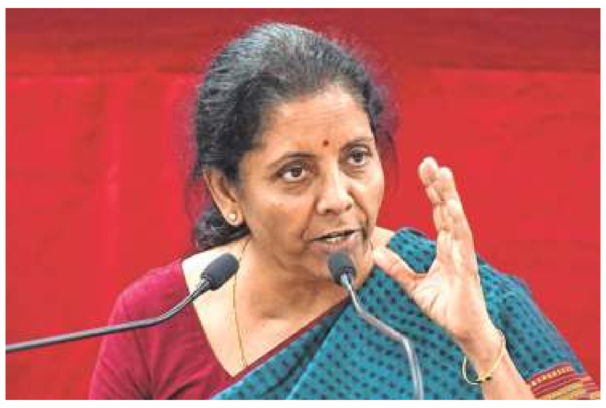
Reforms restored PSBs' health

13 of 19 government lenders back in black, GNPAs down 18%, says Sitharaman

SPECIAL CORRESPONDENT
NEW DELHI



Nirmala Sitharaman allayed fears of PSB chiefs over 'undue harassment' by enforcement agencies. ▪VIVEK BENDRE

Out of 19 public sector banks (PSBs) that had posted losses in 2018-19, 13 have returned to profitability in the first half of 2019-20, while gross non-performing assets (NPAs) had fallen 18% since last March.

After a meeting with PSB heads on Saturday, Finance Minister Nirmala Sitharaman said extensive government reforms had restored banks to health. Gross NPAs of PSBs had fallen from ₹8.96 lakh crore in March 2018 to ₹7.27 lakh crore in September 2019 with provision coverage ratio rising to more than 76%, the highest level in seven years, according to a Ministry statement.

Responding to concerns over "undue harassment" by enforcement agencies hampering banks from taking lending decisions, Ms. Sitharaman said the Central Bureau of Investigation (CBI) would not take suo motu action without referral from internal bank vigilance committees. "In the recent past, banks have gone through a slightly worrying period, wherein decision-making was getting stifled," said Ms. Sitharaman, adding a sense of fear of "what the banks would say is undue harassment, uncalled-for harassment" by the three Cs – the CBI, CVC and CAG – was preventing genuine, bona fide decisions from being taken.

"Bankers were assured that prudent commercial decision-making would be protected," said a Finance Ministry statement after the meeting, which was attended by the CBI Director also.

Meetings with ED, DRI

The Minister said similar meetings would be held with the Enforcement Directorate, Directorate of Revenue Intelligence and Customs Department to ensure that undue apprehensions did not hinder lending.

"No case, whatsoever, involving banks goes to the CBI without banks themselves deciding to send it. There is no suo motu case that the CBI takes against the bank," said Ms. Sitharaman, explaining the process whereby the internal committees of banks would examine suspicions of fraudulent activities involving ₹3 crore or more before deciding to refer it to the CBI.

This mechanism needs to be made more robust, she said, calling for speedy action for disposal of vigilance cases against PSB officials that have been pending for years. This comes a day after an RBI report said frauds reported by banks – both private and public – during the first half of 2019-20 had touched an all-time high of ₹1.13 lakh crore, mostly due to delay in detection by the lenders. To aid debt recovery, the Ministry has launched e-Bkraya, a common e-auction platform to sell 1.73 lakh properties, worth ₹2.3 lakh crore, that have been attached by PSBs over the last three years.

FPI flows cross ₹1-lakh crore in 2019

Cumulative flows since September pegged at about ₹51,500 crore

ASHISH RUKHAIYAR
MUMBAI

The year 2019 saw foreign portfolio investors (FPIs) betting big on Indian equities with total inflows breaching the ₹1 lakh-crore mark only for the fourth time ever and the first since 2013.

According to data from the National Securities Depository Ltd. (NSDL), FPIs have been net buyers at a little over ₹1 lakh crore in the current calendar year, the highest since 2013 when they net bought Indian shares worth ₹1.13 lakh crore.

Incidentally, FPIs have been net buyers at more than ₹1 lakh crore in a calendar year only on four occasions - 2019, 2013, 2012 and 2010 - with the highest single-year flows registered in 2010 at ₹1.33 lakh crore.

Rich pickings

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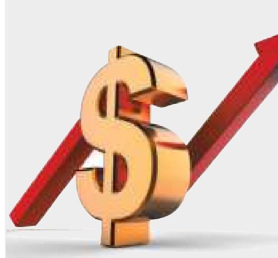


FPI flows (in ₹ Cr.)

Year	Equity	Debt
2002	3,630	48
2003	30,459	4,695
2004	38,965	3,084
2005	47,181	-5,518
2006	36,540	4,049
2007	71,487	9,428
2008	-52,987	11,772
2009	83,424	83,424
2010	1,33,266	46,408
2011	-2,714	42,067
2012	1,28,360	34,988
2013	1,13,136	-50,849
2014	97,054	1,59,156
2015	17,808	45,857
2016	20,568	-4,3647
2017	51,252	1,48,808
2018	-33,014	-47,795
2019	1,00,086	26,809

Source: NSDL

Highest monthly flow

Further, the year also saw FPIs pumping in almost ₹34,000 crore in March, which was the highest-ever single-month flows registered ever. Since September, FPIs have been net buyers in every single month with the cumulative flows until December pegged at about ₹51,500 crore.

Not surprisingly, the year also saw the benchmark indices breaching record levels on various occasions with the 30-share Sensex touching a high of 41,810 on December 20. FPIs are often considered to be the prime drivers of any bull run in the Indian stock markets.

A recent note by Edelweiss Securities highlighted that FPI ownership in BFSI – banking, financial services and insurance – along with the oil and gas sector, saw a significant increase during the year even as sectors such as IT, FMCG, pharmaceuticals and automobiles saw a drop in foreign holdings.

BFSI exposure

"BFSI saw FPI ownership increasing by 186 basis points (bps) last month and by (approximately) 263 bps over last 12 months. Similarly FPI ownership in insurance was up by 9 bps over the previous month and 168 bps over the last 12 months," stated the report, adding oil and gas exposure of FPIs increased by 197 basis points over the last 12 months primarily due to buying in sector heavyweight Reliance Industries, along with the oil marketing firms.

On the other hand, the automobile sector saw a 147 bps fall in FPI ownership during the year that saw the overall exposure of overseas investors drop by $4.6 billion. Even the IT sector saw a 135 bps fall in the FPI ownership in the last 12 months.

ITI to come out with follow-on public offer in January

Public sector unit aims to raise about ₹1,600 core

MINI TEJASWI
BENGALURU

Rakesh Mohan Agarwal

Public sector ITI Ltd. is scheduled to float a follow-on public offer (FPO) to list an additional 18 crore equity shares in the third or fourth week of January.

Rakesh Mohan Agarwal, CMD, ITI, told *The Hindu* the public offer, to raise about ₹1,600-crore, will most likely open on January 20 and close on January 25 subject to board decision.

ITI has an order book worth ₹22,000 crore to be executed over three years. It has been a listed since the mid-90s. The Centre holds 89.7% stake in ITI with the Government of Karnataka holding 3%.

According to Securities and Exchange Board of India (SEBI) regulations, a listed company should have a minimum public shareholding of 25%. Post FPO, the government holding will come down to below 75%. QIIs (qualified institutional investors) will hold 15% and high networth individuals (HNIs) and general public 10%.

Mr. Agarwal said the topmost priority of the company was to turn cash rich. It had turned profitable a few years ago. "We had hit the ground and now on, we can only fly high," he said.

After making losses for 14 years, the company, which was once the sole telecom equipment provider for the country, made a profit of ₹27 crore in 2017-18. A year later, it posted ₹1,870 crore turnover and a profit of ₹110 crore.

Mr. Agarwal said the ITI had changed its business model. Traditionally, the PSU was giving out telecom and defence projects it received to other third party integrators and deployment partners and earned a certain margin. "We have realised this approach was hurting us financially and therefore we adopted a strategic shift in doing projects. As a result, currently, we are installing, implementing and maintaining all our projects by ourselves instead of giving it to third parties like L&T, Huawei and Ericsson and others. This is positively impacting our profitability and margins," he explained.

Bank deposit cover set for increase

DICGC proposes raising cover from the current ₹1 lakh to ₹3 lakh-₹5 lakh

MANOJIT SAHA
MUMBAI

Following the recent incidence of fraud at the Punjab and Maharashtra Cooperative Bank (PMC Bank), which caused panic among some sections of the depositors, the government is vetting a proposal from the Deposit Insurance and Credit Guarantee Corporation (DICGC) to increase the deposit insurance limit.

Sources in the know of the development said, the DICGC – a subsidiary of the Reserve Bank of India (RBI) – had sent a proposal to the government for increasing the deposit insurance cover to between ₹3 lakh and ₹5 lakh. At present, deposits up to ₹1 lakh are insured by the DICGC. Sources said the decision was taken after consultation with the RBI. The final call on the extent of deposits that will be insured would be taken by the government.

Safety net: The final call on the extent of deposits that will be insured would be taken by the government. ▪REUTERS

For deposit insurance to increase, the DICGC Act needs to be amended, for which Cabinet approval is required. Sources indicated that it would take some time before the Act was amended.

The last time the insurance cover was increased was in May 1993, when it was raised from ₹30,000 to the current ₹1 lakh. Since its inception in January 1968, the amount insured has been increased on four occasions – first in April 1970, then in January 1976, subsequently in July 1980 and lastly, in May 1993.

The demand for increase in deposit insurance grew stronger after the RBI imposed various restrictions, including a cap on deposit withdrawal, for accounts held with the PMC Bank in the last week of September due to financial irregularities. This caused panic among depositors and there were rumours about the safety of the banking system.

This prompted the RBI to issue statements twice in the last three months, assuring that the the Indian banking system was 'safe and stable.'

The RBI also increased the deposit withdrawal limit of PMC Bank in several phases to ₹50,000. With the withdrawal cap raised to ₹50,000, more than 78% of the depositors of PMC Bank would be able to withdraw their entire account balance, the RBI had said.

The DICGC insures all bank deposits, such as savings, fixed, current and recurring, but not deposits of foreign governments and of central/ State governments, deposits of State Land Development Banks with the State co-operative banks, inter-bank deposits, deposits received outside India and those specifically exempted by the Corporation with the prior approval of the banking regulator.

Pronab Sen to head panel on statistics

PRESS TRUST OF INDIA
NEW DELHI

The Ministry of Statistics and Programme Implementation has constituted a 28-member Standing Committee on Statistics (SCES) chaired by former Chief Statistician Pronab Sen to improve quality of data amid criticism of the government over political interference.

"The first meeting of the SCES is scheduled for January 6, 2020. The agenda would be very broadbased. We will come to know about that only in the first meeting next month," Mr. Sen said.

Earlier, in March this year, expressing concern over "political interference" in influencing statistical data in India, as many as 108 economists and social scientists had called for restoration of "institutional independence" and integrity to the statistical organisations.

INTERVIEW | RAMKUMAR RAMAMOORTHY

Problem-finding skills are now in demand

Technology is no longer just the enabler, technology is the business, says Cognizant India's CMD

K. BHARAT KUMAR

Counting experience in the academia among the first jobs he held more than a couple of decades ago, **Ramkumar Ramamoorthy** *earned his stripes with a long innings in Cognizant before taking over as CMD of the India arm. At the helm of the second-largest employer in India's private sector, attracting and growing talent is one of his key mandates. Edited excerpts from an interview:*

Unemployable graduates have been a problem. Has this worsened?

■ As one of the largest recruiters of graduate talent in the country across engineering, science, management and liberal arts, I would argue that we have seen a decent increase in quantity and quality of graduate students in the past few years. But is it enough? Not really.

The expanded talent pool is driven by four factors: corporates, including prominent leaders such as Azim Premji and Shiv Nadar, have entered higher education in a meaningful way; dozens of private universities such as Ashoka, Flame, Lovely and KREA have significantly expanded the pool of talent; many institutions such as BITS-Pilani, VIT, Sastra and ISB have established satellite or extended campuses across the country and overseas; and fourth, with newer learning platforms and massive open online course providers such as Coursera, Udacity and Udemy, rich and curated learning content is made available and students are lapping it up. This has substantially improved access, quality and equity in learning. In fact, during recruiting, almost every graduate student presents nanodegrees and micro-credentials that they have obtained.

How is talent availability influencing growth?

■ The IT industry is not demand constrained; we are supply constrained. While there have been efforts to expand the talent pool, it is still not enough. I was with a bunch of CEOs last week in Delhi and one of them said, if only he had access to 50 skilled drone operators, he would hire them right away.

With digital, it's not about merely participating in market opportunities. We have the ability to shape them.

Are these skills readily available?

■ Today, skills aren't viewed just in terms of data science, automation or cybersecurity. Earlier, clients knew their business problems and brought in partners to solve them. Today, many clients do not know what the business problem is in all areas. Large banks like Citigroup and Bank of America are today battling robo-advisory wealth management startups like Wealthfront and Betterment with about $25 billion in assets under management. Large banks need help in ideating on how to win against new-age firms. What they need today is not just problem-solving capability but problem-finding skills. Critical thinking, creativity, cognitive flexibility, inter-disciplinary thinking and emotional intelligence are key.

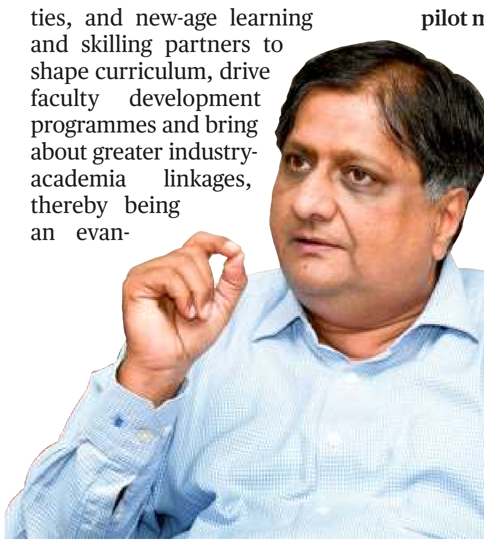
How do you drive talent development?

■ As an industry, we do not have the skills needed at scale to capitalise on the massive opportunity unleashed by digital technologies; I work closely with educational bodies such as AICTE/UGC, Vice Chancellors and Deans of universities, and new-age learning and skilling partners to shape curriculum, drive faculty development programmes and bring about greater industry-academia linkages, thereby being an evangelist of educational reforms as well as new models of continuous learning and 'learnagility.'

Where will Cognizant place bets in the digital context?

■ Our strategy is two-fold: we will protect and optimise our heritage business that accounts for about 65% of our revenue; this includes driving efficiency, automation and tooling, delivery optimisation, and protecting renewal deals, strengthening our industry focus, as well as scaling our international footprint. Today, our international revenues are about 25% of global revenues; second, we will invest significantly in four key digital battlegrounds: data, digital engineering, cloud, and IoT.

Have digital technologies matured or are they still in pilot mode?



■ Digital is front and centre of everything our clients are doing today. Let me give you examples from our battle grounds I cited. Data is the core of our clients' competitiveness.

Clients need to get better at storing, managing, reporting, analysing, and reusing their data. Clients need to leverage data to build Artificial Intelligence-based platforms that can transform customer experiences. We are helping clients shift from systems of record to systems of engagement. It is estimated that 50% of all workloads sit on public and private clouds today; this is set to increase to 80% in the next two years. An IDC forecast indicates that 42 billion devices are expected to be IoT-connected by 2025. Technology is no longer an enabler, technology is the business.

We see IT services firms buying consultancies. What value do they bring?

■ Niche consultancies bring capabilities, tools, methodologies and platforms that help us rapidly scale our nascent portfolios or quickly expand our existing portfolios.

Our recent pact to acquire Contino helps us to enable Global 2000 clients to speed their digital transformation programmes by leveraging enterprise DevOps methodologies and advanced data platforms. Contino's approach to cloud migration, core modernisation and cloud security is reshaping how enterprises build their infrastructures.