

# Khadi Shows Power of Organised Retail

Policy must remove hurdles in retail's path

Spinning, weaving and garment-making units and other village industries under the aegis of the Khadi and Village Industries Commission (KVIC) have notched up a combined turnover of about ₹50,000 crore, says a report in The Times of India. Both textile and non-textile segments have shown robust growth in 2016-17, a year of weak top-line growth for most industries. What this shows is not so much the potential of small-scale production as the catalysing power of organised retail and the support such a retail framework can provide to small producers. Instead of viewing organised retail as a killer of small traders, policy must recognise it as a great catalyst of decentralised production, and remove hurdles in its path, including restrictions on foreign direct investment.

Khadi is both hand-spun and hand-woven. For some years, it has also diversified into fabrics made from naturally coloured and organically grown cotton. Fashion designers have discovered khadi as a fabric that more than meets niche consumer yearning for authenticity. The commission has honed some marketing sophistication, helping small producers come up with appealing packaging and improved quality, apart from a sales pitch geared to the tastes of a growing market for natural, as opposed to synthetic, products, especially in foods, food flavourings, cosmetics and wellness products. But the biggest service the commission provides to the range of small and tiny enterprises, many of them run by women, under its ambit is organised retail. It gives their small, obscure brands the meta-branding of its own nationwide presence and assurance of authenticity. It gives them physical retail space, to interface with consumers. It does not cheat small producers of their sale proceeds. These are vital functions of distribution and marketing that small enterprises struggle to manage on their own.



KVIC and the government would do well to mistake the catalysing power of organised retail for its own unique capabilities. The point is to bring more of organised retail to more of small production.

While keeping up the label of indigenisation, defence PSUs constantly depended on foreign vendors to fill in vital gaps. The Kaveri fighter engine project is a good example of how high-end international technology collaboration was the only way to revive an already delayed programme. This kind of indigenisation may have kept defence PSUs afloat. But they have fallen short of creating an effective manufacturing base. While it would be incorrect to generalise, the truth is India hasn't been able to develop any cutting-edge military systems despite well-funded PSUs.

Before entering into the specifics of the SP debate, let's understand the strategic backdrop driving this call. For long, war-making has determi-

# Talent, Not Money, Should Rule Football

Celebrate Sunday's triumph of Aizawl FC, a football team from Mizoram that made history by winning the I-League, to become India's champions in the club format, the first team from India's northeast to do so. In this 10-team format, Aizawl drew its final game against another team from the northeast, Shillong Lajong, from Meghalaya, to pull ahead of Kolkata giants Mohun Bagan by a solitary point and take the title.

Media reports that the entire budget of running Aizawl FC is around ₹1.2 crore, about ₹1 crore less than what Bagan reportedly pays its costliest player. Compared to Aizawl's tiny budget, giants like Bagan and East Bengal splash out ₹15 crore or so per season on their teams. This is, indeed, as Leicester City showed in the English league last season, the triumph of grit and talent over spending power. We should cherish this, but developments in Indian football administration might crush Aizawl's dreams. Praful Patel — a Maharashtra politician who heads the All India Football Federation (AIFF) — has been talking of merging the I-League with a new contest called the Indian Super League (ISL). The latter is promoted by sports management company IMG and Reliance, a large conglomerate. The ISL has wealthy sponsors, upstart city-based franchises and is populated by ageing internationals. Without much history or talent behind it, the ISL attracts little of the emotion that goes with football, despite big bucks.

Patel hints, darkly, that for any team to migrate from the I-League to ISL, it will need big sponsors. That might allow Bagan and East Bengal to squeeze in, but will certainly exclude Aizawl FC and last year's winner, Bengaluru FC. It will be a shame if India's top clubs by talent are elbowed out of competition by money. It should not happen.

As e-gadgets become annoying to use, people are bound to go back to print

# It Does Make Sense to Go Buy the Book

It had to happen. Bandwidths are becoming increasingly sluggish. Signals are low or uneven at best, making for a patchy experience. Batteries never seem to be able to keep up with the needs of the gadget. There is a built-in obsolescence and, consequently, a perennial fear of future incompatibility and permanently losing the contents. And to top it all, airlines and security agencies have become annoyingly nitpicking about gizmos. There is clearly a need for an entertainment system that is immune to these banes of the modern, digital era: light, unbreakable, easily portable, with an unlimited "life" — that is, it will not die on the owner at inopportune moments — and also carries a guarantee of permanent non-obsolescence. Something that will not need to be put separately into the scanners at airports or constantly traded up would be very useful too. Funnily enough, that kind of entertainment system has been there for ages. Books.

More and more people appear to have rediscovered these solid virtues of old-fashioned, printed and bound packets of information called books. An outbreak of "screen fatigue" is said to be driving sales of paper editions up, and pulling the plug on e-books in key markets around the world. Of course, the surge in their popularity could also simply be because books are the new arm candy.

It's time to bring in the private sector to make our submarines and fighters

# Joining Hands and Arms



Pranab Dhal Samanta

Defence minister Arun Jaitley seems to have hit the ground running in his second stint in South Block. Within weeks of his taking over, he approved the D B Shekhar Committee report, which lays out, among other things, a blueprint for scrambling up to 20,000 posts in the armed forces.

A full implementation of this report involves closing down manpower-intensive entities like military farms, shrinking and streamlining the Army Postal Service, getting the forces out of non-military activities as much as possible, and reorganising them into joint commands. The ministry has also moved on, opening up ammunition manufacturing to the Indian private sector, which, besides unshackling opportunities for other players in the defence sector, is also a statement of confidence in private enterprise and its abilities to measure up.

But the big picture capability transformation really lies in building high-end lethal weapon platforms. Put simply, India must be able to build its fighters, submarines and tanks rather than be dependent on off-the-shelf

imports. While an entire range of defence public sector units (PSUs) have been nurtured over a long period, the results have been below par.

While keeping up the label of indigenisation, defence PSUs constantly depended on foreign vendors to fill in vital gaps. The Kaveri fighter engine project is a good example of how high-end international technology collaboration was the only way to revive an already delayed programme.

This 'white elephant' predicament has bogged down previous governments too. But the political consequences of throwing the door open to private players in this sector has often deterred decision-makers. What if the private companies turn into new PSUs of the future?

Despite such doubts, the Strategic Partnership (SP) model was drawn up to bring in the private sector in a meaningful way. GoI, however, has still not taken a call on this. It's not an easy decision to make, given the merits and demerits on either side. But the fact is that status quo isn't really taking the military complex anywhere. Before entering into the specifics of the SP debate, let's understand the strategic backdrop driving this call.

For long, war-making has determi-



Hope Jaitleyji points them in the right direction

ned the nature of capabilities. The Cold War, for instance, was built around executing military attack plans. This has been true of India and Pakistan as well, where the Indian side often gamed the possibility of engaging in a two-front war where China would come in support of Pakistan. In fact, many proposals for the Cabinet Committee on Security begin with this strategic preamble to strengthen justification for any big purchase.

Now, none of that is completely irrelevant. But it's also true that conventional war-making isn't a viable strategic option for any country. However, the prowess to execute any plan is of immense strategic value. A sound military industry base allows a country to make that strategic projection. If networked effectively into the economy, these industries can spawn an ecosystem of high-technology production that can impact other sectors.

That's why a call on the SP model has become important. The basic concept here is that GoI will identify one or two private players for each category of lethal equipment. This should incentivise and ensure future or-

Essentially, a private company will be confident enough to make long-term investments in R&D, set up joint ventures with overseas equipment manufacturers, negotiate technology transfers and, in due course, find new export markets.

The condition, however, is that if a company has been identified to make an aircraft, then it cannot bid for building any other strategic platform like submarines, and vice versa. This has attracted legal questions on whether it encourages monopolistic practices. But solutions have been worked by way of competitive pricing mechanisms.

There are counter-arguments from within the government that creating SPs would lead to ceding of authority and control to market forces, which may be detrimental in an emergency situation. But such inertia ignores the humiliating problem of running from vendor to vendor for spares and ammunition almost routinely with war reserves constantly running low.

## Take the Private Call

While there can be no firm assurance of success, opening up has largely had a positive impact across critical sectors like transport, telecom and energy. So, at one level, this reform has been delayed for far too long due to unseen fears.

As a result, an economy of dealmakers, agents and commission fixers has flourished in an import-driven environment. It's time this skewed system is altered and a robust public-private manufacturing environment is created to exploit the benefits arising from India's growing acceptance in technology control regimes, which allows Indian manufacturers access of the nature they never had before.

The time has never been more apt to make the switch.

pranabdhal.samanta@timesgroup.com

The prowess to execute any plan is of immense strategic value. A sound military industry base allows a country to make that strategic projection

## I-LEAGUE CHAMPION

# Aizawl, Heart of India's Football



Siddharth Saxena

They had forecast evening rain on Sunday in Shillong. When the heavens opened up at night — after the sound and fury down on the pitch had died down, and long after the adrenaline had spilled on to the turf, was soaked up, trickled down, and long after the elated and spent Aizawl FC bunch had trudged off the field, limbs sore, throats hoarse and their travelling fans returned to the stands and cleared it of all the rubbish before dancing and singing off home — it was an unmistakable sign that everything else had been put on hold just for this.

Everyone had been waiting. Something told you this was Aizawl's day, moment and hour. No, it was time — for something bigger, more far-reaching than just a football victory. Aizawl FC carried out the mother of all 'Leicester's' in Indian football. And the similarity does not end there. While the club that was English Premier League champion last season is in a free fall in the current premier-ship hierarchy, this tiny ₹2 crore Mi-

zoram club, 2016-17 I-League champion, also faces a unique relegation.

And it's been escorted down the path by a football federation that was supposed to protect clubs like these and the fragile ecosystem that they exist in. Instead, it is complying with corporate greed and ambition to take over our Beautiful Game.

Aizawl's success can teach the All India Football Federation (AIFF) that simple, sustainable football living — and winning — is possible. But the AIFF too long gone down the path, blinded in the razzle-dazzle of the Indian Super League (ISL), to make a return? It isn't that there is no money being thrown into football. The ISL is valued at over ₹500 crore. The I-League at ₹80-100 crore. There was always money, but just never pumped into the I-League.

Spare a thought for Aizawl. If the highly discriminatory merger proposal between the ISL franchises and the I-League clubs comes into force, India's champion club will find itself stranded in the proposed second tier that would comprise I-League clubs with no hope for promotion for seven years. "It's like toppling the boards and not being allowed to enter the higher grade," club owner Robert Royte said glumly, adding, "How can you be the champion club of the country and still not be allowed to play in the top division? It



Goalblissation

is mind-boggling."

In a grossly unequal structure proposed by ISL owners IMG-Reliance, the elite division will house all eight ISL teams plus three top clubs from the I-League, provided that the latter cough up the arbitrarily set ₹15 crore franchise fee. Mohun Bagan, East Bengal and Bengaluru FC had so far formed the I-League cream. Aizawl is the new eyesore.

For a team that ran this season on a budget equivalent to what Bagan forked out for their Haitian import, Sony Norde, alone, the idea of raising ₹15 crore is not only staggering, but also insulting.

As India's champion club, Aizawl is now eligible for the Asian Football Confederation club tournaments. But how do you explain it trade in a lower division back home? This,

when none of the ISL franchises are licensed to play as a club from India.

But people have taken notice. Not for nothing is Aizawl swiftly being anointed the 'people's club' in Indian football. The AIFF could take a lesson or two on management in matters football from Khalid Jamil, Aizawl's shy, taciturn but bewilderingly driven coach, and his dictum: one match, one win at a time.

Jamil was able to bring his squad to this level of excellence largely due to a wonderfully committed and passionate value system in Mizoram born from a proactive administration and social inclusion. Funds will always be at a premium in any sports structure in any part of the world. But that hasn't stopped the growth of the game or ebbed its following. Mizoram and the other northeastern states are ripe examples of that. A simple infrastructure, spread across all levels, proper coaching and the invitation to participate has made one of India's smallest states the biggest name in football.

Aizawl and Mizoram's success shows that the northeast, far from patronisingly dubbed as 'footballing nurseries' all along, is clearly the leading light of the Indian game. As Indian football heads into very uncertain times, we should now depend on them to show us the way with simple, sustainable football models.

## SEBI REFORMS

# Now, a Swachh Market Abhiyan



Anjana Menon

Securities and Exchange Board of India (Sebi) chairman Ajay Tyagi has a clean-up on his mind. In the two months since he took over, he has tightened norms and decried crony independent directors at listed companies.

To cauterise this market though, he must start by pruning promoter holdings to 50% and searing shell companies that are used for manipulating stock prices. It will be a bloody clean-up, but a necessary one to boost investor confidence and limit market rigging in a highly manipulated market.

India's publicly listed companies are seeped in a promoter culture that overshadows their public obligations. This means two things. If the promoters are ethical, transparent and take their responsibilities seriously, the company behaviour reflects that. On the other hand, when promoters see a stock market listing as cheap big bucks, the dirty games begin. It makes their firms schizophrenic, a twin personality, if you like — public for tapping money, but less transparent on just about all else from governance to accounting.

In this highly muddled environment, chicanery rules. So-called independent directors are typically friends or retired bureaucrats with experience of navigating complex government red tape. In public sector firms, gatekeepers are often picked from a cabal of known associates — folks who can hardly be expected to raise a red flag. Team this with a mandated free float of just 25% and it's easy to see how the market lends itself to malfeasance. This is true especially for small to mid-sized companies.

Often, the public shareholding is held by institutional investors or big traders with an arrangement with promoters, and get early tip-offs for their cooperation. Much worse, the free float itself is cornered by promoters through an excruciating web of shell companies. Recently, the ministry of corporate affairs stated that



No more brushing it under the carpet

9,00,000 registered companies in India don't file tax returns and are possibly used for illegal activity.

The market is further distorted by traders and corrupt business journalists who collude with promoters to spread misleading stories to push prices up, or sometimes even short stock. For all this to fade, the free float has to be large enough to make it hard to corner, and attractive enough for activist hedge funds, to play. Everywhere in developed markets, activist investors have held companies accountable for their actions, especially to shareholders. In many cases, their activism has dethroned errant executives found guilty of wrongdoing or careless in managing company funds.

Several investors, even conservative Blackrock, are increasingly questioning ineffective value creation for shareholders, something regulators often fail to do.

By insisting that companies free up 50% of their stock for investors, Sebi will open up the market to large institutional investors who can hold promoters accountable. A higher free float will also automatically curb promoter ability to put vast sums of money into the market to manipulate stock price.

Sebi's other challenge will come in clamping down on trading using shell companies. The government plan to digitise databases should help the regulator keep better track. It shouldn't stop there though. Sebi will need to invest in automat-

ed surveillance that some in Silicon Valley are already developing. Using automation to weed through and marry big data from banks, Aadhaar, tax offices and the MCA can reveal manipulative trading and promoter linkages.

Traders are already ahead of the game by using algorithms for high-frequency trading (HFT), often also used to spoof the market and distort trade. And the only way to sift through legitimate trading from spoofing is through the use of artificial intelligence and machine learning that mimics trader behaviour to spot lawless trades.

This is not to say it will end manipulation overnight. But at least the chance of getting caught will act as a deterrent to many.

The regulator's real grit, however, will come from heavy punitive action against errant traders and promoters. For too long, India has tolerated a culture where traders and promoters caught red-handed get away with limp fines and continue to be active in the market even when they are barred from it. It's a VIP culture that money and connections buy, and only one that the regulator can end.

Tyagi must chart a plan to level the playing field and bring relief to small retail investors. It's the only way to embark on Narendra Modi's idea of ending the VIP culture and replacing it with an EPI — Every Person is Important — one.

The writer is CEO, Content Pixies



the speaking tree

## Connect With God

R VENKATESAN

The word religion is derived from the Latin word religare that means "to connect"; the word yoga is derived from the word yuj that also means the same. So, spirituality is all about getting connected to God. What is the reason for the resurgence of spirituality?

There are three interpretations: one school cites that in the modern era, an organisation needs to innovate continuously to survive for which every individual stakeholder in the organisation needs to leverage his creative energy by connecting to God's own creative energy. The other school feels that the sudden eruption of numerous corporate scandals worldwide is due to the lack of an appropriate value system. Hence the need to incorporate spirituality in the business curriculum apart from outlining the need for an evolution in the field of corporate governance. The third school says that yoga explains the connect of mind to body and this helps tackle today's serious problems of stress at the workplace, home or even school.

Why get connected at all? Such an evolution can facilitate one to feel the chakras in his nervous system and go about correcting imbalances and curing diseases. This will enhance balance in the central nervous system leading to stress relief and mental relaxation. It will also improve concentration and communication skills and will help one in developing the technique of managing by detached involvement. Obviously, there is merit in getting connected to God even for managing one's day-to-day activities.

## Chat Room

### Share Wealth in Equitable Way

Appropos "There's Only One Way to Go" by Mythili Bhushnurmath (May 1), the solution is to ensure that the distortions created by globalisation are arrested by evolving better mechanisms of distribution of incomes and wealth. Brexit, Trumpism or the rise against inequality are all because of the wealth getting increasingly concentrated in fewer and fewer hands rather than getting widely and equitably distributed, especially among those who contribute to its creation. Sustained endeavour at equitable distribution is the only solution to accelerate globalisation.

K UMADA

Mumbai

### Let the Guilty be Punished

Appropos the Edit, "Prosecute the Vadras and Clear the Air" (May 1), if there is prima facie evidence on fraudulent methods having been used to grab land with the connivance of government departments, the



accused should be prosecuted. However, the Congress may call it political vendetta, just as its spokesperson hinted that they were soft on such doubtful deals where BJP politicians were involved. This is cheating. Punishing the guilty will improve the functioning and health of democratic institutions.

R KRISHNAMOORTHY

Byemail

### Forget the Re, Create Jobs

This refers to the Edit, "Don't Fret Too Much Over a Strong Rupee" (Apr 29). An overvalued rupee is not in India's long-term interests. Only good export performance, particularly of labour-intensive and cost-sensitive sectors such as leather goods, ready-made garments, handicraft, etc, will help speed up employment generation. When the sword of protectionism is threatening global trade, any dilly-dallying on the issue would result in self-inflicted wounds. We will have more jobs only through large value-added exports and by stopping consumer goods imports from China.

K GUPTA

Kanpur

Letters to the editor may be addressed to editet@timesgroup.com