

# 16 ECONOMY

**INSURANCE FIRMS ARE SIGNIFICANT INSTITUTIONAL INVESTORS IN MANY LISTED COS**

## IRDAI asks insurers to play active role in corporate governance of investee firms

GEORGE MATHEW  
MUMBAI, FEBRUARY 8

AT A time when defaults, fund diversions and mismanagements have rocked the corporate sector, the Insurance Regulatory and Development Authority of India (IRDAI) asked insurers to play an active role in ensuring high level of corporate governance standards in listed companies in which they have investments.

Insurance companies, especially Life Insurance Corporation (LIC), are significant institutional investors in listed companies and the investments are held by them as custodians of policyholders' funds. "The state of governance of the investee companies is an important aspect and insurance companies must ensure that investee companies maintain corporate governance standards at high level," IRDAI said in its revised guidelines on stewardship code for insurers in India.

"Insurance companies should play an active role in the general meetings of investee companies and engage with the managements at a greater level to improve their governance," it said. "This will result in informed decisions by the parties and improve the return on investments of insurers, which will ultimately benefit policyholders," IRDAI said. LIC alone invests around Rs 50,000 crore in listed companies every year. Four public sector general insurers, GIC Re

EXPLAINED

### E. Puts onus on insurers holding notable stake

THE REGULATOR'S new guidelines follow mismanagement and poor corporate governance standards in several listed companies, especially in the financial sector, even though insurers hold significant stakes in such firms. The collapse of IL&FS and DHFL are two examples of institutional neglect. Institutions have either remained mute spectators or supported shady and weak promoters at annual general meetings where resolutions come up for shareholders' nod.

and private insurers are also major investors in listed companies.

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IRDAI had conducted a special training programme for independent directors in insurance companies at the National Insurance Academy, Pune.

As per the code for stewardship of the IRDAI, an insurer should have a board-approved stewardship policy, which should identify

and define the stewardship responsibilities that the insurer wishes to undertake and how the policy intends to fulfill the responsibilities to enhance the wealth of its policyholders who are ultimate beneficiaries.

In its revised guidelines, IRDAI said all the insurers need to review and update their existing stewardship policy within three months from the date of issue of the same and the updated stewardship policy needs to be approved by the board of directors. "The updated policy should be disclosed on the website within 30 days of approval by the board by all insurers, alongside the public disclosures," it said.

The IRDAI code says insurers may decide their own engagement strategy and the stewardship policy should clearly set out the criteria/circumstances in which they will actively intervene.

"The policy should provide for regular assessment of the outcomes of intervention by the insurer. Intervention should be considered regardless of whether an active or a passive investment policy is followed," it said.

The regulator said compulsory voting is required if the insurer's holding of the paid-up capital of investee company (in percentage) is 3 per cent or above in the case of insurers with assets under management of up to Rs 2.5 lakh crore and 5 per cent and above for insurers with AUM above Rs 2.50 lakh crore. Circumstances for intervention may include, but not limited to, poor financial performance of the company, corporate governance related practices, remuneration, strategy, environmental, social and governance risks, leadership issues and litigations.

"The mechanisms for intervention may include meetings, discussions with the management for constructive resolution of the issue and in case of escalation thereof, meetings with the boards, collaboration with other investors and voting against decisions," it said.

Various levels of intervention and circumstances in which escalation is required may be identified and disclosed in the stewardship policy. This may also include interaction with the companies through the insurance councils in case of any industry-level issues. Investment committee of the insurer has to consider which mech-

anism to be opted and escalation of matters in specified cases, the code says. As per the revised code, insurers should exercise their independent judgement with regard to voting decisions on resolutions and should not automatically support the proposals of the board of the investee firm.

IRDAI said insurers should have mechanisms for regular monitoring of their investee firms in respect of their performance, leadership effectiveness, succession planning, corporate governance, reporting and other parameters they consider important. "Insurers may or may not wish to have more participation through nominations on the board for active involvement with the investee companies. An insurer who may be willing to have nominations on the board of an investee company should indicate in its stewardship statement the willingness to do so and the mechanism by which this could be done," it said.

It said stewardship activities include monitoring and engaging with investee companies on matters such as strategy, performance of risk, capital structure, and corporate governance, including culture and remuneration. The policy should address all the aspects relating to stewardship activity like managing conflict of interest, training of personnel, monitoring of investee companies, intervention in investee companies, collaboration with other institutional investors and voting activities.

CRUDE WATCH

**IRAN SUPPORTS OPEC OUTPUT CUT PLAN**

Dubai: Iran supports deeper crude oil cuts by the Organisation of the Petroleum Exporting Countries (OPEC) if a majority of members agreed with it, Oil Minister Bijan Zangeneh was quoted as saying by the Iranian energy news website Shana. **REUTERS**

INTERVIEW WITH SHAILESH CHANDRA

## 'EVs are imminent as they are a better promise than the internal combustion engine'

THE AUTO Expo witnessed divergent positions taken by car manufacturers on electric cars. While some maintained that customers are still not ready for electric cars as acquisition cost remains high and a charging infrastructure is not there, SHAILESH CHANDRA, president, electric mobility business & corporate strategy at Tata Motors, tells ANIL SASI & SANDEEP SINGH electric vehicle future is imminent and he would go with an aggressive portfolio of products. Stating the only thing holding back is charging infrastructure, he said if that happens in two years, people will start buying. Edited excerpts:



Shailesh Chandra, president, electric mobility business & corporate strategy, Tata Motors

**There is a broader feeling that tempo on electric cars is not picking up. How do you see it?**

If you want to come to the general conclusion, you will see that electric seems to be the theme, apart from the connected theme and safety theme, as emissions and safety are the two driving reasons for disruptions in the auto sector. I would say there is more electric but also remember that two years back, the government came with Vision 2030 and every OEM wanted to give the message that they are with the government.

Two years down the line, you have lesser OEMs participating and one of the factors is downturn. There have been exits from the market. All those people who have shown electric vehicles would want to show that they are aligned with the government's plan. Some OEMs would say that we want to be early movers in this major transition, which may not happen tomorrow, but will happen eventually and we would like to be seen as doing it.

**While you sound very optimistic, there are some in the industry who are apprehensive and say that there is no demand for EVs?**

I am seeing the glass half full and somebody is seeing it as half empty. It is strategic posture. I think it is imminent as electric vehicle by nature is a much better promise than the internal combustion engine car. If you have an EV product that comes at Rs 1 lakh incremental price over its petrol/diesel equivalent, where in

four years you can save Rs 2 lakh in running cost and it gives a superior performance and much better warranty terms; what else would you expect in an SUV.

Today, what is holding them back is the absence of charging stations. Once that happens, there will be a great degree of comfort and people will start buying that. I think it is a very plausible scenario. So, we want to go with an aggressive portfolio of products in the personal segment. This would ensure that increasingly we get more and more penetration of electric vehicles.

**Do you think we will have a reliable charging infrastructure over the next two years?**

I think it should come in the next two years. Tata Power has committed to putting up 650 charging points and they are committed with us. I think that because of the FAME subsidy available over the next two years on chargers it should come up. There are states that are also promoting for a certain number of chargers that will be subsidised on top of what the Centre is offering.

So, in two years' time, I would imagine that there will be a critical mass of charging stations and also there will be promising products like Nexon EV that will come from other OEMs, too.

**How much of the EESL market has helped electrification?**

EESL was a big help to anchor our effort in the electrification to start with. We all know it has not

done 10,000 vehicles and EESL had also mentioned that they have done a certain quantity and not more than that. We had never planned our electrification journey based on government orders, but it was more symbolic. Government use will always be symbolic and not a business case for any OEM. It has to come from fleet and the personal segment and these two segments are our key focus.

But, yes, we are pretty happy with EESL as it helped us build and anchor the effort of electrification in the country. Real electrification started with that tender only. The whole ecosystem players started talking and engaging basis that tender. So, although volume-wise one could say it has not worked, but it has triggered.

**How do you see the fleet and personal segment growing?**

For a fleet segment, the use case requires a running of 150 km-170 km a day and so you need to make a car that delivers that, and we came with a very specific car in October 2019, which did a 213-km range. It has been a big success in segments where electric vehicle has been adopted in fleet. If they need 200 km, I would give that and not 500-km range because that would disturb their cost of ownership. So, you neither can go overboard on the range nor can you under as that will hamper their revenue opportunity. As of now, our plan on the fleet segment is working and we hope that we can continue our dominant position.

The personal segment is a bigger bet for us. As it holds bigger promise, our aspiration will be more on that side because this is the segment where there will be more transformation. Fleet is only 10-15 per cent of the industry and so it will hit a limit very soon. Therefore, we need to bring more choices for the personal segment. In the past 5-6 months, few choices have come, some of them are CKD options that are very high price point. I would say the first real product is Nexon in the personal segment because people can start thinking of electric. If we are able to offer an EV where its price is not significantly higher in comparison to a petrol or diesel equivalent, then all you need is some charging infrastructure.

BRIEFLY

### 'Software errors doomed Boeing capsule test'

Washington: Multiple software issues and a poor radio link doomed a test flight of Boeing's crew capsule late last year, NASA said Friday, revealing for the first time a glitch that could have destroyed the spaceship on its re-entry. The Starliner's December 20 mission, an uncrewed test flight, was ended early when it failed to engage its thrusters on time, due to a previously reported faulty timer. NASA said in a statement Friday that the problem arose because it incorrectly pulled time from its Atlas V launch rocket, creating an 11-hour mismatch.

### 'Virus-hit cos to issue bonds to refinance debt'

Beijing: High-quality Chinese companies affected by the coronavirus outbreak will be allowed to issue bonds to refinance debts due in 2020, the country's state planner said on Saturday. Small firms affected by the epidemic are encouraged to issue bonds to improve their liquidity, the National Development and Reform Commission said on its website, adding companies should also sell bonds to fund virus control and prevention. **REUTERS**

## Govt working to achieve 8% growth: FM

ENSECONOMIC BUREAU  
CHENNAI, FEBRUARY 8

UNION FINANCE Minister Nirmala Sitharaman on Saturday said the Centre is working towards the goal of achieving 8 per cent growth rate, riding on the measures announced in the recent Budget. The macroeconomy is strong, evident from the fact that foreign exchange reserves are at their highest and FDI is keeping a steady momentum, she said in an interaction with economists, industry leaders and trade bodies in Chennai.

The equity, bond and currency markets have done well after the Budget presentation. She said the Budget, which proposed to boost the income of Indians and their purchasing power, will act as catalyst to revive domestic economic growth. "Even though there are discussions on whether the economic growth has come down to 5 per cent or 6 per cent from 8 per



Finance Minister Nirmala Sitharaman in Chennai Saturday. **PTI**

cent, our base is strong. If not, will the foreign exchange reserve be at the current level? It is higher than ever. Similarly, foreign direct investment is high. If the govern-

ment's work is being criticised with a good intention to improve performance, it is good, and we will return to a growth of 8 per cent," she said. Sitharaman said importers finding difficulty in clearing goods from various ports due to non-arrival of documents because of coronavirus may approach the finance ministry with details for redressal.

On the grievance that banks are still hesitant to lend to small businesses, she said if banks are denying loans without reason to MSMEs, complainants are welcome to send their complaints by mail to a special centre, which will be announced soon. A copy of it should be sent to the concerned bank manager, she said, adding the Centre is taking steps to plug loopholes in GST mop-up. **FE**

### 'Smartphone market rises 8% in 2019'

About 152.5 million smartphones were shipped in India in 2019 registering a "modest" 8 per cent growth over last year, IDC said

India's smartphone market to see modest single-digit growth in 2020 as well

TOTAL

A total of 36.9 million smartphone units were shipped in the fourth quarter of 2019, registering 5.5 per cent year-on-year growth, but a 20.8 per cent sequential decline

### THE LEADERS

■ For 2020, IDC said the Indian smartphone market is expected to see "modest single-digit growth" in the year

■ According to the IDC data, the overall mobile phone market, with annual shipments of 282.9 million units, declined 12.3 per cent year-on-year in 2019 due to fewer 4G feature phones.

■ Xiaomi registered annual shipments of 43.6 million units in 2019, the highest-ever smartphone shipments made by any brand in a year, with a growth of 9.2 per cent y-o-y and cornered 28.6 per cent market share

■ Samsung followed in the tally with 20.3 per cent share and Vivo (15.6 per cent)

### SINGLE-DIGIT GROWTH

■ The online growth momentum continued through the year with a record share of 41.7 per cent in 2019, growing by 18.4 per cent y-o-y annually due to deep discounts, cashback offers, buyback/exchange schemes, and complete protection offers clubbed with attractive financing schemes like no-cost EMI across major model line-ups and brands

■ Average selling prices of smartphones rose 2.8 per cent y-o-y to \$163 (about Rs 11,600)

■ THE SUB-\$200 segment still accounted for 79 per cent of the market

Source: IDC/PTI

CORONAVIRUS OUTBREAK

## Shanghai to help Tesla resume production

REUTERS  
SHANGHAI, FEBRUARY 8

USELECTRIC carmaker Tesla's factory in China's financial hub of Shanghai will resume production on Feb. 10 with assistance to help it cope with a spreading epidemic of coronavirus, a Shanghai government official said on Saturday.

Many factories across China shut in late January for the Lunar New Year holiday that was originally due to end on Jan. 30 but which was extended in a bid to contain the spread of the new flu-like virus that has killed more than 700 people.

Tesla warned on Jan. 30 that it would see a 1-1.5 week delay in

### 'China blocks Foxconn proposal to restart factories over virus worries'

Bengaluru: Chinese authorities have blocked a plan by Apple supplier Foxconn to resume production in China from Monday, the *Nikkei* business daily reported Saturday, amid concerns about the spread of the new coronavirus.

Public health experts carried out inspections at Foxconn's factories in Shenzhen and told the firm its factories had a "high risk of coronavirus infection", making them unsuitable for an output restart, the newspaper said, citing four people. **REUTERS**

Tesla Vice President Tao Lin

said this week that production would restart on Feb. 10 and that car deliveries from the plant would be temporarily delayed.

"In view of the practical difficulties key manufacturing firms

including Tesla have faced in resuming production, we will coordinate to make all efforts to help companies resume production as soon as possible," Shanghai municipal government spokesman Xu Wei said.

The \$2 billion Shanghai factory is Tesla's first outside the United States and was built with support from local authorities. It started production in October and began deliveries last month.

The Shanghai government said Saturday it would ask banks to extend loans with preferential rates to small companies and exempt firms in hard-hit sectors like hospitality from value-added tax, among other measures to prop up businesses during the epidemic.

ENSECONOMIC BUREAU  
NEW DELHI, FEBRUARY 8

DRAWING LESSONS from the alleged role of auditors and their failure to flag irregularities at companies such as Infrastructure Leasing & Financial Services (IL&FS), the Ministry of Corporate Affairs (MCA) has floated a consultation paper seeking industry comments on various aspects of auditing as a profession.

"In most of the cases, the auditor appears to be hand in glove with the management and therefore the questions on their independence and accountability have arisen. In order to plug the aforesaid scenarios/instances, the ministry is of the view that the existing regulatory provisions relating to audit and auditors in Companies Act, 2013 and its rules along with Standard

### The consultation paper said there is a need to overcome the threat of 'economic concentration of audit' by the Big Four

of Auditing need to be reviewed," the MCA said.

The consultation paper, which details five major threats, said there is a need to overcome the threat of "economic concentration of audit" by the Big Four, and therefore "there is a need to build capacity of home grown Indian firms who may need to be at par with global organizations in terms of audit procedures, audit tools, manpower capacity to audit large organisations".

The MCA has sought views from other government departments, regulatory agencies, and

others in general on how to amend the existing laws that would enhance the independence of auditing firm and make sure they are also held accountable for any misdeeds. The comments have to be submitted by February 28.

"Though auditor is appointed by the shareholders, effective power of their appointment and dismissal lies with the management. Hence, time and again, audit independence has been questioned, as to whether the auditor is really doing justice to the interest of shareholders and is staying true to the audit profession," the Ministry said in the consultation paper.

Apart from this, the fresh consultation paper has sought views on five threats it has identified, namely self-interest, self-review, advocacy, familiarity and, intimidation, and how to tackle them.

## M&M net in Q3 falls 73% to ₹380 cr on back of poor sales

PRESSTRUST OF INDIA  
NEW DELHI, FEBRUARY 8

MAHINDRA & Mahindra (M&M) on Saturday reported a 73 per cent decline in consolidated net profit at Rs 380 crore for December quarter 2019 due to sluggish vehicle sales. The company had posted a profit after tax (PAT) of Rs 1,396 crore for the same quarter last fiscal, M&M said in a statement.

"The results of Q3 F2020 includes a net loss on account of exceptional and one-off items of Rs 554 crore as compared to a net gain on account of exceptional and one-off items of Rs 519 crore in Q3 F2019," it said.

Its revenue also moderated to Rs 12,120 crore in the latest quarter, as against Rs 12,893 crore in the

### Anand Mahindra to continue till Nov next year

New Delhi: Mahindra & Mahindra on Saturday said Anand Mahindra has acceded to the request of the board to continue as executive chairman till November next year. As per Sebi guidelines, he had to step down from his executive role from April 1, 2020. **PTI**

same period last fiscal, it said. Vehicle sales in Q3 stood at 1,23,353 units as against 1,33,508 units in the same period last fiscal, a decline of 8 per cent, it said.