the **hunt** report

HUNT PARTNERS

FOREWORD

Dear Reader,

It is a pleasure to bring to you the second issue of The Hunt Report, a half-yearly industry update from Hunt Partners.

The Hunt Report provides key business insights across a wide spectrum of industry practices, we are strongly represented in. It also gives a flavour of trends in executive hiring along with a compilation of key senior leadership moves in these sectors.

We thank each one of you for your encouraging responses and constructive critique to make this endeavour more focused and relevant.

We are sure you will find this issue an interesting and a meaningful read.

We welcome your comments at thehuntreport@hunt-partners.com

Happy Reading!

Yogesh Chopra

Mumbai, India, **May 2011**

IN THIS ISSUE

The Hunt Report, a half-yearly update, evaluates the key business trends in industry practices, ranging from Retail to Insurance. This issue of The Hunt Report analyses the impact of these significant business trends on the executive hiring process and the leadership movements in fifteen industry verticals.

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A mixed bag of results

The Indian Mutual Funds industry has witnessed a sharp polarisation of assets with the top five fund-houses accounting for 56 percent of the total AUM. With the change of guard at SEBI, company heads are hopeful of a review of the stringent regulations in the industry.

BY ARJUN ERRY

The quarter ending December 2010 has ensured some stability in the Mutual Funds (MF) industry. This is a welcome change, especially after the tumultuous period of the ban on entry-loads in 2009, the uncertainty surrounding the leadership regime at Securities and Exchange Board of India (SEBI) and the public dispute on regulatory turf between SEBI and Insurance Regulatory and Development Authority (IRDA).

According to industry data, the total Assets Under Management (AUM) over the there-month period ending December 2010 declined 5 percent. AUM fell from Rs 713,281 crore in September 2010 to Rs 675,377 crore in December 2010.

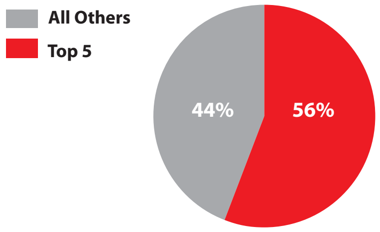
Interestingly, a few fund-houses experienced a decline more than the industry average. JP Morgan MF AUM dropped 38 percent (the fund house saw a leadership vacuum with the incumbent moving to IDBI MF). Baroda Pioneer MF AUM saw a dip of 21 percent. Birla Sun Life MF AUM dropped 14 percent, which is nearly three times the industry average. The quantum of AUM decrease at Birla Sun Life (Rs 9,700 crore) would be on a stand-alone basis – the fifteenth largest MF in terms of assets.

As the following chart demonstrates, there is a massive polarisation of assets in the Indian MF industry. The top five fund-houses now account for 56 percent of the total AUM (refer the pie-chart in the corresponding page).

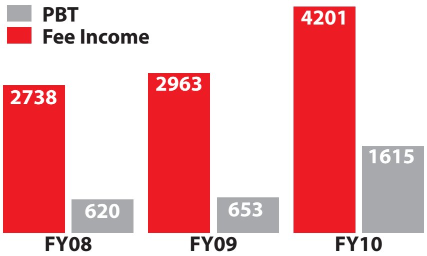
The press reported that Bank of India (BoI) is looking at the possibilities to re-enter the Indian MF industry. It may be recollected that BoI had exited the industry through a part-redemption and part sale of assets to Taurus Mutual Fund. It is reported that the bank has already finalised the selection of a partner. However, there was no such official confirmation available at the time of writing this report. Recent firms to join the list of asset managers in India include Edelweiss, IndiaInfoline, Indiabulls and Motilal Oswal, Edelweiss.

Domestic fund-houses seem to be keen on inducting international partners within the asset management company. This seems to be driven by the need to leverage international distribution for domestic equities. IDFC made a significant move by divesting a 26

MF Assets: AUM Distribution by Fund Houses



Income over PBT - 3 Year Trend (INR Crore)



percent equity stake to Natixis GAM of France. LIC Mutual Fund, too, divested 35 percent to Nomura Asset Management. Perhaps, the Board of UTI Mutual Fund had already seen this opportunity when it invited T Rowe Price to buy-out a combined 26 percent equity stake from the four existing shareholders. The need to have an international distribution is bound to accelerate, considering the Union Budget allowing overseas individuals to invest in domestic MFs.

An analysis of FY11 over FY10 provides some interesting statistics. Profitability of the industry (PBT basis) grew 247 percent for March 2010 as compared to March 2009. This is in contrast to a PBT growth of barely 5 percent for March 2009 over March 2008. Further, the top five fund-houses in terms of AUM, control a greater share of total PBT at 69 percent of the industry's PBT. The graph on this page shows the growth of fee-income and PBT over the three-year period ending March 2010.

The early part of 2011 also witnessed a change of leadership in SEBI. UK Sinha, Chairman and Managing Director of UTI Asset Management overtook Chairman, SEBI from the outgoing Chairman, CB Bhave. Association of Mutual Funds in India also experienced a change of guard with Milind Barve assuming the Chairmanship after UK Sinha's exit. Several MF Chief Executive Officers seem confident that the new leadership at SEBI may be positive in rolling-back or diluting some of the regulatory decisions. While it looks highly unlikely that the ban on the entry-load will be revoked, some MF Chief Executive Officers do expect a 'halfway house'.

PEOPLE MOVEMENT

- **Ajai Kaul,** acting Chief Executive Officer of Asia ex Japan at Alliance Bernstein has been confirmed as the company's Chief Executive Officer.
- **Anand Shah,** Head of Equities at Canara Robeco Mutual Fund has joined BNP Paribas Mutual Fund as Chief Information Officer.
- **Manish Sinhai** and **Kevin Talbot** have been appointed by Aviva Investors as inaugural Chief Investment Officers for Asia Pacific.
- **Nikhil Srinivasan,** Chief Investment Officer of Asia Pacific at Allianz Investment Management was named as Group Chief Investment Officer.
- **Nilesh Shah,** Deputy Managing Director at ICICI Prudential Mutual Fund joined AXIS Bank as President of Corporate Banking.
- **Piyush Surana** was named the Chief Executive Officer at Daiwa Asset Management, following the latter's acquisition of Shinsei Asset Management India.
- **Prateek Agrawal,** Head of Equities at Bharti AXA IM moved to ASK Mutual Fund.
- **Puneet Chaddha,** Managing Director of Commercial Banking, HSBC moved to HSBC Mutual Fund as Chief Executive Officer.
- **Sanjay Sachdev** has joined Tata Asset Management as President and Chief Executive Officer.
- **Uday Suri,** Head, Retail Sales, Fidelity Mutual Fund has joined BNP Paribas MF as Head, Sales.
- **Vikaas Sachdeva,** Country Head, Sales and Business Development at Bharti AXA Investment Managers has joined Edelweiss MF as Chief Executive Officer.

On the wheels of growth

The rising number of cars on the roads coupled with an increasing geographical spread surely puts the Indian automobile industry on the right path to success.

BY SUNISHI GABHAWALA

The Indian automobile industry has witnessed a 33 percent rise in the number of passenger cars on the road from 2008-09 to 2009-10. A strong upswing continues with 20 plus new hatchback and sedan models hitting the Indian roads this year.

In the light of upbeat market sentiment, increased hiring activity is more visible among some players. Companies like Tata Motors and Mahindra & Mahindra, that expect exponential growth, have adopted a "more plus" hiring strategy to ensure continued productivity. Original equipment manufacturers (OEMs) are hiring 20 to 25 percent in excess of need to mitigate the risks associated with delivery timelines due to the shortage of labour. This process particularly works where the company is supplying to the West – these customers focus on timely end product; diametrically opposite from Japanese companies which focus on the process. Take the example of Eicher which would recruit 25 where 15 were needed; thereby ensuring no delay in delivery to Volvo

Another company to look out for is Honda Motorcycles. Following the dissolution of the Hero Honda joint venture; the Japanese major has announced a plan to rejig the entire top management of its Indian subsidiary. The senior most position of President and Chief Executive Officer will be retained by a Japanese national (Keita Muramatsu replaces Shinji Aoyama) and other functional heads might also be held by Japanese expatriates. However, given the company's plans to launch mass market bikes aimed at rural India, they might require strong local talent with significant expertise in understanding the Indian rural mindset.

According to the Society of Indian Automobile Manufacturers (SIAM), the Indian automobile market is the seventh largest in the world. With sales projected to reach 5 million by 2015, investment by the auto and auto component industries is expected to cross $30 billion in the next four years.

In anticipation of these robust growth projections, several auto component manufacturers have acquired land for new plants in Manesar, Uttarakhand and in Thiruvallur and Sriperumbudur near Chennai. Hiring is likely to increase significantly in these regions. However, an estimated 30 percent gap exists in the availability of technical engineers, especially in the 6 to 12 years experience bracket. This may result in unprecedented salary hikes in the OEM and component space.

Attrition within the component space is at an all-time high with 35 percent moving to auto OEMs, who can afford to pay better salaries. An engineer with an annual salary of Rs 2.5 lakh can expect anything between Rs 7 to 8 lakh with an automobile manufacturer. New player, Mahindra Navistar has absorbed a large number of professionals from the component space

The auto component manufacturers cannot afford to tie their fortunes to the economies of the auto industry, having experienced a downturn in 2007-09. Traditional auto component manufacturers like Bharat Forge have shifted to manufacturing non-auto parts to ensure sustained business. From an 85:15 product offering mix; the company plans to diversify into 55:45 mix, offering non-auto products including marine products, power generation equipment and diesel engines.

Another important strategy adopted by mid to large players in the auto industry is to sponsor one or two Industrial Training Institutes (ITIs) in the country. The sponsoring company assists in designing the course and provides practical training; thus assuring themselves a broad array of trainee engineers for recruitment. Companies also sponsor undergraduate workers to premier institutes like BITS Pilani for a diploma program.

Over the next three to five years, hiring high quality engineers will remain a challenge. Early movers have developed these and other strategies to ensure that talent does not become a constraint to growth.

PEOPLE MOVEMENT

- **Sunil Gandhi** has moved to KPIT Cummins InfoSystems as Vice President. He was earlier Director, Operations in Force Motors.
- **PK Das** has resigned from his position of Deputy General Manager, Engineering Service Sales, Chicago at Larsen & Toubro, to join Sarralle Equipment India as Director, Operations.
- **Vijay Grover**, who was earlier Head, Engineering at Bechtel, is now President and Chief Executive Officer of SK E&C India.
- **Rajan Madan** is now Plant Head of Denso India. He was earlier Assistant Plant Head at General Motors.
- **Sriram P** has moved from Hindustan Motors as Head, Operations to Daimler India Commercial Vehicles as General Manager, Operations.
- **Kaushik Haldar** has joined John Deere India as Head, Manufacturing Engineering and Plant Engineering. He was earlier Head, Manufacturing at ZAO Cummins Kama, Russia.
- **Nirmal Matharu** has been appointed as Vice President and Plant Head at Mahindra & Mahindra. He was earlier Senior General Manager, Manufacturing at Hero Honda Motors.

Banking on debt, leveraging on equity

The capital market experienced an upswing in the debt market, which has attracted not only Indian investors, but also their global counterparts. The hike in Foreign Institutional Investors limit may further boost the flow of foreign funds into the Indian debt market.

BY **SURESH RAINA**

2010 was one of the best years for the Indian capital market, recording a bumper growth of more than 31 percent for a volume of $29 billion in equities. The year registered more than 25 deals, each worth more than $1 billion. However, debt held on to its pole position as the most preferred capital raising source

Debt capital market

The gradually strengthening debt market seems to have entered an interesting era that presents a wider universe of investible options. Besides the debt products that mutual funds offer, the new debt options like zero-coupon bonds, non-convertible debentures, corporate bonds and infrastructure bonds, have gained great potential to create plenty of interest among investors – domestic as well as overseas.

Debt raised by Indian entities in foreign markets has registered almost a three-fold growth. The interest rates are hardening, liquidity is tight and there is a strong demand for Indian debt. The prevailing market conditions should support corporates and banking institution's demand for G3 bond market.

It is also likely that more Indian companies would look for acquisitions and investments in overseas operations across sectors. Since the interest on dollar loans is expected to continue to be lower than rupee loans, the preference will be to raise funds overseas. At the same time, dollar-denominated bond sales from India will continue to generate plenty of interest.

The Union Budget has proposed to raise the Foreign Institutional Investors (FII) limit for investment in corporate bonds by $20 billion to $40 billion. The increase in the limit should foster an increase in investment of foreign funds in the corporate debt market. The action though late is a welcome step to deepen the corporate debt market and we expect that it will encourage companies to launch more such bonds.

We are further witnessing another interest group that is queuing up to invest in rupee-denominated debt issued by RBI and major companies. Malaysian Central Bank, Bank Negara has stepped in and registered as an FII.

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PEOPLE MOVEMENT

- **Ratnesh Kumar** has moved from Anand Rathi to Standard Chartered as Head, Equities.
- **Nikhil Nath** has been appointed as Head of M&A, Asia Ex Japan at Nomura.
- **Chetan Singh** has moved from Citibank to JP Morgan as Head, FIG Group.
- **Anil Ladha** has joined Morgan Stanley as Head, Fixed Income Capital Markets. He was earlier with ICICI Securities.
- **Jason Todd** has moved from Citibank to Religare Capital Markets as Global Head, Equity Strategy.
- **Nalin Nayyar** has moved to Religare Capital Markets as Head of India Investment Banking, from Citibank.
- **Nitin Jain** has accepted the role of Co-Head, Fixed Income at Nomura. He was earlier with ICICI Securities.
- **Maneesh Ketkar** has moved from HDFC Bank to Credit Agricole Bank as Head, Debt Capital Markets.
- **Ankush Pitale** has joined Religare as Head, Equity Capital Markets. He was earlier with Deutsche Bank.
- **Keshav Sanghi** has moved from Citibank to Goldman Sachs as Head of India Equities.
- **Gokul Laroia** has been appointed as Head, Equities Asia at Morgan Stanley.
- **Govindarajan Chellappa** and **Kunal Bajaj** have moved from Credit Suisse to Jeffries as part of the Capital Markets team.

Bloomberg's India Capital Markets League Tables for 2010

	2010	2009	Growth (%)
IPO	38,037	19,036	100
QIP	26,066	34,145	24
Total Equity	**116,288**	**71,756**	**62**
Domestic bonds	193,800	147,800	31
Syndicated loans	297,000	200,518	48
Total Debt	**490,800**	**348,318**	**41**

(Figures in Rs Crore)

Equity capital market

IPO activity will continue to witness plenty of action in the fast growth and fund hungry sectors, including energy and infrastructure and the PSU divestments. Citibank, Kotak and UBS are among the top players providing advisory services.

In contrast to IPOs, funds raised through QIP will either be stable or decline. The major chunk of the proceeds, raised by companies in 2010, came from the consumer products and services space.

The FPO's by PSU majors like NMDC, NTPC and PowerGrid have also contributed to the domestic equity market. Some important deals included the FPOs of Tata Steel, the London listing of Essar Energy and the acquisition of Patni by iGate. The successful stories of 2010 comprise automobiles, banking, IT, pharmaceuticals and metals.

The equity funds raised by Indian corporations in international markets, saw a sharp dip, due to the challenges faced by global equity markets. The equity raised by Indian corporates registered a dip of more than 30 percent while FCCBs witnessed an almost 60 percent fall.

The Union Budget has allowed FIIs to invest in SEBI registered Indian equity mutual funds. It is a smart move that would widen the class of investors in the Indian equity market and aid foreign capital inflows.

Indian banks are expanding into overseas markets to fight domestic competition from global banks. Currently, Indian banks are limited to debt capital markets locally, and witnessing increased competition from MNCs. Indian banks will continue to focus on building infrastructure and balance sheets, apart from building in-house talent to remain competitive.

Touching new shores

Engineering Services Outsourcing is touching new highs, given the stellar growth in recent years. While new verticals are coming under its ambit, there is also a growing demand for tier-2 domain experts. And its expansion into emerging markets will place the industry on a sure-footed growth trajectory.

BY **ANNE PRABHU** AND **ARJUN ERRY**

Budgets for Global engineering Research & Development have almost tripled from a mere $407 billion to $1,100 billion in 2009. It is expected to touch $1,350 billion in 2020. The growth is fuelled by various trends such as green technology, convergence technologies, electronics and an increased customer base in emerging markets (Source: Booz Innovation 1000 database 2020; Booz and Company Analysis).

Engineering Services Outsourcing (ESO) started in the early 90s. The trend received a significant boost as global engineering organisations began to look for ways to increase product development while reducing per-unit labour costs. Over the years, global organisations have continued to grow their offshore presence by setting up or expanding existing captive facilities and augmenting spends through third party providers. Offshore ESO centres in India have grown in capability as well as maturity. Today, many of them develop full systems or products for Outsourced Engineering customers in the western markets.

Trends-spotting

Engineering services that predominantly focused on verticals like automotive, aerospace and high tech are now witnessing the emergence of verticals such as infrastructure, energy, construction and heavy engineering. However, the traditional sectors still continue to grow. For instance, India's automotive ESO industry is expected to grow at a CAGR of 32 percent by 2012-13, with the potential to generate revenues worth $2.2 billion over the next two years (Source: Frost & Sullivan).

The automotive sector is expanding, especially with India becoming an innovation hub for small car programs. This, in turn, is fuelling the need for domain experts at tier-2 level to lead such programs. So is the case with embedded software and electronics (that are gaining steam) and the emerging sectors like energy. The demand for domain experts, who possess a deep understanding of the ecosystem and the ability to work on global contracts, is on the rise. This is primarily because there is a need for working in an evolving

PEOPLE MOVEMENT

- **Rajesh Kumar Ojha** joined Accenture as Vice President and India Lead in its Aerospace and Defence and Embedded Software Services vertical. He was earlier the Sales Leader, Aerospace, Defence and Industrial Products at IBM India.
- **Sridhar Lakshminarayanan** has been appointed as the Vice President in Satyam Venture Engineering Services. He was previously with IDS Infotech as Business Head and Senior Vice President, Engineering and Design BU.
- **Sudhakar Kolli** joined Joy Mining Machinery as Vice President. Earlier he was the Director, Machine Design Centre at Caterpillar.
- **Chetan Rangaiah** has moved from TCS, where he was Client Partner, Medical Devices to L&T IES as Director, Client Relations.
- **Amit Majithia**, who was the Area Vice President, E&PC at L&T Infotech, has moved as Senior Client Partner to Wipro Technologies.

ecosystem and providing design to manufacturing services, especially in the aerospace domain.

ESO, which supported mature markets in the early and mid 2000, is now gearing up for emerging markets as well. This trend is a result of rising incomes in these nascent markets, which further leads to a demand for more products and services. Philips and Nokia are examples of such organisations. To boost this trend the highest demand for talent is in the high-end technical skills domain and the ability to innovate and develop IP.

While semiconductors, pharmaceuticals and medical devices have been the fastest growing verticals, automotive, consumer electronics and high tech have emerged as the largest spenders. These trends are primarily fuelled by the need for new product development, convergence of technologies, et al.

Traditionally, industry thought leaders, academicians, domain experts and product specialists—both from public sector organisations and manufacturing industries—moved to the ESO industry and helped in establishing it. Today, the industry has evolved. While such leaders are still inducted into specialist roles, there is a great demand for leaders, who can transform organisations, strategise and create innovative models, drive operational excellence. Such leaders have the potential to grow and add value to the organisation. Such demand is across both captive and third party ESO providers at the Chief Executive Officers or at the Centre Head level.

Expanding the learning curve

In today's fast-paced business world, companies have begun to realise that corporate learning and development is mandatory for a successful business. While on one hand organisations, today, earmark separate training budgets, on the other, they have also ushered in a more participative approach to employee engagement.

BY **ANNE PRABHU**

Today's dynamic business environment, heightened competition and rapid growth have led Chief Executive Officers to focus on Learning and Development (L&D), so that they obtain the much-needed competitive edge. Corporate L&D has evolved into a key business function, transcending the traditional training and education paradigm. The mandate for business leaders and learning professionals has been defined, and the scope is enormous. These individuals are responsible for strengthening leadership traits, meeting demands, developing innovative cultures, catering to customer requirements, constructing engagement levels and providing leadership to virtual and diverse teams. Moreover, they also have to provide a faster on-boarding, gear up to handle new responsibilities and functions in order to meet the aspirations of Generation Y and retain high potential talent, among others.

L&D professionals are challenged to transform the old-school command-and-control approach to a culture that attracts and retains employees. Today, employees have access to a gamut of training programmes. This further challenges L&D professionals to provide the best training possible so that it has a measurable impact on the business and organisational success. The lecturer and classroom approach is also being replaced by a more participative, collaborative and one-on-one coaching sessions that allow for immediate feedback and learning.

After the rapid economical growth and the subsequent recession, L&D professionals are back in focus to ensure that productivity, retention and engagement levels remain high. Organisations that are traditionally known for their L&D practices, such as the Tatas, Hindustan Unilever, Infosys and the Aditya Birla Group have led by example for their well-planned strategies that span several years.

Almost all organisations—from the service sector to manufacturing, start-ups or steady-state—are increasing their investment in L&D, and specifically, in leadership development. In 2010, Infosys put a new premium on internal training to groom employees for leadership roles in its myriad ventures. The company increased its training budget by 24 percent to $230 million and hiked training time by 10 weeks to 29 weeks. "We want employees to understand the context of the customer and equip them with better business acumen so that they can offer solutions and options to clients and not just routine services," said Tan Moorthy, Vice President and Head (Education and Research), Infosys.

According to the Hay Group study (2010 edition), all the top 20 companies reported that each and every employee (at all the levels of the organisation) has the opportunity to develop and practise the capabilities needed to lead others, compared to less than 70 percent of all other companies in the study. The study ranks the best companies for leadership around the globe, and examines how they develop current and future leaders.

There is an increase in demand for L&D professionals in services sectors like IT, ITeS, banking and telecom that allocate about 0.5 to 2 percent of their revenue on L&D. For professionals, with an in-depth knowledge of the business and who can clearly align L&D to business needs, have numerous opportunities in the job market. Today, companies have awakened to the fact that neglecting L&D needs because of cost pressures will only backfire through increasing conflicts, decreased productivity and reduced competitiveness.

PEOPLE MOVEMENT

- **Vinita Tikoo** joined Religare Enterprises as Executive Vice President, Talent Management and Development. She was previously with Bharti Airtel as General Manager, Leadership Development and Capability Building.
- **Sujatha Das** moved from Oracle, where she was Head, Learning, Competency and Knowledge Excellence to American Express as Director.
- **Shachi Kaul** has accepted the role of Head, Learning and Development, South Asia, at Deutsche Bank. She was formerly with HSBC as Vice President, Learning and Development.
- **Dipankar Khanna** moved to MindTree as Associate Leadership Coach from Meta Coaching Foundation, where he was Director for India.
- **Abhishek Kumar** joined Aircel as Head, Learning and Development from Vodafone, where he served in the same capacity.
- **Madhushree Ganguli**, who was earlier Head, Learning and Development at Sapient, has joined Mercer India as Training Leader.
- **Harlina Sodhi** has been appointed Senior Vice President, Learning and Development at Reliance Industries. She was formerly Vice President, Learning and Development at Genpact.
- **Bhanu Chandran** joined Northern Trust as Regional Head of Learning and Development for Asia Pacific. She was earlier Vice President India and Head of Learning, Development and Talent Management Services at Goldman Sachs.
- **Gautam Bhushan** joined Aircel as Head of Learning and Development. He previously served in the same capacity with WNS Global Services.

A concrete future

With contractors donning the role of developers, the face of the infrastructure industry in India is set to undergo a change. While the overall industry is on a capital raising spree, heightened activity in the roads and ports sector is likely to usher in new infrastructure projects.

BY SURESH RAINA

There is a significant change in the project value chain of the infrastructure industry. Numerous players are increasingly moving towards an asset ownership model, thus climbing up the value chain. No longer content with being mere constructors, they aspire to be owners, developers and operators where revenues are expected to amass over a period of 15-25 years, combined with higher risks. Operating at this level would demand higher degree of risk management and financial engineering skills. Thus, companies will need to acquire design skills and build balance sheets that are strong enough to support towering projects. They will increasingly looking at bringing exceptional talent on board for those roles that form the core of their business. There are two main reasons for such a trend: one being a general scarcity of talent, and secondly, companies are growing at a pace of 20-30 percent. Thus, these companies will soon engage in outsourcing non-core functions. The next fiscal is estimated to witness heightened activity in the roads and ports sector, and the prospect of more projects coming in, especially after the slowdown in the last six months, looks bright.

Infrastructure companies are on a huge capital raising binge to cater to the accelerated growth in the industry. The current trend indicates that large infrastructure companies are strengthening their internal finance and advisory teams with a combination of investment banking skill-sets – debt syndication, corporate advisory and project finance. Private sector partnership will be the key to development, and about 50 percent of the capital required will be met by private sector schemes.

Private equity investments are flowing into the sector too, but they cannot make significant investments in core infrastructure because of their growth equity nature. Therefore, a lot of action is being seen in the ancillaries or the infrastructure enablers space. Equipment suppliers to the power sector, such as boiler, turbine and generator packages for coal-based power plants, are in demand by UMPP and large plants. Another trend is that Indian companies are struggling to reduce expenses and boost the capacity to retain their market share. On the other hand, Chinese players offer short lead time, attractive credit terms and low costs.

On the solar energy front, the National Solar Mission's plans to build solar powered projects have generated a highly positive response. We expect a continued interest from international players to grab a share of the multi-billion dollar business as well as form JVs with local partners. Consolidation in the sector with a growing requirement for project management talent may be noted too.

Imported coal has become the preferred option to meet the demand for power generation, since India does not possess adequate resources. This has increasingly led Indian companies to purchase, develop and operate coal mines in Indonesia, Africa and Australia. There is a synergy between thermal power plants and ports. Several port operators are seriously considering to invest in power generation projects in close proximity of the ports. Several ports are gearing up to handle coal, including Tuticorin Port, Mundra Port, Gujarat Pipavav Port and JSW Jaigarh Port. This space will definitely see a plenty of activities.

PEOPLE MOVEMENT

- **MK Prasad** moved from Jindal Power to Abhijeet Group as Senior Vice President, Solar Business.
- **TS Venkatram** has shifted from JMC Projects India to Petron Civil Engineering as Joint President, Operations.
- **SP Verma** resigned from Vinergy International to join Kandla Energy & Chemicals as Chief Executive Officer, Power Division.
- **Raju Kaul** has left Punj Lloyd to join IL&FS Engineering and Construction as Director, Finance.
- **Pawan Parakh** has accepted the role of General Manager, Finance, at JSW Energy Limited from his prior appointment at Mangalore Refinery and Petrochemicals.
- **KBM Swamy**, who was formerly with Essar Projects India, has shifted to Adani Group as Joint President and Head, Human Resources.
- **Kuldip Daryani** has been appointed Regional Vice President, Road Projects, at Abhijeet Group from his previous role at ISPAT Industries.
- **Virinder Kaul** moved from GMR Infrastructure to ETA Star as Chief Operations Officer, Roads.
- **Ajay Dhir** has resigned from JSL Stainless to take up the position of Chief Information Officer at Lanco Infratech.
- **Kuldeep Kaura** has quit Vedanta Resources to join ACC as Chief Executive Officer and Managing Director.
- **Rajiv Goel**, formerly with Jindal Steel has joined Shapoorji Pallonji & Co as General Manager, Finance.
- **George Varghese** left Reliance to accept the role of President KEC, RPG Enterprises.
- **GP Singh**, earlier with Spice Communications has come onboard Lodha Developers as its Chief Financial Officer.
- **Jack Nazareth** moved from Sobha Developers to Puravankara Group as Chief Operations Officer.

Highlights

- Tata BP Solar, Moserbaer, Lanco Infratech, KVK Energy Ventures and Rajasthan Sun Technique Energy have won bids for a maximum project capacity of 100 MW each to build solar power projects.
- Areva has earmarked an investment of $3 billion, and Sun Borne is planning to invest Rs 1,500 crore in solar power.
- The US-based Eton Park Capital Management LP, a hedge fund, has invested $125 million (about Rs 562 crore) in JSW Infrastructure & Logistics (JSW Ports), for a 10 percent stake.
- Welspun Infra Projects has acquired a 35 percent stake in Leighton Contractors India.
- Lanco Infratech has acquired Australia-based Griffin Coal Mining Company for approximately Rs 3,375 crore.
- Suzlon has earned large orders, including one worth Rs 865 crore from the Vedanta Group firm Hindustan Zinc, to set up wind farms in four states, and another from Caparo Energy India to develop 1,000 MW power projects. The value of these deals is estimated at more than $1.28 billion.

Restructuring insurance

Despite spiraling challenges like tightening of policies and high attrition, the overall performance of the insurance sector has been positive, driven largely by health insurance. The industry has been trying to change the customer's perception of insurance as a wealth management too.

BY **Yvo Metzelaar and Arjun Erry**

The insurance industry grew at over 20 percent in the first 11 months of FY11. However, the sharp difference emerged as the private life insurers experienced a 15.1 percent decline in the new businesses, while the health insurance continued its brisk growth over 40 percent.

The Insurance Regulatory and Development Authority (IRDA) has been highly active in issuing new regulations and guidelines for the industry, especially in the life insurance space. As per the recent guidelines, commissions are required to be evenly distributed in the first few years – a sharp deviation from the international practices.

Unfortunately, on the legislative front, the progress is almost nil. The amendments to the Insurance Act are piling up and now pending for years, severely impacting the overall health of the industry. Simultaneously, the increasing foreign equity is also held up for several years now.

IRDA's Chairman, J Harinarayan expressed his views on the limitations of tied agency and made a strong pitch for bancassurance as the better channel. He argued that the 80,000 strong branch networks should be leveraged in a better way. Assessing the overall activities of the regulator, it appears that its regulations and guidelines have a direct impact on the day-to-day operations of many players than merely acting as an overseeing authority.

Several insurance companies are joining hands to address some of the fundamental issues in the industry with an objective to achieve a well-balanced legal, regulatory, competitive and compliant industry structure to secure the customer interests as well. Reliance Life Insurance has set an important benchmark by striking a deal with Nippon Life Insurance, the largest life insurance company in Japan. Nippon will acquire a 26 percent stake in Reliance for a reported $680 million, valuing Reliance at $2.3 billion. HDFC Standard Life changed its brand to HDFC Life dropping the "Standard Life" from its branding. It was also one

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of the only three private companies registering positive growth in the fiscal year till February 2011 – climbing to the third position, preceded by ICICI Prulife and SBI Life Insurance in the second slot.

The health insurance space looks promising with two of the fully dedicated players achieving a growth of 100 percent plus from a small base. Health insurance ought to be seen as a separate vertical given the nature of its business, its social and political relevance, and its impact on healthcare financing. Healthcare financing, currently, accounts for not more than a few percent of the total healthcare spend in the country. However, the regulatory environment remains challenging.

Another very exciting news is that the long-awaited guidelines for public listing are emerging and that some companies are preparing for an IPO within the next 12 to 24 months. Such companies are SBI Life Insurance, ICICI Prulife, HDFC Life and several others. The insurance sector is definitely highly involved in the emerging need of regulating the advisory and sales process for financial products. Some address it as wealth management – a term, though undefined, includes steps of the process followed to advise clients on protecting, maintaining and enhancing their wealth, including financial planning for the future. The BFSI industry, regulators and the government appear to be investigating the proper platform to develop such framework which, by itself, will take years to develop and implement.

The senior management in the insurance industry continues to migrate to other industries. It is a matter of serious concern that may lead to a critical talent crunch, especially the top management. Meanwhile, the recognition of fresh talent is growing in the industry. Five of the 10 largest life insurance companies have appointed new Chief Executive Officers in the last 24 months, which reflects the changing face of the industry.
It is also important to mention that the terrible human cost and the financial impact of the devastating earthquake and tsunami in Japan. It appears that insurers' exposure will be to the tune of $50 billion.

PEOPLE MOVEMENT

- **Kamesh Goyal** has been appointed as the Chief Executive Officer of Allianz Asia Pacific succeeding **Bruce Bowers,** who has moved to Europe for Allianz. **Kamesh** was the Country Head for Bajaj Allianz Life Insurance.
- Following the appointment of **Kamesh Goyal**, **V Philip** has been appointed as the new Chief Executive Officer of Bajaj Allianz Life Insurance. He was previously the Chief Operating Officer of the company.
- **John Holden** has taken over from **Harpal Karlkut** as the Chief Executive Officer of Canara HSBC OBC Life Insurance. He comes from Hana HSBC Life Insurance in Korea, where he was Deputy President and Chief Operating Officer.
- **Milind Chalisgaonkar** took over as the Chief Executive Officer of Bharti AXA Life Insurance from **Glenn Williams** who moved back to AXA Hong Kong Life Insurance.
- DLF Pramerica Life Insurance has a new Managing Director and Chief Executive Officer in **Pavan Dhamija**, who joined the company a few months back as its Chief Operating Officer from HDB Financial Services.

The highs and lows of investment banking

Although the number of M&A deals in the global investment banking space has been heading north, the last quarter has witnessed a steep decline in India. However, even in a scenario marred by macro-economic uncertainties, a few high value deals have been struck.

BY **Sunit Mehra and Amanpreet Singh**

When Goldman Sachs invested $500 million for a 1 percent stake in Facebook, it created a furore and a myth of sorts. The illusion of a $50 billion valuation for Facebook and for Goldman Sachs might augment its coffers with $60 million in fees, 4 percent placement fee and 5 percent of any profits generated. The investment banking behemoth's deal should have been just another illustration of how investment banking advisory is back in full force – both on the M&A and the IPO front. But the picture is far from rosy and a frenetic M&A activity a myth.

From the global standpoint, the M&A activity has been pegged at $717 billion this quarter. This is a rise of 58 percent from the corresponding period in 2010 and the best start since the heydays of 2007. But a detailed analysis of the last six months in India reveals that the first quarter of 2011 witnessed a decline of more than 60 percent in the number of M&As, as compared to the fourth quarter of 2010, as per the ISI Emerging Markets database. Experts attribute this decline to the macro-economic uncertainties emerging from the European debt issues, the aftermath of the Japan tragedy and unrest in the Middle East and North Africa. Most companies are adopting a wait and watch approach. According to Grant Thornton, India witnessed 143 M&A deals in the first quarter of 2011 as compared to the 188 in the corresponding quarter of 2010, a dip of 24 percent. However, the deal value in 2011 has registered higher figures, thanks to the $7.2 billion Reliance-BP deal in February 2011. The year also saw some significant high value deals with six transactions crossing the $600 million mark, the highest amongst the corresponding periods in the last five years.

A sector-wise analysis of the last six months shows that IT and ITeS has seen 45 M&A deals, followed by pharma, healthcare and biotechnology while the banking and financial services sector has registered 29 and 23 deals, respectively. Some of the high value deals for this period have been the $726 million buyout of Paras Pharma by Reckitt Benckiser, International Paper picking up controlling stakes in Andhra Pradesh

Paper Mills for $257 million and Essar Oil acquiring Shell's Stanlow Refinery for $350 million. In fact experts point towards an increased activity in sectors such as mining, resources, energy and industrials. Aditya Birla is currently eying a $3.5 billion deal for the Australian coal mine, Whitehaven Coal while Tata Steel has already acquired stakes in coal mines in Mozambique and Australia. In terms of volume, the IT and ITeS sector has witnessed the maximum number of transactions at 22. Meanwhile the iGate - Apax Partners' $1.21 billion acquisition of Patni was the largest deal in this sector in the past five years.

PEOPLE MOVEMENT

- **Brooks Entwistle**, Chief Executive Officer, Goldman Sachs India has moved out of the country to take up the position of Chief Executive Officer of Goldman Sachs, Southeast Asia.
- **Vijay Karnani**, Managing Director, Goldman Sachs India has been promoted to the post of Co-Chief Executive Officer alongside **Sonjoy Chatterjee.**
- Nomura has elevated **Tarun Jotwani** from Chief Executive Officer, Europe, the Middle East and Africa to Head, Global Markets and Executive Vice President.
- **Saurabh Sonthalia**, Bank of America-Merrill Lynch's Head, Global Capital Markets for India has left the organisation to join a private equity firm.
- **Keshav Sanghi**, Head, Equities at Citibank India has moved to Goldman Sachs' secondary market equities business
- ICICI Securities, Executive Director, **Alagappan Murugappan** is now heading the private equity fund of UTI AMC.
- Credit Suisse's Vice Chairman and Co-Global Head of Financial Institutions Group, **Vikram Gandhi** steps down to pursue philanthropy.
- **Anup Bagchi** has been promoted as Head, ICICI Securities as **Madhabi Puri Buch** stepped down.
- Boutique investment bank, Equirus Capital, roped in **Vineet Toshniwal** as Director to lead the I-banking practice areas of engineering, discrete manufacturing and services.
- Nomura has elevated **Nikhil Nath** from Head, M&A India to lead the business across Asia, excluding Japan and Australia.
- BNP Paribas Securities India's Managing Director of Institutional Equities **Praveen Chakravarty** is leaving the company to be a part of Nandan Nilekani's Unique Identification Authority of India (UIDAI) project.
- **Saurabh Mukerjea**, who had set up the institutional equities business for Execution Noble, has joined Ambit Capital as Managing Director and Head, Equities.
- KPMG's Corporate Finance Head, **Rohit Kapur** has quit to join Rajesh Khanna's Private Equity fund Arka Capital.
- Mid-market Investment Banking advisory firm, Singhi Advisors, has recruited Actis Director, **Girija Tripathy.**

Reforms sweeping legal and secretarial functions

As the legal and secretarial functions become more complex, Indian corporates are faced with an uphill task of creating two distinct roles for company secretaries and legal experts.

BY **SUNISHI GABHAWALA**

According to a report featured in The Times of India, there are currently 22,000 qualified company secretaries (CS) in the country, and the numbers are expected to rise to 50,000 by 2020 as projected by the Institute of Company Secretaries of India (ICSI). Over the past decade, the legal and secretarial functions of corporate India have undergone a paradigm shift. In the pre-liberalisation era, companies outsourced secretarial filing to a local Chartered Accountant (CA) firm or a practicing company secretary. The growing impetus on economic reforms, establishment of SEBI in 1992 and the leap in globalisation have resulted in a 360-degree change in the secretarial hiring needs of Indian corporates. There is a definitive trend seen with public and private limited companies (even as small as Rs 250 crore) to hire a CS than outsourcing the function. In recent years, especially in Rs 1,000 crore plus companies, the secretary's team of graduates has now been replaced with a three to four member team of qualified secretaries with two to three years experience.

The role of the Indian Company Secretary has become more complex. The Company Law Board is uncompromisingly stringent about the accuracy of data and reporting timelines; thus managing compliance deadlines by "back dating" reports is a thing of the past. After the Initial Public Offer (IPO) drought of 2009, there was a relieved charge to list in 2010, driven primarily by private equity investors. Given the complex listing regulations prescribed by SEBI, companies have been eager to hire mature company secretaries with commercial acumen. This trend has resulted in 30 to 50 percent increment pressure on company secretary compensations in the last 18 to 24 months.

More invaluable than an experienced CS is the legal-cum-secretary head. Smaller companies, especially, find it a challenge to attract this talent yet uneconomical to keep the functions separate.

Large firms with an aggressive organic-cum-inorganic growth strategy may benefit by hiring two distinct experts – a legal head and a company secretary. Usually, the reporting and compliance pressure on a CS, especially while managing a group of companies, is high. The company would be better served if it has a legal expert; keeping in view the complexity of work in new joint ventures, pricing agreements and due diligence required in pre-global acquisitions.

The talent needs in the legal space are industry-specific. Unlike finance or human resources, the legal function is less fungible. For example, a CS and legal head from the banking industry may be challenged to accept a lateral role in a manufacturing organisation, which requires the knowledge of excise, industrial laws and factory regulations. Certain industries, however, do find synergy in hiring from a dramatically different industry. For example, a patent and infringement law expert in the pharmaceutical industry may find a good opportunity with a media or a software product company, where the most critical skill is IP protection.

Companies in the telecom and software services domains have multi-year service level agreements which are of high value. In such a scenario, the legal head is required to protect the company through well structured forex and penalty clauses, and at the same time play the role of a business enabler to ensure that the company attracts and retains clients.

While there has been an upswing in the students registering for the CS course (the President of the ICSI has noticed a 70 percent increase in new students), quality of talent will remain a challenge, given the low entry bar for the course. On the other hand, while the stringent selection process followed by India's premier National Law Schools ensures an excellent pipeline of good lawyers, the best legal minds aspire to work with the leading legal firms in the country. Corporate India will continue to face a challenge hiring good talent for this function.

PEOPLE MOVEMENT

- **Raju Kaul** has accepted the role of Director, Finance in Jindal Steel & Power. He was earlier Punj Lloyd's President, Finance.
- **Ashutosh Dhawan** has joined STMicroelectronics as Chief Financial Officer. He was earlier Vice President, Finance at HCL Technologies.
- **Ranjeev Lodha**, General Manager, Finance at Mahindra & Mahindra has moved to Tata Chemicals as Vice President, Finance.
- **Sekhar Bhattacharjee** has been appointed as Company Secretary of TIL. Prior to this, he was Company Secretary and Compliance Officer at Alstom India.
- **Vikrant Gandhe**, Company Secretary and Compliance Officer at Tech Mahindra, has moved to Synechron Technologies as Company Secretary and Head, Legal.
- **Sanjay Dwivedi** has been appointed as Head, Finance of Nimbus Communications. He was earlier Vice President, Finance at ENIL, a Times Group company.
- **Madhusudan K** has quit from Prestige Group as Group Chief Financial Officer, Retail to set up his own financial advisory firm.
- **Sunil Kakar** was appointed as Group Chief Financial Officer at IDFC. He was previously Chief Financial Officer at Max New York Life Insurance.

M&A season in logistics

The logistics industry is progressing at a steady speed. With the revival of the economy and increase in spends on infrastructure projects, the sector is expected to gain further momentum. The growth of sub-sectors and the rising number of M&As will lead to an increase in the demand for tier-1 and tier-2 leadership talent.

BY **Anne Prabhu**

The logistics industry has witnessed a strong wave of M&As in recent times, following an upward trend in the sector. This rise is fuelled by the revival of the economy, especially a burgeoning retail and manufacturing segment. Several factors that fostered M&As in the sector include the need for integrated multi-modal transport network and the requirement to collaborate and provide broader services.

Some of the major M&A in the logistics industry include:

- The acquisition of AFL and its affiliate Unifreight India by FedEx. This would provide AFL and UFL the access to FedEx's international network and also extend FedEx's network across India.
- The acquisition of RR Enterprises by Kuehne + Nagel to foray into the fast growing cold chain logistics.

The recent investments by private equity firms and corporates in the logistics industry are indicative of the interest in the sector and the growth of sub-sectors like the cold chain. India Equity Partners (IEP) and Ashmore Alchemy Investment Advisors invested $10 million, each, in Swastik Roadlines (a food cargo supply chain provider) and Siesta Logistics Corporation (an integrated logistics player), respectively. There are other instances of such investments too. Mayfield Fund and Sidbi Venture Capital invested $11 million in Fourcee Infrastructure Equipments, with another $10 million coming from IEP subsequently. Café Coffee Day has acquired Sical Logistics to cater to its supply chain requirements.

The growth in the energy and utilities sectors has further bolstered the need for specialised logistics solutions. Also, as evident from the investments, sub-sectors within the logistics industry—road transport, cold chain segments and rail transportation—have gathered steam. This is a result of the heightened business demand coupled with policy changes. For instance, Finance Minister, Pranab Mukherjee, in his Union Budget 2011-12, announced the establishment of 15 more mega food parks in the country. He has also been working towards encouraging states to reform legislation pertaining to the agricultural produce marketing. This is a timely measure, considering that about 40 percent of the fruit and vegetable production in India is wasted due to inadequacies in the transportation, cold chain and storage facilities. The Budget has even provided an 'infrastructure status' to these facilities, besides the mega parks.

The government has several initiatives that have catalysed the growth of the logistics industry in the country. Some such endeavours include the National Highways Development project, interconnecting the 12 major ports in India, enhancing the port handling capacities, developing the eastern and western rail freight corridor, bolstering rail freight handling capacities and investing in the Delhi-Mumbai Dedicated Freight Corridor.

From a talent perspective, the rise in the number of M&As in the industry have created a demand for leadership talent at the tier-2 level, who have the ability to integrate and drive smooth businesses.

Moreover, the growth of sub-sectors within logistics and the fact that these sectors are at a nascent stage have created the need to draw talent from related sectors.

PEOPLE MOVEMENT

- **S Ravi Kumar** has joined Bharti Airtel as Chief Supply Chain Officer, South Asia Operations. He was previously the Vice President and Business Head, Southeast Asia at Samsonite Corporation.
- **Vinay Kushwaha** has moved to Britannia Industries as Vice President, Supply Chain. His earlier role was Executive Director, Operations at Dabur India.
- **Avik Sanyal** has joined Narang Access (Danone Narang JV & Narang Group) as Vice President, Supply Chain and Industrial. He was earlier Head, SCM, Network Design and Private Label at Aditya Birla Retail.
- **Prasad Deshpande** has relocated from the US to join Biocon as Head, Supply Chain. He was previously working as Director, Global Logistics and Supply at Pfizer, the US.
- **Milind C Mandlik** has been appointed as Head of Supply Chain by Huntsman International India. Earlier, he worked as Head of Supply Chain Centre at Bayer Material Science.
- **Juzar Mustan** has started his own consulting services in supply chain for various organisations. Earlier he was Chief Executive Officer at AFL Logistics.
- **Mansingh Jaswal** has joined GenEx Logistics as Director after moving from BLR Logistiks as Director.
- **Dharmesh Dutta** has moved from a subsidiary of AllCargo Global Logistics as Chief Executive Officer to Hanjin Logistics as Chief Executive Officer.

Source: Exim News Service, IBN Live

In the pink of health

The pharmaceuticals and healthcare sector is on an unprecedented growth path, fuelled by big deals and expansion strategy. As the sector continues to expand its global market share, it will require professionals with techno-commercial profiles eventually driving independent business units.

BY **YOGESH CHOPRA**

The recent years have been buoyant for the pharmaceuticals and healthcare industry, in terms of performance and testimonies. This trend is reinforced by the unprecedented growth ushered in by big deals and an expansion strategy. As per estimates, by the year end 2011, the Indian pharmaceuticals and healthcare industry will expand its market share to over 3 percent, accounting for $25 billion of the $848 billion global market. The Indian market has over 650 companies, which includes about 250 bulk drug and 450 formulation units. More than 60 percent of these companies are small and medium enterprises.

India's share in the global bulk drug market has grown from around 3.5 - 4 percent in 2003-04 to 6.5 - 7 percent in 2008-09. Last year, the bulk drug market in India was estimated at $7.69 billion, growing at a CAGR of 18.5 percent during the last five years. It is estimated that the market will grow to $16.91 billion by 2014, at a CAGR of 21 percent. About 30 percent of the bulk drugs manufactured are for domestic consumption and the remaining 70 percent is contributed by exports.

High growth of generics and patent expiries, new drug development and contract manufacturing opportunities (which is a result of cost efficiencies in manufacturing) propels the growth of this industry. This trend has provided a stupendous growth opportunity for the leadership talent in the pharmaceutical manufacturing space. They can now evolve into techno-commercial profiles, and eventually drive independent business units.

The Indian pharmaceutical sector, with a size of $16 billion, is expected to grow to $50 billion by 2015. The domestic market is expected to grow to $30 billion by 2020, and will continue to grow at a CAGR of 14 percent for the subsequent three years. In international markets, companies that have entered both the developed and developing markets are likely to be the prime beneficiaries of the US generics opportunity. Pharmaceutical companies have reported a sound growth in earnings in the first three quarters of FY11. This was fuelled by stellar growth in

Growth rate of Pharmaceuticals Majors

(Figures in Rs Crore)

	Dr Reddy's	Cipla	Sun Pharma	Lupin	Cadila Health	Auro Pharma
NET SALES*						
Dec-09	5385.39	4255.33	2993.62	3537.78	2840.28	2650.63
Dec-10	5452.01	4648.78	4370.84	4278.45	3417.28	3227.07
% Chg	1.24	9.25	46.01	20.94	20.31	21.75
NET PROFIT*						
Dec-09	-59.96	806.48	956.6	461.01	386.38	441.53
Dec-10	769.51	753.12	1418.12	635.35	532.03	438.45
% Chg		-6.62	48.25	37.82	37.7	-0.7

* Trailing nine months ending December, 2010

Source: Business India

PEOPLE MOVEMENT

- **Shireesh Ambhaikar**, Director Manufacturing at UCB Pharma, has moved to Perrigo API as Chief Executive Officer.
- **Anil Kamath**, who was the Managing Director at Wockhardt Hospitals, has moved to set up his own consulting practice.
- **Dr Firdosh Gardin**, General Manager Contracts at GlaxoSmithKline, has been appointed as the Technical Director at Novartis.
- **Chandrsekaran KN**, Chief Operating Officer at Khandelwal Laboratories, has joined Novartis as its Head, Commercial Operations.
- **Anil Agarwal** has accepted the role of Vice President, Operations at Zydus Cadila. Earlier, he was Vice President , Operations at Glenmark.
- **Dr Vikram Raghuvanshi** has resigned from his current capacity of Chief Operating Officer at Wockhardt Hospitals, to establish his own consulting practice.

exports, expansion of market share in generic sales in US (Dr Reddy's) and a few M&As (Sun Pharma and Taro).

The relative cost attractiveness of the Indian pharmaceutical manufacturers has been recognised by large multinational pharmaceutical companies. However, the innumerable outsourcing contracts gained by the Indian pharmaceutical industry are adversely impacted by the M&As in the global pharmaceutical space. This trend is a result of the reduction in research work for Indian contract research and manufacturing services firms. Global firms have merged their operations to compensate for an imminent loss of revenues as their patents for top selling drugs expire. Thus, it unveils a huge opportunity for Indian generics. For example, Pfizer's $60 billion buyout of Wyeth, Merck's acquisition of Schering-Plough for $41 billion and Sanofi Aventis' $20 billion bid for Genzyme will lead to massive cost-cutting measures, especially in R&D spends.

The Indian healthcare system has witnessed unprecedented growth over the last few years. However, it has been unable to match the pace of the growing population in the country. The unavailability of hospital beds is a clear indicator of this gap. Against a world average of four beds per 1,000 persons, India has only over 0.7 beds per 1,000 people. Estimations have revealed that about 400-500 hospital projects are under way in the country. Moreover, there are plans to build an equal or larger number of healthcare delivery centres in the next few years too. According to a KPMG report, the healthcare infrastructure spend in India is expected to reach $14.2 billion in 2013. This reflects a 50 percent jump over the corresponding figure in 2006. The steep rise in expenditure is propelled by rising income levels, changing demographics and illness profiles, especially due to a shift from chronic to lifestyle diseases.

Given such a scenario, the need for competent professionals to lead multiple projects—from concept to commissioning and validation, across geographies—is on the rise. It is also expected that these professionals may eventually be entrusted with the responsibility of driving the operations on completion of these projects.

Retention, the key

The private equity space has witnessed an exceptional churn, especially at the top level. With several others expected to follow suit, the challenge of attracting and retaining employees is the key concern in the vertical even as it continues to address the burgeoning issue of fund raising.

BY **Sunit Mehra and Amanpreet Singh**

Welcome to the carousel! It's where the biggies play in the private equity (PE) fairground. If PE professionals turned avant garde in 2010 with the likes of CX Partners and Multiples swinging into action, then 2011 definitely started with a bang! The Sequoia split witnessed the quartet of founding partners—Sumir Chadha, KP Balaraj, Sandeep Singhal and SK Jain—returning to their original venture - Westbridge. To add to the encore, there was a significant movement at the Partner and the Managing Director level too. The poster boy of investment in India and founder of ChrysCapital, Ashish Dhawan announced that he will hang up his boots in 2012. Rajeev Gupta, Managing Director of Carlyle India has quit as did Jasmin Patel, Managing Director of Fidelity Growth Partners. Paddy Sinha, Managing Director of Temasek bid adieu to the company in order to join the newly formed Tata Opportunities Fund as did Rajesh Singhal, Managing Partner of Milestone Religare. The list of such high-profile people movement only gets longer.

The reality of the PE space is that it has become a tight clique; thus every move gets magnified. The industry's opinion is divided on various parameters for the 'round robin', but the consensus is that, in large measures, it is due to the fact that most firms are personality-driven. Other issues include the lack of professionalism at the top, senior professionals driven by ego transparency over carry, lack of importance of the Indian office (in the case of MNC funds) and, of course, the old adage of 'employees leave their bosses, not their jobs' always holds true.

Although such high level people movement is a sign of a maturing market with star transactors receiving more opportunities to exhibit their skills, it is also a sign of caution for others to keep the house in order. Limited Partners' (LPs) confidence on team stability is riding low, given the numerous moves at the Partner and the Managing Director level in the last 18 months. With several personality-led funds present in the market and more making their way, a key challenge for the industry going forward will be 'retention'. Teams that are able to stay together will be eventual winners.

HUNT PARTNERS

Meanwhile the challenges of fund raising continue to exist. This is compounded by the fact that there are close to 1,600 funds in the fray seeking $660 billion worldwide. This represents a scenario of the highest number of managers ever present in the market at any given point of time. The likes of Subbu Subramaniam's MCap Fund Advisors, PR Srinivasan's Exponentia Capital, Rajesh Khanna's Arka, Nilesh Mehta's Access India Advantage Fund and ex-ICICI trio's Pravi Capital are yet to announce the first close on their funds. On the flip side, Tata Opportunities Fund has announced its first close of $450 million against a target of $1 billion while Everstone's fund was over-subscribed and has managed to raise $550 million.

Exits were the theme in the fourth quarter of 2010 and November alone saw 21 exits totalling $689 million. December witnessed the largest ever exit, whereas Actis and Sequoia together made a $500 million profit through the sale of Paras Pharma. The year experienced 164 investment exits with at least eight making losses. This represents an increase over five in 2009 and three in 2008, but also points to an increase in liquidity keeping the LPs satisfied. Several firms exited troubled deals and non-performing assets. On the other hand, there were several big-ticket PE investments - the largest being $1 billion by Bain Capital and Singapore's GIC into Hero Honda. Apax invested $375 million in iGate to facilitate the Patni buyout. This is more than double the $1.5 billion in the fourth quarter of 2010.

PEOPLE MOVEMENT

- **Arun Prakash Korati** has been promoted as Chief Executive Officer at Axis PE after Alok Gupta's exit.
- **Amitvikram Sharma**, Partner, Milestone Religare has joined Aditya Birla PE as Investment Director.
- **Andrey Purushottam**, Chief Executive Officer, Mumbai Mantra has moved to Helix Investments as its Executive Director.
- **Cyrus Driver**, Director and Head Investments at Helix Investments and **Rohit Kapur**, Head, Corporate Finance at KPMG have joined the newly formed Arka Capital started by ex-Managing Director of Warburg, **Rajesh Khanna**.
- Everstone's Executive Director **Sanjay Gujral** has moved to L Capital as Managing Director.
- **Girija Tripathy**, Director at Actis has been appointed by Singhi Advisors as a Director.
- **Harish Gandhi**, Executive Director at Canaan Partners has joined AIF Capital.
- **Rahul Khanna**, Managing Director of Clearstone Venture Partners has moved to Canaan Partners as Managing Director.
- **Raj Chinai** left SVB India Capital Partners to join IndoUS Venture Partners as Principal.
- **Ranjeet Nabha** has quit from his position as Head India at Wilbur Ross to raise his own fund.
- **Raul Rai**, Managing Director at General Atlantic Partners has joined Fidelity Growth Partners as Managing Director.
- **Vibhav Parikh**, Associate at TPG Growth has moved to StanChart PE as Associate Director.

In the last decade, the industry has seen dizzying heights and survived abysmal lows; however, the PE firms have continued to gain respect from LPs and promoters, enabling the sector to become more than just a provider of capital.

On a high rise

Statistics indicate that the real estate sector has a bright and promising future in India. The demand for residential and commercial spaces is on an upswing, and several big names in the financial realm—domestic and international—are venturing into the housing market with a gamut of products and investments.

BY SUNISHI GABHAWALA

The real estate sector is one of India's focal areas of development. While burgeoning home sales have contributed significantly to the growth of the industry, the development and sale of commercial/non-residential complexes have also vastly improved. Most property analysts predict a continuation of this trend with stronger demands in the future. Statistics indicate that an estimated shortage of 26.53 million houses during the Eleventh Five Year Plan (2007-2012) combined with increasing disposable incomes and expanding cities will ensure sustained growth in the domain for the next decade. More availability and easier access to housing finance, and the perceived stability in real estate as an asset class, will provide a further fillip to the sector.

According to Cushman & Wakefield estimates, the hospitality domain is expected to garner around $11 billion in investments in the near future, and the demand for office space across the country is expected to peak at 240 million sq ft by 2014.

The financing of property construction has steadily moved away from debt and towards equity. Private equity investing opened up in 2005, following the relaxation of FDI norms in the industry by the Government of India. Domestic players like ICICI, HDFC, Kotak and IL&FS raised funds ranging from $350-700 million. Foreign names soon joined the bandwagon. By 2006-07, Goldman Sachs, Lehman Brothers, Merrill Lynch and JP Morgan had started deploying funds in India out of their respective Asia Real Estate funds. Once the FDIs began to open up, almost every financial institution began to flood the market with equity-based, structured finance products for retail investors – akin to mature markets. Now, investing in the real estate sector spans the entire capital structure – mezzanine finance, structured finance, preferred private equity, project-based funding, and pure private equity with listed and unlisted developers.

India's high-growth real estate market became a playing field for retail investors once SEBI decided to allow the implementation of real estate mutual funds. Active asset management companies in the sector include ICICI Prudential and HDFC AMC.

PEOPLE MOVEMENT

- **Ambar Burman**, Vice President, Operations and Project at Global Realty Ventures, has joined Royal Palms as General Manager.
- **Madhusudhan K** has stepped down from the Chief Financial Officer position at Prestige Group to start his own financial advisory firm.
- **Charles Hayward** has moved from Lifespace Hospitality Ventures to RE/MAX as Business Associate.
- **Anandjit Sunderaj** has joined KARVY Realty as Chief Executive Officer from ICICI Ventures, where he headed Investments in Real Estate.
- **Shahzad Madon** has moved from ICICI Prudential AMC to Reliance ADA Group to set up a fund.
- **Rahul Rai** has joined ICICI Prudential AMC as Head, Real Estate Investment, from SUN-Apollo Real Estate.
- **Balaji Rao** has left Starwood Capital last year to set up his own fund – India Capital Advisors.
- **Ashutosh Pathare**, Vice President, Corporate Strategy, has quit K Raheja Universal.

The collapse of Bear Stearns and Lehman Brothers brought real estate investing, especially by foreign funds, to a grinding halt. Funds like Credit Suisse First Boston, Actis, UBS and Goldman Sachs have since closed shop. The year 2010 witnessed the return of investing in the sector; the action is primarily with domestic funds. Between January and September 2010, 32 deals worth $1.28 billion were registered, including 13 deals in non-residential projects – a 50 percent increase in value over 2009.

The last six months have seen a positive comeback as well. Red Fort Capital has been visible with an Rs 200 crore equity plus convertible debenture investment in Ansal Properties, to develop a 108 acre residential township project in Gurgaon, Haryana. The fund has also committed Rs 809 core in a Parsvnath Delhi SPV.

On the divestment side, funds have found commercial properties more saleable. HDFC Property Ventures is selling its investment in Manyata Business Park—a technology export zone—back to Embassy (the developer) for Rs 490 crore. Thus, it is returning 133 percent on a five-year-old investment. Nitesh Estates bought back the 50 percent stake held by HDFC Property Ventures in its Bangalore mall project.

The selling side includes exits to secondary investors as well. Tata Realty acquired Peepul Tree Properties (IT/ITeS Park in Mumbai) from Kotak Real Estate Fund for an enterprise value of Rs 525 crore. Godrej Properties bought realty firm Udhav GK-Realty from HDFC Realty for Rs 129 crore. HDFC Realty had invested Rs 51 crore in the company four years ago.

Given the rather cautious investor sentiment in the sector and depressed valuations, funds are challenged to use the IPO route to exit. Although Oberoi Realty's IPO was arguably one of the most successful in 2010, Morgan Stanley, which invested in the developer in 2007, consciously refrained from diluting its investment in the company.

Countering pricing pressures

The FMCG industry has witnessed an upsurge in sales fuelled by increasing consumer demand. However, the sector's prime focus is on managing the price points of products, which is challenged by heightened raw material prices and ad spend.

BY **Yogesh Chopra**

The FMCG sector has reported robust growth due to strong consumer demand. However, rising raw material prices and increased advertising expenditure are likely to put pressure on margins. The sector witnessed an average of 20 percent increase in revenue during the quarter ending December 2010, compared to the corresponding period a year ago. Festivals and a good winter have been the main factors strengthening consumer demand for the industry's products. Since most of the companies have selectively raised the prices of their products, the growth in revenue is likely to be driven by a mix of volume and value.

In the consumer goods industry, the raw material costs generally account for about 40 to 50 percent of a company's turnover. The price hike in the primary raw materials such as sugar, wheat, milk, coffee, tea and copra is likely to make a dent in the profitability of these companies. The steady rise in crude oil prices has also added to the concerns over margins, as packaging costs may shoot up. To combat this, most companies have raised prices. However, due to the economies of scale the large players are in a better position to counter these challenges.

In the December quarter, the marketing and promotions spend has seen a steep rise. Apart from advertising through mass media, the companies have also been spending on ground level (below-the-line) marketing activities. It has been estimated that the ad spends will be in double-digit percentage of the companies' net sales.

Rising inflation may cause a slowdown in consumer spending, due to which sustaining volume growth can become challenging for companies. To address these challenges and successfully achieve the balancing act, the companies may adopt strategies focused on efficient supply chain management and vendor relationship, strong distribution network, innovative product portfolio and provision of products across various price points. These are some of the critical areas that need to be focused upon to achieve sustainable success for the leadership talent in the consumer goods industry. However, due to the rising input costs, many local and regional players have

Growth rate of FMCG Majors

(Figures in Rs Crore)

	ITC	Hindustan Unilever	Britannia Industries	Dabur India	Godrej Consumer
NET SALES*					
Dec-09	13250.63	13345.09	2482.22	2555.75	1536.76
Dec-10	15508.26	14768.59	3096.19	2994.82	2595.81
% Chg	17.04	10.67	24.73	17.18	68.91
NET PROFIT*					
Dec-09	3032.78	1620.83	135.54	367.78	247.8
Dec-10	3706.13	1736.84	102.04	421.59	366.26
% Chg	22.2	7.16	-24.72	14.63	47.8

* Trailing nine months ending December, 2010

Source: Business India

found it difficult to compete against established players on the pricing plank. This has propelled several consumers to shift from unbranded products to branded ones as the price gap has watered down. Britannia reported a decline in profits while Hindustan Unilever recorded single digit growth. The number for Godrej Consumer could be attributed largely to recent acquisitions. As reported by Booz & Co, the FMCG industry is expected to grow at a base rate of at least 12 percent annually to become a Rs 400,000 crore industry by 2020, from the current Rs 130,000 crore level. Consumer goods players are actively pursuing inorganic growth opportunities to chart their future path, more specifically in markets like India, China and Russia. Consolidation of smaller companies to improve production and product pricing is the main factor driving the rise in M&A deals. Large Indian players such as Godrej, Dabur and Marico have made multiple acquisitions across Asian and African markets. And the opportunity presented by the Indian consumer goods market has garnered significant interest from most large international retailers such as Wal-Mart, Tesco and, most recently, Carrefour. The BMI India Retail Report for the first quarter of 2011 forecasts that total retail sales is expected to grow from $392.63 billion in 2011 to $674.37 billion by 2014. The key factors driving this estimated growth are the strong underlying economic growth, the population expansion, the increasing wealth of individuals and the rapid construction of the organised retail infrastructure. The expanding middle and upper class consumer base are expected to present opportunities in India's tier-2 and tier-3 cities.

According to a report titled 'Expanding Opportunities for Global Retailers', by AT Kearney, India's retail market is expected to be valued at about $410 billion, with 5 percent of sales coming from organised retail. Hence, the opportunity in India remains vast. It also states that the retail market should continue to grow rapidly to attain the $535 billion mark by 2013, with 10 percent contribution from organised retail. The report further predicts that this growth will be reflected by the demands of a fast-growing middle class for higher quality shopping environments and stronger brands.

PEOPLE MOVEMENT

- **Manu Anand** has moved from Chief Executive Officer at SE Asia of PepsiCo to Chairman and Chief Executive Officer, PepsiCo India.
- **Rakshit Hargave** has joined as Managing Director, Nivea India, moving from Chief Operating Officer, Lakme Lever.
- **Sangeeta Pendurkar** has moved to Kellogg's India as Managing Director from Vice President, Strategy at Coca-Cola, India.
- **Arvind Nair** has accepted the role of Operating Partner at India Equity Partners. He was earlier Head of DLF Retail Business.
- **Satendra Aggarwal** has moved from his capacity as Executive Director, North at PepsiCo to Chief Executive Officer, Supermarkets at Aditya Birla Retail.
- **Kannan Sitaram** has been appointed as Operating Partner at India Equity Partners. He was Chief Operating Officer at Dabur India.

Source: Economic Times, Business India

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Banking beyond borders

The wholesale banking industry has been witnessing a continued upward growth with most banks focusing on tapping this market – local as well as global. As several cross-border deals are being signed, Indian banks are eyeing to expand its footprint in the global arena.

BY SURESH RAINA

The Wholesale Banking and Trade Finance business has continued to deliver strong results while being the preferred focus area for banks. The wholesale banking business is evenly constituted by corporate finance and Institutional Equities, Transaction banking and Markets (Treasury) businesses. The financial markets are taking long strides year-on-year against the backdrop of tighter spreads. At the same time, client's income has been growing at double digits. Corporate finance has also been performing well with many projects in the pipeline.

We have made certain observations in the wholesale banking sector:

- **Financial performance:** HSBC has registered an 82 percent rise in its pre-tax profits from Indian operations at $679 million (Rs 3,046 crore) with its prime focus on the wholesale trade finance and high-end individual banking. India has emerged as the world's top profit centre for StanChart Bank. Profit before tax of StanChart's Indian operations touched $1.2 billion (Rs 5,386 crore) in 2010 increasing by 13 percent from the corresponding period in 2009.
- **Market landscape:** Besides the big three players (Stanchart, HSBC and Citibank), the mid sized and small banks – DBS, ANZ and Société Générale-are ramping up the corporate banking business by hiring senior talent from outside the industry. The focus is on local and large corporates and the higher end of mid-level corporates. After setting up operations, the new banks are looking at providing facilities for cross-border trade.
- **SME business:** There is an increasing amount of focus on the fast growing SME business, owing to its appetite for growth and consequently for funds. It also means that huge opportunities are underway in tier-2 cities, allowing entry to these markets.
- **International expansion:** Indian banks are looking at global expansion in order to tap the Indian companies overseas, especially in geographies such as Africa, Southeast Asia and the Middle East. The increasing number of cross-border deals requires an overseas presence (in close proximity with

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PEOPLE MOVEMENT

- **Sandeep Uppal** has moved from HSBC Mauritius to HSBC India as Head of Commercial Banking.
- **Rakesh Bhatia** has joined HSBC as Global Head, Trade and Supply Chain.
- **Anil Salvi** has left RBS Bank to join JM Financial as Corporate Head, Human Resources.
- **S Ramakrishnan** has moved from HDFC Bank to HSBC as Head of Distribution.
- **Renu Vijayanand** of Credit Agricole has been appointed by ANZ bank as Head Human Resources.
- **Nilesh Shah** has moved from ICICI Prudential AMC to Axis Bank as President, Corporate Banking
- **Jesse Bhattal** has become the Chief Executive Officer of Wholesale Banking at Nomura.
- **Puneet Chadha** has joined HSBC AMC as Chief Executive Officer.
- **Rajesh Ravindran** and **Indranil Pandit** have joined DBS Bank in the Corporate Banking segment.
- **Manish Shroff** joined ANZ bank and Tejas Gorasia joined Société Générale.
- **Surya De** and **Vijay Bhatter** have joined Commonwealth Bank of Australia and **Ashish Kapur** has joined BNP in Trade Services and Corporate Banking.
- **PD Singh** has joined JP Morgan Bank.

the clients) – either by raising resources or setting up operations. The ability to fund the overseas requirements can be achieved through creating overseas balance sheets. The Indian banks are expected to focus on building their overseas operations.

- **Regulatory environment:** Today, although a foreign bank is allowed to set up its subsidiaries, it operates in India through a branch network. The RBI will soon make it mandatory for foreign banks to operate only through wholly owned subsidiaries. A bill—to liberalise banking rules is being introduced in the parliament— will allow shareholders to receive voting rights aligned to their equity holding, while banks will be allowed to raise money using additional instruments like preference shares. A slow development towards further liberalisation of the banking sector is likely to be seen.
- **Raising capital:** Few foreign banks are investigating the possibility of public listing on the Indian bourses; such as an Indian Depository Receipt. The benefit of such a listing is the access to the capital that would further boost the capacity to take up local business. It also helps in entering the Indian market.
- **Loan syndication:** Using long-term relationship, institutions and treasurers convince insurance companies, mutual funds and banks to offer loans to corporates. Thus, they will contest intensely for the Rs 3,00,000 crore loan syndication market. This intermediation business helps institutions earn a decent fee income without setting aside much capital. Later, in order to lower their own risks, they down sell most loans or bonds.
- **Alliances:** With the growing cross-border deal volumes, tie-ups are becoming a strategic move to jointly pursue M&As, joint ventures and banking opportunities. Yes Bank and Shinsei Bank of Japan signed an agreement to advise companies on cross-border deals. Kotak Bank has alliances in Japan and Russia, Ambit Finance has an alliance with Société Générale and FirstRand bank has partnered with JM Financial for South Africa.

ABOUT HUNT PARTNERS

Hunt Partners is a leading boutique Asian executive-search firm. The firm was founded in 2004 in Hong Kong and Mumbai, and it has since grown to establish four direct offices across the region. Prior to coming together to start the firm, the founders had successful careers as corporate general managers, executive search consultants and entrepreneurs. The firm has witnessed rapid growth of people, offices, industry practices and revenue, and is now repeatedly recognised within the top 10 retained search firms.

Hunt Partners is a uniquely structured firm, being the only reputed executive-level search firm operating through an integrated structure of directly-owned and managed offices. As a true partnership, all the firm's Partners have ownership and are committed to fostering an environment that produces results and therefore a solid reputation.

Hunt Partners operates from principal offices in Beijing, Hong Kong, Mumbai and Shanghai. The firm also has an exclusive relationship with Paul Lawrence Associates, a Cleveland, OH headquartered executive search firm. Future plans include continued expansion via new offices in South East Asia and West Asia, and a continuously expanding partnership.

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