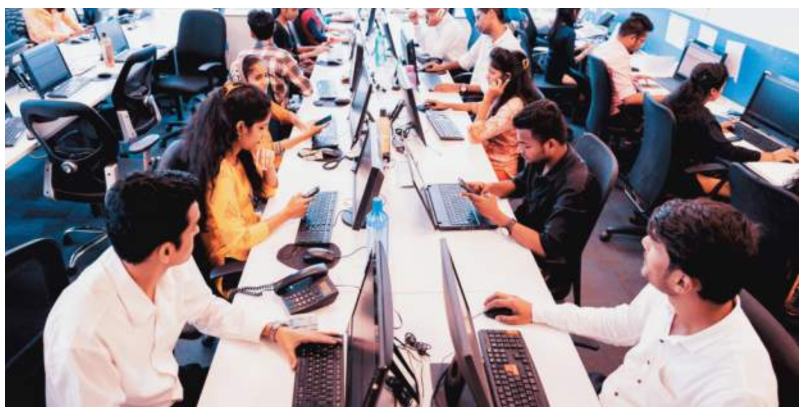
Start-ups demand a separate data policy

They fear that a single policy will affect smaller firms, which need to process data abroad

KARAN CHOUDHURY
Bengaluru, 6 September



With the government planning to secure all data related to finance and e-commerce in India, many start-ups fear that the Centre may also bring them into the e-commerce fold.

This, in turn, would make it impossible for them to process data abroad, according to LocalCircles, a social media and citizen engagement platform.

Under the much-awaited e-commerce policy, a number of proposals are around data protection and storing data onshore. The proposals are aimed at online e-commerce players, foreign banks and fintech firms for storing and processing all data in India.

Start-ups fear that a blanket policy would affect smaller firms which need to process data abroad. In a letter to Gopalakrishnan S, joint secretary, ministry of electronics & information technology (MeitY), LocalCircles shared extensive inputs on how India should have a separate business or anonymised data policy, separate from the e-commerce policy.

Under the e-com policy, a number of proposals are around data protection and storing data onshore

On the data sharing front, according to LocalCircles, it is important to understand that many start-ups operate in new areas and bring about an innovation in product, technology intervention or service. Many of the cutting edge technologies are still developed overseas. As a result, many start-ups need access to overseas resources, expertise, tools and capital because not all of them are available in India.

"An Indian start-up may need to open an office overseas and hire resources there to develop its product or service. In many cases, it will need to share aggregate data between resources and legal entities. Therefore, it is imperative that aggregate data of Indian start-ups be permitted to be shared with at least group companies that they have overseas. Similarly, if a foreign company acquires an Indian start-up, it may have plans to take the product developed and scale it further, globally.

Hence, it would require access to aggregate data of the start-up," said Sachin Taparia, founder and chairman, LocalCircles, in the letter.

He added that the government's rights over the aggregate data of businesses should only be permitted in the event of a law-order, investigation or enforcement situations.

"For routine matters, the government should not have access to either the aggregate data or the algorithms used by a business as such an access can be easily misused or compromised. Businesses spend significant amount of resources to collect data, build products and services and a market. They must protect it to protect its value proposition and the business itself," he said in the letter.

According to LocalCircles, India's anonymised data policy must be such that it enables start-ups to benefit from aggregate data of the government, communities and large corporations.

"A start-up's social responsibility programme may be considered where every large corporation operating in India and above a certain revenue and profit threshold must be required to share aggregate data sets from the industry they operate in," Taparia said in the letter.

Jio unlikely to disrupt home broadband space: Analysts

May not affect Airtel's business significantly in terms of customer churn

ROMITA MAJUMDAR
Mumbai, 6 September

Goldman Sachs noted that free TV may not be a big draw for Jio's target consumer base

The entry of Reliance Jio into the home broadband segment is unlikely to cause significant disruption, say analysts. This is in contrast to the bloodbath in the telecom sector in FY17 triggered by Jio's entry.

It is also not expected to affect Airtel's home broadband (which is the largest private stakeholder) business significantly in terms of customer churn. However, Airtel's home broadband average revenue per user (ARPU) is expected to dip 10-12 per cent to ₹742, by FY21.

Jio's free TV offer, however, may not be enough to draw consumers, the analysts said, after the official launch of JioFiber.

JioFiber is targeting 20 million homes and 16 million enterprises over the next 12 months. Airtel has 2.3 million fixed broadband subscribers and 16 million DTH subscribers.

Airtel's reported ARPU for home broadband in the June quarter was ₹825 per month. The home broadband segment contributed to around 4 per cent of the company's Ebitda in FY19.

"Airtel's (home broadband) ARPU is down 27 per cent in the last two years, and we expect another 10 per cent decline over the next 12 months.

"But with Airtel upgrading its customers to higher bandwidth offerings, we see low possibility of churn," wrote Manish Adukia, analyst at Goldman Sachs.

The brokerage, however, expects Jio to become a sizeable player in the home broadband segment and estimates 8 million subscribers by FY23, compared to Airtel's base of (estimated) 3 million. The home broadband services market in India is very different from the mobile wireless ecosystem, with very little penetration. Analyst estimates put the base at less than 20 million, of which at least 50 per cent is serviced by PSU operators BSNL and MTNL.

Fiber penetration in India is, itself, a dismal 25 per cent, while only 7 per cent of home broadband connections are on fiber.

"Given the current fixed broadband subscriber base of 18 million (Jio's target is 20 million) implies doubling of the market.

"We expect, though, that the roll-out will be gradual, given that pricing is not as disruptive as it was in mobile," noted Piyush Nahar, analyst at Jefferies.

Goldman Sachs also noted that free TV may not be a big draw for Jio's target consumer base, given that a huge chunk of the 20 million homes targeted are likely to already own a compatible television set, and "customers may not be willing to commit a large upfront (minimum ₹35,000) amount for home broadband."

Further, Indian customers prefer to go for larger 32-43 inch TV screens, compared to the 24-inch offered for Jio's gold plans.

On similar lines, analysts said the long-term plans are cost-effective but require upfront payment, which would mean faster capex recovery for the service provider.

More importantly, what most analysts are confident about is that the lack of aggressiveness in pricing and relative stickiness of the market will prevent a repetition of the bloodbath that the wireless market suffered.

Three top-level exits at IDBI Bank in September

ABHIJIT LELE
Mumbai, 6 September

IDBI Bank will see churn at the top with three senior executives leaving the private sector lender on conclusion of their term and retirement.

Deputy managing director (DMD) G M Yadwadkar and two executive directors (EDs) — Subrato Gupta and G A Tadas — will leave the bank, which is now owned by Life Insurance Corporation of India. Yadwadkar will hang his boots at the end of his three-year term on September 13.

Samuel Joseph, currently chief general manager at Exim Bank, has been chosen as DMD of IDBI Bank

K P Nair, another DMD, demitted office on end of his three-year term in May. Both the DMD posts were advertised, but LIC chose one candidate, while readvertising for the second post. Samuel Joseph, the chief general manager with Export Import Bank of India (Exim Bank), has been chosen for the post of DMD at IDBI Bank. The bank is awaiting approval from Reserve Bank, sources said.

Subrato Gupta, ED, corporate credit, is retiring on reaching the age of superannuation (60 years). Tadas has sought voluntary retirement while he has two-years of service left and is now serving his notice period. Bank has reshuffled portfolios of executive directors to ensure smooth working of the institution.

R Sharma, its current managing director (MD) and chief executive (CEO), came on board in October 2018. At first instance, he was appointed for a six-months and then got a three-year term under the new owner, LIC, from April 2019. Before moving to IDBI Bank, Sharma was the MD and CEO of Canara Bank till July 2018.

SC stays Amtek Auto liquidation

AASHISH ARYAN
New Delhi, 6 September

The Supreme Court on Friday stayed the liquidation of debt-laden Amtek Auto on a plea moved by lenders of the firm and sought response from the Resolution Professional (RP).

The New Delhi-based integrated component manufacturer was headed for liquidation following a judgment of the National Company Law Appellate Tribunal (NCLAT) on August 16. In its judgment, the NCLAT had held that as there remained no approved resolution plan despite the passage of the statutory period of 270 days, the company must head for liquidation.

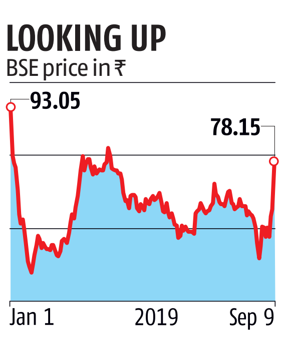
"As we have noted that over 270 days have been completed much earlier and no case is made out to exclude any period, we hold that the adjudicating authority has no other option but to pass order of liquidation," a two-judge Bench had then said. Amtek has a debt of ₹12,603 crore. The liquidation value of its assets was determined at ₹4,119 crore.

The NCLT had initiated the CIRP against Amtek in 2017. In 2018, the adjudicating authority approved Liberty House's ₹4,025-crore resolution plan, which included an upfront payment of ₹3,225 crore and a fresh infusion of ₹500 crore for stabilising and improving operations.

Prabhat Dairy stock up 20% on delisting plans

VIVEAT SUSAN PINTO
Mumbai, 6 September

Shares of Prabhat Dairy, which sold its milk distribution business to French major Lactalis in January, rallied 20 per cent on Friday, a day after the company announced it was looking to delist from the exchanges.



The stock was locked in an upper circuit band, closing trade on the BSE at ₹78.15 per share after the company's promoters said they were looking to buy back 49.9 per cent from public shareholders. They hold 50.1 per cent in the company. A board meet has been planned on Tuesday to discuss the delisting proposal, where appointment of a merchant banker for carrying out the necessary due diligence will also be taken up, the company said. Promoters of Prabhat Dairy are members of the Nirmal family, who have raised their stake by 5.74 per cent in two-and-half years via creeping acquisitions. Market regulator Sebi allows consolidation of holdings through creeping acquisition of 5 per cent in a financial year by persons holding above 15 per cent but below 55 per cent. The rationale for the creeping acquisitions by the family was the long-term prospects they saw in the business. Investor excitement, however, vanished soon after announcement of the sale of the dairy business. Over the last eight months since the January 21 announcement, Prabhat's stock price has fallen 16 per cent, data from BSE shows.

Prabhat's investors, said analysts, were particularly miffed that its promoters were selling the company's main business, which contributed 98 per cent to total revenue. They said investors were jittery since the residual firm, which was into cattle feed operations, had negligible revenue and growth prospects were unclear.

The stock touched its lowest level on February 6, two weeks after the Lactalis deal, closing at ₹47.85 apiece. Among other fears, said sector experts, was that Prabhat had listed four years earlier (in March 2015), providing a complete blueprint of growth strategy for the dairy business. So the sale of the business at 1.17 times the firm's FY18 sales of ₹1,442 crore had left investors in the lurch, they said.

Tax dispute: HC tells Cognizant to move appellate authority

A division Bench of the Madras High Court partially allowed an appeal by IT major Cognizant against a single-judge order while upholding its direction to the company to approach the tax appellate authority for a remedy.

The order was issued on an appeal filed by the company against a single-judge order, which dismissed its petition against the income tax department's demand of ₹2,806 crore.

This is in connection with a scheme of arrangement the company made to buy back stock from its shareholders, in 2016. GIREESH BABU