

**Spiritual practice in management
&
Opportunities for Investments in India**



**BMA
E-REVIEW**

**A Journal of
the Bombay
Management
Association**

Article

Mr. P.K.R.K. Menon – **Spiritual Practice in
Management**

Mr. Dhirajal Gami - **Opportunities for Investments
in India**

Volume : 04

E-REVIEW

Dear Members,

Welcome to the 4th Issue of the BMA E-Review. In this issue there are two interesting articles.

Spirituality is about discovery of freedom from our sense of limitation, bondage and inadequacy. A spiritual manager while being very effective also achieves equanimity and displays a sense of purpose. Our first article in this review is on the theme of spiritual practice in management.

Investment is the engine of growth and development of a nation or a region. Our second article is on the theme of opportunities for investment in India. The article also gives an overview of the regulatory framework for entry into India.

Both are contemporary and relevant.

Happy Reading

Best regards,

Abhijit Phadnis

Best regards,



Abhijit Phadnis
Chairman, Editorial Board

EDITORIAL BOARD

Chairman

Mr. Abhijit Phadnis

Members

Dr. Pradeep B. Kakkad

Mr. S. Mohan

Dr. Anil Naik

Mr. Gladwyn A. Pinto

Spiritual Practice in Management

Students & Practitioners of management might wonder whether it is possible to make spirituality an explicit and overt part of organizational culture without causing religious conflicts of being inept to an otherwise secular living. This apprehension itself is unfounded, for, we fail to recognize and remember that every person has been created in the image and likeness of God – the Chief Executive Officer of this Universe. In applied spirituality, we seek to realize with awareness that the actual worth and potential of each individual is as good as ourselves or even better and that everyone has high intrinsic worth and value, which attributes are available not only to the organization but also to the society as a whole. This is not to be construed as an expression of belief of a particular religion, cast or creed nor a basis for exclusion of anyone. Instead, it is to be accepted as a mandate for inclusion and a source for constant remembrance to improve our character & conduct while dealing with others, at the organizational level and elsewhere in life.

The managers face different challenges these days than their predecessors. Not only have they to focus on values, tasks and problems that may arise everyday in their interaction with people at various levels in the organization, but also to integrate humanness in terms of compassion, service, growth and livelihood in a pluralistic society to achieve the organizational goals. Everyone is aware that the work place is evolving to reflect the diversity within society. Reflected within society are numerous spiritual beliefs and practices that are integrated in the cultures. The cultural mix reflects not only ethnic diversity but also a diversity of spiritual beliefs and behaviours that influence work place roles. Employees are manifesting spiritual beliefs and practices at work. To prepare managers to face the challenges of managing spiritual diversity, the choice narrows down to maintaining the balance between material and spiritual needs of the employees, irrespective of the collars they wear – blue or white or whatever.

The Philosophy of management in order to be meaningfully practiced has to underline the principle that all human beings must learn to co-exist with nature and society. Like creation of wealth by individual and/or organization in order to sustain in the long run should ensure equitable distribution of all goods & services for the welfare of the society, as economists would vouchsafe, the managers would have to acknowledge that the success in made possible because of the spirit demonstrated by the employees & workmen for achieving the common goal. No wonder managers often use the term letter & spirit in their communication with others but little practiced!

In developed countries like Europe & U.S., there is a growing awareness to bring spiritual-based practices, policies and procedures, into the work place, so that people learn to lead a positive life without becoming jealous of what others achieve, by stimulating subtle energies which emanate positive feelings within every person. A person who has been awakened spiritually is better placed to tune up his system and overcome undue stress in testing conditions. It enables to create a sense of awareness and subject oneself to a reality check and identify what contributes to stress in life. This being a positive approach, one would care less to blaming others or expecting others to solve one's problems. Like techniques and technologies available to increase the tensile strength of materials, spirituality advocates meditation as stress-reliever. Compassion, discipline, selflessness are the tenets on which spiritual practices are based. By practicing these elementary principles, the practitioners – abhyasis – starts developing a positive disposition and gains control with confidence over negative traits like anger, depression greed, hatred etc. Stress being a combination of psychological, physiological and behavioural response to events that challenges us in day to day life, it is important to resort to some method to unwind and restore tranquility. Spirituality not only opens the door, if one has the inclination and will but also an opportunity to change direction of one's life. Change of direction means reformation of conduct and behaviour in our dealing with both near and dear ones' and others who are near but not so dear yet.

When one is following spirit, he is in pursuit of a higher logic where things are done not in the usual form or order but on terms of inspiration and intuition derived from oneself. It is then that one realizes transformation to be more than just change. Since it occurs at such deep level that we automatically become better people, willing to make a beneficial difference to the society at large and not merely in our own lives. Once the mind gains composure by practicing meditation, the heart and the head will fall into perfect alignment. It is then the managers move ahead of the blame game and adds a personal – human touch in their dealings with colleagues and others above & below the organization hierarchy. They begin to watch their language; let go off of the anger & keep temper; stay open-minded & friendly without becoming chummy; create measurable goals to employees & reward achievements and remain positive despite pressure all along. All these do not happen over-night, but the transformation of one's character & conduct would become soon apparent if meditation is practiced regularly with free-will, earnestness & sincerity.

Meditation is of course, the time tested spiritual practice, wherein we are using energy to manufacture something much subtler than the physical body. It is the process of shifting life forces into a different level to manufacture subtler energies

(ojas) instead of physical body cells. The quality, intensity and volume of energy released are different from one human being and another. That is why one person's presence seems to be so strong and transforming while another's is weak. A meditator is someone who has set up an industry for producing spiritual energy released by vibration. It is indeed quite limiting and disappointing not to allow people to go into higher states of purified energy simply because they don't have the necessary balance, preparedness, discipline or are unable to understand the priorities needed to allocate to different dimensions of their life.

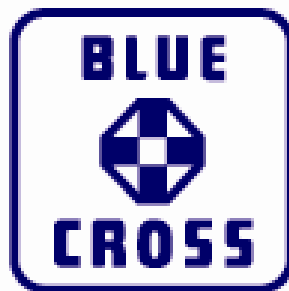
It might help managers to identify what makes his/her subordinates happy, contented and yet motivated. Some of the principles of applied spirituality which could be gainfully employed in this exercise might include:

- call upon the employees to compete with themselves rather than others;
- to make everyone to agree upon with your points of view always is unrealistic;
- learn to live in the present, for, past is not an experience and future is pregnant with possibilities;
- limit desires and apply all the resources & skills to optimize happiness of oneself and others;
- always forgive and forget mistakes of others and provide opportunities to making amends of lapses;
- keep enthusiasm and curiosity alive even at testing times;
- shun hypocrisy and don't maintain double standards, so as to ensure continuing credibility;
- believe that sharing is caring and do give liberally to one and all, for, a pleasing disposition is infectious.

Quite a few people are experimentally open and definitely capable of generating higher possibilities of energy. But modern life has made people absolutely capricious and fickle. We are simply shifting all the time, from this to that, whether it comes to jobs, priorities, education or relationships. Most people are capable to achieve higher possibilities in life, much beyond the realm of activities that they have been engaged so far – only if one makes himself available for undertaking a

spiritual pursuit, the grace can descend and do something on him which he could have never done on his own. Think at all times to remain focused sane and wise. One's efforts should be directed towards acquiring enlightenment, refining desires, purging selfishness, enduring pain and getting rid of greed, hatred and jealousy. This way you will begin cultivating love and turn to find where light is, and has always been! It is here that the Masters (gurus) come into our lives and play decisive roles for our upliftment. Meditation leads the way to anyone who is prepared to manage himself by means of a fulfilling process, before he begins to manage others. Why not give it a try?

The writer is a Sr. Corporate Executive and an abhyasi (practitioner) of spirituality. He is practicing the SAHAJ MARG SYSTEM offered by Shri Ramchandra Mission having Ashrams and meditation centers all over India and abroad. Persons desirous of more interaction may contact at email Id- pkrcm@hotmail.com



**WORLD CLASS
QUALITY MEDICINES
AT REASONABLE PRICES**

BLUE CROSS LABORATORIES LTD.
PENINSULA CHAMBERS, P.O. BOX 16560, LOWER PAREL, MUMBAI-400 013,
INDIA.

Opportunities for Investments in India

India was attaining growth rate at 9% per annum until 2007. However in view of the current global financial crisis and accompanied meltdown, growth in 2009 is expected to be of the order of 6-6.5%. To combat this unusual situation, Government of India is setting developmental policies to ensure future growth at 9% or higher. Very large investments are planned, both by Government and private sector in (1) service sector such as infrastructure (including highways, roads, power plants), power transmission and distribution, metro rails, ports, air ports, university education, telecommunication, retail, real estate, internet, media, hotels, restaurants, health care travel and tourism, counter trade for buying/selling products and water supply, (2) manufacturing sector such as biotechnology pharmaceuticals, petrochemicals, oil exploration, food processing, seeds, fertilizers, pesticides, and environmental control, and (3) financial sector such as banking, non-banking finance, asset reconstruction, microfinance, venture capital and buying/selling of equity from stock market.

Government of India has planned large number of Export Oriented Units (EOU). At present there are about 2500 companies working at 300 different locations of EOU throughout India. A large number of Special Economic Zones (SEZ) are also established. The companies located in both these areas/zones generally enjoy incentives in terms of duties, levies and taxes. Generally 100% foreign equity is allowed. Government of India has also planned 1483 Km long Delhi-Mumbai Industrial Corridor (DMIC) at an investment of U.S. \$ 90 billion. 563 Km of this corridor passes through Gujarat. To take advantage of this, State Government has planned to develop Special Industrial Regions (SIR) such as (1) Bharuch-Ankleshwar-Hansol, (2) Patan-Mehsana, (3) Banaskantha-Sabarkantha and (4) Vadodara-Halol-Kalol, falling within this corridor, at an investment of U.S.\$ 30 billion. The planning process will comprise land management plan, infrastructure development plan and setting up of an institutional mechanism to implement the plan in these pockets proposed to be developed as global manufacturing and commercial hubs.

The Government is also providing large sums of money for urban improvements and providing special incentives for non conventional energy development such as from wind, solar, biomass and coal bed methane. More than \$ 150 billion investment is planned. Foreign Direct Investment in India is coming at the rate of \$ 25 billion/yr. During the periods January-March 2009 the Government of India has approved applications of 129 foreign venture capital investors to invest (about \$

10 billion) in different sectors. A total of 299 deals between private sector and venture capital firms (mostly American) invested \$ 7.5 billion during 2006, and the first half of 2007 witnessed deals worth \$ 5.7 billion. Many foreign companies have established manufacturing and production facilities and also two hundred (200) R&D centers in India. General Electric, Microsoft, Pfizer, Novartis, Eli Lilly, Intel, A.C. Nielsen and Microsoft are the prominent ones establishing such R&D centers.

In the present scenario, industrial license and Government approval are not required for manufacture of a large number of products. Import license for import of equipment is required. Investment in certain specific sectors such as electrical, electronic, aerospace, defense, nuclear power plants (will be opened shortly), and multi brand retail would require industrial license. Investment in supply chain to cater to the needs of multi brand retail sector is allowed and a few foreign retailers have invested in these types of ventures. A number of Universities from USA and U.K. have and more are planning joint degree programs in India, whereby a student, while studying in India will get qualifying degree after studying for a year at the foreign university. Harvard Business School (USA) has established research and business centre. They are also organizing programs for Indian executives. Licensing requirements are all current indications, but it would be advisable for interested companies to check with Foreign Investment Promotion Board (FIPB) for details.

The percentage of equity participation by foreign companies in different sectors varies from 26% to 100% as briefly indicated in the following paragraphs:

100% equity: Development of new airports, mining and coal exploration, non banking finance, trading of power and certain types of goods and services, Indian edition of foreign newspapers.

Up to 74% equity: Telecom, Modernization of existing airports, satellite communication, providing internet services, private sector banking

Up to 49% equity: Aviation, Direct to Home TV channel, Credit Information, Commodity Exchanges, Asset Reconstruction, Stock Exchanges, Domestic Air Lines, Infrastructure and Services, Asset management, Personal Telecommunication Services, and Cable Television.

Up to 26% equity: defense industries, petroleum, natural gas, print media, insurance and F.M. radio.

The above is not a complete list. Trend is that the investment limits are generally liberalized.

Foreign companies can participate in the growth process of India by 1. Establishing own Indian Company. 2. Investment in Indian companies (called Foreign Direct Investment, FDI), 3. Sale of technology to Indian companies under royalty payment, 4. Licensing brand names and trademarks for which royalty can be negotiated, 5 Offering products/services on franchising basis, 6. Establishing joint venture by investing with Indian partner or Indian company. 7. Exporting their products. 8. Establishing venture Capital firm to invest in start up or running Indian Company. 9. Establishing R&D center to develop technologies. 10. Microfinance: and 11 supplying/buying products under counter trade.

The Companies, which are interested in manufacturing and exporting products from India, can establish units in Export Oriented Units (EOU) or Special Economic Zone (SEZ). These companies enjoy substantial concessions in duties levies and taxes. These units can market their products in (India) domestic tariff areas by paying appropriate duty on such sale. Generally 100% equity by foreign companies is permitted for units in EOU and SEZ.

Environmental Impact Assessment (EIA) is required for all large projects (US \$ 200 million investment or more) before commencing work at any selected site.

There are a number of books¹⁻⁵ published by Indian and American authors on "Doing Business in India". These books provide general information on culture and customs, dealing with Indian partner, understanding the way Indian do business and developing business plan to create interest in doing business in India. However no book gives hands-on Management practices that can be followed to make the enterprise successful in India. 'Journey to Corporate India'⁶ fills this gap. It describes practical approaches to managing industries in India, and facilitates corporations and entrepreneurs to take-part in the \$150 billion investment opportunities unfolding within infrastructure, manufacturing and service sectors. .

As market is growing, investment can be done in a number of products. However competition is very stiff. A large number of small and big companies from USA, Europe and Asia have established manufacturing/production and service facilities in India. There is a very large demand for power transmission and distribution equipment, power plants, supply chain for different sectors, logistics and transportation, and manufacturing sector It is prudent to select newer technologies which produce very good quality products or services and at the same time require lower investment and offer lower operating costs. India is the lowest cost producer of Aluminum, steel and Rayon/viscose. Its cost of manufacture of

equipment for petrochemicals, fertilizers and power plants, and electrical equipment is equally low. Quality design engineering and detail engineering services are especially in demand by foreign companies; Cost of some agricultural produce such as banana, potato, and tomato is low. Products from these can have good export market. India is the second largest low cost producer of vegetables and fruits in the world. It is the largest and perhaps the lowest cost producer of banana in the world and yet export potentials have not been explored at all.

Products using new/newer technologies, such as gas to liquid to produce synthesis gas and subsequent petrochemical products, biodegradable plastics, nano-technology based products: such as engineering plastics, textiles etc can be equally attractive. There is a phenomenal interest in biotechnology, pharmaceutical and healthcare industry. Solar panels and solar power plants, technical textiles, construction chemicals, energy from biomass and non edible oilseeds, coal bed methane, manure from biomass, newer I.T. enabled services and products, bio-fuels from non edible oil seeds, ethanol from sugar cane. Producing fertilizers in the country where cheap gas is available and exporting fertilizers to India under agreement with State Trading Corporation of India, contract farming by providing technologies and inputs and buying back the produce, which can be marketed domestically and/or further processing for domestic market or export, bio-fertilizers and micro nutrients to improve soil and crop productivity, participating with Government of India or State Governments for projects in infrastructures such as high ways, roads, metro rails, ports, airports, power plants under Public Private Partnership (PPP). US\$ 5 billion worth projects have been completed by the Government of India using PPP model and more are in the pipeline. Microfinance: This is profitable and simultaneously generates goodwill for the company for serving social cause.

Interested Indian and Foreign Companies should undertake preliminary feasibility including market study to establish viability of the project before undertaking the same.

There are various ways of financing the projects as indicated in the following paragraphs. It is best to take an example to show how this can be done, if one is interested in establishing an Indian Company. Let us assume techno economic and feasibility study showed total project cost at \$ 100 million (Rs. 5,000 million). This includes cost of land, equipment and materials, construction, erection and commissioning and margin money, say \$ 10 million, for working capital. Normally equity to debt ratio will be 1:2 that is in this case equity of \$33million and debt of 67 million. The promoter can decide to have private limited company with one to maximum 25 share holders or public Limited company for which promoter has to

make public issue offering minimum 25% to maximum 74% shares to the public if listing of the company at stock exchange is desired.

Thus for a private limited company the promoter has to bring \$ 33 million whereas for public limited company he has to bring minimum of \$ 8.5 million for his own equity of 26% to a maximum of \$ 24.5 million for his own equity of 75%. 26% equity gives theoretically control of the company, as article of association and memorandum of association originally incorporated by the promoter can be changed/ amended only by minimum 75% voting power. Thus with equity holding of 26% no changes can be made without the promoter's consent/blessing..

If project requires import of technology and/or equipment, the promoter must use foreign currency. Assuming that \$ 40 million is required in foreign currency for this purpose the promoter must obtain loan of \$ 40 million in foreign currency and balance \$ 27 million to be arranged in Rupee loan. Generally repayment terms would be 8 to 10 years for rupee loan.

For payment in foreign currency for import of equipment and/or technology, it would be necessary to obtain approval of the Government of India. Government may provide foreign currency from its own sources or from bilateral credit it may have negotiated with foreign countries. Alternatively it is possible to obtain loans in foreign currency from International Finance Corporation, Asian Development Bank, U.S. Aid, German Banks, suppliers/buyers credits from foreign suppliers or buyers, some Indian and foreign banks. Though Government of India have no specific policy on countertrade, however it allows/encourages countertrade for purchase of defense, civil aviation, and high value capital equipment, bulk purchase of fertilizers, edible oils, etc to minimize foreign currency requirement. All Indian Financial institutions, Indian banks and foreign banks provide required Rupee term loan equivalent to \$ 27 million. Thus entrepreneur, Foreign Company or Indian Company can do a \$100 million (Rs. 5,000million) project with his own money of \$ 8.5 to \$24.5 million (Rs. 425 to 1225 million) giving him 26% to 75% equity in the new Company. In addition, \$ 40 million working capital loan from the Banks for the production and marketing of the products will be available, as the promoter has provided \$ 10 million margin money in the project cost for this purpose.

Thus 26% equity is sufficient to exercise control over the Company. However, some promoters may prefer to have 51% equity for their own reasons.

Reference Books on India

1. An American's guide to doing business in India: By Eugene M. Makar 2008
2. Think India: By Vinay Rai
3. Doing business in 21st Century India: By Gunjan Bagla July 2008
4. Doing business in India: By Dean Nelson November 2008
5. Riding the Indian Tiger: Understanding India – The World's fastest Growing Market: By William Nobrega, Ashish Sinha January 2008
6. Journey to Corporate India: being published in USA by Book Surge 2009