Merged PSBs must cut stake in insurers

However, public sector lenders may wait for initial share offerings to get better valuation

MANOJIT SAHA
MUMBAI

After the merger of 10 public sector banks (PSBs) into four, two of them will hold over 15% stake in two different insurance companies, individually.

According to insurance regulations, a bank cannot hold more than 15% stake in more than one insurance company.

"Having more than 15% stake in an insurance company gives the status of the promoter to the entity. One entity cannot be a promoter of two insurance companies," a senior insurance industry official said. "So, the banks have to completely exit one insurance company or cut stake to 15%," the official added. Two sets of merger-bound PSBs will hold stakes in two different insurance companies, post the merger. One is Punjab National-Oriental Bank of Commerce-United Bank of India combine and another is the Union Bank-Andhra Bank-Corporation Bank combine.

In the first combine both PNB and OBC hold stakes in two different insurers. PNB has a 30% stake in PNB Metlife India Insurance Company while OBC holds 23% in Canara-HSBC-OBC Life Insurance. So, the merged entity – PNB – will hold over 15% stakes in both the companies.

In the second combine, Union Bank holds 25% stake in Star Union Dai-Ichi Life Insurance Company while Andhra Bank holds 30% stake in India-First Life Insurance Company. So, the merged entity – Union Bank – will have more than 15% in both the life insurers.

However, bank officials said they were not in a hurry to cut stake as that could impact valuations. Banks would wait for an initial public offering (IPO) to offload stakes.

"We are not in a hurry to sell stake. After the merger, when there is an IPO of one of the companies, we will reduce stake," said a top official from one of the merger-bound banks.

Banks will have to get the permission of the Insurance Regulatory and Development Authority of India (IRDAI) – the insurance regulator – for holding over 15% stake in two insurers for a while, that is, till the IPO. Bank mergers are expected to be completed by March 2020 and it is unlikely insurers would like to hit the capital markets, especially when the markets are choppy.

Interestingly, PNB Metlife was planning an IPO last year but postponed its plans due to market conditions.

OBC had also been planning to divest stake in Canara-HSBC-OBC Life Insurance last year but the plan was shelved.

IDBI Bank, in which LIC has a majority stake, also has an insurance arm in IDBI-Federal Life Insurance in which it holds 48% stake.

The bank has now started the process of exiting the life insurance company.

Rider for merger: Banks must get IRDAI's nod to hold over 15% stake in two insurers till the IPO. • GETTYIMAGES/ISTOCK

Zomato lays off 541 direct employees

SPECIAL CORRESPONDENT
MUMBAI

Zomato has laid off 541 direct employees, mostly from its headquarters in the Delhi NCR working in the support services department. With this, the food aggregator has cut its workforce by 10%.

A Zomato spokesperson said: "Over the last few months, our technology products and platforms have improved significantly. While the business has grown consistently, this has led to an overall reduction in direct order-related support queries.

"We have dramatically improved the speed of service resolution, so that now only 7.5% of our orders need support [down from 15% in March]."

IDFC Sec. to advise Coffee Day on strategy

PRESS TRUST OF INDIA
NEW DELHI

Cafe chain operator Coffee Day Enterprises (CDE) on Saturday announced the appointment of IDFC Securities as an adviser to identify strategic options and advise it on refinancing of existing debt.

"The company, in its meeting of the executive committee, has appointed IDFC securities as the adviser of company and its subsidiaries for identifying the strategic options for Coffee Day Enterprises Ltd., including divestment of its holding in Coffee Day Global Ltd. and any other group company (other than SICAL Logistics Ltd.)," Coffee Day Enterprises said in a regulatory filing.


To achieve $5 trillion in GDP by FY25, India needs to spend $1.4 trillion on infrastructure. • ARUNANGSU ROY CHOWDHURY

Panel set up to identify infra projects for ₹100 lakh-crore investment

Report for FY20 to be given by Oct. 31

PRESS TRUST OF INDIA
NEW DELHI

The government on Saturday said it had constituted a high-level task force to identify infrastructure projects for ₹100 lakh-crore worth investment to be made by 2024-25 as India aims to become a $5-trillion economy.

The task force, headed by the Economic Affairs Secretary, will draw up a 'national infrastructure pipeline' of ₹100 lakh-crore, the Finance Ministry said in a statement.

This would include greenfield and brownfield projects costing above ₹100 crore each.

The task force will comprise secretaries from different Ministries, senior officials and the NITI Aayog CEO. It will identify technically feasible and financially/economically viable infrastructure projects that can be initiated in 2019-20.

List of projects

Further, it has been asked to list the projects that can be included in the pipeline for each of the remaining five years between FY21 and FY25.

The task force, constituted by Finance Minister Nirmala Sitharaman, will submit its report on the pipeline for 2019-20 by October 31, 2019 and on the indicative pipeline for 2021-25 by December-end, the Ministry said.

To achieve the target of scaling India's GDP to $5 trillion by 2024-25, the country needs to spend about $1.4 trillion (₹100 lakh crore) from the fiscal 2019-20 to 2024-25 on infrastructure, it added.

In the past decade (fiscal 2008-17), India invested about $1.1 trillion in infrastructure.

Boosting investments

The challenge is to step up annual infrastructure investment so that lack of infrastructure does not become a binding constraint on the growth of the Indian economy, the Ministry said.

Prime Minister Narendra Modi, in his Independence Day speech, had said that ₹100 lakh crore would be invested in infrastructure over the next five years.

These will include social and economic infrastructure projects.

S&T, Yeong Chin to make CNC machining centres

Firms to invest ₹24 cr. in first phase

M. SOUNDARIYA PREETHA
COIMBATORE

S&T Engineers of Coimbatore and Yeong Chin Machinery (YCM) Industries of Taiwan will jointly invest ₹24 crore in the first phase to make and supply CNC vertical machining centres.

D. Shanmugasundaram, MD, S&T, told *The Hindu* the investment would be increased to ₹100 crore in the next three years depending on the market response.

The details of the joint venture are being worked out. "We (S&T) will have marketing rights across the country for the machining centres produced," he said.

The plant is likely to be commissioned here in January. To start with, it will manufacture three models of the machine and will expand to seven models. The plant will have capacity to produce 100 machines though the proposal is to make 15 machines a year in the first phase, Mr. Shanmugasundaram said. Some components will be imported from Taiwan and in a couple of years, the entire machinery will be made here. The cost of the machines will be considerably less when made in India compared to importing them from Taiwan.

A statement said under the agreement signed, YCM and S&T Engineers will share financial and technological resources to leverage the best of both companies.

Demand environment to remain volatile, says Tata Motors' MD

'Buyers confused, need help to take informed decisions'

SPECIAL CORRESPONDENT
MUMBAI

In the backdrop of the current economic slowdown severely hurting the auto industry, among others, Tata Motors CEO and managing director Guenter Butschek has said that the demand environment would remain volatile for some more time.

"Today's situation is far more complex," Mr. Butschek told auto component makers at the Auto Component Manufacturers Association of India's annual general meeting held in Delhi.


Guenter Butschek

'About to collapse'

"The Indian opportunity is about to collapse due to low economic activity, leading to subdued demand, initially triggered by the liquidity crisis and the increased axle load regulation," he said. "Customers are confused and need education to take informed decisions. We need to take these challenges as opportunities and explore feasible options for us/the industry, because that is the need of the hour," he added.

He said the company's standard operating processes had to drive supply chain efficiencies and with the use of 'analytics and Industry 4.0', the company ought to target higher productivity, efficiency and effectiveness in operations across the entire value chain.

"We have to be careful, to protect our future investments. The winners would be the ones who are able to leverage investments in platform developments by enabling modularity and higher economies of scale," the Tata Motors MD said.

INTERVIEW | NISHA BISWAL

'India, U.S. trade problems solvable'

We have a fairly manageable basket of issues: UIBC chief

SUHASINI HAIDAR

More than two months after Prime Minister Narendra Modi and U.S. President Donald Trump announced in Osaka that U.S. Trade Representative Robert Lighthizer and Commerce Minister Piyush Goyal should meet and resolve the trade impasse, there has been no meeting thus far, but U.S.-India Business Council (UIBC) president **Nisha Biswal** *says she is hopeful they will meet before Mr. Modi travels to the U.S. this month. Excerpts:*

Why have the trade representatives not been able to meet despite the leaders' decisions during two separate meetings in the last three months?

■ I think it is a really busy time for the United States on the trade front. We are also in the midst of an intense set of back-and-forths with China; you have the U.S.-Mexico-Canada Agreement before the Congress.

What has prevented the trade representatives (TRs) from getting together is a matter of aligning schedules.

My understanding is both leaders have expressed a strong commitment to have the TRs to meet before PM Modi's visit to the U.S. (September 21-28); I am hopeful that will still happen.

Once they meet, what are the concessions both sides must give in order to break the ice?

■ I think the 'landing zones' will be the things that American industry has identified, including concerns on tariffs on ICT, price controls on medical devices, things that the USTR has identified like market access to agricultural products, as well as issues the Indian side has highlighted, including the Section 232 tariffs (tariffs on steel and aluminum), the withdrawal of India's GSP status, etc. I don't think that it is that difficult to find an agreement that meets the core concerns and moves us beyond these issues. Compared to trade negotiations the world over, we have a fairly manageable basket of issues. What is important is to establish that we can negotiate them.

India has to project policy stability and policy coherence to attract investments

How much is the danger of the USTR launching a '301 investigation' against India?

■ One should always be watchful of that, but when you have two leaders with an express commitment to improve the economic partnership, there is a way forward; and I am fairly confident if the two trade teams get together, they will come up with a solution.

Have other issues like regulations on e-commerce been resolved?

■ I wouldn't say that U.S. businesses are comfortable with them, but they are somewhat reassured that there is now a more inclusive and consultative process to address these specific issues.

The biggest issue is that for India to attract the kind of investment it needs, it has to project policy stability and policy coherence. Everyone recognises that as India grows, its policy framework needs to evolve, but it should be done in a way that is stable and coherent. On e-commerce and data protection, India has indicated it will take its time.

How should India position itself to benefit from the U.S.-China trade fallout?

■ Moving supply chains is a very capital-intensive proposition, and India has yet to create incentives and efficiencies that would allow firms to make that switch. If companies don't see a predictability and reliability in the tax structure, how will they incur such large liabilities and how will they plan to recoup their investment?

Many countries are providing tax deferments for time, land incentives, ensuring infrastructure and a skilled labour pool.

It isn't just India, but the U.S. too has shown lack of policy stability and coherence; whether it is on sudden tariffs, sanctions on oil, changes in immigration laws...

■ At the USIBC, we have been consistently voicing our opposition to tariffs.

Everyone loses in a trade war. The frustration that has to be dealt with though is that if the U.S. is adhering to a low tariff and high standards regime, then there must be a similar movement by our trading partners, else resentment builds up in the U.S. that it is not a level-playing field for our companies globally. And, that's why there is decreasing support for free trade agreements (FTAs) domestically.

Is a U.S.-India FTA likely?

■ I think to say it is likely overstating the case, but it is imperative for both countries to move in that direction for U.S.-India trade to get to where we want it.

'By 2030, CVs will be out and tech will play matchmaker'

Technologies will connect 'right job to right person', shows Dell-IFTF study

MINI TEJASWI
BENGALURU

By the year 2030, CVs (curriculum vitae) will be passe, as there will be numerous apps and tools capable of matchmaking for jobs.

Recent advances in deep-tech learning are making it possible for powerful algorithms to identify skills and capabilities that are not explicitly described on a resume. That means technologies that are emerging today already make it possible to more aptly match the right work to the right person regardless of their gender, age or geographic location.

A recent study by Dell Technologies, in partnership with the California-based, Institute for the Future (IFTF), explored how collaborative artificial intelligence, multi-modal interfaces, extended reality, and secure distributed ledgers would intersect with evolving social and economic forces to shape how we prepare for, find jobs and work in 2030. New software systems can help create a richer picture of an applicant by extrapolating relevant skills that relate to their hobbies and experience, and through applying contextual information about how other workers from the same educational institution or learning pathway have fared in the position, the study said.

New software can extrapolate an applicant's relevant skills related to her hobbies and work experience

Advancements in technology will require new skills and capabilities for workers to excel in the 2030 work environment. The changes to work and learning in the next 10 years would be enabled by the maturation and proliferation of today's emerging technologies, which would give birth to new industries, jobs, skills, places of work and working patterns, the study said.