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- BLUE DART
- MIRC ELECTRONICS
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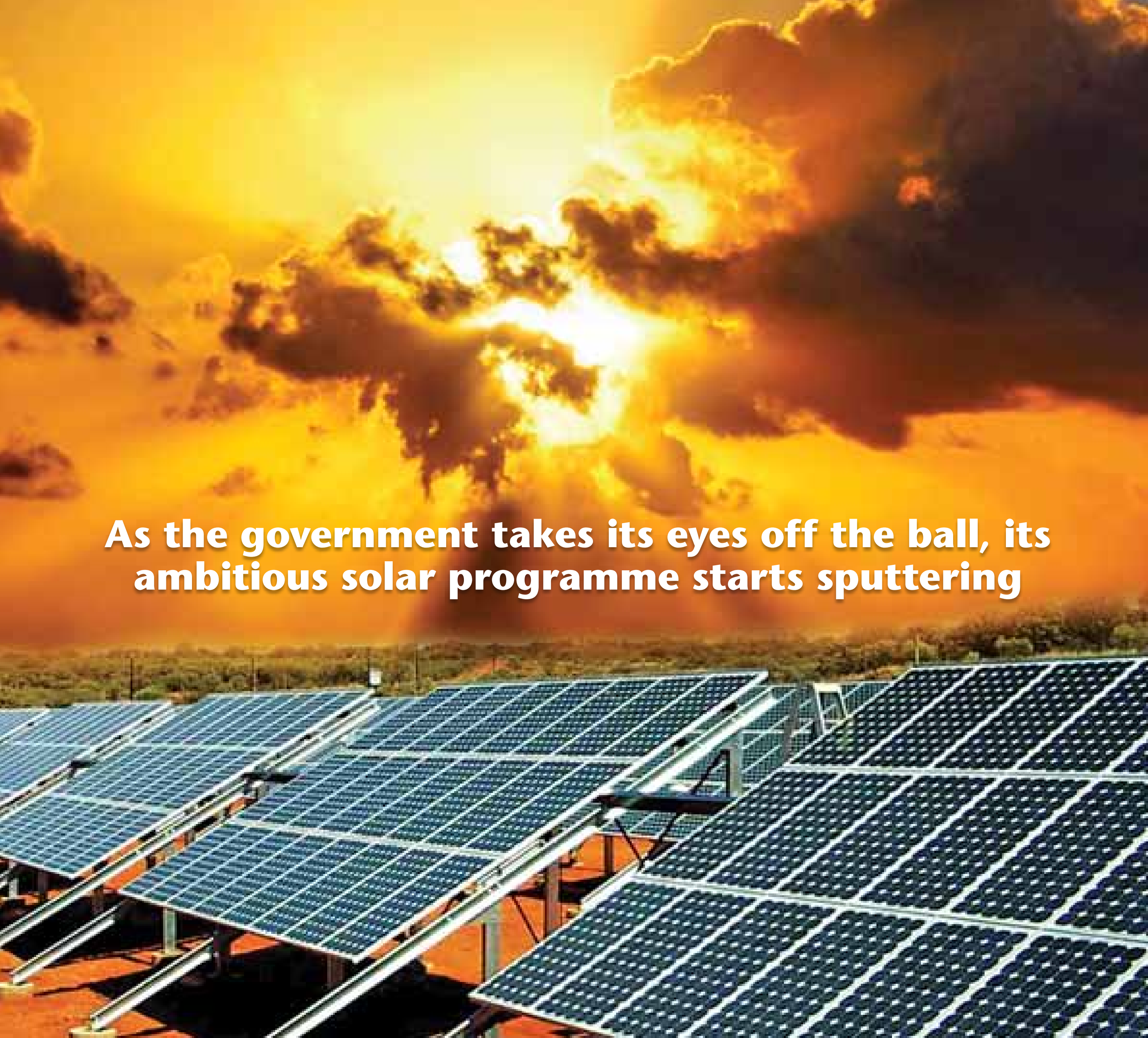
NOT SO SUNNY



As the government takes its eyes off the ball, its ambitious solar programme starts sputtering

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Business India

It is wonderful to see India take the lead in solar energy – a key technology to energy security and future growth.

Prime Minister Narendra Modi deserves the credit for taking the lead in launching the International Solar Alliance along with President Macron of France last year, given the push the government is making for renewable energy – solar and wind. Modi well deserves the Champions of the Earth award given to him and president Macron by the UN for policy leadership.

This government has made great strides in the installation of solar capacity and has set an ambitious growth target. But as always the devil is in the details, and it is in detailing policy that we always seem to stumble. As is often the case, strong directives from the top get watered down in inter-ministerial wrangling and the thrust is blunted. As is too often the case, different ministries and even departments within ministries seek to protect their own turfs, particularly revenues, without recognising that the larger goals are compromised.

Over the years we at *Business India* have come to believe that more often than not it is not lack of technology that holds back India's progress. But it is the inability to implement policy with all government departments and industry pulling in the same direction, to achieve step-by-step targets. China seemingly manages much better; but the argument made is it is not a democracy. The reality is that countries like Japan and Korea also succeed spectacularly in industries and government working together. Of course the advanced countries of the West, including the US with its pugnacious and independent Congress and independent judiciary, have been much more successful in completing public projects (though often with huge cost over-runs). It is almost ironic that the administrative steel frame of India that we have been rightly proud of has been unable to move with the times and handle larger developmental tasks, rather than just law and order.

Having said this, the technology in solar is still evolving. To be sure the capital costs, particularly of PV modules, have come down. And recent government bids have received very low prices – down from ₹15-plus to below ₹3 in just a few years. But the big challenge with solar and wind remains storage. Until battery technologies make much bigger advances, coal and gas-based thermal plants will have to continue to remain standbys. Also, there are the yet unresolved issues of linking with power grids. But rightly, thermal plants ask whether they should be required to subsidise solar or wind power. The big question that still remains unanswered, is whether solar and wind can compete with conventional energy, without any direct or indirect government subsidies.

But as in many other areas, there is no single answer to all, questions. And a large country like India needs more than one single solution to our challenges. One view is that solar and wind can supply local grids, particularly in rural areas where it may be more economical than the large grid supply.

The question is whether we can act nimbly to fashion an integrated

Ashok H. Advani

SAJAL BOSE

◆ FOCUS ◆

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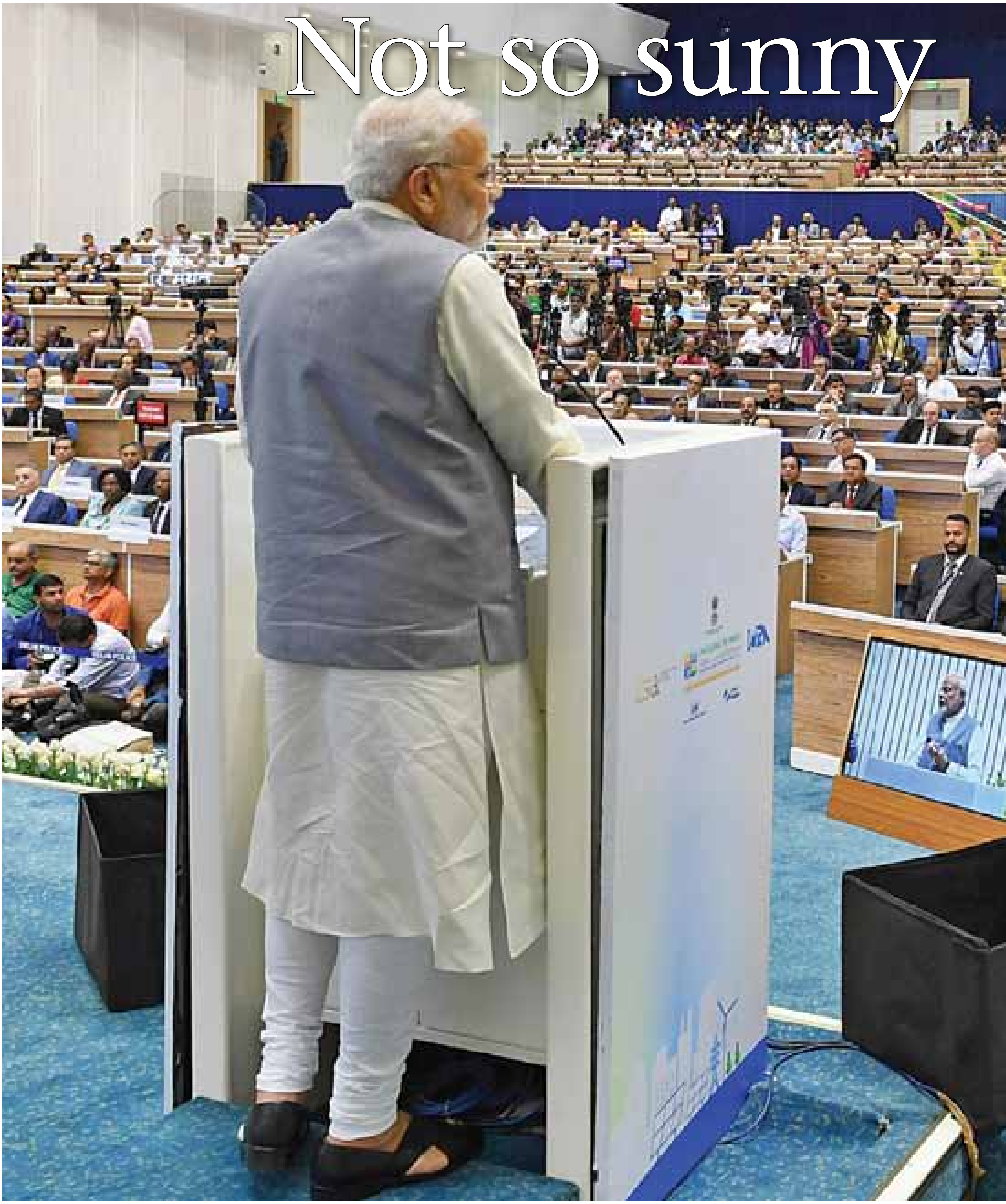
Not so sunny



As the Modi government takes its eyes off the ball, its ambitious solar power programme starts sputtering

On the face of it, things are going hunky-dory in so far as the world sees India and its initiatives in the solar energy sector. Prime Minister Narendra Modi has been chosen for the UN's highest environmental honour, the *Champions of the Earth* award, along with French President Emmanuel Macron in the policy leadership category. Kochi airport, the world's first fully solar-powered airport, has bagged the award for entrepreneurial vision for its leadership in the use of sustainable energy. The first Assembly of the International Solar Alliance (ISA), a grouping of 121 nations mostly located in the solar resource rich area between the Tropic of Cancer and Tropic of Capricorn, founded and headquartered in India, was recently held in New Delhi.

Indian corporates have stepped forward to contribute almost $7 million to the Common Risk Mitigation Mechanism under the ISA, being set up with the objective of de-risking and reducing the financial cost of solar projects in member countries. The mechanism will be formally launched at the 24th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP 24) in Poland this December. According to power and renewable energy minister R.K. Singh, Coal India, Power Finance Corporation and India Trade Promotion Organisation will contribute another $1 million each. Last month, Singh's ministry was simultaneously organising the second Indian Ocean Rim Association (IORA) Renewable Energy Ministerial Meeting and the second Global Renewable Energy Investment Meeting and Expo (REINVEST 2018).

Opening the ISA's first assembly with UN secretary general Antonio Guterres, Modi expressed the hope that the India-led coalition to harness solar energy would one day replace the OPEC oil cartel. "The role of the oil wells today will be that of the sun's rays tomorrow," he said.

Such lofty, headline-grabbing bytes always sound good. Yet, things are not so sunny in India's nascent solar industry. The dark underside is now becoming visible. India's solar power programme is becoming unsustainable.

The issues at stake are the conflicting desires to procure cheap equipment, on the one hand, and to encourage a domestic manufacturing base through imposition of import duties, called safeguard duties, on the other. The latter means slower capacity additions and higher tariffs in the short run. The other is the expectation by power buyers, mainly state-owned utilities, that solar power will be available at dirt-cheap rates (which hit ₹2.44/kWh in a recent auction) in all parts of the country, when the cost of generating solar power can vary vastly depending on climate. Policy snafus have added to the cocktail of confusion, bad planning and protectionism.

Target impossible

India's solar journey began with the Jawaharlal Nehru National Solar Mission in 2010, which set a target of 20 Giga Watt (one GW is equal to 1,000 MW) by 2022 – a goal that was easily reached in 2017. This happened largely because, in 2015, facing global pressure to bite the bullet on climate change mitigation, India jacked up this target to 100 GW by 2022. That set off a flurry of activity, with the demands of capacity addition, leading to shortcuts and subsequent chaos. Currently, over 22 GW of solar energy capacity is operational, with renewable power installed capacity reaching over 70 GW, taking the country to the fifth rank globally. Another 40 GW of renewable power is under construction or has been tendered. Of this, 32 GW is solar power.

For some time now, experts are veering round to the view that it will be almost impossible for India to reach the target of 100 GW by 2022, out of the total renewable energy target of 175 GW. In a recent report, CRISIL's industry research arm said that in the

Seeking a new avatar?

Blue Dart seeks to undergo changes, including a larger penetration into the B2C segment

SANJAY BORADE

Khanna: venturing out of comfort zone?

Come December end and Blue Dart, the undisputed leader of the air express business in India, would probably have laid out a major foundation for its future design. The promised future scene encompasses a slew of changes, the most important of them being a larger penetration into the B2C segment, to align with the e-commerce boom in the country. In simple terms, it means serving a larger volume of retail customers, on a pan-Indian basis. Belonging to the global logistics giant DHL group of Germany (which acquired Blue Dart in 2004), the company's riding the wave of e-commerce, however, is not a country-specific strategic change; it's part of the larger group design to make the most of the new opportunities emerging in the space globally. "E-commerce logistics is going to be a $3.4 trillion business globally by 2020 and it is a domain of strategic importance for us," Charles Brewer, CEO, DHL eCommerce, told *Business India* in a telephonic conversation from Singapore, while emphasising that the over €50 billion revenue group is trying to develop e-commerce-centric services as its next stronghold, after post and parcel.

In India, a happening market of DHL, the mandate to harness e-commerce opportunities has been largely given to Blue Dart. "The group is fully behind Blue Dart to expand our e-commerce centric business in the country," confirms Malcolm Monteiro, CEO, DHL eCommerce India. The DHL group's presence in India is defined by five clear verticals or companies – DHL Global Forwarding, DHL Supply Chain, DHL Express, Blue Dart and SmarTrucking. The latter is the latest addition to the group's Indian fold, meant to establish a staggering advanced fleet size of over 10,000 smart vehicles for fast express road transportation, powered by Internet of Things technology (IoT) in the next 10 years.

Talk to any observer in the market and he will tell you that the inorganic component of DHL's empire in India is probably the most shining feather in its cap. Founded by Tushar Jani, Kushroo Dubash and Clyde Cooper in 1983, the company had seen steady growth in the 1990s and gradually become a formidable name in the document and courier segment, with its dedicated freighter operation being its critical differentiator. For DHL, it turned out to be a prized acquisition, when it decided to up the ante in the Indian market (FedEx was also a serious suitor) during the early part of the last decade after establishing its presence in India in the late 1970s. And, given its strong brand presence, DHL decided not to dilute its identity and let it operate and flourish with its original brand character, while integrating it with the group's overall presence in the country. And the way the company has grown since then has proved that the German logistics giant had taken a judicious decision.

The company's revenue has grown by over five times since then (from sub ₹400 crore to almost ₹3,000 crore) and it has also developed a robust ground express business to supplement its domestic air cargo strength. "BDEL has a leadership position in the domestic air express segment (a market share of 47.7 per cent) and a dominant presence in the premium segment of the road transportation market (14.4 per cent). BDEL's integrated air and surface transportation network continues to facilitate its strong competitive position. The company's extensive network (over 35,000 locations in India) and established infrastructure act as entry barriers and give it a competitive advantage over its industry peers. Moreover, BDEL is the only company in the express courier industry in India to operate its own aircraft fleet. The agency believes that BDEL will continue to be the preferred logistics partner for institutional customers," noted credit agency India Ratings & Research (a unit of Fitch group) maintained in a recent report on the company, wherein a stable outlook was awarded.

"We are close to achieving the $1

billion revenue milestone in India in a cumulative sense," discloses Malcolm. In a country where a clear billion dollar club is yet to emerge in the logistics space, despite immense potential and theories being spelt out with monotonous regularity, this is not a small feat. And here, Blue Dart, the only enlisted firm in DHL's Indian stable, is making an immense contribution. Nothing surprising, the company remains the most visible face of the group in the market – at every outlet of the group companies, you will also find a conscious co-branding drive, with Blue Dart's name prominently mentioned. "They call India Blue Dart's country in their promos," says a senior industry representative. "This is an intelligent brand building drive. Despite belonging to a leading global player now, they are consistently telling their customers that they are rooted in India. It does lend emotional touch to their appeal."

Brewer: e-com deliveries to be next major global vertical

Formidable positioning

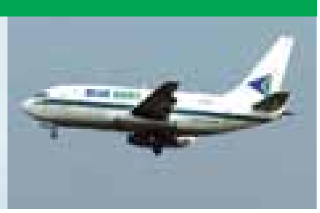
Nearly 50 per cent and 15 per cent market share respectively in domestic air cargo and ground express itself tells the formidable positioning of Blue Dart in the Indian market. And, post-acquisition, the company seems to have found a new spring in its step. When it was acquired in 2004 (for ₹730-odd crore by DHL for an overall 75 per cent equity share), its topline was still short of ₹400 crore mark. But now it has swollen to nearly ₹2,800 crore. The addition of a well-oiled ground division express (with a current fleet size of about 2,000 outsourced vehicles) has further strengthened its presence, giving it the opportunity of getting the best of both the worlds – air and ground. It has gradually expanded its air fleet – presently operating six Boeing 757 freighters – responding to the rising demand in the market and the company is seen as being in the vanguard of adopting advanced technological applications.

"A major reason of the formidable positioning of companies like Blue Dart is that they have been extremely receptive to the changing technological wave and do not hesitate in adopting what others may discard considering it too futuristic," says Kushal Nahata, CEO, Far Eye, a logistics tech start-up, which has also received funding from DHL. On the technological advancement front, the company claims to have digitised the entire logistics chain, customised reports and automated performance updates, APIs, 24x7 shipment visibility, online dashboards for real time status, etc.

It is also offering multiple customer convenient payment options such as Cash on Delivery (CoD), digital payment options including 15 digital wallets, Mobile Point of Sale (MPoS) for debit and credit cards and United Payment Interface (UPI). In 2015, Blue Dart became the first Indian company to launch Parcel Lockers in India. This service uses mobile technology in tandem with specially designed lockers to ensure customers get all-day access to their shipments from a safe, secure and convenient facility. Today, Blue Dart has parcel lockers at 121 locations.

Financials (₹ crores)

Year end	2015	2016	2017	2018
Total Income	2,292.98	2,582.49	2,708.69	2,813.39
Total Expenditure	2,044.67	2,221.54	2,416.45	2,531.94
EBIDTA	248.31	361.28	292.24	281.45
Profit Before Tax	193.56	289.92	217.06	211.78
Profit After Tax	126.84	189.98	139.57	142.10
Reserves	273.34	446.86	497.96	597.49



Air Express cargo, however, still remains the major calling card of Blue Dart and its most effective weapon for its positioning in the markets offering nearly 500 tonnes capacity every night. And it's a matter of a larger debate as what has precisely helped the company to keep on ticking in a business which has turned out to be so difficult for others? It's no secret to anybody that others like First Flight, Gati (in association with Air India), Captain Gopinath's Deccan 360, etc, had forayed in to the business. However, they could not keep their ventures afloat for too long. "You can only survive in this business if you have captive courier volume," observes Akash Bansal, head (logistics), Om Logistics. "If you are relying on consignments to be provided by others, then, the chances of failure are high. Blue Dart has primarily been a courier and not a 3PL company offering several sets of services. With focus and determination, it has made the most of the opportunity in the air express business. The overall impression in the minds of their customers is that they are reliable".

One of the leading logistics players in the country, Om too had toyed

PHOTOS: SANJAY BORADE

Mansukhani: a turnaround year

Restoring 'owner's pride'

Mirc Electronics' Onida re-invents itself to be relevant

"We have had a positive year (2017-18), where we achieved a clear turnaround in business. This is the right time for us to build strongly, investing in the brand Onida. The implementation of goods & services tax (GST) in India, one of the biggest changes in the events of last year, has translated into replacement of 17 indirect tax levies across India, thereby reducing compliance costs, reducing raw material costs, faster inter-state movements and improved logistics. By doing away with the state-specific restrictions and easing the way of doing business, an increase in demand has been triggered in the less developed states; and the e-commerce sector is also expected to gain momentum," says Gulu L. Mirchandani, 75, chairman, Mirc Electronics Ltd (MIL), a Mumbai-based, ₹741 crore entity – which owns the brand Onida – one of the few home-grown companies that have survived the various disruptions in the consumer electronics segment. Despite huge competition from MNCs like LG and Samsung, to name a few, the brand 'Onida' has maintained its niche at the fourth position in the TV market.

And how? "The company has maintained a strong brand equity with sound quality and continues spending on R&D", reasons Mirchandani, who together with his younger brother Sonu and brother-in-law Vijay Mansukhani, 72, MD, MEL, entered the consumer durables business in the 1980s. "This year (2017-18) has seen a turnaround for us. After two consecutive years of totting up losses, we have made a net profit," echoes Manusukhani. The duo launched television sets launched during the Asian games, after assembling them, using imported SKDs and CKDs from JVC of Japan. In 1982, Onida started assembling TV sets at its factory in Andheri, Mumbai, and, over the years, built a strong equity among consumers, making it one of the leading brands in India in those days. Today, as a listed entity, Mirchandani who bought out his brother's shares (32 per cent) and Mansukhani (16 per cent) hold 48 per cent in the equity of MIL.

To start with, Mirchandani and Mansukhani's goal was to make televisions sets but, over the years, the company has changed into a complete consumer durable company, with a wide product portfolio, including flat panel TVs (LED & LCD varieties), air-conditioners, washing machines, microwave ovens, DVDs & home theatre systems, mobile phones, projector systems and LED lights. In the initial days, the company's brand Onida had been an enduring one in the Indian consumer durable space and had won the trust of millions of consumers,