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The Right Mix

This year's Union budget offered a slew of incentives which will boost the cement and steel industry

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Slated as the biggest taxation reform since VAT, GST is simple, transparent and economical

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A SWOT analysis of Indian and Chinese SMEs to see where they stand on a global scale

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The 2008 financial crisis drew attention to the lapse of risk governance in America's biggest financial institutions. Indian companies, too, need to approach risk management in a more structured and effective manner.

RISK MANAGEMENT, AN INDIAN APPRAISAL

SHEFALI THAPLIYAL

When the subprime lending crisis turned into a full market meltdown by mid 2008, much of the onus for the catastrophe went to the failure of risk management practices even in the world's biggest financial institutions. It was found there was a system-wide failure to adopt Enterprise Risk Management (ERM) behaviours within these organisations.

Surveys conducted in the aftermath of the financial meltdown brought up worrisome findings. In the Global Risk Management Survey carried out by the international accounting and consulting company Deloitte in June 2009, it was found that more than half the world's top financial institutions did not have fully integrated risk management practices.

The picture is equally grim for India. Deloitte also surveyed some Indian companies and found they lag far behind their global peers. Another recent poll on corporate governance by

KPMG, an international network of professional services firms, indicated that risk management practices in Indian companies and especially the oversight practices at the Board level need significant improvement.

Indian perspective

So where does India Inc. stand in its risk management preparedness? "Pretty much towards the end of the line," says Professor P K Gupta of the Centre for Management Studies, Jamia Millia Islamia University. Gupta, who is heading a UGC-funded research titled 'Enterprise-Wide Risk Management in Indian Companies', says risk management as a practice is "still undeveloped in India". Of the companies he surveyed, only 0.5 percent were aware of the need for professional risk management practices. "And only 0.2 percent of companies have sophisticated risk management departments, which is very low," adds Gupta.

He says that barring big names, there is no risk profiling in companies. "In India, companies

still follow the silo approach where risk is managed in individual departments but there's no integration. A company-wide approach to risk, called ERM, is mostly missing," he explains.

However, Indian IT giant Wipro Corporation embraces ERM as its holistic approach to risk. "Risk management runs in our DNA," says Rajendra Shreemal, corporate treasurer at Wipro. "We follow ERM which pulls in risks from multiple areas such as delivery, information system, security, finance, etc.," Shreemal adds.

"We were among the first Indian Companies to set up an audit committee way back in 1986," Shreemal says. Wipro's internal audit function is ISO 9002 certified and the company was among the first to voluntarily adopt Sox 302 certification, which requires CEOs and CFOs to certify the effectiveness of their disclosure controls and procedures (DC&P).

The global recession called for companies around the world to review their risk portfolios.

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MESSAGE



RISKY BUSINESS

It's over a year since financial giant Lehman Brothers fell to its knees and brought the entire world economy crashing down with it.

In this period, two key problems that were highlighted were bad risk management and substandard leadership despite a full chair of directors and the company bragging about its robust corporate governance practices.

If something like this could happen to one of the world's strongest financial organizations, in one of the world's strongest countries, how safe are countries like India? Our cover story explores whether risk management is still in its infancy in Indian boardrooms and whether corporate governance simply has ornamental value.

Finance minister Pranab Mukherjee's announcement to implement Goods and Services Tax (GST) has been welcomed by the industry. A unified tax structure is being seen as a prop which will go a long way in boosting the country's economy. Our Inside Out section explores the nuances of GST and shares experts' opinions on why it is such good news.

Delhi's gearing up for the country's biggest sporting bonanza — the Commonwealth Games. With about a year left to go, the logistics department is nearing its planning phase and will soon get into action.

The challenges of transport, security, information integration and warehousing are being taken care of. It is no secret that sound logistics will make the games a resounding success, and the country proud. **Fastrack** takes a look at what's different with the logistics operations of these games in the Offbeat section.

Here's hoping India is cheered world-wide for putting up a brilliant show.

PAWAN JAIN
Chairman & MD, Safexpress Pvt Ltd

Prabal Banerjee, chief financial officer of the Hinduja Group, says the company's cautious approach was converted into a more conservative one. "Our approach became conservative. We focused on reducing the break-even point as much as possible and increasing the margin of safety," Banerjee says. The company also ensured capital expenditure was done only when absolutely necessary and business was asset light.

At Wipro, among other measures to curb risk, customer evaluation was one. "When the global meltdown took place, we carried out an evaluation of all our customers — cash-flow, capital expenditure plan, industrial ranking, etc. We reviewed and stress tested all our activities. These measures ensured that we didn't get surprises," Shreemal says.

Talking of surprises, there weren't many for the country's financial institutions, says S Kothandaraman, general manager, Risk Management at Bank of India. "Indian banks did not suffer much during the global financial crisis because there wasn't concentrated exposure. Indian banks usually have between 2,000-3,000 branches spread across the country. Hence, the risk is well-spread and diversified. Moreover, the public sector banks don't overlend to any sector. Our liability management is based on retail deposits and thus, there is good stability," he says.

Striking a balance

Talking of the risk management lapse in financial institutions of developed countries, Kothandaraman says those organisations depended too much on quantitative techniques. "Risk management is a matter of understanding and evaluating risk. Developed countries depended a lot on quantitative techniques but qualitative assets are equally important," he says.

Gupta laments the lack of professional institutes in the country to train risk managers. "There is a huge demand for risk professionals in India but sadly there aren't many institutes that train or offer courses in risk management," he says.

On ways to manage risks, Gupta suggests starting with a plan first. "The first step is to develop a risk plan with the involvement of all departments," he says. "Companies need to adopt risk management tools — audits, adoption of accounting standards, scenario analysis, brainstorming, etc. — which can be department specific or apply to the entire organisation," Gupta adds.

Lacunae in corporate governance

Another issue the economic crisis brought to light was the role of corporate governance in ensuring the organisation's safety from risks. In India, the Satyam fiasco is a clear example of the failure of corporate governance to estimate the intensity of fraud and take proactive action. While all three companies interviewed in this report have robust corporate governance mechanisms — which have also played their



"A company-wide approach to risk, called ERM, is mostly missing (in Indian companies)"

Dr. P K Gupta, Professor, CMS, Jamia Millia Islamia University



"Risk management runs in our DNA ... we were among the first Indian companies to set up an audit committee"

Rajendra Shreemal, Corporate Treasurer, Wipro Corporation



"There are some big changes happening from a corporate governance perspective"

Ganesh Ramamurthy, Director, Governance, Risk and Compliance Services, KPMG

role in protecting these organisations from Satyam-like debacles — the same cannot be said for most of the companies in the country. "Most companies don't have professional directors on board. Even if you have, they are not adequately paid or don't have much say in company decisions. These Board members are simply consultants," Gupta says.

Things, however, seem to be changing. There is much greater emphasis on getting the basics of oversight right rather than the processes followed, feels Ganesh Ramamurthy, India Director, Governance, Risk and Compliance Services at KPMG. "This, by far, is the single biggest change happening in corporate governance compared to a year or 18 months ago. In some of the big and complex organisations, Board members just cannot be involved at the periphery and hope that they will get it right," he says.

"There are a couple of big changes happening from a corporate governance perspective, such as the CEO and board chair roles are getting segregated, risk management oversight is being moved to a separate committee comprising a mix of business executives charged with risk ownership and non-executive directors," Ramamurthy says.

When it comes to risk management, the 2008 economic meltdown and the Satyam scandal made many Indian companies sit upright. Insurance giant LIC — which has over 4 percent stake in Satyam —



added a new department to implement risk management practices in April this year.

"In my opinion, the risk management issue is substantially advanced in Indian board rooms except in certain areas," says Banerjee. "However, what is certainly needed are steps such as repositioning the risk management process to cover weak links and ensuring it covers not only financial risks but also business risks, compliance issues and corporate governance in absolute detail," adds Banerjee.

Once bitten

Organisations across the globe will have to fundamentally change the way they think about risk in order to avoid the cataclysm of 2008. It is an important lesson for Indian companies to learn and avoid another cycle of business failures, lapses in risk management and shortcomings in governance. In case that happens, a sound risk management mechanism will be a powerful weapon protecting them from harm. ■

THREE POINTS TO SOUNDER RISK MANAGEMENT

There are several ambiguities in the risk management practices of Indian firms. KPMG's Ganesh Ramamurthy suggests some steps to circumvent those:

1. Risk oversight should not be with the audit committee: In a majority of Indian companies, risk oversight happens at the audit committee level. The audit committee is one of the most overburdened of the board's committees as it is responsible for oversight of financial reporting and internal controls, regulatory compliance as well as the assurance functions. To maintain effective oversight of risk management, the board should have sufficient understanding of the business, the competitive landscape, the industry, etc. It also means that those charged with risk oversight responsibilities interact with management at the operating levels and get information from varied sources.

All this requires significant commitment in terms of time which is also a challenge. The audit committee comprises financial experts and they may not have the breadth of knowledge required to comprehend the entire gamut of risks that the company faces.

2. Implement risk management to gain competitive advantage rather than merely comply with regulation: Most Indian companies have formally adopted risk management practices in response to Clause 49 of the SEBI listing agreement which requires companies to formally assess and monitor risk and report the status thereof to the board. Many Indian companies have made progress in this area, however, many are yet to adopt leading practices that go beyond achieving compliance with regulation.

3. Embed risk thinking into organisational decision making: Risk management is not embedded at the operating and decision making levels and it continues to be viewed as a senior management activity. Many organisations also fail to aggregate information on critical risks to obtain a holistic view. While process level risks are reasonably well managed, risks that relate to the strategy, competition, environment and geo-political aspects are not that well identified and managed.

"Having said this, many companies are now realising these challenges and putting in place structures and processes to improve risk management such that it positions them for competitive advantage," Ramamurthy says.

LEADERS

UNION BUDGET SETS THE RIGHT MIX

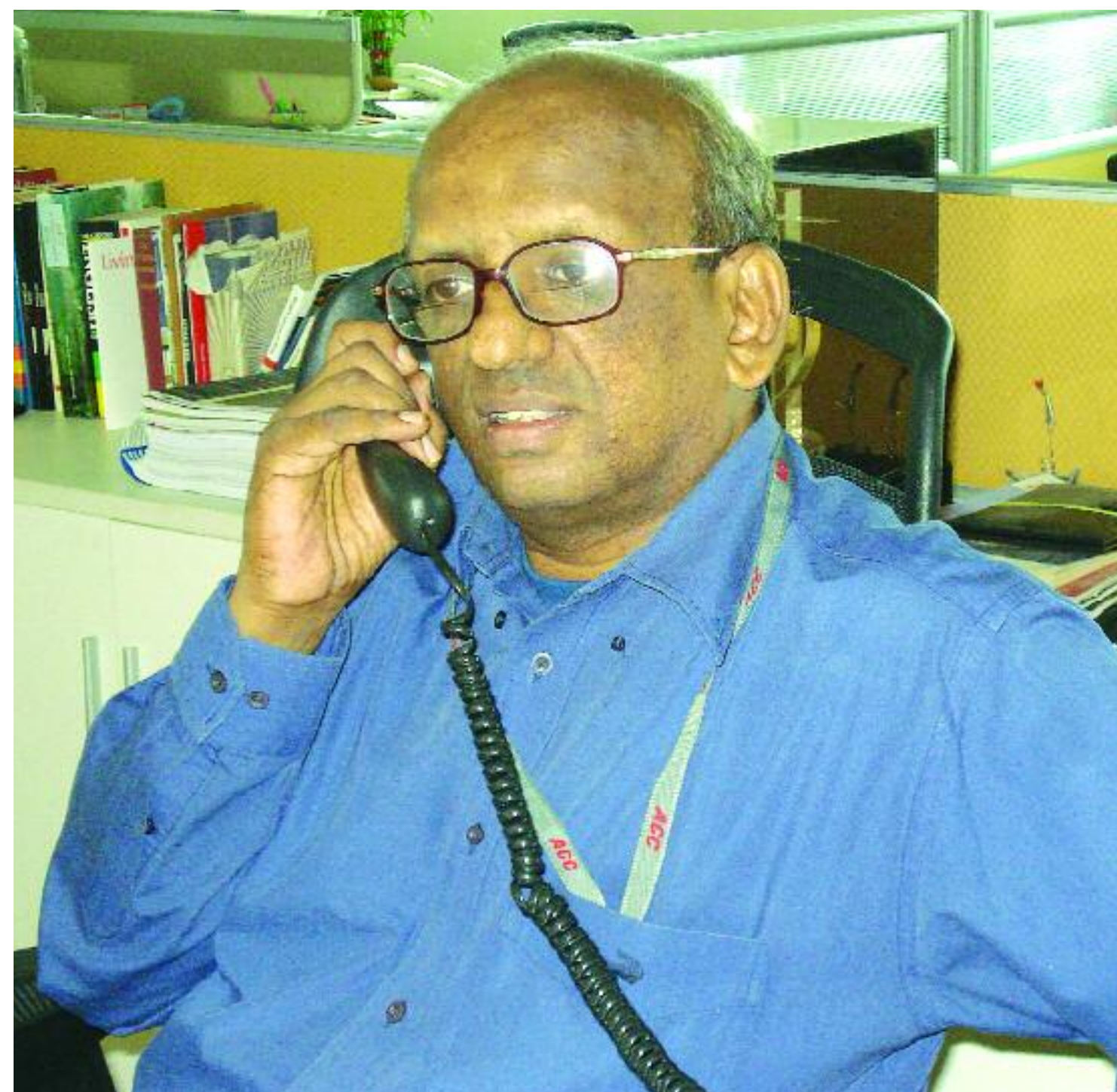
This year, the Union budget's focus on infrastructure spending bodes well for the country's cement and steel industry. **Fastrack** explores the potpourri of good and the not-so-good sops.

India is the second largest producer of cement in the world after China and contributes approximately 6 percent to the overall global production. The industry, which has grown by an average of 10 percent in the last three years, is expected to add around 45 million tonnes in FY 2010, taking the overall capacity to over 260 million tonnes per annum.

With the government's clear focus on infrastructure and housing, the Union budget for 2009-10 spelt good news for the cement industry which hopes to continue its growth momentum. Also, the bigger role planned for India Infrastructure Finance Company Ltd. to increase credit availability to the sector is expected to support demand for cement.

However, with no change in the excise duty structure — something the industry had been expecting — there is some disappointment.

Shefali Thapliyal speaks to R NandKumar, Head, Corporate Communications, ACC Limited, about how the cement industry received the budget.



"We are optimistic that demand for cement will grow, especially from housing, retail and infrastructure sector"

R NandKumar, Head, Corporate Communications, ACC Limited

How has this year's budget been received by the cement industry? Were the expectations addressed or is there a general disappointment?

Overall, the finance minister has balanced the need for a budget that promotes "inclusive growth", support to socially-oriented programmes and rural development with a focus on infrastructure development.

It was heartening to hear the government will lead the economy back to 9 percent growth, revive domestic industry and spur agriculture to grow at 4 percent. The thrust on infrastructure and housing spells well for construction and building materials such as cement and steel.

What are the positives and negatives of the budget on the cement sector?

The aim to invest 9 percent of GDP on infrastructure by 2014 shows a healthy focus on its development but we await details of how this will happen. There seems to be a welcome thrust on agriculture, rural development and housing. The finance minister mentioned a sum of Rs 2,000 crore for Rural Housing Fund in the National Housing Bank.

He also spoke of refocusing attention on urban infrastructure, an enhanced allocation of Rs 3,973 crore for provision of housing and basic amenities to urban poor and building 1 lakh houses for paramilitary forces. All this bodes well for construction and building materials such as cement and steel.

There are other appealing promises such as simplifying the tax system. We welcome the objective to enroll half of all rural women in India as members of Self Help Groups over the next five years.

We were somewhat disappointed that cement did not get any respite from the high rate of taxes and duties. The recent petroleum price hike has further increased the burden on cement. Similarly, we were hoping that retail housing would get a boost by way of an increase in personal income-tax exemption on housing loan interest but that has not happened.

The industry had high expectations from the budget regarding the rationalisation of taxes. However, the excise duty structure has remained unchanged. How is the move being received by the industry? Will the move harm the industry or will things remain unchanged?

As an industry, our main request has been an appeal for relief in taxes and duties. The incidence of all taxes in our industry is about 60 percent of average ex-factory prices.

This is high when compared with average taxation of 11 percent for Asia Pacific region as a whole. The second highest is 20 percent for Sri Lanka.

Value Added Tax (VAT) on cement is 12 percent as against 4 percent for steel. We have asked for abatement of excise duty.

What initiatives does the cement industry seek from the government in order to boost its growth?

The cement industry continues to appeal for

relief in taxes and duties. In India, taxes on cement industry are much higher than in any other country.

We have also been seeking abatement of excise duty and simplification in excise duties which are MRP-based. For an industry which is efficient in collection of taxes and duties, the existing formula is cumbersome and needless.

Which infrastructural development will help the cement industry perform better?

We seek proactive initiatives to stimulate demand for cement by encouraging the construction of concrete roads and highways across the country.

Concrete roads are more durable and require little or no maintenance.

Also, we hope the government would consider offering some incentives for environment friendly practices of the cement industry, such as the use of fly ash and slag which are waste pollutants.

What are the long- and short-term logistics challenges faced by the industry?

From a logistics point, the cost of transportation forms a significant part of the final selling price to the consumer. A lot will depend on how petroleum prices and railway freight charges turn out.

Also, most of the movement of bulk cement is done on road and rail is not used even though it is half as costly. This is because of the unavailability of specialised bulker wagons with the Indian railways. The outlook for the cement industry in the near foreseeable future remains positive. We are optimistic that demand for cement will grow, especially from housing, retail and infrastructure sectors.

How is the cement industry set to perform/grow in the coming years?

Overall, the outlook for cement remains positive mirroring the trend in the country's GDP growth. ■



GIFTING A TAXATION REVOLUTION

One of the biggest taxation reforms, GST is aimed at creating a single, unified Indian market. **Fasttrack** examines how much of good news it is.

SHEFALI THAPLIYAL

slated to be introduced by April 2010, the Goods and Service Tax (GST) — a comprehensive tax duty on manufacture, sale and consumption of goods and services at a national level — is being seen as the single most important tax reform initiative in India after the introduction of Value Added Tax (VAT). Not only is it expected to replace the multifarious system of levies at the Central and State level, GST is likely to boost India's economic development by breaking tax barriers between states.

“India plans to operate a dual system of GST, with taxes imposed at both federal and state levels and a further distinction between GST on goods and GST on services. The relative complexity of the current model has prompted the development of the plan to move to GST,” says Anita Rastogi, senior manager, Indirect Tax, PricewaterhouseCoopers, of the move to adopt GST.

It should be noted that since the introduction of GST will be, in effect, an integration and rationalisation of the existing regimes at both federal and state levels, there will be no additional taxes foreseen in the Indian context.

According to Narendra Rawat, manager, central warehouse, Oriflame, GST is a transparent tax structure which will “subsume central excise duty (Cenvat), service tax and additional

duties of customs at the Central level and value-added tax, central sales tax, entertainment tax, luxury tax, octroi, electricity duty, state surcharges related to supply of goods and services and purchase tax at the state level”. The idea, he says, is to have a unified tax rate and an “internal borderless travel of goods and services”.

On a global level, GST is not a new concept. France was the first country to implement GST in 1954 and today, 150 countries have a GST or national VAT structure. “India's policymakers have recognised that as an increasingly important international market and the destination for considerable foreign investment, India needs to provide a tax regime that, to the greatest extent possible, integrates closely with the rest of the world,” Rastogi says. “Replacing the current arcane system with a more simple and transparent indirect tax regime is a stated policy aim,” she adds.

Simplifying things

The proposal is welcome news. “The new tax structure certainly simplifies things and removes the issue of double taxation. Over time, it will save a lot of pain from the accounting perspective,” says Vineet Singh, business head for Naukrigulf.com and 99acres.com.

So how does GST work? “GST will be collected on the value-added goods and services at each stage in the supply chain; it would apply to all supply transactions such as sales, stock transfer, etc.,” explains Rastogi. “The tax on value



“India needs to provide a tax regime that, to the greatest possible extent, integrates with the rest of the world”
Anita Rastogi, Senior Manager, Indirect Tax, PricewaterhouseCoopers

addition will be ensured through a tax credit mechanism through the supply chain. GST paid on the procurement of goods and services will be available for set-off against the GST payable on the supply of goods or services,” she points out.

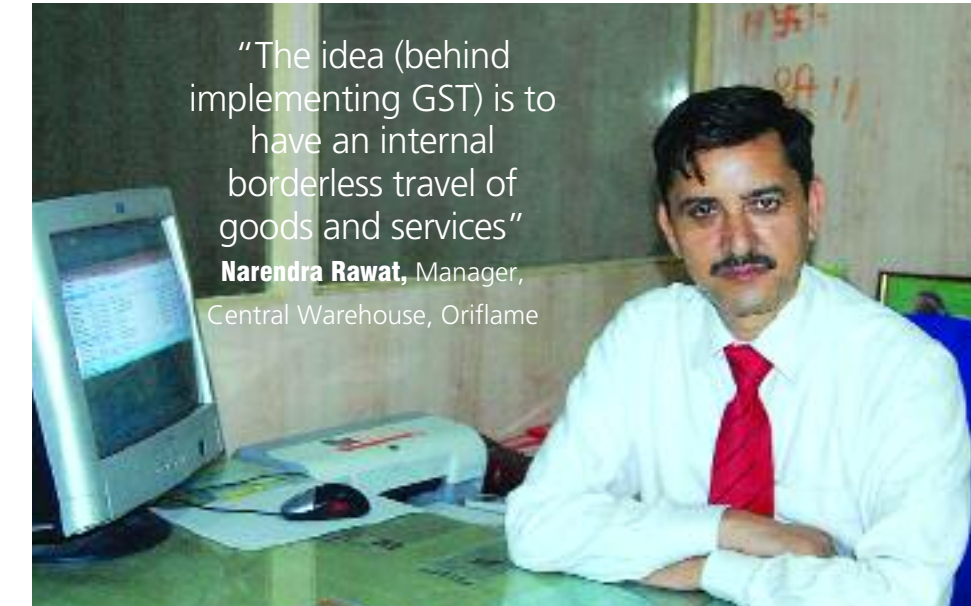
GST offers many benefits. “It typically is a simple tax structure with only one or two rates of



“GST is a massive reform in the country's history ... it is a mammoth exercise”
Vivek Mishra, Partner and National Leader, Indirect Tax, Ernst and Young

taxes. GST is normally a uniform taxation scheme across the supply chain. Hence, it leads to reduction in the transaction costs in the hands of the taxpayers,” Rastogi explains.

This will form a critical benefit to individuals and companies. “With the implementation of GST, the prices of goods and services are expect-



“The idea (behind implementing GST) is to have an internal borderless travel of goods and services”
Narendra Rawat, Manager, Central Warehouse, Oriflame

ed to come down in the long run as the suppliers of goods/services start passing on the benefits of the reduced tax incidence to the consumers by way of reduction in the price of goods/services,” Rastogi further adds.

However, there are a few negatives to consider too. “Companies will still have to grapple with two levels of GST applicable on supply of goods/services, one at the level of Centre and the other at the level of States,” explains Rastogi. Also, under the GST regime, the incidence of tax shall be on supplies — be it supplies of goods or services. The taxes will be levied in parallel by the Centre and the states who will both levy CGST

and SGST respectively on each supply of goods/services. Accordingly, the cross utilisation of credits between goods and services would be allowed. However, cross utilisation of credits between CGST and SGST would not be permissible, according to Rastogi.

One aspect that will greatly benefit from GST is supply chain optimisation. Currently, the supply chain is structured to evade the Central Sales Tax (CST) but this model is not good as far as supply chain efficiency is concerned. Companies, in order to avoid paying CST, open godowns in each state. But once CST is removed, there will be a consolidation of depots and the number of

Part Truck Load (PTL) will come down.

Rawat agrees, “GST will definitely give a boost to supply chains in India. GST would facilitate consolidation of warehousing and logistics functions from few strategic locations.

“The transport solutions would also be provided by logistics companies in a bid to get maximum efficiencies. An integrated logistics hub would entail employing all the possible modes of transportation for delivering cargos from these hubs at the lowest cost and also meeting the just-in-time delivery requirements of the customer,” he says.

Cutting unwanted costs

With India Inc. gradually emerging from the shadows of a global slowdown, the role of logistics in helping companies keep costs under control has become more important than ever. “At present, nearly \$1-1.2 billion in additional costs are incurred by the logistics sector due to the delays they face in completing octroi formalities. And these higher costs are passed on by the companies to their customers,” Rawat says. “GST will help cut down these unwanted costs,” he adds.

With a tax reform of such gargantuan scale, the challenges in implementing it are equally enormous. According to Vivek Mishra, Partner and National Leader, Indirect Tax, Ernst and Young, the draft of a federal GST law and uni-

form state GST law needs to be released first. “Until the draft laws are released — which haven't been done till now — it is a guessing game,” he says.

Mishra also points out that constitutional amendment needs to be made.

“The constitution of India, specially the Seventh Amendment, needs to be changed in order to enable the Central government to tax beyond the manufacturing stage and states to charge service tax,” he says.

“This requires a 2/3 majority in Parliament and ratification from over half the states,” Mishra adds.

Though everyone agrees that GST is a definite step towards the country's economic growth, not everyone is certain of the April 2010 deadline fixed for implementation.

“GST is a massive reform in the country's history. It is a mammoth exercise and hence, it looks extremely difficult for GST to be implemented by the announced time,” Mishra says. “It doesn't matter even if it takes a couple of more years as long as it is implemented,” Mishra adds.

The expectation of GST is a simpler, transparent and economical form of taxation. Also, the aggregate incidence of service tax is expected to be a moderate one. Come April 2010, or perhaps even later, and the country will know if

THE TIGER AND THE DRAGON IN THE GLOBAL ARENA

With globalisation turning the world into a single economic space, Indian and Chinese small and medium enterprises have found a larger competitive platform. **Fasttrack** undertakes a SWOT analysis of the two to find out how they stack up in the global game.

SHEFALI THAPLIYAL

With the easing of international trade barriers, economic liberalisation and flowing foreign direct investment (FDI) in the last few decades, both India and China have emerged as leading techno-economic nations. This has worked both in favour of and against the small and medium enterprises (SMEs) in these countries.

In India, the nearly 3 million SMEs make up more than 80 percent of the total number of industrial enterprises and form the backbone of development.

The Chinese SME sector has also grown by leaps and bounds in the last few years. There are a total estimated 40 million SMEs in China, making up 99 percent of the total number of enterprises. Chinese SMEs have benefitted from the country's accelerated economic development — the country reported close to 10 percent GDP growth in 2008 (National Bureau of Statistics of China). With Chinese exports growing twice as fast as its economy, SMEs are responsible for a large portion of this growth.

Fasttrack does a SWOT (strength, weakness, opportunity, threat) analysis of Chinese and Indian SMEs to weigh them on a global scale.

Talking of **strengths**, the improved ideological climate of China has helped turn it into the most lucrative market globally. With the constitution equating the state and non-state sectors, the political environment for private entrepreneurs has further improved.

Favourable policies

China also has a large consumer base as well as surplus labour available at low wages. Government policies are favourable and committed to economic growth. Overseas-funded enterprises are granted equal status as domestic ones for taxes, sales, transportation, distribution and operations.

The growing Indian economy and the tremendous market potential bodes well for the sustained growth of Indian SMEs. With the enactment of the Micro, Small and Medium Enterprises Development Act (MSMED) to enable the SMEs' competitive strength, address the issues and reap benefits of the global market, the sector is all set to emerge as the most significant player in national economy.

The sector is the second largest manpower employer in India, next only to agriculture and accounts for 40 percent of gross industrial value addition and 44 percent of total manufacturing exports, according to data by Confederation of Indian Industries (CII). Indian SMEs are also one of the biggest employment-generating sectors after agriculture, providing employment to 28.28 million people.

Apart from this, Indian SMEs have consistently shown attributes of agility and adaptability to emerging technologies and innovation, robust individual initiatives and strong skill-sets and competitive cost of production.

When it comes to **weaknesses**, both Indian and Chinese SMEs face similar hurdles — lack of funds, poor infrastructure and outdated technology.

Chinese SMEs face disorder in the financial sector and chaotic distribution of products. Annual rate of inflation in China has reached 5 percent (UN data) and labour surplus has led to rising unemployment.

Indian SMEs suffer from poor adaptability to changing trade trends and non-availability of technically trained resources. They lack management, marketing skills and access to technologi-

cal information. Erratic and irregular power supply also hampers growth.

Sea of opportunities

As for **opportunities**, the WTO regime has been the biggest benefactor for both Indian and Chinese SMEs. Bilateral and multilateral trade agreements have helped boost trade relations of both the countries.

In China, there is much scope for direct investments or joint ventures. There's also an opportunity to improve infrastructure — providing electricity to more than 120 million rural citizens, building the Xiloudo dam across the Yangtze River, constructing more than 30,000 km of rail lines and expressways — with the help of foreign funds.

Indian SMEs can benefit from opportunities such as enhanced credit support, comprehensive support for cluster development, growing domestic and international markets and support for technological upgradation.

Meeting quality expectations

As opposed to the opportunities, there are a number of **threats** that the Indian and Chinese SMEs face, the biggest of which is quality expectation from importing nations. In India, there's a basic distrust between SMEs and financial institutions and virtual absence of enterprise education. Non-tariff barriers from developed countries are a major hindrance to growth.

For Chinese SMEs, cultural differences have been a cause of many business conflicts. Rapid internal changes in the Chinese society as well as rising unemployment and social unrest also affect growth prospects of SMEs. Lack of protection of intellectual property and capital support for entrepreneurs, risk from market-oriented reforms, widespread corruption and slow government procedures are some major threats the Chinese SMEs face.

In the wake of recession and reclining US and European markets, the scope for India and China to assert their leadership in world economy becomes larger. How each taps the sea of opportunities and mitigates the threats will decide if it is the Tiger or the Dragon that rules the globe. ■

CHINESE GOODS CLOBBER INDIAN MARKETS

Reckless import of substandard and cheap goods from China is perhaps the biggest threat the Indian SMEs are faced with today. According to the Federation of Indian Chambers of Commerce and Industry (FICCI), the proportion at which cheap imports from China affect Indian SMEs is bigger than it was believed. With a lucrative price tag 10-70 percent lower than the prices of the same products manufactured in India, China is hurting the Indian SMEs with its typical predatory pricing. Indian SMEs have asked the government to take strict anti-dumping measures to stop cheaper Chinese imports in a bid to protect the Indian industry.

TURTLE TENACITY

Howrah-based men's apparel company Turtle Limited shows impressive resilience in the face of the slowdown and emerges a winner.

SHEFALI THAPLIYAL

The slow and the steady seems to be winning the race in the corporate world, just like the fabled animal from Aesop's fable. As companies across the globe struggled to stay in business due to the slowdown, a Kolkata-based men's apparel company not only glided past the finish line smoothly, they had remarkable profits to show off.

Turtle Limited reported a turnover of Rs. 62 crore in 2008-09 — its highest ever — up from Rs. 46 crore the previous year. And this year too, the company has set its sights on a 30 percent growth. Understandably, words like recession, meltdown or slowdown draw up a blank with the management here.

But luck had little to do with Turtle's success. The company jumped into first gear with strategies and plans to make sure they didn't fall into the usual traps that other companies succumbed to. "We targeted 2-tier and 3-tier towns where the slowdown did not affect much," says Amit Saha, brand manager, Turtle Limited. The company's projects for opening new stores were reviewed and delayed depending upon the business margin they would present. Stores that were not showing profits were closed down. The management changed the organisational structure too. "The organisation was restructured; each employee's job profile reviewed and Key Result Areas (KRA) defined," says Saha. The company also controlled its inventory and planned the production accordingly.

One special area of focus was the supply chain. The company carried out a few changes in the supply chain and cut substantial costs in the process. "Vendor contracts were reviewed, materials were planned to be dispatched by surface and air dispatch was avoided, and we sent out the materials at one go," Saha says.

But there were challenges too. "Converting mul-

tiples deliveries into a single delivery was a big task," Saha says. "Negotiation and deduction in delivery rates was also something we had to tackle," he says. Delivering goods through surface shipment instead of air was yet another logistics hiccup but Saha says doing so helped them save money.

The global meltdown was a learning experience. "We learnt how to control costs, cut extra expenses, fully utilise human resources and carry out inventory control of raw materials," Saha adds.

Vendor contracts were reviewed, materials dispatched by surface and air dispatch avoided

Talking of the slowdown, Saha says it will affect virtually everyone. "The slowdown will eventually affect everybody. In the first stage, exporters have been directly affected because their overseas buyers have cancelled or suspended their orders. The second most affected is the premium category which sell their products at a high cost because of their brand image." Turtle, Saha adds, did well because it falls into a "basic requirement" product category.

The men's apparel company was launched in 1993 and the company creates its own fabrics which are then made to order. It started with men's shirts but has now expanded across a range of shirts, T-shirts, trousers and accessories. "The company has

decided to roll out the mass segment portfolio under the 'London Bridge' brand. This brand will initially be limited to the male apparel segment at a price-point of Rs. 300-499. We also have plans to launch retail outlets for 'London Bridge'," Saha says.

The company has also appointed a Milan-based design house to devise premium range fashion for it. A range of formal wear for men will also be out soon.

Getting aggressive

Future plans are ambitious and the approach aggressive. The company is targeting a turnover of Rs. 65 crore by March 2010 and plans to double its infrastructural facilities by 2011. A new office spread over 18,000 square feet, up from the present 7,500 sq. ft. and 120 exclusive stores are part of the infrastructural expansion plans.

Warehousing will also be a fully automated operation including packaging, carrying of cartons, etc., Saha says. The warehousing area is also planned to expand to 100,000 sq. ft. from 32,000 sq. ft. "We will also be installing sophisticated Oracle-based software to connect our 32 stores to the head office in Howrah," he adds.

Usually not a believer in rampant growth, the company is using the slowdown to its benefit. "The company plans to open two stores (stand-alone stores) every month. The upcoming locations are Cochin, Ranchi, Bhubaneswar and Behrampur," Saha says. Turtle products are also available at national chain stores (shop-in-shops), such as Pantaloons, Central, Shoppers Stop and Globus, apart from 800 other menswear stores across 380 cities. "Turtle is adding up a trouser unit in Kolkata which will be operational by March-April 2010 with a capacity of 10,000-15,000 trousers per month," he says.

With the right market moves and a steady growth, the company looks all set to live a long life. Just like the turtle. ■



LEADER IN LOGISTICS

Safexpress has received quite a few recognitions for its work in the last three months. Safexpress was recognized as the "Most Promising Brand of 2009" by Indian Council of Market Research (ICMR), India's leading Market Research body. Safexpress featured amidst global giants like Nikon, Panasonic, Fiat, UTV, Colors, etc. Safexpress is the only company from the Supply Chain & Logistics industry to be featured in the coveted list of top ten most promising brands. This acknowledges the strong brand equity of Safexpress and also reaffirms the company's status as the 'Knowledge Leader' and 'Market Leader' of the Supply Chain &



Logistics industry.

This Rakshabandhan, Safexpress distributed over 30 million Rakhis across the country. The company planned well in advance for this task and improvised on its operations to ensure time-definite delivery of Rakhis all over India. The company used its all-weather-proof containerized fleet along with water-proof packaging to ensure absolutely safe and secure deliveries.

Driving the Warehouse Revolution across the country, Safexpress has further strengthened its Logistics Parks network by launching another ultra-modern Logistics Park in the NCR region, close to Gurgaon.

The company has recently also set up four of its state-of-the-art Logistics Parks in Gurgaon, Nagpur, Ahmedabad and Kolkata. The new Logistics Park in the NCR region is the company's fifth launch in the last few months.

Brand Safexpress was also



awarded 'Best Logistics Provider of the year' and the 'Best Supply Chain Company of the year' at the Express Logistics and Supply Chain Conclave on 17th September at Mumbai. At the same event, Mr. Vineet Kanaujia, GM — Marketing, Safexpress, was awarded 'Best Professional of the Year'.



ALL FOR A GRAND SPECTACLE

Logistics will play a huge role in ensuring the success of the Commonwealth Games 2010. **Fasttrack** reports what ground is being covered.

SHEFALI THAPLIYAL

The XIX Commonwealth Games 2010 — to be held between October 3 and 14 in Delhi — promise to be the biggest sporting extravaganza the country has ever witnessed.

In order to accommodate 8,000 athletes and officials from 71 countries, 5,000 media personnel and a large number of tourists, host city Delhi is undergoing large-scale revamping. State-of-the-art competition venues, a Games Village spread over 158.4 acre, modernised airport, upgraded infrastructure such as roads, flyovers, automated car parks, bed and breakfast schemes and extra hotel suites promise to change the landscape of the city.

Providing logistics support to an event of such magnitude is certain to bring with it palpable as well as unforeseen challenges. Ensuring supplies are stored properly and reach the desired venues on time, adequate security checks and staff, material handling and information integration are just

some of the challenges the logistics team will need to address.

With the games more than a year away, the logistics functions are still in the planning stage, says Rakesh Singh, director, Logistics Functional Area (FA), a department of the Organising Committee for Commonwealth Games 2010 Delhi (OC CWG). “We are in the planning phase right now and on ground there is not much that has been done in terms of logistics. We have finished planning for seven venues,” he says.

According to Singh, the role of Logistics FA will come into play once procurements start “sometime next year”.

Green theme

However, a clear framework of tasks has been defined. “In keeping with the Green Games vision, we will be using only CNG-operated vehicles to shuttle between different venues/warehouses,” says Singh. “Also, battery-operated material-handling equipment would be used inside the venue,” he adds.

Non-peak hours will be used for

the movement of cargo vehicles between locations to overcome traffic problem. “We are minimising day-time movement of vehicles and except for catering vehicles, all others will move between 6 pm and 6 am,” Singh says.

With security high on the priority list, Logistics FA has authorised the use of Master Delivery Schedule (MDS) — a software that controls the flow of vehicles at venues by allotting a particular window during which each vehicle will move.

Compared with the CWG held in Melbourne in 2006, where a 3-key gate policy was used, the 2010 games will have a 4-key MDS. “The 4 key will cover aspects such as ensuring the use of accredited driver and vehicle, parking permits, time slots on the MDS and secure load seal,” he says.

Apart from this, a screening facility of all cargo vehicles will be designated at a location close to the central warehouse which will be manned by the Delhi police and the OC.

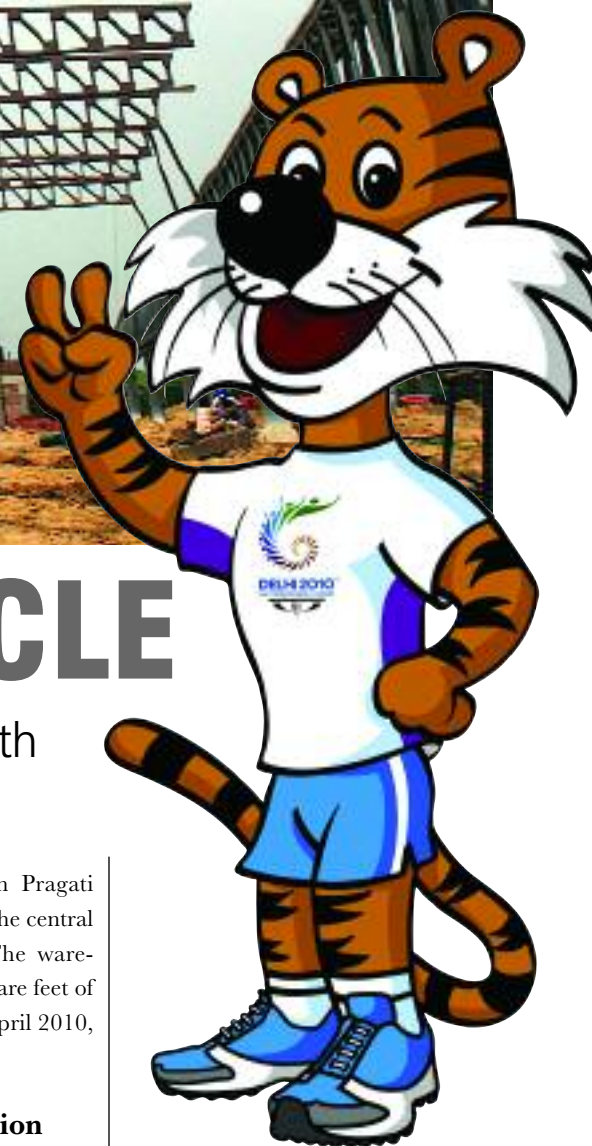
With warehousing being an integral part of logistics, much attention has been given to selecting one. “We

have rented a few halls in Pragati Maidan which will work as the central warehouse,” Singh says. The warehouse will have 1,00,000 square feet of space and be available by April 2010, he adds.

Information integration

The Asset Management System (AMS) software will record the assets at the bump-in stage. “All purchases will be logged in, bar coding will be used, etc.”

The delivery process has also been systematically charted. At the end of the bump-in and start of lock-down, the MDS will become operational. Each venue will place a work order with the central warehouse which will generate a Delivery Order (DO) that will automatically delete the presence of goods in the AMS. These goods will then be taken to the loading bay and transported. At the competition venues, stackers will be used to make storage more space effective. Singh says the committee will appoint a logistics services provider in the near future to handle freight forwarding, custom clearances, licensing and other aspects.



However, their role will be limited as each venue owner will be recruiting their own service provider. “Most imports are being done by venue owners. We will need a logistics service provider towards the end of June 2010,” he says.

A Quick Reaction Team will also be formed to take care of urgent requirements. “We will have a vehicle with a team which can respond within 30-40 minutes from one venue to another for any urgent requirements,” Singh adds.

Come October 2010 and India’s performance at hosting the Commonwealth Games will be noticed on a global scale. How much the audience worldwide cheers it up will depend on how seamlessly the logistics is managed. ■

Fasttrack is a quarterly magazine on management, with a special emphasis on Supply Chain issues, brought to you by Safexpress Private Limited. The magazine is committed to promoting business agility. **Fasttrack** reaches out to CEOs, finance heads and logistics heads of companies. We would be happy to take on-board issues related to Supply Chain that you might be facing.

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