www.theglobalanalyst.co

THE GLOBAL ANALYST

September 2014 A BUSINESS & FINANCE MONTHLY Rs.100

Battle Line E-Commerce

The Race Just Gets Hotter!

ISSN 2320-5628
Vol: 3, Issue 9

A Media Five Publications Flagship

Navshakti
the R.I.S.I.N.G

Give missed call to 0 92230 11300 & get balance through SMS

*Conditions Apply

आन्ध्रा बैंक
Andhra Bank
Where India Banks

Toll Free Number: 1800 425 1515 (A Govt. of India Undertaking) www.andhrabank.in

EDITORIAL

Jai 'Jan Dhan'!

Mission Financial Inclusion Kicks off with a Bang

The overwhelming response to the Pradhan Mantri Jai Jan Dhan Yojana (PMJDY), a brain child of Prime Minister Narendra Modi, delivers a knock out punch to the skeptics who never believed that the idea of Financial Inclusion is worth pursuing, given a host of hurdles, especially the issue of lack of KYC (Know Your Customer) documents with a majority of the unbanked customers who are the focus of this ambitious project. Though India embarked on the mission of financial inclusion (FI) several years ago, the fact is it never took off the way it should have been. However, the massive drive, one of the largest public welfare measures, which took off in the form of PMJDY on August 28, received overwhelming response on the very first day itself. More than 1.5 crore bank accounts were opened on the day of the launch of the ambitious project, which the PM had mentioned in his first Independence Day address to the nation.

India remains home to the largest unbanked people in the world. And bringing nearly half of the country's population into mainstream banking has been a major challenge before the policymakers and the apex bank. Bolstered by the initial response to its mega FI drive, the government has now asked banks to achieve opening 7.5 crore new savings accounts before the next Republic Day. There is no doubt that PMJDY is going to revolutionize the way people, who have so far been devoid of accessing mainstream financial services, like banking services. Under the PMJDY, a savings account holder is given a RuPay debit card, accident insurance cover worth rupee one lakh, overdraft facility up to Rs.5,000, and an additional Rs. 30,000 life insurance cover for those opening bank accounts before January 26, 2015. What has also helped achieve such a great feat is relaxation in KYC norms for low-risk customers extended by the banking sector regulator. According to the RBI, a low-risk customer, like the one covered under the PMJDY scheme, can now submit KYC documents within six month of opening the bank account.

The PMJDY is indeed an assault on 'financial untouchability'. Having tested success with its mega financial inclusion drive, the government must now turn its focus on launching similar powerful programs to tackle challenges of providing healthcare and education to one and all, especially to the economically weaker sections of the society, to ensure that India remains on track to emerge as a developed nation in the foreseeable future.

Editorial Director

THE GLOBAL ANALYST

September 2014 Vol. 3 | No.9

MANAGING EDITOR - N Janardhan Rao
EDITORIAL DIRECTOR - Amit Singh
MARKETING HEAD - Amita Singh

SALES HEAD – MUMBAI - Freeda Bhati
09987421946 | fgb.tganalyst@gmail.com
SALES HEAD – CHENNAI - Emmanuel Rozario
098844 91851 | emmir68@yahoo.com

RESEARCH TEAM
Surya Prakashini (Proof Reader), Anjaneya Naga Sai Prashanth, Vijaya Lakshmi, Giri Babu, GV Tarun, Mahesh, Nagaswara Rao & MSV Subba Rao

SUBSCRIPTION

Payment to be made by crossed Cheque/DD drawn in favor of "**MEDIA FIVE PUBLICATIONS (Pvt) Ltd.**" Payable at Hyderabad.

KNOWLEDGE PARTNER - Target Research & Consulting

ADVERTISEMENT ENQUIRIES

Media Five Publications (P) Ltd. Swarnasri Residency, (HIG 300) 6th Phase, KPHB, Kukatpally, Hyderabad - 500072, India

Cell: +91- 9247 769 383 | 9247 220795

SEND YOUR FEEDBACK/ARTICLES TO

The Editor, The Global ANALYST
Submit through our website - www.theglobalanalyst.co
Email: mediafivepublications@gmail.com

COVER PRICE : Rs. 100/-

SUBSCRIPTION DETAILS (See inside for discount details, p27)		
	By Post	By Courier
1 Year (12 Issues)	Rs. 1200/-	Rs. 1700/-
2 Years (24 Issues)	Rs. 2160/-	Rs. 3400/-

OVERSEAS SUBSCRIPTIONS	
1 Year (12 Issues)	$180
2 Years (24 Issues)	$330

DESIGN & LAYOUT - Creative Graphics Designers

WEB DESIGNERS - Y L Narayana Theerdha, Team Leader, K Krishna Reddy, Krishna Chaitanya

Printed at Sai Kiran Graphics, RTC 'X' Roads, Hyderabad-20. Published on behalf of Media Five Publications (P) Ltd, # 403, Swarnasri Residency, 6th Phase (HIG 300), KPHB, Hyderabad 500085, Telangana, India.

Published & Edited by D Nagavender Rao

Contents

On the Cover

The battle lines have been drawn and knives are out, literally, as two of the hottest Internet giants - Amazon, the e-tailing pioneer, and Flipkart, the poster boy of India's e-commerce — gear up to outdo each other as the online retail market in India looks all set to explode and the 'big is beautiful' becomes a norm rather than an exception!

New Kids on Aviation Block

While for most industries, earning a profit remains the single most driving force, to a few sectors, it seems, top line growth is what matters. Two sectors that come to mind while talking about profitless growth are clearly, e-commerce and airline. Every other day you'd hear of how a domestic Internet commerce firm hit the new multi-crore milestone in top line or sales growth. But probe further and chances are you'd find hard to come across a profit figure even after the firm has completed several quarters of operations. Same holds true for airline operators as well.

Big Data - the massive set of data that sits on companies' computers (and servers) – presents businesses with both challenges as well as multibillion dollar opportunities.

Overhauling India's archaic labor laws is seen as key to boosting business in the country – but it will also be among the most politically difficult reforms for any government to push through.

Argentina, one of South America's most populous countries, continues to be plagued by growing cases of fiscal and financial debt, and it seems there is no end in sight for its economic troubles as yet. It needs bold measures to rehabilitate its economy ravaged by second debt default in a decade and high inflation.

Global investable assets for the asset management industry will increase to more than $100 trillion by 2020, with a compound annual growth rate of nearly 6 per cent, forecasts a new study from global consultancy firm, PwC.

Acquiring companies know that the sector has significant longterm potential for generating cash inflow for 40-50 years and it is very difficult to set up new power plants. However, before acquiring plants, companies must evaluate whether they have the wherewithal to deal with the target company's debt costs, cost for replacing old technology withbetter technologies, issue of fuel shortage, etc. Else, the acquisitions could turn sour.

The Global ANALYST brings to you India's very own, the homegrown P2P lending start-up, Faircent.com. In a free-wheeling interview with TGA Rajat Gandhi, Founder-CEO of Faircent.com, discusses hat inspired him to experiment with such a relatively not-so-known concept in the Indian market, his strategies to create awareness as well as penetrate the market, and his long-term plans.

Local Area Banks - Can Small be Beautiful?

In banking, unlike other service-oriented businesses, small might not be beautiful, as the failures of a number of cooperative and small banks, such as the disgraced Global Trust Bank, in the past suggest. However, a well structured system could help the large and small banks serve well and help the country leap toward achieving the bigger goal of financial inclusion.

Small, Local Banks - Any Takers?

The idea of small, local area banks, while sounds nice on paper, in reality, this might not be a workable idea, going by the past experience.

INDUSTRY

Pharmaceutical Industry - In the Pink of Health

India's top 20 pharmaceutical companies are set to crank up capital expenditure (capex) by around 40 per cent to over Rs.50,000 crore by fiscal 2018, in order to take advantage of greater opportunities from patent expiries and rising use of generics in the regulated markets, especially the US. Indian drug makers will continue to benefit from low debt and steady cash flows, which will mitigate or offset any potential impact of large capital spending on balance sheets, says CRISIL.

Save 25%

When you Subscribe Today

Subscription Form

THE GLOBAL

ANALYST

DIGITAL PARTNER MAGZTER DIGITAL NEWSSTAND

To receive complimentary copy, send your mailing address through our website www.theglobalanalyst.co

THE GLOBAL ANALYST SUBSCRIPTION PLAN

Years	Subscription Price (Rs)	No. of Issues	Discount (%)	Benefits	Put (√) Mark
1	1200	12	-	-	☐
2	2400	24	**Discount 10%**	You Pay Rs. 2160 **(Save Rs.240)**	☐
3	3600	36	**Discount 15%**	You Pay Rs. 3060 **(Save Rs.540)**	☐
5	6000	60	**Discount 25%**	You Pay Rs. 4500 **(Save Rs.1500)**	☐
For Renewals					
1	1200	12	-	-	☐
2	2400	24	**Discount 15%**	You Pay Rs. 2040 **(Save Rs.360)**	☐
3	3600	36	**Discount 20%**	You Pay Rs. 2880 **(Save Rs.720)**	☐
5	6000	60	**Discount 25%**	You Pay Rs. 4500 **(Save Rs.1500)**	☐

PERSONAL INFORMAITON

Name: ______________________

Address: ______________________

____

____

Landmark: ______________________

City: ______________________

Pincode: __________ State ______________

Cheque/Bank Draft No.: ______________________

Amount: ______________________

Date: ______________________

Bank: ______________________

City: ______________________

Phone / Mobile: ______________________

Email: ______________________

Make payment in favor of "**Media Five Publications (Pvt) Ltd.**" either through bank draft or cheque payable at Hyderabad and send to: Media Five Publications Pvt. Ltd.

 # 403, Swarnasri Residency, 6th Phase, (HIG 300) KPHB, Hyderabad 500085, Telangana, India.

Make online payment through: **Media Five Publications (Pvt) Ltd.** SBH A/c No. 62235752282, IFSC Code: SBHY0020318, Branch : 6-3-609/191, Anandnagar, Khairatabad, Hyderabad 500004

SEND SMS (SUB): 9247 769 383 / 9247 220 795

email: mediafivepublications@gmail.com

>>>>Decoding DATA >>>>

Indian Economy Grows at below 5 per cent level in FY'14

Indian economy closed FY2013-14 with a below par performance once again, growing at sub-5 per cent rate. In fact, for the first time since 1987-88, India, the third largest economy in Asia after China and Japan, has grown at sub-five per cent level for two consecutive years, according to the Centre for Monitoring Indian Economy. The $1.84tn Indian economy has been hit by a combination of subdued domestic demand as well as stubborn inflation, triggered by soaring food prices. The Indian economy clocked a growth of 4.7 per cent in 2013-14, a tad above the growth of 4.5 per cent recorded in 2012-13. The economic growth which peaked at 9.2 per cent in Q2 of 2006-07, fell below 5 per cent for the first time in 2012-13.

The GDP growth got good support from the farm sector whose growth more than trebled to 4.7 per cent in 2013-14 from 1.4 per cent in 2012-13. The Reserve Bank of India forecasts the economy to recover from these levels, expecting it to grow at around 5.5 per cent in the current fiscal, i.e., 2014-15, driven by a stable political regime and a revival in industrial growth, led by improvement in mining, manufacturing, construction and trade, which account for half the GDP. Besides, stable international crude oil prices, recovery in international demand, revival of reforms, steps to curb gold imports and reduce subsidies, turnaround in investment among other measures are expected to lift the economic growth to above five per cent mark after eight successive quarters of subdued growth. "With greater political stability and a supportive policy framework, investment could turn around. The economy is poised to make a shift to a higher growth trajectory," the RBI said in its annual report for 2013-14. However, factors such as a deficit monsoon, geopolitical tensions in some parts of Asia and Europe, besides inflation remain key worries for the central bank and the economy.

TGA RESEARCH

Select Economic Indicators : Indian Economy

Item	2013-14	2012-13		2013-14	
		Q3	Q4	Q3	Q4
1 Real Sector (% Change)	1	2	3	4	5
1.1 GDP	4.7	4.4	4.4	4.6	4.6
1.1.1 Agriculture	4.7	0.8	1.6	3.7	6.3
1.1.2 Industry	-0.1	2.0	2.0	-0.9	-0.5
1.1.3 Services	6.2	6.1	5.8	6.4	5.8
1.1a Final Consumption Expenditure	4.7	5.0	4.6	2.9	6.8
1.1b Gross Fixed Capital Formation	-0.1	4.4	3.3	0.2	-0.9
	2013-14	2013		2014	
		May	Jun.	May	Jun.
1.2 Index of Industrial Production	-0.1	-2.5	-1.9	4.7	..
2. Money and Banking (% Change)					
2.1 **Scheduled Commercial Banks**					
2.1.1 Deposits	14.1	14.2	13.5	13.4	12.4
2.1.2 Credit	13.9	15.1	13.5	12.5	13.3
2.1.2.1 Non-food Credit	14.2	15.3	13.7	12.8	13.5
2.1.3 Investment in Govt. Securities	10.3	14.7	14.5	10.1	7.5
2.2 **Money Stock Measures**					
2.2.1 Reserve Money (M0)	14.4	6.0	7.1	11.9	9.8
2.2.2 Broad Money (M3)	13.2	13.6	12.7	13.5	12.2

Source: RBI

इस परिवर्तनशील समय में निर्यात के लिए दोहरा बीमा

निर्यातकों के लिए ऋण जोखिम बीमा

एवं

बैंकों के लिए ऋण जोखिम बीमा

आर्थिक अस्थिरता के इस समय में निर्यात के अनुकूल ईसीजीसी के साथ ऋण जोखिम का बीमा कराएं।

अधिक जानकारी के लिए ईसीजीसी के निकटतम कार्यालय से संपर्क करें।

AR-204

ISO 9001: 2008 Certified

ICRA Rating: iAAA

Insurance is the subject matter of solicitation.

भारतीय निर्यात ऋण गारंटी निगम लिमिटेड
(भारत सरकार का उद्यम)

एक्सप्रेस टॉवर्स, 10 वी मंजिल, नरीमन पॉईंट,
मुंबई - 400 021, भारत, टेली : (022) 6659 0500-10
फैक्स: (022) 6659 0517 टोल फ्री नं. 1800-22-4500

ई सी जी सी

आप निर्यात पर ध्यान केंद्रित करें,
हम जोखिमों से रक्षा प्रदान करेंगे.

Bonus Issues in 2014

COMPANY	Bonus Ratio	Announcement Date	Record	Ex-Bonus
JMT Auto	05:02	06-10-2014	31-07-2014	30-07-2014
Lakhotia Poly	18:10	13-06-2014	28-07-2014	25-07-2014
Captain Poly	01:05	30-05-2014	26-07-2014	24-07-2014
Sangam Advisors	57:100	28-05-2014	22-07-2014	21-07-2014
Shrenuj and Co	01:01	23-05-2014	-	15-07-2014
Adi Finechem	01:10	19-05-2014	07-10-2014	07-09-2014
LG Balakrishnan	01:01	15-05-2014	-	07-04-2014
Deepak Nitrite	01:01	05-02-2014	23-06-2014	20-06-2014
GRUH Finance	01:01	04-11-2014	06-10-2014	06-09-2014
Mindtree	01:01	16-04-2014	06-04-2014	06-03-2014
SRG Housing Fin	02:05	15-04-2014	30-05-2014	29-05-2014
GM Breweries	01:04	04-03-2014	-	16-05-2014
Mayur Uniquoter	01:01	02-12-2014	04-02-2014	28-03-2014
Kothari Product	02:01	02-11-2014	04-02-2014	28-03-2014
Raj Television	01:01	28-01-2014	26-03-2014	25-03-2014
PMC Fincorp	08:10	27-01-2014	15-03-2014	13-03-2014
Sharon Bio Medi	01:01	14-01-2014	21-02-2014	20-02-2014
Raisaheb Mills	02:01	18-12-2013	02-07-2014	02-06-2014
Jagran Prod	02:01	12-02-2013	27-01-2014	24-01-2014

Dividend Masters!

Companies that consistently paid dividends during the last 5 years

Company	2010	2011	2012	2013	2014
Aarti Drugs	50	50	50	100	130
Aban Offshore	180	180	180	180	180
Adani Enterpris	100	100	100	140	140
Adani Ports	40	45	50	50	50
ADC India Comm	15	15	5	15	25
AB Nuvo	50	55	60	65	70
Ador Fontech	120	125	150	175	175
Ador Welding	60	60	60	60	50
Aegis Logistics	57.5	40	20	40	52.5
Agro Tech Foods	15	17.5	17.5	20	20
Ajanta Pharma	35	50	75	125	200
Albert David	45	45	45	45	50
Alkyl Amines	30	30	40	50	80
Allahabad Bank	55	60	60	60	25
Amara Raja Batt	145	230	189	252	323

Company	2010	2011	2012	2013	2014
Amarjothi Spin	18	20	15	18	20
Amrit Banaspati	20	40	640	40	45
Anuh Pharma	200	100	110	120	155
Arihant Capital	20	15	10	15	15
Ashiana Housing	15	17.5	22.5	22.5	25
AshirwadCapital	15	5	10	10	4
Asian Hotel (E)	30	45	45	45	30
Asian Paints	270	320	400	460	530
Asian Star	20	20	15	15	15
ASM Tech	12	20	25	25	28
Astral Poly Tec	20	22.5	22.5	25	32.5
Atul	40	45	45	60	75
Atul Auto	20	40	50	60	75
Aurobindo Pharm	100	200	100	150	300
Austin Eng	15	25	25	15	15
Auto Corp Goa	10	150	150	125	150
AVT Natural	30	50	125	125	75
Axis Bank	120	140	160	180	200

Where a company has had two financial years ending in a single calendar year the dividend as per the lastest Profit & Loss Account has been considered. Where the Profit & Loss Account for a particular year is not available it is shown as N.A.

Source: Dion Global Solutions Limited; Moneycontrol.com

SBH | Modern Innovative Dependable

स्टेट बैंक ऑफ हैदराबाद

State Bank of Hyderabad

Growth & Prosperity Go together with

SBH AKSHAYA

1116 Days Term Deposit

Eligibility	Resident / Non-Resident Individuals (NRI)
Period of Deposit	1116 Days
Minimum Amount	₹ 10,000/- and in multiples of ₹ 1,000/-
Maximum Amount	₹ 100 Lakhs
Scheme Opens	24th May, 2014 onwards
Rate of Interest	**9.16% p.a. for public** **9.46% p.a. for senior citizens**

- Demand Loan/Overdraft Facility Available

For further details contact nearest branch or call toll free : **1800 425 4055 / 1800 425 1825** or **sms 'CALLME'** to **9000 222 444** or **www.sbhyd.com**

Free Cash Flow

A study of Free Cash Flow (FCF) yield of some select technology firms throws a few interesting facts. Contrary to expectations, it's not an Infosys or a TCS that delivers a better performance on this parameter, but a much smaller rival of theirs: Hexaware. FCF yield (of a stock) is Free Cash Flow per share divided by current market price of the stock. Simply put, FCF yield tells you that how much free cash flow a company generates as a percentage of how much it would cost to buy the whole company. In terms of per share data, FCF Yield per share tells you that for every rupee paid for purchasing the stock, how much cash flow is available per share. FCF yield is considered a better stock selection metric by many market analysts compared to the much popular P/E, PEG, Dividend Yield, etc.

Mathematically, it can be represented as: FCF Yield = Free Cash Flow / Market Capitalization

For calculating per share data, FCF Yield/total no. of outstanding shares = Free Cash Flow per share / Per share price

Further, instead of using P/E, one can use P/FCF earnings can be replaced by FCF, which could again give a better picture of a company as far as its ability to generate cash flow is concerned.

Price-to-Free Cash Flow Ratio (P/FCF) = Market Capitalization / Free Cash Flow

Using Enterprise Value

Some investment analysts even suggest replacing M-Cap with Enterprise Value in denominator while calculating FCF Yield, which, they say, could give a better view of the company's performance. Enterprise value (EV), also referred to as Total enterprise value (TEV), represents the market value of a company's total debt and equity, unlike M-Cap which reflects market value of its stocks. Enterprise Value is calculated by adding M-Cap, debt, minority interest and preferred shares, minus total cash and cash equivalents. As the name suggests, EV considers value available to all stakeholders, and not just shareholders.

Hence, Free Cash Flow Yield = Free Cash Flow / Enterprise Value

When combined with the EV,

India's Top 10 IT Companies in terms of FCF Yield (%)

Company	Free Cash Flow (FCF) Yield, %		
Hexaware	12.9	4.5	5.6
Wipro	7.3	4.9	4.1
eClerx	5.4	7.7	8
Persistent	4.9	3	5.7
HCL Tech	4.8	5.7	6.5
TCS	3.3	3.5	3.9
Infosys	3	4.7	5.2
Mindtree	2.6	3.1	5.1
Tech Mahindra	2.5	3.4	5.6
NIIT	-0.8	5.5	8.4

Source: moneycontrol.com

the FCF Yield is also called Cash Return Ratio (CRR). The Cash Return Ratio gives an idea about how efficiently the business is using its capital – equity and debt - to generate free cash flow. The CRR measures how much free cash flow a company generates as a percentage of how much it would cost to buy the whole company.

Arriving at FCF

Free cash flow (FCF) is arrived at by deducting capital expenditure (capex) of a firm from its operating cash flow. FCF represents the cash generated from operations, after capex, and also, after non-recurring or non-operational expenditure. It also measures the cash flow generated before account is taken of business acquisitions, business divestments and any decision to issue or buy back equity, or make a special dividend. This cash can be used for expansion, paying dividends, reducing debt, or other purposes.

Free cash flow can be computed as:

FCF = Operating Cash Flow - Capital Expenditures

Let's take the data and calculate the free cash flow of that hypothetical firm:

Rs.150,000 cr Net Cash Flows From Operations

-100,000 Investment in Plant and Equipment

=Rs. 50,000 cr Positive Free Cash Flow

ABC Company, in the example, has a positive free cash flow. We need to analyze their financial position very carefully and find find where their positions of financial strength are, as well as any positions of financial weaknesses, so they can continue to be a successful company.

However, cash flow is not completely immune to the accounting gimmicks that can impact a company's reported earnings. According to investinganswers.com, companies can influence their free cash flow by lengthening the time they take to pay the bills (thus preserving their cash), shortening the time it takes to collect what's owed to them (accelerating the receipt of cash), and putting off buying inventory (again, preserving cash). It is also important to note that companies have some leeway about what items are or are not considered capital expenditures, and the investor should be aware of this when comparing the free cash flow of different companies.

Investment gurus says that investors should also be aware that companies can influence their free cash flow by lengthening the time they take to pay the bills (thus preserving their cash), shortening the time it takes to collect what's owed to them (accelerating the receipt of cash), and putting off buying inventory (again, preserving cash). It is also important to note that companies have some leeway about what items are or are not considered capital expenditures, and the investor should be aware of this when comparing the free cash flow of different companies.

FCF Calculation of Infosys Technologies

Y/E March (Rs mn)	FY13A	FY14A	FY15E	FY16E
PBT (Ex-Other income)	104,259	122,590	140,323	157,681
Depreciation	11,260	13,750	9,741	10,652
Interest Provided	0	0	0	0
Other Non-Cash items	0	0	0	0
Chg in working cap	-11,140	-14,600	-2,886	-8,886
Tax paid	-33,670	-40,620	-47,510	-52,719
Operating Cash flow	70,709	81,120	99,668	106,728
Capital expenditure	-22,530	-26,070	-18,000	-18,000
Free Cash Flow	**48,179**	**55,050**	**81,668**	**88,728**

Source: Emkay Research

Why FCF matters?

The presence of free cash flow indicates that a company has cash to expand, develop new products, buy back stock, pay dividends, or reduce its debt. High or rising free cash flow is often a sign of a healthy company that is thriving in its current environment. Furthermore, since FCF has a direct impact on the worth of a company, investors often hunt for companies that have high or improving free cash flow but undervalued share prices -- the disparity often means the share price will soon increase.

Free cash flow measures a company's ability to generate cash, which is a fundamental basis for stock pricing. This is why some people value free cash flow more than just about any other financial measure out there, including earnings per share.

TGA RESEARCH

In Troubled Skies!

SpiceJet's Auditor Raises Red Flag

The auditors of the embattled air carrier SpiceJet have raised doubts on the airline's claims to be a 'going concern'. The term, going concern denotes that a business firm has the ability to generate resources for its operations. The low-cost carrier's total liabilities exceeded its total assets by Rs 1,145.5 crore, as on June 30, 2014, pointed out S R Batliboi and Associates, the auditing firm which carried out the auditing of the Chennai-headquartered airline, India's second largest LCC after Indigo. "These conditions (overall financial health).... indicate the existence of a material uncertainty that may cast doubt about the company's ability to continue as a going concern," the auditing firm observes.

The auditors also added that the LCC's Q1 loss - its fourth straight quarterly loss - would have been higher by almost Rs 7.5 crore had the airline made a provision for interest of like amount. The red flag for SpiceJet was raised in the audit report along with its result for the quarter ended June 30, 2014, in which the LCC reported losses of Rs 124 crore against a profit of Rs 50.6 crore a year ago. The SpiceJet's MD in a note said that the company's accumulated losses added up to Rs 2,648 crore at the end of June 30, 2014. The LCC says that it had an operating profit of Rs 9 crore in Q1 FY 2014-15. "During the quarter, SpiceJet also incurred restructuring and certain one-off costs consisting of Rs 133 crore relating to restructuring of the network and fleet along with capacity rationalization that required early aircraft lease terminations and associated expenses for four aircraft....As a result of the above restructuring and certain one-off costs totalling Rs 133 crore, SpiceJet reported a net loss of Rs 124 crore for the quarter ending June 2014," the airline said in a statement.

According to estimates by the Centre for Asia Pacific Aviation (CAPA), SpiceJet required about $ 250million as of March 2014 to bring its books in order. "It may require further fund infusion for growth and expansion. Raising capital in next one to three months is critical," said Kapil Kaul, head of CAPA India.

However, the LCC has tried to allay fears on sustainability of its operations, saying that the company has been taking measures to rein in costs, boost revenues and raise capital. The carrier, which recently launched flash sale, has started another innovative pricing scheme to woo flyers.

The air carrier also counters the criticism about its strategy of flash sales, saying, "There has been a lot of speculation and numerous comments and questions relating to SpiceJet's frequent market stimulation efforts, as well as on whether the increase in loads and market share is at the cost of revenue dilution or top line revenue reduction. The revenue results above clearly indicate that our market stimulation efforts are driving not just higher loads, but higher unit revenue as well."

More cases of accounting red flag

In fact, the issue of accounting red flag has haunted a slew of Indian companies in recent times. Most of the cases, however, relate to airline industry, including Jet Airways and the now defunct Kingfisher Airlines. In case of Jet Airways, its auditors in their report for the quarter ended June 30, 2014 remarked that the company's continuance as a "going concern" depends on deeper synergies with Etihad Airways and its ability to raise funds in the future. Kingfisher, which is yet to publish its financial results and the auditor report for the latest quarter ended June 30, 2014, too has been questioned by its auditors over the 'going concern' claims for a long time.

The latest company whose accounting procedure has been questioned by its auditors is Steel Authority of India Ltd. According to media reports, auditors have raised concerns over the company's accounting procedure relating to its Rourkela Steel Plant.

SAIL said that auditors in its report for FY 2013-14 have brought out that "in respect of Rourkela Steel Plant, depreciation and interest has been short provided by Rs104.92 crore and Rs28.74 crore respectively, resulting in overstatement of profit by Rs133.66 crore and fixed assets by similar amount." The company has, however, said that as part of its modernization and expansion plan/other capital schemes in Rourkela Steel Plant, the assets have been capitalized after installation, trial run, removal of all defects, issue of acceptance certificate and having become ready for commercial production during 2013-14. "The capitalization has been done in accordance with applicable accounting standards and generally accepted accounting principles. Therefore, there is no under-statement of deprecation and interest and overstatement of profit and fixed assets," SAIL said. The auditors also said the company did not provide for entry tax worth Rs91.55 crore for Uttar Pradesh, Rs1,071.28 crore for Chhattisgarh and Rs214.81 crore in Odisha last fiscal. The company has also not provided for claims worth Rs291.76 crore by Damodar Valley Corporation (DVC) for supply of power.

However, to this, the company explains, "... the company's views are that these cases are sub-judice and pending for adjudication before the Supreme Court. The disputed demands, contested on valid and bona-fide grounds, have been disclosed as contingent liabilities as it is not probable that present obligations exist as on 31 March, 2014," SAIL said. "Therefore, there is no adverse impact on profit. These cases were sub-judice as on 31 March, 2012 and 2013 also and there is no change in the status of these cases till date," it added. Meanwhile, a Mint report says that the steel ministry would soon appoint a globally-renowned consultancy agency to carry out a "diagnostic study" for enhancing the performance and profitability of the steel PSU.

AMARA RAJA
Gotta be a better way

Amara Raja Batteries: Charged up about new forays

Hyderabad-based Amara Raja Batteries Limited, India's leading Industrial and Automotive Battery major, which reported solid growth in the June quarter of FY 2014-15, is firming up plans for forays into new geographies as well as new verticals such as solar and motive power.

According to the company, while the batteries for the solar sector are aimed at the storage market, motive power batteries will supply power to a wide variety of electric powered transportation systems, including the railways. The company has also been focusing on boosting its exports. The company now markets its batteries in markets such as Nigeria, Uganda, Tanzania and Egypt. According to the company's MD Jaydev Galla, "We will continue to leverage the rich intellectual capital of Johnson Controls Inc (its partner) for attaining leadership position in the automotive batteries space. We will also continue to explore the possibilities for forging strategic alliances in the industrial batteries business and cater to dynamic technology changes in the storage power sector globally."

Amara Raja Batteries Limited is a jointly owned by India's Galla Family and Johnson Controls Inc of the US, with a stake of 26 per cent each. Amara Raja is the technology leader and is one of the largest manufacturers of lead acid batteries for both industrial and automotive applications in the Indian storage battery industry. The company reported a growth of 8.34% in net profits to Rs 105.96 crore in the quarter ended June 2014 as against Rs 97.80 crore during the same quarter of the previous fiscal, while its sales grew 15.56 per cent to Rs 1024.85 crore compared to Rs 886.85 crore, during the same period. The company owns popular battery brands such as Amaron and Powerzone.

The continuing strong performance of industrial battery business is because of its "preferred supplier status" with all major customers, backed by timely supplies, efficient after sales service, customer relationship management and consistent product performance, Amara Raja said in a statement. The company has progressively started providing total solutions to customers enabling it to forge strategic alliances and gain service revenue stream, according to the company.

TGA RESEARCH

TECHNOLOGY@WORK

Harnessing Big Data

For Getting that 'Big Picture'!

Big Data - the massive set of data that sits on companies' computers (and servers) – presents businesses with both challenges as well as multi-billion dollar opportunities.

"Big data is a popular term used to describe the exponential growth and availability of data, both structured and unstructured. And big data may be as important to business – and society – as the Internet has become. Why? More data may lead to more accurate analyses."

– SAS Institute Inc

Sonam Agarwal, a project manager with a leading Mumbai-based engineering firm, had been looking for a pre-owned fully automatic car for some time. But despite having frequented many a car dealers in the city for nearly three months she could not find the car of her choice. However, her wait finally got over as one afternoon she got a call from a leading city-based dealer, who told her about the arrival of a two-year old fully automatic entry-level sedan at his showroom, which not only met most of her specifications as mentioned in the query form she had submitted at the dealership point during her previous visit, but was also within her budget. Her joy knew no bounds. She wasted no time in closing the deal. The seller (of the pre-owned car) too thanked the dealer for a timely deal. The dealer could close the deal within two days of arrival of the used machine, courtesy big data analytics, also referred to as business discovery platform, which helped the dealer in effectively mining the reams of data lying in his company's server and in identifying the target customer(s) in no time!

Welcome to the world of big data analytics, which is promising to revolutionize the way companies reach out to customers. A growing number of companies are now turning to big data analytics in quest for a tool that could provide actionable insights into their operations (read: data), enable quicker and effective decision-making, and help improve operational efficiency and customer satisfaction. Among the early adopters of this tool include automobile industry which has seen leading players from Maruti Suzuki, India's largest car manufacturer, to Hyundai to Mahindra & Mahindra rushing to adopt and sharpen their data analytics capabilities. Big data analytics, according to Webopedia, refers to the process of collecting, organizing and analyzing large sets of data ("big data") to discover patterns and other useful information.

Data Analytics for Effective Decision-making

With the advent of Internet and subsequently social media networks, companies like Maruti Suzuki face a sort of data deluge – which come in the form of feedbacks which customers provide when they visit a company's dealers' showrooms, when they visit the service centres, and also when they call a company's customer care number. To add to the companies' headache, these data might pale in comparison with the data generated online, that is, on various social media networks such as Facebook, Google Circle, Twitter, etc., as well as on a host of other websites including blogs, review sites, news sites, etc. These data thus collected are unstructured data or incomplete sets of information and in absence of a tool that allows to effectively filter useful information or intelligence from them, they don't mean anything to a company. Webopedia defines Big Data as a massive volume of both structured and unstructured data that is so large that it's difficult to process using traditional database and software techniques. An example of big data might be petabytes (1,024 terabytes) or exabytes (1,024 petabytes) of data consisting of billions to trillions of records of millions of people—all from different sources (e.g. Web, sales, customer contact center, social media, mobile data and so on).

The data is typically loosely structured data that is often incomplete and inaccessible. According to Qlik, Big Data's value can be unleashed for business users by condensing it and intelligently presenting only what is relevant and contextual to the problem at hand. For example, an executive might be interested in summary data across the company's product lines, while a manager of a specific product or geography might need more detail, but only for the areas that he or she oversees. IT professionals, it says, are challenged with not only providing the infrastructure but also to help provide meaning to the Big Data. According to Doug Laney, a Gartner analyst, Big Data is all about volume, velocity and variety.

Maruti Suzuki became one of the early adopters of this tool when in late 2012 it entered into an agreement with Nasdaq-listed QlikTech to deploy its QlikView Business Discovery platform, a new kind of business intelligence (BI) tool, which could help it effectively harness tons of data gathered at its over 1300 dealers outlets, nearly 3000 service centres, etc., and facilitate faster and accurate decision-making in areas such as sales and marketing, supply chain, finance, etc. The QlikView's app-driven model helps the country's largest car maker, by market share (it enjoys a market share of more than 40 per cent), effectively harness large sets of data generated across various platforms including offline, online, mobile and social media.

Case Study

How better visibility helps reduce inventory costs at M&M

M&M, India's largest sports utility vehicle (SUV) maker and the world's top tractor manufacturer, by volume, decided to deploy QlikView after its IT team, realized that their reporting was static and was time-consuming. The data generated through the SAP platform would be analyzed using Microsoft Excel. According to Richard Desouza, Head of IT at Mahindra & Mahindra, "The existing reports were not working. It was time consuming and we needed a solution that would help render the data into a more consumable format for our users." The automaker began scouting for alternative business intelligence solutions and zeroed on QlikView after evaluating competing platforms such as SAP Hana, Spotfire, and Tableau. "Having reviewed the merits of each platform we felt that QlikView platform would have the biggest impact on the business, particularly in regards to data rendering and the way we could consume the data," said Desouza.

Since deploying the QlikView solution the M&M team has seen a dramatic decrease in reporting times. For example, earlier, even though the company would target releasing its previous month's sales figures along with other financial figures on the first day of the very next month (for example, June Sales data is released in July), the process of finalizing the data, extracting it and forming some form of analysis would take around four days to produce, meaning these reports were often late.

"The analysis was also quite basic due to the time constraints involved," quips the IT Head of the company that owns hugely popular brands such as Bolero, XUV 500, Scorpio (all SUVs), and Swaraj and Arjun (all tractors) among others. Using the QlikView platform the IT team at M&M can now deliver reports in real-time. According to Desouza, "Using the QlikView platform our accountants can now access real-time data and can analyze that data in far greater detail than previously possible."

- **Enhanced Inventory Control**

QlikView also supports improved inventory control at M&M. According to the company, QlikView is supporting alternative thinking at M&M by delivering greater insights to the business than ever experienced before. Using the QlikView platform, the SUV maker's IT team can now match the company's inventory levels to production levels. "So, for example," says Desouza, "we can match the number of tyres currently held in stock against our bill of materials and this will then inform us how manyvehicles we can produce from this stock inventory." He adds: "The second part to that is that we can then use the platform to review these numbers against our original production plan and determine our excess stock levels. This enables us to take corrective action immediately and ultimately helps us reduce our inventory costs."

- **Improved Targeting**

The insights delivered by the QV business intelligence platform are also enabling the company to effectively identify and reach out to a greater number of potential customers. For example, the company's Farm Equipment Division, which sells tractors and other agricultural equipments, can now match the number of tractors sold to each land holding! Using its BI tool, the company can then identify those landholdings which could be targeted for selling its products, and assign the necessary resources. Desouza avers, "QlikView drives a different type of data analysis within our business; it enables us to be innovative with our thinking. It doesn't just replace the existing Excel-based reports, but it transforms how we view our data. It helps us reduce our costs and drive the business."

TGA RESEARCH

What is Big Data?

As far back as 2001, industry analyst Doug Laney (currently with Gartner) articulated the now mainstream definition of big data as the three Vs of big data: volume, velocity and variety*.

- **Volume.** Many factors contribute to the increase in data volume. Transaction-based data stored through the years. Unstructured data streaming in from social media. Increasing amounts of sensor and machine-to-machine data being collected. In the past, excessive data volume was a storage issue. But with decreasing storage costs, other issues emerge, including how to determine relevance within large data volumes and how to use analytics to create value from relevant data.

- **Velocity**. Data is streaming in at unprecedented speed and must be dealt with in a timely manner. RFID tags, sensors and smart metering are driving the need to deal with torrents of data in near-real time. Reacting quickly enough to deal with data velocity is a challenge for most organizations.

- **Variety.** Data today comes in all types of formats. Structured, numeric data in traditional databases. Information created from line-of-business applications. Unstructured text documents, email, video, audio, stock ticker data and financial transactions. Managing, merging and governing different varieties of data is something many organizations still grapple with.

At SAS, we consider two additional dimensions when thinking about big data:

- **Variability.** In addition to the increasing velocities and varieties of data, data flows can be highly inconsistent with periodic peaks. Is something trending in social media? Daily, seasonal and event-triggered peak data loads can be challenging to manage. Even more so with unstructured data involved.

- **Complexity**. Today's data comes from multiple sources. And it is still an undertaking to link, match, cleanse and transform data across systems. However, it is necessary to connect and correlate relationships, hierarchies and multiple data linkages or your data can quickly spiral out of control.

**Source:* *META Group. "3D Data Management: Controlling Data Volume, Velocity, and Variety." February 2001.*

Moving Ahead On All Fronts...

Socially...

Technologically...

Financially...

PART-I

STATEMENT OF UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED 30/06/2014

(Rs. in crores)

	Particulars	Three months ended			Year to date
		30-Jun-14	31-Mar-14	30-Jun-13	31-Mar-14
		Unaudited	Audited	Unaudited	Audited
1.	**Income from operations**				
	(a) Net Sales/income from operations (net of excise duty)	3,474.50	3,883.52	2,869.10	12,052.29
	(b) Other operating income	2.23	0.97	1.52	5.91
	Total Income from operations (net)	**3,476.73**	**3,884.49**	**2,870.62**	**12,058.20**
2.	**Expenses**				
	(a) Consumption of raw materials	6.15	5.85	3.92	26.50
	(b) Consumption of Stores & spares	56.29	138.88	61.77	346.31
	(c) Changes in inventories of finished goods and work -in- progress	50.39	(80.32)	24.29	(14.27)
	(d) Employee Benefit expense	180.80	255.85	148.32	706.20
	(e) Royalty & Cess	271.49	328.87	223.58	960.43
	(f) Selling Exps incl. Freight out	330.96	446.73	291.07	1,347.41
	(g) Depreciation and Amortisation	40.02	43.10	36.35	150.41
	(h) Other Expenses	178.53	318.92	212.49	914.16
	Total expenses	1,114.63	1,457.88	1,001.79	4,437.15
3.	Profit from operations before Other income, finance cost & exceptional items (1-2) :	2,362.10	2,426.61	1,868.83	7,621.05
4.	Other income	541.82	527.54	520.91	2,094.52
5.	Profit from ordinary activities before finance costs and exceptional items (3+4):	2,903.92	2,954.15	2,389.74	9,715.57
6.	Finance cost	-	1.85	-	1.85
7.	Profit from ordinary activities after finance costs but before exceptional items (5-6) :	2,903.92	2,952.30	2,389.74	9,713.72
8.	Exceptional Items	-	(45.48)	-	(45.48)
9.	**Profit from ordinary activities before Tax (7-8)**	**2,903.92**	**2,997.78**	**2,389.74**	**9,759.20**
10.	Tax expense	988.91	1,035.64	817.55	3,339.12
11.	Net Profit from ordinary activities after tax (9 -10)	1,915.01	1,962.14	1,572.19	6,420.08
12.	Extraordinary Items (net of tax expense)	-	-	-	-
13.	**Net Profit for the period (11-12) :**	**1,915.01**	**1,962.14**	**1,572.19**	**6,420.08**
14.	Paid-up Equity Share Capital :	396.47	396.47	396.47	396.47
	Face value per share	Re. 1/-	Re. 1/-	Re. 1/-	Re. 1/-
15.	Reserves excluding revaluation reserves				29,591.83
16.	i &ii EPS for the period (Rs.)-Basic and diluted before and after extraordinary items	4.83	4.95	3.97	16.19
		(Not Annualised)			(Annualised)

PART-II

SELECT INFORMATION FOR THE PERIOD ENDED 30/06/2014

	Particulars	Three months ended			Year to date
		30-Jun-14	31-Mar-14	30-Jun-13	31-Mar-14
A.	**PARTICULARS OF SHAREHOLDING**				
1.	Public share holding				
	- Number of Shares	792,769,700	792,769,700	792,769,420	792,769,700
	- Percentage of shareholding	20	20	20	20
2.	Promoters and Promoter group shareholding				
	a) Pledged/Encumbered				
	- Number of Shares	-	-	-	-
	- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	-	-	-	-
	- Percentage of shares (as a % of the total share capital of the company)	-	-	-	-
	b) Non Encumbered				
	- Number of Shares	3,171,946,300	3,171,946,300	3,171,946,580	3,171,946,300
	- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	100	100	100	100
	- Percentage of shares (as a % of the total share capital of the company)	80	80	80	80

	Particulars	Three months ended 30-Jun-2014
B.	**INVESTOR COMPLAINTS**	
	Pending at the beginning of the quarter	-
	Received during the quarter	20
	Disposed of during the quarter	20
	Remaining unresolved at the end of the quarter	-

PRODUCTION (Iron Ore) UP **15%** (Q1 vs Q1)

SALES (Iron Ore) UP **18%** (Q1 vs Q1)

TURNOVER UP **21%** (Q1 vs Q1)

PBT UP **22%** (Q1 vs Q1)

Segment wise Revenue, Results and Capital Employed under Clause 41 of the Listing Agreement

(Rs. in crores)

	Particulars	Three months ended			Year to date
		30-Jun-14	31-Mar-14	30-Jun-13	31-Mar-14
		Unaudited	Audited	Unaudited	Audited
1.	**Segment Revenue**				
	(net sale/income from each segment)				
	a) Iron Ore	3,439.73	3,839.78	2,834.28	11,925.79
	b) Other Minerals & Services	37.47	51.07	37.23	158.68
	Total	3,477.20	3,890.85	2,871.51	12,084.47
	Less: Inter segment revenue	0.47	6.36	0.89	26.27
	Net sales / income from operations	**3,476.73**	**3,884.49**	**2,870.62**	**12,058.20**
2.	**Segment Results**				
	(profit (+) / loss (-) before tax and interest from each segment)				
	a) Iron Ore	2,402.18	2,510.78	1,943.60	7,910.81
	b) Other Minerals & Services	(0.31)	46.27	(7.65)	37.99
	Total	2,401.87	2,557.05	1,935.95	7,948.80
	i) less : Interest	0.00	(1.85)	0.00	(1.85)
	ii) Add : Other unallocable income net off unallocable expenditure	502.05	442.58	453.79	1,812.25
	Total Profit before Tax	**2,903.92**	**2,997.78**	**2,389.74**	**9,759.20**
3.	**Capital Employed**				
	(Segment assets-Segment Liabilities)				
	a) Iron Ore	3,862.68	3,570.38	3,166.26	3,570.38
	b) Other Minerals & Services	118.08	156.07	88.30	156.07
	c) Other reconciliation items	28,012.91	26,363.73	25,932.39	26,363.73
	Total	**31,993.67**	**30,090.18**	**29,186.95**	**30,090.18**

NOTES:

1. The financial results have been reviewed by the Audit Committee at its meeting held on 11th Aug 2014 and approved by the Board of Directors at its meeting held on 12th Aug 2014.
2. The company adopted Schedule II depreciation rates as per Companies Act, 2013 with effect from 01.04.2014. Consequently, the depreciation effect on the opening value of the assets to the extent of Rs. 13.65 cr has been adjusted against Reserves and Surplus and that of first quarter of Rs. 4.86 cr is charged to the current period.
3. As per Honorable Supreme Court direction, Monitoring Committee has to pay interest @ 8% per annum on 80% of the sales proceeds for the period between the receipt of sales proceeds & release of the payment to the company. Accordingly an amount Rs. 59.74 cr is shown as interest receivable from monitoring committee during this quarter and is included in other income.
4. Figures for the previous period have been regrouped wherever considered necessary so as to conform to the classification of the current period.
5. The financial results have been reviewed by the Statutory Auditors as required under clause 41 of the listing agreement.

For NMDC Limited
Sd /-
(Narendra Kothari)
Chairman-cum-Managing Director

Place: Hyderabad
Date : 12-Aug-2014

NMDC Limited

(A Government of India Enterprise)
Regd. Office: "Khanij Bhavan", 10-3-311/A, Castle Hills, Masab Tank, Hyderabad-500 028.
CIN : L13100AP1958GOI001674

www.nmdc.co.in

India's fiscal deficit grows to nearly Rs.3 lakh crore in Q1FY 2014-15

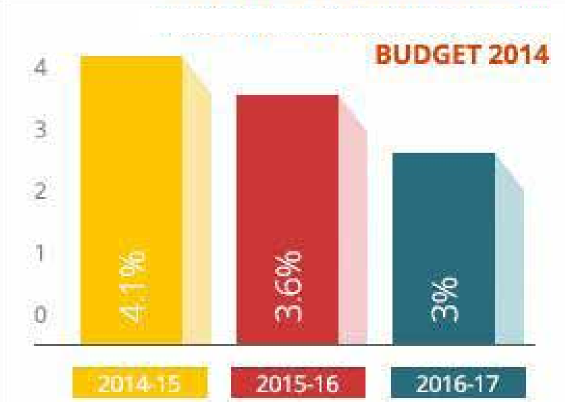
India's fiscal deficit rose to Rs 2.97 lakh crore or 56.1 per cent of the Budget Estimates during the just concluded April-June quarter of FY'15. This raises concerns about the government's fiscal prudence plan, which aims to trim it down to 4.1 per cent by the end of the current fiscal year, and below 3 per cent in the next two years, that is, by 2016-17.

The country's fiscal deficit rose to Rs. 2.97 lakh ($49bn) in Q1 FY2014-15, or 56.1 per cent of the full-year target, it was higher than 48.4 per cent recorded during the comparable quarter of the previous fiscal year. Fiscal Deficit is the difference between revenue expenditure and revenue receipts (including recovery of loans and other receipts). The fiscal deficit for the current fiscal year (2014-15) has been pegged at Rs 5.31 lakh crore. Net tax receipts during the quarter totaled Rs. 9987 crore in the first three months of the current fiscal year to March 2014, while total expenditure was about Rs 4.13 lakh crore or 23 per cent of the entire year estimates, according to the official statistics.

India has been facing the herculean task of trimming down its fiscal deficit, which climbed to a high of 4.9 per cent in 2012-13 before falling to Rs 5,08,149 crore or 4.5 percent of GDP a year later, i.e., in 2013-14. The government has put in place a fiscal consolidation roadmap which aims to bring it down to a more manageable three percent of the GDP by 2016-17. The Budget 2014-15 targets to keep the deficits at 4.1 per cent of the GDP. Of the total expenditure (Rs. 4.13 lakh crore), plan spending was to the tune of Rs 1,11,806 crore, while non-plan expenditure stood at Rs 3,01,797 crore (or a staggering 73 per cent of the total expenditure); surely such a high percentage of non-plan expenditure does not augur well from economic growth perspective. Revenue collection, on the other hand, stood at Rs 1,14,427 crore or 9.6 per cent of the estimate, but lower than 11.1 per cent of the estimates in 2013-14. Total receipts (from revenue and non-debt capital) was Rs 1,15,744 crore, during the same period. The revenue deficit (the difference between revenue expenditure and revenue receipts) during the first quarter amounted to Rs 2,49,358 crore or 65.9 percent of the estimates.

International rating agencies, which have been closely watching India's progress on fiscal prudence

Fiscal Deficit Expectations



Source: RBI

front, have warned that any dilution in the government's focus could make it difficult to rein in the deficits. In fact, rating agencies like India Ratings believe that there might be a fiscal slippage in FY15 and that the government will not be able to achieve its target of reducing the fiscal deficit to 4.1 percent. "We believe both revenue and disinvestment targets are optimistic. A large part of non-plan expenditure is of committed nature and it is quite likely that the government will overshoot the budgeted targets," India Ratings said. The rating agency expects industrial growth to be at 5.1 percent as against the earlier estimate of 4.1 per cent, and against the growth of 0.4 percent recorded in FY 2013-14, while pegging the growth of the farm sector at 1.3 per cent in FY'15, on account of delayed and weak monsoon. But it believes that any slowdown in the farm sector, which clocked a growth of 4.7 per cent in FY'14, could prove to be a major dampener as far as the economic growth is concerned. On the farm sector, it said, the delayed and the weak monsoon will drag the agricultural growth down to 1.3 percent in FY15, as compared to the 4.7 percent achieved last fiscal.

The government is expecting to speed up its divestment program which could help it rein in the fiscal deficit, though concerns over higher subsidies persist. According to reports, the subsidy bill on food, petroleum and fertilisers is estimated at Rs. 2,51,397.25 crore for 2014-15, up 2.47 per cent over the previous fiscal, driven mainly by increased allocation for the fertiliser sector. The government has pegged total fertiliser subsidy bill of Rs. 72,970.30 crore for FY'15, compared to Rs. 67,970 crore proposed in the interim budget. Besides, any unexpected expenditure on account of unforeseen events could further make it difficult to curb the rise in the deficit.

The RBI had earlier outlined four big challenges - subdued growth, the fiscal and current account deficits and sticky inflation – before the new government. "Growth, fiscal deficit, current account deficit and inflation -- these are the four biggest macro-economic challenges and we have to work on all of them, RBI Governor Raghuram Rajan had said in May this year.

What is Fiscal Deficit?

Fiscal deficit is arrived at by deducting the sum of revenue receipts, recovery of loans, and other receipts from total revenue expenditure, or the sum of non-plan expenditure and plan expenditure (see the accompanying table). Revenue expenditure, which may either be revenue expenditure or capital expenditure, is of two types —plan and non-plan (for example, non-plan revenue expenditure and non-plan capital expenditure). Plan expenditure, which is aimed at boosting productivity in the economy, includes Central Sector Schemes and Centrally Sponsored Schemes such as MNREGA. Examples of plan expenditure include rural development, education, etc. Non-plan expenditure, which accounts for the lion's share, includes defence, subsidies (mainly food and oil), interest payment on government debt, loans to public sector enterprises, loans to state governments, Union Territories and foreign governments, social services (education and public health schemes), economic services (agriculture education & research).

A significant part of the expenditure is obligatory in nature, such as interest payments on government debt, pensionary charges and statutory transfers to State and Union Territory Governments. Given that the government does not have too many sources for generating revenues (a significant chunk of which comes from tax receipts, many times it is forced to choose between the two - non-plan expenditure vs. plan expenditure. Most often it opts for the former, that is, non-plan expenditure, which could be either because of it being obligatory and hence unavoidable (for example, interest payment on government debt) or due to political compulsions (government resorts to populist measures like announcing additional subsidies, interest subventions, etc), but by slashing investment in productive assets, like new roads, other infrastructure development projects, etc., which could have an adverse impact on domestic economic growth. It is therefore imperative that the government gradually reduces its subsidy burdens, particularly, those on fuels such as domestic LPG cylinders, diesel, and fertilizers; the decision to ultimately de-control diesel prices soon is a step in that direction.

Government's Finances at a Glance

2012-13 (INR cr.)		2013-14 (INR cr.)
4.5%	GDP Growth rate	4.7% (Provisional estimate)
	Expenditure	
1,66,858	Capital	1,87,895
12,43,509	Revenue	13,75,590
14,10,367	**Total**	**15,63,485**
	Receipts	
42,158	Capital	40,057
8,77,613	Revenue	10,15,279
9,19,771	**Total**	**10,55,336**
4.9%	Fiscal Deficit	3.6%

Source: RBI

TGA RESEARCH

LABOR MARKET

Enter the Labor Reforms Boxing Zone!

Overhauling India's archaic labor laws is seen as key to boosting business in the country – but it will also be among the most politically difficult reforms for any government to push through.

The labour reforms agenda has been there ever since the economic reforms, which aimed at liberalizing the product market, were initiated in a significant sense since 1991. It has been argued that reforms of the labour market and the industrial relations system (IRS) would complement the product market reforms and ensure better realization of pay-offs arising out of the latter. While a multitude of labor reforms is needed, three critical labor reforms, in particular, stand out, which are demanded by the employers. They include: relief from labor inspection regime, freedom to retrench workers and closure of establishments without prior governmen11 middle" in the Indian industrial structure epitomizing efficiency and welfare gains is proving to be costly.

The United Progressive Alliance-1 (UPA-1) was a non-starter as far as labor reforms are concerned thanks to the presence of arm-twisting Left-parties and strong minor regional political parties in the coalition. The UPA-2 failed despite the freedom it enjoyed. Thus, the election of Narandra Modi-led BJP government with a considerable majority in the Lok Sabha has strongly revived the hopes of delivery on the labor reforms front. Given, it is not a coincidence that the state governments of Rajasthan, Haryana, and Madhya Pradesh irrespective of political parties in governance have initiated labor reform proposals.

The Union Cabinet has approved amendments to the Apprentices Act, 1961, the Factories Act 1948 and the Labor Laws (Exemption from Furnishing Returns and Maintaining Registers by Certain Establishments) Act, 1988. Predictably, the trade unions have voiced strong protest for the unilateral executive sanction to the labor laws ignoring the tripartite consultative forums that exist in the country.

There are reportedly 0.3 million apprentices which constitute around 10 percent of the organized sector employment and a poor 0.01 percent of the total workforce – the latter is not a correct measure as it includes the vast informal workers. But the point is, in its quest for skill-building, the government needs to make amendments to the law and the schemes concerning apprentices to cover a significant share of the organized sector, to start with. In that sense, liberalization of the apprentice law is welcome. The good part of the Factories Act amendments relates to strengthening of workplace safety, by giving a broad definition of hazardous process, which, in the wake of rather frequent incidence of fatal industrial accidents, is good news. However, the penal clause of imprisonment of employers is a serious threat and should be used judiciously and legitimately in labor laws – it is certainly not required for laws like the Apprentices Act, but necessary (even essential) in the case of legalities concerning workplace safety. Further, the removal of restrictions on night work of women subject to "adequate safeguards" is welcome, though the corporates must ensure strong and uncompromising governance for the safety of women.

The gender imbalance in the labor market opportunities is corrected with this, although partially. Also, the extension of exemptions from labor bureaucracy to the establishments employing between 10 and 40 workers (as opposed to the current 10-19 spectrum) is expected to contribute to the growth and higher productivity of small enterprises. While employers in this segment surely require relief from the heavy labor bureaucracy, workers in this segment are as much vulnerable. Therefore, win the trade unions' consent, strong penal clauses for violations for and strict compliance with social security legislation by employers in this segment will be required.

Having made its intent clear in the form of proposals, now comes the hard part: India watchers will be keen to see whether this central government is able to push through these reforms, irrespec-

Enter the Labor Reforms Boxing Zone!

tive of whether they are worker-friendly or employer-friendly, after having been tired of being witness to botched measures thus far.

Botched Reforms – Blame it on Mass Politics!

It is important to understand the policy-stalemate at the center. In the past, the central governments, viz. the National Democratic Alliance (NDA) led by the BJP or the UPA-1 or 2 led by the Congress could not carry out the critical labour reform measures for two principal reasons. The labor reform issues unlike the capital market reforms belong to "mass politics" and hence enjoy huge social visibility.

The opportunist politics played by the political parties - they oppose the reform measures when not in power - and the strident protests by workers' organizations deter the ruling party from carrying out any bold but essential measures. The workers in the organized sector whom these (reforms) affect are though small in number (compared to the unorganized sector workers) they are well organized (and have the backing of the powerful Left parties) and wield tremendous clout; in fact, they inflicted heavy financial burden on the government owing to labor strikes, protests, and often violent clashes. Besides, the ruling party also risks annoying a significant voter base this group forms part of! Hence the political costs of labor reforms outweigh the unsure economic benefits from the labor reforms.

As a result, the labor reforms mantle was often passed on to the state governments. The state-level labor reforms enjoy the advantage of muted and low-decibel protests by trade unions and the divisions in the political spectrum did not aid consolidation of opposition to labor reforms measures. Therefore, regionalization of industrial relations governance has been an "escape route" for the willy-nilly central government thus far.

Current Reforms, a Test Case

It is significant to note that the current labor reform measures do not include the critical reform measures mentioned earlier. But the proposed labor reform measures constitute a "test case". The Modi Government is using these somewhat-neutral labor reforms measures to test the waters. The political failures in the past may not haunt the current BJP government as these are early days. Further, it has an unassailable majority in the Lok Sabha; it needs to battle only in the Rajya Sabha. Further, the divisions in Congress and the opportunistic regional political parties (who may wish to appear reform-friendly) offer hopes of the ruling party getting a slender majority in the upper body. It appears that the central government is in no mood to hold social dialogue on the current reform proposals. It is surely not healthy to bypass the consultative forums, but the government appears to be keen to change the "India Doing Business" image.

On the other hand, the critical labor reform measures involving amendments to the central labor laws have been lobbed by the state governments to the federal power centre for nods from the President, which necessarily involve the executive cabinet's involvement in them. The central government may continue to use the federal politics channel to "wait" till the critical state elections (Maharashtra) are over. While the industry leaders may be pleased if these reform processes are carried out successfully, they are waiting for the critical labor reform measures.

At any rate, the Modi government has surely entered into a "benevolent trap" of high-expectations-high performance. Sooner or later, it has to enter the "critical labor reform boxing zone"! TGA

- Prof. KR Shyam Sundar, HRM Area, Xavier Business School, XLRI, Jamshedpur.

Battle Line E-Commerce
The Race Just Gets Hotter!

The battle lines have been drawn and knives are out, literally, as two of the hottest Internet giants - Amazon, the e-tailing pioneer, and Flipkart, the poster boy of India's e-commerce — gear up to outdo each other as the online retail market in India looks all set to explode and the 'big is beautiful' becomes a norm rather than an exception!

It is war time, literally, as far India's fledging over $3bn ecommerce market is concerned. Don't believe it? The recent developments say it all. In a comeback story of sorts, the global telecom major Motorola sold a mammoth one million units of its smartphone model 'Moto E' in the Indian market this year and the platform it chose was the shopping site Flipkart through which it launched its phone online for the first time in its international foray. The stupendous success of the phone has motivated the company to stick to the online model for some more time. But the actual story is not this.

The hero of the Motorola story is neither Motorola nor its Moto phone, but the new Indian consumer who clearly has come of age. Courtesy the surging brigade of online shoppers, the e-commerce market finally comes out from its pupa and is metamorphosing into a dragonfly ready to spread its wings over the changing landscape of the Indian retail commerce. And even as ecommerce gets set for redefining the way Indian consumers shopped, one company that is in the forefront of all the actions is Bengaluru-based Flipkart, which has also emerged as Indian ecommerce' poster boy.

Flipkart.com, started in 2007 by Binny and Sachin Bansals two fellow IITians who never met each other at their alma mater and also interestingly both of who also worked together at Amazon, now an arch rival, made headlines a month ago when they attracted funding worth $1 billion, which raised their valuation to an eye-popping $7 billion with an aim to take it to $100bn. But lo and behold, barely a day after Flipkart made that announcement, the global behemoth Amazon which is valued several times higher at over $148 billion, upped the ante by announcing a $2 billion infusion of funding into its Indian arm, thus challenging the Indian rival by taking off its gloves in the big ensuing Indian e-commerce fight. While India's fledgling e-commerce market continues to attract new entrants every other day, the battle for the market supremacy is confined to these two heavy weights only, at least for now. So, who is going to win the war to the top?

The Amazing Flipkart-Amazon Rivalry!

The Indian ecommerce market, which continues to be characterized by a large number of players but none of which is able to earn a profit, began to take off around 2007 with the e-book retailer Flipkart transforming the way books and electronics were