

Nippon MF, Credit Suisse, IRDAI spat headed to SAT

Dispute about pledging Reliance General Insurance shares

ASHISH RUKHAIYAR
MUMBAI

An ongoing tussle between the Insurance Regulatory and Development Authority of India (IRDAI), Nippon India Mutual Fund and Credit Suisse is likely to head to the Securities Appellate Tribunal (SAT) after the insurance watchdog declared that the pledging of shares of Reliance General Insurance with the two entities was in violation of the law.

According to persons familiar with the development, the two entities intend to contest the IRDAI directive as they believe that the pledge was created to safeguard the interests of their investors and unit holders without an intent of owning the shares of the insurance company.

Reliance Home defaults
“The pledge was invoked after a default by Reliance Home Finance and was done purely based on the fiduciary responsibilities and the share pledge agreement,” said a person familiar with the matter.

“The IRDAI directive has created a scenario wherein the issuer has already defaulted and the bond holders no more have access to the collateral that was placed while restructuring the payment terms,” he added on the condition of anonymity.

The matter goes back to March 2018 when Reliance Home Finance issued non-convertible debentures to raise about ₹400 crore. The bonds were subscribed by Nippon India MF and Credit Suisse.

Thereafter, the bonds matured in June 2019 but Reliance Home Finance was unable to meet the payment



The Insurance Act caps the foreign holding limit in an insurance company. •GETTY IMAGES/ISTOCK

obligations and hence sought restructuring of the terms wherein the maturity date was extended to October 31, 2019 and additional security was brought in by Reliance Capital, the promoter of Reliance Home Finance.

For the additional collateral, Reliance Capital pledged its 100% shareholding in Reliance General Insurance Company.

Payment default
The company, however, again defaulted on its payment obligations and both, Nippon India MF and Credit Suisse invoked the pledge as per the deed of guarantee dated July 19, 2019 and the amended and restated share pledge agreement dated June 26, 2019.

IDBI Trusteeship, which was acting as the debenture trustee, took possession of the shares of Reliance General Insurance from the depository account of Reliance Capital.

This pledge or the transfer of shares, as per IRDAI, is a violation of Section 6(4)(b) (iii) of the Insurance Act 1938 along with Regulation 3 of IRDAI (Transfer of Equity Shares of Insurance Companies) Regulations 2015.

In its letter dated Decem-

ber 27, IRDAI declared the pledge as “null and void ab initio” while also stating that Section 2(7A) of the Insurance Act caps the foreign holding limit in an insurance company.

While both, Credit Suisse and Nippon India MF are foreign entities, the foreign holding for an insurance company is capped at 49%. While a spokesperson for Credit Suisse declined to comment, an e-mail query sent to Nippon India Mutual Fund remained unanswered till the time of going to press.

“Transfer of shares is sacrosanct in depository system, and SAT, that hears appeals against orders issued by SEBI and IRDAI, has consistently taken a position that reversal of a transfer or invocation of pledge should not be allowed to maintain the sanctity of the market,” said a securities market lawyer wishing not to be named.

Interestingly, in a release issued on December 29, Reliance Capital said that the IRDAI decision has “protected the interest of all lenders and debenture holders” of the company and will help in monetising its stake in the insurance company to reduce its overall debt.

TCS moves SC against NCLAT order on Mistry

PRESS TRUST OF INDIA
NEW DELHI

Tata Consultancy Services (TCS), the flagship firm of the Tata Group, on Saturday said it has filed an appeal in the Supreme Court against the NCLAT order that directed the reinstatement of Cyrus Mistry as a director of the company.

In a filing with the stock exchanges, TCS said the National Company Law Appellate Tribunal (NCLAT), vide its judgment on December 18, 2019, had directed the re-instatement of Mr. Mistry as director of the company for rest of the tenure.

“... the company, based on a legal opinion, has on January 3, 2020 filed an appeal in the Supreme Court of India (i) to set aside the said judgment qua the company and (ii) [to give an] interim stay on operation of the said judgment to the extent it relates to the company,” it added.

Murugappa Group heir for board seat in holding co.

Female heirs must be given equal opportunity, says Valli Arunachalam

SPECIAL CORRESPONDENT
MUMBAI

A storm is brewing in the \$5-billion Chennai-based Murugappa Group with Valli Arunachalam, the elder daughter of late M.V. Murugappan, locking horns with family patriarch, the 80-year-old M.V. Subbiah demanding that female heirs be given an equal opportunity in the family business on similar terms as male heirs.

Mr. Murugappan, who passed away in 2017, was survived by his wife and two daughters, Valli Arunachalam and Vellachi Murugappan.

Ms. Valli Arunachalam,

Smartphones will become passe: Baidu’s Li

Next decade to be an intelligent economy powered by AI, says Baidu founder

SPECIAL CORRESPONDENT
CHENNAI

Chinese internet search giant Baidu is very much looking forward to working with Indian institutions in the current decade, its co-founder, chairman and chief executive officer Robin Li said.

“India is one of the fastest growing smartphone markets in the world and it is a very large developing country next to China. Both countries have seen fast growth in the last few decades and over the next decade, there will be more opportunities for us,” he said at IIT Madras’ tech fest, Shastra 2020.

Mr. Li was speaking on the topic “Innovation in the age of AI.”

He termed the decade, which had just gone by, as an internet economy, while the coming decade will be an ‘intelligent economy’ powered by AI.

Mr. Li also predicted that in the next 10 years, people



Baidu is looking forward to working with Indian institutions in the current decade, says Robin Li •BY SPECIAL ARRANGEMENT

would be less and less dependent on mobile phones.

“Because, wherever you go, there will be surrounding sensor infrastructure that can answer your question and that can serve you. So, you don’t have to pull out your mobile phone,” he pointed out.

This will be in contrast to the previous decade where people were more dependent on mobile phones for everything right from pay-

ments, food delivery, retail to ride-hailing, Mr. Li said.

AI as virtual assistant
He also highlighted various use cases for AI as a virtual assistant across sectors.

“Banks find it difficult to open branches. They can use virtual assistance to help customers open accounts. Even people are more comfortable dealing with virtual person than real person,” Mr. Li said.

AI is transforming banking and insurance, customer services, education and pharma industry, among others, he said.

For instance, Mr. Li said AI can help customers choose a suitable tariff plan in telecom services, which would be difficult for a real person to suggest in quick time. AI is enabling pharma industry accelerate drug development, he said.

According to Mr. Li, AI is also transforming transportation and reducing traffic delays by 20-30% in China and also can help reduce accidents.

It has also helped in finding missing people and already 9,000 missing people had been found, he said.

Mr. Li also pointed out that AI can make one immortal

“When everything about you can be digitised, computers can learn all about you, creating a digital copy of anyone,” he said.

Avail Finance eyes 15 million customers

LALATENDU MISHRA
MUMBAI

Fintech start-up, Avail Finance, that provides online loans to blue-collared workers like drivers and security guards earning between ₹15,000 and ₹20,000 a month is targeting to onboard 15 million of such unserved people in the next 18 months on its platform, a top executive said.

The company, which has cumulatively disbursed loans of ₹250 crore to one-million customers since 2017, plans to scale up the cumulative disbursements to over ₹3000 crore by then, said Ankush Aggarwal, its CEO.

“Our objective is to reach out to all the ‘missing middle’ urban poor who are neither served by traditional financial institutions nor by micro finance companies,” he said.

Use working capital limits: SBI

India can become \$5 trillion economy, says chairman Kumar

SPECIAL CORRESPONDENT
HYDERABAD

State Bank of India (SBI) Chairman Rajnish Kumar on Saturday urged corporates to utilise working capital limits as well as the facility under which the country’s largest lender extended finance against receivables due from government departments.

“I am absolutely comfortable in discounting receivables or extending receivables finance... ready to give up to 360 days [credit],” he said, adding the due, however, should not be disputed by the government.

In the past, there had been instances of such receivables shown in the balance sheet but the government department saying it did not owe any money, Mr. Kumar told a FICCI event.

The SBI head sought to underscore the need for corporates to work towards building trust.



Rajnish Kumar

“Traditionally lending is always on trust... but last few years have not been good because of breach of trust,” he said, even while pointing out to the significance of encouraging entrepreneurship and accepting business failures.

The problem comes when the failure is not necessarily on account of business circumstances.

“When an enterprise closes down, its employees suffer... but we find no impact

on the promoter. Their lifestyle remains unchanged, we cannot ignore that dimension,” Mr. Kumar said.

On the need for better coordination among banks with regard to consortium lending, he said a committee of six bankers – two foreign and an equal number of private and public sector banks – of the Indian Banks’ Association (IBA) has been formed. It will submit its report in three months to usher in faster decision making, transparency and all bankers agreeing to share information on lending based on cash flows.

On India’s plan to become a \$5 trillion economy, Mr. Kumar said it was achievable, without commenting on the five-year time frame set to achieve the same. The growth will come on the back of private sector revival and not just on government investment, he added.

IT firms must focus on home market

Sectors such as retail and telecom poised for deeper tech deployments

MINI TEJASWI
BENGALURU

In the backdrop of the U.S. election, Brexit and challenges in Europe, Indian technology providers seem to have increased their focus on the home market, where sectors such as retail, telecom, media, travel, logistics, oil, power and hospitality are poised for deeper tech deployments, say global analysts.

Hansa Iyengar, senior analyst, advanced digital services, Ovum, said, domestic market, in the current context, would be much better for Indian technology providers than chasing newer customers in key markets such as Europe and the U.S.

“Retail, telecom, media, travel, logistics and hospitality are important sectors, and most desi providers



Domestic market would be much better for Indian firms, says Hansa Iyengar.

have existing engagements in some of these verticals. In this year and near term, we expect these relationships to grow substantially with India as a whole being on a rapid modernisation drive,” she added.

Commenting on the market scenario, R. Ray Wang,

principal analyst, founder, and chairman of California-based Constellation Research, Inc. said, “There are too many sellers chasing buyers in key markets. We expect clients to reduce the number of vendors they work with and seek more help in digital, AI and automation.”

Growing North America
So, the home market would open up near-term growth opportunities for Indian providers, although the long-term prize would still be around growing accounts in North America and increasing market share in EMEA (Europe, Middle-East and Africa), stated Mr. Wang.

As per Chicago-based analyst firm HFS Research, data explosion, digital disruption and customer experience

have emerged as the top three drivers impacting business operations. Offshoring and traditional outsourcing has lost its mojo. But the promise of emerging technologies across the Triple-A Trifecta (automation, analytics, and artificial intelligence), cloud, IoT and blockchain is unquestionable.

“However, the ‘how’ to scale these technologies to realise their promise continues to be a black hole. Indian service providers, who can help clients get to the promised land beyond the piecemeal initiatives, POCs (proof of concepts) and pilots are the ones that are likely to succeed,” said Saurabh Gupta, chief research officer at HFS.

On the changing environment, Mr. Gupta said, a clash of cultures was imminent.