



Fed sees no rate hike in 2019, sets end to asset run-off

REUTERS
WASHINGTON

The U.S. Federal Reserve on Wednesday brought its three-year drive to tighten monetary policy to an abrupt end, abandoning projections for any interest rate hikes this year amid signs of an economic slowdown, and saying it would halt the steady decline of its balance sheet in September.

The measures, announced following the end of a two-day policy meeting, mark the Fed's gradual and sometimes fitful efforts to return monetary policy to a more normal footing will stop well short of what was foreseen in late 2015 when the central bank first moved rates from the near-zero level adopted in response to the 2007-2009 financial crisis and recession.

Having downgraded their growth, unemployment and inflation forecasts, policymakers said the Fed's benchmark overnight interest rate, or fed funds rate, was likely to remain at the current level of between 2.25% and 2.50% at least through this year, a wholesale shift of their outlook. Rates are now seen peaking at 2.6%, sometime in 2020, roughly a percentage point lower than the historic average for the fed funds rate and a sign that the U.S. economy has entered a more sluggish era.

"It may be some time before the outlook for jobs and inflation calls clearly for a change in policy," Fed Chairman Jerome Powell said.

INTERVIEW | ROSTOW RAVANAN

'A new acquirer will change not only culture but also strategy'

Buy-back plan is a response to the market trend and aligned with what others in the industry are doing, says the Mindtree CEO

K. BHARAT KUMAR

Rostow Ravanan is one of the co-founders of Mindtree, which was started in 1999. Before taking charge as CEO in April, 2016, he was the chief financial officer of the IT services firm. The Hindu spoke to him soon after infrastructure major L&T made clear its intentions of acquiring at least 66% stake through a stock market mop-up and an open offer, after it struck a pact with Cafe Coffee Day's V.G. Siddhartha to buy out his 20.4% in Mindtree. Excerpts:

Considering his 20% stake in Mindtree, Mr. Siddhartha was a valued investor for you, and among the first to invest. Have you and he fallen out?

■ When Mindtree started in 1999, we had Mr. Siddhartha and Walden International as our first investors.

There has been no falling out at all. There has been no relationship issue either on the personal or professional front with him. It so happened that at this point in time, the pressures of his financial commitments have forced him to look at selling

his stake.

Didn't Mr. Siddhartha approach you first? Or was it that Mindtree promoters did not have the wherewithal to buy him out?

■ We were aware of his intentions and were working to see what was possible. Maybe he found the price that L&T offered was better. Maybe the outcome of that understanding was more

aligned to his interests and that is why he chose to deviate from what we thought we could do together.

With only 13% among promoters, didn't you anticipate a hostile acquirer? Even as far back as December 2013, promoter shareholding was only

about 16.58%.

■ Given the relationship we had with Mr. Siddhartha, we counted on him as much as we did on ourselves. The financial pressure on him may have led him to a different set of priorities leading to the current circumstances.

Co-founder Subroto Bagchi's employees says that in the past, the company's founders have politely declined offers to buy you out. Did L&T approach you?

■ Mr. Bagchi's email was more to symbolically illustrate that our priorities were building the company rather than entertain any financial considerations for our stake. No comments specifically on L&T.

Has Mr. Siddhartha refused to

support your buy-back plan?

■ Mr. Siddhartha has made known his intentions to us that he has an agreement with L&T and that he won't be able to support Mindtree's buy-back plan.

For a buy-back, you need special approval of shareholders with 75% voting in favour. Is that likely?

■ It is true that with an open offer at play, the company would need 75% shareholder approval for a special resolution to go ahead with the buy-back plan. In Wednesday's meeting, the board had a few questions for us. So we will do a little homework and come back to the board.

Even if your buy-back goes through, you may not, possibly, be able to mop up more than 3-4%. Can you

fight L&T by going down this path?

■ That is right. But the buy-back is not in response to L&T's acquisition bid. At the end of the day, there was a willing seller and willing buyer [Mr. Siddhartha and L&T]. Our buy-back was intended earlier. It so happened that it coincided with developments with L&T.

Our buy-back plan is a response to the market trend and is aligned with what other companies in our industry are doing to add to shareholder value.

Is Mindtree's founding team against L&T's acquisition because it goes against your culture?

■ Culture plus strategy. A new acquirer will change not only the culture of the firm but also the strategy as to how we should reach where we want to be.

If L&T goes through with its intended plan, it may end up holding 66% stake in Mindtree. Would the promoters either sell out to L&T or for the sake of progress, work with the new acquirers? Or is there a white knight you may bring in?

■ There is no way to answer that right now. L&T's holdings may go all the way from 20% now to whatever they have announced their intent for.

We [promoters] have to evaluate different options in the meantime.

But that apart, I do want to add that I am surprised and disappointed that some parts of the media, even in their editorial sections, have erroneously referred to us and our intentions. That puts smaller players like us at a disadvantage compared with others who have access to larger resources.



'We were offered huge bags of money to give Mindtree away'

In an emotional e-mail to employees of the IT firm, co-founder Subroto Bagchi vows to defend Mindtree, exhorts them to stay focussed

K.T. JAGANNATHAN
CHENNAI

With L&T mounting a hostile bid to acquire majority control in Mindtree, Subroto Bagchi, non-executive director and one of its founders, has asserted that he, along with other co-founders, "will be the first line of defence on behalf of all Mindtree" minds.

In an emotional e-mail to employees, Mr. Bagchi said, "I will be meeting each one of you at every Mindtree location in the coming days to answer any question you may have. Meanwhile, stay the course. Remember, you hold the Tree."

"I cannot stay miles away, ensconced in another world to live the nightmare that the builders have arrived with the excavators, bulldozers, chainsaws, cranes and the

impeccably drawn up blueprint to raze Mindtree," he said. "I have, with great pain, resigned my official position as chairman of Odisha Skill Development Authority," he informed them in the email.

"I want to be on the spot with you because I will not be able to explain to my creator as to why his gardener wasn't there when the tree was sought to be destroyed," he added. "Today is March 19th, 2019. Please take on record, my date of re-joining. I come to you with unbelievable love and good wishes of everyone here in Odisha who understands where I need to be in this moment of difficulty, but they tell me, we shall prevail," he added.

"In this hugely difficult time, you must make sure that our hearts don't lose a beat when it comes to deli-

Our polite refusal has been interpreted as foolish idealism of a bunch of lower middle-class folks

vering the best to our customers. Remember, they came to us for our expertise but stayed with us for our culture," he reminded the Mindtree employees.

"Please set aside all your emotions because of the unfolding events and remain steadfast. Stay focused on what must go out of the door today. Eyes on the screen, fingers on the keyboard and our customers on your mind," he exhorted them.

Odisha assignment

Around this time three years ago, he said, he bade goodbye to all of them to go to

work with school drop-outs in Odisha and create an employable skill for those at the bottom of the pyramid. "At that time, you had let me go and I have worked relentlessly ever since to put my lifetime of lessons, my experiences to work. The foundation is solidly in place, even as the work isn't fully done. I wish I could stay where I am. Doing what I am doing," he added. Except that the unfolding events had forced him to return.

Mr. Bagchi recalled how Mindtree was born, its formative years, the trials and tribulations it had encountered, and how it had emerged stronger in the global arena. "We protected the tree. Over the ensuing years, it

grew and soon, was taller than all of us! Along the way, outstanding people, Mindtree Minds came on board, not signing up for a job, but embracing a set of values and a unique culture," he said. "Mindtree became the first Indian venture capital

backed IT services company to go all the way from an idea to an IPO. But along the way, it was one of the rarest companies in the world that had given away 16.67% of its equity to its own people. The sheer value of that shared wealth, in today's terms, is worth more than \$320 million," Mr. Bagchi said.

"In all this, 20 years have gone by in what appears to be a blink. Mindtree has become a global brand. 20,000 Mindtree Minds are working relentlessly to get past a \$1 billion milestone just as I speak to you today. But sadly, as we have remained focused on the institution building process, we have also drawn attention from people who really don't care about all

this. Suddenly, Mindtree has become an 'attractive asset' that they must have," he said.

"We [the founders] were offered huge bags of money to give Mindtree away. We have respectfully said 'no' to their overtures. We have said we will continue to take care of the tree that has given great fruits to everyone that ever came, the tree has held nests for birds and given shade and food to animals, in times of scorching sun and the tempest, people have taken shelter under its strong branches and now, the tree can't be sold off, its roots vivisectioned, its wood dismembered and carried off so that in its place a shopping mall may rise. Our polite refusal has been interpreted as foolish idealism of a bunch of lower middle-class folks. That, we are," he said.

50% of new routes in 2019 will be international, says IndiGo

China, Saudi Arabia, Vietnam, Myanmar on airline's radar

JAGRITI CHANDRA
ISTANBUL

Half of the total new routes to be added by IndiGo this year will be international ones, according to the airline's chief commercial officer Willy Boulter.

On the airline's radar are destinations such as Vietnam and Myanmar, Saudi Arabia and China.

"We are bullish about China and are in the process of selecting precise destinations," said Mr. Boulter. He was speaking to the press at the launch of the airline's flight to Istanbul - IndiGo's first stop in Europe.

Mr. Boulter added that connecting India and China is a big opportunity as Chinese airlines have 42 flights into India per week, while



Enter the dragon: IndiGo is likely to start operations to China before November, says Willy Boulter. •REUTERS

Indian carriers have only five flights into China per week. IndiGo is likely to start operations to China before November. The airline is exploring a destination in U.K. as its slot in Gatwick has expired.

In 2019-2020, IndiGo's capacity on international routes would rise from 15% to 20% of total capacity.

This would be fuelled by

the A321 Neos of which the airline plans to induct '20-25' by the end of the year. IndiGo has only one A321 Neo, which is being used to connect Delhi and Istanbul. Some of these A321 Neos would also be deployed on domestic routes to enhance capacity on slot-constrained airports.

(The reporter is in Istanbul on IndiGo's invitation)

Rupee-dollar swap could boost foreign fund flows under voluntary retention route

Less uncertainties for FPIs under VRR; RBI providing three-year forward cover

SPECIAL CORRESPONDENT
MUMBAI

The RBI's decision to infuse rupee liquidity through long term foreign exchange swap, a first of its kind in liquidity management policy, is likely to boost investments by foreign portfolio investors under the voluntary retention route (VRR).

The central bank will conduct dollar-rupee buy/sell swap action of \$5 billion for a three-year tenor, on March 26. Such a swap route has been explored by various emerging market economies as an effective tool to manage liquidity.

Apart from liquidity infusion, the move will boost the country's foreign exchange reserves and is likely to support the exchange rate.



•GETTY IMAGES/ISTOCK

Introduced on March 1 by RBI, the VRR for investments by foreign portfolio investors (FPIs) is subject to a minimum retention period of three years from the date of allotment.

During this period, FPIs shall maintain a minimum of 75% of the allocated amount in India, RBI had said.

"Since investments made

Since investments under VRR have a 3-year lock-in, this perfectly suits them

U.R. BHAT,
MD, Dalton Capital Advisors India

under VRR are subject to a three-year lock-in, this perfectly suits them," U.R. Bhat, managing director, Dalton Capital Advisors India.

Lower premium

"There is no liquid market for three-year forward cover. Three-year forward cover is not easily available in the market and here, RBI is providing that cover and the premium could be lower. And the premium will be market determined. There will be less uncertainties for the FPIs who want to take

the VRR route," he said.

Investments under VRR (by all FPIs taken together) are capped at ₹40,000 crore for government securities and ₹35,000 crore for corporate debt securities.

According to Soumya Kanti Ghosh, Group Chief Economic Adviser, SBI, the new tool could have several implications, including lowering cost of hedging for the importers, with forward premia taking a dip. "Also, this move will complement the recently announced VRR route, wherein the stated objective of the regulator is to attract long-term and stable FPI investments in the debt market while providing FPIs with operational flexibility to manage their investments," Mr. Ghosh said.

Mindtree board to meet on March 26

PRESS TRUST OF INDIA
NEW DELHI

The board of Mindtree, which on Wednesday deferred a decision on share buy-back, will meet again on March 26 even as it faces a ₹10,800 crore hostile takeover bid from L&T.

The board of the IT company had met on Wednesday too, but no decision was taken on the agenda item at hand - the proposed buyback of equity shares - and the firm had informed the stock exchange that the meeting has been adjourned to a future date.

In a fresh filing with the BSE on Thursday, Mindtree said, "This is to inform that the adjourned board meeting is scheduled to be held on Tuesday, March 26, 2019."

A mere statement sans motive is not fraud, rules SAT

Quashes SEBI penalty on Emami chief Agarwal, who said was he interested in acquiring Amrutanjan

ASHISH RUKHAIYAR
MUMBAI

In an important ruling that will provide much relief to promoters and key management personnel of listed entities, the Securities Appellate Tribunal (SAT) has ruled that statements, including those related to mergers and acquisitions made in good faith and without any element of motive, cannot be construed as fraud by the capital markets regulator.

The tribunal's ruling came after hearing an appeal on whether a reported statement of a chairman of a company regarding his interest to acquire another company

A reported news item alone is not sufficient to prove a serious charge like fraud - SAT order

was sufficient to invoke provisions of the Prohibition of Fraudulent and Unfair Trade Practices (PFUTP) Regulations. "While dealing with a serious issue of fraud, the authorities need to ascertain the motive in the absence of any connecting evidence," the SAT stated in its order.

"In the absence of any motive or a scheme or any evidence, a reported news item alone is not sufficient to prove a serious charge like

fraud. If at all the reported statement is correct, it could [be] an expansive mood of the person. Silence as a sign of wisdom cannot be stretched to a point of total silence in the world of securities market," added the order.

In December 2017, SEBI imposed a penalty of ₹8 lakh on Emami chairman R.S. Agarwal after he reportedly told a journalist that he was interested in acquiring Amrutanjan Health Care.

Not approved

According to SEBI, the statement was not made with the approval of the board of the

company. Also, it impacted the share price of Amrutanjan and hence amounted to fraud. Appearing before the tribunal, Somasekhar Sundaresan, counsel for Mr. Agarwal, highlighted the fact that the PFUTP Regulations excluded general statements made under good faith from the definition of 'fraud'.

He added that if the SEBI stance was upheld and accepted, officials of listed entities would not be able to speak to the media about the company's future plans as it might be looked upon as fraud by the regulator, which was clearly not the intent of the regulations as such.

Incidentally, while quashing the SEBI order, the tribunal highlighted the fact that Mr. Agarwal did not acquire any shares of Amrutanjan Health Care. Thereby, there was "no evidence to link to a motive".

"The judgment of SAT has affirmed that unless speech by a key managerial personnel of a listed company is made dishonestly or in bad faith, it can not be assumed fraudulent," said Sumit Agrawal, founder, RegStreet Law Advisors and a former law officer at SEBI. "This judgment puts a litmus test for taking these kind of alerts for enforcement action," he added.

Reliance Industries sends fuel from India, Europe to Venezuela

Move to sidestep U.S. sanctions on South American country

REUTERS
NEW DELHI/MEXICO CITY

Reliance Industries is selling fuels to Venezuela from India and Europe to sidestep sanctions that bar U.S.-based companies from dealing with State-run PDVSA, according to trading sources and Refinitiv Eikon data.

Reliance had been supplying alkylate, diluent naphtha and other fuels to Venezuela through its U.S.-based subsidiary before Washington in late January imposed sanctions aimed at curbing the OPEC member's oil exports

and ousting Socialist President Nicolas Maduro.

At least three vessels chartered by the Indian conglomerate supplied refined products to Venezuela in recent weeks, and another vessel carrying gas oil is expected to set sail to the South American nation as well, according to the sources and data.

'Will comply with curbs'

A Reliance spokesman said: "Reliance is and will remain in compliance with the sanctions and shall work with the concerned authorities."

He also said "the volume of products supplied to and crude oil imported from Venezuela have not increased."

Reliance has significant exposure to the financial system of the United States, where it operates subsidiaries linked to its oil and telecom businesses among others.

The Indian market is crucial for Venezuela's economy because it had historically been the second-largest cash-paying customer for the OPEC country's crude, behind the United States.