

# Nadella to woo India Inc with tech to drive e-transformation

PEERZADA ABRAR & NEHA ALAWADHI  
Bengaluru/New Delhi, 23 February

When, five years ago, Satya Nadella visited India for the first time after taking office as chief executive officer (CEO) of Microsoft, the company was in some disarray while the financials were under stress.

A lot has changed since then. His focused execution on enterprise cloud has driven Microsoft's market cap to grow nearly five-fold to cross the \$1-trillion mark.

Nadella, born in Hyderabad, is visiting the country this week for three days to woo enterprises as well as the government at a time when India has become a very important strategic market for the company.

However, coming on the heels of his controversial comment on India's amended citizenship law, and coinciding with US President Donald Trump's maiden visit to India, there has been a lot of speculation about what he is planning to do.

While some have suggested a large IT deal could be on the anvil, there are also murmurs of a larger government deal or strategic partnership. The company, which is eyeing digital transformation opportunities worth \$100 billion, sees Amazon and Google as its major competitors in India, according to the people familiar with Microsoft's India strategy.

In FY19, Microsoft India chalked up ₹7,301 crore in revenue, a growth rate of 13 per cent, while its net profit grew to ₹386 crore at 8 per cent, as the firm continues to expand its cloud business Azure, and Office 365 product suite.

"What an amazing five-year journey and transformation from a 'rookie' CEO to the planet's top-performing corporate leader," said Ravi Gururaj, an entrepreneur and president of TIE Bangalore who met Nadella when the latter visited India after becoming Microsoft CEO.

"He (Nadella) boldly redirected focus from potentially massive market opportunities such as the smartphone segment, the app ecosystem, consumer search and

digital media streaming," said Gururaj. Nadella's trip is expected to focus on evangelising Microsoft's platforms and tools to the developer and influencer communities, and building relationships with large enterprise customers.

"I suspect he will, behind closed doors, subtly communicate Microsoft's perspective on the policies India is formulating on personal data protection and privacy, digital intermediaries, and data localisation," added Gururaj.

Among its large partnerships, it counts the ones with Tata Consultancy Services, HCL Technologies, Reliance Jio, and business-to-business market-place Udaan. The company also counts a large number of large, medium, and

small enterprises and thousands of start-ups in the country as customers.

"India is one of Microsoft's top-performing markets globally. The way it has been able to move into enterprises through Office 365 and expanding partnerships with SaaS-based companies is commendable as is their engagement with developers," said Sanchit Vir Gogia, chief analyst and CEO, Greyhound Research. Earlier this month, Microsoft announced opening a development centre in Noida, its first in the country after the ones in Hyderabad

and Bengaluru. Coming just ahead of his visit, some industry executives say the investment is also politically important, given that UP (where Noida is) and the Central government are ruled by the same party, the Bharatiya Janata Party.

The larger focus of Nadella's visit is expected to be on building trust with its existing business partners and the larger community.

"The expectation (from Nadella's visit) is that the company will continue to double down on the investments made in India, especially in areas that will enhance the adoption of data analytics, artificial

intelligence, Internet of Things, cognitive services, machine learning and developing smart cities," said Ankur Pahwa, partner and national leader, e-commerce and consumer internet, EY India.

The firm has a huge focus on AI, start-ups, and the developer community. It announced the launch of its GitHub India office earlier this month. GitHub, bought by Microsoft for \$7.5 billion in 2018, is the largest repository of open source.

At the end of the day, all eyes will be on how Nadella engages with the government, given that Amazon CEO Jeff Bezos wasn't granted an audience with Prime Minister Narendra Modi or any other central government minister.

Industry executives describe Nadella as "very thoughtful, charming, and warm".

"What is helping Microsoft penetrate the India market at such a deeper level is that compared to Bezos, Nadella has a better relationship with the Indian government," said a person with knowledge about Microsoft's strategy.



**SATYA NADELLA** took over as CEO on Feb 4, 2014

**COMPANY'S VALUATION** under him has risen to over \$1 trillion from \$297 billion in 2014

**\$1bn** (₹7,301 cr) India revenue in FY19

**BIG BETS IN INDIA:** Azure, Office 365, AI, start-ups, govt

**NADELLA** is visiting Mumbai, Bengaluru and New Delhi

## IN BRIEF

### Reliance Communications' creditors to meet today



Reliance Communications (RCOM) on Sunday said a meeting of the company's committee of creditors is scheduled to be held on Monday. "The 18th meeting of committee of creditors (CoC) of Reliance Communications is scheduled to be convened on February 24, 2020," RCOM said in a regulatory filing. No other details were disclosed.

According to sources, the CoC will put to a vote asset bids received from UV Asset Reconstruction Company and Reliance Jio from which lenders are expected to recover around ₹23,000 crore.

### Adani's bid to buy Aditya Estates gets NCLT approval

Adani group has won a bid to acquire Aditya Estates through an insolvency process for a total deal value of ₹400 crore. The Delhi-based Principal bench of the National Company Law Tribunal (NCLT) has approved the resolution plan of Adani Properties to acquire Aditya Estates for ₹265 crore. Another ₹135 crore would go towards meeting the statutory charges.

### Looking to scale up business in India: Suzuki Motorcycle



Suzuki Motorcycle India (SMIPL) plans to scale up its motorcycle business as it aims the segment to account for 20 per cent of its overall sales volumes in the domestic market, a top company official said. They get just around 10 per cent of its overall volumes from motorcycle sales.

### Reliance Retail tops '50 fastest-growing retailers' list

Reliance Retail has topped the list of '50 fastest-growing retailers globally between FY13-18' in the Deloitte's Global Powers of Retailing 2020 index. Deloitte ranked 250 firms globally in its annual report based on their revenues for FY18.

### Six of top 10 firms lose over ₹29,487 cr in market cap

Six of the 10 most valued domestic firms suffered a combined erosion of ₹29,487 crore in market valuation last week, with Bharti Airtel emerging as the biggest loser. TCS, HDFC, HUL, HDFC Bank and RIL were the other bluechip firms which witnessed a drop in their market capitalisation.

### FCA to roll out 2-3 more Jeep models locally next year

FCA India, which had a runaway success with its sole locally made SUV Jeep Compass launched in July 2017 but has tapered off the momentum since then, is "very serious with its operations" and will produce two-three models from the Ranjangaon facility near Pune, Maharashtra, from next year.

### IndiGo in talks with Jetstar, Qantas for codeshare tie-up

IndiGo is in talks with Sydney-based Qantas Airways and subsidiary Jetstar Airways on codeshare agreements, which allows an airline to sell other airline's seats, officials said.

# Weak triggers: FMCG firms see slow revival

Discretionary businesses, however, are upbeat about near future

VIVEAT SUSAN PINTO  
Mumbai, 23 February

The heads of some of the country's top fast-moving consumer goods (FMCG) companies have said demand for their products will recover slowly as growth triggers remain weak for now. Their statements are at variance, with what the heads of discretionary businesses are saying about the same. Companies such as Titan, Westlife Development and Jubilant FoodWorks remain upbeat about the future, saying the south and east regions are seeing a sales uptick.

Ajoy Chawla, chief executive officer, Titan's jewellery division said in an investor call, "The outlook for Q4 (of FY20) continues to be good. We see opportunities for market share gains continuing in Q4. We are staying with the guidance that we gave. We are expecting to hit 11-13 per cent of (revenue) growth for the March quarter," he said.

Titan derives 80 per cent of its overall revenue from the jewellery division. In Q3, the company saw a nearly 11 per cent year-on-year (YoY) growth in jewellery sales, primarily led by festive season demand. In Q4, it is the marriage season that is expected to help growth despite gold prices shooting up 9 per cent so far in the calendar year 2020.

Westlife Development and Jubilant FoodWorks, who are the country's top listed food service operators, said delivery sales had been good in comparison to dine-in sales over the past few months, pointing to the overall trend of 'ordering-out', that remains strong in urban areas. The two players reported a stronger set of same-store sales growth numbers in Q3 and are expected to continue the trend in Q4.

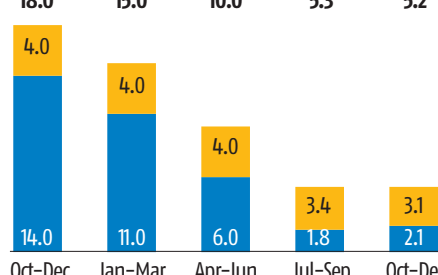
According to experts, discretionary businesses like food services and jewellery continue to have a greater presence in urban areas versus rural areas, where consumption slowdown has been pronounced.

FMCG firms, on the other hand, have a greater exposure to rural markets, getting a third of their sales

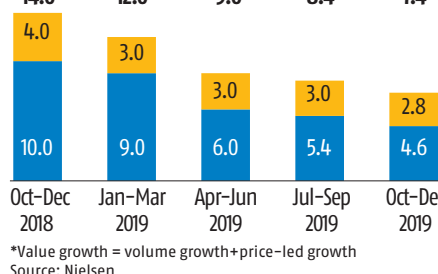
## REPORT CARD

■ Volume growth ■ Price-led growth (%)

### Rural FMCG growth



### Urban FMCG growth



\*Value growth = volume growth + price-led growth  
Source: Nielsen

"THE GOVERNMENT HAS ALSO FOCUSED ITS ATTENTION ON RURAL AREAS WITH WELFARE MEASURES. THIS SHOULD ALLEVIATE THE STRESS IN RURAL AREAS IN A FEW QUARTERS FROM NOW"



**SURESH NARAYANAN**, Chairman and MD, Nestlé India

"THE STRATEGY IS TO STAY THE COURSE AND TO INVEST BEHIND OUR BRANDS. WE WILL CONTINUE TO EXPAND OUR DISTRIBUTION AND ENHANCE COMPETITIVENESS"



**MOHIT MALHOTRA**, CEO, Dabur India

from these areas. In the case of Hindustan Unilever and Dabur, rural sales contribution to overall sales is 40 per cent, said sector analysts.

Nielsen data shows while urban FMCG growth has halved in the December quarter from a year ago, it is still higher than rural FMCG growth, which has fallen by over 70 per cent during the period. The trend is expected to stay for now. According to Suresh Narayanan, chairman and managing director, Nestlé India, a recovery in demand by the third quarter of FY21 is possible. "The rabi season harvest as well as the upcoming monsoon season will be the key factors," he said. "The government has also focused its attention on rural areas with welfare measures. All of this should alleviate the stress in rural areas in a few quarters from now," Narayanan added. Given that

growth is expected to come with a lag, FMCG firms are gearing up for the tough times ahead. Mohit Malhotra, CEO, Dabur India, said, "The strategy for us would be to stay the course and to invest behind our brands. We will continue to expand our distribution footprint and enhance our competitiveness in the market."

Sunil Kataria, chief executive officer, India and SAARC regions of Godrej Consumer, said, "We have a twofold strategy. One is that we will continue to focus on volume growth and will also look at value growth through premiumisation. We will drive the latter through innovations in our products, giving consumers a reason to shell out more money in these tough times. We are also tapping alternate trade channels in our effort to reach consumers quickly and efficiently."

# New appointments at ACC & Ambuja to streamline business

AMRITHA PILLAY  
Mumbai, 23 February

The appointment of new managing directors at LafargeHolcim-controlled ACC and Ambuja Cements last week is expected to further streamline the reporting structure in the group, bringing in better alignment in operations.

ACC on Thursday said Neeraj Akhouri, managing director (MD) and chief executive officer (CEO) of the company tendered his resignation with effect from Thursday. In a separate announcement, Ambuja Cements said Akhouri is the company's new MD and CEO, with Bimlendra Jha, CEO of Ambuja Cements, resigning from the same post.

At ACC, Sridhar Balakrishnan, former chief commercial officer (CCO), has been elevated as the CEO and MD while Akhouri continues as a director on ACC's board.

Both companies in their statements to the exchanges said there was no other 'material reason' for the developments. Analysts, however, see the new appointments helping LafargeHolcim bring better coordination for its two cement firms in India.

An expected merger between the two Indian cement giants has kept the market guessing for more than a decade now. With no fresh plan for a merger in sight, experts see the appointments as helpful in streamlining their reporting structure.

"The appointments at ACC and Ambuja must be seen as another step to streamline reporting structure at the two companies. I expect more alignment between Ambuja and ACC," Nitin Bhasin, head of research-institutional equities at Ambit Capital.

As MD of ACC, industry sources said, Akhouri reported directly to LafargeHolcim India head.

The new appointments will help streamline reporting between Ambuja Cements and ACC.

An email query sent to the Ambuja Cements on Friday remained unanswered.

As part of restructuring in group holding in 2016, ACC was made a subsidiary of Ambuja Cements, which, at present, holds 50.05 per cent stake in ACC. The LafargeHolcim group, on the other hand, holds 63.39 per cent in Ambuja Cements.

ACC and Ambuja Cements explored the merger option in 2017, however, the decision was later called off. In March 2018, the two companies decided to enter into a master supply agreement, which intends to bring more operational synergy between the two firms. "The new appointments are a desperate measure to get the master supply agreement going, which, so far, has not shown any impact," said an analyst.

Akhouri assumed office as MD and CEO in February 2017; however, his association with the LafargeHolcim group has been longer. Prior to the ACC appointment, Akhouri was CEO of Lafarge Surma Cement and country representative of LafargeHolcim Bangladesh.

He was brought in at ACC, shortly after the global merger of erstwhile Lafarge and Holcim.

Experts said Akhouri has been able to bring erstwhile Lafarge group's aggression to ACC and with the appointment, a similar strategy is expected at Ambuja Cements. For instance, in 2018, ACC announced its long-awaited expansion plans worth ₹3,000 crore for a greenfield cement plant at Katni, Madhya Pradesh, and expansion of the company's other grinding capacities.

## CEMENTING POSITIONS



▲ 2015: Lafarge & Holcim announce global merger

2016: ACC made a subsidiary of Ambuja Cements

2017: Neeraj Akhouri joins ACC from Lafarge Surma Cement

▲ 2018: Sridhar Balakrishnan joins ACC as CCO

► 2020: Akhouri appointed CEO & MD of Ambuja Cements

# Real estate firms paying up to 15% interest rate on loans

RAGHAVENDRA KAMATH & ABHIJIT LELE  
Mumbai, 23 February

Real estate developers, who are battling a prolonged slowdown in sales, are struggling to raise funds to construct properties, several developers told *Business Standard*. Even those who are getting funds seem to be paying through the nose.

Going through a liquidity crunch following the Infrastructure Leasing and Financial Services (IL&FS) crisis in 2018, it's become difficult for developers to raise construction finance, which was once considered safest form of lending by banks and non-banking financial companies (NBFCs).

Those who are getting construction finance are paying interest rates of between 13.5 per cent and 14.5 per cent. It was 10-12 per cent about two years ago.

"Construction finance has become difficult even for good companies. Even public sector banks are charging at 13.5 per cent," said Mayur Shah, managing director of Marathon Realty.

According to developers, the ₹25,000 crore distressed asset fund set up by SBICAP Ventures is lending to developers at 15 per cent. However, Irfan A Kazi, chief investment officer at SWAMIH

Investment Fund I of SBICAP Ventures said the fund manager does not charge interest till the project is completed, unlike other lenders.

"In the last eighteen months, the Reserve Bank of India (RBI) has reduced rates many times but borrowing rates for developers are becoming expensive," Shah said.

Dhaval Ajmera, director at Mumbai-based Ajmera Realty said banks had become very strict in adhering to norms and loan disbursements have become very slow.

"Earlier, they used to sanction loans in 30-45 days. Now they take anywhere between 90 days and 120 days," he said.

Another prominent Mumbai developer who did not wish to be named said banks were not ready to take risk, and the NBFCs do not have money.

"Even lease rental discounting (LRD) rates have gone up. LRD is the safest loan for bankers," he said.

The developer said an NBFC in Mumbai is charging quarterly interest from developers, but stopped disbursing construction finance committed by it earlier.

Srinivasan Gopalan, chief executive at The Ozone Group, a Bengaluru-based developer, said there was no credit available. "Banks are not lending to residential



**IN THE LAST 18 MONTHS, THE RBI HAS REDUCED RATES MANY TIMES BUT BORROWING RATES FOR DEVELOPERS ARE BECOMING EXPENSIVE**

**MAYUR SHAH**, managing director, Marathon Realty

projects and the NBFCs have their own challenges," he said.

Gopalan said Ozone was mostly banking on collection from customers, and aggressively



**BANKS ARE NOT LENDING TO RESIDENTIAL PROJECTS AND THE NBFCs HAVE THEIR OWN CHALLENGES. WE WERE BANKING ON COLLECTION FROM CUSTOMERS**

**SRINIVASAN GOPALAN**, chief executive, The Ozone Group

marketing its projects. "There is no problem with affordable homes in Bengaluru and Chennai," he said.

Ajay Jain, chairman of investment advisory Monal Capital,

said: "To become eligible for availing working capital, developers have to borrow at holdco level and multiple projects."

However, some of the top property developers say they have not been impacted much.

"Our current average borrowing rate is eight per cent which is more or less equivalent to last year's borrowing rate. We have no issues in raising construction finance," a Godrej Properties spokesperson said.

An executive from Oberoi Realty said neither Oberoi nor any reputed company have any problem in getting monies from the banks and that too on their terms. "Our borrowing cost is lowest in the industry. It has not gone up, in fact it has come down," he said.

However, bankers said they are cautious due to heightened risk in the sector.

CV Rajendran, chief executive and managing director, CSB Bank said lenders are cautious on lending for construction in parts of Mumbai, Delhi and Chennai market which are little tough. His bank will look at selective exposures with tight clauses for recovery.

Rates of interest are higher to compensate to some extent for elevated risk of default, said another private sector banker.

# BSNL unions call nationwide hunger strike

PRESS TRUST OF INDIA  
New Delhi, 23 February

State-run telecom firm BSNL's employee unions have called a nationwide hunger strike on Monday, to protest against delay in execution of the ₹69,000-crore revival package announced by the government.

"The All Unions and Associations of BSNL (AUAB) is organising a country-wide hunger strike on February 24, 2020. This hunger strike is being organised to demand the expeditious implementation of the Union Cabinet's revival package in respect of BSNL, as well as to demand settlement of the grievances of the employees," AUAB said in a statement.

In October 2019, the central government approved a ₹68,751-crore revival package for loss-making BSNL and MTNL, including 4G spectrum allocation and voluntary retirement scheme (VRS), as well as their merger.

AUAB said the salient feature of the revival package is the allotment of 4G spectrum, the issuing of sovereign guarantee for raising funds to the tune of ₹15,000 crore, with share of BSNL at ₹8,500 crore and ₹6,500 crore for MTNL, by way of issuing long-term bonds, monetisation of assets and implementation of a VRS. "Out of these, only the VRS has been implemented, through which 78,569 BSNL employees have been sent home," statement said.