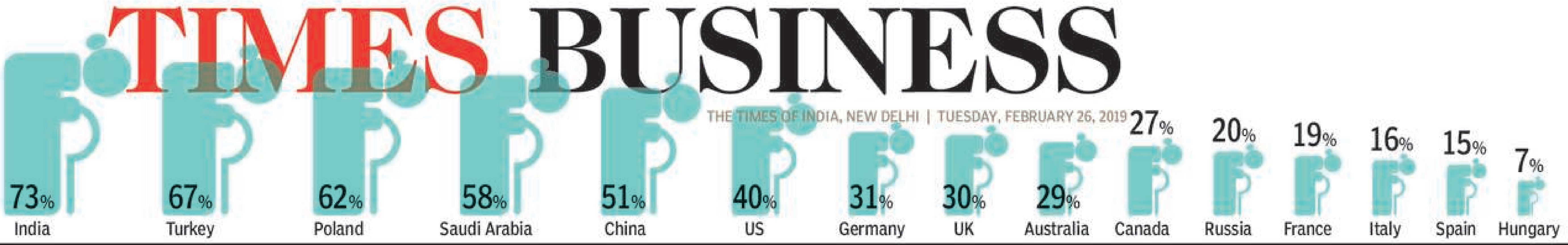
Are you looking forward to old age?

India has maximum number of respondents who look forward to old age, followed by Turkey and Poland, according to a survey conducted in 30 countries



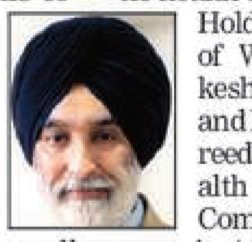
Source: Ipsos MORI, Statista

True North set to control Max Bupa

PE Investor Buys 54% in Health Co, Valued at Over ₹1,000Cr As Analjit Exits

Boby Kurian & Mayur Shetty | TNN

Mumbai: Private equity investor True North is set to unveil a 54% stake purchase in Max Bupa Health Insurance, valued at over Rs 1,000 crore, or around $150 million. This could make True North the first private equity promoter in a health insurance company.



Analjit Singh-led Max Group is divesting entire 51%, while UK-based Bupa will dilute a small stake. True North is leading a consortium, which includes some smaller investors, to clinch the acquisition. **TOI** on December 13 reported that True North had entered into exclusive talks to buy a majority interest in Max Bupa.

A formal announcement is expected following Max India's board meet on Tuesday. KPMG Corporate Finance was the sole lead adviser to the transaction. Both Max India and Max Bupa did not comment.

This is the latest in a series of M&As in India's consolidating insurance sector. In domestic health insurance, SafeCorp Holdings, a consortium of West-Bridge AIF, Rakesh Jhunjhunwala and Madison Capital, agreed to acquire Star Health & Allied Insurance Company for Rs 6,500 crore in August last year. This deal is pending closure.

HDFC Ergo is in talks to snap up Apollo Munich in another potential deal, as reported by **TOI** last year.

Singh has been recasting Max Group with divestitures, including the recently announced sale of Max Hospitals to private equity giant KKR-backed Radiant Life Care. The exit from the health insurer would leave the New Delhi-based group with Max Life Insurance and Antara Senior Living to focus on.

True North is a mid-market buyout investor, also one of the largest India-focused private equity houses that manages assets topping $2 billion. The Vishal Nevatia-led investment firm has backed over 35 high-growth businesses, which include acquisitions like agri-warehousing entity National Bulk Handling Corporation, affordable mortgage lender Home First Finance Company and pest control services provider Hi-Care, among others.

Max Bupa is headed by Ashish Mehrotra, while former chief of Max Life Rajesh Sud is chairman. The company distributes policies through its agency force and bancassurance partners HDFC, Bank of Baroda and Karur Vysya Bank. In India, private health insurers have an 18% share of the health premium market, which is estimated at around Rs 38,000 crore annually.

Several Indian business groups are reassessing their presence in the long-term, capital-intensive insurance sector, triggering consolidation deals. Max Bupa has a paid-up capital of Rs 926 crore. The capital base is more than enough to fund future growth, considering that the solvency margin ratio is 2.11 times what is required. For the financial year ended March 2018, the total profit was Rs 23 crore on a premium base of Rs 754 crore.

HOT SECTOR

- The insurance sector is seeing consolidation as business houses are checking out
- PEs are hot on the sector, especially health insurance given the high growth rates

SOME DEALS

- SafeCorp Holdings to buy Star Health & Allied
- Warburg Pincus acquired 26% in IndiaFirst Life Ins from UK promoter Legal & General
- HDFC Ergo is in talks to buy promoter stake in Apollo Munich Health

YOU READ IT HERE

TOI dated Dec 13, 2018

'Regulatory decisions unduly favoured Jio'

Hurt Fin Of Competitors: Voda Global CEO

Pankaj.Doval@timesgroup.com

Barcelona: British telecom giant Vodafone on Monday alleged that regulatory decisions in India had unduly favoured Reliance Jio for the last two years, which has hurt the business interests and financials of competing players as well as the broader telecom industry.

"I think we only ask for a level-playing field in terms of regulation. I think it's fair to say that for the last two years, we have had many regulatory outcomes that have worked against everyone in the market except (Reliance) Jio. We have made these points clear even earlier," Vodafone global CEO Nick Read said when asked by **TOI** on whether there has been a 'regulatory arbitrage' in favour of the new entrant.

However, Read did not elaborate specific instances where he felt that Jio, which launched services in September 2016, had been given special favours by the government or telecom regulator Trai.

Vodafone is in the process of merging its telecom business in India with Idea Cellular and Read said instead of the earlier estimate of four years, this should be completed in around two years. The new company Vodafone Idea has been bleeding heavily with record losses of Rs 5,000 crore in each of the previous two quarters.

Read said current tariff levels are unsustainable and cannot be carried out for too long as companies battle losses, while carrying heavy debt and huge capex commitments. "At some point, pricing needs to return to a more normalised level." He said there is a need for all the telecom companies to discuss the current tough financial position. "It requires all players to ultimately sit back and say what is a healthy industry level."

The government has said that it wants to take a lead in the introduction of 5G across the world, and has initiated baby steps in this direction. Field trials of 5G are expected to begin soon where telecom operators in partnership with network providers will showcase utility cases around the high-speed 5G network that is being rolled out in countries such as China and the US.

It is "too early" to talk about 5G in India, as the current focus remains on providing an excellent 4G offering to consumers. It is too early for 5G in terms of handset penetration

I do not see pricing today as sustainable. All the three players in the market (Vodafone-Idea, Airtel and Reliance Jio) are haemorrhaging cash... The pricing environment is artificially too low

—NICK READ | GLOBAL CEO, VODAFONE

IL&FS loans won't be NPA for now

Times News Network

Mumbai: In a breather to the IL&FS Group and its lenders, the National Company Law Appellate Tribunal (NCLAT) on Monday said any loan to the troubled conglomerate will not be classified as a non-performing asset (NPA) until further orders.

The move will, however, put the Reserve Bank of India (RBI) in a spot. Earlier, the RBI had insisted that banks set aside money as provisions toward these loans. Lenders had already started doing this while drawing up their results for the quarter ended December 2018. It is not known whether any lenders will write back provisions already made, but the court order does give them room to avoid additional ageing provisions on IL&FS bad loans.

The dispensation from the appellate tribunal will help improve the financials of banks by reducing their ratio of NPAs to total assets. It will also allow them to book any interest they receive as income. In the case of NPAs, any payment received goes towards recovery.

Last month, the Indian Banks' Association, on behalf of its members, had unsuccessfully petitioned the RBI, seeking a special dispensation allowing them to avoid classifying loans to the infrastructure group as NPAs.

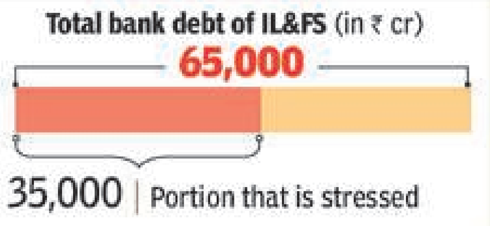
The appellate tribunal's order comes after an earlier one on February 11 categorised subsidiaries of IL&FS into three groups — green (companies that can meet all debt obligations), amber (firms that can meet some debt obligations), and red (companies that can't meet any debt obligations). The court had lifted an earlier moratorium allowing the companies in the green category to repay their loans.

Last year, after the government appointed a board headed by Uday Kotak to manage the beleaguered group, the NCLAT placed a moratorium on payouts by it to enable the new board to come up with a resolution plan.

Lenders said that since the moratorium is court-imposed, and they cannot initiate any recovery proceedings, they should be given a dispensation on classifying loans to IL&FS Group as NPA.

A two-member bench headed by NCLAT chairman Justice (retired) S J Mukhopadhaya was hearing an application moved by some of its lenders. "Without going into the rival contention of the parties, we make it clear that due to non-payment of dues by IL&FS or its entities, including the 'amber companies', no financial institution will declare the accounts of IL&FS or its entities as NPA without prior permission of the appellate tribunal," the order said.

THE SITUATION NOW



Lenders with significant exposure to IL&FS at parent level:

- Central Bank Of India | BoI | SBI | PNB | Yes Bank

RBI extends KYC deadline for e-wallets by 6 months

Times News Network

Bengaluru: In a major relief to consumers as well as mobile wallet companies, the RBI has extended the deadline for full know-your-customer (KYC) compliance by six months. The deadline was supposed to end on February 28. The extension comes after intense lobbying by mobile wallet players and domestic internet groups with the central bank over the past few months.

As much as 70-80% of the user base of most e-wallet companies was yet to comply with full KYC norms. Such users would have been invalid starting next month, according to top industry executives. After the RBI mandated full KYC via its circular in 2017, mobile wallets were largely relying on Aadhaar for e-KYC. The Supreme Court ruling that barred private entities from using Aadhaar made it tougher for companies to do KYC and also increased costs. While an e-KYC costs on average about Rs 15 per person, the physical route required Rs 80-100.

BIG RELIEF

"This (extension) would certainly help as hardly anyone was prepared to tackle so many e-wallets becoming invalid," an executive of a Bengaluru-based company said after the RBI announcement.

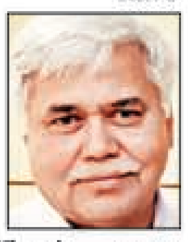
But things will not be easy. Consumers were showing resistance to do paper KYCs each time for the different e-wallets they were using. "If one has already done KYC for Paytm, most consumers were averse to doing the whole process for other players like Amazon Pay or, say, Ola Money," an industry lobbyist had mentioned to **TOI**.

While a partial KYC could previously be done on the basis of an OTP to the mobile number, now a full KYC needs to be done, which involves submission of various documents, including ID and address proofs.

Market forces, not Trai, determine tariffs: Sharma

Pankaj.Doval @timesgroup.com

Barcelona: Trai chief R S Sharma has said that mobile companies are free to revise their tariffs in line with market forces and there is no need for the regulator to interfere or respond to the business stress of the operators.



Sharma said the industry needs to find sustainable ways to cope with financial difficulties, adding there is not much scope for the regulator in the determination of tariffs. "Who is fixing the tariffs? It is the players who are doing that," Sharma told **TOI**.

He said that mobile companies need to take decisions in line with their business requirements and plans, as well as their financial positions. "It is competition that will decide tariffs, not the regulator." Sharma said he expects the market to gradually stabilise as business evolves and companies respond to the current situation. "The market will find its own place. After the fresh round of consolidation that we have witnessed in the Indian telecom sector, we are in a good position. Stability is visible."

Asked about the mounting debt levels in the industry, he said, Trai has made recommendations to the government seeking rationalisation of taxation on telecom players. "We have made recommendations that seek to reduce the tax burden." However, he added in the same breath that the telecom companies in India are "professionally managed, and I have no competence to challenge their decisions".

Sharma said he expects the Indian telecom industry to have a "3-plus-one" model, which broadly means survival of three private operators (Vodafone-Idea, Jio and Airtel) and the state-owned BSNL. "The consolidation is more or less completed."

On 5G in India, Sharma said it depends on a variety of factors. "It depends on willingness of the operators and network equipment players to invest." Trai has already given its recommendations on 5G spectrum auction, while also coming out with the reserve price for the high-speed spectrum. However, many companies have said that the reserve price is too high.

Thomas Cook buys 51% in Digiphoto Ent

Times News Network

Mumbai: Thomas Cook India will acquire 51% stake in Digiphoto Entertainment Imaging (DEI) at an enterprise value of $41 million, or Rs 289 crore. This will mark its foray into an adjacent sector, complementary to its travel services portfolio.

Established in 2004, DEI captures travellers' experiences by providing imaging services. In 2018, DEI, which has a presence in over 14 countries, reported a profit of $4 million on revenues of nearly $66 million.

Ever since Indo-Canadian investor Prem Watsa acquired Thomas Cook India in 2014, the nearly $2-billion company has been aggressive on the M&A front. It has snapped up Sterling Resorts, Kuoni India, Quess Corp, Tata Group's travel services and forex businesses, among others.

Flipkart FY18 revenue up 50%, but losses grow 5x

Digbijay Mishra & Madhav Chanchani | TNN

Bengaluru: Flipkart Group saw its total revenues increase by a faster pace of over 50% to Rs 30,164 crore in the financial year ending March 2018.

This came even as losses increased over fivefold, primarily on account of finance costs, to Rs 46,895 crore, according to filings of its Singapore parent sourced from data intelligence platform Paper.VC.

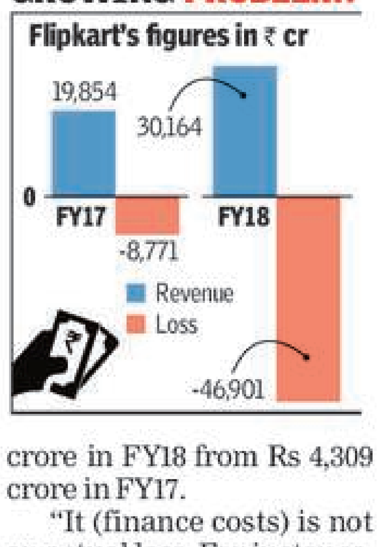
Without taking into account finance costs, which was a derivative expense on account of the down-round fund-raise by the company in mid-2017, losses increased by 75% to Rs 5,964 crore. Finance costs — mostly under "fair value loss on derivative financial instruments" — increased nearly tenfold to Rs 40,937 crore in FY18 from Rs 4,309 crore in FY17.

"It (finance costs) is not an actual loss. For instance, they have not sold the shares and they continue to hold that. But in terms of real marked-to-market, the actual value has gone down due to certain actions, which resulted in this loss. For that, they have to account the same and downgraded the valuation," said Ajay Agarwal, co-founder of Triage Advisors, who previously worked with KPMG.

The financials are the last results of Flipkart Group as an independent company, and since then US-based retail giant Walmart acquired 77% stake for $16 billion in August 2018. Co-founders — Sachin and Binny Bansal — have also moved out of the day-to-day operations of the company.

Major areas where the Flipkart Group increased spending include employee costs, advertising expenses and logistics costs as it had got funding during the year from the likes of Japan's SoftBank and China's Tencent. Amazon's main India unit — Amazon Seller Services — had reported a 30% increase in losses to Rs 6,287 crore in FY18.

GROWING PROBLEM?



Nasscom hires US lobbyist for H-1B issue

Shilpa.Phadnis@timesgroup.com

Bengaluru: IT industry body Nasscom has roped in **Spencer Abraham**, the former Republican senator from Michigan and US energy secretary under former president George Bush, as a lobbyist to change perception in the Trump administration and other stakeholders about how the $180-billion industry has serviced a majority of the Fortune 500 in their transformation programmes.

Abraham, chairman and CEO of strategic consulting firm The Abraham Group, has worked in the US government for over 30 years in energy, tax policy, national security, immigration and corporate governance areas.

"There is a huge effort by Nasscom to change that perception," Nasscom chairman Rishad Premji told **TOI**.

No need to Uberise all cos despite disruptions: Bain Insight chairman

John.Sarkar@timesgroup.com

New Delhi: Modern companies such as Amazon and Uber may be disrupting traditional businesses, including retail and transportation, but James Root, chairman of Bain Insight Group, who is often tasked with the job of predicting how businesses will look like in the future, said, there is no need to 'Uberise' all companies.

Root, who was in the capital to speak at the ET Global Business Summit, told **TOI** that there are several experts who say companies need to 'Uberise' themselves immediately and that's the only way forward. But Bain & Company's research does not support that theory. "It tends to more support the idea that those platforms are important. They can tilt the profit pools in an industry in the sector, but they are only one of three types of companies that will exist in the landscape of the future," he said.

When asked about how his team looks around corners, Root said, technology can be very helpful, as there are phenomenal web and social media scraping techniques. "Now, I've been working with a company that's into personal care products. And using these techniques, we've been able to look at keywords that relate to their particular category. The results were eye-opening. The company didn't even know that consumers were talking about a particular application, a particular product or ways in which it impacts children or the environment. So there's a lot of what you can do there. But first of all, you have to be intentional about wanting to do it and most research functions inside firms don't do that," he said.

Apart from go-getters, companies of the future would need to recognise a particular group of people in the middle management, which Bain & Company calls scalars, said Root.

"Well, nobody's really talking about them. But they are the employees with the skill sets who can get the message of disruption and innovation across the entire organisation. We believe scaling is about people who, at the moment, nobody can identify, define or nurture. Scalars have very distinctive characteristics compared to other people. They are very low-ego individuals. They are not ideas-driven but results-oriented. They don't spike on anything and are pretty good at most things. And they are people everybody would love to work with as well."

Large multinational companies are concerned with sophisticated local companies in India and China, according to Root.

You can't sit back as a Western MNC anymore and say I'm just going to go and enter that market now. Local companies know exactly how to compete against you. So, they're doing away with one-year or three-year strategic plans. Those are too static and rigid. It's much more fluid now.

—JAMES ROOT | CHAIRMAN, BAIN INSIGHT GROUP

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