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SHERLOCK IN THE WORKPLACE

Why India Inc is seeking the
services of investigators
like **Naman Jain** of
Sleuths India

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Suman Layak

"Is there any point to which you wish to draw my attention?"
"To the curious incident of the dog in the night-time."
"The dog did nothing in the night-time."
"That was the curious incident," remarked Sherlock Holmes

— Exchange between inspector Gregory and Sherlock Holmes in "Silver Blaze"

Cilip Shah (not his real name) had perfected the art of living a double life. At his work place, Shah was the perfect loyalist, with 35 years in the company. He had the owner's ears and was his eyes. When Shah would leave for home, there was no reason to second-guess his moves. He did not have an opulent lifestyle or a covert life after sundown.

Shah did nothing in the night-time.

But he had his secrets.

Shah had perfected the art of making money out of the company's suppliers. All these transactions were done in cash and all cash was invested in properties. In fact, he had around 15 times his regular savings invested in properties. He left no trail, neither electronic nor paper. With his experience in the company – Shah was in his late 50s – it was possible for Shah to skim the supply chain smartly.

That was the curious incident.

Forbidden fruit of course has to be bitten into. Shah, for his part, occasionally enjoyed his secret wealth by dining at high-class restaurants.

Shah's spurts of the lavish life didn't go unnoticed, and duly made his boss suspicious; he called in the investigators, from a Big Four audit and accounting firm.

Initially, they found nothing apart from his occasional dining splurge. But the gut-feel of the fraud-trackers told them that something was amiss, so they kept

at it. Then one fine day at a social setting, Shah couldn't resist bragging about his knowledge of properties. That was just the opening the investigators were looking for – and for them to begin digging into his asset trail. It was only a matter of time before they dug up the hidden treasures.

When confronted, Shah broke down. He confessed to building his wealth with bribes from suppliers. The owner of the business was aghast and heartbroken.

Indian businessmen have now braced themselves for such heartbreaks. Even as corruption in business has become a scourge with scandals involving thousands of crores and countless businessmen and politicians, within the corporations themselves promoters are grappling with graft and bribery that can play havoc with operational and financial performance.

There are two obvious options to deal with such situations: tighten

processes and systems to minimize such leakages; and take recourse to police and legal action when crimes are detected. It's, however, between these two extremes that exists another avenue for keeping criminal activity in check – call in the detectives.

Think detectives and the first impression is that of gumshoes operating out of holes in the wall and thriving on bread and butter assignments like infidelity checks and spying on spouses. Today,

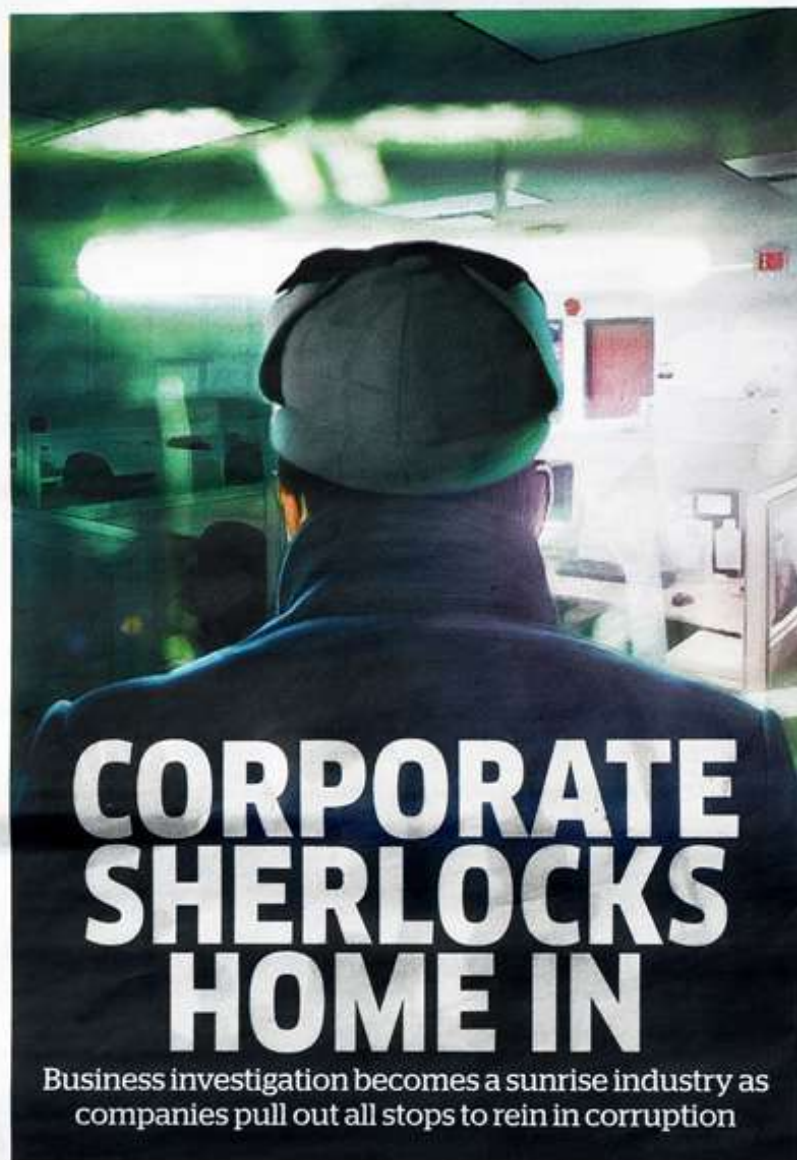
however, the branch of business investigation has evolved and is a far more intense and professional one. With the entry of the Big Four audit and accounting firms and foreign investigation firms, the services on offer have a huge range and depth. These investigators rely a lot on human intelligence, marketing intelligence gathering, tapping of anonymous sources on top of public document searches and analytics. The assignments they pick up range from investigating fraud and espionage from within (by employees) and without (by suppliers, competitors and others).

Consider for instance, this petrochemicals company that faced repeated thefts of petrol whilst transporting from its refinery in Gujarat to Rewari in Bhopal. The company engaged the services of a detective firm whose men kept a track of the entire travel of the oil tankers and soon unearthed how and where the petrol was being stolen.

Choose Your Sleuth

Meet Reshmi Khurana, India managing director for Kroll, a New York City-headquartered corporate investigations and risk consulting firm. A former McKinsey hand in New York, Khurana had moved to investigations in Kroll, which was looking for people with understanding of business processes. Kroll had experience of handling investigations globally – from high-profile kidnappings to tracking down Saddam Hussein's assets – but needed people who, as Khurana puts it, "know how money is stolen from businesses, like channel stuffing in the retail industry, or round-tripping in the gems and jewellery industry."

Or take Dhruv Chawla, executive director of PricewaterhouseCoopers (PwC) who relocated from the US to India recently. Chawla confesses he is still convincing his wife that moving back to India was a good idea. He needed little convincing himself, having been mandated with the task



Common ways of hiding bribes

Capitalizing bribes paid to set up a factory, office and shop

Bribes paid in cash and recorded fictitiously under repairs and maintenance



Bribes paid through dealers and distributors and recorded as annual performance bonus payments

Expenditure on giving gifts recorded under reimbursement for meals, refreshments or travel

Funds spent on liaising with government offices recorded as retainer fees

How can an investigator help gather information about competition in a bidding situation?

Find information about the people who will decide on the bid

Find information if any of the competitors are related to the people who will be deciding on the bid

Is the competition getting better data from a different source?
Find out what data has been given to the client

of setting up a forensic lab for PwC at the cost of \$1.5 million (₹9-10 crore) eight months ago.

Then there's Naman Jain, managing director of Delhi-based detective agency Sleuths India, which offers services ranging from the personal to the corporate; Jain lets on that 70% of his business today comes from corporate clients. His offerings include corporate espionage, skip-tracing (finding missing people), background checks, patent and insurance-related investigations, mystery shopping and surveillance.

Another Big Four firm KPMG too has brought in some senior partners for its services - Ritesh Tiwari from Australia and Jagvinder Brar from the US. And Deloitte has roped in, amongst others, Amit Bansal from the infrastructure industry and trained him in forensics to serve the investigative needs of the vertical.

Deloitte's senior director Rohit Mahajan explains that the firm is offering a wide range of services for different industry verticals. "As frauds are becoming more industry specific, we create industry-specific solutions like competitive bidding and toll road frauds in infrastructure or stress assets in banking, good manufacturing practices in pharma or front running [when a broker takes advantage of advance knowledge from clients to trade on his own account]."

Dinesh Moudgil, himself a former dealer and today executive director for assurance at Ernst & Young, heads what is commonly called 'background checks'.

The service however goes far beyond just that - in fact it checks on companies that are being invested in and their promoters and their connections.

Sandeep Dhupia, head of forensics at KPMG, says that one area of investigation that worries companies a lot is sexual harassment and, for every senior hiring, prospective candidates are checked out. "How do they behave in parties or how do they behave in offices are some of the questions we are being increasingly asked to address," Dhupia says.

The answers lie with the people who know the candidate and Dhupia's team has to coax that information out through gentle prodding and discreet inquiries.

That calls for people with an ear to the ground and nose to the grindstone. Large field teams of sleuths work on these cases, comprising former policemen and even former investigative journalists. 'Interview skills' or 'an inquisitive mind' are two key attributes needed. As well as the ability to handle confrontations delicately.

Often at the end of an investigation the investigators interview the subject in the presence of the HR and legal representatives. The idea is to get the subject to own up. Apart from skills it needs sensitivity as the scenes may become emotional.

Need for Intelligence

Both Jain of Sleuths India and Khurana of Kroll confirm that there has been an at least 50% annual growth in demand over the past two years for business investigations. The demand for detectives today goes far beyond the usual background checks on hires and compliance with the US Foreign Corrupt Practices Act.

It may be tempting to conclude that during a downturn demand for investigation services increases as businesses strive to squeeze out profits and eliminate wasteful expenditure. But that may only be partly true. "Our business is nicely counter-cyclical," points out Khurana. "During the boom time we investigate investee companies' backgrounds - those that cash-flushed busi-

New age investigators rely a lot on **human intelligence, marketing intelligence gathering, tapping of anonymous sources** on top of public document searches and analytics



Reshmi Khurana
India head of Kroll, global investigations firm

"If there are five scandals out in the open, there are at least 15 that are not"

With the entry of **Big Four audit firms and foreign investigation firms** the services on offer have a huge range and depth

nesses want to invest in or buy - and during downturns we try to find where the money went."

Private equity (PE) firms, which are scurrying for largely elusive exit routes after investing during the boom years, are one source of demand that is a constant in this industry. If an investee company, for instance, hasn't lived up to expectations and the PE investor has doubts about how the money was spent, it can opt for an investigation.

PE investors have since wised up and now started doing this kind of covert due diligence on their investments before putting in their money. "Earlier it would be finding out what went wrong. But now PE firms come to us first. I call it 'hurdle diligence'. PEs use this as a hurdle and only when crossed would they proceed with their investment process," says Dhupia of KPMG.

Kroll has also seen a lot of private sec-

tor banks troop in with cases where their loans have turned into non-performing assets. The challenge here is to figure if the liabilities are a courtesy of a genuine case of business not doing well or if the promoter has siphoned off money.

Another reason for the growing need to do covert checks on backgrounds has been the unravelling of the 'political connections advantage' in India.

Consider this example. Dhupia says he once got a request for checking out the vendors of a particular company. A questionnaire sent to the vendors by the company revealed that all 30 vendors had political connections. "When we inquired, we found that these connections were vague and were virtually non-existent. However, since the vendors thought it would be counted as an advantage, they ticked the yes-box." They had no idea that political connections have turned from an asset to a liability. A firm gaining an advantage out of its political patrons can often face the brunt of the ire of political opponents after an election.

Keeping a check on vendors - local and international - keeps investigators busy. Says Moudgil of E&Y: "At least a fifth of all the work we do comes from Indian clients asking us to check on foreign subjects [including foreign inves-

Naman Jain

MD, Sleuths India
"I have PSU clients and have also done work for Central and state government departments"

