YES BANK CRISIS

Backup plan, cups of coffee help staff get PhonePe up and running

Payments firm came to a halt after RBI superseded YES Bank's board

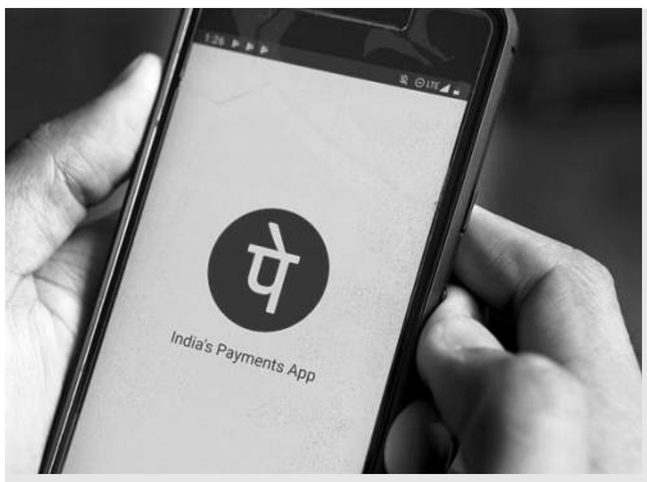
PEERZADA ABRAR & NEHA ALAWADHI
Bengaluru/Delhi, 7 March

On Thursday evening, PhonePe employees were looking forward to the weekend, but then they were caught by surprise when the Reserve Bank of India (RBI) placed YES Bank under moratorium.

PhonePe and its users were hit the hardest as YES Bank is the Walmart-owned payments platform's exclusive UPI (unified payments interface) partner and the PhonePe app had to be shut down.

After a gruelling 24 hours, the PhonePe team, led by chief technology officer Rahul Chari and CEO Sameer Nigam, has fully restored UPI on the payment platform. The app is up and running again with all payment instruments enabled.

This is an engineering feat as it was a multi-location effort and the teams worked on it round the clock, according to people familiar with the matter. "He (Rahul Chari) has not slept in 24 hours and the teams were working around the clock. But to get this size of operations up and running is really amazing," said a PhonePe team member.



24 GRUELLING HOURS

- The PhonePe team, led by CTO Rahul Chari and CEO Sameer Nigam, has fully restored UPI on the payment platform
- PhonePe has got ICICI Bank as its new partner. This was already in the works
- The firm is also in talks with various other banks such as HDFC Bank, Axis Bank, SBI and RBL Bank to become a multi-bank platform
- Customers and merchant partners don't need to change the UPI address
- PhonePe is accepted as a payment option at 10 million outlets across 350 cities in India

Industry executives said this was an example on how to deal with adversity. PhonePe has ICICI Bank as its new partner. This was already in the works for a few months, according to sources. The firm is also in talks with other banks such as HDFC, Axis Bank, State Bank of India (SBI) and RBL Bank to become a multi-bank platform as recently mandated by the National Payments Corporation of India (NPCI), according to a person from the financial services sector.

Customers and merchant partners don't need to change the UPI address and can continue using the existing handle, said sources.

The Bengaluru-based firm had already anticipated such a situation and put in place contingency plans to protect the company and its customers. "Otherwise, it wouldn't have been possible to be up and running at this scale in just 24 hours," said a team member, who did not wish to be named. "We were not running like headless chicken. The groundwork was already done and we just executed the backup plan," said the person.

Indeed, the firm's scale is massive, as PhonePe — which competes with rivals such as Alibaba-backed Paytm, Google Pay and Amazon Pay — is accepted as a payment option at 10 million outlets across 350 cities in India. It has 200 million registered users and does 570 million monthly transactions.

The company witnessed annualised total payments value (TPV) of $180 billion and has 10 million merchants. Last year, the app, which went live in August 2016, crossed the 5 billion transactions mark.

During the weekend, the PhonePe's offices in Delhi, Mumbai, Pune and Bengaluru were buzzing with engineers and employees, executing the backup plan, which included coding continuously, migrating users and looking at all the touchpoints.

A majority of the firm's 1,200 employees are engineers, and 25 per cent of them are women. Around half of the employees have been holed up at PhonePe offices since Friday, according to sources. "A lot of coffee, availability of good food and bunk beds arranged by the company kept them going," said a person familiar with the matter. "The mood among the employees was euphoric once the job was done."

Interestingly, on Friday, Noida-based Paytm took a dig at its rival PhonePe by inviting it to the Paytm Bank UPI platform. "It already has huge adoption and can seamlessly scale manifold to handle your business. Let's get you back up, fast!" Paytm Payments Bank tweeted.

"Paytm even started to poach PhonePe's customers by sending messages to its merchant partners that read 'QR code not working? Switch to Paytm All-in-One QR code now and accept unlimited payments'," said a person familiar with the development.

What is remarkable is that a lot of payments start-ups rallied behind PhonePe and offered help. Bipin Preet Singh, co-founder and CEO of MobiKwik, tweeted that at such a time of systemic failure in the UPI ecosystem, "We at MobiKwik extend our full support to our friends Sameer Nigam and Ashneer Grover (BharatPe co-founder) and others who are impacted by YES Bank mess. We are here to help and hope there is a quick resolution".

Signs of turnaround visible: Prem Watsa

T E NARASIMHAN
Chennai, 7 March

Canadian billionaire and chairman of Fairfax India Holdings Prem Watsa has observed that though 2019 was a tough year for the Indian economy, there are indications that the downward trend in some key economic indicators has bottomed out. Owing to this, he expects a gradual consumption-driven recovery.

High reservoir levels and soil moisture levels point to a good rabi harvest that could cool inflation and revive consumer demand. A fall in the consumer price index could enable and encourage the Monetary Policy Committee (MPC) to initiate one more policy rate cut, he said in his 19-page letter to shareholders. "The worst may be behind us, and we may see a gradual consumption driven recovery," he said.

From the end of 2016, India has moved up by 67 places to number 63 in the World Bank Business Report's 'ease of doing business' measure.

His letter also said according to a World Bank director, this is the third year in a row that India has made it to the top 10 'improvers' in doing business. This is a success that very few countries have achieved over the last 20 years since the project was started. At this rate, India could soon be among the top 50 countries in which to do business. This is a testament to the economic reforms that Prime Minister Narendra Modi has been undertaking. However, 2019 has been a year of opposites for India, it added.

The Indian stock markets performed well in 2019 with a return of 11.9 per cent for large-caps but economic growth decelerated sharply, during July-September 2019 with growth declining to a 26-quarter low of 4.5 per cent. The economy is now forecast to grow by only five per cent for the year ending March 31, 2020. The economy, in the previous year, had returned to a growth level of 6.8 per cent after it had overcome the twin shocks of demonetisation and implementation of the goods and services tax (GST).

The letter said, slowdown started with the withdrawal of easy credit for consumers, small and medium enterprises and real estate developers after the IL&FS crisis in September 2018.

Funding became difficult for non-banking financial companies (NBFCs) and it fueled a downward spiral. Consumer spending growth slowed and sales in many consumer sectors like automobiles were hit, resulting in production cuts and plant shutdowns. This led to job losses, said Watsa.

He added, the MPC cut policy rates by 135 basis points (bps) over five consecutive meetings, starting February 2019. However, bank lending rates have moderated by only about 45 bps during this period because bank deposit rates did not fall in tandem with the policy rates. This was because of tight liquidity conditions and poor lending as well as falling business confidence.

Fairfax plans to list infra investment arm

Fairfax India is planning to list its subsidiary Anchorage Infrastructure Investments Holdings (AIIHL), which has been created in June 2019.

AIIHL is Fairfax's flagship investment vehicle for airports and other infrastructure investments in India. The plan is to eventually transfer all of Fairfax's shares in Bangalore International Airport (BIAL) to AIIHL.

In December 2019, Fairfax India signed definitive agreements with an investor, whereby it will transfer 43.6 per cent of BIAL out of the 54 per cent that it owns to AIIHL. The investor will pay about $135 million to acquire from Fairfax India 11.5 per cent stake on a fully diluted basis in AIIHL. This will result in the investor indirectly owning approximately 5 per cent in BIAL. The transaction values BIAL at $2.7 billion.

T E NARASIMHAN

Hold RBI accountable, bring bank under govt control: AIBEA

The All India Bank Employees' Association (AIBEA) on Saturday said the Reserve Bank of India must be held accountable and the government should start taking all the private sector banks under its fold. The umbrella body of bank unions said lenders deal with public money and hard earned savings, and "If banks mishandle and mismanage..., criminal action should be taken against top officials of the bank who are responsible for the same, and severe punishments should be awarded". "In order to protect the interest of the depositors and bank's clients, YES Bank should be immediately brought under the public sector," said C H Venkatachalam, general secretary, AIBEA. PTI

Systems functioning 'without any disruption', says PayNearby

Fintech startup PayNearby, which has a tie-up with YES Bank to offer cardless and pinless ATM services to customers, on Saturday said its systems are running without any disruptions. The statement comes in the wake of disruption of Unified Payment Interface (UPI) offered by fintech players after YES Bank was put under moratorium by the RBI.

"Our systems are up and running without any disruption. We are a strong technology backed fintech company and have multiple banking partners," the company said in a statement. "YES Bank has been a very valuable partner in our journey and we are confident that they will soon bounce back," the statement added. PTI

Rajkot civic body tells YES Bank to release smart city fund

The Rajkot Municipal Corporation (RMC) has written to the Reserve Bank of India for the release of the Smart City Mission fund of ₹160 crore stuck in the troubled YES Bank, Gujarat deputy chief minister Nitin Patel said.

Patel said that apart from the ₹160 crore, the government has no other deposit in the capital-starved bank.

"As per information provided to me, around ₹160 crore Smart City Mission fund of RMC is deposited in YES Bank.The money belongs to the Central government and the RMC, and hence the municipal corporation has written to the RBI with the request to release the fund as per its requirement," Patel added. PTI

Genpact looks to ethical artificial intelligence to chart path ahead

NEHA ALAWADHI
New Delhi, 7 March

With artificial intelligence (AI) continuing to play a strong role in 2020, the road ahead will be built on "augmented Intelligence" — a mix of human and machine intelligence that will give an edge to companies, says Genpact's chief digital officer Sanjay Srivastava.

Enterprises could see more positions like digital ethics officers and move towards providing transformation as a service, an area Genpact is heavily focused on. Srivastava said the company is in the fourth phase of evolution and will focus on areas like eliminating bias in intelligent systems and digitising newer kinds of work.

"With AI, it's no longer that you have to protect your applications, because I can corrupt your data and then perfect AI will run on wrong data and give you the wrong results. I foresee that corporate boards are going to start thinking about ethical governance very differently. Just like we have audit subcommittees and compensation subcommittees, the world is going to have digital ethics subcommittees as a board-level subcommittee," said Srivastava.

Concerns over bias in AI systems and their efficiency are not new, but there seems to be an increase in board-level recognition of the pitfalls of this. Genpact is using AI in multiple ways, most notable being its AI platform called Cora, which collects and analyses the available data and makes recommendations to clients.

One of the things it is working on is language. "We're big believers in natural language processing. We apply it in invoice processing, contract reconciliation, any place you have to compare two large PDFs and derive information," said Srivastava.

The next big area is computer vision, which works on what are called knowledge graphs, or deep learning. "You can turn your iPhone and say, where's the nearest Starbucks and it will tell you where it is. But if you look at an invoice and on page number 23, (you say) the sales tax you applied for in one state [that] you need to take to another state, there's no in AI in the world today that can solve it, because it's not contextualised," he added. In this context, how do digital officers deal with ethics, which are subjective even offline? The answer, said Srivastava, is not hundred per cent laid out.

"But I do think that the parameters are now starting to get defined. So I actually work with clients on this. I have them set up a framework....one of the dimensions is an awareness of the intended and non intended usage parameters of the AI that we recommend," he said.

Srivastava said Genpact is in the fourth phase of evolution and will focus on areas like eliminating bias in intelligent systems and digitising newer kinds of work

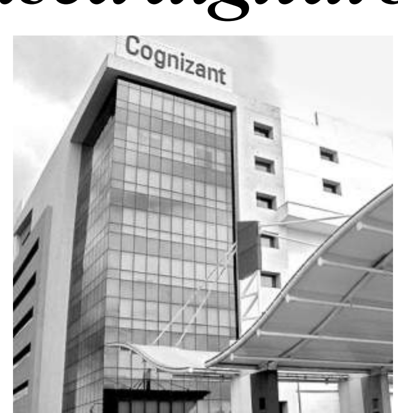
Cognizant plans to hire sales staff with specialised digital skill sets

DEBASIS MOHAPATRA
Bengaluru, 7 March

Cognizant is aggressively hiring sales people proficient in digital technologies in its bid to win more deals in the new technology space.

The company, which is in the process of hiring around 500-strong sales team, has already taken staffers with specialist knowledge of working with SaaS (Software-as-a-Service) players. "Out of the 500 sales people (the company is hiring), a large proportion has digital skill set. So, we have sales specialist, who work with leading SaaS players like Amazon's AWS, Google Cloud, Microsoft Azure," said Malcolm Frank, president of Cognizant Digital Business. "We also have sales specialists with specific knowledge in IoT (Internet of Things)."

Frank also said deals coming in the digital space are not large ones, but are more project-based which grow with time. The Teaneck, New Jersey-based firm currently draws more than 35 per cent of its revenues from digital technologies and is witnessing a year-on-year growth of around 20 per cent in this segment. "We will definitely have a larger proportion of digital revenues, but we will still be doing a lot of systems (core revenue) work," said Frank.



The IT services firm is also rationalising its employee pyramid by hiring more fresh graduates

He also said the firm plans to hire or re-skill around 25,000 employees for cashing in the opportunities arising in the digital technology segment without divulging specific numbers.

Currently, Cognizant is pursuing its 'fit for growth' plan under which it is taking various cost-optimisation measures through which the company hopes to save around $150-$200 million by the end of 2020. The IT services firm is also rationalising its employee pyramid by hiring more fresh graduates. It had earlier said the company would remove 10,000-12,000 mid- to senior-level employees and redeploy about 5,000 of those impacted.

On Cognizant's decision to exit the content moderation business, Frank said though it was a difficult decision, it was a step in the right direction. "While there are a handful of clients in the content (moderation) business, every firm is looking for digital solutions. So, the opportunity is quite big in digital (space)."

The IT firm last year decided to exit the content moderation business, which has an overall revenue impact of $240-270 million per annum. Cognizant, which beat street estimates with its fourth quarter performance, has projected that its revenues will grow by 2-4 per cent in the current year. Though this is the lowest growth projection among its peers, investors believe that the firm's performance may improve.