the **hunt** report

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FOREWORD

Dear Reader,

As we enter FY13, we are delighted to bring you the fourth issue of The Hunt Report, a half-yearly industry roundup of key trends impacting executive hiring across industries.

This issue captures the hits and misses of 15 industries in a mixed environment of optimism and pessimism, with two leading rating agencies having provided diametrically opposing views on the Indian economy, and both within the span of a single week.

The Report distils the human-capital impact of industry trends and the implications on senior leadership talent movement, which have been aggregated for your benefit.

We hope you find the Report insightful. As always, we welcome your comments at thehuntreport@hunt-partners.com

Happy Reading!

The Knowledge Management Team
Hunt Partners
April, 2012

IN THIS ISSUE

The Hunt Report, a half-yearly update, evaluates the key business trends in industry practices, ranging from Retail to Insurance. This issue of The Hunt Report analyses the impact of these significant business trends on the executive hiring process and the leadership movements in fifteen industry verticals.

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Weathering the storm

Coming out of a challenging financial year, several asset management companies are looking at realigning their organisational structure and operations so as to reaffirm their hold in the Indian market

BY ARJUN ERRY AND PRAFUL NANGIA

The fiscal year drew to a close with the Indian asset management industry being completely polarised. While on one hand, Nippon Life Insurance Company picked up a 26 percent stake in Reliance AMC, on the other, Fidelity sold its business and exited from India. Deeper analysis offers some explanation for this dichotomy. While the former has been a consistent performer, the latter has suffered ₹3 billion in accumulated losses since 2005. With more than 50 percent of fund houses in the red and 12 of the profitable ones reporting a decline this fiscal, we foresee many more rounds of consolidation for the coming months. Our conversations with industry insiders have already confirmed the renewed focus on reigning in costs. But the moot question still remains: Why is there such a polarisation in performance?

Reading between the lines

A lot has been said about the adverse impact of regulatory changes; but then, these constraints are the same for all sectors. An analysis of the prevalent business models throws up an interesting picture. The Assets Under Management (AUM) breakup in India shows corporate investors accounting for almost 47 percent of the AUM, followed by HNI's (23.7 percent of AUM). On the other side, retail investors (who comprise almost 97 percent of the subscriber base) account for just 23.6 percent of the AUM.

This is a diametric opposite of the scenario in established markets, where the focus remains on the retail investor who is traditionally a stable customer and allows a Fund Manager ample freedom to invest for the long term.

Impact on talent

The acute polarisation has spawned a visible trend in today's talent market, with professionals now trying to navigate their way to profitable fund houses. This is a worrying development for the newer/struggling asset management companies, since it compounds the complexity they face in attracting and retaining quality talent.

This could also lead to a situation that is detrimental to the entire industry. Tough business conditions and a lack of options could lead to a migration of talent from this sector, as historically, individuals always choose to cut their losses and exit an industry that has no visibility in terms of its future prospects. The Indian insurance and telecom sectors are two prime industries struggling to cope with this challenge.

We see a rush of fund houses wanting to align with banks, so as to leverage the latter's distribution reach. Several examples exist in today's scenario, such as Pioneer and Bank of Baroda, Robeco and Canara Bank, KBC and Union Bank and, most recently, AXA IM and Bank of India. Post the departure of Fidelity (one of the larger non-aligned fund houses), this will further accentuate the flight of talent from smaller independent fund houses to bank-aligned AMCs.

PEOPLE MOVEMENT

- **Charles Beazley** was confirmed as the Global Chairman and Chief Executive Officer (CEO) of Nikko Asset Management, post Tim McCarthy's retirement
- Pictet Asset Management, the asset management arm of Swiss bank Pictet & Cie, has strengthened its Indian equities business, with **Prashant Kothari** joining as Senior Investment Manager in the Emerging Markets Equity Team for the Indian Equities division
- HSBC Global Asset Management has named **Sten Ankarcrona** as the Singapore CEO, following the departure of Patrick Tse to a Regional Business Management post for HSBC Global Asset Management in Hong Kong
- **Arindam Ghosh**, the CEO of Mirae Mutual Fund, quit the fund house and has been replaced by Jisang Yoo, the present Chief Financial Officer of the company
- **Alok Singh** joined BOI AXA IM as Chief Information Officer, Fixed Income. Previously, he was Head of Fixed Income and Structured Products at BNP Paribas AMC

Winds of change

The year gone by threw up mixed fortunes for the Capital Markets sector, with several global players training their sights on Indian shores. Accordingly, Indian majors are eager to rope in talent from multinational banks, in a bid to tap the immense growth potential of this sector

BY SURESH RAINA AND RAHUL BHAT

Taking the BSE Sensex as an indicator of the state of capital markets, it is fair to assume that the latter half of FY 2011–12 has been a mixed bag. Fund-raising through the Initial Public Offering (IPO) route was a near-impossible proposition, and the Private Equity (PE) community, which was struggling to find exit options, has taken the secondary transactions route. The revenue of investment banks in India has declined to US $515 million in 2011, down 30 percent from the US $741 million generated last year

At the same time, high interest rates made debt an unattractive source of funds. The only other channel was the bond market, which was well tapped by domestic companies and banks.
With the inflow of capital being so tight, Mergers and Acquisitions (M&A) play was impacted as well. Equity Capital Markets (ECM) transactions slumped 67.26 percent to reach US $9.76 billion this year, and Debt Capital Markets (DCM) volume fell by 13 percent to US $39.48 billion. Many foreign banks are not participating as strongly in the debt syndication market as they were in the past, due to pressure on the balance sheet. M&A volumes decreased to US $43.9 billion. The silver lining though, was the large-ticket exits for Temasek stake in ICICI Bank, Carlyle stake in HDFC and Warburg Pincus' exit from Kotak Mahindra Bank.

We expect more secondary transactions in times to come, since the revival of the IPO market may take more time. However, we feel that promoters' needs to raise capital will peak next year, and we expect the deal pipeline to strengthen in the next six months.

Merging boundaries

Foreign companies acquired majority stakes in 131 Indian companies during 2011, registering a 30 percent increase in inbound transactions as compared to the previous year, claims a study by Venture Intelligence. The volume of outbound deals dipped by about 35 percent Year-on-Year, to 127 deals.

PEOPLE MOVEMENT

- **Donald D'Souza** and **Nishikant Das** were hired by HDFC to head Equity Capital Markets and Debt Capital Markets respectively
- **Santosh Nair** left Merrill Lynch to join Camson Biotechnologies as Chief Executive Officer
- Dhanalaxmi Bank roped in **Ramesh Krishnan** from Bank of Maldives as its new Head of Treasury
- **Vineet Vohra** joined HSBC as its Head, Wealth Management, APAC practice, from ANZ Bank where he played a similar role
- RBS brought in **Abhishek Khandelwal** from IIFL as Head, Credit Solutions
- **Guneet Singh** moved from HSBC to HDFC as its newly-appointed National Head of Equities and Private Banking Group

Several Multinational Corporation (MNC) banks are in the process of organisational restructuring, which has led to the exit of senior executives; this could further accelerate since the bonus season is already over, particularly at Daiwa Securities, Bank of America Merrill Lynch, Nomura, BNP Paribas, Barclays and UBS. Under these conditions, domestic firms, boutique i-banks and advisory firms are looking to tap MNC talent, in order to strengthen their teams – a reversal of the trend that was prevalent a few years ago. Indian outfits provide a distinct cost advantage, and are open to small and mid-sized equity and M&A deals. As a result, such companies have been able to successfully onboard good talent from the MNCs. For example: Nipun Goel joining IIFL. What remains to be seen is how long this trend will continue and how the landscape will shape up once credit eases.

Diversifying ambitions

Brokerages have started focussing on diversification to other income streams, such as commodities broking and the Non-Banking Financial Companies (NBFC) business. At the same time, cheaper valuations are encouraging investments by big funds into the sector. The NBFC sector remains active, trying to fill the gap left by banks. The last six months have seen the Reserve Bank of India (RBI) laying down restrictions that curb the playing room for the NBFC sector. We believe that pressure will continue to mount on the NBFC space, especially for the larger players who may have to consider becoming a bank or curtailing their growth ambitions.

Boutique banks: Cross-border deals have almost become the norm, with little activity on the domestic front due to funding constraints. Boutique banks are posing stiff competition to MNC banks, which are also faced with shrinking fees. The sluggish deal market lumped with higher costs has forced MNC Banks to scale back their Indian operations. This has provided a unique opportunity for upstart local firms that are not only hiring the rainmakers, but are also aiming to grab a larger slice of the pie. Take, for instance, IIFL's handling of the Warburg divestment in Kotak Bank. Certain local advisory firms are aiming to step into cross border M&A deals and equity issues, by partnering with niche overseas players. For example, Ambit Holdings Pvt. Ltd has formed a joint venture with Tokyo's Nikko Asset Management Co. Ltd.

Source: Dealogic

Beyond money matters

Today, the role of the Chief Financial Officer is much more comprehensive and crucial to the organisation than ever before. Accordingly, there has been a marked increase in the number and types of skills expected from candidates

BY RAHUL ROY

Over the years, the role of the Chief Financial Officer (CFO) has evolved from accounting and bottom-line management functions to that of a business finance professional who works with front-end teams to boost top-line growth. The CFO is expected to maintain strong relations with a number of financial institutions and have excellent know-how of the business, in order to deal with both customers and vendors

Expanding horizons

Today, Chief Executive Officers (CEOs) seek business partners in CFOs, who have the commercial acumen to understand the risks associated with various financial transactions and mitigate them. In many companies, CFOs are highlighted in the media significantly because of the proactive role they play in the business. In fact, in many cases, it has been seen that the CFOs later transition into other business roles. When questioned, a sizeable percentage of senior finance executives expressed their desire to move into a business role, a few years down the line.

A mix of experience in both multinational and Indian companies is preferred as compared to experience only in either multinational or Indian firms. As of now, chartered accountants are preferred (and even demanded) for CFO roles as compared to other finance degrees or certifications.

But with the introduction and implementation of newer technologies and the role of the CFO becoming more strategic, functional excellence requirements will reduce significantly.

Scope for improvement

Most CFOs feel that there is still room for development in their communication and presentation abilities, and that improving these areas will significantly improve their image as a business finance partner. In terms of Key Responsibility Areas (KRAs), apart from the top and bottom line, a number of initiatives, such as system implementation, cost reduction techniques and operational excellence, have been added to their portfolio.

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PEOPLE MOVEMENT

- **Jogendra Sethi**, former Head of the Finance and Accounts function in Nitco, moved into the CFO role with VIP Industries
- Group CFO of Bharat Forge – **Pravin Maheshwari** moved to Aditya Birla group in Hindalco Industries as CFO
- **Amit Shah** was internally promoted within RPG Group; he moved from Raychem where he was Divisional Manager, to Associated Ceat Sri Lanka as CFO
- **Robin Banerjee**, CFO of Suzlon Energy, left to join Bilcare as CFO. **Kirti Vagadia** was promoted internally to assume the position of the new CFO of Suzlon Energy
- Airtel General Manager, Finance – **Vivek Sharma** moved to Q2A Media Bill Smith as Group CFO

Finance Executives are now shedding their risk-averse attitudes and are taking to these business finance roles quite positively. They have become more market savvy and understand that apart from functional excellence, they also need to be good leaders and develop strong teams that can ably fulfil their operational activities. Doing so will enable them to spend more time with the teams and work strategically, so that they can proactively grow the business. Further, in terms of compensation, CFOs have moved into higher variable components, such as stock options, long term bonuses, etc., as opposed to working only at a fixed component.

To attract talent from large, branded companies, several start-up firms hand out handsome packages not only with stock options, but with a generous fixed component. CFOs who are not completely averse to risk, take the plunge. These individuals have not only built strong organisations, but have also made significant fortunes for themselves.

Researching India

India is emerging as a leading hub for pharmaceutical research activities, with several global leaders training their sights on the domestic Contract Research Organisation sector. This has spurred a consequent increase in demand for skilled and able talent

BY ANNE PRABHU AND MEGHA KAPOOR

According to the BioSpectrum-ABLE Annual Survey 2010–11, the Indian Clinical Research Organisation (CRO) industry has been growing at an annual rate of 23 percent and constituted about 19 percent of the total biotechnology industry revenue for the 2010–11 fiscal. The segment clocked total revenues of US $709 million in 2010–11, versus US $576.4 million in the year before.

While the major driver behind the growth of the Indian CRO sector is the pressure on pharmaceutical players to reduce their costs and the time to market, other factors that have pulled global players to India are skilled and knowledgeable investigators, increased compliance to quality norms, a large patient pool and the largely unmet medical needs of the population.

Positive metamorphosis

Over the last few years, the decade-old domestic CRO industry has grown from being a drug development hub to a drug discovery destination. Earlier, the majority of trials conducted in the country were Phase IV trials; however, a lot of Phase II and Phase III trials have also begun to come in. While Phase I trials have recently gained momentum, a significant focus from companies and support from regulatory authorities is still needed for this segment to grow into a considerable size.

Another notable development in the sector has been the spectrum of services offered. While data management and medical writing are seeing significant increase, pharmacovigilance and clinical trial management are other promising areas that are shaping up well.

Consolidation and collaboration

Expansion in the industry has been both organic and inorganic. While players are developing their in-house capabilities to offer a larger range of services, the expansion in footprint and capabilities has also been through consolidations and Mergers and Acquisitions (M&As).

Year 2011 saw strategic consolidations in the industry, with major ones being INC Research's acquisition of Australia-based CRO – Trident Clinical Research and, later, Cincinnati-based CRO – Kendle. Omnicare Clinical Research was acquired by Nautic Partners, and Ventiv Health took over PharmaNet.

Life sciences companies also engage with other industry players for drug development through collaboration models. Players partner among themselves either in the very early stage to co-develop drug molecules, or after molecule development and Phase 1 trials to leverage the data generated thus far. In doing so, they are able to generate substantial returns.

Need to focus

The growth of the sector in India has pushed the demand for talent to challenging levels. The recent expansion in services needs to be matched by a commensurate growth in work force at all levels. This is becoming increasingly difficult, given the rate at which scores of new players are entering the Indian sector.

Changing dynamics and growing competition have pushed companies to restructure their model around innovation-led methodologies. This has to reflect in the leadership, with a mix of risk appetite and an out-of-box thinking. In emerging markets such as India, the hunt for talent (especially at the leadership level) is likely to be much fiercer than in the developed markets.

The intense competition will see companies employing new methods of recruitment and management-like capability building training, and lucrative Rewards and Recognition programmes.

PEOPLE MOVEMENT

- **Sudhakar Bangera** joined APCRA Ltd as Head, Clinical Operations, South Asia. He was earlier Head of India Development at Daiichi Sankyo
- **Sanjay Agarwal** who was Medical Director, Internal Medicine, Asia-Pacific at Sanofi Aventis, has joined Genzyme as Head, Evidence and Value Development
- **Shailender Bajpai** has moved from UCB India, where he was Director, Medical and Regulatory Affairs. He joins Sanofi Aventis as Regional Medical Director
- **Gautam Thakkar**, formerly the Financial Controller at Thermo Fischer, has joined Alexion Pharmaceuticals as Associate Director and Head of Finance
- **Tejinder Jassal** joined Molnlycke Healthcare as Managing Director of its India operations from Synthes, where he was Head of Spine and Bio Material
- **Vivek Shankar Verma** has moved from Dr. Reddy's Laboratories where he held the post of Director, Special Initiatives. He will now take up the role of General Manager, Sales and Marketing at Glenmark
- **Rajesh Sinha** joins Ranbaxy as General Manager, Licensing and Business Development. He was formerly Deputy General Manager, Licensing and Business Development at Lupin

In the wake of these growing possibilities, there has been a movement of Clinical Operations professionals from the industry to the CRO space. Dr Shoibal Mukherjee joined Quintiles as Chief Medical Officer after 20 years of experience across Pfizer, Ranbaxy and GVK Biosciences. Sanjay Agarwal from Sanofi, who joined Genzymes, is another such case in point.

In conclusion, for those with strengths in global clinical operations and clinical strategy, opportunities are there for the taking.

Scoping opportunity

The growth potential of this sector is poised to generate promising opportunities back home, with a number of expatriates returning to India. Domestic players, on their part, are looking to tap readily-available foreign expertise in their quest for expansion.

Source: Dealogic

Engineering growth

Although the engineering sector is still plagued by a sluggish growth rate, recent investments and increased government spending will undoubtedly act as a catalyst for this industry's growth. Accordingly, experts predict a huge spurt in demand for capable talent

BY ANNE PRABHU AND ANTONY VARGHESE PALAMUTTAM

As per senior industry leaders, the growth of the engineering services sector, which stands at around 10 percent in both domestic and offshore businesses, has been slow in FY 2012. This languid pace can be primarily attributed to the European sovereign crisis and the policy inaction of the Indian government

Light at the end of the tunnel

Until recently, resources in the various sectors of the engineering services domain were being demobilised, due to delays in the execution of various projects. A good example of this is the delay in financial closures of projects with the National Highways Authority of India. However, increased government spending on infrastructure has served this sector in good stead. Reinvigorated and rearing to go, the sector expects higher growth in the coming months.

The infrastructure sector was one of the key thrust areas in the Budget 2012–13, with the Finance Minister announcing a slew of proposals. These include allocating ₹10,000 crore each for NHAI, IRFC, IIFCL and the power sector, in addition to ₹5,000 crore each for HUDCO, National Housing Bank, SIDBI and ports. Investments in infrastructure are expected to go up to ₹50 lakh crore in the 12th Five Year Plan (2012–17).

Not surprisingly, the increased volume of business from various government programmes will prompt increased focus on government projects as a vertical within several engineering services companies. This, in turn, will result in an increased requirement for sales talent at the regional and national levels, to effectively tap the market.

Further, the allocation for metro projects has increased by over 12 percent, from ₹5,166 to ₹5,798.57 crore. The Shipping Ministry has also proposed to undertake over 22 new projects valued at approximately ₹16,000 crore in 2012. Once again, this entails a higher requirement for talent with technical expertise in their respective fields.

PEOPLE MOVEMENT

- **Lingam Bhaskar** left SMEC to join Egis India as Regional Director
- **Nasir Mulani** has been promoted to Managing Director, CITEC India
- **Arun Mathur** has been appointed by AECOM as the Associate Director. He was formerly working with RSP Design Consultants
- **Vikas Goyal** joined AECOM India as Technical Director. He was previously employed with SMEC India
- **Charu Sharma** left Halcrow to join GEL Engineering as Vice President
- **Anand Shankar** left WSP India to join DHV India as Director, Traffic and Transportation
- **Arvind Kakkar** left Max Healthcare to join Geometric as Chief Financial Officer

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A definite emerging trend is of restructuring the sales organisation within firms. Until recently, a business unit head was responsible for business development and execution of projects. Now, companies are developing their own dedicated sales capabilities, in order to better cater to the changing market scenario.

Another trend that is also rapidly gathering steam is Non-Resident Indians (NRIs) seeking career opportunities in India, while foreign nationals are moving to the country for two-three year period to tap the expanding Indian market. The resultant workforce diversity is a boon for Indian companies, who are leveraging this trend to support their quest for global expansion.

Off-shoring trends

India is rapidly emerging as a hot destination for engineering outsourcing and global engineering services companies, especially for automobile and aerospace giants who are increasingly outsourcing to domestic manufacturers. India is expected to garner one-fourth of the global Engineering Services Outsourcing (ESO) business by 2020, generating a whopping US $40 billion.

According to a recent report by NASSCOM, the ESO market in India is currently worth US $1.8 billion, with the key verticals being hi-tech/telecom (30 percent), automotive (19 percent) and aerospace (8 percent), going by the sector-wise spend. According to the report, the year 2020 will not see any major shifts in vertical spends, although there will be a slight increase in hi-tech/telecom spends. This is a huge growth opportunity for India, given the domestic players' established knowledge base in the hi-tech and automotive sectors.

Industry outlook

Overall, trade pundits predict a positive future for the sector, both in the domestic and offshoring businesses. Accordingly, a senior leader from the industry affirmed that hiring is anticipated to be higher by at least 20 percent as compared to last year.

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Wheels of time

Despite numerous setbacks such as rising costs and unfriendly market conditions, the automotive and heavy industrial sectors are slowly picking up steam. With the larger manufacturers making new acquisitions and branching out into new lines of business, a sudden demand for talent in the top positions is anticipated

BY **SURESH RAINA** AND **SUBIR MITRA**

Rising fuel prices aiding inflationary trends and surging interest rates have made foreign players cautious about investment and expansion in India. Yet, the industry has witnessed frequent launches across segments. With a 15 percent increase in customs duty on imported cars, the trend is likely shifting towards local manufacturing. This may generate a demand for talent in the Engineering and Operations divisions

Domestic players such as Bajaj and TVS continue to explore new Joint Ventures (JVs) with global firms, in order to explore synergies and leverage engineering capabilities. These JVs also allow them the opportunity to enter new export markets, while simultaneously protecting their domestic market share. Bajaj has strengthened its JV with KTM of Austria, and is working on a series of platforms and engines.

Newer players such as Renault and Nissan are quickly building market share. Diesel variants continue leading the growth in terms of volumes. Toyota, Ford and Nissan are focusing on India as a strategic manufacturing hub, catering to exports in emerging markets. In the first 10 months of FY 2011–12, Nissan exported more than 75 percent of its total production. We should see demand for talent in the supply chain and production functions.

In sight of rising inflation, auto-ancillary companies will have to struggle to create adequate incremental volume build-up in order to overcome the cost increase, amidst intense competition in generating demand for talent. Gujarat, Pune and Chennai continue to attract investments in setting up new capacities and expanding existing ones.

India has posted the highest Year-on-Year growth (22 percent) in commercial vehicles sales for the second consecutive year. Chinese players such as Sinotruk International, Shandong Shifeng and Beiqi Foton Motor are bracing to launch their products into the Indian market in the coming months. New entrant – Scania is establishing a new plant, Volvo-Eicher Commercial Vehicles is setting up a bus manufacturing unit, and AMW has overtaken Volvo, Eicher and MAN Trucks as the third-largest heavy truck maker.

PEOPLE MOVEMENT

- **Jyotindra K Verma** left Siemens, where he was Vice President, to join DVG Engineers as Director, Strategy and Business Development
- **Gursharan Bhatia** has been appointed as Managing Director (MD) and India Head for Littelfuse. He was formerly India and SAARC Regional General Manager and Head of Training and Development at GE Energy
- **Sam Burman** has joined Ashok Leyland as Chief Technology Officer
- **Kiminobu Tokuyama** from Nissan India has joined Yorozu Corporation as Chief Executive Officer. He formerly held the post of MD with Nissan
- Force Motors new Chief Operating Officer, Tractor Business and President, Corporate Sales and Marketing, **Naresh Kumar Rattan** was formerly Operating Head, Sales, Planning and Marketing, and Corporate Affairs with Honda Motorcycles and Scooter India
- **Rakesh Srivastava** will take up the position of Vice President, National Sales at HMIL. He was previously Chief General Manager with Maruti Suzuki India
- **Takashi Nagai**, former President of Honda SIEL Cars India, will join Honda Logistics Inc. as President and Representative Director
- **H Kanayama** joins Honda SIEL Cars India as President, India. He was formerly Head, Operations with Honda SIEL Cars Taiwan

Newer players continue to hire in the senior and mid-leadership levels, and the market majors are bringing in talent at the leadership level laterally. Exports to Nepal, Bhutan and Bangladesh are growing and companies are targeting Middle East and Africa as new markets, opening up opportunities in Sales and Marketing.

An eye for industry

There was a marginal respite in H-2 as the demand for technologically advanced products has ramped up new product manufacturing domestically to some extent, in some instances through foreign JVs. The sector is witnessing an increased impetus on local manufacturing. After a laggard stretch in 2012, we should soon see some ramping up in this space. Large Indian companies will continue to make acquisitions, and sell products and Engineering, Procurement and Construction (EPC) projects outside India, especially in Latin America and the EMEA regions.

The demand for talent in projects and manufacturing continues to exist. However, Indian companies have little experience in system integration and design engineering.

The high-end design and development work may hence be done by foreign partners, with Indian companies only assembling parts in the initial stages. Newer sectors such as aerospace and defence are witnessing hectic activity.

Today, India is one of the fastest expanding aerospace markets in the world, with an increased interplay between Indian and foreign aerospace companies, leading to a strong demand for good talent in this sector.

Some of the major developments in this space include the following.

- L&T has acquired UK-based provider of ship control and automation systems – Thalest
- TRF Ltd has entered into a JV with Schade Lagertechnik GmbH to manufacture and market equipment in India
- L&T has signed a JV with Samsung for the manufacture of weapons, fire control systems and communication systems, and with EADS to manufacture and market electronic warfare equipment, radars and avionics
- Mahindra Group has entered into a JV called Defence Land Systems with BAE Systems, to manufacture armoured vehicles and artillery guns
- Tata Advanced Systems has signed a JV, which will build aero-structures for C-130J aircraft manufactured by Lockheed
- Wipro Infrastructure Engineering signed a JV with Kawasaki Heavy Industries to set up a facility to manufacture hydraulic pumps for excavators

Source: Dealogic

IT industry looks closer to home

This year, India will continue to retain its position as a global IT hotspot. This sector can look forward to healthy growth on account of increased government spending on critical infrastructure projects

BY ARJUN ERRY AND ANTONY VARGHESE PALAMUTTAM

The expansion of the domestic Information Technology (IT) industry has been fuelled by increased investments by various state governments, and by Small and Medium Enterprises (SMEs). Ever since the financial meltdown of 2008, India has been a strong focus area for this sector. The Indian IT industry is set to touch US $101 billion in revenues in the year ending on March 2012. This includes US $32 billion worth of revenue from the domestic IT business, hardware and engineering services

The Indian scenario

At 18 percent, revenues from the domestic IT sector grew faster than its exports, which grew by 16.3 percent Year-on-Year. At a time when the global economy is still challenged by the recent downturn, IT vendors are focusing on domestic business. This helps them to de-risk revenues and growth.

This year, there is also an increased focus on IT spends driven by the banking sector, SMEs and large enterprises including the power sector. It is reported that IT spends will be at least 3 percent higher than last year. Accordingly, as per NASSCOM FY 2013, domestic software and services growth has been forecast between 13 and 16 percent.

Market leaders such as IBM, Wipro Infotech and HP are increasingly expanding into Tier II and III cities, to cater to the ever-increasing demand from SMEs. For one, IBM will more than double its branch office presence in the next 16 months, to have its offices in more than 40 cities.

With strong domestic demand, we believe that there will be an increased demand for talent to manage the increased business volumes. There is a definite trend of companies relying more and more on cloud-based or pay-as-you-go models, such as SaaS (remote software). For example, earlier this year, India's largest IT service provider – Tata Consultancy Services announced the launch of iON, a cloud computing system aimed specifically at domestic SMEs.

With increased investments in infrastructure services, there will be a stronger demand for professionals with sound technical knowledge in the cloud, mobility and business analytics spheres.

Scoping IT services

Domestic IT services, which contribute about 20 percent revenue for the IT services sector, will get a shot in the arm from planned government expenditure aimed at improving IT infrastructure and enabling efficient delivery mechanisms. Government spends on technology this year are likely to cross record levels, with ₹14,323 crore slated for Aadhar—the project that will give each Indian citizen a unique identification number.

Besides, the government will also spend on a mobile-based fertiliser management system, an LPG transparency portal, Aadhaar-enabled payments for government schemes in at least 50 districts and other schemes such the National Population Register. These projects will require a major overhaul of the existing systems, resulting in more government spending.

As most of these projects, say analysts, will be won by mid-cap companies, there is also a newer trend of setting up independent verticals that look into big-ticket government projects. We believe that there will be an increased demand for talent to manage these newly-created businesses. Another trend that we see gathering pace is of Indian nationals in international locations (NRIs) seeking career opportunities in India. For example, Nitin Bawankule joined Google India as Director Online Sales. He moved to Google from DELL (APJ).

PEOPLE MOVEMENT

- Mindtree has appointed **Subroto Bagchi** as Chairman
- IPSoft has appointed **Jeya Kumar** from Patni as Chief Executive Officer (CEO)
- **Rajesh Chandiramani** left Tech Mahindra to join Capgemini as Vice President, Sales
- **Kuldeep Raina** was appointed by Sophos as Country Manager
- Mindteck took on board **Wayne Berkowitz** from IBM as Global CEO
- **Anil Valluri** left Artiman Ventures and joined Netapp as President
- **Rajeev Mittal** is the new Managing Director at Avaya for India & SAARC. He was formerly working with Microsoft India
- **Manojeet Chowdhury** has been appointed as Senior Vice President by Defiance Technologies. Prior to this, he was working at Mahindra Satyam as Vice President, Middle East & Africa
- **Jagdish Mahapatra** is the new Country Manager for McAfee. Earlier, he was Senior Vice President, ITS Sales, at CISCO
- **Manish Dugar** has been reappointed as the CEO of Wipro BPO; he was the Chief Financial Officer, IT Business, at Wipro Technologies
- **Suresh Prabhu** left Diebold to join ORCC Solutions as Vice President

Hiring in India Inc.

Elaborating on hiring trends this year, Nasscom has declared that there is a strong hiring pipeline of over 1,00,000 offers. The industry created over 2,30,000 jobs in fiscal 2012. On the salary hike front, Nasscom believes that the wage increase could be in the range of 8–10 percent in 2012–13, as compared to 10–14 percent in the current year.

The big data bang

With the recent emphasis on effectively managing data so as to render it useable for analytical and management purposes, the domestic big data analytics sector has received a major thrust. This has prompted a swell in demand for professionals with a good mix of statistical skills and business knowledge

BY **ANNE PRABHU** AND **MEGHA KAPOOR**

Over the last few years, the volume of digital data has exploded exponentially. It is estimated that the world produced over 1,000,000,000,000 GB of data in 2010 alone. Constantly feeding this data proliferation are ubiquitous mobile phones, social media and social networking sites, internet search engines, websites and applications that enable operations across industries. Translating these reams of data into contextual information to unearth the implication for the management, and the enterprise as a whole, is the function of Big Data Analytics

Platforms such as social media and social networking sites are becoming quintessential tools for customers to express their opinions and experiences on various products and services. And so, it is imperative for organisations to track these customer sentiments and quickly act on them to stay competitive. Information Technology (IT) services providers all over the world are focusing on providing solutions that can help organisations to convert this huge content into context, and harness information to accelerate and improve decision making.

Growing capabilities

As businesses across industries shift their focus towards big data analytics, IT players across sectors are aggressively expanding their portfolios to offer a broad spectrum of services and products specialising in analytics.

IT product giants SAP and Oracle have expanded their analytics portfolio with advanced analytics technologies such as HANA and Big Data Appliance respectively. IT services player iGate, on the other hand, launched its Social Analytics Centre of Excellence – a focused group of solution architects building expertise in areas that influence analytics. IBM has also started a Big Data practice, including Big Insights – a collection of analytics and visualisation technologies centred on Hadoop, the most widely used, open-source big data technology.

PEOPLE MOVEMENT

- **SatyenVyas**, Director, Medium Business, Dell India joined IBM as the Head of IBM's x86 Server Business
- **Subroto Das** joined IBM to lead its storage business in India. He was formerly the Chief Operating Officer of EMC India
- **Shailesh Rao** joined Twitter as Head, International Business. He was formerly Managing Director of Media and Platforms for Asia Pacific Operations at Google
- **Parag Arora** moved from Cisco where he was Vice President, Banking and Financial Services to Citrix as Director of Sales and Enterprise
- **Kulmeet Bawa**, Director of Government and Healthcare Business at Microsoft India, moved to Adobe as Director of Enterprise Business
- Apple hired **Sanjay Kaul** as Head, Telecom Business. He was formerly Senior Director of Channel Sales with Research In Motion

Inorganic growth was a major trend in 2011, with EMC investing nearly US $3 billion in Greenplum and Isilon, and IBM investing nearly US $14 billion on analytics-based acquisitions, which include big data as well. Likewise, Teradata acquired Aster Data, while HP acquired Vertica to boost their analytics offerings.

Big returns

Venture capital firms also see big returns in big data, and believe that it is going to be the next big thing for the India Inc. Last year, Mu Sigma (which specialises in providing analytics solutions with its main delivery centre at Bangalore) received PE funding from two big Private Equity (PE) players viz. Sequoia Capital (US $25 million) and General Atlantic (US $108 million).

Big Data market, according to IDC, is estimated it to reach US $16.9 billion by 2015 from the 2010 level of US $3.2 billion. The Compound Annual Growth Rate (CAGR) of 39.4 percent over this five-year period is seven time higher than the overall IT market over the same five years, says IDC.

Need for talent

Business intelligence leaders are the catalysts to lead organisations away from traditional reporting-based analysis to real-time Business Intelligence (BI) analytics. The biggest need of the industry, hence, is to build a leadership with multifaceted skills i.e. next generation statistical skills mixed heavily with business knowledge.

A major shift in approach towards staffing analytics leadership has come from the realisation of looking beyond IT. Organisations across industry, from biotech to banks, from pharmaceuticals to manufacturing and from IT services firms to ITES organisations, are proactively exploring promising cross-industry avenues.

As India emerges as the 'new' land of opportunities and a preferred destination for innovation, there has been a huge inflow of expats embracing India. Some Indian firms are looking to tap talent from the US, to further their growth story.

Budget cheers

Budget 2012 effected several changes that will set in motion stalled projects and also encourage players to take up new ones. With tax benefits and relaxations on former borrowing restrictions, this sector is poised for rapid growth

BY SURESH RAINA AND SIDHARTH NAMBIAR

The Union Budget of 2012–13 has given the sector something to cheer about. With several projects now likely to see either the light of day or increased traction, we believe it is the dearth and retention of skilled talent that will be a cause for concern

Power

The budget's proposals of eliminating customs duty on imported fuel, and permission to access External Commercial Borrowing (ECB) to part-finance the rupee debt for existing power projects were heartily welcomed. Execution of the same is expected to pick pace. Private equity investments in the renewable energy segment have taken a giant leap in 2011, with deal volumes doubling and deal value increasing more than fivefold.

Indian banks are now willing to finance solar power projects. The first batch of solar plants is nearing completion, encouraging banks to explore ways to securitise their cash flows in the same way as tolls from highways and other infrastructure projects. We see demand for talent picking up in the solar sector. However, the wind power sector will be hit by the scaling back of tax incentives, which drove 70 percent of the nation's installations in the last fiscal.

More than 50 private distribution companies in the country are likely to be allowed to directly buy and sell power in the coming months instead of working through State Electricity Boards. The franchisee model is more acceptable to the privatisation of distribution companies, due to its flexible nature. This sector has started witnessing heightened activity, and will need leadership talent to build and manage large distribution operations.

Ports

The budget has allowed the raising of low-cost foreign debt, giving a boost to this sector. The growth figures for private ports have been much superior. The larger Public Sector Undertaking (PSU) ports pale in comparison, with only about 2–3 percent growth. The capacities at private ports are being expanded, with opportunities for talent in port design, port planning and project management consulting roles.

PEOPLE MOVEMENT

- **Sunil Bakhshi** is now the Chief Operating Officer at Energetic Lighting India Pvt. Ltd. Prior to this, he was Associate Vice President at Havells-Sylvania Lighting
- **Kaviraj Nair** has left GE Energy as Strategic Marketing Leader to join Pepsico India as Vice President, Innovations
- **Amogh Nawathe** has joined ABB as Vice President/BU Head (Minerals BU) from Voltas, where he was Head of Business Development
- **Prashanth Doreswamy** has been hired as Plant Director at Ingersoll Rand, from Tata Johnson Controls where he was the Plant Head
- **Daryll Fogal** is now Senior Vice President, Technology at Eaton Electrical. He was formerly Vice President, Engineering and Technology at Honeywell Building Solutions
- **Banmali Agrawala** is now President and Chief Executive Officer (CEO) of GE Energy; he has come in from Tata Power where was Executive Director, Strategy and Business Development
- **Priyank Agarwal** has left Honeywell India for Philips India, where he will serve as Vice President, Strategy and Business Development
- **Lalit Kumar Gupta** has resigned as CEO of JSW Energy
- **Rohit Chikballapur** has moved within Schneider Electric from Regional Managing Director, Energy Automation to the position of Vice President and Managing Director (MD) of Schneider Electric India
- **YS Bisht** has left the position of Vice President, Strategic Business Units, Acme Telepower, to join Waiyaki Way, Nairobi as CEO
- **Gursharan Bhatia** is now MD and India Head, Littelfuse. He comes in from GE Energy, where he was the India and SAARC Regional General Manager, Head of Technology and Development
- **Ashok Khanna** has left Lanco to join Powermech Projects as Executive Director, Operations. He held the position of Senior Vice President at Lanco
- **Premjit Singh** joined Piramal Roads Infrastructure as CEO. He was formerly Deputy Vertical Head, Transportation at HCC
- **Jyotindra K Verma** has left the post of Vice President, Siemens to join DVG Engineers as Director, Strategy and Business Development

Road transport and highways

The budget upped the allocation for road transport and highways by 14 percent. Further, ECB for capital expenditure on the maintenance and operation of tolled roads and highways has been allowed, with a view to encourage Public-Private Partnerships (PPPs) in the road sector. We believe that those road projects that had been on hold for some time will see rapid activity now, and several projects will get to the start-off stage.

Airports

If the higher Return on Equity (RoE) proposed by the Aviation Ministry is passed, it will help loss-making private sector developers shore up revenues faster. International Airports Authority of India is looking at awarding contracts for the expansion and modernisation of at least 10 airports in the next 12 months

Metro

PPP frameworks being the way forward, the central and state governments are increasingly approving projects on this model. Projects are at different stages of completion in the metros and other larger cities. The challenge here is the shortage of manpower at the leadership level.

Source: Dealogic

Growth of the home-grown

A less-than-favourable outlook on the global fore has led to a dry spell in M&A activity, both in terms of the value and the volume of transactions. While many global majors are responding by slashing down their employee numbers, smaller boutique firms are eagerly tapping into the windows of opportunity to hasten their growth

BY SUNIT MEHRA AND SIDHARTH NAMBIAR

In the last edition of The Hunt Report, the situation for the Investment Banking sector was far from promising. While the sum total of Merger and Acquisition (M&A) deals was up by 9 percent Y-o-Y to reach US $2.18 trillion, the value of third-quarter M&A deals stood at just US $633.3 billion, down by 19 percent vis-à-vis the third quarter of last year. Global M&A volumes hit US $595.2 billion, down 18 percent from the second quarter this year, and 21 percent from the same quarter in 2010.Deal flow dropped by 9 percent from the second quarter. Experts were of the opinion that global uncertainties were weighing heavy on M&A activity

The situation so far

Closer home, the news was not very positive either. Domestic M&As had dwindled in Q1–Q3 2011, as compared to the same period last year. Corporate India saw a decrease of 41.5 percent by value and 16.9 percent by volume in deals in the first nine months of 2011, as compared to 2010. Driven by inflation and increased interest rates, the Indian market was becoming an increasingly unfavourable environment for M&A activity. At the time, Hunt Partners had predicted that the business would continue to sputter well into 2012.

Globally, the value of M&A deals was down by 32 percent (January–March) with just 2,350 deals worth US$3,93,160 million, according to Financial Times. An analysis of M&A fees reveals a significant drop, which is upwards of 20 percent.

All regions saw a decline in the value of these deals and fees involved. While all sectors saw this decline, the consumer, industrial and financial services sectors saw the highest decrease in terms of deal value vis-à-vis 2011 (down by more than 40 percent).

Number crunching

The total value of inbound deals in February was US $270 million by way of nine deals, as compared to US $7.45 billion through eight transactions in the corresponding period a year ago. The total value of outbound deals in February this year was US $441 million (five deals), as against US $206 million (11 deals) a year ago. The forecast for this year, based on these numbers, holds some promise for times to come.

Talent talks

On the talent front, we see a mixed bag. While, on one hand, large high-cost Western banks are scaling back their numbers, on the other, some local boutique firms are hiring aggressively. Some of the cases in point include:

- US buyout firm Warburg Pincus skipped the likes of established investment banks Goldman Sachs and Morgan Stanley to choose India Infoline
- Leading global banks that have cut down their operations include Citigroup, HSBC, Bank of America Merill Lynch, BNP Paribas, Nomura, UBS and Barclays. Royal Bank of Scotland is looking to sell its equities and mergers advisory businesses
- Mid-sized investment banks such as Motilal Oswal and O3 Capital are looking to ramp up their headcount

One of the more pertinent factors leading to the emergence of such as situation is cost. For Indian investment banks, people costs are at least 30 percent lower than those borne by their foreign counterparts.

As summed up by a local banker, "We have the ability to survive and grow even if the market is down because we do not believe in the culture of excess – either in spending or hiring." The other factor is commitment. Jaspal Bindra, Asia Chief Executive of Standard Chartered Bank opines, "In markets where you do not have a commitment, you will continue to shrink each time there is a problem."

PEOPLE MOVEMENT

- This March, former Head of Investment Banking at Nomura – **Nipun Goel** joined IIFL as President, Investment Banking
- Merrill Lynch & Co. Managing Director – **Santosh Nair** joins Camson Biotechnologies Pvt. Ltd as Chief Executive Officer (CEO)
- **Gaby Abdelnour** has resigned from the position of CEO Asia with JP Morgan
- **Wilmot Sitwell** has taken up the position of Chairman at UBS Investment. He was earlier Co-Chairman and CEO of the Asia-Pacific Region for UBS
- **Donald D'souza** has moved from India Infoline Ltd to HDFC Banking as Head of Equity Capital Markets. He had held the position of President, Investment Banking at India Infoline
- Nomura's **Indraneil Borkakoty** joins Violet Arch Capital Advisors as Managing Director and Head of Investment Banking
- Also joining Violet Arch Capital Advisors as Managing Director, Structured Finance, is **Ravi Agarwal**, who was formerly employed with Spinnakar Capital as Managing Director, India Operations
- **Anand Krishna** from Macquarie joins Violet Arch Capital Advisors as Chief Operating Officer, while Fullerton India's Senior Vice President, SME Segment – **Jayanta Basu** joins as Senior Vice President, Structured Finance
- **Jesse Bhattal** of Nomura has resigned from the post of Joint Deputy President

Our take

Boutique investment banks and local houses will continue to fare better than their larger global cousins because of higher focus on costs. They are likely to continue hiring. With the global trends finally indicating a change for the better, most global banks will ride through. Banks that continue to face a grim global outlook and those without any long term commitments in the market may continue to slash numbers.

- Global players will have to learn to be profitable in a small-deal market if they believe in the India story. Else, they will be caught in the rat race to scoop up the few, possibly high-paying large deals that may come up in the market from time to time.

A new sector blossoms

After a long era of following in the footprints of the more prolific pharmaceutical and healthcare sectors, the domestic medical devices manufacturing sector is finally coming into its own. This growth is expected to spur a hiring wave, with an increased demand for specialised talent

BY PRAFUL NANGIA

The Indian medical devices/technology sector is finally coming of age. After years of being overshadowed by its much larger cousins – healthcare and pharma, the sector has suddenly acquired a new identity for itself. Today, the Indian medical devices industry is estimated to be around US $4 billion, and is growing by almost 15 percent annually

Winds of change

An interesting trend in the sector has been the complete transformation of the business model harnessed by global companies. From their usual practice of working through a channel partner in India, these companies are now looking at outsourcing contracts for design, development, components manufacturing and packaging to India. There is also an increased focus on developing an in-house distribution network, with a well trained and progressive field force.

This change has been led by companies such as GE Healthcare, which has been investing on R&D activities in the country, and intends to launch 20 "developed in India" products this fiscal. DePuy established its Advanced Education and Research Centre last year; this facility is also the largest of its kind outside North America.

Covidien, the US $11-billion Irish medical devices manufacturer, has commissioned its R&D centre in India and is now setting up clinical training institutes. The company is also scouting for acquisitions, in order to ramp up its manufacturing capabilities in the country. Medtronics has already declared its intent to establish a manufacturing and R&D centre in India. This is expected to create a demand-supply mismatch for quality R&D talent, and will result in cross-border searches to fulfil critical roles.

These developments bode well for the Indian industry, which has so far struggled to make any headway in getting its concerns addressed by the regulators. The hectic pace and investment pipeline has increased focus on the sector, and the Medical Devices Regulation legislation (which was scrapped in 2006) is finally expected to be reintroduced this year.

PEOPLE MOVEMENT

Johnson & Johnson has witnessed significant people movement at the senior level in the last six months

- **Sherilyn McCoy**, a Senior Executive at Johnson & Johnson, has moved to Avon as Chief Executive Officer (CEO)
- **William Weldon**, CEO of Johnson & Johnson, is retiring and will be replaced by Alex Gorsky. Mr Gorsky was previously Vice Chairman at Johnson & Johnson
- **Andrew Hurd** has been appointed as the new CEO and President of medical information platform developer – Epocrates
- Novartis named **Brian McNamara** as division head of OTC, replacing J&J veteran **Naomi Kelman** who spent a year in the role
- Elsevier named **Jay Katzen** Managing Director for its Clinical Decision Support Group
- **Rekha Ranganathan** joined Philips Healthcare, India as Senior Director & Chief Marketing, Strategy Officer. She was previously Director of Marketing Strategy and Analysis at Boston Scientific

Call for talent

The maturing of the Indian medical devices industry has amplified the need for specialised executive talent. Conversations with senior industry leaders have reaffirmed our belief that the intricate demands of the industry require a skill set that is different from that required by associated sectors, such as pharmaceuticals.

The medical devices sector needs people with the ability to quickly grasp the technical nuances and high conceptual selling skills – a non-relevant requirement in the pharmaceutical sector. In addition, the person needs to be conversant in negotiating within an intricate Business-to-Business-to-Consumer environment.

The rapid growth of the sector has already started to pose serious hiring challenges for organisations that are keen to increase their presence in the country. Given the small size of a relevant and experienced talent pool, we foresee the influx and ready acceptance of talent from high value concept and technology-driven sectors such as telecom, Information Technology (IT) services and consumer goods.

Source: Dealogic

The Year of the Dragon calls for innovation, courage and passion

With several global majors still struggling to recuperate from the impact of the recent economic recession, certain big-wigs have pulled the plug on their Indian foray. At the same time, newer ventures are being created and opportunities explored aggressively in the domestic market

BY **SUNIT MEHRA** AND **RAHUL BHAT**

The onset of the New Year seems to have brought with it a whiff of fresh air for the Indian economy. Sentiments seem to be tilting towards the positive, despite the dampener in the form of the recent budget, which provided little direction. The hiring season at the top-tier B-schools was reasonably good, while the second-rung colleges struggled to attract industry majors. Sectors such as healthcare and information technology recruited in large numbers and even doled out healthy year-end bonuses, while banks and financial services took a beating. Amidst all this, private equity witnessed its own share of ups and downs

The bigger picture

The evolution of the domestic private equity industry can be categorised into three distinct phases, based on the rounds of fund raising. The first round was in the late 90s, when domestic firms such as India Value Fund Advisors (IVFA) and ChrysCapital raised their first funds. It was also during that period when MNC blue-chips, Barings (now defunct), CDC and Warburg Pincus entered the country. The total value of deals in India in the year 2000 was US $1.16 billion, with an average deal size of US $4.14 million. Round two came about in 2003, when the US economy was on a recovery path, and India embarked on its 8 percent growth rate; the effects of these were visible in 2005, when investments in the country surpassed US $2 billion.

The period 2006–07 marked the beginning of the golden era for the industry, with funds such as IVFA (Fund III), Everstone (Fund I), Tano Capital (Fund I), Helion Venture Partners (India Fund) and Warburg Pincus' Global Fund (Fund 2007) raising monies that are still being deployed. Among the 2007 vintage funds, New Silk Route is actively deploying its dry powder with a goal of investing as much as US $300 million this year.

Interestingly, each of the three cycles was driven by favourable macroeconomic milestones – Round one: dotcom and Y2K boom, Round two: recovery from the dotcom bust and post-9/11 era, Round three: India's growth peaking at more than 10 percent.

Firms are now close to exhausting their Round three funds, a big reason why it makes logical sense to move into Round four. Unfortunately, a macroeconomic trigger today seems like a distant reality.

Of losses and gains

Circa 2012, and fund managers are not deterred from taking to the road for fund-raising. Some recent successes include those by Helion Ventures (Fund III – US $255 million), Tano Capital (Fund II – US $111 million) and Chrys Capital (Fund VI – US $500 million).

On the flipside, though, there are those who have shelved their India plans: Arka and Accel Partners have stopped fund-raising, whereas SITQ RE, the Canadian real estate fund, has withdrawn from the country after four years. Ironically, SITQ seems to be the exception, for RE-PE is upbeat going into the New Year. There was a series of fund-raising announcements in the last three months from Indian and foreign firms, including Redfort Capital, Indiareit, the Brookfield-Peninsula joint venture fund, JP Morgan and Kotak Realty. Is real estate the next wave waiting to happen? After all, this sector has never looked up since the US subprime crisis of 2008. It is possible that Round four will ride the realty wave.

Looking ahead

The next six months will see some level of consolidation. Given the difficult economic environment around the world, portfolio exits will be limited, returns on the 2007 vintage funds will be mediocre and, therefore, the matter of carried interest will be a question mark. This will act as a litmus test for professionals in the industry: given the unique challenges and uneven road ahead, only those with a deep-rooted love for the trade will survive.

Leadership exits will become rampant, leaving little leg-room to groom the second generation of business leaders. All said and done, this year will see some effective, long-overdue correction that will create some unconventional shifts. And like the title states, only the dragon-hearted in the industry will prevail.

PEOPLE MOVEMENT

- **Prateek Dhawan**, Principal in Accel Partners' Growth Equity Team in India, is joining Everstone Capital as a Senior Member of the Investment Team
- **Ritesh Vohra** moved as Managing Director from IL&FS to Partner at IDFC
- NEA ropes in **Vamesh Chovatia** as its new MD from Kotak PE, where he served as Senior Director
- **Leo Puri**, former MD of Warbug Pincus joins McKinsey & Co. as Senior Advisor
- **Atul Kunwar**, President and Global Head of Sales, Mahindra Satyam, moves to Ambit Pragma as Operating Partner
- Kaizen PE promotes **Jetu Lalvani** as Executive Director
- **Abhay Havaldar** has been appointed by General Atlantic to head its new Singapore Office
- Carlyle promotes **Alekh Dalal**, **Manish Gaur** and **Nikhil Mohta** as Directors
- August Capital hires former AppLabs Chief Financial Officer, **Mohan Krishna Reddy** as Venture Partner
- Aureos appoints former Intel Capital Managing Director, **Ashish Patel** as its Asia Partner

Banking on a booming economy

Despite the recent lull in the private banking and wealth management sector, increased focus on the domestic market by global majors has spurred a strong demand for more capable and better qualified Relationship Managers

BY ARJUN ERRY AND PRAFUL NANGIA

The private banking and wealth management sector ends the year on a dull note. However, a recent research report on India brings some cheer. The report reveals several reasons why a large number of global majors have their sights trained on the Indian market. Some of the findings revealed by this report include the following.

- India currently has the fourth-highest number of High Net-Worth Individuals (HNWIs) in the Asia-Pacific region, after Japan, China and Australia
- Indian HNWIs are expected to grow by 85 percent to reach approximately 4,65,000 individuals in 2015; HNWI wealth is expected to grow by 97 percent to US $2,134 billion in the same period

Another interesting development is the entry of Ameriprise in the country–the brand is the first international name in India to offer purely wealth management and financial planning services.

Switching gears

Although the future looks rosy, the ground reality is quite different. While expenses, mainly on salaries, have been increasing by almost 20 percent annually, the pressure on profit margins continues unabated.

A major reason for this has been the practice of pushing plain vanilla products to a clientele that is yearning for more and has no qualms about moving to other geographies for a wider range of options.

The industry's response to this migration is the brand-new concept of cross-selling investment banking products and private banking products. Here, a private banker originates an investment banking deal, which is then passed on to the i-banking team for pitching and execution. The private banker receives internal credit for any fees received as a result of a mandate fructifying. Interestingly, a multinational private bank operating in India has taken this business model a step further – it has internally developed investment banking capabilities, thus allowing Relationship Managers (RMs) to both originate and execute the mandate without involving the bank's investment banking team.

HUNT PARTNERS

Changing needs

A result of this innovation is that it is no longer sufficient for the RM to simply be aware of asset classes. Instead, he/she must be conversant with the inner workings of capital markets, and have the ability to run Equity Capital Market/Debt Capital Market transactions independently.

India has witnessed a significant amount of promoter wealth being unlocked in the past few years, be it by way of private equity funding, a strategic sale or through public markets. This promoter wealth now sits within a ring-fenced liquid structure, seeking investment opportunities. The lack of differentiated products catering to this segment has spurred the origination of the Family Office in the Indian Financial Services landscape. The rise of Family Offices has further increased the demand for seasoned and capable RMs. In turn, this pressure will result in a talent flow into private banking from other FS sectors.

This trend is going to put immense pressure on RMs with limited exposure to an exotic product mix, while banks will be hard-pressed to hold on to blue-blooded talent, with competitors gunning for these candidates.

PEOPLE MOVEMENT

- **Bill Tsang**, the Hong Kong-based Head of Investment Advisory, North Asia at Deutsche Bank moves to Nomura as Head of Investment Products, Asia (outside Japan)
- **Peter Triggs** moves to DBS Private Bank as Managing Director. He will also serve as Head of International Private Banking and Wealth Structuring, and will be based in Singapore
- Coutts, the wealth management arm of Royal Bank of Scotland, declared **Timothy Chia** as the new Chairman for Asia. He was previously Vice Chairman for UBS Investment Bank and a one-time colleague of current Coutts Chief, **Rory Tapner**
- BarclaysWealth has named **Shajikumar Devakar** the new Director, Wealth Management, in India. Shajikumar joins from Deutsche Bank in Bengaluru, where he was a Director
- BNY Mellon has named **Aneish Kumar** as the Country Executive for India and Chief Representative of the company's Mumbai representative office. Aneish takes over from **Navneet Singh**, who retired in February 2012
- Ask Investment Holdings, the Indian investment management firm, has appointed **Sunil Rohokale** to the newly-created position of Managing Director and Chief Executive. This move enables ASK Group to consolidate all its businesses under one leadership; previously these businesses were independently led by various Chief Executive Officers (CEOs). The firm's different divisions, including Ask Investment Managers, ASK Wealth Advisors and ASK Property Investment Advisors, will still be overseen by their current respective heads
- **Charles de Boissezon**, former Chief Executive at Banque Piguet–the Swiss private bank, has taken up the post of CEO at Hinduja Bank (Suisse). Mr Boissezon was appointed CEO of Banque Piguet in 2004

Realty bytes

With the domestic real estate market recovering from the recent slowdown, certain urban pockets have been showing the first promising signs of a rebound. On the personnel front, there has been some rearranging in the top management rungs, with companies taking a second look at operational efficiencies and brand image

BY **RAJIV ARORA** AND **RAHUL ROY**

The real estate sector has taken a beating over the last two years, primarily due to an increase in the input costs (both in terms of raw material and the cost of funds) and a simultaneous stagnancy in demand. As is usual in this sector, the ups and downs are city specific. While Mumbai has been piling up its commercial space inventory, Bengaluru's Q3 sales were reportedly 30 percent higher than last year. Similarly, NCR registered a 26 percent decline in sales in the commercial segment as compared to Q2 of FY12. On the residential front, the Chennai market showed a healthy rebound in Q3 FY12. The Hyderabad residential market has also picked up reasonably in Q3 over Q2 FY12

The real picture

Currently, a large percentage of the market demand is for low and medium price units, and this trend is predicted to continue for few years. Premium properties are registering lower sales, since most potential buyers are waiting for prices to fall.

The recent budget has made more debt and equity funding options available, which will help the market to pick up even further. With funding in place, several pending projects will move through the pipeline, while new projects that were hitherto shelved will finally see the light of day. Realtors will have to focus on efficient project execution, so that their estimates are not hit by inflation and other external factors, allowing them to effectively tap the affordable housing segment.

The rate cut from the Reserve Bank of India by 50 basis points came as a huge relief to the sector. This cut will be factored in by banks from Q2 onwards, easing the burden on home loans. This, in turn, is expected to have a positive impact on sales.

Personnel concerns

The market has picked up some momentum and lot of movement can be seen at the top management level. Nishikant Shimpi, for example, joined Pashmina Realty as Chief Executive Officer (CEO) for the Bengaluru region. Ish Anand joined Phoenix Hodu Developers as CEO, while Rohit Malhotra joined Alliance Building Corporation as Director.

People movement has also been seen in brokerage firms, with Atul Singhal joining Cosmic Realtors as Director and Parmesh Ranjan co-founding Favista – a real estate brokerage website along with Vikrant Bhargava and others.

Hiring trends

Today, many developers have started bringing in talent from outside the industry with a view to ushering in more professionalism in their organisations. In doing so, they also hope to build a stronger brand, from the investors and banking relations perspective.

K Ravindran moved from the Information Technology (IT) space to real estate as Chief Financial Officer (CFO) of UKN Properties. Many developers are now looking at candidates from premier business schools to drive their sales and marketing, strategy, human relations and innovation departments. We anticipate that it will gather momentum across various functions as soon as the market starts picking up more pace in the coming quarters.

PEOPLE MOVEMENT

- **Vishal Mirchandani**, President of Prozone Enterprises has joined Brigade Enterprise as CEO, Malls and Retail
- **Sandeep Singh** joined BNP Paribas Real Estate as CEO, Advisory and Investment Services. He was earlier employed at ProBuild Properties as Managing Director (MD).
- **Rakesh Shah** from Omega Shelters was internally promoted from CFO to the CEO position
- **Ambar Maheshwari**, who was with DTZ Debenham Tie Leung as Senior Director, has joined Jones Lang LaSelle as MD, Corporate Finance
- **Nishikant Shimpi** has moved from Godrej Properties to Pashmina Developers as CEO for the Bengaluru region
- **Rohit Malhotra**, CEO of Realtech Group joined Alliance Building Corporation as Director
- **Atul Singhal** from Home Retreat joined Cosmic Realtors as Director
- **Ish Anand** joined Phoenix Hodu Developers as CEO from Inno Geocity, where he served as MD
- **Parmesh Ranjan**, Senior Vice President of IndiaBulls Real Estate co-founded Favista, of which he is also the Chief Operating Officer
- **K Ravindran**, Director of Nextsphere Technology moved to UKN Properties as CFO
- **Himanshu Arora**, Director, Talent Management and Organisational Development, Ingersoll Rand, moved to IndiaHomes as Vice President, Talent Transformation

Source: Dealogic

Banking on future gains

Despite a shaky performance on European shores, the domestic performance of the banking sector remained largely unaffected. A number of recent developments will have a significant impact on the growth of this sector in India, in the coming months

BY SURESH RAINA AND RAHUL BHAT

The past year was largely pegged on how the European crisis would pan out. Most corporate houses were wary of taking high-risk strategic decisions, which created a cascading effect on the Wholesale Banking Divisions of banks. While the worst-hit segments were investment banking and Mergers and Acquisitions (M&A) advisory, even the corporate banking and transaction banking businesses were negatively impacted. As a result, a number of European banks carried bad debt and resorted to downsizing. In India, however, the situation was not as grim. The environment is still quite uncertain, however, and certain key external factors will influence the banking scene in the country

Interest rates

With Reserve Bank of India (RBI) deregulating the savings interest rate, both Yes Bank and Kotak Bank (with their comparatively small savings deposits) have taken the lead and hiked their rate offering to build the Current Accounts, Savings Accounts (CASA). However, for larger banks such as ICICI and HDFC, an increase in interest rates will adversely impact the bottom line by increasing their interest costs

Alternate deal financing mechanisms

As a result of dearth in deal financing, Private Equity (PE) is looking for other alternatives, such as dollar-denominated debt, mezzanine loans and asset-backed lending. In such lending, a company's receivables, inventory or plant and equipment are used to secure the loan.

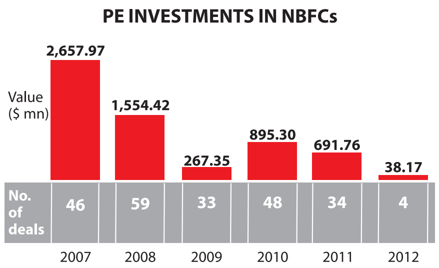
RBI's interventions

In a bid to prevent a repeat of 2008, RBI has laid down stringent guidelines for compensation of executives in private and foreign banks, with provisions to claw back pay if transactions fail years after origination. The guidelines, based on the recommendations of the international Financial Stability Board, do not prescribe any quantitative limit on absolute pay, but deal with the structure of pay – in the past, this had favoured excessive risk-taking. The Central Bank has banned guaranteed bonus and gives special attention to the risk management staff, which will have more of fixed component than others. Also, what remains to be seen is the RBI's direction on banking licenses—an issue that has been in discussion for some time now.

HUNT PARTNERS

PEOPLE MOVEMENT

- **Bharat Rungat** moved from Yes Bank as Group Executive Vice President to Ratnakar Bank as Head, Corporate and Institutional Banking, North India
- **Sunil Mehra** left Standard Chartered to join MAPE Advisory as Managing Director for M&A and Corporate Finance
- ICICI Securities roped in **Jaideep Goswami** from Daiwa Capital as Executive Vice President and Co-Head, Securities
- **Rajeev Chalisgaonkar** joined Standard Chartered as Head, SME Banking from his previous role in Barclays
- Citibank internally rotated **Sameer Kaul** from Head, Branch Banking to Head, Private Bank



Top 3 PE Investments in NBFCs in 2011

	Target buyer	Deal value ($ mn)
19 Apr	**Shriram Capital** TPG Capital	**170.40**
7 Jul	**L & T Finance Holdings** Capital International Global Emerging Markets Private Equity Fund Lp. Khazanah National Bhd, DSP Black Rock Investment Managers	**108.06**
23 May	**Magma Fincorp** Kohlberg Kravis Roberts and Co. International Finance Corp.	**98.25**

Source: VCCEdge

Multinational Corporation (MNC) banks in India

While European banks are in trouble at home, their performance in India has been consistent. HSBC India's operations posted a 22 percent increase in profit before tax at US $814 million, supported by increased lending to small and medium enterprises, and global banking and markets businesses.

MNC banks are enhancing the capital for their Indian operations to enable the local bank to take larger businesses on its books. Deutsche Bank AG has infused approximately ₹500 crore in the local business. At the same time, some other European banks are pulling back. This is an opportunity for Indian banks to step into the syndicated credit market. We are witnessing closer cooperation between Corporate Banking and Investment Banking teams within MNC banks too.

These banks have started offering structured products, seeing joint operational workings between the two teams—a synergy that is often led by the Markets team.

The present crisis has seen European banks shrinking their asset base, as they carry large chunks of bad loans and investments. Despite the economic slowdown, the demand for for credit and risk capital in Asia and other less impacted markets will be more than what the big global banks can offer. This is a chance for Asian banks to emerge as the new intermediaries for Asian savings. Japanese and Chinese banks are taking some selective actions to acquire local businesses and set up operations in India, albeit in a manner. Usually, generous credit lines are extended to companies that primarily back local Chinese or Japanese exporters.

Non-Banking Financial Companies (NBFCs)

The NBFC space provides an attractive opportunity for investors, including PE players, with a high rate of return between 16–20 percent. PEs have already invested more than US $38 million in four NBFCs since the beginning of 2012.

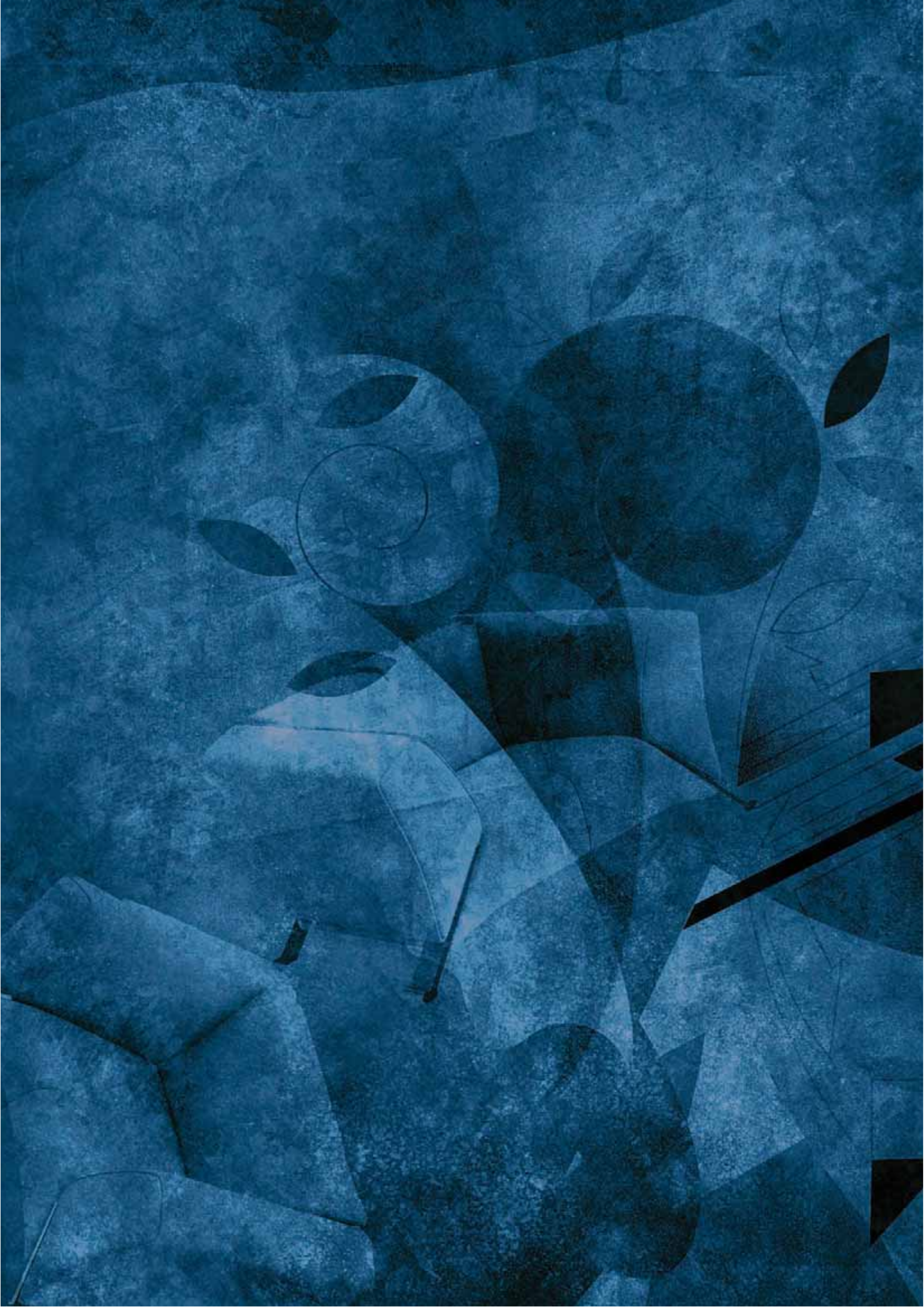
Source: Dealogic

ABOUT HUNT PARTNERS

Hunt Partners is a leading boutique Asian executive-search firm. The firm was founded in 2004 in Hong Kong and Mumbai, and it has since grown to establish four direct offices across the region. Prior to coming together to start the firm, the founders had successful careers as corporate general managers, executive search consultants and entrepreneurs. The firm has witnessed rapid growth of people, offices, industry practices and revenue, and is now repeatedly recognised within the top 10 retained search firms.

Hunt Partners is a uniquely structured firm, being the only reputed executive-level search firm operating through an integrated structure of directly-owned and managed offices. As a true partnership, all the firm's Partners have ownership and are committed to fostering an environment that produces results and therefore a solid reputation.

Hunt Partners operates from principal offices in Beijing, Hong Kong, Mumbai and Shanghai. The firm also has an exclusive relationship with Paul Lawrence Associates, a Cleveland, OH headquartered executive search firm. Future plans include continued expansion via new offices in South East Asia and West Asia, and a continuously expanding partnership.



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