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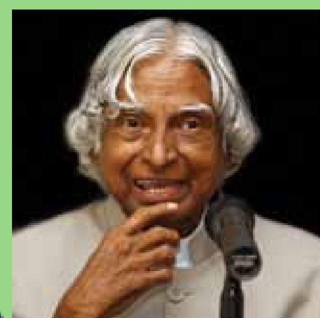
Volume 4 Issue 8

THE GLOBAL ANALYST

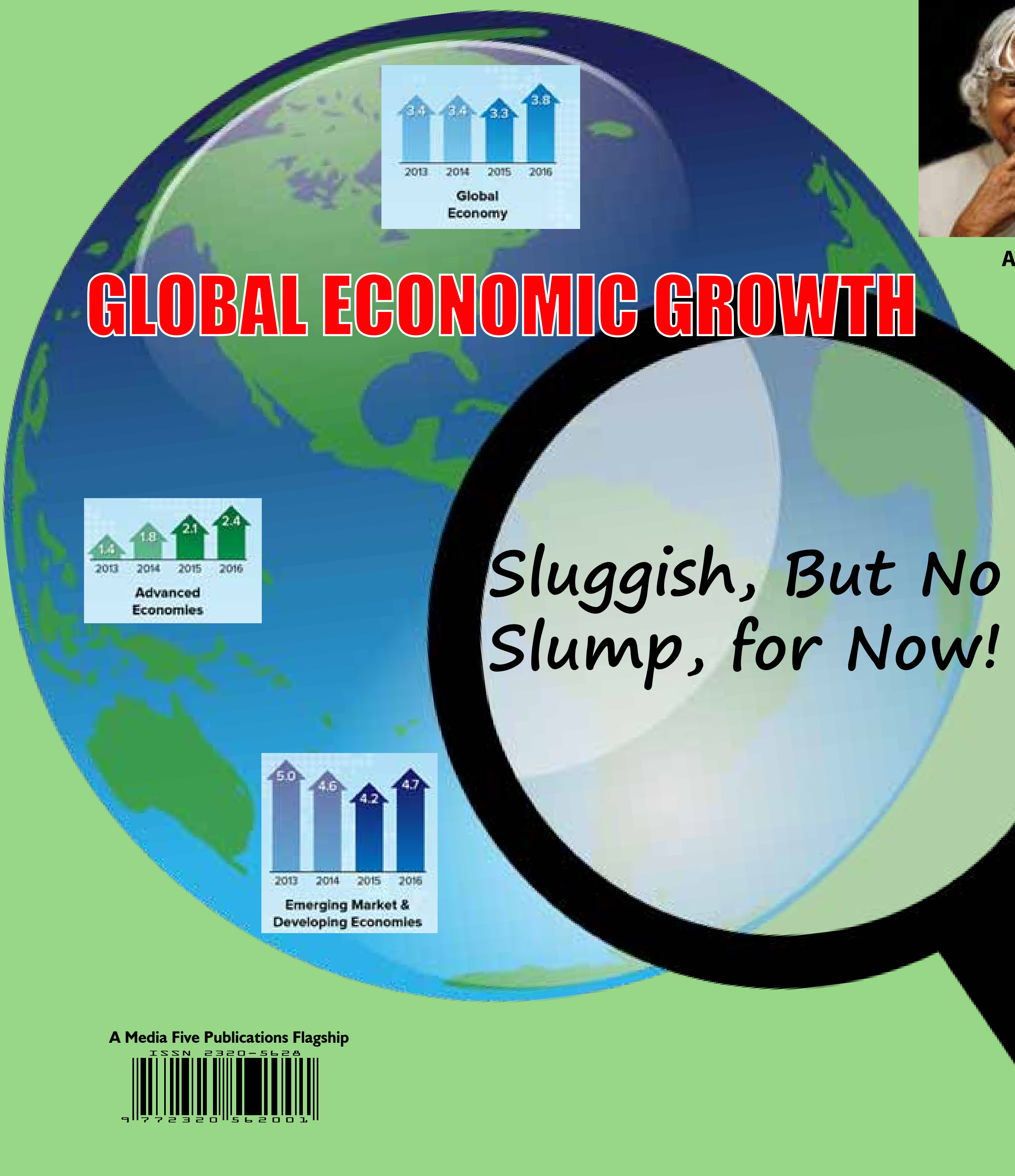
₹ 100 AN EXCLUSIVE MONTHLY ON BUSINESS & FINANCE August 2015



A TRIBUTE

GLOBAL ECONOMIC GROWTH

Sluggish, But No Slump, for Now!



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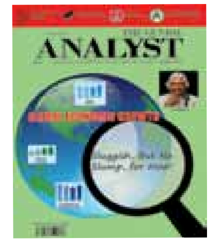
A WORD From EDITOR



After Infosys, the original poster boy of Indian IT and the company whose phenomenal rise also signaled Indian IT's arrival on the world stage, announced its first quarter result of the current financial year, it has removed any doubt about the giant's return to normalcy and that it is slowly but surely getting back to its winning ways once again. And that's good news for not just the shareholders, but also for the domestic technology industry. It also suggests how with a course correction in strategy, even a big company of its size (Infy is among top 20 global IT companies) can make a comeback.

In a departure from the past, this financial year's first quarter earnings season did not begin with the announcement of Infosys' result, something which the Bengalure-based software giant had been doing quarter after quarter for several past years, thus taking market pundits by surprise. However, there was more surprise in store for analysts as Infosys declared its first quarter result for FY'16 on July 21st, which was not encouraging but it also handsomely beat the street's expectations. Though it was not for the first time that the Bangalore-headquartered IT biggie had delivered a better-than-expected performance, it was special in the way it came after a long wait and after several quarters of under-performance, which prompted analysts to doubt if the company had lost focus. Some experts even said that Infosys was no longer the company which once redefined Indian IT landscape and made an unparalleled contribution to the country's growing IT prowess. By the time Infosys reported its fourth quarter result of 2013-14, and as problems such as high employee attrition and several high-profile exits at the middle and senior levels became evident, the number of brokerages which had turned bearish on it had only grown.

It was not only about registering sluggish growth in some verticals here or there which caused a concern, but it was its inability to jumpstart growth in its base segment, besides its slow progress on ramping up its presence in lucrative segments such as infrastructure services, Mobility, Social Media, Analytics, Cloud Computing, etc., which had begun to worry market pundits. "While TCS has a longer term plan of entering hardly penetrated markets like Japan and strengthening its presence in digital and SMAC (Social media, Mobile, Analytics and Cloud Computing), Infosys and Wipro are still talking on the need to improve win rates in large deals, in other words, operational issues," said a May 8, 2014 report in the Business Standard. In essence, many analysts felt that Infy was more in a sort of catching-up mode, rather than leading the industry, which it had done until recently.

However, with a strong showing in the first quarter, there is hardly any doubt that Infy, led by charismatic CEO Vishal Sikka, and with the legendary Narayana Murthy back at the helm of the company, in his new role as a mentor, is not only back in the reckoning, but is back with a bang! The Nasdaq-listed firm' June quarter revenue jumped 4.5 per cent (in dollar terms), q-o-q, which was much higher than analysts' estimates of a 3 per cent growth (it was the quickest growth in its top line in more than three years), on the back of robust volume growth of 5.4 per cent, and it even beat larger competitor TCS' 3.5 per cent in the same period (for the first time in two years); besides it also added more clients than its arch rival, while also delivering significant improvement in its employee attrition rate.

Infosys' nascent but amazing turnaround tale revolves around the 'Renew and New' strategy of its CEO Sikka, who remarked, "We are still early in our journey towards becoming a next-generation services company. However, this quarter gives us something to smile about and good reason to be confident." For now, it seems Infy is doing all the right things that could help it revive its past glory. Infy's turnaround also has a lesson for companies, particularly, large ones, which could feel constrained at matching the growth rate of a smaller, nimble-footed rival. As infy demonstrates, size cannot be a stumbling block. Further, remarkable turnarounds can be achieved even amidst uncertain and turbulent business environments. What is needed is perseverance, determination and, above all, the ability to prepare oneself for change and also embrace it. Lou Gerstner showed it by successfully turning the Big Blue (IBM) around, Andy Grove, famous for his business dictum – Only the Paranoid Survive - did it for Intel, Steve Jobs for Apple – by building and transforming Apple from a miniscule PC maker into a tech pioneer. To conclude, the Infy story once again exemplifies that slow and steady wins the race. Infy's reemergence - as a force to reckon with – while has several other lessons for businesses - it's also a good sign for Indian IT, which is looking to come roaring back.

- Editorial Director

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IN CONVERSATION / Moses Harding

Group CEO & Chief Economist, SREI Infrastructure Finance Limited

A number of infrastructure projects are facing the risk of either significant delays or closure as the promoters get saddled with rising debt levels. Despite a series of steps announced recently by the government and the apex bank, the infrastructure industry players' woes seem to be far from over. The situation is so alarming that even debt restructuring does not seem to be a viable option. What options are then viable for the promoters of these stressed projects?

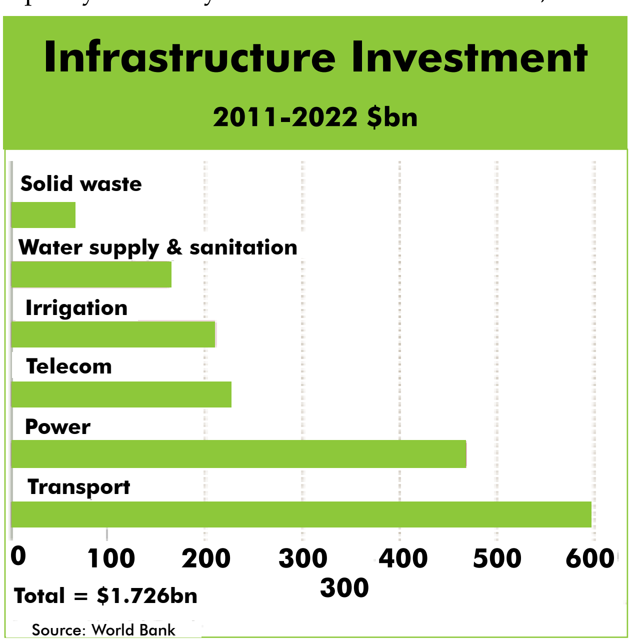
In a free-wheeling discussion with **The Global ANALYST** Moses Harding, Group CEO & Chief Economist, SREI Infrastructure Finance Limited, a leading infrastructure financing conglomerate, talks about the reasons behind the delayed projects, options before the industry players, and what needs to be done to support the industry. According to him, the only viable option is for the Government to step in for support, taking the credit risk in its books. A sovereign guaranteed fund with tax relief can attract investors when domestic liquidity is in plenty and foreign investors are in the hunt for good India assets and investment opportunities. This fund can infuse cash into the projects that do not fit into well-run or debt-restructuring capable category, he suggests. *Read on.*

- **A recent report by a leading global investment bank warns of cash flow blues for a significant number of domestic infrastructure companies. What is your observation?**

There are three categories of assets in the balance sheet of infrastructure companies. There are a few projects that are being well-run, many are struggling to make both ends meet from stress in cash flows against higher operating and interest costs, and some are stuck for various reasons - incurring costs without revenue back-up. All combined, it is obvious that most, if not all companies are under stress on operating productivity and efficiency. It is worse for those that are highly leveraged on debt. It is also not fair to expect lenders to reduce rate of interest on projects that are under cash stress or yet to get into operation! The investor appetite is not bad, but project owners are not yet ready to sell assets at discount in the absence of absorption capacity.

- **The report suggests that even as cash flows dry, these infra companies get saddled with piling debt. What factors do you attribute to the rising debt burden of these firms?**

It is a combination of many factors - from escalated project costs at financial closure stage, highly leveraged debt over own funds, cost over-run due to delay in execution, and insufficient operating profit margin to meet interest costs. On one side, debt is not going down, while on the other, assets are in depreciation mode, thus pushing up the Loan to Value (LTV) of the assets under finance. The stress is from sub-optimal capacity and delay in realisation of receivables, if from the Government or public sector entities. The cash flow projections are subjected to certainty of payments against uncertain receipts, leading to additional debt burden to meet operating and interest costs.



- **Is the situation more or less the same across the industry?**

The worst hit are the Power, Roads, Ports and SEZ sectors, while on the other hand, telecom sector is seen to be doing well. The sectors under stress category are those that have been affected by the issues that have been relevant for the past 3-5 years, but are beyond the control of the project promoters. Beyond the delay in execution, demand compression in the system has also contributed to operating inefficiency.

- **How the companies could deal with the situation?**

Two ways emerge as obvious options; one way is through restructuring of the debt with realistic assessment of cash flows and bringing in fresh equity to fund the gap, and the other is to bring in fresh investors. RBI has allowed restructuring of debt through the 5X25 scheme (introduced by the apex bank in July'14, the scheme allows banks to extend long-term loans of 20-25 years to match the cash flow of projects, while refinancing them every five or seven years), but the conditions attached are not fitting into the balance sheet of many. The assets on the balance sheet at market value are not good enough to cover the liabilities, and lenders are not willing to take unsecured debt exposure to meet the gap.

Most promoters either don't have own funds to fund the gap or are not keen to put more money at risk, in which case RBI allows lenders to take over the ownership and management of the company. Given their strained balance sheets and sub-book valuation, dilution of equity through infusion of fresh capital at low valuation may not fit into the requirement. All combined, in most cases the promoters have the option to either give ownership and control to the lender or turn into a minority investor, ceding control to the new investor. It is kind of stuck between the devil and the deep sea!

- **Is debt structuring alone can bail them out or are there any other options available to them?**

Debt restructuring is not a straight-forward option. It works only if sufficient assets are there in the balance sheet or if promoter brings money on the table to fund initial cash flow gaps. It is a give-and-take option for the promoter, as lenders have moved into risk-aversion mode with limited bandwidth and credit appetite. The NPA recognition norms have become stringent with power to Joint Lenders Forum (JLF) to initiate necessary actions, starting from the first month of default and not waiting for completion of 90 days. For those that are not deemed fit for debt restructuring to stay in business, options are few and it would need Government support.

The only viable option is for the Government to step in for support, taking the credit risk in its books. A sovereign guaranteed fund with tax relief can attract investors when domestic liquidity is in plenty and foreign investors are in the hunt for good India assets and investment opportunities. This fund can infuse cash into the projects that do not fit into well-run or debt-restructuring capable category. The fund can take over the ownership, leaving the management to the existing promoter (if deemed fit), with incentive of upside valuation participation over a set hurdle rate. Private investors (and lenders) have very limited appetite when risk is high and reward is uncertain.

- **When do you see the situation to improve?**

The ball is in the court of the Government and, Public Sector investors and lenders. PSU banks seem to be already overexposed against scarce capital in the balance sheet and low profit to absorb credit loss provisions. Barring few large Private Sector Banks, others do not have the desired credit risk appetite to fund long-term infrastructure projects. I do not see many projects getting out of the woods in the absence of Government/PSU DFI led support, which can pull private investors on diluted credit risk.

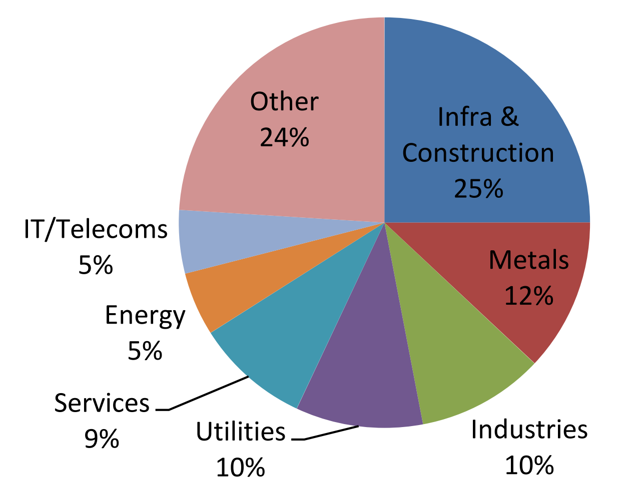
- **What is your long-term outlook on the domestic infrastructure sector?**

The capacity-build in infrastructure is huge and it would need huge public and private investments. The domestic liquidity availability is huge with Banks holding high level of excess SLR investments (estimated at over Rs.4 lakh Crores) against the mandatory 22 per cent. It is also a fact that a large chunk of Pension and Provident Fund monies are locked in Government Bonds and AAA corporate debt. These monies can be channelized to fund infrastructure growth appetite.

The India growth story against struggle by developed economies and China has diverted foreign investor attention to India looking for viable opportunities. If lessons can be learnt from the past mistakes, issues and bottlenecks, funding the new projects will not be a problem. The Government has two-point agenda

Stressed loans by sector

Q2 2015 (%)



on infrastructure - one, infusing life into the existing projects which are under stress or stuck and ensure creation of smooth way ahead for attracting investments for huge capacity build for the next 25 years. The Modi Government's economic and social prosperity agenda revolves around infrastructure-build to scale up growth in manufacturing and agriculture sectors. All combined, prospects for domestic infrastructure sector is seen good over long-term if hurdles can be removed in the short-term.

- **What would be your suggestion to improve the situation on the infrastructure front and ensuring that its benefits reach the common man?**

Modi's financial inclusion agenda will succeed only if economic expansion is taken to where majority of people live. The long-term vision around building infrastructure to spur growth in manufacturing and agriculture sectors will lead to creation of jobs and wealth at the lower end of the pyramid. The Government is already in the process of building monetary inclusion making availability of credit and other financial products. The digital inclusion is also happening at a faster pace with most Indians owning mobile phones and access to internet connectivity. The economic inclusion through building urban and rural infrastructure to facilitate expansion of manufacturing and agriculture led companies into new geographies is the way to achieve across-the-board financial inclusion. The vision is good but I am a bit suspect on execution capabilities to implement the strategies for on-ground impact. TGA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QUALITY CONSTRUCTION
What Does It Really Mean?

From the point of view of personal use of a flat for occupancy, quality construction ensures that the owner will incur much lower maintenance and repair costs and enjoy its security and comfort for much longer.

KISHOR PATE
Chairman & Managing Director,
Amit Enterprises Housing Ltd.

Today, one of the factors one looks for while buying a home is quality construction. A home buyer wants to ensure that the home will:

- Be safe and sound for its inhabitants
- Usable for a maximum possible amount of years
- Will not develop problems over time
- Have good resale value if one decides to sell it

These are aspects which are next to impossible to judge when a residential project is new or only a couple of years old. Naturally, most property developers will ensure that everything looks ship-shape on the surface even if they do not necessarily follow quality construction norms.

Even on the resale market, we will find that the current owners of a resale flat will undertake cosmetic touch-ups to make their home look as new and unflawed as possible. Banks do only a cursory check on a project's overall construction quality while evaluating a home loan proposal. It has become a common marketing practice for developers to claim that their projects are of high-grade construction.

Those who do so without justification are aware that most home buyers are not equipped to make a value judgement on such claims.Home buyers often select properties on the basis of location advantages such as availability of public transport, shopping and hospitals. In larger cities like Mumbai and Delhi NCR, plots in such locations are quickly snapped up by developers because they know that the location itself will sell their projects.

Because of this, they will often develop these projects at the lowest possible cost because their greatest expense lies in the purchase of the plot.The situation is not as severe in smaller cities like Pune. Commuting distances are smaller, which means that home owners manage to reach workplaces, shopping outlets, healthcare facilities and places for family entertainment faster.

This is one of the primary reasons why land costs – and therefore finished property costs – in smaller cities are more rational. However, many developers try to cut costs wherever possible, so there is still a high incidence of inferior construction going on in cities like Pune.

How To Judge Construction Quality

To begin with, a developer's brand is a fairly good indicator. Brand value has different meanings in different cities. For instance, the most reputed developer brands in a city like Mumbai also have the biggest price tags. Quality construction in their projects is assured, but so are ruinous property costs.

In Pune, a developer's brand evolves more on a reputation for consistently high quality in offered amenities and construction. Such a reputation spreads quickly by word of mouth and becomes a benchmark for overall value and quality. Because their reputation for quality construction is their primary ambassador in a very competitive market, branded builders employ only trusted contractors and ensure proper quality control throughout the construction process.

In other words, a builder's brand status in a city like Pune is a reasonably good guideline to follow. This holds true in new constructions by such a builder as well as resale properties in his projects. The most important hallmark of quality construction is that it endures.

There are various ways in which a home buyer can check on the general quality of construction:

FOUNDATION

Patched cracks in a building's exterior can be an indicator that the project has a faulty foundation. Other signs to look for are small cracks in walls of a flat, creaking or sticking doors and windows and improperly aligned or uneven floor, bathroom and kitchen tiles.

DESIGN

A quality construction project is designed in such a way that the weight of the overall structure is evenly and scientifically distributed. Also, a developer focused on quality will not spare costs when it comes to providing detailed finishing and intricate detailing, both in the building's common areas and within the residential units themselves.

FIXTURES

Developers who pride themselves for quality construction do not allow their contractors to use cheap taps, window frames, door handles, electrical outlets and fittings. Likewise, common facilities such as lifts will be by established manufacturing brands and will be under a maintenance contract by a reputed facilities management agency. Any evidence of obscure, unfamiliar brands should be viewed with suspicion.

PAINT

Cheap paint on walls and doors is easy to detect. Good paint on walls and wooden surfaces not only enhances their visual appeal but also prolongs the life of these surfaces. If one finds that cheap paint has been used, this is evidence that the developer does not feel that investing in good paint makes sense because the surfaces themselves are not made to last.

CONCRETE QUALITY

The quality of the concrete used in a building depends on what grade of concrete has been used, what the concrete/sand ratio is and whether the concrete was allowed to cure for a sufficient amount of time. One rule of thumb is that it should not be too easy to drive a nail into the walls.

OPEN AREAS AND LANDSCAPING

Though it may not be immediately obvious, the presence of sufficient open areas and landscaping has a symbiotic significance with relation to construction quality. The availability of open areas implies that the builder has not made filling every available square foot with sellable construction, and that he intends to provide a wholesome and pleasing experience to his customers. Similarly, aesthetically done landscaping indicates that the buildings in a project are built to last and deliver value for the longest possible time.

The True Value Of Quality Construction

The average life-span of a project that has been built on quality construction parameters is around 80 years. After this period, a project will usually come up for reconstruction. It should be remembered that the true investment value of a residential unit such as a flat does not actually lie in the flat itself, but in the flat owner's share of the land that the building occupies.

In other words, it is the undivided land portion of the investment that one has made in a flat that amounts to the actual value of one's investment. However, in real estate market terms, the longevity of a building is very much linked to how much it will fetch on the resale market, or how long an investor can derive rental income from it. From the point of view of personal use of a flat for occupancy, quality construction ensures that the owner will incur much lower maintenance and repair costs and enjoy its security and comfort for much longer. TGA

"THE OWNER'S JOURNEY"

How succession planning works (or doesn't work) at start-ups

Preparing a company for sale or transfer of ownership demands a special kind of personal growth and planning. Unfortunately, most entrepreneurs have no plan for who eventually may take over the business and how that transfer will occur, reveals the study, "The Owner's Journey," co-authored by Barbara Roberts, entrepreneur-in-residence at Columbia Business School, and Murray Low, director of entrepreneurship education at the Eugene Lang Entrepreneurship Center at Columbia Business School.

Commissioned by US Trust, which contributed expertise in succession planning and exit strategies, the study, "The Owner's Journey: Experiences shared and lessons learned from entrepreneurs who successfully sold or transferred their businesses to family members", takes an in-depth look at the sale or transfer of closely held businesses in the US. The paper follows eight successful entrepreneurs who nurtured and grew their businesses and then grappled with the challenges of letting it go. It includes first-hand accounts of their experiences shared, lessons learned, and reflections on what they could have done differently.

The interest in the start-up ecosystem has been growing across the globe including emerging economies like India as start-ups have emerged as leading creators of jobs, and have also begun to play greater role in domestic business environment. But the start-up ecosystem, which is still evolving, needs to take a lesson or two from their larger peers regarding their strategies related to things like talent management and succession planning. "Building a successful business can be wildly exciting, all-encompassing hard work that also has led to great personal and family wealth," says Barbara Roberts, entrepreneur-in-residence at Columbia Business School, and the co-author of the study. She observes, "While much has been written about the start-up and growth phases of entrepreneurism, little attention has been given to the challenges business owners face creating financial value when preparing for the exit phase and beyond."

A majority of start-ups either do not put much emphasis on the transition process or there is a lack of awareness about it. The paper highlights that while most studies have focused on understanding what it takes to move from an idea to a startup, somewhat less attention has been paid to the next stage, which is how a small but proven business scales to become a major enterprise. An even more neglected topic, the authors note, is: how founders or their successors create financial value in their businesses and prepare them for ownership change, whether through a sale or through transfers to family members. The authors mention that entrepreneurship in the world's largest economy and home to start-ups continues to be a major path to wealth creation for individuals and their families.

They are essentially self-employment and never survive the founder, they note. According to them, there are a few factors that distinguish firms that survive the founder from those that don't. First and foremost, they opine, a business must have some special characteristic, knowledge or asset that gives it a competitive advantage. If not, survival is unlikely. Second distinguishing element is related to the ability of the entrepreneur to put

the necessary elements in place for the business to have a life of its own. The critical difference between failure and success is how well the entrepreneur personally adapts over time, state the authors. "Many entrepreneurs fail because they get stuck in the routines that led to their initial success. Continued growth and success requires continual change. Entrepreneurs must embrace change for themselves and their companies, and they must deal flexibly with the various stages and steps," highlights the study.

'Insights on Wealth and Worth®' 2014, a survey (involving 640 high net worth and ultra high net worth adults in the USA with at least $3 million in investable assets) conducted by US Trust, found that 2/3rd (or 7 in 10) businesses owners (over age 50) do not have a formal plan for transferring ownership of their business, whether their intent is to sell the company or transfer it to family members. And for those who do have plans, many never get around to implementing them.

There could be varied reasons for this planning gap including - reluctance, on part of some business owners, to cede control of their company, deliberate move by some to avoid management or family conflict and rivalry, and some others are simply consumed with the many day-to-day responsibilities of managing their business, and succession planning inevitably slips down to-do lists, even when they recognize its importance! Whatever the reason may be, lack of a suitable succession plan could, however, pose significant challenges to a start-up, reckons Keith Banks, President of US Trust, who cautions, "The planless owner is often forced to exit on other people's terms or under difficult circumstances without a meaningful transition or optimal pricing." According to him, the latest study aims at helping business owners learn from the experiences of others regarding the importance of the planning process.

The study covers case studies on eight business owners, across a wide spectrum of industries - from an electrical distribution company to an eight-year-old internet company that built a community of designers, from an innovative "as seen on TV" company to an orthodontist's practice. Some are led by women, some by men, and others by a family. All of these entrepreneurs sold a business to a strategic or financial buyer or have transferred ownership to a family member for at least one generation.

A young entrepreneur who followed his passion and grew a bootstrap company into a thriving business that connected millions of creative people around the world before being sold to a software company. An orthodontist from a middle-class New Jersey suburb who, after buying the first specialty dentist practice outside Washington, D.C., spent the next 25 years building a thriving private practice and became a nationally recognized leader in his field. A small print-shop owner from Brooklyn who, after returning from World War II, invented an innovative process for color printing, and after 44 years made a family decision to sell the company to a strategic buyer despite three children employed in leadership positions. The son of Jewish immigrants from Germany, who while attending law school, inherited ownership of the family's food import business after his father's untimely death. The company, which grew to a successful, mid-sized company and international brand, was also a family legacy, making the decision to let go of its ownership particularly difficult for its owner.

Four Broad Themes

There are lessons to be learnt from the experiences of these business owners. First, all businesses need a succession plan to sure ongoing, empowered and capable leadership. Second, future is unpredictable. Unexpected things, both challenging and fortunate, will happen. The trick is to be prepared for both. Appropriate planning can help you deal with both adversity and opportunity, the authors advise. Both estate and succession planning are complicated and time consuming. Further, as a business owner it's good to be concerned about things like creativity, innovation, continuity, sustaining growth, meaningful jobs, competitiveness, reputation, quality, culture, and caring for customers and employees, however, one must never lose focus of wealth maximization. To put it more succinctly, problem solving is good, but you also need to be wealth maximizers. In essence, to quote the authors, "Planning can sometimes be difficult and time consuming, but it's the best tool we have. And the earlier it is started, the greater the likelihood of a favorable outcome."

(Edited excerpts: The Owner's Journey, Colombia Business School, US Trust, Bank of America Private Wealth Management)

Rivals beware!
Xiomi bets big on India

The Chinese mobile giant that shook the global Smartphone market with its powerful and affordable handsets is eyeing to do it again with a slew of new, albeit non-phone products slated for launch by the year-end as it bets big on India.

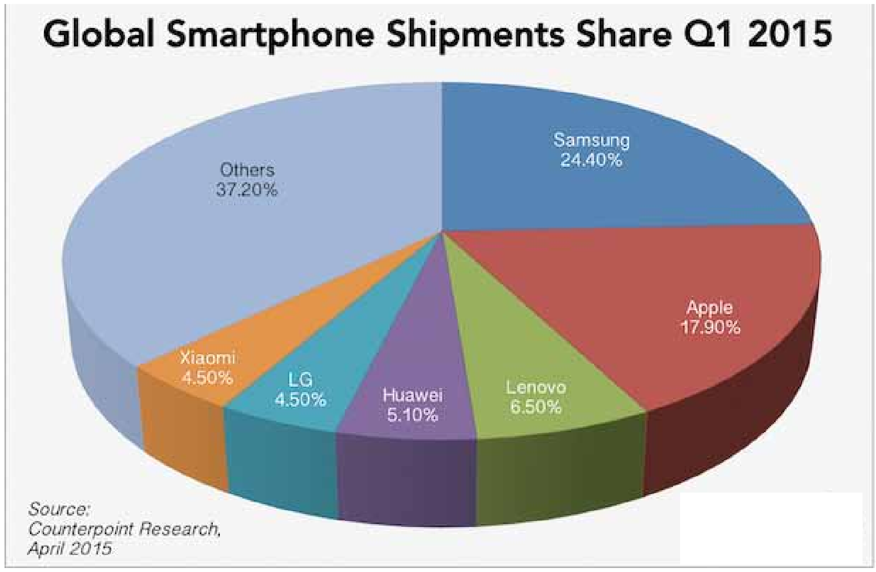
Beijing-based Smartphone behemoth Xiomi is pulling out all stops to shake the world of consumer electronics (read: gizmos) once again, although this time it is going to be the non-phone devices with an eye on enhancing its presence in consumer's living room. And the battleground is none but India – one of the world's fastest growing consumer electronics markets.

The budget Smartphone maker, which has also earned the sobriquet of China's Apple for evoking the same fervor as Apple in the US, has scripted a success story that has few parallels in the global Smartphone industry. In less than five years since it was set up on April 6, 2010 by serial entrepreneur Lei Jun, who believes that high-quality technology doesn't need to cost a fortune, along with seven other partners who earlier worked at Google, Kingsoft, Microsoft, Motorola, Yahoo, and other Internet and tech companies from around the world, Xiaomi (the Chinese word for Millet) has grown at a break-neck pace that has its rivals in a state of shock-and-awe, quite literally. The company entered the market with its Xiaomi Mi1 Smartphone only in August 2011. However, it took it just three years to emerge as the world's third-largest Smartphone maker behind Samsung and Apple, the world's number one and number two, respectively. And now barely a year old in India, Xiaomi is targeting to achieve similar feat here too, where it is currently ranked 5th.

Xiaomi entered India, the world's third largest market, in July last year with the launch of its flagship Mi Smartphone model. And it has been able to create similar impacts in the world's third largest market for mobile phones, thanks to its, what International Business Times calls, killer price-to-specification ratio, which not only saw it sales grow over 300 per cent to over 61 million handsets in 2014 (vs. 18.7mn units in 2013) but also surpass Korean giant Samsung as China's top-selling Smartphone maker company, besides toppling compatriot Lenovo and Korean rival LG to become the world's third top selling phone manufacturer. The company reached a major milestone in its India sojourn when it announced that it sold one million handsets in less than six months of entering the country by the end of 2014. The company stunned rivals when the third flash sale of its Mi 3 model on Flipkart.com was sold out in less than two seconds, and has since seen a kind of consumer frenzy unheard of in the e-commerce space in India. The soaring sales of its models has made it India's fifth largest Smartphone maker with a market share of four per cent in India.

Xiaomi is now aiming for a much bigger share in not only the lucrative Smartphone market but also the fast-growing domestic consumer electronics space in its effort to stay closer to the Indian consumers. The company is planning to enter new categories, signaling its increasing focus on non-phone devices, in the near future. There are plans to launch products which could transform your living room into a smart room! "Our biggest priority is to bring multiple categories such as smart Internet-connected devices to the domestic market. While Xiaomi Mi Band, a wearable fitness tracker, is already available in India, we are in the process of launching Xiaomi Mi Box, a tiny box that turns an ordinary TV into a smart TV, by December, followed by Xiaomi smart TV in 2016," according to Manu Kumar Jain, Head of Xiaomi India. Also on the table is the plan to strengthen its online presence through its own e-commerce platform – mi.com – although it would not affect its association with partner e-commerce portals such as Flipkart, Snapdeal and Amazon. "We have already set up a 25,000-sq ft research and development centre in Bengaluru. Though it currently employs only four professionals, the centre will have a 100-member team towards the end of this year, which will design new mobile technology features for our Indian consumers," Jain said. It is also looking to play a part in the Make in India initiative of the government as a part of its effort to begin local manufacturing. "Work is in progress. It (local manufacturing) will materialize this year," he added.

Xiaomi is also in the process of growing its service network, besides increasing its exclusive store counts to 75-100 by the end of 2015 from the current 20 as well as partnering with third party multi-brand outlets as it looks to strengthen its retail presence, beyond online. "Over 70 per cent of our global sales are through online platforms. But we are working towards strengthening our offline presence and work with more channel partners," Jain noted. The company is also eyeing a share in the attractive start-up space. It plans to act as angel investor t-o chosen start-ups and has set aside a corpus of $100 million.



Xiaomi's secret sauce

According to a Techcrunch.com analysis, Xiaomi's flagship Mi devices typically retail for around $300 — its new Mi Note Pro notably breaks the $500 barrier for the first time — while its affordable Redmi family is sub-$150. For comparison, Apple's top of the range iPhones sell for over $1,000 off contract, while the Samsung Note and Galaxy S families are similarly priced. The Chinese company's astounding success has attracted b-school professors, students and researchers alike and has been a popular case study topic at b-schools across the globe. So, what helps it maintain such an aggressive pricing strategy? "Xiaomi is able to make price concessions thanks to the combination of a small portfolio and longer average selling time per device," Hugo Barra, VP – Global Division, Xiaomi, told TechCrunch. Also, importantly, the company continues to sell older devices (and tweaked versions of them) at reduced prices even after it releases newer models. "A product that stays on the shelf for 18-24 months — which is most of our products — goes through three or four price cuts. The Mi2 and Mi2s are essentially the same device, for example," Barra explained.

For example, Mi2/Mi2s were on sale for 26 months. The Redmi 1 was first launched in September 2013, and we just announced the Redmi 2 this month, that's 16 months later. According to the tech review site, the longer runway for devices gives Xiaomi leverage to secure better component deals with its suppliers. He also attribute the company's success to its ability to negotiate component cost decreases (with its suppliers) over time, which enables it to enjoy a bigger margin besides allowing to pass on some of those to its customers in the form of regular price cuts (on existing models). "The vast majority of the components [in our devices] are still the same, so in terms of supply chain and component sourcing, we're on the same supply contracts as Redmi 1, which means we're still getting the same discounts on components," Barra observed, adding, "We can continue to ride the cost curve, so the importance of having a very small portfolio is significant — the fact that we only launch a few products each year, and (the fact that) we only have two product families." Besides these, there are other factors, says TechCrunch, which contribute to the cost structure, including Xiaomi's lean, online-only marketing focus and its location close to manufacturing plants in China.

Competition to heat up, again

But as the Xiaomi juggernaut rolls on, snatching market share from rivals and expanding its fan base, the Beijing giant faces a few challenges. First and foremost, the company's focus on offline could be interesting to watch as so far it has focused primarily on the online platform. Further, a focus on global markets could mean growing focus on local sourcing. These could not only test its ability to retain pricing power but also its expertise in managing supply chain and relationships with suppliers. Notwithstanding these challenges, one thing is for sure: this maverick company's presence in any market would mean that excitement is never going to stop! And with the company lining up a slew of new products, consumers can look forward to more interesting contests ahead. TGA

CCL Products (India) Ltd

Brewing Success!

In just a little over two decades since coming into existence, the Hyderabad-based CCL Products (India) Ltd has emerged as one of the fastest growing home-grown instant coffee manufacturers. Besides, the Rs.677-crore (FY'14-15 revenues) company has also earned the distinction of being the world's largest maker of soluble coffee. In the just concluded June quarter of FY'15, it delivered robust performances with its profit after tax recording a growth of 50 per cent.

Founded by Challa Rajendra Prasad, a first generation entrepreneur, the Hyderabad-based CCL products (India), a Rs.677 crore company (FY'14-15 revenues), started its journey in 1994 with the vision of creating only the finest and the richest instant coffee in the world. CCL is also credited with being among the very few companies in the world to produce all four types of pure soluble coffee from a single location! And it has many other firsts to its credit as well. In 2006, it became the first home-grown company to start a Freeze Dried Unit (FDU). And it has not looked back since then – brewing more success stories. After setting up FDU, CCL followed it up by starting an agglomeration and packing unit in Switzerland in 2008. In 2010, the Company forayed into Vietnamese market by starting an instant coffee manufacturing unit there. Today, CCL Products (India) boasts of a combined capacity of around 40,000 MTs, with exports accounting for 95 per cent of its total production. o pursue his dream! Move over reel life, enter real life.

The coffee maker began with the focus to capitalize on India's strength as a leading exporter of green coffee through value addition - by converting green coffee to Instant coffee powder – catering to significant demand in overseas markets. The company's focus on adopting new technologies and R&D has also served it well in its core segment – instant coffee. The company attributes its success to the twin factors of 'quality' and 'blend' which it says have made it the market leaders. What has further helped the company maintain an edge over competition is its ability to maintain the low conversion cost which enables it to quote better prices in the market. The company claims that it can provide more than 200 blends of instant coffee.

A strong global presence

The Company which is redefining the way soluble instant coffee is made boasts of a truly global presence with presence across more than 65 countries today. CCLP's strategically located plant in Switzerland allows it to cater to most of the European countries, while its Vietnam plant has enabled it penetrate into the lucrative South East Asian markets. The company's key products include Spray-Dried Coffee, Agglomerated Coffee, Freeze-Dried Coffee, and Freeze concentrated Liquid concentrated Coffee.

Catering to the domestic market

Of late, CCL Products (India) has also begun to increase its focus on domestic market, particularly retail segment, with the launch of a slew of in-house or private label brands, besides also stepping up its

presence in the institutional segment. The Company's key in-house brands include Continental Spéciale - a 100% pure, granulated soluble instant coffee processed from carefully selected plantation Arabica and washed Robusta beans blended to perfection for complete satisfaction instantly; Continental Supreme an Instant Chicory Coffee brand, which is made from carefully chosen coffee beans blended with roasted chicory to provide a strong cup of rich tasting coffee; and, Continental Premium – a Freeze Dried Coffee brand, it is a distinctive blend of carefully selected plantation Arabica coffee beans, processed to perfection to give an aroma and taste for real satisfaction, instantly.

CCL Products (India) has also entered into tie-ups with a number of leading private label suppliers including Reliance Retail, Spencer's Private limited, Kishore Biyani's Future Group, RCM, Girinar Food & Beverages Private Limited, and Don-Monte Foods Private Limited in India.

Delivering solid growth

Driven by robust demand for its products, CCL Products (India) has turned in strong performance during the just concluded June quarter of FY 2015-16. The Company's consolidated total income from operations stood at Rs.219.64 crore during the first quarter of the ongoing financial year vis-à-vis Rs.175.62 crore recorded in the same quarter a year ago (a growth of 25 per cent y-o-y), while its net profits jumped by nearly 50 per cent to Rs.30.22 crore from Rs.20.21, during the same period (i.e., on y-o-y basis). The The Earning per Share stood at Rs.2.27, as of June 30, 2015. The Company's bottom line got a boost from a near 40 per cent decline in finance cost which fell to Rs.258.23 crore in April-June quarter of 2015-16 from a high of Rs.422.81 crore, as of June 30, 2014.

Craving for coffee: Global demand expected to grow further

The Company is expected to continue its good show, going by forecasts of robust global demand, going ahead. According to the International Coffee Organization, global coffee demand is expected to grow by 2.5 per cent a year until the end of 2020, led by strong growth in appetite, particularly, in China and Russia. As per the London-headquartered global industry body, demand would hit 175 million 60-kg bags in 2020, up from the estimated 149.45 million bags in 2014. Another positive factor which can work in favor of the industry is the fact that demand for coffee is rather recession-proof, says the ICO. Then, according to experts, coffee also possesses certain health benefits. First, coffee contains antioxidants which purify the body. Secondly, it is also good for the liver. Coffee also acts as a stress-buster. Then, coffee is also known to reduce the risks of diseases such cancer, diabetes and Parkinson's disease.

Further, with the changing lifestyle combined with a change in perception toward coffee as a lifestyle beverage (though it faces competition from tea which continues to be the ordinary Joe's preferred drink in markets of India and China), growing penetration of coffee retailers in attractive markets of India, China and other emerging economies where per capita coffee consumption significantly lack that in the developed economies like the US and Europe, growing innovation, new blends/flavors which are fast replacing the traditional brew and making it more exciting for the coffee lovers, the growing threat of global warming and climate change, and hence truant weather, which could hurt production and lift prices, and last but not the least growing global population, these all mean the future looks bright for coffee manufacturers like CCL Products (India). Meanwhile, the ICO is slated to celebrate the First Official International Coffee Day on October 1st, 2015. So, get ready to crank up your cuppa, literally! TGA

For the millions of fans, comprising of tiny tots, teenagers, and youngsters, who have grown up watching the heroics of Chhota Bheem, the iconic cartoon character, Rajiv Chilaka needs no introduction. Rajiv gave up a cushy job in America to return to India to pursue his dream of creating what could be India's Disney. The astounding success of Green Gold Animation, the firm Rajiv set up in 2001 and which has gone on to script a slew of success stories – creating such successful cartoon shows as Vikram Betal, Bongo, Krishna, and of course, Chhota Bheem (also, a hugely successful cartoon movie franchise) – vindicates its young founder's decision to tread the path less traveled, explore opportunities in a fiercely competitive industry, dominated by a handful of global players. Presenting Rajiv Chilaka – an epitome of courage, perseverance and determination.

"I think the biggest reason why we have succeeded is that we gave Creative Freedom to our artists. I also think that Chhota Bheem was introduced at the right time, when Indian Kids space badly needed a super hero. The success of Chhota Bheem has paved way for whatever we are today."

- **When did you hit upon the idea of turning entrepreneur?**

As a child, I was always enthusiastic and used to have a lot of ideas. I always wanted to do things differently and believed there's always a better way of doing things. Although my family expected me to be working abroad on a decent paying job (which I did briefly), I always felt that business suited me better and it was in my nature. When I was around 25, I figured that I loved animation, and I was very passionate about it. I also researched and found out that Animation was at a nascent stage in India. I then decided that I should return to India and start my own animation company.

- **How did the idea, to start Green Gold, particularly, animated movies/contents, occur to you?**

Like million other kids in India, I too grew up watching Disney animation. Those few hours when every kid is transported into a different world, were the best hours of my day. That is when I felt that I should do something as great as Disney. After my stint in the US, I knew I wanted to create something national, local, Indian on the lines of Disney. "The way to get started is to quit talking and begin doing," said Walt Disney, co-founder of the Walt Disney Company." Just as the Guru of Animation observed rightly, I knew I had to do something and that is when I enrolled into an Animation school (Academy of Art, San Francisco) and thus began a new journey, a new sojourn towards a goal, which often seemed insurmountable, but I was determined to achieve it irrespective of the challenges. Simply put, I followed my dream and founded Green Gold Animation.

- **How challenging were the initial days as you started it off all alone?**

The road to success is filled with hurdles to cross. I believe once you face such hurdles, only then do you know it's the right path. I too, faced a lot of challenges when I started off. From my parents being surprised at my career change to my studio being burned down, to being almost bankrupt a few times, to no broadcaster accepting my ideas positively.

- **How difficult was it to take your ideas to the execution stage when you began your journey as an entrepreneur?**

The entire world was dominated by American and Japanese cartoons. I, myself, grew up on their creations. They inspired me, but I always felt, why not an Indian Animated show, which would tell our stories and connect with our children. We have so much raw talent, waiting to be trained and utilized and such rich history...so many creative minds, who are waiting to be explored. We only lacked experience. It took a lot of running back-n-forth, penning down a lot of ideas and scripts, creating new characters, etc.

- **What were the key challenges you faced in bringing on board the broadcasters – that is, your key channel partners - in the early days of your venture?**

We struggled a lot in the initial years as the market was at a nascent stage, but we were driven by the fact that though we may suffer now, the returns would come later. I visited a lot of GECs (General Entertainment Channels), with my ideas, but they were more focused on content for adults. Then I turned towards children's channels, who were more receptive to our ideas, but were not sure if a small studio (back then) like ours could actually deliver animation content of high quality, besides we were also new to the industry and hence lacked experience. Somehow though, we were lucky to meet the right people in the Cartoon Network (CN), who guided us, encouraged us and also mentored us on various aspects of Animation production. It's only because of their support, today we are a household name in India.

- **What was the turning point and when did your venture hit the inflection point?**

In 2003 we approached Cartoon Network with two ideas, one was Vikram aur Betal and the other was Roma & Romi. They advised us to focus on Indian content and showed some interest in Vikram Betal. Since we were a small studio they asked us to develop the product and show it to them. However, we're confident of our quality and made the entire show, and showed it to the CN. They loved the programme and bought it. Vikram aur Betal was a turning point for us. It gave us a huge mileage and also gave us much needed confidence. After the success of Vikram aur Betal, we spoke to Cartoon Network about the tales of Lord Krishna. They liked the idea and we produced four-part TV movie series based on Krishna. These movies were a huge success, got rated extremely well, and were also among the top five programmes in 2007. The success of Krishna paved the way for our next venture Chhota Bheem, which is now a phenomenon in India.

- **Tell us about some of the major milestones your venture reached during its illustrious journey spanning over nearly a decade-and-a-half?**

Starting with our first show Bongo, each of our shows was a landmark by itself, the most important being Chhota Bheem, as two more shows were born out of Chhota Bheem, namely Mighty Raju and Arjun - The Prince of Bali.

In terms of management team, with my partner Samir Jain joining the team in 2004, he has helped propel the growth of our company and gave it a new direction. More recently, with my Elder brother and mentor, Srinivas Chilakalapudi joining us as the Chief Strategic officer, it has paved the way for more success. Our biggest milestone is perhaps our foray into Licensing and Merchandising, and setting up of Green Gold stores. This has established us as one of the top Animation companies, not just in India but across Asia as well.

- **What factors do you attribute to the success of Green Gold?**

Besides Honesty, Perseverance, Hard Work, and Enthusiastic Employees, I think the biggest reason why we have succeeded is that we gave Creative Freedom to our artists. I also think that Chhota Bheem was introduced at the right time, when Indian Kids space badly needed a super hero. The success of Chhota Bheem has paved way for whatever we are today.

- **Green Gold has also forayed into areas such as licensing & merchandise, movie distribution and retailing to name a few, over the years. What has been behind the group's diversification drive?**

Every year we plan to take up one crazy project, to keep the momentum going. Having established ourselves in the animation world, we thought why not diversify into other areas. We wanted the children to be able to feel and play with Chhota Bheem and friends...wanted it to feel real. This is how we got into Licensing and Merchandising, and we even ended up being the Licensor of the Year for three consecutive years from 2012-2014. The group sits together after understanding the market, talking to kids and getting feedback from them - what they like and what they would want to see. Yes, most recently we also ventured into Movie distribution, but we are still babies in this venture.

- **What does it feel like being the top animation studio in the country?**

It's been a very invigorating and a brilliant learning experience. Every step has been a learning curve and I wouldn't trade it for anything in the world. When I see kids' reaction to all our shows, I know the late work hours, hard work is worth it - the satisfying sleep I get at night is hard to define.

Also, I must admit that I am pleasantly surprised at the success we have achieved. As always, success has many fathers - right from the Team at Turner & Disney to the team of writers, Music & Voice Artists, my family & friends, and our entire Team at Green Gold who has contributed in multiple ways to the success of our company.

- **How do you define your leadership style?**

Although I make the final decisions, I usually consult all my key team members in the decision-making process. I encourage creativity, and love when people think out-of-the-box. But sometimes, quick decisions are the need of the hour and I have to take decisions without consulting my team members when situation demands. During deadlines, I am totally focused on getting the job done, and put all my best people on it.

- **The Global ANALYST wishes you and your entire all the very best for your upcoming movie. What tips you would like to give to our readers?**

All the great achievers in the world are dreamers. If we inspire kids to dream they will automatically become achievers. I believe that the new age Indian kids should grow up with positive thinking and self belief. They need to believe that they are the best in the world. Albert Einstein once said, "If you want your children to be intelligent, read them fairy tales. If you want them to be more intelligent, read them more fairy tales." Once the child's mind stretches it will never go back to its original dimensions. I wish and hope that the next generation of kids, would bring great laurels to our nation, which deserves highest level of success in all fields.

TGA

GLOBAL ECONOMIC GROWTH
Sluggish, But No Slump, for Now!

(Turbulence in) Greece is not the only risk the global economy faces. As the latest forecast from the International Monetary Fund suggests, despite rising pace of recovery in the developed nations led by the US, the slowdown in China, the world's second largest economy, in particular, and the emerging economies, in general, pose significant risks to global economic growth in the rest of 2015.

The fact that the world economy is not in good shape is not hidden. Despite repeated assurances from Eurozone member nations about finding an amicable solution to the Greece Sovereign Debt Crisis, a concrete solution is still elusive, notwithstanding the latest bailout deal to save the Greece from going down under. It's surprising to see how the crisis in a nation, which is of the size of Kerala, could cause jitters among international investors, and evoke fears of a contagion effect in not just Europe but even threaten the global growth.

Moving over Greece, a much bigger headache for global economy is the slowdown in China. In fact, barring India, among the emerging economies, and the US, among the developed nations, rest of the global economy is facing threat of a slower growth, if not an outright recession. According to the latest International Monetary Fund's World Economic Outlook (July'15), the world economy would grow a tad lower at 3.3 per cent this year, which means four successive years of growth below, what experts say, the 'trend rate'. This clearly shows that the global growth is actually drifting away further from returning to its full capacity, rather than closing the gap, a report in Canada's Globe and Mail commented.

The IMF highlights two major near-term risks for the global growth - increased financial market volatility and economic distress from geo-political factors (such as increased geopolitical tensions in Ukraine, the Middle East and parts of Africa). According to it, the mid-term, risks such as lower commodity prices, which could undermine growth in low-income countries, a strong dollar which could be bad news for dollar debtors, and the third and perhaps the biggest risk of a sharper than expected slowdown in China, could be potent enough to throw the global economy off the growth track. Surely, these are testing times, and require world leaders to take measures which could help save the world economy from going down under.

GLOBAL ECONOMY
Living off the Edge!

A slew of major headwinds are likely to make the macroeconomic environment more volatile in the latter half of 2015 and could result in the global economy growing at a slower rate than expected, says Sher Mehta, CEO and Chief Economist, Macroeconomics School *(an online Global School of Economics).*

As of early July, in London, where I am conducting a mid-year assessment of the global economy and trying to fathom what to expect in the latter half of 2015, along with my analysis of the UK economy (which seems to be in a reasonably good shape, even though first quarter GDP data was a bit disappointing), I am rather perturbed that even after more than six years of the onset of the global financial crisis (which pummeled developed economies, in particular, with escalating ferocity), the global economy continues to witness significant deficiency of aggregate demand - a lingering effect of this crisis - and will witness below trend growth in 2015 (and 2016 as well). According to the IMF (World Economic Outlook, April 2015), the global economy grew by 3.4 per cent in 2014 and is projected to grow by an even lower rate of 3.5 per cent in 2015 (and 3.8 per cent in 2016). Further, major headwinds (stated below) still confront the global economy.

These major headwinds are likely to make the macro-economic environment more volatile in the latter half of 2015 and could result in the global economy growing at a slower rate than the aforesaid projection.

A Year of Headwinds!

The major headwinds to watch out for include: a messy resolution of the Greek crisis (Greece has defaulted on 1.6 billion euros loan repayment to the IMF – deadline of repayment was 30th June); possibility (50 per cent chance) of a Greek exit from the Eurozone; probability of more than expected economic slowdown in China and a severe correction of the Chinese stock market bubble; rising global bond yields; greater volatility of capital flows; and, the possibility of a rise in interest rates (at least one rate hike) in the US later this year (probably in September) and the varied adverse consequences (stated later) could have on emerging economies in particular (and consequently on global economic growth), which are already facing a broad-based economic slowdown (at a time when growth in developed economies is yet rather moderate). I don't think that several emerging economies are really resilient enough to withstand US monetary policy tightening this year.

In view of these major headwinds confronting the global economy - coupled with the fact that wages and inflation are yet to rise persistently in the US - a hike in interest rates by the Federal Reserve later this year, if it happens, could derail global economic growth (the Federal Reserve appears poised to commence a gradual process of normalizing monetary policy, by possibly going in for a rate hike some time later this year (probably in September) followed by subsequent hikes over a period of time which are likely to be more gradual than anticipated earlier). In my opinion, it would be highly desirable that the Federal Reserve defers its first rate hike to early 2016.

Wage growth, pace of improvement in the unemployment rate, export growth, inflation rate and strength of the dollar are some of the key US economic indicators along with factors such as strength of US economic recovery, oil prices, ongoing Greek crisis, Chinese stock market bubble, moderation of Chinese economic growth and financial market turbulence that the Federal Reserve would probably take into account before deciding when to hike interest rates for the first time since December 2008.

Quantitative Easing – Of Little Use

What is noteworthy is that global economic growth continues to be sluggish and uneven, even after more than 28 central banks have loosened monetary policy since the start of this year to bolster growth (such stimulus weakens currencies, which in turn provides a boost to exports at a time when domestic demand is tepid) - which is in addition to the slashing of policy rates and massive dollops of quantitative easing (i.e., conventional and unconventional monetary stimulus) that has been undertaken by central banks in recent years - in the aftermath of the global financial crisis. Such measures have failed to spur lending, consumption, investment, trade and output to the desired level and bring about sustained global economic recovery and growth.

Unfortunately, since the average debt-to-GDP ratio has risen substantially in developed economies since 2007, undertaking of a temporary fiscal stimulus by these economies (and, in particular by major developed economies), such as public investment in infrastructure (along with monetary stimulus), to boost growth can be rather difficult.

A point worth noting here is that the current state of the global economy is a reflection of the fact that various monetary easing measures undertaken till now have not yet been able to undo the damage inflicted on it (i.e., on the global economy) by the major flaws of the pre-crisis macroeconomic policy framework - very low interest rates; lax credit conditions (that led to a sharp plunge in household savings ratio); allowing debt fuelled consumer spending; inflation targeting being the sole objective of monetary policy; inflation target - too low with adverse consequences for public finances; ignoring of financial stability dimensions by policy makers; lack of monetary and fiscal policy coordination; ignoring asset price bubbles; and, passively permitting credit bubbles to fuel an unprecedented and unsustainable rise in asset prices) - which was a significant contributor to the global financial crisis of 2007-2009 that led to unsustainable budget deficits and public debt, weak banking systems and high levels of household and corporate debt in some countries and deleveraging in the private and public sectors, which in turn continues to dampen spending and global economic growth.

US Economy – Getting Back on Growth Track?

Turning to the US economy, which is thought to be the main driver or engine of the global economic growth, expanded at 2.4 per cent in 2014 (the fastest rate in four years) and was widely expected to grow at 3-3.1 per cent in 2015 at the start of this year. However, the economic momentum unexpectedly flagged in the first quarter of 2015. According to the latest official data, the US economy contracted at an annualized rate of 0.2 per cent in the first quarter of 2015.

Couple of factors constrained growth in the first quarter: surging dollar adversely affected exports and restrained inflation; weakness in global demand; labour dispute at west coast ports; falling oil prices resulted in lower new orders to energy supplier firms in the US; lingering effect of unexpectedly harsh weather that adversely affected housing starts (i.e., builders of homes pulled back on new construction), consumer spending (which, according to official data, grew at 2.1 per cent in the first quarter, down from 4.4 per cent in the previous quarter) and overall economic activity; manufacturing activity was hit by the surging value of the dollar; wages growth remained subdued compared with historical standards; and, drop in business investment and spending (due to weak global demand, lower energy prices and a strengthening US dollar). Further, to add to the woes of the US economy, adjusted pre-tax corporate profits (a measure of economic health), suffering mainly due to the surge in the US dollar, fell 5.9 per cent in the first quarter of 2015 (This was the second quarter in a row of falling corporate profits in the US).

Fortunately, the US economy seems to have rebounded in the second quarter from the first quarter slump. Even though in April, retail sales and overall consumer spending (which accounts for around 70 per cent of GDP in the US) were unexpectedly flat (as consumers chose to save, despite higher disposable incomes, lower consumer debt and rise in household wealth) and industrial production fell in April and May (due a strong dollar, lower oil prices, spending cuts in energy sector and weak global demand), yet couple of factors (stated below) suggest that growth rebounded respectably in the second quarter and that the future trajectory of the US economy seems more promising (i.e. economic growth in the second half of 2015 is likely to be more rapid) - as growth gathers steam again.

Car sales are surging; more than expected rise in retail sales and marked rise in consumer spending in May (highest monthly increase in almost six years) - a sign of consumers shirking their hesitancy to spend, which augurs well for growth in the coming quarters; solid job growth (the U.S. economy created 280,000 jobs in May (i.e. non-farm payrolls increased by 280,000)), which was better than expected; stabilizing (i.e. modest pick up) of manufacturing activity in May (the ISM manufacturing index rose above expectations to 52.8 in May from 51.1 in April); rise in construction spending in April to a near six-and-a half year high; slight up tick in wage growth (year-on-year earnings rose 2.3 per cent in May) – which was better than expected, yet well below the 3.5 per cent wage growth rate that the Federal Reserve would like to see; house prices rising more sustainably in relation to incomes and low mortgage rates (which are below their year-ago levels) making owning a house more affordable (which in turn positively impacts consumer spending); surge in building permits in May (a rise in building permit activity usually leads to more construction jobs); existing home sales at six year high in May; likelihood of consumer spending gaining momentum in the second half of this year, due to reduction in American household debt (as a per cent of household disposable income), rising house prices, high savings and a strengthening labour market (which could result in sustained acceleration in wage growth in the coming months and also positively affect the manufacturing sector); and, possibility of moderate rebound in business investment growth and greater housing activity in the second half of this year. Having stated the above, Macroeconomics School's Macroeconomic Monitoring Unit (MMU) expects the US economy to grow by 2.5 per cent in 2015.

The downside risks to the US economy in the second half of 2015 are: persistent weakness in exports, due to strong US dollar and sluggish global economic growth; weaker than expected wage growth; possibility of more than expected economic slowdown of the Chinese economy; a possible rise in US interest rates later this year (September), which could adversely impact growth in emerging economies and result in reduced demand for US exports from these economies; a messy resolution of the Greek crisis or possibility of Greece exiting from the Eurozone could result in lower exports from the US to the Eurozone; reduced oil and gas investment; and, slow recovery of housing activity.

Chinese Economy – Continues to Demonstrate Protracted Weakness

Turning to the Chinese economy, it is clearly evident that this economy is losing momentum. Its GDP, according to official data, grew at an annual 7.0 per cent in the first quarter of 2015 – which is the weakest rate of expansion since 2009 (i.e., in six years). Further, when compared to the last quarter of 2014, where the economy grew at 7.3 per cent, growth has shown significant deceleration.

Couple of economic indicators reflected weakness in domestic demand in the first quarter - growth figures for industrial output, fixed asset investment (a key driver of the Chinese economy and a leading indicator of future manufacturing activity), retail sales and bank credit were rather dismal, imports fell rapidly and China's factory activity slumped in March (according to a prominent survey). Further, falling house prices exerted downward pressure on domestic demand. To add to its woes, Chinese exports unexpectedly slumped in March, after rising sharply in February – reflecting that its exports engine is possibly slowing down and raises concerns about the durability of global demand and the ability of the Chinese economy to grow at its officially targeted rate of 7 per cent in 2015.

Furthermore, the Chinese economy continued to demonstrate protracted weakness in the second quarter, as domestic demand remained tepid (despite a flurry of government stimulus and monetary easing measures over the past one year) and external demand continued to be weak. I believe that further economic momentum was lost in the second quarter.

The Chinese economy is essentially struggling under the weight of surging debt (According to McKinsey Global Institute, Chinese total debt load had reached 282 per cent of GDP by mid-2014, which includes debt held by government, banks, corporations and households) – it is today the most overleveraged economy in the world, deflating housing market (which accounts for around 25 per cent of China's GDP), economic downturn (which continues to put downward pressure on the broader economy and signals slower investment growth in the coming months), low return on capital, industrial overcapacity, high real interest rates, weakness in consumer spending, disappointing performance of exports (exports declined third month in a row in May), unexpected fall in fixed asset investment (according to official data, Chinese fixed asset investment growth slowed to 11.4 per cent year-on-year in the first five months of 2015 (which is a 15 year low) that was slower than the 12 per cent increase in the January-April 2015 period), growing deflationary pressures as the economy slows down (according to official data, China's inflation on the CPI measure eased (1.2 per cent) in May, when compared to the previous month (1.5 per cent) – suggesting that the risk of deflation is not yet over, while producer prices (i.e. PPI) fell for the 38th consecutive month in May – the PPI fell 4.6 per cent in May), lower corporate profits, bank lending slowing down and slump in imports (a reflection of tepid domestic demand) – which fell for a seventh straight month in May and more than expected – underscoring a sluggish domestic environment.

Next, Chinese manufacturing activity continues to contract (though showing some signs of stability and marginal signs of recovering demand); the HSBC/Markit flash China Manufacturing PMI came in at 49.6 in June (a three month high), which was a little improvement from the May Manufacturing PMI figure of 49.2 - however, was below the 50 mark which separates contraction from expansion. Further, there was some encouraging news with reference to new orders and new export orders.

Essentially, subdued manufacturing activity is weighing on overall economic output. Further, weak global demand continues to dampen manufacturing activity. Moreover, such manufacturing activity readings suggest that more stimulus measures would be required to support growth in the second half of 2015.

Turning to industrial production and retail sales (a leading indicator of consumer spending), which are among the few slightly positive developments emanating from the Chinese economy, the former and the latter, according to official data, rose by 6.1 percent year-on-year (i.e. industrial production remained broadly stable) and 10.1 per cent (a shade higher than 10 per cent growth in April – which was a nine-year low) in May respectively – possibly suggesting that recent policy measures to bolster the economy are somewhat beginning to take effect, even though economic activity continues to remain subdued.

What has been stated above, essentially, is a reflection of the continued fragility of the Chinese economy in the second quarter, despite the central bank (People's Bank of China) reducing interest rates three times since November 2014 and cutting the reserve requirement ratio twice and stimulus measures rolled out by the government to boost growth (It might be noted that towards the end of June, People's Bank of China reduced interest rates for the fourth time in eight months and also lowered the reserve required ratio again (third time)).

Going forward, previous stimulus and monetary easing measures (including measures to boost bank credit) along with the possibility of more monetary easing measures (in the form of interest rate cuts and reduction in reserve requirement ratio) and fiscal stimulus are likely to prevent a hard landing of the Chinese economy and somewhat limit the economic downturn in the second half of 2015. However, it is unlikely that such measures will provide a significant stimulus to the Chinese economy. It seems likely that the Chinese economy will not be able to grow at its officially targeted rate of 7 per cent in 2015. Macroeconomics School's Macroeconomic Monitoring Unit (MMU) expects the Chinese economy to grow by 6.7 per cent in 2015.

Couple of factors could act as a drag on Chinese economic growth in the second half of 2015; trade conditions are likely to remain sluggish and investment slowdown is possibly going to continue; housing sector and local government debt will continue to act as a drag on growth; outlook for the industrial sector does not seem too bright; lower corporate profitability is likely to further undermine private investment activity; China's debt overhang (which curtails ability to spend), rising non-performing loans; industrial overcapacity; possibility of a hike in interest rates by the Federal Reserve later this year, which in turn could dampen business confidence, consumer confidence, global demand (for Chinese goods) and equity markets; possibility of messy resolution of the Greek crisis, which in turn could dampen Chinese exports to the eurozone; exports growth expected to remain moderate; weakness in corporate balance sheets; and, possibility of a severe correction of the Chinese stock market bubble, which has had an extraordinary run in the past one year (i.e. stock markets soared too high (though shares have been falling rather sharply lately), – that can weigh down the Chinese financial system and investor confidence, make issuing new equity more difficult for corporates (which in turn will make it more challenging for them to repay debt) and dampen economic growth more broadly in China (even though the size of Chinese stock markets are small in relation to the size of the Chinese economy) - with adverse consequences for other economies across the globe (particularly other emerging economies).

Eurozone Economy – Should Continue to Grow, Yet Significant Downside Risks Remain

Turning to the Eurozone economy, though economic growth continues to be meager or anemic, economic recovery gained further momentum in the first quarter of 2015 with GDP, according to official data, growing by 0.4 per cent quarter-on-quarter (which was higher than the quarter-on-quarter GDP growth of 0.3 per cent in the previous quarter). First quarter GDP growth was driven by strengthening investment and increase in consumer spending and the Eurozone economy entered the second quarter with greater momentum.

What is notable is that the Eurozone economy grew faster than the US and UK in the first quarter. Further, in the first quarter, this economy witnessed an up tick or positive news on several economic indicators (Composite Eurozone PMI, industrial output, retail sales, new car registrations etc.) and slightly lower unemployment (though it might be noted that unemployment yet remains very high by historical standards); growth in France exceeded that of Germany; the Italian economy demonstrated studier economic performance; and, peripheral economies of the Eurozone (except Greece) staged an impressive rebound. However, German economic growth disappointed (German GDP grew only by 0.3 per cent in the first quarter, when compared to 0.7 per cent in the previous quarter).

Economic activity in the Eurozone was supported by a plunge in oil prices (that acted like a tax cut for consumers and enhanced their purchasing power (increasing their confidence to spend) and also helped companies' margins), record low bank lending rates, sharp fall (depreciation) of the euro, and, increased monetary stimulus by the ECB to get inflation back on track and support economic recovery.

But the Eurozone economy seemed to have lost momentum in the first two months of the second quarter, after a pick up in the first quarter - as reflected in Markit Flash Eurozone Composite Purchasing Managers' Index (PMI), which fell from 53.9 in April to 53.6 in May. This index takes into account both the manufacturing and services sectors. However, the Eurozone economy seemed to have gained traction towards the end of the second quarter (despite the ongoing Greek crisis). Business activity in Eurozone expanded at its fastest pace in four years in June, as reflected in Markit Flash Eurozone Composite Purchasing Managers' Index (PMI), which rose from 53.6 in May to 54.1 in June (a four year high). What is noteworthy is that Germany's composite PMI also rose from 52.6 in May to 54.0 in June (a two month high) and France Composite PMI jumped from 52.0 in May to 53.4 in June (a 46 month high) – Germany and France are Eurozone's two largest economies.

Essentially, increased monetary stimulus from the ECB, weaker euro and lower oil prices seem to have helped keep Eurozone economic recovery on track in the second quarter - even though demand for Eurozone's exports have been weaker than expected.

The Eurozone economy should continue to grow in the second half of 2015 (albeit at a sluggish pace), due to increased monetary stimulus by the ECB that continues to support economic recovery, probability of exports responding to weaker euro in the coming months, persistence of low inflation and weak inflationary pressures that will support domestic demand – leading to higher production of consumer and capital goods, steep rise in wages in Germany (that should result in higher consumer spending in Germany and more imports from other Eurozone economies to this economy), likelihood of continuation of low oil prices (due to broad based economic slowdown in emerging markets and moderate pace of economic recovery in developed economies (resulting in lacklustre oil demand) and refusal of OPEC to reduce oil production), expectation that labour markets will improve gradually throughout the Eurozone, rising European business confidence and improving credit conditions (that should lead to a gradual pick up of investment spending in the second half of the year), rebalancing towards broad based economic recovery and some Eurozone countries (such as Germany, Spain and Ireland) witnessing strong consumer spending.

According to the OECD, the Eurozone economy is projected to grow by 1.4 per cent in 2015 (and 2.1 per cent in 2016). With regards to investment spending, it is expected to a key growth driver only from next year onwards.

Having stated the above, the Eurozone economy faces several downside risks which could lead to a lower rate of GDP growth in 2015, than what has been mentioned above: messy resolution of the Greek crisis, which will hurt business, consumer and investor sentiment in the Eurozone; possibility of Greek exit from the Eurozone (which if it happens, could result in lower Eurozone growth this year (and, possibly over the next two years) and higher borrowing costs for peripheral Eurozone economies – adversely impacting their debt sustainability and economic recovery); German economy not gathering sufficient momentum in the second half of this year; possibility of a more than expected economic slowdown in China and the US economy not being able to maintain its momentum in the forthcoming quarters (both these economies and UK are Eurozone's main trading partners) – which will adversely affect Eurozone exports, despite a weaker euro; and, probability of weaker global economic conditions, which will delay any upturn in investment spending and eventually dampen consumer spending.

Painfully slow progress on structural reforms (which are critically needed to put growth on a higher trajectory, lower unemployment and reduce government debt), no pronounced upturn in the German economy, lack of sufficient investment spending, existence of substantial private and public sector debt (as a per cent of GDP) in peripheral Eurozone economies, lack of any temporary fiscal stimulus by the German economy and ongoing Greek crisis are some of the most important reasons why the Eurozone continues to witness highly sluggish rates of growth and is yet to grow in a more rapid, sustainable and durable manner.

Japanese Economy – Momentum of Growth to Pick up Moderately

Turning to the Japanese economy, after it exited a recession in the fourth quarter of 2014, the marked rebound in economic activity in the first quarter of 2015 was noteworthy and unexpected. The economic recovery was broad based and the Japanese economy, according to official data, grew at an annualized rate of 3.9 per cent in the first quarter of 2015. This stronger than expected economic expansion was led by business spending, which grew notably by 2.7 per cent quarter-on-quarter. With reference to consumer spending (which accounts for around 60 per cent of GDP in Japan), it grew unspectacularly by only 0.4 per cent quarter-on-quarter - signaling reluctance among consumers to spend generously amid weak wage growth (however, this was the third consecutive quarter in which consumer spending increased). Exports witnessed a marked expansion of 2.4 per cent quarter-on-quarter and private residential investment also increased.

However, I doubt whether this momentum was sustained in the second quarter (i.e. I expect growth to have decelerated in the second quarter). This is because the largest positive contribution to GDP growth in the first quarter came from inventory growth i.e. additions to inventory, which is unlikely to be sustainable; Japanese export growth slowed for the second successive month in May (due to weak external demand) and consequently weighed down on growth; industrial output, inflation and consumer spending (despite a tight labour market) continue to remain subdued (consumer spending fell 1.3 per cent in the year to April, industrial production was lower than a year ago and inflation was just 0.3 per cent in April (far below Bank of Japan's inflation target of 2 per cent)); and, disappointing manufacturing activity (the Markit/JMMA flash Japan Manufacturing Purchasing Managers Index (PMI) fell to seasonally adjusted 49.9 in June (a reading below 50 indicates contraction) from 50.9 in May).

With respect to the second half of 2015, I do expect that the momentum of growth will pick up a bit i.e. the economy should continue to improve, although the pace of recovery will be sluggish. Unless sufficient progress is made on major structural reforms (which are required for putting growth on a higher and sustainable trajectory), the Japanese economy is likely to continue to witness subdued growth. Macroeconomics School Macroeconomic Monitoring Unit (MMU) expects the Japanese economy to grow by 1 per cent in 2015. Structural reforms to boost productivity and labour supply are pivotal for higher and more durable growth in Japan.

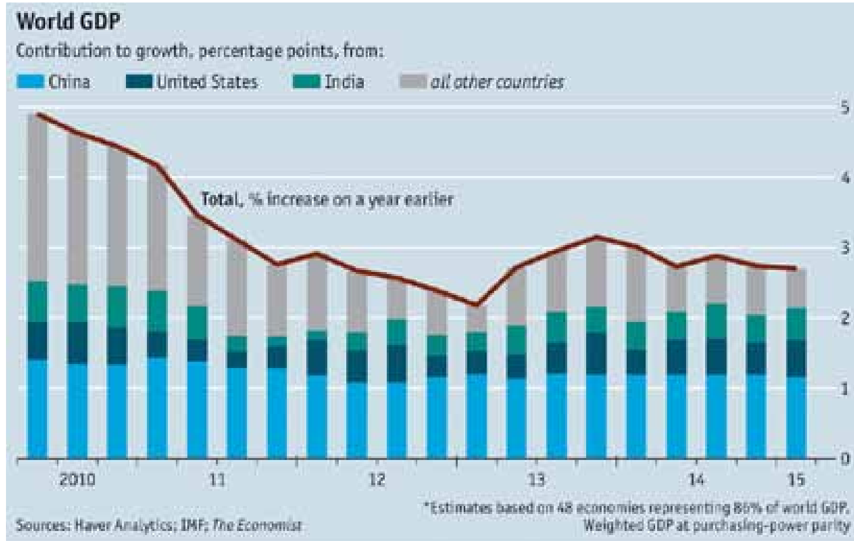
Some of the important factors that should lead to a pick up in the momentum of growth in the second half of 2015 are: oil prices are likely to remain low (which should provide a boost to real household incomes); weaker yen (will positively impact exports); tightening labor market (which should put upward pressure on wages); rise in household incomes that should lead to modestly higher consumer demand and spending (which in turn would boost corporate profitability); Bank of Japan's expansionary monetary policy; improving corporate performance and likelihood of more improvement, which in turn should positively impact investment spending; expectations of further wage increases; continued subdued inflation (inflation is likely to rise to only 1 per cent over the next year or so) amid rise in wages translating into higher real incomes; economic growth gaining momentum in the US in the second half of 2015 (which should result in higher Japanese exports to the US); and, possibility of another round of quantitative easing by the Bank of Japan in October to further boost economic activity and propel inflation to its 2 per cent target.

The key downside risks to Japanese growth are: Chinese economy slowing down more than expected (China accounts for around 20 per cent of Japanese exports), which in turn could result in a plunge in growth in Japan; deflation risk persists; and, possibility of a rise in interest rates in the US this September, which in turn could adversely affect global economic growth and emerging market currencies – and consequently have downside implications for Japanese economic growth.

Emerging Economies – Will Continue to act as a Drag on Global Growth

Turning to emerging economies, so far this year, overall growth has been rather disappointing, economic momentum uneven and these economies are struggling and acting as a major drag on the global economy. As a whole, emerging markets are likely to witness their lowest rate of growth this year since 2009. According to the World Bank (Global Economic Prospects, June 2015), emerging economies are projected to grow at only 4.4 per cent in 2015 (which is a downgrade from their December forecast of 4.8 per cent). Further, major emerging economies (such as China and South Africa among others, except for India) have been slowing down this year and lower price of oil and other commodities have pummeled those emerging economies (such as Russia, Brazil and Nigeria among others) who are major exporters of the same.

Several emerging economies slumped in the first quarter of 2015.



Further, prospects of a hike in interest rates in the US caused the dollar to appreciate sharply against most emerging market currencies - which adversely affected many of these economies and also resulted in reduced capital flows to them.

Brazil and Russia are in recession (and are expected to contract further this year), the Chinese economy has slowed down (as previously stated), Malaysia, Indonesia and Brazil have been grappling with currency depreciation and export slowdown, while others such as Turkey and South Africa are confronted with slower or muted growth and capital outflows.

Economies such as Brazil, South Africa and Turkey have high inflation and current account deficits and governments and companies in many emerging economies have taken on massive amounts of dollar-denominated debt that could act as a drag on growth and adversely affect financial stability in these economies in the coming months and quarters. Further, some of the emerging economies most vulnerable (in terms of capital outflows and currency depreciation) to the prospects of rising interest rates in the US later this year are Brazil, Turkey, South Africa, Russia and Indonesia among others (which in turn could result in higher inflation and interest rates and lower growth in these economies.). Moreover, emerging economies are also facing a sovereign bond sell-off and marked increase in outflows from emerging market debt funds, raising concerns that the global economy is entering a phase of greater financial market volatility or turbulence (and consequently emerging economies are likely to face a more volatile macroeconomic environment in the second half of 2015).

Going forward, some of the major factors due to which growth could falter in several emerging economies in the second half of 2015 are: possibility of more than expected economic slowdown in China (which will have a knock-on effect on emerging economies such as Brazil, Indonesia, and Argentina that export commodities); likelihood of several emerging economies facing rising borrowing costs, increased debt servicing burden (due to, for example, a significant number of companies in many emerging economies having issued trillions worth of dollar-denominated debt over the past decade), destabilizing and more volatile capital outflows, greater volatility in their bond, stock and currency markets and currency depreciation if the Federal Reserve hikes interest rates later this year (emerging economies which have high current account deficits and inflation and substantial government and corporate debts denominated in dollars are most vulnerable to such adverse developments); rising global bond yields and prospects of greater financial market volatility; messy resolution of the Greek crisis or Greek exit from the Eurozone (which could dampen Eurozone's growth

– adversely affecting emerging economies exports to this economy); and, low oil prices adversely affecting oil exporting economies such as Nigeria, Venezuela and Russia among others (who are already facing deteriorating fiscal balances).

Among the major emerging economies, India's economic prospects seem brightest, as a rise in interest rates by the Federal Reserve and the ongoing Greek crisis are likely to have a rather muted and temporary impact on its growth due to a vast improvement in its macroeconomic stability indicators (inflation, fiscal deficit, current account deficit, foreign exchange reserves and relative exchange rate stability (vis-à-vis the US dollar), the resolve being demonstrated by the government to push through key reforms and ongoing economic recovery (that should be on firmer ground in the next 2-3 quarters).

Having stated the above, ongoing economic recovery in the developed economies, particularly in the US, Eurozone and Japan, coupled with currency weakness (of emerging economies) could somewhat moderately bolster growth in emerging economies in the second half of 2015 – via higher demand for their exports. Further, oil prices are likely to remain low and stable in the second half of this year, which in turn should support growth, enhance consumer spending and improve public finances in emerging economies which are net oil importers (such as China, India and Turkey). However, the downside risks to growth (as stated above) are considerable.

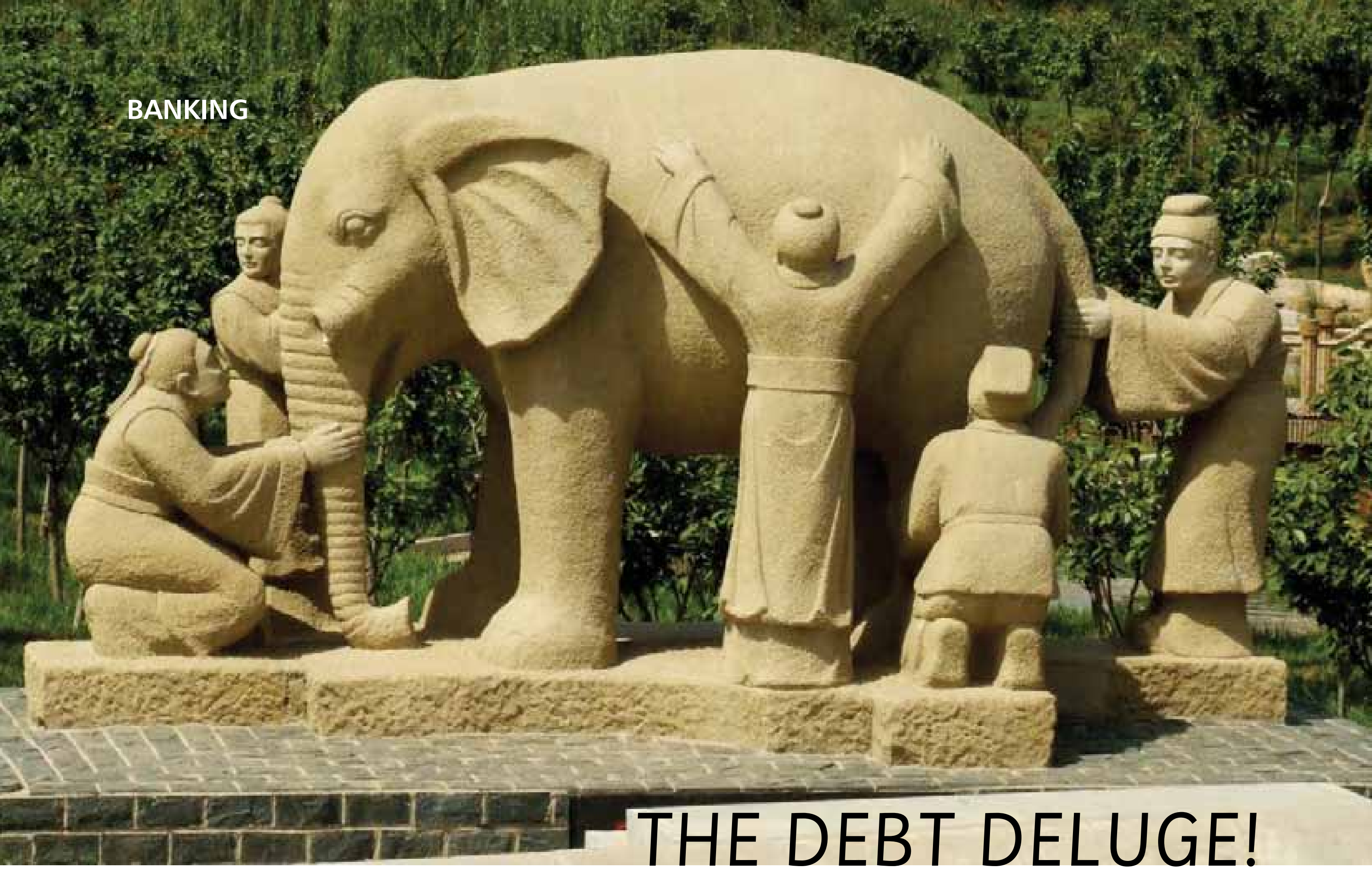
In my opinion, emerging markets as whole will continue to act as a drag on the global economy in the second half of 2015, as the factors (stated above) due to which growth could falter in many emerging economies are likely to outweigh the factors (stated above) that could somewhat moderately bolster growth in these economies. Growth in emerging economies as a whole should pick up modestly only in 2016-2017.

'Grexit' – Pros & Cons

Turning to the possibility of a Greek exit from the Eurozone, I am not particularly apprehensive if this were to happen. In my opinion, a Greek exit would not be catastrophic for the Eurozone (or for global economic growth). This is because the Greek economy accounts for less than 2 per cent of Eurozone GDP and is not really a key export market for Eurozone economies (consequently trade effect of a Greek exit on the remaining Eurozone economies would be small).

Further, any contagion related damage should be manageable or contained i.e. a Greek exit would be less damaging, due to the fact that the Eurozone financial system is possibly more robust now than it was in 2012, existence of European Stability Fund (set up in 2012), possibility of expansion of ECB's quantitative easing programme (in the eventuality of a Greek exit) that should somewhat mitigate the adverse impact of a Greek exit on bond yields and European banks (the main channel of contagion) are in much better shape now (European banks exposure to Greece in terms of loans is now substantially lower than in 2008 and efforts have been made to bolster their capital and stress tests were conducted last year) to weather any 'storm' arising out of a Greek exit. Having stated the above, if Greece exits the Eurozone, there would possibly be six adverse effects: first, it could result in lower Eurozone growth this year and possibly over the next two years; second, highly indebted peripheral Eurozone economies are likely to face higher borrowing costs (for example, Italy, Portugal and Spain) – adversely impacting their debt sustainability and fledgling economic recovery – that could result in a protracted period of meager growth in these economies); third, heightened (though temporary) volatility in Eurozone government bond market and global financial markets, as investors may dump riskier assets in favour of 'safe haven' assets such as US Treasuries (which could boost the dollar and consequently dampen US exports and growth), German and UK bonds; fourth, temporary slowing down of investment flows in the Eurozone; fifth, emerging economies could witness greater capital outflows and exports to Eurozone could drop moderately - though effect on emerging economies growth is likely to be muted; and, sixth, temporary surge in credit risk

Having stated the above, I believe that these adverse implications of a Greek exit on global economic growth should be manageable and containable, rather than catastrophic. TGA



THE DEBT DELUGE!

And Why the World Cannot Return to the Pre-boom Era Growth Soon

It would be a cliché to say these are difficult times for the global economy, in general, and Indian economy, in particular. Need any proof? Look at what happens when Greece sneezes, a country of the size of not more than the southern state of Kerala? Ever since the Greek Crisis unfolded, it has had the world on its toes literally? And even as the world economy stutters and the desperation for returning to the pre-2008 growth rate grows, it is the central banks which find themselves at the receiving end for no fault of their own. Sounds strange? But it's true. Believe it or not, it's no longer the same world. Welcome to the era of chaos, confusion, and credit hangover!

M G Warrier
ex-GM, RBI

The India growth story is going through a 'Five blind men and an elephant' syndrome! Renowned economists and analysts who have access to media are joining politicians in isolating and blaming factors like inflation, interest rates, external factors, recession, political stability and several other ingredients which, in reality, together affect growth! The mix-up and confusion extends to areas from NPA management and capital requirement of PSBs to mismanagement of resources and wage structure across sectors.

A small country like Greece which has a population of less than one-third of a medium size Indian state like Kerala has shown how miserable life can be, with mismanaged debt. The rich countries which are themselves in neck-deep debt seem to be enjoying the plight of countries like Greece. They try to see such plights as 'investment opportunities', as, anyway, the piled up financial resources do not earn much rent (read: interest) at home. Public memory is becoming shorter and shorter, and is not in a position to retrieve episodes in the not-so-distant past when some of these developed countries induced several developed and developing nations to borrow from them or from organisations in which they had financial interests, for projects and purposes which could have been delayed by a decade, or could have been financed from internal resources of respective countries.

The silver-lining is - right from the school boys to the RBI Governor have started questioning the refusal on the part of policymakers to take cognizance of the changed scenario where isolated action by small and big nations is affecting the lives of people far away. If you need proof for this, here is a question asked at an interactive session some sixteen months back, by Rajas Mehendale, a student of Sister Nivedita School, Dombivili, Mumbai to the RBI Governor Dr Raghuram Rajan and Dr Rajan's answer (Times of India report, July 18, 2015):

Mehendale: "The mere rumour of US cutting down on the Federal stimulus saw the rupee crash in value. When will we see an Indian policy affecting other countries intensively?"

Dr Rajan: "A great question…I have been saying that the US should worry about the effect of its policy on the rest of the world…If I stood by that, we should not be very happy down the line when Indian policies affect rest of the world adversely. We would like to live in a world, where countries take into account the effect of their policies on other countries and do what is right broadly, rather than what is just right, given the circumstances of the country. My guess is that by the time you are old enough to get a job, we will be a significant force in the world economy." The media report says that the video of the above event got over 7 lakh hits on YouTube in the last few days. Let us pray that Dr Rajan, who signs promises on currency notes, is able to keep this promise too!

Back to the subject of debt, media reports suggest that Indian businesses faced with rising debt burden have begun to blame RBI's excessive focus on consumer inflation and linking it with its monetary policy. Recent reports indicate that bank credit growth which is also an indicator of economic activity has been stagnating and has further slipped to 9 per cent from an already low of 10 per cent per annum a few months back. The reason attributed is slowdown in corporate activity and some banks trying to make up by increasing their exposure to retail lending. During the last few years, the RBI has made its monetary policy review more frequent. The outside world takes note of the content of the monetary policy statements mostly to the extent they relate to repo rates.

Media reports have given an impression to the public that lending rates of banks are directly related to the base rates announced by RBI from time to time. While, banks are prompt in reducing deposit rates with every downward movement of repo rate, for their own reasons, passing on the benefit of reduced base rates to borrowers always take a long 'gestation' and lot of persuasion by the central bank and GOI. The contribution of low quality credit appraisal, inefficient credit monitoring and bowing to pressures from owner (this applies more for PSBs) in deciding clientele to the need to earn high interest margins is an area which should be studied by experts. Somewhere in between, one can also find the reluctance of banks to make any perceivable change in the interest rate on savings bank deposits which was deregulated long ago.

The WPI vs. CPI debate

The growing divide between consumer and wholesale inflation has revived a long-standing debate on which inflation measure should be used to determine India's interest rates. The wholesale price index (WPI) has been falling since late 2014, dragged down by lower energy costs, while the consumer price index (CPI) is currently at 5%, according to media reports. In the past, RBI has relied more on CPI. And rightly so. A stable WPI ensures benefits for those who trade in commodities or use articles in bulk. What affects the public is CPI, because the variations in CPI only can give a fair idea of the fluctuations in the cost of living at the ground level.

The RBI has cut interest rates three times this year which also saw corporate profits shrinking and companies small and large shying away from new investments. But India Inc is not satisfied and indebted companies are saying that the cuts are not deep enough. Their main argument is based on the fall in WPI continuously for seven straight months. For reasons mentioned earlier, repo rates cannot be dependent on movement of WPI alone.

Besides, it is rarely that interest costs become the sole culprit in increasing the debt burden of companies. Credit off-take is dependent on factors like debt-equity ratio, cost and availability of raw material including coal for steel and power sector and productivity of companies. Without further elaboration, it is imperative to mention here the need for prudent management of assets and resources by companies. For example, idle assets should be sold to reduce debt burden.

Reviving pre-boom era growth rate, a tough task

While speaking at Economic Club of New York on May 19, 2015, RBI Governor Dr Raghuram Rajan made these observations about growth in a global perspective:

"Why is the world finding it so hard to restore pre-Great Recession growth rates? The obvious answer is that the financial boom preceding the Great Recession, left industrial countries with an overhang of debt, and debt, whether on governments, households, or banks, is holding back growth. While the remedy may be to write down debt so as to revive demand from the indebted, it is debatable whether additional debt fuelled demand is sustainable in the long run. At any rate, large-scale debt write-offs (or fiscal transfers to the heavily indebted) seem politically difficult even if they are economically warranted."

Moving further, Dr Rajan asked: "How does one offset weak household and government demand if debt write-downs are off the table?" His answer that, "ideally, the response would be to incentivize investment and job creation through low interest rates and tax incentives. But if final demand from consumers is likely to be very weak for a considerable period of time because of debt overhang, the real return on new investment may collapse" Perhaps these observations made by Dr Rajan reveals the dilemma the Indian central bank is facing at this stage and signals the direction of RBI's approach to monetary policy management in the coming days.

TGA

You Think You Can Beat Roger Federer!

SANJAY MATAI
Author-Advisor, Personal Finance,
The Wealth Architects

Do you really believe you can beat Roger Federer or Viswanathan Anand? Or for that matter even a player whose world-ranking is as low as say 10,000?

Never. Unthinkable. Impossible.

Fair enough! You may not have the right skills. You have not been coached for it. You haven't put in years of training into it. So, it is but natural that you cannot win.

Then why... and I repeat WHY... do you believe that you can do a better job than a professional fund manager?

Stock market is a fascinating place. Naturally. Where else (apart from a casino or a lottery) can you expect "huge" money in "quick" time? Therefore, it attracts hoards of newcomers everyday... of course, with disastrous consequences. Why?

Let me come to the "myth" of stock market later in the article.

First, I would like to discuss your chances of winning against a professional fund manager.

He has the right educational qualifications. You don't.

He had the right professional experience. You don't.

He can understand balance sheets and economic numbers. You can't.

He is supported by a qualified and professional research team. You are all alone.

He often visits companies and meet their managements. You merely watch them on TV.

He is into this job 24*7. You barely spend a few minutes.

He has adequate corpus that facilitates diversification. Your capital is scarce.

Thus, the dice is loaded totally in favour of a professional fund manager. As such, don't you think it is foolhardy for you to even think of "directly" investing in stocks? Wouldn't it be a lot smarter idea to place the same money with the professionals? (Must read: 'Become a crorepati - safely and surely - with...')

It may be good to be adventurous. But it is definitely not good to be reckless. Surely the odds need to be much better than this, before you venture into the stock market directly. Think about it. After all, it is your hard-earned money which is at risk.

Now coming to this "myth" of "huge" gains in "short" time!

Yes, on the face of it, shares can deliver enormous profits within days and months. But this is a mirage. It happens; but rarely. You may be "lucky" once or twice. But 98-99 times out of 100 you will lose money chasing quick returns.

No. Stock market is not an ATM machine.

Besides, you are seriously mistaken if you think brokers, advisers or fortune-tellers know what stocks will make money. Well, have you ever wondered that if they really knew, why will they be happy earning a mere 0.1-0.2% brokerage while you make all the profits? Wouldn't they simply sit at home and mint money?

So does it mean that stock market is all nonsense and just a gambling adda?

Not at all.

In fact, it is one of the best wealth creating opportunities. But it needs the "right approach".

It is a proven fact that

... investing in stocks requires professional expertise and competence

... on an investment time-frame of 10-15 years no one has lost money in stock market

... those who have shown patience and discipline have been amply rewarded

So the question here is pretty simple... do you want try your luck, against all odds, or do you want to make good and consistent returns?

Think about it. After all, it is your hard-earned money which is at risk. TGA

Syndicate Bank Posts Net Profit of Rs. 302 crore

State-owned lender Syndicate Bank reports profit after tax of Rs. 302 crore in the first quarter of the current financial year, i.e., 2015-16.

Syndicate Bank, India's leading public sector lender, has reported net profit or profit after tax of Rs. 302 crore, on a standalone basis, for the first quarter of financial year 2015-16. However, the profits were lower on account of a near 300 per cent rise (or more than four-fold jump) in tax outgo at Rs. 256.75 crore in the quarter June 30, 2015, as against Rs. 60.64 crore in the corresponding quarter of the previous fiscal. Deferred tax liabilities (DTL) are the amounts of income taxes payable in future periods in respect of taxable temporary differences.

"While industry deposits grew by 12.8 per cent, Syndicate Bank clocked 20 per cent growth in deposits. This needs to be corrected and this year the growth driver should be mainly current accounts and savings accounts (Casa)."

- Arun Shrivastava, MD & CEO Syndicate Bank

The bank attributes the DTL on account of a guideline from the RBI, according to which DTL should be recognized unless it can be definitively demonstrated that the difference will not reverse in future under any circumstance. "In respect of difference in valuation of HTM securities between accounting income and taxable income, the Bank, based on the opinion of the Tax Consultant, is of the view that the difference does not reverse in the future and is permanent in nature. Accordingly, recognition of DTL of Rs. 531.24 crores as at 30th June, 2015 has not considered," Syndicate Bank said in a communiqué.

The bank had earned net profit of Rs. 485 crore in the June quarter of 2014-15. However, the Manipal-headquartered bank saw its Net Interest Income or NII (interest earned over interest expended), a key performance metric, rise 4.5 per cent to Rs 1,412 crore from Rs. 1,351 crore during the period under review. Net interest margins stood at 2.21 per cent (2.47 per cent). The bank's NIM (Net Interest Margin) stood at 2.21 per cent (vs. 2.47 per cent), as of June 30, 2015.

But the state-owned lender's total income grew significantly to Rs. 6,323.42 crore in the March-June quarter of the current financial year compared with Rs. 5,523.08 crore in the year-ago period. The bank was able to grow its businesses in both corporate/wholesale (rising to Rs. 2,691 crore from Rs. 2,601 crore) as well as retail (Rs. 1,888 crore from Rs. 1,581 crore) segments, while it also generated treasury income of Rs.1,664 crore in Q1FY'16 from Rs.1,243 crore in the June quarter a year ago. Besides, its operating profit too rose, albeit marginally, to Rs. 1,040 crore from Rs. 1,014 crore. The bank's domestic CASA deposits increased by 18 per cent to Rs. 65379 crore in Q1FY'16 from Rs. 55,429 crore in the same quarter of last fiscal. Its CASA ratio stood at 27.28 per cent, as of June 30, 2015. The domestic advances too saw a growth of 16 per cent to Rs.1,62,437 crore in the March-June quarter of 2015-16 from Rs. 1.39,683 crore in the same quarter of previous financial year. However, the bank's asset quality weakened during the June quarter as reflected in indicators such as Gross NPAs and Net NPAs which rose to 3.72 per cent (vs. 2.97 per cent) and 2.36 per cent (vs. 1.88 per cent), in the review period. The bank's provision coverage ratio too dipped slightly to 63.24 per cent from 67.56 per cent in the said period. There was a decline in yield on advances to 8.95 per cent in Q1 of the current fiscal as compared to 9.41 per cent in the year-ago period. The bank's capital adequacy ratio, as per Basel III, stood at 10.17 per cent, as of June 30, 2015.

The bank opened 8 new branches during the first quarter of 2015-16, taking its total number of branches to 3,559, at the end of June 2015. It also issued a new variant of RuPay Debit Card christened Syndicate Bank RuPay Platinum Debit Card with higher limits, catering to HNI customers, besides launching a new recurring deposit scheme named Synd RD Plus, which allows a depositor to deposit more than one installment during the month, and also does not levy any penalty on premature withdrawal or delayed payment. TGA

'GREXIT' Avoided for Now!

The threat of an unceremonious exit from the Euro Zone might have receded for the beleaguered Greece, at least for now. However, there is no guarantee the present bailout deal is enough to ensure the European economy's return to normalcy. Given, the billion euro question is: Has it done enough to avoid exiting the Euro Zone? Whatever, one thing is for sure, the collapse of Greek economy could also mean collateral damage for one of the oldest and strongest trade blocks – Eurozone.

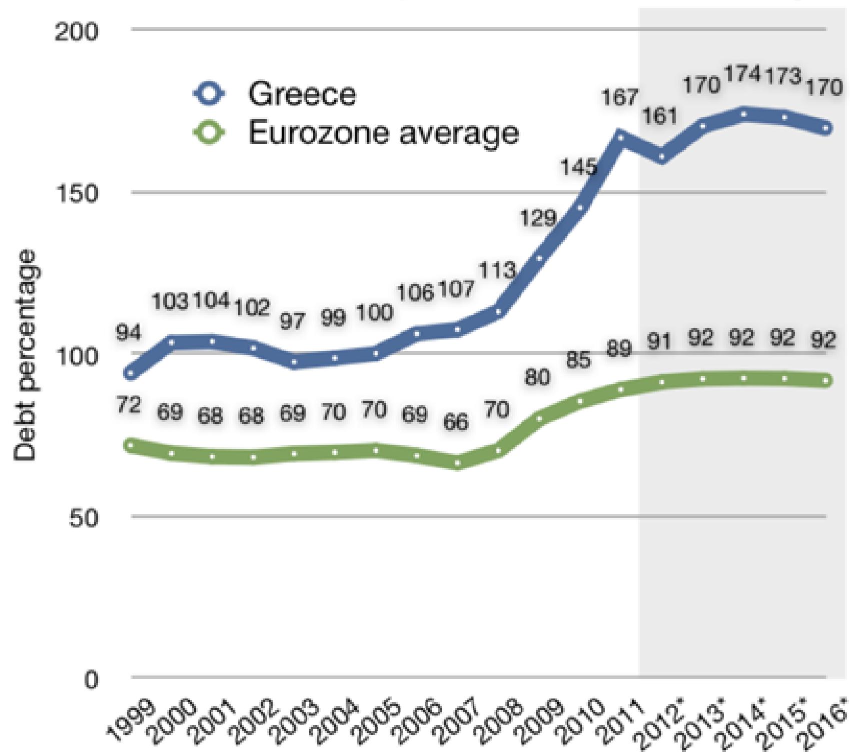
- **Dr. IVO PEZZUTO,** Global Markets Analyst, Management Consultant, Economics and Management Professor
Author of the Book "Predictable and Avoidable" ISTUD Business School and Catholic University of the Sacred Heart. Milan, Italy

It seems Eurozone can breathe easy, for now, at least, courtesy, factors such as lower oil prices, low interest rates, a weaker euro, and above all, the bailout deal which it sealed on July 13th. Just a quick recap for those who have not kept abreast of the development in this tiny European economy: the Greek debt crisis originated in 2010 and sparked off the Eurozone debt crisis in all peripheral countries in the subsequent two years. The crisis in the Euro Zone was reined after in the Summer of 2012 the ECB President, Mario Draghi, declared that the euro is "irreversible" and promised a potentially unlimited purchase of bonds of the Eurozone to discourage speculation on the peripheral European sovereign bonds and to help improve the regular flow of liquidity and affordable funding in the euro area.

However, the situation in Greece refused to improve - notwithstanding two successive bailout packages it received post-2010 (first in 2010, a bailout loan of €110 billion, followed by the second bailout in 2012 which comprised a loan of €130 billion, which also included a bank recapitalization package worth €48 billion). The reason is not far to seek - Greece has not been able to solve its structural problems in the following five years and put its economy back on the path to sustainable growth. In fact, the Greek crisis has abruptly resurged after the Prime Minister Alexis Tsipras's party swept the polls in January this year, receiving a clear mandate to reach a new and more mutually acceptable agreement with the creditors to complete the economic adjustment program (i.e., to stop austerity, soften reforms, and some kind of debt relief) in exchange for the second harsh bailout program.

According to the new political leaders, the adjustment program of the previous five years "has only allowed to keep the country afloat, but at the cost of major sacrifices and dislocations for the Greek people, and without a clear path to real long-term sustainability for the economy."

Greek debt in comparison to Eurozone average



Source: Eurostat
*estimates

With the second bailout package of 2012, private creditors holding Greek government bonds (Private Sector Involvement) were required to accept extended maturities, lower interest rates, and approximately a 75 per cent overall face value loss.

More pains!

One of the most acute phases of the Greek crisis occurred at the end of June 2015 when Greece failed to make its €1.6 billion payment to the IMF. With this event, Greece has become the first developed country to go into arrears with the International Monetary Fund. Just before the deadline of the IMF payment, the Greek Prime Minister rejected a five-month bailout funds extension of €15.5 billion ($17.3 billion) from the country's international creditors, instead of the previous offer of €7.2 billion bailout funds, claiming that "the creditors' proposal would require introducing deeply recessionary reforms as a condition for the funding, which was perceived to be totally inadequate over the five months period."

Afterwards, the protracted negotiations have stalled over what reforms Greece should undertake with disputes emerging on cuts to pension payments and low-income pensioners, public sector wages, increasing Value Added Tax, and the Greek Government's request for a concrete commitment to debt relief.

After a series of ultimatums, five months of hard negotiations, and growing mutual distrust, at the end of June 2015, PM Tsipras unexpectedly called a referendum on the country's latest bailout offer that international creditors have proposed to keep the debt-stricken country afloat. Undoubtedly, Tsipras' shock announcement of the referendum has exasperated Greece's creditors. Furthermore, he also stated that "the reforms were blackmail for the acceptance on our part of severe and humiliating austerity without end and without the prospect of ever prospering socially and economically". Banks were shut since June 29th, 2015, causing panic among depositors and near run over the state-owned banks as the former

of Greece, Eurozone and the Crisis

Greece is a small peripheral European country of 11 million people, accounting for only about 2 per cent of Eurozone GDP. Greece's sovereign debt to GDP ratio is about 180 per cent that is €340 billion ($375 billion) and more than 3 per cent of euro-zone GDP, the highest in the Eurozone and a sharp increase from the 2009 debt to GDP ratio (123 per cent).The unemployment rate is at 27 per cent with youth unemployment at 50 per cent in 2015. Greece GDP has slumped by 27 per cent in the period 2008 – 2014. An estimated 44 per cent of Greeks lived below the poverty line in 2014. Public expenditures have been reduced by more than 30 per cent since the start of the crisis through cuts to salaries and pensions and redundancies for one third of the public employees. The annual budget deficit (expenses over revenues) was 3.4 per cent of GDP in 2014, much improved versus the 15 per cent of GDP of 2009.

Greece has achieved a primary budget surplus, meaning it had more revenue than expenses excluding interest payments in 2013 and 2014. Interest rates on Greek long-term debt rose from around 6 per cent in 2014 to above 10 per cent in 2015. The country's output is expected to remain in contraction in 2015 due also to the disruption of capital controls. Greece scores low on Transparency International's Corruption Perception Index and it is well known for its widespread tax evasion, corruption, clientelism, and abnormal debt increase. Standard & Poor's has recently downgraded Greece rating from CCC to CCC-. With the current framework of the European Monetary Union (EMU), that is a currency union without a fiscal and political union, in spite of the numerous ring-fencing tools and new governance structure available now to the union (i.e., ESM, OMT, QE program, Fiscal Compact, banking union, new financial regulation, governance, and banking supervision,), following to the aftermath of the global financial crisis and Euro zone debt crisis, member states have to rely primarily on internal adjustments and accommodative monetary policies of the ECB to cope with macroeconomic shocks and structural weaknesses (No mutualization of debt is allowed in the Eurozone. A "classic haircut" would violate European law). The member states that are either not fully committed or capable to undertake effective structural reforms for a prolonged period of time to bolster their productivity and competitiveness, sooner or later, are either doomed to exit the union or to remain "trapped" in a competitive environment (the currency union) in which they cannot compete.

The Eurozone should have probably considered launching the quantitative easing program a few years earlier (perhaps after the global financial crisis or the euro area debt crisis), in conjunction with a more aggressive fiscal policy (productive investments), while undertaking spending cuts of non-productive expenditures, and structural reforms to bolster growth and competitiveness. It should have also imposed sooner a stronger monitoring on the use of the bailout funds by the debt-stricken countries and tighter controls on the actual implementation of their structural reforms.

It is quite understandable that the Eurozone countries do not want a single small member state to unilaterally change the Eurozone rules and treaties, or to create a sizable economic damage to the other member states with its defaults, or requests of debt relief. Yet, it might be also necessary to consider the opportunity to revise the existing Eurozone rules and treaties in order to allow for a closer political and fiscal integration, a strengthened financial, capital markets, and banking union, adequate solidarity mechanisms, permanent or at least temporary fiscal transfers, co-funded public mechanisms to support job flexibility in countries with high unemployment, and timely and effective "burden sharing" (fiscal backstop) crisis resolution mechanisms . (Pezzuto, 2014; Zingales, 2014).

rushed to the ATMs to withdraw savings which have been limited to €60 euros a day due to capital controls. Nearly 61 per cent of Greek citizens voted "No" to the referendum of July 5th, thus rejecting creditors' proposal for further austerity in exchange for the bailout funds extension.

However, the referendum result came after the bailout extension offer had already expired. After the referendum, the ECB has left intact its lifeline (roughly €89 billion), but it has tightened conditions on emergency liquidity assistance (ELA) to Greek banks. In a last-ditch effort to save Greece from a disorderly default and the so-called "Grexit" scenario, the creditors agreed to evaluate the government's last economic reform proposal submitted on July 9th for a potential third bailout program.

The new Greek proposal aims to achieve a reform of public administration, fiscal sustainability, financial stability, long-term economic growth and sustainable development. A number of Eurozone countries still seem to have limited confidence in the ability and willingness of the Greek government to repay its huge new proposed loans. In fact, due to the rapidly deteriorating economic conditions of the country and its difficult debt sustainability problem, the creditors (European Commission, the European Central Bank and the International Monetary Fund) estimated that a new bailout for Greece would cost €82 billion-€86billion instead of Tsipras' estimated financing needs at €53.5 billion. €25 billion out of the total €82 billion to €86 billion bailout funds would be used for bank recapitalization.

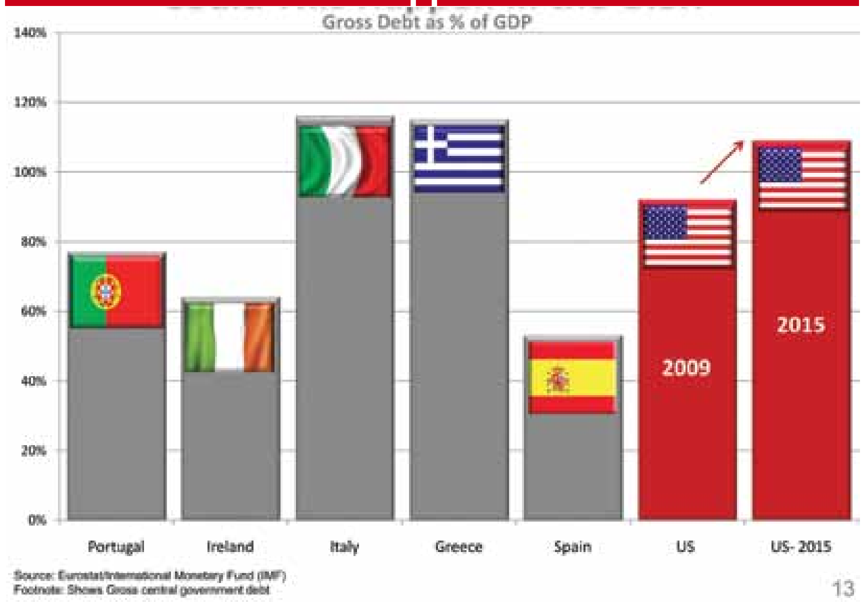
One alternative to the debt relief option (debt restructuring) recently proposed by the IMF is to accept extended debt maturities with average maturity of Greece's bailout from the current 30 years to 60 years (an additional extension of the "grace period") in order to make the debt burden more manageable.

Creditors – Talking tough

Creditors are taking a tough stance on structural reforms for Greece with the new economic program. The new potential deal would probably consist of much stricter measures such as, overhauling the value-added tax system, pension reform, budget cuts, layoffs and job reductions, raising the retirement age, primary budget surplus target of 3.5 per cent of gross domestic product by 2018 (and 1 per cent in 2015) , privatizations and market liberalizations, the creation of a bad bank to manage the huge amount of NPLs (non-performing loans), banks recapitalizations and banking sector consolidation, and plans to fight the traditional high level of tax evasion. These measures are simply just the opposite of what Greek people expected after the outcome of the referendum, although their expectations might be perceived by the creditors as totally unrealistic.

If a new bailout agreement will be reached with creditors, it is quite likely that Greece will have to accept a high level of external economic supervision (i.e. an independent institution to tackle fiscal reforms) in return for a huge rescue package (€82 billion-€86billion). The proposed adjustment plan, although urgent and necessary, seems to be very ambitious (or probably too ambitious) and unlikely to fully deliver the expected results, given the current economic conditions of the country. Expected GDP growth projections and budget surplus targets might be very challenging to be achieved while imposing Draconian austerity measures and structural reforms, given Greece's highly fragile and uncertain

Could this happen in the US?



financial, banking, and economic environment. Yet, the plan might be a move in the right direction, if well implemented and monitored; if privatizations are timely and effectively used to finance productive investment projects that can assure a long-term economic growth; and if a substantial debt relief or a prolonged "grace period" is granted to the country.

The German finance minister, Wolfgang Schäuble, has also explored the possibility to draft a plan that would require Greece to transfer state assets (for future privatization) into a trust fund to pay down its debt in order to stay in the Eurozone. There have been also rumors about a potential temporary Greek exit from the Eurozone (i.e. five years) in exchange for a debt relief deal, but this proposal has raised a lot of concerns.

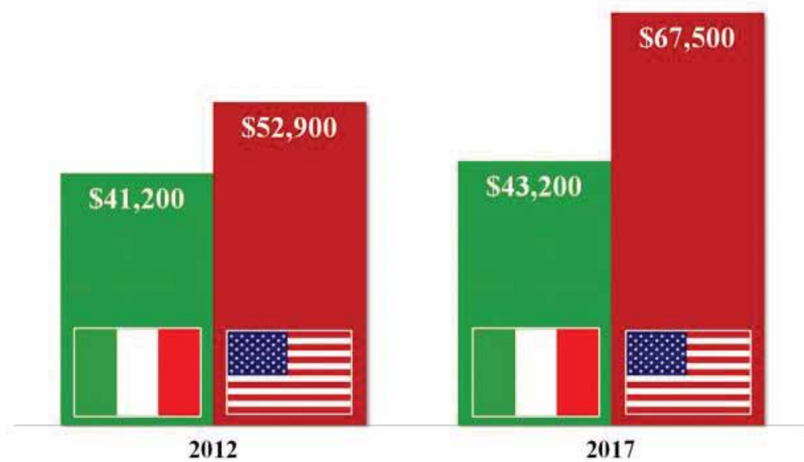
By now, however, everybody knows that Greece will have a very hard time to completely pay off its huge debt unless it is going to have a significant debt relief, a perpetual bond scheme, or debt maturities extended for over 50/60 years. It is also important to remember, however, that Greece has made a lot of reforms (although perhaps not fully compliant with creditors' expectations) in its five years of austerity and is running budget surpluses. The Greek crisis is a very serious one and it is about to reach a point of no return (July 2015) but a potential last minute agreement could be reached to avert the collapse if the EU, IMF, and ECB decide to keep the country in the Eurozone and to provide to the country a sustainable adjustment program that can help its economy start growing again.

Crisis subsided, but the risk remains

At this point, it seems that Greece is not given any alternative by its creditors but to enact the new economic reforms and austerity measures through its parliament in order to have a fair chance of staying in the euro. But unless Greece finds a solution to its liquidity crisis (i.e., a bridge loan and later on a third bailout or some other kind of deal), it could drift toward a euro exit. Without funds to pay salaries and goods, the government could eventually be forced to issue IOUs/promissory notes (perhaps denominated in euros) in order to alleviate its shortage of cash and to pay salaries and pensions. This medium of exchange might gradually evolve into a parallel currency.

Blames and responsibilities for the failure to solve so far the Greek fiscal and humanitarian crisis earlier and better, according to many observers

US per person Debt to increase 7 times faster than Italian debt



General government (federal, state, and local) gross debt per person in nominal U.S. dollars as projected by IMF.
Source: IMF; Produced by SBC Republican staff, Ranking Member Jeff Sessions || http://budget.senate.gov/republican

and analysts, are on both sides of the negotiation. Nevertheless, there seem to be several clues of an improper management of the crisis by the Greek governments over the past five years, and most likely even in the previous decades. The final decision on a potential "Grexit" scenario will be a political decision. However, it is quite sure that whatever the final decision will be on the potential third bailout or on the "Grexit" scenario, the outcome will leave a lot of the participants of the negotiation frustrated and distrustful. After all, a new tough austerity program, if it will be granted by creditors, might even potentially worsen the current recessionary trend of Greece if the structural reforms are delayed in their implementation, no adequate productive investments are guaranteed, and the huge debt still remains unsustainable.

In case the euro area political leaders opt for the approval of a new loan program to keep Greece in the common currency and to preserve the integrity of the monetary union, they might also generate some kind of widespread discontent of the taxpayers in their own countries accusing their leaders of taking reckless risks. On the contrary, a Grexit scenario would leave EU leaders to face the potential criticism of a major failure in the history of the European Union (EU) and European Monetary Union (EMU) and the blame for the unpredictable geopolitical, social, and economic consequences of a potential disorderly default, banking crisis, and "Grexit" event on the currency union and on the rest of the world.

Thus, the decision to save Greece one more time with a third bailout, in a worst case scenario, might bring the immediate benefit of avoiding a shock to the currency union integrity in a moment of still-fragile recovery and to help stabilizing the country inside the Eurozone, but it could also spark internal political fragmentation and social tensions (frustration and resentment of citizens) triggered by parties who are not in favor of the potential compromise, as well as, by Greek citizens who voted "NO" to the referendum. Tsipras could face stiff resistance at home and perhaps the need for a change in the political coalition. Perhaps Greece in the worst case scenario may be heading for a national unity government of some sort. The country will probably receive a last chance to avoid the default and a financial, economic, and humanitarian crisis but probably at a very high social, economic, and political cost. In the face of such a complex and unpredictable scenario, a legitimate doubt one may have is: will the Greek people ever accept such bailout conditions? And what would be the potential consequences of a rejection of the deal by the Greek people? Or what would be the consequences of a disorderly default and Grexit scenario on the Eurozone and global economy?

In July 2015 The Guardian reported that under the baseline scenario: "Greece would face an unsustainable level of debt by 2030 even if it signs up to the full package of tax and spending reforms demanded of it," according to unpublished documents compiled by its three main creditors. Based on documents of the so-called Troika it seems that "Greece needs substantial debt relief for a lasting economic recovery". In fact, they show that, even after 15 years of sustained strong growth, the country would face a level of debt that the International Monetary Fund deems unsustainable. (Nardelli, 2015) The International Monetary Fund has also reported that "Greece would need up to €60 billion of extra funds over the next three years and large-scale debt relief to create 'a breathing space' and stabilize the economy". (IMF, 2015)

Options before the embattled economy

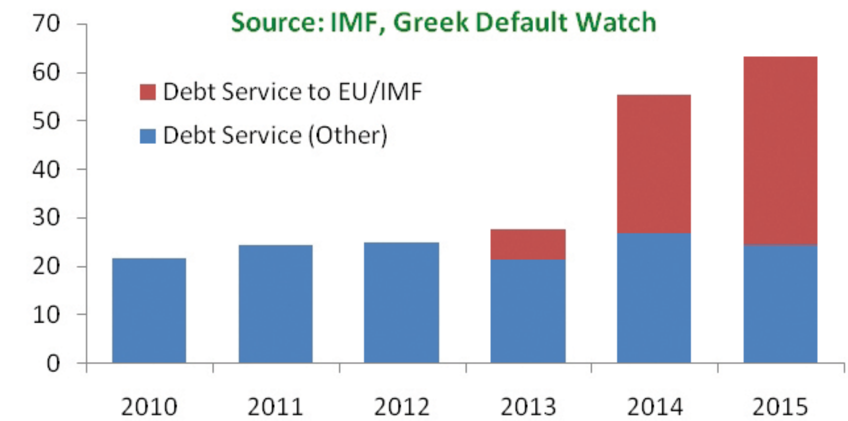
As previously stated, the Greek crisis sparked off the Eurozone crisis in 2010 when it revised its early deficit prediction from 3.7 per cent and estimated to be 13.6 per cent. This shocking news generated a panic in the markets and the fear of a bank run. Rumors spread of solvency fears on Greece and its potential exit from the Eurozone ('Grexit'), thus it became very difficult for banks (wholesale banking panic) of all the peripheral European countries (fear of potential contagion) to access funding in the capital markets.

After all, at that time the painful memory of Lehman's collapse and the panic effect it triggered in the markets was still very present in people's minds. Besides, when Greek debt crisis began (2010), the Eurozone did not have the multiple tools, governance frameworks, and general economic conditions they have today (July 2015) which might significantly reduce the impact of a potential systemic risk or spillover effects (Pezzuto, 2013). Among these tools (and the general economic condition), relevant ones are the following:

- Availability of a permanent crisis resolution fund (ESM) for both banks and countries' rescue programs with the application of the memorandum of understanding (MOU) and subject to conditional measures
- The European QE program
- The OMT program option
- The Fiscal Compact
- TLTROs
- A strong governance of the banking and financial system (i.e., Banking Union, Single Supervisory Mechanism, Basel III; Capital Requirements Directive - CRD IV; Capital Requirements Regulation – CRR; European Market Infrastructure Regulation – EMIR; Mortgage Credit Directive 2014/17/EU; Markets in Financial Instruments Directive - MIFID II and the Markets in Financial Instruments Regulation - MiFIR; Financial Transaction Tax – FTT; the European General Data Protection Regulation; and Target 2-Securities – T2-S, etc.
- A more capitalized banking system
- A gradual economic recovery in the Eurozone
- Low sovereign bonds yields and spreads
- Work-in-process implementation of structural reforms in a number of countries

The Eurozone governance has always been based on compromise. Thus, in order to avoid unpredictable consequences for the union, and beyond, in the global markets, Greece's creditors should take a more realistic approach to the country and consider some debt relief as part of a future agreement. As stated by French economist Thomas Piketty,"creditors' expectations of a future Greek budget surplus

Greece: Pubic External Debt Service in bn Euros



are unrealistic. Most analysts and investment firms at this point have predicted a 60 per cent to 70 per cent probability of a "Grexit" at the end of July 2015."

I believe that a more realistic and a less ideological approach, coupled with an adequate assessment of potential geopolitical risks, would be to keep Greece in the Eurozone and to work out a sustainable long-term solution to revamp its economy and to make its debt more sustainable. It might be a victory for the European Union and its democracy. Most of all, I hope Greek banks will receive immediate financial support for recapitalization in order avoid severe liquidity and solvency crises and to ensure the regular flow of credit to the real economy. A new deal, however, might also cause collateral damage.

In case of a Grexit scenario it is important to clarify the legal uncertainties, to stabilize the economy, to avoid high inflation, assure humanitarian aids, and the availability of essential goods such as medicines and energy imports. Issues may arise regarding the bail-in regime for bank failures since it might represent a potential risk for creditors, shareholders, and unsecured creditors, including depositors. Banks could be nationalized. There could be probably some financial contagion as financial investors wake up to the fact that euro membership is no longer irreversible. There might be issues related to the restructuring of derivatives contacts. There could be a "flight to safety" as depositors pull euros out of other potentially vulnerable Eurozone members to avoid taking a hit. European companies' share prices could also fall sharply if investors panic and divert their cash into the government bonds of safer states. There might be also serious issues related to social unrest.

Furthermore, there could also be complex litigations procedures related to the debt since, as a consequence of the previous debt restructuring arrangement (2012), substantial borrowings have been explicitly governed by English law, which would presumably not recognize the redenomination passed under Greek law. Similarly, it is unlikely that Greece's European partners will simply accept repayment of their official debt in the new Greek currency on a one-to-one basis.

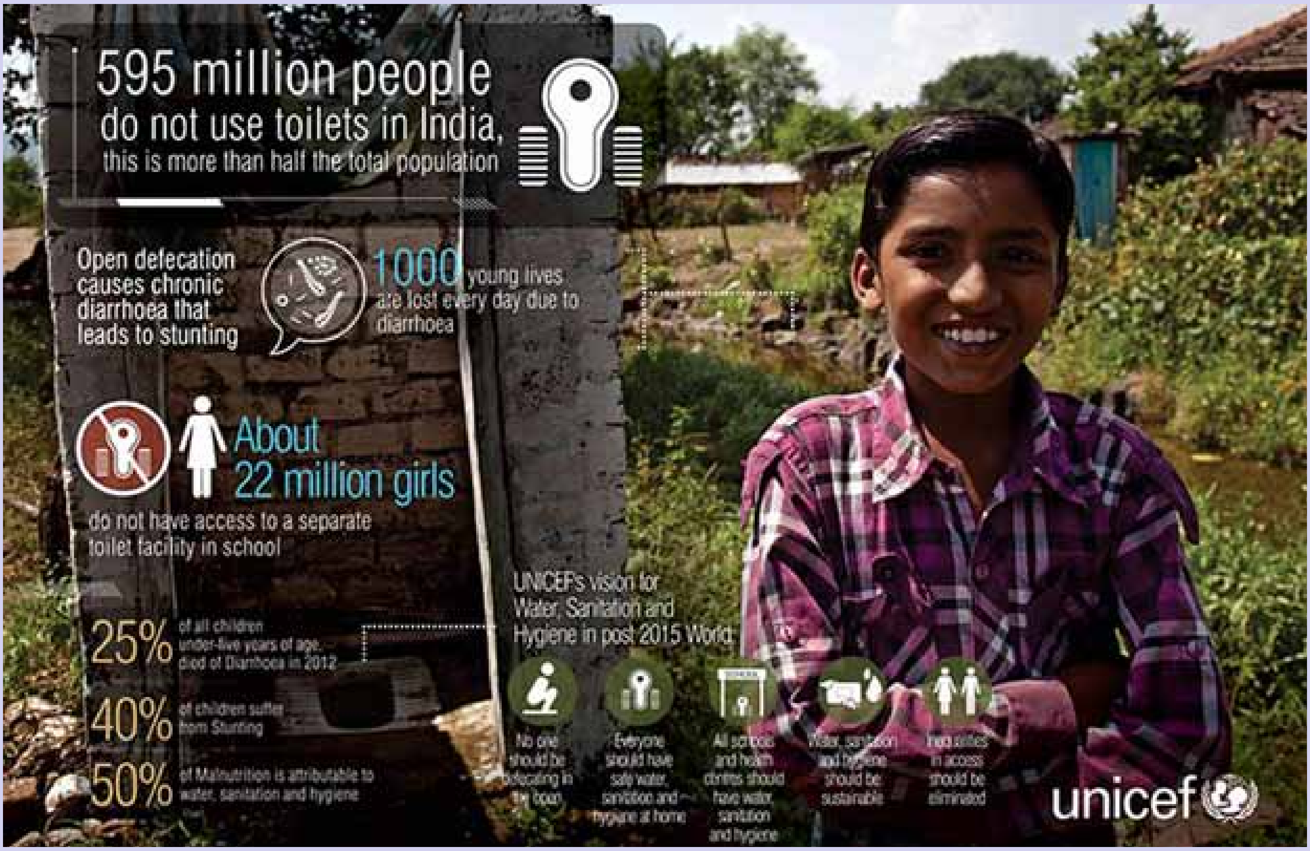
The introduction of the new currency would mean an instant drop in living standards for Greeks as import prices spike. Greeks' foreign debts, which have to be paid back in euros, will also be instantly penalized thus causing a cascade of defaults.

One of the most serious potential consequences of a 'Grexit' scenario could be the fact that investors realize that euro membership is not irreversible and they may request a risk premium for the additional risk!

TGA

Health & Hygiene

Access to Sanitation for All – Not Just a Wishful Thinking



"The world may have 6 billion mobile phone subscriptions, but only 4.5 billion people have access to a toilet. This is a silent health emergency of enormous proportions."

- United Nations

It is not difficult to understand why. According to a latest study by the United Nations, two and a half billion people the world over live without access to improved sanitation and hygiene facilities - one billion currently defecate in the open and 748 million live without safe drinking water. The situation is all the more worrisome in India where 595 million or nearly half of its total population defecates in open, which is also the major reason behind diarrhea-related deaths in the country, in fact, India reports the highest number of deaths caused by diarrhea among children under five in the world. Every year, diarrhea kills 188,000 children in this age group, data from the UN shows. In fact, globally, 1000 lives are lost every day due to diarrhea. Open defecation, which is actually on the rise among economically weaker section of the society, also poses another significant challenge – containing polio. The report suggests that open defecation increases communities' risk of polio infection; the faecal-oral route is an important polio transmission pathway. Further, children weakened by frequent diarrhoea episodes are more vulnerable to malnutrition, stunting, and opportunistic infections such as pneumonia. About 43 per cent of children in India suffer from some degree of malnutrition. Besides, open defecation also results in the outbreak of other diseases like cholera typhoid. Further, lack of access to toilets is a major reason for falling enrollment ratio of girl child in India. As per official statistics, the dropout rate of girl child in India in the age group of 7-17 is 33.7, or, one in every three girls. And lack of access to sanitation could also result in lost productivity as well as significant cost (of healthcare)! According to a study by the World Bank poor sanitation could be costing India $54 billion in treatments for illnesses, early deaths and lost productivity.

Rural areas are, in fact, the worst affected. In India, only 10 per cent of 2.40 lakh Gram Panchayats are declared as Nirmal Panchayats, as of 2012. Among states, Sikkim has become the first state in the country with 100 per cent sanitation coverage; in 2008, Sikkim was declared a 'Nirmal Rajya', a state completely free from open defecation. But the rest of the states have a lot of catching up to do as far as complete stopping of the practice of open defecation is concern. The situation, though, is bound to change, thanks to several measures adopted by the government, of late, notably Swachh Bharat, besides the remarkable work done by the non-governmental and the private sector, as part of the CSR drive, in the areas of community health and hygiene, as well as rising awareness about eco-friendly and affordable toilets among general public.

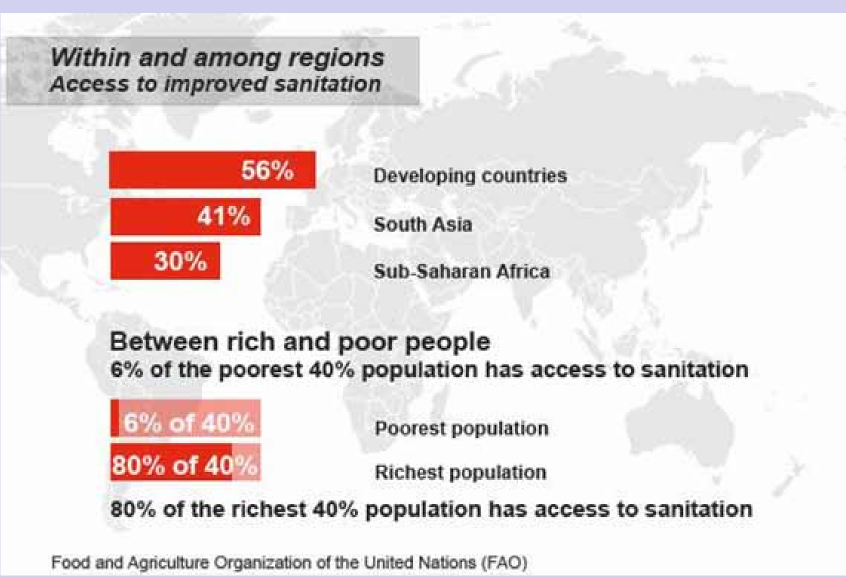
Move over 'Flush & Forget'

Eco-friendly toilets offer an alternative, cheaper, and importantly, effective solution to the current 'Flush & Forget Toilets', as well as the global need for providing access to sanitation for all. In fact, the best part about these eco-friendly toilets is that they use less or no water at all! And thus they could be very effective in areas with low availability of water. These bio-toilets also can help solve the problem of building high-cost sewerage system; according to a report on thethirdpole.net, India has one of the oldest sewerage systems in the world, introduced in the nineteenth century by the British colonial rulers. However, the British government adopted the two technologies used in London for waste disposal – the septic tank and the sewerage system, which proved a white elephant in India, it says quoting Dr Bindeshwar Pathak, the founder of Sulabh, the affordable sanitation movement in India. "This system requires a huge investment, both for construction and maintenance, as well as an enormous quantity of water to flush the waste," he explains. "Therefore in India, out of 7,933 towns and cities only 270 have sewerage treatment plants. In 900 towns and cities, drains have been laid without any sewerage treatment plant."

While there have been stray examples of use of eco-toilets in the country, a greater awareness has been created post the launch of bio-toilets by the DRDO (Defence Research and Development Organisation). Named 'E-LOO', these eco-friendly toilets use indigenously-built Bio-Digester technology which turns human waste into biogas and odourless compost. These green toilets can effectively function in extreme conditions and temperature ranging from sub-zero to 50 degree Celsius; the low temperature at high altitude halts and delays the natural biodegradation of human waste and leads to its accumulation which is an environment hazard, according to the research organization. The bio-digester degrades and converts the human waste into usable water and gasses in an eco-friendly manner. The process involves the bacteria, which feed upon the fecal matter inside the tank, through anaerobic process which finally degrades the matter and releases methane gas that can be used for cooking, along with the treated water. The generated gas can be utilized for energy/cooking and water for irrigation purposes.

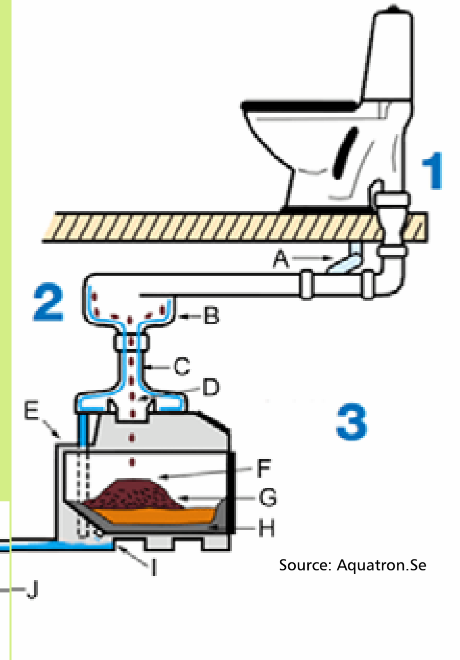
The initiative by the DRDO can play a pivotal role in the success of the government's mission Swachh Bharat. "As part of a FICCI interface programme, we are commercializing the technology so that bio-toilets can reach every nook and corner of the country. It is a unique technology not available anywhere else in the world," said Dr W Selvamurthy, Chief Controller at DRDO, in an interview to the PTI.

The DRDO and Federation of Indian Chambers of Commerce and Industry (FICCI) had entered into a MoU for DRDO-FICCI Accelerated Technology Assessment and Commercialisation (ATAC) programme, which aims to create a commercial pathway to deliver technologies developed by DRDO for appropriate commercial markets for use in civilian products and services. According to Dr. Selvamurthy, "The bio toilets are a blessing in rural India where only 30 per cent of population has private toilets." Besides, these eco-friendly toilets can also help save the government billions of dollars in waste management, while ensuring access to sanitation and good health for all.



Source: Voice of America News

Aquatron Toilets – Innovative & Affordable too




Source: Aquatron.Se

The ecological toilet system Aquatron, developed by the Swedish Aquatron International AB, is a composting toilet utilizing ordinary Water Closets. The company has over 25 years of experience on waste water separation that works without electricity. The company's main product is the patented and CE-certified Aquatron Separator (without moving parts or power consumption) where urine and flush water will separate from solids. The company manufactures several different versions of the Aquatron in order to cater to the varied needs of the customer segments - from holiday cottages to public buildings and residential buildings.

The Aquatron standard systems operate by using just the momentum of the flushing water, centrifugal force and gravity. Therefore, neither moving parts nor chemicals or electricity are needed in the separation and composting processes! Aquatron Systems combine the comfort and hygiene of a WC system with the ecological and environmental characteristics of a bio-degrading toilet system.

This is how it works

1. Aquatron uses standard Water Closets (flushing volume 3-6 litres) or special models where the urine is mechanically diverted from the flushing water and the solid waste in the bowl itself.

2. When the toilet is flushed, the contents of the bowl are transported to the Aquatron Separator where approx. 98 % of the liquid fraction is separated by using the momentum of the flushing water, centrifugal force and gravity. The Aquatron Separator needs no moving parts.

3. The solid waste (paper and faeces) falls down into the Bio Chamber where it is composted by bacteria and, if desired, by worms. If using worms, the volume of the solid waste will be reduced by approx. 95 %. The need for emptying and handling the waste is therefore reduced to a minimum. Optionally, after installing an Aquatron System, some 250-300 worms are placed into the Bio Chamber. The number of worms needed to maintain the composting process will be adjusted automatically by nature. Optimal temperature for the composting is 12-25 degrees Celsius, a temperature level recommended for year-round inhabited homes. Freezing will kill the worms. The composting process is free from odour and flies because the Bio Chamber is ventilated and the small amount of liquid following the paper down into the Bio Chamber is removed by a drain at the base of the Bio Chamber. When the Aquatron 90 and 400 models are emptied, the refuse must be composted to soil in the garden together with the normal garden and kitchen waste. However, the models 4×100, 4×200 or 4×300, require no further composting.

4. The liquid proceeds to the UV unit where it is exposed to Ultra Violet light which kills bacteria and viruses or phosfortrap. The liquid may then be treated as Grey Water (bath, dish washing and laundry water) which means that the toilet wastewater may be infiltrated into the ground or into a suitable receptacle. Since the liquid fraction is separated from the solid waste, Aquatron Systems are not sensitive to peak load usage.

Eco-friendly toilets – An effective solution

As the country prepares to provide access to sanitation for all by 2019 – which will involve building toilets for 600 million people, which is roughly half the population with no access to sanitization – the government has its work cut out – go for eco-friendly toilets, which are affordable, effective and have multiple advantages.

However, it's not just building more toilets, rather it's about constructing toilets which are eco-friendly and help in preserving our planet amidst mounting challenges of global warming and climate change. As resources such as water become scarce and with seemingly unstoppable pollution levels in cities threatening to aggravate the threat of green house even further, the world is staring at a number of challenges, prominent being the food crisis, which is looming large, and health for all. The bottom line is - we need to act quickly to find effective solutions to some of the pressing problems faced by our society today; needless to say open defecation tops the list.

And eco-friendly toilets could be an effective solution to address some of these challenges. After all, health is wealth. Isn't it? To conclude, according to the UN, Sanitation and hygiene are engines that drive health, social and economic development, and contribute to a cleaner environment. TGA

SBH Reports double-digit growth in Q1FY'16 PAT

State Bank of Hyderabad, a leading state-owned bank, has posted double-digit growth in its net profit after tax during the recently concluded first quarter of FY 2015-16. The bank recorded a jump of 10.6 per cent in its net profit at Rs.251.45 Cr in the quarter ended June 30, 2015 compared to Rs.227.21 Cr in the same quarter a year ago. Its operating profit rose sharply by 25 per cent to Rs.713.17 Cr compared to Rs.570.51 Cr, during the same period. The bank's net interest income also increased by 10.91% to Rs.1107.36 Cr in Q1FY'16 from Rs.998.55 Cr in Q1FY'15. As of June 30, 2015, SBH's CAR (Capital Adequacy Ratio) as per Basel III norms stood at 11.11 per cent with CET-1 at 8.78 per cent, which is much above RBI prescription.

During the first quarter of 2015-16, the bank grew its total business to Rs.240129 Cr, consisting of Total Deposits of Rs.133403 Cr and total Advances of Rs.106726 Cr. The bank's Credit-Deposit Ratio stood at a healthy 80.07 per cent, as on June 30, 2015. In another positive, its CASA deposit increased by 13.52 per cent y-o-y, that is, from Rs.35830 Cr in June quarter of 2014-15 to Rs.40675 Cr in June quarter of 2015-16. Its personal segment loans portfolio also saw a growth of 16.35 per cent y-o-y from Rs.22563 Cr in June quarter of FY'14-15 to Rs.26253 Cr in Q1 of FY 2015-16.

The bank's continued efforts in reining in bad debts have been paying off well. Intensive NPA recovery efforts helped the bank reduce its Gross NPAs from Rs.6174.05 Cr in the June quarter of 2014-15 to Rs.5482.39 Cr in the June quarter of 2015-16. In percentage terms, the bank's GNPA ratio declined from 6.26 % to 5.14 % (a decrease of 112 bps), while its Net NPA ratio fell from 3.37 % to 2.56 % (a fall of 81 bps), during the said period. The bank's provision coverage ratio (PCR) also improved from 55 per cent in Q1FY'15 to 59.53 per cent in the March-June quarter of 2015-16.

At the end of the first quarter of the ongoing financial year, the total branch network of the bank stood at 1,824, which includes 741 branches in Telangana and 400 branches in AP. The bank continues its efforts to offer technology-driven innovative banking services and products to its customers. During the quarter Santanu Mukherjee, Managing Director of State Bank of Hyderabad inaugurated its Android app "SBH Touch", a one stop Mobile App for various services and products of the Bank. The App (SBH Touch) is available in Google Play Store for download. In short, "SBH Touch" app is a mobile gateway to the world of SBH.

Key Financial Ratios:

- Return on Assets 0.62% in June 2015 against 0.60% in June 2014.
- Return on Equity 10.35% in June 2015 against 10.30% in June 2014.
- Cost of Deposits declined to 7.03% in June 2015 from 7.27% in June 2014.
- NIM increased to 3.08% in June 2015 from 3.02% in June 2014.

CSR activities:

- A Cricket Kit was donated to Sri. Md. Khaja Riyazuddin, a physically challenged Cricketer of Indian Team and his Tour expenses were also borne by the Bank to the tune of Rs.52,200-
- Through Chaitanya Trust, Bellary, bed sheets and fruits worth Rs.22,000- were donated to Krishna Sannidhi Orphanage.
- Water purifier cum Cooler worth Rs.52,690- was donated to Nutan Vidyalay Society, Gulbarga.
- Post HUD HUD cyclone, 182 Dust bins worth Rs.10,920- were donated through our Chuchukonda branch, for clearing the garbage.
- 10 Ceiling fans worth Rs.20,000- were donated to Zilla Parishad High School through our Alluru branch
- A water filter worth Rs.10,000- was donated to Sri. Kariappa Tata Temple through our Kalmala branch.
- SBH Continues the Good Show in Q1 FY2015-16 As Well

Key Highlights

- Total Business at Rs.240129 crore (increase of 8.79% yoy)
- Total Advances grew by 8.17% (yoy) to Rs.106726 crore
- Total Deposits increase by 9.29% (yoy) to Rs.133403 crore
- Total PER Deposits increase by 17.12% (yoy) to Rs.74761 crore
- Total CASA Deposits increased by 13.52% (yoy) to Rs.40675 crore
- ROE improved 5 bps from 10.30 to 10.35 (yoy)
- ROA improved 2 bps from 0.60 to 0.62 (yoy)
- Total Operating Profit up by 24.87% (yoy) to Rs.713 crore
- Net Profit up by 10.6% (yoy) to Rs.251 crore
- Net profit per employee improved 16.27% (yoy) from Rs.5.53 lacs in June, 2014 to Rs.6.43 lacs in June, 2015.
- Net Interest Income higher by 10.91% (yoy) to Rs.1108 crore
- Other income higher by 16.31%(yoy) to Rs.278 crore
- Net Interest Margin is 3.08% (up by 6 bps over June, 2014)
- Capital Adequacy Ratio at a healthy 11.11% (Basel III)
- Provision Coverage Ratio increased to 59.53% (Previous year 55%)
- Gross NPAs declined from Rs.6174 crore (6.26%) in June, 2014 to Rs.5482 crore (5.14%) in June, 2015

TGA

Financial Results Overview (Figures in Rs Cr)

Particulars	Quarter ended		% Change
	30.06.15	30.06.14	
Interest Income	3552	3289	8
Interest Expenditure	2444	2290	6.72
Net Interest Income	1108	999	10.91
Other Income	278	239	16.32
Operating Income	1386	1238	11.95
Operating Expenditure	673	667	0.90
Operating Profit	713	571	24.87
Provisions & Contingencies	310	224	38.39
Net Profit	251	227	10.6

Andhra Bank's PAT jumps 89 per cent in Q1FY'16

Driven by improved asset quality, the Hyderabad-headquartered Andhra Bank reports a sharp rise in its profit after tax at Rs.202.52 crore, up 89 per cent y-o-y in the just concluded first quarter ended June 30, 2015 of FY2015-16.

Andhra Bank springs a surprise, delivering a much improved performance during the first quarter of the current financial year ended June 30, 2015. The Hyderabad-based state-owned lender posted nearly 90 per cent jump, y-o-y, in its profit after tax at Rs 203 crore (from Rs. 107 crore in June quarter of 2014-15) for the first quarter ended June 30, 2015, led by a combination of factors such as improved asset quality, including a marginal rise in yield on advances, reduced cost of deposits (down 40 bps), and improvement in its Net Interest Margin, which rose to 2.87 per cent from 2.14 per cent, during the just concluded June'15 quarter; the bank's NIM stood at 3 per cent as of March 31, 2015.

The improvement in operating profit is commendable, given that the growth in operating profit at 32 per cent was much higher than the rise in operating expenses, which grew 13 per cent, during the said period. The bank's total income (comprising of interest income as well as non-interest income) was up 7.70 per cent to Rs 4,529 crore in Q1FY'16 compared to Rs 4,205 crore in the corresponding quarter a year ago. Its interest income, in particular, saw a growth of 10.6 per cent at Rs. 4,215 crore as against Rs. 3,810 crore, during the period under review. "We were able to achieve a higher profit by improving the yields and reducing the costs. However, we also had to take a hit from the dip in treasury income, as every other bank did this time around, in addition to a rise in agriculture NPAs (non-performing assets)," observed S K Kalra, Managing Director, Andhra Bank.

The Gross NPA (Non Performing Assets) of the state-owned bank stood at Rs. 7,238 crore or at 5.75 per cent at end of the June quarter of FY'16, compared with GNPA of Rs. 6,827 crore or 5.98 per cent in the year-ago period. The bank's Net NPA too fell to Rs. 3,650 crore (or 2.99 per cent) from Rs. 4322 crore (or 3.89 per cent), during the same period. In another positive, the bank also improved its provision coverage ratio (PCR) to 61.33 per cent, as on June 30, 2015, from 48.2 per cent in the same quarter of the previous fiscal; the bank's PCR stood at 59 per cent, as at the end of March 2015. Further, it grew its total deposits by 4 per cent to Rs. 153,380 crore from Rs. 147,519 crore, while advances rose by 10.2 per cent to Rs. 125,846 crore from Rs. 114,188 crore, during the said period. Also, led by a significant jump in CASA deposits – up 19 per cent to Rs. 41,222 crore – the bank's CASA ratio improved to 26.88 per cent in June quarter of 2015-16 from 23.53 per cent in the same quarter of the previous fiscal.

The bank's priority sector advances grew by 15.6 per cent to Rs. 49,077 crore from Rs. 42447 crore, during the period under review. Of all the categories, MSME Advances registered highest growth of 21 per cent at Rs. 22,537 crore from Rs. 18,645 crore, it was followed by retail credit, which saw a growth of 13.7 per cent, and Mid & Corporate Sector, which recorded a growth of 12.1 per cent, in the first quarter of 2015-16. The bank's retail credit portfolio stood at Rs. 19,493 Crore, as on June 30, 2015, as against Rs. 17,148 crore in the same quarter a year ago. Its Housing loans portfolio increased 26 per cent - from Rs. 8,013 crore in Q1FY'15 to Rs. 10,073 crore in Q1FY'16, while during the same period the Education loans portfolio too registered a similar growth (at 25 per cent) from Rs. 1,514 crore to Rs. 1,887 crore. Total credit extended to women beneficiaries during the June quarter of 2015-16 stood at Rs. 13,350 crore, i.e., 10.59 per cent of Net Bank Credit as against the RBI norm of 5 per cent.

Keeping in view the thrust given by Ministry of Finance to fund the unfunded through Pradhan Mantri Mudra Yojana, the bank sanctioned 13140 MUDRA loans till date within a short span of time from the date of launch of PMMY Scheme (08.04.2015). The bank has 2522 number of branches and 2272 number of ATMs, as of June 30, 2015. The total number of delivery channels of the Bank is at 4833. The bank has also opened two new circle offices – one each at Warangal, in Telangana, and Vijayawada, in Andhra Pradesh. TGA

PROFITABILITY (Rs. in Crore)

Particulars	Quarter ended		% Change
	30.06.15	30.06.14	
Interest Income	3810	4215	10.6%
Non-Interest Income	395	314	-20.4%
Total Income	4205	4529	7.7%
Interest Expenses	3007	3058	1.7%
Operating Expenses	572	646	13.0%
Total Expenses	3579	3704	3.5%
Operating Profit	626	826	31.9%
Provisions & Contingencies	519	623	20.0%
Net Profit	107	203	89.3%
Net Interest Income	804	1157	44.0%

IMPORTANT RATIOS

Particulars	Quarter ended		March'15
	30.06.14	30.06.15	Year End
Net Interest Margin (NIM) (%)	2.14%	2.87%	3.00%
Return on Assets (%)	0.25%	0.45%	0.38%
Cost of Deposits (%)	7.86%	7.46%	7.73%
Cost of Funds (%)	7.15%	6.72%	6.97%
Yield on Advances (%)	10.72%	10.82%	11.38%
Yield on Investments (%)	8.18%	8.06%	8.19%
Yield on Funds (%)	9.06%	9.26%	9.64%
Cost to Income Ratio (%)	47.73%	43.91%	45.37%
Provision Coverage Ratio (%)	48.19%	61.33%	58.93%
CRAR (Basel III) (%)	10.26%	10.36%	10.63%

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METRO RAIL

An Unmatched Real Estate Catalyst

While Metro rail implementation has a huge impact on real estate prices along its corridor and 'influence zone', in the larger context it improves the standard of living of a large segment of urban population, and is also a catalyst for sustainable development across large urban areas.

A. SHANKAR
National Director & Head – Urban Solutions
(Strategic Consulting) JLL India

In India, it is indubitably Metro time. Year 2015 saw the unveiling of metro rails in Chennai and Jaipur, along with the expansion of Metro lines in Delhi and Bangalore. Currently, there are 7 operational metro systems in India. Kolkata was the first city to be blessed with a metro rail in 1984, followed by Delhi in 1995. The success stories of Kolkata and Delhi paved the way for metro in others cities such as Bangalore (2011), Gurgaon (2013), Mumbai (2014) and Jaipur (2015).

These cities show a uniformly positive change after the implementation of metros along their metro corridors. The deployment of a Metro directly impacts real estate through increase in land value, land use change and densification along the Metro corridor. International case studies prove that mass transit systems such as Metros and monorails contribute significantly to solving traffic problems. Such projects also result in increased urban real estate values, since consumers are willing to pay more for the convenience.

Real Estate Impact Of Metros

The impact of a Metro on real estate along its corridor is direct and powerful. Of course, retail or commercial areas benefit due to improved accessibility, but residential areas receive a dual demand driver - the Metro generates jobs which result in increased demand for homes, and the reduced commuting costs and convenience draw buyers to areas close to the Metro.

- In areas closest the stations, the visible impact is higher on commercial property values than on residential values, and the effect diminishes as the distance from the station increases
- Land prices are higher if a land parcel is located within walking distance, but not directly next to the station. The increase in the land values is reflected in the area served, especially around the stations
- There is a considerable increase in demand of retail and office spaces around existing metro stations.

- Most commercial properties near Metros result from the conversion of standalone residential units to apartments, mixed use properties to commercial use and new development on vacant land.

Land values are inversely related to the distance of land parcels from the metro station. Ordinarily, land values decrease along with the distance from Metro stations. Technically, a Metro exerts an influence buffer of up to 1 km radius, with the maximum influence being within 500 meters. Typically in a city, the market value of properties will increase by more than 50 per cent over the prevalent values after the launch of metro rail, depending upon the location, land use, and the micro-market's overall potential.

The population density of nearby residential areas will increase after the launch of a Metro because of proximity preference, along with the increases demand for retail and office spaces. There will simultaneously be a steep increase of new developments in the abutting vacant land or open spaces, as the developers will seek to capitalize on the profit implications of higher developments that can result from additional FSI, if this is applicable. A constant rise in the land prices in the proximate areas is usually seen during all project stages.

Regulatory Changes To Accommodate Metros

There will invariably be regulatory changes taking shape after a Metro is put in place. To address the needs of urbanisation in the Metro areas, the government usually addresses the specific needs of housing development by granting extra FSI (Floor Space Index) along the corridor. This increased FSI will reflect in increased prices for land along the Metro corridor, and automatically lead to increased population density near the Metro station.

Needless to say, this imposes stress on the existing infrastructure available in the region, which the government must tackle along with the Metro development. In order to control development along the metro corridor, land usage needs to be revised – failing which unorganised commercial development will crop up on the heels of the higher rentals assured by the increased connectivity. Given the influence zone of 800-1000 meters from the Metro stations, the land use for this zone must be properly mapped in order to maintain a balance. Residential to commercial land use conversion will invariably be most prominent, as commercial spaces will fetch higher rentals.

JLL Property Consultants have worked on various assignments with Metro authorities across the globe and in India to analyse the impact of Metros on the respective property markets, including benchmarking property values.

CASE STUDY: Chennai Metro

The now operational Chennai Metro network has been planned in a manner which integrates it with other forms of public transport, including buses, suburban trains and MRTS. The enhancement and easement of connectivity has had a huge impact on real estate prices along the Metro corridor. With the amplified connectivity of Chennai's suburbs to the city centre, more and more property buyers are considering settling down in the suburbs, away from the busy city and yet enjoying rapid connectivity to their workplace in the Central Business District (CBD).

Real estate demand along the Chennai's suburbs saw a significant increase, and this prompted developers to unleash a number of new launches in these areas. North Chennai, which hitherto had limited real estate prospects, is now seeing the green shoots of growth after the Metro connected it to other parts of the city. The Metro is now expected to find solutions for unsold real estate inventories, resale and unoccupied commercial and retail spaces.

It will also restore the lost prominence of micro markets such as Anna Salai, which was the city's earlier entertainment and business hub. The existing developments and infrastructure at Anna Salai had not been able to cater to latter-day demand, but will now doubtlessly see a lot of commercial redevelopment as a result of the easy access provided by the Metro.

Since the Metro's announcement in 2009, Chennai has witnessed steady real estate price increases, especially along the Metro corridor. Prices near the Metro station have already reached Rs. 7000–16000/sq.ft. and are expected to increase further about 15 per cent now that the Metro is operational.

Residential rentals will rise as more of the population moves closer to the Metro to benefit from the faster and cheaper transport. If feeder services are strengthened, this impact will amplify out to a radius of 4-5 km from the Metro stations.

Likewise, home buyers are also attracted by the reduced commuting time to work, and this will lead to a significant rise in sales and increased capital values near the Metro stations. The return on investment is considerable, given that home buyers are willing to pay a premium for residential units situated close to public transit systems like the Metro.

- Overall benefits of a Metro:
- Saving on travel time
- High service availability, reliability and quality
- De-congestion
- Higher productivity and savings across the system

While Metro rail implementation has a huge impact on real estate prices along its corridor and the influence zone, in the larger context it improves the standard of living of a large segment of urban population, and is also a catalyst for sustainable development across large urban areas.

TGA

STROKE REHABILITATION

Nightingales Carves a Niche in In-Home Medicare

Stroke, commonly known as 'brain attack', is the second leading cause of deaths globally. Though rehabilitation does not 'cure' the effects of stroke, it can substantially help the patient achieve the best possible long-term outcome.

According to the World Health Organization, stroke is the second leading cause of deaths globally, accounting for 11.9% of deaths, after Ischaemic heart disease, which caused the most number of deaths (13.2%) during the past decade, a study by the WHO suggests. In terms of absolute figures, cardiovascular diseases killed 17.5 million people worldwide in 2012, that is, 3 in every 10 deaths. Of these, 7.4 million people died of ischaemic heart disease and 6.7 million from stroke.

Further, a study conducted by the Washington-based Global Burden of Disease (GBD) found that cardiovascular-related ailments accounted for over 7% deaths in 2013 in India. In fact, ischemic heart disease, chronic obstructive pulmonary disease, and stroke, together accounted for 30% of all deaths in 2013 in the country, as per the findings of the GBD. The Institute of Neurological Disorders and Stroke says that stroke is the third leading cause of death and the leading cause of long-term disability in the US. There are approximately 4 million Americans living with the effects of stroke. And the situation is equally worrisome in the Europe as well.

What is stroke?

High blood pressure, also called hypertension, is the most important risk factor for stroke. Besides, there are many other risk factors which also put you at risk, they include – smoking, high cholesterol, physical inactivity, obesity, diabetes, age, family history, etc. A stroke, commonly known as "brain attack", occurs when brain cells die because of inadequate blood flow. Stroke are mainly of two types – ischemic, the most common type of stroke, happens when a blood clot blocks the flow of blood and oxygen to the brain, and hemorrhagic, Haemorrhagic strokes (also known as cerebral haemorrhages or intracranial haemorrhages), are less common and occurs when a blood vessel within the skull bursts and bleeds into and around the brain.

According to the National Stroke Association, US, knowing the signs and symptoms of a stroke is the first step to ensuring medical help is received immediately. For each minute a stroke goes untreated and blood flow to the brain continues to be blocked, a person loses about 1.9 million neurons. This could mean that a person's speech, movement, memory, and so much more can be affected. Stroke symptoms include: sudden numbness or weakness of face, arm or leg, especially on one side of the body; sudden confusion, trouble speaking, or understanding; sudden trouble seeing in one or both eyes; sudden trouble walking, dizziness, loss of balance or coordination, etc. In other words, the most common disabilities due to a stroke are weakness/paralysis usually on one side of the body, inability to use hands for holding objects, balancing problems, difficulty understanding and speaking, etc.

Stroke rehabilitation

According to the Mayo Clinic, Stroke rehabilitation (stroke rehab) is an important part of recovery after stroke. The goal of a stroke rehabilitation program is to help the patient relearn skills lost when stroke affected part of his brain. Stroke

Nightingales' Stroke Rehabilitation Services helped a patient recuperate successfully

The Stroke Rehabilitation Team at Nightingales comprises various specialties like Physicians, Physical therapists, Nursing, Speech therapists, Caregivers, etc. The Team understands that every patient is unique and needs individualized care plans depending on the limitations placed on his or her abilities and what goals have to be achieved.

A 49-year-old senior bank manager Mr. Chandrashekhar (name changed) suffered an ischemic stroke which paralyzed his entire left half body. This affected his day-to-day activities like walking, grooming himself, ability to speak clearly and eating by himself. He consulted a renowned Neurologist who suggested a minimum of three months of vigorous rehabilitation consisting mainly of Physiotherapy and Speech therapy. Mr. Chandrashekhar's family members approached Nightingales' Rehabilitation Team for home-based treatment since they could not take time off work to take him to hospital daily, and it was stressful for the patient too.

Nightingales' Physiotherapy Team Lead visited Mr. Chandrashekhar's residence, did a thorough assessment of his disabilities and categorized him as mild stroke patient based on the findings. An individualized home-based care plan for three months was created which consisted of functional and task-oriented activities to help him be more independent and return to work in a short span of time. Along with daily rehabilitation, Mr. Chandrashekhar followed up with his Neurologist who noted significant improvement in his condition, which indicated that Mr Chandrashekhar was on the right track for recovery.

After 13 weeks, Mr. Chandrashekhar is back to his routine, and he still continues his home exercise programme taught by Nightingales' Rehabilitation Team. Nightingales' experience and expertise in stroke rehabilitation has benefitted many other stroke patients like Mr. Chandrashekhar. The Team's expert care and customized rehabilitation plans are just a call away.

Nightingales - The Home Health Specialist, Call: 040 – 400 200 01 / 400 300 01 www.nightingales.in

rehabilitation can help the patient regain independence and improve quality of his life. The severity of stroke complications and each person's ability to recover lost abilities varies widely.

Researchers have found that the central nervous system is adaptive and can recover some functions. They also have found that it's necessary to keep practicing regained skills. Rehabilitation helps stroke survivors relearn skills that are lost when part of the brain is damaged. For example, these skills can include coordinating leg movements in order to walk or carrying out the steps involved in any complex activity. Rehabilitation also teaches survivors new ways of performing tasks to circumvent or compensate for any residual disabilities. Individuals may need to learn how to bathe and dress using only one hand, or how to communicate effectively when their ability to use language has been compromised. There is a strong consensus among rehabilitation experts that the most important element in any rehabilitation program is carefully directed, well-focused, repetitive practice - the same kind of practice used by all people when they learn a new skill, such as playing the piano or pitching a baseball.

According to the National Institute of Neurological Disorders and Stroke (NINDS), US, in the United States alone, more than 700,000 people suffer a stroke each year, and approximately two-thirds of these individuals survive and require rehabilitation. The goals of rehabilitation are to help survivors become as independent as possible and to attain the best possible quality of life. Even though rehabilitation does not 'cure' the effects of stroke in that it does not reverse brain damage, rehabilitation can substantially help people achieve the best possible long-term outcome.

According to the US-based National Stroke Association:

- 10% of stroke survivors recover almost completely
- 25% recover with minor impairments
- 40% experience moderate to severe impairments that require special care
- 10% require care in a nursing home or other long-term facility
- 15% die shortly after the stroke
- Approximately 14% of stroke survivors experience a second stroke in the first year following a stroke.

Successful rehabilitation depends on:

- Amount of damage to the brain
- Skill on the part of the rehabilitation team
- Cooperation of family and friends. Caring family/friends can be one of the most important factors in rehabilitation
- Timing of rehabilitation – the earlier it begins the more likely survivors are to regain lost abilities and skills
- The goal of rehabilitation is to enable an individual who has experienced a stroke to reach the highest possible level of independence and be as productive as possible, says the NINDS. It adds, because stroke survivors often have complex rehabilitation needs, progress and recovery are unique for each person. Although a majority of functional abilities may be restored soon after a stroke, recovery is an ongoing process. Long-term commitment is an important condition for stroke recovery.

TGA

Whoever said there is no such thing as a free lunch, it's time to eat humble pie, literally! For, a Hyderabad-based start-up aims to prove this wrong.

Sounds interesting? Meet JustKapture, a new entrant to the Pearl City's bustling start-up space. Founded by Rahul Agarwal (IIIT Hyderabad), Manish Agarwal (IIIT Hyderabad), Abishek AG (IBS Hyderabad), & Dr. Rishi Dwesar (IBS Hyderabad), JustKapture offers printing premium quality photo prints absolutely free to its users. The company, however, earns revenue by selling the blank space behind the printed photographs to the advertisers. "This is a revolutionary new medium for brands to promote themselves and this is how, JustKapture was born," says the founder-duo brimming with confidence and enthusiasm.

Launched on March 1, 2015, JustKapture wants people to get nostalgic once again, relishing memories the way it used to be during the good old days, before the advent of online social networks, when printed photos were the only way to preserve

ones' memories. This is how it works - Users can log into the website & choose photos from Facebook, Instagram or upload photos from their device. Once they select their photos and place the order, JustKapture prints them on premium quality paper (300GSM) & delivers it to the doorstep of the user, free of cost! And the overwhelming response to the company's offering just vindicates the founders' belief in the concept. Apart from the over 2,000 users who have registered and placed orders for over 7,500 photo prints on its website, JustKapture has also been able to capture the attention of a number of advertisers. Want to give it a try? Just log into the website - JustKapture.com - and get your photos delivered at your doorstep, absolutely free of cost.

In a tête-à-tête with The Global ANALYST, the Agarwals talk about what drove them to try their hands at entrepreneurship, how they try to differentiate their offering, the market potential, and their growth strategies. Edited excerpts:

- **When did you get your 'Eureka' moment?**

We hit upon this idea when we were gifting a printed photo collage to a common friend on her birthday. One of us was holding the photo and feeling nostalgic. The feeling of holding a photo in your hand is special and amazing. We then started discussing about why people are not printing many photos these days apart from the special occasions.

Some of the points which we came across after the discussion were, these days we have too many photos which are stored in the cloud in a digital format. And it is not possible to print all of them as the whole process is very expensive and time-consuming. You have to find the right printer, take photos to them and get them printed. You also need some basic knowledge/expertise about printing.

While trying to come up with a solution, we realized that the blank space behind a printed photograph was being wasted, whereas it could be valuable advertising space! This is a revolutionary new medium for brands to promote themselves and this is how, JustKapture was born, when we decided to make the whole process easier for people and give them photo prints for free, with advertisements printed on the back.

How does it work?

We charge our advertisers for placing a relevant ad behind the photo prints. We have a system in place which takes care of targeting the right users for each advertisement, to give them maximum reach and increase effectiveness.

Our sole focus area is to provide premium quality photo prints to our users, while always keeping it free for them. However, we are now also focusing on better targeting of advertisements and reaching out to various industries for clients.

- **How do you differentiate your offering?**

Well, our service is totally FREE for our users, from ordering the photo prints to having them delivered. And we never compromise on quality of the photo prints. So the USP would be the "World's First Premium, Free Photo Printing & Delivery Service!" With regards to our advertisers, we're a truly unique advertising medium, with which brands can establish personal connections. Our USP to them would be "Brand new & popular advertising medium which gives your brand unparalleled exposure."

- **Do you want to confine your services to Hyderabad only or do you also plan to go Pan India?**

Currently we are operational only in Hyderabad. Around 5 million people in Hyderabad have access to the internet, growing at a healthy rate of 33 per cent yearly. This is technically our potential market. We believe a free service like ours is appealing to consumers across various target groups & demographics. JustKapture aims to be a global company soon, with operations spanning across all major countries.

- **How has been your experience so far?**

The experience has been great so far. A major challenge we've faced is to give quality photo prints to our users, but at the same time keeping the cost per photo in check. We took our time in approaching and trying various printers (20 to 30 in Hyderabad) and conducting rigorous quality checks, until we finalized on the right printing partner. Similarly, we've tried different delivery partners, to ensure prompt and hassle-free delivery for our users.

- **How do you view the performance of the Company so far?**

The Company's performance has exceeded all expectations so far. We have managed to acquire around 2,000 users in just 4 months with almost no marketing expenditure, and have printed around 7,500 photos! We've also acquired 8 advertisers on board, and conducted/participated in various events and activities across the city.

- **Tell us about the competition.**

Well at this point in time, we don't really have any competitors, as our service and offering are very unique. This is the world's first free, quality photo printing service, a revolutionary new advertising media. If we have to identify competitors, we would say traditional online printing services like zoomin, picsquare, etc.

- **What are your growth plans, going ahead?**

We plan to provide many more customized printing options and improve upon our targeting algorithm, while working towards making JustKapture a global company. We've recently introduced discount coupons for our users as well, and we aim to provide the best possible service.

We also want to take JustKapture all over the world and want to establish it as a fully equipped digital printing service, while keeping it free.

- **What would be your tips to entrepreneurial aspirants?**

If you don't try, you've already failed. So if you have an idea, just go do it. Always keep in mind that never compromise on quality of the service and always provide a good service. Keep yourself open for feedback and suggestions.

- **Would you like to share any other thought?**

You miss 100 per cent of all the shots you don't take!

TGA

What Are the Best-Kept Secrets for Startup Success?

The best-kept secret about startups (especially for first-time entrepreneurs) is that you don't have to re-invent the wheel to be successful.

It's a secret because, in my experience, young entrepreneurs don't want to hear that someone has already solved 98per cent of the problem they want to tackle — and that they should focus on the remaining 2per cent — to increase their odds of success.

Here are a few additional pieces of advice.

Websites: Every startup wants a super flashy website (even if they're not a web company), and so they invest tens or hundreds of hours into making the "perfect" website (which they typically don't have the in-house skills to create). The end result is often a mediocre website and tens/hundreds of wasted hours — resources that could have been spent on customer development. Time and money are better spent on a $50 WordPress theme (that doesn't even look like WordPress) and two hours to set up the site. You can launch a WordPress site on a brand new domain and get basic content on it in 20 minutes.

Fundraising: Same tune here. Every startup's dream is to raise money — and this is often primarily because of pride. If more startups spent their time focused on adding value to their customers, more would get funding. Investors want a return on their investment, not another cool sticker for their MacBook.

Product: I hear this all the time: "How will I know if my customers will like it until I've built it?" The answer is "rapid-prototyping" (a.k.a. "just fake it"). Do you really want to invest all the time and effort it takes to make a product only to find out no one wants it? I wouldn't invest in that entrepreneurial process.

Savvy founders find ways to demonstrate demand before they build.

Incentivize: Manually give rewards to users of your product instead of building a complex feature with many moving parts (back-end integration, API integration, cron jobs, etc.). Sure, it's hard work, but it's smarter than building a feature based on your unproven hypothesis.

Mock-ups (aka lookalikes, feels-like): Did you know that the very first Palm Pilot was a block of wood? Jeff Hawkins walked around for a full month with a hunk of wood in his pocket, literally stopping on street corners, imagining what his life would be like if he actually built one. Cost: One block of wood.

Focus on high ROI experiments: Hypothesize, predict, test, analyze, repeat.

The bottom line

te best generic piece of advice I can give startup founders is to focus on adding value to their customers in such a way that the business can capture a piece of that value (monetize).

If you spend your time and energy seeking out something customers will pay for (instead of on your website, wasting your lawyer's time, premature fundraising, over-engineering your product, etc.), you'll learn a hell of a lot and be much more likely to be successful.

~~Source: mashable.com~~

DIGITAL ANALYST

The World of Smartphones, Smart TVs and More

Smart is the 'in thing' today, literally! And, in the world of consumer electronics, the fun never stops when it comes to the categories like tablets and Smartphones. With rising aspirations, shifting preferences, and ever demanding consumers, not to mention advent of new technologies, manufacturers are always on their toes to meet consumers' expectations.

And as the Monsoon season gets underway, it's raining Smartphones and Smart TVs, virtually! Let's take a look some of the new gadgets and gizmos which have made their way to the retailers' shelves:

Intex launches its new Led TV model 2412

In an effort to capitalize on the craze for LED TVs and further expand its product portfolio, fast growing consumer electronics maker Intex has introduced its latest LED TV model - Intex LED TV 2412. The new TV model, Priced at Rs. 12,990, boasts of features such as HDMI, AV in and AV out, PC Audio input mini jack, USB, VGA, RF, and an earphone jack. According to the company, the LED TV 2412 celebrates the off-beat individual who wants more entertainment with low power consumption. For the music buffs, model 2412 comes with built-in stereo speakers which leave your heart aflutter. Another key feature of this model is its EYE SAFE MATRIX TECHNOLOGY which redefines your viewing experience on LED TV as it is safer and eliminates lags.

Sony India debuts its slimmest 4K Android-based LED TV

The Japanese consumer electronics giant Sony India has launched five new Smart Bravia TVs, besides the world's slimmest 4K (Ultra HD) LED TV which is based on Android O/S. These new models come in the range from 43 inch to 75 inch panels, with prices starting from Rs 69,900 onwards. All the TVs will run on the latest Android Lollipop at the base with Bravia UX user interface on top, according to the company. "Over 90 per cent of Indian consumers use the Android platform for mobile phones and that is why we choose this platform for our new series of TVs," said Sony India's Bravia head Sachin Rai.

The all new Sony's Android TV™ brings you wide intuitive menu, enhanced functions for seamless entertainment. The new models also come loaded with a unique feature – 'Serial AbTak', which will ensure you never miss your favourite TV Serial, with its friendly interface you can search your content without any hassles. Besides, there is another interesting feature, Notify BRAVIA, which will allow you to never miss a call, message, notification from social channel while you're watching TV!

Samsung launches new 4G Smartphones

Confirming its renewed focus on India, Samsung, the world's leading consumer electronic company, has introduced new models of 4G Smartphones in the domestic market for consumers looking for 'value-for-money' Smartphones which are 4G-enabled. "Currently, we have 10 LTE smartphones and today, we are adding two more. Going ahead, we will launch more 4G devices across price points," said Asim Warsi, Vice President Marketing (IT and Mobile) at Samsung India. He also observed that 4G adoption will happen at a faster pace than 3G in the country and the company is geared up to tap into the opportunity. The models called Galaxy J5 and J7 are priced at Rs 11,999 and Rs 14,999, respectively. These models, currently available exclusively on Flipkart.com, and will carry freebies worth nearly Rs 4,000, which, according to the company, effectively brings down pricing to sub-Rs 10,000 for consumers. The Samsung Galaxy J7 has a 5.5 Inch Super AMOLED Display, Dual SIM (LTE + GSM), 13 MP | 5 MP Camera with Front Flash, and Octa Core Processor. The Galaxy J5 has a slightly smaller screen at 5 inch as compared to the Galaxy J7. Thanks to 4G LTE support, you can enjoy seamless connectivity and data speeds up to 150 Mbps. TGA

ICFAI GROUP

Building a Billion Dollar Enterprise

Five Big Lessons for Entrepreneurs

BVR Mohan Reddy at ICFAI University Convocation

Dream big, be paranoid about success; but stick to your values' – said Dr.BVR Mohan Reddy at Hyderabad on July 10, 2015. Dr. B.V.R. Mohan Reddy, Founder and Executive Chairman, Cyient Limited, Chairman, Board of Directors, IIT Hyderabad, and Chairman, NASSCOM was delivering the convocation address at the fifth convocation of The ICFAI Foundation for Higher Education (IFHE), ICFAI Group on July 10, 2015 at Shilpakala Vedika, Hyderabad. Dr. C.H. Hanumantha Rao, Chancellor presided.

Tracing his 40 year entrepreneurial journey of building a billion dollar company with business in 31 countries, employing 12,000 people, Dr. B.V.R. Mohan Reddy explained the five big lessons he learnt during the successful journey.

'Dream Big, look for the right timing, be persistent, take calculated risks, be ambitious and be paranoid about success' – he explained as the first lesson for an entrepreneur. Then he explained the importance of a sound business model and how he built an institution around Sustainability, Predictability, De-risking and Profitability (SPDP). Further he highlighted the innovation brilliance as one of the elements of success of Cyient. The fourth big lesson he explained was the importance of an inclusive approach – i.e., understanding the needs of customers, employees, suppliers, shareholders, society and the environment – and incorporating them into enterprise strategy and sustainable value creation activities. Finally, stressing the importance of values as priceless for an enterprise, Dr.Mohan Reddy explained how at Cyient the 'Values First' principle guided the behavior and actions: Fairness, Integrity, Respect, Sincerity and Transparency.

Dr. Mohan Reddy noted the outstanding achievements of the University in all spheres and wished the institution success in achieving greater heights.

Degrees Awarded: During the convocation 1047 students including 408 female students were awarded degrees for graduating in the PhD, MBA, BBA-LLB (Hons), B.Tech., and BBA programs.

Gold and Silver Medals: Medals were awarded to students for academic excellence and all round excellence. Gurpreet Singh received the gold medal for academic excellence in the MBA program and Harish Kumar received the silver medal. Saloni Rajneesh Anand was the recipient of The N J Yasaswy-Apollo Hospitals Award for the Best student and Gold Medal. Harsh Sultania received the silver medal for all-round excellence in the MBA program. Kirti Dahiya received the Saurabh Sharma Memorial Gold Medal as the First Rank holder in the Marketing stream of the MBA program. Arushi Goyal was the recipient of the Faiyaz Ahmed Khan Memorial Gold Medal as the First Rank holder in the Finance stream of the MBA program. Sachin Bhati and Harsh Bucha received the gold medal and silver medal respectively for academic excellence in the BBA program while Tanshi Sharma and Joel Vivek Bandi received the gold medal and silver medal respectively for academic excellence in the B.Tech. program. In the BBA-LLB (Hons) program the gold and silver medals for academic excellence were awarded to G S L Priyanka and M Tanya respectively.

Prof. D. Satish receiving Best Faculty Member award for All-round Excellence.

NAAC Accreditation: Prof J. Mahender Reddy, Vice Chancellor presented a report on the progress made by the university during the year 2014-15. He reported that the University obtained NAAC accreditation with 'A' grade and a score of 3.43 out of a maximum of 4. He informed that during the year the faculty members of the University published 171 papers in professional journals of repute of which 76 were in Scopus listed journals and 10 in A*/A Journals listed in Australian Business Deans Council Journal Quality list. He highlighted the steps taken by the University in providing quality higher education to the youth of the country.

Dr C H Hanumantha Rao, Chancellor of the University appreciated the significant achievements made by the University in all areas. He made a special mention of the research being carried out by the University faculty on topics of social relevance.

Apart from the students, parents, faculty members and alumni of the University, the convocation was attended by members of ICFAI family and several distinguished academicians and personalities from the city.

IFHE campus: IFHE is a Deemed to be University under Section 3 of the UGC Act, 1956. Three thousand five hundred students are pursuing various programs in the Faculty of Management (IBS Hyderabad), Faculty of Science & Technology, and Faculty of Law at the University.

Best Faculty Member: Prof. D. Satish was the recipient of the N J Yasaswy-Apollo Hospitals Award for the Best Faculty Member for All-round Excellence.

TGA

7 Characteristics of a Billion Dollar Company

1. **They Are The Best At What They Do :** Look at Google, we use it because it gives us the results we are looking for quicker than any other search engine, the same applies to Facebook, we use it as it's the most user friendly and has all our friends in one place.
2. **They Go For Mass Markets :** No one has ever become a billionaire by targeting a small market, all the top companies have mass appeal such as Microsoft who's aim is to have a computer in every house hold.
3. **They Use Their Time Wisely :** Bill Gates wouldn't go on Twitter and bitch about how his iPhone is broken or how one of his employees is an idiot, that would be a complete waste of time.
4. **They Are Not Scared To Work Hard :** The internet has made it easy for some us to work only a small amount of time a day and still be able to make more than enough to support ourselves (take me for example) – however if you want to be a billionaire, you need to work really hard, that means late nights, grafting all the time and no submission.
5. **High Profit Margins :** Profit margins are something of a daunting area to get involved in, but basically the more the margin in profit the more money these billionaires make, which is why it is essential for them to have the best marketing and advertising campaign, the best quality in products and the best branding they can achieve because this all helps the sales.
6. **They buy low and sell high so the profit Are Large :** Sticking with the above example the larger the company is the more weight they can put behind them to get the best deals for their products and services, smaller businesses do use this method too, although it is usually on a lot smaller scale and usually depends on them buying a minimum amount of materials.
7. **They Take Risks :** Bill Gates, Richard Branson, Larry Page, Mark Zuckerberg and Henry Ford all have two things in common, they all dropped out of college, and they all became successful. Source: retireat21.com

BOOKSHELF

Books on Business & Management Sterategy - 2015

Release Date:
August 19, 2015
Price Rs.125
Pages 192
Rupa Publications

Making India Awesome

Love your country?

Want to make it truly great?

Tired of loud debates and complex arguments which lead to no solutions?

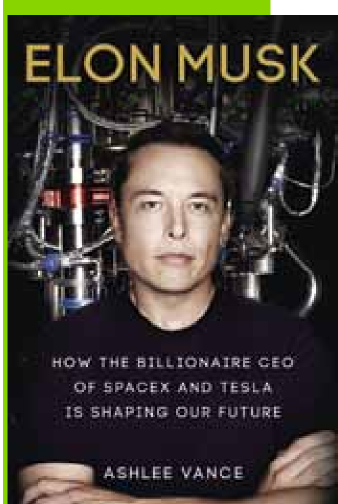
Welcome to MAKING INDIA AWESOME.

Following the phenomenal success of his first non-fiction book, What Young India Wants, Chetan Bhagat, the country's biggest-selling writer, returns with another book of essays in which he analyses and provides inspired solutions to the country's most intractable problems—poverty, unemployment, corruption, violence against women, communal violence, religious fundamentalism, illiteracy and more. Using simple language and concepts, this book will enable you to understand the most complex of problems facing the nation today and give practical solutions on how you can do your part to solve them.

If we really want them to 'Make in India', the government has to let go. Keep business rules, but align them with international standards. Get the government out of business, not just in terms of selling public sector enterprises, but also having no arbitrary or discretionary control over individual businesses. All this should be personality-proof. The current finance minister may be investor-friendly. The next one may not. If I have invested money in India, how can I be sure the new guy won't come after me with a stick?

About the Author

Chetan Bhagat is the author of five blockbuster novels, Five Point Someone (2004), One Night @ the Call Center (2005), The 3 Mistakes of life (2008), 2 States (2009) and Revolution 2020 (2011). All five books have remained bestsellers since their release and have inspired major Bollywood films. The New York Times called Chetan the the biggest selling English language novelist in India's history. Time Magazine named him as one of the 100 Most Influential People in the World.



Release Date:
June 14, 2015
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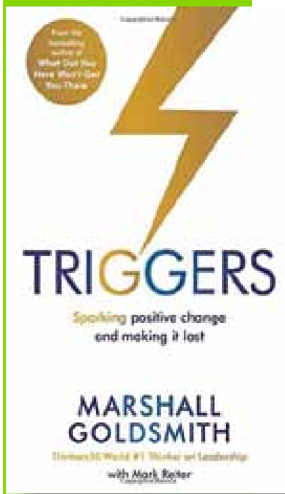
Pages 352
Virgin Books

ELON MUSK HOW THE BILLIONAIRE CEO OF SPACEX AND TESLA IS SHAPING OUR FUTURE

South African born Elon Musk is the renowned entrepreneur and innovator behind PayPal, SpaceX, Tesla, and SolarCity. Musk wants to save our planet; he wants to send citizens into space, to form a colony on Mars; he wants to make money while doing these things; and he wants us all to know about it. He is the real-life inspiration for the Iron Man series of films starring Robert Downey Junior. The personal tale of Musk's life comes with all the trappings one associates with a great, drama-filled story. He was a freakishly bright kid who was bullied brutally at school, and abused by his father. In the midst of these rough conditions, and the violence of apartheid South Africa, Musk still thrived academically and attended the University of Pennsylvania, where he paid his own way through school by turning his house into a club and throwing massive parties. He started a pair of huge dot-com successes, including PayPal, which eBay acquired for $1.5 billion in 2002. Musk was forced out as CEO and so began his lost years in which he decided to go it alone and baffled friends by investing his fortune in rockets and electric cars. Meanwhile Musk's marriage disintegrated as his technological obsessions took over his life...Elon Musk is the Steve Jobs of the present and the future, and for the past twelve months, he has been shadowed by tech reporter, Ashlee Vance. Elon Musk: How the Billionaire CEO of Spacex and Tesla is Shaping our Future is an important, exciting and intelligent account of the real-life Iron Man.

About the Author

Ashlee Vance is an award winning feature writer for Bloomberg Businessweek magazine. Previously, he worked for The New York Times and the Economist. Vance was born in South Africa, grew up in Texas and attended Pomona College. He has spent more than a decade covering the technology industry from San Francisco and is a noted Silicon Valley historian.



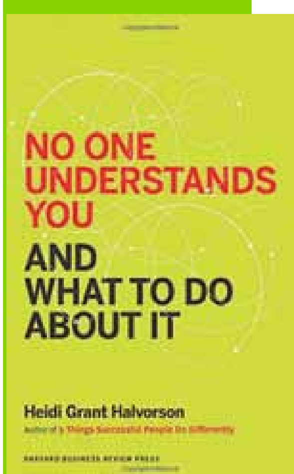
Release Date:
May 12, 2015
Price Rs. 257
Pages 272
Hachette Book Publishing

Triggers

In business, the right behaviours matter. But getting it right is tricky. Even when we acknowledge the need to change what we do and how we do it, life has a habit of getting in the way, upsetting even the best-laid plans. And just how do we manage those situations that can provoke even the most rational among us into behaving in ways we would rather forget?Triggers confronts head-on the challenges of behaviour and change, looking at the external factors (or 'triggers') - both negative and positive - that affect our behaviours, our awareness of when we need to change, our willingness (or otherwise) to do so and our ability to see the change through.Drawing on his unparalleled experience as an international executive educator and coach, Marshall Goldsmith invites us to understand how our own beliefs and the environments in which we operate can trigger negative behaviours, or a resistance to the need to change. But he also offers up some simple, practical advice to help us navigate the negative and make the most of the triggers that will help us to sustain positive change

About the Author

Marshall Goldsmith is a world-renowned business educator and coach, recognised in 2011 as the #1 leadership thinker in the world at the bi biannual Thinkers50 ceremony sponsored by the Harvard Business Review. His work has been recognised by almost every professional organisation in his field, including the American Management Association, Institute for Management Studies, the Wall Street Journal, Business Week and Economist. His books have sold over a million copies worldwide, have been translated into twenty-eight languages and become bestsellers in ten countries.



Release Date:
May 10, 2015
Price Rs.504
Pages 224
Harvard Business

No one understands you and what to do about It

Have you ever felt you're not getting through to the person you're talking to or not coming across the way you intend? You're not alone. That's the bad news. But there is something we can do about it. Heidi Grant Halvorson, social psychologist and bestselling author, explains why we're often misunderstood and how we can fix that.

Most of us assume that other people see us as we see ourselves and that they see us as we truly are. But neither is true. Our everyday interactions are colored by subtle biases that distort how others see us—and also shape our perceptions of them. You can learn to clarify the message you're sending once you understand the lenses that shape perception:

- Trust - Are you friend or foe?
- Power - How much influence do you have over me?
- Ego - Do you make me feel insecure?

Based on decades of research in psychology and social science, Halvorson explains how these lenses affect our interactions and how to manage them. Once you understand the science of perception, you'll communicate more clearly, send the messages you intend to send and improve your personal relationships. You'll also become a fairer and more accurate judge of others. Halvorson even offers an evidence-based action plan for repairing a damaged reputation. This book is not about making a good impression, although it will certainly help you do that. It's about coming across as you intend. It's about the authenticity we all strive for.

Salient Features:

- Explains the psychological underpinnings of communication, the lenses of perception, how they work, and how to use them to your advantage
- Based on peer-reviewed psychological research
- Includes practical tips and sample situations to explain specifics to readers

Reviews:

Halvorson masterfully combines research and story to outline why we're misunderstood and how to be seen for who we really are.

- Adam Grant, Class of 1965 Chaired Professor of Management, Wharton School, University of Pennsylvania.

This is a code book for deciphering one of the great riddles of life: why don't others see us as we see ourselves? With fascinating facts and memorable examples, renowned psychologist Heidi Grant Halvorson shows us the path to making a better impression on others while maintaining a sense of integrity.

- New York Times bestselling author, Give and Take

About the Author

Heidi Grant Halvorson, PhD. is a social psychologist and Associate Director of the Motivation Science Center at Columbia Business School. She is the author of four bestselling books, including Nine Things Successful People Do Differently, as well as a regular contributor to leading publications, including Harvard Business Review, Fast Company, WSJ.com and Psychology Today. TGA

My message, especially to young people is to have courage to think differently, courage to invent, to travel the unexplored path, courage to discover the impossible and to conquer the problems and succeed. These are great qualities that they must work towards. This is my message to the young people...

\- Dr APJ Abdul Kalam

(15th October 1931 - 27th July 2015)

It is extremely sad to know that former President Bharat Ratna Dr. Avul Pakir Jainulabdeen Abdul Kalam is no more. He breathed his last while delivering a lecture at the IIM, Shillong. During his lifetime spanning 84 years, Dr. Kalam wore many hats – scientist, author, speaker, motivator, People's President, teacher, however, it was the latter which he preferred the most, recollects Srijan Pal Singh, who worked with Kalam as his adviser. In a touching post on Facebook, Singh recalls a discussion he had with Dr. Kalam, one of India's greatest scientists and the finest human being, some time ago about what the latter would want to be remembered for. "'First you tell me, what will you like to be remembered for? President, Scientist, Writer, Missile man, India 2020, Target 3 billion…. What?' I thought I had made the question easier by giving options, but he sprang on me a surprise. 'Teacher', he (Dr. Kalam) said."

Dr Kalam was born on October 15, 1931 in Rameswaram, Tamil Nadu. His father was a boat owner, and his mother, a housewife. He was inclined towards studies since his childhood days. He started working - distributing newspapers - at an early age to supplement his family's income. His love for flying drove him to earn a degree in aeronautical engineering. "During my childhood the flying birds in the sky attracted me to think about the mysteries of flight. I used to think as to how the birds can fly. Can I also fly?," mentions the book, "Pride of the Nation: Dr. APJ Abdul Kalam", written by Mahesh Sharma and P Bhalla.

"My teacher once explained on the blackboard how a bird flies... I instantly got attracted to it and I decided to make something fly one day. Every child must have some great aim before the age of 15," Kalam told the Daily Mail during his 2012 visit to Gyan Shakti Vidyalaya, a school for poor children, which is run at the Gautam Buddh in Noida. He began his career as a scientist with the Aeronautical Development Establishment of the Defence Research and Development Organisation (DRDO). He later joined the Indian Space Research Organisation (ISRO). It is where he worked as project director on the country's first Satellite Launch Vehicle (SLV-III) and was instrumental in successful deployment of the Rohini satellite in near-earth orbit in July 1980. However, it was the 1998 Pokharan nuclear test that brought Kalam in the limelight, and he received widespread appreciation from general people for his role in making India a nuclear power.

Kalam served as the Chief Scientific Adviser to the then PM Atal Behari Vajpayee and was also the secretary of the DRDO from July 1992 to December 1999. He became India's President in 2002. Despite his success, Kalam always remained a simple, down to earth person, who endeared himself to all. However, it was the young, particularly school children, among whom Kalam was hugely popular as the former president would never lose an opportunity to interact and motivate them. He once said, "Ignited Mind of youth is the most powerful resource on earth, above earth and under the earth."

His contribution to the field of science and technology can never be forgotten. Kalam will also be remembered for developing "Kalam-Raju" stent, a low-cost coronary stent, which he developed along with cardiologist Soma Raju, besides designing the "Kalam-Raju" tablet computer for improving healthcare services in the rural areas. Today he is no more with us, but he will always be in our hearts. In his words, "If four things are followed- having a great aim, acquiring knowledge, hard work and perseverance then anything can be achieved." Today, the legend is no more, but his thoughts, his teachings, and his works will forever with us and inspire us to take our country to a greater height of success. Let us all strive to imbibe the values he always stood for. TGA

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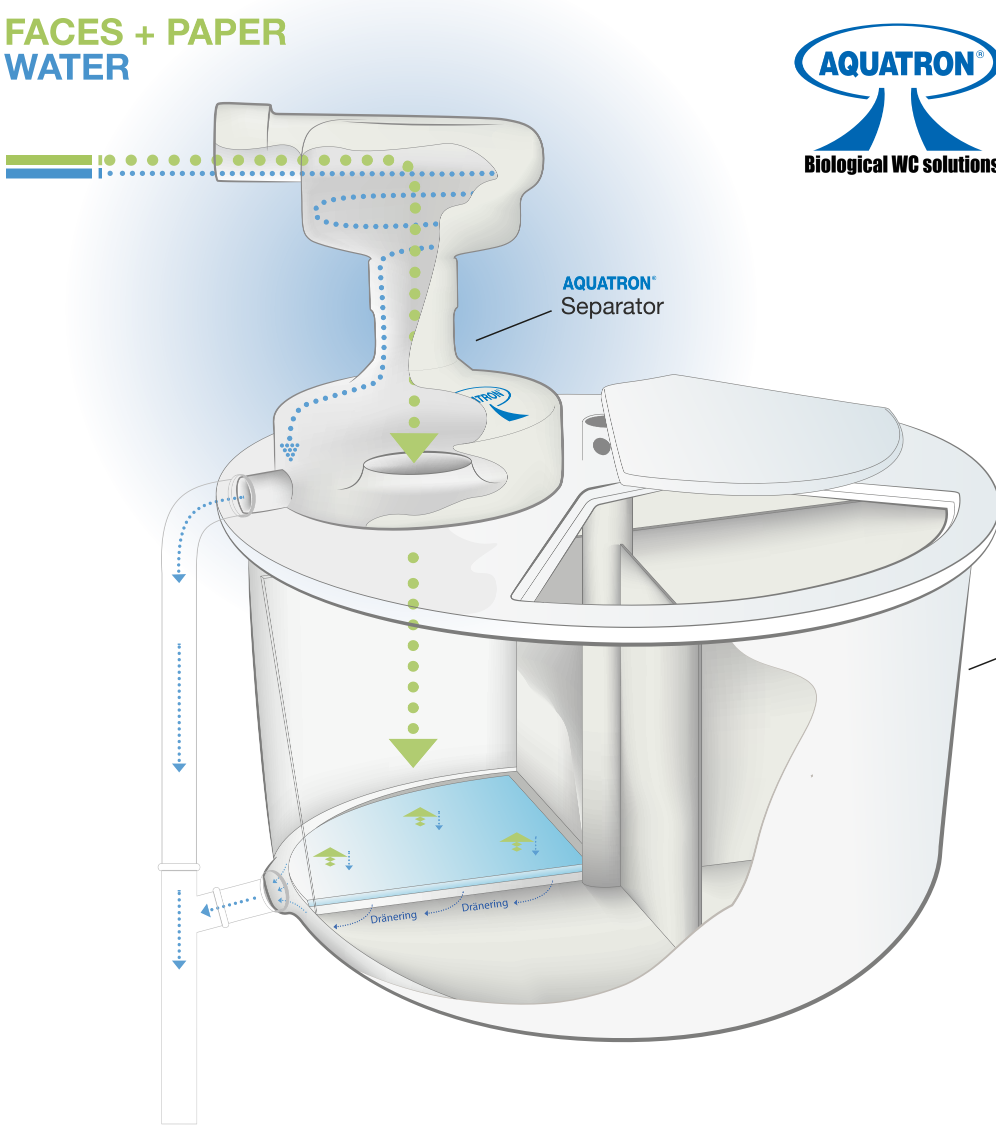

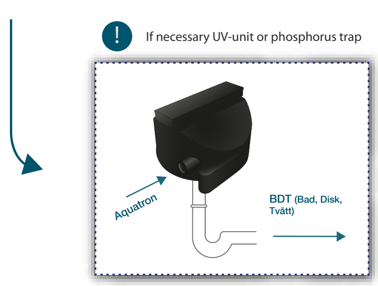

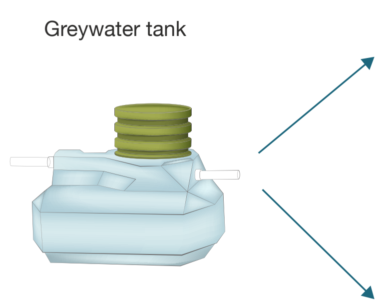

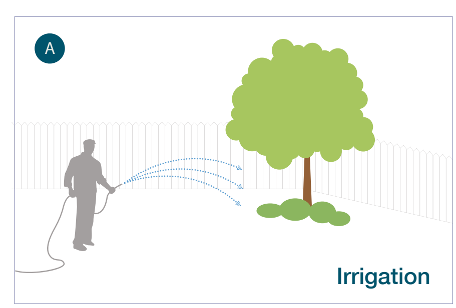

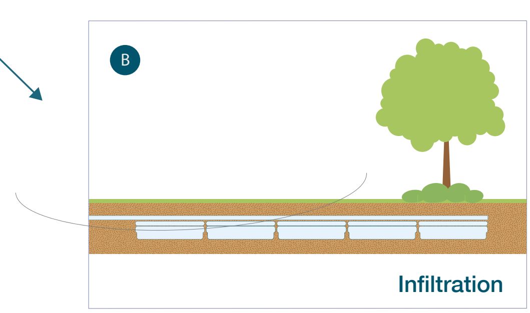

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