The duo that trains pilots to aim for the sky

Flight Simulation Training Center (FSTC) in Gurugram hopes to be the first private hub for pilot training in the subcontinent

ANJULI BHARGAVA
New Delhi, 16 March

In 2011 two pilots — Captain Sanjay Mandavia and Captain Dilawer Singh Basraon — noticed a growing gap in India's aviation market. The country had no shortage of commercial pilot licence (CPL) holders poised to join an airline or an air operator, but there was an acute shortage of skilled, type-rated pilots with the certification to operate a particular type of aircraft.

Apart from the simulator-training programme run by Canadian firm CAE Inc in Bangalore, CPL holders had few options to get type-rated in India. The training at CAE was quite expensive as well. So most pilots headed abroad to get the certification.

However, the problem of obtaining an overseas type-rating was that when they came back, the pilots often didn't get the final clearance from the Directorate General of Civil Aviation (DGCA) as the body was unconvinced of the quality of training they had received. Sometimes the airlines too were not fully satisfied with the skills of these newbie pilots. In such cases, DGCA mandates further training.

Mandavia and Basraon felt that setting up a domestic training facility for pilots to get type-rated made sense. First, its credentials could easily be verified by both the DGCA and the airlines. Second, given the rapid growth in India's aviation market, the demand for skilled, type-rated pilots would only go up. Besides, another captive segment was waiting to be tapped. A large number of pilots from the Indian Air Force come into the commercial sector, and there was a growing need to train them to operate civilian aircraft.

In 2012, the duo took the plunge and set up the Flight Simulation Training Center (FSTC), the country's first privately held simulator training centre. They acquired two simulators — one for the B737 NG and another for the A320. They took a one-acre plot on the Delhi-Gurugram national highway and 50,000 square foot was built up to house the simulators.

A year later, another private simulator facility came up in Greater Noida — a tie up between IndiGo and CAE, which now has five A320 simulators. But when it started, FSTC was a trailblazer of sorts.

Today, FSTC has five simulators (a sixth is on its way) at its Gurugram centre. This includes one each for the B787, the ATR 72-500 and the ATR 72-600. Some of the ATRs may be replaced by A320, depending on the market situation and demand. The centre also trains some Navy pilots and a portion of the space is leased to Mahindra Defence to train Air Force pilots in conjunction with Boeing.

FSTC is now building a second training facility in Hyderabad with eight bays for simulators. A Q400 simulator and a new A320Neo simulator are expected to be installed there soon.

The Q400 simulator is likely to train pilots from neighbouring countries such as Nepal who would otherwise go to Canada for training. The Hyderabad facility, located near the airport, will be fully functional by the middle of this year, and new simulators will be added to it based on the perceived demand. Currently, 200 pilots are being trained in Gurugram annually. Once the Hyderabad centre is in operation, a total of 350 pilots would be trained at the two centres every year. The total capacity of FSTC will be taken up to 14 aircraft.

A year-long training course at FSTC typically costs between ₹18 lakh and ₹20 lakh

FSTC recently put out an advertisement inviting CPL holders to apply for its type-rating training. It received 1300 applications within a month. "This gives you an idea of the extent of the shortage of training facilities," says Jati Dhillon, a former commander and now a trainer with FSTC.

A year-long training course at FSTC typically costs between ₹18 lakh and ₹20 lakh. Mandavia and Basraon say that their training is cost-effective and hence attractive for pilots from the entire region.

Until a few years ago, the US, Europe and Middle East were witnessing a glut of pilots and commanders. But the situation is now changing, says Basraon, who expects more Indian pilots to seek opportunities overseas in the future. "Instead of people leaving India to go abroad to train, we want to set up a hub of training here in India which attracts pilots from overseas," he says. "The Prime Minister says 'Make in India' and FSTC says 'Train in India'," he adds.

Although the initial equity was brought in by the two founders, the company now has some private equity funding and has been supported by a couple of Indian banks as well. FSTC hopes to go public at some stage to meet its funding requirements.

FSTC has also gone in for backward integration recently. In 2018 it acquired a defunct flying school in Vadodara, which will produce its first batch of CPL holders this year.

One of the problems of the aviation sector in India is that although the country has 30-odd small flying schools, there are very few quality schools with highly trained instructors. "Finding aircraft is the easy part. The real challenge is finding the right instructors and retaining them," remarks Basraon.

Basraon and Mandavia seem to be doing a fine job of that — and of training pilots to claim the skies.

The series is concluded.

HDFC BANK JOINS $100-BN M-CAP CLUB

Private sector lender HDFC Bank has joined the $100-billion market capitalisation (M-cap) club. Including the value of its American depository receipts (ADRs), the Mumbai-based lender's market value currently is $101.6 billion.

Only Reliance Industries (M-cap $123 billion) and Tata Consultancy Services ($108 billion) have higher market value. At fourth and fifth place are consumer goods companies Hindustan Unilever and ITC, with market cap of $55 billion and $53 billion, respectively.

India now has three companies in the global top 100 list in terms of market value. Reliance Industries (RIL) ranks 72, Tata Consultancy Services (TCS) is at 86 and HDFC Bank at 99.

Both RIL and TCS first crossed $100 billion in market cap last year, but a correction in the markets and a fall in the rupee saw both slipping below the $100-billion mark in October. However, a sharp rebound in the markets and the rupee helped reclaim the mark.

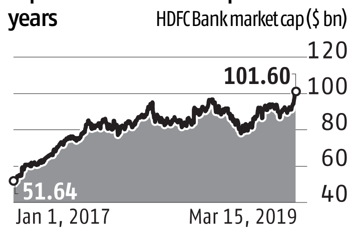
The market cap of HDFC Bank's local shares is $87 billion. But, the bank has an active ADR programme, where its shares trade at a 15 per cent premium to the value of its local shares. The bank had last year raised ₹15,000 crore in equity, a large part of which came through the ADR issuance.

SAMIE MODAK & MAYANK PATWARDHAN

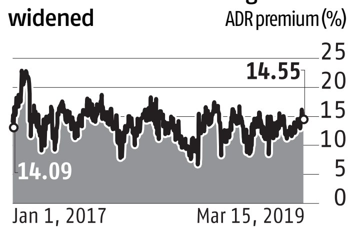
INDIA'S $100-BN CLUB
HDFC Bank is the latest to join the club

	India rank	Global rank	M-cap ($ bn)
RIL	1	72	123
TCS	2	86	108
HDFC Bank*	3	99	102

SKY ROCKET
The private sector lender's market cap has doubled in the past two years



GLOBAL APPEAL
The premium of HDFC Bank's ADR to its local shares has once again widened



Note: *Includes ADR market cap; data as on March 15
Source: Bloomberg, Exchanges

Basu slams forces working to destroy India's reputation

Ahead of the Lok Sabha elections this year, Indian economist and former chief economic advisor Kaushik Basu has said there were forces at work in the country to destroy global respect for India's openness and tolerance.

"India commands a huge global respect for its policy of openness and tolerance. There are forces at work in the country that want to destroy this and make us in the image of failed nations," said Basu during his speech at the 54th convocation for the outgoing batches at the Indian Institute of Management, Ahmedabad (IIM-A).

Reiterating the 108 Indian and foreign economists and social scientists' concerns over political interference in statistical data in India, Basu also called for making data available even when it was critical of the government.

VINAY UMARJI

Eris' acquired portfolio moving in a slow lane

VINAY UMARJI
Ahmedabad, 16 March

Some of the acquired divisions of Eris Lifesciences, the Ahmedabad-headquartered pharmaceutical company, have seen either deceleration or losses in recent times.

Also, overall sluggish growth in central nervous system (CNS) and neuro products in the industry has meant marginal growth for Eris' Strides division last month.

After growing organically for almost a decade, Eris had made four acquisitions of distressed businesses in a couple of years, expecting to turn these around. Between 2016 and 2017, it acquired the domestic business of Strides Shasun for ₹500 crore; it also bought Amay, Kinedex and UTH Healthcare.

As a result, some of the therapy areas it had bought included neurology, women health care, pain-analgesics, cardiovascular and anti-diabetic portfolios.

It has been able to move key products from Kinedex and UTH to its flagship Eris Lifesciences division. However, the neuro portfolio of Strides has performed less than the industry. According to data from AIOCD-AWACS, the market research wing of the All India Organisation of Chemists and Druggists, Linedex and UTH fell 33 per cent in moving annual turnover (MAT) value for February 2019, as against February 2018,

Overall sluggish growth in central nervous system and neuro products in the industry has meant marginal growth for Eris' Strides division last month

The Eris Lifesciences division grew 11.4 per cent to post a MAT of ₹912 crore in February. Strides grew 3.6 per cent to ₹199.6 crore. Kinedex and UTH fell 33.3 per cent and 33.6 per cent, respectively, to ₹46.8 crore and ₹29.2 crore.

Contrary to analyst expectations, CNS as an industry segment had decelerated from 25-30 per cent growth to 10-13 per cent. Eris has also seen its Strides division post single-digit growth in February.

"CNS growth has come down drastically in the past two-three months, from 25-30 per cent at some point of time earlier. With Eris just stepping into the segment, one can't expect them to immediately do better. Rather, one needs to give Eris at least two years to get some foothold. Plus, the product Eris received from Strides is smaller in terms of market size," Surajit Pal, research analyst at brokerage Prabhudas Lilladher, told *Business Standard*.

As for the fall in Kinedex and UTH, analysts reckon it might not be so detrimental to Eris, as it had moved key products from these acquired divisions to its flagship one. An e-mailed query to Eris Lifesciences remained unanswered.

"Eris has already shifted key products from Kinedex and UTH. The point of acquiring them was to synergise their portfolio in the orthopaedic and women's healthcare segments, where they want to create a completely new portfolio. Kinedex and UTH are not supposed to give them huge growth. Given that their contribution in the overall scheme of things is less, their pressure on Eris' margins is also low," Pal said.

Kinedex also fell in the December quarter by almost 30 per cent; for the first nine months of this financial year, it fell 18 per cent. Amit Bakshi, chairman of Eris, had earlier said the acquisition would take another quarter to see growth on expected lines.

"Kinedex specifically for this quarter has not done well and we had more of some inventory issues. That is how there was some realignment in the portfolio and there were some products which we had to readjust with FSSAI (regulator) guidelines. In the coming quarter, this will do well," Bakshi had said.

The anti-diabetic and cardiac portfolio bettered industry growth at 15.9 per cent in February; the latter grew 12.7 per cent. At 7.3 per cent growth in MAT value for February 2019 over February 2018, the neuro/CNS portfolio grew lower than the industry average of 10.2 per cent.

Eris' third largest portfolio, of vitamins/mineral/nutrients, fell 0.16 per cent as against industry growth of 9.2 per cent. Its gastrointestinal and gynaecological segments fell nearly 1.9 and 6.9 per cent, as against the industry average of 9.1 per cent and 8.5 per cent, respectively.

Pal attributed the numbers to overall slowdown in growth. Adding: "Generally, these guys disclose primary sales and not secondary sales to retailers and distributors. So, there would be some lag in the (full) data."

'If policy makers don't keep a vision beyond lowest price of power, the industry can't sustain'

Mytrah Energy Chairman **RAVI KAILAS** to **B Dasarath Reddy** on the country's renewable energy (RE) sector and insights from his company's journey. Edited excerpts:

Your vision was to build 5 Gw of RE projects in India. What do you now think of that goal?
I think it will be greater than that. When we started in 2010, the whole industry size was 10 Gw and the industry outlook was that we grow to 30 Gw in four or five years. Now, we are talking about 300 or 400 Gw of capacity. You might achieve only 100 G2 but that is still three times of what we anticipated a few years ago. So, our vision and ambitions will grow along with the rest of the industry.

Your journey so far?
When we began, average ownership size was less than 1 Mw. We were the first player to say we want to build big scale and create an industry out of it. Till then, almost all the players received finances on a parent's balance sheet. We had over 3,000 owners of that 10 Gw — it purely an accelerated depreciation-based business.

One of our goals was to create scale and a second was a different business model. We succeeded in both. We created a fairly unique business model, where we were involved in almost all aspects of projects. We have also been unique in that we are now probably one of the largest among privately owned companies, unlike most peers. We have no significant external shareholders; our sponsors own almost 95 per cent. This also allowed a lot of entrepreneurial decisions; this is still an entrepreneurial phase. The industry is to resolve some basic issues.

Has profitability been a constraint in growing fast?
We have 42 projects, 17-20 wind energy ones and about 20 solar sites. I don't think there is a single project where we have under-performed on generation or revenue. They are all extremely profitable. In the nine years since we started, we have not defaulted on one debt repayment and this is unique in the infrastructure industry generally in India. We have dealt with 30 banks, and drawn and repaid ₹15,000 crore.

The past two years have been very different but the idea that of the incremental assets that had been built, we should have a significant share, still holds good.

Power availability has gone up in some regions; some states are now counted as power surplus. Has the recent slowdown got anything to do with this changed supply-demand equation?
This power surplus only means you have more power than you have contracted. It doesn't mean you are surplus to what is the need for society. The actual demand for power is far greater than where we are today. It is hard for us to even imagine how much more power we require. We require another 1,000 Gw to satisfy even current demand. I would say the industry is poised for the biggest growth ever in the next five to 10 years, more so than the past five to seven years.

The industry has had a slowdown for some reasons. Those who had bid low (to win projects or contracts) were not able to get loans. If project viability is in question or you have difficulties in realising dues, lenders say they want more cushion in terms of the debt to equity ratio. The past few sanctions have come at 50:50. Who will put 50:50 equity if you don't get that kind of return? Also, the lending in India has been constrained in the past one year, as we have an almost non-existent debt capital market.

How, then, is the industry coping with power (payment) dues?
Our cycle with the discoms (distribution companies) is that they have to pay us in 35-45 days. If they pay after one year, what do you do? So, the industry had no recourse against its only counter-party. In fact, you have no choice for 25 years (the normal power purchase agreement or PPA period), unless the counter-party is held accountable. There are cases already where people have not been paid for 18 months. If the whole industry is not going to get paid, it has larger implications than simply those 5-10 companies.

It is also a serious issue facing the banking system, as a large part of the lending book in India is (for) energy. The receivables have become so large, ₹35,000 crore to ₹45,000 crore. The central electricity regulator is acting on these and other issues.

Has this situation impacted the repayment ability of RE companies, too?
We have been able to service the loans because renewables, fortunately, are a high Ebitda (operating earnings) margin, as high as 90 per cent. Which means that even if you are paid a little bit late, we can pay (loans). But, you are using cash that you would have used traditionally for building new projects, not for servicing these loans.

So, it has given some cushion for the industry to hold on for a little bit but it won't protect us if people are still being extremely aggressive. But., overall as an industry, I would say it has had one of the least default track records for almost 25 years.

Will the industry be able to strike a balance between competition and viability in future auctions?
Over the past six months, prices have been trending up but this ₹2.8-₹2.9 (a unit) that they are achieving in auctions is still not viable enough. We need at least over ₹3 or ₹3.20 to get viable. Half the bids in the past six months have been cancelled because there were no bidders. If policy makers don't keep a vision beyond the lowest price of power, the industry cannot sustain.

Andhra Pradesh is seeking revision of renewable energy PPAs, citing the lower prices being quoted by the same developers in auctions. How do you view this?
Fundamentally unfair. You have every right to say that in future I am not going to give any more contracts but you can't go back and change with retrospective effect.It was not only a party to party contract but was considered a contract with the state, based on which the projects were funded. It is a contract based on a particular moment, based on your financing conditions at that time, and these are not small amounts.

You are talking of ₹40,000 crore of investment in Andhra where you are now saying, 'No, no, can we please renegotiate?! If this becomes the norm, the industry will suffer. We will have power cuts. We don't have growth in thermal energy and large scale hydro is almost impossible in India. RE is growing, a little bud has come but you can cut it (off). Luckily, the courts have completely ruled against this. The CERC (central sector regulator) has written very strongly, saying this also makes no sense for the state.

Everybody starts as a private entity and then goes for an IPO (initial public offer of equity). With Mytrah, it was the opposite. You withdrew listing on the London Stock Exchange and you have also decided not to go for an IPO in India. Why?
This is to do with market conditions. If you see the Indian market, there is still no large RE play for the same reasons and issues we mentioned earlier. It's easier for more sophisticated private investors to take a longer-term bet on the industry.

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RCB partners Israeli tech firm

Interacting Technology Sports is helping Bengaluru-based team build a platform to engage with fans

PEERZADA ABRAR
Bengaluru, 16 March

Ahead of the Indian Premier League's (IPL's) 2019 season, Royal Challengers Bangalore (RCB) has partnered an Israeli firm for building a technology platform to engage with fans and also get an edge over its rivals.

RCB captain Virat Kohli (*captain*) at the event on Saturday

Virat Kohli-led RCB has formed a strategic alliance with Interacting Technology Sports to place fans at the centre stage and unite them on an innovative digital community platform. This includes RCB mobile application where fan groups and communities from varied parts of the country support the team not only during the season but throughout the year.

"I met RCB months back and we discussed a lot about their values, what they wanted to promote and how they wanted to (engage) with fans as a brand and I felt it is a nice project," said Liav Eliash, chief executive of Interacting Technology Sports. He said although Israel is a small country, cricket is very much popular there. Eliash said his firm is also offering technologies such as data analytics and machine learning to help RCB understand the rival teams better and get a competitive edge.

The new platform unveiled by RCB would enable fans to follow each other and post, like and share each other's thoughts about the team. Fans will be able to discover new content, interact with the players and influencers.