physical exports worth ₹1,072.73 crore (US\$ 176 million) in five years (2007-08 to 2011-12)
- Direct employment provided to 6,951 persons, out of which 493 are women employees
- Investment of ₹196.89 crore (US\$ 32.3 million)
- Projected investment of ₹250 crore (US\$ 41 million) and projected direct employment of 10,000 persons

Chandigarh Administration, Chandigarh (IT)

- Physical exports worth ₹1,074.89 crore (US\$ 176.36 million) in four years (2008-09 to 2011-12)
- Direct employment provided to 5,461 persons
- Investment of ₹229.24 crore (US\$ 37.6 million)
- Projected investment of ₹440.43 crore (US\$ 72.26 million) and projected direct employment of 6,000 persons

manufacturing SEZs in India (See box).

Getting into the Act

The impetus to the country's manufacturing sector had gathered further momentum in 2006 when the supporting SEZ Rules had come into effect. Under it, procedures were simplified further and a single window clearance on matters relating to central as well as state governments was introduced. The SEZ Rules provide for different minimum land requirements for different classes of SEZs. The SEZ Act had earlier in 2005 paved the way for setting up of both commercial and captive SEZs under the stipulated format:

- Sector specific SEZs: These are single product or single service enclaves, like engineering, gems and jewellery, IT/ITeS, biotechnology, etc. Various categories comprising respective products or services, similar or compatible with each other, including related ancillary services and R&D services of the sector and addi-

Export Performance of Operational SEZs in the Last 5 Years

Year	Physical Exports from SEZs (Value in Crores)	Growth Rate (over previous year)
2013-14	₹ 4,94,077	4%
2012-13	₹ 4,76,159	31%
2011-12	₹ 3,64,478	15%
2010-11	₹ 3,15,868	43%
2009-10	₹ 2,20,711	121%

(Source: <http://www.sezindia.nic.in/>)

tional combination of products and services of a similar or compatible nature as approved by the Board of Approval (BoA) shall constitute a single sector.

- Multi-product SEZs: An enclave that is a combination of two or more products or services.

- Free trade and warehousing zones.

"The Indian SEZ Policy offers equal opportunities to both Indian and international private developers for development of these zones in the government, private or joint sector. No other policy provides the kind of benefits that are being offered by the SEZ policy," Mehta emphasises, adding, "the primary criteria being that the promoters, all group companies and flagship companies, should meet the stipulated minimum

investment or net worth criteria."

For establishing multi product SEZs a minimum investment of ₹1,000 crore (US\$ 164 million) or net worth of ₹250 crore (US\$ 41 million) is required; while for sector specific SEZs, the minimum investment requirement is of ₹250 crore or net worth of ₹50 crore (US\$ 8.2 million).

For foreign companies desirous of investing in SEZs in India, the Reserve Bank of India grants general permission under which they can establish branch offices/units in SEZs to undertake manufacturing and service activities. This can be done only in those sectors, however, where 100 per cent foreign direct investment (FDI) is permitted. The branch offices/units are also required to function on a standalone basis.

Discussing the laws governing FDI in SEZs, Mehta says, "The government has put in place a policy framework on FDI, which is embodied in the Circular on Consolidated FDI Policy, generally updated every year to capture and keep pace with the regulatory changes, effected in the interregnum." The Circular on Consolidated FDI Policy issued by Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce & Industry, GoI on April 17, 2014 is currently in force, Mehta informs.

Ensuring Equity & Parity

To spread out the benefits of the SEZs and promote exports from across the country, the central government encourages the state governments to actively establish these enclaves within their territories. Under the scheme, the state governments after receiving a proposal, forward it with remarks to the Board of Approval (BoA). These comments relate to whether the area incorporated in the proposed SEZ has the requisite environment clearances; whether infrastructure like water, electricity and other services would be provided; the exemption on tax and duties on power; exemptions from multiple taxes within the state like sales tax/value added tax (VAT), octroi, mandi tax, turnover tax and any other duty/cess or levies on the supply of goods from domestic tariff area

SALIENT FEATURES OF THE SEZ POLICY

- Simplified procedures for development, operation, and maintenance of the SEZs and for setting up units and conducting business in SEZs
- Single window clearance for setting up of an SEZ
- Single window clearance for setting up units in an SEZ
- Single window clearance on matters relating to central as well as state governments
- Simplified compliance procedures and documentation with an emphasis on self certification

(Source: Ministry of Commerce & Industry, Department of Commerce, GoI)

(DTA) to SEZ units, etc.

Before notifying a SEZ, the state government has to announce its policy on SEZs supported by requisite notifications and ensure that a single point clearance system and minimum inspections requirement under state laws/rules would be provided.

There is a three tier administrative set up to govern the functioning of the SEZs. The BoA is the apex body headed by the Secretary, Department of Commerce, Ministry of Commerce and Industry, Government of India. There is a unit approval committee (UAC) at the zone level that deals with approval of units in the SEZs and other related issues. Each zone is placed under a development commissioner, who is ex-officio chairperson of the UAC.

While the approval of SEZ rests with the BoA and the central government is required to notify the SEZ area post approval, the proposals for setting up of units in the SEZ are approved at the zone level. For this, there is an approval committee comprising a development commissioner, customs authorities and representatives of the state government.

According to Mittal, a further boost can be provided to SEZs by combining state and central clearances. Another focus area should be easing of mandatory clearances for unrelated industries. "We should work on increasing coordination between the administration and the operators of SEZs. The industry and the government should sit together and decide how they can boost exports and employment further by leveraging SEZs," says Mittal.

Mehta seconds this calling for "greater coordination amongst various departments involved such as customs, sales tax, and environment and pollution control. There is a need to promote multi product SEZs as they act as catalysts for export growth, employment generation and income creation, infrastructure development and ultimately, economic progression. In the long run the competitiveness of SEZs can be sustained only with balanced dispersal of investment

across all sectors and states."

The first role of the SEZs is export promotion, but the other important purpose of SEZs is employment promotion. In this area as well, Mittal affirms that SEZs have a major role to play. He suggests establishing SEZs in Tier I, II and III cities as a way of generating employment and curbing migration to large towns. "SEZs have many roles to play," he opines, adding, "We have markets, resources and enough people to boost exports. We should look at the larger picture—how SEZs can be a multiplier."

Explaining his point, Mittal adds, there are around 100 IT SEZs, both, commercial and captive and around 40 per cent of these are in Tier II and III cities. "Of all the operational IT SEZs, 60 per cent are in xBase." So you can see how the IT industry has been able to leverage SEZs actively.



"SEZs in India have played a very important role in promoting and diversifying exports, creating employment and attracting investment... The SEZ Policy has contributed significantly in fostering the desired objectives of the SEZ Act...it holds tremendous potential..."

Hitender Mehta, Partner, Vaish Associates Advocates & Co-Chair, National SEZ Council, ASSOCHAM

All large companies have SEZs that are operational. He also feels that it is not more subsidies and concessions that the industry seeks as he feels, "Policies with time framework will encourage people to invest in SEZs on a longer term basis."

Easing Infrastructure Bottlenecks

One of the most important roles assigned to SEZs was to ease the industry's infrastructure related problems by ensuring the availability of all requisite inputs within the SEZ.

By putting the onus of providing this infrastructure base on the states, the Act ensures that SEZs are provided the

wherewithal essential for facilitating smooth operations. There are two types of infrastructure that SEZs need to provide to operators:

- Infrastructure that would ease internal functioning of SEZs and have direct implications on productivity. These include power generation plants and distribution network, internal water supply, sanitation and sewerage and internal roads.

- The second type of infrastructure would take care of the industry's needs to interact with the outside world. It involves setting up the supply chain connecting the SEZs with non-SEZs through railway tracks, roads, bridges, airport facilities, telephone lines and telecom networks. Other prerequisites include multi lane roads of international standard, safety and quality standards

for better connectivity.

Mittal suggests mixed use SEZs—commercial and captive—reasoning that sector SEZs have specific needs, for example IT SEZs. "The IT industry is people based with the average age being 27 and its strength is 32 lakh people. They are well educated and their needs are different. In an industry where 52 per cent of all intake is women, there is a need for infrastructure like crèches and day schools." SEZs must take care of each segment's particular needs.

SEZs are being tailored to cater to these requirements. Customised infrastructure, warehousing and cold

storage facilities are made available, inland container depots are established, captive airstrips and helipads are set up, dedicated jetties are provided for cargo movement, captive power plants ensure plants run smoothly and safety and security concerns are also addressed. Members of an SEZ benefit from such arrangements immensely, especially small and mid-sized units that cannot invest individually in expensive infrastructure. In SEZs, they can set up state of the art infrastructure at shared costs and use these facilities commonly. While the cost savings on logistics are considerable, there is also an immense increase in productivity as borne out by the growth of exports from SEZs.

Mehta says that an analytical assessment of the SEZ growth pattern since enactment of the SEZ Act, 2005 reveals certain distinct trends that need to be addressed. "They are also indicators of the opportunity that exists to build on the significant achievements of the sector through suitable reform," he adds. The key trends include:

- Geographical concentration of SEZs in six states that account for 92 per cent of the SEZ exports. India has 29 states, seven Union Territories, and one National Capital Region offering immense unexplored opportunities.

- SEZs are largely concentrated around existing urban agglomerates, leaving the hinterland virtually untouched. India's tiered cities and rural backdrop thus are a goldmine for SEZ development.

- Predominance of IT/ITeS SEZs in the sector opens up avenues for establishing multi sector SEZs.

- IT/ITeS SEZs and petroleum sector contribute to roughly two-thirds of SEZ exports. Opportunity to increase exports from non-petroleum manufacturing sectors can be tapped.

- Manufacturing sector potential is underutilised and promises major growth.

SEZs help leverage existing capabilities and augment below par ones. In the manufacturing sector India has considerable design expertise. "We can leverage manufacturing-cum-design," Mittal says

Sector wise Distribution of Approved SEZs (As on 30.4.2014)

Sectors	Formal approvals	In-principle approvals	Notified SEZs	Exporting SEZs (includes all categories)
Agro	6	2	5	0
Airport based multiproduct	4	0	0	0
Auto & related	2	1	1	1
Aviation/aerospace/animation & gaming/copper	5	1	6	5
Beach & mineral/metals	3	0	3	0
Biotech	30	0	19	2
Building prod/mal/transport equipments/ceramic and glass	2	2	2	2
Electronic product/industries	3	0	3	1
Engineering	17	1	13	11
Footwear/leather	6	0	5	3
Food processing	5	0	4	4
FTWZ	13	5	7	3
Gems & Jewellery	13	3	6	3
Handicrafts & Carpets	5	0	3	3
IT/ITeS/electronic hardware/semiconductor/services	348	1	238	102
Metal/stain steel/alum/foundry	8	2	5	0
Light engineering/metal-lurgical engineering/auto-motive components	1	0	0	0
Multi product	24	13	16	19
Multi services	11	3	8	2
Non conventional energy	6	0	4	2
Plastic processing	0	2	0	0
Petrochemicals & petro/Oil & Gas	4	1	2	1
Pharmaceuticals/chemicals	22	2	20	11
Port-based multi product	7	2	2	1
Power/alternate energy/solar	3	1	3	3
Textiles/apparel/wool	14	1	11	6
Writing & Printing/paper mills	2	0	1	0
Granite processing industries & Other allied machinery/manufacturing	2	0	1	0
GRAND TOTAL	566	43	388	185

(Source: <http://www.sezindia.nic.in/>)

pointing out that as of now both are being done outside SEZs. “SEZs are a very powerful way of doing these kinds of work. In the electronic sector India can boost exports of electronic goods “as we have the designing capabilities. We can design chips and export them,” Mittal observes.

Appreciative of the government’s efforts in this direction in the past years he adds, “They are making several changes in the policies. Government at all levels should be supporting the SEZs. It should be a collective decision to push through SEZ reforms.”

Tax Haven

In order to provide an enabling environment for enterprises, the government set about implementing a uniform tax structure to ease the burden of multiple taxes and duties on manufacturers and boost exports across states. The fiscal concessions and duty benefits built into the SEZs Act, 2005 and Rules 2006 are uniform across SEZs. Primarily, these tax benefits act to incentivise companies to invest and export and are in consonance with the government’s principles for export promotion initiatives in general. The facilities and incentives available to units in SEZs include:

1. Duty free import/domestic procurement of goods for development, operation and maintenance of SEZs and SEZ units.
2. 100 per cent income tax exemption on export income for SEZ units under Section 10AA of the Income Tax Act for first 5 years, 50 per cent for next 5 years thereafter and 50 per cent of the ploughed back export profits for next 5 years.
3. Exemption from central sales tax.
4. Exemption from service tax.
5. Exemption from state sales tax and other levies as extended by respective state governments.

Putting doubts over misuse of these tax benefits at rest, Mittal says, “Some critics have raised concerns that the tax advantages would lead to money laundering. There are counter arguments too. However we must ensure that these issues do not overshadow the merits and the need for SEZs in India. There are SEZs across the

globe and there are mechanisms available to plug loopholes.” This problem occurs when you look at SEZs only as investment destinations, he continues and cautions, “Investment is just one aspect of SEZ.” Illustrating with an example Mittal says that an entity may invest a billion dollars in a unit but it could be totally import oriented and employ just 100 people, because they have put up a FAB (fabrication). This is contradictory to the basic purpose of a SEZ, which is promotion of exports and employment.

Boosting Growth

SEZs have definitely played an extremely important role in facilitating exports and taking India up in the global reckoning. Prior to the enactment of the SEZ Act, 2005, India had set up seven central government SEZs and 11 state/private sector SEZs. Today, according to estimates, the SEZs together account for around a third of the country’s merchandise exports and provide employment to around 15 lakh persons.

The Ministry of Commerce and Industry data estimates that the share of Indian exports from SEZs rose from 24.86 per cent in 2011-12 to 26.10 per cent in 2013-14. SEZ exports in the periods under consideration were US\$ 81 billion and US\$ 82.35 billion respectively. They also augmented the country’s employment generation, as SEZ employment rose by 51 per cent between 2011-12 and 2013-14 from 844,916 people in 2011-12 to 1,283,309 people in 2013-14. In the period from 2005-06 to 2013-14, exports from SEZs increased at a CAGR of 41.65 per cent to reach US\$ 82.35 billion in 2013-14.

As on March 31, 2014, over ₹2,96,663 crore (US\$ 48.67 billion) had been invested in the SEZs, out of this ₹2,73,379 crore (US\$ 44.85 billion) was in newly notified SEZs set up after the SEZ Act 2005 (Source: Minutes of 62nd Meeting of Board of Approval for SEZs held on July 24, 2014). As on March 31, 2014, the total investment in central government owned SEZs stood at ₹12,991 crore (US\$), while that in state/private SEZs set up before 2006 reached



“The sector specific SEZs will mushroom in the coming years with more participation from private players **wanting to reap benefits as developers and unit holders. These SEZs may offer infrastructure required by the biotech and pharmaceutical companies such as R&D facilities (wet labs)...**”

Dr P M Murali

President, Association of Biotechnology Led Enterprises (ABLE)

₹10,293 crore (US\$) and in SEZs notified under the Act was ₹273,379 crore (US\$). Employment figures were recorded at 229,484 persons for central government SEZs, 77,683 persons for state/private SEZs set up before 2006 and 976,142 persons for SEZs notified under the Act.

That SEZs are indispensable to augment and propel India’s growth momentum is undeniable. Given our country’s tremendous export capabilities, it’s important that India has two way trade and corrects the balance in favour of exports. “We need to promote



exports and SEZs play an extremely crucial role in ensuring that India remains competitive globally,” states Mittal.

Increasing Foreign Investment

Over the years, there has been a steady rise in FDI inflows in India as the attractiveness of the Indian market is increasing steadily and foreign investors from across the world are willing to sink their funds here. The country is among the top five preferred destinations for FDI for Asian, European and North American investors. This change in global perception regarding India as a prime business destination is in no small measure due to the sustained efforts of the government to make SEZs attractive

this is a big draw for both individual and institutional investors.

- 100 per cent FDI is also permitted in SEZs for development of township projects including recreational, commercial and housing projects (on case to case basis). Foreign companies are also allowed to establish manufacturing units in Indian SEZs as a branch operation on a standalone basis.

- The government is making concerted efforts to attract investors from the US, Europe, Taiwan, Korea and Japan. It is sending out delegates and holding ministerial level talks to promote its SEZ agenda

- A package of reforms for NRIs involving easing of EXIM policy and

materials and capital goods and 100 per cent repatriation of profits or income for subcontracting facilities are also allowed by the government.

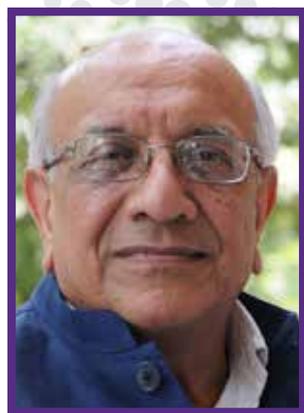
- Strengthening the infrastructure support at the SEZs which includes assured power supply round the clock, supply chain connectivity, flexible labour hours and decentralised decision making.

- Public-private partnership and joint venture are the other modes through which India is promoting investment in its SEZs.

- All the import and export operations carried out under SEZs are on the basis of self certification. The units need to be net foreign exchange earners but they are not subjected to any minimum export performance requirements.

- The government also allows foreign investors to set up offshore banking units in SEZs.

Mittal appreciates the “pragmatic steps” taken by the government to ease the land requirement norms. “Why should you have land? You should have requirement of work done. In small cities, the requirement is only for space—250,000 sq ft to be built. There is no land requirement. One can purchase three acres of land and build 250,000 sq ft. That’s a very positive step that has happened.”



“SEZs are not short term programmes but long term players. When you invest in a SEZ you don’t do it to shift allocation. For foreign investors what matters is predictability and certainty of policies. We should look at the larger picture—how SEZs can be the multiplier.”

Som Mittal
Former President, Nasscom

investment destinations.

Among the several measures to encourage foreign investors to invest in SEZs, some of special note are as follows:

- Free trade zones that have acted like magnets for NRIs as they facilitate setting up of businesses in SEZs without the need to undergo long procedures and licence hassles. The single window system facilitates highly transparent procedures in allotments.

- FDI of up to 100 per cent allowed under the automatic route. With more industries being included under the ambit of FDI besides sectors under automatic route, increase in FDI cap in certain sectors and the government’s focus on minimising procedural delays,

land requirement norms has been specially introduced to promote investments in SEZs.

- Easing of land acquisition norms for establishment of SEZs is another impetus to investors. The minimum land area requirement has been lowered by 50 per cent for various categories of SEZs and there is no minimum land requirement to establish IT/ITeS units in SEZs. Ownership transfer of SEZ units and its sale are also permitted.

- The tax incentive packages offered to foreign investors are liberal and at par with packages offered to existing export processing zones (EPZs). Reimbursement of central sales tax, tax holiday for definite period, duty free import of raw

Driving Exports through Policy

Currently, 30 per cent of the operational SEZs are engaged into manufacturing. However, more and more export oriented units (EOUs) from various subsectors of manufacturing are relocating into SEZs. These include light and heavy engineering industries, electronics industries and auto and auto components industries, etc. Industries impacted by reducing tax breaks like the gems and jewellery sector are also relocating operations to SEZs to avail these tax incentives. The fiscal largesse of SEZs has acted as a magnet for export oriented foreign investment in areas such as hardware, apparel and shoes.

Exports from the SEZs account for nearly 30 per cent of India’s total export. During the financial year 2013-14, total

State wise Distribution of Approved SEZs

(As on 06.08.2014)

State	Formal approvals	In-principle approvals	Notified SEZs	Exporting SEZs (includes all categories)
Andhra Pradesh	108	4	78	42
Chandigarh	2	0	2	2
Chhattisgarh	2	1	1	1
Delhi	3	0	0	0
Dadra & Nagar Haveli	2	0	1	0
Goa	7	0	3	0
Gujarat	42	6	29	18
Haryana	40	3	29	5
Jharkhand	1	0	1	0
Karnataka	61	0	40	25
Kerala	30	0	24	11
Madhya Pradesh	19	1	9	2
Maharashtra	99	12	65	22
Manipur	1	0	1	0
Nagaland	2	0	2	0
Odisha	10	1	5	1
Puducherry	1	1	0	0
Punjab	8	0	2	2
Rajasthan	10	1	10	5
Tamil Nadu	66	5	53	34
Uttar Pradesh	32	1	22	9
Uttarakhand	2	0	1	0
West Bengal	17	3	9	6
GRAND TOTAL	565	39	387	185

(Source: <http://www.sezindia.nic.in/>)

exports to the tune of ₹4,94,077 crore (US\$ 82.35 billion) were made from the SEZs, registering a growth of about 4 per cent over the exports for the year 2012-13. As of now, 565 formal approvals have been granted for setting up of SEZs out of which 388 SEZs stand notified.

In order to continuously upgrade SEZs in sync with international standards and requirements, the government periodically reviews the policy and operational framework governing them. The aim is to take expeditious

measures to facilitate speedy and effective implementation of SEZs to promote investment and augment growth of employment and exports. Their success depends on multiple stakeholders and the government working in consonance with them. It periodically solicits inputs and suggestions from stakeholders on the policy and operational framework of the SEZ scheme.

Dr Murali is confident that with the government encouraging participation of private players by offering regulatory and

fiscal incentives in setting up SEZs, “the sector-specific SEZs will mushroom in the coming years”. He adds that more private players will participate in SEZ development wanting to reap benefits both as developers and unit holders. “These SEZs may offer infrastructure required by the biotech and pharmaceutical companies such as R&D facilities (wet labs), space for agro-biotech and relevant international linkages with biotech institutions and companies to the players,” he observes.

While the government firmly backed SEZs as a means to increase FDI in India and promote growth, the Economic Survey 2013-14 also stressed on the importance of reviving private sector investment through special economic zones (SEZs) and national investment and manufacturing zones (NIMZs). There is also a strong demand emerging from various sections and experts to promote SEZs vigorously in India.

There can be no denying the fact that SEZs as enclaves promoting excellence through a conducive environment and inputs are the right way forward for India to push its growth agenda. As Mittal says, “SEZs are not short term programmes but long term players. When you invest in a SEZ, you don’t do it to shift allocation. For foreign investors what matters is predictability and certainty of policies.”

Emphasising the importance of the SEZ Act 2005, Mehta adds, “It was passed by the Parliament after a long consultation process with the stakeholders. It is imperative that the legislative intent is respected and implemented in spirit.”

The future is bright and SEZs hold immense potential for India. As Mehta concludes, “SEZs in India have played a very important role in promoting and diversifying exports, creating employment and attracting investments, and hence in the overall growth of the economy. The SEZ Policy has contributed significantly in fostering the desired objectives of the SEZ Act, and given the stable policy framework, it holds tremendous potential to further contribute in a big way.” ■

(Based on interviews & secondary research)

Building a Business Republic

A technopreneur-mountaineer with an MBA in marketing weaves his life's learnings into his family business and breaks new ground with his signature home décor brands. **BY SANGITA THAKUR VARMA**

It was a desire to connect with the “India story” that compelled Aditya Gupta to explore and launch his *avant garde* furniture business. Ironically, his stylish stuff has found loyal clientele far beyond Indian shores. The Furniture Republic (TFR) is certainly not the stop for those looking for a bargain *a la* the Panchkuian Road furniture market. But those who do stop find the price tags no bar—all for a good reason.

These are the urban India consumers who are now “rating home *décor* closer to ‘essentials’ than ‘luxuries,’” says Gupta, Founder, TFR and The Rug Republic (TRR) and Director, Sharda India. It is this evolving segment of urbane and culturally informed consumers in India’s top cities and the Middle India for whom “aesthetics is increasingly a matter of shrinking global distances and vanishing geographic borders giving way to shared cultural sensibilities in furniture and *décor*” that led Gupta to diversify his family rugs export business and foray into the furniture, furnishings and *décor*



verticals. His clients are the upwardly mobile customers in India's A/B/C cities "aspiring to achieve a modern global ambience for their homes inspired by their travels, interior designers, lifestyle magazines, new residential projects, display apartments, etc."

It was just two years back in 2012, when Gupta decided to take the plunge into furniture retail—a decision backed by sound business logic and intensive market research. "We felt that the Indian market was ripe for a furniture chain, which provides international level product and store experience. I shortlisted various possible projects, but this one was selected as I have linkages up and down the value chain, which make the chances of success higher." Incidentally, Gupta also felt that the family carpet export business was keeping them somewhat away from the 'India story' and "as a business house, it was good to have a canvas that includes the Indian market."

TFR may have an exclusive feel to it as a brand name. But Gupta disclaims any elitist tag for his business. The basic premise of TFR as Gupta asserts was to "challenge the notion that great *décor* equals high expense by providing quality globally sourced furniture after curating a huge vendor base—at right pricing." He sets the record straight right away on the pricing of his select goods saying, "Right pricing doesn't mean cheap; it means quality items at fair and competitive prices." The company is rooted in the belief that class is a matter of taste, not just price.

TFR is Gupta's baby—his vision and dream—and he has not refrained from providing it every possible support to grow. "Till this stage the funding is entirely mine," reveals Gupta. However, he is not averse to seeking outside sources of finance to make the company grow further if the situation demands. The savvy businessman is also open to scaling up and is getting a strategic partner on board.

Gupta could have stayed comfortable in his groove of family export business. But this avid mountaineer was never

Tips for Trade

- Time management
- Do more of less things
- Inculcate a systems approach and think of managing scale
- Build a team of people
- Adopt '3P' approach to managing business 1. Be PROACTIVE in solving problems; 2. Believe in PLANNING, and don't just go with the flow; 3. Think of PERMANENT solutions and do not use shortcuts and expediency in addressing business issues
- Spend a percentage of turnover on brand building
- Believe in continuous learning
- Work hard, but life has much more to balance than balance sheets
- Think of work as managing two companies: one that it is today, and second that it aspires to be in 5 years. Both these companies need work
- Bottom line: There are no real shortcuts to success. It takes 20 years of hard work to become an overnight success

risk averse and had a penchant for sticking his neck out for newer, more exhilarating adventures. Moving away from the established model of the family rug business, for TFR, he chose an import model. However, he emphasises, "Furniture is what we import for now," but going forward, Gupta does not rule out the possibility of exporting his aesthetically designed beauties as they "move further up the learning curve on TFR".

The idea is to set up TFR as a global brand of stores and franchisees. However, that would be phase II of the business plan and perhaps not before TFR achieves its goals for India, says the inveterate adventure seeker. But the mental planning for the next phase of growth has already begun.

TFR is at the cusp of a long learning curve and the beginning of a new one

for Gupta. Growing up in a business family, he had witnessed his parents' struggle to build their enterprise. The lessons that he learnt from them and his own personal business acumen and charisma became somewhere an indistinguishable part of his personality and mental makeup, and the hallmark of his personal style at Sharda Group.

Gupta says, "One learns a lot from parents in subtle but ingrained ways," and thoughtfully ponders, adding, "this is not apparent to me in such a decisive manner," referring to his parents' contribution and his own in the making of the man behind the expanding Sharda and its group companies like TFR and TRR.

His journey had begun with Sharda in 1993, at the time a ₹35 lakh (in annual sales) company after his mother told him that she had rather see him as a creator of jobs than an applicant in the queue. By 1998, Gupta along with his younger brother Ashish had scaled up the company to ₹50 crore in annual sales. Their father had seen the way the wind blew and left his sons to shape the company. Many international exhibitions and accolades later, in 2001, the company breached the ₹100 crore mark. Gupta emphasises with a touch of humour, "Our USP has always been the two things, which matter the most to our clients—creativity and reliability. Creativity opens doors and reliability keeps us inside!"

With more than 500 customers of their rugs and poufs in over 80 countries, Gupta says that they emphasise on delivery at agreed standards and on time. "We also invest well in our factories and make sure that we match up to all audit and compliance standards of the most demanding brands in the world."

"Creating a brand is the holy grail of any manufacturer," says Gupta talking about high profile brand TRR. TRR was an initiative to take Sharda to the next level. "Sharda will double its business within three years with the birth of TRR. Also, my experience with being a 'buyer' for The Furniture Republic gave

me valuable insights into being a better 'seller' and exposed some interesting opportunities to explore."

TRR is unique on the other hand because it is a hybrid between a wholesaler, manufacturer and brand. "We have solved crucial problems for the buyers," reveals Gupta. Answering the 'how' he explains, "Firstly there are no 'minimums' that a buyer needs to order and secondly, there is no long lead time; items are delivered from stock as we maintain stocks in the vast variety of rugs that form the TRR collection."

What makes him an astute businessman is his vision tempered by sound practical sense. His self-assessment stands testimony, "The context of business in its time, scale and nature is quite different today and it takes adaptation, which is also possible because of the foundation. So I would say that everything I have is from parents plus my education. The rest is only application and then a learning loop cycle."

Gupta belongs to that generation of entrepreneurs who are highly qualified. His debt to good education is immense. Referring to his formal student years he says, "I have had such a wonderful experience that I count it as my greatest blessing in life. My education has made a world of difference to where I am. One can hardly talk about the path not taken, but I do firmly believe that the path I took and even 10 per cent of what I have achieved would not have been possible without the education I was blessed with."

He candidly admits, "After my parents, I owe everything to my alma mater." His regard for Roorkee University (now IIT, Roorkee) is very high, which he says, "changed my life, my personality, my capabilities. While Faculty of Management Studies, Delhi, (FMS) taught me a lot about business and marketing, but had I not been at Roorkee I would never have got admission into FMS at all."

For this technopreneur, "Education is not really about mastering a specific sub-

ject." It is the training of the mind and enables you to comprehend your environment and respond to it. "A large part of it is the 'work culture' one gets by being part of a good institution. The quality of people around you is so good that you learn a lot from them without even realising what all is being imbibed by you."

He accedes that all his education would not have been possible but for his parents. There was a time when after his class X Board exams, Gupta had wanted to join the family business and had been advised to first complete his education by his parents. They had told him to "become a man before you become a businessman," recalls the son with a smile.

The boy followed this advice in letter and spirit and made his parents proud. He went on to complete his engineering from Roorkee and management education from FMS. It is to his engineering that he is indebted for his abilities to "analyse, plan and execute in a more systems oriented manner." His marketing education makes him "present, sell and manage customers better". But his design sensibilities are a natural gift. Gupta has had no formal training in the design discipline. His keen interest and experience gained over time have sharpened his aesthetics making him a master.

Sharda, TFR and TRR are big on innovation and design—a reflection of Gupta's evolved design sensibilities. He accepts that it is the design aesthetics which is "a key influence" that he brings to the businesses he own as well to his engagements like buildings, showrooms, etc, that he has built. Design is an all consuming passion for the young entrepreneur. "I do take a lot of interest in design and architecture in general," he says adding with a laugh, "Fortunately, my businesses not only require design, but also reward design."

As an entrepreneur who believes that the target is always shifting reality for a business and a businessman, Gupta has a philosophical take on his future ambi-



"One keeps discovering new vistas and spurred by a mix of aspiration, ambition...an entrepreneur goes on."

Aditya Gupta
Founder, TFR & TRR

tions. He asserts, "One keeps discovering new vistas and spurred by a mix of aspiration, ambition and enthusiasm, an entrepreneur goes on." At the moment, Gupta is involved in some housing projects, but it is more in the capacity of a promoter with design inputs, as he feels that there is a lot of exciting work in Sharda, TRR and TFR currently that merits his unwavering attention.

Despite achieving excellent results in his concerns and being on a firm wicket, Gupta is not one to become



Makings of a Simple Man

- An avid photographer
- Apolitical but an aware and concerned citizen
- A foodie with love for fine dining as well as street food
- Long walks give an instant lift
- A true friend
- Believes in frankness
- being a virtue
- Debuted as a public speaker early on the college stage doing short skits; graduated to hosting functions with thousands in the audience including workers to business owners
- Rates himself low at social networking
- Loves music
- Not very tech savvy or gadget and gizmo crazy
- Design of hotels and places is a major preoccupation while travelling



complacent. “In the marketplace it is like you are swimming against the tide, keep swimming or be prepared to be moving backwards.” In the past 22 years, his climb up with Sharda has seen many hills and plateaus before he scaled the summits. From growing Sharda into a leading export brand for rugs, to building IHDP in 2004, the first business park for home *décor* brands in India, to launching TFR, a retail home furniture and *décor* brand that he aims to build into a 50-store, ₹500 crore brand by 2017 with retail, e-commerce and wholesale models to boot—Gupta scaled one summit after another.

Not one to be satisfied with the number crunching at the end of the financial year, Gupta wants to create a company, “which also knows how to have a larger impact and have fun while working hard.”

The group has already established an enterprise model with an emphasis on employee welfare and works towards better quality of life for the grassroots workers at the facilities of individual companies. “The growth we achieve creates a better quality of life for many people. This is a fact that motivates me to keep going whenever I feel that I have enough,” says Gupta.

For a person who has a proven knack for excelling in untested territory, practicing the highest levels of corporate social responsibility is the next call to action. With N R Narayan Murthy of Infosys, India’s iconic entrepreneur-visionary, as his inspiration in this endeavour, Gupta is aspiring to follow in his footsteps. “The power of money is the power to give it away,” Gupta recalls a quote of Murthy, adding, “Let me see how and when I achieve that power. I don’t believe there is a goal that can be defined in terms of turnover or other quantitative measures alone.”

Gupta’s next goal is a summit where the self meets selfless and an entrepreneur becomes a ‘socialpreneur’. He may well be nearing it. ■

SECTORAL UPDATE

FEATURES **INSIDE**



Better with Age: Organised players accelerate the pace of preowned cars market. **Pg 37**



Hospitality Eyes IT Gateway: Bengaluru beckons global hotel chains. **Pg 39**



FRUITS & VEGETABLES

Growing the Green Cover

With focussed initiatives from the government and the private sector, the fruit and vegetable sector is poised for long term growth. **CHARU BAHRI**

PHOTO BY THINKSTOCKPHOTOS.IN

Thanks to a favourable climate for horticulture and sustained efforts to spread the green top, India's fruits and vegetables (F&V) basket is full to the brim. Today the country is the second largest producer of F&V globally. The National Horticulture Board pegs the annual production of fruits at 81 million metric tonnes (MMT) and that of vegetables at 162 MMT. At these levels, India accounts for around 15 per cent of the world's annual yield of fruits and 10 per cent of its annual production of vegetables.

India is the world's largest producer of ginger and okra amongst vegetables. It is the second largest producer of potatoes, onions, cauliflowers, aubergines and cabbages. Amongst fruits, the country ranks first in the production of bananas, papayas, mangoes and guavas. According to a recent white paper by Technopak, the market for F&V is currently valued at about ₹170,000 crore (US\$ 28.28 billion). It is expected to grow at a CAGR of 10 per cent on the back of growing domestic demand and its overseas potential. The country exported F&V worth ₹87.61 crore (US\$ 14.28 million) in 2013-14.

Domestic Trends

Among the key drivers of domestic consumption is the pronounced shift towards healthier lifestyles and food consumption habits in the health conscious affluent and middle income classes. "Natural foods, which are a subset of health foods, are seeing greater takers. It includes unprocessed foods, food stuffs sans preservatives, flavours and other additives and even produce grown organically. Even premium food service outlets are increasingly serving natural foods," observes Ankur Bisen, Senior Vice President at Technopak. According to him, a visible outcome of this trend is that greater numbers of farmers are cultivating more remunerative horticulture crops vis-à-vis coarse cereals and oilseeds.

Demand is also growing for so called 'exotic' vegetables like leeks, celery, zucchini, bok choy, broccoli, baby corn and bell peppers. Until a few years ago, such vegetables were only used in premium restaurants, and were not available in retail markets. Rapid globalisation, proliferation of mid-segment multi-cuisine restaurants, hypermarkets and large retail store formats, and the influence of mass media have made these vegetables a regular part of Indian meals today, even in Tier II and III cities in affluent urban pockets. Cashing in on this niche market are business



“We help create post harvest handling facilities...These steps have helped curtail post harvest losses and achieve cumulative growth of 17.49% in overall F&V exports...”

—Santosh Sarangi, Chairman, APEDA



“Certification is mandatory for companies that export to stringent quality markets such as members of the EU...Gulf, African & Asian markets are easier to enter...”

—Subrata Mondal, CEO, Agribusiness, Deepak Fertilisers & Petrochemicals

savvy producers as in spite of the higher production costs involved, exotic produce commands premium prices.

As the industry grows more diverse and voluminous, it isn't surprising to see large players enter the retail market. Namdhari Fresh through its chain of green grocer outlets in Bengaluru supplies produce mostly grown on its own farms. First Agro started producing exotic greens in 2011 and ensures toxin free and pesticide free produce. It has adopted Codex standards and its exotics portfolio includes 38 varieties of tomatoes. Organic Acres farm—which produces 13 varieties of lettuce, including Boston, Bibb, Lola Rosa and Batavia, white turnips, golden beetroots, Caribbean peppers such as Scotch Bonnet, asparagus, artichokes, fennel, and Okahijiki, a Japanese land seaweed—began operations in 2012 and retails in Delhi and Gurgaon through its signature outlet named The Altitude Store.

Processing Bonanza

India currently exports more fresh F&V than processed ones. Processed F&V currently make up less than two per cent of the total F&V market. Fresh fruits are processed into juices, concentrates, canned fruit, dehydrated fruit, jams, jellies, etc. Like vegetables, they can also be cut, dried, frozen and dehydrated. Processing presents major growth opportunities, both in the domestic and export markets. While there is a growing demand for health foods among the urban middle classes and the affluent urban Indians, busy lifestyles that leave little time for the ritual of daily cooking are spurring the consumption of processed foods. According to Bisen, "Fruit pulps, dehydrated

frozen fruits, frozen peas, potatoes, corn, pickles, processed mushrooms, vegetable spices and curried vegetables are showing impressive growth. Relatively newer categories like fruit based beverages, nectars and juices are growing at 15 per cent per annum and have seen increased participation by various organised players. Traditional fruit based processed items like sauces and pickles are growing at 8 per cent.”

According to Technopak, exports of processed foods and related products increased at a CAGR of 27 per cent between 2008 and 2012 and are poised to continue the good run. A positive is that the government has allowed 100 per cent foreign direct investment under the automatic route in the food processing sector in agri-products. There is 100 per cent tax exemption for the initial five years followed by a 25 per cent tax exemption for the next five years for new agro-processing industries. Concessional basic custom duty on related goods and reduced or no excise duty on a majority of food products, equipment and machinery have also been provided.

Overseas Acceptance

Last year, fruit exports were valued at ₹3,298.03 crore (US\$ 548 million) and vegetables at ₹5,462.93 crore (US\$ 909 million). Mangoes, walnuts, grapes, bananas and pomegranates are the most exported fruits while onions, okra, bitter gourd, green chillies, mushrooms and potatoes occupy most of the vegetable export basket. Australia, Belgium, Canada, France, Germany, Netherlands, Russia, Saudi Arabia, Spain, UAE, UK and USA are leading export destinations. “EU, UK, Middle East and Central Asian countries are the key markets to tap,” observes Jang Bahadur Singh Sangha of the family managed Sangha Farms, the country’s largest potato producer.

Indian farmers are acquiring standards certifications from overseas markets they seek to tap. “Certification is mandatory for companies like ours that export to stringent quality markets such as members of the EU. Overall the Gulf, African and Asian markets are easier to enter though margin realisation is comparatively lower,” explains Subrata Mondal, CEO, Agribusiness, Deepak Fertilisers & Petrochemicals

Top export destinations in 2013-14

(All values in US\$ millions)



Cucumber & Gherkins: Total 156.39

Russia (34.56), US (25.96), France (16.27), Belgium (14.27), Spain (8.85), Germany (7.35), Canada (6.47), Netherlands (6.02), Australia (5.95), UK (5.17)



Dried and preserved vegetables: Total 123.69

Germany (19.14), Russia 9.83, UK (9.25), USA (9.06), France (8.35), Brazil (4.82), Switzerland (4.82), Belgium (4.56), South Africa (3.75), Spain (3.48)



Mango pulp: Total 126.58;

Saudi Arabia (35.46), Yemen (18.44), Netherlands (16.32), UAE (7.46), Sudan (5.21), USA (4.43), China (4.22), UK (3.92), Kuwait (2.74), Germany (2.64)



Other processed F&V: Total 373.13;

US (51.37), Saudi Arabia (42.68), UK (42.51), Netherlands (40.52), UAE (24.71), Japan (14.04), Iran (10.10), Australia (9.50), Germany (8.75), China (8.09)

Source: DGCIS Annual Export Report

Corporation Ltd, a leading exporter of fresh grapes, pomegranates and mangoes and CEO, Desai Fruits & Vegetables Pvt Ltd, India’s largest banana exporter.

Greater farmer empowerment would boost exports from the sector as well. Sangha explains, “Making farmers partners in the value chain will lay the foundation for win-win long term relationships. Currently farmers get paid the daily auction price for fair average quality prevailing in a couple of reference markets. But producing export quality F&V mandates greater effort and precautions need to be taken from the pre-harvest stage till the post-harvest stage. It is not enough to provide farmers extension training and agronomic advice. Rewarding farmers well would incentivise them to raise the bar.”

Sangha especially appreciates how the necessary public or cooperative infrastructure has been created in Maharashtra and GrapeNet has been established at the federal level (through APEDA) by ensuring good agricultural practices (GAP), maintaining maximum residue levels (MRLs), traceability, and standards of grading & packing to complete the value chain for the export of grapes. “Handholding farmers and instituting facilitation processes has ensured high quality grape exports exceeding even international standards,” he says.

Facilitation measures by National Horticulture Mission include the

establishment of nurseries, seed production for vegetables, area expansion, integrated nutrient and water and pest management, mechanisation, etc. The Ministry of Agriculture is promoting quality planting material, the development of hi-tech horticulture cultivation, etc.

Cold Comfort

Closely related to the F&V sector is any country’s cold storage infrastructure. Of the existing 6,300 cold storage facilities with an installed capacity of 30.11 million metric tonnes in India, about 60 per cent are located near the point of production in four states.

India is working on doubling this capacity and creating more cold storages in hitherto underserved areas. Government support for the expansion of the cold chain network is evident. It has recognised the cold chain as a sub-sector of infrastructure and created an additional budget to set up cold storages and the National Centre for Cold Chain Development. Over the last six years, Agricultural & Processed Food Products Export Development Authority (APEDA), the nodal agency for the sector's development, has assisted public agencies and private exporters to create export oriented state-of-the-art cold chain infrastructure with capacity at around 41,159 MT. This year, it is aiming at augmenting this capacity by 8,000 MT. Setting up of such infrastructure that includes advanced technologies such as multi-commodity cold storage facilities, controlled atmosphere storage and advanced ripen-

ing chambers is a major opportunity area for investors.

According to Santosh Sarangi, Chairman, APEDA, "We help create post harvest handling facilities like pre-cooling, cold storages offering high humidity, controlled atmosphere and modified atmosphere, and reefer vans so that the harvested produce can be quickly brought under controlled environment conditions to retain its quality and enhance its shelf life. These steps have helped curtail post harvest losses and achieve cumulative growth of 17.49 per cent in overall F&V exports over the last three years."

Backed by the government's policies that encourage investment and help improve efficiency, productivity and quality across the value chain, the players are sowing the seeds of an even bigger harvest with the sector promising enormous growth potential. ■

USED CARS

Better with Age

India's used car market is in top gear with an evolving organised segment and growing acceptance of preowned cars across strata of Indian society. **BY SANJAY K OJHA**



Wipro founder Azim Premji chose to buy a pre-owned Mercedes Benz recently after selling

his Toyota car to upgrade his four wheeler status. Jagdish Khattar, who headed India's leading auto company Maruti Suzuki for 14 years, prefers to purchase only second hand cars and drives a used Volkswagen Passat.

Used cars are rapidly gaining acceptability across sections of Indian society, a trend that has accelerated the growth of the second hand car market in the country. According to industry estimates, at present the ₹40,000 crore (US\$ 6.5 billion) used car market is registering sales of around 25 lakh vehicles per annum.

"In the past decade, India has witnessed around 10-15 lakh car sales per year. These cars are now coming into the used car market at low prices. First

time buyers wanting to own luxury cars have a flood of choices. The trend to own used cars is increasing not only in cities and towns but in villages too,” observes Ajay Saxena, General Manager, True Value Rana Motors, Delhi.

Growth Factors

The northward bound disposable incomes of the middle class and the consequent rise in aspirations have fuelled the growth of the used car market in India. “The preference for used cars among first time buyers is based on their needs and the comfortable ride offered by the vehicles at prices ranging between ₹1.5-2 lakh (US\$ 2,444-3,259). Young employees and youth opt for luxury cars as they can easily get ₹15 lakh (US\$ 24,442) cars in the price range of ₹3.5-7 lakh (US\$ 5,703-11,406),” adds Saxena.

While customer to customer sales and small dealers still dominate the used car market in India, the increasing presence of well known car brands in the sector in the past decade has provided an impetus to demand. The organised market accounts for 20 per cent of the total volume of sales currently and the unorganised trade accounts for 80 per cent.

Mercedes, Audis and BMWs are the leading second hand luxury cars that consumers yearn to buy while Skoda and Volkswagen cars are the most sought after among the low end brands, an ASSOCHAM report says. According to the report, the total size of the second hand market in India is pegged to reach ₹115,000 crore (US\$ 18.74 billion) by 2015, including con-

sumer products, automobiles and industrial raw materials & machinery. According to a Ken Research finding, the growth in FY13 in the used car market was 22-25 per cent. In 2013-14, used car sales grew at 15-16 per cent and organised players expect a similar growth trend this fiscal as well. Experts have also forecast a buoyant future for the preowned cars segment in the coming years. RNCOS Research expects an average annual growth of 16 per cent till 2017 for the sector; while a Crisil Research report released in September 2012 forecasts that annual used car sales would treble to about 8 million units by 2016-17.

“Across price segments—from the Maruti Alto to Mercedes Benz E Class—used cars are selling far more briskly than new ones. According to industry experts, the advent of new models, improved services and ownership packages have made the pre-used option more attractive,” says Anton Rublevskyy, Managing Partner & CEO, Creative Web Media Pvt Ltd.

The biggest trendsetters will be the large youth population that also happens to be the largest segment of first time car buyers who opt for used cars in search of better bargains. In the last few years, semi urban and rural parts of

India are recording significant growth with organised players offering customers a warranty on used cars.

Big Players Steering Growth

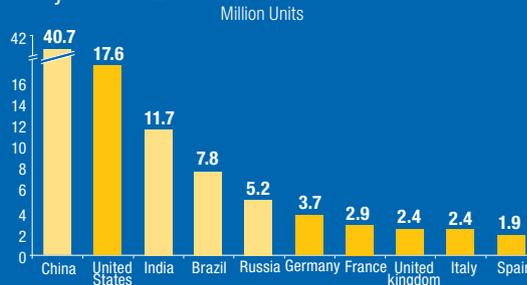
Till 2006-07, 96 per cent of the used car market was dominated by unorganised players and customer to customer sales, says the Crisil report. There was a sharp rise, however, in the percentage of organised players in the market—from 4 per cent in 2006-07 to 16 per cent in 2011-12. The paradigm shift from buying new cars to used cars was brought about by large players like Mahindra First Choice Wheels, Maruti’s True Value, Hyundai’s Advantage, Honda’s Auto Terrace and Popular Car World—who have made transactions more transparent and ensured fair prices for both buyers and sellers. Besides, these players also offer advantages like quality check processes for every used car sold, easy financing, motor insurance, proper paperwork and post sales service of the car.

Maruti True Value was the first organised player to enter the used car market in India in 2001, followed by Jagdish Khattar’s Carnation which has been in the pre-owned car business since 2009.

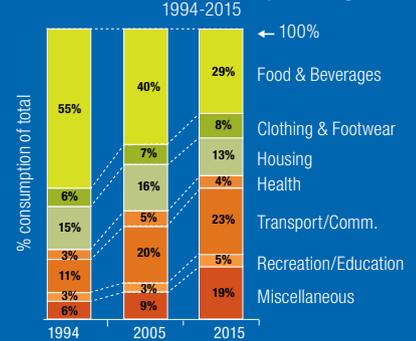
According to the Ken Research report,

Rising Demand for Four Wheelers in India

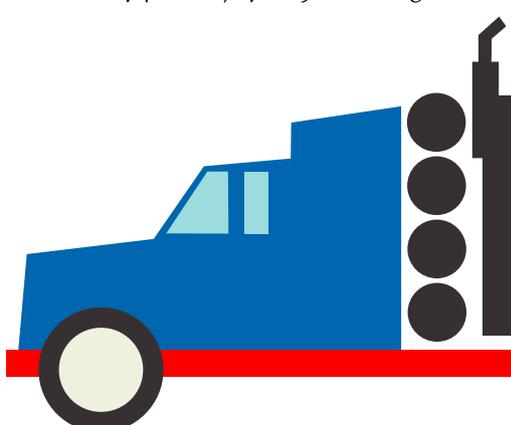
Light Passenger Vehicle Sales Projections-2030



Private Consumer Spending 1994-2015



Note: Miscellaneous includes personal care goods and other services
Source: Central Statistics Organisation (GOI), Booz & Company Analysis



Maruti has done good business in the segment with used car sales crossing 289,000 units in 2013-14, growing by 16 per cent year on year. Mahindra First Choice Wheels (MFCW) also posted good returns with a growth of 35-40 per cent over FY 2012-13 and is looking to cross the one lakh sales figure by 2015 with 500 outlets. It has already expanded its dealership network from 200 in January 2013 to 335 dealers in January 2014 to meet its targets. MFCW further plans to open 1,200 outlets across the country by 2019.

The popularity of used car segments can be gauged from their brisk sales onetailing websites in India. In fact, Anton counts India's rapid transition into an internet savvy nation as one of the primary reasons for the rapid growth of the pre-owned cars market. "Internet penetration can be counted as one of the dominant factors for the growth of the sector. Around 65 per cent of car buyers

are searching for vehicles online before they make a purchase in any major city today," comments Anton. In 2007, eBay India Motors, the leading online business-to-business motors marketplace brought the online used car sale-purchase concept to India, with its offer through the launch of its motors classifieds category. In recent years, two of the prominent online marketplaces—Quikr and OLX—too are allowing customers to post free ads for sales of used cars. Quikr has around 50,000 cars listed under the used cars for sale category in Delhi and over 400,000 across the country.

Another novel concept promoting used car sales is the auto mall and a number of them have sprung up across the country. Shriram Automall India Limited (SAMIL) is the first-ever company in India to set up an exciting bidding platform to facilitate the exchange of second hand vehicles. Within these

auto malls, live bidding of second hand cars takes place, which further facilitates better price realisation of the products.

Future of Used Car Market

An important boost to the pre-owned cars market is set to come from the proposed goods and services tax (GST), which will make tax laws uniform across all the states making it easier and economical to buy, sell and register used cars. A single tax, the GST will replace a number of indirect taxes like the service tax, excise levy, state value added tax and a number of other local taxes levied by different state governments. In his maiden Budget speech, Finance Minister Arun Jaitley has strongly signalled the government's intention to roll out the proposed GST next year. India is at the steering wheel of a new revolution where the smell of new leather matters less than the size of the car—who cares if it is used? ■

HOTEL

Hospitality EYES IT Gateway

Looking at the potential in IT business travellers and expat community of Bengaluru, global hospitality chains view the city as a gateway to their India presence. **BY KAVITHA SRINIVASA**

Bengaluru's rapid evolution as an IT hub in particular has raised its importance as a strategic destination for global CEOs. This has in turn boosted the attractiveness of the city for the hospitality sector.

According to a January 2014 press release from Cushman & Wakefield (C&W), Bengaluru has a total upcoming supply of 6,978 keys by 2017. Properties that are expected to become operational during 2014 include Encore (90 keys), Double Tree by Hilton (185 keys), Hilton Residences (250 keys), Renaissance (278 keys) and Conrad (250 keys). While there



is a significant increase in leisure travel as well, the hospitality sector is particularly focussing on business destinations in India—led by the gateway markets of NCR, Mumbai and Bengaluru.

"Bengaluru has been the hub of hotel development for some time now. The first Mövenpick opened there and the first Fairfield is also there. The first combo hotel with Novotel

and Ibis also chose the city, so it isn't surprising that the first Ritz has also opened in Bengaluru," opines Akshay Kulkarni, Regional Director, Hospitality, South & Southeast Asia, C&W.

The Silicon Valley of India has become particularly lucrative for global hospitality players targeting the corporate traveller. Shangri-La is slated to set up its property at Bengaluru's upmarket Palace Road in the third quarter of 2014. Come 2015 and the hospitality circuit will witness the entry of Sheraton Bengaluru Whitefield Hotel & Convention Centre. The hotel is conceptualised for business and leisure travellers given that it's in the vicinity of multinational IT and Fortune 500 companies. Also slated for a 2015 opening, Swissôtel Bangalore will be located in Whitefield.

"Bengaluru has a consistent business inflow and there are no extreme seasonality or travel patterns, peak and off peak occupancies and rates. The city has a higher percentage of expat movement especially in the IT domain as compared to other southern cities like Chennai or Hyderabad," says Prashant Sharma, General Manager, Mövenpick Hotel and Spa Bangalore, explaining the city's importance.

Tweaking Models to Indian Taste

Given the city's potential, hospitality players are willing to go that extra mile to tailor operations for specific needs of the traveller. A case in point is the Fairfield by Marriott at Rajajinagar, which is a north west location. Fairfield in the US is a budget-economy hotel, while in Bengaluru it's positioned as a moderate tier hotel. "This model has been developed for the mid-level business traveller as no one has catered to their requirements," said Pranay Verdia, General Manager, Fairfield by Marriott, Bengaluru, Rajajinagar.

The hotel chain entered the city in October 2013 and the

location gives it a proximity to business centres like the World Trade Centre, manufacturing-industrial pockets of Yeshwanthpur-Peenya and International Exhibition Centre, India's largest venue. Pre-launch, Fairfield whetted the market through a marketing blitzkrieg resembling American street food culture. The hotel designed and fabricated a food truck, which drove into 40 companies and dispensed rolls and paninis.

"Fairfield is not a full service hotel, but its services can be described as luxury in a budget hotel. Productivity should become profitable," explains Verdia. For instance, the hotel has a health and fitness centre instead of a spa. The reception stacks a store comprising international and Indian F&B retail snacks. The restaurant, bar and business centre are at the same level so that conference delegates have the option of dining in the restaurant.

Inbound Travel Matters Here

Mövenpick Hotels & Resorts, which boasts of a Swiss heritage, is another chain that has zeroed in on Bengaluru for its expansion plans in India. "Bengaluru as a city enjoys prominent brand positioning—as the country's IT hub, as the country's startup capital and as a leading educational and healthcare destination. It is one of the most cosmopolitan cities of the country and offers a vibrant cultural, gastronomic and fashion scenario," reasons Sharma.

Mövenpick Hotel and Spa is positioned as an upscale business hotel and is the closest five star hotel to the Kempegowda International Airport. About 95 per cent of its

business is generated from corporate travel. The key feeder comes from micro markets in north Bengaluru, spread across locations such as Hebbal, Yeshwantpur, Peenya Industrial Area and Manyata Techpark. According to Sharma, the belt is emerging as a self sustained business hub, which helped the hotel break even within three years of launch.

HNI weddings and MICE business also make the city a valuable business proposition. The MICE segment contributes between 20 per cent and 25 per cent of total revenue through meetings, residential conference, exhibitions and weddings. Other boosters include leading research, educational and public undertakings like IISC, ISRO and MS Ramaiah Group of Institutions and malls along with traditional shopping markets.

Moolah from Micro Markets

A 2013 Cushman & Wakefield research publication titled *Changing Dynamics of Indian Real Estate* indicates that Mumbai witnessed the highest net absorption during H1 2013 at



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—Akshay Kulkarni, Regional Director, Hospitality, South & Southeast Asia, C&W



"Bengaluru has a consistent business inflow and there are no extreme seasonality or travel patterns..."

—Prashant Sharma, GM, Mövenpick Hotel & Spa, Bengaluru

2.36 million square feet (msf) for commercial office sector activity, followed by Bangalore and Chennai at 1.95 msf and 1.48 msf respectively. These three cities contributed to nearly 60 per cent of the total net absorption. IT/ITeS and banking, financial services and insurance (BFSI) were the major contributors in overall net absorption during 2013. IT/ITeS companies saw major relocations from CBD to suburban and/or peripheral areas to consolidate office spaces, increase operational efficiencies and reduce real estate costs.

Subsequently business lifestyle hotels have sprung up around micro markets like Whitefield, Electronics City and Outer Ring Road. Business lifestyle hotels in the vicinity are thriving because people prefer using hotels within the micro market to avoid long city travel caused by slow moving traffic. For instance, Whitefield's Export Promotion Industrial Park (EPIP) is one of the country's first information technology parks, which houses many IT and ITeS companies. Electronics City is one of India's largest electronic industrial parks, spread over 332 acres. It is said that there are approximately 187 IT/ITeS companies located in Electronics City including Infosys, Wipro and Tata Consultancy Services. Business is also excited about Outer Ring Road, which connects all major highways around the city, as it houses the Vrindavan Tech Village, RMZ Ecospace and Pritech Park.

Mixing it Up

Real estate developers and hotel chains have increasingly entered into collaborations to give a new dimension to the cityscape. The collaboration has resulted in business models that include integrated lifestyle enclaves or mixed use developments, collaborative owner relationships and partnership managements.

An early proponent of mixed use development is the real estate company Brigade Group, which teamed with Starwood Hotels and Resorts to launch Sheraton Hotel at Brigade Gateway in 2011. The hotel in north Bengaluru is set in an upscale lifestyle enclave beside a hospital, with skyway access to the World Trade Centre and the Orion Mall.

When Bangalore-based realtor Nitesh Shetty wanted to expand his portfolio, he already had a vision. "I wanted either a Four Seasons or Ritz-Carlton. Since the Four Seasons was taken, I flew to Washington DC to meet Herve Humler (President & COO, Ritz-Carlton Hotel Company) and convinced him that Bengaluru was the right location and I was the right developer to handle it," explained Shetty, Founder and Chairman, Nitesh Estates.

The Ritz-Carlton, which threw open its doors in 2013,



"I flew to Washington DC to meet Herve Humler...and convinced him that Bengaluru was the right location..."

—Nitesh Shetty, Founder & Chairman, Nitesh Estates



"This model has been developed for the mid-level business traveller as no one has catered to their requirements..."

—Pranay Verdia, GM, Fairfield & by Marriot

is located in the heart of the city. The rooms are stocked with Tivoli Audio radios, Krups Nespresso machines and toiletries from Asprey, London, all of which adhere to the standard norms set by the Ritz-Carlton brand. "The Ritz-Carlton with its seven food and beverage outlets, a dedicated concierge service, a 16,000 sqft spa and salon run by Italian hairstylist Rossano Feretti scores for its stunning collection of 1,280 pieces of artworks," added Shetty.

In January 2014, Hilton Worldwide and DoubleTree by Hilton announced the launch of DoubleTree Suites by Hilton Bangalore. The USP of this full service, contemporary hotel is its guest accommodation conceptualised for transient business travellers as well as long stay guests. Realtor Mantri Developers Pvt Ltd owns the hotel, which is managed by Hilton Worldwide. It is located on Sarjapur-Outer Ring Road in the southeast region of Bengaluru, within reach of IT/ITeS Tech Parks, commercial and business hubs.

Real estate developer Brigade Group has collaborated with InterContinental Hotels Group (IHG) to create 10 Holiday Inn Express hotels to be owned by Brigade Group and managed by IHG. The Advantage Raheja Group from Mumbai has stepped in to build the JW Marriott, which is managed by Marriott International Inc under the brand JW Marriott. Inaugurated in 2013, this five star luxury hotel is located in CBD. With over 10,500 sqft of meeting space, the hotel is designed for both business and leisure travellers.

Hospitality experts describe Bengaluru as the Gateway to the South. The city will undoubtedly remain a focus market for international hotel brands in times to come. ■



Equality in a Tea Cup

Wagh Bakri has evolved as the third largest packed tea player in India, led primarily by unflinching commitment to the values of its founder and strategic interventions in tune with market dynamics.

BY TEAM IBEF

Successful brands are meant to tell interesting and endearing stories of products, services and experiences but then there are some brands whose stories have a more larger than life appeal. The story of Wagh Bakri is one that would certainly strike an emotional chord across humanity. Interestingly, its origins lie in the deep friendship that the founder had with the Father of the Nation himself.

Way back in 1882, Narandas Desai was studying with Mahatma Gandhi at Rajkot. Both of them also went to South Africa together. At that time, Gandhi came in touch with some workers at tea gardens who said that they were being oppressed

by the white owners of these gardens. At his behest, Narandas arranged for some finance from his father Kuber Das Desai, who was then the Diwan of Rajkot, and took over around 200 hectares of these gardens on lease. Narandas emerged as one of the most honest and dedicated tea planters in South Africa, but fifteen years later, he

faced racial discrimination and had to return to India. Backed by Gandhi's endorsement of his credentials, Narandas took up a job as a tea planter in South India. Later on, Wagh Bakri Tea Depot was set up in 1915.

One of the key ingredients of Wagh Bakri's success was the fact that Narandas knew his tea, through years of dedication and commitment. But a basic level of curiosity is anticipated when one hears the name Wagh Bakri—representing a lion and a goat. And the brand logo, which shows a lion and a goat drinking tea from the same cup, is bound to arouse your curiosity even further. Actually the lion represents the upper classes and the goat represents the lower classes of society. It is a message that symbolises Narandas' vision for equality across the human race.

The basis of this symbolism was Narandas' own experiences as a victim of racial discrimination. The symbolism of the lion and the goat expresses his message of equality beautifully with tea playing the role of a leveller between classes. With this powerful and timeless message driving its genesis Wagh Bakri was already on its way to being much more than a company in the business of tea. In fact Piyush Desai, Chairman, Wagh Bakri Tea Group, now envisions a global tea brand that will portray people getting together over a cup of tea irrespective of their nationality, religion, caste, colour, etc.

Quality: Driven from the Top

Statistics on family business dictate that only around 30 per cent of family run businesses survive till the second generation, while the corresponding numbers for the third generation and fourth generation are 12 per cent and 3 per cent respectively (Family Business Institute). But as the mantle has passed on to successive generations of the Desai family, Wagh Bakri has only prospered further.

Currently, the business is led by the third and fourth generations of the family and has an annual turnover of



The Perfect Cup served at Wagh Bakri Tea Lounge (Top) is produced at the company's world class production facility; (Left) the blending unit at the plant blends around 150,000 kg of tea every year; (Above) members of the Desai family take personal interest in the tea blends and are accomplished tea tasters themselves.

over ₹800 crore (US\$ 130.83 million). It is now the third largest packaged tea company in India. True to the legacy of Narandas, all family members continue to retain an undying passion for the quality and blend of tea that is being packaged. They personally taste and evaluate samples that are brought in from the market and are distinguished tea tasters themselves. In this context, Piyush comments, "I am a tea taster since the last 50 years. By tasting different varieties of tea in my lab, I can tell which tea hails from which garden based on my tasting skills." To ensure

sustainability and growth, the Desais have brought in professionals who work in close coordination and harmony with the owners.

Till 1980, the company was mainly in the business of selling loose tea. At that time, Piyush Desai decided that they should start moving into packed tea in line with developments in the market. The company also started its own state of the art blending unit to ensure that desired customer attributes like taste, brightness, flavour and aroma were met. Today, the plant blends around 150,000 kg of tea every year. Blending

is key to delivering the Wagh Bakri promise, as Desai comments, “Customers expect consistently good quality every year. But the fact is that in the tea plantations, quality changes with the changing months. It also changes with location and elevation. The art of a blender comes into play to ensure consistently good quality.”

Wagh Bakri has an in house packaging unit that is equipped to service a wide variety of packaging requirements—from polypacks of ₹1 value to 5 kg jars and cartons—and has a production capacity of 6 lakh packets per day. The company also bought a tea bag machine from Italy that can make 250 staple free tea bags a minute. Besides this they also have a world class R&D facility that conforms to international standards like ISO 17025.

No Brew Fits All

Wagh Bakri currently sells around 35 million kg of tea every year, out of which around 28 million kg is sold in Gujarat alone. The company has also entered some other markets like Maharashtra, Rajasthan, Madhya Pradesh, Chhattisgarh, Delhi and Andhra Pradesh. The company takes great care to understand customer dynamics in whichever market it enters. In fact Wagh Bakri tests the water and the milk first before entering a market. This gives them an idea about the kind of brew they have to develop that will be accepted and appreciated by the market. For instance, people in Gujarat are used to creamier milk tea. Piyush Desai admits that it takes around three to four years to break even in any market that they enter.

The company has also managed to make some inroads into the export market by leveraging the Indian community abroad, particularly focussing on Gujarati expats. Exports currently account for around 5–7 per cent of the company’s sales. It is now exporting to US, UK and most European countries and the Gulf (Dubai, Muscat, Bahrain & UAE). In markets where they have

“Indian consumers are very much open to innovation”

Piyush Desai, Chairman, Wagh Bakri Tea Group, talks to *India Now* Business and Economy about the company’s successful transition into a packed tea player and elaborates on the way ahead.

Q What are the core competencies that have enabled Wagh Bakri to emerge as a strong player in the packaged tea segment and sustain its position over time?

Ours is a family owned company with rich experience of tea cultivation, tasting and marketing inherited from our forefathers. The business is run by a team comprising members of the family as well as professional managers. Great care is taken to ensure consistently good quality.

To ensure quality, we constantly take samples from the market, taste and evaluate them. The tea goes to the packing section only after we ensure that its quality is ahead of the competition, otherwise we send it back to the blending section for improving the blend. Our blends should be good enough to satisfy the expectations of consumers.

Q How has the shift to tea blending helped you take your business to the next level?

Earlier, when a customer came, you took out bulk tea and weighed it in his presence. But we took a call and developed a factory where we blend tea for which we have purchased machinery from West Bengal. Around 1,000 kg of tea is blended in that machinery in around one and a half hours. Today we blend around 150,000 kg of tea



“ We are trying to penetrate the Chinese market with strong CTC Assam tea and other CTC tea varieties because Chinese consumers have not really experienced a strong cup of tea with good body and full strength. ”

— Piyush Desai
Chairman, Wagh Bakri

every day. No unblended tea is sold. After blending customers get desired attributes including taste, brightness, flavour, aroma, etc. Customers expect consistently good quality every year. But the fact is that in the tea plantations, quality changes with the changing months and with location and elevation. The art of blending comes into play to ensure consistently good quality. I am a tea taster myself since the last 50 years and can tell which tea hails from which garden based on my tasting skills.

Q Wagh Bakri has built a strong brand equity in Indian and overseas markets. How have you strategised your branding initiatives to achieve this objective?

Out of around 35 million kg of tea sold, some 28 million is sold in Gujarat, which is approximately 80 per cent of sales. We are also present in Maharashtra, Rajasthan, Madhya Pradesh, Delhi, Andhra Pradesh and Chhattisgarh. It takes around three years in a market to break even.

By 1990, we had also entered into exports. We are exporting our tea to US, UK and most European countries along with Gulf countries—Dubai, Muscat, Bahrain and UAE. Now we are also planning to enter the Russian market. Exports are currently around 5–7 per cent of our annual sales of 35 million kg. In all places overseas where we have Gujarati festivals, we send our agents and advise our distributors to plan sampling in these areas. There are also a lot of Indian stores there. That is how we have developed our brand.

Q As a leading tea exporter from India, what is your opinion about the brand perception of Indian origin tea in overseas markets?

India can certainly take pride in the quality of its tea. We are gaining a good market for Darjeeling tea in particular in Germany and Japan. As a company, we are looking to penetrate the Chinese market with strong CTC Assam tea and other CTC tea varieties, because Chinese consumers have not really experienced a strong cup of tea with good body and full strength. We can launch some tea lounges or cafes there as well. There is also significant potential to export green tea and organic tea. Wagh Bakri is exploring opportunities to acquire some tea gardens in Assam and South India that we can convert to organic and green tea cultivation.

Q What is your view on the changing tea consumption trends in India? How is Wagh Bakri preparing itself to capture market share and even grow the market?

Indian consumers have traditionally been fond of masala tea and a good strong cup of CTC tea. But now there are stores like Fabindia that sell good organic tea and green tea. Indian consumers are very much open to innovation. We have developed our value proposition over time from tea packets to tea bags and then to iced tea. We have also started premix tea, which can be prepared in just 15 seconds. There are 12 sachets of 15 grams each in one pack that includes different flavours including masala, ginger, lemon grass and cardamom. Suppose I wake up at five am in the morning and go for a morning walk. At that time I do not like to wake up my servant as he works so hard all day. Before sleeping, he just put hot water in a flask in the kitchen. The sachet helps me prepare my tea quickly and conveniently. So these sachets are getting very popular and we also find a huge potential overseas for them.



Gujarati festivals, the company sends its agents and also advises its distributors to plan for sampling in these areas.

Customer aspirations are rapidly changing in the domestic and overseas markets. Experts from the tea industry note that while Indians are most attuned to milk tea, often with the infusion of a variety of spices, there is a visible undercurrent of change. Customers are increasingly willing to experiment with new varieties of black tea and even other variants like green tea, white tea, etc. The company has developed its own portfolio to meet these changing needs, which includes green tea, organic tea, instant tea, iced tea and premium varieties like Earl Grey, Assam, Darjeeling and English Breakfast. Premix tea is another offering from the Wagh Bakri stable in recognition of the fast paced life that is the norm today.

Back to the Gardens

Wagh Bakri is in the process of aggressively stepping up its marketing efforts. The company has entered the café business with the launch of Wagh Bakri tea lounges in Mumbai, New Delhi and Aurangabad. It has also launched a website named Buytea.com to sell its select tea range across the globe. Going forward, the company is also looking at a foray into Russia and China. While the Chinese have been green tea drinkers for centuries, Desai feels that there is definitely a market for a strong cup of black tea with good body and strength.

But most importantly, Desai is keen on backward integration that can help them control the supply chain and consequently ensure that the quality of the input consistently meets their standards. The company is in talks to acquire tea gardens in Assam and South India, which it plans to convert to organic and green tea cultivation. In a sense, therefore, Wagh Bakri is going back to where it all started for its founder Narandas Desai over a century ago. It is an endeavour that would certainly do him proud. ■



Indulge Your **Sweet Tooth** with **Diabetic Sugar**

A Siddha or Tamil life sciences breakthrough, DiaBliss is a herbal technology that makes cane sugar diabetic friendly.

BY SANGITA THAKUR VARMA

The world is grappling with a largely lifestyle disease that has taken an epidemic form. According to the International Diabetes Federation's *IDF Diabetes Atlas Sixth Edition, International Diabetes Federation 2013*, there were 382 million people living with diabetes in the world in 2013. The number of people affected by diabetes is projected to increase by 55 per cent to reach 592 million worldwide by 2035. In such a scenario, when, C K Nandagopalan, Founder, Revolution, a research foundation dedicated to Tamil sciences, and Chief

Technology Officer, DiaBliss, says, “It is a very simple herbal technology and no skilled person is required for handling it,” you look at him in disbelief. For, he is talking of his breakthrough innovation, which in simple words is the world’s only diabetic friendly herbal sugar. He claims this sugar suits all age groups and all types of diabetics and that too without quantity restrictions. Additionally, its efficacy is proven through scientific data backup, he says.

The herbal sugar called DiaBliss is essentially 99 per cent cane sugar and 1 per cent herbal extract. The formulation is totally safe and 100 per cent natural as it uses 15 ingredients that are extracted from plants. It is a tasteless, colourless and odourless aqueous herbal extract made from fenugreek, pomegranate, cinnamon, gooseberry, turmeric, black pepper and ginger.

Calcium, sodium, potassium and other high value antioxidants are extracted from these components. The extracted formulation is then amalgamated together to produce the herbal additive. A measure of 40 ml of this liquid herbal additive is used to wet the sugar, which is then kept for drying for 12 hours. The end product is herially enriched natural sugar, which a diabetic can consume without fear.

Several clinical trials of the herbal sugar have given positive results. DiaBliss sugar has been tested on people for periods ranging from three months to 36 months and data to date indicates that the product is safe. The product has been tested on subjects ranging in the age group of 7 to 82 and has been found to be effective in Type 1 and Type 2 diabetics. A 60 day product trial conducted at Sugan Life Sciences, Tirupati, Andhra Pradesh, on Type II diabetics using a sample consumption of 22.5g of DiaBliss sugar per day showed excellent blood sugar absorption and fasting and post prandial performance in diabetics (see table and graph on right).

Nandagopalan cites a Harvard School of Public Health finding where it has been indicated that the risks of diseases such as diabetes type II and coronary heart dis-

Total Cholesterol, VLDL Triglycerides and Total Cholesterol to HDL Ratios Show Reductions

Effect of DiaBliss Sugar Supplementation on Blood Glucose Levels in Patients with Type II Diabetes Mellitus; Results of Clinical Trials Conducted at Sugan Life Sciences, AP

VARIABLE	BASELINE	60 DAYS	TRIGLYCERIDES VALUE	POSTPRANDIAL VALUE	CHANGE
Total Cholesterol mg%	117.8 334.68	163.21 345.83	1.12	0.27	-8.2%
HDL Cholesterol mg%	42.15 33.66	43.16 33.66	-0.86	0.39	2.4%
LDL Cholesterol mg%	95.44 328.57	93.64 342.76	0.15	0.88	-1.9%
VLDL mg/dl	31.17 314.73	26.16 310.58	1.17	0.25	-16.1%
Triglycerides (mg/dl)	172.55 385.53	159.0 3127.85	0.391	0.69	-7.9%
Cholesterol/HDL Cholesterol ratio	4.14 31.19	3.66 31.20	1.23	0.26	-11.6%

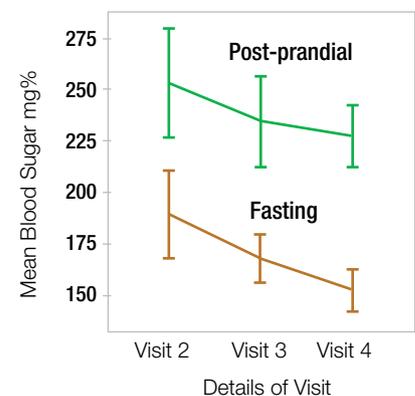
eases are strongly related to the glycemic index (GI) of the overall diet. Diabetics are recommended foods with low GI and glycemic load (GL). The glycemic action of DiaBliss occurs from polyphenols, antioxidants and soluble fibres. When blended with the herbal extract solution, there is 30 per cent reduction of GI in sugar. By lowering the GI, DiaBliss makes rice and fruit based products diabetic friendly. The simple structure of the extract ensures multiple applications.

Right since his youth, Nandagopalan, a post-graduate in psychology from Madras University, had a keen interest in Tamil sciences, the branch that is known as *siddha*. For those uninitiated in the vast treasure trove of India’s ancient remedies, he explains, “We are not involved in the *ayurvedic* field of medicinal research.” Both are separate branches of natural science.

The innovator has his roots in the business community and as a young entrepreneur, he “wanted to come out with

Data & Key Findings

20% reduction in fasting and 10% reduction in post prandial blood glucose levels on consumption of DiaBliss



revolutionary monopoly products, which, at the same time, would help him serve humanity”. With this mission in sight, the innovator along with his brother C K Premkumar, established their research foundation Revolution in 1987 investing

their personal funds. It had an exclusive aim—research into chronic diseases, where cures remained elusive, and other unsolved problems faced by humans through the application of ancient Tamil heritage. “We have learned many things on our own and have trained under many erudite people over a span of 16 long years,” says Nandagopalan reminiscing, and adds, “the main aim of the foundation is to serve humans in the area of pathology.”

It took close to 18 months for the fundamental technological breakthrough to shape up successfully, says Nandagopalan. He is now, however, establishing an industrial model to make cane sugar universal. The researcher had studied Diabetes Mellitus for over six years before arriving at his innovative product. During the course of this study, Revolution also discovered ways of making natural salt cardiovascular friendly by neutralising the toxicity and making rice and wheat diabetic friendly. All these innovations are now being marketed by DiaBliss Consumer Products.

DiaBliss, the eponymous commercial venture and the brand, was established in Chennai by Nandagopalan and some of his associates to market the herbal sugar and its byproducts. “We wanted to take this concept to diabetic people all over the world,” he says explaining his association with the company.

The history behind the innovation of diabetic sugar is inspiring. “Since 1997, Revolution was actively involved in providing Heritage Sanjeevi, the wound care drug for incurable diabetic foot, incurable diabetic wounds and also a cure for diabetic gangrene. It was the heart rending call from the diabetic world for sweet treats that led the research foundation to get seriously involved in finding a lasting solution,” reveals the serial innovator, adding, “developing a sugar that allows diabetics to indulge their sweet tooth, was the biggest challenge the globe faced.” Nandagopalan was specially motivated by the plight of the “the juvenile diabetic world”—children denied small sweet indulgences they craved.



“The psychological appetite for sugar and sugar related products in a diabetic is very high. When this appetite is answered, he considers himself a normal person...”

—C K Nandagopalan, CTO, DiaBliss

The herbal extract is derived from several herbs and spices using water and no other chemicals or solvents. The solution when blended with sugar as well as carbohydrates and fruit pulp provides a complete and integrated system for carbohydrate and fructose management. The extract is colourless, odourless and tasteless and helps retain the original taste of cane sugar and its derivative products. Since DiaBliss can render sugars, carbohydrates and fructose content in foods diabetic consumption friendly, it enables them to consume an unlimited choice of foods, claims Nandagopalan.

Explaining the mechanism, Nandagopalan says, “In the preparation of the herbal solution, potassium, calcium and antioxidants are extracted without altering the potency. When DiaBliss sugar is prepared with herbal extracts, these ingredients allow glucose present in the blood stream to be effectively absorbed by the body at a cellular level. DiaBliss Sugar addresses typical symptoms of diabetics including low energy levels, lethargy, itchiness, craving for food and

sweets by allowing enhanced absorption and better body metabolism.” Revolution has also developed and tested a range of products including salt, rice, jams, ketchup, multigrain porridge, chocolates, *semiya payasam (kheer)*, beverages (lemon tea mix, lemon juice mix), etc, which will soon be launched.

The cost of the research was close to ₹18 lakh (US\$ 29,469.55), but the results far outweigh these considerations for the founder who faced many challenges. The primary ones were that the sugar must suit all age groups including children; suit all types of diabetics; there should be no quantity restriction and it should be ensured that no ratified chemicals or solvents are involved in the technology. But the biggest challenge for Nandagopalan was, as he explains through a diabetic’s eyes, making an important point, “The psychological appetite for sugar and sugar related products in a diabetic person is very high. When this appetite is answered, he considers himself a normal person and his mental health improves in a big way.”

The product that was commercialised in April 2013 received a huge welcome from the world. “The sky is the limit for the product as far as its market is concerned,” observes Nandagopalan, and adds, “We have started exporting and enquiries are coming in from all parts of the world.” The innovator is not interested in patenting DiaBliss as it is a pure proprietary formulation.

While the diabetics can now indulge their sweet tooth, Revolution is also working hard to commercialise the first ever herbal technology in the area of water management called Nanneer. “We are also working on several other concepts relating to the field of life sciences,” informs Nandagopalan. One can certainly expect more revolutionary panaceas from his research lab given the success of his earlier innovations—products for incurable wounds; for skin care; for burn care, which revives pigmentation and a product for treating seeds in the field of agriculture. ■



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ARTS & CULTURE



◀ **Little India:** (Top) Handmade jute bag; (Left) the heritage shops that stock handlooms and handicraft items from all over India; (Below) boutiques that sell exclusive clothes.

A Walk down People's Path

It's sheer nostalgia that grips in Delhi's heritage market. **BY BINITA SINGH**

Delhi is a shopper's paradise. From luxury malls housing the most expensive global brands, designer boutiques, to the delights of dirt cheap street shopping, it offers all. Amid all these many destinations exists Janpath market eponymously named after the street on which it exists.

To call Janpath Market in New Delhi the artery of India wouldn't be far-fetched. The long road with its picturesque row of tiny shops fronted by a designer pavement is not representative of the national capital alone, but a microcosm of India in motion—colourful, vibrant and milling with chaotic crowds. The thousands that you may see here on any given day, except Sunday of course when the market is closed, make it a thriving global tourism destination.

The historical antecedent of Janpath or 'people's path' makes it even more interesting. Starting out in 1931 as Queen's Way, it was an important part



of 'New Capital' of India as designed by Edwin Lutyen. Starting out as Radial Road 1 in Connaught Place, adjacent to Palika Bazaar, it runs north-south perpendicular to, and past Rajpath (erstwhile King's Way). In the north, Janpath road stretches from Connaught Place and in the south it winds up at the intersection of Aurangzeb Road and the junction of South End road and Tees January Marg.

From being the road fit for royalty, post India's Independence, its nomenclature and consequently complexion was changed and Janpath became a street *bazaar* for the masses. Over the years, it evolved into a must visit shopping destination for the world traveller.

▶ Tea Leaves to Coffee Beans

It is to the credit of Depaul's unique coffee blend that it turned a tea drinking Delhi

into a coffee guzzling one. They brought the concept of coffee in 1969 and had to convince people to try it. Finally, the taste got

the people and Depaul's became what it is today. Interestingly, a French tourist is behind the happening branding of the store.

Originally named after the founder Dharampal, he suggested the shortened D'Paul and over time it became Depaul's.



While Delhi has evolved at a rapid pace and Janpath benefitted from all these developments including a convenient metro line near it, the inherent characteristics of this iconic heritage market have been maintained over the years.

The shops remain quaint and are carrying on the legacy of their forefathers, for the past 60 years in most cases. They still sell their signature specialties and despite a steady flow of new customers, most of them are being patronised by their loyal clientele of generations. It's nostalgia all the way in technicolour though most old timers in Delhi hoard sepia hued memorabilia of the bygone era in their hearts.

"We had clients like erstwhile *maharajas*, famous celebrities, top bureaucrats, et al. The who's who of Delhi used to be here in the 70s and 80s. This was the meeting place and eating place. We had the best music in the town," reminisces Ashwani Kathpalia, current generation proprietor of the iconic Depaul's.

Kathpalia chooses not to name his clients but recalls incidents when he has had three generations come to his shop for the signature cold coffee and talk about old times. As he rightly points out, for world tourism it is not India's glitzy malls that are the attraction, but heritage places like Janpath. "The world over, there is nothing like Connaught Place (CP), and Janpath is like an arm to CP because it used to be one of the VIP routes. Whenever any dignitary came in from outside India or

▲ Vignettes of

India: (Left) It's sheer nostalgia for Delhi's old gentry who come here to reconnect with their days of youth—coffee, music, books and the mere ambience of Janpath

Hot & Happening:

(Right) This fashion street is the favourite destination of young India and the foreign tourists in search of the latest fashion lables at a bargain price.

The Legacy Keepers:

For the inheritors at Janpath, life is here and they would like to take it to another level and convert it into a tourist hotspot—with live music, some benches and some management.

a domestic VVIP, they would stop at Janpath with their motorcade and the president of the market would welcome him/her with a garland, while the others would shower petals on them. From Janpath, the dignitaries then would go to Rajpath and Rastrapati Bhavan. I was in school those days and visited the market just to witness these historic moments. These are the old memories."

Though dignitaries with their motorcades do not stop by here anymore, it has not meant the end of glorious days for Janpath. The market has survived all the ups and downs of economic turmoil and remains a delight for an intrepid shopper to a casual visitor for the sheer variety of entertainment it offers—food, culture, heritage, handicrafts, boutiques, brands, jewellery and export surplus.

While Depaul's had to stop its soul stirring beats on demand due to restrictions, it went on a diversification drive. Like all things in Janpath, stores while expanding their offerings have retained their core businesses and their loyal client base. There have been no drastic upgradations for any of the stores here. "Smartcards and e-commerce have made no difference to the business at Janpath Market," says Sanjeev Arora, President, Janpath Bhawan Market Association and Gaf-



A Great Leveller: Exclusive handmade art and craft items from India's grassroots artisans find their way among the global brands on Janpath's pavements making it a great place to scout for bargains.

far Market Association and the current generation proprietor of Om Books, one of Delhi's oldest book stores.

When you enter Om Book Store it immediately strikes you as though you have walked into a time machine. Rewind to 1970s or 80s—the same musky smell of books, with thousands of them crammed in racks leaving just enough space for visitors to browse through. There is an old gent at the door and Arora is half hidden behind the piles of books on the billing counter. The old world charm of Om Books is certainly a contrast to the new book stores cum coffee lounges concept. It is more like a library, but an up-to-date one with all the latest titles.

Om Books was established by Arora's father who chose to set up his roots in India post Partition. "In Pakistan we had three shops. But when we migrated to India in 1947 my father had to start from scratch."

The Aroras like the Kathpalias, the Vijs and the other store owners in Janpath Bhawan were initially allotted stalls in Janpath in the early 50s. In 1971, after the construction of the building, the stores were relocated to their present address.

The changes that have come over in Janpath are reflective of the larger changes sweeping India. Arora, who has been holding the show since 1979, finds the business of books growing

despite the rising costs and the competition from ebooks and kindle. "More and more people are getting educated and becoming aware. So, clients per se are increasing. The trade is definitely growing. People now have the purchasing power to buy expensive books."

To keep up with the demand, Om Books has grown vertically. "Earlier it was only books for children, but now there is a whole floor for teens." The store has three floors, and "we have the third generation coming to shop for books."

Though Arora admits to space constraint, he is happy in his groove. "Coffee culture is new in India and it requires lots of space," which Arora thinks is a misfit in the Janpath market ambience. In fact, the cards gallery of Om Books had to be scrapped to make space for the new varieties of books that kept growing. "Readership is increasing. Now, people want to possess their own copies and build their own library." The death of mobile libraries has further aided this trend, he adds.

There is another bookstore on the pavement of Janpath that has remained untouched by time. It's more a glass and iron round kiosk with a couple of tiny openings much like counters in a bank for the readers to ask for a book or pay their bills.

It is not just the stores' ambience that speaks of an era gone by. Speak to any of

the storekeepers here, and their genteel art of conversation becomes apparent. These are the people who cultivated friends among clients and won their diehard loyalty. No wonder, most of these old shops speak of three generations of clients still shopping with them.

Indraprasth is among the oldest stores in Janpath square. Started as a stall by Satyapal Vij who had migrated from Lahore at the time of Partition, after its move to the permanent address in Janpath Bhawan, it became the destination for upmarket Delhi residents and visitors to Delhi for quality hosiery and intimate wear. Manoj Vij, the current owner, credits the improving services as the hallmark of Janpath market's development. "Gradually, old shops have been providing better services and it has developed into a market. Earlier, it was only a circuit hall. Now it has developed into a full-fledged market."

Tucked between the stores and running outside them are pavement stores that have also been in business for more than 40 years at the very spot. The home furnishing store of Puneet's father is between the first and the second blocks in the Bhawan. Puneet started coming to this store after a failed business attempt elsewhere. "People's love for Janpath is unforgettable. I even tried to begin a business at some other place, but returned to Janpath finally."

It's the final destination for him and many shoppers too looking for a bargain and authentic curios and garments from around India. "I have been coming to the shop for past two-three years. Our old customers, who had been visiting our shop during their college days, now come with their families," says Puneet.

For the 70s and 80s generation, Janpath market was a happening and fun place—people would come, meet over a cup of coffee, have a shoe shine, and go back home. For Gen-Y, it is still a happening place for its quaint old world charm, for the tourists it is the India experience.

For now, Janpath has paved its way to people's hearts. ■

THE GIFT OF WELL BEING TO THE WORLD

Yoga, which originated in India 5,000 years ago, is India's gift to the world.



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TOURISM UPDATE

LOWER HIMALAYAS



▲ **Mr Bond:** A meeting with celebrated author and Padma Bhushan Ruskin Bond on Mall Road in Mussoorie is an added bonus.

◀ **A Hill With a View:** Head to Sursingdhar, at an altitude of 1,900m, for an exquisite view of the sunset over Tehri Dam.

▼ **Holy Valley:** Alaknanda river is one of the best for rafting in the world due to its high rafting grade and the view it offers to the adventurous.

Discovering My Backyard

Take a tour down the lower Himalayas and discover the magic of the hills, rafting down the Ganga. **TEXT & PHOTOS: SUPRIYA SEHGAL**



Growing up in Dehradun had its perks! Summers spent in feasting on juicy lychees and mangoes, cycling around town with abandon, treats at historic bakeries and my favourite—being able to see Ruskin Bond quite often. My most vivid memory is that of him sitting on a low chair, facing a packed hall of students of classes 5 and 6, and joking about being able to balance a cup of tea on his paunch—all with a straight face! After that I must have read *Room On the Roof* at least seven times, devouring it from cover to cover—even acquiring an autographed copy of it. Even now, reading a Ruskin Bond book is so relaxing. It feels at home to go through the simple stories of Rusty and Gang! So when I got a chance to loop around Mussoorie, Dhanaulti, Tehri and Rishikesh a few months back, I

couldn't let go off the opportunity! I had heard that Mr Bond still ambles into Cambridge Book Depot on the Mall Road in Mussoorie every Saturday and signs books. I knew I was going to be the first in line to get my stack autographed.

With the Bond mania a constant hum in my head, I started out on my journey of rediscovering the 'much treaded' hill station, Mussoorie, a place I was so familiar with that it never even demanded a nostalgic spot in my head. After all, it was my own backyard. It was the first day of travel and even though ominous grey clouds

hung low, I was too excited to stuff in a juicy omelette at Lovely Omelette Centre and a bull's eye sweet at Chick Chocolate on Mall Road. As the evening closed in, the sharp orange line across the horizon became prominent and Dehradun started lighting up. I was told that the distinct orange line is called the Winter Line. It divides the dark valley from the blue hue in the sky prominently and can be seen only in Switzerland and Mussoorie; a phenomenon I had completely missed out while growing up. I left a sparkling Dehradun view and burrowed under multiple blankets—it seemed colder than usual.

A frantic 7 am banging on the door soon transformed into the most pleasant wake up experience as I opened the windows and saw the valley bathed in white. I could see customary snowmen emerge from the piles of snow and snowballs being aimed at passersby, as people came out to enjoy the snow. A slippery walk to the mall became essential and soon I was taking deliberate steps through 1.5 feet of snow! In my 18 years in Dehradun, I had never seen snow like that; neither had the locals in a long time. Of course, getting snowed in meant that travel plans had to be postponed but the 8 hours of consistent white flakiness around was worth it. Of course, Mr Bond must have enjoyed it from his window instead of trudging down to the Mall Road—the plan to meet him had to be abandoned. A few days later, I looped around Dhanaulti, Kaddu Khaal (Surkanda Devi base) and finally pit stopped for the night at a small village called Sursinghdhar. As I approached the wonderful red bricked Himalayan Eco Lodge at the edge of the mountain, a grey film of mist added intrigue to it. I prayed hard for the clouds to clear so that I could get a clear view of the snowy Himalayan range in front. My religious fervour must have paid off. I woke up to a sunrise that felt like a dream and to a cloud filled valley. Soon though, Nanda Devi, Neelkanth, Kamet, Trishul, Chaukhamba, Kedarnath and Banderpoonch peaks emerged slowly behind the cottony cloud cover. It was the most striking Himalayan view I had ever seen. New Tehri town came to life on one edge and the cottony clouds persisted in a flirtatious game with the valley below us. I walked down to Kanda Gaon on the same hill to see how local homes were starting their day. Friendly sun scorched Garhwali faces peeped from windows (some even endearingly made a dash

FIVE KEY HIGHLIGHTS

1. FRUGAL DELIGHT



A staple and filling favourite food for tourists in Mussoorie are the hot omelettes served at its tiny eateries—nourishing!

2. RIVERFRONT RESORT



Jayalgarh is the ideal riverside camp offering adventure lovers rock climbing and rappelling fun.

3. FISH FOOD



A not to be missed ritual at Rishikesh involves throwing flour balls for fish.

4. BRIDGE OF FAITH



Laxman Jhula attracts curious tourists and devotees alike.

5. A GARHWALI WOMAN

Life goes on in simple serenity for the hill folks of these lands.



▲ **And the twain meet...**Devprayag, the holy confluence of Bhagirathi and Alaknanda.

for the indoors when I asked for a picture) and of course countless tea invitations had to be reluctantly turned down, as it was time to be back on the road.

The view of snow topped mountains at Sursinghdhar still lingered in my head when I swerved down to the lego like town of New Tehri. The massive green reservoir on the Tehri Dam started peeping sporadically between the silver oak trees. It was an emotional day when the last of the houses was vacated in the Old Tehri, which lies below the 42 sq km stretch of the reservoir with its clock tower, school buildings and homes, possibly still intact. The exodus to the upper edge of the valley had started 10 years ago when the dam was planned. The eventual submersion of the area under the water, however, happened much later. The confluence of Bhagirathi and Bhilangna rivers is lost in the altered topography of the region. Nevertheless for the traveller, skirting around the lake is a splendid ride, especially if you have a steady supply of ghost stories on the way. My driver did the needful.

After many loops and bends, I entered the Alaknanda valley, the river first appearing only in snatches and then staying with us right till the next stop-Jayalgarh. As I descended from the higher mountains, the colour palette had brighter greens as mustard and onion crops hugged the flat stretches on the mountains. There was still some time to reach the confluence of Alaknanda and Bhagirathi (which makes Ganga), so a lunch

▶ **A Roof with a View:** Dhanaulti is 24 km from Mussoorie.



▶ **Riverside Rendezvous:** Sursindhar & Jayalgarh offer great opportunities for camping, river walks, bonfires and singing and dancing by the dying embers till dawn.



▶ Enjoy a peaceful weekend holiday away from the hustle and bustle of city life.

UNDISPUTED QUEEN OF HILLS

What makes Mussoorie the Queen of Hills? For one, it boasts of Cloud's End at one end of it, and for another, it promises a mesmerising view of the majestic Himalayan ranges. An easy and picturesque 35 km drive from Dehradun, it is situated at the foothills of the Himalayas, at a height of 200m above sea level.

THE BEST TIME TO VISIT

It is easily March–June and September–November. In summer, this hill station provides an escape from the oppressive heat of the plains. With the highest temperature reaching 30 degrees Celsius and the lowest hovering at

10 degrees Celsius, summers are also the best time for trekking, rock climbing and camping.

GETTING THERE

Dehradun makes for a great base camp to do this loop and is well connected by air, train and bus from key cities of North India. Cabs are the easiest way to travel.

WHERE TO STAY

Mussoorie offers a wide choice of accommodation to the travellers—from budget to five star hotels. Take your pick after a thorough recce and select one with valley

facing room for the best view of Mussoorie. Try out the variety of cuisine on offer. Once settled, opt for a horse ride or just take a walk to enjoy the scenic vista. Sit on one of the benches and soak in pure oxygen.

INDULGE

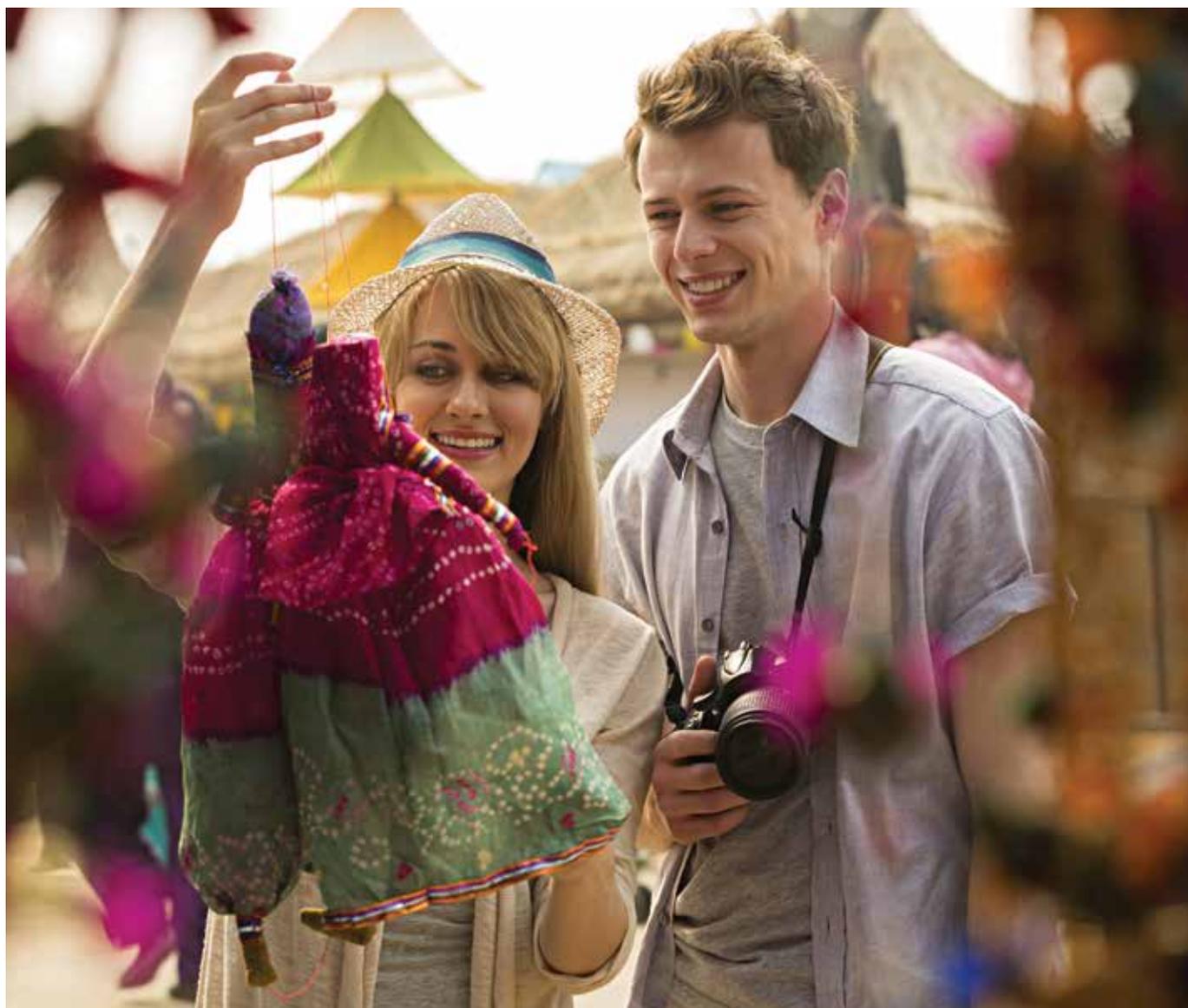
Colourful woollens like Kullu socks, caps, mufflers and shawls make great gift items for friends back home. The Tibetan market offers a choice of sleeping bags, windcheaters, sweaters and shawls and a little further at the old cantonment area of Landour you can shop for Raj era memorabilia, silver jewellery and books.

stop at a riverside camp at Jayalgarh was imperative. Fresh leafy *saag* and some staple *daal-bhaat* later, I walked down to the river and snoozed on the lounge chairs. This Himalayan Eco Lodge camp is the first on the Srinagar-Rishikesh stretch, away from the packed campsites, as you move further ahead towards Rishikesh through Byasi. This also gives one an opportunity to experience some of the rapids on a raft on the Alaknanda, instead of the regular Ganga stretch below. The afternoon was spent clinging onto the winding roads upto Dev Prayag, where I stopped for some images. It's in this holy town that the rivers Alaknanda and Bhagirathi meet to emerge as Ganga. Other than the Sangam (confluence), the Raghunath temple and Dashrathshila are the two most important temple compounds. The spiritual traveller can spend a day exploring these, but it

was time for me to rush to Rishikesh before the sunlight receded—I had to catch the Ram and Lakshman Jhoolas and the customary tossing of flour balls in the river for the fish was still pending on my agenda. A Varanasi like vibe hangs in the narrow streets of Rishikesh, though less idiosyncratic. As the sounds of the day hushed and loudspeaker *aartis* took over, it was time to leave for home in Dehradun. Blame it on unwhetted travel instincts, I had never really discovered my own backyard. Now I know that I will be back again, soon! ■

AN INCREDIBLE DESTINATION

Indian tourism and hospitality sector to touch US\$ 419 billion by 2022.



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RURAL UPDATE

Star in the Making

Krishi Star is determined to give a new lease of life to the farming community with its innovative and inclusive business model that makes small farmers owners of their destiny.

BY SANGITA THAKUR VARMA



Why would two youths on the threshold of exciting career prospects throw it all up to work with farmers in remote regions of India? It was a question that needed some convincing answers.

Bryan Lee, an MBA from Kellogg School of Management and Arnav Saxena, with a dual degree—MBA and B Tech (Hons) in Agricultural and Food Engineering—from IIT Kharagpur, joined forces in 2011 to launch their innovative inclusive business—Krishi Star.

The story began when Lee was somewhere between the first and second year of his MBA course in the summer of 2011. “I was working for an agribusiness investment/consulting company called I-Farms in Gurgaon on a micro-finance project focused on small farmers,” Lee recounts his story. During his travels all over India

he met countless farmers in his quest to understand the challenges they faced. At one of these meetings he posed a query to a farmer group, “What do you want for your children?” Their typical response was that their future should not be farming, since farming is too hard. It was a response he had heard at other places too.

Further talks revealed their challenges—erratic weather, fluctuating prices, lack of marketing knowledge, no access to technology and inadequate storage among others. “What was even more impactful was, as I realised, the scale of the situation.” For small farmers the situation was acute; for Lee, their desire to give up their only source of livelihood was a sobering thought. He could also see, however, that with corrective measures and incentives, small farms could yield good returns.

“By the time that summer was over, I had decided to work on



Bryan Lee is the Co-Founder of Krishi Star. An MBA from Kellogg School of Management (2012) and BS (Summa Cum Laude), Cornell University, Lee has considerable experience in marketing and management and has exhibited strong leadership qualities working at IFarms, Social Point Solutions, Nemesis Records and Accenture, among others.

a solution to help these farmers,” comments Lee. He also met his future partner Arnav Saxena soon after and the two set up their social enterprise, Krishi Star, with the mission to provide livelihoods for small farmers in a sustainable and impactful way through self help. Krishi Star set about connecting the dots—from the farms to the markets—by aligning the farmers to the value chain and then uplinking them to the market. “Our vision is to help small farmers by first setting up investments they can make to collectively own food processing units; and second, by marketing and selling the products of these units,” says Lee. With these two key tenets—marketing and finance—as the business premise of Krishi Star, Lee and Saxena are empowering farmers by encouraging them to take up ownership of the value chain. The financial model is self sustaining because it operates entirely on for profit principles—re-



Not Pulp Fiction: Tomato farmers of Maharashtra discovered that the bane of their lives—the short lived tomatoes—could be turned into high demand and lucrative products with longer shelf life.



turns on investment and sales of commercial products. The farmers make small investments into food processing units alongside commercial investors, which inherently ensures that only those units are set up that will have commercial viability. Profits of these units are shared amongst all stakeholders—commercial investors, farmers and Krishi Star. In addition Krishi Star purchases the products from the processing units and sells them, which ensures sustainability for Krishi Star and an assured market for the processing units.

The business model envisaged producer companies to give larger ownership of the value chain to the farmers. These companies are farmer owned entities on the lines of cooperatives, and under their aegis farmer owned processing units are launched. Producer companies can either be financed as joint ventures between Krishi Star and the pro-

ducer companies themselves or through bank financing.

Lee explains the mechanism, “Typically farmers don’t have ready access to finance on an individual basis, and even when they form collective farmer groups, they often struggle to put together bankable projects, which can avail commercial capital. On the flip side in our experience, many small farmers do have a small amount of disposable income, which they can invest if given the right opportunity. We match this investment potential with commercial investors and bring them together to form joint venture food processing units.”

The farmer owned processing units source their farm inputs through the farmer owned producer companies. Involvement of the fraternity assures each individual farmer of a fair price on their produce. “We ensure that the food processing units will have a mar-

ket for their products. In fact, the intent of the business model is to be market driven. We only launch units with farmers when we have built the requisite market demand that will enable those units to quickly be profitable and operate at full capacity,” Lee explains the sustainability picture.

The processed food products are marketed under brand name Krishi Star to buyers in niche urban markets. The company ensures equitable profit for all through its unique sharing model. As Lee explains, “Equitable returns are ensured because through various equity structures farmers have ownership in all aspects of the value chain that is created.”

With four full time employees and a number of part time employees and consultants, Krishi Star is currently busy setting up base in Maharashtra. “Our connections with rural based farmers were initially through other rural entities

with which we partnered—NGOs such as BAIF Development Research Foundation and government organisations such as Small Farmers' Agribusiness Consortium (SFAC)," says Lee talking about their efforts to reach out to the farmers. Krishi Star has now established direct linkages with small farmers and farmer groups such as producer companies.

The going was not easy for the city bred youths initially. They had to encounter much cynicism from the target beneficiaries. Speaking of these challenges Lee says, "For one, there is a matter of trust. One quote that I'll always remember is from a farmer who randomly wandered into one of our field research interviews when we were first developing our business model. He listened intently to us describing to a young farmer how our model works and the benefits that we were trying to create. Then suddenly, he interrupted and said: 'Generation after generation, our problems have been the same. They cannot be solved.'"

That farmer had absolute conviction that Krishi Star would fail in its purpose, but this did not dishearten Lee and Saxena. It only served to strengthen their conviction that they had selected the right cause as their own.

"What we've found to be a key in building trust is delivering value to farmers before asking anything of them, even if it's at a small scale such as helping them sell some of their extra produce. While this means that working with farmers can be time consuming, it also means that once you gain that trust, you have something very valuable," is Lee's learning.

The trust of their key partners also helped. For instance, BAIF, one of the largest rural NGOs, was instrumental in connecting



Business of Farming: Krishi Star's business model promotes business owner farmers—expanding their role from mere producers to developers of innovative products and marketers of their produce.



Krishi Star to farmers. VAPCOL, a farmer owned producer company promoted by BAIF, is the owner of the first farmer owned processing unit with which it started manufacturing. Syngenta Foundation partnered with the organisation on a market research/business development project for one of their farmer groups. Now Krishi Star is also associating with social enterprise support organisations such as Unltd India, Village Capital and CIIE, which have provided mentorship and other resources.

Krishi Star is currently working with tomato farmers in Maharashtra and sells their processed tomato products within the food industry in Mumbai. "We have done one season's worth of production and are currently scaling our sales and gearing up for our next production season starting in August and September," informs Lee.

Tomatoes are the bane of farmers who lack the cold storage space for this vegetable with short shelf life. Supply fluctuates and prices remain volatile. While tomato

In the next five years, Krishi Star plans to launch multiple processing units across the country in partnership with commercial investors and farmer groups. It is also actively expanding its base geographically and across marketing channels as well as developing the next range of products to complement the existing product line comprising farm produce.

is a staple of Indian households, restaurants depend on canned supplies, lamenting the lack of quality fresh produce in the market. Krishi Star discovered this through its market research and set about to fill up this lacuna. They decided to create a branded value added product, which would solve the problems at both ends. The Krishi Star Canned Whole Peeled Tomatoes that they created at BAIF's mango processing plant (which would lie idle in the off season), is a hit in the urban pockets of Mumbai. Encouraged by the response, Krishi Star is now planning ahead, but there are challenges. Customers, like restaurants, typically pay in credit cycles, while Krishi Star has to pay farmers in cash. Additionally it has to take all risks on behalf of farmers who are understandably reluctant to stick their neck out. A critical challenge going forward is finding right minded people for the team. Yet, with its sustainable model and the huge trust bank among the farmer community increasing incrementally—its star is rising. ■

WORLD'S SPICE BOWL

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“...it straddles on a wide range of subjects: macro-economy, fiscal, agriculture, manufacturing, defence, law & order, foreign policy.”

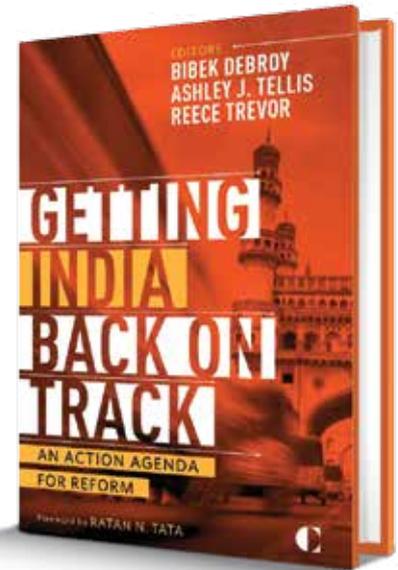


Editor: Bibek Debroy

BOOKSHELF

A Call to Action

It's time for India to enter the next lap of growth. A vision document for the way forward. **BY SANGITA THAKUR VARMA**



NONE LESS than India's newly elected Prime Minister Narendra Modi launched the book on June 8, 2014. His cabinet colleague and Finance and Defence Minister Arun Jaitley remarked, “I am going to read every part of this book. It will help us to do our job better. The book is well timed and the title is apt.” Answering the call to action set forth in the book, the new government has cemented its commitment to a promised reform agenda; pushing India back on track for the long run ahead.

The book packs quite a punch. The Foreword by India's visionary corporate leader Ratan N Tata sets the tone; editors Bibek Debroy, Ashley J Tellis and Reece Trevor, experts and thought leaders of this century, and its galaxy of 17 writers who are opinion leaders and intellectuals from diverse fields, make *Getting India Back on Track – An Action Agenda for Reform*, an action-packed roadmap for India's ride up the next phase of growth.

The editors have accomplished a rare feat in collecting this group of

experts to write a vision document and the reviews are testimony to the importance of what they have collated. Frank Wisner, former US Ambassador to India and former Undersecretary of Defense for Policy finds that “their work builds a strong foundation for a real dialogue about India's future at a time when a generational change in India's leadership will set the course for decades to come.”

Naresh Chandra, former Cabinet Secretary and former Indian Ambassador to the United States says that the book by “focussing on a range of key issues...has captured the scale and complexity of as well as the need for resetting India's policies at the national and state levels”; while Arun Shourie, formerly India's Minister of Disinvestment and Minister of Communications and Information Technology, says, “Anyone invested in the country's success should read this book.”

From manufacturing, employment, infrastructure, environment, policing, administration to foreign policy—the book

ABOUT THE EDITORS

Bibek Debroy is a professor at the Centre for Policy Research, New Delhi. He has worked in industry chambers, academia and government and is the author of several books, papers and articles.

Ashley J. Tellis is a senior associate at the Carnegie Endowment for International Peace (CEIP) specialising in defence, international security and Asian strategic issues.

Reece Trevor is a research assistant, the South Asia Programme at CEIP.

tackles one area of growth after another in prominent sectors where Indian can build a competitive advantage.

Though written in a precise and economic language, the book is a refreshing read. The write-ups stand out for being concise yet replete with informative insights and the style is engaging and never pedantic despite the fact that the book deals with dry data.

The Introduction has Tellis pointing out how India proved its legions of detractors wrong including Winston Churchill who had called it “an abstraction...a geographical term...” On the format of the book, Tellis writes that it was a deliberate choice of editors who “after some reflection concluded that the most useful contribution would consist of relatively short, focussed essays, that examined key aspects of mainly (though not exclusively) the Indian economy whose continued reform would be central to accelerating growth”.

Taking a long view of India's economy he finds that the locus of

reforms has now shifted decisively from the Centre to the states. A revolutionary view no doubt, but one that would find many agreeing with him, especially when he goes on to explain that “as the principle of subsidiary recognises, social policy is best made at the lowest possible levels of competent authority.” While in India’s case today it is the states now, tomorrow, with decentralisation and devolution of power, it may well be the *panchayats*.

Tellis says given the country’s “deep complexities”, systematic application of the principle of subsidiary was the only way to ensure that reforms undertaken serve its diverse people.

The writers come up with forward looking visionary ideas. Surjit Bhalla, an economist and board member of National Council of Applied Economic Research, India’s largest think tank, writes, “A new revised look at India’s welfare policy is long overdue.”

Bhalla like Tellis suggests a more federal system where the states have greater responsibility not just for implementation but for formulation of welfare policies as well. He feels that a bigger role for Indian states is inevitable in the future and the time to start moving towards such a structure is now. Bhalla also favours changes in the current taxation system and redefining of taxable slabs.

Ila Patnaik, Senior Associate in the Carnegie Endowment’s South Asia Program & Professor, National Institute of Public Finance and Policy, says that India’s long term growth potential remains high. Extreme fluctuations in macroeconomics and finance, however, can damage long run trend in GDP growth. To address these concerns, she suggests India establish a sound machinery for fiscal and monetary policy.

The Introduction has Tellis pointing out how India **proved its legions of detractors wrong including Winston Churchill** who had called it “an abstraction...a geographical term...”

Economist Rajiv Kumar comes up with suggestions to accelerate the pace of growth in the manufacturing sector and suggests getting into the ‘self-help’ mode especially in areas over which the industry has direct control. Kumar agrees that policy changes are required, but says it needs to be a joint effort between the industry and the government. In Kumar’s alternative approach, islands of excellence that are high on innovation and technology can co-exist with the informal semi-skilled sector. The size of the informal sector can be decreased progressively as we achieve greater convergence in productivity and technology levels within the same industry. He suggests simpler procedural regime for India to script a manufacturing sector success story. Kumar provides the roadmap for this.

On the back of a robust manufacturing sector rides the roadmap to unemployment. For India to reap its demographic dividend, it must create gainful additional employment for 30 to 44 million citizens. Omkar Goswami’s action agenda for employment suggests developing a rhetoric that backs creation of a better investment climate to encourage employment generation.

Health of a nation is the prime indicator of its developed status. Development economist A K

BOOK EXCERPTS

Liberal democracy

clearly turned out to be the singular glue that protected India’s unity and territorial integrity. India’s stunning diversity would have pulled the country apart had it not been for the fact that India consciously gave itself a constitutional order...

The next wave of reforms pertains to liberalising factor markets, building on the previous wave that focused on product markets. This will involve intricate technical issues, with the locus of action often shifting to the states...

Shiva Kumar suggests a primarily tax funded universal health coverage to expand the reach of India’s healthcare system. Tushaar Shah and Shilp Verma address the grand challenges of India’s water economy—the first being the shift to tackle the management deficit. They draw the attention of the readers towards the depleting groundwater aquifers and the necessity of finding alternatives. It is not that India has not made efforts to shore up its resources. But, since a majority of India’s small and marginal farmers depend on groundwater to irrigate their holdings, it is time to proactively manage our country’s aquifer resources. Energy is another ticklish issue and Sunjoy Joshi points to the need for India to revisit its Nuclear Liability Act.

Bibek Debroy’s revolutionary ideas to make the civil services of India truly “the steel frame of the whole structure” (read nation), are truly path breaking and merit consideration. His roadmap to decentralise and federalise India by dropping Concurrent List, expanding State List and adding a local list as a way to better manage the Centre-state relationship opens the floor for a national debate.

A must read vision plan for India’s political leaders and bureaucrats. ■

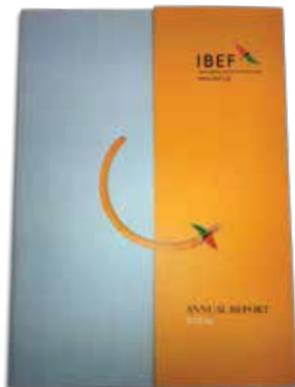
BRAND INDIA

What's new@IBEF?



▲ Brand India showcase at *The Great Indian Bazaar*

IBEF launched a first of its kind limited sales experience of Indian tea, coffee and spices at *The Great Indian Bazaar* on July 25. The stall received an enthusiastic response from visitors, who appreciated both the varieties of tea, coffee and spices on display and the attractive packaging of the products.



◀ Annual Report

The IBEF Annual Report gave a detailed overview of the Foundation's activities and achievements during the year, which have been appreciated by stakeholders.



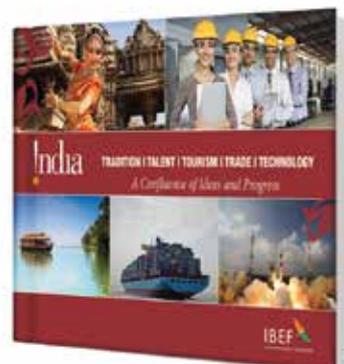
▲ Branding at Udyog Bhawan

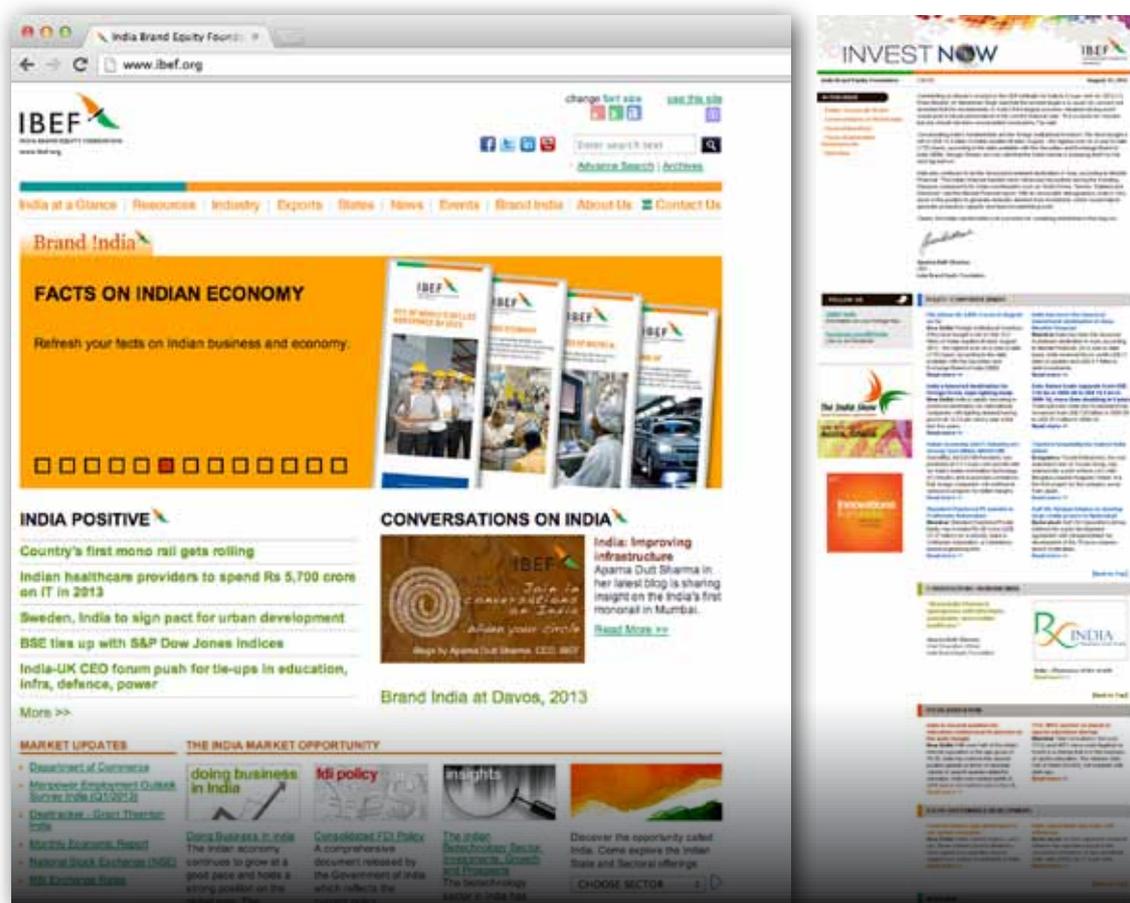
IBEF updated its nation brand messaging at the Offices of Department of Commerce, at Udyog Bhawan, New Delhi. The posters that have been put up at the strategic locations highlight the strengths and successes of India across sectors.

▶ India – A Confluence of Ideas & Progress

IBEF released a quick fact book titled *India – A Confluence of Ideas & Progress*.

The fact book is a vibrant showcase of India's strengths across five key dimensions – *Tradition, Talent, Tourism, Trade and Technology*.





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