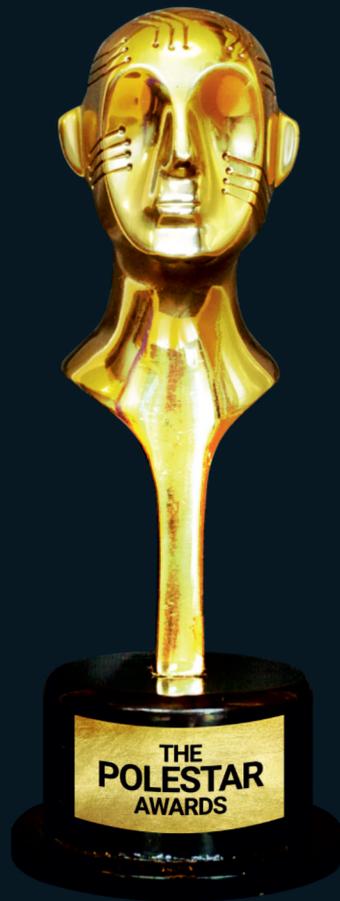


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BEST FEATURE IN BUSINESS JOURNALISM



Rukmini Rao and Goutam Das

Rukmini Rao and Goutam Das won the Polestar Award for Best Feature in Business Journalism for their article '**Setting Flipkart Right**', which appeared in **Business Today** on **16th Dec, 2018**.

Rukmini Rao and Goutam Das won the Polestar Award for Best Feature in Business Journalism for their article 'Setting Flipkart Right', which appeared in Business Today on 16th Dec, 2018. Rukmini Rao is an Assistant Editor at Business Today. A Bengaluru-based lawyer, she soon realised that Business Journalism is her true calling. This financial journalist has dabbled with both broadcast and print journalism. Prior to her stint with Business Today, she has worked with leading television channels such as CNBC TV18, Times Now, Bloomberg TV India extensively covering companies from various sectors based out of Bengaluru, Chennai and Hyderabad. She has to her credit several interviews with top CEOs, policy makers and economists. At Business Today, she specialises in corporate and reporting on new economy companies.

Goutam Das, a Deputy Editor at Business Today, is also the author of Jobonomics, a book on India's underemployment crisis. With over 18 years of experience in journalism, he has worked with publications such as Financial Express, Hindustan Times, Deccan Chronicle, The New Indian Express and Dataquest. Goutam is a strong believer in the power of narrative journalism and has won several awards for his reportage on employment, skills and man-machine conflicts.

<https://www.businesstoday.in/magazine/cover-story/setting-flipkart-right/story/294436.html>

Setting Flipkart Right

How can Walmart correct the wobble in India's best known start-up?

Rukmini Rao and Goutam Das

Business Today | 16th December, 2018



THE FLIPKART STORY, which started with selling books in 2007, comes to an abrupt end in 2016. On its website, that is. The milestone years are plotted like a rising line graph with geo-tag icons. 2010: India's best known start-up introduced cash on delivery, rocket launching e-commerce in a country that did not trust online payments. 2014: it bagged its first billion dollar-funding and acquired fashion e-tailer Myntra. 2016: it crossed 100 million registered customers.

The rest of the graph, if completed, would look equally spectacular. 2017: Flipkart raised nearly \$4 billion. 2018: the world's largest company by revenues, Walmart, paid \$16 billion to buy 77 per cent stake — nearly \$13 billion more than what it paid for Jet.com, its last major e-commerce acquisition; \$5.5 billion more than its consolidated net income for fiscal 2018; \$6 billion more than its capital expenditure on stores, e-commerce, technology and supply chain for the entire year; and \$1.6 billion more than what it returned to shareholders through dividends and share repurchases during the year.

What did Doug McMillon, President and CEO of Walmart, foresee that other corporations did not?

Certainly not Binny Bansal, Co-founder of Flipkart, resigning within three months of the acquisition closing, after an investigation into allegations of "serious personal misconduct". The investigation did not yield enough evidence but found "lapses in judgement, particularly a lack of transparency, related to how Binny responded to the situation". This spooked some investors.

Edward Kelly, a Wells Fargo analyst, popped the question during Walmart's third quarter earnings call on November 15. "Should we be concerned at all? Maybe any colour on the strength of the bench within that business?"

Dan Binder, Vice President of Investor Relations at Walmart, responded saying the company was disappointed with the situation. "We've taken actions to change the reporting structure and we feel good about the bench. I think it's really important that when you look at a company like Flipkart, when you get to that size and that level of complexity, it's not only about one person," he said, and added, "Probably I wouldn't say much more than that at this point, but we're committed to India. We still really love the business. We're going to continue to push forward, but we felt it was appropriate to make the changes we did."

Walmart has made some changes and will press for more. The question is how many. How will it change Flipkart, the growth-at-any-cost poster boy? Could Flipkart still be nimble under the watch of a \$500 billion big-box retailer? And can Walmart help Flipkart compete better with Amazon, which is charging ahead in India? There is a near-term, mid-term and long-term answer to many of these questions.



Kalyan Krishnamurthy now has dual responsibility of heading Flipkart and Myntra.

We wanted to hear Kalyan Krishnamurthy, Flipkart's CEO, answer these questions. The company, initially, agreed for a call at 10 am on November 21, but changed its mind. Krishnamurthy, Business Today was told, is travelling. Next, Flipkart agreed for an e-mail interview, but when the responses came in, they were from a "Flipkart Spokesperson". Meanwhile, the company's corporate communication executives, and its public relations agency, Edelman, called up the writers multiple times to understand what the story was about. BT had met three Flipkart executives in Bengaluru post the Walmart acquisition. Follow-up call requests were not entertained either. Communication executives from the company, who would regularly send WhatsApp messages to check on "the status" of those interviews, stopped responding over the past one week as well.

All this reinforces our belief that the company is perhaps confounded with the transition. BT's narrative here is an outcome of what we saw, in regulatory filings, analyst reports, public speeches, and professional networks; of what we heard, from employees, former employees, the competition, lawyers,

retail experts, and authors; and from what we experienced, when we visited Flipkart's and Myntra's headquarters in Bengaluru, a few months ago.

A New Flipkart

The milestones story on Flipkart's website also misses the dramatic leadership changes that have taken place in the company. Sachin Bansal, who started the company with Binny Bansal, was the chief executive till January 2016. Binny Bansal, the Chief Operating Officer, subsequently took over as the CEO, while Sachin Bansal became Executive Chairman. In a year's time, it was time for change again. Binny Bansal was promoted as the Group CEO.

The Flipkart Group has many entities. Three platforms — Flipkart, Myntra, and Jabong — form the company's core. The group owns the payments company PhonePe as well. Both Myntra and Jabong are fashion e-tailers; and Flipkart also sells fashion. Company executives are coy to say so in public but Flipkart Fashion competed fiercely with Myntra-Jabong.

When Binny Bansal took over as Group CEO, Kalyan Krishnamurthy, who had earlier worked in the company as Head of Category Design, was appointed CEO of Flipkart marketplace, in January 2017. Ananth Narayanan headed Myntra and Jabong and Sameer Nigam was the chief of PhonePe. Narayanan and Nigam both reported to Binny.

There was a reason behind the frequent changes at the top. Despite many milestones, Flipkart was wobbling. The rivalry with Amazon had started taking a toll and investors were turning aggressive. According to data from Venture Intelligence, Flipkart's valuation dropped 24 per cent when it closed a \$1.4 billion-funding round in March 2017.

Krishnamurthy steadied the ship over the next 17 months, fired non-performers, focussed on the key revenue categories of smartphones, fashion, and large appliances, while ensuring execution. Walmart has rewarded him with a step-up; one visible change, post the acquisition. Sachin Bansal, meanwhile, quit the company in May 2018, soon after the acquisition.

With Binny Bansal too quitting Flipkart, Myntra's Narayanan would now report to Krishnamurthy, who in turn reports to the Flipkart Board. Krishnamurthy is like a Group head, although his designation remains the same and the payments business is outside his purview. Nigam would directly report to the Board. The idea is to house the trading businesses under one leader.

Meanwhile, Jabong, which Myntra acquired in 2016, has been integrated into one backend, including the technology platform, supply-chain, marketing, and other functions. "Efficiencies will come in because everything will be managed by one team at the backend. As part of the process, some jobs become redundant. That is how efficiencies are brought in," a source close to the developments, says. "Myntra remains an independent team and will run the business with the same strategy, maybe a more aggressive one," he adds. About 200 jobs have reportedly been made redundant, but the company has not confirmed any number.

Govind Shrikhande, retail consultant and former Managing Director of Shoppers Stop, a department store chain, says that most of Flipkart's growth is coming on the back of enormous



loss. While a technology company looks at customer acquisition, a traditional company like Walmart looks at Profit & Loss (P&L) first. "Both Myntra and Jabong making losses doesn't make sense as their customer base is almost similar. It is not possible for a large company like Walmart to not think about consolidation and rationalisation. They may not like to lay off, but when it comes to the company losing money, one has to save the company, than the individuals. If the company survives, more people will survive," says Shrikhande.

Satish Meena, an analyst with Forrester Research agrees and says that Walmart will first change Flipkart's mindset. "Flipkart, coming from a start-up mindset, looks for only growth. They needed to raise the next round of funding and needed to show GMV (Gross Merchandise Value) growth. That is going to change now," forecasts Meena. "They will have a focus on growth but also profitability and cost reduction...things like Jabong merging into Myntra," he adds.

A further indication of this is that the third quarter earnings call mentioned Flipkart 17 times and investor concerns included the impact on various line items in the P&L.

When the acquisition was announced, Walmart expected a negative impact of 25-30 cents to its financial year 2019 earnings per share (EPS). In FY20, the company anticipates an EPS headwind of around 60 cents a share. On May 9, after the acquisition was announced, Walmart shares fell 3 per cent with many investors sounding sceptical. The fact that Flipkart is a loss making company and that it won't turn profitable any time soon played heavy on their minds. One analyst commented that "the only potential benefit to Walmart and its investors is that Walmart's backing potentially makes Amazon's fight for India more expensive".

In the year ending March 2018, Flipkart's two main entities, Flipkart India Pvt. Ltd and Flipkart Internet Pvt. Ltd, lost Rs 3,226 crore, up from losses of Rs 1,885 crore in the previous year, regulatory filings sourced from Paper.vc, state. This means that losses increased 71 per cent.

Amazon India, which operates many subsidiaries, appears to be burning double the money. Losses from just Amazon Seller Services Pvt. Ltd stood at Rs 6,287 crore in the year ending March 2018, up from Rs 4,831 crore in 2016/17. Amazon ascribed the losses to investments in "establishing



Sandeep Karwa, Senior Director, Flipkart
(Photograph by Reuben Singh)

infrastructure, opening new fulfilment centres, and technology advancement”.

Rule of Law

The second visible change in Flipkart is around compliance.

Since the Flipkart acquisition closed in August, Walmart has made four appointments. This tells us a bit about another short-term to medium-term priority — making sure that Flipkart is compliant with Walmart’s governance framework, ethics, and much more. Or fix its weaker processes.

Daniel De la Garza joined Flipkart as the Chief Ethics and Compliance Officer in October. He was earlier at a similar position in Walmart Central America. He is an attorney with experience in corporate law and anti-corruption. Grant Coad has joined as General Counsel at Flipkart and was earlier with Walmart Canada where he led a team of compliance professionals. Emily McNeal is the new Group CFO. In her earlier avatar, she was Walmart’s Global Head of mergers and acquisitions. Finally, there is Dawn M. Ptak, who joined as Vice President, Group Controller, in September, from Walmart China. Her LinkedIn profile talks of what she would focus on in India: “Lead process improvement initiatives and set the standard for strong compliance to internal controls”; “Ensure compliance to US GAAP & GAAP reporting... accounting policies”; “ensure financial statements are completed in a timely, effective, accurate, and efficient manner with strong financial controls and governance”, among other things.

Nigam, PhonePe’s CEO, points out that the focus on corporate governance has to do with Walmart preparing the Flipkart Group for an eventual public listing. “Walmart is not here to run Flipkart. Walmart is here to help shore up Flipkart and I think that is in terms of systems, compliance, audits... all things that are needed to be IPO-ready, to be able to respond to the market every quarter,” says Nigam, adding that this is a different world than what the group is used to. “That’s where the influence is being felt.”



Sandeep Karwa,
Senior Director,
Flipkart (Photograph
by Reuben Singh)

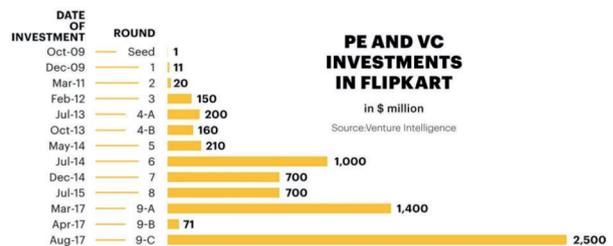
Flipkart, in its official response to BT’s questions for Krishnamurthy, said something similar: “At Flipkart, we always

believe that continuous improvement in processes and innovation is critical to create long-term value for stakeholders. Through continuous improvement in business processes, leadership and teams are working to make the company ready to execute its long-held aspirations for an IPO.”

It is, therefore, not a surprise that Walmart is in the process of implementing practices under the Foreign Corrupt Practices Act (FCPA), which deals with bribing of foreign officials and ensuring accounting transparency, a lawyer closely associated with Flipkart told BT. “Flipkart did not have such strict adherence (but) now Walmart will ensure that these practices are followed. Another part is the code of ethics, which will perhaps be strictly implemented,” he says.

It would, however, be wrong to conclude that Flipkart didn’t have strong processes, says an employee who didn’t want to be named. “Flipkart has great processes. The policies are people friendly. However, compliance is always about continuous improvement,” the employee says.

Flipkart, for instance, has in place a Prevention of Sexual Harassment Policy. During the year-ended March 2018, the company received three complaints of sexual harassment, which were then investigated, and two were disposed, according to the company’s annual filing with the Ministry of Corporate Affairs, sourced from Paper.vc. “In all the cases, the investigation was duly conducted and the matter was settled appropriately, by issuing warning letter(s),” the company discloses.



Globally, Walmart is a very compliant company, says a Partner of another prominent law firm that works with multinationals, but didn’t want to be named. “Because they are so much in the public eye, even a small thing gets blown out of proportion. I won’t be surprised if they overstaff the legal or the compliance function.”

During the acquisition deal, Walmart proceeded with extreme caution, breaking up the legal work among three-four law firms “so as to maintain objectivity and get best advice. Most of the Indian law firms also had an overseas counterpart.”

It would be interesting to watch how Walmart deals with FDI related disputes. Flipkart, and other marketplaces including Amazon, from time to time have been accused of violating India’s Foreign Direct Investment (FDI) norms relating to e-commerce, primarily around ownership of stock and discounting. As per the central government’s Press Note No.3 of 2016, FDI is not permitted in inventory-based model of e-commerce. The note also says that marketplaces aren’t allowed to influence the sale price of goods and services.

Walmart’s processes extend to other aspect of the business too.

For example, its motto is 'Every Day Low Price'. The company buys for less, operates for less, and then sells more. This is a productivity loop. Anything that doesn't fit into the low-cost motto is unacceptable. Its employees are not allowed to accept gifts as that increases the cost of doing business for the supplier. When executives can't say no to a gift, for instance in a situation like an investment summit where they could be gifted a shawl, they drop it in an 'ethics box' in the company with a note. Executives don't fly business class, because that's incurring higher costs in operations and someone pays for it, which is ultimately the customer.

Walmart also has stringent compliance norms for suppliers. The supplier cannot use child labour, and has to pay workers' wages on time. The workplace has to be safe. New suppliers initially find compliance difficult but over time, get used to the culture. Ditto for new employees or newly acquired companies.

The focus on 'Every Day Low Price' is where Walmart starts resembling rival Amazon in some ways. Or the other way round.

What McMillon Saw

Amazon's strategy has three pillars — selection, convenience and pricing. It works at removing costs in its ecosystem, which then lowers the price of selling a product. Sellers are, therefore, empowered to offer a low price.

Amit Agarwal, Vice President and Country Manager, Amazon India, told BT last year that the e-tailer's job was to bring the right kind of demand to sellers. "It is about finding a few moments in a year where there is a high propensity to shop. Republic Day or Diwali. We advertise to bring a lot more customers to the seller. Because on these events, the (number of) customers coming to the sellers are so high, they have to make lesser absolute rupee on every transaction. Our business model is based on systematically removing line item of costs in a business P&L," he had said.

Flipkart, thus far, has followed a similar strategy and has been exceedingly successful at it. An analysis by research and advisory firm RedSeer Consulting found that Flipkart beat Amazon by a substantial margin in the Diwali sales of 2018. Flipkart accounted for more than half of the GMV for the entire industry during the sale period of October 9-14, 2018. The e-tailing industry raked in a GMV of Rs 15,000 crore or about \$2.3 billion. Amazon accounted for 32 per cent of this.

Amazon disputed the numbers, questioning the research methodology.

Although Amazon started in India six years after Flipkart, in 2013, it grew fast. Forrester Research estimates yearly marketshare numbers: In 2017, the Flipkart Group (including Myntra and Jabong) garnered a GMV marketshare of 38.7 per cent versus Amazon's 32 per cent in India's nearly \$20 billion e-tailing market.

If you dive into the key categories, the share of Flipkart in online fashion is disproportionately high at 55 per cent while Amazon is pegged at 17 per cent. But Amazon appears to be catching up fast in smartphone sales with a 39.5 per cent share in 2017 compared to Flipkart's 47 per cent.

In the year ending March 31, 2018, Flipkart recorded a GMV of \$7.5 billion and net sales of \$4.6 billion, a growth of more than 50 per cent from the year before, Walmart disclosed during the acquisition announcement.



Govind Shrikhande, Former MD, Shoppers Stop

Flipkart has more than 150 million registered users and nearly 20 million people visit its site or app everyday (Flipkart did not confirm the number of daily visits).

This is what Walmart CEO McMillon saw — an Indian start-up that is a match for Amazon. Flipkart would add an edge to the company with its innovative culture, focus on exponential technologies such as Artificial Intelligence and robotics. This is what could play out over the long-term.

Walmart's e-commerce business in the US is no match to Amazon.com's which commands a 48 per cent share of projected retail e-commerce sales of \$526 billion in 2018, according to data from eMarketer. Walmart's share is a tiny 4 per cent of all online retail spending, or about \$21 billion. Nonetheless, Walmart's ranking in the US pecking order has jumped to No.3 from No.4 in 2017. While it displaced Apple, Ebay holds on to its second position with 7.2 per cent share.

eMarketer's Principal Analyst Andrew Lipsman says in a note that Walmart's "e-commerce business has been firing on all cylinders lately". He adds that "the retail giant continues to make smart acquisitions to extend its e-commerce portfolio and attract younger and more affluent shoppers. But more than anything, Walmart has caught its stride with a fast-growing online grocery business".

Walmart, for many years, underinvested in technology and e-commerce. While Walmart.com started in 2000, its e-commerce strategy probably started falling in place only after its 2016 purchase of New Jersey-based Jet.com. Next, it formed an alliance with JD.com in China. Other e-commerce brands in its portfolio include hayneedle.com, shoes.com, moosejaw.com, modcloth.com and bonobos.com. Walmart has now started allocating more capital to e-commerce and technology, and less to new physical store openings.

Flipkart, feels retail consultant Shrikhande, is just one of the pieces in Walmart's larger India game plan. The overall retail market in India is worth \$700 billion and moving towards \$1.1 trillion. "This is one of the biggest markets that is available. China is saturated, and Walmart hasn't done too well in markets outside of the US. With no major big player in sight in India, there is scope for them to make it among the top four retailers from an omni-channel perspective. They already have Flipkart and as and when Foreign Direct Investment opens up (FDI in multi-brand retail isn't allowed), they will acquire a few companies. That should be the objective," he says.

But before Walmart expands, it remains to be seen how the retail behemoth deals with Flipkart's growth mindset versus its obligation to investors. As of now, its executives stress that they would let Flipkart be Flipkart. So, even as they strengthen the governance framework, they would try and preserve the start-up DNA. "One of the things we have learnt over the years operating in 28 countries is that retail is local and speed matters... being on the ground, understanding the customer, being able to act," McMillon told journalists in Delhi after the Flipkart acquisition announcement. "Shared values and common processes where it makes sense, but other than that, local."

Company watchers also think that Walmart has a lot to gain by letting Flipkart run independently. "The key is to not turn Flipkart into Walmart," says Charles Fishman, author of *The WalMart Effect*. "Because Walmart hasn't figured out e-commerce yet, even after 18 years."

Walmart bought an Indian company with its own culture, instincts, "and they also bought years of data of how consumers behave. The entire success is built on consumer behaviour. So the question is if Walmart can stay out of the way of Flipkart when it does what it does brilliantly and step in to help when it needs help. To help and where to step in is a question of judgment," adds Fishman. "This is the largest acquisition in the history of the company. Everybody in the largest company worked for an entire year to let them buy. That's a big bet — you don't spend \$16 billion and not make it work."

What is it that Flipkart has figured out and what exactly does it do "brilliantly"?

The Innovation Agenda

There is an intoxicating energy about Flipkart's colourful office, off Bengaluru's Outer Ring Road. The meeting rooms have rhyming names: Adhu Idhu, Maska Chaska, Theek Thak, Upar Neeche, Aage Peeche, Avaru Ivaru, and Chup Chap. There is no beer or wine, or in-office happy hours like in Jet.com's headquarters in New Jersey; water bottles and filling sandwiches substitute for the desk-side drinking culture of Jet.com.

The intoxicating energy in Flipkart comes from the people. Inside the meeting rooms, digital screens display three phrases: Audacity, Bias for action, Customer First.

"As an organisation, we have always punched above our weight. This has kept us afloat today. And it will keep us afloat for the next 20 years," Sandeep Karwa, Senior Director with Flipkart, had said when BT met him earlier this year. He currently heads the Televisions and Appliances business, and was earlier part of its Smartphones business.

Flipkart showed audacity in its inorganic growth, the risky bets it took with several acquisitions. Some of them paid off, like the purchase of electronics e-tailer letsbuy.com in 2012 and that of Myntra in 2014. These two acquisitions established the company's clout in electronics and fashion categories.

The bias for action and the customer first approaches have resulted in innovations around business models, operating models, as well as technology. Around 2012, when Karwa joined Flipkart, the company wasn't selling many smartphones. There

were bigger categories such as computers and books. Consumers had little incentive to buy phones online because they were available in retail shops in every neighbourhood. Flipkart came up with a trigger: 'Exclusives', or phones that are not available offline and only on its site.

"We needed to find a brand and a partner who was ready to believe in this crazy thought and make a big bet. We were punching above our weight. That is how Motorola and Xiaomi conversations happened," Karwa recollected.

Flipkart launched Moto G in February 2014 and Xiaomi phones in May. Most e-commerce companies in India now peg their strategies on exclusive partnerships.

Thanks to these exclusives, Flipkart was able to sharply lower the prices of televisions and other large appliances. The traditional electronics distribution in India had a manufacturer, regional distributors, dealers, and retailers. Everyone kept a margin spiking what consumers paid. Direct selling ended that. "Consumers have started buying products which they thought they will be unable to afford. There is a self-confidence boost when you purchase a double door-refrigerator or a large TV for the family. This is what we are tapping," Karwa said. For instance, a Midea 6 kg front-load automatic washing machine on Flipkart is available at Rs 13,999. In physical stores, this would cost at least Rs 10,000 more.

As even Rs 14,000 could be the monthly take-home for many families, Flipkart next innovated on a financing model: a no-cost EMI on debit cards for online purchases. This is available only to customers with a good track record; Flipkart's data allows the website to "white-list" such customers. When BT met Karwa in June 2018, he expected to double the TV and Appliances business from Rs 4,500 crore in 2017/18 to Rs 9,000 crore by March 2019. The company did not update these numbers.

Technology innovations are palpable in Flipkart Group's fashion businesses as well. In August this year, BT caught up with Rishi Vasudev, the Vice President of Fashion, Home & Furniture business at Flipkart, who said that in calendar year 2017, Flipkart Fashion (excluding Myntra-Jabong) turned in a billion dollars of GMV. Vasudev predicted a 65 per cent growth in 2018.

Behind this growth are small tweaks. Flipkart's search engine, for instance, can figure out that people are looking for sunglasses when they type *kala chashma* or a pink lehenga when they search for 'Anushka's wedding lehenga'. Its machine learning algorithms can suggest better sizes — a complex problem in fashion e-tailing.

Vasudev's team also built a more personalised experience for those accessing the app from premium mobile devices. "The experience is much cleaner and engaging for a premium consumer. Here, there is segmentation by brand and price affinity," Vasudev said, adding that this concept was similar to the offline world. "One department store that opens in a mass mall would have different products than in a premium mall. The merchandise, the look and feel of the shop changes."

Myntra, meanwhile, has created a private label brand *Moda Rapido* without any human designers. The jeans, tees, and dresses are designed and tested by machines. "We are the first guys to develop an AI-based brand," Narayanan, CEO of Myntra, had said. "It is a \$20 million-business and growing at 200 per

cent year-on-year. A machine creates hundreds of variations of a design based on data from our sales, (and) what's trending on social media. Then a programme determines the ones that could be best selling. We make that and have it live on Myntra in 45 days." The machine is not allowed to copy a design, or use any logos that are proprietary.

Myntra also has an offline play. Roadster, a casual denim private label brand, and already a \$100 million-business, has three offline retail stores — two in Bengaluru and one in Pune — and the company operates through franchisees. Narayanan pointed out synergies with Walmart here. "Our plans will get accelerated. First is the longer-term thinking, second is the emphasis on how we grow, and third is that we can learn a lot on an omni-channel. There is also an opportunity to take some of our private brands global," the CEO had explained, talking about how Walmart would change Myntra.

BT met Narayanan at Myntra's office in Bengaluru in August. By October, one of Myntra's private labels, All About You, launched in Walmart Canada.

Walmart is likely to bring in other best practices over the next three years. Expertise around transportation and supply-chain are two of them. Grocery will be another; nearly 60 per cent of Walmart's business is food. There are long-term conversations starting to take place around mutual learnings, the best practices from 28 countries, and adapting them to the local market.

Binny Bansal had hinted as much to journalists in Delhi, soon after the acquisition. McMillon and Krishnamurthy stood close by. "If we can leverage Walmart's capabilities on the organisation side, on the operation side, that will be great for us."

BEST FEATURE IN TECHNOLOGY JOURNALISM



G Seetharaman and Rahul Sachitanand

G Seetharaman and Rahul Sachitanand won the Polestar Award for Best Feature in Technology Journalism for their article '**Breach Suspected**', which appeared in **The Economic Times** on 22nd July, 2018.

G Seetharaman and Rahul Sachitanand won the Polestar Award for Best Feature in Technology Journalism for their article 'Breach Suspected', which appeared in The Economic Times on 22nd July, 2018. Seetharaman, a Senior Assistant Editor in The Economic Times, is a Mumbai-based journalist with 11 years of experience. He began his career as a business journalist with Daily News and Analysis (DNA), followed by a brief stint at Business Today. He has been a feature writer with The Economic Times since 2013, covering a range of beats, including business, technology, energy, science and politics.

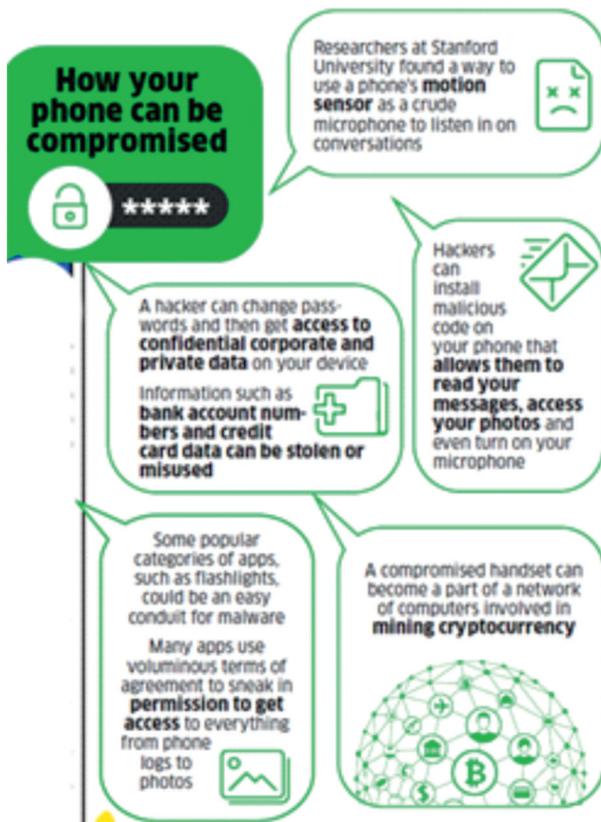
Rahul Sachitanand, who calls Bengaluru his home, is a freelancer with nearly two decades of experience in journalism, primarily in the long-form writing. He has worked with India's largest business publications and top editors of this time. Rahul has also worked in Mumbai and is currently based in Hong Kong as a freelance content creator. He is a graduate from the Asian College of Journalism, Chennai, with a specialisation in print journalism.

Breach Suspected!

Millions of first-time smartphone users, lack of data privacy regulation and devices running on outdated versions of Android together form a critical flaw at the heart of India's mobile security

G Seetharaman and Rahul Sachitanand

The Economic Times | 22nd July, 2018.



Saket Modi must have had possession of one of our phones — a Gionee M5 Lite running Android — for a little under a minute. All he did was make a few keystrokes, as far as we could tell. He didn't know its number nor did he attach a cable to it.

In a few seconds, much of the phone's data was sitting neatly on his computer. He now knew the list of calls that were made from the phone, the content of all text messages and details of their recipients, the list of contacts and the GPS coordinates that tell location — in this case, the Delhi-based offices of Lucideus, the cyber security firm run by Modi, a well-known ethical hacker.

What Modi did was install a piece of software code that can run in the background undetected by a user. A hacker can install it on a phone without having physical access to it. By sending a text or email couched as a promotional message that lures a user into clicking, for instance. A few minutes after he returned the phone to us, he demonstrated an even more unsettling trick. He played back snatches of our conversation, which he was able to surreptitiously record using the compromised phone's microphone. In other words, once hackers access your device, they can easily use your

microphone or camera to record you, and thanks to GPS, they know your location. It's a security nightmare.

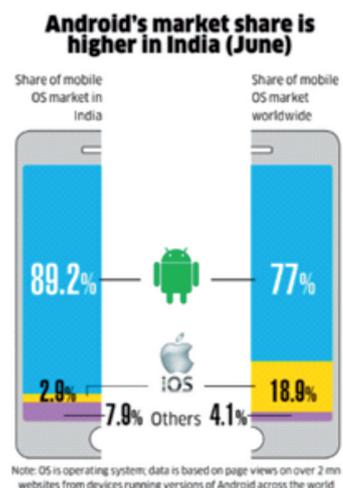
Companies that make operating systems (OS) for mobile phones — Apple's iOS and Google's Android occupy bulk of the market — know the array of techniques used by hackers to compromise phones. They are in a cat-and-mouse game with the rogue elements of the information age. They plug known vulnerabilities and loopholes by periodically updating their operating systems. They release newer versions of it and also issue security patches.

But in the case of Android, on which 9 out of 10 mobile phones in India run, there is a unique problem. Android is a foundational OS on which some of the most popular handset makers — such as Samsung or Xiaomi — build their versions of the operating system. This means when Android releases an update or a security patch, it's unclear who is responsible for updating the OS that's actually running on the device.

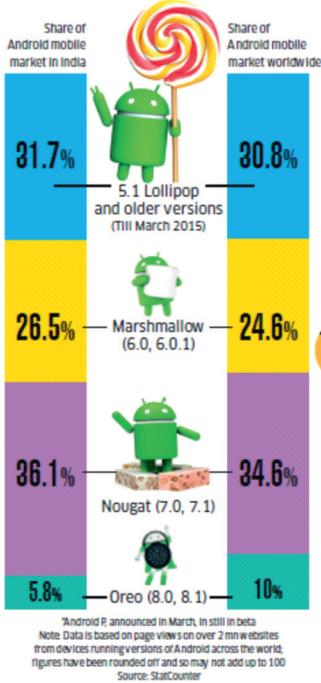
Phone makers release an update months after Android, if at all. There are hundreds of companies making Android-based devices, selling more than 60,000 models worldwide. It's a complex ecosystem, with no one quite tracking the updates and vulnerabilities.

A third of the Android phones in India are running a version of the OS released in March 2015 or before, according to analytics firm StatCounter. This leaves millions of phone users in India potentially vulnerable, and in an age when personal information harvested at scale can be weaponised to sway opinion and indeed elections, this hole at the heart of India's mobile security deserves wider attention. India has witnessed explosive growth in handset sales and data usage. There are now some 300 million smart phone users in India, the world's second biggest smartphone market after China.

This is expected to swell to just under 500 million by 2022, according to research firm eMarketer. With the entry of Reliance Jio, data costs have become affordable to just about anyone who can buy a smartphone. This means millions of excited first-time



Fewer devices in India have the latest Android version* (June)



users of smartphones with suboptimal understanding of security protocols, including what is safe to click and what might not be.

No one quite knows how they are using the internet and what apps are being installed on these devices. They are also likely to be less circumspect about sharing data with app developers. Most terms and conditions that users agree to tend to be in English. Fair to assume that many Indian mobile users are agreeing to things without quite understanding what they are agreeing to.

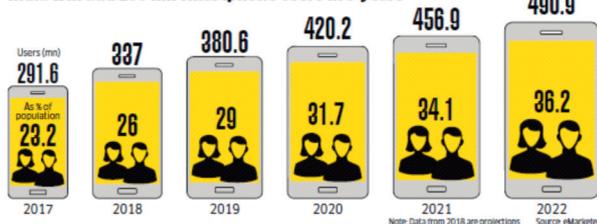
As we settle back into the chairs at his Delhi-based office, Modi says it is relatively harder to install

malware on Apple's iPhones. To install a hacking app on an iPhone, you need the unique device identifier — a sequence of 40 letters and numbers, which can only be accessed by connecting the phone to a computer via Apple's iTunes software. "It is far easier to install an app from an unknown source on an Android phone than on an iPhone," says Modi. According to data aggregated by Lucideus, Android (all versions combined) has 1,855 known vulnerabilities, compared with 1,495 for iOS.

Outdated privacy laws in India add to the woes of mobile phone users, say industry watchers. "In India, the regulations are weak at best," says Shiv Putcha, founder of telecom consultancy Mandala Insights. "You don't have a privacy law, no regulations around data storage or access to private data. If they (mobile phone makers and service providers) aren't storing data here, how can we be sure how secure our data is?"

The user has little chance of bringing culprits to book in case of a data breach, as most companies aren't liable to the user in India. "The business model (of the smartphone) doesn't fit local regulation, because there isn't one. As more cheap devices are sold, this problem doesn't just compound, it explodes," says Putcha.

India will add 200 mn smartphone users in 5 years



The Telecom Regulatory Authority of India (Trai) said this week the framework for data protection was "not sufficient" to protect

consumers. It also recommended that ownership of data generated by telecom consumers should rest with the users and not internet giants and mobile device makers. The government has woken up to the need for a strong data protection law, along the lines of the General Data Protection Regulation (GDPR) in the EU, and has set up a committee to look into it.

With smartphones and data becoming cheaper, the number of devices, apps and the time spent on these will increase. The ensuing data explosion gives hackers more opportunities to exploit. Nearly a decade after Android was commercially released in September 2008, the mobile OS developed by Google might be becoming a victim of its own success. The European Union slapped a \$5 billion penalty on Google earlier this week for abusing the market dominance of Android to push its search engine, a decision Google will appeal.

The world got a taste of large-scale hacking three years ago, when cyber security firm Zimperium said it had discovered a bug called Stagefright that rode on an innocuous-looking multimedia message to take over Android phones. Over a billion phones were reportedly infected.

Large-scale Risks

Modi says even legitimate apps can get your data by simply asking for access permission. While the Gionee phone used in this demonstration was running an Android 5.1, a three-year-old version of the OS, Modi warns this is possible on recent editions of Android as well, which are supposed to be far more secure. Besides apps, vulnerabilities are also found in the OS itself, chipsets or the cellular or Wi-Fi network.

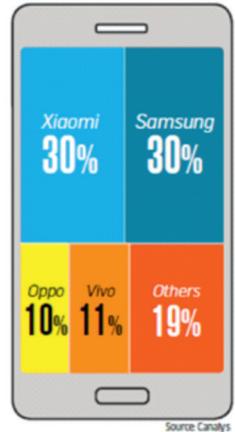
A fair number of phones in India are still vulnerable despite all the security patches, says Peter Eckersley, chief computer scientist, Electronic Frontier Foundation. "This problem needs to be tackled systematically by telecom companies and handset manufacturers. These people are in a position to send Google's security updates to their users, but usually don't. A bigger concern than individual phones being compromised is that vulnerabilities create large-scale cyber security risks, where a single piece of malware can infect a huge number of devices in a short period of time," adds Eckersley.

For the bulk of the over two billion Android devices in the world, Google provides the base OS and regularly releases updates or security patches. Handset makers such as Samsung, Xiaomi and Huawei make their own modifications to the operating system. The customisation could be tweaks, the addition of apps and features (like what Samsung does) or an overhaul of the OS to give it a different look (Xiaomi's MIUI being a case in point). Many manufacturers also offer their own app stores.

Xiaomi and Samsung are India's leading smartphone vendors

Share of sales in April-June 2018

Total units sold: **32.6 mn**



Android's Recent Security Lapses

April 2018: Vendors such as Gionee, Oppo and Lenovo had **missed four or more security patches**, Berlin-based Security Research Labs said after a study of 1,200 Android phones

March 2018: A news report revealed **Facebook got access to Android users' calls and SMS logs through its apps**, thanks primarily to lax permission standards in older versions of Android

November 2017: A report by Quartz said **Google had been collecting location data of Android users even when users had turned off location services**; Google said it would stop the practice

November 2017: Investigation by Yale Privacy Lab and Exodus Privacy revealed more than three-quarters of the **300 Google Play apps tested had hidden location trackers and targeted advertising**, among others

December 2017: Trend Micro Mobile Security found **36 apps on the Play Store that secretly harvested user data and tracked user location**; Google removed these apps later

Google's updates can take time to reach the users because the phone makers make modifications to the updates to factor in their features. Less than 6% of Android phones in India have the previous major OS release, Android Oreo (8.0 or 8.1), says StatCounter. Both Android Oreo 8.0 and iOS 11 were released in August-September 2017. Android P, announced in March 2018, is still in beta stage. Nearly three-quarters of iPhones, on the other hand, are running the last major release, iOS 11, or minor updates to that version.

Harmful Apps

According to Google, in 2017, India had the third highest percentage of phones with potentially harmful applications (PHAs) among the major Android markets, with 1% of the total Android phones in the country affected, though the figure had dropped by a third from 2016. Google says devices that install apps from outside the Google Play app store are nine times more likely to have PHAs. A Google spokesperson did not respond to India-specific questions but pointed to two measures the company has taken to improve phone security in the country.

One is a partner-certification programme that was launched in August last year. Devices of some 140 vendors come with Google Play Protect feature,

with automatic scans for malware. The company encourages phone buyers to look for the Play Protect logo on smartphone boxes ahead of purchase. It also ran a #SecurityCheckKiya public campaign earlier this year. Samsung, one of India's leading smartphone vendors by unit sales in April-June, says it provides monthly security updates to its top and mid-range devices, and quarterly security updates to the rest.

"Security updates by Samsung already include all the security patches of Android provided by Google and also include patches for other vulnerabilities discovered," a company spokesperson. ET

Magazine's questions to Xiaomi and Vivo, other major players in the market, remained unanswered. Updates, though useful, are usually not a favourite among users either. They fear these might make phones slower. There are also several who do not even know what an OS update or security patch is, and couldn't care less.

"If you don't have access to safe drinking water or medicines in your village, then mobile malware on your smartphone is hardly your biggest issue," says David Rogers, CEO of UK-based mobile security consultancy Copper Horse. iPhones are widely believed to be more secure because Apple controls both the hardware and the software.

Google's Pixel and, to an extent, the older Nexus devices also fall into this category. Developers say Apple is a lot more stringent in its app-approval process, too. The process involves more human intervention on iOS than on Android, according to Sean O'Brien, lead technologist, Yale Privacy Lab. "There is a wider proliferation of bad apps on Google Play (than App Store)."

Google is trying to bridge the gap on the app front. Last year, it removed 7,00,000 bad apps and 1,00,000 developers from Google Play. Last year also saw a 30% rise in the number of Android devices getting security patches, though it is not known what percentage of Android devices got the latest security patches. A study of 1,200 Android smartphone models by Berlin-based Security Research Labs revealed many companies do not issue security patches, as was being claimed by the phone makers. Handset makers such as Vivo, Oppo and Gionee have missed four or more security patches, according to the results of the study, first reported by Wired in April.

National Security Concerns

Lax permission standards in the older versions of Android were said to be primarily responsible for Facebook getting access to users' call and SMS logs through its apps, according to news reports that came out following the Cambridge Analytica controversy in March. Late last year, Trend Micro Mobile Security found 36 apps on Google Play that secretly harvested user data and tracked user location. Once notified, Google removed these apps.

A month earlier, an investigation by Yale Privacy Lab and Exodus Privacy revealed more than three-quarters of the 300 Android apps that were tested had hidden codes for location tracking and targeted advertising, among others. In May 2017, reports emerged that more than 36 mn Android users worldwide may have downloaded one or more of the 50 apps with a malware called Judy, which made use of the devices for false clicks on online advertisements.

Besides the violation of an individual's data privacy, there is also the matter of national security. Raghu Raman, former CEO of the National Intelligence Grid, who now serves as group president for risk, security and new ventures at Reliance Industries, says the problem goes well beyond the mobile OS that we use. "We tend to forget that the base hardware isn't made by us, nor is much of the software, including the anti-malware tools meant to keep us safe."

He does not think it is a great idea for the government to use the telecom gear we buy from a potentially hostile country, even if it is vetted by a friendly country. “We’ll just have two pieces of malware to contend with in that case, rather than one.”

Given the cloudy provenance of a lot of the apps we use, combined with the proliferation of Chinese handset makers, the government will have to keep a close eye on the situation. The last thing it needs is the personal details of millions of Indians ending up in the hands of non-state actors or countries that India is not particularly friendly with. The Defence Ministry in December asked security personnel to uninstall over 40 apps from their mobile phones, most of them Chinese, including WeChat, NewsDog and UC Browser. These remain among the most downloaded apps in India.

Raman fears someone can use contact information to geo-locate where an army commanders’ meeting is happening or where a group of important politicians are meeting. “I don’t even need their so-called confidential numbers. I just need the staff officer or PA’s contacts and I can say where they all are.”

BEST GOOD NEWS FEATURE



Tora Agarwala

Tora Agarwala won The PoleStar Award for Best Good News Feature for her article '**Hima Das: The girl who chases time**', which appeared in **The Indian Express on 8th Sep, 2018.**

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Previously a feature writer with the Conde Nast group of publications in Mumbai, Tora Agarwala is currently a journalist with The Indian Express. She has been covering a wide range of topics including politics, culture and human interest from Assam and the other sister states of the Northeast since April 2018. Tora completed her schooling in Assam before graduating with a degree in History from St Stephen's College, University of Delhi.

<https://indianexpress.com/article/express-sunday-eye/hima-das-the-girl-who-chases-time-5267672/>

Hima Das: The girl who chases time

For most of her life, Hima Das has faced life's challenges by running. She has run in rage and joy, after brawls and victories, and as if her life depended on it. The story of a young athlete from a village in Assam who won't stop, not till she has outrun the clock.

Tora Agarwala

The Indian Express | 8th Sep, 2018.



Hima Das never cries. But last week she did. Twice. The first time, silently, and in public, while millions watched her standing on the winner's deck in Tampere, Finland, as the notes of the Indian national anthem played in the background. The second time, she bawled. This was the morning after her record-making victory, in the privacy of her hostel room.

The night before Hima had slept fitfully. When she woke up and checked her phone, she had gone viral. In this emotionally charged moment, the otherwise hardboiled Hima, picked up the phone and dialled Assam. On the other end was her coach, a nonplussed Nipon Das, who had never seen or heard her like this. "What's wrong, are you okay?" he asked, as she sobbed uncontrollably.

A few days later, Hima gave an exclusive primetime interview to Prag News, a popular local Assamese news channel, from Finland. When asked about this rare spectacle of emotion, she giggled, embarrassedly and said, "Automatic ahi gol (The tears had come spontaneously)".

Actions like crying and emotions like fear and sadness aren't typically Hima Das things. Though throwing your arms open before a camera and shouting "Mon jai", is. Speaking a language you barely know without caring that you don't, is. Taking to task boys who annoy you, or anyone else for that matter, is. And, of course, running like your life depends on it, is.

"I don't think I even understand the full meaning of athletics. Sometimes I feel I don't know even know how to run," says Hima, earphones strung around her neck, fiddling with the drawstring of her hooded grey T-shirt. It's early July and we are sitting on the stands of Guwahati's Sarusajai Stadium, the athletic tracks on which a little over a year ago Hima had landed

for her first training camp, straight from the pothaars (fields) of her village Kandhulimari in Dhing.



How does she do it then? Hima shrugs, points upwards, and says, "It's just 'god gift'." Ten days after the interview, Hima clocks 51.46 seconds at the womens' 400 m final at the IAAF World Under 20 Championship 2018, in Tampere, creating history as the first Indian woman to win a gold on track at a global event — not even two years since she started professional training.

The Dhing Express

In its history, Dhing has been in the national news on two occasions. In March, in one of its remoter villages, a 11-year-old minor girl was raped and set on fire. The next month, Dhing hit headlines again, this time in sporting circuits. The girl who had trained in its lush green rice fields had made it to the 400m womens' finals of the Commonwealth Games (CWG) in Australia's Gold Coast. She came sixth, after clocking her personal best of 51.32 seconds on an international track. The Dhing Express — as Hima soon came to be called by her swelling fan club in Assam — had arrived.

"I didn't feel bad," says Hima, "In fact, I danced a lot right after the CWG got over. My coach had told me to 'go enjoy'. So I did 'full enjoy'." In a clipping from that evening, Hima can be seen dancing with abandon outside the stadium, oblivious to the cameras that panned in on her.

Back at her village in Kandhulimari, about 200 people had gathered in the porch of her house to see her run. A projector and a screen had been set up. A traditional Assamese band with dhul and pepa had been called. Minutes before the race, the power

went off and Kandhulimari plunged into darkness. “But we had arranged for a generator, and, ultimately, we did get to see her run,” says Hima’s sister, 15-year-old Rinti. Last week, when Hima won the gold in Finland, the power played spoilsport again, and the family missed watching their Hima accept her medal.

But this is the reality of small-town Assam — an accepted fate where electricity doesn’t return for hours on end, where floods are regular, and phone networks not. The day after she won her first international gold, as media, relatives and friends milled around her house, Hima called her cousin, Joy Das, several times to speak to the family, but every time the network would drop. “There is something up with the connectivity today,” Joy says, standing at the edge of the paddy field where Hima’s father works everyday, waving around his phone, trying to catch the best angle for network. It doesn’t work.

In the small group of people that plays a role in keeping Hima connected to Assam as she travels around the world, Joy is the messenger who sets up a video call between her and her parents every other day. Hima’s father Ranjit, a farmer, who was a fast runner himself, doesn’t own a phone with those features. Jonali, her mother, doesn’t own a phone at all.



The road leading up to Hima Das’s home in Dhing, Assam.

Running like your life depends on it

Hima grew up in a joint family of 17. Among her siblings and cousins, she was the one who stood out, the one who did things differently. When she was 15, she gathered the local village women and disrupted an illicit bootlegging business by one of her neighbours. The next day, the young man involved stood in front of Hima’s house and started shouting, “No one can stop me from selling alcohol”. Hima promptly went, picked him up and gave him a few solid swipes. The boy’s family lodged an FIR against Hima’s father, who, till very recently, would appear in court for this case.

Then again, she spent most of her early teen years pestering Joy to let her play football with the guys. “Even if I wasn’t a part of the game, I’d wait behind the goal. When the ball would come near me, I’d give it one solid kick and run off before they could see me,” says Hima.

Another time, when a local girls’ football tournament was

underway at Dhing, she went to her father. “Get me to play,” she had begged him. “Yet at other times, when she was much younger, she would tell me how she would one day fly on an airplane, and maybe even visit a foreign land,” says Ranjit, “But I would tell her. For those things, Hima, you need to study well, you need to play well.”

Hima took her father’s words to heart. Later, as she raced around tracks across the world, she would discuss her timings and techniques with him. And her father would wonder to himself, how his

daughter’s dreams had suddenly become a reality. Her mother, who says she didn’t understand the sport for very long, would worry about Hima’s safety and well-being. “When she first wanted to move to Guwahati, I did not want her to go,” she says. For Jonali Das, who rarely ever moves out of her tiny village in Dhing, Guwahati is a big city, rife with gondogul (trouble).

“But I would tell Ma that she shouldn’t worry, that very few things scare me,” says Hima, “And that I could always run off, even if they did.”

Because, running, for Hima, is second nature. She ran, in a fit of rage, when in Class III, a Tata Sumo — filled with village kids — was “too full” to accommodate her on a ride to school. She ran again, this time from her mother, when she reached home the same day, hair tousled and knees bruised from the fall that had resulted from her Sumo chase. And she continued running with steadfast determination — in tracks across Assam, in coaching camps in Patiala and Sonapat, and even in the rare races where she performed so poorly that she “wanted to give up midway”.

Hima Das’s parents (Jonali and Ranjit Das) and siblings (Rinti, Barsha and Barun) at their home.



Mon Jai!’

It’s perhaps because of the Assam’s politically sensitive history, its long fight to maintain its indigenous identity, its desire to be noticed by the mainland, that catapults its celebrities, be it sportsmen, actors or musicians, to legend-like status. The last big athlete Assam produced was Bhogeswar Baruah, who won a gold medal in the 800-m running event of the 1966 Asian Games. National attention to this part of the country is rare, and when a Bhupen Hazarika, a Zubeen Garg or a Hima Das emerges, Assam celebrates with fanatic obsession.

Hima’s last visit to Kandhulimari, in the first week of July, lasted less than 24 hours. About 2,000 people had gathered to see her. “Everyone wanted to meet her but she gave us time,” says Pinak Jyoti Bora, one of her closest friends. Bora met Hima a couple years ago when she was appointed the game secretary by the

All Assam Student Union's Dhing chapter. It was then that she also met Palash, Bhaskar, Bidanta, Rezaul, Jitu and Nayan. Soon, the eight of them became fast friends, who in their ripped jeans and shades, would play carrom, ride around their bikes, and basically "do mojja" (have fun). "But what really brought us together was Zubeen da. We are true Zubeen premis," says Bhaskar. In Assam — urban or rural — the music of the outspoken, and often controversial, singer Zubeen Garg binds the populace in unprecedented ways. "Hima even led a bike rally for Zubeen da's movie, Mission China," adds Bhaskar.

In 2017, Hima went to meet Garg in Guwahati as part of a fan club visit. "She came to me as a fan, left as friend," says Garg, "I realised that she was a khatra bostu (dangerous thing) the day I met her." Garg, who sees himself in Hima, often gives her advice about life. Just last week, when Garg expressed in public "how Hima should eat beef for strength", it stirred up a controversy in Assam. "You think she will conquer the world on chicken soup?" Garg says, "For sport, you need to leave your jaati, dharma and bhagwan." Right before she boarded her flight to Finland, Hima met up with Garg in Delhi. The selfie they took went viral in Assam afterwards.

Even when abroad, far from the paddy fields of Dhing, thoughts of home keep Hima centred. Minutes after her victory in Finland, as the Tricolour is handed to her, so is the traditional Assamese gamusa. A panting Hima tells a reporter, pointing at the scarf around her neck, "This is my state's tradition." Her now-famous catchphrase, "Mon jai", which in Assamese, means "I feel like", is Hima's way of acknowledging her roots. "There is something nice about saying an Assamese phrase outside," says Hima, adding, "Even back when I played football in Assam, too, I would throw open my arms and maaro a mon jai after every goal."

Today, "mon jai" is a hashtag she generously uses in all her social media posts, but if you delve deeper, it is so much more. It's the name of her favourite song by her favourite Zubeen da, it's her unfailing determination in her weakest moments, it's her fearlessness and confidence, but, more importantly, it's her way of describing anything she holds dear — a pet rabbit, a picture of her parents, or the Whatsapp group with her gang of seven.

"We talk every day on the Mon Jai group about sport, music, food, but we also talk about important things. I know they have my back," says Hima. Before she enters the Asian Games in Jakarta next month, her friends, too, are planning to streak their hair blonde Hima Das style. "She keeps asking us if we have done it," says Bora. A few weeks ago Bhaskar gave it a test run. "But the colour turned out all wrong! Then I had to put Super Vasmol 33 Kesh Kala (a colouring agent) on it to get my original colour back," he says. That incident made Hima laugh herself silly.

Talking like boys, acting like boys, hanging out with boys — did tongues ever wag in the conservative village of Kandhulimari as Hima grew up? "Let's not get into that," sighs Hima, "Let's just say, my mind is different. My attitude is different. And no one understands me the way my friends do."

'I am ready, Sir'

On her last visit to Assam, Hima was felicitated by the state's Governor in Guwahati's Raj Bhavan. In this closed-door by-

invitation-only private ceremony, Hima sat next to the Governor. And as the men and women from various ministries of the government discussed her diet, her passion, style, and her in-born talent, Hima remained unusually quiet.

Or so you would think. Across the table, Hima was in the middle of a roaring non-verbal conversation of her own. She would wink surreptitiously and show the thumbs up sign, when she thought no one was watching. These signs were directed at the two men who were sitting diagonally across her: her coaches Nipon Das and Nabajit Malakar.

Later, she admits, "It's like the three of us have the same heart. Like, I can tell you right now what's going in their heads." Das and Malakar spotted Hima during a trial camp in Guwahati in January 2017. "I didn't even know her name, but I knew her as the girl who would keep calling me about hostel accommodation for new entrants to the camp," recalls Das, "I ended up saving her number as 'Trial Camp' and whenever 'Trial Camp' flashed on my phone, I knew it was that girl calling about accommodation."

But, slowly, Das couldn't help notice that there was something different about Hima. "It was the way she did her exercises, the way she ran — that energy was something else," says Das. The next month Hima competed in her first national competition, Khelo India in Gujarat. "She won the bronze medal in 100 m and clocked in a timing of 12.42 seconds," says Malakar, "We asked her to come train with us in Guwahati."

"I told them 'moi ready Sir' and I packed my bags and moved to a one-roomed rented accommodation in Guwahati," says Hima. Those were the tough days: money was a problem, spikes were a problem, the leaky roof of her tiny room was a problem. "When I came to Guwahati, I knew nothing. I didn't know how to wash clothes or cook, I was never into household chores. I hated all that. But I loved running," she says.

And that made the difference. "She was supremely dedicated. No matter what she went through the night before, she would be at the tracks every morning, on time," says Malakar. Over the past year, Das and Malakar have become Hima's strongest support system, they are the people she texts every single day, whichever part of the world she is in.

'English mari diu niki?'

During her first few games across the national sporting circuit, Hima became famous as the girl from Assam. She would wear her shades, her patchy jeans, tie her hanky around her knee — "and walk around bindaas, completely 'yo' type," says Malakar, who continues to tease Hima about that. After her first trip abroad to Bangkok, where she had gone to compete in the second Asian Youth Athletics Championships, the streak of blonde in her hair became more pronounced. "We asked her — 'What on earth have you done to your hair?'," says Malakar. To which, Hima had said, "Sir, just you wait, this will become a trend one day."

Her relationship with her coaches has been the cornerstone of Hima's discipline. Before heading into a race, Hima always gives them a rough estimate of how she will fare. "And rarely has she been off the mark," says Das. In November 2017, when Hima got

selected to train in the Senior India Camp in Patiala, Russian Olympic bronze medallist Olympian, Galina Bukharina, took over as Hima's coach. "It's true Hima still speaks to us every day about her sport, but we do not interfere with how Galina ma'am is guiding her," says Das.

Hima is very close to her "Galina ma'am" too. They communicate in English, a language that does not come naturally to her, but that's hardly a deterrent for someone like Hima. On the sidelines of athletic tracks, she interacts with reporters with disarming aplomb, her Assamese conversation is peppered with English words, and she listens to English songs even if she, by her own admission, "doesn't understand all the lyrics."

"Before a public appearance, she sometimes jokes to me 'English mari diu niki?' (Shall I wing it in English?)," says Malakar, who adds that Hima always mentions them both at every opportunity she gets. "She once told me, 'If I am going to fly, I am not going to fly alone. I am going to make you fly with me.'"

"The only thing I fear is time"

On Thursday night as Hima created history in Finland, in his small home in Assam's Morigaon district, a man name Md Shamsul Hoque shed tears of joy. "I had to keep replaying the video because I was weeping so much," he says. In 2012, Hoque was a physical education teacher at the Navodaya Vidyalaya in Nagaon. In one of the inter-school camps, which included yoga programmes, PT sessions, "lozenge" races and dodgeball, Hoque noticed a girl who would reach before practice started, sometimes even when the gates were closed. "In the ten days that followed, the girl went on to win all the races we had organised," says Hoque, who then called up the Nagaon Sports Association and informed them about Hima. "This girl can run. Invest in her," he told the authorities.

It's Hoque's intervention that got Hima into athletics, who, till then, was playing football in local tournaments around Assam. After her first national medal, Hima came back to Nagaon, and

went straight to Navodaya Vidyalaya, and strung it around Hoque's neck.

Before her Finland game, too, Hima called up Hoque, as she does all her coaches, to seek his blessings. In the race that followed — the one that got the world to sit up and take notice — every one talks about Hima's sudden burst in the last 100 m stretch where she shot ahead like a catapult. But this trend of judiciousness in the beginning followed by mad speed in the last stretch is fast becoming Hima's style. "Even in the game before the Finland one, in Guwahati, it was in the last 60 metres that she caught up and passed her opponents," says Das.

Time and again, Hima has insisted that what she cares about is timing, not medals, not laurels, not world rankings. "The only thing I fear is time. I am not running after gold medals, I am running after time. And once I get that, gold medals will run after me," she says. Currently, Hima's personal best on a domestic track for 400m is 51.13 seconds, which she clocked in Guwahati's Sarusajai Stadium in June. A few days later when we meet in the same stadium, she admits "When I am on track, I am a different person." Between the squatting on the starting block and the shot of the starting pistol, Hima hears nothing, sees nothing. "All I know is that I need to run," she says. "The people around me could be Olympian gold medalists. But I don't take tension. If I do, how will I run my race?"

Neither is she distracted by the 9,000 posters of her that dotted Guwahati on that visit. "My father once told me: 'Don't let fame get to your head. The day you do, it will be the end'," she says, adding that the posters, instead of making her feel grand and self-important, makes her feel "nervous but motivated."

At her aggressive best, and only to her closest friends, Hima is known to use an Assamese colloquialism "Phali dim" which loosely translates to "I will own it/I will conquer it". She types it out on the Mon Jai Whatsapp group before she heads into a race, she whispers it into Malakar's ear before she speaks at a public function, she says it to herself in her head before any reporter asks her for a byte in English. The magical bit about Hima Das is that right after she says it, she actually does it.

JURY SPECIAL MENTION AWARD



Jyotindra Dubey

Jyotindra Dubey won the PoleStar Jury Special Mention Award for his article **'The Binary-Options Black Hole: Forget about making money, it will suck in what you have'**, which appeared in **ET Prime on 10th June, 2019**

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An economics gold medallist and a management post graduate, Jyotindra Dubey, who is currently freelancing with various publications including ET Prime, has a decade-long experience in business journalism. He has worked with publications such as Business Today, Hindustan Times, Newscorp VC Circle, and CNBC TV18. He is an expert in leading investigations that require reading financial data with forensic accuracy and uncovering corporate scams.

<https://prime.economictimes.indiatimes.com/news/69718050/money-and-markets/the-binary-options-black-hole-forget-about-making-money-it-will-suck-in-what-you-have>

The binary-options black hole: forget about making money, it will suck in what you have

Jyotindra Dubey

ET Prime | 10th June, 2019.

Run by offshore companies, platforms like Olymp Trade lure investors with promises of handsome returns. But the reality is different: even if a trader has equal number of wins and losses, the final earnings are less than the money invested. And in case you want to withdraw what's left, they will block your account.

By Jyotindra Dubey

“How can you not allow me to withdraw my own money?”

Sudhakar Rane (name changed) was bursting with anger when he called the helpline of online forex-trading platform Olymp Trade.

“You need to complete trade volume of USD3,000 before you start withdrawing profits,” the operator replied. “But don't worry, Sir. Profits are much more when you invest more.”

“USD3,000? I was told the minimum amount to trade on your platform is USD10, I still paid USD200 and made a profit of USD50, which I want to withdraw now,” Rane yelled.

“You need to make fresh deposits to reach the required volume of trade for withdrawal. It's company policy,” the operator said politely, before hanging up.

Rane deposited USD600 more to his account to reach the 'required' volume. Soon, his broker, who helped him make the USD50 profit, called. This time, he asked Rane to make a big bet, and in 30 seconds, he had lost USD800. Rane was now eligible to withdraw, but had zero balance in his account.

Olymp Trade allows you to trade on binary options of 36 currency pairs along with commodities, leading US-listed stocks, indices, and crypto assets. The platform boasts of having 20 million clients from almost 120 countries, with 25,000 users actively trading on the platform every day, according to its website.

One common thread between Rane, a 46-year-old administrative professional from Nagpur trying to build a retirement fund, and a bunch of other victims ET Prime spoke with is the desire to make high returns quickly. This makes them easy prey. They are lured by marketing campaigns and aggressive sales pitch. Some of the leading national dailies carry advertorials on Olymp Trade.

How Olymp Trade operates

The platform lets you trade on an exotic financial product –

binary options. As the name suggests these options can only have two outcomes – a 'yes' or a 'no' bet on the price movements of a financial asset.

For instance, you bet at 12pm whether the exchange rate of a particular currency pair will increase or decrease by 12.01pm.

The Olymp network	
Group companies	Function
Industris Ltd, Saint Vincent and the Grenadines	Owns the trading platform
Wallfort Ltd, Cyprus	Payment agent
Smartex International Ltd, Saint Vincent and the Grenadines	Operates the affiliate programmes
Group websites	Function
Olymptrade.com	The trading platform
Kingfin.com	Affiliate programme
Finfalcon.com	Affiliate programme

Source: ET Prime research 

No actual buying or selling of gold takes place, just a wager on the rise/fall of price. You get a predetermined payout if the prediction is right, and lose everything if you go wrong.

Here's an example. The current USD-SGD rate is 1.37362 and the broker offers you an 80% profit if the exchange rates go up to 1.37363 in next 60 seconds. You place a “buy order” on the Olymp platform if you expect the rate to go up and a “sell order” if you predict otherwise. Suppose you placed a USD100 “buy” bid for a 60-second expiry. At the end of that time interval, if the rate is 1.37363 or above, you earn USD180. You lose your deposit of USD100 if the bet goes wrong.

Olymp Trade, formed in 2014, is run by an offshore company, Industris Ltd. It is registered in St. Vincent and the Grenadines, a tax-neutral island nation located in the south Caribbean region. The overall operations of the trading platform are run with the help of two more offshore companies, as well as two additional websites (see graphic).

An offshore company, also termed International Business Corporation (IBC), is exempt from all local taxes (except a small fixed annual fee), making it an attractive proposition for binary-trading platforms.

Besides taxes, these locations also offer confidentiality through ‘shadow’ directors, hiding the real beneficiaries (owners) of the company.

How clients are duped

The modus operandi of Olymp Trade is very simple — make your clients trade more so that they lose more. In case of binary options, you are playing against the house. The more you lose, richer the broker is.

What if the trader is gifted and keeps winning? Many such trading platforms have been accused of manipulating the software. They don’t allow traders to place a bet when there are better chances of booking a profit, and the volatility of the trade is such that a few seconds of delay in placing an order can change the outcome. These platforms have also been alleged of manipulating asset prices. In case you end up winning, they try delaying the withdrawal with tedious paperwork. They have also been accused of blocking clients’ accounts without providing sufficient reason.

Rita Mendonca, a mid-level management professional from Mumbai, was duped in a similar fashion. She had invested USD200 with an online binary broker, 70Trades. In around a month of trading, she managed to triple her initial investment and wanted to withdraw some of her profits. But the broker kept delaying through a load of paperwork.

“One day they asked me to send them details and copy of my credit card. They wanted to ensure that the credit card through which I made the initial deposit belongs to me or not. I got really suspicious and refused to provide them the details as it was unwarranted,” says Mendonca.

Meanwhile, the assigned broker kept pressuring her to continue trading on the platform as the signals were strong. Succumbed to the sales tactics, she ultimately lost all her money in just one trade.

Widening base with a multi-layered model

Olymp Trade runs advertisement campaigns and online posts that entice investors with promise of huge returns. It especially target people in the 25-40 age group, who may have done an Google search on the ways to earn extra.

The platform’s primary focus is to build a network and generate maximum leads as quickly as possible. Olymp does that in two ways:

- Through company-sponsored ads on social-media platforms, where you sign up with basic details such as e-mail and phone number. The boiler-room operations begin from here.
- By generating leads through affiliate programmes. Olymp Trade runs two affiliate programmes via two platforms -- Kingfin.com and Finfalcon.com.

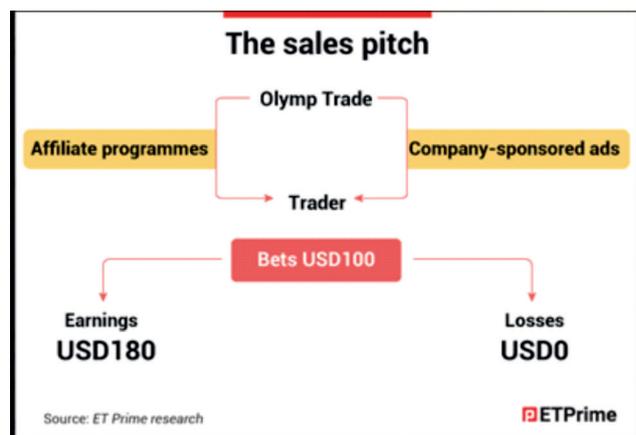
Someone joining Olymp as an affiliate needs to bring traders to the platform and make them pay the initial deposit. When the trader signs up, he is directed to a binary-options broker. The affiliate gets paid as soon as the trader makes a deposit with the broker.

The affiliates get a 50%-60% cut on the deposits made by the traders they bring in. Additionally, they get a similar share on every penny the broker earns from the clients. Also, if a trader under the affiliate refers more people to the platform (second-level traders), the affiliate gets 10% from the new deposits and revenue share too, resembling a multi-level marketing scheme.

The last step is to increase the stickiness of the platform. If a trader doesn’t trade enough, then the agent uses high-pressure sales tactics such as promises of bonuses and better leverage.

But how does the broker earn?

The broker and the affiliates make money when more traders lose their bets. Affiliates are the people promoting the brokers on social media. More he earns, more he promotes the product.



Building legitimacy

Not just social-media ads and blog posts, there are two more tools that add a crusty layer of credibility to the entire business.

1. Regulators: The most compelling credibility builder is the presence of a regulator. It lends a sense of safety to an investor. Financial markets across countries are regulated, be it CFTC in the US or Sebi in India. To gain the trust of their clients, binary-options platforms claim they are regulated by an independent entity.

Olymp Trade boasts of being regulated by Hong Kong-based The Financial Commission (FinaCom). Formed in 2013, FinaCom currently has 38 members.

“FinaCom is a self-regulatory body unlike CFTC, FCA or Sebi which are authorised by the respective governments,” says AlenTepfer, who runs Dispute2 LLC, a US-based company to assist financial-crime victims. “Also, it’s entirely funded by the fees paid by its members it is supposed to regulate, a clear conflict of interest.” Moreover, FinaCom’sdispute-resolution ratio is very low: 40% of the overall complaints it has received since 2013 remain unresolved.

Many other binary-options trading platforms are regulated by Cyprus Securities and Exchange Commission (CySEC), the authorised financial-regulatory agency of Cyprus.

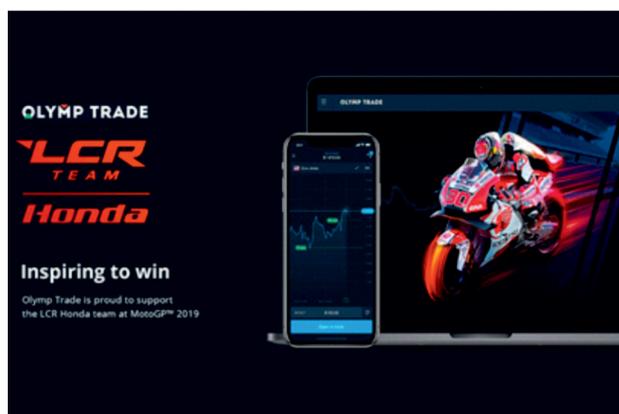
FCA in the UK and CySEC in Cyprus are both popular regulators when it comes to regulating brokerage firms, but there are some major differences which make CySEC a weak regulator when it comes to protecting investors.

The FCA-regulated brokers are obligated to keep client’s funds and company’s own funds in a separate account, while CySEC-regulated brokers don’t have any such obligation. So, if a CySEC-regulated broker gets into financial trouble, the traders also loses money, which is not the case with FCA regulation.

“CySEC is also the only regulator that actually charges a fee from those who want to file a complaint. It’s not very high (EUR20-EUR40), but is a major barrier,” Tepfer says.

Cyprus is home to multiple online binary-options brokers. A typical online binary-options broker is run by a company registered in an offshore country, and in addition it will have another company registered out of Cyprus, which the platforms call their payment agent. This offers them the respectability of being a part of the European Union, with minimal regulation.

2. Sports sponsorships: Sponsorships is one of the most effective ways to increase acceptability. Just few days ago, Olymp Trade joined hands with LCR Honda, a MotoGP team, as an official sponsor for the season 2019.



Sports sponsorships increase brand equity, but does it guarantee authenticity?

Historically, there have been instances where companies involved in scams were associated with sports to gain initial visibility.

For instance, Israel-based Banc De Binary – a company involved in world’s biggest binary-options scam till date, for which CFTC fined it USD11 million – had earlier tried to sponsor English Premier League club Southampton FC. The partnership was called off for no particular reason. Many past binary-options scams that were busted had been traced back to Israel.

Back home, Rose Valley was the principal sponsor of Kolkata Knight Riders for two consecutive IPL seasons (2012 and 2013). Two years later, it was at the centre of a INR60,000 crore chit-fund scam.

Similarly, Sahara India was the title sponsor for the Indian cricket team for three years (2011-2013), and co-owned F1 team Force India along with Vijay Mallya’s UB Group. It also had interests in many others sports such as badminton, Golf, etc. Soon after, owner Subroto Roy was arrested for irregularities in fundraising schemes of Sahara India group.

Legit investment or a gamble?

Even for a trader with sound fundamentals who gets the overall market direction correct, predicting such minute-by-minute fluctuations is virtually impossible.

“If you lose, you lose 100. But if you win, your never win 100, you always win less. So, unless you’re going to have a win ratio of around 60% or more, you’re guaranteed to lose money in the long run,” says Tepfer. Hence, statistically, binary options as an investment product has higher propensity to lose.

For example, as the graphic below shows, even if a trader has equal number of wins and losses, the final earnings are less than the money invested. Here, the trader ends up losing 10% of his/her initial investment.

	Outcome	Investment	Payout
Bet 1	Won	100	180
Bet 2	Won	100	180
Bet 3	Won	100	180
Bet 4	Won	100	180
Bet 5	Won	100	180
Bet 6	Lost	100	0
Bet 7	Lost	100	0
Bet 8	Lost	100	0
Bet 9	Lost	100	0
Bet 10	Lost	100	0
Total		1,000	900

All figures in USD
Source: ET Prime research

ETPrime

“Companies regulated by the CFTC, US are bound to disclose the win ratio in the fine print. Binary-trading companies disclosed a win ratio of mere 20% on an average. I wouldn’t consider something an investment in which 80% of the people lose their money,” Tepfer says.

Given this nature of the product, binary options fall in the grey area, a crossover between gambling and financial investments. In the UK, until January 2018 the binary-options trade was overseen by The Gambling Commission of UK before coming under the supervision of Financial Conduct Authority (FCA), the financial regulatory body of the UK.

Binary options are facing bans in the West because of its speculative nature, as well as the suspect nature of unregulated companies that run these platforms, leading to scams. According to FCA, estimated average daily losses due to binary-options scam exceeds GBP87,000 in the UK alone. The regulators in the European Union, the UK, Russia, etc, have already banned binary options.

Binary options are legal in the US, although it is highly regulated. They are available for trade only on a Commodity Futures Trading Commission (CFTC)-regulated exchange, called NADEX. Since NADEX is an exchange and not a broker, traders are playing against each other and not the house, reducing chances of foul play.

With crackdowns in the West, brokers such as Olymp Trade have shifted their focus to countries like India, where there is no clear regulation regarding online binary-options brokers.

Loopholes and violations

Market regulator Sebi does not have any clear guidelines for regulating foreign-registered binary-options brokers. It bans domestic brokers from offering binary options but haven't come up with any framework or advisory for the Indian investors. This leaves a legal loophole. There hasn't been any action against any of the online binary-options brokers operating and duping investors in India.

"In India, Sebi doesn't allow trading in binary options on any regulated derivative exchanges – BSE, NSE, NCDEX, or MCX. But there are no such guidelines from Sebi for brokers registered outside India. However, RBI has a guideline on this which does not allow remitting money to online forex brokers registered outside India," says Vidisha Krishnan, partner at MVKini, a Mumbai-based law firm.

Remitting money towards foreign-registered online-trading portals violates the Foreign Exchange Management Act (1999), according to the RBI notification in September 2013.

Another major violation the online brokers commit is that they allow investors to use their credit card to trade on their platforms. In India laws clearly states that you cannot put money into any financial product using your credit card.

"These online brokers are registered in offshore countries and are not registered as financial or investment companies. So, any remittance made towards them from India looks like any other credit-card purchase and doesn't show up as trading activity. Thus, it becomes difficult for the banks to track such transactions," says Nithin Kamath, founder and CEO of Zerodha, one of India's leading stock brokers.

Moreover, these platforms also give their traders crazy amount of leverage. If you open an account with, say, USD200, the broker allows you to trade around 20x-100x of the initial deposit. This means the investors can lose much more than their initial capital. This can swell to enormous amounts when using a credit card.

Who is going to investigate these frauds? Who is going to prosecute them in case of fraud? The owners are unknown and Sebi does not regulate them.

These platforms set up shell companies in places like St. Vincent and Grenadines and then set up another shell company in the EU region for processing the payments. They use a combination of the shell companies and payment-service providers just to move money around. The real beneficiaries are never known.

There are other instances of one company running multiple trading platforms. Binary-trading platform 70trades is run by Vanuatu-registered Commodius Ltd. The same company also operates another platform called A3Trades.

There are few investigative agencies who help the victims track the real owners and help in settlements. Also, there is a recovery cost involved. Someone who has lost, say, USD200,00-USD300,000 might be willing to spend USD20,000 to recover it, but if someone loses USD3,000-USD4,000, how much can he afford to spend?

Yasmeen B (name changed) earned a profit of USD300 on Olymp Trade, but the company deducted 50% of the account balance without giving sufficient reasons. After hounding the company for several weeks, she sought legal advice. "There was some chance of accountability if the company was based in India, but in this case, I had no recourse," she says.

There is an isolated case where the police busted a company that was operating from Vadodara, Gujarat. The police arrested two employees of XDirect facilitating foreign-exchange trading without a licence. The platform also offered binary options.

The bottom line: only putting a ban won't help

Binary-option products come under both RBI and Sebi because they violate both FEMA Act as well as restriction on binary-option trades.

The first step should be to put a permanent ban on all online binary-options brokers, like many other countries did. Secondly, RBI should completely blacklist accounts of the brokers involved and bank should not allow any remittances toward these accounts. Besides regulation, educating investors about the risks of binary trades will play a crucial role.

Kamath from Zerodha agrees. "Just putting a ban will not serve the purpose. Who's going to do the [due] diligence, and who's going to figure [out] who's a broker? I think it has to come through education. This is more than a tier II and tier III problem, [where people are] trying to get rich quick."

Queries sent to Sebi and RBI did not receive any response at the time of writing this report.

Online ads are a major culprit but are not in the purview of the regulators. "So, if a user gets carried away by dream of making 5x-10x returns quickly through an ad, there is no way we can stop them," Kamath adds.

“Everything looks right, until there's a problem,” Rane says. “In hindsight, I would have rather betted on a flip of a coin than on binary options, but they seemed so legit back then.”

Just a few days after I came to know that I was being duped, I was watching TV and saw this ad — Mutual Funds, Sahi Hai! I realised how I ignored legit investment instruments, and ended up getting carried away for something too good to be true. I feel, a similarly expansive campaign will create the right noise about about binary option,” Rane says.

ET Prime sent detailed queries to Olymp Trade regarding its legality in India, accusations of fraud, and the identity of the owners. It replied: “The company is the member of the Financial Commission, which is our regulator. You can view our certificate here: <https://financialcommission.org/olymp-trade/>. This shows that we are a reliable broker with a high security level. We work since 2014 and we have more than 3 million users all over the world.”

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