



IN THE FAST LANE

India has emerged as a global automobile hub



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CEO SPEAK



DEAR READERS,

The Philippines is one of the fastest growing markets in the ASEAN region, especially on the back of fiscal stimulus programmes and new industrial policies being promoted by the Government. This makes it a highly strategic market for exports. The World Bank stated in its report in April 2018 that Philippines is expected to be the fastest growing economy in the ASEAN region with projected growth rates of 6.7% in 2018 and 2019 and 6.6% in 2020.

India's engineering exports to the Philippines reached US\$ 664.88 million in 2017-18 as compared to US\$ 546.53 million in 2016-17. In order to enhance trade relations and strengthen partnerships with the Philippines, EEPC India, the engineering export promotion council, organised *INDEE* (India Engineering Exhibition) Philippines during August 22-25, 2018. The exhibition was co-located with PDMEX, which is the largest metalworking show in the country. Around 80 Indian companies were part of the exhibition. At this event, India Brand Equity Foundation provided branding support in the form of venue branding and advertisements in prominent newspapers.

Another prominent event during this period was the 61st edition of the *India International Garment Fair* (IIGF) from July 16-18, 2018 at India Expo Mart, Greater Noida. IIGF is a flagship event for Indian apparel exports, which has been helping build international partnerships for Indian businesses over the past 30 years. The fair facilitates business generation worth around US\$ 200 million in every edition. IBEF managed branding of the event for the venue and also at prominent outdoor locations. It also organised a press conference leading to coverage in more than 45 publications.

The UK is a prominent focus country for apparel exporters from India, as it is the third largest market and also a hub for prominent brands and retailers. In the year 2017, India's RMG exports to UK were valued at US\$ 1.23 billion, accounting for 5.5% of UK's total RMG imports during the year. As part of its initiatives for the textiles sector, IBEF also promoted India's participation at *Pure London*, July 22-24, a prominent trade event for exporters looking to target the UK market. The elements included outdoor branding on the route from the airport to the venue and print and digital advertising in prominent publications.

In the leather sector, IBEF executed a brand campaign for the promotion of India's participation at *MAGIC Show Las Vegas*, August 12-15, 2018. India's exports of leather and leather products to the US were recorded at US\$ 870.39 billion in 2016-17. The country is India's largest market for Indian leather and leather products, accounting for 15.36% of exports. IBEF promoted India's presence at the event through advertising at the airport, across the city and also in select publications.

The IBEF Knowledge Centre had come out with an exclusive *India Study*, which focuses on potential game changers for the Indian economy in the coming decade. In continuation of this endeavour, the Knowledge Centre has added two new sections on the India Study web page <https://www.ibef.org/research/india-study>. The *Game Changers in Focus* section includes insightful articles that provide an analytical view of prominent trends that will play a transformative role in governance, business and social development. Additionally, a section titled *Case Studies* has also been added to highlight visionary programmes and initiatives launched by the Government of India as well as prominent public/private institutions and their potential impact on India's progress.

Bhupinder S Bhalla

Joint Secretary, Department of Commerce
& Chief Executive Officer
India Brand Equity Foundation

EDITORIAL

DEAR READERS,

The Goods and Services Tax (GST) has been rightly hailed as the most comprehensive and path-breaking financial reform since Independence. But for the persistence and a time-bound programme for its introduction initiated by this government, this reform would have been still stuck at concept stage, denying trade, business, industry and the exchequer its undeniable benefits.

That any country should have a uniform system of indirect taxation, doing away with a plethora of state laws, confusing and convoluted in their implementation and interpretation, was a given, especially if the ease of doing business was to improve. Its implementation in a country as diverse as ours, with so many regional aspirations and demands, with states unsure of allocation of revenues, speaks of the sagacity and the hard work of all concerned in the GST Council, the Central and State governments.

True, a monumental measure of this nature would require constant monitoring especially as it was not possible to immediately, or even later, introduce a unified tax structure due to the huge disparities in purchasing power. It was often pointed out that the rate of tax on a super luxury car and a common staple such as rubber chappals could not be similar. The GST Council has understood this precept well and rationalisation of the rate structure has been an ongoing process, realising ground realities and recognising legitimate feedback from trade and industry. Not only that, processes have been streamlined, especially keeping in mind that compliances, especially for SMEs, are simplified.

In just over a year, GST has achieved phenomenal success and its recovery rate is indicative of this. Importantly, it has expanded the scope and brought in many businesses within its ambit, reducing tax evasion and finally benefiting the larger economy.

Maneck Davar
MANECK DAVAR

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A SHADE BETTER

India grows its coffee under a two-tier mixed shade canopy of evergreen leguminous trees

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economic transformation

Short-term disruptions will gradually make way for stabilisation of the tax regime and foster growth.

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GST has unleashed an opportunity to conduct good, clean, and profitable business for many sectors.

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Deep in the Heart of Coffee Country

Coorg beckons with its verdant calm, abundant coffee plantations, and a past steeped in the chivalry of the Kodava kings.

INDIA IN NEWS

Prime Minister lays the foundation stone for India International Convention and Expo Centre

Prime Minister Shri Narendra Modi laid the foundation stone for India International Convention and Expo Centre (IICC) at Dwarka, New Delhi on September 20 in the presence of dignitaries such as Union Minister of Commerce & Industry and Civil Aviation, Shri Suresh Prabhu, Minister of State for Housing and Urban Affairs (I/C), Shri Hardeep Singh Puri, and Minister of State for Commerce and Industry, Shri C R Chaudhary, among others.

The Prime Minister said that IICC will reflect India's economic progress, rich cultural heritage, and consciousness towards protection of the environment and that it is a part of the Government's vision to give importance to world class infrastructure and ease of doing business. Addressing the convention, Shri Suresh Prabhu said that the proposed exhibition centre, convention centre, and multi-performance arena are estimated to generate over five lakh employment opportunities, which will not just be limited to core IICC facilities, but will also have a multiplier effect of direct and indirect spending and entail opportunities for regular, formal employment too.



India strengthens ties with Czech Republic

The President of India, Shri Ram Nath Kovind, visited the Czech Republic in September 2018. His visit included discussions with the Czech Republic President Mr Milos Zeman and delegation-level talks. President Kovind underlined India's eagerness to cooperate with the Czech Republic in sectors like defence, technology, business and trade, and combating terrorism. The Governments of the Czech Republic and India signed five agreements as part of the visit—cooperation between the Council for Scientific and Industrial Research, India, and the Czech Academy of Sciences; a plan to support Indo-Czech projects in areas of science and technology, with the Department of Science and Technology taking the lead; a visa waiver agreement for diplomatic passport holders; cooperation in laser technology between ELI Beamlines and the Tata Institute of Fundamental Research; and cooperation between the Haryana Agricultural University and the Czech University of Life Sciences. Many companies from the Czech Republic have made investments in India in different sectors.



Development impact bond announced to improve education

Leading global charitable organisations including Tata Trust, UBS Optimus Foundation, British Asian Trust, and Michael & Susan Dell Foundation have come together to form what is touted to be the largest development impact bond (DIB) in the world. The bond, worth US\$ 11 million, is dedicated to the improvement of the education outcomes of 300,000 students in Delhi and Gujarat; the participating entities intend to double the amount raised in the coming days. Rajiv Kumar, vice-chairman, NITI Aayog, who was chief guest at the function said, “The central government will closely follow the outcome as it promises performance-based funding in the education sector.”



E-visa, the game changer

At the inauguration of the ‘Paryatan Parv’, a 12-day tourism festival at the India Gate lawns on September 16, Union Home Minister Shri Rajnath Singh said that the electronic tourist visa (e-visa) has boosted tourism as 1.69 million foreigners visited India in 2017 by availing this document, 57% more than the previous year. The e-visa facility is available to citizens from 166 countries and facilitates business and medical visits as well apart from tourism. The government has also simplified the process of obtaining the e-visa due to which the tourism sector has witnessed growth that is higher than the global average growth rate of 7%. Applicants need to only apply for the e-visa online following which they receive an email authorising the travel to India.



100 GW solar energy to be generated by 2022

Speaking at a function of International Solar Alliance (ISA) Innovation and Investment Forum in New Delhi on September 4, Union Minister of Commerce & Industry and Civil Aviation, Shri Suresh Prabhu, said that India will generate 100 GW of solar energy by 2022. He stated that the solar alliance idea was conceived by Prime Minister Shri Narendra Modi in 2015, as a treaty-based international intergovernmental organisation. Under ISA, 121 solar-rich countries will endeavour to generate and aim to make solar energy affordable. At the function, Shri Suresh Prabhu also said that many Australian and Japanese firms are keen to invest in the Indian solar energy sector.

“The trade war initially created instability, but eventually may open up greater markets. They will open up India as a bigger trading and manufacturing base and, therefore, we must closely watch the situation as to when the challenge turns into an opportunity.”

SHRI ARUN JAITLEY, UNION MINISTER OF FINANCE AND CORPORATE AFFAIRS, GOVERNMENT OF INDIA

“India’s world-beating economic growth and critical reforms such as GST and the first step in bank mergers are advantages that far outweigh fears arising out of macroeconomic imbalances and a sliding currency.”

JAMIE DIMON, CHIEF EXECUTIVE, JPMORGAN CHASE

INDIA IN NEWS



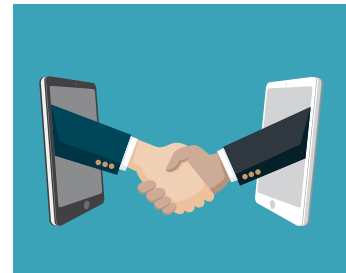
IPPB gives financial inclusion a boost

On September 1, Hon'ble Prime Minister Shri Narendra Modi launched the India Post Payments Bank (IPPB) at Talkatora Stadium in New Delhi. The objective of IPPB is to make banking services accessible even in the remotest parts of the country. IPPB branches opened across 650 districts will enable money transfer, transfer of government benefits, bill payments and insurance. The Prime Minister said, "... there are over 1.5 lakh post offices and over three lakh postmen or grameen dak sevaks who are connected to the people of the country. Now they shall be empowered with smartphones and digital devices to provide financial services." These dak sevaks will be the means to provide financial services and assistance to farmers and also small enterprises in villages.



E-commerce to grow three times, trigger million jobs

According to Propelling India Towards Global Leadership in e-commerce, by NASSCOM and PwC India, India's e-commerce market will grow three times to exceed US\$ 100 billion by 2022. Presently, this market is worth US\$ 35 billion and is expected to grow at a CAGR of 25% in the next five years. This rapid growth in the sector will also create more than a million jobs by 2023. NASSCOM President Mr Debjani Ghosh said, "The e-commerce sector has been contributing towards various macroeconomic growth parameters, evangelising local businesses and customers...In addition, the FDI attracted enhances the country's positioning significantly on the global stage."

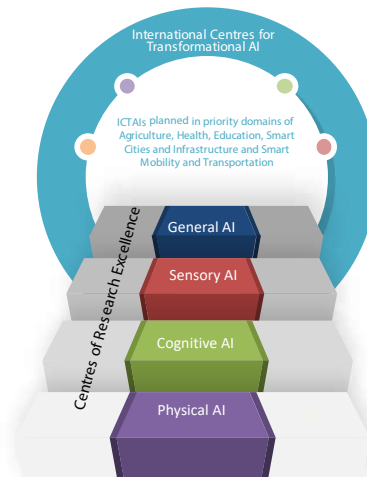


Incorporation of Limited Liability Partnership simplified

Ministry of Corporate Affairs has launched an initiative to make Limited Liability Partnership (LLP) easier to incorporate by making the process completely online—through a web service RUN-LLP (Reserve Unique Name - Limited Liability Partnership). The LLP can also acquire its name through an e-form FiLiP (Form for incorporation of Limited Liability Partnership). This is seen as a significant contribution towards 'Ease of Doing Business' as it enables the incorporation in less than two days along with allotment of PAN, TAN, DIN, and Unique Name. The LLP Rules, which were amended on 18th September, 2018 would come into effect from 2nd October 2018.

NITI Aayog, Intel, and TIFR collaborate for research on AI

NITI Aayog, Intel, and Tata Institute of Fundamental Research (TIFR) will collaborate on setting up Model International Center for Transformative Artificial Intelligence (ICTAI) dedicated to the development and deployment of AI-led application-based research projects in three important areas—healthcare, agriculture, and smart mobility. The initiative is part of NITI Aayog's *National Strategy for Artificial Intelligence Discussion Paper* that focuses on establishing ICTAI in the country through private sector collaboration, and will leverage the expertise of Intel and TIFR. It aims to experiment, discover, and establish best practices in the domains of ICTAI governance, fundamental research, physical infrastructure, computer and service infrastructure needs, and talent acquisition. These will be used by NITI Aayog to set up future ICTAIs across country.



India to get its third largest bank

On September 17, Government of India's Alternative Mechanism comprising its Chairperson, the Union Finance Minister Shri Arun Jaitley and Cabinet Ministers, Shri Piyush Goyal, and Smt. Nirmala Sitharaman met and decided to amalgamate three banks—Bank of Baroda, Vijaya Bank, and Dena Bank. This will be the first-ever three-way consolidation of banks which have a combined business of ₹ 14.82 lakh crore, making it the third largest bank in India. The merger is expected to help create a globally competitive bank with the potential of yielding more profits. It will also increase the banks' customer base, market reach, and provide more products and services to customers. Shri Arun Jaitley said, "The government has suggested this to the banks to consider these proposals, and hopefully shortly the boards will meet and after adequate consultation will take a decision."



SOME STRENGTHS OF THE PROPOSED ENTITY POST-MERGER:

Provision Coverage Ratio (PCR) at **67.5%** is well above public sector banks (PSBs) average (**63.7%**), and steadily increasing

Net NPA ratio at **5.71%** significantly better than PSB average (**12.13%**), and declining further

Global network strength of Bank of Baroda will be leveraged to enable customers of Dena Bank and Vijaya Bank to have global access

Cost to income ratio of the combined entity at **48.94%** better than the PSB average of **53.92%**

Dena Bank's strength in MSME will further augment the strength of the other two to position the amalgamated bank for being an MSME Udyamimitra

Capital Adequacy Ratio (CRAR) at **12.25%** is significantly above the regulatory norm of **10.875%**, and stronger amalgamated bank will be better positioned to tap capital markets

TECH CORNER

Shared mobility for a clean environment

In the report, *Moving Forward Together: Enabling Shared Mobility in India*, NITI Aayog has called for higher usage of public transport and shared mobility, which will lead to lower consumption of energy, lower levels of pollution, and minimise health and safety hazards. With an aim to promote the shared mobility ecosystem, the government is starting to put in place supportive policies; several states too have developed policies for regulation of this space. As per the report, India can cumulatively save up to 1.5 giga tonnes of CO₂ through 2035 if sharing and vehicle electrification is promoted. This shift will also enable efficient asset utilisation and reduce transportation costs. It further states that a shared mobility future will require infrastructure, technological, and operational developments, which will drive employment in these sectors.



Paytm praises India's data localisation policy

In a letter to Internet and Mobile Association of India (IAMAI), Paytm stated that the government's data localisation policy will benefit the startup ecosystem, and appealed to the industry to support it. The company's investor, Chinese tech giant Alibaba, too has backed it stating that it supports India's decision on data localisation. Paytm further said that India needs a strong consumer data protection framework that respects the privacy concerns of citizens, and provides for a level playing field for the Indian startup ecosystem with respect to global tech giants. The company also suggested that all payments in India be brought under regulation as it is of the opinion that financial data of Indians must be considered as 'critical personal data,' which should be stored and processed only in India.



LinkedIn report pegs India among the top 3 countries in AI skills

Global professional networking platform LinkedIn, in a report, has stated that India has the third-highest penetration of artificial intelligence skills in the world. As per this report, the country ranks third after US and China and is ahead of Israel and Germany. It also said that 46% of the Indian workforce had their skill sets up to date in this field. Some of its other findings are: 71% of Indian respondents said that their employees used RPA and AI-based augmentation to its full potential; 66% of Indian respondents said that they are empowered to take risks; and 77% said that their organisation prioritised employee development. This is a positive development for India in an age where industries with more AI skills present among their workforce are the fastest-changing ones.



Colliers ranks Bengaluru the top Asian location for starting tech operations

Global commercial real estate services giant Colliers International, in its report *Top Locations in Asia: Technology sector*, has ranked Bengaluru as the best location in Asia for starting or expanding technology operations. It attributed Bengaluru's success to its socio-economic strengths that have made it the fastest growing city in Asia with an average, predicted annual GDP growth of 9.6% till 2022. Other Indian cities on the list are Hyderabad, Mumbai, and Delhi-NCR. Joe Verghese, Managing Director, Colliers International India, said, "Bengaluru clearly has an edge with the largest stock of Grade A office space in Asia after Tokyo, low employer costs, and is among the top 10 inexpensive cities with respect to cost of living."



India's first human space mission to be launched by 2022

ISRO will launch its first human mission by 2022, making India the fourth nation in the world to launch a human spaceflight mission. This ambitious space programme will boost science and technology development within the country. To accomplish this task, ISRO has developed and demonstrated critical technologies successfully through the Space Capsule Recovery Experiment (SRE-2007), Crew module Atmospheric Reentry Experiment (CARE-2014), and Pad Abort Test (2018). A three-member crew will be sent to space for a period of five to seven days. The total expense of this programme is said to be less than ₹10,000 crore. To speed up the programme, ISRO may consider collaborating with space agencies from other countries.

46%

Percentage of the Indian workforce with up-to-date artificial intelligence (AI) skill sets, as per a LinkedIn research.



Health Ministry partners with Dell, Tata Trusts

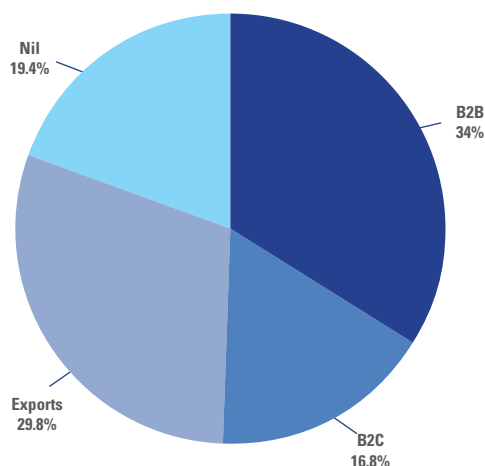
The Ministry of Health and Family Welfare, in a bid to provide a technological platform for prevention, control, screening, and management of non-communicable diseases (NCDs), has signed an MoU with Tata Trusts and Dell. Speaking on the occasion, Minister of State for Health and Family Welfare Smt Anupriya Patel, said that the National Programme for Prevention and Control of Cancer, Diabetes, Cardiovascular Diseases and Stroke (NPCDCS) stresses on the preventive and promotive aspects of healthcare, which is also impressed upon in the National Health Policy 2017. She also added that the government has now decided to go ahead with population-based screening under National Health Mission for diabetes, hypertension, and three types of common cancers.

STATISTICS

ECONOMY UNDER THE GST REGIME

ESTIMATED TURNOVER AND ITS TYPE OF THE NEW FILERS UNDER GST

SHARE OF TURNOVER UNDER DIFFERENT CATEGORIES



Note: NIL category includes supplies that are outside the scope of the GST such as petroleum, health, education, and electricity.

Source: Economic Survey 2017-18

MONTHLY TURNOVER DISTRIBUTION BY TRANSACTION TYPE AND TURNOVER GROUP

	Transaction Type					Share of filed returns	Share in tax liability
	B2B	B2C	Exports	Nil*	Total		
Below-threshold	0.2%	0.2%	0.0%	0.0%	0.4%	32.2%	0.9%
Composition	1.2%	1.1%	0.0%	0.1%	2.4%	36%	4.4%
SME	3.8%	2.3%	0.1%	0.5%	6.8%	22%	10.5%
Medium	15.5%	4.3%	1.5%	2.8%	24.1%	9.2%	29.8%
Large	36.5%	4.9%	7.7%	17.1%	66.2%	0.6%	54.4%
Total	57.3%	12.8%	9.4%	20.5%	100%	100%	100%

Source: Economic Survey 2017-18

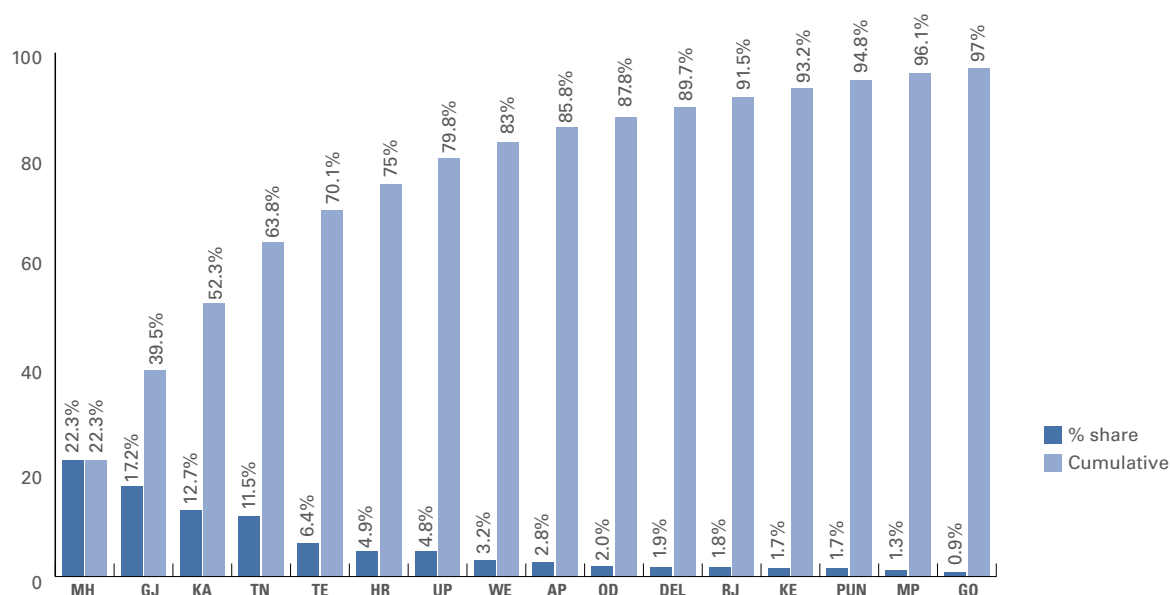
*This category consists of transactions reported by firms that are not part of GST, for example sales and purchases of petroleum products

CROSS-TABLE OF SUPPLIER AND PURCHASER BY TURNOVER GROUP

		Purchaser turnover category					Total
		Thresh- old	Below composition	SME	Medium	Large	
Supplier turnover category	Threshold	0.0%	0.1%	0.1%	0.1%	0.1%	0.3%
	Below-composition	0.2%	0.4%	0.5%	0.6%	0.4%	2.2%
	SME	0.5%	1%	1.6%	2.2%	1.3%	6.7%
	Medium	1%	2%	4.8%	10.9%	8.3%	27%
	Large	0.7%	1.1%	4.1%	17.3%	40.6%	63.8%
	Total	2.5%	4.6%	11.1%	31.1%	50.7%	100%

Source: Economic Survey 2017-18

SHARE OF STATES IN EXPORT OF GOODS AND SERVICES



Note: Export of Goods and Services exclude non-GST exports (such as petroleum).
Source: Economic Survey 2017-18

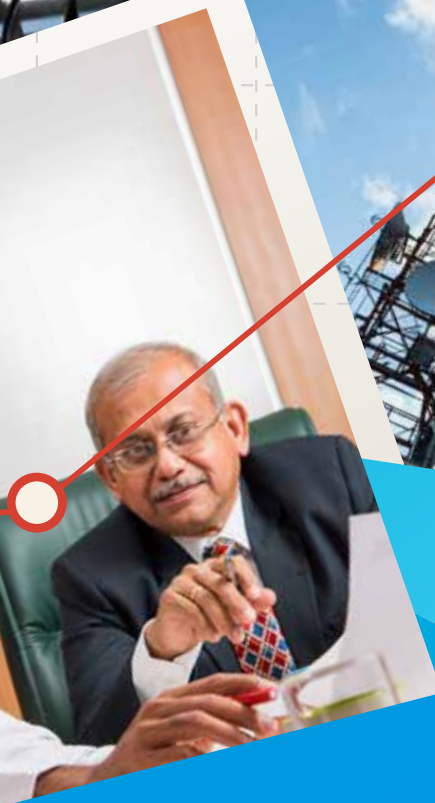
STATISTICS ON THE FORMAL SECTOR OF THE INDIAN ECONOMY

	Enrolled in EPFO/ESIC																		
	Number of firms/ enterprises (in Lakhs)			Share in total turnover			Share in tax liabilities			Tax rate (%)			Share in exports			Employees (crore)			
Registered under GST		Yes	No	Total	Yes	No	Total	Yes	No	Total	Yes	No	Total	Yes	No	Total	Yes	No	Total
	Yes	4	88.3	92.3	38.4	41	79.3	63.5	36.5	100	16.3	7	11.0	86.7	13.3	100	4.5	6.7	11.2
	No	0.9	619.8	620.6	13.8	6.9	20.7	NA	NA	NA	NA	NA	NA	NA	NA	NA	1.5	9.2	10.8
	Total	4.9	708.1	712.9	52.2	47.8	100	63.5	36.5	100	-	-	-	86.7	13.3	100	6	15.9	22

Source: Economic Survey 2017-18, Calculations based on GST, EPFO, ESIC, and NSS data

Note :

1. The EPFO and ESIC numbers are based on contributions received (active subscribers) from April-17 to November-17. For the current analysis, the lower bound of formal payroll is taken. The lower bound is the average number of subscribers (6.0 crore) in April-November 2017 whereas the upper bound is the maximum number of subscribers (7.1 crore) in any month starting from April-17 to November-17.
2. The matching of EPFO and ESIC is done using the Labour Identification Number (LIN). All the entries without LIN in the ESIC are excluded from this analysis to avoid the possibility of double counting. Such enterprises without the LIN, on average, accounted for 25-30 lakh subscribers.
3. For enterprises that are both in the EPFO and ESIC, the maximum of the employment between the two is taken as the appropriate number.
4. ESIC revised the coverage of firms from January 2017. It increased wage/salary limit from 15,000 per month to 21,000 per month for mandatory contribution.
5. Central government payroll excludes defence personnel.
6. Estimate of the non-agricultural workforce is based on the Employment-Unemployment Survey (68th round) 2011-12 of the NSSO.
7. The NSSO's 73rd Round Survey on Unincorporated Non-Agricultural Enterprises (Excluding Construction) in India between July 2015 and June 2016 is used to estimate purely informal payroll/employment; that is, payroll of firms neither enrolled in the EPFO/ESIC nor the GST.
8. NA: Not available



GST

Shaping India into
a unified market



GST @ 1: Engineering economic transformation

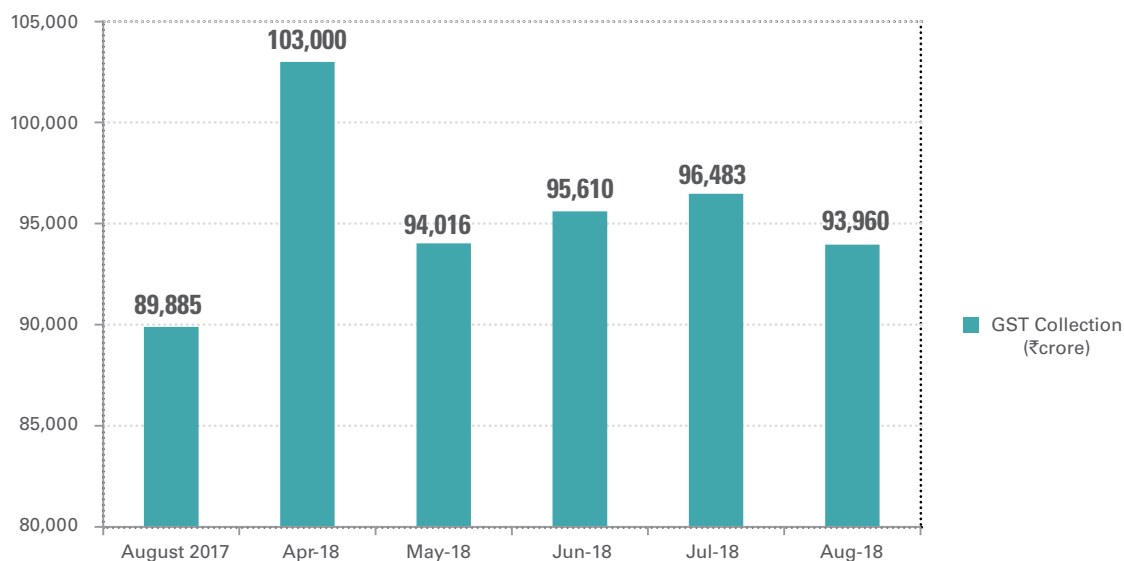
The GST has begun to show indications of its promise as a major game changer for India. As the system progressively stabilises, it is expected to catalyse growth and boost holistic development of the economy.

The Goods & Services Tax, launched by the Government of India on July 1, 2017, is aptly regarded as the greatest tax reform since Independence. It was launched after concerted efforts at consensus building for over a decade, but with the complex federal structure of India with 29 states and 7 Union Territories, it was always expected to be a challenging task. To illustrate, after the formation of the GST Council on September 15, 2016, it took 18 meetings involving the Finance Ministers of states or their representatives with State and Central Government officials.¹ The effort involved more than 27,000 man-hours of work and over 200 meetings of officers of the Centre and States across the country.²

The Government of India launched the GST for the achievement of the objective of 'one nation, one tax, one market'. GST is a major step forward towards enhancing ease of doing business in India, as it has subsumed a plethora of taxes at the Central and State levels—Value Added Tax, Entry Tax, Octroi, Luxury Tax, Purchase Tax, Entertainment Tax, Service tax, Central Excise Duties, Counter-vailing Duty, and Additional Duties of Customs, etc into its fold. Launched as a four-slab structure—5%, 12%, 18%, and 28%, the GST structure also added cess for certain categories like luxury cars, aerated drinks and tobacco over their slab rate of 28%. A number of essential items were either put in lower tax brackets or exempted completely.



MONTHLY GST COLLECTION FIGURES (₹CRORE)



Source: PIB

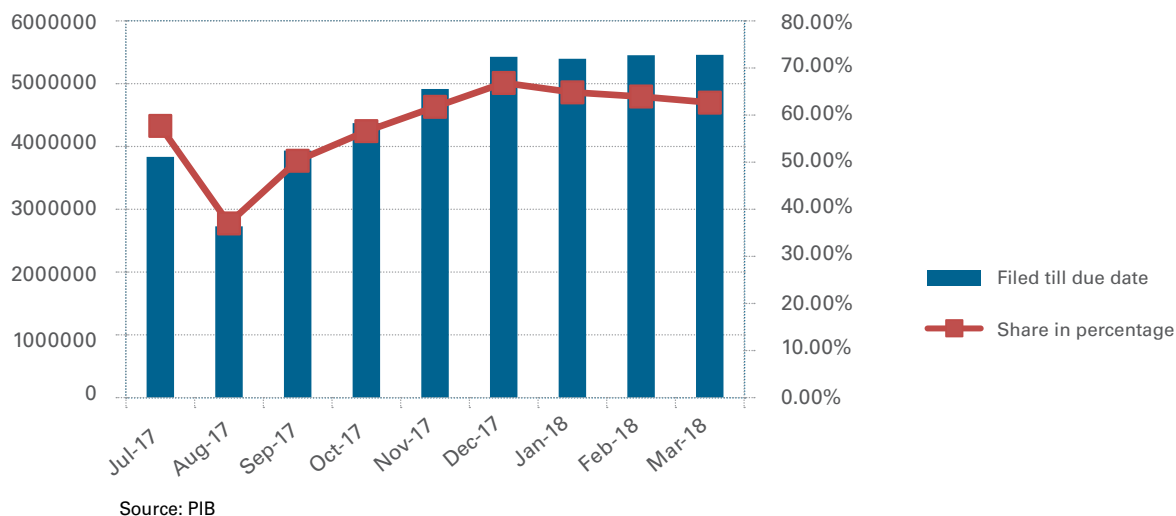
Bringing the whole nation under one-tax regime has several advantages beyond simplifying the taxation structure itself. It is expected to make India a more competitive economy in the long run. Since the tax incidence can be monitored across the value chain, tax evasion can be effectively checked. Exemption for enterprises with turnover less than ₹20 lakh and lower taxation rates for enterprises under certain categories with turnover up to ₹1.5 crore (under Composition Scheme) provides a strong incentive for smaller businesses. In fact, small enterprises are also registering voluntarily to pass on the benefit of input tax credit and also to cater to the demands of larger corporate customers, who insist on compliance. Exports have been treated as 'zero rated supply', so exporters can claim refund of GST provided they fulfil the requisite conditions. Linkage of PAN number with GST will also prevent tax evasion as it will no longer be possible to quote different turnovers for the two filings, i.e. direct and indirect tax.

One of the major benefits of GST has been elimination of the cascading or 'tax on tax' effect. At any stage of the value chain, an entity has to only pay tax on the value added by that entity in the chain, thereby leading to reduction in overall tax amounts as well. Since the disparity in taxes between states is removed, companies are now incentivised to keep their warehouses in strategic locations and operate them at optimal capacity rather than basing their decisions on tax differentials.

EXEMPTION FOR ENTERPRISES with turnover less than ₹20 lakh and low taxation rates for enterprises under certain categories with turnover up to ₹1.5 crore (under Composition Scheme) provides a strong incentive for smaller businesses.

On July 1, 2018, the GST regime completed one full year. Tax collections had averaged ₹89,885 crore from August 2017 to March 2018, while in April, May and June, the monthly tax collections recorded an increase to ₹1.03 lakh crore, ₹94,016 crore and ₹95,610 crore respectively, showing that the system had started settling in.³ The indirect tax collections for the last nine months of the previous fiscal stood at ₹8.2 lakh crores. With extrapolation for the whole year, it would come to ₹11 lakh crores, implying a growth of 11.9% in indirect tax collections.⁴ Compliance levels on due date have also improved from 55-57% in the initial months to an average of 65% by the end of the financial year.⁵ Furthermore in the current fiscal, GST collections are expected to cross the ₹1 lakh crore mark every month according to SBI.⁶ The tax-to-GDP ratio is expected to improve by 30 basis points in FY 2018-19 as well as FY 2019-20 according to the Medium-term Expenditure Framework Statement for 2017-18.⁷

GST COMPLIANCES - RETURNS BY DUE DATE



The impact of GST is also visible in interstate movement and consequently on turnaround times and efficiencies of transport companies. Research firm ICRA conducted a survey of 50 transport companies and 15 consumer oriented companies in July 2018. Around 60% of the transport companies affirmed that GST is positively impacting turnaround times, which have improved by 18-20% according to ICRA estimates.⁸ Out of the consumer-oriented companies, around 50% have either consolidated their warehousing network or are in the process of doing so.⁹ Despite short-term cost increases due to factors like compliance and upskilling of workers, the impact of GST on metrics of logistics cost reductions and efficiency improvements is expected to be positive in the long run.¹⁰

Due to digitisation of the entire process, the GST regime will provide a lot of invaluable data on metrics like production and exports in different states, distribution of enterprises by size (small/medium/large), employment figures, trends in B2B transactions, actual market demand, and price movements, which will help in policy decisions in the future.¹¹ The GST Council has observed, for instance, in its 28th meeting that around 93% of entities filing GST returns have a turnover less than ₹5 crore¹², and the Government is working on measures to simplify filing procedures for these firms. Moreover, GST is expected to bring greater formalisation in the economy as more and more companies opt for compliance. This will help the MSME sector in particular in availing loans from the banking system and NBFCs and also bring their employees into the formal sector with concomitant benefits like minimum wages, termination benefits,

leave allowances, and provident fund.

Going forward, some of the major changes expected in the GST include simplification of the rate structure by reduction in the number of tax slabs, expanding the scope to include sectors like fuel and real estate, and further simplification of procedures to facilitate small businesses in particular. With timely redressal of stakeholder concerns and stabilisation of the regime, the impact of short term disruptions will gradually get mitigated. Within one year, the total number of registrations under GST reached 1.13 crore compared to 63-64 lakh taxpayers registered under the previous regime.¹³ The expected widening of the tax base in the coming years will enable the Government of India to lower tax rates, thereby benefitting companies as well as the end consumer. While the GST remains a work in progress, it is expected to provide a major boost to growth in the long run. ■

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Ushering in systemic change

A unified market, wider tax base, and formalisation of the economy—GST has achieved much more than what was expected in just over a year. The government's openness to course correction has helped ease bottlenecks and facilitated a smooth transition.

DR ARUN SINGH IS LEAD ECONOMIST, DUN & BRADSTREET

It took 13 long years to conceptualise and build consensus among all the states of India, enabling the passage of the Goods and Services Tax (GST) Bill in 2016. It was finally rolled out on July 1, 2017. GST created much anticipation among all, as it was touted to simplify the previous multifarious and distortionary indirect taxation system and widen the tax base. It was nonetheless followed by much uncertainty and ambiguity regarding its structure and implementation. For the government, overhauling the entire regime of the previous indirect taxation system in a populous country like India, was onerous—especially, as India has the second largest number of MSMEs of which more than 90% are unregistered. For more than 160 countries, which have adopted GST, the journey has not been smooth either.

It has been now over a year since GST was implemented. The short-run impact on growth has been disruptive as expected. The compliance hurdles, ambiguity, confusion, and inventory effects that have followed have made a dent on overall growth and confidence among Indian businesses, especially micro and small companies. There have been some achievements so far since its implementation and proactive initiatives [have been] taken by the government to solve the teething troubles. Nonetheless, there are a few milestones to cover as well.

A TRANSFORMATIONAL SHIFT

India's previous taxation regime was criticised for being complicated, multifarious, distortionary, and for fragmenting the Indian market. Different tax rates across states led to economic distortions. States' levy of entry tax/octroi resulted in bottlenecks at borders,



**Dr Arun Singh, Lead Economist,
Dun & Bradstreet.**

raising inventory costs. Business decisions were to an extent directed by tax considerations rather than by economic rationale. These cascading effects had led to a distorted structure of production and consumption and in certain cases, favoured imports against domestic production.

The complexity of tax also led to many disputes regarding the classification of products. Input tax credit was limited and most often delayed. The report on 'Revenue Neutral Rate and Structure of Rates for the GST' in 2015 estimated that blocked input taxes could amount to as much as 75% of total investments in the country. With the mantra of

'one nation, one tax', GST aimed to create a common market, to simplify the tax structure, improve tax compliance, improve governance, bring in efficiency in the supply chain, boost investment and growth, and importantly, encourage formalisation of the economy. GST was a transformational shift from a complex, multi-layered system to a uniform, destination-based indirect taxation system.

CREATING A COMMON MARKET AND SIMPLIFYING THE TAX STRUCTURE

GST brought about uniformity in tax rates and tax laws across India by subsuming nine state and eight central indirect taxes and 23 types of cess. The present GST tax structure has been criticised as this does not conform to be a simplified taxation structure. A six-tier rate is distortionary like the previous regime. The government's justification of multiple rates (reduced rate) can be well accepted, as in India, the rural population constitutes more than 60% of the [total] population and luxury goods cannot be taxed at the same rate as necessary/basic goods commonly used by the people at large. Moreover, rates on 191 goods have been reduced till Aug 4, 2018. While this will help in increasing tax compliance and bring down the prices of goods thereby negating the inflationary impact of GST, there is some scope for correction.

Intriguingly, GST, adopted globally in more than 160 countries, has varied structural forms, each with distinct peculiarities. Countries such as New Zealand, which has a broad-based GST, tax virtually all goods and services at a single rate, while France has a narrow-based system with one standard rate, three reduced rates, and eight specific regional rates. The standard rate varies from 5% (Canada, Nigeria) to 27% (Hungary). Australia levies GST at the rate of 10% while the average rate of VAT across the EU is around 19.5%. In Australia, GST is a federal tax collected by the Centre and distributed to the states. In Canada, both the Centre and the states levy GST (similar to the structure proposed in India).

FACILITATE INTER-STATE MOVEMENT OF GOODS

For India to become a common market, it required inter-state barriers to be removed. Unrestricted inter-state flow of goods was expected to significantly reduce transit time and costs, benefitting the logistics sector. With the removal of inter-state checkpoints, the travel time of long-haul trucks and cargo vehicles has been reduced. A study commissioned by the Ministry of Road Transport and Highways* found that a truck typically used to spend one-fifth of its total travel

"UNDER GST, THE TOTAL NUMBER of registered tax payers stood at 11.6 million as on July 31, 2018 out of which around 5 million new entities have registered under the GSTN."

time between two states at border checkpoints before GST was implemented. Post GST, trucks have started covering greater distances. They are now travelling 300-325 km per day, an increase of around 44%, from the average of 225 km per day they used to earlier. Further, introduction of e-way bills is expected to further ease movement of goods, inter state and intra state. However, the success of e-way bills depends on a streamlined IT system, which will be able to handle the peak load.

GST STRENGTHENED THE FISCAL FEDERALISM OF INDIA

Introduction of GST has strengthened India's fiscal federalism. The Constitution was amended so as to simultaneously empower the Centre and the states to levy and collect the tax unlike the previous regime wherein the power to levy indirect taxes was distributed between the central, state, and local governments. The GST Council, which constitutes representatives from the Centre and states, is one of the most powerful constitutional bodies in India as it represents all the political powers in the states besides those at the Centre. Every decision of the Council is taken with [the consent of] a three-fourth majority.

IMPROVE FISCAL PERFORMANCE BY INCREASING TAX COMPLIANCE AND WIDENING TAX BASE

India has been largely considered as a tax non-compliant society. Numerous taxes and exemptions in the previous taxation encouraged tax evasion with leakages amounting to 2.7% of GDP. The GST mechanism that compels businesses to avail input tax credit across the value chain was expected to oblige every value addition to be recorded in the IT framework. Measures such as the dual monitoring structure—one by the states and one by the Centre—and the increasing linkage between direct and indirect tax returns filings are also expected to check evasion. Under GST, the total number of registered tax payers stood at 11.6 million as on July 31, 2018, out of which around 5 million new entities have registered under the GSTN. Moreover, the cumulative compliance levels (percentage of returns filed till date) for initial

“THE AVERAGE MONTHLY revenue collection of GST in FY’19 is over ₹970 billion, a 9% increase in comparison to the last fiscal year’s average monthly collection of more than ₹890 billion.”

months have crossed 90% and for July 2018, they have reached 96%.

SHIFT FROM INFORMAL TO FORMAL SECTOR

Bringing the unorganised segment within the MSME sector to the organised segment will not be easy. The threshold limit of exemption for small businesses was set at ₹2 million (₹1 million in case of North Eastern States) under Central GST. However, about 1.7 million registrants who were below the threshold limit chose to register under GST even when they were exempt as on December 2017. The self-enforcing mechanism created by GST could also be a probable reason. Large companies unwilling to work with smaller firms outside the purview of the threshold limit due to input credit issues and resulting compliance could have led some of the SMEs to register under GST.

The government is now considering further increase in the threshold exemption limit for registration for NE states to ₹2 million. Further, more than 154 million e-way bills have been generated till July 2018, of which 49% belong to intra-state movement and 51% to inter-state movement of goods. This brings a significant section of the unorganised trade activity under accounts. Certain challenges still persist. The threshold exemption limit of ₹50,000 to ₹100,000 for carrying e-way bills could lead to evasion. Moreover, there should be automatic scanners and RFID system to monitor the inter-state transfer of goods.

IMPROVING PUBLIC FINANCE

Increasing compliance and encouraging formalisation have helped in improving the public finance. The average monthly revenue collection of GST in FY’19 is over ₹970 billion, a 9% increase in comparison to the last fiscal year’s average monthly collection of more than ₹890 billion. The tax-to-GDP ratio had touched 11.35% in FY18, the highest since FY09. Barring the period of FY08, this level is the highest since FY’76 (considered till data available). The ratio is expected to rise further during FY19 owing to improved collections.

MEASURES TO ALLEVIATE TEETHING TROUBLES

The government, in cognisance of the various issues and challenges faced by the business community, has taken proactive steps to ease out the difficulties faced especially by small enterprises and exporters. During the last 23 months, the GST Council has met 29 times to solve the teething troubles and take necessary decisions and actions to solve the various issues. Nineteen rules have been recommended on various aspects, in these meetings.

Allowing for quarterly filing by small taxpayers with a turnover of up to ₹50 million; suspending the reverse charge mechanism till September 30, 2019, which has been cited as a major hurdle for MSMEs in procuring supplies from unregistered dealers; and introducing the e-wallet scheme for exporters to refund from October 1, 2018 to alleviate their working capital issues are a few important initiatives. While the government has sought to alleviate the issues for businesses it has also tried to address the impact of GST as the final consumer will bear the GST charged by the last dealer in the supply chain. To ensure that suppliers pass on the reduction in rate of tax on goods to the consumers, the National Anti-profiteering Authority (NAPA) has been constituted under GST by the Central Government to examine complaints of not passing the benefit of reduced tax incidence.

CHALLENGES AND WAY FORWARD

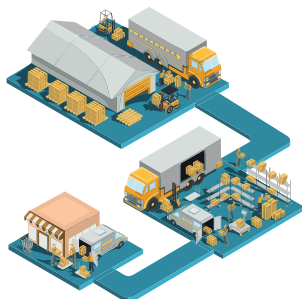
The shift from informal to the formal sector is happening, but it would be arduous. Bringing the unorganised segment in the MSME sector within the organised segment will not be easy. Simplification of processes still remains a challenge, even as the Government has been addressing it on a regular basis.

GST has also introduced a certain degree of ambiguity regarding the valuation of services, i.e., especially in cases where services are shared within the organisation across states. The emphasis on transparency has led to an increase in the number of documents to be filed on a monthly basis. Compared to the earlier centralised filing of taxes, service providers now have to execute branch-level accounting, as every state will require separate compliance requirements, documentation, and returns filing. Additionally, inter-branch invoicing has increased, adding to administrative costs and increased manpower to adhere to the compliance requirements.

The government should endeavour to further simplify the mechanisms for small players so that instead of exempting them, they are included under

MANUFACTURER TO WHOLESALER

PARTICULARS	CONVENTIONAL SYSTEM (₹)	GST SYSTEM (₹)
Cost of Production	5,000	5,000
Add: Profit Margin	2,000	2,000
Manufacturer Price	7,000	7,000
Add: Excise Duty @ 12%	840	-
Total Value (a)	7,840	7,000
Add: VAT @ 12.5%	980	-
Add: CGST @ 12%	-	840
Add: SGST @ 12%	-	840
INVOICE VALUE	8,820	8,680

WHOLESALER TO RETAILER

COG to Wholesaler (a)	7,840	7,000
Add: Profit Margin @ 10%	784	700
Total Value (b)	8,624	7,700
Add: VAT @ 12.5%	1,078	-
Add: CGST @ 12%	-	924
Add: SGST @ 12%	-	924
INVOICE VALUE	9,702	9,548

RETAILER TO CONSUMER

COG to Retailer (b)	8,624	7,700
Add: Profit Margin	862.4	770
Total Value (c)	9,486.4	8,470
Add: VAT @ 12.5%	1,185.8	-
Add: CGST @ 12%	-	1,016.4
Add: SGST @ 12%	-	1,016.4
Total price to final consumer	10,672.2	10,502.8
COST SAVING TO CONSUMER	-	169.4

Source: <https://www.ibef.org/research/india-study/goods-and-services-tax>

the broader GST umbrella. All businesses who have to obtain licence to set up shop should be made to register under GST irrespective of whether they have to pay taxes. This would eliminate the need for reverse charge mechanism and encourage smaller businesses to register and MNCs to deal with smaller vendors. Micro firms should be allowed to file their returns and pay taxes on a yearly basis instead of

quarterly. The challenges ensued have, nonetheless, been an important learning both for the government as well as the business community and will serve as an important policy inference for other countries as well. ■

* <https://economictimes.indiatimes.com/industry/transportation/long-haul-trucks-covering-greater-distance-post-gst-govt-study/articleshow/62126045.cms>

Setting a New Pace for Businesses

Over one year into its implementation, GST has effected radical changes in India's business landscape, taking several notches up its ease of doing business quotient and attracting investments.

K SHANKAR IS CEO, FEEDBACK CONSULTING



Goods and Services Tax (GST), the single-most comprehensive and impactful indirect tax reform was introduced in India on July 1, 2017. While there were apprehensions from certain quarters, it was obvious that the business community had wanted this reform more than anything else. They had serious expectations on many counts viz. uncomplicated tax structure, single interpretation and clarity on tax liability, single market operation, end of cascading tax structures, and ease of administration. Corporates expected GST to help them improve balance sheets,

operational efficiencies, and most importantly, stay compliant for sustainable growth.

In many ways, it was perceived as a 'freedom tax' that allowed for seamless movement of goods and services across the country in a very efficient manner. The early apprehensions were primarily on the tax rates, tax slabs, and digital readiness. All of that was incrementally dealt with or addressed over the last year. There have been achievements but a lot more needs to be done. Given the articulation and the intent, there is hope that GST will end up becoming what it is meant to be—an all-inclusive and efficient indirect tax system.



K Shankar
CEO, Feedback Consulting

GST HAS UNLEASHED FREEDOM IN OVERALL BUSINESS OPERATIONS

Single tax and unique interpretation for any product and service across the nation have enabled many businesses to streamline their operations and reduce distribution costs by well over 3-4%. Companies have optimised and reduced spending on warehousing, logistics, and the last mile to consumer. Distribution systems have become far more cost efficient now than ever before. Across every element of the business—production, supply chain, and storage—systems have been streamlined with GST. A single tax has eliminated the pricing challenges faced by companies. It has helped corporates in saving on fuel and energy. Delays due to freight checkpoints are a thing of the past. The savings have been considerable for corporates, and this has translated into higher profitability and valuation.

FORMALISATION OF ECONOMY IS ALLOWING CORPORATES TO THINK ABOUT RESTARTING CAPEX CYCLE

GST has conclusively set a path for formalisation of the Indian economy. It is one of the five key pillars of economy formalisation alongside digital transaction, Jan Dhan, direct transfer of subsidy, and identification. Leakages in the system are being eliminated clinically and the tax base for direct and indirect tax payers is expanding. Registrations of indirect tax payers have almost doubled in a year from 6.2 million in the pre-GST days. The number of income taxpayers in the

“GST HAS ENSURED A SEAMLESS flow of input credit across the value chain of both goods and services. This has helped improve liquidity and cash flow.”

country has increased by 13 million in a year. These are positive signs for corporates. They will benefit from additional tax revenues to the government. Government investments in infrastructure and other economy building blocks has begun to go up. This improves ease of doing business and investments for corporates.

INPUT CREDIT HELPS IN LIQUIDITY DESPITE HIGH WORKING CAPITAL NEEDS

There has been continuous criticism on the shortfall in overall GST collection targets. The average collection figures are at around ₹90,000 crore as against the target of ₹100,000 crore. One of the big reasons for this is the availability of input credit for manufacturers and suppliers, leading to constant value addition across the chain. GST has ensured a seamless flow of input credit across the value chain of both goods and services. This has helped improve liquidity and cash flow in spite of the provisioning that needs to be made for GST. It is a transparent mechanism that benefits small and medium businesses who are essential members of the overall supply chain. Additionally, the interstate e-way bill will reduce leakages. This will translate into enhanced tax compliance and collections. That, in turn, will propel the total collection to levels as desired by the government.

GOVERNMENT, AN ENABLING PARTNER

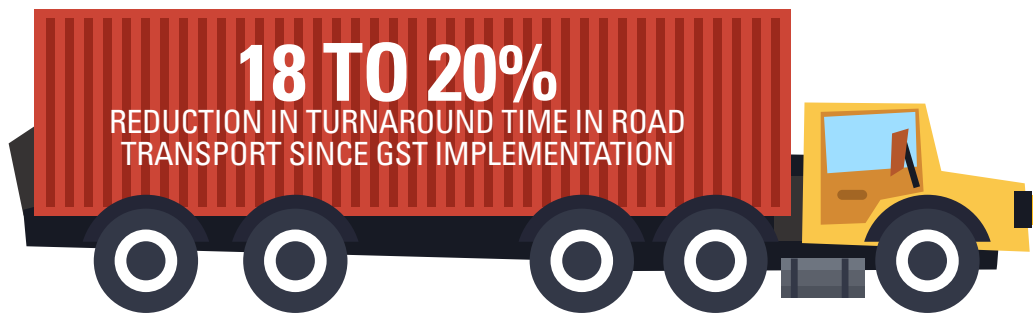
Corporates have reposed tremendous confidence in GST. One of the factors that has led to this sentiment is the successful functioning of the GST Council. It is working with intent and purpose. There is also a continuous assessment of items under various tax slabs. The Council has made proactive efforts towards tax slab rationalisation. In its endeavour to keep retail inflation under check, the government is continuously taking a holistic approach towards tax slab rationalisation. There is a continuous effort in improving the IT backbone and registration procedures. All this has enabled GST adoption at a very high pace. This has further enhanced corporate confidence in GST. In a way, GST is a ‘nudge’ to conduct good, clean, and profitable business. That said, let us examine the impact of GST on some key sectors of the economy:



LOGISTICS

One sector that was expected to overwhelmingly benefit from GST was the logistics and transportation sector. It is believed that there has been a 20% reduction in turnaround time and less hassles at state borders and mundane check points. Introduction of the e-way bill is further helping the cause immensely. After the GST rollout, India successfully jumped 19 positions (35th from 54th) in the Logistics Performance Index (LPI).

Logistics is primarily an unorganised sector activity in India. Introduction of GST is a considerable nudge to logistics companies to move into the formal sector. According to the Economic Survey 2018, India's logistics industry, which is presently worth US\$ 160 billion, is likely to touch US\$ 215 billion by 2020, with the implementation of GST. Conservatively, this will mean a 10% CAGR. The major cascading effect will be in job creation. A well-organised and well-managed logistics sector will energise a multitude of sectors, including manufacturing and FMCG.

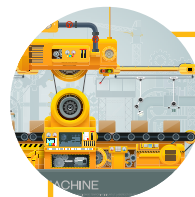


Source: <https://economictimes.indiatimes.com/industry/transportation/shipping/-transport/gst-provided-much-needed-reform-to-the-logistics-sector/articleshow/64821263.cms>



REAL ESTATE

One of the key benefits for the real estate sector under the GST regime is input tax credit, which developers can now avail of for taxes paid on construction material and services. This benefit was not available in the earlier service tax regime. GST has streamlined tax administration of the real estate sector. However, the initial few months of implementation were full of confusion for developers as well as customers. On one side, developers were not sure how much benefit they can get out of input tax credit and new raw material prices while on the other, customers were protesting a significant increase in taxation. Towards the end of 2017, things became clear and most developers started passing 4-6% discount to customers.



MANUFACTURING

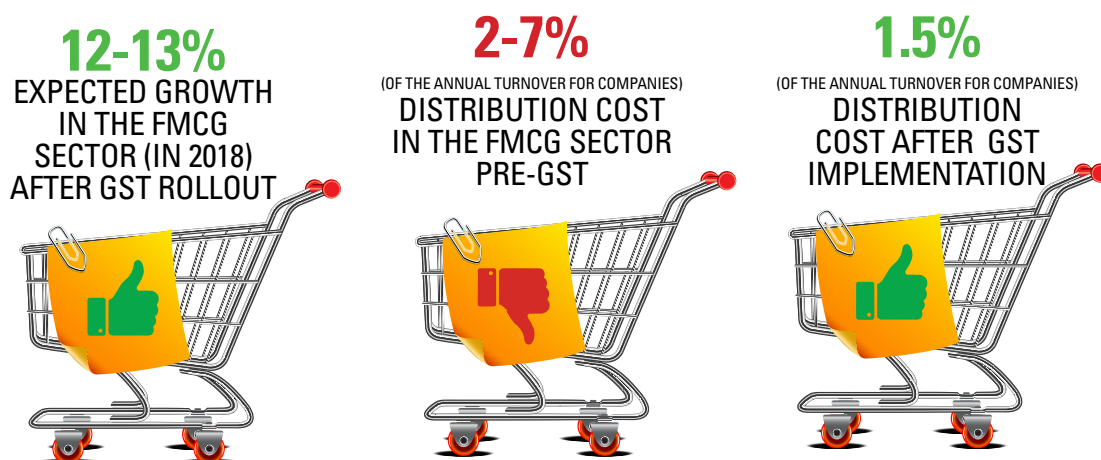
The manufacturing sector has benefited from reduced logistics and distribution costs and simplified compliance procedures to a large extent. GST has allowed the it to restructure its supply chain in a clean and uniformly interpretable manner. Previously, supply chains were designed to escape tax regimes. GST being a single-tax regime has forced businesses to re-deploy supply chain structures that increase business and service efficiency. Supply chains will now put customer service on top priority. GST has also enabled manufacturers to claim input tax rebate on goods. This facilitates continuous cash flow that indirectly drives growth. There are concerns regarding stress on working capital but that will address itself when compliance and efficiency improve to a higher level.



FMCG

The FMCG sector posted a growth of 13.5% in FY18. Eight of the top 10 companies posted double-digit growth. This came after a sluggish five-year period of single-digit growth. While multiple factors contributed to this, one of them was GST. After its introduction, significant growth has been witnessed in the consumer goods sector due to reduced distribution costs and seamless flow of products. The simplified tax structure has also allowed FMCG companies to plan and launch a lot of new products and variants within the realms of the tax slabs as notified by GST. For most FMCG majors, the GST rate structure has been neutral or marginally positive without the complexities of the earlier regime. The last six months have also witnessed GST rate reductions. Items under the various rate slabs are being progressively reviewed to control inflation and rationalise the slabs.

As a result, many important raw materials required in the food processing industry are exempted. The highest tax rate of 28% is now restricted to fewer items, including luxury, cement, paints, white goods, and demerit goods like pan masala, cigars and cigarettes, aerated water, and beverages. With the introduction of the E-way Bill and abolition of checkpoints, the logistics costs will further reduce significantly. This will create more buoyancy in the sector. The anti-profiteering clause will further ensure that end consumers will benefit.



Source: <https://www.moneycontrol.com/news/business/economy/trade-uptick-to-help-fmcg-sector-grow-12-13-in-2018-nielsen-2890431.html>
<https://www.hrblock.in/blog/impact-gst-fmcg-sector-india/>

WORK IN PROGRESS

There are concerns that the government is focusing on addressing. Refund mechanism for exporters and the data matching law need a relook and intervention. It squeezes working capital particularly for the MSME sector. Multiple registration requirements are another area of concern. In many cases, registration is required in all states. This has potential to complicate compliance further. Cesses are another area of concern. GST is all about simplicity. There should be no room for cesses. Compensation cess was introduced for luxury and demerit goods. Automobiles followed suit. Finally, there is a need to address the technology glitches comprehensively. Since GST is a fully IT-dependent tax mobiliser, it is important to make that part of the operation conclusively robust.

India is expected to be a US\$ 5 trillion economy by 2025. One of the biggest enablers of that journey will undoubtedly be the GST. The GST infrastructure and the GSTN (the Good and Services Tax Network) will only improve from present levels. It will formalise the economy and favourably improve the mix of GDP contributors. That will attract more investments and international interest to the formal and informal sectors, which will multiply the country's economic throughput for years to come. ■

‘GST a success owing to Government’s positive approach’

Najib Shah, Former Chairperson, Central Board of Indirect Taxes and Customs, talks to India Now Business and Economy about the sweeping impact of GST—industry churn, redrawn business landscape, and the intangible benefits that have accrued to the nation at large.

The avowed aim of GST has been simplification of the indirect taxation system as well as shaping of a unified market. How far have we moved towards these goals?

When GST was finally ushered in on that historic [intervening] night of June 30 and July 1, 2017, the avowed goals of the tax reform were to create one nation, one tax, and one market. One year down the line, we can safely say that these goals have been met spectacularly.

For the first time after Independence, we have the economic unification of the country—the law, be it in Agartala or Thiruvananthapuram, is the same; the rate of tax for a product is the same, be it in Junagadh or Cuttack.



Mr Najib Shah
Former Chairperson
Central Board of Indirect Taxes
& Customs.



The arbitrage which was caused between states because of difference in tax treatment of a product is no longer there. This has meant that the entry barriers and octroi which prevented the free flow of goods across state boundaries or created an incentive to evade taxes is no longer there. For all this to have been achieved in a vibrant, robust federal country like ours, is an achievement that people tend to overlook. So yes, we have indeed moved towards the goal of achieving a unified market.

What are the major changes the Indian business landscape has witnessed?

Indian business, for the first time, has the luxury of a common law across the country; business decisions are now being taken not because of a rate of tax being lesser in a particular state but because it makes economic sense to start a unit close to where the raw materials are or the market for the product is. Logistics and transportation costs have thus come down, a spin-off benefit of that being the consolidation of warehouses.

The multiplicity of taxes working in silos meant that there was no free flow of credit, leading to increased costs. GST did away with that; the tax on tax is a thing of the past. Multiplicity of taxes also meant multiplicity of tax laws and returns—that have also been simplified.

The Indian business landscape has thus changed beyond recognition, and for the good.

GST has undoubtedly effected an industry overhaul, leading to seamless flow of data and formalisation of the economy. How would these boost the country's competitiveness, in the long run?

GST is technology driven; so, perhaps for the first time, we would have data on the behaviour of commodities across the country. Data analytics will make it possible to make informed policy decisions. Further, analytics will also help in plugging evasion.

Since GST's greatest strength is the fact of free flow of credit and no cascading of taxes, it makes economic sense to come within the value-credit chain. The informal economy, which has been the bane of the country, would slowly but surely diminish because of both these reasons. This, in turn, will result in greater competition, which is always a good thing, within the country, and ultimately make our products more competitive in the international markets also.

GST has led to positive outcomes vis-à-vis tax compliance and tax collection. Could you

“SINCE GST'S GREATEST strength is the fact of free flow of credit and no cascading of taxes, it makes economic sense to come within the value-credit chain.”

give us a measure of this impact?

Yes, and this can be no better done than with data. Mr Sushil Modi, Chairman of the GST Group of Ministers (GoM) for Technology, has on September 21, given the numbers which are most impressive. As many as 62.9 lakh old taxpayers have migrated to GST, and there are 50.6 lakh new approved registered taxpayers under GST. We need to pause here and look at this number once again. It is phenomenal; there has almost been a 100% increase in the taxpayer base. So, to go back to your last question, what this number shows is that there is migration also of the informal sector to the formal GST economy. This too was one of the goals when we set out for on the road to GST, to increase compliance and consequently the tax base.

This has also meant that revenue is doing well—again to quote Mr Sushil Modi, revenue for the month of July 2018 was ₹93,960 crore. We should not forget that the monthly average revenue for the last financial year was ₹89,885 crore; so, there is a definite upward trend here.



“THE REFORM HAS boosted the image of the country enormously; in effect, we have adopted a system of taxation which is similar to what is there in large parts of the world also.”



And all this despite the government adopting a very soft attitude towards enforcement which I believe will harden during the current year. We cannot have, as Joel Slemrod, Professor of Economics, University of Michigan, has said, “a tax system and then rely on the taxpayer’s sense of duty to remit what is owed”.

A nudge would be needed and I am sure the Government will not hesitate to do so, now that more than a year has gone by for industry to have settled down.

A reform of the magnitude of GST cannot be a success without inclusiveness at its core. How would you assess the government’s approach, especially with respect to taking corrective steps?

A transformational reform like GST—involving as it did, subsuming of 17 Central and State taxes and more than 13 cesses, ensuring that rates of taxation are not high but at the same time getting the requisite revenue, and putting in place procedures that are simple, taxpayer-friendly and IT-driven—obviously needed a nimble and alert mechanism in place to address concerns simply because it is not possible to have a glitch-free reform of this magnitude. The GST Council is that mechanism. Created as a result of the constitutional amendment, it has in its short tenure proved an outstanding institution—responsible and responsive, where the Centre and the States have shared their sovereign power and arrived at decisions through consensus. They have met as often as necessary and as long as necessary to address concerns and take decisions. Corrective steps have been taken wherever necessary to ensure the success of GST. And a lot of credit for this goes to the Chairman of the GST Council, and the Union Finance Minister who has shown patience, willingness to listen, and take decisions. So, yes, it is almost entirely because of the Government’s positive approach that GST has succeeded to the extent that it has.

The ultimate aim of any reform is to benefit people at large. Do you think GST has been a success in this respect?

It is necessary to be a little patient with such a huge reform of this nature—for the law to settle down, for the IT infrastructure to settle down. Having said that, we must not lose sight of the fact that GST has removed multiplicity of taxes, multiplicity of rates, cascading of taxes, obliterated state boundaries, and ensured free flow of credits—all of which has resulted in reduction of costs and time. These are benefits which have started to reach the people at large. Add to this the fact that there has been an increase in the tax base and revenue which is on the upward trend. This benefit will also go to the people since it will mean more money in the hands of the Governments, Central and State, for social welfare projects.

I do believe it has been a success; however, we cannot afford to be complacent and have to keep working on it to address concerns and also constantly educate the taxpayer and the consumers.

How far has GST adoption impacted perceptions about Brand India?

The GST reform has been long in coming—we announced our intention in 2006. More than 160 countries have adopted it because it definitely is a superior system of indirect taxation. So, the world was watching us closely, watching the entire process evolve. Given India’s federal structure, the need for and challenges of carrying out a constitutional amendment, most were sceptical whether we could pull it off—and this, we did.

The reform has boosted the image of the country enormously; in effect, we have adopted a system of taxation which is similar to what is there in large parts of the world making for ease of doing business not just in India but in other parts of the world also. Brand India has got an enormous fillip. ■

(As told to Anitha Moosath)



IN GREAT DEMAND

India is the world's largest producer and consumer of black tea



INDIAN LEATHER: IN FINE FORM

India's leather story is not one of overnight growth, but one dyed in the hues of our historical past. There are references to 'joothis' (footwear) and leather wear that were finely crafted in Uttar Pradesh for the Mughal kings. And in the 13th century, Marco Polo wrote about the curing of hides and the manufacture of leather being two of the most important of Gujarat's industries.¹

NALINI RAMACHANDRAN

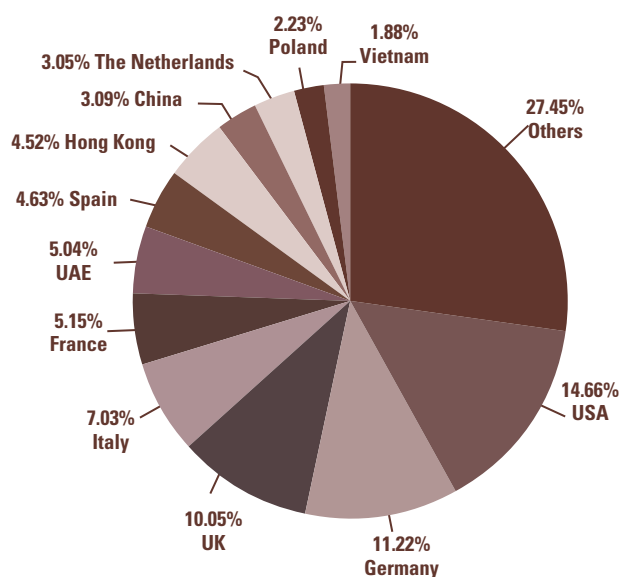
Cut to the early 1900s, the country was known for its raw leather exports (tanned leather came to be traded thereafter); in 1912–1913, while the total worth of raw hide exports stood at ₹8 crore, Madras (as Chennai, the present capital of Tamil Nadu was called then)—being home to 17 of the 22 organised tanneries in the country at that time—was alone responsible for goods worth ₹4 crore.² Even today, Tamil Nadu is among the top leather-exporting states in the country. By the 1980s, India had gradually progressed from exporting raw hides to finished goods. Today, having traversed

the entire value chain, the India's leather industry has also taken major strides in terms of R&D and design capabilities. As Mukhtarul Amin, Chairman, Council for Leather Exports (CLE), says in an interview to India Brand Equity Foundation, "The leather industry is among the top ten export earners in the country, employing around 3 million workers, 30% of which are women, and today is catering to almost all the international brands of Europe and USA."

At 3 billion square feet³ annually, India accounts for 12.9%⁴ of the global leather production of hides/skins. In 2017–2018, India's leather exports touched US\$

5.73 billion⁵, and its major export markets include USA, Germany, UK, Italy, France, UAE, Spain, Hong Kong, China, The Netherlands, Poland, and Vietnam.⁶

MAJOR MARKETS FOR INDIAN LEATHER AND LEATHER PRODUCTS (APRIL-JUNE, 2017-2018)⁷



Source: <http://leatherindia.org/current-export-trends/>

The country's leather industry comprises sectors such as finished leather, leather garments, leather goods, footwear and its components, and saddlery and harness.

Given the sector's potential for growth, the Council for Leather Exports (CLE)—an independent, not-for-profit organisation, having 3,250 leather manufacturing and exporting companies as its members, which oversees this industry's development and exports—is focussed on raising the present exports figure to reach US\$ 10 billion by 2024-2025.⁸

THE LEATHER CLUSTERS

India now ranks fifth in the world in the exports of leather goods and accessories.⁹ Global brands such as Acme, Clarks, Coach, DKNY, Guess, Harrods, Hush Puppies, Kenneth Cole, Liz Claiborne, Marks & Spencer, Nike, Pierre Cardin, Reebok, Tommy Hilfiger, Versace, Armani, Bugatti, Walmart and H&M, etc. source leather from India.¹⁰ Newer markets too are being explored. Mr Amin, in his interview to IBEF, says, "Our major market [for leather and leather products] as of today is Europe, but we are mainly targeting the US and Russia at the moment to increase our share in these markets."

THE MAJOR OBJECTIVE

OF developing Mega Leather Clusters is "to create world-class infrastructure and to integrate the production chain in a manner that caters to the business needs of the leather industry."

To ensure that the leather industry continues to build on its legacy advantages and scale up to the next level, the government had initiated the Indian Leather Development Programme (ILDP) during the 12th Five-Year Plan. As of November 2016, around ₹1,032.23 crore had been spent under the scheme.¹¹ A major share of the investment went towards training for skill development/upgradation, upgrading/modernising/expanding and setting up new units, and the opening of two more branches of the Footwear Design and Development Institute (FDDI) in Banur (Punjab) and Ankleshwar (Gujarat).¹² Under the Human Resource Development (HRD) sub-scheme of the Indian Leather Development Programme (ILDP) 427,865 people were trained between 2014-15 and 2016-17, out of which 345,676 people found employment. The sector achieved a total FDI of US\$ 53.64 million during this period.¹³

Another sub-scheme under the ILDP is the Mega Leather Cluster (MLC) scheme. As per this scheme, the financial contribution by the Government of India will depend on the land area of the MLC: up to ₹50 crore for 25-60 acres (without tanneries) and 40-60 acres (with tanneries), up to ₹70 crore for 61-100 acres, up to ₹105 crore for 101-150 acres, and up to ₹125 crore for those with a land area above 151 acres.¹⁴ The major objective of this scheme is "to create world-class infrastructure and to integrate the production chain in a manner that caters to the business needs of the leather and footwear industry so as to cater to the domestic market and exports".¹⁵ A 537-acre-large MLC to be developed at Kothapatnam in Andhra Pradesh has already been approved.¹⁶

Further, to address environmental concerns that affect the leather and tanning industry, a two-pronged approach has been adopted—assistance to set up/upgrade Common Effluent Treatment plants and organising environment-related workshops to educate the people involved.¹⁷ Support is also provided to artisans for designing as well as development of products and establishment of market linkages.

A STRONG Foothold

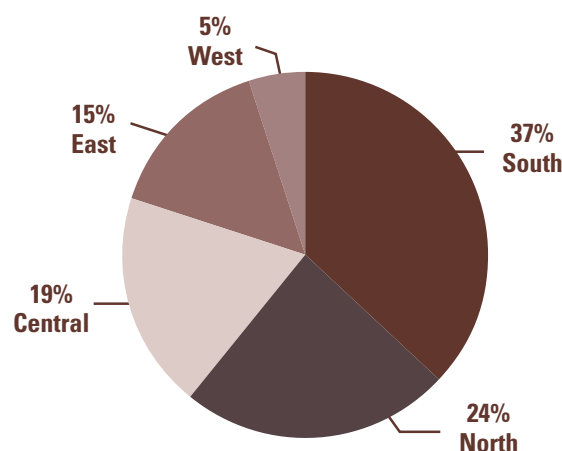
India is the second-largest producer of footwear in the world.¹⁸ Understanding the importance of this sector's growth, the Footwear Design & Development Institute—which was established by the Ministry of Commerce and Industry in 1986—was accorded the status of being 'An Institution of National Importance' under the FDDI Act 2017. One of its primary objectives is 'to particularly promote the growth of export production of quality footwear and allied products from the country'.¹⁹ As on date, the FDDI has twelve campuses with world-class facilities at Noida, Fusatganj, Chennai, Kolkata, Rohtak, Chhindwara, Jodhpur, Guna, Chandigarh, Ankleshwar, Hyderabad and Patna.²⁰

To transform the country further into a global manufacturing hub for leather and footwear, the government has also approved a package of ₹2,600 crore²¹ to the industry to develop infrastructure and generate employment during 2017–18 to 2019–20 under the Indian Footwear, Leather and Accessories Development Programme (IFLADP). One of the unique features of this industry is that it offers a lot of job opportunities and also avenues for self-employment with a very low investment. The IFLADP scheme will give this opportunity a boost and is likely to generate 3.24 lakh new jobs in three years and assist in the formalisation of two lakh jobs.²² Amin has said, "Implementation of the IFLADP is extremely critical and vital for expanding and modernising the production capacities in the sector, environment management in the tanning industry, establishment of greenfield mega clusters besides human resources development."²³ The Integrated Development of Leather Sector Scheme (IDLS) of the IFLADP is significant because it will provide investment grant to manufacturing units across the leather industry to build up capacity, upgrade/modernise technology, and set up or expand new units.²⁴

Having faith in the country's skilled labour, the Council for Footwear, Leather, and Accessories (CFLA)—instituted in 2016 to oversee the sector's growth by the Department of Industrial Policy and Promotion—hopes to make this a robust industry worth US\$ 80 billion by 2030.²⁵ It also envisions that the country will have a ready market of at least 10 billion pairs of footwear by 2040²⁶—India's current production capacity is approximately 2.2 billion pairs per year, of which it exports 180 million pairs.²⁷

The Indian leather industry is gearing up to achieve 10% growth in exports over three years and reach US\$ 7.5 billion by 2020.²⁸ For this, the industry will first increase the production of women's and children's footwear (with the help of IFLADP), which currently

REGION-WISE EXPORT OF LEATHER & LEATHER PRODUCTS 2015-16



Source: CLE Membership records;
<http://leatherindia.org/industry-at-a-glance/>

constitutes 70% (around US\$ 84 billion) of the global footwear business (US\$ 120 billion)—however, at present, India caters to 1.19% of this share. Other proposed measures include value addition through design and development initiatives, measures to boost FDI and improve penetration in major global markets and organising more RBSMs.²⁹

VALUABLE MATERIAL

During FY 2017–18, exports of leather garments earned revenue totalling US\$ 519.32 million and finished leather exports were recorded at US\$ 873.97 million.³⁰ As the second-largest exporter of leather garments in the world³¹, the country's "production capacity is estimated to be 16 million pieces annually. India produces different types of leather garments, i.e., jackets, long coats, waist coats/shirts, pant/shorts, motorbike jackets, industrial leather garments, leather aprons, etc."³²

*Global Leather Luggage Market Report, History and Forecast 2015–2025, Breakdown Data by Manufacturers, Key Regions, Types and Application*³³, an August 2018 report by QYResearch, includes India's VIP Industries Limited as one of the prominent manufacturers making a mark in the world. Even as leading players such as VIP, Samsonite, and Safari are designing luggage bags that fulfil both the style and utility quotients, other Indian brands are focusing on innovative products. The luxury brand Hidesign, for instance, is working towards the revival of East India Leather—a unique kind of hide tanned using vegetable dyes, discovered by the British in the 1880s. Moving away from the tradition of creating brown and black

LEATHER EXPORTS FROM INDIA (APRIL 2017 TO MARCH 2018)

Value in US\$ million

Product segment	2017-18
Finished leather	873.97
Footwear of leather	2,194.73
Leather garments	519.32
Leather goods	1,365.79
Saddlery & harness	155.99

Source: DGCIS



leather bags, the designer brand Holi—with a name that celebrates the Indian festival of colours—has introduced a range of bright and ornate pink, green, red, blue, orange and multicoloured leather handbags and accessories.

Like the leather garments and bags markets, the leather furniture and upholstery markets are also evolving. Buyers are gauging the durability of leather as a material for house fittings, while the rise in the statistics of upholstery exports invariably depends on the growth of the automobile industry. Since both fashion and décor thrive on creativity, specialisation courses in leather goods and accessories design are being promoted by the government. As part of the Make in India programme which considers leather as a core sector, the CLE is also holding design and development workshops to train people in the industry and familiarise them with popular trends, to improve the international business dynamics of Indian leather products.

FAVOURABLE MARKET

The need of the hour is to attract investors to set up manufacturing and exporting units in India. Some of the government initiatives that are in place include a single-window clearance system to speed up permission processes, 100% FDI through the automatic route, and reduction of excise duty on leather footwear. The government has also entered into trade agreements

“THE INDUSTRY IS GROWING much faster and we are expecting 10-15% annual growth from the industry.”

with ASEAN nations, Chile, Japan, and South Korea, which are expected to benefit the leather sector as well.³⁴

Another major initiative taken by the CLE is to scale up capacities with a view to attract and cater to the requirements of larger customers. Further, to raise and showcase the country's R&D and design capabilities, the Council has been organising one of the largest design fairs in Chennai for the past two years.

Mr Amin says, “The industry is growing much faster and we are expecting 10-15% annual growth from the industry.” The Indian leather industry has already created a strong global brand image riding on factors such as design development initiatives by institutions and individuals, regular human resource development programmes to enhance productivity, increasing use of quality components, and a growing domestic market for footwear and leather articles. With new markets on the horizon and with the co-operation of industry stakeholders, interested investors, and the central and state governments, the resolve to make India a global leather hub and achieve an exports target of US\$ 10 billion by 2024–2025 is indeed as tough as leather.³⁵

SKILL DEVELOPMENT, EMPLOYMENT, AND FDI INFLOWS

Year	No. of persons trained	No. of persons employed	FDI (in US\$ million)
2014-15	138,608	113,244	34.21
2015-16	144,093	115,660	17.13
2016-17	145,164	116,772	2.30
Total	427,865	345,676	53.64

Source : <http://dipp.nic.in/sites/default/files/ru1773.pdf>

OF CRAFT AND COMMERCE

Leather handicrafts are adding a multitude of native colours to the sector: Tamil Nadu's East India Leather (promoted now through a Hidesign collection), Andhra Pradesh's leather puppets (artisans now use the same technique to create home décor products such as wall hangings and lamp shades), and the leather toys of Indore (which are usually exported to France, Germany, Spain, and the US) have already been accorded GI tags. The GI tag, in giving these art forms unique identities based on the places of their origin, not only keeps leather-based crafts alive, but also helps the marketability of these products.

E-commerce plays a major role in ensuring that Indian leather handicrafts reach customers around the world directly at the click of a button. Gaatha Handicrafts is one such site that offers niche leather products including puppets, pencil holders, jewellery, pouches, luggage tags, mouse pads, and ornate leather-framed mirrors—each coming from different regions such as Andhra Pradesh, Kutch, and Rajasthan. Amazon India too has begun the Kala Haat programme, through which it will promote and sell traditional products to international customers/markets. The company recently joined hands with Uttar Pradesh—as part of the state's 'One District, One Product' scheme to support small and medium entrepreneurs—and has added leather goods and footwear from Kanpur and Agra respectively to its Kala Haat repository.³⁶

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AN EMERGING GIANT

India's digital payments sector is expected to be worth US\$ 500 billion by 2020

Capturing the Essence of Ayurveda

What has transformed Dabur—a small company Dr S K Burman established in 1884—into a transnational with 16 of its brands having a turnover of over ₹100 crore? Undoubtedly, a diligent business strategy that blends the traditional core of Ayurveda with modern-day science, thereby lending a contemporariness to its product portfolio. Mr Lalit Malik, Chief Financial Officer, Dabur India Limited, talks to India Now Business and Economy about the company's competitive edge, its innovation prowess, and its avowed sustainability goals.

From being a first mover in the niche area of Ayurvedic medicines in the 1900s to being a global player across three verticals, Dabur has come a long way. What are the factors that have triggered this growth momentum?

Our Ayurvedic heritage of over 134 years coupled with our focus on quality and distribution might be the key factors that have helped us maintain and accelerate our growth momentum. Dabur has been developing and successfully introducing products based on Ayurveda to cater to the ever-changing needs of the consumer for over a century.

We have the advantage of being the early mover in this category. Dabur is India's leading natural personal and healthcare company with a portfolio of products on the herbal/Ayurvedic platform today. We continue to introduce new products and invest in enhancing our distribution network and effective communication with our consumers to spread awareness about the high quality of our products as also the benefits they offer.

The company has highly differentiated brands in the market, and all our products are based on natural and Ayurvedic ingredients. Dabur, as a brand, evokes feelings of trust, health, and well-being in the consumer's mind. Dabur has, in fact, been ranked as the Number 1 Ayurveda brand in India for the fourth year running, by TRA Research Private Limited. This speaks volumes about the trust that consumers place on Brand Dabur.



Lalit Malik, Chief Financial Officer, Dabur India Limited

Documenting Ayurveda knowledge and transferring it on to a wide range of products demand an environment that strongly fosters innovation. How do you ensure an innovation-centric organisational culture? Could you give an estimate of your annual R&D spend?

Dabur India has a strong in-house research wing that follows a 'bush-to-brand' approach. We also have an in-house nursery, which grows several

Highlights of FY 2017-18

- Revenue: **₹7,748.3 crore**
- Operating margin: **20.9%**
- Net profit: **₹1,354.4 crore**
- Market capitalisation (as on 31st March 2018): **₹57,602 crore**
- Area under cultivation of rare medicinal herbs: **5,250 acres**
- Number of lives impacted through CSR: **1.4 Million**
- Number of brands with turnover of over ₹ 100 crore: **16**



Source: <https://www.dabur.com/in/en-us/investor/financial-information/reports/annual-reports/2017-18> (Annual Report 2017-18)

rare herbs that are used in the preparation of various products. This in-depth knowledge about Nature and natural ingredients is one of our big strengths. This research wing also undertakes detailed tests on individual ingredients and products to ensure that the final product meets customer needs and aspirations.

Dabur has been investing in research and developing high-quality products to retain its leadership position in the market. Going forward too, we will continue to invest in research, and develop Ayurvedic products that meet the ever-changing needs of the consumers.

We have also been one of the first movers in Ayurveda R&D and had initiated it way back in 1976. Our R&D centre is today equipped with state-of-the-art equipment as well as the trained manpower needed for pharma-grade research activities. In fact, we are probably the only company involved in both classical and ethical as well as OTC formulation research for close to 40 years now. The strong R&D team has been involved in developing several classical formulations, proprietary patent formulations, and herbal cosmetics and health supplements in niche areas.

Dabur, as a custodian of Ayurveda, has taken the lead in preserving and growing some of the herbs that are endangered and whose supply is going down. Our biodiversity initiatives involve farmers and tribal and forest-based communities across the country, taking them along in this mission to not just arrest the decline in production of these rare herbs but also increase their population.

We have identified environmentally sensitive species of medicinal plants and herbs, and developed methodologies to address the sustainability concerns through our biodiversity programme and interventions. Un-

“OUR RICH AYURVEDA HERITAGE, high distribution reach, and focus on maintaining quality and providing value-added products have helped us stay ahead.”

der this programme, we engage with marginal farmers in the cultivation of these herbs, providing them visible economic opportunities and supplementing their income. We also undertake special training programmes for farmers, villagers, and tribal communities on sustainable and environment-friendly cultivation processes.

As of March 2018, Dabur has 5,250 acres of land under the cultivation of rare herbs in India. This initiative covers 19 states. In addition, some Himalayan herbs are being cultivated in 400 acres of land in Nepal. Around 2,400 farmer families in India and 1,500 in Nepal are benefiting from this initiative.

Competition is strong in the three verticals Dabur operates in—healthcare, home and personal care, and food. What has been the differentiated strategy to retain your brand position in a highly competitive market?

Our rich Ayurveda heritage, high distribution reach, and focus on maintaining quality and providing value-added products have helped us stay ahead. As I mentioned earlier, Dabur has the advantage of being the early mover in this category. And as India's leading natural, personal, and healthcare products company, Dabur maintains its edge over competitors with its herbal and Ayurvedic heritage of over a century. We remain true to our heritage and are continuously work-

“MODERN-DAY SCIENCE HAS BEEN infused into this traditional knowledge [Ayurveda] to generate evidence and support for the claims made on our products.”

ing to update our portfolio in line with changing consumer demands and aspirations.

Dabur also focuses on growing its distribution network not only in traditional trade but also in emerging channels like modern trade and e-commerce. During FY 2017-18, our direct reach crossed one million retail outlets, making us one of the largest direct distribution networks in the FMCG space in India. We have also significantly strengthened our rural footprint by reaching close to 42,000 villages across the country.

Of late, there has been a spurt in demand for Ayurveda/herbal products as well as an e-commerce boom. Also, consumers are left with a wide array of brands and products to choose from. How has Dabur reshaped its marketing/branding strategies to suit this scenario?

Yes, the demand for Ayurvedic and natural products has been growing at a steady pace with more and more consumers embracing them. As a custodian of Ayurveda and science-based Ayurveda experts, Dabur has been investing in validating the benefits of Ayurveda and Ayurvedic ingredients and products through a series of scientific interventions. Modern-day science has been infused into this traditional knowledge to generate evidence and support for the claims made on our products. Modern-day science, we feel, is the greatest tool that not only helps validate the benefits of the age-old wisdom but also helps the new generation embrace this traditional science with greater ease.

As I mentioned earlier, we continue to introduce new products, besides investing in enhancing our distribution network and effective communication with our consumers to spread awareness about the high quality of our products as also the benefits they offer. We have also been initiating several purpose-driven digital campaigns to amplify and complement similar initiatives run both on traditional media as well as on-ground.

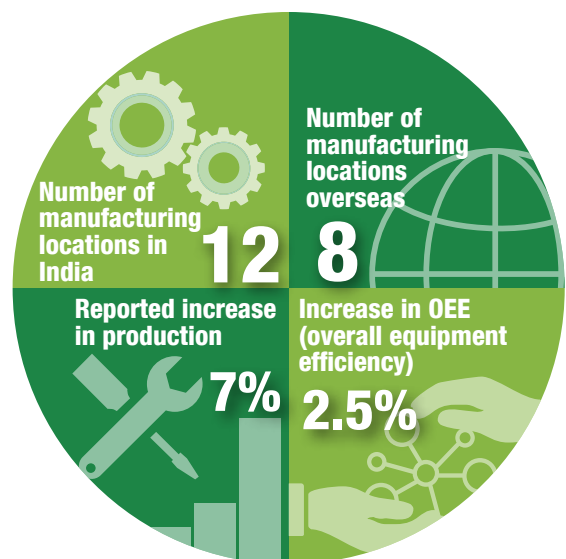
Maintaining quality across such a wide spectrum of products and across the value chain is an uphill task. What systems are in place vis-a-vis quality assurance?

Dabur has always ensured that it offers best-in-class products to our consumers. We have been adhering to highest quality standard norms, both for procuring raw

materials and for finished products. To cite an example, we added another first in our mission towards best-in-class quality recently when we established the country's first-ever Mobile Honey Testing Lab. This unique on-the-go lab has been designed specially to check raw honey at source to reduce and eradicate adulteration in honey and ensure that purity is maintained.

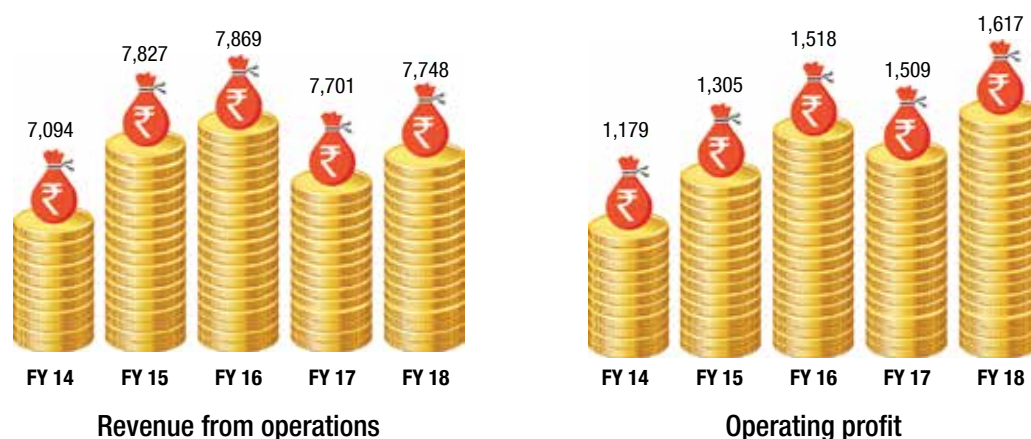
Also, as I mentioned earlier, through our biodiversity programme and interventions, we have put in place direct interventions for either cultivating or sustainably collecting critical and rare herbs. This ensures a steady supply of quality raw materials for our products. Dabur has also been investing in validating the benefits of Ayurveda and Ayurvedic ingredients and products through a series of scientific interventions.

Dabur is committed to its motto of being dedicated to the health and well-being of every household. Drawing from the centuries-old knowledge of Ayurveda, the company has been working towards contemporising and popularising Ayurveda for the millennial generation. All through our 134-year-long journey, Dabur has been deploying the latest scientific tools and prowess in researching the therapeutic benefits of Ayurvedic herbs. This has led to some industry-first innovations in the field of Ayurvedic healthcare. We undertake detailed scientific tests and clinical trials on ingredients as well as final products to ensure that each product meets the highest standards of quality. The results of these scientific studies and clinical trials are regularly published in leading medical and peer-review journals.



Source: <https://www.dabur.com/in/en-us/investor/financial-information/reports/annual-reports/2017-18> (Annual Report 2017-18)

Performance Highlights of Dabur (₹crore)



Source: <https://www.dabur.com/in/en-us/investor/financial-information/reports/annual-reports/2017-18> (Annual Report 2017-18)

“WE HAVE ESTABLISHED manufacturing units in eight locations across the globe, developing products that meet local needs and aspirations and market them to the local populace.”

Equipped with state-of-the-art instruments and highly motivated scientists, Dabur has been involved in developing several classical formulations, proprietary patent formulations, herbal cosmetics, and health supplements in niche areas of healthcare. Our deep-rooted traditional knowledge has resulted in Dabur securing several product process patents, including bio-medical patents for Ayurvedic formulations.

Which are the geographies where you have a strong presence?

In the overseas markets, the Middle East and North Africa (MENA) region is a key geography for us. The US, Europe, and South Africa are the other key markets. The international business accounts for nearly 28% of our total turnover today.

How would you gauge Dabur's export prowess over the years?

Our exports out of India are negligible. We follow a local supply chain approach in the overseas markets. Under this strategy, we have established manufacturing units in eight locations across the globe, developing products that meet local needs and aspirations and

market them to the local populace. That has been the secret of our success in the overseas markets. Today, this business has successfully transformed itself from being a small operation focused on the Indian diaspora to a multi-location transnational business catering to the ever-changing needs and aspirations of the local populace.

While Dabur is operating in international markets with a brand architecture similar to that of its India operations, the products sold under these brands are completely different and have been tailored to suit the specific needs of consumers in those markets. So, the international portfolio has a range of products under the Amla and Vatika brands that are not even available in India today. It is this attention to local tastes, needs, and aspirations that has made us a success.

What are the expansion plans in terms of product launches/acquisitions that Dabur is considering at present?

We continue to introduce new products. One new strategy that we are adopting now is to scale up brands within our portfolio and make them big. Rather than build new categories of brands, we would be looking inward at our present portfolio and focusing on unlocking the value within it. We also continue to look at acquisition opportunities. ■

(As told to Anitha Moosath)

A Brilliant Cut

India has been associated with diamond mining and trade since ancient times. However, today, more than mining, the country is well-known for the flourishing diamond cutting and polishing industry, largely concentrated in the state of Gujarat, which accounts for around 72% of the world's share of processed diamonds, more than 80% of diamonds processed in India, and 95% of diamonds exported from the country.¹

ASHUTOSH GOTAD

The western Indian state of Gujarat has always been considered synonymous with entrepreneurship and tradesmanship, and these factors have enabled it to make major contributions to the country's economy. In 2016-17, its gross state domestic product (GSDP) at current prices stood at US\$ 173.24 billion and grew at a CAGR of 13.55% during 2011-12 to 2016-17.²

Gujarat is a leader in sectors such as chemicals, petrochemicals, dairy, drugs, pharmaceuticals, cement, ceramics, gems and jewellery, textiles, and engineering.³ One of the most prominent among these is the gems and jewellery sector. The state of Gujarat accounts for around 80% of processed diamonds and 95% of diamond exports from India.⁴

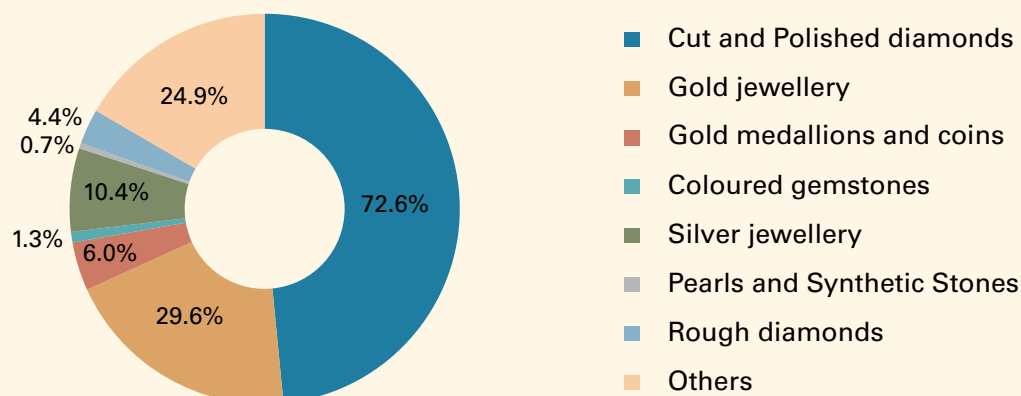
INDIA'S DIAMOND HUB

India was always known as the main producer of diamonds until the precious stone was discovered in Brazil and Africa.⁵ In the 1970s, the gemstones sector in the country was mainly involved in cutting low-quality stones and exporting them to the US.⁶ It gradually evolved into a robust cutting centre on the back of easily available, low cost and quality labour. India has around 300,000 players in the overall gems and jewellery sector⁷ and holds 60% share of the diamond cutting and polishing business worldwide.⁸ Gujarat accounts for almost 85% of India's jewellery production and 72% of the global share of processed diamonds. High-end stones, which were previously cut in Antwerp, New York, and Tel Aviv, Israel are today processed in Gujarat-based companies.⁹

Diamonds are processed at numerous units across Gujarat in cities such as Surat, Navsari, Ahmedabad, Palanpur, Valsad and Bhavnagar.



GEMS AND JEWELLERY SECTOR COMPOSITION (INDIA)



Source: <https://www.ibef.org/industry/gems-jewellery-india/infographic>

“India’s diamond sector, primarily centred in Surat, has, over the years, played a predominant role in the growth of the country’s economy through employment generation and exports. The government has played a crucial role in bringing favourable policies for the growth of this sector here. GJEPC is working towards upgradation of manufacturing by setting up Common Facility Centers across major clusters in Gujarat. The upcoming Surat Diamond Bourse would further enhance growth and help strengthen India’s leadership role in this sector, globally.”

Colin Shah, Vice Chairman, Gem & Jewellery Export Promotion Council

INSTITUTIONS SUCH AS INDIAN Diamond Institute, Gujarat Hira Bourse, and Gems and Jewellery Export Promotion Council provide skilled manpower for the industry.

Diamond cutting and polishing in Gujarat is now an integrated industry—it has consolidated into large, professionally managed facilities using the most sophisticated and latest technology. This is largely attributed to the efforts of the enterprising Palanpuri Jain community of the state.

Gujarat is dubbed as India’s diamond hub with major jewellery clusters in Surat, Ahmedabad, and Rajkot. These are professionally managed facilities using the most sophisticated and latest technology—Surat process diamonds as small as 0.5 carats to bigger stones of 5 carats.¹⁰ The state has the highest labour productivity in this sector in the country¹¹ whereas the labour cost per carat here is about ₹600, which is the lowest among the major diamond trading centers functioning globally.¹²

About 90% of the diamonds in Gujarat are processed by the nearly 10,000 diamond units located in and around Surat¹³—eight out of 10 rough diamonds in the world are polished in Surat.¹⁴ It is estimated that Surat alone employs over 700,000 workers.¹⁵ Institutions such as Indian Diamond Institute, Gujarat Hira Bourse, and Gems and Jewellery Export Promotion Council provide skilled manpower for the industry. Indian Diamond Institute offers graduate and diploma courses in diamond identification, sorting and grading,



jewellery business management, and many more, which merge craftsmanship and entrepreneurship—a key enabling factor for this sector in the state.

A GLITTERING BOURSE

The size of the country's overall gems and jewellery industry was about US\$ 75 billion as of 2017, and it is expected to reach US\$ 100 billion by 2025.¹⁶ Exports of cut and polished diamonds stood at ₹69,973.04 crore from April to August 2018 as against ₹59,493.22 crore during this same period in 2017, which marks a growth of 17.62% in rupee terms.¹⁷ There are close to 700 jewellery manufacturing units, mostly located in the walled city areas, that provide employment to over 0.25 million artisans.¹⁸

Based on its potential for growth and value addition, the Government of India has declared the gems and jewellery sector as a focus area for export promotion. Various measures have been undertaken in order to encourage investments and to upgrade technology and skills to promote the sector in the international

market.¹⁹ The government allows 100% FDI and 74% in exploration and mining of diamonds and precious stones. Merchandise Exports from India Scheme (MEIS), instituted to support exports of specified goods to specified markets, has replaced multiple similar schemes in the past and will help gems and jewellery as well apart from other export sectors.²⁰ The government has also reduced the number of mandatory documents required for import and export to three and facilitated the simplification of forms.²¹

India Diamond Trading Centre - Special Notified Zone was set up in December 2015 to ensure continuous supply of rough diamonds and evolve India into a diamond trading hub. As on April 13, 2018, 63 viewing sessions had been completed displaying rough diamonds worth US\$ 1.2 billion. Regulatory framework and taxation regime have been formulated to encourage international mining companies to sell their rough diamonds directly in India.

Exporters of gems and jewellery can import duty-free input for manufacturing products for export. Gems and Jewellery Skill Council of India plans to train over



four million people till 2022 in a bid to increase skilled manpower. Three common facility centres (CFCs) for gems and jewellery have been established at Visnagar, Palanpur and Amreli. Ten more CFCs are planned by 2019-20. Indian Institute of Gems and Jewellery launched its fifth institute in Varanasi in January 2018.²²

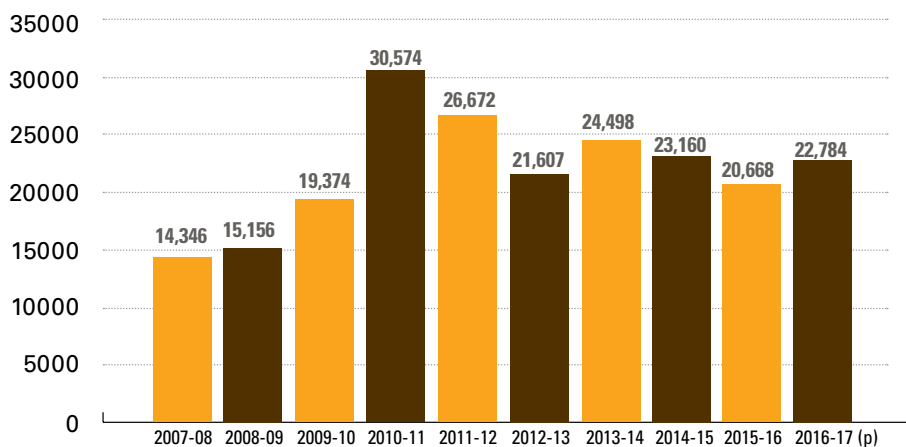
A landmark initiative to boost India's exports of gems and jewellery is the setting up of an international diamond exchange in Surat, at a cost of ₹2,400 crore, which is expected to be completed by 2020. This will enable the fragmented and relatively unorganised

diamond polishing and trading industry to be regimented in one place.²³

The Government of Gujarat has identified gems and jewellery sector as one of the thrust areas for development and has been focusing on the development of SEZs—Gujarat Hira Bourse, a single product SEZ dedicated to this sector and SurSEZ, a multiproduct SEZ that aids the growth of this sector are primary examples of this. The government has also deployed a cluster development model that leverages collaboration and knowledge sharing to improve cost competitiveness and efficiency.²⁴

Riding on the strengths of skilled labour, availability of hi-tech machinery, and excellent infrastructure, Surat accounts for nearly 90% of total diamond processing in Gujarat.

INDIA'S GROSS EXPORTS OF CUT AND POLISHED DIAMONDS FOR LAST TEN YEARS [VALUE US\$ MILLION]



Source: [https://www.gjepec.org/admin/StatisticsExport/802016827_Total%20Gross%20Exports%20Cut%20&%20Polished%20Diamonds%20\(2007-08%20to%202016-17\).pdf](https://www.gjepec.org/admin/StatisticsExport/802016827_Total%20Gross%20Exports%20Cut%20&%20Polished%20Diamonds%20(2007-08%20to%202016-17).pdf)

DREAM CITY

In February 2015, the then Chief Minister of Gujarat, Smt Anandiben Patel laid the foundation for Diamond Research and Mercantile City (DREAM City) in Surat. On completion, the ₹1.25 lakh-crore project spread over 2,000 acres will become Gujarat's third smart city.²⁵

A major feature of this city will be Surat Diamond Bourse (SDB), an independent, international diamond exchange on the lines of bourses in New York, Antwerp, Hong Kong and Dubai. It will be the largest diamond bourse in the world in terms of area—spread over 6.6 million sq ft of office space and accommodate offices for up to 12,000 diamond merchants.

The total project cost of SDB is approximately ₹2,400 crore (inclusive of the construction of ₹1,500 crore) and it will be equipped with modern surveillance and other state-of-the-art security features, to match international standards. At present, there is only one diamond bourse in India—Bharat Diamond Bourse in Mumbai.²⁶

THE ROAD AHEAD

Owing to market demand—both domestic and international—many projects in the gems and jewellery sector are coming up in Gujarat. One of these is the Design-making and Rapid Prototype jewellery project in Surat for which, the state government has introduced a scheme for MSEs for shed and plot developed by private developers. Under this, 50% of the total cost of land, building, and other infrastructure facilities will be provided to applicants (subject to meeting the required criteria). Another scheme provides 50% of rent paid or ₹50,000 per annum, whichever is less in municipal corporation area and under the Urban Development Authority (₹25,000 per annum for three years in other areas).²⁷

Another such initiative is the development of the Gems and Jewellery vertical park at Surat. Some of the incentives provided by the state government are maximum interest subsidy at the rate of 3% per annum, limited to maximum of ₹1.5 million per annum available to modern jewellery units for a maximum of 5 years, assistance of viability gap funding of 20% of the total project cost to private developer intending to develop jewellery park on PPP basis, and support and assistance for establishing skill development centres, Hallmark certification centres, and diamond testing centres.²⁸

THE GOVERNMENT OF GUJARAT has identified gems and jewellery sector as one of the thrust areas for development and has been focusing on the development of SEZs.

In the coming years, the gems and jewellery industry is expected to grow mostly through the evolution of large retailers/brands. With Prime Minister Shri Narendra Modi's appeal to the diamond industry to aim at becoming an international trading centre and preferred destination for manufacturing,²⁹ it is apparent that this sector is readying to take ambitious strides, with the government's support. This, coupled with steady market demand and consistent efforts from all the players involved, will culminate in a promising future for the state of Gujarat, which is a beehive of activities in this sector. ■

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A Springboard for Innovation

As per estimates by National Association of Software and Solutions Companies (Nasscom), India's IT and BPO industry is expected to grow at a rate of 7-9% in 2018-19. During this period, exports are expected to reach US\$137 billion as compared to US\$ 126 billion in 2017-18. These promising numbers, coupled with the flourishing startup ecosystem in the country, have been quite reassuring for technology startups, which are gradually going global with not just their services but also products.*

One such startup, HackerEarth, has been transforming the country's IT hiring scene by helping companies find the right programmers and vice-versa. Sachin Gupta, co-founder and CEO, HackerEarth, in an exclusive interview with India Now Business and Economy, talks about how they host millions of developers on their platform to develop innovative products, leveraging diverse mindsets and skill sets through hackathons.



Sachin Gupta, Co-founder and CEO, HackerEarth.

What led to the conceptualisation of HackerEarth?

We started HackerEarth in November 2012, though my co-founder, Vivek, and I had started working on the concept while we were still in college. After graduating from IIT Roorkee, we had built a basic platform but did not have the resources and ecosystem to start our own venture. In October 2012, we got introduced to GSF Accelerator—a programme that provides mentoring and funding for select Indian tech startups who have at least built an prototype—who liked what we were doing.

Both of us are developers and had seen how subjective and biased the evaluation process was for developers. In campus placements, the interviewing

process was rife with biases and mistakes on both ends—the interviewer and the interviewee. Developers failed to present themselves appropriately, and companies failed to evaluate them in an objective manner. That was the trigger for us.

A prevailing myth is that your degree (or the college itself) is one of the strongest indicators of your skills. That is not really the case today because of the democratisation of computer science education; there are people in the remotest parts of the country who have an internet connection and a laptop. They are able to develop skills which are at par with those of an IIT graduate. That too was a motivation for us. We did not want past baggage, the institution, or the employer brand to be a measure of one's skills.

So, we started HackerEarth with the aim to democratise the concept of looking at a developer and his or her skill sets. Through a dual approach, we built a piece of technology that would allow people to write code in the browser and which could be automatically evaluated. This way, we could evaluate a developer for his or her skills. Simultaneously, we also built a developer community by arranging interesting competitions—hackathons—among university networks. From nothing in 2012, today, we stand at two million developers and most of them have come to us through the organic route, i.e., word of mouth.

Digital technology has had a major impact on the way businesses are run. In both the software and traditional industries, disruptions now occur in a time frame of one or two years. As a result, companies need to invest in innovative ideas, quickly prototype, and launch those in the market to stay ahead of the curve. Further, there is also an increased dependence on technology. So, as a business, one needs to interact more with developers.

The West, in the '60s and the '70s, had a closed model of innovation—an isolated one with no interaction with the external environment. Today, the scenario is different. Companies are partnering with startups—they open up their ecosystem and invite developers to build on top of it. An example of this is Android, which Google open-sourced and let developers contribute to it. This meant other businesses too had to interact with these developers.

What is the business model you follow?

We have a product that helps crowdsource and identify creative ideas and solutions for a problem. It mostly happens in the form of a hackathon or a campaign.

For example, take the case of GE, a healthcare company. Supposing it has image data of thousands of patients in hospitals—can someone predict the possibility of who among them would take a turn for the worse just by looking at those images? Of course, not. So, it has to be automated. We take this problem statement, open it up to the relevant community, and

get interesting solutions and ideas from them. Our product allows you to manage this entire process—of matching the problem statement with the relevant people and getting ideas and solutions from them.

We make revenues by selling our platform licence to customers. It can vary depending on usage. Whenever a client wants to pose specific problems to our developer community, we charge them for each campaign. Licence for the platform could be anything between US\$ 40,000 and US\$ 100,000.

400,843
INNOVATORS FROM
108 COUNTRIES
105,607
IDEAS HAVE BEEN
SUBMITTED FOR
PROBLEMS
18,646
PROTOTYPES
HAVE BEEN BUILT
AND PUSHED TO
BUSINESS

Source: <https://www.hackerearth.com/>

Your work revolves mainly around 'providing enterprise software solutions that help organisations in their talent assessment and innovation management endeavours'. What is the kind of technology and human resources infrastructure you have in place?

From a technology perspective, we are deployed on the cloud and work on Python, but there are certain components that are close to the core operating systems. Those are written using C and C++. There are many other tools and technologies that we use too.

From a human resource perspective, we have software engineering, product management, visual and design, and quality

assurance or quality software testing teams, which form our core. And then, we have a sales team within which, there are two functions—demand generation and account management. The former encompasses reaching out to people, getting leads, opening doors, and setting meetings while the latter identifies potential customers, meets them to explain our solutions, and so on. Our B2B marketing team focuses on lead generation and we also have a small community management team for the over two million developers on our platform. It is responsible for keeping the community engaged. There is a customer delivery team which ensures that customer requirements are met.

How did you procure funding, initially?

Networking is a crucial skill, especially for startup entrepreneurs. We connected with our accelerator

through networking. We initially raised US\$ 120,000 through them. Later, in 2014 we raised US\$ 500,000 through Prime Ventures, again through our network when we met their partner at a NASSCOM event.

An additional US\$ 4,500,000 was raised through a few investors from Japan to whom I was introduced through GSF, and then, there was a strategic investor from the US, who again came through our network. So, I think there is no science to it. You just need to be part of the ecosystem and things happen, provided your business promises value.

How have initiatives such as Digital India helped your business?

We started in 2012 and Startup India as a formal policy was announced in 2014-15. So while we were not direct beneficiaries, it did help the ecosystem create value. It also led many companies to embrace digital technology, which in turn increases our customer base. Many Central and State Governments are now investing in digital initiatives; some of them are our customers and they seek to leverage the concept of crowdsourcing to get interesting ideas and solutions from various developer communities. In fact, we are working with NITI Aayog on the campaign, Move Hack, wherein they want to digitise the whole transport space—personal, commercial, and logistics. This is a hackathon to get a solution for smart transport and we are providing them a platform to run the entire campaign on a global scale.

What are your growth plans?

Our last round of funding (in 2016) was US\$ 4.5 million. There is great potential for us to grow—probably ten times in the next four to five years. We have grown over 100%–150% y-o-y in the last two years and aim to continue like this for the next few years.

From a community perspective we took about four-and-a-half years to reach two million developers; a million of these were added in the last 18 months only.

In terms of growth, we are present in many markets—60% of our business comes from India and 40% from other parts of the world, predominantly the US. We also have a small presence in Europe and South East Asia. Now, instead of expanding to new markets, we are looking at increasing our outreach, focus, and knowledge of our present markets.

How has customer feedback impacted your business?

We have created a structured process to receive feedback and run a customer satisfaction survey too.



Photo courtesy: Shutterstock

Once we have served a customer for about a month or so, we reach out to them and ask for feedback on the product—they rate us on a scale of 1 to 10; and we also ask whether they would recommend us. In fact, in the past four months, not a single customer has said that he/she was dissatisfied with our product/service.

In terms of anecdotal feedback, there is a small case that actually created a big impact on the company. In the beginning, we were mostly focussing on the evaluation of developers, screening, and then recruiting them. But today, we also look at crowdsourcing. This change in process is because of a customer's feedback. One of our earliest customers, a large Indian IT company, told us that this was a powerful way to evaluate the capabilities of a developer. They also asked us if we could ask developers to come up with interesting solutions. They did this with their own workforce too, which included thousands of developers. However, at that point in time, we did not have a suitable product to do this exercise. So, we quickly built a basic product, which they used and liked. We decided to take it to other customers and it just grew since then. Today, it contributes about 60% to 70% of our business; that is how fast it has grown and that is why you have to be really close to your customers.

(As told to Ashutosh Gotad)

Reference

* <https://www.thehindubusinessline.com/info-tech/nasscom-pegs-growth-for-2018-19-at-7-9/article22804578.ece>

This phad depicts events related to Pabuji, a Rajput chieftain, who is regarded as an incarnation of Laxmanji, brother of Lord Rama.

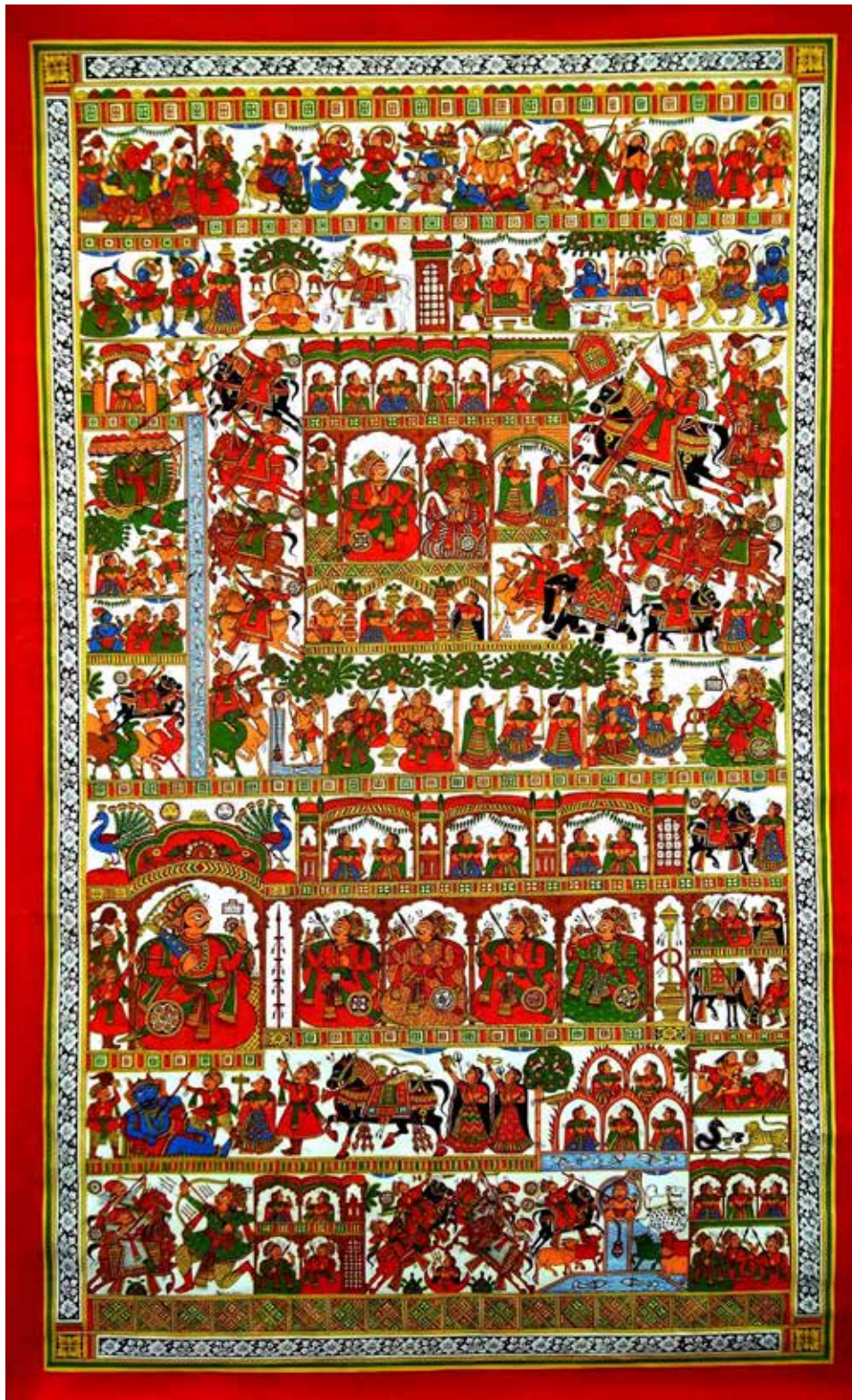


Photo courtesy: Prakash Joshi

Sacred Scrolls

The traditional phad painting has evolved from a ritual and narrative textile to a sacred art work.

SEPTEMBER-OCTOBER 2018

www.ibef.org

TEXT: BRINDA GILL

A long, horizontal panel filled with a hand-painted pictorial narrative of a folk hero-deity, rendered in rows of colourful figures—hero-deity, men, women, and animals—speaks as much of local religious beliefs and historical events as it does of the artist's devotion to his art. For, the painting of each phad, as these striking sacred scrolls are called, commences with a prayer and ritual by the artist and is meticulously worked upon over weeks or months.

Once the scroll is completed, it is handed over to the Bhopa—a priest-cum-peripatetic bard—with a ritual, who accepts it with reverence and brings it to life with a ritual enactment in front of it. Although it is an art form, painting a phad is an act of devotion for the artist; so is the narration for the Bhopa.

A TRADITIONAL ART

Over the generations, the art of phad painting has been handed down from father to son, uncle to nephew. “The beginnings of phad painting go back to the tenth century. It originated in the village of Pur in Bhilwara, Rajasthan, where it was practised by members of the Joshi family. Over the centuries, descendants of the family settled in other villages and towns in Rajasthan. The word ‘phad’ is derived from the Hindi word ‘pud’, which means to read. It literally means to read a painting”, says Prakash Joshi, a Bhilwara-based artist, who is a descendant of the Joshi family.

ALTHOUGH IT IS AN ART FORM, painting a phad is an act of devotion for the artist; so is the narration for the Bhopa.

The earliest phad paintings are believed to have depicted Devnarayan, a local hero-deity regarded as the incarnation of Lord Vishnu worshipped by the Gujjar community. “The phad paintings of Devnarayan are about five feet in width and up to forty feet in length. This is because these were the earliest phad paintings, and the artists who originally painted them brought on canvas an entire body of events related to the deity and His life as well as those related to the deity's forefathers. Portraying so many legends and events on a [single] canvas made them very long”, explains Joshi.

It is surmised that seeing these phad paintings, the Rebari, Raika, and Nayak communities requested that scrolls depicting Pabuji—an incarnation of Laxman (brother of Lord Rama) whom they worshipped—be painted. Over time, Ramdevji, Mataji, Gogaji, and other deities worshipped by local communities in the region also came to be depicted on phad. As these phads portrayed legends and events related only to the deity, not the forefathers, they were shorter in length.

A MOBILE SHRINE

In centuries past, as only an oral tradition of beliefs was transmitted down the generations, phads played an important role in keeping alive the worship of these deities. The entire surface of the canvas is covered



Creating a phad is a long-drawn-out process—from the artists' prayers before commencing work to giving finishing touches at an auspicious hour.

Photo courtesy: Prakash Joshi

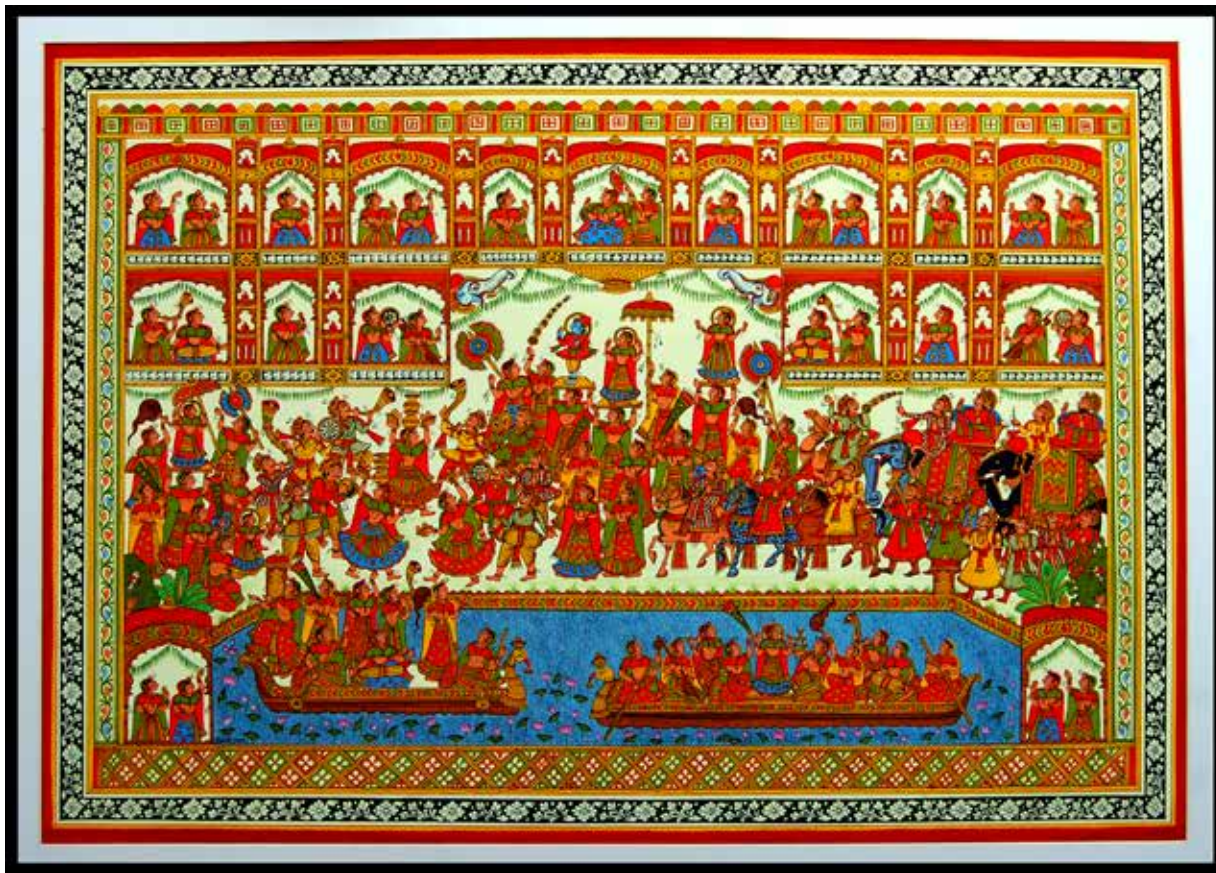


Photo courtesy: Prakash Joshi

A phad depicting the gaiety of the Gangaur festival of Rajasthan; women dress up in finery and worship Gauri, consort of Lord Shiva.

with images recounting events related to the hero-deity—His life, accomplishments, and attributes; also, in the hands of the Bhopa, it becomes a portable shrine as he carries it from place to place, keeping the legends alive.

While travelling, the Bhopa rolls the phad, carries it as a tight scroll, unfurls it when required, affixes it to a bamboo pole at either end, and secures them in the ground. In the cool and dark of the evenings, he renders a narration in front of it. Drawing from a rich repository of folklore, he sings and narrates scenes depicted on the phad while playing a string instrument. His wife, the Diyali or oil lamp bearer, holds the lamp to the section in the phad being enacted to draw attention to it. The captivating performance continues into the night, with the Bhopa narrating, singing, and enacting one scene after another and the Diyali moving from one section of the phad to another.

A RITUAL RENDERING

For painting a phad, the cloth is prepared by soaking it in water overnight, starching and stretching it the next morning, and then drying it to get a thick canvas. The cloth is then smoothened by rubbing it with a *mohara*, a stone that is attached to a frame that is moved manually across the fabric. All these steps make

THE CAPTIVATING PERFORMANCE continues into the night, with the Bhopa narrating, singing, and enacting one scene after another and the Diyali moving from one section of the phad to another.

it a tough fabric, which is essential as it is carried by Bhopas from place to place and needs to last for years.

Once the canvas is ready, the painting of a phad commences with a prayer. The first strokes are made by a young girl who is gifted a coconut and a coin. The sketching then starts with the drawing of an image of Lord Ganesha and his wives Riddhi and Siddhi for an auspicious beginning. After this, images of Goddess Saraswati, the deity of knowledge and learning, and the ten incarnations of Lord Vishnu are drawn. The entire composition portraying the deity is subsequently sketched, in organic horizontal rows, depicting related events and legends as they occurred over time and place. The figures are rounded, their eyes large, noses small, and the main figure is drawn larger than the others, conveying its importance.

Once the drawing is ready, the colours are filled in. Traditionally, these were extracted from stones, by rubbing them with water, and other natural



Photo courtesy: Dinodia

Phad plays an important role in keeping alive the culture and oral storytelling traditions of India.

sources such as blue from indigo. The outlines of the composition are made in yellow, and then starting from the lightest colour and moving to darker colours, the artist paints one colour at a time across the canvas, bringing it alive with figures full of history, stories, life, and movement.

Joshi adds, “The paintings are rendered in seven colours and in this order. The orange sections are first painted and then followed by the yellow, green, brown, red, black outlines, black and blue areas. In earlier days, when Bhopas were not educated, they would recognise figures according to the colours they were painted in. Orange is used for body parts, animals, branches of trees, and river bed; yellow for jewellery and borders of clothes; green for plants, trees, and attire; brown for animals, buildings, pillars, and crenellations bordering the painting; and red for dresses, chattris atop buildings, and the attire of some of the figures, specially Pabuji’s companions.” After these colours are added, the outlines of the figures are drawn in black, and the figures to be filled with blue and black are completed. Pabuji’s horse—Kesar Kalami—is always rendered in black, and Lord Shiva—known as Neelkanth—as well as demons are painted in blue.

STARTING FROM THE LIGHTEST colour and moving to darker colours, the artist paints one colour at a time across the canvas, bringing it alive with figures full of history, stories, life, and movement.

The last step of completing the phad is working on the irises of the main figure which brings the painting to life. However, for this moment the artist waits for the Bhopa. After his arrival, the irises are drawn at an auspicious hour according to the Hindu calendar, and then the painting is handed over to the Bhopa. Though the Bhopa pays for it, he typically also gifts the artist a turban and a token coin; the artist, in turn, gifts the Bhopa food and sweets with wishes that the phad will bring him happiness and prosperity. And then in the hereditary tradition, the Bhopa carries the phad away with utmost care. One evening after another, he will unroll and display it with reverence and rituals, and enthrall an audience with his mesmerising narration about local deities and heroes—carrying forward the precious legacy of ancient legends, a millennia-old tradition of storytelling and phad painting. ■

TRADITION AND CHANGE

Over the years, the tradition of phad painting has undergone a change. “Traditionally, the paintings did not have shading. However, after the advent of the tradition of miniature painting, which derives from the phad tradition, and the influence of Mughal miniature paintings that have great details in terms of dress, jewellery, carpets, buildings, and other elements, phad paintings started incorporating shading and fine details”, says Prakash Joshi.

Further, in times past, the tradition of painting was passed down from the elders to the younger generation in the family. However, with a decline in the number of Bhopas, the demand for phads also decreased. Meanwhile, art lovers started appreciating their beauty and demanding them. “In this context, artists started painting different deities, different subjects including festivals and contemporary themes, and smaller scrolls that could be put up in modern homes,” he adds.



Deep in the Heart of Coffee Country

Coorg, the paradisiacal hill station in Western Ghats, has come to be one of the most visited tourist spots in the country. The cosy accommodation options, rich wildlife, pleasant climate, and a fascinating history add to the charm of this quaint little town.

TEXT & PHOTOGRAPHS: GUSTASP AND JEROO IRANI



Mandalpatti is a vantage point that unfolds the brilliant glory of the Western Ghats.

A rich aroma of coffee, pepper, and spices betrayed the fact that the tropical forest that hedged the narrow, winding road harboured a wealth of plantation crops in its ample embrace. Across much of Coorg (now known as Kodagu), tucked away in a corner of southwest Karnataka, Nature and manmade estates have struck a happy balance. A cascade skipped down a rocky outcrop and sprayed the road ahead of us with a silvery mist. Suddenly, the forest receded, ceding ground to the palace of a forgotten raja who once ruled the land.

Rusted, wrought-iron gates creaked as we entered Nalknad Palace, the royal retreat, snuggled within crumbling retainer walls. Time and neglect had taken their toll on this little gem of a stately mansion. Faded and peeling murals of gods and dancing girls; moss-coated stone reliefs of nubile, prancing nymphs on the walls; chipped pillars.... The ghosts from the past slowly started to fill the void as a lone watchman showed us around the darbar hall and private chambers, even an escape hatch in case of an attack.

He spoke in a hushed voice as he told us of how Raja Chikka Virarajendra, the last king of Coorg, refused to bow down to the British and paid a heavy price for it. In 1834 (after the Coorg War), he was deposed and his kingdom annexed by the colonialists. The watchman spoke of how in an apologetic gesture to appease the family, Queen Victoria took the Raja's beautiful daughter, Princess Gouramma, under her imperial wing as her godchild. She even renamed her Victoria Gouramma.

Raja Chikka Virarajendra's short but sharp uprising—the Coorg War—was in keeping with the warrior spirit that



Both Arabica and Robusta coffee varieties are grown in Coorg, the 'Coffee Cup of India.'

Left (top and bottom): Built by Dodda Veerarajendra, Nalknad Palace has an architectural design typical to the region.

Right: Princess Gouramma, daughter of Chikka Veerarajendra, was baptised in the presence of Queen Victoria who became her god mother in 1852.



runs deep in the blood of the people he once ruled over. The origins of the Coorgis (or Kodavas as they are now called) are obscure but one version has it that they are the descendants of the soldiers of Alexander the Great's army who chose to stay on after he withdrew from the subcontinent. Even today, the Kodavas are not covered by the Indian Arms Act and have the right to own and carry guns. They even celebrate a festival of arms (Keilpoldu) in early September during which they perform a *puja* over their guns, swords, and daggers before offering them to the Gods.

"Almost every Kodava family possesses one or more guns; and little boys dream of joining the armed forces," Bopanna K D, the eager, young naturalist, informed us as he unlocked the wonders of Nature around our resort. Butterflies with rainbow wings flirted with wild flowers; dewdrop-studded spider webs hung across branches like diamond necklaces; a symphony of bird calls filled the air; waterfalls tumbled into gurgling streams. We got a glimpse of why Coorg spawned a tribe of fierce warriors to protect its abundant bounty.

Likewise, no efforts were spared at the resort to ensure that it left minimum footprints on the land. Spread over 180.2 acres of a lush organic coffee and spice plantation, and embraced by a tousled forest

of rosewood and bishop wood trees and stands of bamboo and wild ferns, the resort sought to blend into its surroundings. Each timber-themed villa, propped on stilts, offers guests a sense of private space along with commanding views of forested hills rippling like waves to a far horizon. The villas, crafted of Canadian spruce wood and Burmese teak (purchased from green farms), with shingled roofs and private sit-outs (the suites come with open-air Jacuzzis) snuggled amidst dense greenery.

The spirit of the place was best captured in the open-sided restaurant, cantilevered over a waterfall. Yes, our fine dining experience of Kodava cuisine conjured up by the chef was garnished with a generous helping of ambience: the rustling of the forest on one side, the gurgle of a frothing white cascade below a glass-bottom floor and a chorus of crickets.

Early next morning, we drove to Dubare Elephant Camp on the banks of the Kaveri, revered as a holy river in these parts because of its life-giving waters. From there, we trekked down a narrow jungle trail, past towering bamboo groves that rustled in the wind and large twisting vines that lassoed their host trees. A fast-moving black cloud that whizzed through the forest canopy turned out to be a swarm of bees escorting a young queen to her new hive. We wrestled

with mixed emotions: the hope of crossing paths with wild elephants, maybe even a leopard, reined in by the fear of not knowing what to do if we did.

We arrived at a little tribal settlement at the very moment the village doctor (he later showed us the tools of his trade: scorpions, bones, spiders, roots, herbs...) was treating a young boy for snake bite. He chewed on a mixture of roots and leaves and applied the paste on the affected leg, all the while mumbling mantras. Slowly, the droopy-eyed boy's eyes opened and he said he was feeling better. "Cobra", our guide said, and we took his word for it. The doctor's wife was the village high priestess and her domain was a little shrine built over a vermillion-stained termite mound.

Back at Dubare Elephant Camp, the forest department's elephants were revelling in their daily bath; rolling around on the river while their mahouts soaped and scrubbed them down. We joined in to lend a hand; not that we did much, other than delight at the idea of interacting with these gentle giants.

The bathing ritual over, we decided to cross the river. Our prime objective was to get to the other side in a coracle—a circular boat made of thatched bamboo. We sat in the hollow of this rustic craft as it drifted down a watery avenue that fielded the reflection of the forest that lined its banks. Plop! Fruits dropped from overhanging branches of trees to take root in the fertile soil downstream.

Our next stop was a Buddhist settlement in Bylakuppe that had all the frills of a Tibetan monastery—monks in orange robes twirling prayer wheels, pagoda-roof shrines that housed gilded incarnations of the 'enlightened one', ancient legends retold in colourful murals. Bylakuppe, we were informed, is the second largest Tibetan settlement outside Tibet, after the one in Dharamshala.

After a silent prayer, punctuated by a monk tapping on a prayer drum, we set off for our luxurious base at the resort where we had a pick-me-up shot of local filter coffee at the cosy veranda. We spent many happy moments at this, the resort's coffee-museum-cum-coffee-lounge-cum-boutique, located in a charming vintage bungalow which once housed the staff of the plantation. Coffee was once again the theme at our treatment at the spa which included a good scrub with its powdered beans before the oil massage. ■

LIFE IN A COFFEE PLANTATION

During our stay at a coffee plantation in Coorg, we got to sample the luxury of a plantation manager's lifestyle minus the trouble of running the estate. Here old-world indulgence was the keynote of our stay—the staff anticipated our needs even before we stated them. Guest cottages snuggled in the embrace of Nature's abundant bounty.

Shade-grown coffee, a salient feature of plantations in Coorg, means that the estate thrives under a forest canopy. We would wake to the alarm call of bird song and walk down meandering pathways in the company of fluttering butterflies and dragonflies. The coffee bush is a busy plant—branches painted with white flower blooms are soon studded with green berries that slowly ripen into deep-red. We happened to check into an estate at plucking time, and they encouraged us to help harvest the crop and we topped off the adventure with a perfect cup of traditional filter coffee.

FACT FILE

Bengaluru, the closest airport, is a six-hour drive to Coorg. Coorg has a number of accommodation options, from homestays to time-share and luxury resorts.



A trip to Coorg is incomplete without a visit to the Dubare Elephant Camp, a project undertaken by the Karnataka Forest Department. It is a rare chance to observe the gentle giants at close quarters and to capture a glimpse of their interesting life.

WHAT'S NEW @IBEF

India International Garment Fair, July 16-18, 2018

The 61st edition of the India International Garment Fair (IIGF) was held from July 16-18, 2018. IIGF is a flagship event for the Indian apparel exports sector, which has helped build partnerships between the Indian manufacturing and exporting community and buyers/buying agents worldwide, over a period of 30 years. In January 2018, the 60th edition featured participation from more than 350 exhibitors and 500 buyers from over 65 countries. IBEF executed a comprehensive branding campaign for the event comprising venue and outdoor branding and a press conference. The press conference, which was organised on July 16, led to coverage across over 45 leading publications including *Hindustan*, *Dainik Jagran* and *Amar Ujala*.



Pure London, July 22-24, 2018

Pure London is a leading fashion trade show held twice a year in the UK. The country is India's third largest market, where a number of major brands/retailers are based. The show has a section by the name 'Pure Origin', which is a platform for global manufacturers targeting the UK market. IBEF supported India's participation in the event through outdoor branding on the route from the airport to the venue and print ads in *The Guardian* and the *Drapers* magazine. IBEF also secured digital banners and leaderboard on the *Drapers* website.





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MAGIC Show, Las Vegas, August 12-15, 2018

MAGIC Show Las Vegas showcases the latest trends in apparel, footwear, accessories, and manufacturing from the best luxury brands to fast fashion. India's participation was led by the Council for Leather Exports. IBEF supported the event through city branding, airport branding, and print advertising.



INDEE Philippines, August 22-25, 2018

INDEE Philippines was held from August 22-25, 2018 in Manila, Philippines. The show was co-located with PDMEX, the largest metalworking show in the Philippines. It incorporates eight allied industries, such as auto car, machine tools, metrology, outsourcing & engineering, plastics, welding, and sheet metal. The exhibitors showcased numerous state-of-the-art technologies coming from different countries. With a total participation of around 80 companies from EEPC India as part of the India Pavilion, IBEF focused on branding at the venue, and advertising in newspapers as part of the branding plan for INDEE Philippines.



INDIA NEWS ALERT

DAILY BUSINESS HEADLINES

India Brand Equity Foundation

FACT OF THE DAY

India has climbed 21 spots to rank 87th in 2016 in the Global Gender Gap Index (GGI) among 144 countries of the world: Global Gender Gap Report 2016 by World Economic Forum

CONVERSATIONS ON INDIA



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Dear Mr Bahri,

India has overtaken UK in terms of GDP to emerge as the fifth largest economy in the world by the end of 2016, the same year when it overtook China to emerge as the world's fastest growing major economy. Interestingly, India has achieved this feat well before 2020, the year that was projected (for India to overtake UK) by the economic think-tank Centre for Economics and Business Research (CEBR) in 2011. India's GDP by the end of 2016 reached US\$ 2.3 trillion while UK's GDP was projected at US\$ 2.29 trillion. This has been made possible due to India's rapid growth in recent years and the issues being faced by the UK post-Brexit.

In addition, India's growth rate at 6-8% per annum till 2020 is much higher than UK's projected growth rate of 1-2%, which means this gap is only expected to widen further in the coming years.

Warm regards

Anu P Mathai, IES
Chief Executive Officer (CEO)
India Brand Equity Foundation (IBEF)

WHAT'S NEW@IBEF

Brand India Engineering at The Big 5, Dubai

IBEF led the Brand India Engineering campaign at The Big 5 2016, Dubai that was held from November 21-24, 2016. Do visit to follow the branding activities undertaken by IBEF.

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CONVERSATIONS ON INDIA

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FUTURE OF TECHNOLOGY

India is expected to be home to 11,500 tech start-ups by 2020