the **hunt** report

HUNT PARTNERS

FOREWORD

Dear Reader,

We are delighted to present you the inaugural issue of The Hunt Report, a half-yearly industry update from Hunt Partners.

The Hunt Report seeks to provide an analysis of the key business issues impacting each of our sixteen industry practices. The report takes a closer look at the impact of these business trends on executive hiring and provides a summary of executive movements.

A project of such depth would not have been possible without the encouragement of our advisors and supporters, to whom we have much to thank.

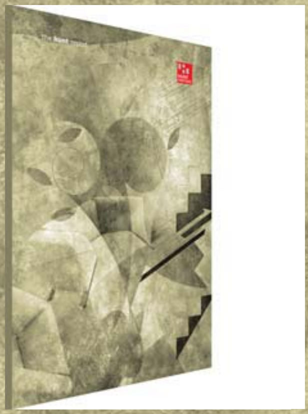
We hope you find the analysis insightful and thought-provoking.

We welcome your comments at thehuntreport@hunt-partners.com

Happy Reading!

Arjun Erry and **Sunit Mehra**

Mumbai, India, **December 2010**



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 sixteen industry verticals.

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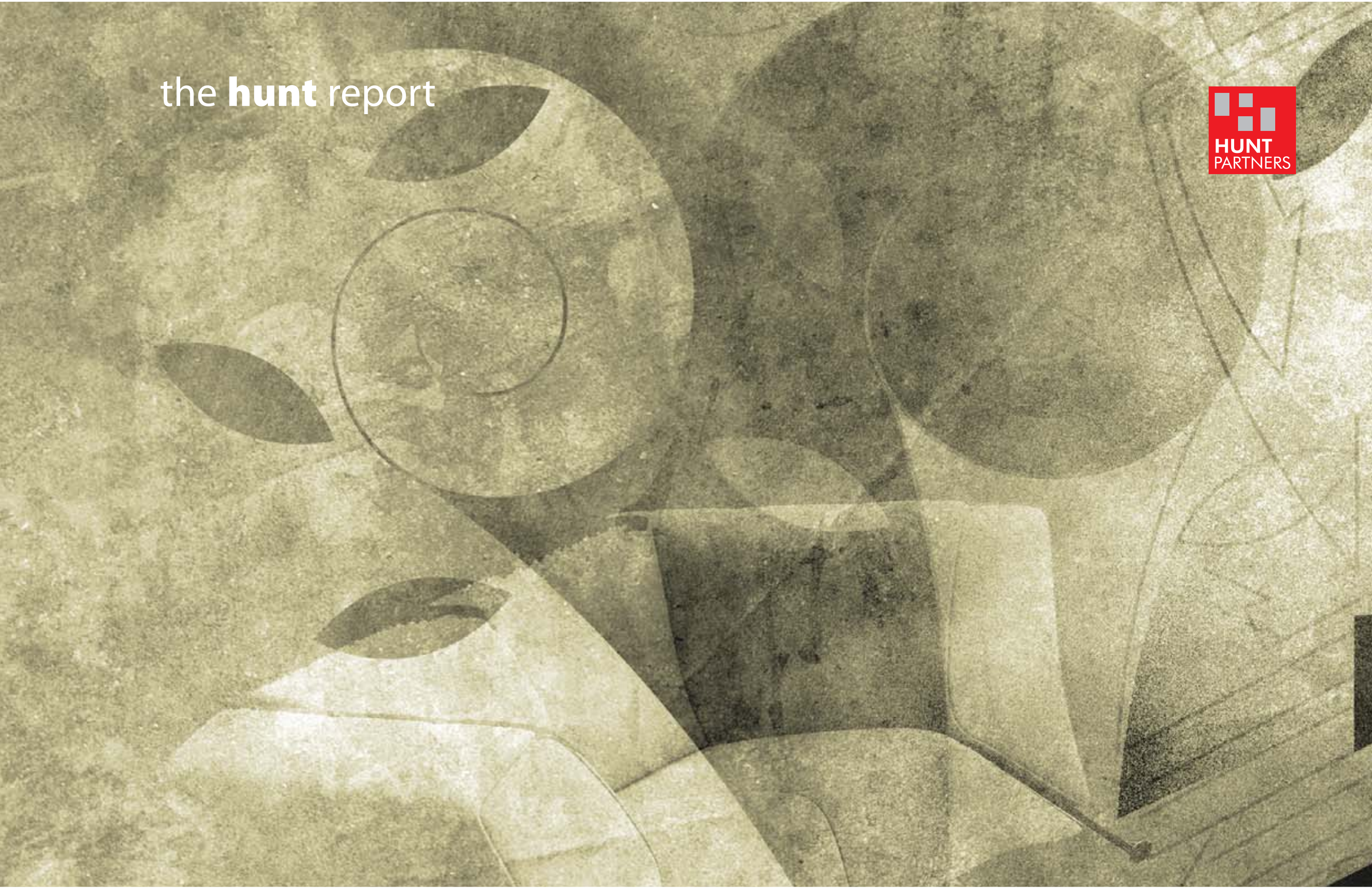

HUNT PARTNERS

ABOUT HUNT PARTNERS

Hunt Partners is a leading boutique executive-search firm addressing the high-growth markets of emerging Asia. We were founded in 2004 and we maintain principal offices in Bangalore, Beijing, Hong Kong, Mumbai and Shanghai. Additionally, we have an exclusive affiliate relationship with Paul Lawrence Associates in the United States.

Hunt Partners is an owner-managed firm, combining in-depth local knowledge with global expertise. The firm has specific industry expertise or 'practices', building an extensive network and knowledge base in the respective industries.

We are the only independent search firm to be consistently ranked among the top ten executive search firms* in India.

*Source:
Survey of Executive Search Firms operating in India, Business Today, November 6, 2005

Mutual Funds industry gets more JVs

A growing trend of private banks joining hands with PSU and regional banks has been observed in the Mutual Funds industry. And the talent churn in the sector is seen along the lines of both internal as well as external industry moves.

BY ARJUN ERRY

The years 2009 and 2010 would probably be remembered as the seminal years in the evolution of the two-decade old Mutual Funds (MF) industry. When the world economy faced the global financial crisis, the MF industry in India witnessed a defining turning point with the market regulator, SEBI, implementing several structural changes in August 2009. This was followed by a bizarre public difference of opinion between the capital markets and insurance regulators, resulting in more uncertainty. Most MFs have had to rework their profitability plans. But these plans were hampered by the fact that their previous business assumptions were being challenged.

We take a close look at some of the key business challenges in the MF industry today and its impact on talent.

Polarisation of assets

The big firms seem to retain their hold and also grow bigger. The top five MF companies (ranked by total AUM)) now control nearly 60 percent of the MF market, while the other players, (more than 35), jostle to capture the remaining 40 percent. Such polarisation of the market impacts both multiple businesses and personnel. The existing small players and new entrants face a severe challenge to scale their average AUM above Rs 100 billion – a mark considered by most industry experts as the threshold for profitability.

Banking joint ventures

The impetus to build captive distribution will drive some MF players to seek banking joint venture (JV) partners. With the private banks all but locked down, potential partners will comprise public sector and regional private banks. Examples of such JVs with PSU banks are Bank of Baroda - Pioneer Investments; Canara Bank - Robeco; etc. Bank of India has mandated an advisor for selecting its JV partner. However, such JVs bring in their own set of employee management challenges, such as maintaining compensation parity among the employees of the two banks and reorienting the PSU staff along private sector productivity norms.

Distribution

The need to leverage the sponsor's own distribution networks is now seen as hygiene. Further, there is a clear preference to partner with entities with

PEOPLE MOVEMENT

- **Anuradha Sahai** joined Birla Sun Life Asset Management as CEO, of the Singapore unit
- **KP Singaravelu**, Vice President and Portfolio Manager at Franklin Templeton, moved to MCap Advisors as Investment Director and Head of Secondary Markets
- **Krishnamurthy Vijayan**, Executive Chairman at JP Morgan Asset Management, moved to IDBI Asset Management as Managing Director and Chief Executive Officer
- **Kalpen Parekh**, Head of Retail Sales at Birla Sun Life Asset Management, joined IDFC Asset Management as Deputy Chief Executive Officer
- **Manish Mehta**, Head of Sales, AIG Global Investment Group, has moved to Kotak Mahindra Bank as Vice President
- **Suren Kochhar**, Head, Sales, Fortis Asset Management (now BNP Paribas Asset Management) has resigned
- **Ved Prakash Chaturvedi**, Managing Director of Tata Asset Management has resigned
- **Vikaas Sachdeva**, Country Head, Sales and Business Development, Bharti AXA Investment Managers has resigned

a large FS distribution, such as a Bank. In the past, some MF sponsors found it fit to partner with non-FS entities, assuming there would be synergies of distribution.

We estimate that the demand for senior distribution professionals will remain soft until a regulatory calm coupled with innovative product development sets in. Several fund houses may allow the CEO to don the 'double-hat' as the de facto Head of Distribution. A few fund houses that are operating without a formal Head of Sales include AIG MF, Fortis MF, IDFC MF and Tata MF.

Corporate actions

India is still an important investment destination, but several international MF players have pushed back or delayed their entry into the country. For example, YTD the only new international entrant has been Daiwa (via a change of control of Shinsei). Further, several MFs are considering a sales process as well. We believe the combination of fewer international entrants and consolidation will reduce the absolute number of executive positions in the industry.

Talent

Sales and distribution

We have observed that sales and distribution professionals are churning at a lower rate compared to others. This is driven by various business challenges and the fewer number of new entrants in the market. Such talent is 'migrating' to other industries such as private banking, broking, etc. For example, the Sales Head of AIG AMC moved to an offshore private bank, and the Product Head of Fidelity Fund Networks joined an onshore private bank.

Investment management

Investment professionals are churning at a higher rate than business managers and interestingly, the churn is within the industry itself. A key reason for this trend is perhaps that the spotlight on fund performance is even greater now. For example, the Head of Fixed Income at Bharti AXA Investment Managers, Sujoy Chauhan moved to Religare Asset Management.

We have observed equity investment professionals being sought by the alternative investment community. This is perhaps driven by the fact that several PE funds have increased their public equity allocations.

Capital market experiences a steep growth

The capital market has witnessed an upsurge of several IPOs in the recent months and many significant mergers and acquisitions too. These trends essentially drive home the fact that companies are looking at bolstering their teams.

BY **ARJUN ERRY** AND **SURESH RAINA**

The capital market business involves providing advisory services to leading Indian corporates, institutions and businesses which seek to mobilise capital from investors in India and overseas. In terms of equity capital, it includes Initial Public Offerings (IPOs), Follow-on Public Offerings (FPOs), Qualified Institutional Placements (QIPs), Rights Issues, Preferential Allotments, External Commercial Borrowings (ECBs) and Foreign Currency Convertible Bonds (FCCBs), Global Depositary Receipts (GDRs) and Private Equity Transactions. On the debt capital front, it includes fixed income products such as bonds, loans and asset backed securities to commercial paper and hybrid capital.

We have explored the business and hiring activities within the two fund raising sectors – Equity Capital Market (ECM) and Debt Capital Market (DCM). A close look at the various sub-markets within the overall corporate finance space provides useful insights into the business drivers of executive hiring. The examples have been taken from the public domain.

IPO activity

The year 2010 has already seen several IPOs, especially in the last six months. The most recent one is the IPO of Gujarat Pipavav Port in September 2010 and the earlier ones like SKS Microfinance and MakeMyTrip. IPO volumes increased to $4.8 billion, almost 2.5 times the volume in 2009, while the follow-on volumes rose 43 percent to touch a record high of $12.5 billion. A number of large PSU public share-issues have either taken place or are planned, including Coal India and Hindustan Copper. There were more than 20 IPOs in the first half of the year. With the surge in the market, the government also wants to ride on this wave and launch the IPOs to cash in on the investor sentiment. The IPO wave is driving several merchant banks to strengthen their teams.

M&A advisory services

So far in 2010, M&As have already exceeded $50 billion, registering more than 85 percent increase over 2009, and recording around 670 transactions. Piramal Healthcare, Airtel and Vedanta led the pack. According to Thomas Reuters, the banking leader board lists Rothschild, Morgan Stanley, Standard Chartered Bank and Barclays as the market leaders in this segment.

PEOPLE MOVEMENT

- **Nachiket Naik** moved from ABN AMRO Bank, Vice President DCM to UBS as Executive Director - FICC
- **Maneesh Mathur** moved from HDFC Treasury to CA-CIB as Head DCM
- **Sumit Jalan** joined Credit Suisse as Head ECM. He was earlier Head ECM at Bank of America
- **Indraneil Borkakoty** moved from his role in Kotak Mahindra Bank as Capital Head of ECM to Nomura as Head of ECM, India
- **Krishna PV** has joined Morgan Stanley as Executive Director and Head of GCM. He was earlier Nomura's Executive Director - Head of ECM and Infrastructure
- **Sanjay Agarwal** moved from Edelweiss as Vice President - Investment Banking to Macquarie as Head ECM - India
- **A Rajgopal** moved from UBS' Head ECM to Standard Chartered as Head of South Asia/Southeast Asia ECM

Eight of the ten biggest acquisitions in India this year were through cash transactions, compared with only one amongst the top ten global deals. This clearly underscores the need to provide financing to win clients. Standard Chartered funded the nation's two biggest takeovers by billionaires Anil Agarwal (Vedanta and Cairn) and Sunil Mittal (Airtel and Zain Telecom).

ECB and FCCB

We have observed an interesting trend, wherein the cost of ECB funds has proven to be cheaper in comparison to the cost of rupee funds. The availability of these funds in the international market is huge as compared to the domestic scenario. Even Small and Medium Enterprises (SMEs) are increasingly opting for the ECB route to raise funds, given the present increase in interest rates. In August 2010 itself around $1 billion was raised through ECB/FCCB. The Indian US dollar bond volumes rose to a two-year high of $4.1 billion this year, compared to $181 million last year. The ability to tap the international debt market is enabled by the availability of investment banks with global fund raising or distribution capability. We witnessed that the bulge bracket banks have a distinct advantage as evident from the far greater number of international bankers being hired.

Investment bank: ECM on an expansion mode

After a lull during the global financial crisis, investment banks have resumed hiring in India as the deal formations have made a comeback. This despite the fact that underwriting fees remain notoriously thin, especially on government deals that will account for a sizeable chunk of the approximate $30 billion in equity issuance expected this year.

Indian firms, which escaped the worst of the global crisis, have returned to their acquisitive measures. ECM issuance volume in 2010 has jumped to $18.6 billion, up 54 percent from last year. The banks that have the willingness and the capacity—both to advise on deals and lend to acquirers—have an advantage in markets like India, where pure advisory fees can be low. Three of the four banks that topped the Thomson Reuters league table of completed M&A deals this year in India are Barclays, Standard Chartered and HSBC. All the commercial banks that have brought their balance sheet into Indian M&A deals, will increase their market share. HSBC aims to increase its Institutional Banking team by about 20 percent over the next year.

The business CFO

The traditional role of a CFO liaising with auditors and preparing annual accounts has undergone a sea change over the last decade. Today's CFOs are expected to take active part in negotiating deals and expanding businesses while conducting their regular tasks of maintaining the balance sheets.

BY **SUNISHI GABHAWALA**

One of the most critical, yet understated functions in any business, is the role of the finance and accounts professional. In the early 1900s, the *munshiji* supported the small and medium sized businessmen by maintaining their account books. And today, in the 21st century, hiring for this crucial function has evolved and reached a different level altogether, where the CFO's contribution is expected to positively impact the company's performance.

The paradigm shift in expectations from the CFOs has gained significant momentum during the past decade-and-a-half. Traditional CFOs were number crunchers – leveraging tax exemptions, liaising with auditors and preparing annual accounts. Today's President, Finance of any corporate house can easily negotiate multi-million dollar, cross-border deals, while still creating tax efficient financial structures.

Apart from landmark deals like Tata Steel-Corus or the more recent Vedanta-Cairn, medium sized Indian enterprises increasingly use the acquisition route to create a global footprint or increase their top line. Typical newspaper headline announcements read like this:

- Super Religare Laboratories buys Piramal Diagnostics for Rs 600 crore
- RSB Transmissions acquires 70 percent stake in Belgium-based Mechanical Supplies International
- Ankur Drugs to acquire TVC Life Science

The past year has seen over 150 private equity deals that has resulted in a spurt of CFO hires. Promoter-led organisations are looking for executives who can work in an entrepreneurial environment and yet bring strong system orientation to the early growth venture. For example, the Bessemer and Helion invested NetAmbit, hired Rajesh Pasari, a finance professional with 14 years of experience in Marico and Seagram. The mandate for Rajesh was to introduce strong processes and systems in this rapidly growing financial products distribution business. Other skills which are required among today's CFOs include hard-core negotiating power with a consortium of senior bankers, making presentations to private equity investors and advising high powered boards.

To meet this demand, we have observed an increase in the willingness by finance executives to accept roles in SMEs and start-ups. Take the example of Rajesh Ramiah, a senior finance executive from Wipro who accepted the CFO role with REVA, the electric car company. He was motivated to take up the leadership role because of the greater challenges and potentially a large upside through ESOPs. Two years into this role, the risk paid off following an equity infusion in the company by a large Indian corporate. More recently, a seasoned CFO with successful stints with a global alcoholic beverages company and a $30 billion Indian diversified group, decided to join a microfinance company at a lateral compensation. He decided to make this career move because he was excited about building and growing a complex and operations-intensive business.

According to an annual survey by American Express on CFOs, about 78 percent of the finance executives from India expect economic growth in the years ahead, leading to increase in functional hiring. The hiring mindset change, combined with sustained economic buoyancy, spells good news for qualified accountants who can now expect a financially rewarding and a high quality career track over the next few years.

PEOPLE MOVEMENT

- **Anand Kumar** has joined Johnson & Johnson as Chief Financial Officer, Pharma. He was earlier General Manager, Accounts at Vedanta
- **BR Jaju** has moved to Welspun Gujarat Stahl Rohren as its Director and Chief Financial Officer. Prior to this he wasChief Financial Officer, Crompton Greaves
- Rustomjee Developers has appointed **Pushpamitra Das** as its new Chief Financial Officer. Earlier, he was Chief Financial Officer at Wadhawan Retail
- **Vivek Mathur** moved from his role as Senior Vice President, Finance to Chief Financial Officer at Tata AIG Life Insurance
- **Satrajit Ray**, who was earlier Chief Financial Officer at MIRC Electronics, is now Chief Financial Officer of Endurance Technologies
- **Akhilesh Maheshwari** has been appointed as Chief Financial Officer of Bajaj Energy. He was Vice President, Finance at Indiabulls Power Limited
- Allied Blenders & Distillers has appointed **R Ramakrishnan** as its new Chief Financial Officer. He was earlier with Jubilant Energy
- **Pawan Kothari** is the new Chief Financial Officer, JK Tyre for its Mexico plant. He was General Manager, Finance at Reliance Money
- **Ashok Kumar Sonthalia** has been appointed Executive Vice President and Chief Financial Officer of Greaves Cotton Limited. He was earlier with Tata Chemicals serving as General Manager, Strategic Finance and Treasury

Sources
Business India, CFO India, Financial Express, VC Circle

Today's innovative CIOs

The Chief Information Officer is evolving and crafting out new roles and responsibilities. In an era driven by innovation, CIOs are fast donning the hat of a strategist and playing a major role in the development and expansion of business.

BY **ANNE PRABHU** AND **ARJUN ERRY**

The portfolio of a Chief Information Officer (CIO) is adding new dimensions. This is evident from the second largest acquisition by an Indian firm—Bharti Airtel's takeover of Zain Telecom's African business for $10.7 billion—where the CIO was a key member in the M&A process. Business IT strategists are the need of the hour; and this is driven by factors like Indian companies starting significant cross-border operations, transforming business models and several acquisitions resulting in massive business and IT integration projects. The IT department, which was once housed under finance to facilitate MIS (the EDP Department of yesteryears) has been given its due importance by joining the ranks of the other CXO functions in the company's leadership.

The familiar themes of IT revolving around cost reduction, reliability and scalability are merely hygiene. The CIO today focuses on enhancing productivity through business process re-engineering or otherwise. This is driving an interesting trend, wherein business managers are taking on the mantle of CIO. For example, Pravir Vohra, who is the Group Chief Technology Officer of ICICI Bank is a banker. While Vijay Mehra, former Group CIO of Essar Group is a consultant and Sumit Chowdhury, former CIO of Reliance Communication is also a consultant.

Business imperatives like outsourcing and off-shoring have been gaining ground, which in turn has reduced the need for technology expertise among CIOs. Today, it's no longer about which business intelligence (BI) tool to use or which ERP to upgrade or to take a decision on whether to adopt cloud computing or not. Strategy is of paramount importance. From technology stewardship to outsourcing strategy, today's CIO balances risks and costs. With complex IT projects, coupled with high investments in IT, another key deliverable for the CIO is building the right governance structure that sets the right priorities and funds the highest value projects.

Examples of such projects include Unified GIS Project of Bharti Airtel and Infosys Technologies' Pro-active Performance Risk Analysis and Remediation Governance Model.

PEOPLE MOVEMENT

- **CN Ram**, former Chief Information Officer of HDFC Bank, joined Essar Group as Group Chief Information Officer
- **Sumit Chowdhury**, Chief Information Officer of Reliance Communications and Chief Executive Officer of Reliance Technology Services, moved to IBM as Partner, Communications Sector
- **Ashish Chauhan** was roped in by the Bombay Stock Exchange as Chief Executive Officer. Ashish was the former Chief Information Officer of Reliance Industries and Chief Executive Officer of Mumbai Indians
- **Rantnakar Nemani** was brought in as the Chief Information Officer at Himatsingka Seide. He was formerly with VST Industries as Chief Information Officer and Head of IT Projects Wing
- **GG Rao**, General Manager, Information Technology and Automation was hired by HCL Infosystems as Vice President
- **Vivek Khanna** joined Videocon Telecommunications as Chief Information Officer from IBM Global Technology Services where he was Senior Vice President, Strategic Outsourcing
- **Dhiren Savla** moved to CRISIL as Director, Information Technology from Kuoni Travel Group

The recession has only highlighted the CIO's changing priorities. According to 2010 'State of the CIO' Survey in the US, among the projects that CIOs mostly cancelled were infrastructure upgrades, followed by enterprise software rollouts, unified communications and network upgrades. Projects that received funding, on the other hand, included those that improved end user productivity and the quality of products or helped create new offerings. It is only apt that Dr Kannan of Firstsource refers to CIO as Chief Innovation Officer, ushering in a new era with an enhanced role.

Merging the gulf between business and people

Today's dynamic business environment and constantly changing workforce demographics are posing a challenge to HR professionals to find new ways to attract and retain valuable human capital to give businesses the crucial edge.

BY **Anne Prabhu**

With Company Boards and CEOs grappling with the people management aspect of business, the Human Resources (HR), as a discipline, has seen a paradigm shift in its functioning. From serving as a mere back office entity, HR has today grabbed a prime seat in the corporate boardroom, and is being increasingly leveraged for business gains. It has been witnessed that professionals, who can straddle HR and business, can quickly leap into the boardroom. The examples of individuals making to this list are Ramkumar of ICICI Bank, Aashu Kalapa of Firstsource and Santrupt Misra of Aditya Birla Group. Moreover, the HR function has gained prominence amongst non-HR professionals too. Some of them are attracted to the myriad challenges of the people's business. For instance, Rajiv Dube, CEO and MD of Rallis moved to lead the HR department at the Mahindra Group. CFOs like Mohandas Pai of Infosys and Milind Sarwate of Marico respectively have accepted HR roles at the board level too.

The dynamic business environment and workforce demographics have challenged HR professionals to find ways to attract, manage and retain human capital to give business that extra edge. According to HR professionals, evolving an effective organisational structure, developing innovative ways to ring-fence employees, creating an effective compensation structure, leadership development, *et al*, are the central themes to keep employees contented and achieve organisational growth and success.

Over the last few years, we have observed a steep growth in HR hiring amongst Indian organisations. This rise has been fuelled by a couple of trends:

- Indian companies in information technology, manufacturing and other industrial sectors are amongst many, which are venturing into new geographical territories. Hence, there is a need to gain expertise in managing a multicultural workforce. Similarly, companies making cross-border acquisitions face a host of challenges when they expand beyond their borders. According to a Mercer and Knoll Survey of senior executives and PE firms, HR-related financial risks can derail a deal as easily as cultural issues can. Hence, the need for global processes and systems to manage a multicultural workforce along with a good understanding of local cultures and laws and legislations. These factors are critical to achieve smooth integration of individuals with different professional backgrounds and personalities.

- Ambitious promoter-led organisations are scaling the next level of growth, fuelled by financial investments. Competing on a broader and bigger platform essentially implies transitioning from a relationship-based to a process-oriented culture, staying compliant with global standards and bringing in transparency. In a nutshell, it means ushering in HR best practices. The mandate for HR professionals, in such instances, is to balance the passion and entrepreneurial zeal in these organisations with strong and pragmatic systems and processes. The challenge of fostering changes on a clean slate, and bringing about a turnaround in the business environment and culture while working alongside the CEOs, are some of the factors that have attracted talent from global companies to join these organisations.

We have seen a plethora of HR professionals from multinational companies being roped in by Indian companies:

- Patni Computer Systems brought in Steve Correa from Vodafone UK
- Hinduja TNT hired Sanjay Sinha from Nortel Networks Singapore
- Strides Arcolab hired Balachandar from GE Japan
- Adil Malia joined Essar Group from Coca Cola

PEOPLE MOVEMENT

- **Ameet Naik**, the erstwhile General Manager, Human Resources at Future Group, has moved to Maxx Mobile as Vice President, Human Resources
- **Avinash Venkat**, who was General Manager, Human Resources, Asia Talent and Organisation Effectiveness at Whirlpool Corporation is now Head, Human Resources at Avery Dennison
- SAP has appointed **Bhuvaneswar Naik** as Vice President, Human Resources, India. He was earlier Vice President, People Processes, Asia Pacific of Capgemini
- **Manmohan Kalsy** has been appointed Executive Director, Human Resources of Xerox India. Earlier he was Vice President, Human Resources of Vodafone
- Volkswagen India has brought on board **Piyush Upadhyay** as Executive Director, Human Resources. He was earlier Chief, Human Resources at Tata BlueScope Steel
- **Subhankar Roy Chowdhury** has been appointed Executive Director, Human Resources, India, Middle East and Africa at Lenovo. He was earlier Nokia Corporation's Head, Human Resources for Middle East, North Africa and Dubai
- **Vikram Tandon** has moved to HSBC as Head, Human Resources India. He was earlier Head, Human Resources, MESA at AIG

The Hewitt Best Employer Survey 2010 identifies the three defining characteristics that differentiate the best employers: increased focus on employee engagement, strong people alignment to business and recognising people issues as the critical factor of business success. With the 'people factor' occupying the mind space of CEOs, HR professionals, who can squarely align themselves to business and can address people challenges relentlessly, will always be in high demand.

High growth in Indian industrial sector

The Indian industrial sector has witnessed robust growth in the past few years, especially in the engineering domain. The sector is back with its increments, promotions and has also opened its gates for fresh talents after a freeze on recruitment during the recession.

BY SUNIT MEHRA AND SUNISHI GABHAWALA

The Indian industrial sector contributes 20 percent to India's $3.5 trillion GDP according to Altius Directory 2010 (based on purchasing power parity). The sector has overtaken the agricultural sector which contributed 17.2 percent in 2009. Engineering, classified into heavy and light engineering, is the largest segment of the overall Indian industrial sector, accounting for more than 25 percent of the total factories in India and contributing to 20 percent of India's total exports.

In the last five years, the industrial sector has picked up steam, which is primarily due to the increase in demand by the end user industries like power, infrastructure and automobiles. Investments of about $500 billion in infrastructure are expected to flow into India, especially in power, telecommunications, roads, railways and oil pipelines, in the ongoing Five Year Plan that ends in March 2012.

Infrastructure has attracted significant focus in the past decade as well. The order book of Larsen & Toubro comprises 41 percent orders from this segment. Moreover, the energy segment has also gained importance with two times more percentage allocation of the total funds in the eleventh Five Year Plan to energy companies. ABB and BHEL have realised 60 percent and 75 percent of their revenues respectively from the power industry.

The next decade will continue to witness sustained growth in the industrial sector. The Indian government plans to double its spending on infrastructure to $1 trillion in the twelfth Five Year Plan.

Hiring

The Indian industrial sector provides significant employment with 14 percent of the nation's workforce employed in manufacturing activities. While the sector is known for conservative compensation policies (a senior professional earns 20-25 percent less than his counterpart in a consumer oriented business), it continues to selectively attract and retain talent. The primary factors contributing to low attrition in the sector are stability and a perfect work-life balance.

The hiring challenges in the sector are linked to shortage of skilled technical talent, which is compounded by location constraints. Manufacturing facilities tend to be located in remote areas with poor infrastructure; hence employees do not prefer to work in such locations. Following the downturn in 2008, engineering companies also implemented cost reduction initiatives including recruitment freezes, zero increments and restricted promotions. However, given the dearth of talent in India and the expectation to recover sooner than the West, this sector did not resort to drastic reduction in staff count.

An effective retention measure adopted by industrial companies belonging to a diversified group like the Aditya Birla Group was the redeployment of employees in other businesses. Some companies also leveraged this 'free' time to train and develop the existing pool of employees.

In the past few months, the sector has been cautiously picking up. Increments and promotions were brought in, in the past year. For instance, Ingersoll Rand gave an 8 to 12 percent hike to counter the salary freeze in March 2010. This was followed by the 'back-to-normal' appraisals and increments in June 2010.

While the sector does not expect pre-recession growth for another 12-18 months, companies have commenced selective hiring while taking care of specific requirements. For instance, Hindalco was looking for an aluminum sector head to consolidate its leadership position in the domain. Recently, Vedanta hired Ashwin Bajaj to Lead Investor Relations and S Rajan as Head of Corporate Finance. Both of them were recruited from the UK.

Another sector which is booming on the crest of the expanding automobile industry is the auto components business. Organic and inorganic growth (both domestic and international) have resulted in the robust growth of promoter driven auto components companies. With the top lines ranging from Rs 700 to Rs 2,500 crore, the demand for good professional talent to run operations and support functions have spiked. For example, Endurance Technologies hired Satrajit Ray from MIRC Electronics as Group CFO. At Ricoh Auto, management consultant Rajiv Bajaj has grown with the company to oversee operations as Executive Director.

PEOPLE MOVEMENT

- Kalyani Group Company Kenersys has appointed **Paulo Fernando Soares** as Group Chief Executive Officer. He was earlier Chief Executive Officer of Suzlon China
- **Ashok Jangid** has joined Suzlon as Vice President CS and Compliance Officer. Previously, he was working at Siemens as Company Secretary
- **Abhijit Chatterjee** joined Central Coalfields as Director, Finance. He moved on from Bharat Earth Movers, Bangalore
- Nissan Motor India has appointed **Sunil Rekhi** as Deputy Chief Financial Officer. Sunil was previously the Chief Financial Officer at General Motors
- **Anant Maheshwari** has taken over as Managing Director at Honeywell Automation India
- **Bhupendra Gupta** has joined Essar Projects as Vice President, Business Development, Doha from Sembawang where he was Manager, Business Development, Doha
- **S Sridhar** has moved from L&T where he was Head of Operations to join NIIT ESRI as President and Chief Executive Officer
- **Suresh Kumar** has joined Marg as Chief Executive Officer. He was earlier at UB Engineering as Head, Strategy and Business Development

Sources:
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Economic times
http://www.indiainbusiness.nic.in

A deal season in infrastructure

While the infrastructure sector is witnessing a steady increase in private sector investments, there are also a growing number of partnerships being formed between domestic companies and MNCs. This essentially means a rise in the demand for sector specific talent in the near future.

BY SURESH RAINA

There are a host of key segments under the umbrella of the infrastructure sector. These include construction (airports, IT parks, roads, highways and bridges, railways, industrial plants, and townships, etc), ports, power and telecom services.

The eleventh Five Year Plan envisages an investment of Rs 20,000 billion ($500 billion) in the sector, with an increased share of private investment. The public-private investment ratio has seen a significant change over the last decade, from 82:18 in 2002-03 to 65:35 in 2009-2010. This shift proves the fact that infrastructure has emerged as a hot favourite for private equity (PE) players. In 2010 itself, 19 deals were being signed in the sector, with an investment of close to Rs 5,000 crore, according to Venture Intelligence data.

We have witnessed many recent developments in the overall infrastructure sector, particularly in segments such as telecom, power, alternative energy, amongst others.

The Indian telecom sector rolled out its first ever 3G spectrum auctions that will enable mobile operators to provide new and innovative services like mobile TV, high quality games and music, and also improve voice quality. The state-run mobile operator, BSNL is slated to roll out a tender for 5.5 million additional GSM phone lines in the next few months. It is expected that Mobile Number Portability (MNP) will be launched before the end of this year, thus putting additional pressure on telecom operators to improve their services. The exponential growth driven by new investment models and technologies will put strain on acquiring and retaining the talent in the organisations.

The power sector witnessed heightened activity with the dawn of the deal season. While BGR Energy Systems signed two JVs with Hitachi of Japan, L&T finalised two JV companies with Mitsubishi, Japan. Thermax joined hands with Babcock & Wilcox and SPX Energy Technologies. Some of the other partnerships on the anvil are Bharat Forge - Alstom; Ansaldo - GB Power and Toshiba - JSW. A trend of talent movement from conventional streams into the new thrust areas is putting

HUNT PARTNERS

PEOPLE MOVEMENT

- **Chander Sheel Bansal**, President, Transportation, Oil and Gas business of Maytas Infra, is appointed as Chief Executive Officer of Rithwik Projects
- The Managing Director of GMR Infrastructure, GBS Raju resigned from his post and **Srinivas Bommidala** has taken over the reins from him
- Kalyani Group company Kenersys appointed **Paulo Fernando Soares** as Group Chief Executive Officer. He was earlier Chief Executive Officer, Suzlon China
- **Vimal Kaushik** is appointed as the Managing Director and Chief Executive Officer of Maytas Infra. He was earlier Managing Director of Punj Lloyd
- **Pranab Chakraborty** has moved from GMR Group as Vice President Energy Projects to Petron Civil Engineering as Executive Director
- **S Sridhar**, L&T's Head of Operations has moved to NIIT ESRI as President and Chief Operating Officer
- **Ashutosh Agarwala** has moved from GMR Infra, Head Corporate Finance and Business Strategy to Jindal Power as Director, Finance
- **Maharshi Mehta** took over as President at Kalpataru Power Transmission USA

pressure on specific talent skills, primarily project management, design and engineering, project finance, among several others.

In the alternative energy space, National Solar Mission was launched to create an enabling policy framework for the deployment of 20,000 MW of solar power by 2022. French major, Areva, announced Rs 13,300 crore plans for solar energy. Several big companies like Tata BP, Moser Baer, KSK Surya Photovoltaic Ventures, Adani Power, Lanco Solar and Titan have also announced their plans to invest in the sector. NTPC Vidyut Nigam has signed agreements with 16 independent solar power producers to set up to 84 MW capacity solar power projects.

In the roads and highways segment, the JV between Ramky Infrastructure and Chinese firm Jiangsu Provincial Transportation made news. PE firm Actis (Italy's toll road builder), operator Atlantia and Tata Realty and Infrastructure Limited (TRIL) formed a JV to bid for road projects. Kinetic Group partnered with Italian group FGTecnopolo to provide design, architectural and detailed engineering services. SREI signed a JV with BNP Paribas Lease Group (BPLG) while C&C Constructions signed a JV with Isolux Corsan of Spain. Such increasing collaboration of domestic companies with MNCs is expected to increase the requirement for sector specific skills. This will further create demand for people who posses exposure to multinational work culture.

The government has announced plans to modernise and redevelop four metro and 35 non-metro airports and construction of seven greenfield airports. Many Indian companies are bidding for airport development projects in foreign markets. While GMR has undertaken development work for the Istanbul Airport, GVK plans to bid for airports in the Maldives. L&T is eyeing airport projects in the Middle East. As Indian companies gain experience and scale their businesses beyond India, it will lead to an increasing demand for cross-border hiring of talent, specialising in specific project management skills. Jafza International, the global operations arm of Economic Zones World of Dubai, UAE signed a JV with TRIL to develop and operate a chain of business and logistics parks across India.

Insurance goes the health way

The insurance industry has witnessed a significant churn of top leadership, but high growth in health insurance offers attractive career opportunities. Potential new entrants are unfazed by regulatory turbulence.

BY **YVO METZELAAR** AND **ARJUN ERRY**

The insurance industry grew at over 25 percent in the first five months of FY11, with health insurance emerging as the new growth engine registering an impressive growth of over 40 percent. At the same time, expense management is fast becoming a key performance area in the industry. These trends signify that the industry is entering its next stage of evolution.

However, the industry still has to address multiple issues – both old and new. Some of the industry highlights that we have been observing in recent months are:

- Life insurance companies had to introduce new products in September 2010 to comply with the new IRDA guidelines, which will have a significant impact on the industry in multiple ways
- In the health insurance segment, the cashless facility in some hospitals was terminated by public sector companies. Some traction is achieved in setting up procedures and prices for medical services
- We have observed that general insurance companies are still developing retail general insurance strategies. The corporate market remains quite dynamic because of the ongoing de-tariffing, and has started to include product differentiation as well
- A public debate around commission or fee-based remuneration of financial services advisors affected the mutual funds industry
- Capital management discussions, including increase in FDI to 49 percent, the allowance of hybrid capital, IPO and M&A have been witnessed

It has been estimated that at least seven international insurance companies including Manulife, Allstate, CIGNA, ACE Group, Travelers, Samsung Life and Swiss Re are actively seeking to enter the Indian market.

Talent dynamics

Our research reveals that retaining talent appears to be the biggest challenge in the industry, scoring even higher than 'sales and sales productivity' and 'client services and retention.' Retention of talent is underpinned by several CEO exits, including some of the 'founding'

PEOPLE MOVEMENT

- **Nitin Chopra** has resigned from his post at Bharti AXA Life Insurance as Chief Executive Officer. He has been replaced by **Glenn Williams** as the interim Chief Executive Officer
- After a long search, Birla Sun Life Insurance appointed **Jayant Dua** as its new Chief Executive Officer. He was a Senior Executive at the Aditya Birla Group
- **Mukul Gupta** has accepted the post of Chief Executive Officer at Manulife International Limited
- **Sandeep Bakshi** took over as Chief Executive Officer, ICICI Prudential Life Insurance, replacing V Vaidyanathan who has joined Future Capital

persons in the industry moving to other industries. Finding a successor to the top talent has often taken more than a year's time.

Only a few companies in this industry have been able to develop stable and successful senior leadership teams with appropriate bench strength. Moreover, only two of the largest seven life insurance companies have CEOs with over five years of experience in the industry.

Several senior leaders have moved on from the industry altogether. At times they have returned to their earlier industries such as banking, financial services and telecommunications. It has become evident that most senior leaders prefer other industries over insurance having experienced the true face of the industry and also because the initial attraction of being a sunrise industry is now over.

Talent drain can also be fuelled by other industries, especially financial services. The industry has developed strong talent in sales and distribution. This is especially true for life insurance companies which may witness people moving to the broader financial services industry. A case in point is the intention of one of the large financial services companies, Reliance Capital, to hire about 10,000 people in the upcoming phase.

The demand for talent is large and diverse due to different players developing different strategies, and also depending on their strengths and weaknesses. It is crucial that the industry finds ways to establish itself as an attractive employer as it was in its first ten years of operations.

Despite these challenges, there are still many fantastic opportunities in the industry, and it must be realised that a ten-year timeframe in insurance parlance is actually a short-term. Only when talent is retained and experience is gained, wisdom will emerge in the industry.

IB's second wind

As hundreds of deals and several M&As are formed in the investment banking sector in the first half of 2010, banks are shoring up their advisory services too. Both big and small banks are looking at leveraging their businesses and gaining from this positive market trend.

BY SUNIT MEHRA AND AMANPREET SINGH

After a lull during the global slowdown, investment banking has witnessed a sharp upward trend fuelled by the growing number of deals and the investments heading north. Some can call it zeitgeist. ICICI Securities recently set up a team within its PE advisory practice to service the fund raising plans of early stage growth firms. Gopa Kumar's team will focus on deals in the $5-15 million bracket, and is hoping to hit 12-15 transactions per year. Clearly, it's no pipe dream as the first half of 2010 has been a hotbed of PE activity. The period saw 155 deals being signed. With PE firms investing in 220 companies deploying $5 billion, it's clear why investment banks are shoring up their advisory services. With over ten deals exceeding the $100 million mark in 2010, investment bankers are not only playing a pivotal advisory role but also laughing all the way to the bank.

After a conservative 2009, corporate India is back on the acquisition track as well, with companies striking over 80 M&A deals in the first quarter of 2010 itself. According to VC Circle's research arm, VCCEdge, the cumulative deal value has touched nearly $50 billion between January and July with a total of 411 deals as compared to $16.3 billion in the entire 2009. The worldwide M&A activity has also clearly seen an upswing with deals adding up to $1.678 trillion, up 21 percent from the previous year. The BRIC countries accounted for 18 percent of the M&A activity, a marked 65 percent upswing from 2009.

In some cases, stalwarts such as Nipun Goel, Sonjoy Chatterjee and Ravi Kapoor have been persuaded to cut decade-old banking ties. The need is explicit – to form corporate relationships, as the trio brings a combined experience of 40 years in Merrill Lynch, ICICI Bank and Citibank respectively. After almost two years of virtually no M&A activities due to the global liquidity crunch, money is back and businesses are keen to pick up the pace. But it's not just the fat cats who are in demand. Deutsche Bank intends to hire 1,500 people this year to support its corporate finance and M&A advisory division in Asia.

HUNT PARTNERS

PEOPLE MOVEMENT

- Investment Banking veteran, **Narayan Ramachandran** has quit as the Chief Executive Officer of Morgan Stanley India
- Bank of America Merrill Lynch has appointed **Atul Singh** to head its India advisory business
- Nomura appointed **Nipun Goel** as Head, Investment Banking. He has worked for 14 years at Merrill Lynch
- Morgan Stanley got on board **PJ Naik,** former Axis Bank Chairman as the Country Head and Chief Executive Officer for India
- **Pramit Jhaveri** was appointed as India Country Officer at Citigroup
- **VK Bansal** came aboard Morgan Stanley as the Chairman of Investment Banking in India
- **Ravi Kapoor** has joined Citigroup to head its Investment Banking division. He was previously with DSP Merrill for nearly a decade
- Credit Suisse hired **Vedika Bhandarkar** and **Sandeep Pangal** to head its Investment Banking business. Both are JP Morgan veterans
- **Karan Bhagat** was appointed as the Managing Director and Country Head at Barclays in India while Avendus Capital got **Munish Randev** on board as Head of Product and Advisory Services
- **Sanjoy Chatterjee,** ICICI Bank's board member joined Goldman Sachs as the Co-head with Brooks Entwistle
- **Asit Bhatia** joined Bank of America Merrill Lynch as Managing Director for Corporate and Investment Banking
- **Rohit Chatterjee** was appointed the new Head of I-banking at JP Morgan
- **Anshu Jain** was appointed as Head of the Corporate and Investment Banking business at Deutsche Bank. He was previously heading the Global Markets division
- **Sunil Sanghai** joined HSBC as Head, Global Banking. He was previously with Goldman Sachs as Co-head, Investment Banking
- Citigroup has appointed **Rahul Shukla** as Head, Corporate Banking, India
- **V Anantharaman** returned to Standard Chartered as Managing Director and Head, Corporate Finance and Advisory. He had earlier left Standard Chartered to set up Credit Suisse's Investment Banking operations in India
- Citigroup appointed **Pankaj Vaish** as Head, Markets for India, Bangladesh and Sri Lanka. Prior to this, he was Managing Director and Head, Equities at Nomura
- **Nalin Nayyar** joined Religare Capital Markets as I-banking Head. He was previously with Citigroup Global Markets
- **Abrar Mir** has been appointed as Global Head, Healthcare Investment Banking in Religare Capital Markets. He was the Managing Partner at NBD Sana Capital in the Middle East
- Nomura brought in **Indraneil Borkakoty** as Head, Equity Capital Markets. He was previously with Kotak Mahindra as Head, ECM

IT industry focuses on India

The expansion of the domestic IT industry is fuelled by increase in government investment and the tier-1 and tier-2 companies taking interest in the growth story. The IT services sector has witnessed a rise in foreign acquisitions while outsourcing and off-shoring have continued to grow.

BY **ARJUN ERRY** AND **ANNE PRABHU**

India in focus is the new mantra in the IT industry. The numbers tell a story – the Indian IT-BPO industry aggregated revenues worth $73.1 billion in FY10, a growth of 5.4 percent over FY09. As per an annual survey conducted by the National Association of Software and Service Companies (NASSCOM), the domestic IT and BPO industry will grow at 15-17 percent, while exports will grow at 13-15 percent in the current fiscal.

Domestic IT

The domestic IT spend is fuelled by secular domestic growth, an emphasis on financial inclusion and a big push toward e-governance. For example, the Unique Identification project is expected to have a budget of Rs 15,000-20,000 crore over the next few years, according to industry experts. The banking, financial services and insurance (BFSI) sector's push for delivering products in rural areas will need an IT investment of Rs 10,000 crore. SR Rao, Additional Secretary, IT in the Union Ministry of Communications and IT announced that projects worth Rs 8,000 crore may go to private software companies this year. Likewise, global expansion and modernisation have increased the IT spend in sectors such as manufacturing, industrial, travel and transportation, etc.

Traditionally, big companies such as IBM, TCS, Wipro and HCL dominated the domestic IT market. However, we now observe other tier-1 and tier-2 IT service providers/ SIs increasing their focus on India. This is driven by two factors. The first is the increase in domestic IT spend. The second factor is the need for service providers to have a more balanced geographic portfolio for mitigating risks. Recent examples of companies which have started, or expanded, their domestic operations include the likes of Infosys, Mahindra Satyam, Patni and NIIT Technologies.

With a strong domestic demand, we believe there will be an increased demand for senior talent in areas such as sales – to take advantage of the domestic opportunity and aggressively expand business; solution provisioning – to architect and bid for partnerships that are becoming increasingly complex; delivery – with larger and more complex projects being bagged, a robust delivery mechanism will be needed; technology – with companies moving to newer

PEOPLE MOVEMENT

- Wipro has brought former Foreign Secretary **Shyam Saran** on its Board
- Syntel appointed **Prashant Ranade** from Siemens as Chief Executive Officer and President
- Quest Software named **Shailender Kumar** from Oracle India as Managing Director for its Indian operations
- Patni Computer Systems appointed **Naresh L Lakhanpal** from Deloitte & Touche to head its American operations
- Patni Computer Systems brought in **V Mathivanan** from Singapore Network Services as President of its Asia Pacific operations
- **Shailendra Aragula** is the new Country Manager, India for Lexmark International. He was earlier working with Semantic Defence
- L&T got onboard **Keshab Panda** as the Chief Executive Officer for its Integrated Engineering Services from Satyam
- **Mukund Surange** left IBM to join as Chief Executive Officer at eGestalt
- Cybernet-SlashSupport (CSS) appointed **Nick Sharma** as Chief Executive Officer. He was earlier leading the Infrastructure Management Services at Satyam
- Accenture hired **Kenneth Taromina** as the Managing Director of its Engineering Services business from Satyam

models and platforms like cloud computing, professionals with sound technical knowledge would be required.

IT services

The economic and business slowdown has created a need for global companies to cut costs through several methods including platform consolidation, vendor management and outsourcing non-core processes. Therefore, outsourcing and off-shoring of IT and processes continue to remain a specific goal for most mid to large enterprises in the developed markets. In addition, the recent financial crisis has created demand spikes in newer areas – compliance with Basel III means an increased IT spend in financial services to a great extent.

The IT services industry is responding to changed customer needs by building greater efficiencies in service delivery and creative business/ payment models. IT service providers are increasing their offerings to provide complete solutions, spanning across applications development and maintenance, testing, infrastructure management services and managing business processes. For example, HP now offers a complete range of products and services through its acquisitions of EDS, MphasiS and Fortify Infrastructure Services.

Effective client engagement in an intensely competitive environment has also led to another definite trend. IT companies are increasing their presence close shore, either by setting up subsidiaries, or through acquisitions in the US and the UK. Examples include TCS' acquisition of Unisys Insurance, Sonata opening an office in the Netherlands and Wipro Technologies' acquisition of Citibank's data centre in Germany.

The IT industry remained a net-positive hirer with increased demand for talent across sales, operations and technology. Firms are also building competencies and acquiring talent through the M&A route. For example, Aegis entered the IT space with the acquisition of AGS Networks and MindTree acquired 7Strata to strengthen its infrastructure management services business.

Logistics sees high cash inflow

The logistics sector is estimated to grow rapidly with the increase in government's investment as well as rise in dollar inflow. A diversified leadership, which can foster the development of infrastructure and create unique brand value, is required to take the industry to its next level of growth.

BY **ANNE PRABHU**

The logistics industry is valued at $125 billion in 2010, and is expected to grow at a CAGR of 8 percent over the next three to five years. This growth is fuelled by the government's increasing spend on infrastructure (from its current 3-4 percent of the GDP to 9 percent by the year 2012) coupled with robust industrial growth (Index of Industrial Production was at 10.3 percent in March 2010, compared to 2.8 percent in the previous year) and streamlining tax structures. With these enablers in the right place, the sector is evolving. And this growth was much needed, considering that the logistics cost in India is among the most prohibitive in the world. It is 13 to 15 percent of the GDP as compared to around 10 percent in the developed world (Source CII).

The excitement in the logistics sector is growing with the increase in dollar inflow. It is also among the top four sectors for PE investments. A notable example in this regard is Blackstone's $245 million investment in Gateway Rail Freight. MNCs are also eyeing a share in the logistics pie. For instance, Hitachi Transport System acquired the domestic company, Fly Jack Logistics, to provide itself a strong foothold in India. BDP International, a $1.6 billion US company, has also entered a joint venture with Mumbai-based UGL.

The trends observed in the logistics sector and its demand and impact on talent have been of much interest for the industry experts. With infrastructure being a huge bottleneck for the sector, there is an increased investment on assets and infrastructure such as ports, warehouses, freight stations, cold chains container logistics and inland container depots, etc. For example, Arshiya International plans to invest Rs 25 billion to set up five Free Trade and Warehousing Zones across India. In another case, Gateway Distriparks expects its unit's terminal business to drive growth, going forward. With the need to develop infrastructure and enable businesses, there is a demand for leaders who can develop and grow operations in an evolving marketplace. Besides industry expertise and ability to scale businesses, the ability to collaborate with external stakeholders and government agencies is a critical prerequisite, too. With steep competition among third party logistics players, another trend that has come into the

HUNT PARTNERS

PEOPLE MOVEMENT

- APL Logistics has named **Siddharth Adya** as its Managing Director, South Asia. He will also work alongside the IndiaLinx management team on the continued development of APL Logistics' presence within India's rail freight network and lead collaboration with the liner business. He relocated from APL Singapore
- **Samar Nath** joined CEVA Logistics as Managing Director, India and South Asia. He was previously the Managing Director, South Asia of APL Logistics
- **Mukesh Shah** joined Easter Cargo in the capacity of Chief Executive Officer. He was previously with CEVA Logistics
- **Sanjay Rai**, Vice President and Head, People Logistics and International Business at Mahindra Logistics has co-founded Leeway Logistics
- **Vinay Shroff**, Vice President, Reliance Industries joined JSW Steel as Head, Retail and Logistics
- **Anurag Chatterjee** joined Gati Limited as Head, Airfreight Business. He was earlier Head, Business Development and Sales for ALF Logistics

limelight is to provide innovative and unique value-added services for establishing the brand's USP. In such a situation, the leadership is expected to strengthen services capability through best practices, innovation and superior technology. Hence, attributes such as prior experience of working in world-class organisations, with best-in-class processes and the ability to scale up business are crucial while choosing the leadership talent.

As the logistics industry is gaining traction, it is observed that a lot of senior executives are shifting from diverse sectors to the logistics sector to become a part of this exciting space. For instance, Café Coffee Day recently appointed Kush Desai as the Head of its Logistics Infrastructure in India. He was earlier Managing Director of SAP Labs. Yatheesh Naliyanda Govind joined RLC as General Manager, Sales, from his previous capacity at Microsoft, where he led the channels business for OEM sales.

The fall and rise of private equity

The PE sector is upbeat with fund-raising making a comeback and several big deals being signed. The sector has also witnessed a sharp rise of personality-led funds. With LPs and GPs making more investments, the sector is expected to be on a high in the upcoming months.

BY **SUNIT MEHRA** AND **AMANPREET SINGH**

The year 2010 has witnessed circumspect Limited Partners (LPs) loosening their purse strings once again. Fund raising is on a rebound, albeit with a caveat. LPs want to ensure exits before re-investing in the sector. In line with the appeasement theory, the first nine months of 2010 observed 109 private equity (PE) backed exits worth $3.5 billion.

The mood is clearly upbeat in the sector, especially with CII's Business Confidence Index up 1.5 points, and this buoyancy is mirrored in the number of deals being signed. The year has seen at least ten deals surpassing the $100 million mark. The infrastructure sector has found favour with PE investors, so did manufacturing. IT/ITeS once again led the volumes.

Fund-raising is on a comeback trail with both institutions and personalities on the fund raising spree. ICICI Venture expects to raise approximately $1 billion in three funds in the infrastructure, real estate and offshore space, while BTS Investment Advisors is eyeing a $100 million clean-tech fund. Meanwhile, BCP Advisors, Peepul Capital and Everstone Capital are also in the fund-raising mood. 2i Capital, Tano Capital and Centrum want to constitute sector agnostic funds, with the latter two pegged at $150 million and $200 million respectively. In the last two years, funds focusing 'exclusively on India' mopped up close to $4.2 billion in 2008 and about $2.9 billion in 2009, making 2010 a year that heralds a return of the good times. The likes of Blue River Capital and IL&FS Investment Managers are considering the creation of a $200 million and a $400 million sector agnostic fund respectively. Meanwhile, Motilal Oswal wants to raise a $300 million SME fund, whereas IDFC is keen on building a real estate fund.

Another significant trend in the private equity sector is the marked shift from institutional to individual platforms, creating a new brand of General Partners (GPs), who are seeking both funds and talent. While this evolution clearly points towards the growing maturity of the Indian PE market, it is also an acid test for the ability of Indian PE professionals to create firms that can win the confidence of global LPs.

The sector has experienced a rise in the number of personality-led funds. Renuka Ramnath at Multiples Asset Management and Ajay Relan at CX Partners have already managed credible firsts with Multiples pegged at $350 million and CX at $500 million. Other veterans on the road include the likes of Subbu Subramaniam's MCap Fund Advisors; Warburg Pincus' former Managing Director, Rajesh Khanna; CVCI's Ex-Managing Director, PR Srinivasan with Exponentia Capital; General Atlantic's former Managing Director, Raul Rai; and Aureos India's erstwhile Co-Managing Partner, Nilesh Mehta. The former ICICI Venture trio—Jayanta Banerjee, Sunay Mathure and Anand Vyas—are also in the fund-raising mode with Pravi Capital. Apart from these seasoned professionals, Harsha Raghavan and Neeraj Bhargava of Steer Capital; former Lightspeed Venture Partner's Managing Director, Sreeni Vudayagiri and former co-founder of Jumpstartup, Ganapathy Subramaniam with Stega Capital and Mohan Lakhamraju, Managing Director of Tiger Global have also joined the league of promoter-led funds.

These trends are driving home the fact that emerging markets are clearly the hotspots for PE investments as they captured 9 percent of the global PE funds raised and 26 percent of the investments.

PEOPLE MOVEMENT

- Bessemer Venture Partners promoted **Vishal Gupta** to the post of Managing Director. Gupta joined BVP India from Reliance
- **Mahesh Chhabria** moved to Actis as a Partner. He was a Partner with 3i Group
- **Rajiv Shukla** joined Morgan Stanley Investment Management as Managing Director based in London from ICICI Venture, where he was Investment Director
- Shapoorji Pallonji hired **Rajesh Agarwal**, former AIG Global Real Estate Head as its Managing Director
- **Sunil Nair** replaced PR Srinivasan as Head of Citi India's PE business
- Tata Capital named Tata veteran **Mukund Govind Rajan** as Managing Partner for its PE arm
- **Dinesh Tiwari** joined Multiples Asset Management as Partner. He was the Executive Director of JP Morgan Private Capital Asia
- **Luis Miranda** is expected to step down as Head of IDFC PE in November, and will remain on board as the Non-Executive Chairman of the firm
- ICICI Venture hired **Mannikan Sangameswaran**, former Head of Babcock & Brown as President
- Nexus Venture Partners hired **Anup Gupta** as Managing Director. Gupta was previously the Chief Operating Officer of WNS Holdings
- **Vindi Banga**, former Member of the Unilever Executive Board joined Clayton, Dubilier & Rice as an Operating Partner in London
- **Vibhav Panandiker** plans to quit as Managing Director, JP Morgan Private Capital Asia
- Former Chief Executive Officer of GE India, **Scott Bayman** joined Lumis Partners
- Standard Chartered PE's **Dhiraj Poddar** is set to join TA Associates as Director
- KKR roped in **Heramb Hajarnavis** as Director. He was previously the Managing Director at Goldman Sach's Principal Investments

Highlights
- 155 deals being signed
- PE firms invested in 220 companies
- PE firms made 77 exits in the same period
- Dollars deployed in Indian companies stood at $5 billion in the first six months, more than what the entire 2009 totalled at

Source: VCCEdge

Towering times

Circa 2010: The real estate sector is booming in India. Every week, news headlines broadcast the launch of a new project. As per an intelligence report prepared by Jones Lang LaSalle Meghraj, currently the market value of projects under construction in India exceeds $100 billion.

BY **Sunishi Gabhawala**

Linked to the spurt in projects, we have witnessed a spike in hiring. The CEO of one of Mumbai's leading residential developers stated that his company has created new positions, and the demand for talent has picked up in the last 18 months. This is impacting compensations on both dimensions, viz new hiring and appraisal-linked increments. We estimate that senior managements in real estate have seen their compensation increase 20-40 percent year-on-year.

Finance Talent

We observe that RE companies are looking to hire business-savvy executives with excellent presentation skills. This is all the more acute in sectors that have seen strong FDI and REIT inflows. These include SEZs, townships, retail and commercial properties, multiplexes and residential. The DIPP estimates these sectors attracted $8.4 billion foreign direct investment (FDI) from 2000 to 2010.

Discerning investors demand in-depth analysis and reports – this is a skill-set which real estate developers did not look for as recently as five years ago. While land acquisition and construction skills are localised, and developers prefer to hire specialists familiar with the region, finance is a fungible skill.

Examples include:

- Pradumna Kanodia was wooed by Pune-based Panchshil Realty from Sobha Developers in Bangalore for his fund-raising and structuring skills. More recently, Pradumna moved on to join Phoenix Realty in Mumbai
- Deepak Singhal, CFO at Shipra Estates has worked in the auto component and telecommunications industries, with no prior real estate expertise
- Oberoi Realty's marketing head was hired from the IT services industry

Super Towers

Another emerging trend is linked to the new 'super tower' era. Examples of 'super tower' projects launched in Mumbai include:

- Lodha's marquee project at Upper Worli – World One
- Indiabulls' Sky – three distinct high rise offerings
- Oberoi Realty's efforts to obtain clearances to develop a super tower at Worli

HUNT PARTNERS

We anticipate that the demand for project managers, construction experts and technology leaders with specific 'super tower' experience will rise in line with the number of project launches. We expect this demand to be filled with international/ expatriate talent from the Middle East, South East Asia and the People's Republic of China. Of these, the UAE seems to be the happy hunting ground, perhaps driven by the 'international' talent in the region and the current economic downturn.

Examples include:

- DB Realty has hired two professionals from the London-based construction company, Bovis Lend Lease to lead the 100 storey plus hospitality project planned at Marine Drive
- Delhi-based Shipra Estates recently hired the head of projects from a Japanese MNC operating in the region
- A privately-owned Mumbai developer hired two construction experts from ETA Star, a Dubai-based company

Expatriate Hiring

We observe that the demand for expatriate talent triggers some organisational anomalies. Chief amongst these is the compensation parity. Given the disparity in compensations between expatriates and local professionals, real estate companies prefer employing expatriates on fixed-term contractual agreements. This pre-empts the need to restructure compensations across the entire organisation. Another trend we have observed is to retain international architects, in effect buying the talent deliverables en masse.

Examples of this practice:

- Tata Realty has retained US-based architect firm, SOM, to create the master plan for an SEZ in Chennai
- Sasaki, which developed the Beijing Olympics Village, has been retained by Lodha to develop Casa Bella Gold, a township in Dombivli, Maharashtra

PEOPLE MOVEMENT

- The Government of Singapore Investment Corporation (GIC) has appointed **Kishore Gotety**, formerly Country Head at RREEF Alternative Investments
- **Pradumna Kanodia** joined Phoenix Mills as Group Chief Financial Officer in March 2010. Prior to this, he was Chief Financial Officer at Panchshil Realty
- Prestige Group has appointed **Anand Basal** as Assistant Vice President. Earlier, he was designated as General Manager, South at K Raheja Corporation
- **Shaishav Dharia** joined Lodha Group as the Head of Strategy. He comes from McKinsey & Company where he was an Associate Partner
- **Deo Kumar Madhukar** has been promoted to Head, Sales and Marketing at Indiabulls Real Estate
- **Sudhir Kulkarni** who was Vice President, Real Estate at Raymond has joined Raheja Universal as Senior Vice President, Corporate Strategy
- South Asian Real Estate (SARE) appointed **Arvind Pahwa** as Chief Executive of India operations. Prior to SARE, Arvind headed Real Estate at JP Morgan for the India region
- **Nimesh Grover** joined IDFC as Senior Managing Director. Prior to this, he was working with UBS (K Raheja Corp initiative) as Chief Investment Advisor, Funds
- **Avnish Singh** has moved out of GE Capital Real Estate and joined Tishman Speyer as Managing Director and Head Acquisitions India
- **Bharat Dhuppar** moved out of Lodha Group in May 2010 and joined Mantri Developers as Chief Marketing Officer

Retail and FMCG aim to penetrate the hinterland

The retail and consumer goods sector has experienced high sales growth this year fuelled by a recovering economy. To embark on the next wave of growth, which is expected to emerge from the tier 2 and tier 3 cities, the sector requires leadership with deep insights on consumer as well as shopper purchasing behaviour.

BY **YOGESH CHOPRA**

The economy is showing signs of resurgence, and the market is back in positive territory with the BSE Sensex reaching its highest level since February 2008. The International Monetary Fund (IMF) has forecasted an aggressive 9.4 percent economic growth for India; albeit a more realistic GDP growth of 8.2 percent is predicted by Goldman Sachs.

The growth forecast has boosted the consumer confidence levels, which is evident from the upsurge in the FMCG industry with sales growth of 14 percent year-on-year (April 2010), the highest sales growth in the last eight months. This rise can be attributed to initiatives by companies in terms of expansion of their rural reach, low priced packs, consumer activation measures, et al. There is also likelihood of a recovery based on the normal monsoons; thus supporting consumption and rural growth. The domestic demand is showing signs of strength, and is likely to remain so in the near term, which augurs well for the retail and consumer sector.

A recent survey on 'The Best Companies to Work for' found that Godrej Consumer Products Limited has topped the list of FMCG companies (Source: The Economic Times). The company has also registered a maximum volume growth. The employee engagement initiatives with a strong emphasis on learning and development have helped Godrej to energise and accelerate the learning process and bring about a strong sense of loyalty and belongingness among its employees.

With the increasing importance of reaching out to the rural hinterland for sustainable future growth, a critical leadership talent with proven capabilities to scale-up and build on the initial growth already experienced in the rural markets (or at the bottom of the pyramid) is required. Additionally, prior exposure of navigating the markets in tier-2 cities, sensitivity to the needs of consumers in local communities (key consumer insights) and building high energy teams are much valued competencies in the top leadership. And this talent is crucial considering the fact that the next wave of growth in the retail sector is expected to emerge from the tier-2 towns and cities.

Growth across FMCG Companies

Godrej Consumer	20.4%
Procter & Gamble	18.4%
Nestle	14%
Dabur	7.6%
Tata Tea	6.8%
Hindustan Unilever Limited	3.8%
Marico	3.2%
Growth of FMCG	**14%**

Source: Nielsen

PEOPLE MOVEMENT

There is a movement of leadership talent from India to regional responsibilities. A few moves from consumer companies to the retail sector may indicate the opportunities for future growth.

- **Vibha Rishi**, part of the international marketing team at PepsiCo headquarters, has joined the Future Group
- **Rajeev Bakshi** has been appointed as the Vice President and Managing Director of Metro Cash & Carry, India. Prior to this, he served as the Chairman of PepsiCo Holdings, India before moving to the beverage giant's Asia headquarters in Hong Kong
- **Sanjay Purohit**, the erstwhile Asia Pacific Head for chocolates at Cadbury, has accepted an offer to become the Managing Director at Levi Strauss & Co, overlooking its Indian operations. Recently, the US food major Kraft has acquired the UK headquartered Cadbury
- **Shumone Chatterjee**, Managing Director of Levi Strauss India, has assumed regional responsibility as the Marketing Head at the Asia Pacific headquarters of Levi Strauss
- **K Radhakrishnan** moved to Pantaloon Retail to head its Farm Fresh division. He had earlier established Food World for Spencer's Retail and also handled the hypermarket and value retail format at Reliance Retail

Retail giants like Future Group, Metro Cash & Carry and Bharti Walmart have entered into alliances with microfinance companies to sell merchandise on credit to local kirana shops. These pilot projects will demonstrate that the big retail companies and the small kirana shops can co-exist and fuel each others' growth in the yet untapped mofussil market. If these experiments prove to be successful, it will result in the development of these markets and efficient sourcing for the small kirana shops. This will further result in lower prices for the end consumer.

Another emerging area of competitive sustainable advantage—for both consumer companies as well as retail organisations—is to gain an in-depth understanding of not only the customers (traders, distributors, retailers, etc), but also the shoppers. Gaining exposure to shoppers' buying behaviour will help in developing an expertise in packaging, merchandising, trade marketing and consumer activation. This will further ensure a positive impact on influencing the ultimate purchase decision of the shoppers. This promises to open an entire gamut of professionals with expertise on shopper insights. This will be crucial in addressing almost 66 percent of the Asian shoppers, who make their final purchase decision in-store. The market is dealing with a new breed of shoppers who walk into a retail store without any pre-determined ideas about the categories or brands they intend to buy (Source: Forbes).

Finally, analytics is an emerging area that focuses on the wealth of data available on the retail and consumer sector. It presents an opportunity for the retail professionals to analyse these data and gain a competitive edge for influencing critical decisions. There is also a need for talent to establish credibility, drive utilisation of analytics and ROI metrics; and to improve efficiency in inventory forecasting, category and brand dynamics, promotion effectiveness, etc.

Cautious optimism in retail financial services

The retail financial services sector is showing signs of revival with the growth in the credit cards segment and an increasing trend of consolidation. The entry of credit bureaus and the focus on growing the secured assets portfolio promise to fuel the industry's growth further.

BY **YOGESH CHOPRA**

The opportunity of retail financial services in the country is unquestionably stupendous, considering the demographic dividend of a large young population and the GDP growth based on domestic consumption as against exports. The need for financial inclusion is also paramount as nearly half of India's population still has no access to even basic banking services. This essentially means an immediate need for freeing up bank branches or issuing new banking licences that can cater to the unbanked population.

Most players in the industry, who were on an aggressive drive to build their retail portfolio prior to the subprime crisis, burnt their fingers on unbridled acquisition of unsecured assets – personal loans and credit cards. The lessons learnt have led to cautious optimism, as the trends show signs of a revival over the past six months.
A mixed revival is seen in the credit cards segment. The average annual credit card spend grew by 26 percent compared to 18 percent in 2007-08.

However, the number of cards declined steeply. In the year, 2007-08 the number of credit cards was estimated at 28.31million, while in 2008-09 it came down to 18.28 million. However, the base has expanded by over a million cards within a month to 19.29 million till April 2010.

The relative numbers are as follows:

ICICI Bank	7.0 million
HDFC Bank	4.6 million
SBI	2.5 million
Citibank	2.0 million
HSBC	1.4 million
Standard Chartered	1.1 million

New entrants like Yes Bank are looking to build a cards portfolio. Hence it has hired Vinayak Prasad from ICICI Bank to head its premium cards business. Sudipta Roy has moved from his role of Director and Head of Cards, Deutsche Bank to join ICICI Bank as Head of Products and Portfolio (Credit Cards).

The retail financial services industry has witnessed an increasing trend of consolidation as well. It has been observed that there is an internal movement of talent within the industry,

PEOPLE MOVEMENT

- **Shyam Srinivasan** has moved from his position as Head, Consumer Banking at Standard Chartered Bank to join as Managing Director and Chief Executive Officer at Federal Bank
- **PR Somasundaram** has joined as Managing Director and Chief Executive Officer at Lakshmi Vilas Bank. He was earlier the Managing Director and Chief Executive Officer at Standard Chartered Bank (STCI Capital Markets)
- **Anil Kothuri** has accepted to Head the Retail Finance division at Edelweiss. Earlier he was the Head, Auto Loans and CitiBusiness at Citibank
- **Nitin Chopra** moved from his role of Chief Executive Officer at Bharti AXA Life Insurance to Head the Retail wing at The Ratnakar Bank
- **Ravi Subramanian** has joined as Chief Executive Officer at Shriram City Union Finance. He was earlier heading the Retail Assets and Cards division at HSBC
- **Arvind Hali** has moved from his capacity as Group Business Head, Mortgages and Unsecured Loans, Reliance Capital to join as Head, Retail Assets and Credit Cards at Dhanalakshmi Bank

from multinational banks to private banks that are looking to enter the fray. Shanta Vellury moved from his role as Head of Cards Acquisition, American Express to join as EVP, Retail and Consumer Banking at Ratnakar Bank. Kushal Roy has accepted to head the Cards division at ICICI Bank.

The sector has witnessed a few potential mergers and acquisitions too. For instance, HSBC Holdings Plc is slated to purchase Royal Bank of Scotland Group Plc's retail and commercial banking businesses in India that involves portfolios with a gross asset value of $1.8 billion as on March 31, 2010. On the other hand, Shriram Group has dropped its plans to acquire Citibank's ailing consumer finance arm, CitiFinancial India. The potential bidders are Lakshmi Vilas Bank and Kotak Mahindra Bank.

There is an increased focus on growing the secured assets portfolio such as mortgages and auto loans. Indian home buyers have also made a comeback to the market after more than a year of subdued activity. This trend is fuelled by the drop in prices to about 25-40 percent. The four largest players in the banks and housing finance segment are HDFC, SBI, ICICI Bank and LIC Housing Finance. The giants accounted for nearly 53 percent of the market share at the end of 2009.

The fortunes of the auto finance industry are inextricably linked with the performance of the automobile industry, which has seen a strong year-on-year growth for the past five years (CAGR of 14.28 percent). As a result, there has been a sustainable growth in the auto finance portfolio of banks.

The emergence of credit bureaus will provide a more robust environment for growth in the industry. Samir Bhatia, the erstwhile Managing Director of Barclays India has joined as the Managing Director and Chief Executive Officer of Equifax Credit Information Company.

High Mark Information Services, another soon to be launched credit bureau in India, will focus on innovations concentrating on 'uniquely Indian problems.' Lafferty Group recently launched its operations in the country. It aims at providing market insights and intelligence in retail banking, cards and personal financial services.

Source: Business India, Economic Times, ICRA Report

Wholesale banking set for a paradigm shift

The wholesale banking segment in India is in a transition phase as the market gradually opens up for foreign banks. With new products and services and an increase in product and service expectations, the segment is likely to witness fierce competition in the race for the customer.

BY **SURESH RAINA**

Banking services are offered to institutional customers as well as to corporations. The services list includes treasury operations, cash management, forex, leasing, capital markets, merchant banking and trust services. A large number of wholesale banking clients also account for off-balance sheet businesses. This set of clients has immense strategic value for the banks as there is a wide scope to garner other business from them as well. Treasury operations are important for managing the funding requirements of the bank. Treasury income also forms a significant component of the earnings of banks.

We have noticed a few trends in the wholesale banking segment in the recent months:

- The market is witnessing a discontinuous growth driven by the entry of new products and services. To achieve this growth, there is a requirement for new skill-sets in sales and marketing, product design, credit and operations
- Banks will no longer enjoy windfall treasury gains, which resulted from a decline in interest rates. This will put pressure on the weaker banks
- With rising levels of interest in India, the competition from foreign banks is set to intensify in the near future, thus putting pressure on domestic banks—both public and private—to enhance their performance
- Consumers are expected to increasingly demand enhanced institutional capabilities and higher levels of service from banks
- There might be an increase in the movement of talent in the sector, especially professionals from overseas markets accepting job offers in India

Management imperatives will differ from one bank to another. However, there will be some common themes across different classes of banks. The old private sector banks need to fundamentally strengthen their skill-sets. However, even more important is the need to review their own participation in the Indian banking sector and their ability to remain independent in the light of the discontinuities in the sector. The new private banks could reach the next level of growth in the Indian banking sector by continuing to innovate and develop differentiated business models. They should look to profitably serve segments like the rural and low income and affluent and high net-worth individuals; and also actively increase acquisitions as a means to grow and reach the next level of performance in their services platform. Attracting, developing and retaining more leadership capacity would be the key to achieving this. At the same time, this might pose as the biggest challenge.

The foreign banks will need to adopt alternative approaches to win the 'race for the customer' and build a value-creating customer franchise as the Reserve Bank of India (RBI) gradually opens up the sector. At the same time, they should stay in the game for potential acquisition opportunities as and when they appear in the near-term. Maintaining a fundamentally long-term value-creation mindset will be their greatest challenge.

PEOPLE MOVEMENT

- **Amit Malviya** moved from his role at HSBC Bank as Senior Vice President to Bank of America Merill Lynch, Corporate Banking - Global Treasury Sales, South
- **Ajay Marwah** moved from Nomura, in the role of Head of Fixed Income to Daiwa Capital Markets as Head of Fixed Income
- **Rashmi Mohanty** moved from Deutsche Bank, Director, Global Markets to Religare as Director, Treasury
- **Ravi Kumar** moved from his role as Citibank's Vice President and Country Treasurer to join Standard Chartered Bank as its Treasury Head
- **Anita Yadav** joined Nomura Treasury as Managing Director and Head of Global Marketsmoved from Deutsche Bank's Desk Strategist and Head of Credit Research for Asia
- **Rajiv Nayar** moved from Citibank, Head of Citi's Capital Management, Hong Kong to Citibank's Head of Capital Markets Origination, India
- **Ajay Sawhney** moved from Bank of America Merrill Lynch, Head of Leveraged Finance to Standard Chartered as Head of Debt Products, Southeast Asia
- **Sanjeev Bajaj** moved from JM Financial to Credit Suisse as Head of Fixed Income. Sanjeev was the Managing Director and CEO of the Fixed Income business at JM Financial

Highlights

- Standard Chartered Bank's India operations pre-tax profit has risen 19 percent to $624 million (Rs 2,883 crore) for the first half of 2010, making India the single largest contributor to Standard Chartered Bank Plc's profit. Among business segments, Indian wholesale banking operations continue to be the largest profit contributor ($517 million) to the group
- Bank of America Merrill Lynch re-emphasised its focus on wholesale banking by bringing on board Kaku Nakhate as its President and Country Head. The bank is working to increase its product penetration to enhance its relationships in the banking, investment banking and the securities businesses
- Several global banks have approached RBI for a banking licence in India. Goldman Sachs and Australia and New Zealand (ANZ) Banking Group are some of the banks which plan to commence their corporate banking services to the top-tier corporates and financial institutions
- Credit Suisse has received the licence to open branches in India. With this, the Swiss bank can now offer a wide range of its available products, including wholesale banking to Indian businesses
- The Rabobank Group sold an 11 percent stake in India's Yes Bank to meet regulatory requirements as it seeks a full banking licence. The bank aims to set up its own corporate and wholesale banking business
- ING Vysya became the second foreign financial group to exit a minority holding in India as international banks reviewed their position in the fast-growing market. The Dutch major sold its stake in domestically owned Kotak Mahindra Bank

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