Opinion

WEDNESDAY, MAY 22, 2019

READING THE TEA LEAVES

BJP leader Baijayant Panda

"...you cannot pick and choose exit polls depending on whether it suits you or not... exit polls can be wrong and we have to wait for the final result on May 23 but all the results cannot be wrong"

Even if Modi comes back, the market is too costly

With corporate earnings so disappointing, and no sign of an early recovery, it is not clear why the markets are so cheerful

WHILE THERE IS some premium to be paid for a stable government, the stock markets have run well ahead of themselves. There is no reason markets should be trading at such expensive valuations when corporate earnings are so poor; for a universe of 608 companies (excluding banks and financials), net profits in Q4FY19 fell 15.2% year-on-year (y-o-y) on the back of a revenue growth of 11.7% y-o-y. Excluding RIL and TCS, the net profits were down 22% y-o-y, with revenues up just 10.3% y-o-y. The results tie in with the data—subdued sales of cars and two-wheelers, muted demand for electricity, and a contraction in factory output in March. Even volumes of staples are slowing.

The problem is the Street has consistently over-estimated earnings for some four years now. Even for FY19, estimates were earlier pegging growth at 20%-plus whereas the reality has turned out to be quite different. Consequently, as earnings under-performed expectations, the broader market too under-performed. Before last Friday's rally, a whopping 80% of stocks with a minimum market cap of ₹1,000 crore had lost value over the past one and a half years.

Many would argue, and very rightly, that stock markets price in the growth in future earnings. On the low base of FY19—earnings will grow by just about 13%—the growth in earnings in FY20 is now estimated to be a robust 22%-plus. Apart from the benefit of a low base, corporate India has little going for it. Unless private investment picks up, consumption can't get too much of a boost since government can't spend beyond a point. But, unless there are clear signs of a pick up in demand, the private sector is not about to add capacity. In any case, there is some production capacity available via the inorganic route, which typically doesn't create more jobs. Sectors such as real estate and construction need to be revived before we can see a big revival in demand. The routine government expenditure of around ₹22-23 lakh crore can take growth and consumption only up to a point. Tax collections will be under pressure in FY20 given how the economy is slowing sharply—GDP is expected to clock only 6.5% y-o-y in Q4FY19. Again, there are those that have pointed out that some of the moderation in consumption has been caused by the lack of credit post the NBFC crisis and that once liquidity is available, demand will see a rebound. That may be true, but purchasing power comes from well-paying jobs and the confidence that those incomes will continue. RBI noted recently the increase in household savings has been slowing since incomes are not growing fast enough. The fact is that the twin balance sheet problem has taken a huge toll on the economy, and it could be another two-three years before corporate leverage returns to manageable levels. In that process, some more wealth will be destroyed, and a few more companies will close down. As for state-owned banks, given the NPA cycle isn't over yet, they will find it tough to gather growth capital without which they can't lend. In the meantime, high crude oil prices and sluggish exports will keep the economy in the slow lane. If, after all this, India is one of the most expensive markets in the world today, trading at just under 19 times the one-year forward earnings, one can only assume investors are willing to wait it out.

MeToo and Crying Wolf

Anonymity protects survivors, but allows for fake complaints, too

BATTING FOR GUARDING against fake MeToo complaints, the Delhi High Court said last week that the campaign shouldn't become a "sullying YouToo" campaign. The court said this while granting a stay on the republication of articles detailing sexual harassment allegations, made by anonymous complainants, against the managing director of a media company. To be sure, the MeToo campaign has been a powerful tool for victims of sexual harassment in the professional sphere to seek justice as part of a collective. The naming and shaming of powerful perpetrators is leading to social censure and forced departures from the offices they occupied. It has also ensured that the pressure on individual victims choosing to take the "due process" route and the threat to their careers is somewhat mitigated. Take, for instance, the allegations against former Union minister MJ Akbar. At the same time, it is making organisations rethink hiring of women—a *Bloomberg* article from December last year talked about how reduced or zero hiring of women has become an unofficial policy among some Wall Street firms that believe MeToo has created a sense of "walking on eggshells" and hiring a woman was an "unknown risk". That may be a ridiculous reaction—why aren't these firms wary of hiring men who could be potential harassers or adopting a stricter view on sexual harassment instead of nailing the responsibility on the victim? But, the Delhi HC has it right to the extent that anonymous complaints allow for false complaints.

In many cases, the cover of anonymity has been used to malign people—the fact that the allegations later proved baseless notwithstanding, the damage to their reputation is no small cost to pay for the success of the MeToo movement. The perception that MeToo comes with a "YouToo sullying" risk is something that seems to have increased with the flood of MeToo survivor stories. A poll conducted in the US by YouGov for *The Economist* showed that, in September 2018 over November 2017, more men and women—irrespective of political persuasion—believed that false accusations were a bigger problem than unreported cases of assault and that women who complained about sexual harassment caused more problems than what these complaints resolved. These are both problematic assertions—organisations working on sexual violence in the US estimate that more than 60% of sexual harassment cases go unreported, and 2-10% cases are falsely reported—but, thankfully, the proportion of respondents holding these beliefs was in the minority in the overall pool. Another study, by the Stop Street Harassment, a non-profit, and the UC San Diego Center for Gender Equity and Health shows that, in the US, following the MeToo campaign taking off, the incidence of sexual harassment didn't go down, but the incidence of reporting went up sharply. Also, while 30% of the respondents in the study reported perpetrating sexual harassment or assault, only 2% men and 1% women said that they had ever been accused of these abuses. The disproportionate focus on fake cases can be neutralised and fake cases, however small in number, eliminated only if survivors come out in the open to name their perpetrators. There may be some backlash in the form of litigation and denial of opportunity, but that will be a small price to pay to keep the MeToo ethos—organising to hold perpetrators accountable and encouraging more survivors to make themselves heard if they have been failed by "due process".

MeltDOWN

The Satluj Basin is set to lose more than half of its glaciers by 2050, thanks to the unfolding climate catastrophe

A STUDY CARRIED OUT by scientists from Divecha Centre for Climate Change, at the Indian Institute of Science, Bengaluru—the findings of the study will be published in the journal, *Current Science*, soon—shows that the Satluj Basin will face catastrophic loss of its glaciers by 2050. It is estimated that around 55% and 97% of glaciers in the Satluj Basin will disappear by 2050 and 2090, respectively. The study attributes the loss to the unfolding climate emergency. The loss of glacial area from the Satluj Basin will severely affect the availability of water, impacting not just irrigation but also power generation—the basin is a huge contributor to the Bhakra Dam (around 80%) reservoir. The Satluj Basin has 2,026 glaciers spanning 1,426 km^2—the small glaciers (less than 1km^2) are more vulnerable, and 62% of those will be lost by 2050.

The Satluj Basin has already lost 21% of glacier volume between 1984 and 2013—the rise in near surface air temperature in North Western Himalayas has been 0.65°C, higher than mean global rise of 0.47°C. The researchers, therefore, estimate 33% and 81% reduction in the glacier area by 2050 and 2090 respectively. This gradual melting will affect the contribution of melt run-off to the Bhakra reservoir, and lead to glacier lake outburst floods. Research like this need to be taken seriously by the various government bodies of states and the Centre. As the Bhakra Dam provides electricity and irrigation to Punjab, Haryana, Rajasthan, and Himachal Pradesh, these will be the first states to experience the consequences of this climate change, and may lead to large scale flooding of areas in Himachal Pradesh and Punjab. While the need is to act on stalling the march of the climate crisis, this can't be a local or even a national effort. India must flag this issue internationally and press the West for greater commitment towards climate action.

THE REAL MAINSTREAM

IT IS TIME WE ALL JUNKED THE TERM 'CLIMATE CHANGE' AND REPLACED IT WITH TERMS THAT RECOGNISE THE IMPENDING CLIMATE CATASTROPHE

Climate catastrophe, not climate change

CHANDRA BHUSHAN
Deputy director-general, Centre for Science and Environment
Twitter: Bh_Chandra

***THE GUARDIAN* IS** not the only one that has decided to change approach—and language—to climate change. Across the world, there is a groundswell of opinion that we have to do something drastic to avert the climate catastrophe. It started with the Intergovernmental Panel on Climate Change's (IPCC's) special report Global Warming of 1.5°C, published in October 2018, which gave the world just 12 years to limit warming to less than 1.5°C to avoid catastrophic impacts. Since its publication, all the scientific reports indicate that we are fast approaching the precipice. A recent report of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) shows that health of ecosystems—on which our economies, livelihoods, food security, health and quality of life depend—is deteriorating faster than ever. It notes that around 1 million animal and plant species are now threatened with extinction, many within decades, more than ever before in human history and global warming is playing a significant role in this.

Taking the cue from these dire predictions, a grass-roots movement is slowly emerging that is demanding drastic emission cuts. Led by Swedish school girl Greta Thunberg demanding immediate action on climate change, thousands of school children in Europe have walked out of their classrooms since late last year, for a day every month, to protest against climate change. Extinction Rebellion, an international socio-political movement demanding radical changes, locked down central London for 10 days. Their protest forced the UK Parliament to declare a national climate emergency.

Activists are now working with governments, local and national, to declare climate emergency. Scotland has already declared a climate emergency and is setting targets to reduce greenhouse gases (GHGs) emissions to net-zero by 2045. New Zealand's parliament is likely to vote on this issue soon.

What about India? Is there a groundswell of public opinion in favour of strong action on climate emergency? Unfortunately, no. There is little recognition of the climate emergency itself. Indian environmental NGOs and think-tanks are fixated on the politics of developed versus developing countries and waste their time in the blame game. The bureaucracy likes nothing better than the status quo and our political masters have little understanding of the climate emergency. Their level of seriousness can be gauged from the fact that during the entire election campaign, the term 'climate change' was not even mentioned by any of our top political leaders.

But there is an emergency and we must recognise this. Look at the extreme weather conditions in the past month in different parts of the country:

■ The east coast was hit by Cyclone Fani in beginning of May. Thanks to the exceptionally good prediction by the India Meteorological Department (IMD), we were able to save thousands of lives, but the economic losses caused by Fani in Odisha are estimated to be in excess of ₹50,000 crore. It will take Odisha many years to reconstruct and to bring back people out of poverty.

■ Maharashtra and Karnataka are reeling under drought—with 80% of districts in Karnataka and 72% of districts in Maharashtra suffering from acute water scarcity and crop failure.

■ Heat wave has gripped different parts of the country and claimed lives in Uttar Pradesh, Kerala, Telangana and Maharashtra.

■ Dust and thunderstorms have pummeled west, central and north India and claimed the lives of at least 64 people (similar to the loss of lives during Cyclone Fani), a majority of them in Rajasthan, Madhya Pradesh and Gujarat.

Indian environmental NGOs and think-tanks are fixated on developed versus developing countries and waste their time in the blame game. And, the bureaucracy likes nothing better than the status quo

The fact is that it is going to get worse as global temperatures rise inches towards 1.5°C. India is going to suffer the most from this climate catastrophe because of our higher vulnerabilities and lower coping capacity. It is, therefore, in our interest to take the lead to reduce emissions and build resilience in our economy, infrastructure and ecosystems to withstand the onslaught of the changing climate and its extreme impacts.

The important aspect to consider is that acting on climate emergency is not going to affect our economic growth and our quest to remove poverty and deprivation. In fact, most studies indicate that a strong mitigation and adaptation programme will aid us in meeting our sustainable development goals (SDGs); like reducing poverty and hunger, improving health and well-being, and providing essential services and gainful employment to everyone.

But, a strong action on climate emergency will require a drastically new way of doing development. For this to happen, our language on 'climate change' will have to change. We must recognise that climate emergency is real, and we must call it as such. It is time we all junked the term 'climate change' and replaced it with terms that recognise the impending climate catastrophe.

I will not use the term 'climate change' anymore either. That word will be replaced by the more accurate 'climate emergency' or 'climate catastrophe' in my dictionary. It is time we called a spade a spade.

AMERICA'S BABY BUST

Immigrants are the only hope

Asia's ageing societies show that other well-meaning policies can't simply boost birth rates enough

ADAM MINTER
Bloomberg

IN 2018, AMERICAN women gave birth to the fewest number of children since 1986, according to US government data released last week. The decline since 2007, when a record 4.2 million children were born, has been precipitous. Births have declined every year since then but one, falling to 3.8 million. That amounts to a fertility rate of 1.7 children per American woman in her lifetime—well below the rate of 2.1 necessary to maintain a stable population.

The decline poses a long-term problem for an aging country in which more and more citizens are dependent upon Social Security, government healthcare and a shrinking number of workers to fund both. But the US is hardly unique. For three decades, Asia's most successful economies have experimented with a range of policies to reverse far more serious declines in fertility. What they've learned is that the only sure way to reverse the trend is to do what the US has historically done better than virtually any other nation on earth: accept immigrants.

For decades, demographers and economists have known that rising incomes are closely related to declining birth rates. The reasons are several, and generally worth celebrating. In developing countries, the rates of female education and access to contraceptives tend to be lower. As incomes rise, women acquire options outside of the home and greater control of their reproductive rights. Affluent singles put off marriage and children during prime childbearing years.

Meanwhile, in large cities, growing families face the burden of high housing prices and shrinking home sizes. Those who have families must find the resources to pay for childcare or sacrifice career options. Longer-term, they face the burden of expensive school and university fees.

As a result, fertility declines are common across the developed world. Nowhere has the shift been more dramatic than in Asia. For example, Japan's fertility rate has declined from a post-World War II high of 4.4 to around 1.4 now. In Singapore, the fertility rate dipped below replacement level in the mid-1970s and now stands at around 1.2. And in South Korea, the fertility rate has fallen from over 6 in 1960 to 0.95 (likely the world's lowest) during the third quarter of 2018.

In each of these countries, the declines have for decades been a matter of intense concern and policy experimentation. Governments in Asia first focused on pro-marriage and pro-natalist policies designed to counter what were thought to be the factors inhibiting couples from marrying and having children.

Singapore's efforts on this front date back to 1984, when the government established a matchmaking agency for university graduates. Over the years, official initiatives have expanded to include paying cash bonuses to families for having children (the more kids, the more lucrative), generous maternity and paternity leave policies, childcare subsidies and other benefits. In Japan, pro-natalist policies were first introduced in 1991 and many go further than Singapore's; for instance, men can qualify for a year of partially paid paternity leave. And in South Korea, spending on pro-natalist policies adds up to around half of the defense budget.

There is much to recommend such policies. Among other benefits, they boost gender equity at home and in the workplace. For those reasons alone, they're worth considering in the US, too. But the fact is that they have failed to meaningfully increase fertility rates.

As a result, Asia's wealthiest economies are increasingly turning to immigration as a short and long-term means of addressing worker shortages. It's not easy. Singapore's government suffered a backlash after the foreign-born population on the tiny island rose too quickly. Japan and South Korea are much more homogenous, and home to large constituencies that would prefer they remain that way. But the long-term demographic outlook for both countries is so dire that leaders are finally getting traction on reforms to allow more outsiders.

In Japan, where the population is shrinking, immigration increased for the sixth straight year in 2018; foreigners now account for 1.76% of the population. Notably, more than half of these immigrants are in their 20s and 30s—prime working years. Meanwhile, in historically xenophobic South Korea, the government has spent handsomely on programs to promote multiculturalism since the mid-2000s, while opening the doors to immigrants. The results have been impressive: Between 2006 and 2016, the foreign-born population grew from 536,000 to more than 2 million, and by 2020 it's estimated that one-third of all children born in South Korea will have a foreign-born parent.

The fertility decline in the US isn't as steep as in Asia and concern—especially in the current administration—isn't nearly as high. But, over the long-term, the US will need to address its shrinking workforce. Rather than counting on getting a different result from the same policies Asian countries have already tried, America should simply do what it's always done to rejuvenate its population and economy: Open the doors to young and skilled newcomers. Until some country shows otherwise, immigration remains the most effective means of reversing a baby bust.

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LETTERS TO THE EDITOR

Exit polls: What to make of them?

In the interregnum between the last polling date and the counting day, we need something to debate and ease the suspense. Exit poll results fit in well here. By their very nature, exit polls cannot produce accurate results and even go terribly wrong and wrong-foot the pollsters and political pundits. The charge of manipulation of exit polls results may not be entirely unfounded. Whether we approve or disapprove of and like or dislike the numbers thrown up by the exit polls largely depend on our political affiliations and ideological proclivities. If the exit poll projections are anything to by, Narendra Modi's words that there won't be any vacancy to the coveted and exalted job till 2024 are to come true. Upbeat BJP supporters would want to believe that the exit poll results are not wide off the mark. It is hard to reconcile the huge gap or variation between the numbers given to parties in certain states by different channels. If the 'imaginary' numbers turn out to be 'real' on Thursday, we can safely say that India's retreat from secularism effected by the resurgence of religion is not short-term.

— G David Milton, Maruthancode

Markets euphoria

The results of the exit polls and the prospects of a BJP victory in the Lok Sabha elections clearly appears to have created a sense of euphoria among investors with the 30-share BSE Sensex vaulting over 1400 points and the 50-share NSE Nifty gaining 421 points. The second biggest 1-day gain comes after a decade when the Sensex gained 2,110.79 points on May 18, 2009, on the back of the incumbent United Progressive Alliance (UPA) retaining power. The record market highs must no doubt enthuse new investors, but with exit polls capable of going topsy-turvy, one would do well to place safe bets.

— NJ Ravi Chander, Bengaluru

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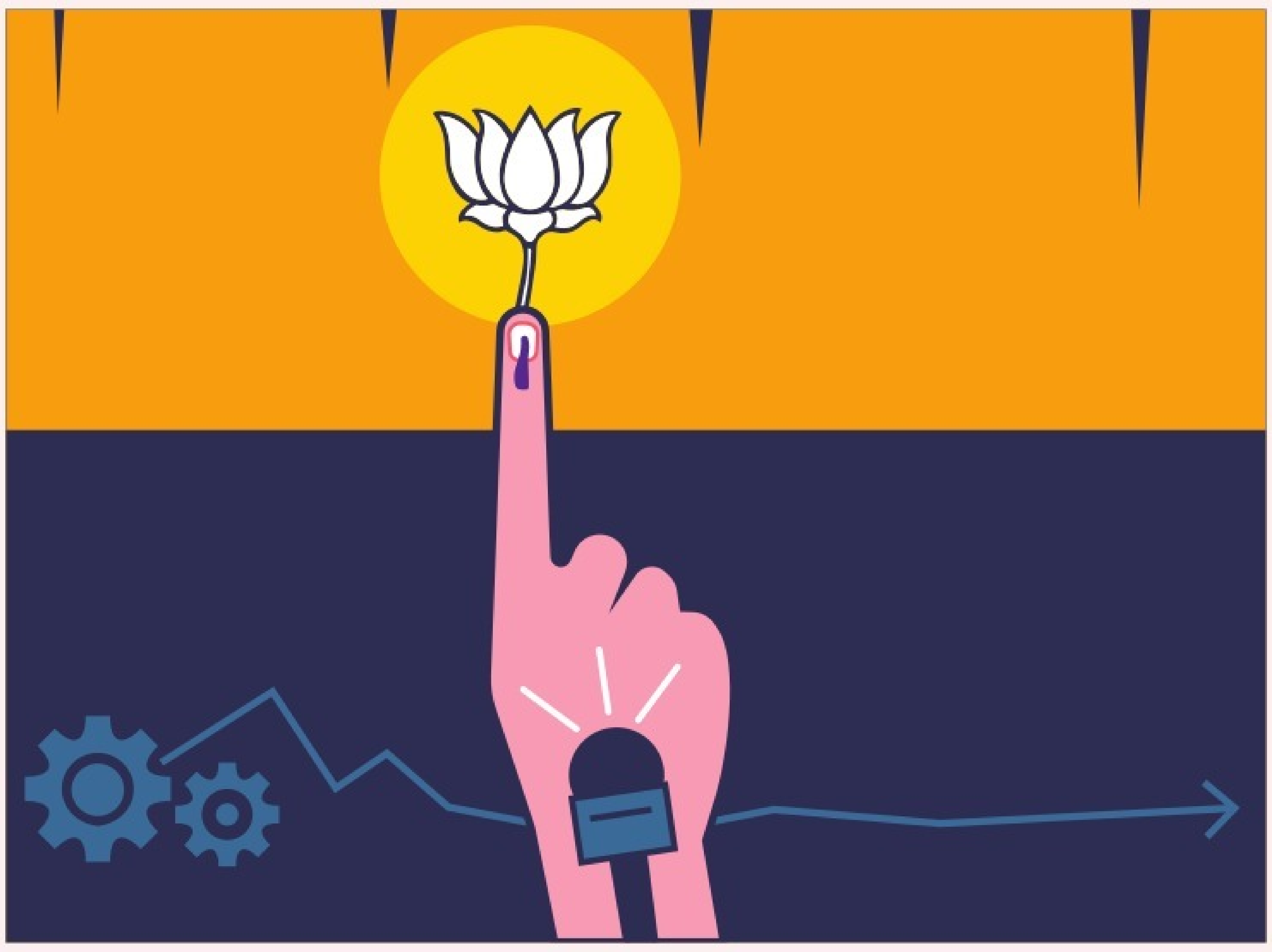

Illustration: SHYAM KUMAR PRASAD

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EXIT POLLS

A clear majority for BJP-led coalition?

This would be a better-than-expected result for the NDA, but near-term growth risks remain

Exit polls: 2019 Lok Sabha elections

Polling agency	NDA	UPA	Others	Verdict
Times Now-VMR	306	132	104	NDA
Today's Chanakya	350	95	97	NDA
NewsX-Neta	242	164	137	Hung
Cvoter	287	128	127	NDA
Republic TV-Jan Ki Baat	305	124	113	NDA
News Nation	282-290	118-126	130-138	NDA
ABP News-AC Nielsen	267	127	148	Hung
India Today-My Axis	339-365	77-108	79-111	NDA
News18-IPSOS	336	82	124	NDA
Sudarshan News	313	121	109	NDA
Average	**304**	**119**	**119**	**NDA**

Exit poll error for 2014 elections

Polling agency	NDA	UPA	Others	Verdict	Seat error for NDA (Actual-Exit Poll)	Did it predict the right winner?
Final Result	**336**	**59**	**148**	**NDA**		
Exit polls						
Times Now-ORG	249	148	146	Hung	87	Yes
India Today-Cicero	183-261	110-120	150-162	Hung	114	Yes
CNN IBN-CSDS-Lokniti	270-282	92-102	150-160	NDA	60	Yes
India TV-Cvoter	289	107	147	NDA	47	Yes
News 24-Chanakya	340	70	133	NDA	-4	Yes
ABP News-Nielsen	281	97	165	NDA	55	Yes
Average seat error					**60**	

Exit poll error for 2009 elections

Polling agency	NDA	UPA	Third Front	Fourth Front+	Verdict	Seat error for UPA (Actual-Exit Poll)	Did it predict the right winner?
Final Result	**159**	**262**	**79**	**43**	**UPA+**		
Exit polls							
CNN-IBN-Dainik Bhaskar	165-185	185-205	110-130	45-65	Hung	67	Yes
Headlines Today	180	191	38	134	Hung	71	Yes
India TV-Cvoter	183-195	189-201	105-121	26-66	Hung	67	Yes
Star-Nielsen	196	199	100	48	Hung	63	Yes
Average seat error						**67**	

Source: Nomura

INDIA'S LOWER HOUSE (Lok Sabha) elections have ended after seven phases of polling. Exit polls released after polling ended suggest the BJP-led coalition (the NDA) is likely to return to power with a clear majority (at least 272 seats of 543 in total). On average, polls predict the BJP-led coalition, the NDA, will win 304 seats, down from 336 seats in 2014, but above the simple majority mark of 272 seats. This result (if correct) for the NDA would represent a stronger performance than investors expected (270 seats, according to our survey 'What Investors Expect—India Election Watch #10, May 14, 2019) and better than opinion polls predicted in early April (about 275 seats).

The principal opposition, the INC-led coalition (the UPA) is predicted to win 119 seats, up from 59 seats in 2014. Other remaining parties are likely to win 119 seats in 2019, versus 148 seats in 2014.

Exit polls suggest the NDA will return to power. If yes, it will have performed better than opinion polls and investor expectations

As largely expected, exit polls show that the BJP will be unable to recreate its near-clean sweep of the key state of Uttar Pradesh and is likely to cede ground to the opposition coalition. In the other BJP bastion, 'Hindi heartland' states like Madhya Pradesh and Rajasthan, exit polls show that it has recovered from its recent assembly poll losses, and is set to corner a majority of seats. Similarly, despite failing to form the state government in Karnataka in the recent assembly polls, the BJP is looking to secure a majority of parliamentary seats. In the South, as we highlighted in our previous note ('India Election Watch #4: Understanding the Alliance Chemistry', March 22, 2019), the BJP's regional coalition partner, the incumbent AIADMK, seems to have lost out to its regional challenger, the DMK. In the East, the BJP seems to have made impressive inroads in West Bengal and Odisha, offering strong competition to regional heavyweights.

Are exit polls to be trusted?

Exit polls correctly predicted the winning party in the 2009 and 2014 elections, but they picked the wrong winner in 2004. In both 2009 and 2014, exit polls underestimated the seat count of the winning party by an average of 60-70 seats (figures 2 and 3). Among the various exit polls, the ones that have historically been more accurate include Today's Chanakya and India Today-Axis My India.

In the 2019 lower house elections, Today's Chanakya predicts 350 seats for the NDA (300 seats for the BJP), while the India Today-Axis My India poll predicts 352 seats. The lowest seat prediction for the NDA is 242 seats (by NewsX). If we apply past trends, the NDA would emerge as the winner with a seat share higher than what exit polls predict. However, last minute surprises are always possible and markets will be looking to final counting, which will be released on May 23.

Implications

Exit polls have a better track record than opinion polls; and they suggest that, unlike opinion polls in early April, the BJP-led coalition gained momentum and is likely to cross the simple majority mark. However, as exit polls can also be inaccurate, we discuss the likely policy and economic path under three scenarios: (1) the NDA returns with a strong majority, as exit polls predict; (2) the NDA returns with reduced majority (our previous base case); and (3) a non-NDA government (the INC plus third front).

Reform outlook

Broadly, if the NDA government returns to power with a clear majority, we would expect policy continuity. Rural reflation, infrastructure spending, streamlining of the goods and services tax, direct tax reforms and the consolidation of public sector banks are likely to be key priorities. Fiscal consolidation is an objective, but will be a challenge in the absence of revenue mobilisation or a growth rebound, implying a likely compromise on the quality of consolidation (less capex, more consumption-oriented spending). Contentious issues like land and labour reforms are likely to remain the states' prerogative to implement.

Economic outlook

In the short term, we do not foresee a major reversal of the current (weak) economic conditions, even if the NDA returns with a clear majority, although the end of political uncertainty and policy continuity will be a medium-term positive. In the short term, the pullback of government and investment spending ahead of elections negatively affected growth, but the combined impact of weak global growth and tighter financial conditions due to the non-bank financial company (NBFC) stress continues to hurt all demand segments. Thus, we expect growth to moderate from 6.6% year-on-year in Q4-2018, to 6.2-6.3% in H1 2019. We are currently pencilling in a modest recovery in H2-2019 with growth likely to inch closer to 7% by Q4-2019, but near-term growth risks remain titled to the downside. Weak growth and inflation within the 4% target should set the stage for a 25bps rate cut at the June policy meeting.

(Excerpted from Nomura Asia Insights Global Markets Research report 'India: Exit polls predict a clear majority for the BJP-led coalition' dated May 20, 2019)

TWO YEARS OF RERA

RERA progress calls for applause

KAPIL KUMAR SHARMA

The author is partner, Lakshmikumaran and Sridharan

Yet there are areas that need to be fixed

THE REAL ESTATE (Regulation and Development) Act (RERA), 2016, came into force in its entirety on May 1, 2017. It is seen as a big move to decode the unregulated real estate sector and to introduce regulations to ensure transparency, quality and provide a redressal mechanism to aggrieved buyers.

The RERA progress calls for applause, yet there are areas that need to be fixed. Each and every activity of developers is strictly under the scanner now. Where the underlying concern of the legislature is to afford preventive, ameliorative and remedial measures to a specified segment of the society, the legislation acquires the colour of a benevolent legislation. Such benevolence in spirit and object, which RERA seeks to accomplish, is clear from its features—RERA's umbrage to salvage buyer interests is far-reaching.

- Its purpose is to mandate reporting of projects by developers along with requisite details at the time of registration. Some of these are the list of necessary approvals to develop the project, carpet area of units sold, possession timings, etc. The same is required to be displayed on their websites.
- Developers have to report the progress of construction on their websites. This ensures visibility of the current status of the project, which can enable buyers to make an informed decision about investing in a property. The provision stipulating a defect liability period of three years is another safety valve that ensures that the quality agreed by developers remains intact at the time of delivery of property.
- Developers now require consent from buyers as well as authorities before giving effect to any change. They are also prohibited from transferring the rights in a project before its completion and, therefore, cannot escape their accountability in respect of the units sold to buyers.
- There is an escrow account wherein sale proceeds from buyers are held in reserve. This ensures the funds collected from buyers are expended on development of projects and not on developers' vested business interests. The stringency in withdrawal of funds from the escrow account supplements the above requirement, making it highly regulated.
- RERA regulates the manner in which promotion of the project takes place. Rather than being mere marketing gimmicks, advertisements have to be meaningful and have to display vital information relevant to purchase of properties.

There is a prolonged delay in setting up a permanent regulatory body in the states to watch over the affairs of developers

Nevertheless, homebuyers are still disgruntled and allege financial clout and developers' close links with officials, in the absence of any tangible outcome from the reforms. Therefore, the following aspects need to be revisited expeditiously to uphold RERA's reforms:

- Inefficiency on the part of the states in notifying the respective rules to give effect to the central legislation is defying. While the states are coming forward and introducing their rules, there is no clear deadline that all states should adhere to, to implement RERA in its true spirit.
- There is a delay in setting up a permanent regulatory body in the states to watch over the affairs of developers. Barring a few states, others merely have an intermediary regulatory body overseeing implementation in the given states.
- With the leeway left for the states to dilute the provisions to make them more effective as applicable to their jurisdiction, the privilege has been misused. Arbitrary dilution of the provisions has given way to developers to continue to dodge buyers. Such dilution chokes the overall implementation and culminates in a poor progress.
- The regulator has repetitively stressed on the importance of having a common appellate forum to fix the menace of fraudulent practices in the home-buying sector. To illustrate, in the absence of line items on which the 70% funds deposited in the escrow account are to be spent, utilisation of funds remains a mystery. Ambiguities are being faced by various states since different practices have been adopted in different parts of the country.

It will be interesting to see how RERA regulates the mischiefs being played in the real estate industry. It would in best interests of all the stakeholders to come together and work jointly on common issues being raised by buyers. In the longer run, a symbiotic approach will help developers in recouping the vanishing trust, thereby streamlining their business cycles. This way, only serious players would survive in the market, resulting in better enforcement of RERA.

REGIONAL CAFE: TAMIL NADU

Chennai's tech to consumer start-ups

It's finally getting easier to start-up, attract talent and grow in Chennai

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CHENNAI, THE CAPITAL of Tamil Nadu, has not been seen as a preferred destination for e-commerce companies or start-ups. Ironically, the very factors that worked against the city (conservative, tech-heavy) are turning to its advantage. Chennai now offers excellent intercity and intracity connectivity. There is ample capacity in the real estate sector to lease, rentals are attractive, and housing capacity is available for future growth. Many technology-enabled companies are coming up in the B2C space. It used to be all B2B in Chennai.

What was taking shape in the last 10 years seems to have speeded up in the last five. People are venturing into familiar and not-so-familiar areas. Take the example of PurpleTeal, which operates Tweak & Eat, an AI-powered wellness app for weight management. Narayanan Ram, a Silicon Valley entrepreneur who shifted to Chennai for personal reasons, founded the company with Anand Subra based in the US.

Ram, a pioneer in video compressing technology, launched a video software tools company SeeItFirst Inc in 1997 in the Silicon Valley. A multiple patent holder, he sold his company at the right time and joined his friend in IBM health services to start PurpleTeal mobile health services. The company offers mobile health apps in partnership with telcos.

"We had to do something innovative to scale up and also create a brand," says Ram. The Tweak & Eat app was launched a year ago. It is a disruptive and innovative direct-to-consumer app and service that connects subscribers to certified nutritionists who provide real-time, 'just-before-you-eat' personalised advice. Tweak & Eat has a presence in the US, India, Singapore, Malaysia, Indonesia and the Philippines.

All one needs to do is take a picture of the plate of food, and Tweak & Eat's AI-enabled camera feature will 'sense' it and make appropriate calorie recommendations as one eats. The AI platform is well-trained to differentiate between deep-fried and grilled or stir-fried or baked food.

Tweak & Eat has crossed 1,00,000 'tweaks' in the last six months. The basic 'tweak' function and other functions like Tweak Wall and Recipe Wall are free of cost. Certain other functions where a user can get hand-holding by an assigned nutritionist are subscription-based. Tweak & Eat supports integration with devices such as Fitbit and iWatch, and enables personalised reminders to be set for breakfast, lunch, dinner and other meal times.

PickYourTrail was founded by Hari Ganapathy and Srinath Shankar in 2014. For four-and-a-half years, they remained a bootstrapped and profitable start-up. In February 2019, PickYourTrail raised series A funding of $3 million from leading players in the start-up ecosystem in Chennai, including Girish Mathrubootham of Freshworks, Kumar Vembu of GoFrugal, Rajagopal Subramanian of Entrust Family Office, and Shyam Sekhar of iThought.

As of January 2019, PickYourTrail has helped curate more than 8,000 international trips. It has the highest five-star rating on Facebook, making it one of the top-ranked trip planners in the country.

Shankar and Ganapathy recognised a felt need in the travel space and took the plunge. Their friends were getting married and planning a honeymoon, and many of them wanted a one-stop travel site. They have built a consumer-friendly platform where one can book multi-country vacations online with the help of a few clicks. The travel is personalised and customised.

"Everyone wants to enter the travel industry. One of our biggest challenges is how do we differentiate and stay relevant. We have taken some calls like we will do only international vacations, not domestic, and will only operate in markets where supplies are online," the founders say.

Ganapathy adds their target customers are people aged 25-32, double income no kids, or 40-45 year olds—families where kids are mature enough and parents want to take them to places. "We are not a site that throws an itinerary at you; we understand your needs and there is a certain amount of personalisation that is built into our algorithms, and then once the itinerary is built we entirely customise it."

The founders say what sets PickYourTrail apart is its unique matching algorithm and price comparison engine that helps vacationers customise their tour packages suited to their preferences at the best online prices. AI and machine learning are the backbone of these algorithms. "We made cash from day-one and we have to grow faster," say the founders.

HipBar is an alcoholic beverages delivery site promoted by Prasanna Natarajan, who says aims at helping India drink wisely. He raises eyebrows when he says if sales are digitised, much-needed transparency will come into the business and it will help the government. HipBar is an RBI-approved mobile wallet meant for transacting adult drinks. The idea struck him when the Supreme Court banned highway bars. It was time to go digital.

The original idea was to create a 'bar on the cloud'. You could buy a bottle, put it on the cloud, and drink it anywhere. This means a customer could order a bottle of alcohol of his or her choice on HipBar, go to a restaurant or a pub or a hotel, mention the HipBar order, and have the drink. That has not quite worked out.

HipBar operates through HipBar App and HipBar Pay. Through HipBar App, customers can browse drinks, pay for them, and pick these up at their convenience at HipBar-affiliated retail stores, or gift to friends through the app. With HipBar Pay, users can pay for their drinks. Till date, HipBar has acquired 3,06,933 customers across 10 cities of operation. In 2018, Diageo India invested ₹27 crore in HipBar.

Prasanna is confident HipBar will eventually be able to navigate through Byzantine laws that control liquor industry and a trade that is not tech-savvy and suspicious of new ways of doing business. He is convinced this is the way to go in a country where alcohol consumption is growing. "We will not sell to under-age customers. Restrictions are built in," he says. Prasanna must be doing something right as he is about to get a second round of funding.

It is getting easy to start-up, attract talent and grow in Chennai. The city is fast catching up with its peers.