

SPECIAL REPORT ON SMES

Business Today

July 21, 2024 ₹200

Air



BUDGET 2024:
CREATING MORE JOBS ON FM'S AGENDA

SWAMI RAMDEV
CO-FOUNDER,
PATANJALI GROUP

PATANJALI'S NEW FORMULA

FACED WITH SLOW REVENUE GROWTH AND FORCED BY THE COURTS TO APOLOGISE FOR MISLEADING ADVERTISEMENTS, THE ₹45,000-CRORE PATANJALI GROUP IS FACING ROUGH WEATHER. BUT MAVERICK YOGA GURU SWAMI RAMDEV HAS A PLAN

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Patanjali's Run for Growth



“We only know how to run, we don't know how to walk.” That's what Swami Ramdev, the Co-founder of the Patanjali group told us in 2021 when we ran the cover story on his plans for Ruchi Soya, which he acquired for ₹4,350 crore in 2019 through the insolvency process. Ruchi's turnover at the time was ₹16,383 crore. Cut to 2024, and Ruchi Soya, now christened Patanjali Foods Ltd (PFL), clocked a turnover of ₹31,962 crore in FY24. Moreover, primarily an edible oils company at the time, PFL today sees 30% of its turnover coming from the fast-moving consumer goods (FMCG) business. Swami Ramdev and group Co-founder Acharya Balkrishna have shown Patanjali can run.

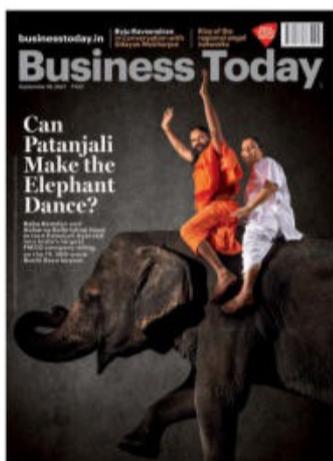
But this run hasn't been without its hurdles, and the group has stumbled along the way. With the edible oils business subject to price fluctuations and supply disruptions, PFL's top line has remained flat and margins lower than competitors. But the bigger blow came when the Supreme Court forced Patanjali Ayurved to apologise for what it deemed

as misleading claims about having cures for diabetes and high blood pressure. This court directive has dented Patanjali's image and market experts reckon it'll be a while before other firms in the group's stable can tap the bourses.

However, true to his pugnacious nature, Swami Ramdev is unfazed. Instead, as our cover story by *Arnab Dutta* explains, he's busy crafting a fresh game plan with an eye on an ambitious group turnover figure of ₹1 lakh crore by 2028. That's more than double the group's current turnover of ₹45,000 crore. The

new growth formula is predicated on a few strategic calls—converting PFL into a predominantly FMCG company by adding to its portfolio, getting into the premium products market, and pulling off acquisitions in the consumer space.

On July 1, as part of this new game plan, Patanjali Ayurved transferred its home and personal care (HPC) portfolio to PFL (the foods portfolio was transferred earlier). Ramdev tells my colleague, *BTTV* Managing Editor *Siddharth Zarabi*, that he wants to make PFL (which may undergo a name change following the HPC realignment) the largest foods and HPC company in the world. By doing this, the yoga guru known for his dislike of MNCs wants to take them on even in the global market. And what about charges around the quality of Patanjali's products? That, he says, is the result of corporate-, political-, intellectual- and drug mafia targeting his group. Whether Ramdev's plan works or not, one thing is clear—there's never a dull moment when the maverick yoga guru is battling his competitors. **BT**



THE BT COVER OF SEPTEMBER 19, 2021

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PHOTO BY HARDIK CHHABRA

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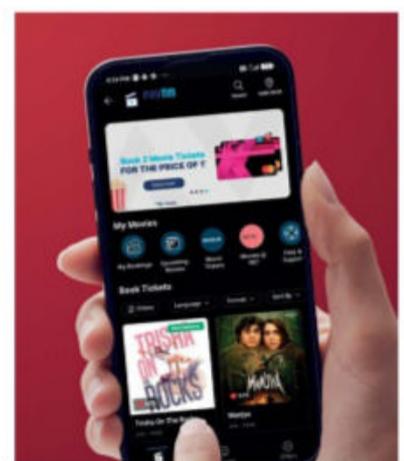
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OPENING ESSAY **44** |

Making Small Beautiful Again

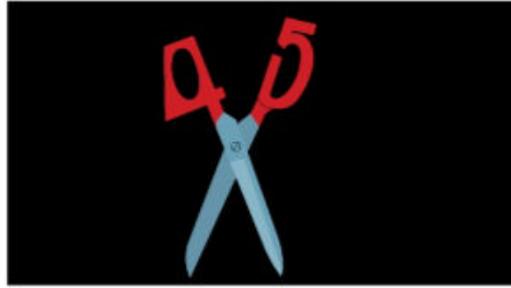
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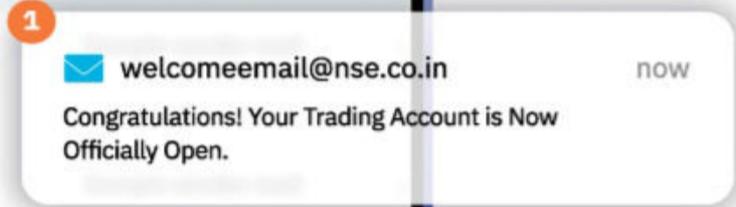


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Vendors at the bustling APMC vegetable market in Navi Mumbai

NOTE WHOLESALE PRICE DATA AS OF JUNE 15;
SOURCE CMIE ECONOMIC OUTLOOK

SIZZLING SUMMER

PRICES OF KEY FRUITS AND VEGETABLES, ALREADY AT AN ELEVATED LEVEL DUE TO LOW OUTPUT, HAVE RISEN FURTHER IN RECENT MONTHS AS THE SEARING HEATWAVE IN NORTHERN AND SOUTHERN STATES HAS RESULTED IN INCREASED WASTE AND REDUCED MARKET SUPPLY



63%

Increase (YoY) in onion prices in the past year; while potato and tomato witnessed a rise of 61% and 21%, respectively

20%

Decline in onion production in 2023-24; during the same period, potato output fell 6% to 56.8 million tonnes

58%

Surge in lemon prices in the past year, while banana and mango prices increased 23% during the same period

7.87%

Inflation recorded in food and beverages in May 2024—which is unchanged from the previous month's reading

BOOSTING BHARAT

THE UPCOMING UNION BUDGET IN JULY IS SIGNIFICANT FOR THE PRIME MINISTER NARENDRA MODI-LED NDA GOVERNMENT AS IT WILL INDICATE THE POLICY DIRECTION FOR THE NEXT FIVE YEARS. IN ITS PREVIOUS TERM, THE GOVERNMENT FOCUSED ON INFRASTRUCTURE INVESTMENT, DOUBLING CAPITAL SPENDING. THERE ARE EXPECTATIONS THAT THE UPCOMING BUDGET WILL INTRODUCE REFORMS TO BOOST RURAL EMPLOYMENT AND FARMERS' INCOMES. RECENTLY, PM MODI RELEASED ₹20,000 CRORE AS PART OF THE INCOME SUPPORT SCHEME, WHICH WILL BENEFIT OVER 92.6 MILLION FARMERS. HERE'S AN OVERVIEW OF THE GOVERNMENT'S EFFORTS OVER THE PAST DECADE TO STRENGTHEN THE INDIAN ECONOMY:

By **RAHUL OBEROI** and **PRINCE TYAGI**

Graphics by **RAJ VERMA**

3.39%

CAPITAL EXPENDITURE AS A PERCENTAGE OF GROSS DOMESTIC PRODUCT (GDP) IN THE INTERIM BUDGET 2024-25, COMPARED TO 3.23% IN FY24 (REVISED ESTIMATES) AND 1.67% IN FY20

56%

THE ESTIMATED WORKER POPULATION RATIO IN FY23 AGAINST 52.90% IN FY22 AND 47.3% IN FY19, INDICATING THAT EMPLOYMENT HAS AN INCREASING TREND, ACCORDING TO MoSPI

₹173.82 LAKH CRORE

SIZE OF INDIAN GDP AT CONSTANT PRICES IN FY24 AGAINST ₹105.28 LAKH CRORE IN FY15; GDP AT CURRENT PRICES WAS AT ₹295.36 LAKH CRORE IN FY24 AND ₹124.68 LAKH CRORE IN FY15, AS PER THE CMIE ECONOMIC OUTLOOK

SPENDING SPREE

BUDGET EXPENDITURE OF THE GOVERNMENT HAS GROWN AT A CAGR OF 11% SINCE FY15

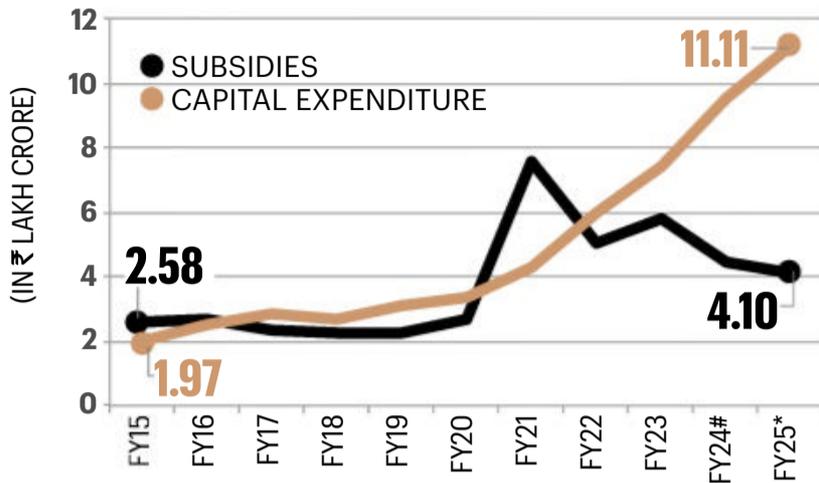


(TOTAL BUDGET EXPENDITURE IN ₹ LAKH CRORE)

#REVISED ESTIMATES; *INTERIM BUDGET
SOURCE CMIE ECONOMIC OUTLOOK

ASSET CREATION

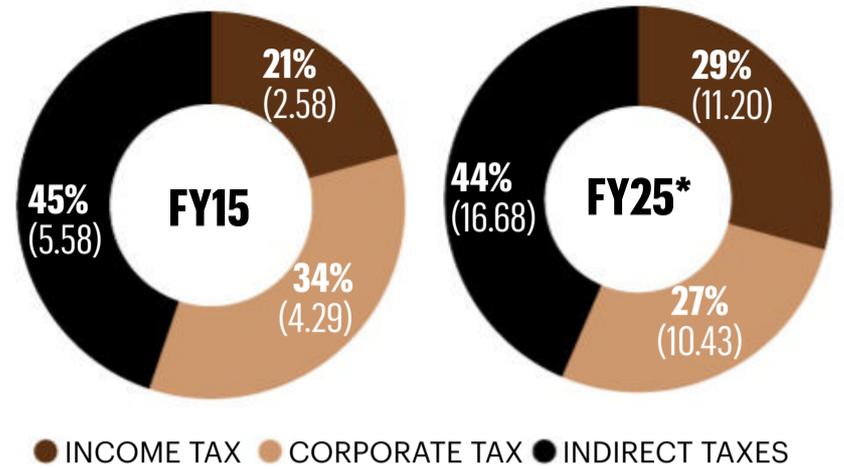
CAPITAL EXPENDITURE IN THE BUDGET HAS INCREASED NEARLY SIXFOLD SINCE FY15, WHILE SUBSIDIES GREW 1.6 TIMES IN THE PAST 10 YEARS



#REVISED ESTIMATES; *INTERIM BUDGET
SOURCE CMIE ECONOMIC OUTLOOK

MONEY SOURCE

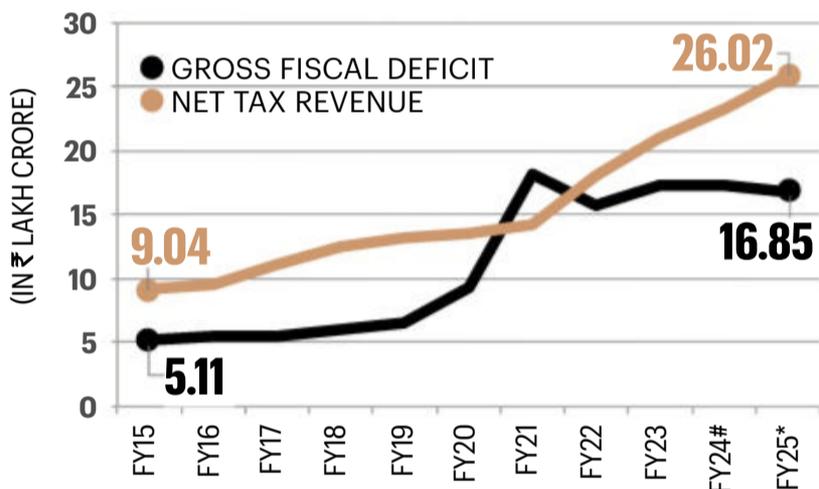
NOW INCOME TAXES CONTRIBUTE MORE TO THE GOVERNMENT'S COFFERS THAN CORPORATE TAXES



NOTE ABSOLUTE FIGURES IN BRACKETS IN ₹ LAKH CRORE; *INTERIM BUDGET
SOURCE CMIE ECONOMIC OUTLOOK

BUDGET FINANCING

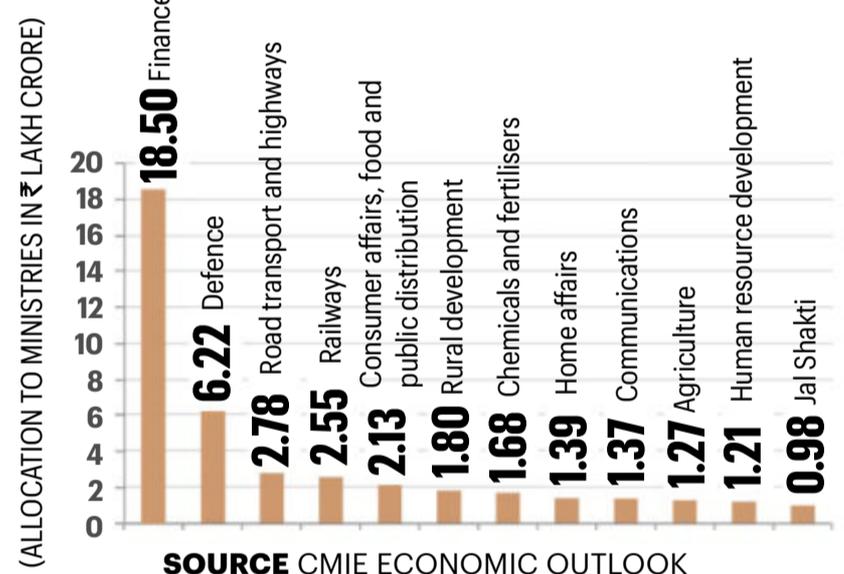
RISING NET TAX REVENUE HAS ENABLED THE GOVERNMENT TO FOCUS ON CAPEX WHILE KEEPING THE FISCAL DEFICIT IN CHECK SINCE THE HIGH OF COVID-19



#REVISED ESTIMATES; *INTERIM BUDGET
SOURCE CMIE ECONOMIC OUTLOOK

SECTORS IN FOCUS

IN THE INTERIM BUDGET 2024-25, FINANCE, DEFENCE, HIGHWAYS AND RAILWAYS MINISTRIES GOT THE HIGHEST ALLOCATIONS

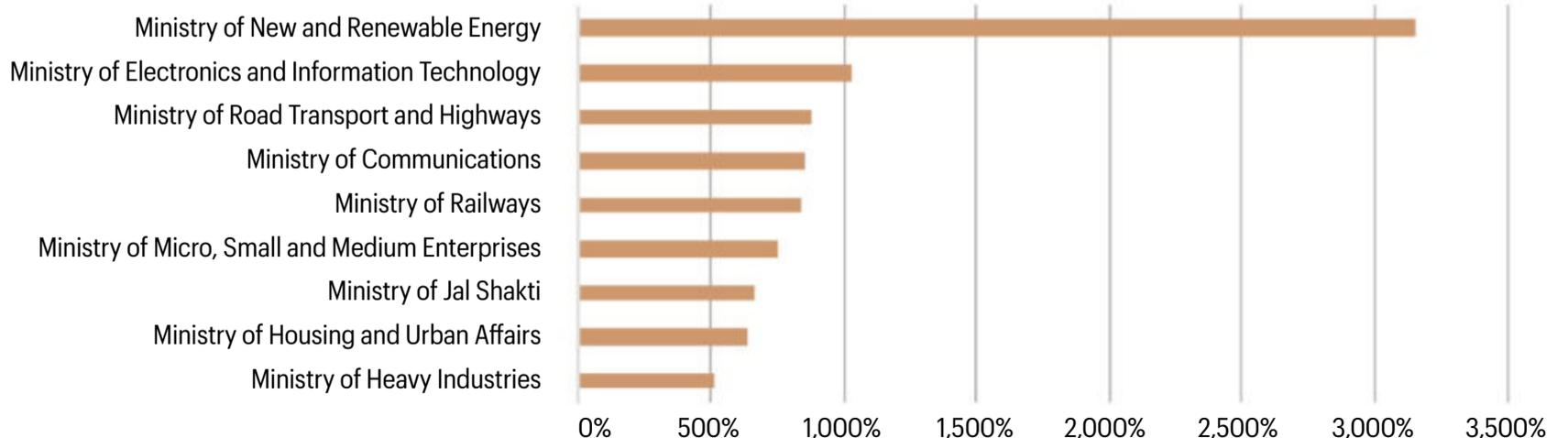


SOURCE CMIE ECONOMIC OUTLOOK

BUDGET ALLOCATION

NEW AND RENEWABLE ENERGY AND ELECTRONICS AND INFORMATION TECHNOLOGY MINISTRIES WITNESSED A SIGNIFICANT SURGE IN ALLOCATION UNDER THE MODI GOVERNMENT

(BUDGET SURGE BETWEEN FY14 AND FY25 IN %)



SOURCE CMIE ECONOMIC OUTLOOK



THE BUZZ

ULTRATECH CEMENT

LOOKING SOUTH

UltraTech and the Adani Group are racing for cement capacity expansion in the southern part of India

BY KRISHNA GOPALAN

► **INDIA'S CEMENT SECTOR** has seen a lot of activity in the past couple of years. Deal flow has been unprecedented, with the latest being UltraTech Cement picking up a stake in India Cements. The Kumar Mangalam Birla-promoted UltraTech, the largest cement maker of the country with an installed capacity of close to 150 million tonnes per annum

DOUBLING CAPACITY
UltraTech Cement picked up a stake in India Cements, which, along with its earlier acquisition of Kesoram Industries, will more than double its capacity in south India

(mtpa), picked up a 23% stake in the Chennai-based India Cements—led by N. Srinivasan, who is a former president of the Board of Control for Cricket in India (BCCI)—for ₹1,900 crore. UltraTech has made it clear that this is a “non-controlling financial investment”, while it has been reported that the stake was bought from DMart Founder Radhakishan Damani and his associates.

This wasn't the only big cement company acquisition in the southern part of the country in the recent past. Weeks earlier, Ambuja Cements, which is a part of the Adani

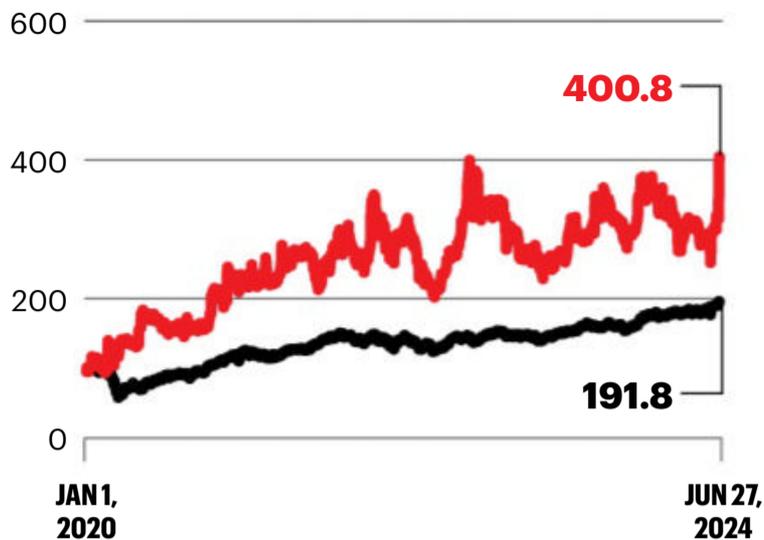


MARKET TRACKER

● The India Cements stock has had a volatile journey in the past few years

— BSE SENSEX
— THE INDIA CEMENTS

DATA HAS BEEN INDEXED TO 100
SOURCE ACE EQUITY

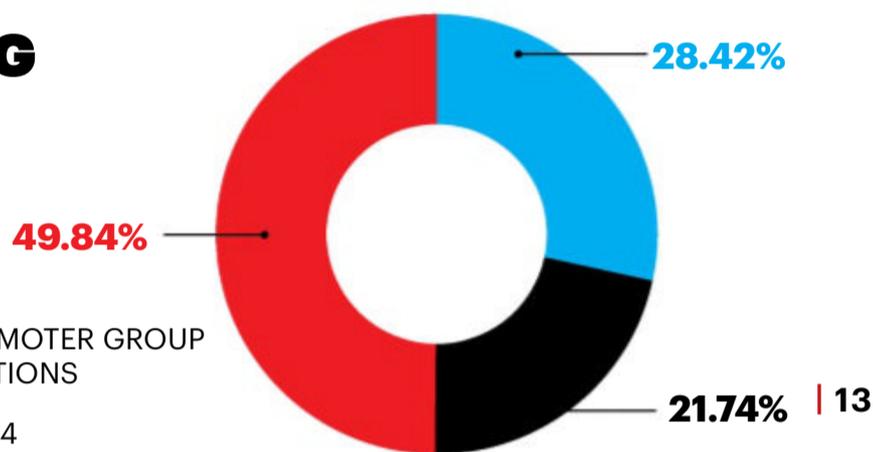


SHAREHOLDING PATTERN

● UltraTech is likely to sit tight for now after the completion of the deal, say experts

● TOTAL OF PROMOTER AND PROMOTER GROUP
● INSTITUTIONS ● NON-INSTITUTIONS

NOTE DATA AS OF MARCH 31, 2024
SOURCE ACE EQUITY



Group, acquired the Hyderabad-based Penna Cement Industries for \$1.25 billion (₹10,420 crore). Most of Penna's 14 mtpa capacity (including 4 mtpa under construction) is housed in the region and this is where a lot of the sector's M&A play will continue to take place. India Cements' capacity is similar and for UltraTech, with its earlier buyout of Kesoram Industries (10.75 mtpa), will more than double its capacity in the South to 45 mtpa. The Adani Group, ever since it picked up Ambuja Cement and ACC in May 2022 for \$10.5 billion, has been active inorganically and has a capacity of more than 75 mtpa, making it the second-largest cement producer in the country after UltraTech. The race to raise capacity is on the back of both players outlining ambitious targets—200 mtpa for the leader and 140 mtpa for the challenger.

If UltraTech picks up another 2% of India Cements stock from the

open market, it will not just own 25% of the company, but also trigger an open offer for 26% and potentially give it a controlling 51% holding. But Rakesh Arora, Founder of market research firm Go India Stocks, says that UltraTech is unlikely to up its stake in India Cements. "The

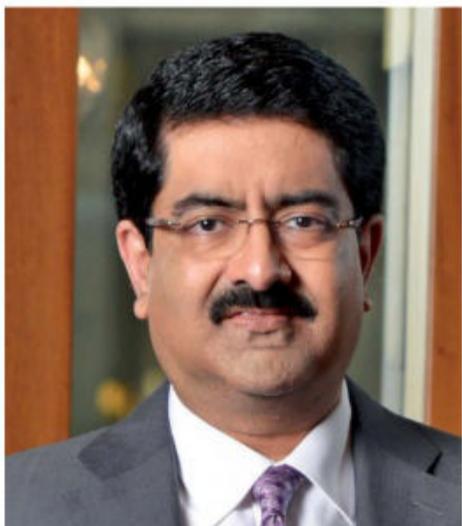
INDIA CEMENTS' CAPACITY IS AROUND 14 MT PER ANNUM, LARGELY ACROSS THE SOUTH

strategy is to prevent competition from buying over the company or just make it very expensive for them. For now, they will just remain at that 23% stake," says Arora.

India Cements itself is in the middle of an extremely challenging

phase. It has been in the red for two financial years, leaving little money for modernisation, apart from having a high-cost structure. In fact, Arora identifies multiple options that can play out in the time to come: India Cements' promoters (led by Srinivasan) may offload their 28% holding for more than the ₹267 per share that UltraTech has paid; or UltraTech could wait it out for valuations to correct given that the company is facing tough times. "In all probability, they will just sit tight and do nothing for a while," he says.

Gurmeet Chadha, Managing Partner & Chief Investment Officer of wealth management firm Complete Circle Wealth, says India Cements' valuation of around \$90 per tonne is high given the number of ageing plants. "The competitive landscape in the South is extremely hot right now and we are just in the middle of a bull market when it comes to valuations," he says.



Kumar Mangalam Birla,
Chairman, Aditya Birla Group



N. Srinivasan, Vice Chairman &
MD, India Cements

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In a report put out right after the UltraTech-India Cements deal, financial services and research firm Emkay Global says, “We believe this deal is a precursor to UltraTech ultimately increasing its stake and converting it into a strategic investment ahead. The top groups (especially UltraTech and Adani) are in the race for capacity expansion/market share gains, accelerating the consolidation trend in the sector and boosting valuations of small-to-mid-size cement players.”

In the race for capacity expansion in the southern part of India, expect more activity in the space. **BT**

@krishnagopalan

GST COUNCIL

Some Hits, Some Misses

The GST Council meeting took care of procedural matters, but some big decisions are awaited

BY SURABHI

PHOTO BY ANI



FULL SPEED AHEAD The GST Council, headed by Union Finance Minister Nirmala Sitharaman, is picking up from where it left off

► **AFTER A GAP** of over eight months, the Goods and Services Tax (GST) Council met on June 22. Coming as it did after a brief hiatus brought about by the General Elections, the meeting was keenly awaited by trade and industry, which was hoping for clarity on many issues.

The Council, chaired by Union Finance Minister Nirmala Sitharaman with representatives from all states—including as many as 11 new members—clearly had a busy agenda and announced as many as 52 decisions. Almost all of them were procedural and compliance-



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related and gave respite to industry and taxpayers by improving the ease of doing business and providing certainty on tax rates.

Some of these decisions include extending the due date for input tax credit, setting monetary limits to file appeals under the GST Appellate Tribunal, reducing the quantum of pre-deposit for filing appeals, and rolling out the biometric-based Aadhaar authentication of registration applicants on a pan-India basis in a phased manner. It also approved a sunset date of April 1, 2025, for anti-profiteering matters—cases can only be filed under this provision up to that date. The Council also decided to provide a new optional facility

terms it a very positive and fruitful meeting. “In the first GST Council meeting after the formation of the new government at the Centre, several important and trade-friendly measures have been taken, with key themes being ‘ease of doing business’ and bringing certainty to the tax regime,” he says.

However, the Council did not take up the expected review of the 28% tax on online gaming, horse racing, and casinos that was eagerly awaited by players in the sector. Sitharaman said it was neither on the agenda of the meeting nor was it taken up for discussion.

She also said that the long-awaited reform on rate rationalisation will

ture—with five broad slabs of zero, 5%, 12%, 18%, and 28%, as well as a cess—into three slabs. The GoM had submitted an interim report in June 2022 recommending changes in rates for some goods and services.

Jain of PwC says the stress on rate rationalisation and discussions around the GoM have given industry renewed hope that the GST rate structure would be simplified in 12 to 18 months.

Abhishek A. Rastogi, Founder of legal services firm Rastogi Chambers, says, “While comprehensive rate rationalisation to reduce the number of slabs may still take some time, the GST Council has pragmatically addressed some of the

KEY MOVES

1 At the meeting, the GST Council recommended monetary limits for appeals filed by the tax department

2 The amount of pre-deposit for filing appeal with the appellate tribunal has also been reduced for SGST and CGST

3 It has approved the roll-out of Aadhaar authentication of registration applicants on a pan-India basis in a phased manner

4 It approved a sunset date of April 1, 2025, for anti-profiteering matters. Cases can only be filed under this provision up to that date

for form GSTR-1A to help amend details in form GSTR-1 that deals with monthly or quarterly returns.

The Council also provided clarity on tax rates on several items, including the exemption on hostel accommodation outside educational institutions up to ₹20,000 per month and specified services offered by the Railways to the public, such as the sale of platform tickets, the facility of retiring rooms, and cloakrooms. Its clarifications around co-insurance and reinsurance, stating that no tax will be levied on these, will also provide relief to industry.

Pratik Jain, Partner at professional services firm PwC India,

now be taken up in the next meeting of the Council, which is likely to be held in the middle of August.

Addressing reporters after the meeting, Sitharaman said the GST Council has decided that in its next meeting, the new chairperson of the Group of Ministers (GoM) on rate rationalisation will give a report on the status of the exercise and what more has to be done. Bihar Deputy Chief Minister Samrat Choudhary is the new Chair of the GoM.

The GoM was set up way back in September 2021. There have been expectations since that it would submit its report soon and help simplify the current GST rate struc-

rate issues with an objective to provide tax certainty and curb inflation to an extent.”

At the press conference, Sitharaman explained that the decision to include diesel and petrol in the indirect tax levy rests with the states, although the proviso for this already exists in the GST Act.

One other issue is that of the compensation cess, instituted to compensate states for revenue losses after GST’s introduction. Sources indicate that this will be discussed at the next meeting. In its last meeting, the Council decided to discuss the modalities for appropriating the revenue collected by

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levying a compensation cess on luxury, sin, and demerit goods beyond March 2026.

Experts have called for more clarity on some of the measures. Rastogi says while the sunset clause on anti-profiteering is a showstopper, industry was awaiting clarity on the methodology to be followed. "In the absence of any announcement for the determination of methodology, the industry players will have to continue their litigation before courts and different forums," he says.

18 | THE LONG-AWAITED REFORM ON RATE SLABS WILL BE TAKEN UP IN THE NEXT MEETING OF THE COUNCIL

Saurabh Agarwal, Tax Partner at consulting firm EY, says more measures are needed. "Dispute resolution requires a multi-faceted approach. We advocate for an amnesty scheme, a national authority for advance rulings, and full appointment of the Goods and Services Tax Appellate Tribunal (GSTAT)," he says, adding that industry engagement and audit efficiency can be improved through sectoral committees and standardised compliance manuals.

Given the Council's focus on hearing out stakeholders and clarifying issues they raise, it is likely to work on many of these areas in the coming months. For now, the wait is on for the Council's next meeting. **BT**

@surabhi_prasad

IPO

GEARING UP

Hyundai Motor India is gearing up for what could potentially be India's largest IPO, expected to bring in a staggering \$2.5-3 billion for its Korean parent company

BY ARNAB DUTTA & RAHUL OBEROI

► **HYUNDAI MOTOR INDIA (HMIL)**, the country's second-largest passenger carmaker, is gearing up for an initial public offering (IPO). The Gurugram-headquartered local subsidiary of Korean automaker Hyundai Motor Company (HMC) recently filed a draft red herring prospectus with the market regulator Sebi (Securities and Exchange Board of India) to dilute a part of its promoter stake. Although it has not announced any specific date for its IPO, sources indicate that HMIL, a 100% subsidiary of HMC, might make its market debut as early as 2025.

As per the DRHP, the company's plan involves an offer for sale (OFS), through which the parent HMC intends to sell 142.2 million of its shares, representing 17.5% of HMIL. The company has not disclosed the expected proceeds from the IPO. However, according to estimates by Nomura, it could fetch the Korean parent a whopping \$2.5-3 billion (up to ₹25,000 crore). If successful, the market debut of

HMIL will go down as India's largest IPO. State insurer Life Insurance Corporation of India's (LIC) ₹21,000-crore public offer in 2022 currently holds the record for the largest IPO in India.

As per experts, the automaker's decision to enter the market through the OFS route means that HMC will receive all the proceeds; and HMIL, currently not allowed to issue new shares during the IPO, will not get anything. However, the

move is expected to benefit HMIL, giving it the opportunity to secure additional funding from the market if needed later to support its future growth and capex requirements. "For HMC, the IPO of Hyundai Motor India will help the Indian entity eas-

HYUNDAI MOTOR INDIA MIGHT MAKE ITS MARKET DEBUT AS EARLY AS 2025, ACCORDING TO SOURCES

ily raise funds in the future without the need for any dependence on the Korean parent. This, we believe, should help alleviate the capex and investment burden on the parent, which would have been necessary for any future expansion in India," analysts at Nomura note.

According to Nomura, HMIL will be valued at \$18-30 billion (₹1,50,000-2,50,000 crore) on



its market debut. This “implies a 22-37 times FY24 (Forecast) price-to-earnings (P/E). Peers trade at 16-32 times FY24F P/E,” analysts at Nomura note. In comparison, market leader Maruti Suzuki India’s market capitalisation on June 27 was ₹3,83,153 crore; Mahindra & Mahindra followed closely behind with ₹3,58,758 crore and Tata Motors with ₹3,22,874 crore.

Saji John, Research Analyst at Geojit Financial Services, says that HMIL would command a premium to the industry, driving the sector’s valuation as a whole, due to the positive outlook on HMIL for the next four years with new launches in electric vehicles, lower capex and superior cash flow.

“HMIL has performed strongly, ranking among the Top 5 markets globally. The company has strategically capitalised on the increasing demand for SUVs in the domestic market by introducing new models, leveraging advanced technologies and expanding its range of vehicle variants,” he says, adding that the approach has “enhanced Hyundai’s ability to set competitive pricing and strengthen its premium brand image.” In June, SUVs accounted for 66% of HMIL’s total sales, positioning the company favourably for premium market listings.

When it comes to sales in India, Hyundai falls behind Maruti Suzuki, Tata Motors, and Mahindra & Mahindra (M&M), among its listed peers. In FY23, HMIL’s revenue was ₹60,307 crore compared to MSIL’s ₹1,17,571 crore, Tata Motors’ ₹3,45,967 crore, and M&M’s ₹1,21,269 crore. While its earnings per share (EPS) in FY24 (annualised) were ₹72 against MSIL’s ₹431.08, M&M’s ₹101.14 and Tata Motors’ ₹81.95. In the local passenger vehicles market, HMIL currently holds 14.6% share, behind MSIL’s 41.7% and ahead of Tata Motors’ 13.9%. **BT**

| 19

\$18-20
billion

VALUATION HMIL IS LIKELY TO COMMAND ON MARKET DEBUT, AS PER NOMURA

₹21,000
crore

SIZE OF LIC’S PUBLIC OFFERING, WHICH IS INDIA’S LARGEST IPO TILL DATE

@arndutt, @iamrahuloberoi

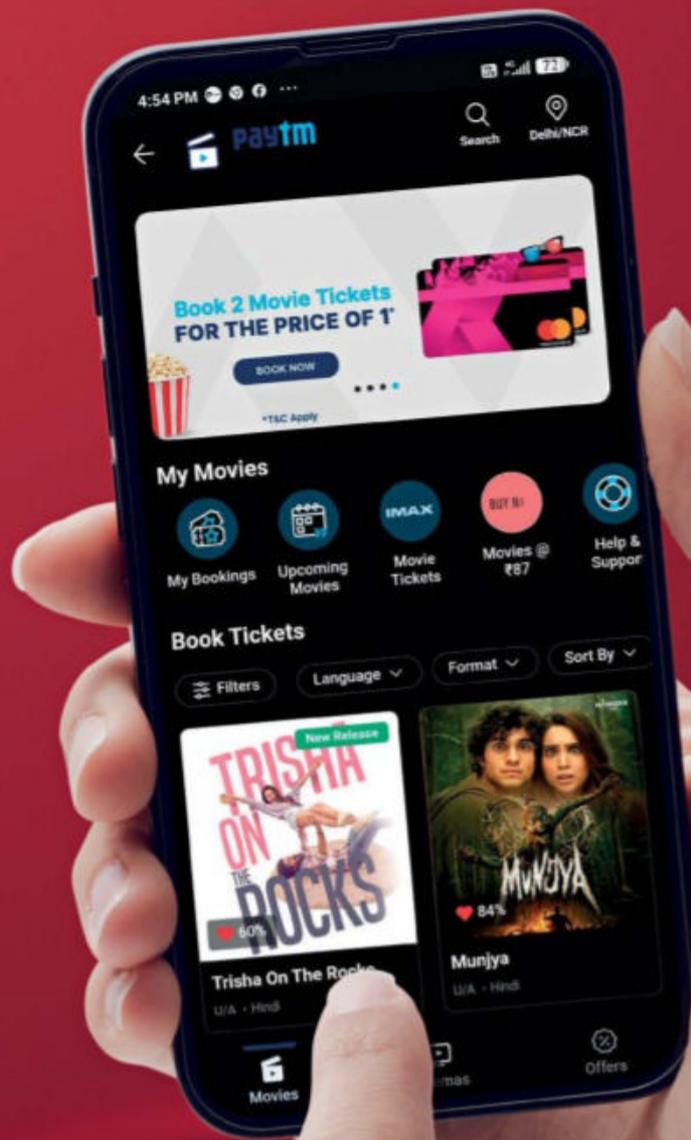
CORPORATE

FOOD, FUN AND FILMS

Consolidation of online ticketing and dining reservations may allow Zomato to penetrate deeper into the 'going-out' business, challenging BookMyShow

BY SUDESHNA MITRA

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► **FOOD, FUN, AND FILMS**—now, you will get them all on Zomato. The online food delivery platform announced in mid-June that it is in talks with digital payments platform Paytm to acquire the latter's movie and event ticketing business.

“We acknowledge that we are in discussions with Paytm for the aforementioned transaction; however, no binding decision has been taken at this stage that would warrant board

THE DEAL IS LIKELY TO BOLSTER ZOMATO'S PRESENCE IN THE EVENT TICKETING SPACE

approval and subsequent disclosure in accordance with applicable law,” Zomato said in exchange filings.

If the deal goes through, it could have a significant impact on Zomato's going-out business, potentially boosting its overall growth. “The above discussion is being undertaken with the intent to further strengthen our going-out business and is in line with our stated position of focussing only on

our four key businesses currently,” stated the filing.

Paytm, too, has acknowledged the development. In a filing to exchanges on June 16, it said that the company routinely explores strategic opportunities aimed at enhancing shareholder value. “The potential transfer of Paytm’s entertainment business, a component of our marketing services, is one opportunity under consideration,” it said, adding that such discussions were “preliminary” in nature. It further said that Paytm’s focus will be on payment and financial services along with digital commerce.

Interestingly, this news came barely a week after Paytm, in partnership with Samsung, launched Samsung Wallet, enabling Samsung users to seamlessly book flight, bus, movie and event tickets. Currently, the going-out segment of Zomato’s business is divided into two categories: the dining-out business, which operates in both India and the UAE; and Zomato Live, which enables users to purchase tickets to events like food carnivals and musical concerts.

If the deal does go through, Zomato could potentially emerge as a significant competitor to BookMyShow, which currently dominates the growing online movie ticket booking market in India with a 60% share.

Founded in 2008, Zomato has made 15 acquisitions to date, with Blinkit being the most recent addition, per data intelligence firm Tracxn. Following that acquisition in 2022, Founder and CEO Deepinder Goyal said in a statement that it was “a natural expansion for the company.”

By entering the online movie and event ticket booking market, Zomato hopes to bolster its position among consumers, who frequently go out for entertainment and leisure activities. Leveraging data analytics and understanding consumer behaviour will significantly accelerate

IT'S SHOWTIME

1 Currently, Zomato’s ‘going-out’ business is divided into two categories: dining reservations in India and the UAE, and an event ticket booking segment—Zomato Live

2 Expanding into the online movie and event ticket booking business will strengthen its position in consumers’ wallet

3 Upon the deal’s closure, Zomato will be empowered with consumer behaviour data to drive further growth in the entire ‘going-out’ segment

4 What seems to be a distress sale for Paytm may turn out to be another ‘Blinkit bet’ for Zomato

5 The deal may lead to the emergence of a big competitor for BookMyShow

this growth. Zomato can use these insights to its advantage and further penetrate the “going-out” category by providing relevant deals, vouchers, and loyalty programmes, as both services serve this demographic.

In addition, integrating services within one app will boost user convenience and increase the conversion rate. Seamless navigation and consolidation of services like movie ticket booking and dining reservations into one platform can enable Zomato to leverage synergies, cross-promote services, and deliver a cohesive experience. This integrated approach will simplify decision-making for users, enhance brand loyalty and engagement, and ultimately drive sales and revenue.

What appears to be a distress sale for Paytm, as it gradually copes with the losses suffered due to the RBI crackdown, might turn out to be another ‘Blinkit bet’ for Zomato with effective operations. After its acquisition by Zomato, Blinkit’s annual revenue grew manifold—from ₹263 crore in FY22 to ₹2,300 crore in FY24, with its gross order value (GOV) soaring 97%. In a year, Goyal says, Blinkit will be bigger than Zomato’s food delivery business.

According to market analysis firm JM Financial, the deal is likely to bolster Zomato’s presence in the event ticketing space, as Paytm offers similar services to Zomato Live through its Paytm Insider platform. The firm’s BFSI analyst, Sameer Bhise, says, “With total revenue of ₹275-300 crore for the verticals in FY24, this implies a likely valuation of 5-7x of the FY24 sales. The deal would potentially add only 2.5% to Zomato’s FY24 consolidated revenue.”

Following the announcement of the discussion, Zomato’s shares climbed 1.5% on June 18 to a high of ₹189 apiece, while Paytm’s stock advanced 4.05% to hit ₹442.15.

Now, it’s showtime at Zomato. **BT**

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Armouring Up

The centre is looking to put the deployment of the Kavach system on a fast track to strengthen the security of the Railways—the lifeline of the nation

BY RICHA SHARMA

► ON JUNE 17, a goods train rammed into the Kanchanjunga Express in West Bengal, killing 10 and injuring many. The accident has renewed calls for expediting the deployment of Kavach, an automatic train protection (ATP) system which is so far operational in just 2% of the 69,000-km long railway network.

The system currently covers 1,465 km and 139 locomotives (including Electric Multiple Unit rakes) on the South Central Railway network. A further 6,000 km has been tendered and the tendering process for another 10,000 km is underway.

Kavach aids the loco pilot in trains running within specified speed limits by automatically applying brakes in case the loco pilot fails and also helps the train run safely during harsh weather.

Other benefits include controlling speed of trains by automatic application of brakes on the approach of turnouts, repeating of signal aspects in the cab, useful for higher speeds and foggy weather, and auto whistles at level crossing gates.

The Union government earmarked ₹710 crore for the system in the FY24 Budget and another ₹560 crore was allocated in the FY25 Interim Budget. Fitting a train with Kavach technology costs around ₹70 lakh and the trackside and station equipment cost around ₹50 lakh, per kilometer.

Currently, Kavach contracts have been awarded for Delhi-Mumbai (including Ahmedabad-Vadodara section) & Delhi-Howrah (including Lucknow-Kanpur section) corridors approximately covering 3,000 km under Eastern Railway, East Central Railway, North Central Railway, Northern Railway, West Central Railway, and Western Railway.

So, why is the rollout taking time?

Railway Minister Ashwini Vaishnaw said Kavach has five components, which need to be customised for different trains.

“For example, a 5,000-tonne goods train would need a 1-1.5 km distance to come to a halt while for mainline electric multiple unit (MEMU), it will be 300-500 metres. So, the system has to be customised for different train categories,” he said at an informal interaction after taking charge as Minister of Railways.

The ministry is looking to accelerate the implementation of the system to cover 44,000 km in the next five years. Vaishnaw chaired a meeting on Kavach 4.0, asking officials to speed up the process.

Sharing the progress of implementation, Vaishnaw said optical fibre cables had been laid on 3,040 km by 2023-end and trackside equipment has been installed on 827 km.

Experts also point at organisational weaknesses at the ground level that need to be fixed.

SAFETY MATH (2014-2024)

₹1.78

lakh crore

SPENT ON SAFETY-RELATED WORKS

₹1.09

lakh crore

SPENT ON TRACK RENEWAL

₹36,699

crore

SPENT ON LEVEL-CROSSING ELIMINATION

₹8,000

crore

SPENT ON RAILWAY BRIDGE REHABILITATION

₹45,000

crore

SPENT ON RASHTRIYA RAIL SANRAKSHA KOSH

SOURCE: MINISTRY OF RAILWAYS



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COLLISION On June 17, a goods train collided with Kanchanjunga Express in West Bengal, killing 10 and injuring many

Sudhanshu Mani, former General Manager of rail coach manufacturer, Integral Coach Factory, Chennai, says there is no time to play the blame game.

“The Kanchenjunga Express accident underscores the need for a much faster rollout of Kavach, which would have surely prevented this tragedy. It is disappointing that Indian Railways is trying to get away with excuses like industry capacity (for Kavach production),” he says.

The vacant positions in engineering, loco pilot, and safety-related departments in Indian Railways have also been flagged by experts as an area that requires urgent attention.

“There has been a steep fall in the induction of engineers in the Railways in the last few years and that is now being reflected in the opera-

tional side of the Railways. Implementation of Kavach and some other infra projects have been delayed and need to be fixed,” says Lalit Chandra Trivedi, former Indian Railways General Manager.

Responding to an RTI query filed by Chandra Shekhar Gaur, a Madhya Pradesh-based RTI Act activist, Railways said that about 270,000 posts were lying vacant as of June 2023 with more than 170,000 in the safety category. Railway trade unions have regularly raised the issue of rising stress on officials and workers in the safety category due to a shortage of personnel.

The first field trials of Kavach on passenger trains were started in February 2016. Based on experience gained and the Independent Safety Assessment, three firms—HBL

Power Systems, Kernex Microsystems, and Medha Servo Drives—were approved in 2018-19, for the supply of Kavach. Subsequently, Kavach was adopted as a National ATP system in July 2020.

Efforts are being made to develop more original equipment manufacturers (OEMs) to enhance the capacity and to scale up the implementation of Kavach. New OEMs are expected to be taken on board for the upcoming tenders.

The plan is to deploy the system on the entire railway route to enhance safety for the transport system, which gets 23 million passengers every day. The allocation for Kavach could be enhanced in the upcoming Budget. **BT**

@richajourno



REGULATION

FALLING FROM GRACE

On June 24, Sebi launched a probe into Quant MF over alleged front-running activities. What happens to the investments? Should one hold or fold?

BY NAVNEET DUBEY

► **QUANT MUTUAL FUND'S** (MF) growth trajectory has been nothing short of remarkable, with its assets under management (AUM) shooting up by a staggering 250.76% in just a year. The fund's AUM stood

at ₹23,956 crore in May 2023, but by May 2024, it surged to a substantial ₹84,030 crore. But now, a shadow of suspicion looms over this skyrocketing growth.

Sandeep Tandon, the CEO and

Director of Quant MF is under scrutiny from the Securities and Exchange Board of India (Sebi) for suspected front-running. This development raises a crucial question for every investor: Are their investments at risk?

“If the allegations of front-running are proven true, it could lead to volatility in the stocks Quant MF holds or has traded in recently. Investors might temporarily lose confidence in these stocks, affecting their prices. However, it's crucial to note that this is a temporary situation,” says Amit Goel, Co-founder and Chief Global Strategist at asset management company Pace 360.

As of June 2024, the company's shareholding pattern reveals it holds over 179 stocks, with Quant MF being the sole fund house that has invested in 17 unique companies that other asset management companies have avoided.

FRONT-RUNNING VS INSIDER TRADING

Front-running, a term often gets confused with insider trading, essentially involves buying stocks before the fund itself does. This means the fund buys at a higher price, potentially impacting returns.

In the context of a mutual fund like Quant, it would involve executing trades ahead of the fund's transactions to benefit from the anticipated price movement caused by those transactions.

Goel says, "Front-running does not necessarily require access to insider information, it exploits the knowledge of pending large transactions. It impacts investors by potentially reducing the returns of mutual funds or other large investors. By trading ahead, front-runners can manipulate prices, thereby reducing the profitability of the original trade."

A significant concern is the erosion of investor trust in the fund house, which can lead to redemptions and affect the fund's net asset value (NAV). It leverages non-public information about upcoming trades, not company secrets.

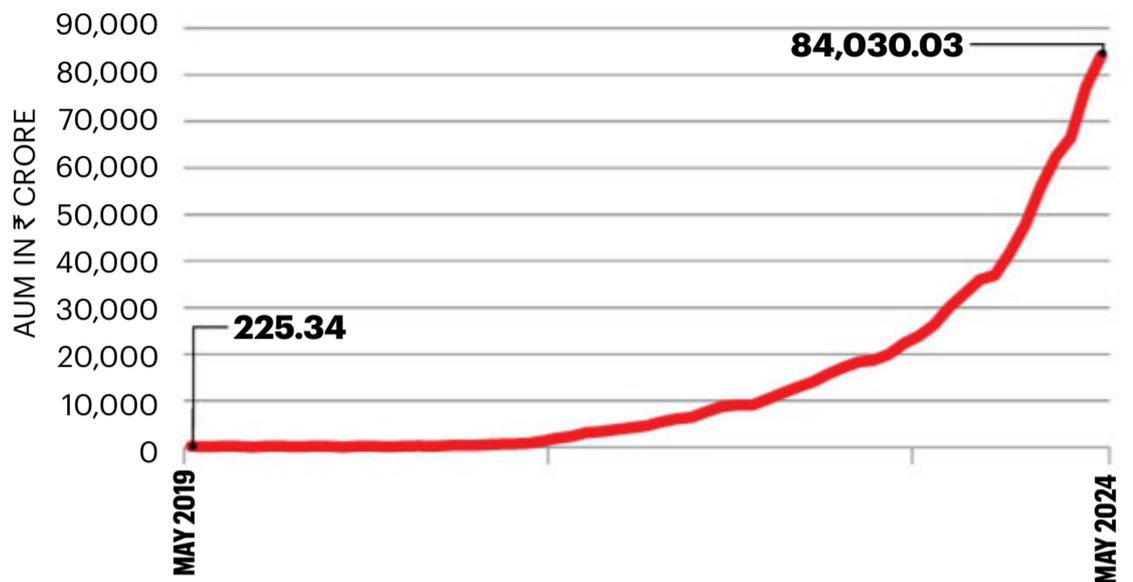
Insider trading, on the other hand, involves trading in a company's securities by those who have access to non-public, material information about the company. Basically, it involves a breach of trust and access to restricted company information.

SEBI'S ACTION

One should understand that Sebi's primary mandate includes safeguarding investor interests and maintaining the integrity of the securities market. The initiation of an inquiry indicates the regulator's commitment to ensuring compliance with regulatory standards and protecting investors from potential malpractices. Secondly, Sebi may impose penalties, issue warnings, or take legal action against entities found guilty of front-running.

SKYROCKETING GROWTH

● The fund's AUM, which stood at ₹225 crore in May 2019 and at ₹23,956 crore in May 2023, surged to a substantial ₹84,030 crore in May 2024



SOURCE BT RESEARCH

INVESTORS' CHOICE

Analysts suggest investors adopt a cautious approach, and hold off on making further investments or redeeming existing ones until there's more clarity. Per media reports, since news emerged about Sebi's search and seizure operation till June 28, approximately ₹1,400 crore, or about 1% of the total AUM, has been redeemed.

Results of a stress test released for May revealed that Quant MF would take 28 days to liquidate 50%

FRONT-RUNNING INVOLVES BUYING STOCKS BEFORE THE FUND ITSELF DOES

of its small-cap portfolio and 14 days to liquidate 25% of the small-cap portfolio. For the Quant Mid Cap Fund, it would take 9 days to liquidate 50% of its portfolio and 5 days to liquidate 25%. The test is a regulatory requirement to assess how quickly fund managers can liquidate their portfolios in the event of high redemption requests.

However, Himanshu Srivastava,

Associate Director—Manager Research, Morningstar Investment Research India, emphasises, "It's crucial for investors to stay informed about developments and monitor any directives from Sebi."

Srivastava believes regular contact with financial advisors is crucial. Engaging with the fund house can provide valuable insights into their stance on the investigation and the guidance they offer to investors. Currently, the case is still under investigation, and no conclusions have been reached. Hence, it is premature to make any definitive judgments.

Srivastava reassures, "An ideal approach is to hold on to existing investments and choose to not invest further."

Thus, instead of making hasty decisions, it is better to have patience and trust in the ongoing probe, which will allow you to make more informed decisions once there is greater clarity on the situation. **BT**

Disclaimer: The recommendations mentioned above are from experts and not from *Business Today*. Consult certified experts before making any investment decisions.

@imNavneetDubey



(L-R) Sumit Gupta and Neeraj Khandelwal, Co-Founders, CoinDCX

“COINDCX LAUNCHES INDIA’S FIRST INR-FRIENDLY WEB3 MODE, SETTING NEW STANDARDS FIVE YEARS AHEAD IN CRYPTO ACCESSIBILITY”

Six years ago, CoinDCX revolutionized crypto investments for millions, onboarding 15 million users. Now, with a pathbreaking new initiative, it has introduced Web3 Mode, empowering CoinDCX users with direct access to over 50,000 DeFi tokens. This move isn’t just about staying ahead; it’s about redefining leadership in the crypto space and charting a course toward global prominence. Sumit Gupta and Neeraj Khandelwal, Co-Founders, CoinDCX, elaborate on its vision, strategy, and the transformative impact this will have on its journey to becoming a global app.

CoinDCX has introduced Web3 Mode recently. What is it, and how will it help India’s crypto investors?

Sumit Gupta: We’re very excited about the launch of Web3 Mode within the CoinDCX App. It essentially makes CoinDCX a one-stop shop for all Web3 needs, significantly improving the user experience and solving major pain points in the evolving Web3 landscape.

With Web3 Mode, our 15 million users now have direct access to over 50,000 DeFi tokens, allowing them to explore and invest in tokens that aren’t yet available on centralized exchanges. When users search for any token not present in CoinDCX, they will be directed to Web3 Mode. By offering early access, we empower our users to get involved in potential high-growth



“Our goal is to enable anyone with a smartphone to participate in the Web3 ecosystem and gain value from it. Our long-term vision is to become the world’s leading all-in-one Web3 app, combining the convenience of a centralized exchange with the innovation of DeFi.”

investments before these tokens hit broader markets. Additionally, users will have access to emerging, trending, and pre-launch tokens from ecosystems like Base, Solana, Binance Smart Chain, Polygon, and ten other chains.

What motivated CoinDCX to introduce this feature now? Do you think Indian crypto investors are matured enough for this?

Sumit Gupta: Globally, crypto investors have access to a variety of assets like DeFi tokens and RWA tokens. The space is dynamic, and Indian investors are aware of developments in the West and the Middle East. Crypto investors are maturing in India and they're seeking more diverse investment options. We're also seeing Indian investors mature, both in age and in the diversification of traditional equity portfolios with crypto. Five years ago, centralized exchanges provided a good entry point. Now, I believe every centralized exchange should have a Web3 arm.

There are several ways investors can participate in the web3 ecosystem, such as decentralized exchanges. What makes CoinDCX Web3 Mode special?

Neeraj Khandelwal: While there are numerous options available for engaging in web3, it's often challenging for regular investors due to issues like managing multiple wallets, network transitions, and various transaction fees. In our Web3 Mode, users can seamlessly buy and sell tokens directly within the familiar CoinDCX environment. One of the standout features of Web3 Mode is its simple INR on-ramp. Users can purchase tokens like ETH, MATIC, USDT, and USDC through the regular CoinDCX app using INR and then seamlessly transfer these tokens to Web3 Mode. This streamlined process allows users to acquire assets within the Web3 ecosystem without the usual



“Our commitment remains steadfast in prioritizing education to ensure all our users, regardless of their experience level, can effortlessly navigate and embrace Web3.”

complexities. As a token of appreciation for our loyal CoinDCX users, we're kicking off by offering a bonus to all users. Furthermore, users will earn points for each transaction conducted in Web3 mode, enhancing their overall experience and engagement.

How does this aligns with your broader vision?

Neeraj Khandelwal: Our objective has always been to simplify access to Web3 and crypto. We aim to enable anyone with a smartphone to participate in the Web3 ecosystem and gain value from it. Our long-term vision is to become the world's leading all-in-one Web3 app, combining the convenience of a centralized exchange with the innovation of DeFi. Five years ago, crypto investment apps were tough for the masses, so we made it simpler. Now, our app is as convenient as any investment app. With this new Web3 Mode, we're simplifying Web3 access and providing a comprehensive, user-friendly platform for all crypto and Web3 needs. This integration is a significant milestone in our mission to bring 50 million users on-chain by 2025. We've been working on this for the

past two years, and now we're proud to introduce Web3 Mode for our 15 million users. This feature enhances the user experience by allowing seamless interaction with multiple chains and cross-chain transactions, while also simplifying blockchain complexities through chain abstraction powered by Okto's 'Orchestration' Chain.

How does CoinDCX ensure that its platform remains accessible to users of all experience levels, particularly newcomers to Web3 and DeFi ecosystems, given the inherent complexity of Web3?

Sumit Gupta: We recognize that Web3 can be complex, especially for newcomers. Therefore, our commitment remains steadfast in prioritizing education to ensure all our users, regardless of their experience level, can effortlessly navigate and embrace Web3. Within our app, you'll find accessible content covering fundamental aspects of Web3 and practical guides on utilizing its features, empowering users to learn dynamically. Moreover, we keep our community informed about cutting-edge trends and advancements in Web3, such as RWA, DePin, AI integration, and diverse blockchain ecosystems like Solana and Base.

What are CoinDCX's plans for expanding its Web3 offerings in the future? Are there any upcoming features or integrations that users should look forward to?

Sumit Gupta: This is just the beginning of our journey into Web3 offerings. The space is evolving rapidly. Similar to our centralized CoinDCX App where we've developed products like Earn, advanced trading options such as Futures, etc., we plan to introduce new products over time that will cater to the interests and benefit of our investors. Some of the upcoming plans include Earn and Rewards Hub, designed to enhance user engagement and benefit our community.

▶ **EYE ON GROWTH**
Swami Ramdev,
Co-founder, Patanjali
group; and
Non-executive
Director,
Patanjali Foods



THE JOURNEY SO FAR

➔ **2006-15:** Patanjali Ayurved set up by Swami Ramdev and Acharya Balkrishna; in 2015, clocks ₹2,000 crore yearly sales

➔ **2016-18:** Hits ₹10,000 crore in group revenue; in 2018, revenue growth plateaus amid its focus on expanding distribution through general trade

➔ **2019:** Acquires Ruchi Soya for ₹4,350 crore through insolvency process

➔ **2021:** Ruchi renamed Patanjali Foods Ltd (PFL) after Patanjali Ayurved hands over foods business; group revenue jumps



| COVER STORY **PATANJALI** |

PATANJALI'S NEW GAME PLAN

The ₹45,000-crore Patanjali group is going through a tough time dealing with sluggish revenue growth and strictures from courts for misleading ads. But maverick yoga guru Swami Ramdev has a fresh growth recipe

BY **ARNAB DUTTA** —

PHOTO BY **HARDIK CHHABRA**

- **2022:** IMA files plea against Patanjali for spreading misconception
- **2023:** Sebi freezes promoters' shares in PFL; raises public stake to 25% via OFS; Supreme Court warns Patanjali for its claims of curing diabetes and high BP
- **Jan-Jun 2024:** Supreme Court issues show-cause notice to Ramdev and Balkrishna; both tender unconditional apology
- **July 2024:** PFL board approves proposal to acquire Patanjali Ayurved's home and personal care business



IT'S A TYPICAL June afternoon in Haridwar. The sun is blazing down from a hot and copper sky, and the 43° C temperature has kept most people indoors. The occasional breeze lifts dust. After a tour of the Patanjali Research Institute near Bahadrabad in Haridwar, Uttarakhand, we are headed along the Delhi-Haridwar highway to the Patanjali Foods & Herbal Park in Mustafabad village, some 25 km away. But Swami Ramdev's convoy disappears in a cloud of dust as his Range Rover shoots off along the narrower local road.

30 | Who would have thought that Swami Ramdev was a speed demon? Maybe sitting in a Range Rover (with a top speed of 290 kmph) with Z-category security does that to you. Or maybe it's the yoga guru's way of signalling his intent to double his Patanjali group's turnover to ₹1 lakh crore in just four years.

Patanjali Ayurved, co-founded by Swami Ramdev and Acharya Balkrishna in 2006 to make chyawanprash and ayurvedic products, had hit a turnover of nearly ₹2,000 crore by 2015. Group turnover soared to ₹5,000 crore on Patanjali's entry into the FMCG business using the Ayurveda and health plank and a franchisee model. Some corporate reengineering created a three-compa-

ny group—Patanjali Ayurved, Patanjali Foods and Patanjali Gramodhyog. In FY24, the group reported a turnover of ₹45,000 crore. The yoga guru recounts how people had sneered at him. "When we set revenue targets like ₹10,000 crore or ₹20,000 crore, people could not digest it. Now...[those] people are incredulous," says Ramdev, also the Non-executive Director of Patanjali Foods.

Chatting with us at the Patanjali Foods & Herbal Park, he talks of his next big dream: group turnover of ₹1 lakh crore by 2028. That's, like, more than doubling the group revenue in four years. Patanjali Foods was India's third-largest FMCG company last year. Hindustan Unilever (HUL) was India's largest FMCG firm in FY24, with revenues of ₹62,707 crore. It was followed by Adani Wilmar.

Is that a highly ambitious target, even by Ramdev's standards? Patanjali Ayurved grew 50-90% yearly from a few hundred crore in FY13 to ₹9,187 crore in FY17.

What's Ramdev's formula for growth this time? "In the coming days, we will increase our market share, grow our exports, and make some acquisitions in consumer goods," he says. But will it be as easy as it sounds, especially since the two Co-founders are facing the heat of the regulators and the Supreme Court on matters relating to their core belief in Ayurveda?

MISCOMMUNICATION OR MISLEADING?

The Supreme Court's strictures have hurt Patanjali's image. In August 2022, the Indian Medical Association (IMA) filed a writ petition in the apex court, alleging that Patanjali Ayurved has been 'misleading' the public with its 'false claims' about having cures for diabetes and high blood pressure. The matter went up to a two-judge bench, which found the advertisements to be 'prima facie' misleading, and Patanjali Ayurved had to promise it

THE PATANJALI PRESCRIPTION

▶ **Amid stagnant top-line growth for Patanjali Foods Ltd (PFL) and legal troubles, Swami Ramdev aims to double group revenue to ₹1 lakh crore by 2028**

▶ **By involving professional management, the Patanjali group is improving operational efficiency and charting a clear corporate strategy**

▶ **After successfully taking over Ruchi Soya (now called PFL), Ramdev is eyeing a bunch of acquisitions in the consumer goods space to boost top line**

▶ **Continued focus on strengthening manufacturing, expanding distribution and exports will be crucial for PFL to achieve ₹50,000 crore top line in four years**

▶ **With an aim to boost sales, profits and secure investors' interests, PFL is acquiring Patanjali Ayurved's key home and personal care portfolio**

▶ **To lure young, urban and well-off consumers, PFL is establishing a premium product line; Ramdev is also betting on sectors like healthcare and education**



would not publish such claims. But it published such ads again. The bench then asked Balkrishna, MD of Patanjali Ayurved, and Ramdev to show cause why they should not be punished for contempt of court. The duo furnished an unconditional apology, and the court let matters rest.

Industry watchers say the court battle has dented the image of Patanjali, Ramdev, and Balkrishna and compelled them to delay plans to list any group firm. Arun Kejriwal, Founder of Kejriwal Research & Investment, says, “These legal actions against them have not reflected very well on Patanjali... Ramdev’s plans to list two to three other group companies on the market are also on the back burner now.”

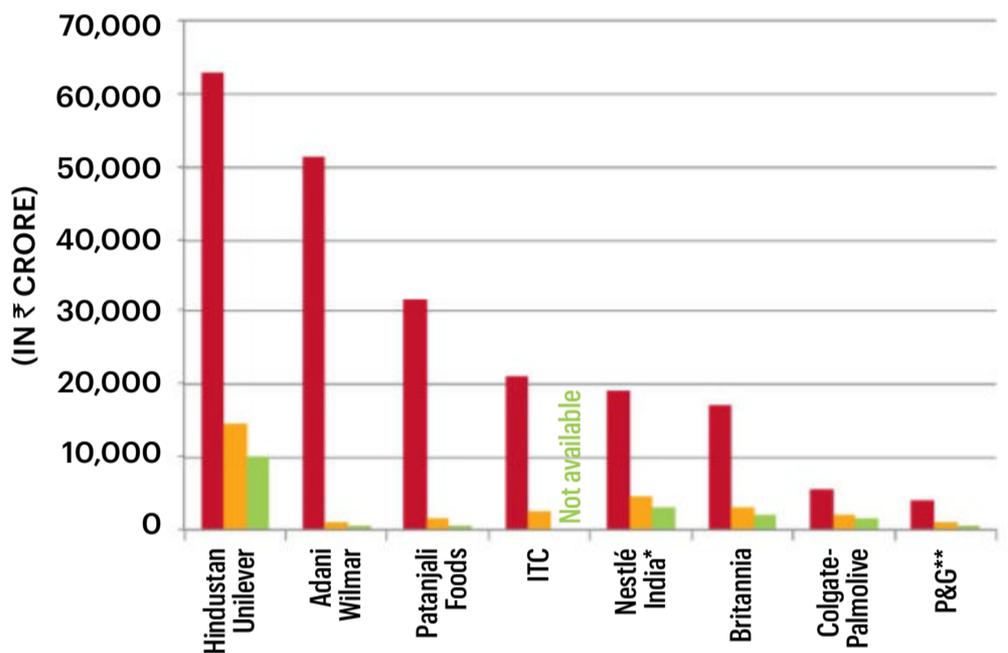
IMA office-bearers were not available for comment. But Dr Anoop Misra, Chairman of Fortis C-DOC Centre of Excellence Hospital in Delhi, which specialises in managing diabetes and endocrine disorders, blames the Patanjali group for the ambiguity of its research. “Their claims have not been founded on solid science and have faced legal criticism. Most importantly, their claim to ‘cure’ or ‘manage’ type 1 diabetes without insulin, which they have stated several times, can lead to serious problems and even death of such patients,” he says.

The stakes are high. Experts estimate that the diabetes and pre-diabetes care market in India will reach about \$34 billion in 2026.

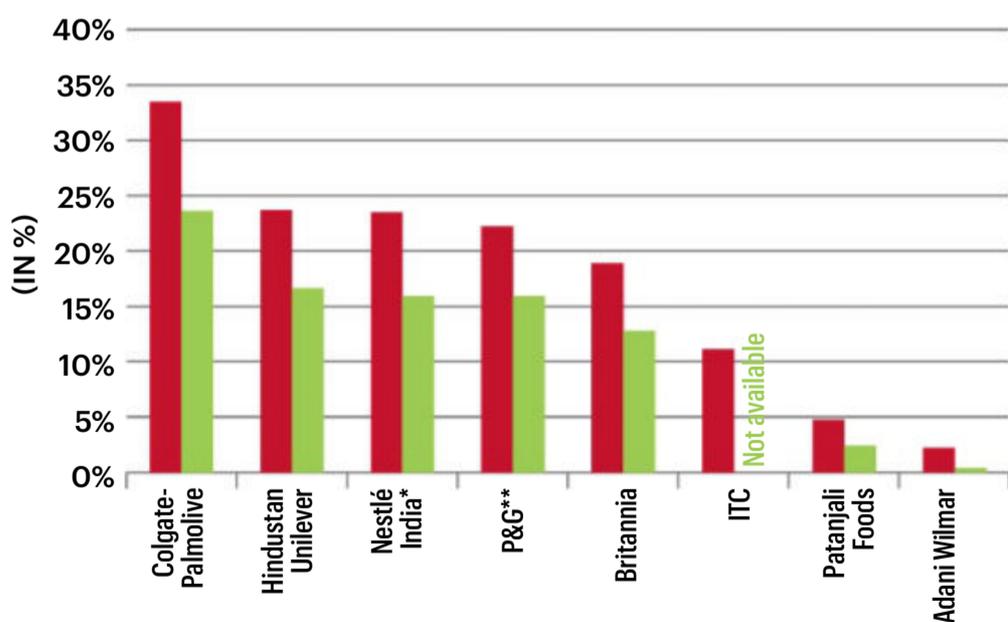
Ramdev is unfazed. Taking us around the research facility at Patanjali Research Institute (part of the Patanjali Research Foundation) he says its research facilities are not only top-notch but the institute has already published dozens of papers in “high-impact” journals worldwide. The institute has four key divisions: drug discovery and development, herbal research, Sanskrit and Ayurveda, and clinical research. “This is the world’s largest institute that researches yoga, Ayurveda and

TASK CUT OUT

- Ramdev’s dream to overtake HUL is yet to come true, even though Patanjali has managed to pip MNCs like Colgate, P&G, and Nestlé
- Despite rapid top-line growth, Patanjali’s margins lag its peers’



● REVENUE ● EBITDA ● NET PROFIT



● EBITDA MARGIN ● NET PROFIT MARGIN

NOTE FIGURES ARE FOR FY24; ITC’S NUMBERS ARE FOR ITS NON-CIGARETTE FMCG BUSINESS; *NESTLÉ INDIA’S FY24 NUMBERS ARE FOR JANUARY-DECEMBER 2023; **FOR FY23 (JULY-JUNE)

SOURCE BSE, COMPANY FILINGS, MOFSL & KR CHOKSEY



“[We already have over 74,376 hectares under cultivation]... The oil palm plantation business represents a key avenue for the long-term growth of Patanjali Foods”

SANJEEV ASTHANA
CEO, PATANJALI FOODS,
DURING AN INVESTORS' CALL



“[The] legal actions against them have not reflected very well on Patanjali... Ramdev's plans to list two to three other group companies on the market are also on the back burner”

ARUN KEJRIWAL
FOUNDER, KEJRIWAL
RESEARCH & INVESTMENT
SERVICES

32 |

₹31,962

CRORE

REVENUE OF PATANJALI FOODS IN FY24. FOODS & FMCG MADE UP 30% OF THE REVENUES IN THIS FISCAL

herbal products. We follow over 5,000 research protocols... [and] even conduct animal trials of our drugs.”

However, allopathic specialists like Misra are not impressed. “The main issue is the lack of quality control. These drugs must undergo clinical trials like modern drugs, including experimental animal studies, followed by phase 1 to 3 trials and post-marketing surveillance. Rigorous testing and randomised trials are needed... Unfortunately, many of these standards have not been achieved,” he says.

On Patanjali's skirmish in the Supreme Court, Ramdev says the company is the victim of “flawed and outdated legislation” and a pharma mafia, and the issues are not with its product quality and messaging. The yoga guru is readying a challenge to the Drugs and Magic Remedies (Objectionable Advertisements) Act of 1954, under which it was pulled up.

“Our quality standards have been falsely targeted by a mafia. There is a corporate mafia, a political mafia, an intellectual mafia, and a drug mafia, too. We are their target all the time,” says Ramdev. He hits out at MNCs, particularly Colgate and Nestlé, and has even publicly castigated them in the past.

Harish Bijoor, a brand strategy expert, is not overly worried about these issues. They may not have dented Patanjali's image in the eyes of those who think that MNCs do not want Ayurveda to succeed, he says. “While the whole incident of tendering an apology by the Co-founders may have sullied Patanjali's image, there is a whole segment of people who see this as a play by multinational pharma giants, who do not want the natural, eastern, Ayurveda to succeed.”

THE FMCG TAG

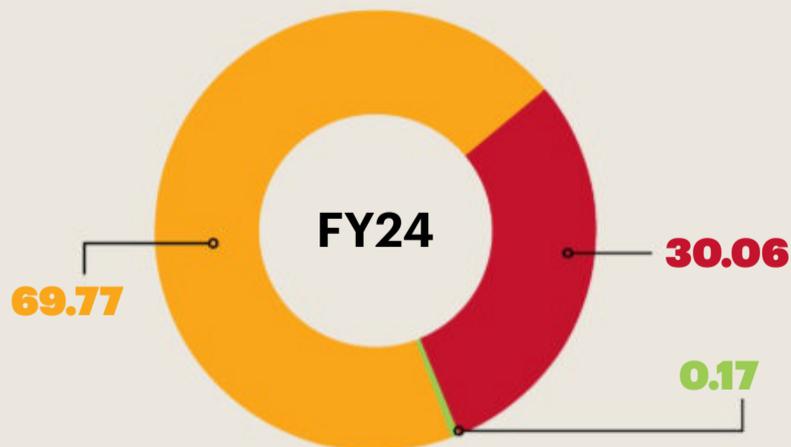
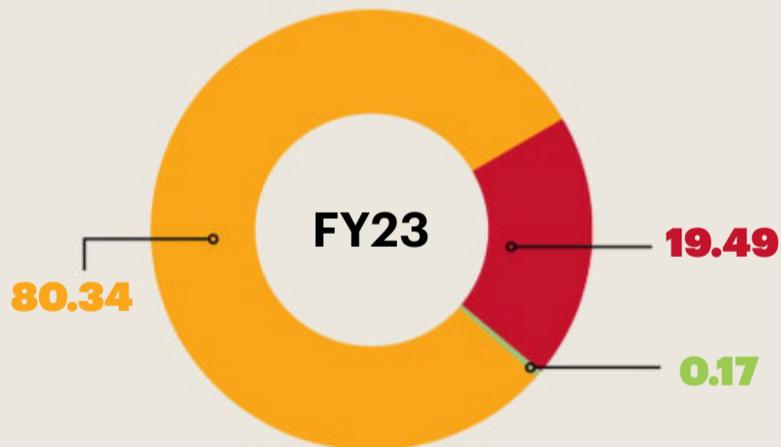
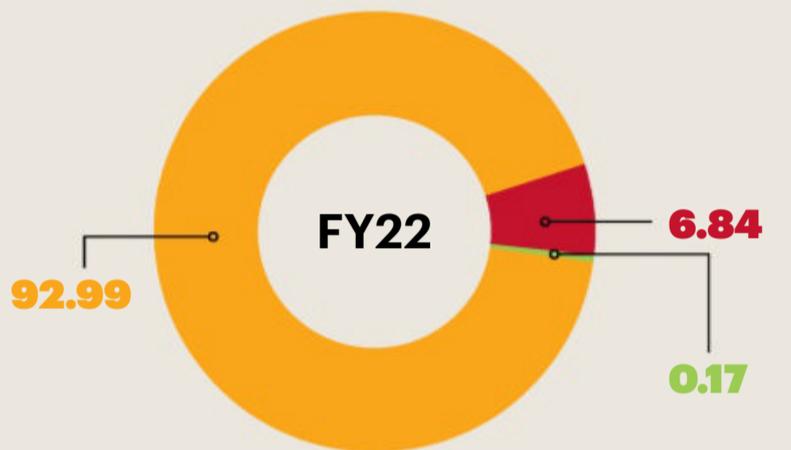
Patanjali is no stranger to trouble. After growing strongly till FY17, sales of its flagship Patanjali Ayurved declined in FY18, going down by 11% year-on-year to ₹8,176 crore from ₹9,187 crore. Market watchers say it reported a sharp sales growth up to FY17 by offloading its inventory on distributors. Only in FY21, after it acquired edible oils maker Ruchi Soya for ₹4,350 crore in a bankruptcy court sale did the group enter the top league with a revenue of ₹30,000 crore. (Ruchi's turnover was ₹16,383 crore.) Then, after Patanjali Ayurved handed over its foods and related businesses to Ruchi and renamed it as Patanjali Foods, revenues grew to ₹31,962 crore in FY24.

Patanjali Foods is the third-largest FMCG player—but based on what consumer goods? It gets 70% of its sales from edible oils, which it got with

SWAMI RAMDEV AND PATANJALI FOODS CHAIRMAN ACHARYA BALKRISHNA (IN PHOTO) ARE BETTING ON THE COMPANY AND THE FMCG SPACE TO DRIVE FUTURE GROWTH

THE TASTE OF THINGS

- Consolidation of the group's foods business under one entity lifted its share in Patanjali Foods to 30% in FY24
- Edible oil, however, continues to contribute 70% to the top line



● EDIBLE OIL ● FOODS & FMCG ● WINDMILLS

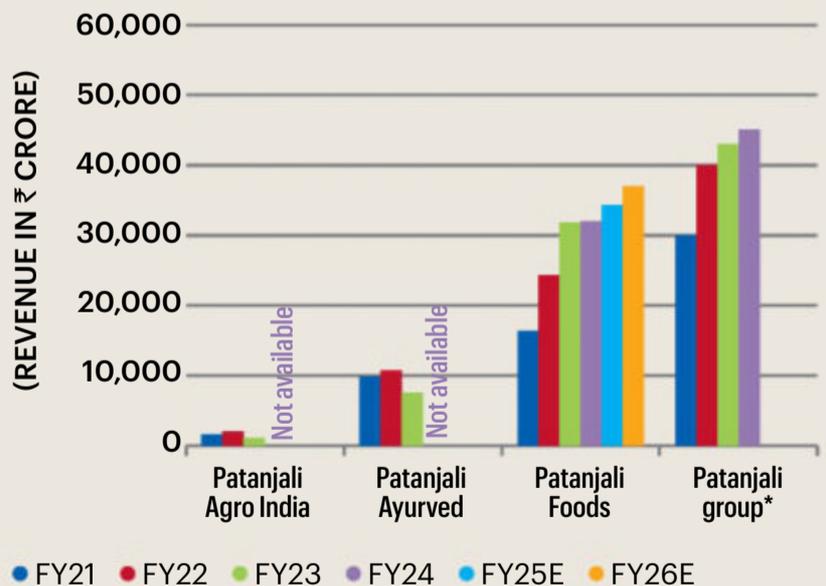
DATA INDICATES THE CONTRIBUTION TO PATANJALI FOODS' REVENUE IN %
SOURCE COMPANY FILINGS



PHOTO BY SHEKHAR GHOSH

SLOW MOVING

- Patanjali Ayurved's revenue growth has faltered in recent years
- After the initial boost, faltering edible oil prices impacted Patanjali Foods' top line, affecting the group's revenue in FY24



E: ESTIMATES BY ANTIQUE BROKING; NOT CONSIDERING THE ACQUISITION OF NON-FOODS BIZ

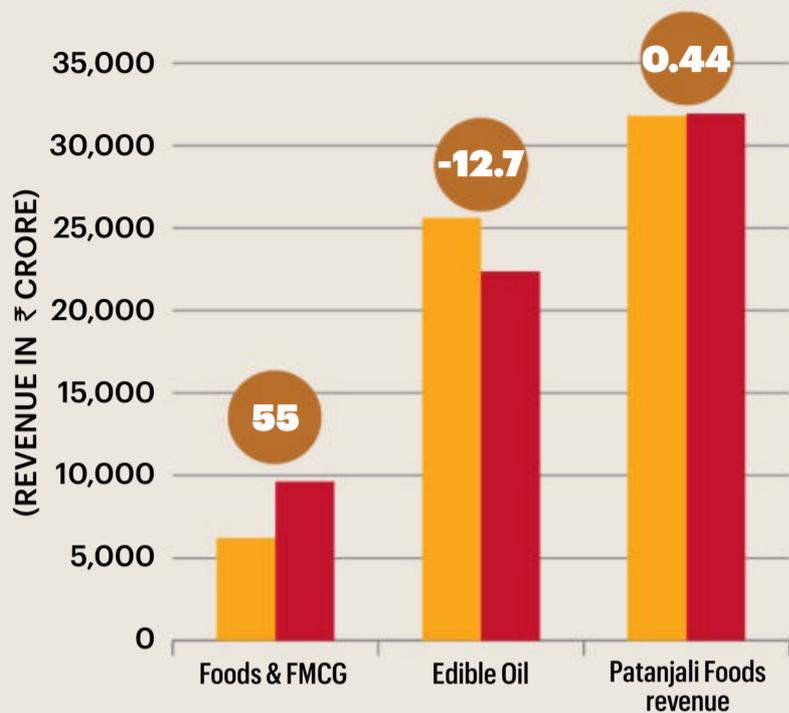
*PATANJALI GROUP REVENUE ALSO INCLUDES REVENUE OF OTHER GROUP FIRMS

NOT AVAILABLE DATA NOT RELEASED YET

SOURCE BSE, COMPANY FILINGS, ACE EQUITY, PROWESS AND ANTIQUE BROKING

SHAKEN NOT STIRRED

- High exposure to edible oil keeps Patanjali Foods vulnerable to price fluctuations and supply disruptions
- Sliding edible oil prices hit Patanjali Foods' top-line growth in FY24, as edible oil sales declined 12.7%

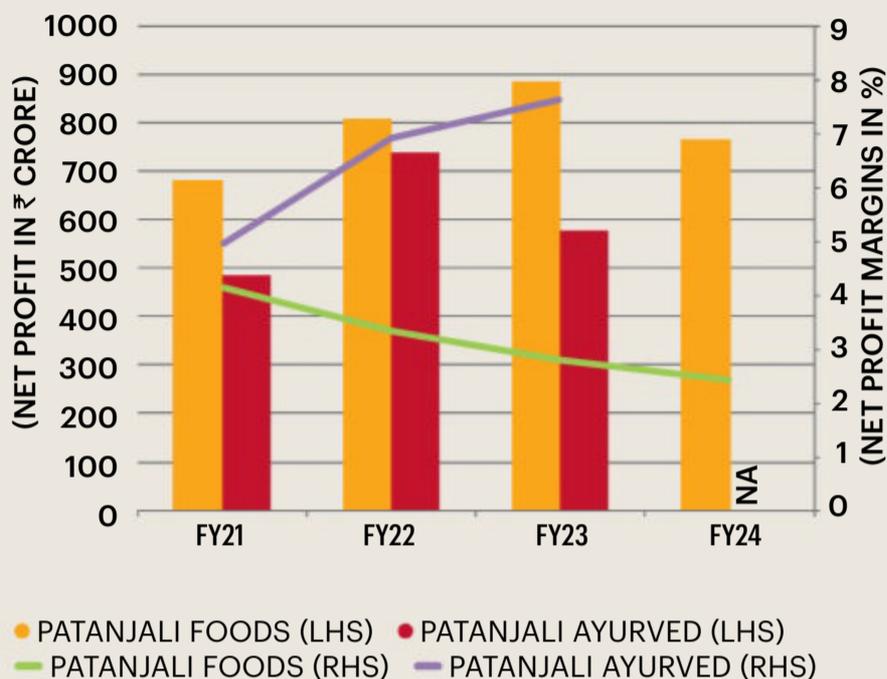


● FY23 ● FY24

FIGURES IN BUBBLES INDICATE YoY CHANGE IN %
SOURCE COMPANY FILINGS

THE BOTTOM LINE

- Low profit margins were a concern for Patanjali Ayurved, even before Patanjali Foods
- Net profit margin in the 4-7.7% range is way lower than peers' 13-24%



● PATANJALI FOODS (LHS) ● PATANJALI AYURVED (LHS)
 — PATANJALI FOODS (RHS) — PATANJALI AYURVED (RHS)

NA NOT AVAILABLE

SOURCE BSE, COMPANY FILINGS, ACE EQUITY, AND PROWESS

Ruchi. Edible oil prices fluctuate wildly. In FY24, for instance, when edible oil prices fell by double digits after surging for two years, Patanjali Foods' revenue remained flat: its edible oil sales declined 12.7% from ₹25,634 crore in FY23 to ₹22,384 crore in FY24.

Also, India imports more than 80% of its crude edible oil to refine for domestic customers. Geopolitical tensions such as the Russia-Ukraine war and shipping disruptions often lead to supply shortages.

To hedge against the risk, Patanjali has already transferred the foods businesses of Patanjali Ayurved to Patanjali Foods, increasing the share of the foods & FMCG business in the company from 6.84% in FY22 to 19.49% in FY23 and 30.06% in FY24. In FY24, the foods business kept Patanjali Foods' top line in the black, growing 55% year over year to ₹9,643 crore.

On July 1, Patanjali Foods initiated the acquisition of Patanjali Ayurved's home and personal care (HPC) portfolio, comprising hair, skin, dental and home care products. Some of these are strong brands, such as Dant Kanti in dental care, Soundarya in skincare and Kesh

Kanti in hair care. Patanjali Foods CEO Sanjeev Asthana had said in an earnings call in May, "...we're evaluating the acquisition of Patanjali Ayurved's HPC portfolio" and assessing "strategic synergies". The deal involves Patanjali Foods paying ₹1,100 crore to Patanjali Ayurved against "all movable assets, immovable properties, contracts, licences and employees" related to the portfolio, said a release. Plus, as a part of the agreement, Patanjali Foods would pay 3% of the portfolio's turnover to Patanjali Ayurved for 20 years. While, the revenue potential of the portfolio is not specified, estimates suggest it would be a chunk of the Patanjali Ayurved's ₹6,991-crore sales in FY24.

According to Kejriwal, edible oil processors always run the risk of commodity price variations, so it would be a good move for Patanjali to create an FMCG conglomerate. "The acquisition shall strengthen the company's existing FMCG product portfolio with an array of marquee brands and also contribute to the growth in terms of revenue and Ebitda", Patanjali Foods said in a release.

Patanjali Foods is focussing on oil palm plantations, Asthana had said, and already has over 74,376 hectares



Strength in Diversity The group is looking to diversify its portfolio and enter some new sectors on its path to achieving group revenues of ₹1 lakh crore



“The main issue is the lack of quality control. These (Patanjali’s) drugs must undergo clinical trials... many of these standards have not been achieved”

DR ANOOP MISRA
CHAIRMAN, FORTIS C-DOC
CENTRE OF EXCELLENCE
HOSPITAL



“It (Dant Kanti) is a wonderful success. Patanjali has some terrific products cum brands. These products need to be pushed more by Patanjali”

HARISH BIJOOR
BRAND STRATEGY EXPERT

under cultivation across 12 states. “The oil palm plantation business represents a key avenue for the long-term growth of Patanjali Foods,” Asthana had told analysts.

Profitability remains another challenge. Patanjali Ayurved, the group’s largest entity till FY20, has never delivered profits beyond ₹750 crore, even when it clocked its highest-ever sales of ₹10,732 crore in FY22. From a low of 4.1% in FY18, its net profit margin has grown to 7.67% in FY23. Its FMCG competitors have net profit margins that range from 13-24%. For Patanjali Foods, now the group’s largest company, the figure was 2.39% in FY24.

RAMDEV HAS A PLAN

According to Ramdev, the management has learnt some lessons in the past few years. For one, it has a mechanism to tackle the fluctuations in edible oil prices. “The results will be reflected in the first quarter numbers,” he says.

Then, transferring more FMCG items from Patanjali Ayurved to the listed Patanjali Foods will also help it offer better returns. It transferred the foods businesses to

test the waters and is now integrating the other FMCG businesses. “Our retail or institutional investors’ interests should not be affected in any form,” says Ramdev. After the second round of integration, Patanjali Foods may get a new, more ‘universal’ name.

A senior market analyst says that while cash profit may be low in edible oils, Patanjali is improving its return on capital employed (RoCE). After clocking 16.6% RoCE in FY22, it came down to 11.2% in FY24. But Antique Stock Broking estimates Patanjali Foods’ RoCE to grow to 16.8% in FY25 and 20.3% by FY26. Market leader Adani Wilmar, which has a share of nearly 20% in the ₹3 lakh crore domestic edible oils market, saw its RoCE decline to 7.2% last year. “Apart from the edible oil segment, Patanjali Foods has expanded its FMCG and food products’ manufacturing capacity,” says the analyst.

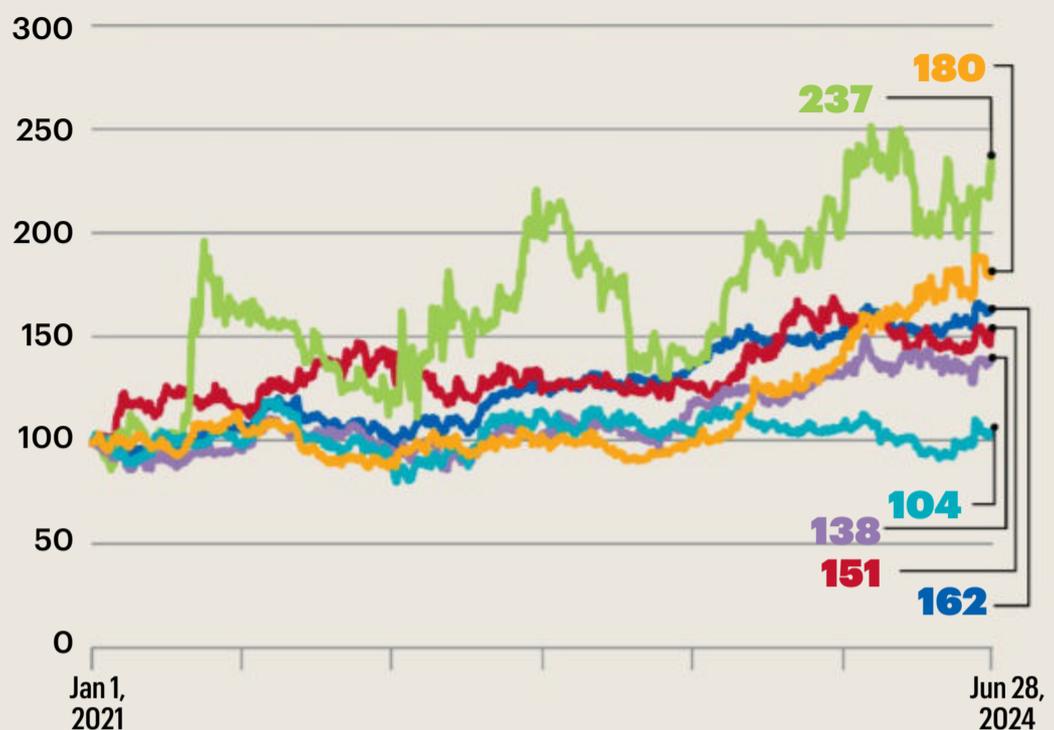
According to analysts, Patanjali’s focus on growing its distribution through general and modern trade has begun to bear fruit. Starting with Patanjali Chikitsalaya, its ayurvedic medicine store, Patanjali’s reach has grown to over a million retail outlets in FY24. Dhiraj

AHEAD OF THE COMPETITION

- Since the acquisition, the Patanjali Foods stock has outperformed its peers and the FMCG index
- The market cap of Patanjali Foods has grown to ₹53,225.91 crore on June 19, 2024, from ₹19,905.66 crore on January 1, 2021

- BSE FMCG INDEX
- PROCTER & GAMBLE HYGIENE AND HEALTH CARE
- PATANJALI FOODS
- NESTLÉ INDIA
- HINDUSTAN UNILEVER
- COLGATE-PALMOLIVE (INDIA)

DATA HAS BEEN INDEXED TO 100
SOURCE ACE EQUITY



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Mistry, a Research Analyst at Antique, notes, “The company is gaining market share in the biscuits portfolio by outpacing industry growth with more and more direct reach outlets.” But Ramdev has another plan to improve margins: strengthen its grip on upmarket consumers.

“With over 700 million consumers in India, we have already reached the masses. Now it’s time to cater to the classes,” Ramdev says. Patanjali has ventured into the premium FMCG market. Starting with sports nutrition and nutraceutical products under the brand Nutrela, dry fruits, premium biscuits and ghee, it is expanding into premium categories like shower gel and bath soaps. Asthana said the company is shifting focus to the high-margin FMCG business. Mistry says the FMCG business’ performance is expected to be sustained, with management focussing on driving growth through distribution expansion and new product launches. “The company [will] emphasise on premiumisation, [and] a diversified product range, and broaden its distribution channels to drive growth,” he notes.

Experts like Bijoor say Patanjali should now focus on leveraging its popular brands like Dant Kanti. The herbal toothpaste brand is already No. 3 in India’s market after Colgate and Dabur Lal. “It’s a wonderful success. Patanjali has some terrific products cum brands. These products need to be pushed more by Patanjali,” he says.

Taking a cue from the market, the company has recently launched Dant Kanti Gel, which sells at a premium and lures younger consumers through its brand

ambassadors Tiger Shroff and Tamannaah Bhatia. To aid the distribution of its premium portfolio, Patanjali has grown its branded modern trade outlets, like Patanjali Mega Stores, to close to 400 across dozens of cities.

Patanjali Foods is key to Ramdev’s goal of achieving ₹1 lakh crore in revenue: ₹50,000 crore will come from it alone. It is also targeting exports. Products like Nutrela soya chunks and skin and hair care are being tried out abroad, while the Dant Kanti brand is being exported to over 50 countries. The rest would come from its current businesses and acquisitions in FMCG. Achieving the goal by FY28 would require its existing business to grow at 19% CAGR, which looks improbable. Tool: major acquisitions.

Ramdev says Patanjali plans to “enter a few new sectors soon, which will attract the world’s attention. Something out of the box”. “When we bought Ruchi Soya, critics said it’s a commodity business, an elephant. How will it run?” he recalls. Ramdev is betting on India’s economy and says sectors like agriculture and FMCG are huge. Then there are areas like health, education and research, he says.

Experts say Patanjali has gained by hiring professionals to steer the company. Apart from being efficient, professionals ensured corporate governance and transparency. Ramdev says one doesn’t have to tell professionals how to get things done. “But there are few who can come up with new ways of doing things,” he says. For that, there is Swami Ramdev. **BT**

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Smoother drive

Reduced emissions

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“CONSOLIDATING PATANJALI’S FMCG PRODUCTS PORTFOLIO”

Patanjali group Co-founder Swami Ramdev, who is also Director of Patanjali Foods, on the company’s acquisition of the non-foods business of Patanjali Ayurved, his ambitions for a ₹1 lakh crore turnover, and more

BY **SIDDHARTH ZARABI** • PHOTOS BY **HARDIK CHHABRA**

YOGA GURU Swami Ramdev is as at ease in talking about revenues and profits, as he is in twisting his lithe and supple frame into an *asana*. Having taken *sanyas* in 1995, Ramdev, who prefers to be referred to as the Mentor and Spiritual Head of the Patanjali group, pulls no punches when it comes to taking on multinational companies in the FMCG space.

As part of that ambition, Patanjali Foods Ltd (erstwhile Ruchi Soya Ltd) has acquired the home and personal care business of Patanjali Ayurved Ltd for ₹1,100 crore, and a 20-year licensing arrangement for

a 3% turnover-based fee. The deal aims to strengthen the company’s position in the fast-moving consumer goods sector.

In an interaction with *Business Today TV*, Ramdev speaks about his plans to expand the Patanjali business empire in the years to come.

Edited excerpts:



What is the rationale for the acquisition?

We are reaffirming our commitment to becoming a major player in the FMCG space. Two years ago, at the time of our FPO (follow-on public offer), we had set an ambitious five-year target

of attaining a 50:50 split between the two major verticals—edible oils and FMCG. I am saying ambitious, because the share of FMCG in the total revenue was only 6-7% in FY22. In FY23, it rose to 19-20% and in the recent financial year, it went above 30%.

With the acquisition, we are consolidating the ‘Patanjali’ brand FMCG products portfolio. We see multiple synergies in terms of brand equity, product innovation, cost optimisation, infrastructure and operational efficiencies. This will also have a positive impact on market share, revenue and earnings.



Will you look at more acquisitions?

We will acquire domestic brands first, and later, foreign FMCG brands.



There is a trend towards ‘premiumisation’ in the FMCG space. How does Patanjali plan to maintain its market position given the strong competition from global majors?

Patanjali caters to all segments. We have products in the mass-, value- and premium segments as well. We have many products that command a premium in the market. Cow’s Ghee,



for example, is among the market leaders and sells at a premium... and we hold nearly 70% [market share]. Nutrela is a market leader and has more than 40% of market share. The nutraceuticals range is again a premium offering by the company.

We launched a slew of premium products last year, including ragi biscuits, seven-grain biscuits, digestive biscuits, and a dry fruits range under the Nutrela brand. We have also introduced a

new range of sports nutrition products under the 'Nutrela Sports' brand.

We are well connected with consumer aspirations and market trends and posing a very strong challenge to global firms.



Is it a challenge, given that global companies spend much more than you on R&D and marketing?

Our competition is not just with domestic companies, but directly with

Unilever, Colgate, Nestlé, and others. Our resolve is to capture their market share. Our vision is to capture a dominant share of the market.



What are your long-term plans for the Patanjali group?

Our group turnover today is around ₹45,000 crore, and our goal is to take it to ₹1 lakh crore. We renamed Ruchi Soya as Patanjali Foods, and it has already become one of the

largest food companies in the country. Our goal is to make it the largest foods company in the world.

We have very strong brands. In the edible oils segment, we are the second-largest company with nearly 10% market share. Our goal is to achieve a dominant market share in hair care, dental care, and skincare. We want to make Patanjali Foods the largest company in the home and personal care segment in India, and then globally.

If a product like Colgate can be known world-wide, then why not Dant Kanti [Patanjali's toothpaste brand]? Our products are 100% safe and affordable—why wouldn't the world turn towards them?



Have high raw material costs impacted your margins?

During Covid-19, there was a lot of pressure, especially on bathing soap and dental care products. Now, it is relatively less. Our long-term strategy is to provide quality products at affordable prices.



India remains dependent on the import of edible oil and pulses. What are your plans in this space?

We want to make India self-sufficient in edible oils. Patanjali has oil palm plantations across 12 states in the country, with special focus on the North-east. The total allocated area is more than 700,000 hectares, on which rapid plantation is being carried out in partnership with farmers. We import nearly 5 million seed sprouts every year and grow them in our nurseries. Later, they are planted in the farmland of our partners. Over 50,000 farmers are being



Our goal is to stop the outflow of ₹2-3 lakh crore to edible oil imports. This will strengthen the currency, and make our farmers prosperous

SWAMI RAMDEV, CO-FOUNDER, PATANJALI GROUP; NON-EXECUTIVE DIRECTOR, PATANJALI

benefitted through this. Besides that, we will work on all traditional oils of India, including mustard, groundnut and coconut.

Our goal is to stop the outflow of ₹2-3 lakh crore every year due to edible oil imports. This will strengthen the country's economy, India's currency, and make our farmers prosperous.



There have been signs of weakness in the rural economy...

The rural economy will get a boost. The government's focus is on villages, the poor, labour-

ers, and farmers. The way the government's policies are progressing, the rural economy will receive a booster dose in the future.



Questions have been raised in the past about the manufacturing and quality of some of your products. What do you have to say on this?

Patanjali has 100% in-house manufacturing. None of our products have ever failed quality tests. There is a fake news factory in India that spreads lies and despises traditional heritage

and knowledge. We will slowly overcome it.



Recently, questions were raised overseas about the quality of Indian food products. What is your take?

Not a single product from Patanjali has faced any of these issues that have been raised for others. Look, these are 'market wars'. There is no need to worry about them.



Your products face criticism on social media...

There is a lot of false narrative targeted towards



3 lakh crore every year due then the country's economy, our prosperous

LI FOODS

the quality we maintain. There is a targeted campaign against us.

▶▶▶

Who is targeting you?

There is a corporate mafia, a political mafia, an intellectual mafia, a drug mafia—all these target us.

▶▶▶

Even the Supreme Court has commented on this issue...

I must emphasise that the matter is sub-judice before the Supreme Court of India. Given the legal proceedings, it would be inappropriate

for me to comment further on the issue. We must respect the judicial process and await the court's decision.

▶▶▶

A question that repeatedly comes up is the lack of clinical trials for ayurvedic products...

Patanjali Research Foundation is India's first, and largest, fully integrated research foundation that conducts extensive research on ayurvedic medicines, products and practices. It has a diversified research portfolio and a substantial clinical testing

pipeline. It has a robust research mechanism with around 500 scientists and researchers with global experience. It has been accredited for over 5,000 research protocols and published more than 300 research papers in international journals. But there is a mindset that has hatred towards Ayurveda... It is discrimination.

▶▶▶

There was a ban in Uttarakhand...

We challenged the suspension order before the appellate authority, which formed a high-

level committee. Based on the committee's preliminary report, the government of Uttarakhand temporarily stayed the suspension. We are now awaiting the final report of the committee, which is expected soon. We remain optimistic about a favourable outcome.

▶▶▶

On a related note, the issues in medical education entrance exams are in the headlines.

Has it ever crossed your mind to work in this space?

Currently, we are granting bachelor's and master's degrees in ayurvedic medicine and surgery.

What you have said will become a reality, perhaps within one or two years when Patanjali establishes the country's largest MBBS degree college and the world's largest university.

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SHAPING CAREERS FOR THE YOUTH

Adani Group's hiring program offers unique opportunities to youngsters to be part of fast-growing sunrise industries

Demographically, India's youth population is among the largest in the world. And with a large population being in the working age group category, India is set to benefit from the "demographic dividend".

But in this highly competitive and complex market, getting a job and charting a career path takes much more than having an educational degree. According to the India Employment Report 2024, 10% of the country's youth are unemployed, with a higher unemployment rate among those with a graduate degree or higher. Another report by The International Labor Organization (ILO) for the year 2024 has raised





some serious concerns regarding the lack of necessary skills among the country's youth.

In such a scenario, empowering the youth and giving them the skills to navigate the job market is a responsibility that many corporates are taking. Several large organisations have been hiring and enrolling youngsters who are fresh off campus and giving them an opportunity to work with their experienced teams.

The Adani Group, one of the largest business conglomerates in the country, has been increasingly hiring freshers from across India under various programmes, like the Adani Summer Internship Program, Adani Accelerated Leadership Program, Management Trainee Program and Executive Trainee Program. More than 1,000 freshers have been hired under this initiative since 2021.

For its internship program this year, the Adani Group hired around 100 interns from across the country from a pool of more than 3,000 candidates studying in 22 educational institutions. The program is for a period of two to five months and involves projects directly aligned to the organisation's strategic needs. In this period, the interns are offered regular interactions with the leaders and mentors, including weekly question-and-answer sessions, and formal and informal outings and team activities.

The Adani Group also hired around 300 full-time working professionals from 50 colleges across the country. In the current batch, youngsters from 23 states and two Union Territories in the country have joined the group.

The newly recruited candidates have been posted in various businesses and different functional areas. Being part of projects, right from planning to execution stage, presents a unique opportunity for new recruits to get valuable insights and hands-on experience in fast growing sunrise industries, including green hydrogen, renewable power, aviation, defense and aerospace, infrastructure, digital transformation and strategic management. The group has committed USD 100 billion investment over the next 10 years directed towards strengthening India's green energy, transport and other critical infrastructure areas.

In addition, for their growth and upskilling, the candidates would be encouraged to take part in different training courses, including cross functional training modules. New role opportunities would be presented to them every two to three years based on their performance.

By engaging fresh talent and regularly upskilling them, the Group ensures that youngsters are well-equipped to drive innovation and sustainable growth as they become part of

the group's journey going forward.

More than 70% of the hires have at least two years of experience across various functions, operations and businesses. While most of the new joiners would be based out of Ahmedabad, others would be working in various locations including Gurgaon, Mumbai, Chennai, Hazira, Gangavaram, Mundra, Surat and Vishakhapatnam.

In today's highly competitive business landscape, large organisations are continuously seeking ways to foster innovation, enhance productivity, and maintain a dynamic workforce. One of the most effective ways to achieve these goals is through recruitment programs. These initiatives not only benefit organisations, but also provide invaluable experiences, knowledge and opportunities to youngsters who are stepping into the job market.

Potential employees can be trained according to specific needs and standards of an organisation. And over time, they can transition to full-time roles, already equipped with the necessary skills and knowledge. Young professionals can be groomed for future leadership roles and their fresh perspective can provide a company with valuable insights. By investing in young talent, companies not only gain enthusiastic employees but also contribute to the professional development of the next generation.





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MAKING SMALL BEAUTIFUL AGAIN



PHOTO BY SUMIT KUMAR

SMALL AND MEDIUM ENTERPRISES ARE STARTING TO TURN A CORNER AFTER THE COVID-19 PANDEMIC. BUT THE CHALLENGES THEY FACE NEED TO BE ADDRESSED ON PRIORITY TO KEEP INDIA'S GROWTH ENGINE FIRING

BY SURABHI

J

JUGAAD. THERE'S NO English synonym for this Hindi word that roughly translates to a simple fix or a frugal solution. It has been used by most Indians at one point or another. But, for a vast number of India's small businesses, it is an intrinsic part of life, for they continue to exist, operate, and often grow despite the numerous challenges thrown at them.

The scale of those challenges is clearly visible in recent data that shows that India's informal sector enterprises are yet to fully recover from the body blow they suffered after the outbreak of the Covid-19 pandemic. The recently released factsheet on the Annual Survey of Unincorporated Sector Enterprises (ASUSE) for 2021-22 and 2022-23 reveals that the number of unincorporated enterprises fell to 5.03 million in the April-July 2021 period during the second Covid-induced lockdown, but rebounded in the following months and the figure for the whole of 2021-22 rose to 59.7 million. There was a 5.88% increase in 2022-23 to 65 million units. But compare that with the pre-pandemic period, and the increase is minimal. In the ASUSE 2015-16, there were 63.3 million unincorporated firms in the country.

The number of workers employed by these establishments, the country's largest non-farm employers, is yet to recover. It was 111.2 million in 2015-16, and even after the post-pandemic recovery, the employment figure stands at 109.6 million in 2022-23.

Experts believe that the numbers are a telling indicator of the health of India's small businesses, or micro, small, and medium enterprises (MSMEs), and much more needs to be done to not just revive them but make them a force to reckon with.

That's a priority because MSMEs contribute a third of the country's GDP, about 36% to the gross value addition in the manufacturing sector, and 45%

of national exports. According to the Udyam portal, a total of 45.6 million MSMEs are registered with the government, of which 44.8 million are micro enterprises, 706,000 are small, and just 67,378 are medium businesses. Together, they employ 198 million people.

Santosh Mehrotra, labour economist and retired professor of Jawaharlal Nehru University, notes that in recent years, informal sector enterprises have been affected by the trifecta of demonetisation, the introduction of the goods and services tax or GST (which sent the economy into a slowdown), followed by the nationwide lockdown due to the Covid -19 pandemic.

“The government has not released the survey results for 2019-20 and 2020-21, and one cannot assess the impact of demonetisation and GST on the informal sector,” Mehrotra says, adding that the sector is believed to have been severely impacted. “The data for 2021-22 shows that they were impacted by the lockdown, and they have continued to remain impacted, as can be seen from the number of workers that were employed, which remains low. The growth in the number of establishments has also slowed down,” he says.

Before these disruptions, he says, between 2010 and 2015 (the earlier points in time when the survey was conducted for which data was available for the number of unorganised enterprises and also workers), many more enterprises were set up and millions of more jobs were created. “By contrast, between 2015 and 2023, just a fraction of those units and jobs were created in the unorganised and MSME sectors. Clearly, the improvement between 2021-22 and 2022-23 is a mere fraction of the lost enterprises and jobs induced by the three shocks before the second Covid wave of 2021-22,” he says.

Besides, this is a vast space and MSME is an umbrella term that denotes anything from single-person businesses running out of a house to larger ones providing raw mate-

rials and components to Indian and foreign firms that employ in the thousands. So a common solution may not be possible.

Not surprisingly, then, ensuring they have adequate access to formal credit, new technology, and markets, as well as solving the myriad problems entrepreneurs in the sector face, can boost the country's exports and GDP and create a large number of employment opportunities.

In fact, a recent report by the McKinsey Global Institute (MGI) on MSME productivity highlighted that while MSMEs constitute about one-third of India's business economy and generate 62% of employment, they struggle for productivity and are only 26% as productive as large companies (compared with 29% in emerging economies). “Narrowing the gap is equivalent to about 10.5% of India's GDP,” it underlined.

The report, titled ‘A Microscope on Small Businesses’, also revealed that in India, only about 10% of large companies in 2022 were MSMEs at some point after 2000. “Indeed, previous MGI research found that India has a ‘missing middle’ of mid-size companies. MSMEs have faced structural barriers, such as the high cost of compliance and finance, that have tended to constrain their growth,” it said.

Experts and stakeholders have often highlighted many of these issues, and to be fair, the government has also been working on many of them, but arriving at a simple solution in most cases has not been easy. Efforts to formalise MSMEs through the Udyam Portal and the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) have been some of the notable initiatives.

A comprehensive review of the MSME Development Act, 2006, is underway, and it is expected to review the definition of these firms and bring them into sync with current realities. Expectations are that the new government will

BOOSTING PRODUCTIVITY



MSMEs account for nearly 30% of India's business economy and employ 60% of the workforce



Their productivity falls short of that of large companies, which are four times as productive



Narrowing the gap is equivalent of 10.5% of India's GDP, says a McKinsey Global Institute report



But these enterprises face challenges in accessing funding and technology and have high compliance requirements



The government has taken steps to address the credit needs, but more needs to be done



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take many of these discussions forward in the coming months.

Anil Bhardwaj, Secretary General of the Federation of Indian Micro and Small & Medium Enterprises (FISME), notes that there are several challenges related to banking and finance, as well as boosting productivity and competitiveness. “There needs to be an MSME-focussed bank with branches in every district of the country,” he underlines, noting that the Small Industries Development Bank of India (SIDBI) is not a consumer-facing bank. He also adds that measures must also be taken to work on the sustainability initiatives in the sector, given that India wants to be a net-zero economy by 2070.

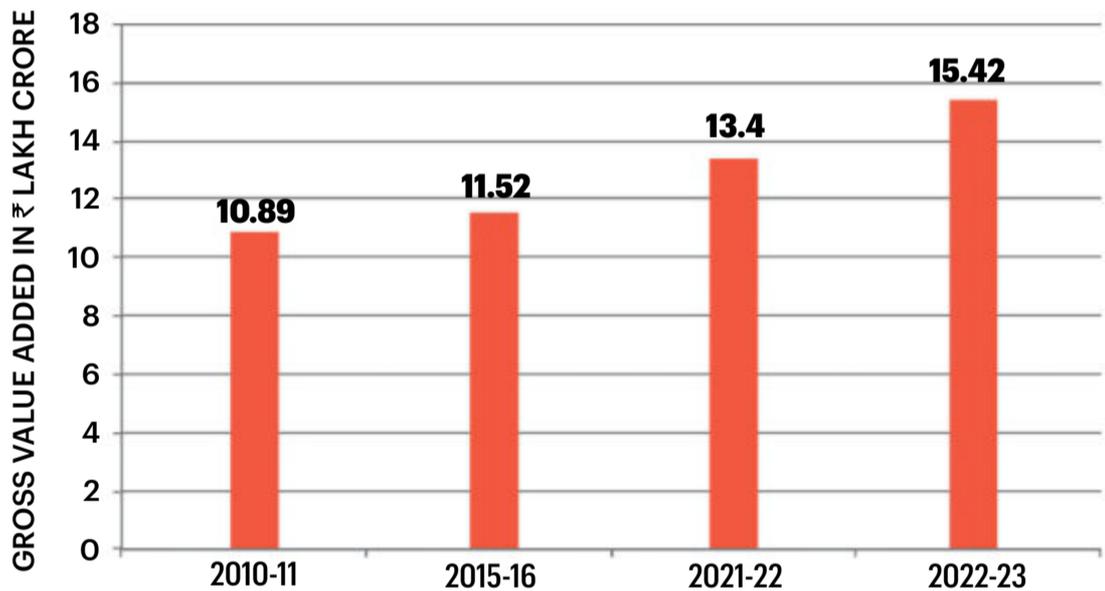
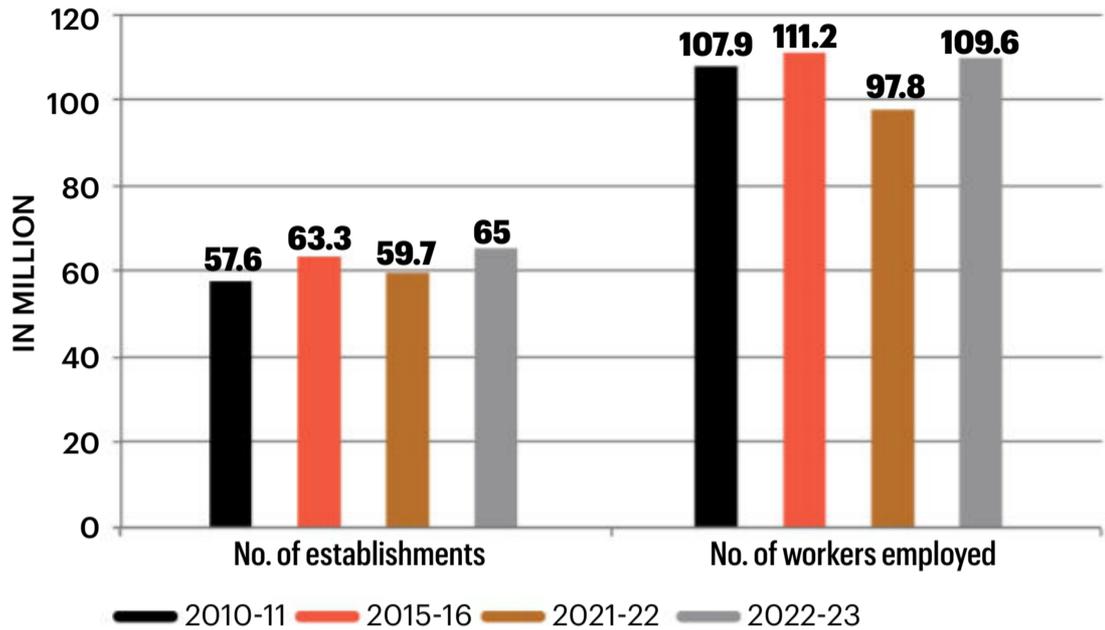
In its petitions to the government, FISME has also called for a review of the non-performing assets norms for MSMEs as well as the bank rating required for loans beyond a certain threshold. These would have to be tweaked for MSMEs, and they cannot be treated on par with large companies.

Ketul Acharya, President of the Global Alliance for Mass Entrepreneurship (GAME), says MSMEs can be large-scale employment generators, especially for women. But there are several challenges these businesses face, including access to formal credit, a high bureaucratic compliance burden, access to markets, challenges in getting skilled manpower and providing adequate remuneration, as well as the use of digital infrastructure and payments. He suggests three broad policy focus areas. “There has to be a shift in the mindset of the youth from being job seekers to job generators and to one of entrepreneurship. Can something more be done on this on the policy front, along with the Atal Incubation Centre?”

Acharya also calls for enabling easier access to credit in terms of getting working capital and loans and more efforts from both the Centre and the

A SLOW REVIVAL

- Informal enterprises have recovered from the shock of the pandemic
- But the number of workers employed by them in 2022-23 was still below pre-pandemic levels



SOURCE ASUSE BY MoSPI

states to improve ease of doing business. “The government can highlight role models and reward them on the lines of a one district, one-entrepreneurship award,” he says, adding that this can be done especially for women entrepreneurs.

In the following pages, we delve into these issues and look for possible solutions. For India to build on its growth momentum, it is vital to take care of MSMEs and provide them with institutional support to ensure that they don’t have to rely on *jugaad*. **BT**

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MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs) PLAY A CRUCIAL ROLE IN INDIA'S ECONOMIC GROWTH, CONTRIBUTING NEARLY ONE-THIRD TO THE GDP, 45% TO EXPORTS AND EMPLOYING OVER 150 MILLION PEOPLE ACROSS RURAL AND URBAN AREAS. THE GOVERNMENT'S RECOGNITION OF THEIR SIGNIFICANCE IS EVIDENT IN THE GROWING BUDGET ALLOCATION TO THE MSME MINISTRY. IN TERMS OF BUDGET ALLOCATION AND JOB AND WEALTH CREATION, LET'S TAKE A LOOK AT THE UNIVERSE OF MSMEs:

By **RAHUL OBEROI & PRINCE TYAGI**
Graphics by **RAJ VERMA**

BUDGET BOOST

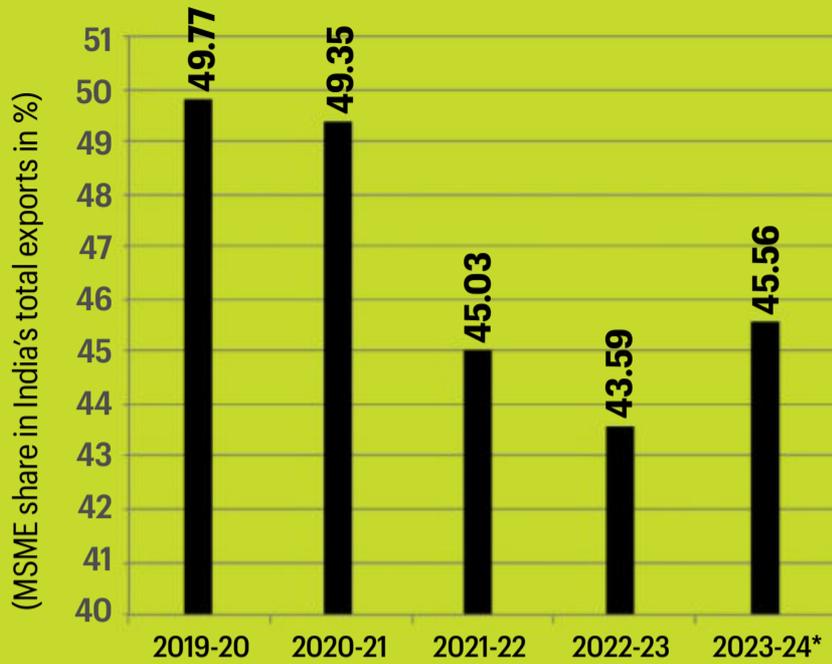
Budget allocation for the MSME ministry has increased sharply following the Covid-19 pandemic—more than 300% since 2020-21



*INTERIM BUDGET; #REVISED ESTIMATES
SOURCE CMIE ECONOMIC OUTLOOK

NOT A SMALL CONTRIBUTION

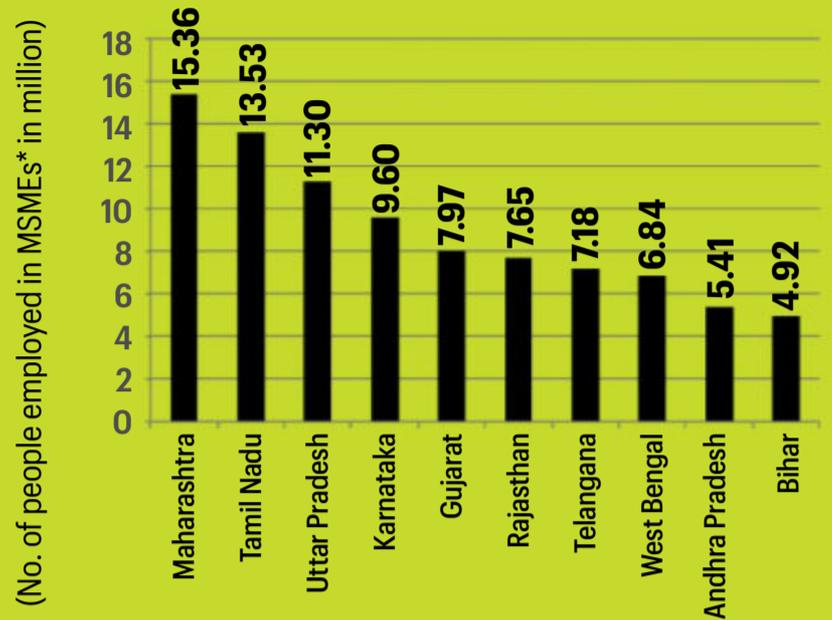
Despite a setback caused by the pandemic, MSMEs have contributed about 45% or more to the country's exports over the last five years



*UP TO SEPTEMBER 2023; SOURCE PIB

LOCAL HEROES

MSMEs from Maharashtra, Tamil Nadu, and Uttar Pradesh are among the top recruiters in the country

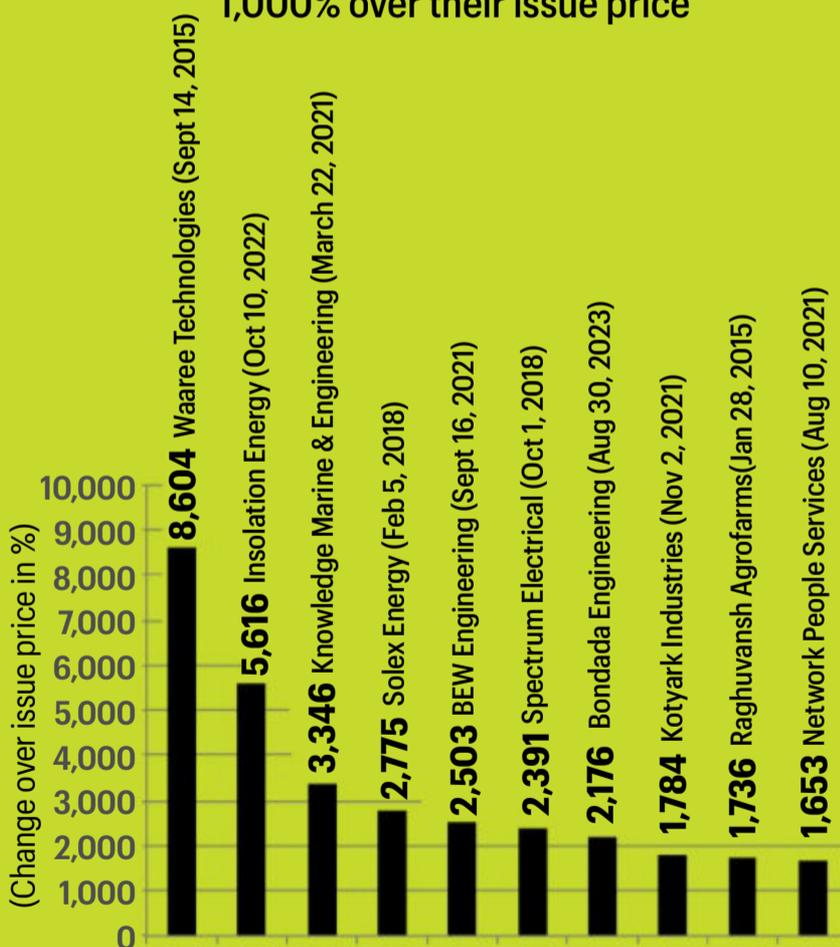


*REGISTERED UNDER UDYAM PORTAL; DATA FOR THE JULY 1, 2020-AUGUST 1, 2023 PERIOD

SOURCE PIB

WEALTH CREATORS

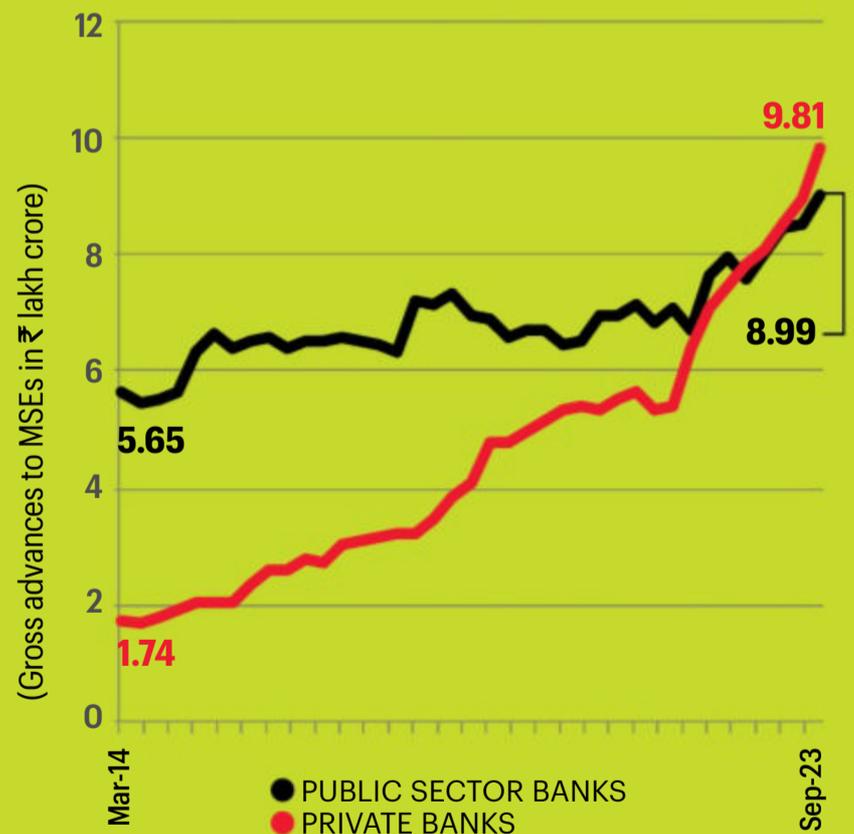
As many as 25 SMEs have rallied more than 1,000% over their issue price



DATA AS OF MAY 28, 2024; FIGURES IN BRACKETS INDICATE THE LISTING DATE SOURCE ACE EQUITY

CREDITWORTHY

Exposure of private banks to MSEs under priority sector lending increased 465% in terms of gross advances since March 2014 compared to PSBs' 59%



MSEs: MICRO AND SMALL ENTERPRISES SOURCE CMIE ECONOMIC OUTLOOK

45 million+

TOTAL NUMBER OF MSMEs REGISTERED ON UDYAM REGISTRATION PORTAL, INCLUDING UDYAM-ASSIST PLATFORM, SINCE JULY 2020

42 times

THE RETURNS DELIVERED BY THE BSE SME IPO INDEX DURING THE JANUARY 2020-MAY 2024 PERIOD, COMPARED TO BSE SENSEX'S 1.8 TIMES

₹15,000 crore+

THE AMOUNT RAISED BY COMPANIES THROUGH SME EXCHANGES IN THE PAST 10 YEARS TILL MARCH 31, 2024, ACCORDING TO PRIMEDATABASE.COM

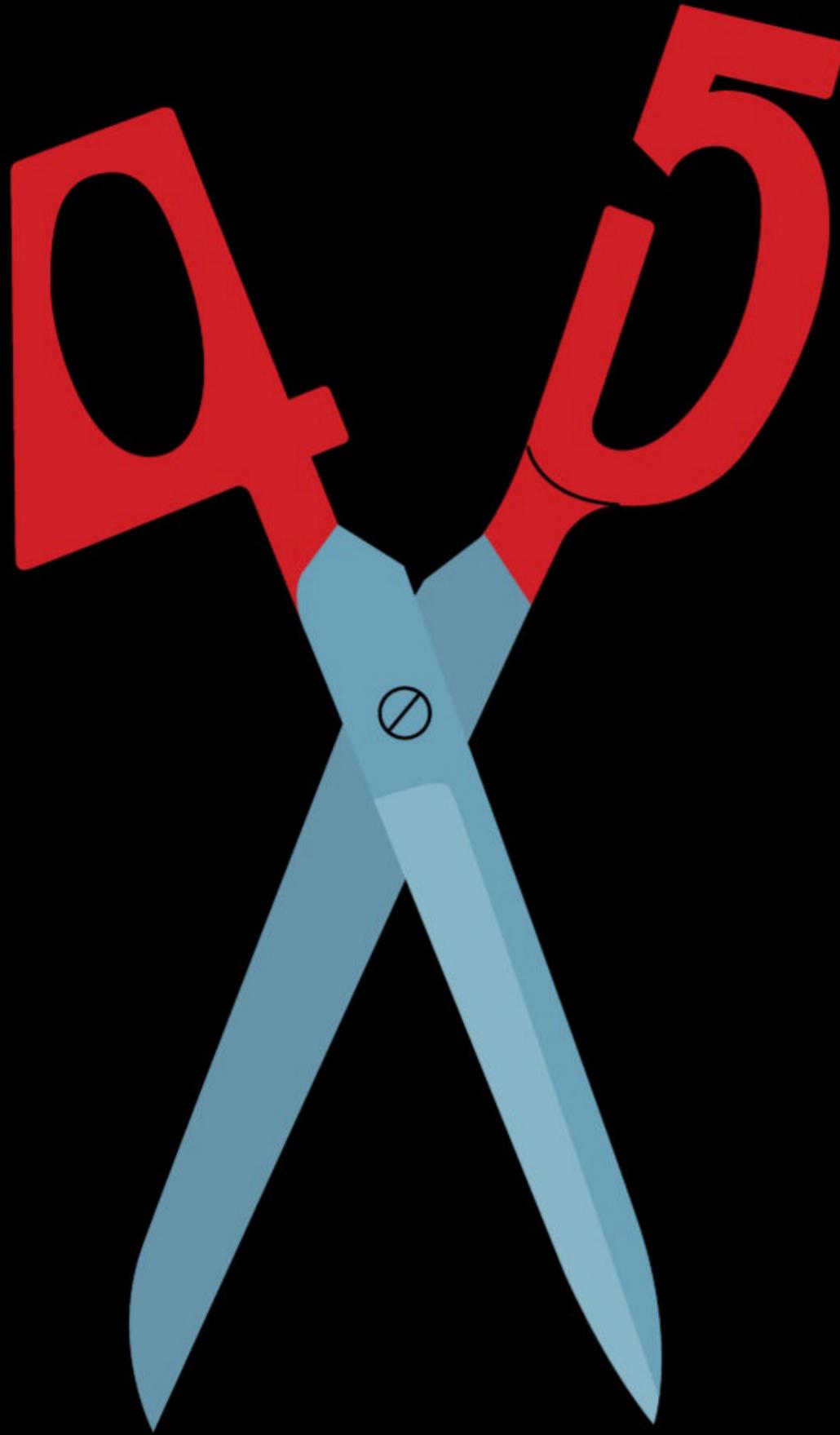


ILLUSTRATION BY **RAJ VERMA**

THE INCOME TAX CHALLENGE

- 1** The Finance Act 2023 inserted a clause in the Income Tax Act to ensure payments within 45 days to MSMEs
- 2** In case of non-payment within 45 days, buyer will have to pay tax on the amount
- 3** The MSME sector has sought deferment and extension of deadline to 60 or 120 days
- 4** Many MSMEs have faced cancellation of orders since the rule came into effect

THE 45-DAY ITCH



SOMETIMES THE MOST helpful of things can have an unintentional fallout. Take the 45-day payment rule for MSMEs for instance. With preparation underway for the Union Budget 2024-25, finance ministry officials are trying to understand the unintended impact of the new provision under the Income Tax Act that mandates payments to micro, small and medium enterprises (MSMEs) within a 45-day time period. According to sources, some relief may be on the cards to ensure that payments are not tied up to the 45-day window.

Finance Minister Nirmala Sitharaman had—at an interaction with MSMEs in Ludhiana on May 29—said that if MSMEs do not want the 45-day payment rule, then the Centre is willing to reconsider it.

The genesis of the issue lies in the Finance Act

A NEW PROVISION IN THE INCOME TAX ACT THAT MANDATES PAYMENTS TO MSMEs WITHIN 45 DAYS HAS CAUSED UNANTICIPATED PAIN FOR SMALL BUSINESSES. WILL THE UNION BUDGET 2024-25 FIX THIS PROBLEM?

BY SURABHI AND PALAK AGARWAL

THE BANE OF DELAYED PAYMENTS

1 When MSMEs are not paid within 45 days as per MSMED Act, they are called delayed payments

2 Delayed payments block working capital and cause production challenges for MSMEs

3 According to estimates, ₹10.7 lakh crore is blocked in delayed payments to MSMEs

4 MSMED Act says buyer has to pay compound interest with monthly resets at 3x bank rate

2023, which inserted a new clause (h) in section 43B of the Income Tax Act, under which larger enterprises must pay MSMEs within 45 days of a written agreement. Failure to do so prevents these large businesses from deducting the expense from their taxable income, potentially resulting in higher taxes. This stringent timeline has caused a significant fallout, with many small business owners cancelling their MSME registrations. The critical question now is whether this policy shift genuinely supports the underserved sector or inadvertently drives business toward larger enterprises.

The intention of the provision, that came into effect from April 1, 2024, was to ensure that small businesses that often face long, unexplained delays in payments from their buyers, are paid on time and have adequate working capital. In fact, a 2022 report by the Global Alliance for Mass Entrepreneurship (GAME) estimated that delayed payments to MSMEs amounted to nearly ₹10.7 lakh crore, of which 80% was due to delayed payments to micro and small enterprises.

However, with much of industry unaware about the clause, its implementation has caused much uproar with MSMEs worried about losing customers. Many industry associations have also written to the finance ministry either seeking deferment of the provision or extension of the 45-day time period. The Ministry of Micro, Small & Medium Enterprises is understood to have reached out to players to understand the issue but given that it is an income tax provision, it is the finance ministry that can address it.

In early May, the Supreme Court's decision to reject the Federation of All India Vyapar Mandal's (FAIVM) petition against the 45-day payment rule for MSMEs sent shockwaves through the sector. The ruling not only heightened stress levels among MSMEs but also triggered a wave of order cancellations from large enterprises, casting doubts on the future of many small businesses.

Since then, FAIVM, as well as other industry associations, have been in discussions with the government to resolve the issue. "This provision has caused massive problems for small firms and infringes on the fundamental right to do business. The 45-day provi-



JAYENDRA TANNA

President, Federation of All India Vyapar Mandal

"[The 45-day rule] has caused massive problems for small firms and infringes on the fundamental right to do business. It should be increased to 180 days so that businesses do not face problems"



K.E. RAGHUNATHAN

National Chairman, Association of Indian Entrepreneurs

"The government neither prevented such damage [MSMEs giving up their registration] nor took corrective action... The resolution is to withdraw this directive and devise an alternative strategy"

sion should be increased to a period of 180 days so that businesses do not face problems," says FAIVM President Jayendra Tanna, adding that MSME registration benefits should be extended to traders. A delegation led by FAIVM Treasurer and National Spokesperson Rajeshwar Painuly also met the Finance Minister recently and sought the reconsideration of the provision in terms of both its timeline and taxability.

THE FALLOUT

Neeraj Kushwaha, Co-founder & Director of Bhopal-based Technosys Integrated Solutions—that provides solutions for smart cities and intelligent traffic management—says that after the rule came into effect, his firm withdrew orders from MSMEs, deeming the new business environment impractical. "Earlier, we were giving sub-contracts to micro-level players, and we were proud of it as we were helping local communities grow," he explains. "But now, doing business that way is not possible. We are in the service-based industry where a lot of back and forth is required."

Kushwaha points to a recent project in Ayodhya, where his company installed AI-based cameras and managed traffic through an integrated traffic man-

agement system. “For this, we need to sub-contract [to a small business]. The MSME owner, after completing the work, would ask for payment within 45 days,” he says, adding that as this is a specialised field, his company needs to conduct quality checks, scrutinise the work, and so on before it can pay the MSME. Plus, the government, “which gave us the order, takes a lot of time to process payments... the government itself delays payments. So, for how long will we keep paying [MSMEs] from our pockets?” he asks, saying he now chooses to sub-contract to larger businesses.

Many small businesses have, in fact, faced such problems with their customers. Some have even decided to give up their MSME registration or set up smaller units without such registrations. Others, as Tanna of FAIVM points out, have cut down production or shifted to a five-day week as they are unable to stock products until the payment is made.

K.E. Raghunathan, National Chairman of the Association of Indian Entrepreneurs (AIE), underlines that the number of MSME registrations have gone down as many firms have given up their registrations to prevent the cancellation of orders. “The damage has already been done as it came into significance in the last quarter of a fiscal year,” Raghunathan says, adding that this provision will once again have an impact in the last quarter of the current fiscal, when companies close their annual accounts. But he cautions that any relaxation of the payment period to 120 days, as some of the traders have sought, will not help MSMEs as it will dilute the very purpose of this rule. “Unfortunately, the government neither prevented such damage nor took corrective action at the appropriate time. The only resolution is to withdraw this directive forthwith and devise a suitable alternative strategy for the problem,” he says.

However, Anil Bhardwaj, Secretary General of the Federation of Indian Micro and Small & Medium En-

terprises (FISME), says that the impact of this provision has by and large been absorbed by MSMEs in the manufacturing sector. “Supply chains are now running according to this rule,” he says, but notes that the problem continues for traders, particularly those who are wholesalers and distributors. “They purchase goods from manufacturing MSMEs and supply

it to smaller buyers. They can only make payments to the manufacturing suppliers after being paid by the smaller buyers,” he says, adding that the textiles and garments sector—especially in Surat, Ludhiana and Amritsar—have been the most vocal against this rule.

The challenge now lies in how the income tax provision can be changed as the current MSME Development (MSMED) Act already has the 45-day provision for delayed payments, beyond which buyers have to pay penal interest rates at three times the notified bank rate. Businesses can also file an application under the Samadhaan portal for redressal or go in for arbitration, which can often be a lengthy process. Experts also note that government agencies must also be brought under this clause.

Mukesh Mohan Gupta, President of the Chamber of Indian MSMEs, suggests that the Udyam registration—that certifies that a business is classified as an MSME by the government—should be mandatory for all MSMEs and automatically issued during the incorporation of the entity, like GST, Employees’ Provident Fund and Employees’ State Insurance scheme. This, he argues, would eliminate the threat of order cancellations if all MSMEs were registered with the Udyam portal.

However, with many small businesses still under duress, it is likely that the government will try and find a solution. How the policy changes will resolve these differing viewpoints while remaining in sync with the MSMED Act will be interesting to watch. **BT**

@surabhi_prasad, @PalakAgarwal64

STATUS CHECK

- The MSME Samadhaan portal monitors cases of delayed payments
- Business owners can file applications with Micro, Small & Medium Enterprises Facilitation Councils (MSEFCs) for settlement of claims

196,311

Number of applications filed by MSMEs

18,121

Applications mutually settled

48,961

Applications yet to be viewed by MSEFCs

52,398

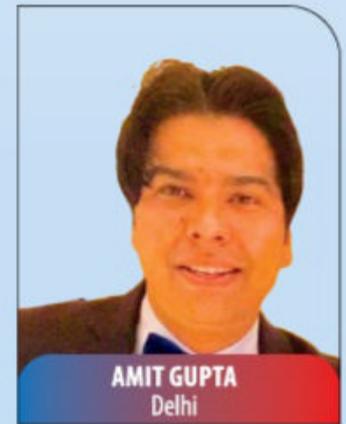
Applications rejected by MSEFCs

DATA AS OF JUNE 28, 2024

SOURCE MSME SAMADHAAN PORTAL

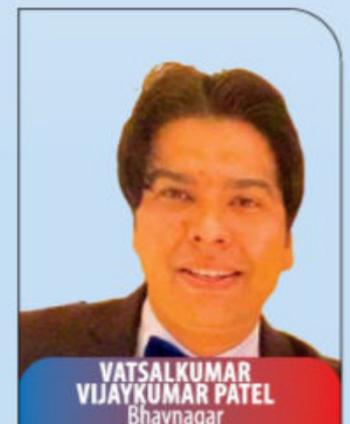
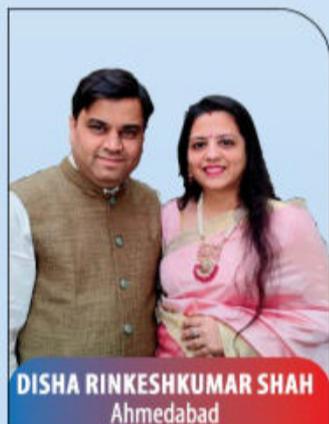
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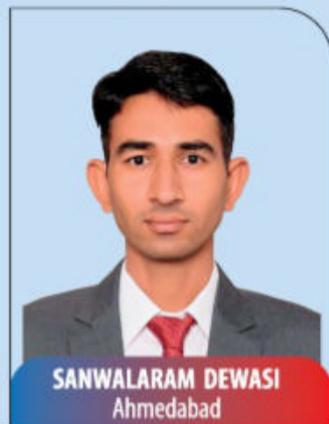
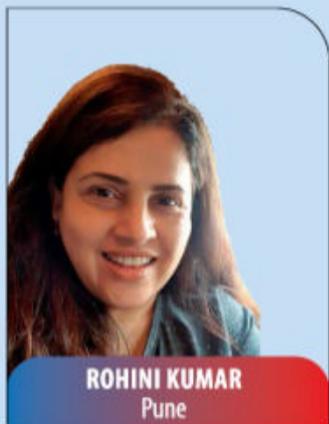
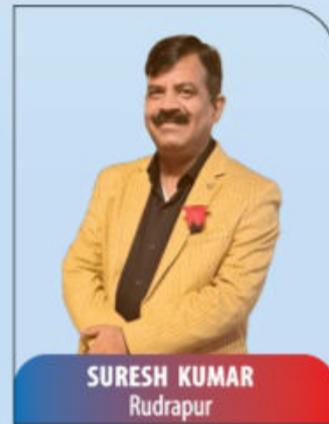


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BY ASHISH MODI

Lending A Digital Hand To MSMEs

A critical instrument in India's economic ascent, MSMEs need to be uplifted using innovation, digitalisation, and automation

OVER THE PAST decade, despite a global pandemic, an economic slowdown, and geopolitical concerns, India has emerged as one of the fastest-growing economies in the world. This is reflected in the country's high GDP growth rates. The growth of India's micro, small, and medium enterprises (MSME) segment has been a strong driver of the country's economic expansion—they contribute 33% to India's GDP (in 2019) and make up 45% of total exports (in 2023). MSMEs are also a leading employment generator, presently employing 110 million people.

The MSME segment is a cornerstone of India's vision of becoming the third-largest economy by 2027 and Viksit Bharat by 2047. However, there is a need to address some structural challenges faced by this segment to harness its potential.

MIRED IN CHALLENGES

Compared to larger corporations, MSMEs have limited access to capital and lesser in-house technical capabilities. It is challenging for them to invest in advanced digitisation and automation. Their dependence on manual operations creates functional challenges around consistent quality control and higher cost of production.

Complex regulatory and compliance requirements add further pressure on this segment. The government has already undertaken several policy reforms to ease these challenges. For example, the recently-introduced account aggregator framework will enable easier access to credit.

These challenges can best be navigated through technologies specially curated for MSMEs.

Over the last five years, we have seen several start-ups focused on creating products and solutions to serve MSMEs' unique needs at cost, and this indicates work for the segment while furthering the 'Make in India' initiative. Many large-cap organisations have created business lines dedicated to this segment, with the vision to offer world-class cost-effective technologies.

DIGITAL SOLUTIONS

Automation enabled by innovative technologies such as artificial intelligence, blockchain, and machine learning has emerged as a game changer in solving some of the operational challenges. For example, blockchain technology can capture critical shipping-condition data for temperature-sensitive goods or address counterfeiting

MSMEs' dependence on manual operations creates functional challenges around consistent quality control

problems that can arise while goods are in transit.

Energy and operations efficiency is a key area of focus. Several technological interventions can help. For example, smart motion detectors based on passive infrared technology, which turns the lights up only when the space is occupied, can reduce energy consumption by up to 60%. Similarly, plug-and-play Infrared Air-Conditioner Controllers can save on power bills. Digital solutions can help analyse data and detect wear and tear in equipment, reducing maintenance costs and

right price point. For instance, several automation solutions in our very own portfolio are designed to help MSMEs reduce errors, and make their operations more efficient, safe, secure, and compliant.

POLICY SUPPORT

Policy support and government interventions have been pivotal in promoting growth and innovation in MSMEs. The Digital MSME Scheme is promoting the adoption of the latest information communication technology tools. The Zero Defect Zero Effect (ZED) Scheme

requires cohesive planning and execution. The segment is poised for an estimated addition of 150 million jobs over the next five years. We are seeing significant action across the spectrum to fill the skilling gap. The National Skill Development Mission is aimed at building the right-skilled workforce for the industry. Several organisations and industry bodies are further complementing the government's efforts through various initiatives to drive skill development and facilitate formal employment across all demographics. There is a need to further accelerate these efforts to meet the sector's needs.

COLLABORATIVE ACTION

Government and large corporations need to complement each other to create the right ecosystem for MSMEs. Well-crafted policies will stimulate innovation, streamline regulations, and improve access to financial resources. Fostering cooperation among MSMEs is also essential. Establishing clusters and setting up a platform to share resources, solve problems collectively, and enhance their bargaining power would go a long way.

Large corporations can support MSMEs by integrating them into supply chains, offering technical support, extending credit limits, or establishing financing programmes and providing mentorship.

Our 'Make in India' commitment strives to serve the MSME segment and even the industry is constantly upgrading its product portfolio to meet the needs of the MSME customer base. Stakeholders across the spectrum are engaging in close collaborations with customers and this has helped cater to MSMEs across geographies. **BT**

The author is President, Honeywell India. Views are personal

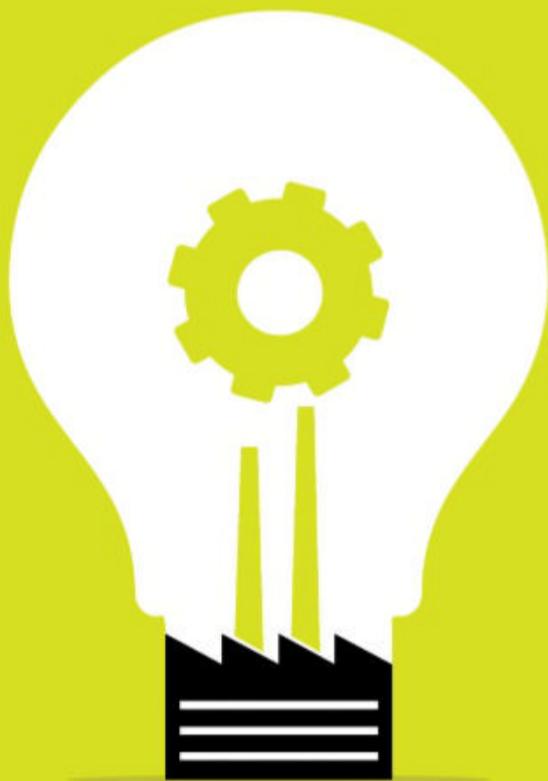


ILLUSTRATION BY **RAJ VERMA**

increasing equipment uptime. Automation is helping reduce manual errors, increasing the overall efficiency and productivity.

We recognise the importance of cost optimisation throughout the entire business journey of an MSME. Understanding this pulse, the industry is curating high-value and need-based solutions at the

aims to promote climate-conscious and sustainable operations across MSMEs through waste minimisation and integration of global standards of production. Some areas like ease of financial access and compliance management would benefit from further policy support.

The growing skill deficit in the MSME segment is an area that

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7000

Projects valued
more than US \$200 Bn



200 MMTPA

Combined refining
capacity in India



91

Major Refinery projects
including 10 Greenfield
projects



13000 Km

Liquid, 10000 Km Gas,
2000 Km LPG Pipeline
projects



41

Infrastructure
projects



150

Well platforms,
40 Process platforms,
4500 Sub-sea pipelines



33

Mining & Metal
projects



12

Fertiliser projects



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CREDIT WHERE IT'S DUE

FINTECH FIRMS ARE LENDING MSMEs A HELPING HAND WITH THEIR DISRUPTIVE PROCESSES, USING ALTERNATIVE DATA SOURCES AND ADVANCED ANALYTICS TO MAKE CREDIT ACCESS EASIER FOR SMALL BUSINESSES

BY TEENA JAIN KAUSHAL

ILLUSTRATION BY NILANJAN DAS

| 65



S**MALL IS BEAUTIFUL.** Take India's micro, small, and medium-sized enterprises (MSMEs) for instance. They play a crucial role in India's economic growth, often attributed to large conglomerates and corporations. These MSMEs—currently more than 60 million—are the crucial backbone of the Indian economy, generating thousands of jobs, fostering innovation and entrepreneurship, and contributing nearly 45% to India's exports and 30% to the gross domestic product (GDP).

Despite playing a pivotal role in the country's development, these firms encounter immense challenges in securing the capital required for their expansion. They often struggle to obtain loans from traditional banking institutions, which are known for their lengthy approval processes, high collateral requirements, and stringent criteria. As of April 19, 2024, the MSME sector had received ₹10.4 lakh crore in credit from banks, compared to the ₹9.07 lakh crore a year ago (April 21, 2023), a jump of 15%, data from the Reserve Bank of India (RBI) shows.

Even though MSMEs are getting more financial assistance than earlier, formal credit is available to a mere 14%

of MSMEs in India. Capital is essential for the growth of any business: Starting from micro-enterprises with an annual turnover below ₹5 crore, to small with an annual turnover of less than ₹50 crore, and then medium with an annual turnover of less than ₹250 crore. But, the problem is complicated since they are spread across sectors. "When we think about MSMEs, most of us like to think about MSMEs in some industrial corridor or view them primarily as manufacturing entities. In reality, most are typical grocery shops," says Ram Iyer, Founder and CEO of supply-chain financing company Vayana. "Only 30% of MSMEs in the country are involved in manufacturing, while the rest are in trading or other businesses, mostly engaged in buying and selling," he adds.

The size of an entity matters when it comes to obtaining credit, especially from a traditional bank. Explains Iyer: "Because they (MSMEs) are so small, credit is generally not available to them, unless they have collateral, which means that they need to have land or something else that they can pledge. And because these people will probably not have too much land or anything, the amount of money that's available to them from credit is very small."

This is where fintechs step in to fill the gap. They are transforming the financial landscape with data-backed

models, leveraging alternative information sources, payment histories, and supply-chain financing. These innovations help offer tailored financing solutions and make capital more accessible to MSMEs, thereby fuelling their growth. The numbers also reflect this. According to data from the RBI, credit provided by non-banking financial companies (NBFCs), including fintechs, to the MSME sector has grown three times faster than that of banks (*see chart*). To facilitate credit, fintechs are partnering with NBFCs or working as standalone entities with their own lending licences. Let's take a closer look at the credit revolution in the MSME industry.

THE FINTECH REVOLUTION

A majority of MSMEs in the country face challenges in managing their fixed and working capital requirements. Traditional banks can be a viable choice, but their processes are quite cumbersome and rigid for the ever-changing MSME industry. "Banks typically offer lower interest rates due to their ability to leverage customer deposits for lending. However, the process is often more stringent, with extensive documentation requirements and longer approval times, which can be a hurdle for MSMEs needing quick access to capital," says Anuj Pandey, Chief Risk Officer at U GRO Capital, a tech-based lending platform.

Moreover, banks often lack confidence in small businesses.

Ironically, these are the businesses that require credit the most in order to grow. Incidentally, financial advisory firm Avendus Capital Private Ltd in its latest report on MSME lending said the sector is facing a credit gap estimated to be around \$530 billion. Thanks to digital platforms, it's now easier for MSMEs to access capital. Their method, nonetheless, is intriguing.

Fintechs like Lendingkart, OPL, and U GRO are

EVERY LITTLE BIT HELPS



India has over 60 million micro, small, and medium enterprises (MSMEs), with only 14% having access to formal credit



Fintechs are filling up this payment gap by providing quick, unsecured loans using alternative data and advanced analytics



They also offer supply chain financing by providing trade credit solutions to MSMEs



Fintechs in the payments space offer loans to MSMEs and leverage information on their credit profiles through payment histories



Registration with Udyam and GST enhances MSMEs' credibility and access to financial support

using alternative credit sources and advanced analytics to provide credit to MSMEs. Efforts are being made to streamline the loan application process, ensuring that credit solutions are faster and more accessible for traditionally underserved borrowers. They are compiling data from various sources, such as social media and mobile apps, GST data, income tax returns, bank statements and credit scores, to determine the creditworthiness of a borrower. "By using digital technology, alternative credit sources, and advanced analytics, fintech companies help emerging businesses secure funds quickly," says Jinand Shah, MD & CEO of OPL, a digital lending firm.

Harshvardhan Lunia, Founder & CEO of Lendingkart Group, emphasises the significance of utilising alternative data sources and advanced analytics to assess creditworthiness. Fintechs providing an end-to-end digital customer experience is "game-changing," he says. "This process is not just fast and easy, but unbiased too," he adds. Lendingkart, which operates as an RBI-registered NBFC and mainly provides loans to MSMEs, has disbursed more than ₹19,000 crore since its inception in 2014 to over 14,800 pin codes across the country.

There is another set of MSMEs that operates within the supply chain. Even with the abundance of data, many MSMEs still face significant challenges in accessing low-cost credit. This is where fintechs like Vayana help MSMEs by offering a range of trade credit and trade

enablement solutions. Vayana facilitates the connection between corporates and their trade ecosystems, offering them a cost-effective way to access credit for their payables and receivables.

"If I go to the big brand and, through their distribution chain find out where a seller is on the supply chain, I can determine if a seller has been active for the last two to three years and whether one has been regularly pay-

ing back. This allows us to see things within the context of the supply chain and accordingly can vouch for them because they have been buying and selling regularly,” explains Iyer, adding that by looking at that history, lenders can reach a comfortable level of trust. “Therefore, the supply chain provides a reliable way to contextualise one’s position,” he adds.

Likewise, in the lending space, payments companies such as Paytm and BharatPe have an advantage, as they have access to detailed credit profiles. Knowledge of a merchant’s transactional patterns and financial behaviour enables these companies to undertake risk assessment and tailor lending products accordingly. “Payments companies have also marked their presence in the lending market due to UPI. Hence, one can track the money inflow and outflow. Now, that’s a very good model,” says Iyer. However, the only issue is that Indian businesses don’t favour one payment service. “For example, if you go to a textile garment shop today, you will find 2-3 PoS machines and multiple UPI QR codes; so data is spread across,” says Iyer.

THE FUTURE COURSE

With initiatives like GSTN, e-invoicing, and schemes like the Mudra Yojana and the Account Aggregator Framework, the country is becoming increasingly data-rich. This holds the potential to revolutionise credit assessment and affordability for MSMEs. “Eligible MSMEs should register with Udyam, as it offers multiple benefits, including collateral-free loans from banks and financial institutions, subsidised interest rates, and simplified processes for obtaining licences, permits, registrations, and approvals,” says Shah.

Agrees Pandey of U GRO. “It not only formalises the MSME but also provides access to numerous government schemes, benefits, and subsidies tailored for MSMEs. These formal registrations help build a robust credit profile, making it easier for NBFCs like us to extend tailored financial solutions swiftly and efficiently,” he says.

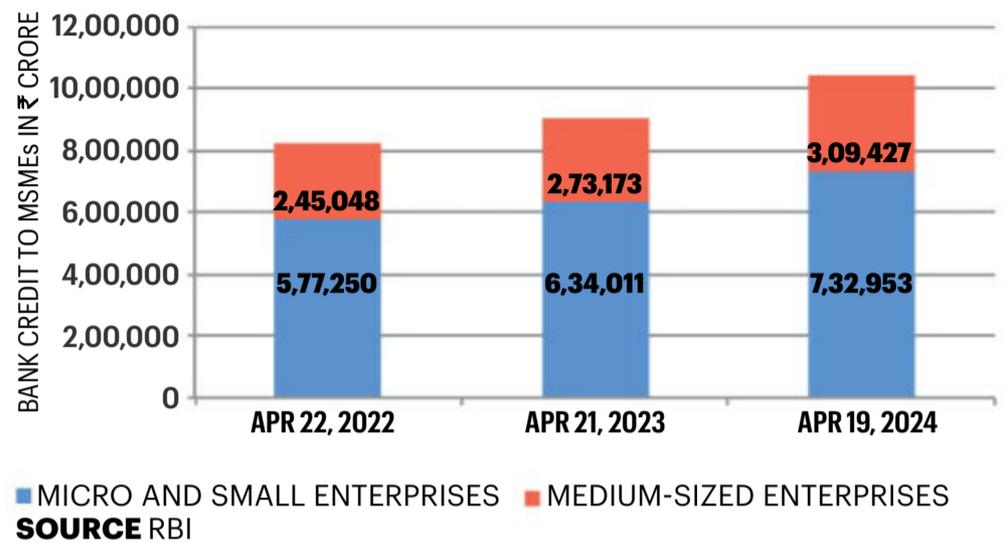
MSMEs are increasingly turning to fintechs for their speed and innovative financial solutions. This combination of banks, NBFCs, and fintech firms provides MSMEs

with options for managing their capital needs. “Fintech inclusive and data-driven approach has expanded the credit market for MSMEs, enabling them to secure the necessary funding for growth. According to a report by EY, digital lending is expected to reach ₹47.4 lakh crore by 2026. This is a potential opportunity for MSMEs,” says Manish Lunia, Co-founder of FlexiLoans.com, an MSME-focussed RBI-registered NBFC. MSMEs can, hopefully, look forward to a brighter future. **BT**

@teena_kaushal

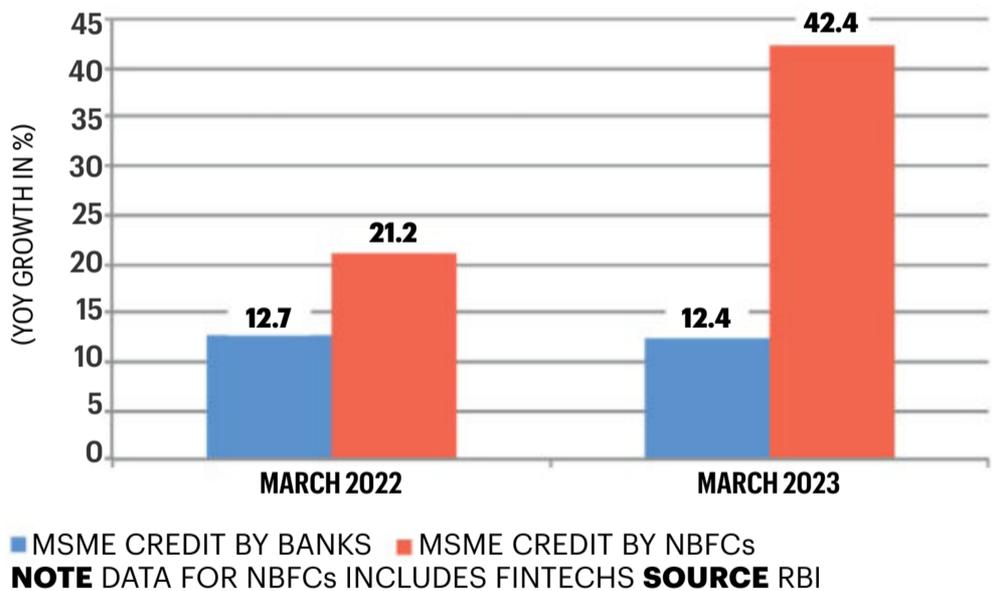
SLOW AND STEADY

● The MSME sector had received ₹10.4 lakh crore in credit from banks in the year to April 19, 2024, against ₹9.07 lakh crore a year ago

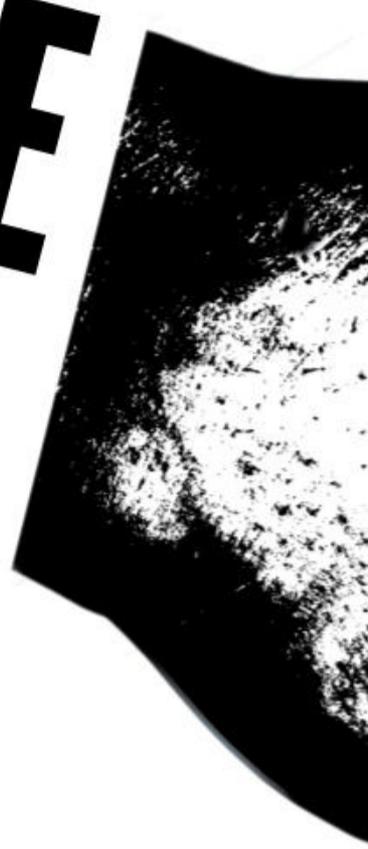


CREDIT LINE

● Growth in NBFC credit to MSMEs, including from fintech firms, was more than three times higher than what was given by banks



DIPPING INTO THE FUNDING POOL



MSMEs HAVE BEEN STYMIED BY LIMITED ACCESS TO FUNDS, EVEN AS START-UPS ARE RAKING IN MASSIVE INVESTMENTS. INVESTORS ARGUE THAT MSMEs LACK THE DISRUPTIVE SPARK. BUT IS THIS TRULY THE ROOT OF THE PROBLEM?

BY PALAK AGARWAL

ILLUSTRATION BY NILANJAN DAS



THIS SECTOR CONTRIBUTES a chunk to India's GDP and exports and employs the highest number of people outside farms. Yet, when it comes to companies in the sector raising money, it is an uphill struggle, with insufficient working capital stunting their growth. The sector is none other than the country's micro, small, and medium enterprises (MSMEs)—the hidden heroes of the economy—where the current solutions, both from the government and the private sector, seem ineffective in addressing their funding needs.

Sample this: there exists a staggering \$530-billion credit gap in the MSME sector, despite the

number of enterprises nearly doubling each year, according to a report by Avendus Capital. While some credit schemes and policies offer some relief, stakeholders argue that loans only add to their burden. With an existing shortage of working capital, how can these enterprises afford to pay instalments, they ask.

While most SMEs that listed on the bourses in recent times have done well in the stock markets, unlisted companies in the MSME space have struggled to raise money from investors. And it's not as if these companies don't have strong fundamentals. For one, MSMEs are a resilient lot. And that was in ample display during the pandemic. When many other businesses were shutting down, most MSME players managed to survive, with nearly 47% of micro enterprises alone



pivoting and adopting digital solutions to keep their businesses afloat, according to a CRISIL report. Despite this adaptability, the private investment ecosystem in particular remains sceptical of investing in the space.

What explains this? “Traditional businesses cannot scale up [fast]... And, venture capitalists (VCs) invest in companies that scale up very fast... they want technology and they go after tech areas with a chance of success,” says T.V. Mohandas Pai, former Infosys CFO and Chairman of Aarin Capital, a venture capital firm that has invested in tech-driven businesses such as Pepperfry, according to data intelligence firm Tracxn.

As Pai mentions, MSMEs need a boost in technology and innovation to be attractive to private investors. But this itself requires funding and a shift in the mindset of MSME players to a more dynamic way of doing business. Shashank Randev, Founder VC and Co-founder of early-stage investment firm 100x.vc, highlights a common sentiment among MSME owners: despite building legacy businesses and turning profits, they struggle to attract private investment due to a perceived lack of innovation.

“MSMEs often lack innovation. For instance, consider a cardboard manufacturer who has been profitable for decades but continues to operate without introducing new ideas. This lack of innovation makes it challenging for VCs to envision a lucrative exit,” explains Randev, who also serves on the investment committee at the Maharashtra State Innovation Society, a nodal government agency that aims to boost the innovation-driven entrepreneurial ecosystem in the state.

According to experts, VCs need a good internal rate of return (IRR) and a good exit, which is why they are more inclined to invest at the seed stage, right at the inception of a business.

Arjun Vaidya, Co-founder of VC firm V3 Ventures that invests in

consumer-focussed businesses, highlights a crucial challenge with MSMEs: while they are profitable and steadily growing, their growth rate isn't rapid enough to deliver the massive capital gains that VCs seek. “There are solid businesses achieving 15-20% profit after tax (PAT), but they don't grow significantly enough for VC investments to multiply,” he explains. For MSMEs to attract private investors, they need to demonstrate potential for exponential growth, he says.

Vaidya should know. He founded D2C ayurvedic brand Dr. Vaidya's in 2016 as an extension to the Ayurveda business founded by his grandfather. In around four years, he grew the company to 2 million customers across more than 16,000 pin codes, and in 2021, sold the business to RPSG Ventures, the VC arm of the ₹26,634-crore RP-Sanjiv Goenka Group.

Vaidya successfully transformed his small business to meet the demands of the modern market. Other examples include companies like Hocco Ice Cream, Veeba (VRB Consumer Products Pvt. Ltd), GRM Foodkraft, Suburban Diagnostics, and others that evolved beyond traditional models and attracted significant investment. But before they secured funding, these businesses had already scaled up to an annual turnover of ₹100-200 crore or more. This, by the government's definition for MSMEs, classifies them as medium enterprises—businesses that have an annual turnover of ₹25-250 crore. This means that micro (annual turnover of less than ₹5 crore) and small (annual turnover of ₹5-25 crore) enterprises are likely to face challenges in attracting investments.

THE WAY AHEAD

According to Krishnakumar Natarajan, Managing Partner at VC fund Mela Ventures and Co-founder of IT services firm Mindtree (that was acquired by L&T in

THE GREY SPACE OF MSMEs



Investors believe MSMEs fall short on innovation and technological advancement, making them less appealing



The limited disruptive impact of MSMEs and their conservative approach to innovation make them less attractive to investors



Slow growth rates hinder opportunities for high capital gains



It is challenging to secure a lucrative exit strategy



There's a reluctance among MSMEs to dilute stake

2019), the VC industry in India is based on a US-centric model. In simple terms, he explains, the attractiveness of a tech business is that “it is created once and then reused so that the pace of growth can be substantive” and that VCs are focussed on companies that can grow 3x every year. “Now it’s been scaled down to at least doubling revenue every year... which cannot happen in the traditional SMB segment of India,” he says.

Since the VC model in India and its evolution was heavily influenced by the US model, where VCs rarely invest in the about 3 million small enterprises in America, says Natarajan. “Instead, they (the VCs) focus on tech companies, from digital equipment to modern start-ups. This is due to the reusability of technology, where an initial investment in a product or technology can be leveraged multiple times without significant additional costs,” he says.

However, a new trend is emerging. Randev says state governments are introducing funds for SMEs in collaboration with VCs, such as the Maharashtra Innovation Technology Fund, “which is a ₹200-crore fund by the state government and there is a clear mandate to invest 50% of the capital in start-ups and MSMEs based out of Maharashtra,” he says.

Yash Dholakia, Partner at Sauce.vc, an early-stage VC fund, notes that exciting MSME businesses can attract investments if they offer strong distribution, supply chain efficiency, and competitive procurement costs. By launching new-age brands catering to modern consumers and leveraging e-commerce platforms, these businesses become appealing, say experts. However, traditional MSMEs without differentiation hold little value to investors. What then should MSMEs in manufacturing or B2B businesses do?

One solution could be a special fund for them. Pai asserts that there is a need to create a special fund because SMEs, when scaled

up, generate more jobs than large companies. Industry watchers say that this mechanism is crucial as finance and capital are the biggest hurdles for SME growth globally. While VCs might not be suited for this task, it falls within the realm of private equity (PE) funds or similar entities to establish a dedicated fund category for SMEs.

For instance, Foodkraft, a subsidiary of GRM Overseas Ltd that was founded in 1974, found success through this approach. Sauce.vc, primarily focussed on VC investments, acquired a 3% stake in Foodkraft, according to reports. Foodkraft Founder Atul Garg describes this investment as resembling a PE investment for them.

“We have greatly benefitted from shifting our mindset since partnering with Sauce.vc,” says Garg. “Traditional businesses like ours are often hesitant to dilute stakes when raising funds, which stems from our background. However, embracing professionalism is crucial for driving business growth, making this step necessary.”

In addressing mindset shift, Natarajan emphasises the urgent need to combat delayed payments from large enterprises to small businesses—a practice perpetuating a negative working capital cycle among MSMEs. According to Pai, the predominant challenge for SMEs lies in delayed payments from both big corporations and the government, resulting in constrained working capital and a constant struggle to recover funds. While the government has taken steps to resolve the issue of delayed payments, these moves have complicated things further. This financial strain poses a significant barrier to growth and investor attraction.

As a potential solution, there’s anticipation that the new government may collaborate with private investors to inject funds and stimulate the MSME sector, offering hope for change. MSME players will have their fingers crossed. **BT**

MSME CREDIT GAP

1,544
TOTAL DEMAND

725
UNADDRESSABLE DEMAND

819
ADDRESSABLE DEMAND

289
CURRENT SUPPLY

530
GAP

ALL FIGURES IN \$ BILLION

SOURCE AVENDUS CAPITAL PRIVATE LTD

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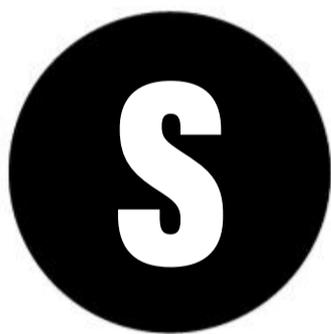


ILLUSTRATION BY ANIRBAN GHOSH

PUBLIC AFFAIR

THE WORKING ENVIRONMENT OF SMEs HAS UNDERGONE SIGNIFICANT CHANGE DUE TO POLICY INTERVENTIONS, AND IPOs HAVE BEEN HELPING SMALL BUSINESSES UNLOCK AN IMMENSE AMOUNT OF VALUE

BY RAHUL OBEROI

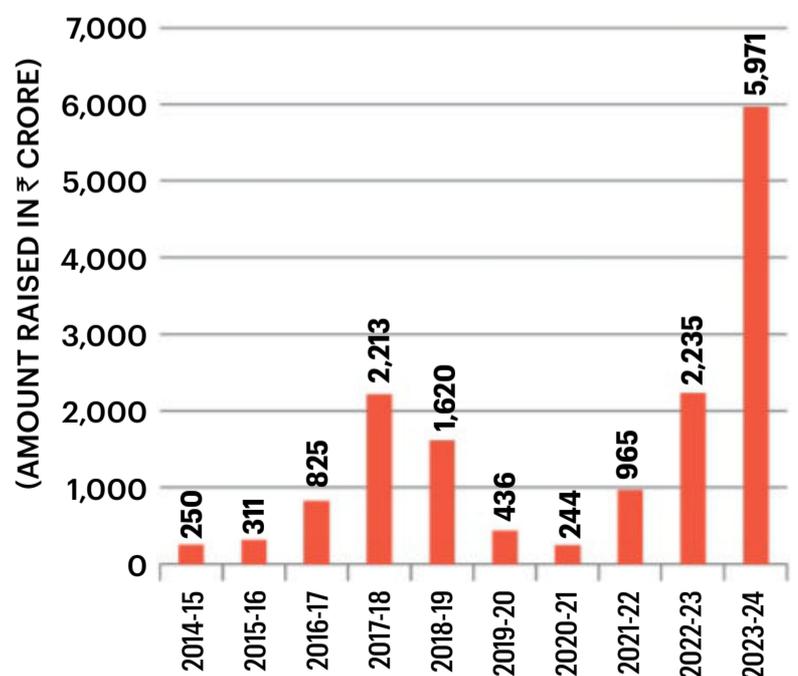


Small and medium enterprises (SMEs) are facing challenges on multiple fronts. But some of them have made the move towards formalisation and tasted success on D-Street. This is evident from the funds they have raised in the primary market in FY24. More than 190 SMEs raised a record ₹5,971 crore through the BSE SME and the NSE Emerge platforms between April 2023 and March 2024, data shows. Of these, 72% companies have delivered positive returns to investors up to May 24, 2024. SMEs had raised ₹2,235 crore and ₹965 crore in FY23 and FY22, respectively, according to data provider primedatabase.com.

Market watchers say the working environment of SMEs has undergone significant changes over

FLIGHT PATH

- SMEs raised a record amount of nearly ₹6,000 crore from the primary market in FY24
- Cumulative fundraising by SMEs, in the past 10 years, now stands at over ₹15,000 crore



SOURCE PRIMEDATABASE.COM

the past decade due to various policy implementations and regulatory reforms, and SME IPOs have been helping them unlock immense value.

“Government-friendly policies are serving as a catalyst for their growth, enhancing their potential for success. The SME landscape is poised for substantial advancement in the coming years,” says Ravi Singh, SVP-Retail Research of financial services firm Religare Broking.

THE SUCCESS RECIPE

Innovation, strong leadership, and consistent growth seem to be the key factors behind the success of select SMEs on D-Street. A dozen SME firms, which debuted on the bourses in FY24, have rallied more than 500% against their issue price till date. In addition, other 65 recently-listed SME stocks have rallied between 100% and 500%.

“Being in the early stages of development, these businesses have the possibility to generate substantial returns, provided a thorough study of their business fundamentals is conducted,” says Singh.

Despite being small businesses, these companies have given staggering returns on the bourses. For instance, Bondada Engineering—an infra player that focusses on project execution excellence—has emerged as the top gainer, surging 2,289% over its issue size. The stock was listed on the BSE SME platform on August 30, 2023. Among other major gainers, Oriana Power, Owais Metal & Mineral Process, and Trident Techlabs also advanced more



“Market regulator Sebi can raise the minimum IPO size to ₹30 crore to strengthen the SME IPO space and protect investors”

KULBHUSHAN PARASHAR

Founder and MD, Corporate Capital Ventures

TOP 10 PERFORMERS

● At least four SMEs have rallied over 1,000% against their issue price ● 72% of IPOs that hit D-Street in FY24 have delivered positive returns to investors till May 24, 2024

Company	Listing Date	Issue Size (₹ crore)	Change* (in %)
Bondada Engineering	Aug 30, 2023	42.72	2,289
Oriana Power	Aug 11, 2023	59.66	1,816
Owais Metal & Mineral Processing	Mar 4, 2024	42.69	1,279
Trident Techlabs	Dec 29, 2023	16.03	1,194
Kody Technolab	Sep 27, 2023	27.52	906
Meson Valves India	Sep 21, 2023	31.09	805
Sahana System	Jun 12, 2023	32.74	733
Srivari Spices & Foods	Aug 18, 2023	9.00	608
Australian Premium Solar (India)	Jan 18, 2024	28.08	588
Amic Forging	Dec 6, 2023	34.80	531

*IN SHARE PRICE OVER ISSUE PRICE; DATA AS OF MAY 24, 2024

SOURCE ACE EQUITY

than 1,000% against their issue price.

Anirudh Saraswat, Co-founder of Oriana Power says, “Innovation with cutting-edge solar solutions, strong leadership and strategic acumen, financial prowess and consistent growth has helped us succeed... Knowing what not to do is as crucial, if not more, than knowing what to do, guiding you away from pitfalls and towards success.”

Those that have done well on the bourses have also reported robust results. For instance, consolidated gross sales of Oriana Power jumped 184% year-on-year (YoY) to ₹382.88 crore for FY24. On the other hand, net profit increased nearly 415% YoY to ₹54.35 crore. Prior to listing, the company had posted gross sales and net profit of ₹134.72 crore and ₹10.56 crore respectively, in FY23.

SMEs have also benefitted from the listing as their visibility and credibility have improved. Deepanshu Goel, MD of packaging and premedia firm Creative Graphics, says they are a leading player in the flexographic plate industry. “However, outside of the industry not many people were aware of flexography

and the work that we do. Our listing has enabled us to transmit our message to a vast network... and we have benefitted from the inbound interest from those who want to partner with us," he says. Shares of Creative Graphics, which listed on NSE Emerge on April 9, 2024, have advanced 227% till May 24, 2024.

Overall, more than 600 companies have raised money from SME exchanges since 2012. G. Chokkalingam, Founder of market research company Equinomics Research says, "Investors should invest in SME IPOs—the overall market cap of listed SMEs is insignificant compared to their combined GDP contribution. Therefore, this boom in SME IPOs would continue and investors should participate in it." Micro, small, and medium enterprises (MSMEs) have contributed 30% to GDP in FY22, per latest data.

BETTER DAYS FOR SMEs

The introduction of GST caused pain for MSMEs. But Kulbhushan Parashar, Founder & MD of financial services firm Corporate Capital Ventures sees a positive side to it. He says GST required businesses to adopt accurate reporting standards. "This shift has increased transparency and ensured compliance with regulatory standards, fundamentally altering the internal operations of SMEs," he says. While the government's policy mandating payments to MSMEs within 45 days has been a pain point, Parashar believes it is a step in the right direction. As of May 27, 2024, per the Udyam Registration Portal, the total number of MSMEs registered since July 2020 is 45 million (including informal micro enterprises registered on the Udyam Assist Platform). Udyam was launched by the MSME ministry in July 2020.

According to Saurabh Mukherjea, Founder and Chief Investment Officer of Marcellus Investment Managers, the past decade can be divided into two distinct phases for SMEs. The first phase—from 2012 to 2018—was marked by challenges. However, he identifies an optimistic second phase that commenced in 2021. During this period, well-organised SMEs that have enhanced their efficiency, accessed affordable working capital funding from formal lending channels, adopted UPI for transactions and utilised the internet for various aspects like sales, marketing, and fulfilment, are experiencing success.



G. CHOKKALINGAM
Founder, Equinomics Research

"Investors should choose SMEs that offer comfort in terms of both valuations and quality of balance sheet"

INVESTORS' DILEMMA

Market analysts think liquidity is a major concern in SME stocks. Chokkalingam believes sometimes governance issues are also a cause of worry. Accounting frauds unearthed by markets regulator the Securities and Exchange Board of India (Sebi), in May, pose another risk to the rally in shares of small businesses. SME exchange-listed firms Varanium Cloud and Add-Shop E-Retail were found to have manipulated their financial statements, according to initial orders issued by Sebi. Shares of Varanium Cloud and Add-Shop E-Retail have declined 48% and 24%, respectively, on a month-to-date basis till May 24, 2024.

On the other hand, market watchers believe that SMEs offer huge growth potential due to a smaller base. "A major advantage is that they open up a huge number of unique businesses or micro businesses that have solid growth potential. In contrast, large-cap

stocks are concentrated in just about 10 or 12 sectors, which generally offer growth opportunities within a range due to a large base. But many SMEs offer huge growth opportunities due to a smaller base and some SMEs offer very high margins due to the unique nature of business," Chokkalingam says, adding investors should choose SMEs which offer comfort in terms of both valuations and quality of balance sheet.

EXPECTATIONS FROM SEBI

Parashar says that to strengthen the SME IPO space, Sebi can raise the minimum IPO size to ₹30 crore. Currently, there is no minimum issue size for SME issues. In FY23, jewellery firm Shoora Designs raised as little as ₹2.03 crore from the primary market. This step may ensure that companies with adequate resources and manpower enter the capital markets.

Second, he adds, Sebi should consider revising its lot size policy. A policy of early and frequent lot size revisions could increase the accessibility of SME IPOs to a wider range of investors. Reducing lot size or requiring more frequent adjustments would lower the entry barrier.

After all, exuberance in the SME IPO space will only further India's growth story and harness the immense potential that small enterprises have. **BT**

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BY ANU MADGAVKAR
& KANMANI
CHOCKALINGAM

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**A key part
in tapping
MSMEs'
potential
lies in
strengthening
networks and
interactions
between
them and
other firms**

A Phillip to MSME Productivity

Raising productivity of MSMEs is vital to injecting dynamism in the economy, and it could raise India's GDP by 10.5%

MICRO, SMALL, and medium enterprises (MSMEs) are the backbone of India's economy. They account for about one-third of the economy, and more than 60% of employment. In manufacturing, professional services, and information and communications technology (ICT), they generate about 40% of value added in the economy.

A new McKinsey Global Institute (MGI) report, *'A microscope on small businesses: Spotting opportunities to boost productivity,'* highlights the vital role of MSMEs. In the 16 economies studied—both advanced and emerging—MSMEs account for two-thirds of employment in advanced economies and almost four-fifths in emerging ones—as well as half of all value added. They also inject dynamism into economies. Globally, about one in five of today's very large companies scaled from being MSMEs at some point after the year 2000. But in India, it is only one in 10.

But MSMEs struggle with productivity in comparison with large companies. Today, India's MSMEs are only about 25% as productive as large companies, compared with 29% in other emerging economies, the MGI report finds. In fact, the productivity of India's MSMEs lags by more than 50% compared to that of large companies.

Raising productivity is the optimal route to healthier incomes

and business resilience. In a world beset by uncertainties and a move by some companies to realign their manufacturing and services footprints to build resilience, raising the game of MSMEs is a priority.

For the growth of India's economy, therefore, raising the productivity of its MSMEs is vital. Narrowing the productivity gap between MSMEs and large companies could boost India's GDP by approximately 10.5%.

The question is how. Prioritising efforts would help. Our research shows that productivity performances and dynamics differ across sectors—and some offer more potential to create value. Globally, the largest share of GDP from improving their MSME productivity ratios is in sectors like retail and wholesale trade, and manufacturing, which have the most output. In India, they offer more than 40% share of value added.

Prioritising sectors and sub-sectors that represent sizeable value, like ICT, legal and accounting, chemicals, pharmaceuticals, etc., would make sense in order to concentrate efforts and use available resources effectively.

A key part in tapping the potential lies in strengthening networks and interactions between MSMEs and other firms. It is notable that business-to-business MSMEs have a 40% lesser productivity gap than

ILLUSTRATION BY RAJ VERMA



business-to-customer MSMEs.

When small businesses work with large companies, their productivity and that of their larger partners benefit. For example, automotive MSMEs gain operational proficiency through systematic interactions with productive original equipment manufacturers (OEMs), and small software developers benefit from talent and capital ecosystems seeded by larger companies.

And the benefits flow both ways. In two-thirds of the sub-sectors studied, the productivity of MSMEs and large companies is in lockstep. This interdependent relationship is even more pronounced in manufacturing, where productivity levels of MSMEs and large companies

are correlated across countries, in about 80% of the 24 sub-sectors analysed. This has important implications for how to approach MSMEs' relatively low productivity. Governments have tended to tackle it by creating incentives, quotas, or protections to tilt the balance towards either smaller enterprises or, indeed, larger ones.

But our evidence of the win-win dynamic, where the productivity of both MSMEs and large companies goes hand-in-hand, suggests a different approach is merited—creating the right economic fabric for *all* companies. So beyond conventional policies focussed on MSMEs, efforts should include strategies to build “collective productivity”

by strengthening networks and interactions between large and small businesses.

Big firms can help MSMEs in their networks to build digital and R&D capabilities as well as an ability to develop the skills of their workforce. By showing lenders that an MSME is part of a settled network, large companies can help that MSME gain access to finance. For their part, MSMEs can proactively pursue relationships not only with large companies but with each other. An OECD study of SMEs operating in Asean economies found that they perform better when they are allied with large enterprises, and also when they strike partnerships with other MSMEs.

In India, some of the highest potential to create value lies in sectors and sub-sectors where large companies are highly productive and where building networks between MSMEs and large companies can help. Other high-potential sub-sectors are those where both small and large firms lag behind on productivity. In these cases, policy that aims to help both together, including, for instance, a transparent and fair regulatory framework, combined with action to improve infrastructure, such as reliable logistics networks, access to basic utilities like uninterrupted power supply, and the availability of 5G, would be a way forward.

Pulling this off is not easy and requires granular understanding of MSME productivity in order to tailor approaches. The potential is sizeable, but efforts to capture it need to be thoughtful and targeted in a way that can create a win-win for all companies—small and large. **BT**

Anu Madgavkar is a Partner and Kanmani Chockalingam is a Fellow with the McKinsey Global Institute. Views are personal

GREENING MSMES



A NATIONAL CAPITAL REGION-based chemical maker with under ₹100 crore in annual turnover approached Sculpt Partners, a sustainability-centric advisory firm, seeking environmental, social, and governance (ESG) assessment. The trigger was a demand from its customer, a large domestic manufacturer supplying rubber to global tyre players like Yokohama and Michelin, which sought to know its decarbonisation road map.

There is no regulation mandating the chemical company—classified in the micro, small, and medium enterprises (MSME) category—to have such a road map in place. The need in this case arose because it is a value chain partner of a multinational company that is required to report the carbon impact of such partners.

This is not an isolated case. Indian MSMEs, pri-

MSMEs, WHICH CONTRIBUTE 3-4% OF INDIA'S CARBON EMISSIONS, ARE STRIVING HARD TO INTEGRATE ESG PRACTICES INTO THEIR BUSINESSES. BUT FINANCING THIS TRANSITION IS PROVING TO BE A CHALLENGE

BY RICHA SHARMA

ILLUSTRATION BY **RAJ VERMA**



marily in the export business, are being pushed to provide ESG reports from foreign customers as part of the bidding process.

The carbon footprint of MSMEs—which contribute more than 30% to India’s GDP and are responsible for nearly 45% of exports—is sizeable at 3-4% of the country’s total carbon emissions, according to a report by the NITI Aayog.

“My clients in IT and data analytics are being asked for ESG metrics for bids called by multinationals. The trend I can see is a push-driven one, or if there is a progressive promoter who wants to push for ESG. Growth and overseas diversification are becoming bigger triggers for MSMEs to comply with ESG metrics,” Kumar Subramanian, Founding Partner and Managing Director of Sculpt Partners, tells *BT*.

In this scenario, it is becoming inevitable for value chain partners of listed and export-oriented entities to make the transition. MSMEs in the automotive, leather, and textiles sectors have started generating emission data, sourcing solar energy for operations, measures for water and energy efficiency, and waste management.

Anil Bhardwaj, Secretary General of the Federation of Indian Micro and Small & Medium Enterprises (FISME), says these efforts are limited to some industries and more concerted action is needed for MSMEs’ decarbonisation journey.

A start has been made in the Indian context with a regulatory nudge. The Securities and Exchange Board of India (Sebi) has taken the lead with its Business Responsibility and Sustainability Reporting (BRSR) Core framework. Beginning FY25, the top 250 listed companies by market capitalisation must make disclosures for the value chain under this framework on a comply-or-explain basis. They need to provide limited assurance, a less stringent form of third-party validation of value chain reporting, from FY26.

“With the BRSR, listed companies will have to provide data related to the supply chain. As of now, we don’t even have baseline emission data related to the MSME sector. We are trying to develop a template for baseline data for carbon intensity in the electrical engineering industry,” Bhardwaj says.

FISME is the national apex body of MSMEs and is

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THE CARBON FOOTPRINT

- MSMEs emit 134 million tonnes of carbon dioxide annually, which is 3-4% of India’s total CO₂ emissions
- Textiles, steel re-rolling, paper, foundry, and food processing sectors are the top emitters

	CO2 emission (million tonnes)	% of MSME emissions
Textiles	26	19
Steel Re-rolling	12	10
Paper	10	8
Foundry	10	8
Food Processing	6	5

NOTE SECTOR-WISE BREAK-UP OF MSME EMISSIONS
SOURCE NITI AAYOG

working with the NITI Aayog to devise a decarbonisation road map for the sector.

“The first thing we said was that we need systems to get our processes mapped; second was assistance from experts on how we can reduce carbon emissions and resource efficiency; third was having a carbon credit marketplace; and finally, we need an agency to certify the green measures so that they are acceptable to buyer countries,” adds Bhardwaj.

The industry bodies are handholding SMEs in this journey of transition. The CII-ITC Centre of Excellence for Sustainable Development (CII-CESD), which provides advisory services, is currently engaged with more than 600 value chain partners and MSMEs in 10 industrial clusters to achieve sustainability through its ESG intelligence and analytics services, which include capacity building, ESG assessment, advisory, and reporting.

“India’s aspiration to achieve net zero can only be realised when the MSME sector, which is the backbone of the economy, makes the transition towards a low-carbon pathway. We urge our large industry members to mentor and build the capacity of their MSME value chain partners to make this transition,” says Seema Arora, Deputy Director General of CII.

There are other such examples as well. The Energy Consortium, an umbrella energy research initiative

at IIT Madras, is helping MSMEs conduct energy efficiency assessments free of charge and recommends changes to improve it. It has conducted 150 such assessments across sectors, but the highest interest as of now is seen in export-oriented industries such as textiles and leather.

The consortium is also working on building an ESG reporting framework for MSMEs to generate data related to the sector.

FINANCES

One factor that needs to be considered when looking at the transition is the amount of money this costs. Many small firms might find it hard to access such funds, and hence monetary incentives will be required in the form of cash, tax credits, easy lending from banks, and relaxing credit guarantees. These are some of the issues flagged by FISME.

“Financing the MSME transition is a key challenge. There is an urgent need to create an ecosystem that facilitates this. The actors of such an ecosystem—government, industry, and financial institutions—will have to collaboratively develop alternative models of finance that can work in the Indian landscape,” adds Arora.

MSMEs seem to be very keenly aware of the need to make the transition. A survey by DBS Bank and Bloomberg Media Studios completed in November 2022 found that almost all such firms (92%) are focussed on adopting ESG measures to be part of the global value chain. However, 57% face challenges like the cost of deployment of ESG initiatives.

Rohan A. Shah, Director of professional services firm PwC India, says there are other challenges beyond financing as well. These include limited awareness and capacity, resource constraints, compliance burdens, and market access and recognition.

“Limited access to finance is a significant barrier for MSMEs looking to invest in sustainability initiatives. Policy interventions should focus on improv-

ing access to finance for ESG projects through measures such as dedicated green financing schemes, subsidised interest rates for ESG investments, and incentivising banks and financial institutions to prioritise lending to sustainable MSMEs,” says Shah.

Beyond these initiatives, some listed entities are taking the onus and working with their value chain partners to help them in their transition journey. PwC’s assessment of publicly accessible BRSR reports of the Top 100 companies in FY24 found that 62% of companies provided training on key ESG issues to their value chain partners, while 54% of companies assessed their value chain partners against environmental indicators.

Many MSMEs, too, are working proactively to cut emissions at their end. According to PwC, MSMEs are innovating products and services keeping sustainability in mind, thereby driving value chain decarbonisation. For instance, engineering MSMEs are developing energy-efficient machinery and equipment that consume less electricity and produce lesser emissions during operation.

Similarly, agro-processing MSMEs are introducing eco-friendly packaging solutions made from biodegradable or recycled materials, reducing the carbon footprint of packaging and distribution activities. By offering sustainable products and solutions, these MSMEs catalyse broader shifts towards decarbonisation across value chains.

Textile MSMEs are adopting closed-loop production systems where discarded garments are collected, recycled, and reintegrated into the production process.

FISME’s Bhardwaj feels MSMEs have begun the decarbonisation journey, and there is no escape as the listed entities will have to provide value chain disclosures. But the focus should be on devising a comprehensive transition pathway. **BT**

@richajourno

HELPING HAND

62%

of firms provided training on key ESG issues to their value chain partners

60%

of companies conducted health and safety assessments for their value chain partners

54%

of companies assessed their value chain partners against environmental indicators

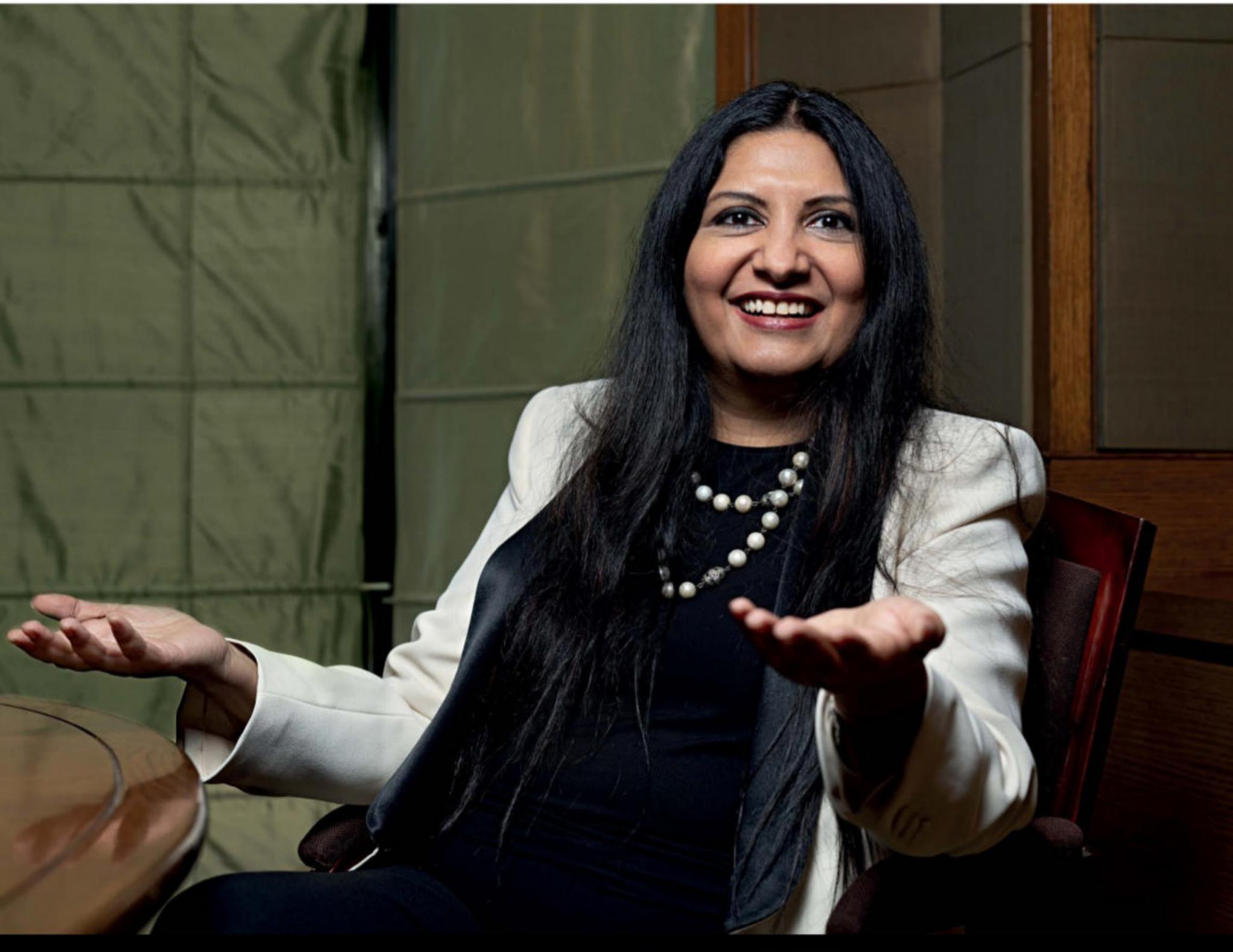
SOURCE PWC’S ASSESSMENT OF BRSR REPORTS OF THE TOP 100 COMPANIES IN FY24

| THE BT INTERVIEW |

“HP is good for India, but India is great for HP”

Ipsita Dasgupta, Senior Vice President and Managing Director of HP India, talks about the India market, AI and more

PHOTOS BY **HARDIK CHHABRA**



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Ever since computing devices picked up in India, HP has been a part of that journey. Maintaining a strong market share amidst the declining PC market shipments in India for the past two years, HP has been the market leader in India's PC market with 31.5% market share, in both commercial and consumer segments in 2023, according to market intelligence firm IDC. Showcasing resilience and stability, the company is now expanding its manufacturing footprint in India. Helming the company's operations in India is Ipsita Dasgupta, an alumna of Harvard Business School and Columbia University, who has had stints at companies such as Apple, GE and IBM. Dasgupta, 47, who was appointed Senior Vice President and Managing Director of HP India less than a year ago, says an AI PC can create value for its users. In an interview with *Nidhi Singal*, Dasgupta talks about the relevance of the India market for HP, its growth strategy for the coming years and her vision for the company. Edited excerpts:

Q: Where does India stand for HP overall? Last year, HP's market share in India was 31.5%. What is the target for this year or two years down the line?

A: I can't speak about the market share. [But] I am happy to say that we're the market leaders and that we are India's beloved brand as I like to put it. I say this very often: 'HP is good for India, but India is great for HP.' What I mean by that is the way India is innovating, it is the future workforce and consumer base of the

world. The way India is expanding in things like SMB and entrepreneurship and new business models, it's inspiring for HP to think about growth markets like India to drive what the future of HP's business should look like. And as a company that has always played across all of India—from working with jobbers on printing solutions to ensure that [their] daily livelihood is met, and that we provide the right customer support and services all the way to very high-end gaming devices or enterprise PC devices—we play across the entire spectrum. That makes India extremely important. As you probably know, four days after I joined the company (Dasgupta joined HP on October 30, 2023), the global board of HP arrived in India to have their first-ever board meeting outside of the US, which is an indication to you... for an entire board to spend five days in this market just absorbing and understanding the potential of this market. So, there is no question that India is great for HP and very important to HP.

Q: How does your earlier work experience inform your strategy at HP?

A: I have been across six companies now, across multiple industries, ranging from media to consumer electronics to manufacturing. The value of someone like me coming into an industry, like the PC industry, is the ability to think a little bit about things that we're not already thinking about, models that we're not already thinking about. But also, to just be able to come into such a successful, huge platform that's been

“The decision to sell refurbished PCs stems from two values—the idea of sustainability, and the idea of increasing accessibility and affordability”

built and think about how we can behave almost as a start-up and think about opportunities in the market that we can create.

If you think about PC penetration in India today, it's sub-20%. And yet when you think about the PC, it is really the core sort of device on which you can generate work or create work and learn. So, if I were to use an example to say, if you walked into a room, and you saw three children sitting on three different types

of devices, one of them on a PC, one of them with a tablet, one with a phone, which one would you believe is studying and which one would you believe is entertaining themselves? If you were to walk into a conference room [and saw people with] those three devices, which one would you believe is working and which one would you believe is checking their social media likes? And so, if you just think about it naturally, when you think about the PC, it is the most valuable way to contribute and make an impact. In the country, which is today growing at the rate at which it's growing, where the expectations [are] of becoming the fourth largest economy in the world, we need much more than sub-20% penetration.

So how do we think about that? We need to think about that from an affordability perspective, accessibility perspective and a value proposition perspective. How do we think about consumer end-use cases, very similar to the ones that I just described to you? How do we get a PC into the hands of every child, get a PC into every household? Think about the way people work, live, and play in the future, or even today—whether it's hybrid work, whether it is becoming more productive to deliver more—and we're thinking about that from an AI-enhanced PC perspective or an AI PC perspective. Let's ask the questions so that we go further than we already are today.

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Q: What is HP's vision around AI?

A: We see a lot of AI today and we've been seeing a lot of AI for maybe the past couple of years. But as we get further along, it's becoming very real. When I think about it from a PC perspective, to me, it's incredibly powerful because you suddenly have a companion. That companion can help you deliver more and deliver better. Just the ability to make work more productive and allow it to be more fun, [and] take away the mundane tasks is really sort of the way I think about the way the AI PC can create value for people.

Q: PC sales had been declining in recent years, till they rebounded in the first quarter of 2024. Where do you see the demand coming from for the next wave of growth?

A: There's still a lot of room to play in the value that the PC provides. I'll just use the example of education... we think about how many mothers across socio-economic strata we can connect with on the value proposition of their child getting the best access to learning possible. How do we make that affordable? How do we make that accessible? How do we get those messages out? That's a key part of it.



But let's just talk about gaming for a second... there are 300 million gamers in India already. Still, only a single-digit percentage of gamers is on PCs. However, if you look at the way gaming is moving—as a country we're getting into e-sports and gaming competitions—we are using gaming as a way to generate income. Automatically you move towards the PC when you think about gaming in those ways.

If you look at the trends, there is nothing that indicates that the need for the PC is not going to continue to grow. There will be ups and downs and there will also be periods where segments don't necessarily [grow].

Q: HP now sells refurbished laptops in India. How successful has this been?

A: India was the first place where we launched it, and it's been very successful for us. It stems from two philosophies or two values that we have, [and] that I hold very dearly and are part of the reasons why I joined

Q: Can you share some numbers? Would the manufacturing be focussed on India consumption or are you planning to export from India?

A: Right now, I can't share any numbers, but the goal is to focus on India consumption.

Q: Beyond hardware, what are the primary focus areas for HP going forward?

A: For us, it's the ability to take our products, our solutions, and our services to people to learn better. So, focus on education, [and] help SMBs and entrepreneurs be more efficient and productive in the way that they run their businesses, and in the way that they expand. And on the way enterprise and government are able to be at the leading edge of technology to drive growth.

Some of that involves thinking about services that we can provide that will help. Some of it is about

“Four days after I joined, the global board of HP arrived in India to have their first-ever board meeting outside of the US; the entire board spent five days here just absorbing and understanding the potential of this market”

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HP. The first one is the idea of sustainability, and the importance of us creating an environment and earth that we want to leave intact to the next generations. So, nothing better than a refurbishment programme to drive that circularity and that sustainability. The second one is the idea of increasing accessibility and affordability—being able to get PCs in the hands of more women, more freelancers, more first-time PC users.

Q: HP manufactures select stock-keeping units (SKUs) of desktops and Chromebooks in India and is participating in PLI 2.0. Could you shed some light on your manufacturing plans?

A: We are very excited about the fact that government is taking the initiative to do something like a PLI scheme across sectors and the sort of development of the manufacturing industry in India. The growth in manufacturing across sectors and the growth of job opportunities is fantastic to see. We applied for and got approval for PLI last year. So, it's very much part of our plans to expand our manufacturing to do more in India through the PLI scheme.

the actual product that we deliver. But more than thinking about it from a hardware-plus perspective, we're thinking about it from a customer use-case perspective, to say what are the best ways in which what we make will be valuable in helping drive some of these things. [We want to] drive education in our country to a level where very talented people—we have 2.2 million STEM graduates that come out of India a year—[have access to computers].

Their access to technology is not strong enough if we have a sub-20% penetration of PCs. We can't have computer science graduates who haven't spent more than two hours a week on a computer. So, the ability to be able to [help] genuine use cases and the ability to run both pilots and eventually business models that create that accessibility and affordability is the way I think we're thinking about it more. Which is, how do we place these products—our printers or PC—and then the services that surround those into these areas of activation in the country. **BT**

@nidhisingal

The Jobs

IN FOCUS
Prime Minister
Narendra Modi



PHOTO BY GETTY IMAGES

s Agenda



**GENERATING
EMPLOYMENT** Union
Finance Minister
Nirmala Sitharaman

Boosting wage growth and creating jobs are sure-shot ways to improve consumption demand. Over the years, it's proven to be an uphill task for India but can the Union Budget 2024-25 change this trajectory?

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BY SURABHI

PHOTO BY **HARDIK CHHABRA**

HERE'S THE INDIAN dream:

A well-paying job in a good company. And to achieve this, students study late into the night, and often dip into family savings. But in recent times, this dream has soured for the millions of workers entering India's workforce annually. The lack of adequate jobs re-

mains a challenge for policymakers in the country despite the high economic growth rate of 7% and above in recent years.

The issue was a hot topic during the General Elections this year and the expectations are that the upcoming Union Budget will announce at least a few measures to create more employment opportunities.

According to World Bank data, India has a workforce of 593.7 million, with an estimated 90% being in the informal sector. The annual Periodic Labour Force Survey (PLFS) reveals that the headline unemployment rate for workers aged 15 years and above declined to 3.2% in 2022-23 from 6.1% in 2017-18. But a closer look shows that formal employment has remained low.

Recent reports have warned that India may be facing a challenge in creating adequate jobs for all. For instance, the World Bank has highlighted that South Asia, including India and its neighbouring countries, may lose its demographic dividend if it is unable to create jobs. "Sustaining growth will require increasing employment ratios, especially in the non-agricultural sectors and among women, through measures to remove obstacles to growth for businesses, increase openness to international trade, ease labour market and product market restrictions, build human capital, and strengthen equality of women's rights," says its recent South Asia Development Update 2024.

The India Employment Report 2024 by the Institute for Human Development and the International Labour Organization has similarly highlighted that with a large proportion of working-age population, India is expected to be in the potential demographic dividend zone for at least another decade. While 7-8 million youth join India's workforce every year, it notes that youth unemployment has been a significant issue, especially for those educated up to the secondary level or above. It estimates that the share of youth among the total unemployed population was 82.9% in 2022.

"The central problem of unemployment in India is that of youth unemployment, especially amongst those who are educated; and the low female labour

Jobless Growth



JOB CREATION HAS BEEN LOW IN INDIA, DESPITE A HIGH GDP GROWTH RATE



RECENT REPORTS HAVE HIGHLIGHTED THE CHALLENGES OF HIGH UNEMPLOYMENT AMONG YOUTH AND WOMEN



INDIA COULD LOSE THE ADVANTAGE OF THE DEMOGRAPHIC DIVIDEND WITHOUT HIGH-QUALITY JOBS



LACK OF ADEQUATE JOBS WAS ALSO AN ISSUE FOR VOTERS IN THE GENERAL ELECTIONS



CREATING JOBS AND INCREASING INCOMES CAN ALSO BOOST FLAGGING CONSUMPTION DEMAND



WHILE A QUICK-FIX SOLUTION MAY NOT BE POSSIBLE, THERE ARE EXPECTATIONS FOR MEASURES IN THE BUDGET

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"This election has shown that welfarism has run its course. India does not have to choose between manufacturing and services for job creation but can use both"

MANISH SABHARWAL
CHAIRMAN, TEAMLEASE SERVICES

force participation rate,” says Alakh N. Sharma, Professor and Director at IHD. He says that often the quality of jobs is poor, and, in many cases, minimum wages are not paid. “The quality of jobs will improve as we move towards formalisation of enterprises,” he says.

More recently, the ILO’s May 2024 Update on World Employment and Social Outlook says that while GDP growth is important, it is not a panacea for sustainable development. It notes that global trends show that progress in reducing poverty and informality has slowed since 2015 and the relationship between these indicators and the GDP has weakened. “Moreover, formal job creation has not kept pace with a growing working-age population,” it says, pointing out that this is not just an India-centric problem.

Over the past few years, the government has taken a number of initiatives to create jobs. These include measures aimed at skilling and re-skilling workers,

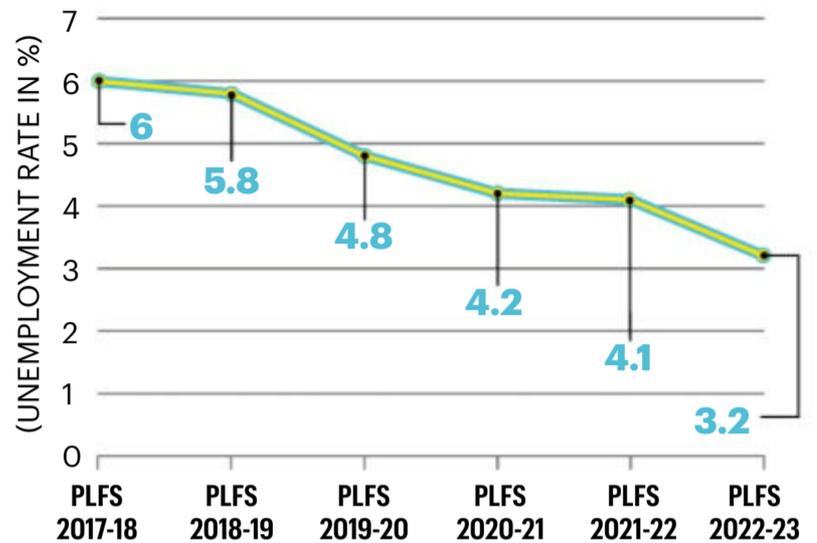
India may be facing a challenge in creating adequate jobs for all, warn reports

modernising labour laws, boosting domestic manufacturing and private investments and providing loans for self-employment and entrepreneurship. While most measures have had mixed results, and some of the initiatives faced a setback during the pandemic, it is expected that the Budget will announce fresh initiatives to gainfully employ India’s workforce as it tries to maintain the growth momentum. Creating jobs is also seen as a way to boost consumption demand and buoy falling incomes of households. The rise of AI and automation is also posing fresh questions over the future of the workforce.

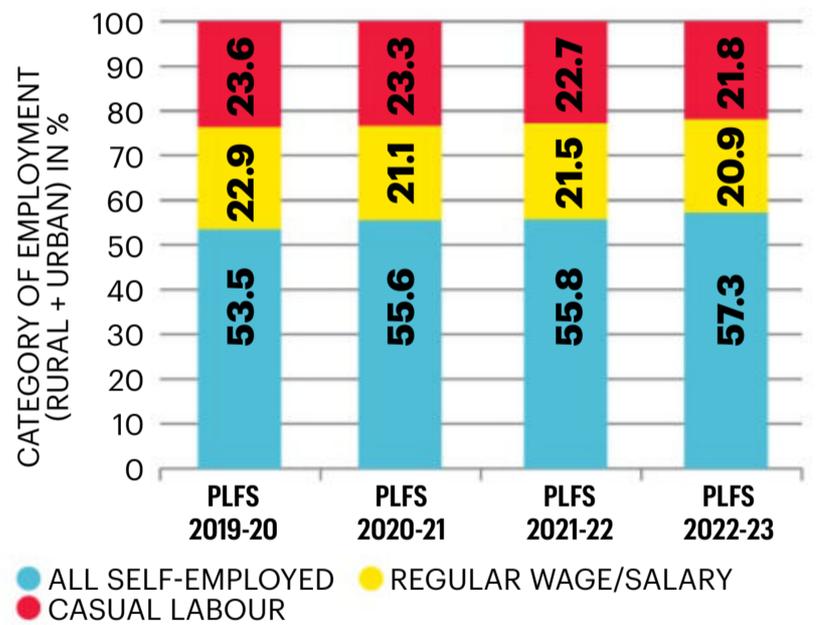
Manish Sabharwal, Chairman of staffing company TeamLease Services, believes that implementing the four Labour Codes—Code on Social Security 2020; Occupational Safety, Health and Working Conditions Code 2020; Industrial Relations Code 2020; and Code on Wages 2019—if not separately but as a single code, reducing regulatory cholesterol or roadblocks and compliance burden on businesses as well as giving workers the option to choose between the EPFO and the NPS for social security will help boost job cre-

Mixed Unemployment Picture

● While the overall unemployment rate has gone down, youth unemployment is a concern



● The share of regular wage/salary jobs in total employment has fallen since FY20



SOURCE PLFS SURVEYS, MOSPI



“If the government could come up with ways to generate jobs by tweaking a PLI scheme for MSMEs, SHGs and JLGs, it can help India in countering Chinese imports”

RAMENDRA VERMA
PARTNER, GRANT THORNTON BHARAT

ation in the formal sector. “This election has shown that welfareism has run its course. India does not have to choose between manufacturing and services for job creation but can use both,” he says.

PUSH FOR PLI

There are expectations that the Budget will announce changes in the PLI scheme that aims to boost private investment in domestic manufacturing and include MSMEs in its ambit. This is expected to have a huge impact on job creation as MSMEs are one of the largest employers. Fresh PLI schemes in labour-intensive sectors such as toys could also be announced. The PLI scheme in 14 sectors with a total incentive outlay of ₹1.97 lakh crore had registered investments of ₹1.03 lakh till November 2023. But, apart from electronics, which has garnered a strong response, several sectors such as batteries for electric vehicles and automobiles are yet to gain traction.

Another focus area is likely to be the rural economy and sources indicate that an increase in allocations for schemes such as rural road construction often has a multiplier effect in creating jobs. Ramendra Verma, Partner at Grant Thornton Bharat, points out that while the PLI scheme has seen reasonable success, it should be extended to include MSMEs, particularly micro businesses such as individuals, self-help groups (SHGs) and Joint Liability Groups (JLGs). “This would not only give a boost to manufacturing but also create jobs in rural areas. At present, most of the government-induced job creation in rural areas is through the MGNREGA scheme,” he says. If the government could come up with an innovative way to generate jobs by tweaking a PLI scheme for MSMEs, SHG and JLGs, it can help India in countering

RISING SHARE OF EDUCATED YOUTH AMONGST UNEMPLOYED

82.9%

Share of youth in the total unemployed in the country

65.7%

Share of secondary and above educated youth in total unemployed youth in 2023, against 35.2% in 2000

18.4%

Unemployment rate amongst those educated to secondary and above levels

29.1%

Unemployment rate among graduates; 34.5% among female graduates

SOURCE INDIA EMPLOYMENT REPORT 2024

Chinese imports and improving trade deficit, he explains.

The issue of job creation and a tweak in the PLI scheme were a part of the pre-Budget discussions Finance Minister Nirmala Sitharaman had with industry, economists, and trade unions. Ashwani Mahajan, National Co-convenor of the Swadeshi Jagaran Manch, who attended the discussions, says that those present at the meeting were appreciative of the government’s efforts on fiscal prudence despite the lower-than-expected nominal GDP growth. But job creation was a major issue.

“In the past few years, the government had given a push to private investments through PLI. Now, in the second phase of the scheme to boost Atmanirbhar Bharat, self-reliance and import substitution, PLI should be in tune with the requirements of MSMEs. This will give a push to job creation and private investments,” he says, adding that there is also a need to increase R&D in agriculture as rural unemployment is a major issue even globally.

Industry association CII in its pre-Budget suggestions has called for a thrust on agriculture and rural development, including the creation of non-farm rural jobs by encouraging village-level entrepreneurs and developing integrated rural business hubs. It had also suggested an employment-linked incentive scheme for labour-intensive sectors with high growth potential, with inducements linked to employment generation.

WAYS AND MEANS

There have also been discussions about a possible review of the National Apprenticeship Promotion Scheme (NAPS) to help enrol more youth and in-

Expectations from Union Budget 2024-25

● It is expected that the upcoming Union Budget will include several measures to generate more employment opportunities

- 1 BOOST PRIVATE INVESTMENTS AND TWEAK PLI SCHEME TO INCLUDE MORE SECTORS
- 2 PLI SCHEME COULD BE LINKED TO MSMEs THAT ALSO CREATE JOBS
- 3 APPRENTICESHIP SCHEME COULD BE REVIEWED TO BRING JOB OPPORTUNITIES FOR EDUCATED YOUTH
- 4 RURAL FOCUS WITH MORE FUNDS FOR ROAD CONSTRUCTION, WELFARE SCHEMES, AND AGRICULTURE
- 5 SCHEMES TO BOOST WOMEN'S PARTICIPATION IN WORKFORCE, FLEXIBLE WORKING



“The central problem of unemployment in India is that of youth unemployment, especially amongst those who are educated; and the low female labour force participation rate”

ALAKH N. SHARMA
PROFESSOR AND DIRECTOR, INSTITUTE FOR HUMAN DEVELOPMENT

dustry absorbing them eventually. Enrolment of apprentices rose to 930,000 in FY24 from 738,000 in the year-ago period. “The scheme can be tweaked to make it more attractive for young school and college graduates to get on-the-job training,” says Mahajan.

Sumit Kumar, Chief Strategy Officer at TeamLease Degree Apprenticeship, which runs degree apprenticeship programmes, had earlier called for linking apprenticeship with higher education through degree apprenticeships under the New Education Policy. “Additionally, we need to establish an apprenticeship credit framework for lateral entry to higher education, tailor schemes for MSMEs to embrace apprenticeships, promote adult apprenticeships for lifelong learning, and scale up support mechanisms like TPAs (third-party aggregators), which have significantly contributed to the growth of NAPS,” he had said.

The other concern is to boost women’s participation in the labour force. According to IHD’s Sharma, this is a must as there are high rates of unemployment among educated women. “There are a number of factors for this ranging from security and safety concerns to household and care work,” he says. He suggests that the Budget should include measures to facilitate flexible work for women, apart from the gig economy, as well as enhance allocations for facilities like working women’s hostels and crèches so that more of them can join the workforce.

Pre-Budget suggestions from experts also include a possible robot tax for jobs that have been impacted by the rise of AI. Mahajan had mooted the proposal for such a tax. “Can we impose a tax on AI that is not giving too much efficiency but reducing jobs? This money can then be used for skilling workers and redeploying them,” he adds.

There are also hopes that the Budget will announce filling up of vacancies in government jobs, an issue that trade unions had raised in their pre-Budget discussions. The Bharatiya Mazdoor Sangh, which is affiliated to the Rashtriya Swayamsevak Sangh, has pegged vacancies in the central government at 2 million and has demanded that these be filled up quickly. While the exact contours of the Union Budget and its proposals are likely to be finalised in the coming days, experts caution that employment-related policies often take months, if not years, to make an impact at the ground level. But given that India is likely to have the largest share of working-age population by 2030, giving a boost to employment now would hold the country in good stead later. **BT**

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Road Map for Viksit Bharat

The NDA government must fundamentally repurpose expenditures, tweak the tax regime, and retain only life-changing welfare measures

BY SUBHASH CHANDRA GARG

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THE NATIONAL Democratic Alliance (NDA), headed by a vastly experienced Prime Minister Narendra Modi, will present its first regular Budget of the third term this month.

Finance Minister Nirmala Sitharaman, while presenting the Interim Budget in February, had promised to present the road map for Viksit Bharat (Developed India) in this upcoming one. What is the vision of Viksit Bharat? What fundamental policy framework and programmes will be needed to lay the foundation and road map?

VISION OF VIKSIT BHARAT

India will not become *viksit* (developed) by becoming the third largest economy if the people of the country don't earn enough to afford a decent living.

The best way to define Viksit Bharat is to adopt the goal of making India a high-income country.

The World Bank classifies

a country as high-income if its average per capita income exceeds \$13,846 a year. As many as 83 countries are currently in this bracket. Fifty-four countries are in the upper middle-income bracket (\$4,466–13,845). India is not in these two categories.

With a per capita income of about \$2,500, India is part of the lower middle-income group of 54 countries (\$1,136–4,465), along with its South Asian neighbours.

To coincide with 100 years of Independence, we must deliver on the goal of making India a high-income country by 2050 to make it truly *viksit*. This will also provide a reasonable window of 25 years, across five governments, to realise the vision.

REPURPOSE EXPENDITURES

Expenditure policies in the second term of the Modi government were built around four basic pillars.

First, the government believed in the efficacy of capital expenditure (capex) to generate growth and committed over ₹30 lakh crore to it, with the last three years witnessing a capex of about ₹23 lakh crore.

Second, the government, while publicly castigating freebies, fell for them. Including cash transfers to farmers, free foodgrains to 810 million people, and virtually free fertilisers, the government spent ₹10.35 lakh crore in 2023–24 (Revised Estimates) on welfare.

Third, expenditures on public goods and services were kept on a tight leash (only ₹8.23 lakh crore in 2023–24 RE), neglecting the green agenda completely.

Fourth, the government did not seem to care for the runaway increase in non-productive expenditures like interest payments and pensions, which expanded massively to consume almost 37.5% of the FY24 Budget as per the Revised Estimates. The NDA government must fundamentally repurpose expenditures.

Instead of allocating a significant part of capex to unproductive trophy assets, particularly the Railways, the government must extricate itself from such wasteful capex and encourage the building of efficient infrastructure assets in the private sector, supported by liberal viability gap funding.

The production-linked incentive (PLI) schemes should be thoroughly reviewed by retaining and significantly expanding four PLIs on key digital age industrialisation priorities—electronics, communications, solar cells and modules, and batteries. All other PLIs in traditional and mature industrial sectors should simply be disbanded.

Welfare expenditures should be structured around two strategies. Building on the highly effective strategy of the first term—investment in life-changing social investments—the government must scale up assistance to poor households



ILLUSTRATION BY RAJ VERMA



It is time for the government to consider introducing new taxes—[including] one on wealth

for building houses, accessing tap water, 24x7 electricity and gas/solar cooking hob/stove, and full-scale health services/insurance. All other subsidies and freebies should be converted into cash payments, linked only to specified outcomes.

The government must also undertake investments and programmes to help India transition to low-carbon technologies to become a net-zero country much before 2070.

REVENUE SIDE

India currently finances only about 60% of its expenditures from rev-

enues. In addition, the government has also been depriving states of their due share of central taxes.

To raise resources, the government must make the exemption-less option in both corporation tax and personal income tax the only mode of taxation. The 15% tax regime for new manufacturing companies should be done away with. Personal income tax slabs should be rationalised by raising the minimum threshold to ₹7.5 lakh and the 30% slab to ₹30 lakh.

It is time for the government to consider introducing new taxes— one on wealth with real estate,

financial assets, and jewellery assets, including the increase in valuation during a year—at a small rate of 3-5%. It should also bring a law to tax pollutants and carbon emissions on a negative value-added basis.

The privatisation and disinvestment agenda, which was completely grounded in the second term, needs to be resuscitated in a big way. The government must keep only a few public sector leaders—like SBI, NTPC, PowerGrid, and ONGC with its subsidiary HPCL and GAIL—under a professional sovereign asset management company and sell the rest.

To be fair to the states, the government should discontinue extensive cesses and surcharges on petroleum products, income taxes, and customs duty. The share of states in gross tax receipts should be taken close to 41%.

FISCAL DEFICIT

India cannot sustain public debt-funded expenditures to attain doubtful growth, as such growth tends to be short-term and results in the bubble bursting in a few years.

The NDA government ran a humongous fiscal deficit in its second term of over 6% of GDP on average. The government has a fiscal deficit consolidation goal of 4.5% by FY26. This goal should be reduced to 3% of GDP, to be achieved by FY29.

The road to a high-income India by 2050 is not going to be easy. A Budget re-focussed on the priorities suggested above will surely lay the foundation. **BT**

The author is former Finance Secretary and observer of economic policy. Views are personal

PRE-BUDGET SPECIAL | DIRECT TAXES

What SOP?

With the Budget around the corner, taxpayers are hoping that the government will offer them some sops and clear any lingering confusion over choosing between the two tax regimes

BY NAVNEET DUBEY



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HIVAM confronts a dilemma every year. The 28-year-old private sector employee gets stressed making the annual choice between the two taxation regimes for individuals in India—the old, which allows deductions for investments and some other expenses, and the new regime introduced in April 2020, which does not allow such deductions but has lower rates.

“Every year, figuring out which one will save me more money on taxes is a guessing game,” he says. “Now, with these new choices, I cannot make decisions, and it’s preventing me from making any investments at all, directly impacting my finances.”

Many like him have demanded that the government ensure parity between the two regimes. They want the comforts of the old, with

its many deductions, but with the lower slab rates of the new. And they’re pinning their hopes on the upcoming Union Budget for the full year 2024–25—an Interim Budget was presented earlier this year ahead of the General Elections according to convention.

The National Democratic Alliance government is back in the saddle. Union Finance Minister Nirmala Sitharaman has retained her portfolio, and she is set to present a record seventh Budget.

But despite the continuity, experts expect tweaks considering the changed composition of the Lok Sabha, with the Bharatiya Janata Party falling below the majority mark of 272 seats and depending on coalition partners to make up the numbers.

They believe the government

Great Expectations

Here is a list of changes that experts and taxpayers desire in the tax architecture

TAX EXPERTS' ANTICIPATION

- ▶ The tax slabs and rates under the old and new tax regimes are expected to be revised
- ▶ The standard deduction limit may rise to ₹75,000 from ₹50,000 under both regimes
- ▶ The government can consider increasing the interest deduction limit on house property under Section 24(b) from ₹2 lakh to ₹3 lakh

▶ New tax benefits similar to 80EEA could be introduced to give a boost to the affordable housing sector

▶ The government may introduce a single ITR form for easier tax filing (replacing ITR-1 to ITR-6)

▶ Tax compliance can be eased through digitalisation

TAXPAYERS' DEMANDS

▶ Deduction limits for Section 80C of the Income Tax Act should

increase under the old regime

▶ Taxpayers are looking for one tax regime, as picking the best one every year is a headache

▶ The government should have a fairer tax system, equal rates for capital gains on stocks, bonds and real estate

▶ A balanced system is required so that high earners contribute fairly without stifling hard work and savings



will likely retain both regimes, but it might make changes to and observe which one gains momentum over time. As of the past year, only 15% of taxpayers had shifted to the new regime, according to tax services portal ClearTax.

SLAB DABBLE

A persistent complaint of taxpayers in recent years is the rates under the old tax regime remaining unchanged since FY18. Prabhakar K.S., Founder and CEO of tax consultancy Shree Tax Chambers, anticipates a revision of the tax slabs and rates under both regimes as the government seeks to provide much-needed relief to the middle class, particularly salaried employees.

He says under the old regime, the

basic exemption limit, below which no income tax is levied, could be raised to ₹8 lakh. From ₹8 lakh to ₹15 lakh a rate of 10% can be imposed, 20% between ₹15 lakh and ₹25 lakh, and 30% for income above ₹25 lakh.

In the case of the new tax regime, which was made the default in the Union Budget 2023-24, Prabhakar says four years after its introduction this is the right time to tinker with it. He says the government can provide attractive tax slabs and rates to compel more taxpayers to choose it. Prabhakar says, ideally, under the new regime, no tax should be levied for income up to ₹8 lakh. For income between ₹8 lakh and ₹12.5 lakh, he suggests a rate of 10%, 20% for income between ₹12.5 lakh and ₹20 lakh, 25% for ₹20-25 lakh, and 30% for those who earn above ₹25 lakh

(see table 'Concrete Steps').

This will reduce the compliance burden and address concerns about the disparity between personal and corporate tax rates, he says. "In addition, our tax regime will be on par with regions like Hong Kong, Singapore, and Malaysia," says Prabhakar.

It's not that the government hasn't made efforts to make the new tax regime more attractive. The minister introduced a standard deduction and raised the exemption threshold, but it has had limited impact.

"If slabs change, the finance ministry will likely increase the standard deduction limit to ₹75,000 from ₹50,000 under both regimes," says Prabhakar. Additionally, overall deduction lim-

Concrete Steps

Here are some suggestions for changes from experts

OLD TAX REGIME

Current income tax slabs	Existing tax rate	Expected change in the slabs	Suggested tax rate
Up to ₹2.5 lakh	Nil	Up to ₹8 lakh	Nil
₹2.5-5 lakh	5%	₹8-15 lakh	10%
₹5-10 lakh	20%	₹15-25 lakh	20%
₹10 lakh and above	30%	₹25 lakh and above	30%

NEW TAX REGIME

Current income tax slabs	Existing tax rate	Expected change in the slabs	Suggested tax rate
Up to ₹3 lakh	Nil	Up to ₹8 lakh	NIL
₹3-6 lakh	5%	₹8-12.5 lakh	10%
₹6-9 lakh	10%	₹12.5-20 lakh	20%
₹9-12 lakh	15%	₹20-25 lakh	25%
₹12-15 lakh*	20%	Above ₹25 lakh	30%
Above ₹15 lakh	30%		

NOTE TAX RATES FOR INDIVIDUALS BELOW 60 YEARS

Tax Populi

On the list of demands from taxpayers is the call for one regime and increase in deduction limits for investments

its—permitted in the old regime under sections 80C, 80D, and 80TTA of the Income Tax Act—should also see an increase.

Adithya Reddy, Senior Associate at professional services firm PwC, says deductions in lieu of medical insurance premium payments can be introduced in the new regime. “Since Section 80D deduction for medical premiums is only allowed under the old regime, it would be very beneficial if it were included under the new one as well and the limit of the deduction was increased,” he adds.

Another sticking point is the lack of change in the exemption limit under Section 80C for some years. Under the old regime, this section allows taxpayers to claim deductions for investments and expenses up to ₹1.5 lakh. It is not available under the new regime.

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IT professional Harsh urges the government to reconsider this in light of the high rates of inflation in recent years. “The limits of certain tax-related sections for deduction (like 80C) should increase,” says the 31-year-old.

Some like Shikhar Srivastava, Founder of advertising agency Ascope Advertising, have called for more sops for the self-employed. “Balancing salaries, rent, and direct and indirect taxes, we also face the constant pressure of monthly GST filing and investments to reduce our tax burden. The GST and tax regimes have forced us to rely more on chartered accountants, adding an extra financial burden. This is not just about numbers; it’s about the survival of our businesses.”

HOME COMFORTS

In the old regime, taxpayers can claim deductions up to ₹2 lakh for interest repayment on home loans

under Section 24(b) of the I-T Act. But with real estate prices shooting through the roof, especially in metro cities, that limit is proving inadequate. “Since prices are rising constantly, this restricts the buyer’s ability to acquire property, thereby also increasing the interest pay-

ments on home loans. Therefore, the deduction amount might see an increase,” says Reddy.

Archit Gupta, Founder and CEO of ClearTax, backs such an increase. “This change would provide additional incentives for purchasing residential properties, supporting



SHIVAM

Type of employment: Private sector

Income range: Up to ₹10 lakh per annum

FRUSTRATION: The two tax regimes are a constant source of stress. Every year, figuring out which one will save me more money on taxes is a guessing game. In the past, things were simpler—deductions and investments were the way to go. Now, with these new choices, I cannot make decisions, and it’s preventing me from making any investments at all, directly impacting my finances.

EXPECTATION: The current

system with two tax regimes is not just overly complex, it’s a burden that we can no longer bear. It would be far more efficient to simplify the tax code by eliminating one regime. In the regime that remains, I urge the government to provide clear and accessible tax benefits that taxpayers can understand and utilise. Streamline the investment sections to make them less cumbersome and encourage participation.



HARSH

Type of employment: Private sector

Income range: Up to ₹16 lakh per annum

FRUSTRATION: I have been working for nine years, and what I have realised is that with every appraisal I get from my company, I have to give some portion to the government, and the portion increases with every increment. What I have realised is that the rates on direct taxes are progressive. Higher earners pay more in taxes, leaving them with less money. This concept now discourages me from working hard and saving money, as I have almost reached the 30% tax bracket.

EXPECTATION: I urge the central government to increase the tax-free slab (exemption limit) in the old tax regime, keeping in mind the high rate of inflation. The limits of certain sections that allow for deductions (like 80C) should also be increased. Implementing a more balanced tax system can ensure that while higher earners contribute their fair share, they are not overly discouraged from working hard and saving and investing money due to excessively high rates.

both individual financial health and the real estate market,” he says. Besides, there are some anomalies that need urgent attention. For example, says Gupta, the reclassification of Bengaluru as a metro city to align house rent allowance deductions with other major cities. The current non-metro classification limits HRA deductions to 40%, compared to 50% available in metros.

Affordable housing is a priority for the new government, as was evident from its decision to assist in the construction of houses for an additional 30 million rural and urban households under its flagship Pradhan Mantri Awas Yojana (PMAY). This decision was taken at the very first meeting of the Union Cabinet on June 10.

After the pandemic, there has been a spike in demand for residential homes in metros and Tier II and III cities. Hence, experts expect deductions under Section 80EEA of the I-T Act to be extended up to March 31, 2029. It was set to expire this year.

“There might be enhancements or introductions in tax benefits similar to Section 80EEA, which offers a deduction of ₹1.5 lakh on home loan interest aimed at affordable housing. However, this new section should have an enhanced limit. Affordable housing no longer costs ₹45 lakh, and this revision is inevitable,” says Gupta.

Aarti Raote, Partner at Deloitte India, agrees that taxpayers can expect some relief, like simplified tax laws and the removal of processing hurdles. “Large-scale tax sops or added deductions may not be likely, but it is expected that the deduction under Section 80EEA will be extended,” she says.

Investors also expect favourable changes to capital gains tax under the old regime, including potential adjustments to thresholds or rates. “Currently, long-term capital gains

OLD VS NEW

85%

of taxpayers chose the old regime last year, and 15% moved to the new one

55%

of taxpayers max out Section 80C benefits, while 27% claim between ₹50,000 and ₹1.5 lakh

50%

of users claimed health insurance deductions under section 80D, and 20% used NPS deductions under 80CCD(1B)

ACCORDING TO LAST YEAR'S ITR FILINGS REPORT; **SOURCE** CLEAR TAX (THE FIRM HAS A USER BASE OF OVER 5 MILLION INDIAN TAXPAYERS)

tax on equity is levied at the rate of 10% above ₹1 lakh, while LTCG on immovable property is taxed at 20% with indexation benefits. Aligning and reducing these rates could simplify and promote fairness in the tax system,” says a private sector employee who did not wish to be named.

ONE FORM TO RULE THEM ALL

The government may introduce a common Income Tax Return (ITR) form to simplify filing for individuals.

Prabhakar says in November 2022, the Central Board of Direct Taxes (CBDT) sought stakeholders' comments on the proposed common ITR by merging all existing ITRs, except the ITR-7 that is applicable to charitable trusts. “No doubt, this will make it easier to reconcile the constantly flowing terabyte size of data obtained from third parties, like banks, financial institutions, and other sources while processing the filed returns,” he says. But there has been no movement since. “Hopefully, the department will introduce it in the assessment year 2025-26.”

Elsewhere, the government may continue its focus on improving taxpayer services, with increased focus on the integration of e-services in the filing of returns.

“Going by past trends, the government will continue with its objectives of ‘ease of doing business’ and simplification of tax laws. Thus, it is expected that the tax provisions will be simplified and the administrative bottlenecks will be removed,” says Deloitte's Raote.

One initiative of note in this regard is the modernisation of the Annual Information Statement (AIS) to allow taxpayers to share feedback and help verify data before filing returns.

The expectations are many. Given the new government's emphasis on boosting consumption, those expectations may be fulfilled to some extent in the Budget. **BT**

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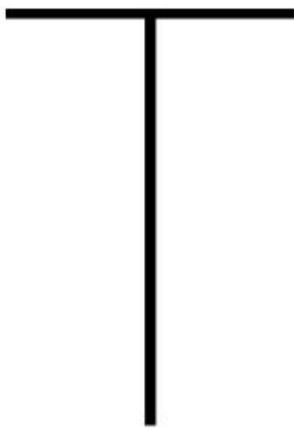


All About the Message

The coalition government brings with it a lot of speculation, and stakeholders are watching out for the message emanating from the Budget

BY MADAN SABNAVIS

ILLUSTRATION BY RAJ VERMA



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THE BUDGET that comes after a new government is sworn in would normally not elicit much discussion as it would be dealing with just about eight months when much of the normal announcements made during the Interim Budget would have to be implemented. This time will be different as the Budget is critical from the point of view of all stakeholders for the ‘messaging that is done’. It is the concept of a coalition government which evokes conjecture.

Global credit rating agencies would be watching out for what the Budget holds for the economy and the future when it comes to taking a status check of credit. The industry is watching out for how government expenditure will work out for FY25, whereas individuals will be looking for some tax relief, given the relentlessly high inflation rates in the last 3-4 years. Hence, the Budget will be a landmark one in terms of providing direction on all counts. Higher capex would be positive for industries like steel and cement, while a focus on housing or PLI will impact the concerned sectors discernibly.

What then should one look out for in this Budget? From the perspective of an economist, the budgetary numbers are important as they encapsulate government’s priorities. The continuity in government gives assurance that the starting point will be fiscal prudence and the walk will be



along the Fiscal Responsibility and Budget Management path. Hence, the fiscal deficit ratio targeted in the Interim Budget at 5.1% would hold, although with a downward bias. The fact that the transfer of RBI surplus is about ₹1 lakh crore higher than what was budgeted from the banking sector provides a lot of room for flexibility in managing other aspects of the Budget.

The other area of interest would be the quality of expenditure, where the government has shown commitment to increasing capex. Consensus across stakeholders in the government is likely and no compromise is expected here even though there may not be any major increase in the number provided in the Interim Budget of ₹11.11 lakh crore. It was noted even during the time of presentation of the Interim Budget that even as the base of capex increases it is not possible to keep growing the outlay by 20-30% every year.

Markets will also be keen to know about the disinvestment plans as it was expected that post-election the momentum will pick up both from disinvestment and asset sale. It is likely that plans are in place and the Budget would provide further direction.

On the revenue expenditure side, the outlays on subsidies and other social welfare schemes will merit attention. The Interim Budget had more or less capped the outlays at levels closer to either the budgeted or revised numbers for FY24. The Budget allocation would be significant as any increase would be indicative of further possible enhancements as part of adherence to the promises made in manifestoes. Global agencies have also flagged

this and would be tracking it.

From the point of view of industry, there is no expectation of concessions in corporate taxation although any kind of 'deductible' investment allowance would be an incentive to revive private investment. This is one area that has been lagging due to low demand. Further, the MSME segment is expected to be incentivised with a PLI-like scheme, where the outlay would be much lower but can cover a wider range of industries. MSMEs have a vital role to play in both industrial growth



The July Budget will be a curtain-raiser for the full show of what is to come in the next five years

with a share of about 36% as well as exports (about 40% share), and such an incentive will also fit well with the government's aspirations of making India more vibrant in terms of being part of global value chains.

At the individual level, it is necessary to increase consumption and savings. Over the years, growth in real consumption has slowed down considerably, which has been due to lower pace of job creation and higher cumulative inflation of almost 30% in the last 5 years. There are two routes here. The first is to fix income-tax slabs with inflation in mind. This can be an annual affair just as is done for dearness allowance adjustments.

The other is to take a closer look at the GST system and rationalise the rates for mass-consumption goods. Both of them will help to increase purchasing power.

The declining share of assets in household savings is a concern as funds are being diverted to either equity markets or gold due to higher potential returns. Any drop in savings will, *ex post*, widen the current account deficit as investment gets financed by foreign funds rather than domestic. A way out is to enhance the savings limit under Section 80C of the Income Tax Act. This would be within the realm of old tax scales. A combination of the new system with wider bands of lower taxes and the old system with more scope to save can improve both consumption and savings.

Hence, it can be said that there is going to be a plethora of expectations from all sections including global agencies and investors. The India growth story has caught up globally, which has been achieved under a strong government. With continuity in the government and a blend of coalition politics, the language of the Budget and the actions in terms of dealing with different stakeholders become even more important. This Budget will be a curtain-raiser for the full show of what is to come in the next five years. Investors would form opinions that can influence their medium-term decisions based on the message conveyed in the July Budget. **BT**

Views are personal. The writer is Chief Economist, Bank of Baroda, and the author of Corporate Quirks: The Darker Side of the Sun

THE GOOD LIFE

| TRENDS |

FACIAL FITNESS

The rising trend of face yoga helps soften and relax your face muscles to alleviate tension and stress • BY SMITA TRIPATHI

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low out your cheeks and gently tap them. Repeat three times. Now tap your knuckles lightly from the top of your forehead to the top of your ears. Gently pull your eyebrows up," advised my instructor during an online face yoga class. While these may sound tortuous, the gentle pulling, stretching, and pinching of the face are meant to naturally lift and tone facial muscles.

Over the past few years, thanks to social media, face yoga has become one of the most discussed above-the-neck fitness techniques. While #faceyoga has clocked over 500 million views on the internet video-sharing site YouTube, on the short video app TikTok, these videos have been viewed over 3 billion times;



PHOTOS BY **HARDIK CHHABRA**
MODEL **ANSHIKA AWASTHI**



on social media platform Instagram, the hashtag has 376,000 followers.

Celebs from Meghan Markle to Gwyneth Paltrow swear by it, and the Kardashians have their own celebrity trainer. Closer home, Malaika Arora also touts the powers of facial fitness.

So, what exactly is face yoga? “It is a set of exercises performed to tone and stretch facial muscles. We have over 57 muscles on our face and neck. Face yoga involves massages and ex-

FACE YOGA IS A SET OF EXERCISES PERFORMED TO TONE AND STRETCH FACIAL MUSCLES

ercises that stimulate the muscles, skin, and lymphatic system,” says Delhi-based certified face yoga coach Mamta Sansanwal, who has been teaching face yoga for the past three years and has shared her knowledge with more than 4,000 people.

New York-based author Annelise Hagen is a certified yoga thera-

pist who has been teaching and practicing face yoga since 2005. In her book *The Yoga Face*, she says that the muscles of the face are no different from the muscles of the rest of the body. If you don’t exercise the muscles below the neck, they become weak and flabby, and the same thing will happen to your face with age. Just as yoga routines work the muscles in the body, the stretches and movements of face yoga tighten and tone the facial muscles.

And just like yoga, face yoga has no age restriction. “An older person can derive benefits from practising yoga techniques that promote facial rejuvenation, and a younger person can cultivate habits that will last a lifetime. You can start as young as 14, but of course it needs to be done under supervision; the focus is more on preventive and maintenance routines at that age,” says Sansanwal, who herself started practicing face yoga a few years ago to get rid of pigmentation and dull skin.

Hagen says there are three different ways in which face yoga may work for you. First, it stimulates the muscles and improves their tone and tightness. Second, it increases blood flow and circulation on the face, making it appear healthier. And finally, it helps reduce stress and anxiety; other benefits include glowing skin,



a brighter eye area, reduced lines and wrinkles, and pigmentation reduction.

Sansanwal suggests performing facial exercises four to six times a week, around 15 minutes every day, for at least six weeks to see the benefits. “The techniques are designed to soften and relax your facial muscles. In order to achieve results and symmetry, we need consistent practice in the right sequence,” she says.

For a total face workout, she recommends practising exercises such as the ‘cat eye’, which concentrates on the upper part of the face and helps reduce dark circles and wrinkles around the eyes; ‘eye caterpillar’ that helps in lifting the brow up; ‘total face lift’ that rejuvenates, lifts, and tones all 57 muscles on the face and neck; ‘air kisses’ to burn jaw fat; and ‘swan neck’ for toning the jaw and tightening the neck.

The other benefit of face yoga is that you can do it anywhere, at any time. Whether stuck in traffic or waiting in queue, you can always blow out your cheeks, tap your face with your fingers, or massage your eyebrows. Yes, you may get a few strange looks from passersby, but that’s a small price to pay for healthier skin.

So, does face yoga really work? There don’t seem to be too many scientific studies to back it up. Maybe it’s just something that hasn’t

been studied enough. In 2018, dermatologists at Northwestern University published a paper according to which women who practiced face yoga exercises for 20 weeks were perceived to look up to three years younger. But that is not to say that face yoga is only for women. “Face yoga is a series of exercises that tone and strengthen the muscles on your face, just like workouts tone your body’s muscles. Men have facial muscles too, so why should they miss out on the benefits of face yoga?” asks Sansanwal, who teaches several men.

However, dermatologists warn that those with acne-prone or sensitive skin should be wary of the trend, as touching or pulling the skin could worsen its condition.

While the jury is still out on the long-term benefits of face yoga, there doesn’t seem to be any harm in practising it. So, if you enjoy doing it, go ahead. As for me, my favourite exercise is to look towards the sky and blow kisses out to the universe. I’m not sure how much benefit my facial and neck muscles gain but it surely makes my soul happier. And that’s definitely a stress buster. **BT**

@smitabw



DEVITA SARAF | FOUNDER, CHAIRPERSON & CEO | VU TECHNOLOGIES

Vu Technologies is a television manufacturer that has global partnerships

“Don’t be afraid of people leaving”



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PHOTO BY MILIND SHELTE

What was the problem you were grappling with?

A few years after starting Vu Technologies, one of the employees whom I had trained since she was an intern and had risen through the ranks to become a marketing manager, wanted to leave the company.

I had a small team back then and when she told me she wanted to quit, I could feel the blood rushing to my face and it caused me immense stress.

Whom did you approach for advice and why?

I spoke to my friend and celebrity chef Moshe Shek, who is good at handling employees and vendors at the back-end and customers at the front-end. He has worked across the globe and I told him about my predicament and how stressed I was.

What was the advice you received?

Over his famous carrot cake with ice-cream, he gave me the life-changing advice that I shouldn't be afraid of people leaving. He said, "You've built it once, you can build it again!"

He also added that oftentimes the replacement is better than the original hire because they have fresher insights and possibly better experience.

How effective was it in resolving the problem?

Since then, I've not worried too much when people want to move on because I have faith in myself that I can do it again, if I have to.

However, we have a strict "no revolving door policy" in the Vu Employee handbook that says once someone leaves they cannot join back.

We don't entertain people who didn't think of their company and their boss while leaving because they have probably been replaced by someone more deserving. **BT**

—TEAM BT

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