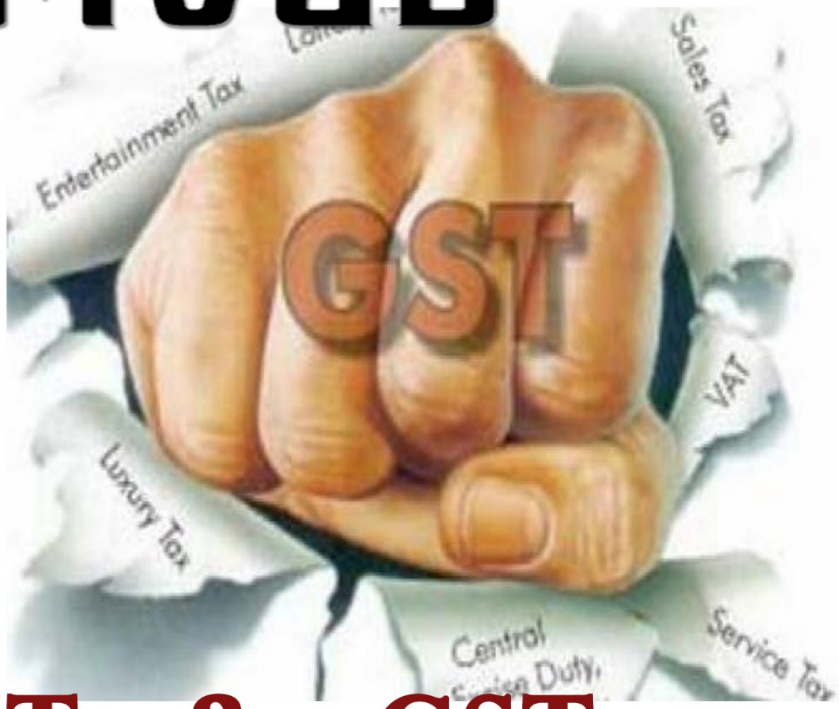
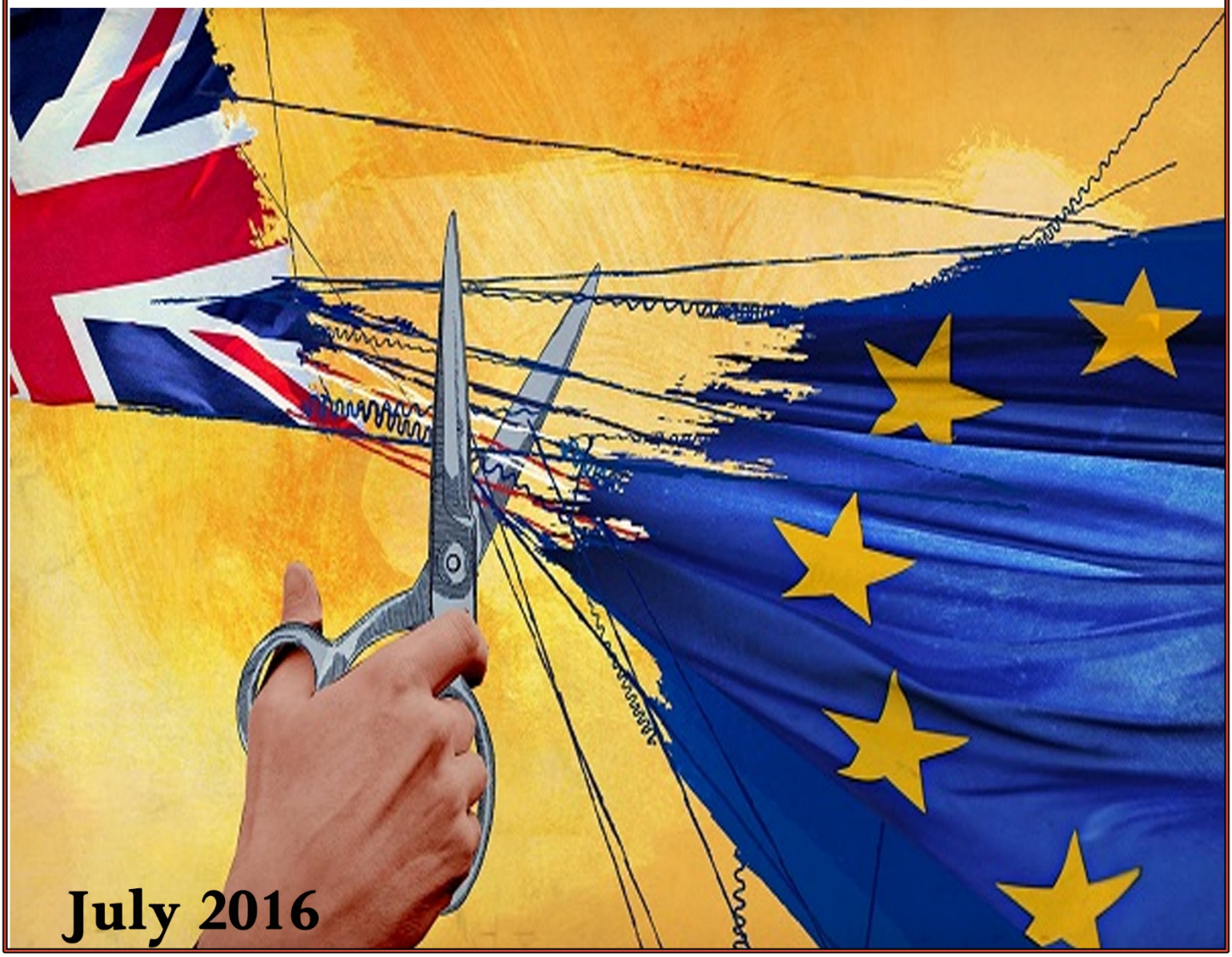
S.P MANDALI'S
weschool
Welingkar Education

SAMVAD



BREXIT & GST



July 2016

ABOUT US

OUR VISION

"To nurture thought leaders and practitioners through inventive education"

CORE VALUES

Breakthrough Thinking and Breakthrough Execution

Result Oriented, Process Driven Work Ethic

We Link and Care

Passion

"*The illiterate of this century will not be those who cannot read and write, but those who cannot learn, unlearn, and relearn.*" - Alvin Toffler

At WeSchool, we are deeply inspired by these words of this great American writer and futurist. Undoubtedly, being convinced of the need for a radical change in management education, we decided to tread the path that leads to corporate revolution.

Emerging unarticulated needs and realities need a new approach both in terms of thought as well as action. Cross disciplinary learning, discovering, scrutinizing, prototyping, learning to create and destroy-the mind's eye needs to be nurtured and differently so.

We school has chosen the 'design thinking' approach towards management education. All our efforts and manifestations as a result stem from the integration of design thinking into management education. We dream to create an environment conducive to experiential learning.

MESSAGE FROM THE DIRECTOR

Dear Readers,

Prof. Dr. Uday Salunkhe
Group Director

It gives me great pride to introduce Samvad's edition every month. Our Samvad team's efforts seem to be paying off and our readers seem to be hooked onto our magazine. At WeSchool we try to acquire as much knowledge as we can and we try and share it with everyone.

As we begin a new journey with 2016, I sincerely hope that Samvad will reach new heights with the unmatched enthusiasm and talent of the entire Samvad Team.

Here at WeSchool, we believe in the concept of AAA: Acquire Apply and Assimilate. The knowledge that you have acquired over the last couple of months will be applied somewhere down the line. When you carry out a process repeatedly it becomes ingrained in you and eventually tends to come out effortlessly. This is when you have really assimilated all the knowledge that you have gathered.

At WeSchool, we aspire to be the best and to be unique, and we expect nothing but the extraordinary from all those who join our college. From the point of view of our magazine, we look forward to having more readers and having more contributions from our new readers.

Samvad is a platform to share and acquire knowledge and develop ourselves into integrative managers. It is our earnest desire to disseminate our knowledge and experience with not only WeSchool students, but also the society at large.

Wishing everyone a very happy and prosperous new year.

Prof. Dr. Uday Salunkhe,
Group Director

FROM THE EDITOR'S DESK

Dear Readers,

Welcome to the April Issue of Samvad for the year 2016!

As we step into 2016, we promise to bring you the best that Samvad has offered till date. The response to Samvad has been overwhelming and the support and appreciation that we have received has truly encouraged and motivated us to work towards bringing out a better magazine every month. With renewed vigor and passion, we bring to you the April Issue of Samvad which revolves around the theme of "Services and Consultancy".

With WeSchool having courses pertaining to all spheres of management, it was natural for us to cater to all kinds of readers. And that has made us one of the few magazines in the country which invites articles from all spheres of management giving a complete holistic view.

We work on the platform of "***Igniting Thoughts of Tomorrow***" and we will constantly strive to provide articles which are thought provoking and at the same time adding value to your management education.

We hope you stay with us, read with us, share with us and grow with us!

Hope you have a great time reading Samvad!

Best Wishes,

Team Samvad.

"For last year's words belong to last year's language
And next year's words await another voice."

T. S. Eliot.

ACKNOWLEDGEMENT

Team Samvad would like to extend their heartfelt thanks to certain key members of the WeSchool family for their special efforts towards the making of this magazine.

We deeply appreciate the constant motivation & encouragement that our beloved **Group Director Prof. Dr. Uday Salunkhe** has always given us. His vision & result orientation has been the driving force in creating brilliant leaders and making WeSchool a name to reckon with, not only in India but also globally. His focus on the core values of Passion, We Link & Care, Result Oriented Process Driven Work Ethic and Breakthrough Thinking has formed the foundation of all the activities that we undertake as students of this esteemed institute.

We deeply appreciate the help and support given to us by **Prof. Deepa Dixit**. Her insight and expertise is our driving force to ensure the sustainability of our magazine.

We appreciate **Prof. Indu Mehta** for help in selecting the best marketing articles.

We would also like to appreciate **Prof. Jyoti Kulkarni** for her help in selecting the best articles on general management.

The Human resources article was scrutinized by **Prof. Rimmi Joneja**. We thank her for choosing the best articles.

We would like to thank **Ms. Yashodhara Katkar**, General Manager - Liaison, WeSchool and her PR team for helping us to reach out to our readers. Also we thank **Ms.Prachi Shah** and her team for helping us with the website updates of Samvad.

We are indebted to **Prof. Jalpa Thakker** for all her help and guidance in the making of Samvad. Her insight and suggestions have been of tremendous benefit to us. The Samvad Team would truly be incomplete without her.

CONTENTS

WE CHAT- MEHERNOSH MEHTA VICE PRESIDENT & HEAD HUMAN RESOURCES, MAHINDRA LOGISTICS	7
IS CONSULTING MERELY ADVISING?	11
NEED FOR CONSULTANCY TO SUSTAIN MERGER	13
THE ERA OF DIGITAL MARKETING CONSULTANTS	15
NEED FOR HR CONSULTANCY	18
A SNEAK PEAK INTO THE CONSULTING INDUSTRY OF INDIA	21
TEAM SAMVAD	23

We Chat

RUSHABH GIYA

VP IN EQUITY CAPITAL MARKETS AT KOTAK MAHINDRA CAPITAL CO LTD

Team Samvad

Q1. Could you please give us a brief idea about the concept behind introducing GST?

One of the biggest reasons / benefit of introducing GST is that a single tax will be levied on the product or service which is sold as against the current practice of multiple taxes – Excise Duty, CENVAT, Octroi, State Sales Tax etc. This will make pricing competitive and benefit end consumer.

Q2. Critics claim that GST brings nothing new to the table as India has opted for dual GST model. What's your take on this?

Several countries with federal system such as Canada and Brazil have a dual GST system where GST is levied by both state and central governments

This simply means that the states rather than depending on the central government for revenue sharing would levy GST on their own. The overall tax rate is still not expected to be higher than the current taxes. In a country like India it will also lead to lower conflicts between the states and centre.

Q3. Which industries according to you will be benefitted the most by GST?

GST will definitely widen the tax net and as is typical indirect taxes are difficult to by passing a single uniform tax will tend to benefit companies operating in the industry where a lot more unorganized players operate. Currently certain industries are paying significantly higher taxes than others (Example – Autos). With GST the rate will significantly come down for these industries. The Industries that stand to benefit the most are – Auto, FMCG, Building Materials, Cement and Media.

Q4. Which industries according to you will be the most adversely affected? How can they alter their business model to minimise the impact?

Most industries stand to benefit from various provisions under the GST. The unorganized sector in India will be impacted the most as some of the organized players will become competitive in terms of pricing with the unorganized players.

Certain industries which enjoy a lower effective tax rates will be impacted negatively such IT / ITES, Telecom however in most cases these industries will eventually pass on the tax incidence to the end consumer.

Q5. Which sectors/ organizations/ body of taxpayers would be exempt from GST?

Alcohol / Liquor

Products or Services attracting Stamp Duty and Customs Duty

Sale of Electricity

Petroleum Products

Q6. What would be the long-term implications of GST on the Indian economy?

In the long term the nation as a whole will stand to benefit from GST. It is widely expected that the tax net will be significantly widened post GST. These tax revenues can then be directed towards social spending and will eventually benefit the country. The number of conflicts / judiciary proceedings are also expected to come down post GST as the uniform tax rates will make transactions easier. Increased movement of goods and services will significantly benefit states that are currently away from the hinterland.

Q7. How will the consumer benefit from GST?

Lower product and services pricing, increased competition will result in better bargain for the end consumer.

The unorganized sector will significantly be captured under GST and therefore tax evasion will significantly reduce. This increased tax revenues will hopefully be used constructively towards social / infrastructure spending resulting in overall improvement in standard of living.

----------o----------

OPERATIONS

GST BILL AND INDIAN ECONOMY

Akshay Joshi, MMS (2015-17), WeSchool, Mumbai.

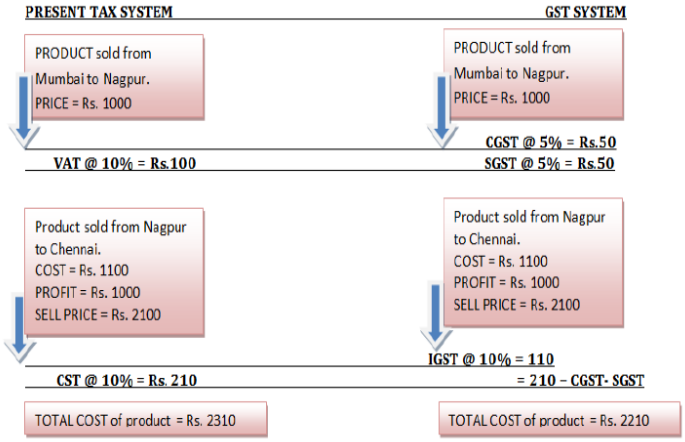
GST stands for "Goods and Services Tax". It is proposed to be a comprehensive indirect tax levy on manufacture, sale and consumption of goods as well as services at the national level. It will replace all indirect taxes levied on goods and services by the Central Government and State Governments. In India the proposed GST would be implemented from 1st April 2016. For this purpose 122nd constitution amendment bill is passed in the Lok Sabha, but still pending for approval in the Rajya Sabha. The GST is a tax reform that has been on the cards for more than a decade. In principle, it is the same as the Value-added Tax (VAT) already adopted by all Indian States but with a wider base. While the VAT which replaced the sales tax was imposed only on goods, the GST will be a VAT on goods and services. In the current tax regime, States tax sale of goods but not services. The Centre taxes manufacturing and services but not wholesale or retail trade. The GST is expected to usher in a uniform tax regime across India through an expansion of the base of each into the other's territory.

GST was first introduced in France in 1954. Today it has spread over 150 countries. GST is of two types: (a) Single GST and (b) Dual GST. Many countries have unified GST. However, in countries like Brazil and Canada there is dual system wherein GST is levied both by the Central Government and the State Governments. In India due to federal structure there shall be dual GST system. This will
comprise of Central GST (CGST) which is levied by the Centre, State GST (SGST) which is levied by the State, Integrated GST (IGST) which is levied by the Central Government on inter-state supply of goods and services. Despite the success with the VAT, there is still certain shortcoming in the structure of VAT both at the Central and at the State level. GST has been designed to overcome from all shortcomings of VAT because GST is not simply VAT plus service tax but an improvement over the previous system of VAT and disjointed service tax. The mechanics of applying VAT and GST are basically the same. But there are some fundamental differences between them like VAT is levied on goods, whereas GST on both goods and services as it is evident from the name, GST would have a uniform rate in all the states which VAT lacks as each state levies its own rate of duty for each goods, input credit can be set-off only against the goods sold within the state in case of VAT, whereas in case of GST not only you can set-off input credit against goods sold within the country but also against the services.

Advantages

Like every coin has two sides, even GST will probably have its own positives and negative impacts. Let us first look at the possible positive impacts of GST. The GST, by subsuming an array of indirect taxes under one rubric, will simplify tax administration, improve compliance and eliminate economic distortions in production, trade and consumption. Second, by giving credit for taxes paid on inputs at every stage of the supply chain and taxing only the final consumer avoids the 'cascading' of taxes, thereby cutting production cost and making exports more competitive. In the other words the GST is designed as a value-added

tax, which means starting from the manufacturer to the wholesaler and then retailer, each person will pay tax only on the value addition done by him. So, suppose a manufacturer purchases inputs worth Rs. 40 and then produces a good worth Rs. 100, then with a 10 % GST rate, his tax liability will turn out to be only Rs. 6 (10 % of 60). This is because he gets to set-off the tax paid on the inputs against the tax he pays on the final goods produced. This will reduce final price for consumer. Consider another example to understand this positive impact on final price of product:



IGST, the combination of CGST and SGST will make efficient logistic tax system. It will solve warehousing obsession problem of previous tax system. Also in present tax system to reduce

burden of cascading, companies try in-house production of components required for final product. But after implementing GST, credit on input will be given and cascading effect of tax will be reduced. So outsourcing and subcontracting will increase. It will help in increasing employment. This will indirectly help to increase tax collection. In GST due to same base computation overall price of the product will be reduced due to overall reduction in tax. Export will be zero rated, because exporters will get credit for GST paid on inputs. But they have to sell product with bill else no credit will be given. This will prevent tax evasion.

Challenges and recommendations

But there are still some challenges in implementing GST. First is high revenue neutral rate (RNR). Because it will combine CGST (13%) and SGST (14%). Due to high RNR domestic industries will be ruined, also purchasing power will be reduced. To avoid this problem exempted items such as petroleum, electricity, stamps must be included in GST. Direct tax is the source of center's major collection whereas VAT, cess and surcharge are major sources of state collection. So states will lose their tax collection in significant manner. Union have decided to compensate effected states for first five years. Finance Commission recommended GST compensation fund with tapering effect for the same. Data base management for GSTN ltd. (Goods and service tax network) is also challenging task. According to IMF dual rate taxation will be complex system since union have to coordinate with twenty-nine states. India will have not a single federal GST but a dual GST, levied and managed by different administration. The Centre will administer the CGST and the States will administer SGST. The monitoring of compliance will also be done independently at the two levels. The rates for both, the CGST and the SGST will be fixed by the GST Council, whose members will be State finance ministers and chairman will be the Union finance minister. Once the rates are set by the GST Council, individual States will lose their right to tax whichever commodities they want at the rates they want.

Conclusion

Coming to conclusion, GST is structured to simplify the current indirect system. It is s long term strategy leading to a higher output, more employment opportunities and economy boom. According to experts, by implementing GST, India will gain $ 15 Billion a year. This is because it will promote more exports, create more employment opportunities and boost growth.

Individuals will be benefited as prices are likely to come down. Lower price mean more consumption, more consumption means more production and thereby helping in the growth of the companies. Overall introduction of Goods and Services Tax (GST) will be panacea for Indian

economy.

References:

1. *Vasanthagopal, R. (2011). GST in India: a big leap in the indirect taxation system. International Journal of Trade, Economics and Finance, 2(2), 144-147.*
2. *Poddar, S., & Ahmad, E. (2009). GST reforms and intergovernmental considerations in India. Government of India, Ministry of Finance, Department of Economic Affairs, Working Paper, 1, 2009.*
3. *Cnossen, S. (2013). Preparing the way for a modern GST in India.International Tax and Public Finance, 20(4), 715-723.*
4. *Taqvi, S. M. A., Srivastava, A. K., & Srivastava, R. K. (2013). Challenges and Opportunities of Goods and Service Tax (GST) in India. Indian Journal of Applied Research, 3(5).*

----------o----------

FINANCE

GOODS AND SERVICES TAX AND ITS IMPACT ON THE ECONOMY

Anshika Sharma & Shubharun Bose, PGDM-RM (2016-18), WeSchool, Mumbai.

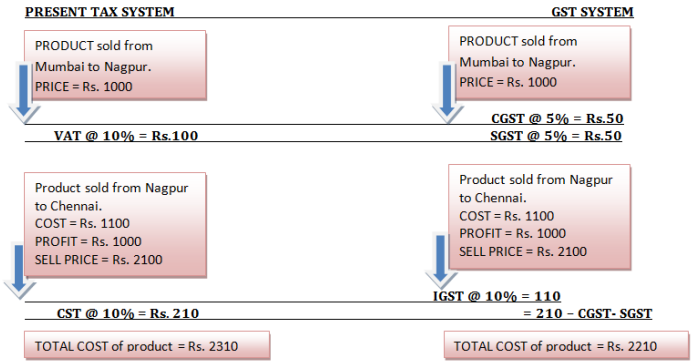
GST or the Goods and Service Tax is an Indirect tax reform which is aimed at creating a single tax regime in the country to simplify and unify the existing tax system and to promote easy compliance. In a non GST regime there is cascading burden of tax on tax, whereas, in a GST regime, tax due can be offset against the tax paid at an earlier stage. When implemented, the GST would be levied by both the central (CGST) and state governments (SGST). The apex policy making body for GST is the GST council and its Chairman is Union Finance Minister of India, Arun Jaitley.

TAXES TO BE SUBSUMED

GST would replace most indirect taxes currently in place such as:

Central Taxes	State Taxes
Central Excise Duty [including additional excise duties, excise duty under the Medicinal and Toilet Preparations (Excise Duties) Act, 1955]	Value-added tax
Service tax	Octroi and Entry tax
Additional Customs Duty (CVD)	Purchase tax
Special Additional Duty of Customs (SAD)	Luxury tax
Central Sales Tax (levied by the Centre and collected by the States)	Taxes on lottery, betting and gambling
Central surcharges and cesses (relating to supply of goods and services)	State cesses and surcharges
	Entertainment tax (other than the tax levied by the local bodies)
	Central Sales tax (levied by the Centre and collected by states)

Source: www.pib.nic.in



Source: www.gstindia.com

The above example shows the cascading effect of tax under the current tax system (left) and how tax will be offset under the proposed GST regime (right).

Recent Developments:

2016: The GST council decided on a four-slab rate GST structure of 5%, 12%, 18% and 28%. 2017: State GST and Union Territory GST (UGST) get council's approval.

The government has made its intentions of broadening tax base obvious by keeping a low threshold limit of Rs. 20 lakh (and Rs. 10 lakh for north-eastern states). The proposed day of implementation of GST has now been postponed to 1 July 2017.

IMPACT OF GST ON THE ECONOMY

The positives:

The main objective of the GST is the removal of multiple taxes. This would have positive effects like easy compliance and a simplified tax structure. It would also lead to less tax disputes regarding the basic definition of goods and services since GST would be uniformly applicable on both goods and services. The manufacturing sector would be greatly benefited as reduction of tax may lead to reduction in cost of production. Logistics for manufacturing companies would also improve as there would be a seamless interstate flow of goods with lower transit time and greater truck utilization. It is also expected that the implementation of GST would boost the GDP by 2-2.5% and the increase in exports would be between 10-14% (The Finance Commission sanctioned study by NCAER). GST would further increase competitiveness among the manufacturers.

GST would increase the government revenue by preventing tax leakages. Since a uniform tax structure would be applicable to all states, leakages will be avoided.

Some industries which would benefit are: cement, automobiles, consumer durables, logistics, media and entertainment, metal, building material. Currently 25-30% tax is applicable on these sectors which is likely to be reduced post GST implementation. Post the passing of the 5 legislations under GST, the stock market witnessed an immediate upsurge. This trend is expected to continue.

The negatives:

The GST bill has been the most discussed topic among experts, politicians and economists. The concept of "one nation, one tax" could soon be a reality but one cannot outweigh the negative impacts of it on the economy. The goods and services tax shall be levied at the consumption site and not the manufacturing site. Due to this various manufacturing states, such as Gujarat, Tamil nadu, Maharashtra, are set to lose on their revenue collection. To fix this gap, the central government is to pay compensation for up to 5 years increasing the government expenditure and having a negative impact on the fiscal deficit.

The autonomy of the states to alter tax rates shall be hindered as there is going to be dual control. The indirect tax rates in the organized retail sector till now have been determined by the state with no intervention from the central government.

GST would be a setback for Small and Medium enterprises because credit would only be available online through the GST network and these SME's could face difficulty in using the system.

Petroleum and liquor trade that contribute to almost 40% of the India's trade have been excluded from the purview of the GST. That means a large chunk of India's trade will remain unregulated.

In the tertiary sector, the GST rate is set to be higher than the current service tax rate. As a result of that, services will become dearer for the customer. The IT and telecom sector would be ripped off the tax benefits they currently enjoy.

Because of higher tax rates in various sectors such as the service sector, GST could have a worsening effect on inflation, affecting the whole economy in the short run.

Textiles sector, pharmaceutical sector, and dairy product manufacturers presently enjoy a lot of tax benefits from both the state as well as the central government. Thus, GST could have a negative impact on these important sectors.

"Customer is the king", but the GST could possibly harm the interests of the "king" as well. The cost of services will increase, and the actual benefit of having a single tax will not be passed to the customer if the seller decides to increase his profit margin by increasing the prices of the of goods and services. The customer on the other hand will take time to understand the whole process.

'Some might gain, some might lose.' A new law, a new tax will bring with it new challenges to face that need to be tackled with utmost care.

The "One nation, one tax" is expected to be a game changer in a positive way and be beneficial not only to the common man but to the country as a whole.

"It is a win for the democratic ethos of India and a victory for everyone". – Narendra Modi.

References:

Report: SKP groups: The Impact of GST on Manufacturing Sector

http://fintrakk.com/gst-what-is-the-impact-of-gst-on-common-man/

https://thewire.in/53664/far-silver-bullet-gst-will-likely-negative-impact-growth/

http://m.economictimes.com/markets/stocks/news/gst-few-steps-away-from-becoming-reality-but-whats-in-it-for-dalal-street/articleshow/57686448.cms

www.ey.com

http://www.hindustantimes.com/business-news/gst-the-long-journey-to-roll-out-india-s-biggest-tax-reform/story-pWna7komOsk10aedMEuLHI.html

----------o----------

HUMAN RESOURCES

GST – A REACTIVE OR A PROACTIVE ACTION REQUIRED BY THE HR?

Tathagata Bhowmik (2015-17), NMIMS, Mumbai

GST is a complex and pervasive tax that will affect every facet of your business. A good understanding of the tax and its implications is required by the managers and by that I do not mean only the managers of the sales team or the finance team but also the Human Resources team. The HR team will have to restructure and reinvent its policies to keep in terms with the GST implementation.

A broad view of the problems and the scenarios that will be faced by the HR Department is:

1. One common market will bring down the number of depots in this country. Suppliers and vendors will be consolidated. A company will find that the current arrangement of supply chain and distribution might not be viable due to the exclusion of excise duty from manufacturing. HR will have to play a major role in manpower planning and restructuring of the entire vendors and distributors network. It will have to face attrition or retrenchment depending on the extent to which it implements iron clad decisions.

2. The accounting system, legal system will undergo a significant change. Reports of taxes and supply chain management personnel will change. The format will change and the HR will have to make all its employees adept to the new structure and the method in which certain things are calculated. A training and development program will be inevitable and the program needs to be designed keeping in mind the new trend of compliance under GST.

3. Companies across sectors will substantially pay lower taxes and save in logistics and distribution costs. Inventory holding costs will be rationalized and multiple sales depots will be eliminated. Excise tax, VAT and entry tax will be clubbed into a single entity and that will generate more profit for the company and cumulatively more savings. When variable pay is linked to company performance, higher company profits will lead to higher pay out for the employees. However, the assumption here is that there is hardly any inflation and the company does not restructure its price owing to changes in its cost structure, which is grossly Utopian.

4. GST is not confined to external business transactions but also internal transactions including employee benefits: goods and services provided to employees. As money is not categorized under goods or services, cash payments are exempted from the effect. Other employee benefits fall under goods and services and when they are taxed the question that arises is, who will pay the tax? The employer or the employee? Benefits include mobile phones, computers, food, drinks or services provided free to the employees. The employer does not have to account for the tax on employee benefits according to current employment contracts. It is necessary to review the contract and state explicitly whether the employer should pay the taxes for the goods and services or whether a third party will be consulted to provide the employee benefits or worst of all the employees will have to bear the brunt of the "free" goods and services. The alarming fact is that almost all Indian companies are not adept with the software infrastructure, accounting system and human resources training. The HR function must be proactive and not reactive when it comes to adapting to the changing tax scenario in the country.

----------o----------

MARKETING

THE IMPACT OF BREXIT ON PRICING STRATEGIES

Vidushi Poddar, PGDM-BD (2016-18), WeSchool, Mumbai

On 23rd June 2016, the UK voted to exit the European Union. Even though formal exit is yet to happen, the decision itself has started influencing the markets in the UK. From international trade to consumer behavior, the Brexit decision will have a vast impact on the market.

Price is one of the '4Ps' that make up a marketer's responsibilities according to classical theory. A steep fall in the pound has increased the import costs which is impacting the profit margins of companies in Britain. The weakening pound is beckoning the brands to put price rise in their agenda for 2017. The food prices and air fares pushed the headline rate to 1.6% in December from 1.2% in November according to the consumer price index (CPI). Many companies like Next, Mothercare, Unilever, Carpetright and Premier Foods have predicted price rise by up to 5% as a consequence of the pushed-up import costs. With inflation forecast to rise to around 3% this year and weakening of pound, the marketers in Britain have to reassess their pricing policies in order to remain competitive.

In addition, the Brexit will also have an impact on the disposable income in the hands of customers. According to Neilson, the disposable income would be hit over the next two years. With inflationary pressures, rising import costs amid Brexit uncertainties, the marketing department has to look into the pricing strategies in order to ensure sales growth while causing the minimum impact on the margins. The marketing teams have to communicate the value propositions through engaging and innovative campaigns to the consumers. Hence, with shrinking disposable income and increasing import costs, increasing the prices can put an axe on the sales and further reduce the demand. Instead of the price rise, brands can find ways to offset the rising costs internally. many companies are resorting to restructuring their operations to offset the inflation. Next has covered their currency requirements till spring 2017 in the forward markets by hedging the currency. It is also reshaping its supply chain by expanding its supplier network in Burma and Cambodia. Moreover, it is looking forward for deriving advantages from the mature territories like China and India by improving efficiency. The brand plans to reshape its marketing and product mix to entice customer spending on higher-priced items to offset the effect on profits of the fall in the number of customers. It is expecting a 5.5% decline in overall sales and a fall of 0.5% to 1% in like-for-like sales value.

As far as the grocery market is concerned, the retailers are reducing their promotion costs. This has allowed them to pass more costs to the customers without necessarily increasing the standard prices. According to Kantar World panel the percentage of sales sold on promotion in 12 weeks from January 1st 2017 fell to 37%. It was the lowest level over Christmas since year 2009. The retail brands will have to try and keep the customers on-side by holding the price as low as possible. But the retailers work on around 3% to 5% margins. Hence, with their limited ability to take the burden of the added costs, it will be increasingly difficult not to pass the price rises to the customer.The retail sector, despite the impact of Brexit, is fighting tooth and nail to keep the prices as low as possible. The new strapline by the retailer Lidl "Big on quality, Lidl on price'

reassures the customers that no matter the economic circumstances, the prices will be kept low.

Meanwhile, the current campaign of Aldi highlights being the Britain's best value for money supermarket. It shows Aldi's commitment to remain the UK's lowest-priced supermarket irrespective of the market conditions.

The retailers could also see a shift of consumers from luxury brands to their own private label brands to save the money.

The marketers should practice caution while making any decisions regarding increased costs. For example, the Mondelez brand Toblerone increased the space between its triangles to reduce the weight of some of its chocolate bars in the UK. This was justified by Toblerone as a better measure to offset the increased ingredients costs, than pushing up the price bars. However, the move was not well received by the customers as they felt deceived by the brand.

With increasing impact of Brexit on the consumer buying behavior, the marketers need to resort on value-based pricing. It means, they need to ensure that the product price justifies the value perceived by the customer. Marketers could also conduct scenario planning in order to understand how price rises could impact perceptions of the customer or the brand's position compared to its competitors in the marketplace. Finally, while balancing the margins and prices amid Brexit implications, the marketers should remember that Customer is the king.

----------0----------

GENERAL MANAGEMENT

WHAT BREXIT MEANS FOR INDIA

Apurva Chitnis, PGDM E-Biz (2016-18), WeSchool, Mumbai

Standing alongside his British Counterpart David Cameron in November 2015, London, Indian Prime Minister Narendra Modi said, " As far as India is concerned, if there is an entry point for us to the EU, that is the UK." Today that entry point has voted for Brexit. India now has to adjust to a dynamic world structure.

Source: http://www.bbc.com/news/world-asia-india-36624507

The rolling broadcasts of the referendum results on Indian Television were an evidence enough about the interest levels of Indians in UK. Certainly one of the reasons for it is the country's colonial past. Jokes about India's former ruler kept circulating on social media networks. But there is assuredly more to this relationship than what meets the eye.

Source: http://www.bbc.com/news/world-asia-india-36624507

IANS report says that Britain is among just seven in 25 top countries having a trade surplus with India. Whereas it is 12th with reference to India's bilateral trade. India is one of the leading investors in UK. Approximately 1,10,000 people are employed in UK by around 800 Indian owned firms. Most of these firms had the broader European market perspective in mind while making investments. When UK loses a voice in EU, India loses a partner in EU.

The Big picture

Nobody knows how it will pan out. The risks have rised. Courses of market horses like currencies, commodities and equities will be the first to be amended, even though economic jockeys riding them – monetary policies, bank rates and macro-economic markers find it difficult to acclimate themselves to the amended course. USA being the largest trading partner of UK, will face major impact of Brexit. Remittance from UK to other countries in terms of Pound will be lesser post Brexit. Export dominating countries may be affected. Companies which have set up in UK to get access to EU market will affect the most. Moreover, future elections in France and Germany and the October constitutional referendum in Italy aggravates the existing uncertainty. In an apocalyptic scenario, EU could likely disintegrate like USSR, the aftermath of which is still potent more than two and a half decades later. The outlook for global development has gotten worse. As per George Soros, Brexit could just be the beginning of the end for Europe.

Owing to Brexit, no corner of the global financial structure has remained unscathed which will haunt the economies for years to come. Being one of the most lucrative markets for foreign investment, india attracts global attention. Any major change across the globe is bound to have an impact on India.
"We are in the midst of an age of competitive devaluation and beggar-thy-neighbor policy. When elephants fight, the grass suffers"- Mr. Raghuram Ranjan (Former RBI governor).

A Walk Down the Dalal Street

Wild fluctuations or large outflows could be experienced by India in sync with the overall trend. UK and EU account for 23.7% of the rupee's effective exchange rate. Within a few hours of the result, NIFTY and SENSEX were down by 4%, even before NSE, NASDAQ and LSE open. Rupee may depreciate because of the double effect of foreign fund outflow and dollar rise. The immediate impact would be in an increase in risk aversion when it comes to investing. It will affect the FPI outflows from foreign portfolio investors. Nasscom says that the several existing contracts could be rendered loss making due to the falling value of pound. On the brighter side, Brexit has eliminated the doubt s about an impending hike in US Fed rate which could lead to lower commodity prices and force RBI to cut rates.

Source:https://qph.ec.quoracdn.net/main-qimg-9a06c60ff2fbbb43c4402ffb8649b934

All That Glitters…

Most investors have sought refuge in the yellow metal, a safe haven asset. Gold rallied 5% post Brexit. But other commodities do not share the

same fate. Many Indian steel giants like Tata Steel Ltd, Hindalco Industries Ltd, JSW Steel Ltd faced the direct wrath of Brexit. Brent crude oil has also collapsed sharply. Although lower prices are beneficial for India considering its huge oil imports from West Africa, weakening prices will be a huge threat for oil producers like ONGC, Bharat Petroleum, Indian Oil Corp. EU accounts for 36% of India's auto-component exports with UK being 5%. UK is one of the largest commodity consumers and producers of the world. Weakening of its economy will dampen the demand. Together with China's slowing economic growth, Brexit impact will be a fateful one for commodity producers and producing nations.

Shopping Mall for India

Depreciating pound makes it possible to acquire hi-tech assets in UK, thus making it a much better shopping mall for Indian companies. For those seeking property in UK's notoriously expensive property market, falling currency represents cheaper real estate. Now unencumbered by rest of EU, UK will try to seek a more robust trade ties with India.

IT in Question

IT companies are likely to face heat in the light of Brexit. UK accounts for 2nd biggest market for $150 Billion Indian IT Industry. London being the financial hub, BFSI segment would directly hit IT Companies. IT being a discretionary spend, there is an increased probability that companies lower it.
Currency fluctuations may hinder new contracts and halt on-going projects due to low profit scenario. However, it is too soon to gauge the long- term effects. Brexit could lead to increasing outsourcing work. Nin the past, IT sector has had issues with EU regarding data security norms. So, post Brexit there is a probability that UK would

give up the ironclad stance on data management. Also, UK wouldn't be obliged to comply to confining localization policies enforced by EU.

Free Flow

Brexit is expected to bring in favourable circumstances for Education Sector. Education in UK will be more affordable as UK might woo candidates with incentives. Divorced from rest Europe, if movement of professionals is curbed, UK could experience deficiency of skilled workers. This tips in India's favour. Moreover, reducing pound value will cut travelling cost to UK, making it a good holiday destination.

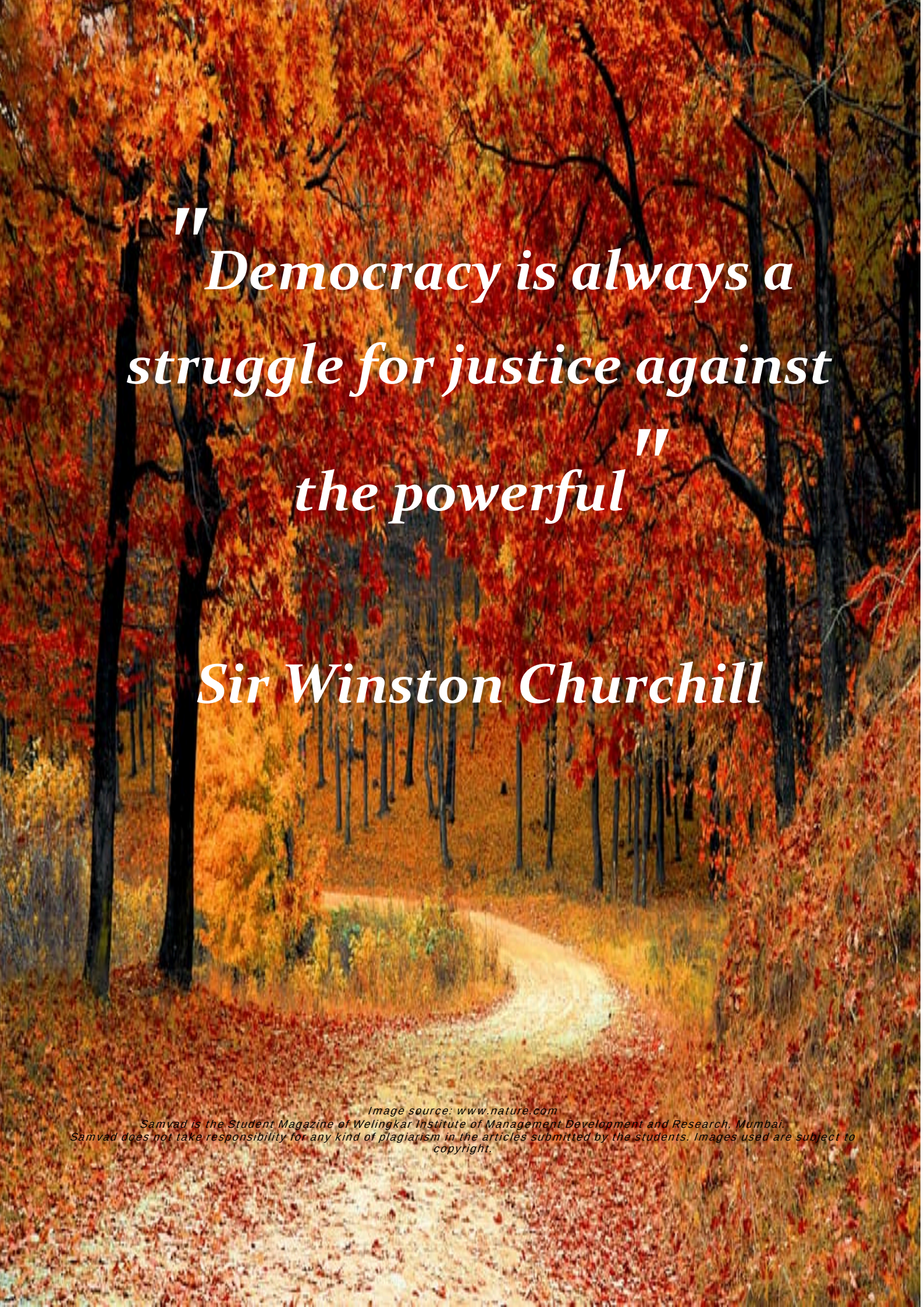
The Question Is Whether India Is Ready to Handle Brexit

The Finance ministry said the country has sufficient Forex reserves to handle any impact. Former RBI governor Rajan said RBI will infuse whatever liquidity is needed into Indian market. The central bank has to recalibrate monetary policy. SEBI (Security Exchange Board of India) have beefed up their surveillance mechanism. There is a great need for India to focus more on the domestic demand so that the impact is minimized. Once Brexit issue settles, India can be seen as a net gainer and inflows would continue to gravitate towards Indian side.

----------o----------

TEAM SAMVAD

EDITORIAL TEAM	
Mohit Jain Molla Ramizur Rahman	
CORE TEAM	
Lavina Katara	Finance - Head
Gayatri Mutakekar	Marketing - Head
Avani Thakker	Human Resource - Head
Rahul Iyer	Operations– Head
Mohit Jain	General Management – Head
Divya Mahajan	Cover Design



"Democracy is always a struggle for justice against the powerful"

Sir Winston Churchill

Image source: www.nature.com

Samvad is the Student Magazine of Welingkar Institute of Management Development and Research, Mumbai.
Samvad does not take responsibility for any kind of plagiarism in the articles submitted by the students. Images used are subject to copyright.