

In a Nutshell

Rangarajan Favours RBI Majority in Policy Panel

NEW DELHI: Joining the debate over the powers of the RBI governor in setting policy rate, the bank's former head C Rangarajan on Sunday said the government can do away with the veto power of the governor but the majority of members in the Monetary Policy Committee should be from the apex bank. Rangarajan's comments come at a time when the government and RBI are finalising the structure of the Monetary Policy Committee (MPC), which will decide the interest rates.

Govts Must Stick To Fiscal Discipline: Jaitley

NEW DELHI: Finance minister Arun Jaitley on Sunday underlined the need for fiscal consolidation, saying failure in efficient expenditure management on the part of governments could lead to a Greece-like situation. Speaking on the occasion of the First Indian Cost Accounts Service Day function here, he said that in the post-liberalised era, competitiveness, cost and efficiency management have become the key words of survival and growth. Jaitley added it is all the more important for the government of a country to have an efficient expenditure management failing which it may face situation-like Greece.

Philips Healthcare Lines Up \$60 m for Pune Plant

NEW DELHI: Philips Healthcare India plans to invest up to \$60 million (over ₹380 crore) in three to five years to double the manufacturing capacity of its Pune facility. The company is also scaling up its operations under the PPP model to keep its growth rate healthy. It has pegged revenue growth at 18% for the current fiscal. "Philips India will be investing around \$50-60 million for doubling the capacity of the Pune plant in around three to five years. This is excluding the land cost," Philips Capital India chief executive officer Chhitzit Kumar said.

Xiaomi May Set Up Plant in Andhra Pradesh

NEW DELHI: A hoarding put up by Xiaomi with the 'Make in India' logo at Visakhapatnam airport, followed by a Facebook post, has sparked off speculation that the Chinese handset maker might set up its first India plant in Andhra Pradesh. The company, however, did not reply to queries whether it was planning to set up a manufacturing plant in Andhra Pradesh. Posting a picture of the hoarding, Xiaomi vice president Hugo Barra said: "GOOD MORNING VIZAG! This is what you see as you walk out of the Visakhapatnam airport arrival terminal this weekend. We're about to take a huge step forward here in India! Can you take a guess?"

Mahindra Hires McKinsey to Overhaul Logistics Biz

Mahindra Logistics could be the next group co to go public once it touches a revenue of \$1 billion

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Mumbai: India's largest tractor maker Mahindra Group has hired global consultant McKinsey to help the group scale up its logistics business, Mahindra Logistics, and make it ready for a public offer before 2018, two people with direct knowledge of the development said. Mahindra Logistics has been identified as one of the next Mahindra Group compa-

nies to go public once it touches a revenue of \$1 billion (about ₹6,350 crore) from ₹2,000 crore at present. McKinsey entered the scene late last year and is working closely with CEO Pirojshaw Sarkari's office since then, according to two people closely related to the matter.

Until now, the company has decided to narrow down its focus on specific sectors where it expects most growth to come from and exit the rest. It is creating four business verticals: automotive & engineering goods, automotive outbound, consumer and pharmaceuticals and e-commerce. Mahindra Logistics will stay away from the transportation of minerals, cement and large oversize project cargo, among others.

McKinsey will work with the company for two more years, helping it implement the strategy, the same people said. "We

On The Move

Growth Drivers for Logistics

- **Impending Goods and Services Tax (GST) Bill** to be a game changer
- **PM Modi's Make In India** campaign
- **Expected to grow** at twice the Indian GDP growth rate

Transport firms with vertical structures in India:

- TVS LOGISTICS
- DHL SUPPLY CHAIN
- TRANSPORT CORP OF INDIA



were a functional organisation earlier. We have verticalised the organisation, so that we get closer to the customer and become more specialised," Sarkari told ET. "The thought process is very clear. We have set out to become a \$1-billion company, and the quicker we achieve it, the faster we go out in the market," he said.

Sarkari said the company will put out the strategy to chairman Anand Mahindra in the forthcoming war room in December. War rooms are where sector heads explain, review and debate their business strategy with Mahindra. Mahindra Logistics, which earns a major chunk of the revenue from the group companies, is planning to reduce it and wants to gain work from non-Mahindra companies. The global consultant will help the company relook at the business mix and ways to achieve it. "Large companies across supply chain

logistics are verticalising their structure to offer sector competencies to customers in the last few years. Specialised focus gets companies a premium," said Prahlad Tanwar, director — Transport & Logistics at KPMG. "Earlier Mahindra Logistics was doing only automotive for Mahindra Group and later tried their hand at all sectors. But it makes more sense for them to focus on sectors that need similar processes to the automotive sector and get out of those where it is not a big player."

In 2012, private equity fund Kedaara Capital bought a minority stake in the company for ₹200 crore, a move that set a benchmark valuation and eventually a public offer. The PE investment is used for scaling up the business through acquisitions. Leisure travel company Mahindra Holidays & Resorts was the last group company to be listed in 2009.

CO MAY HAVE ALREADY BEGUN TALKS Global generic major Mylan seen as potential buyer; Ajay Piramal to reap a rich harvest if valuation meets expectations

Piramal Likely to Hive Off Its Critical Care Business

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Mumbai: Ajay Piramal-controlled Piramal Enterprises is weighing options to hive off its highly profitable critical care business. Though much smaller than its two competitors, AbbVie and Baxter, the business has a distinct edge, offering the full-spectrum of inhalation anaesthesia portfolio and has presence in over 100 countries. "Interest is strong with good cash flow, growth, stable customer base and limited competition. The key driver is the valuation and if it does not match expectations, the deal may not move quickly," an industry source, who claimed knowledge of the movement, said.

Piramal Enterprises, which stretches from pharmaceuticals, realty investments, financial services and healthcare intelligence, clocked revenues of ₹5,123 crore in 2014-15. The critical care unit contributed ₹757 crore to this, growing at 18% over the last five years.

Critical care medicines are essentially used in hospitals and institution settings to treat seriously ill patients in intensive care units. Piramal's portfolio, built mostly through acquisitions, comprises inhalation an-

In Sell-off Mode

₹757 cr Critical care unit share in the overall revenue of Piramal Enterprises

18% Growth of critical care biz over the last five years

Co has put its market share at 12% of a global inhalation anaesthesia market of **\$1.2 b**

Competition in critical care: AbbVie and Baxter

Piramal's presence in pharma will shrink to...

- Contract development & manufacturing activities
- Consumer products group
- Imaging biz

Ajay Piramal, Chairman, Piramal Group



esthetics like halothane, isoflurane, haemacel, desflurane and sevoflurane, and reaches 6,000 hospitals worldwide, according to details in a July 2015 investor presentation by the company. Piramal has put its market share at 12% of a global inhalation anaesthesia market of \$1.2 billion.

An industry executive said if the deal progresses to the final stages, Ajay Piramal, well known for his natural instincts for M&As, will reap a rich harvest. But it will still not be comparable to the \$3.7-billion transaction it signed with US drug maker Abbott in 2010, where valuations reached nearly 10 times

the sales for the Indian formulations business, a stratospheric multiple that is said to have left many salivating.

Also, Piramal's presence in pharmaceuticals will further shrink to offering pharmaceutical solutions through contract development and manufacturing activities, the consumer products group and the imaging business which is steadily scaling traction. Last year, the company partially wound up its discovery research work in Mumbai. A Piramal spokesperson said in an e-mailed response, "As per company policy, we do not comment on market speculation".

Experts believe Piramal may have opened discussions with serious players that are interested in expanding into newer products. One name doing the rounds is Mylan. The company has been very acquisitive in India, lapping up a string of manufacturing assets, the last being Famy Care for as much as \$750 million. Earlier in 2013, Mylan picked the injectables business of Agila Specialties and another oncology manufacturing site from SMS Pharma.

A Mylan spokesperson from its US office said the company does not comment on market rumours. But Mylan has been on the prowl to gain assets globally. It is presently pursuing its biggest every target — a \$34-billion deal with Perrigo for its over-the-counter consumer products. Mylan itself recently warded off a determined takeover bid from Teva with the Israeli drug firm moving on to buying the generics business of Allergan.

"Now, Mylan will engage in new deals and India will continue to be important on its map," another source said. Last week, Mylan chief executive of Heather Bresch told Reuters that the company is actively looking at many targets as it aims to become a leading consolidator in the generic industry.

Prasad Launches App in Bihar to Aid Literacy

NEW DELHI: Telecom minister Ravi Shankar Prasad has launched a mobile app in Bihar to aid digital literacy in the state, reports **Our Bureau**. The app, Disha, is expected to help people learn about computers and the internet through self-learning modules. It is free and available on Google Play Store. In order to offer digital literacy to tribal and Dalit women in Bihar, the minister awarded tablet computers to women who received training from common service centres in the state.

The move is seen as part of a string of initiatives being announced by the government as the assembly elections in Bihar draw near. Prasad stressed on the need for intensified efforts to bridge the void in infrastructure and development between Bihar and other states. The central government would enhance direct interventional programmes "to bring rural Bihar closer to urban habitation and make the tribal population realise the benefits of development of which they have been deprived for long", he said. Under the initiatives to improve digital connectivity in Bihar, BSNL will install 1,000 new base stations in the state and 184 of these will be located in Naxal-affected areas.

Louis Berger Fears Bribery Scam may Cost it Some Work

Senior company exec says \$3.9-m case may negatively impact ongoing projects here

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Mumbai: US consultant Louis Berger International, which is embroiled in a \$3.9-million bribery scam in India and three other countries, is worried about the possibility of "losing some work" here — ongoing projects and four or five it is currently in talks for. "Our situation is in the media obviously. Does that cause some concern? I am sure it does ... is there a potential that we would lose some work? Sure, there is a potential," its executive vice president for corporate strategy and development, Larry D Walker, said in an interview.

He was key in assisting the investigation and the subsequent \$25 million-plus reform that Louis Berger claims resulted in new internal controls, policies and procedures as well as a new global accounting system at the company. Walker's statement comes even as the Enforcement Directorate, which probes economic crimes, filed a first information report relating to money laundering in the Louis Berger case, naming some politicians and executives.

Police have arrested Churchill Alemao, a former public works department minister in Goa, in connection with the case. Last month, the New Jersey-based construction management company admitted to violations of the Foreign Corrupt Practices Act, according to the US Department of Justice.

It will pay \$17.1 million as penalty for bribing officials in Indonesia, Vietnam and Kuwait, apart from India. In India, its executives secured water projects in Goa and Assam by paying bribes, the company said. Authorities are now probing its appointment as consultant in the ₹14,573 crore Navi Mumbai airport and about ₹3,000 crore Goa airport projects.

Walker said the unlawful practices first came to light in 2009 when Lowenstein Sandler, a law

firm appointed by the company to investigate overhead allocation issues, found that some managers had been conducting business on private email accounts outside of the company's IT system. "The first concern that we had with emails was the way language was used ... it was language that just wasn't appropriate," said Walker. Terms such as "commitment fees", "counterpart per diem", "marketing fee" and "field operation expenses" were used as codes to conceal the true nature of bribe payments.

India did not initially feature in the purview of suspicion. "As we expanded the investigation, we included India as we have so much work there," said Walker.

The top management reported these to the US DOJ and agreed with it on the process and countries for the expanded investigation. The probe revealed that the company kept record of the bribes by circulating a spreadsheet internally showing the proportionate share of bribes paid to the officials overseeing their work on those projects.

An email addressed to James McClung — one of the main accused in the bribery cases in India — in August 2010 included an entry which said "paid by (an employee of the company) to minister on behalf of agent".

A subsequent email showed tracking of the bribe payment schedule, showing the company had paid \$976,630 until then as bribe for the Goa project. A thorough investigation followed which included extensive interviews and checks on employees. "As information became available during the process, those managers whom we found to be engaged in suspicious or potentially illegal activities were separated from the company," said Walker. McClung and 40 other employees in India were sacked, according to sources.

A second source said one form of bribery was sponsorship of the foreign education of ministers or officials' sons or relatives. Walker didn't comment on this.



Walker's statement comes even as the ED filed a first information report relating to money laundering in the Louis Berger case

SOTC Offers Ideal Opportunities for Brand Transition: Menon



Thomas Cook India's acquisition of Kuoni Group's travel business in India and Hong Kong is

the second largest deal in the industry locally after billionaire investor Prem Watsa's Fairfax Financial Holdings took over Thomas Cook in 2012. In an interview with ET's Divya Sathyannarayanan, Madhavan Menon, managing director, Thomas Cook India, said the Kuoni business will help it build volumes to take on global travel companies. Edited excerpts:

What was the strategy behind this acquisition?

There are three cornerstones of our strategy. First, we see strong synergies and benefits accruing from Kuoni's well-established presence in key source markets like Europe. This attracted us, as also the business lines of outbound, corporate travel, MICE (meetings, incentives, conferencing, exhibitions), domestic — all complementing our existing businesses at Thomas Cook India. Second, as our use of the Thomas Cook brand is permitted till 2025, it was important to build a road-map and strategy to have a strong brand. SOTC (acquired by Kuoni in 1996) is an Indian brand with strong recall which offers us ideal opportunities for a brand transition. And, finally, as India gains interest at the global level, we see more and more global companies coming into India. How do we take a strong position? We have no ambitions to become a pure online player but we believe in the hybrid click-and-bricks model and an omni-

channel presence is our strategic intent. Therefore, having the Kuoni business in our stable was valuable in enabling us to build volumes and leverage clear synergies.

What is the one big advantage that you see in this deal?

In the long-term perspective, it is not just about the advantages this gives us in terms of positioning Thomas Cook-SOTC-Sita (Sita was acquired by Kuoni in 2000) to take on the various challenges that we will face as the market changes. But simultaneously it will also bulk up in terms of the revenue because these are all profitable businesses.

How soon do you see these acquisitions adding to your topline?

We can see small appearances in the third quarter of this year. But the actual benefit will probably be seen in the quarter ending March 2016.

Last month, the company got a foothold in Sri Lanka through its acquisition of the destination management company Luxe Asia and the Kuoni acquisition gives an entry into Hong Kong. So, how big is Asia on the company's growth radar and are there any other potential acquisition targets?

Our ambitions are no longer restricted to India and we are looking at Asia seriously. We see great potential in the Sri Lankan market and we have seen tourist arrivals growing significantly year-on-year. We have a presence in India where we see the tourist arrivals growing over a period of time. As we look at building businesses in Asia, Hong Kong repre-



ON STRATEGIC INTENT

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MADHAVAN MENON
Managing Director, Thomas Cook India

sented a great opportunity for us. Kuoni has a well-established brand in Hong Kong. It positions us at the door of China. According to WTTC (World Travel and Tourism Council), India and China are going to generate the largest number of travellers by 2025. So, in essence, we have got a footprint. Kuoni Hong Kong is a niche business catering to high-end luxury travellers with a focus on Europe. We will be leveraging their capabilities in terms of reservation of hotels, booking with airlines etc.

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