the **hunt** report

HUNT PARTNERS


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FOREWORD

Dear Reader,

As we begin the New Year, we are delighted to bring you the fifth issue of The Hunt Report, our half-yearly industry roundup of key trends impacting executive hiring across industries.

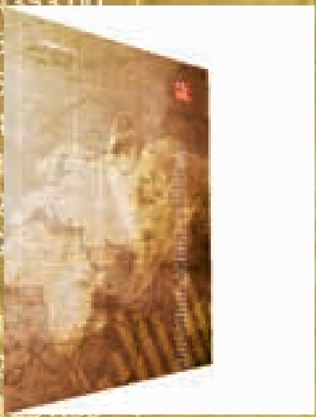
This issue captures people movement and analysis of 17 industries, as the Indian economy is expected to bounce back to growth levels exceeding 6 percent on the back of easing financial conditions, policy reforms and reduced monetary rates.

The Report looks at the impact of these industry trends on human-capital and the implications they have on leadership talent movement, aggregated for your benefit.

We hope you find the Report insightful, and we welcome your comments and feedback at: *thehuntreport@hunt-partners.com.*

Happy Reading!

The Knowledge Management Team
Hunt Partners
January, 2013



IN THIS ISSUE

The Hunt Report, a half-yearly update, evaluates the key business trends in industry practices, ranging from Real Estate 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 seventeen industry verticals.

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The roller coaster

With investors demanding value for money, the industry is grappling with cost and revenue pressures apart from heightened competition. In India the focus is on new distribution channels and Tier II and III cities

BY **ARJUN ERRY** AND **PRAFUL NANGIA**

Asset managers in the Asia Pacific are not only facing pressure on costs but on revenues as well. As markets stabilise and fund inflows accelerate, retail and institutional investors are becoming increasingly demanding on transparency and value for their money, thereby putting focus on the link between management fees and actual investment returns. Additional revenue pressures include asset allocation trends, heightened competition and higher standards of risk management and governance.

New patterns

Asset managers in the Asia Pacific are also trying to develop new patterns of retail distribution. In both Hong Kong and Australia, a handful of large banks dominate the market, posing a particular problem for independent asset managers' ability to grow. Dependence on third party distributors is further complicating the revenue outlook as the direct relationship with investors is allowing them to capture a larger share of fees. The clout of distributors is expected to increase further due to regulations that in some markets prohibit payments by asset managers to distributors.

Sentiment revival

India mirrors some of the trends being witnessed in the Asia Pacific. The asset management industry continues to be firmly seated on a roller coaster. While 32 AMCs registered growth, a few players such as BNP Paribas, Canara Robeco, Edelweiss, Fidelity, Goldman Sachs, JM Financial, Pramerica, Sahara, Tata and Taurus Mutual Funds witnessed a decline from the April-June quarter. The growth though is widely attributed to revival in stock market sentiments.

The ailing sector has attracted the attention of the regulator, and the Government with the Prime Minister has finally voiced its concerns.

The regulator has also hinted at a mutual fund policy aimed at increasing the entry barriers to keep 'non-serious' players out. The expected reforms in the pension sector would result in significant gains for the sector. Though some marquee names exited India, new players have come in, such as: Schroders acquired a 25 percent stake in Axis AMC; Invesco picked up a 49 percent stake in Religare AMC; Nippon Life took up 26 percent in Reliance AMC; PPFAS Asset Management obtained regulatory approvals. The industry is now focusing on Tier II and Tier III cities, with large mutual funds aiming to forge tie-ups with regional distributors by paying higher upfront and trail commissions under new rules.

The weakest link

The renewed focus on sales and distribution aims to strengthen the sales process, especially for smaller fund houses, which may not be able to compete with the larger players in commissions to third party distributors. These AMCs must invest in building a proprietary distribution system which is de-linked from regulatory uncertainties.

High-calibre sales professionals for financial products will be in demand. Bank tie-ups for expanding the distribution network is substantiated by the recent tie up between ICICI Prudential MF and Franklin Templeton. Even aligned banks may be tempted to expand their basket. This comes on the heels of the AMFI report on distribution commissions, which lists seven banks amongst the top ten earners. This may prompt AMCs to develop a new and specialised role – *Head Alliances*.

PEOPLE MOVEMENT

- **Manikandan K** moved from Reliance Capital Asset Management as a Relationship Manager to join Black & White Fin Solutions as Chairman and Managing Partner
- **Jaideep Bhattacharya**, Chief Marketing Officer at UTI Mutual Fund joined Baroda Pioneer Mutual Fund as a Managing Director
- **Radhakrishna TN**, who was earlier with UTI Asset Management as President & Head – HR has moved to Twes Private as a Partner
- **Anupam Chakraborty**, Head, Sales – South & East at BNP Paribas Asset Management is now with Phinnacle as a Director
- **Raman Srivastava**, Managing Director, Putnam Investments has moved to Standish Mellon Asset Management as Deputy CIO, Managing Director – Global Fixed Income
- **Shajikumar Devakar**, Vice President, Deutsche Bank – Private Wealth Management has joined Barclays Wealth as a Director
- **Jayant Kumar** has moved from Fischer Francis Trees & Watts, where he was responsible for sales and marketing within the non-profit arena, to HSBC Global Asset Management as Senior Vice President of the institutional sales team

Speed breaker

After going through sluggish growth in the first half, the automotive industry has seen leadership re-structuring and slowdown in investments for new production facilities. The resulting slack in hiring is expected to continue till the last quarter

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

The first half of 2012-13 has witnessed a strong pressure on top line sales leading to restructuring of leadership roles. There appears to be a strong focus on ramping up the dealer network along with new product launches. Tata Motors underwent a revamp of its leadership team, while Volkswagen saw a new Managing Director and Head of Sales.

The industry witnessed 7-8 percent growth (as against the projected 15-20 percent). With a rise in petrol prices, the sales volumes skewed 70 percent towards diesel vehicles.

This period also witnessed a rise in sales of C-Segment vehicles, and a slowdown in the B-Segment which was consistently gaining traction for the last four years. At the same time, the SUV category continues to see traction. There have not been new investments to set up production facilities.

Tata-Fiat Joint Venture

In May 2012, Fiat and Tata Motors had decided to realign their JV that was formed in 2006. However, the two organisations have retained their partnership in car and diesel engine manufacturing operations.

Fiat's India operations would now be run through two companies — one for distribution and after-sales, and the other is the existing 50:50 joint venture with Tata that will continue to make cars in India. Fiat is pumping up all resources to set up their exclusive dealer network, and is aiming to ramp up in customer facing roles, across various levels in the next six months.

Renault-Nissan collaboration with Bajaj Auto

Renault-Nissan has called off the collaboration with Bajaj Auto for sourcing of the ultra low-cost car. With this development, the possibility of forming a dedicated Sales & Marketing unit for selling the low-cost car has taken a backseat.

Nissan and Hover Automotive India (HAI) have signed a sole and exclusive distribution agreement in July 2012.

PEOPLE MOVEMENT

- **Karl Slym** has joined Tata Motors as the Managing Director
- **Pankaj Sharma**, earlier with Maruti Suzuki India as General Manager – True Value Business, has joined as the new Head of Sales at Volkswagen India
- **Nitish Tipnis**, Chief Operating Officer and President, Ezone (Future Group) has moved to Hover Automotive India as Director – Sales & Marketing
- **Rakesh Srivastava**, Chief General Manager & Commercial Business Head, Maruti Suzuki India, has moved to HMIL as Vice-President – Sales & Marketing
- **Ranjit Yadav**, who was earlier with Samsung India as Country Head (India) – Mobile & IT Businesses, has joined Tata Motors as President – Passenger Car Business Unit
- **Neeraj Garg**, Director – Sales & Marketing (Volkswagen brand), Volkswagen India, has joined Tata Motors as President – Commercial (Passenger Car Business Unit)

Under the terms of the agreement, HAI will undertake sales and marketing, customer relations, dealer development, sales and marketing related public relations, training and after-sales service in India as Nissan's exclusive distributor.

Auto components

The economy being under stress in the first half of 2012, a de-growth of 10-15 percent in the OE and 20-25 percent in the export market was witnessed. The After Market segment is still growing at twice the rate of the OE market.

In particular, suppliers to Tata Motors and Maruti Suzuki India Limited (MSIL) have felt more heat than others. SKU production from Sanand reduced to as low as one tenth of projected numbers due to slack in demand from the Nano project. Component suppliers to Japanese OEMs had a tight run too due to the appreciation of yen against the rupee. Moreover, the import content for companies like Toyota and Honda was higher than their overseas counterparts, and the price pressure for their local suppliers even higher.

Over the last year, auto ancillary companies have looked to backward integration due to cost and quality concerns with outsourcing.

Hiring plans are sluggish for positions above the Manager level, and likely to remain so till the last quarter of 2012-13.

Silver lining

- Some respite from material economics, with Plastic and Sheet Metal prices relatively stable due to less fluctuation in crude oil prices.
- Ford India and MSIL to set up plants in Sanand, attracting new entrants and increased capacities of existing ones. MSIL's consistent growth should encourage new component projects.
- After Innova, Toyota to introduce a new variant in 2014 which will attract additional investment, and a small car plant at Tamil Nadu through the Daihatsu brand.
- Ford India's investing for additional capacity of 90,000 units above its existing capacity of 200,000 units at the Chennai plant to roll out Ecosport in 2014.
- Nissan increasing the production capacity of Oragadam (Chennai) plant to over four lakh cars, mostly for exports.

Headwinds and opportunities

Domestic concerns notwithstanding, the renewable and conventional energy projects continue to generate enough steam to keep the sector going, making India an attractive destination for upcoming projects. The focus is now on operationalising and leveraging existing assets

BY SURESH RAINA AND RAHUL ROY

Orders from the power sector continue to be a drag on account of domestic fuel deficits and poor financial health of the State Electricity Boards. However, delay in order inflows from the power generation sector has not much affected the power transmission projects, which continue to pour in, though on a smaller scale.

Renewable energy

A recent report identifies India as the fourth most attractive place globally in terms of market potential for renewable energy, after China, the US and Germany. Placed second on the solar index and third on the wind index, it has a renewable energy capacity of around 26 GW as on August 31, 2012, and plans to more than triple this in the next ten years, driven mainly by wind and solar power.

Some of the major investments in this sector are as follows:

- Welspun Energy has raised ₹ 3.4 billion for funding a 50 MW solar project in Rajasthan.
- Azure Power has also raised a US $70 million loan for adding 35 MW capacities to its existing 5 MW plant.
- Morgan Stanley PE is buying a majority stake in Continuum Wind Energy in a deal worth ₹ 12 billion.
- Trishe Developers and Mainstream Renewable Power have raised US $15.3 million and US $21.5 million respectively by VC funding.
- NuPower has raised US $141 million for funding a 150 MW project in Tamil Nadu.

The sector continues to grow and attract investment from lending agencies and private equity for rapidly building assets. The sector continues to attract talent with specific skill sets such as project management and implementation, fund raising and treasury management, and mergers and acquisitions.

Conventional energy

- Focus has shifted from projects and asset building to operations to ensure cash generation. Over the last few years, professionals with strong skills in project management, raising capital and regulatory affairs were in high demand. There is demand at senior level of strong operations and business skills.

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PEOPLE MOVEMENT

- **Loknath Kanungo**, CEO, Reliance Energy, has moved to the Shriram Group as Director – Operations
- **Ravi Sharma** has moved from the post of CEO of Adani Power with Vineet Jain promoted internally as the new CEO
- **Prashun Datta**, Senior Executive Vice-President, Reliance Energy, has moved on to Tata Power as the Chief Information Officer
- **Prabir Kumar Majumdar**, Chief Operating Officer (COO) and Director, Lanco Infratech, has joined Sterlite Energy as COO – Power
- **Sudhir Mathur** has joined as Chief Financial Officer of Cairn Energy. Earlier he was working with Aircel in a similar position
- **Narendra Kumar**, Head – Projects at Enercon has joined Suzlon in a similar position
- **Pradeep Sangwani**, Head – Corporate Sales at Tata BP Solar, has joined SunPower as Head – Business Development
- **Rajsekhar Budhavarapu**, Country Manager, GL Garrad Hassan, has joined IL&FS Energy Development Company as Chief Technology Officer – Renewable Investments
- Tata BP Solar, now renamed as Tata Power Solar Systems, has appointed **Ajay Goel** as the new Chief Executive Officer. He was earlier the Vice President of Global Product Operations at SunEdison

- PSU organisations including NTPC, PFC and other public sector entities still continue to be a fertile ground for hiring strong business leaders in the power sector.
- Large players like Essar, Lanco, Tata Power and Reliance are accelerating efforts to improve their cash flows by leveraging their assets to the maximum extent possible. Senior leadership hires are happening across the sector to find business leaders. Senior technical experts are also in high demand for consulting and to stabilise the new projects that are coming on stream.

Major updates in the sector

- Tata Power put its imported coal projects on hold till more regulatory clarity is obtained in India and coal exporting nations.
- Reliance Power tied up with Chinese banks for the Sasan projects worth ₹ 60 billion, its second funding from Chinese lenders in 2012, the first one being for Reliance Communications.
- The 27 companies that had won solar photo voltaic projects to the tune of 340 MW during the second round of bidding under the National Solar Mission achieved financial closure.
- L&T booked a few orders from the transmission and distribution segment worth ₹ 26-30 billion.
- Spanco sold its majority stake to Essel Infrastructure in the Discom project in Nagpur.
- Chennai-based Trishe Developers acquired National Wind, the US-based wind energy project developer.

New-age designs

Innovation is emerging as the new mantra for survival, attracting greater investments in research and development and increase in outsourcing activities. This has led to greater demand for professionals with requisite skills who can deliver products for the local and global marketplace

BY **ANNE PRABHU** AND **ANTONY VARGHESE**

With innovation emerging as the key focus for staying competitive, organisations globally are enhancing investments across sectors to develop products both for the developed and the emerging economies. According to a Zinnov analysis of global top 1,000 R&D spenders, spending on R&D increased by 8.2 percent in 2011 in comparison with the previous year. This increase in spends has been driven by technological advancements, need for building more efficient and eco-friendly products and localisation, among others.

Looking beyond the shores

The need for manufacturing organisations to constantly stay competitive through product differentiation has also led to an increase in outsourcing engineering services, both nearshore and offshore. This is further driven by the need to reduce design cycle time, speed up time-to-market, lower costs and provide higher ROI on product development efforts. In India, the engineering design and product development segments generated export revenues of US $10 billion in FY2012, growing at about 14 percent. By 2020, the Engineering Services Offshoring business is expected to generate US $40 billion as per a report published by the National Association of Software and Services Companies (NASSCOM) and Booz Allen Hamilton.

World-class talent

Some of the trends that are impacting talent demand include the following:

- Engineering Services Organisations are enhancing capability and broad-basing their offerings to deliver higher-end services to clients, including developing IP. In order to transform organisations from those primarily focusing on piece-meal design for legacy systems to those with end-to-end solutions and new-age systems, there has been a spike in demand for talent with strong domain knowledge and technical ability in operations and solution creation roles.

PEOPLE MOVEMENT

- **Ashish Mishra** joined as CEO (India) for P3 Voith Aerospace Gmbh. He was earlier Vice President at PAG Cades
- **Shrikant Naik** was elevated as Head of India Operations at Quest. He replaced the earlier incumbent **Madhusudhan BS**, who moved to pursue entrepreneurial interests
- **Amit Sharma**, Resident Director at Atkins, moved to Tata Consulting Engineers as Chief Operating Officer
- **Vasant Kudva**, Head – Talent Acquisition at Patni, joined Quest as Global Head of Talent Acquisition
- **Valmeeka Nathan**, who was Heading PLM and Engineering Services at Infosys, moved as Chief Executive Officer at Trigyn
- **Ivan Keogh**, Managing Director, SMEC India, joined Louis Berger as Senior Vice President – Asia
- **John Leney**, Director Dassault Systemes joined Geometric Americas as Vice President – Global Automotive

- Account Management is another role that is much in demand to enable third-party service providers move up the value chain. Deep client knowledge and ability to navigate large organisations, working through internal networks and capturing a share of the mind space of decision makers to become strategic advisors are skill sets that are important to strategically penetrate account, and garner higher value work.
- While electronics and semiconductor have traditionally been mature verticals, automotive and aerospace and industrial are fast-growing verticals witnessing increased demand for talent. Trends like meeting social goals, going green, enhancing safety and reliability, etc., have opened up opportunities for engineering services companies to contribute to developing products to meet newer demands. Auto majors like Ford, General Motors, Nissan, Toyota and BMW are already outsourcing engineering design work to India either through captive centres or third-party service providers. Aerospace major Bombardier has set up its own captive unit in India this year.
- Engineering companies are setting up operations and centres of excellence in the markets they serve, hence also creating a need for their service providers to also follow suit. China, for instance, is emerging as another market for ESO companies.

While the engineering services market is poised to treble over the next eight years, much depends on the ability of Indian organisations or Indian subsidiaries of MNCs to move up the value chain and be seen as organisations that can truly engineer products that are not just for the India market, but also for the highly competitive global marketplace.

Facing the downtrend

A spate of scams has hit the global markets in the first half, and specifically in India the Capital Markets continue to struggle, resorting to cuts and selective talent acquisition. In Asia, strong domestic companies are striving for a pan-Asia presence

BY MIKE RAYTEK AND SURESH RAINA

The first half of FY13 has seen a devastating loss of confidence in the global markets stemming from various scandals. First came JPMorgan Chase's London Whale debacle, which was followed by manipulation of the LIBOR, and others.

Locally, Moody's has maintained India's sovereign ratings at 'stable', while Fitch has lowered India's growth projection for the current fiscal to 6 percent. Hiring will remain subdued, with MNC banks under pressure to cut cost; however Indian banks continue to selectively scout for top talent.

Facing the heat

Activity in the equity capital market suffered a significant slump as the deal value fell over 18 percent to an eight-year low of US $7.3 billion this year so far. In the comparable period last year, the ECM market raised capital worth US $9 billion. (Dealogic). ECM rankings till August 2012 had Citibank, HSBC and Morgan Stanley in the pecking order. However the contribution of M&A and ECM transactions towards the fee income declined significantly by over 70 percent and 60 percent respectively. Going forward, the equity markets look to improve with several mid-sized companies seeking to raise money with the investor sentiment improving overall.

Larger landscape

Cross border, foreign-currency debt issuance surged to US $4.6 billion so far this quarter from US $140 million, supported by RBI maintaining the highest interest rates among major Asian economies.

There are more investors who are allocating funds to Indian debt out of Asia. The trend for companies to shift from the dollar to Asian currencies is picking up. Indian companies are selling record amounts of debt in currencies from China's yuan to the Singapore dollar. Indian banks should be able to continue building the debt portfolio given their access to low-cost funds and ability to take positions, more so as the fees are relatively small in comparison with the equity business. Due to RBI taking a firm view about the interest rates, we will see low off-take for large local deals.

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PEOPLE MOVEMENT

- **Ashutosh Goyal** has moved to uTrade Solution as Chief Quant from Nomura where he was Vice President, Head of Equity Quants
- **Vinod Punjabi** has joined Quant Capital as the Chief Operating Officer. Earlier he was with I. United as the CEO
- **Manish Sarawagi** has moved out from Edelwise Capital where he was Vice President to Wisemen Fin as Founder and Managing partner
- **C Sridhar**, Executive Vice President – Equity Sales at Edelweiss has joined HDFC Bank as Head of Institutional Research – Capital Markets
- **Mehul Desai** has been named as Head, Equity Sales – Capital Markets, HDFC Bank
- **Viraj Kulkarni**, Partner, Pivot Consulting, has moved to BNP Paribas as Head of Securities Services
- **Manisha Girotra**, Head, I Banking, UBS, is now Head – I Bank at Moelis

Looking overseas

Indian broking still continues to struggle, with the revenues pool still contracting both in institutional as well as retail. Others are looking at bringing in foreign partners to help. Small brokerages who do not have a high cost are trying to sustain the downturn. The trading is now more into derivates than F&O. Firms are also looking to acquire key talent rather than acquire broking shops lock, stock and barrel.

Adding to competition are new players such as Yes Bank Ltd, who have received a retail equities broking license. The MNC brokerages continue to dominate given their relationships with FIIs.

Optimising headcounts

Raine Group, a new global merchant banker, is exploring India presence. Malaysia's CIMB Group entered India with buyout of RBS's corporate finance unit. Signal Hill, an M&A specialist focused on technology, has also established its presence.

In 2008, across Asia, the newer and smaller regional players expanded aggressively, absorbing talent, made available from bulge brackets. Aspiring regional firms looked to become pan-Asia players, including Daiwa and Mizuho (Japan), Mirae and Samsung Securities (Korea), DBS (Singapore), CIMB (Malaysia), CDIB (Taiwan) and others, and newcomers such as Jeffries and Renaissance Capital. This time round, we are not seeing uptake of excess supply by smaller sell-side firms. Many of the firms that took on high-priced talent, often with guarantees, have themselves cut back this time around. For example, Mirae Securities went from a team of 150 in Hong Kong to less than 10 earlier this year.

On the compensation trends, deferred stock and longer vesting periods are gaining currency. At the same time, fixed salaries have risen meaningfully, leaving no room to reduce bonuses in tough times, and now they are forced to cut headcount. Hiring will remain subdued, with MNC banks under pressure to cut cost; however Indian banks continue to selectively scout for top talent.

Fit for growth

Healthcare sector is set to put on more weight with new government initiatives, rise in medical tourism and growing demand for better health delivery services. It has emerged as one of the largest and most challenging services sector

BY **RAJIV ARORA**

The Indian healthcare sector continues to grow at over 20 percent and is expected to reach US $100 billion by 2015 from the current US $65 billion. The key factors that are driving the growth of this sector include increasing population, growing lifestyle and health-related illnesses, cheaper cost of treatment, thrust in medical tourism, improved health insurance penetration, increasing disposable incomes, government initiatives and focus on public-private partnership (PPP) models.

Indian hospitals are fast becoming the first choice for an increasing number of foreigners. According to ASSOCHAM, the market size of the Indian medical tourism sector is likely to more than double by 2015, i.e., increase to ₹ 10,800 crore from the current level of ₹ 4,500 crore. The Indian medical tourism sector, which is growing at an annual rate of 30 percent, caters to patients mostly from the Middle East, West Asia, Africa, America and Europe.

Push from the government

Government initiatives in the public health sector have recorded some noteworthy successes over time. Some of the initiatives undertaken are:

- Health expenditure increased to 2.5 percent of the GDP by the end of the 12th Five Year Plan, from the currently level of 1.4 percent.
- Allocation for the National Rural Health Mission (NRHM) is proposed to be increased to ₹ 20,822 crore in FY 2012-13, as against ₹ 18,115 crore in the previous FY.
- Hundred percent FDI permitted in healthcare and medical services under the automatic route.
- Custom duty on life-saving medical equipment reduced from 25 percent to 5 percent and totally exempted from countervailing duty.

Talent crunch

The two key challenges for the healthcare sector are the low share of government in total healthcare expenditure and lack of skilled human resources.

In India, government healthcare expenditure as a percentage of GDP is 1.4 percent and is far lower than the global median of 5 percent. For most developed western countries, not only is the government healthcare spending/ GDP ratio close to 6 percent or above, even the BRICS nations such as Brazil and South Africa are far superior to India on this score.

Over the next five years, we believe that India will require investments of over ₹ 6 lakh crore, if it has to attain the global median of 24 beds per 10,000 persons (currently, this number is 9 beds per 10,000 persons). It is evident that the demand prospects for healthcare delivery are bright in the medium to long term, which presents an attractive opportunity for the private sector players and also offers an excellent opportunity for new talent to grow by riding the rising wave of growth of the healthcare industry.

Another big challenge is the limited talent pool that exists in this sector today. The existing talent pool is not sufficient to meet the growing demand arising from the expansion of the existing players and also from the entry of new players in the sector.

PEOPLE MOVEMENT

- In an internal move, **Sunil Kapoor**, who was Vice President of Supply Chain (India) at Fortis Healthcare, has become the Zonal Director of the company
- **Dr Mudit Saxena** has been named as the new Chief Operating Officer of HealthCare Global. Before this, he was working with Fortis Hospital FMRI as a Programme Director
- **Sunil Tadepalli** has moved to Qlinics Healthcare Pvt. Ltd as Managing Director. Earlier he was the CEO and Consultant at Labnetworx
- **Dr Manoj Vats** has joined Health Converge as a Director. Before this, he worked at Accenture as a Management Consultant
- **Varun Chopra** has left GlaxoSmithKline Consumer Healthcare as the Marketing Director – China Wellness Category, and has been named as Senior Vice President – Corporate Marketing, at Apollo Hospitals Enterprise Ltd
- **Sumit Sarkar** has been named as the new CEO of Apollo Hospitals International Ltd. Earlier he was at Apollo Hospitals as the CEO of Specialty Clinic & Path Labs
- **Ravi Pothineni** has joined Ramesh Hospitals as the new Chief Financial Officer. Before this, he was working with Deloitte Consulting as a Manager
- In an internal move, **Nitin Srivastava**, who was the Human Capital Partner – Foreign Sites at United Healthcare India Pvt. Ltd, has become their new Chief Operating Officer

While we largely see people movement from within hospital sector or from pharma to hospitals, it is also happening from telecom, consulting or hospitality businesses into the sector. This trend will increase to meet the growing demand in this sector.

Riding the wave

Rising costs and competition has seen insurance, healthcare and pharmaceutical firms adopting outsourcing as a good cure. India remains the preferred destination in healthcare outsourcing given its many advantages of qualified and readily available talent

BY **ARJUN ERRY**

Outsourcing is the buzzword in the US healthcare industry. The rising cost of healthcare, a shortage of skilled labour, and quality work provided by the vendors are some of the factors driving outsourcing in this sector. This report covers three main segments of healthcare: payer (healthcare insurance companies), provider (hospitals) and pharmaceutical. All three are looking at outsourcing as a viable option to become competitive in the business. The Healthcare reforms introduced by Obama administration are also driving the healthcare outsourcing market.

Alternative models

The healthcare market, especially in the US, is large and growing. Yet, despite positive growth levels, it is a market challenged by the often conflicting mandates of improved service quality and reduced costs. Although the quality of healthcare in the US is high, providers are facing great pressure to expand their scope, in terms of both the services offered and the patients served, while at the same time controlling costs better.

The global healthcare BPO market is growing at a healthy CAGR of 21.4 percent. Healthcare provider outsourcing has the highest growth rate of 31.9 percent from 2011 to 2016.

Healthcare payer outsourcing market will also grow at about 30 percent in the forecast period. It is estimated that globally, 75 ITO and BPO healthcare deals with total contract values greater than US $50 million were signed from 2004 through 2007. Approximately one quarter of these were BPO deals.

Outsourcing buyers in the healthcare industry are facing increasing pressure to reign in operating costs and improve overall operational efficiency. This is driving firms to more frequently consider and aggressively deploy alternative models (such as shared services, information technology and business process outsourcing (ITO/BPO)) to deliver operational services. The use of alternative service delivery models is growing for back-office operations as well as for core healthcare business functions and processes.

PEOPLE MOVEMENT

- **Sanjay Verma** has joined Datamatics Global Services as Global Chief Services Officer in November 2012. Prior to this, he was President & Global Business Head – Managed Services and Cloud, with Tulip Telecom
- **Amit Kothiyal** has moved to ISGN as Chief Operating Officer in September 2012. Prior to this he was working as Independent Business Unit Head with Infosys BPO
- **Deepan Vashi** is now with Cognizant Technology Solutions as General Manager where he joined in June 2012. Earlier, he was working as Principal Consultant with Infosys BPO in their Healthcare Payer & Provider division

Preferred destination

US is the largest source of outsourcing, followed by Europe. The most preferred destination in payer and provider outsourcing is India, whereas on-shoring is the most preferred option for pharmaceutical outsourcing. The Philippines is an upcoming destination making its mark in payer and provider outsourcing. India offers several advantages when compared to other outsourcing destinations, such as the availability of a large number of healthcare professionals, affordable cost of living, a large patient pool and lesser time and cost of recruitment.

The overall healthcare BPO market is highly fragmented, and there are many small players trying to take their share in the pie particularly in India and China, where many entrepreneurs have entered the market to meet the growing requirements.

The major players in the payer and provider outsourcing market are: Accenture (Ireland), Medusind (US), GeBBS Healthcare (US), Omega Healthcare (India) and Inventive (US). The pharmaceutical outsourcing market is captured by players such as Quintiles (US), Covance (US), PPD (US), Parexel (US), Charles Rivers Laboratories (US) and ICON (Ireland) in the CRO space; while in the CMO market the major competitors are Lonza (Switzerland), Catalent (US), Boehringer Ingelheim (Germany), DSM Pharma (US) and Jubilant Life Sciences (India).

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Lean times

The first half of the year saw manufacturing going through a lean period, though the major players retained their market share. With FDI policies yet to bear fruit, the stage is also ripe for capital investments, M&A and joint ventures

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

The sector saw a lull in the first six months this financial year, with supply exceeding demand in capital goods as well as consumer sectors. Industrial automation leaders like Siemens, Schneider, Honeywell, ABB, Johnson Controls and UTC, maintained their share in the projects business, though with thin order books due to rupee devaluation and increasing competition from local and Chinese players.

Industrial customers have been wary of spending on products and projects, putting pressure on continuous process manufacturing companies. Some companies have increased their export share to reduce inventories. Rising freight charges are also a cause of concern for smaller players who cannot meet the economies of scale. The focus has ultimately converged to reduce the cost of production.

Opportunities amidst slowdown

The slowdown gives an opportunity for companies with deep pockets to make capital investments and expand. The situation can also pave the way for M&A and joint ventures in the sector, wherein foreign MNCs or large Indian companies may bring in equity and bail out companies which are growing but struggling with high cost of production. Tyre companies like Michelin and Yokohama are likely to set up facilities in India. Continental Tyres has set up its production facility at Meerut, UP.

Though FDI policies have opened up, there are no real project implementations happening. New entrants are awaiting investments and a stable government at the centre. Strong IR policies at the state level will also boost confidence towards achieving higher productivity.

On the talent front, to ensure better utilisation, a rationalisation of talent across functions and location streams is being carried out by organisations with a significant number of executive staff. Job opportunities in technology-specific areas have dropped, leading to lower attrition. More technocrats are thus moving to the Middle East or African countries, but only to witness limited opportunities there as well.

PEOPLE MOVEMENT

- **Satish Kulkarni**, Managing Director at Owens Corning, has moved to Lhoist India in a similar capacity
- **Sanjay Jorapur**, who was earlier with Honeywell as Country HR Director – India, has joined Crompton Greaves as Executive Vice-President and Global Head of Human Resources
- **Jagdish Lomte**, Chief Information Officer at KEC International, is now with Walchandnagar Industries in a similar capacity
- **Himanshu Jain**, Greater APAC Business Director at Diversey Inc., has joined Sealed Air as Vice-President – Indian Sub Continent
- **Sanjiv Sood**, who was with Reckitt Benckiser as Program Manager, Integration (M&A), has moved to Saviance Technologies as Chief Information Officer
- **Ravi Kumar Dhulipala**, Country General Manager – GE Gas Engines, GE Energy, is now with Ingersoll Rand as Head – Strategic Markets
- **Sandeep Baxla**, Head – Supply Chain Planning, India & Middle-East, Castrol India, has joined Henkel Adhesives Technologies as Head – Supply Chain.

Significant trends

Local heavyweights in the transformer industry such as Bharat Heavy Electricals, Crompton Greaves and local subsidiaries of ABB and Siemens have seen their order books shrink in the first half of 2012. The competition is likely to remain high as Chinese and Korean firms are mulling setting up manufacturing facilities in India to meet local qualification requirements. It will further raise the pricing pressure, leading to decline in EBITDA margins and lower return on equity of capital goods companies.

The period also saw a spurt in strategic investments and joint ventures among vendors in the Indian defence contracts:

- Piramal Enterprises acquired a 27.83 percent stake in Bluebird Aero Systems, an Israel-based unmanned air systems manufacturer. Bluebird has an agreement with Bangalore's Dynamatic Technologies for manufacturing and marketing mini- and micro-tactical, unmanned aerial vehicles in India.
- Rossell India diversified into defence procurement, and floated a joint venture with CAE, Canada, for simulation training solutions for the defence sector.
- Mahindra and Mahindra and Telephonics Corporation announced a joint venture to provide advanced airborne surveillance and communication systems to the Defence Ministry and civil sector.
- Tata Motors is planning to develop Futuristic Infantry Combat Vehicles in partnership with DRDO to increase its share in the defence sector.

Brighter prospects

The Infra sector can look for a breather in the coming months as the government speeds up clearing of pending projects. The Ports segment will hog the limelight with an expected tripling of the target achieved in 2012

BY SURESH RAINA AND RAHUL ROY

After being under stress over the last six months, the sector outlook is looking extremely positive with a few reforms that have been announced recently. The Finance Minister has proposed to clear projects worth ₹ 10 billion, most of which were stuck at the clearance stage.

The following highlights the status of some of the major segments in Infra:

Airports

The new investments planned in FY13, inclusive of three new Greenfield projects being identified at Navi Mumbai, Goa and Kannur, are in various stages of approvals and are set to bid out in the second half of the financial year. The flip flop on the policy with respect to the existing PPP model has further complicated the structure of PPP model in airports. Both GMR and GVK are badly hit by this move and are currently assessing the impact of this decision. This will push their talent acquisition plans by at least six months. Also, the real estate developments in airports have provided a source for additional revenue generation, and these companies are hiring professionals for growing this segment.

Ports

The target for FY13 would consist of a total of 42 projects with a value of ₹ 145 billion and a capacity of 244 mtpa. This is almost three times the target achieved in FY12. A few of the multinational companies like DP World and Maersk are expanding their capacities and setting up more ports. With Adani completing the train link to Mundra, some of the traffic will be diverted from JNPT and other major ports on the west coast. Bulk terminals are seeing an increased activity due to increase in import of coal, and we can expect more hiring in this segment.

Spanish firm Grup Maritim TCB SL has decided to exit the Container Terminal project at Ennore Port worth ₹ 14 billion due to lower projections on traffic, higher cost of local funding and depreciation of the rupee.

PEOPLE MOVEMENT

- L&T has hired more than 25-30 senior professionals over the last 12 months for its various businesses in hydrocarbons, electrical, power, EPC, etc
- **Kishore Vaid**, Senior Vice President – Business Development, Lanco Infratech, has moved to Leighton Welspun as Vice President and Chief Marketing Officer
- **Narayan Neelakanteswaran** has joined OSE as CEO – Road SPVs. Before joining, he was with Atlanta Infra Assets in a similar position
- **Sunil Shinde**, Managing Director & CEO, Welspun Projects, has moved to CEC International as Managing Director for India
- **Phillip Chacko** has moved to Vedanta Group as Chief Operating Officer for one of the SPVs. Earlier he was the Director – Investor Relations at Lanco Group
- **Bibhudutta Satpathy** has joined Gammon Infrastructure Projects as Head of Roads – EPC from Welspun Projects, where he was the Vice President and Head – Road projects

On the other hand, the Karaikal Port will go for a Phase II expansion of ₹ 6 billion for which it has received PE investment from Jacob Ballas of ₹ 2 billion. Overall, though many senior positions are vacant in this segment, the decisions are being delayed to maintain overall expenses.

The upcoming ports are located in remote locations, which will pose a significant challenge for the companies to acquire good quality talent. Also, unlike other infrastructure segments, people from other sectors are not keen on joining the port segment, which further aggravates the talent acquisition issue.

Roads

There is a huge gap in the projects bid out in the road sector in the first six months, as companies are still wary about issues such as lending, clearances, ROW, etc. Reduced bank lending has especially impacted the smaller players in the segment. This has adversely affected hiring at the senior level. Medium-sized companies which were hiring talent from larger companies are waiting for the scenario to change.

The Road segment requires talent primarily on the project side, and hence more and more numbers of technical people are joining at senior levels. Movement in this segment is from other construction intensive sectors.

Some projects awarded in H1 FY13:

- L&T won two build-operate-transfer (BOT) road projects worth ₹ 48 billion from NHAI
- HCC bagged the Vadodara Surat BOT road project worth ₹ 8 billion
- HCC won the Narmada Bridge project at a premium of ₹ 2.22 billion
- Essel Infra got Walajpeth Poonamalee at a premium of ₹ 1.62 billion
- Adani received the ₹ 10 billion bulk terminal project at Kandla Port
- Gammon Infra bagged the ₹ 9.7 billion BOT road project in Haryana

New geographies

With major markets saturated, the insurance sector is answering calls from the promising Asia-Pacific region and moving to a new multi-channel distribution model. Micro-insurance in health is another new trend that provides affordable health insurance in rural areas

BY ARJUN ERRY AND YVO METZELAAR

While insurance penetration in mature markets is hindered by high saturation, developing/emerging markets offer good growth prospects over the long-term. Insurers' strategies will need to address the fast pace of local and global regulatory developments.

Land of opportunities

Asia-Pacific presents significant opportunities for insurers seeking growth, as many markets in the region have enlarged due to an increasing number of potential customers. Additionally, the regulatory systems across much of the region have become more sophisticated. By 2015, nearly 40 percent of the world's economy is predicted to be in Asia-Pacific.

Early movers will benefit by their immediate actions, while the insurers who wait to learn from the mistakes of others may attain valuable traction. Indefinitely postponing a response to the current market opportunities seems ill-advised, given the chief attraction of the Asia-Pacific market. This explains why many multinational insurers are preparing plans for investment in the region.

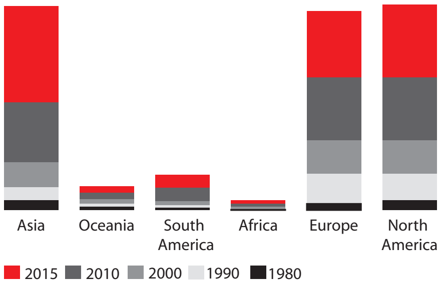
New ways to sell

Life insurance companies in many Asian markets have always depended on individual agents as their main sales channel. However, the trend towards partnering with banks is growing every year. Asian insurance companies are moving away from a sales model that is built around agents, developing a diverse model that encompasses various channels such as agents, banks, direct sales and financial advisers.

Although the level of development of bancassurance varies with different countries and regions in Asia, insurance sales through the banking network are witnessing an upward trend. New business origination from this channel is growing as well. We believe that the transformation of distribution channels in insurance will have an impact on the talent. We expect to see more 'non-insurance/financial services' talent moving into the sales, distribution and market functions, including at the leadership levels.

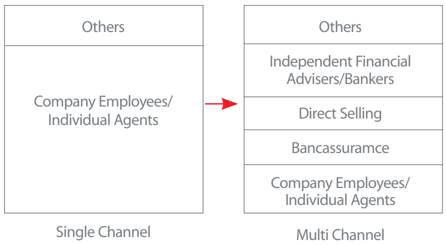
HUNT PARTNERS

Predicted GDP by region



Year	Asia	Oceania	South America	Africa	Europe	North America
1980	3	1	0.75	0.25	2	3
1990	4	1	0.75	0.25	9	8
2000	7.5	1.25	1.25	0.5	10	10
2010	18	2	4	1	19	19
2015	29	2	4	1	20	22

Asian Insurance Distribution Progressing from Single Channel to Multiple Channels



We expect talent from banks, wealth managers and NBFCs to find its way into insurance. Further, we expect professionals with Big-data/analytics experience and database-marketing experts from banking, credit-cards and telecoms to be in demand in insurance.

Small is beautiful for health insurance

Research indicates that the poor borrow or sell assets to cover healthcare expenses, which eventually pushes them into even greater poverty. Health micro-insurance (HMI) is a relatively new concept that aims to providing the poor with affordable insurance products.

In India, HMI providers are aided by a strong regulatory framework and policies that require private insurers to serve rural clientele; this will help develop linkages between HMI and MFI. HMI models are mushrooming over the rest of South East Asia as well. For example, SKY Healthcare Insurance of France employs its own healthcare providers from the community in Cambodia.

PEOPLE MOVEMENT

- In an internal move, **Tapan Singhel**, Chief Marketing Officer of Bajaj Allianz General Insurance Company is now its Managing Director and CEO
- **Girish Kulkarni**, General Manager – United Arab Emirates, Generali, has moved to Star Union Dai-ichi Life Insurance Company as Managing Director and CEO
- **Manasije Mishra**, who was earlier Managing Director of HSBC InvestDirect has joined Max Bupa as CEO
- **Pawan Singhal**, Director – Legal and Regulatory Affairs, Max Bupa, has joined Astra Zenca as Vice President – Legal
- **Aniruddha Sen**, General Manager & Head – Digital Platforms at Max Bupa, has moved to CIGNA as VP – Internet Marketing & Distribution
- **Sapan Kumar**, Associate Vice President at Bajaj Capital Ltd, is now at Max Bupa as Head of Telesales – Outsourced Centres
- **Alok Roongta**, who was at Bharti AXA Life Insurance as Senior Vice President – Financial Control, Corporate Strategy & Procurement, has moved to BoI AXA Investment Managers as Chief Financial Officer
- **Erick Morazin**, Director – Global Accounts at Allianz Global Assistance, is now its Chief Sales Officer – Asia-Pacific
- **James Kim**, Director – Alternative Distribution, Asia Pacific at Whittington Asia Pacific, has joined Chartis Asia Pacific as its Regional Development Manager, SME, Asia Pacific
- **Jyoti Swarup**, who was working with Canara HSBC Life as Head – Business Development, Oriental Bank of Commerce & New Bank Tie Ups has moved to Max Bupa as Vice President – Bancassurance & Strategic Alliances

We expect talent with experience in rural and agri-banking, micro-finance and rural lending to move to HMI programmes.

Gaining space with speed

While the logistics sector has seen positive growth so far and attracted private equity, e-tailers too are keen to take up strategic locations. The smaller tier-II and tier-III cities have emerged as favoured locations for setting up of warehouses

BY **ANNE PRABHU** AND **SUBIR MITRA**

The first half of 2012 witnessed a positive growth in the logistics sector. Demand increased for logistic and warehousing spaces in evolving tier-II cities, emerging as favoured locations for logistics parks and warehouses by e-tailers, who have invested heavily into strategically located assets, including warehousing space in large cities. The smaller cities offer land at lower costs, and proximity to regional markets and industrial hubs. Rental values have grown across most micro-markets due to higher demand. In the next five quarters, transaction activity will be positively impacted due to additional supplies across cities.

Hot destination

The Indian logistics sector is turning out to be a hot destination for private equity investors, with the government allowing foreign direct investment in multi-brand retail. So far this year, the logistics space has seen 11 deals worth US $232 million, as against 10 deals worth US $195 million in 2011. Since 2007, the segment has recorded 84 deals worth US $1.3 billion.

Some big investment moves:

- In January 2012, General Atlantic made one of the largest investments in the logistics space, investing US $104 million in Fourcee Infrastructure.
- In April 2012, KKR and Goldman Sachs invested ₹ 269 crore in third-party logistics service provider, TVS Logistics Services.
- In April 2012, VRL Logistics raised ₹175 crore from New Silk Route.
- In a recent development, three private equity majors joined the race to acquire minority stake in Delhi-based Transpole Logistics.
- Everstone recently concluded a due-diligence exercise on AS Group of Companies, which is one of the largest warehousing service providers for consumer goods companies.

While the government policy on FDI in Retail is expected to yield results in the next 6-12 months, FMCG majors and white goods and consumer electronics firms are on an expansion spree, and are steadily increasing their footprint across the country. Built-to-suit options have been the preferred mode of expansion for most occupiers, with large-sized transactions of around 10,000-15,000 sq. ft of warehousing space reported in the first half of 2012.

PEOPLE MOVEMENT

- **Sutanu Chowdhury**, who was earlier with Future Value Retail as Chief People Officer, has joined Mahindra Logistics as Vice-President & Head – HR
- **Hans Hickler**, CEO – Asia Pacific at Agility Logistics is now with Ellipsis Advisors LLC as CEO
- **Suunil Dabral**, who was with Cargo Service Center India as General Manager – Strategic Marketing, Corporate Communications & Business Development, has moved to SSI Schaefer as Country Head – India
- **Samir Hosangady**, Chief Operating Officer – South Asia at DAMCO India Ltd has joined Brinks Arya as Managing Director
- **Dilip Sinha**, who was with Future Supply Chain Solutions as Group Head – HR, has moved to ASTARC GROUP as Group Head – HR
- **Sameer Khatri**, CIBO at Gati, is now with UTi Worldwide Inc., as Managing Director – India
- **Rakesh Suri**, who was earlier with Hellmann Worldwide Logistics as Chief Operating Officer, has moved to Cargo Partner Logistics as Managing Director
- **Arul Rajkumar**, Country HR Director at TNT Express, has joined Ranbaxy as HR Director – India Region
- **Maneesh Goel**, Regional General Manager – Key Accounts at Safmarine has moved to Lavinstar Logistics as CEO
- **Rod Angwin**, Group CIO at Wolseley, is now with Panalpina as Chief Information Officer

Parking space

The first half of 2012 has also seen a spurt in setting up of logistics parks. Shri Kailash Logistics has recently completed Phase-I of its first logistics park near Chennai with a modern warehouse and a 25,000 sq. ft commercial complex. It is also contemplating setting up similar parks in Coimbatore, Bangalore, Pune and Kochi. Container Corporation of India (Concor) is setting up multi-modal logistics parks in nine key industrial hubs in Odisha. State Infrastructure and Industrial Development Corporation of Uttarakhand Limited has formed a joint venture with Concor to develop two logistics hubs at Pantnagar and Haridwar.

E-commerce players are investing in in-house supply chains and back-end systems to facilitate smoother movement of products and services from the supplier to the consumer. Other than outsourced warehouses, they also plan to set up owned infrastructure for last-mile delivery.

Continued investment in development of logistics parks, including warehouses, distribution centres, container truck & rail terminals, air cargo points, container handling facilities and cold storage will generate more demand in operations leadership roles in the coming months.

The increasing focus on industry specialisation will simultaneously generate a demand for subject matter experts having operational experience in consumer goods, retail, lifestyle, chemicals, technology, life sciences and healthcare sectors.

Building muscle

Prevalence of lifestyle and chronic illnesses has put the medical devices and technology sector under scanner, attracting increased spending and the attention of venture capital. Given the prospects, the sector is also ready to absorb high-calibre talent

BY **Praful Nangia**

The medical devices and technology sector continues to attract a lot of attention across the Asia Pacific region. The key growth drivers for this sector are an ageing population and increasing prevalence of chronic diseases such as diabetes, cancer, obesity and cardiovascular diseases. This is leading to increased contribution in total healthcare expenditure on medical devices in the region.

The focus on the region is further accentuated given the economic slowdown in the developed markets. This is also borne out by the recent restructuring of the regional structures of a few firms who had so far restricted their focus to the developed markets. Another interesting growth driver has been the shift from the traditional healthcare delivery which involved hospitalisation to minimal invasive procedures which rely heavily on specialised medical devices.

Poised for growth

Conversations with senior business leaders confirm the view that India is poised for an immense growth phase with conservative estimates hinting at a 20 percent CAGR for the next few years. Though the base effect does come into play, but the more important factor is the changing face of the Indian healthcare sector.

Private players continue to contribute to the growth of the healthcare delivery mechanism with the Government happy to focus its energies and resources on expanding healthcare coverage via universal insurance schemes.

The high-growth potential has also attracted the attention of venture capital, which is enthused by the growth potential in the medical devices sector. We predict substantial investments coming in post the well-publicised Sutures India transaction. This is also substantiated by the vigour with which venture capital firms are scouting for experienced professionals to guide and help in crystallising their investment strategies in the medical devices space.

HUNT PARTNERS

PEOPLE MOVEMENT

- **Haridas Nair**, Human Resources Director at Covidien Asia, has moved to EUROIMMUN SEA as Director – Sales & Marketing
- **Jonathan Primmer**, who was earlier with Johnson & Johnson as Sales and Marketing Manager, ANZ, is now with Smith's Medical - ANSEA & Japan as Regional Managing Director
- **Atul Khosla**, Global Head of Human Resources at CIBA Vision – Novartis Consumer Health, has joined Alcon as Head of Human Resources – Asia Pacific and Japan Area
- **Liz Choi**, Director – Human Resources at Hospira (US) is now at Hospira as HR Director – Asia Pacific Region
- **Kevin King**, President and CEO of Affymetrix has joined iRhythm Technologies as CEO
- **Warren Wang**, General Manager – Orthopaedics Group (China), at Johnson and Johnson, is now with Boston Scientific as Vice President & Managing Director – China Operations
- **Ashok Kakkar**, Director – Government business & PPP of GE Healthcare, has moved to Varian Medical Systems as Managing Director
- **Joshua H Levine**, CEO at Immucor Corporation, has joined Accuray as President and CEO

Internal health

An interesting differentiator between the sector and other erstwhile sunshine industries comes to the fore as most business leaders are choosing to focus on developing and strengthening the internal health of their organisations – high-performing talent, systems and processes, etc. A probable reason for this could be the assured growth of the sector leaving the chief executives with ample elbow room on these important aspects.

This reinforces our belief, as brought out in our last industry update, that the sector is starved of high-calibre talent outside of a few large players. These large companies continue to remain a happy hunting ground for organisations looking to enhance their leadership line. Our discussions with senior market participants also leads us to believe that most organisations are not yet ready to take on people from outside the sector, especially in sales functions, and would limit their horizons at the adjoining pharmaceutical sector. This, in our opinion, may not be the right strategy as medical devices sales is intensely technology driven and consultative in nature.

As the market expands, we are also seeing some signs of market consolidation led by multinationals constantly on the lookout for strategic acquisitions to expand their presence in India. We also hear that most organisations are lining up substantial investments to set up offshore manufacturing and technology development centres in the country. This further reinforces our belief that the medical devices and technology sector is on the verge of being a major consumer of talent in the Indian market.

New success mantra

The global pharmaceutical industry has been managing steady growth despite the global economic slowdown. However, what concerns the industry is the upcoming patent expiry in 2014, which will impact some of the industry leaders

BY **ANNE PRABHU** AND **RAHUL BHAT**

While innovator companies enjoyed dominance in the pharmaceutical industry for years, the industry may now see an insurgence of global generic giants. Patent holders are using innovate methods of maintaining their leadership positions – through mergers & acquisitions, by entering licensing deals and via molecular diversification. For instance, large corporations such as Merck and Pfizer have established divisions to support diversification plans – BioVentures by the former, and BioTherapeutics R&D by the latter.

The pressure is mounting to ensure that the pipeline of drugs is maintained in the future, which is keeping pharma CEOs on their feet. While Pfizer and Merck made large acquisitions in the last decade, which may not have yielded desirable results, the hunt to build capability through the inorganic route continues. Finally, what await the edge of the patent cliff are the generics companies. This is where many of the Indian companies will stand to gain; however they must tread with caution. While space will open for competition in new therapeutic areas and geographies, the competition itself will intensify.

Global impact

What is interesting is the impact of this global change on Asia's large generic players. What may happen is – western markets will continue to open up, leading to higher margin sales compared to the local market. It will also allow the same drug to be sold at different price points in emerging markets like Africa, Middle East and South America. This will lead to some form of collaboration in terms of in-licensing and co-marketing in new markets. Some areas of expertise to support this growth in the increasingly competitive market in India will be in lean manufacturing to improve cost metrics, sales force effectiveness with organisations continuing to scale up their sales teams and inventory management. R&D is another area that will receive special focus.

PEOPLE MOVEMENT

- **Amitabha Gangopadhyay**, who was earlier with Sanofi-Aventis as Senior Director, Business Excellence & Strategy (India & South Asia) has moved to Ranbaxy as Director – Strategic Marketing and Direct Marketing Initiatives
- **Swami Subramaniam**, Director – Worldwide Licensing and External Research, India & SE Asia at Merck has joined Abbott Nutrition as Head – R&D India
- **Sandeep Girotra**, Head – HR at Convergys Corp., has moved to Ranbaxy as Senior Vice President & Global Head – HR
- **Arun Gupta**, CIO at Shoppers Stop is now with Cipla in the same capacity
- **Achin Gupta**, who was earlier at Glenmark as Senior Vice President – Corporate Strategy, has moved to Abbott Healthcare as Director – Strategic Planning (Established Pharmaceuticals)
- **Inderjeet Sood**, Business Head – Ex India Markets & Head – Sales India Pnd at Abbott Nutrition, is now with Elder Pharmaceuticals as Vice President – Sales & Marketing
- **Vijay Pahwa**, Management Consultant at McKinsey, has moved to Fortis Healthcare as CEO
- **Vilas Dholye**, Executive Vice President – Formulations FTO at Dr. Reddy's Laboratories, has joined Cipla as Head – Supply Chain
- **Pratin Vete**, earlier with Sanofi Aventis as Senior Director – Commerical Ops, is now with Ernst & Young as Associate Director – Business Advisory Services
- **Alok Sonig**, who was previously with Bristol Myers Squibb, has moved on as India Head and Senior Vice President – Global Generics at Dr. Reddy's Laboratories

Talent to support these key functional roles is already visible and will continue to show the way. For instance, Vilas Dholye of Dr. Reddy's Formulations team moved to Cipla to lead Supply Chain. Dr PR Rao, CEO – Animal Health of Novartis India, is now heading Advocacy, CSR Projects and M&A for the same division. Moreover, many new divisions within Indian pharmaceutical companies are being restructured or built to support the business change.

Playing on a flat wicket

Playing well in difficult environments is what separates the good players from the rest. In the absence of supporting winds, some PE firms continued to make headways, and it was the Healthcare sector that saw the bucks pour in

BY SUNIT MEHRA AND RAHUL BHAT

In our last issue, we wrote about how the Year of the Dragon calls for innovation, courage and passion. Also, we discussed the evolution of private equity in the country and where each fund stands today in its lifecycle. While each fund raised in the past was prompted by favourable macro-economic conditions, this time around the environment is just the opposite. There is no technology-driven boom, and neither is India growing at a handsome pace. In fact, to make matters worse, the recent policy paralysis standoff by the government has kept LPs away. In spite of all these challenges, it was heartening to see some entities practise what we professed – innovation, courage and passion.

Straight drive

On the fund raise side, kudos to Manish Kejriwal's and Sunish Sharma's Kedaara Capital which announced a close of US $325 million and is looking to raise US $500 million. The fund also has senior advisors such as Vindi Banga of HUL fame and Sanjeev Aga, former CEO of Idea Cellular. KKR announced a US $3 billion Asian Fund II and is building up a team in Singapore to operate it. It will invest in sectors like consumer, manufacturing, healthcare and infrastructure in India and other Asian countries. Zephyr Peacock, Kalaari Capital (formerly IndoUS Ventures) and Ambit Pragma announced closes of lower values, yet significant in trying times like these. Other global blue-chips did announce global funds, but we are not sure of their impact in Asia.

In terms of talent movement for fund managers and investment professionals, the opportunities are scarce, and do not expect hiring on the fund side. Selective hiring from campuses may happen at the entry level.

Fitness matters

Among the sectors that attracted PE money, the healthcare delivery and medical devices sectors by far stood out as winners.

Some of the investments in the last cycle were: Advent Capital (Care Hospitals), India Value Fund (Manipal Hospitals), Multiples (Vikram Hospitals), Sequoia (Suburban Diagnostics), Norwest Venture Partners (Thyrocare), Goldman Sachs (Nova Medical) and Fidelity (Trivitron).

These investments saw and will continue to attract senior medical professionals, with industry practitioners moving out of their plush jobs and joining these upcoming brands.

Traditional manufacturing and infrastructure sectors also attracted PE money from the following: SCPE (Craftsman Automation), CLSA (Earth Water Group), Helix Investment (ME Energy), Oman India Joint Venture Fund (Solar Industries), etc. Going forward, renewable energy and consumer-focused industries (FMCG, hospitality, e-commerce) are expected to attract investments.

We will see PE funds initiating searches for operating professionals with deep industry knowledge to come onboard. The need for strong CEOs, COOs and CFOs will arise. Like most investments, PE funds will want these professionals to come onboard and fast-track growth, given that we are nearing the end of the fund lifecycles.

What lies ahead? While funds continue to invest dry powder into the system quickly, exits are going to be the focus. The choppy IPO market and lack of capital to structure secondary deals has forced PE firms to hold onto their investments. As mentioned in our last issue, Round 3 funds (2007 vintage) are coming to their logical end, and the only way to move into Round 4 is by demonstrating healthy returns to LPs. This means that talent churn will be minimal, and only the gritty will survive into Round 4. For others, the way forward is probably the way out!

PEOPLE MOVEMENT

- **Neeraj Bharadwaj**, Managing Director of Accel Partners, has joined the Carlyle Group as Managing Director – India Investment Team
- **Nikhil Gahrotra**, Associate Director, 3i Capital, is now with BanyanTree as Director
- **Sachin Rudra**, Senior Investment Director at Navis Capital, has moved to Acumen fund as Director – India
- **Sameer Wagle**, who was with Nomura Asia – Merchant Banking Division, has moved to Asia Pacific Healthcare Advisors Pvt. Ltd as Managing Director
- **Sateesh Andra**, Venture Partner of Draper Fisher Jurvetson, has been named Managing Partner of Ventureast Tenet Fund
- **Rohit Kapur,** Managing Director of Arka Capital Advisors, has moved to McKinsey & Company as Advisor – Asia Principal Investments Practice
- **Sandeep Naik**, Managing Director of Apax, is now with General Atlantic in a similar capacity
- **Promeet Ghosh**, M&A Head of BAML, has moved to Temasek as Managing Director
- **Rajeev Gupta**, who was with Carlyle India as Managing Director, has joined New Silk Route as Advisor
- **Cyrus Driver**, Partner with Arka Capital, is now with Partners Group as Managing Director

Correction in Previous Issue (Vol. IV)
We had erroneously mentioned that Barings is defunct. We meant to write that Barings Bank is defunct. The PE firm was previously part of Dutch Insurer ING, but subsequently became independent through a management-led buyout in 2000, and is currently 100 percent owned by its partners.

Coming out of the blues

The horizons look brighter for the sector which is expected to overcome slugging growth through greater transparency norms and relaxation of investment by NRIs. With steady hiring, developers are trying innovative ways to move inventory and generate cash

BY RAJIV ARORA AND RAHUL ROY

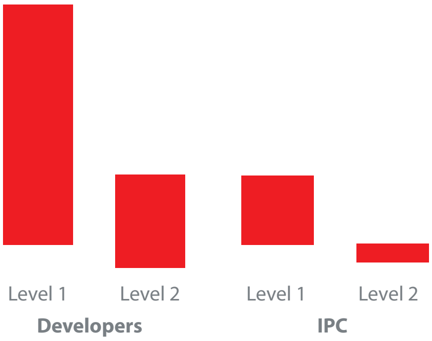
Though the sales are still low and most of the developers are still facing a cash crunch, there seems to be some improvement over the last year. FDI flows into construction development (including townships, housing, built-up infrastructure) in April-June 2012-13 stood at US $348 million, according to the Department of Industrial Policy and Promotion (DIPP) as compared to US $731 million for FY12. With relaxation of investments by NRIs, more investments are expected to come through in the sector.

Many reforms have been implemented in the last six months to improve the transparency of operations of the Real Estate sector, but it still continues to be a challenge. Reforms related to taxation, registration, etc., have been brought in for transparency, but are hitting the bottom line of the developers. Though a few developers have complied, most of them are trying to resist implementation of such laws. According to them, with the implementation of these laws, the ROI of the land purchase would go for a toss. The developers are therefore looking for some relief from the government on this aspect.

Prospects ahead

Overall the market sentiments are still continuing to be on the lower side, but expected to improve within six months. Smaller cities, which were being considered as hot destinations, have yielded mixed results. Some cities like Raipur have given five times returns, while in some locations like Nagpur the properties are being considered as dead investments. Companies with lower debt ratios are doing better in the market, and the ones who are more leveraged are facing the ire of customers and financial institutions. They are looking at innovative ways to move the inventory in order to generate cash and so reduce the debt burden.

Compensation Range
(in ₹ millions)



Compensation range (in ₹ million)

	Developers		IPC	
	Low	High	Low	High
Level 1	4	25	4	10
Level 2	2	10	2.5	4

Level 1 Heads of Sales **Level 2** One level down

Hiring continues steadily in the sector but at a slower pace, and movement can be seen across different functions. Abhay Dhond, VP – Engineering, Tata Housing, moved to Oberoi Realty in Contracts function. Milind Pathare, Business Head – Maharashtra region, Mantri Developers, moved to Capricorn Lifestyle as COO. People from other sectors are avoiding the sector, and most of the senior level movements are seen within the sectors. Employers are also seen preferring people with sector experience. Rohan DSilva, EVP – Sales, Lodha, moved to Knight Frank as National Director for Residential segment. Rajeev Shete, VP – Sales & Marketing, Shapoorji Pallonji, moved to Hirco in a similar designation.

PEOPLE MOVEMENT

- **Vikram Goel**, National Sales Head at HDFC Realty, was promoted to CEO position
- **Ish Anand**, CEO of Phoenix Hodu Developers, moved to SSR Realty Ventures as CEO
- **Sameer Khanna**, Head – Human Resources at Jones Lang Laselle, moved out of the sector to Ericsson as VP & Head – Human Resources
- **Ravikant Sharma**, Regional Business Manager at Cargill, moved into the sector as VP – Operations with Godrej Properties
- **Raj Louis** left Knight Frank as Chief Human Resource Officer to join Jewelex as Director – HR

Attracting talent

In a recent survey results on the sales talent across various developers, there is a marked distinction between hiring at large, medium and small developers and the property consultants. The talent pool for the property consultants is more from outside sectors especially from financial services, and those with consulting backgrounds are young as compared to those at most of the developers. Within the developer fraternity too, large developers have recruited people from other sectors, but medium and small developers prefer people from the same sector. Levels of education, compensation, etc., vary within the developer fraternity and the IPC. While IPCs show preference to MBAs, developers are not so keen on post graduates. Fixed compensation is seen higher on the developer side as compared to the property consultants who have higher variable structure. Within the developer group, the compensation varies significantly, and medium and small players are giving a good package to attract talent from large developers.

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Upswing on the anvil

Good times lie ahead for the market, with money continuing to be raised in spite of the new SEBI guidelines for alternative funds. The movement is more towards residential properties while foreign funds are waiting for the policy landscape to clear

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

The financial year started with a dampener, suppressing an already sluggish real estate market when the Securities and Exchange Board of India (SEBI) announced its new guidelines for alternative investment funds (AIF), which disallow investment firms to raise less than Rs 1 crore from a retail investor. There is however a high likelihood of the decision being repealed in the future.

Interestingly though, the impact was not as adverse as it seemed, as funds continued to be raised due to their good standing in the market. Kotak, ASK Property Investment Advisors, India Infoline and Indiareit are among the funds that announced a close during this period. What continues to be a challenge is the amount of foreign money entering India. Multinational funds are sitting on the sidelines waiting for India to set clear directions on its macro-economic policies.

Optimistic moves

Despite these challenges, we did hear a few announcements—JP Morgan announced its first close of US $100 million of Fund II, Red Fort Capital raised US $500 million earlier in the year and Brookfield-Peninsula announced a JV fund of US $100 million. Adding to the optimism, companies like Jones Lang LaSalle, Portman Holdings and Tata Realty have already announced plans to raise money over the next one year.

In investment terms, the funds seem to be more inclined towards residential property rather than commercial. Private equity players are adopting a cautious approach after going through a tough phase during the global financial crisis of 2008. The focus seems to be on investing in projects to be launched in the next 6-12 months and completed in four years. The strategy is to avoid long gestation projects and focus on those with an adequate margin of safety. In terms of geographical focus, cities like Bangalore and the NCR region seem to be the favourites, while the marquee Mumbai market is currently flat.

Talented support

Going forward, what will be interesting to track is how talent moves to support this trend. We believe that the next six months will not see much hiring on the fund side.

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PEOPLE MOVEMENT

- **Shishir Baijal**, who was a Partner – RE at Everstone, has joined Knight Frank as the new Managing Director
- **Rajesh Jaggi** has been named as the new CEO of Everstone Capital. Earlier he was working with Peninsula Land as CEO
- **Aditya Bhargava** has joined ADIA as an Investment Manager – Real Estate and Infrastructure Department. Earlier he was working with SITQ India as Managing Director
- **Apurva Muthalia** has moved to Aditya Birla Real Estate Fund as Head – Real Estate. Earlier he with IL&FS – Milestone Core-Plus Fund III as the CEO
- **Hardeep Dayal**, who was the Principal of ICICI Ventures, has been named as the Head of Real Estate at Mumbai International Airport Pvt. Ltd
- **Ramesh Jogani**, MD & CEO of Indiareit Fund Advisors Pvt. Ltd, has started his own venture
- **Jasmeet Chhabra**, CIO, Indiareit Fund Advisors Pvt. Ltd, has started his own business
- **Sanjay Dutt** has been named as the new Managing Director – South Asia, Cushman & Wakefield. He was earlier CEO – Business at Jones Lang LaSalle

However, property developers may see the need to hire specialists in sales & marketing, project management and project finance. The PE managers are also keen to see third party consultants to run a project (investment SPV), someone who understands project lifecycles, can manage the developer community and government officials and adhere to the tight timelines.

In the near future, we believe more funds will announce their plans to enter India. These will be the large multinational funds that have been waiting for an opportune moment, and this will open up hiring, albeit very cautiously. Hiring may start at the entry level—associates/analysts—assuming that the fund already has a manager at the helm. Given the project pipeline, hiring on the development side, brokerage (IPC) firms and the advisory end of the spectrum may see more opportunities. If the government announces more infrastructure projects, we expect some real estate talent to make the shift out of the industry.

To conclude, the sector is on the verge of an upswing in the next 12 months, and for those of you who believe real estate prices are high, wait and watch!

New players

The banking sector is beckoning new players eager to acquire licenses and build up on their existing presence in the financial sector. While PE firms continue to looks at NBFCs, a slowdown in main investment banking has brought other segments such as retail and transaction banking into focus

BY SURESH RAINA AND ARJUN ERRY

The large groups already present in financial services are seeking banking licenses and looking at leveraging their brand strength, distribution network and track record as 'trusted' services. The sector is relatively under-penetrated, and distribution and client acquisition strategies will determine building up of sustainable businesses.

NBFC

While RBI has been tightening its grip over NBFCs, the space continues to generate significant interest among PE firms who are betting on the untapped growth prospects in the niche sector, while focussing on NBFCs with good governance models and some of them even building the business organically. Warburg Pincus bought stake in Future Capital Holdings and AU Financiers, and Jacob Ballas invested in Religare Finvest. The guidelines issued by the Usha Thorat Committee for both asset financing and infrastructure financing NBFCs have also helped provide clarity. The sector will continue to see continued demand for talent.

Corporate Banking

To battle a slowdown in main investment banking and wealth management, banks are diversifying into corporate banking, trade financing, transaction banking and cash management services to corporates, whom they currently advise on M&A. Deals are becoming harder, and there is a lot more linkage to balance sheet. The whole investment banking paradigm is looking to change drastically, and it is difficult to run a business based on a bull market because of more frequent cycles and waves in the market. Corporate banking with fixed income, currency and commodities can help banks to subsidise investment banking.

Morgan Stanley India has received an approval to enter the commercial banking space. However, the sector faces tough competition from domestic players as well as stringent branch licensing norms. Barclays will shut a significant number of branches, reducing its retail banking operations in the country, while Standard Chartered and HSBC are both looking at growing their network.

Several small and mid-sized banks are using the downturn to beef up their leadership strength.

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PEOPLE MOVEMENT

- **Sachin Khandelwal**, who was earlier with ICICI Bank as MD & CEO – ICICI Home Finance, has moved to Magma Housing Finance as CEO
- **Sandeep Walunj**, Chief Marketing Officer, Future Value Retail, is now with Magma Fincorp in a similar capacity
- **Jaya Janardanan**, Executive Vice President – Head Operations, Dhanalakshmi Bank Limited, moved to JPMorgan Chase as Head – Client Service and Implementation (India and South East Asia)
- **Shalinee Mimani**, who was earlier with Barclays Bank as Director – Retail Credit and Risk Management, has moved to Fullerton India Credit Company as Director – Corporate Planning and Strategic Initiatives
- **Vikas Saraogi**, Regional Head – North & East India, Merchant Services, HDFC Bank, to MasterCard as Vice President – South Asia
- **Sonu Bhasin**, who was earlier with YES Bank Group as President – Branch Banking, has moved to e-Nxt Financials Limited of Tata Capital as Chief Operating Officer – Travel Forex and Cards
- **Anand Natrajan**, Regional Credit Head at Standard Chartered, has joined Fullerton as Executive Vice-President & Chief Operating Officer
- **Bala Swaminathan**, who was with Bank of America as Vice Chairman, is now with Essar Global as Head – M&A & Overseas Finance
- **Harinder Singh**, Managing Director, Standard Chartered, has joined Essar Global as President – Corporate Finance & Treasury
- **Soumyo Dutta**, Head of Trading & Head of Risk Treasury at Citigroup, has moved to Reliance Industries as Corporate Treasurer
- **Pralay Mondal**, Country Head – Retail Assets at HDFC Bank, has joined YES Bank as Senior President, Branch & Business Banking

CIMB Bank is building its investment banking, equity broking and cash equities businesses in India after it was forced to exclude the Indian operations of RBS from its Asian acquisition. YES Bank is building its Retail & SME franchise, and has made several leadership hires to aggressively push into these sectors. Westpac Bank has also opened its first branch in India.

Generating interest

There is heightened interest for new players to be able to build transaction banking, which is presently dominated by large foreign banks with networks in all the big cities of India. The focus is also shifting towards retail business, more in view of a declining rate environment and shrinking of the corporate book, and the subsequent fee income accruing from the segment. Another key trend is the emphasis on building short-term assets, staying away from deals that put liquidity under stress. The regional corridors continue to see activity with regional banks launching and building on their branch operations in India.

The improving economic landscape will provide a stimulus to this segment, and we shall see a pickup in hiring.

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, Ohio 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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