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Jet Airways
THE FINAL CALL

Anil Ambani
THE DEBT BOMB

INDIA'S BEST BANKS

The new winners of the BT-KPMG survey

Business Today

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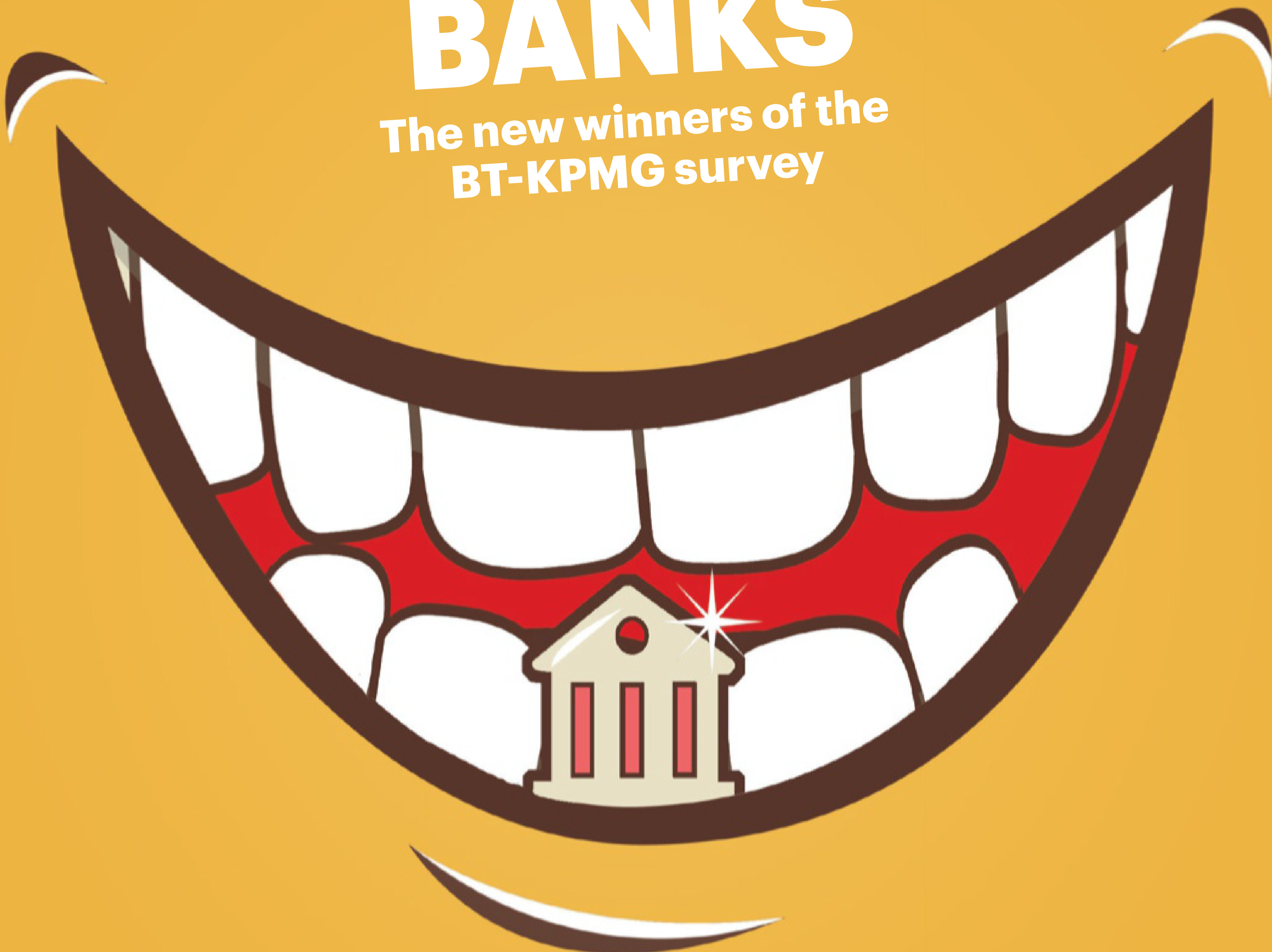

FROM THE EDITOR

Changing Landscape

THE INDIAN BANKING SECTOR is poised at an interesting juncture. The Reserve Bank of India last year showed its displeasure with the professional and personal actions of several marquee CEOs, leading to changes in leadership in three private banks. Two other private banks, which are doing exceedingly well, will see changes in their leadership because their iconic leaders will be retiring. The central bank has made its discomfort clear about the compensation packages of high-flying bank CEOs and made suggestions that could result in big changes in bonuses and other variable incentives given to them. The regulator has suggested that bonuses should be more tightly linked to performance, and should not be just a reward given out by a friendly board.

If several private sector banks have been reprimanded, most public sector banks are still trying to get out of the morass they find themselves in. While the RBI, nudged by the government, has removed six public sector banks from the prompt corrective action framework, on the ground this might not actually help them much. Their balance sheets are still not in a shape where they can afford to give out big business loans, unless they get enormous capital infusion.

Meanwhile, after the successful merger of the State Bank of India with its affiliates, the government has announced other mergers – Bank of Baroda with Vijaya Bank and Dena Bank. This will see a well run bank combine with a bank with middling performance and another that is deep in the red. How this will precisely help is unclear. The finance minister has also announced that there would be more mergers going forward – he wants fewer but bigger and healthier banks. While the first two are a given once the mergers take place, whether these will result in healthier banks is open to debate. Given that nothing has been done to reform the functioning of public sector banks, whether this will not just result in a number of big bad banks is the worry.

The banking sector – in fact, the entire financial sector – is seeing a major change because of technology as well. Fintechs are helping banks and also trying to be competitors. Currently, regulations do not allow fintechs to really infringe on banking territory, but at some point that may not be the case.

The BT-KPMG Best Bank Survey has evolved quite a lot over the years. It started off choosing winners based purely on quantitative criteria, but it has now added jury categories. It has also expanded to add fintech award categories along with the original banking categories.

While mostly bad news on the banking front dominates the headlines these days, the fact is that a handful of banks – and their leaders – have been performing exceptionally well in the past few years. This came out strongly in the jury awards when a healthy discussion took place on who would be the ultimate winner in a particularly category from two equally strong contenders. In one category, the jury finally decided to choose two leaders as joint winners.

Enjoy the issue.

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AN EMPIRE SHAKEN

Anil Ambani's Reliance Group is going through one of its toughest times. Can it survive the debt bomb?

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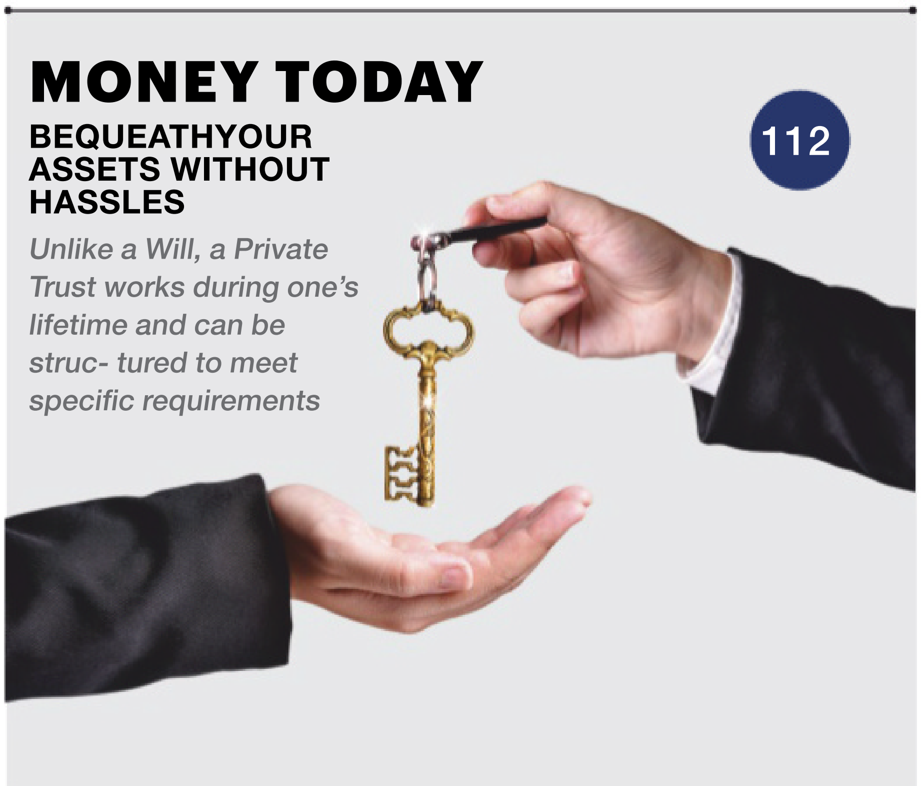

THE BREAKOUT ZONE

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WHEN AI SPEWS FAKE NEWS

A new algorithm can mass-produce fake news in the most convincing manner, compelling researchers to hold back the breakthrough

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PERSPECTIVES

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THE BUZZ

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GOVERNMENT-RBI TIES

Seeing Eye to Eye

THE NEW RBI GOVERNOR SEEMS TO BE ACCOMMODATIVE BUT THE REAL TEST WILL COME LATER.

By ANAND ADHIKARI   Illustration by AJAY THAKURI

THREE MONTHS AGO, the Reserve Bank of India (RBI) and the government were almost baying for each other's blood. But things have improved drastically after former bureaucrat Shaktikanta Das replaced Urjit Patel, who left Mint Street abruptly in December last year. Take half a dozen weak banks that were under the RBI's Prompt Corrective Action framework and are now back in the system to lend money. The central bank has also been generous in paying out ₹28,000 crore interim dividend, pushing the total dividend in the financial year to ₹68,000 crore. The new governor is also more at sync with the government and the finance ministry. Another surprise was the RBI easing the repo rate by 25 basis points to 6.25 per cent early this month. There are expectations of another 25 basis points cut in the April policy.

The question everyone is asking is — is there merit in these quick decisions? While the reason for pulling out weak banks from the RBI's monitoring mechanism is the additional capital provided by the government, the performance and asset quality deterioration at these weak banks is yet to return to normalcy. The PSBs are in desperate need of governance reforms. The RBI also has to be vigilant on inflation before any rate cut as core inflation, especially education and healthcare inflation, is still sticky. The ₹68,000 crore payout too is much higher than the ₹50,000 crore in the previous year. Experts say the RBI should have waited for a report from the Bimal Jalan Committee tasked with deciding how the RBI's surplus capital is to be used.

So far, the new RBI governor has refused to budge on the controversial Feb 12, 2018, circular to invoke bankruptcy where there is even a single day's default. His next test will come on fixing compensation for CEOs of private banks, and clawing back bonuses in cases of non-performance. Patel had initiated the process and refused to renew the terms of high-profile private bank CEOs. What will Das do? BT

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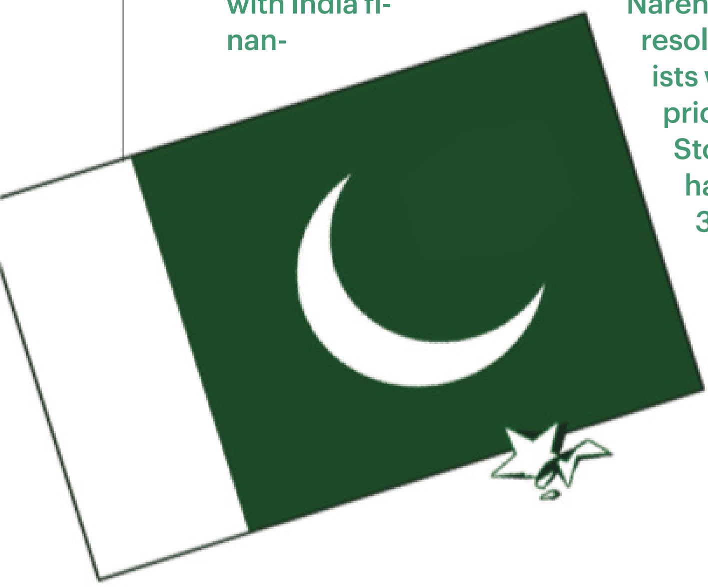
GEOPOLITICAL ECONOMICS

ON THE BRINK

BETTER SENSE has prevailed. Pakistan gave up belligerence, returned captured Wing Commander Abhinandan Varthaman and even offered talks. Though neither of those solves the core problem of terrorism emanating from its soil, but a key factor behind Pakistan PM Imran Khan's olive branch to India would be the sorry state of its economy. And, its inability to sustain a war with India financially. Pakistan's $277 billion economy is less than one-tenth of India's. Its fiscal deficit is almost 9 per cent of its GDP, national debt over 61 per cent of GDP and forex reserves barely enough to pay for about 10 days of imports. Nobody expects Pakistan to fight a war with India without bloodying itself. Little wonder then that since the February 14 terror attack in Pulwama and Prime Minister Narendra Modi's public resolve that terrorists will pay a heavy price, the Karachi Stock Exchange has fallen over 3.58 per cent, the BSE Sensex in comparison has fallen only 0.02 per cent.

– Rajeev Dubey



POLICY

Unintended Consequences

THE GOVERNMENT'S war against Ponzi Schemes is going to take a toll on businesses, especially small traders like partnerships, and individual firms. A newly introduced bill -- the Banning of Unregulated Deposits Scheme Bill -- has barred business owners from taking loans from anyone other than banks, finance companies, and relatives. That's not all; advance funds taken from clients against future supplies will have to be returned within 15 days in case of delivery failure. And these will be treated as a deposit if this isn't done.

The proposed law would pose problems for small businesses that often take loans from other businesses or friends, as they can't always access finance through formal banking channels. Though businesses registered as companies, can still raise deposits as per the Companies Act, it is the partnership firms and individual businesses that would be hit worst, as they aren't allowed to raise any form of deposits from the public. - Dipak Mondal

SUGAR

Sweet Support

AIMING TO ALLEVIATE the growing stress in the domestic sugar industry, the government has increased the minimum selling price of the commodity by ₹2 per kg to ₹31 per kg. This will boost margins of sugar companies and is expected to free up ₹3000 crore towards payment of cane arrears that has already topped ₹2,000 crore as on February 13. However, given the fundamental issue of glut in the domestic market, it may be a case of too little too late. Even though sugar production is slated to fall to 30 mt in 2018-19 against 32.3 mt in 2017-18, it is still higher than what is required at 26 mt. Add to that the 10.7 mt of excess stock from last year, the glut situation worsens. The hike in MSP notwithstanding, in a free market regime, this will perennially keep prices and with it the margins of sugar companies under pressure. The real solution of dissuading farmers from growing more water consuming yet lucrative sugarcane as a crop remains a political hot potato, which nobody seems willing to take.

– Sumant Banerji

GDP

SLUGGISH GROWTH

The third quarter GDP numbers released by the Central Statistical Organisation shows what most economists were predicting – that growth was slowing down. At 6.6 per cent growth, it is the lowest in five quarters. The CSO has also reduced its growth estimates for the year to 7.0 per cent, from the 7.2 per cent estimated earlier. This also means that the last quarter GDP growth will be even lower. While India still retains the bragging rights of being the fastest-growing major economy – our growth is slightly better than China's, albeit on a much lower base – it is of little consolation for most companies.

Even before the GDP numbers came out, other indicators had showed that the economy was slowing down. Demand in key sectors such as four-wheelers and two-wheelers had taken a hit. Even otherwise, consumption seemed to be slowing down. On the agricultural front, the distress was high enough for the government to take the unprecedented step of announcing a direct income injection for small, land owning farmers, starting from December itself. Other signs of distress are quite high as well. Small and medium industries continue to suffer. Core sector growth is at a 19-month low. Third quarter profit growth among big corporates was at a much slower pace than earlier. New private investment is still anaemic. Exports have not picked up. And finally, all that is leading to a massive unemployment problem, even though the government denies it.

Once elections are over, the new government and its finance minister will have a big problem on their hands – how to fix an economy facing too many headwinds.

– Prosenjit Datta

IL&FS

Wrong Regulation

WHILE IT IS easy to understand the sentiment behind the National Company Law Appellate Tribunal's (NCLAT) order not to treat any entity of IL&FS as a non-performing asset (NPA) until its consent is taken, this is clearly wrong. First, it is the Reserve Bank of India that makes guidelines for classifying NPAs, and banks are supposed to follow those orders. Two, while NCLAT's intention may be to sort out the IL&FS mess without that company's creditors dragging it to bankruptcy court, this is not the right way to go about it. If the government wants to save IL&FS entities from the bankruptcy court, it needs to find a solution. Perhaps ask the newly constituted board to talk to creditors for a standstill agreement. Or, work out a scheme for orderly deleveraging and sale of the entities. The NCLAT's role is to judge on appeals against NCLT orders against any company or management, and it should not overstep its authority to infringe on what is another regulator's domain.

– Prosenjit Datta

E-COMMERCE

Hard on Data

THE DRAFT E-COMMERCE policy focusses more on data privacy and access than on e-commerce. Not only does it call for the housing of data centres and server farms locally, but it also seeks government access to source code and algorithms of artificial intelligence (AI) systems. It bars sharing Indian users' sensitive data with third parties even with users' consent and talks of creating a legal and technological framework to restrict cross-border data flow. The new rules once again highlight India's hard stance on data localisation after the draft Personal Data Protection Bill and the Reserve Bank of India's directive last year to payments companies to store all data locally. Data misuse is a major concern but forced localisation and seeking access to data on the pretext of security and privacy are equally unfair. Instead, the government should incentivise global firms to come, locate, and process their data locally. One can only hope that the actual regulation will consider this.

– Aprajita Sharma

POWER

MUNDRA TARIFF TIFF

THE FATE of Tata Power's Mundra Ultra Mega Power Project still hangs in the balance as procurers are yet to give the go-ahead for revising the project's power purchase tariffs.

In October last year, the Supreme Court allowed the Central Electricity Regulatory Commission (CERC) to amend power purchase agreements (PPAs) of the imported coal-based power plants in Gujarat as recommended by a state government-appointed panel. The Gujarat discom has sought CERC clearance to amend the PPA for Adani Power's 4,620 MW imported coal-based plant in Mundra. Even as this decision is awaited, Tata Power approached the CERC, asking it to direct procurers to amend the PPAs. The petition says that the company is awaiting 'a concrete response from procurers', which include Gujarat, Maharashtra, Haryana, Rajasthan and Punjab.

– P.B. Jayakumar

GST

Zero-sum Game

REDUCTION IN GST for real estate may not result in a price reduction for prospective homebuyers. Agreed that the government wants to push up sales by slashing GST from 8 to 1 per cent on 'affordable' homes and from 12 to 5 per cent on 'premium' homes.

At the same time, the government has reduced input tax credit, meaning developers cannot claim a reduction in taxes due on output from the taxes they have already paid on input. With wafer-thin margins, developers are not likely to let go of any opportunity to escalate prices and are already considering a 3- 4 per cent rate increase.

Effectively, buyers may end up spending the money they save on reduced GST, on higher per-square-foot rates.
– Rashmi Pratap

IT

DECODING DIGITAL

AS THE IT INDUSTRY'S digital revenues reached $33 billion in 2018, clocking a 30 per cent year-on-year growth, 36 per cent of the CEOs of IT/ITeS companies voted for digital deals to drive growth in 2019, as per a NASSCOM survey. Although the industry lobby outlined all evolving trends in the digital space, it fell short of defining what constituted 'digital' for the sector. IT services companies have been calling out their digital revenues without service line break-ups, but an apple-to-apple comparison eludes us without industry standardisation. NASSCOM President Debjani Ghosh says companies are willing to share data, but arriving at a consensus on what constitutes 'digital' revenues will be a Herculean task. But why are we bothered? The answer is, unless companies voluntarily disclose the break-up of digital revenues or the component itself is standardised, evaluating the real 'digital growth' of the IT industry will remain a mirage. **– Rukmini Rao**

STEEL

BULL RUN

INDIAN STEEL MAKERS are on the cusp of a bull run as experts foresee strengthening of steel prices, and better capacity utilisations. Steelmakers had been de-leveraging their balance sheets in the last 3-4 years to stay fit to cash in on the next uptick of the steel cycle. The government's plan to extend anti-dumping duty until 2022 is also welcome news.

The key brokerages are hiking target share prices of steelmakers and rating upgradation of stocks. The most likely to benefit are Tata Steel and JSW Steel. Both bought distressed assets, added capacity, and turned their manufacturing cost competitive. If they get a multi-year spike, both will be able to regain their lost glory. – Nevin John

CLIMATE CHANGE

Dry Spell Debt

REELING UNDER THE PRESSURE of bad loans, it's high time banks consider business losses caused by climate change. Close to 40 per cent of gross credit exposure of Indian banks is in sectors where water risks are significant, said the WWF-India report *Hidden Risks and Untapped Opportunities.*

In fact, the highest at 20 per cent is in water intensive sectors (power and agriculture) that account for the highest gross credit exposure of Indian banks. India has already seen several instances of thermal power plants closing down or functioning below capacity due to water scarcity. The water crisis is real. It is time for banks to consider climate and environmental factors as they assess projects' creditworthiness, and perhaps invest in water-related infrastructure, water treatment plants, and projects related to efficient irrigation systems.
– Sonal Khetarpal

TELECOM

In the Open

UNTIL NOW, Indian telecom operators largely refrained from openly discussing alleged regulatory favouritism for the Mukesh Ambani-controlled Reliance Jio.

Vodafone CEO Nick Read, however, has broke silence at the annual Mobile World Congress event at Barcelona. Without detailing specifics, he said there had been many regulatory outcomes that adversely affected everyone except Jio this last two years. Vodafone and Bharti Airtel have lost significant business (market share, revenues, and subscribers) to Jio in the past 29 months. A bunch of policy decisions were seen as tilted towards Jio – slashed international roaming rates, TRAI regulations on predatory pricing, the altered definition of significant market player, and restrictions on plans telcos can offer to subscribers. Industry body COAI had spoken up and faced a defamation suit by Jio. But telcos have avoided naming names. Read's comments at a global forum paint a dark image of the regulatory situation in India. – Manu Kaushik

NBFCs

A Sigh of Relief

A STEP IN THE right direction are the final guidelines on risk weightage of non-banking finance companies (NBFCs) – benefitting both banks and NBFCs. Post-modification, banks can assign risk weights to their rated NBFC exposures, depending on ratings assigned by credit rating agencies (CRAs). At present, banks' NBFC exposure - rated and unrated - attracts 100 per cent risk weight. Reduced risk weightage will free up capital for banks to use for incremental lending or improving their own capital ratios. This could also lead to a marginal reduction in the cost of borrowing for the better-rated NBFCs. Meanwhile, the Reserve Bank of India has hiked risk-weightage for non-rated NBFC loan exposure above ₹200 crore to 150 per cent. The move will push banks to nudge all NBFCs to get rated, thus encouraging information flow within the system. However, given the recent misses on ratings by CRAs, all this would amount to nothing if they fail to capture the right picture of NBFCs. – Aprajita Sharma

AIRPORTS

Big Entry by Adani

THE ADANI GROUP'S highest bids for all six airports (Guwahati, Ahmedabad, Jaipur, Lucknow, Thiruvananthapuram and Mangalore) have raised eyebrows. Its bids were several times higher than that of say an established player like GMR. GVK did not bid at all. Can Adani pull it off if the revenues from these airports do no rise substantially over the next few years? Also, given the current problems in the airline sector, with flights being cancelled by most major players, Adani may find it difficult to make money in the initial years.

After making a mark in the power sector, the group may have opted for higher bids to get an entry into airports even if profits are hard to come by in the short run.

The Kerala government is opposed to this and is seeking legal remedies. – E. Kumar Sharma

SOCIAL UNIVERSE

WHEN CLEAN-UP FAILS

Moderating user-generated content on social media has proven to be a tough task for companies.

By Devika Singh

Illustration by Aay Thakuri

JOURNALIST BARKHA DUTT has been a frequent target of trolls on social media platforms. But who could have thought that reporting these incidents might lead to blocking of her account? Recently, when she tweeted some of the threat pictures sent to her, Twitter blocked her account for 12 hours. It was, however, restored after she reported the blackout to the authorities of the microblogging site. Twitter defended its move by saying its users are not allowed to publish or post other people's private information without their express authorisation and permission (it is unclear whether those posts carried personal details of the people who had abused her on social media). Whatever be the reason, this is just one example of how technology fails when it comes to taking complex and nuanced decisions about social media content.

Apart from using automated tools, most social media companies claim to have in-house teams in place to monitor and moderate content. Also, a recent draft regulation by the government says that any social media company operating in India and having more than five million users in the country must deploy automated tools for proactively identifying and removing or disabling public access to unlawful information or content. In spite of these initiatives, social media firms are failing to curb such content.

According to Pratik Sinha, Co-founder of the fact-checking website AltNews, social media companies are failing at multiple levels when it comes to monitoring user-generated content. "Their whole business model is based on making content viral and this is at odds with checking content which is abusive or pornographic," he adds.

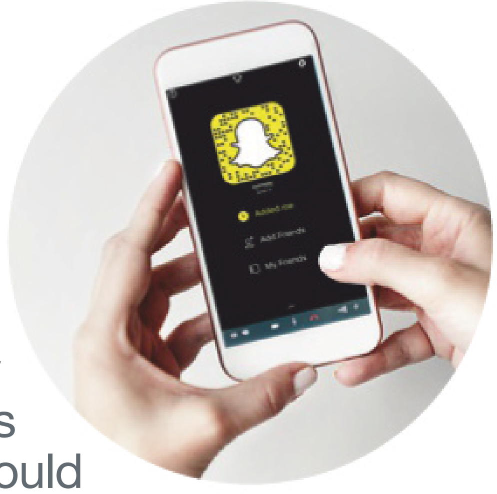
However, Raman Kalra, Partner, Entertainment, Media and Sports Sector, PwC India, does not concur. "Social media companies are investing in technologies which can moderate user-generated content. But it cannot be done in a hurry as these tools learn to filter content over time."

Social media firms are also taking prompt action. For instance, Chinese social media company TikTok, which was under fire for featuring pornographic content, has launched a safety initiative in India to make users aware of safe practices on the Internet. It also claims to have moderator teams for 36 languages (including major Indian languages) across 20 countries. "As a company, we need to invest in these tools, and right now, we are only scratching the surface. We will continue with these measures in India and invest in local language initiatives," says Helena Lersch, Director of Global Public Policy at ByteDance, TikTok's parent company.

Experts think technology or human intervention alone cannot solve this problem. Both must be used to track, monitor and filter social media content although technology will soon play a bigger role. BT

@devikasingh29

REVAMPED APP



Snap Co-founder and CEO Evan Spiegel recently announced that Snapchat's redesigned Android app would be available to users by the end of 2019. According to him, this could be a major growth trigger in markets such as India, Indonesia and the Philippines where the platform has failed to gain traction due to mediocre Android experience.

INSTAGRAM EYES PINTEREST-LIKE COLLECTIONS

Instagram seems to be replicating a feature of another social media app yet again. And this time, it is Pinterest. According to a report by technology news site *TechCrunch*, Instagram is testing a public Collections feature that will allow users to save and organise their favourite Instagram posts into groups and share them with others. The report also says that users will be able to contribute to other people's public collections after taking their permission.

Eight Minutes at the Top

T-SERIES FINALLY DETHRONED PEWDIEPIE AS THE MOST POPULAR CHANNEL ON YOUTUBE BUT ONLY FOR EIGHT MINUTES. FOR MONTHS NOW, THE INDIAN COMPANY HAS BEEN IN A TIGHT RACE WITH THE SWEDISH YOUTUBER TO BECOME THE MOST SUBSCRIBED YOUTUBE CHANNEL. BUT THE GLORY DID NOT LAST LONG.

310 million

NUMBER OF ACTIVE SOCIAL MEDIA USERS, ACCORDING TO A RECENT REPORT BY HOOTSUITE AND WE ARE SOCIAL. OUT OF THESE, 290 MILLION ACCESS SOCIAL MEDIA PLATFORMS VIA MOBILE INTERNET. BT

GREEN MOBILITY

WHAT: India E-Vehicle Show and BV Tech Expo

WHEN: March 22-24, Delhi

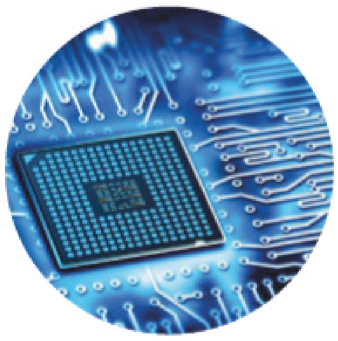
WHAT TO LOOK FOR: Indian companies in the electric vehicle space will display their latest products, services and innovations at the event. For the first time, start-ups will also present their ideas on traffic, mobility and logistics and network with players in the battery vehicle industry.

RESEARCH AND GROW

WHAT: International Conference on Electrical, Electronics and Data Communication

WHEN: March 31, Bhubaneswar

WHAT TO LOOK FOR: The forum will bring together researchers and academicians from across the globe to share domain knowledge with peers. It will provide an opportunity to discuss relevant research ideas, build business relations and advance professionally with global collaborations.

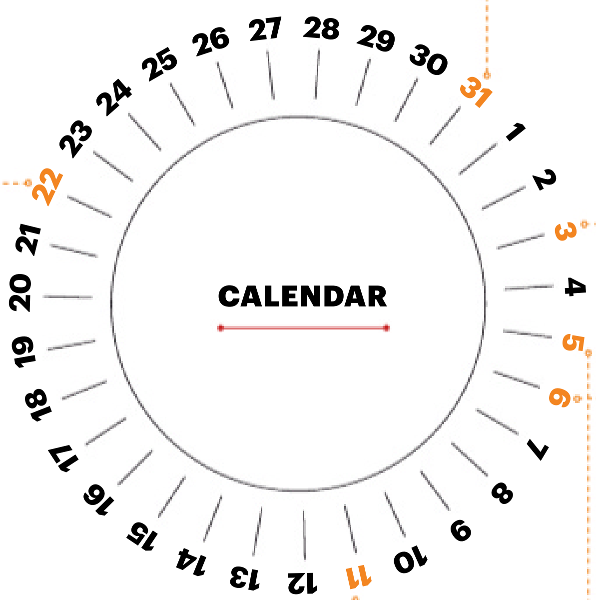


HOSPITALITY

WHAT: Hotel Investment Conference South Asia

WHEN: April 3-4, Mumbai

WHAT TO LOOK FOR: A platform for hoteliers, developers, architects and interior designers to display products, services and industry trends and discuss a hotel's development life cycle. Participants will also share their ideas and observations to make the best use of available resources in the hotel industry.

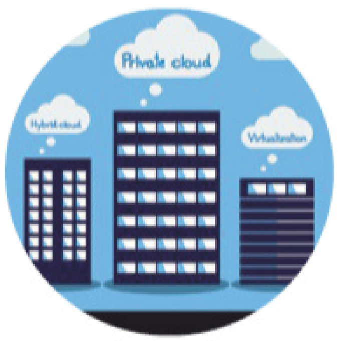


SHEROES

WHAT: Women Economic Forum

WHEN: April 11-16, Delhi

WHAT TO LOOK FOR: Over 2,000 women from 120-plus countries are expected to attend the WEF, making it one of the biggest and most diversified global events. The All Ladies League organises the event to enable empowering conversations, connections and collaborations among women entrepreneurs and leaders.



ADVANCED COMPUTING

WHAT: International Conference on Information Technology & Digital Applications

WHEN: April 5-7, Jaipur

WHAT TO LOOK FOR: Up to 100 researchers and practitioners from academia, industry and government agencies will explore Big Data, cloud computing, machine learning, IT security, modelling & simulation, advanced databases, and more.

GEMS & JEWELS

WHAT: Jewellers Association Show

WHEN: April 6-9, Jaipur

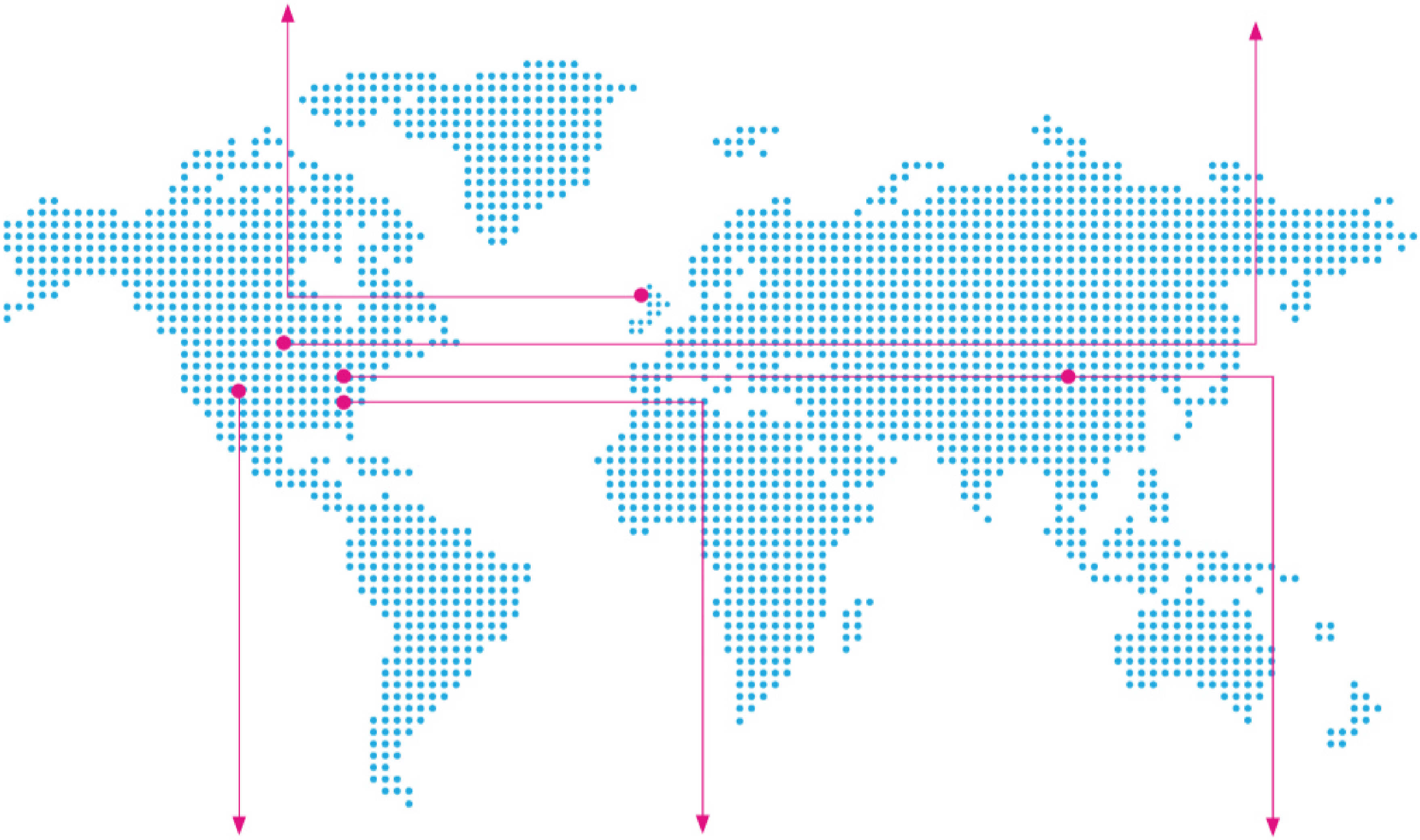
WHAT TO LOOK FOR: The platform brings together manufacturers, retailers, designers, artisans, wholesalers and buyers to create a unique business environment. Here jewellers can catch up with India's best players in the gems and jewellery space.

BREXIT GETS MORE CHAOTIC

The UK Opposition leader and Labour Party head Jeremy Corbyn has bowed to his party's pressure and promised to support a second referendum on the country's EU exit if MPs vote down Prime Minister Theresa May's latest attempt to extend the Article 50 negotiation process, which could delay the Brexit departure. The time frame for the same is unclear although EU sources have suggested a possible period of 21 months. Earlier, seven Labour MPs quit the party and currently sit in the Parliament as the Independent Group. All of them support a fresh EU referendum and more MPs are likely to join them. Media reports also say that Japanese automaker Honda Motor may shutter its manufacturing facility in Swindon. Earlier, Honda had said that a no-deal Brexit would cost it tens of millions of pounds.

NO HQ2 IN NEW YORK, SAYS AMAZON

Amazon has scrapped the plan to set up its second headquarters in New York City, which means the city is also bidding farewell to 25,000 jobs which would have come with it. The $800 billion e-commerce behemoth faced fierce opposition from New York's politicians, activists and labour unions who protested tax breaks worth $3 billion which the company had brokered in secret. Post its New York exit, the company is likely to come up with a new corporate campus in Northern Virginia that can house up to 25,000 employees. Meanwhile, in a bid to put the gender balance right on its male-dominated board, Amazon has appointed former PepsiCo CEO Indra Nooyi to its board. Nooyi's appointment brings the total to five women on Amazon's board.



GE TO SELL BIOPHARMA BUSINESS FOR $21.4 BN

In his latest attempt to downsize GE, CEO Larry Culp is selling its biopharma business to science and tech innovator Danaher for about $21.4 billion, including $21 billion in cash. After the sale, the business will be a standalone company on Danaher's Life Sciences platform. Earlier, GE had rejected an offer from Danaher, where Culp used to be CEO. The biopharma unit is part of GEHealthcare's Life Sciences division and develops equipment and materials to help companies mass-produce biopharmaceuticals and explore immunotherapy.

PINTEREST CONFIDENTIALLY FILES FOR IPO

After a spate of tech IPO filings, San Francisco-headquartered social network platform Pinterest followed suit and filed confidentially for a late-June listing. The company will be helped by main underwriters Goldman Sachs and JPMorgan Chase and is expected to seek a valuation of $12 billion or more. Other big-banner IPO candidates include Slack, Lyft, Uber and Airbnb. Of late, Pinterest has earned some good vibes for blocking vaccine-related search results on its platform as most of these spread anti-vaccine disinformation.

TIKTOK FINED FOR ILLEGAL DATA COLLECTION

TikTok, a popular video-sharing app and part of the Chinese tech start-up ByteDance, has agreed to pay a record $5.7 million penalty after it was accused of illegally collecting personal data from children under the age of 13. The US Federal Trade Commission fine was the largest ever under the Children's Online Privacy Protection Act. TikTok admitted to improper data collection in a statement and said it would keep young users in "age-appropriate environments" so that under-13 users can watch videos but cannot post or comment on the platform.

START-UP

CONFIRMTKT

MULTIMODE TICKETING FOR HASSLE-FREE TRAVEL

THE BENGALURU-BASED COMPANY OFFERS TICKET DISCOVERY AND BOOKING ENGINE TO HELP PEOPLE STICK TO THEIR TRAVEL PLANS.

By Sanghamitra Mandal

Photograph by Lantern Camera

ConfirmTkt Co-founders Sripad Vaidya (L) and Dinesh Kumar Kotha

1) The Founders

Dinesh Kumar Kotha and Sripad Vaidya. Kotha specialises in product development and played a crucial role at o9 Solutions India. Earlier, he had worked for IBM. Vaidya is also a former IBM professional and has more than eight years of experience in analytics and operations.

2) The Idea

"Our story is a bit like redBus. We always found it difficult to get confirmed tickets to travel to our home towns every other week," says Vaidya. "In India, 2.2 million train tickets are booked and around 41 per cent of these are on wait lists. People often suffer as their wait-listed tickets do not get confirmed. So, we decided to set up Confirm Ticket Online Solutions to address this issue."

3) How It Works

The duo has come out with an app for iOS and Android devices that uses historical data and machine learning to predict the chances of wait-listed tickets getting confirmed. It also suggests best available travel options by linking trains, buses and cabs based on available inventories.

Anyone looking for a ticket has to enter the departure and destination cities and travel dates. The app then displays a list of trains along with confirmation predictions (in case no direct and confirmed ticket is available) and shows alternatives, including same train (if confirmation chances are high), train+train, train+bus and bus+bus options. For instance, if one's direct ticket from Bengaluru to Kolkata is on the wait list, the app may suggest the following options: 1. Buy a confirmed train ticket to travel to Vizag and get another booking from Vizag to Kolkata; 2. Book a bus ticket to Vizag and get a train booking from there to Kolkata; 3. Get a confirmed train ticket to Bhubaneswar and then take a bus to Kolkata. The app also has offline train tracking and wake-up alarms.

KEY NUMBERS

FOUNDED IN
March 2015

TEAM MEMBERS
35

FUNDING
$250,000
in two rounds

APP AVAILABLE IN
8 languages
English, Hindi, Tamil, Telugu, Malayalam, Kannada, Bengali and Marathi

APP DOWNLOADS
Over
5 million

MONTHLY ACTIVE USERS
Over
2.5 million

4) Revenue & Expansion

The company claims to be cash-positive, selling tickets worth ₹12 crore-plus a month during FY2018/19 and clocking a revenue of ₹60 lakh-plus from in-app advertisements and commission. In future, the focus will be on ticket sales as it aims to expand more in Tier II and Tier III cities by betting big on vernacular play. It will soon start voice-based services to provide information on PNR and train status in real time. BT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GRAPHITI

NEW FINANCE

IN SPITE OF THE RECENT LIQUIDITY CRISIS, NBFCs' CONTRIBUTION TO THE INDIAN ECONOMY HAS INCREASED EXPONENTIALLY OVER THE YEARS. BUT STRESS, TOO, IS BUILDING UP.

Graphic By **Tanmoy Chakraborty**
Research By **Shivani Sharma**

15%

Expected compounded annual growth rate of NBFCs' vehicle finance portfolio till 2019/20

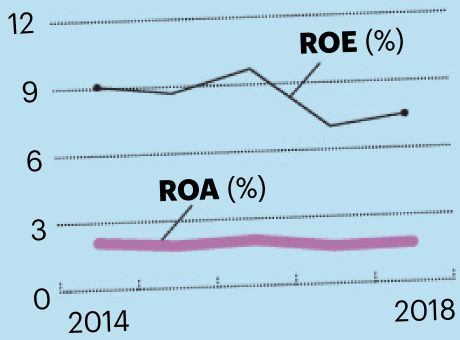
21.2%

Increase in loans and advances of the NBFC sector in 2017/18; increase in investments was 13.4%

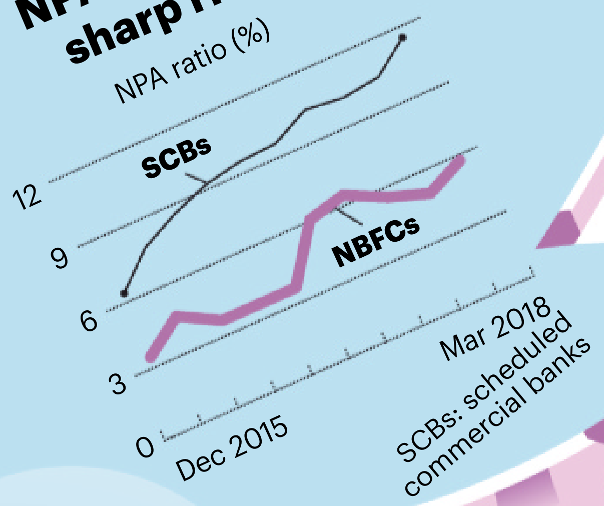
10,190

NBFCs registered with the Reserve Bank of India as of Sept 2018, down from 11,402 at the end of March 2018

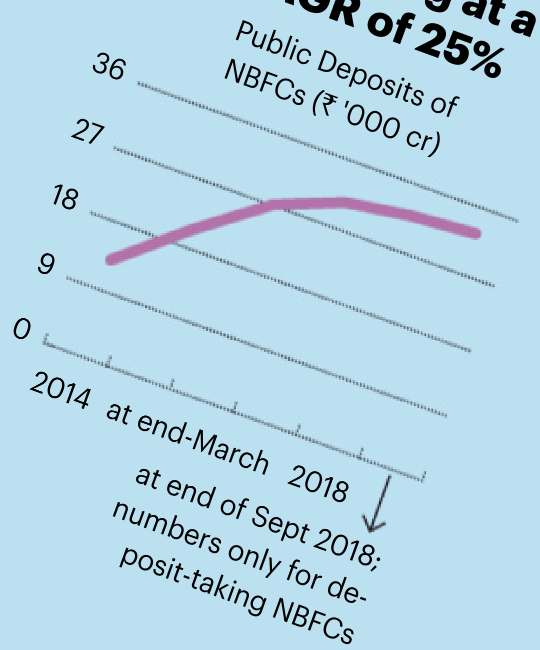
Both returns (ROA and ROE) have been shrinking since 2014



NPAs show a sharp rise



Deposits of NBFCs increasing at a CAGR of 25%



17-18%

Market share of NBFCs and housing finance companies in the total credit, from 13 per cent five fiscal years ago; expected to reach 19 per cent by 2019/20

₹17.2

LAKH CRORE

Total credit disbursed by the NBFC sector in previous five fiscal years. Witnessed a significant uptick of 19.6 per cent in FY18 and 10.5 per cent in FY17

A FRESH START

THE BANKING INDUSTRY IS TRYING TO LEAVE ASSET QUALITY AND GOVERNANCE ISSUES BEHIND. THE 23ND EDITION OF THE *BT*-KPMG BEST BANKS STUDY ZEROES IN ON THOSE WHO THRIVED IN SPITE OF THESE CHALLENGES.

By ANAND ADHIKARI
ILLUSTRATIONS BY SAFIA ZAHID

The ₹152-lakh crore banking industry is yet to come out of the woods but is experiencing a breath of fresh air. There are new CEOs at some of the fast-growing private sector banks such as ICICI Bank, Axis Bank, IDFC First Bank and YES Bank. Two other well-run private banks – HDFC Bank and IndusInd Bank – will soon start the process to select their next heads. Consolidation has also been kicked off in right earnest. The State Bank of India's mega merger with five associate banks

BEST BANK Jury Awards

Best Bank – Overall: *HDFC Bank & State Bank of India*

Best Bank – Innovation: *State Bank of India*

Best in Financial Inclusion – *Punjab National Bank*

Best Fintech Engagement – *Bank of Baroda*

Winners selected by a panel of five jury members

BEST BANKS Quantitative Winners

Best Bank – Overall:
Best Large Bank: *HDFC Bank*

Best Mid-sized Bank: *Kotak Mahindra Bank*

Best Small Bank: *RBL Bank*

Best Foreign Bank: *JP Morgan India*

Best Foreign Bank, Mid-sized Bank: *Mizuho Corporate Bank*

FASTEST-GROWING BANKS

Large Bank: *YES Bank*

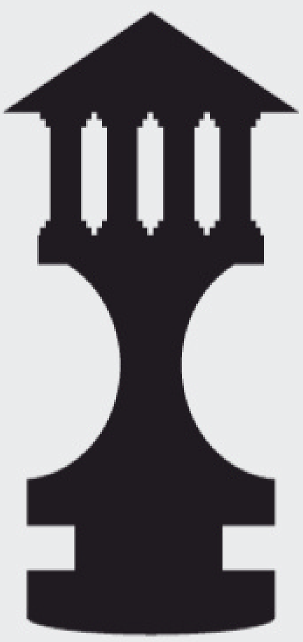
Mid-sized Bank: *Kotak Mahindra Bank*

Small Bank: *RBL Bank*

Foreign Bank: *JP Morgan India*

Foreign Bank Mid-sized: *Shinhan Bank India*

Winners based on BT-KPMG study



BEST FINTECH – JURY AWARDS

Payments: *Ezetap*

Lending: *LendingKart*

Value Added Services: *CreditMantri*

Winners selected by a panel of jury members

has been a smooth affair. In fact, it has given confidence to the government as well as the regulator that bank marriages can work. The recent three-way merger of Bank of Baroda, Vijaya Bank and Dena Bank sets the stage for creation of a few large public sector banks in the country. The insurance behemoth – Life Insurance Corporation of India (LIC) – which was interested in a bank for quite a long time, has finally got majority control of IDBI Bank. This tenth-largest bank will now have the capital and management bandwidth to start a new journey. In the private sector, the Capital First and IDFC Bank merger has created a lot of excitement. There are also over a dozen new banks, especially Payments and Small Finance Banks, that are competing with commercial banks. Clearly, the banking industry is set to see a lot of action in the days ahead.

₹32,400

CRORE
THE COMBINED LOSSES OF BANKS IN 2017/18. THE CENTRAL BANK HAS FOUND THAT HIGHER PROVISIONING IS THE MAIN REASON FOR THESE LOSSES

The 23rd edition of the BT-KPMG Best Banks Study celebrates the best in banking. Like every year, there are many surprises this time. too. Contrary to the popular perception that public sector banks (PSBs) are not run well, the largest bank in the country – SBI – has made it to top in the jury awards. Similarly, Bank of Baroda surprised everyone with its fintech model under which it has entered tie-ups with dozens of financial technology companies to serve its customers better. Punjab National Bank, which hit the headlines for the Nirav Modi fraud, has excelled in the financial inclusion space by using technology to reach out to the bottom of the pyramid. (See *Jury Awards*, page xx.) While private banks did disappoint on the governance front, they will surely come back as their new CEOs roll out new strategies.

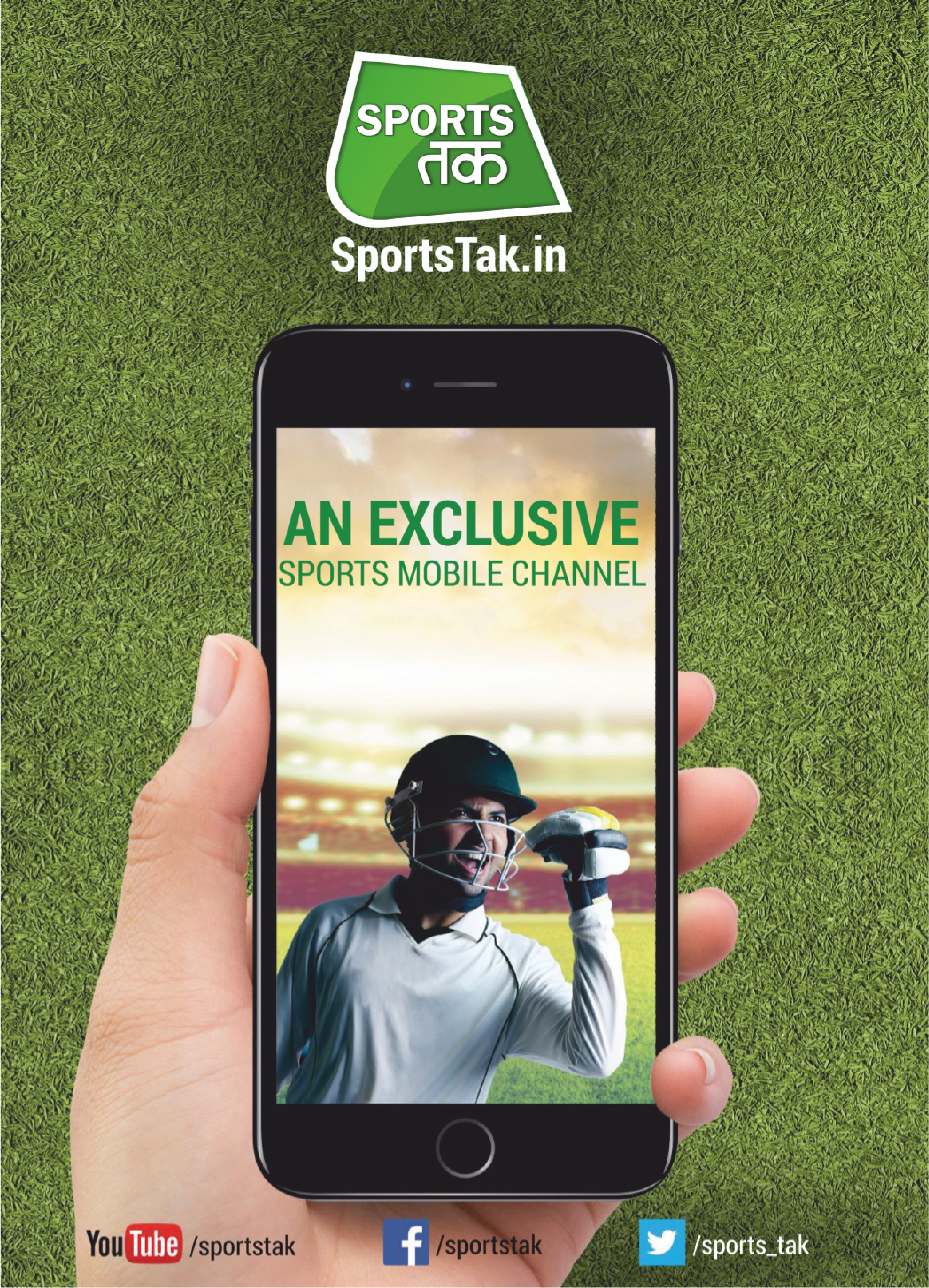
The credit for part of the change goes to the assertive Reserve Bank of India (RBI). Consider the way it has been pursuing clean-up of bank NPAs. This resulted in a lot of heartburn among corporates and policymakers, but RBI refused to budge. The RBI has also pointed out huge divergences in NPAs reported by banks and what it has found. Higher provisioning has been one reason banks reported combined losses of ₹32,400 crore in 2017/18. The next on the RBI's agenda is the compensation structure for private bank CEOs. It will soon watch the performance and bonuses of CEOs.

A New Chapter

However, as recovery of bad loans via bankruptcy code or asset reconstruction companies picks up pace, there will be an opportunity for banks to write back profits. Going forward, compliance and governance will remain priority areas for the central bank. "Corporate governance in banks is another area where policy action is required with focus on transparency and accountability," RBI Governor Shaktikanta Das had said while taking over nearly two months ago.

There are also expectations that the new CEOs will bring about a change. "CEOs send out a big message and that brings a cultural change," says Shashank Joshi, Managing Director, MUFG Bank. Given that the market is now also flooded with new differentiated banks like Payments and Small Finance Banks, the competitive intensity is expected to go up.

In response, the banks are not only digitising their processes and systems, they are also tying up with fintech players to stay ahead in digital banking. Many experts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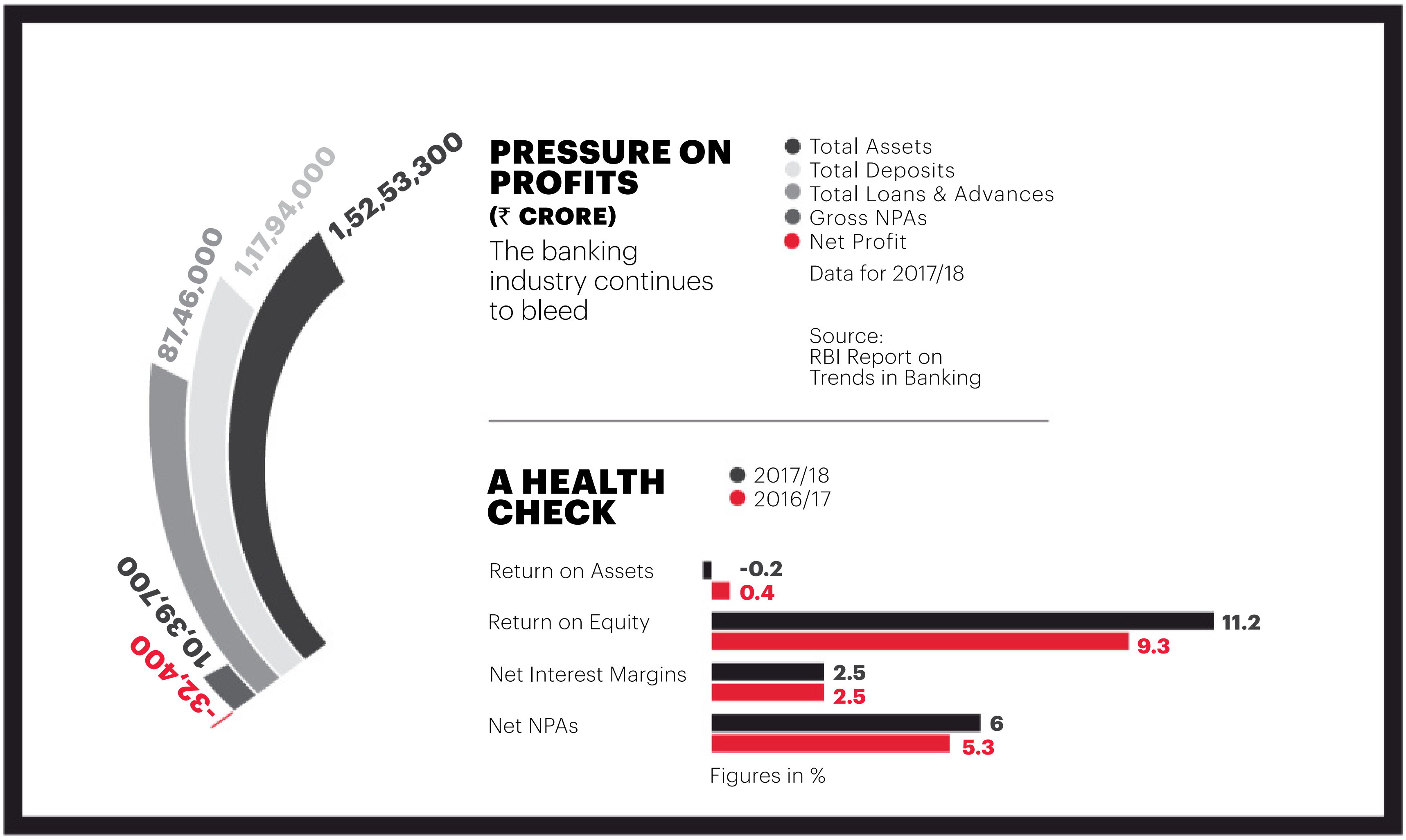

say there will be intense competition to attract low-cost deposits and serve unbanked population/areas. India Ratings and Research recently said the competition for deposits could intensify. In fact, many new banks are offering a higher savings interest rate to attract more deposits.

The banks are also exploring areas like consumer durables financing, micro loans and lending to first-time borrowers. While some of these are high-yielding segments, they are also risky. "We are yet to see a full economic cycle to judge their performance," says an analyst.

Apart from all this, asset quality deterioration, mostly due to corporate loans turning bad, seems to have peaked. Gross NPAs had started rising some six years ago. They went up from 3.2 per cent in March 2013 to 11.5 per cent in March 2018. Low credit offtake also contributed because as asset quality deteriorated, the denominator or the loan was stagnant or nor growing at the same pace. The good part is that the banks are now rebalancing their portfolios (moving away from risky assets) and tightening credit standards.

After the bankruptcy code, the corporates will be cautious about taking too much debt or expanding indiscriminately as operational and financial creditors can now use this powerful tool to drag them to bankruptcy. The big names like Essar Steel, Videocon and Jaypee are facing bankruptcy proceedings. In the longer run, the code will create a good credit culture.

So, after several rounds of balance sheet clean-up and heavy provisioning for NPAs, the banks are getting ready to support growth. In the last five-six years, retail growth has been compensating for lower growth on the corporate side.

As they gear up to lend more, the banks will have to closely watch their funding to NBFCs. The IL&FS crisis has exposed the underbelly of NBFCs, which have been expanding indiscriminately by taking short-term loans. While banks are supporting NBFCs at this juncture by buying their loan portfolio to create liquidity, the NBFCs will also see a churn and the banks will also have to re-strategise their NBFC play. **BT**

11.5

PER CENT
THE GROSS NPAs IN MARCH 2018.THE NPAs STARTED RISING FROM 3.2 PER CENT IN MARCH 2013

@anandadhikari


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THE BIG BANG

THE LARGEST PRIVATE SECTOR BANK, HDFC BANK, IS LOOKING TO GROW IN SEMI-URBAN AND RURAL MARKETS.

By NEVIN JOHN

PHOTOGRAPH BY RACHIT GOSWAMI

When Aditya Puri joined HDFC Bank nearly 25 years ago, the bank's balance sheet was as empty as the table in his corner office today. Puri runs India's largest private sector bank without a pile of papers or digital devices on his table. He also does not use a mobile, a fact that in no way hampers his ability to imagine a fully-digital identity for the bank or talk non-stop about its tech-intensive omnichannel strategy.

In the last 25 years, the table has remained empty, but the balance sheet – with a size of ₹11.68 lakh crore – is bulging. HDFC Bank is

ADITYA PURI
MD & CEO,
HDFC BANK

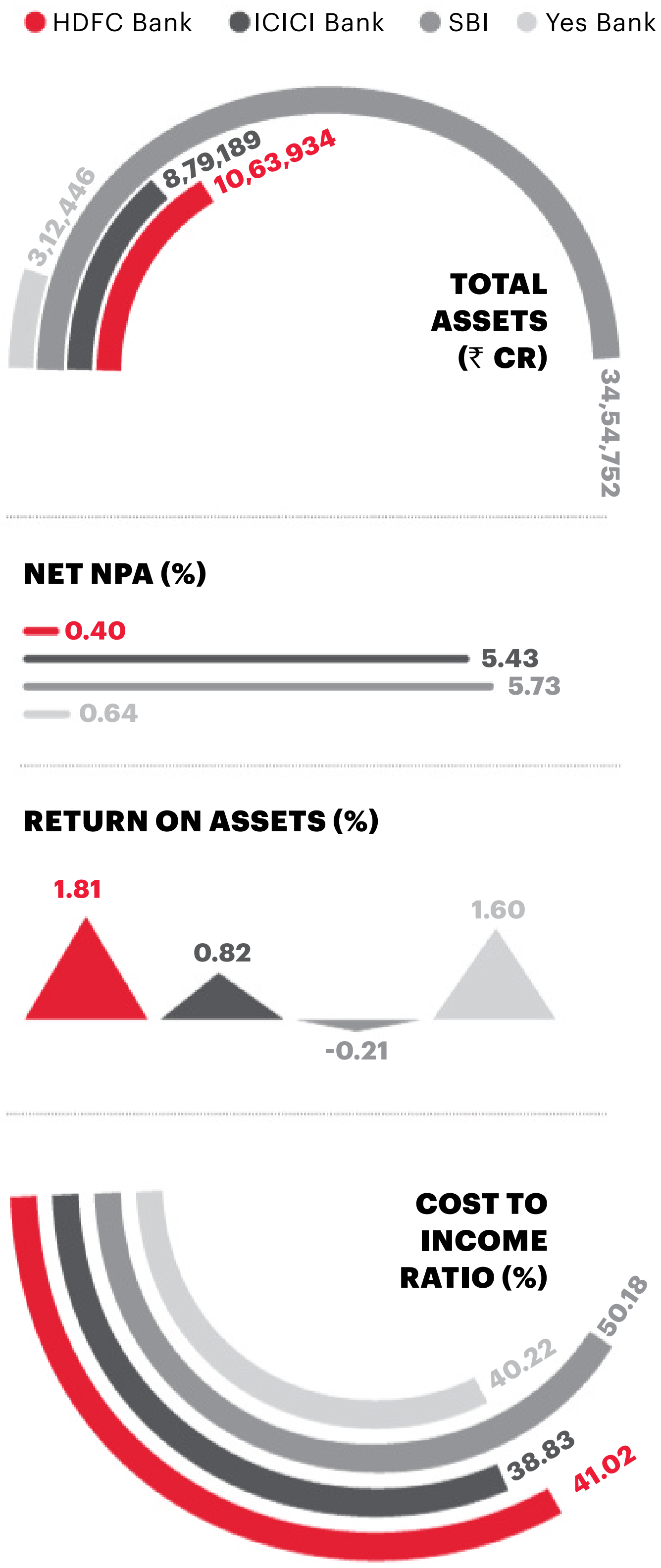
the most valued Indian lender in the stock market with a market capitalisation of ₹5.67 lakh crore – State Bank of India and private majors Kotak Mahindra Bank and ICICI Bank are not even half its value. In spite of its size and wide portfolio, it posted a stellar 20.2 per cent rise in profit to ₹17,487 crore in 2017/18. The HDFC group, which includes HDFC and HDFC Bank, last year briefly overtook the 150-year-old Tata Group in aggregate market capitalisation, mainly because of HDFC Bank's performance.

"It is a journey where we have clearly defined our objectives. We are the market leader in most of the areas we operate. We are at the forefront of digitisation and change in the financial services industry," says Puri. The bank's services now cover one lakh villages. It has also been at the cutting edge of innovation. "We are one of the few banks which offer all our products in semi-urban and rural markets. We are using the latest technology and substituting the money lender. We service people right from microfinance (borrower) to Reliance," says Puri. The bank's 53 per cent branches are in rural and semi-urban areas.

The bank had deposits of ₹8.53 lakh crore as on December 2018, an increase of 22 per cent from a year ago. Current account savings account, or CASA, deposits grew 13 per cent with savings deposits at ₹2.35 lakh crore and current deposits at ₹1.12 lakh crore. The share of CASA in total deposits is a healthy 40.7 per cent. The focus on deposits helped the bank maintain a healthy liquidity ratio of 122 per cent during the period. Domestic advances, including retail & wholesale, grew 24.1 per cent. Total advances were

UNMATCHED PERFORMANCE

HDFC Bank has better returns and asset quality



Figures for 2017/18 Source: BT-KPMG Study

₹7.8 lakh crore. For nine months ended December, the bank earned a total income of ₹85,393.5 crore, up 22.14 per cent from the year-ago period. The profit rose 19.7 per cent to ₹15,193 crore. The capital adequacy ratio was 17.3 per cent. The bank had 5,000 branches around mid-February.

Engine Of Growth

A calibrated system takes care of HDFC Bank's growth. Puri says he cannot sanction a loan to anyone even if he wants. The system takes care of the procedures, he says, adding that the bank is conservative and takes time to change strategy. "If we make a mistake, it will be small, because we don't add scale straight away. We test everything. We are conservative as money has been invested in us on trust," he says. For instance, the bank has been experimenting with opening more semi-urban and rural branches for the last eight years. It has decided to go for scale only recently. "Before you start walking, you can't run. If you know what you are doing, do it in a thorough manner and make sure you know every aspect of it. Ambitions will take you to unchartered areas," he says.

For instance, the bank has been cautious in corporate lending. "Our target is not one deal or transaction. We work on a relationship-driven model and look for long-term engagement with companies starting from salary management to working capital lending to project financing," says Kaizad Bharucha, Executive Director of the bank.

The conservative approach helped the bank thrive when every other lender was being hit by defaults and NPAs. "If you call me conservative for not giving loans to people who don't repay, I am extremely conservative. We have a strong institutionalised system for sanctioning loans," says Puri. The bank's NPAs are the lowest in the industry at 0.4 per cent.

Lock, Stock & Barrel

HDFC Bank's aim is to become the market leader in all the businesses it is in. "We are transforming our banking system into a world of financial experience. We facilitate shopping of cheapest TV, mobile, grocery, travel ticket, consumer durables, shares, mutual funds, insurance. When customers think money, HDFC Bank should come to their mind," says Puri. His intention is to provide services of Amazon, Google, JP Morgan, MakeMyTrip, BookMyShow and PayTM, all on one platform.

YES BANK
FASTEST-GROWING BANK

A NEW BEGINNING

THE FOURTH-largest private bank Yes Bank has been passing through a difficult phase as the RBI refused to extend the tenure of founder and CEO Rana Kapoor. But the bank has been growing at a scorching pace. In 2017/18 , deposits and advances grew at a massive rate of 40-50 per cent. Given its growing size, with assets of over ₹3 lakh crore, the three year CAGR growth is 30-40 per cent. Fee income and operating profits are also growing robustly.

The high growth numbers have pushed the bank to the top as the fastest growing bank in the BT-KPMG Best Banks Study. It has got a new MD & CEO, Ravneet Singh Gill, from Deutsche Bank.

Gill will have to strengthen the credit standards as there was a huge deviation in NPAs reported by the bank and NPAs as per the RBI's assessment. The bank is already focused on scaling up retail assets as well as liabilities. Retail advances are around 15.2 per cent while CASA is about 33.3 per cent. Finally , the bank will have to raise equity capital to support future growth.

Rahul Shukla, Group Head of Corporate Banking & Business Banking, says the bank focuses on offering varied services. "We prefer to cross-sell." The bank has 23,000 people working in semi-urban and rural areas. "This is virgin territory. It will grow faster than the urban," says Smita Bhagat, Head, Government and e-commerce, HDFC Bank.

HDFC Bank has signed an agreement for buying a 9.11 per cent stake in CSC E-Governance Services India for ₹14.62 crore. CSC has 3.2 lakh centres across India that the bank plans to use for selling their products. The bank already offers product services in 11 Indian languages on the mobile as part of its financial inclusion strategy.

Around 30 per cent retail loans are unsecured. Does this pose a risk? Arvind Kapil, Group Head, Unsecured Loans, Home and Mortgage Loans, says unsecured loan is becoming the new working capital loan for the salaried class. "The risk in unsecured loans has fallen dramatically. We have processes and risk management mechanisms for correct assessment of the customer."

The Digital Journey

With new technologies presenting a host of options to customers, which ones will the bank depend upon for growth? "I strongly believe that the various payment options such as POS machines, mPOS, Bharat QR, UPI are the railroads to drive the digital ecosystem. In this day and age of hyperpersonalisation, we see ourselves as a lifestyle bank relevant to the needs and desires of customers," says Parag Rao, Country Head - Card Payment Products, Merchant Acquiring Services and Marketing. "So, if mobile phone is the device of choice for people, our services and offerings are made available to them in just a few clicks through our SmartHub app. Our DigiPOS enables a customer to pay using different payment platforms on one machine at shops and commercial establishments with nil investment by the merchant. Similarly, we offer virtual credit cards issued within minutes keeping in mind the rising e-commerce transactions. All offerings are backed by use of analytics to understand our customers better," he says.

The 69-year-old Puri says a succession plan is already in place. "For every key role, I have two people," he says. Recently, the bank received a jolt when Deputy MD Paresh Sukthankar, seen as Puri's successor, left abruptly. The process for selection will start soon as the retirement age for CEO is 70 years. Puri says an outsider will also be considered for his role. Also, it won't be a surprise if Puri continues on top! BT

@nevinjl

HEAVY LIFTING

₹34.54

LAKH CRORE
BALANCE SHEET SIZE OF SBI, INDIA'S LARGEST BANK

The past cannot be changed. The future is in your power. This was the message from Rajnish Kumar, Chairman of the State Bank of India (SBI), when he took over in October 2017. The 61-year-old wants the country's largest bank to focus on being transformative. Kumar has termed FY2018/19 as the 'Year of Hope' and 2019/20 as the 'Year of Happiness'. And he is determined to accomplish what many of his predecessors had done before – steer the organisation ahead through thick and thin. Think of O.P. Bhatt and Arundhati Bhattacharya, who had successfully anticipated changing market dynamics. Bhatt was credited with making the elephant dance. He

HOW SBI IS KEEPING ITSELF AHEAD OF THE CURVE IN DIGITAL BANKING.

By ANAND ADHIKARI

RAJNISH KUMAR
CHAIRMAN, SBI

scaled up retail lending, which is now paying dividends. Bhattacharya, the first woman to helm the behemoth, had led the fight against non-performing assets (NPAs) and made big strides into digital banking. Kumar pursues the course with the same zeal.

It is not always smooth sailing for a new boss, given the short tenure of three-five years. When Kumar, a banking veteran, made his way to the corner office, SBI's asset quality was at its worst for several reasons. The bank ended up doing some heavy lifting because of its lead banker status across large projects. Also, as a state-owned bank, there were economic obligations to finance agriculture and micro, small and medium enterprises. The regulatory push to clean up bad loans further affected the sector. In addition, the bank faced yet another challenge – that of driving synergies from its merger with five associate banks and Bharatiya Mahila Bank – although it was staggering under the combined weight of bad loans. SBI weathered the bad times, though. Now, with a balance-sheet size of ₹34.54 lakh crore, it is nearly three times bigger than HDFC Bank, the second largest bank in India.

Several qualitative factors, including a smooth mega-merger, a smooth succession and large-scale digitisation initiatives, have driven the bank to the top in the pecking order. In the Business Today-KPMG Best Banks Study, both SBI and HDFC Bank have been named the Bank of the Year (Overall) by our jury. Of course, size matters in these cases and the merger of seven banks might have helped. But SBI is also ahead in terms of deposits, advances and fee income, essential growth parameters in private-sector banking. The bank is also a winner in the Innovation category.

The broad objective of the merger was to enhance profitability and loan-giving capability. "Customer onboarding was very smooth (post the merger) and we are now reaping its synergies on multiple fronts," said Kumar in the bank's last annual report. These 'new frontiers' include new market segments, geographies, client base and more.

Kumar, who has studied physics but loves reading mythology, knows well the battles he has to pick. So, in his first conference, the new chairman was ready with a top-priority list that covers the resolution of bad loans, an increase in provisioning coverage ratio, expansion of digital banking and training of employees. "The bank will also adopt a strategy to achieve a healthy credit growth of 10-12 per cent by 2020," he said.

This is a major issue as credit growth, especially corporate loans, are at a low ebb, thanks to overleveraged conglomerates and an uncertain regulatory future. SBI has specific plans to widen its client base and enter new segments to unfreeze growth in the corporate banking space. It also aims to generate more fee incomes from large clients and support their suppliers in the value chain by way of lending. The bank will also improve penetration in light credit sectors such as pharma and information technology.

In a media interaction, Kumar said that infrastructure and consumer spends are where SBI sees vast opportunities. "The bank is well-positioned to capitalise on them," he said, adding that it would focus more on power, roads and ports. The only snag: Infra has not grown in the last five years. Its share in advances is still 13-15 per cent while its growth in advances is less than 1 per cent. In sharp contrast, the services sector has seen the highest growth. Its share in advances nearly doubled from 7 per cent to 13 per cent in the last five years and grew as much as 31 per cent last year mostly because non-banking finance companies are providing an alternative source of funding in the face of slowing bank credit.

Challenges

***Shorter tenure** of chairpersons, 3-5 years*

*Yet to use its **large balance sheet** for global expansion*

*A **spate of retirements are coming up***

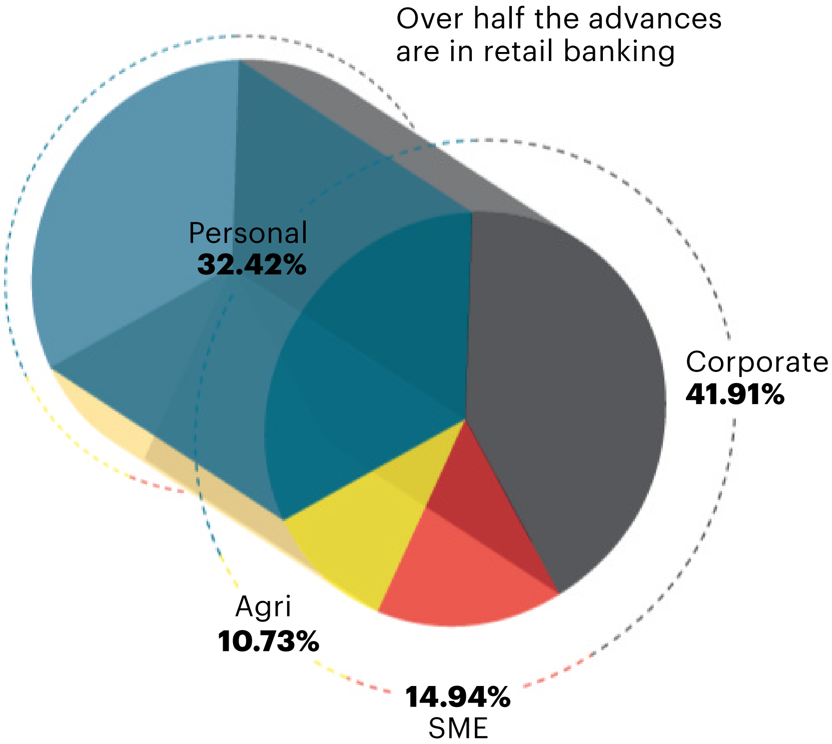
*Not many **lateral hires***

***Asset quality deterioration** still high*

*Scope for improvement in **RoA and RoE***

DIVERSIFIED PORTFOLIO

Over half the advances are in retail banking



Retail Growth

SBI's retail engine is firing on all cylinders and some results have begun showing. Just like many private banks, SBI's retail loans account for 60 per cent of its advances. Auto and personal loans are growing at 13-15 per cent while home loans are growing at 13.26 per cent, accounting for 13.94 per cent of its advances. In fact, the bank has the advantage of playing the retail game to the hilt as 45 per cent of its deposits is low-cost ones. "This gives a huge pricing advantage to SBI," says an analyst. Low funding cost has also been instrumental in SBI capturing 34 per cent market share in retail loans. A look at the numbers further clarifies this spurt. While retail personal loans account for a little over 32 per cent of the bank's total advances, adding agriculture and SME loans to the mix grows its share further, and the bank's retail loan book is now nearly 60 per cent of its total advances. However, both direct and indirect farm credits have seen a lull in recent times. Segmental NPAs are quite high, with agriculture and SME accounting for 11.01 per cent and 8.81 per cent of total advances, respectively.

Digital Leap

Be it traditional branch banking or ATM adoption, SBI is leading the pack. Its branch network alone is four-five times bigger than the second largest bank. But what is more encouraging is the growth of new digital channels and huge customer migration within a short span. Take, for instance, YONO (You Only Need One), the SBI app which is fast emerging as an entirely new digital ecosystem and distribution channel. Today, the share of alternative channels in transactions has risen to 87.75 per cent. While ATMs account for 32 per cent transactions, other emerging channels include Internet banking (17 per cent), PoS and e-commerce (13.4 per cent), and UPI and YONO (11.3 per cent) and the balance transactions are done through branches and other modes. Kumar is also leveraging technology, especially artificial intelligence and Big Data, to manage HR functions more efficiently. "Our investments in digital banking will pay rich dividends as issues regarding asset quality are getting sorted," he says.

87.75%

SHARE OF ALTERNATIVE CHANNELS IN TOTAL SBI TRANSACTIONS; THE BANK CLOCKED TRANSACTIONS WORTH ₹5,745 CRORE IN THE THIRD QUARTER OF FY2018/19

19.62

LAKH
NUMBER OF DIGITAL AND INSTA ACCOUNTS REGISTERED WITH SBI AS OF DECEMBER 2018

In a world driven by apps, YONO is making significant progress. It offers a whole bunch of financial products and services, including fixed deposits, mutual funds, cards, loans, account opening, payment of bills and fund transfers. Another key segment is the online marketplace with 88 partners already live. SBI has 53.66 lakh registered users, 19.62 lakh digital and insta accounts as of December 2018 and clocked transactions worth ₹5,745 crore in the third quarter of the current financial year. But it might not be enough. "Given its scale of operations and geographical footprints into rural areas and smaller towns, the adoption or usage of digital banking among its customers could be lagging behind its private sector peers," says Lalitabh Shrivastawa, Assistant Vice President at Mumbai-headquartered retail brokerage Sharekhan. "Moreover, private banks have done a relatively better job in promoting services and innovations."

The bank and its current boss remain undaunted and seem to be on the right track after a roller-coaster ride. Its third quarter (October-December) results in 2018/19 – a net profit of ₹3,955 crore against a net loss of ₹2,416 crore in the year-ago quarter – indicate that the worst might be over as far as asset quality goes. For instance, net NPA slippages are on decline sequentially and gross NPAs during the quarter improved to 8.71 per cent of gross advances from 10.35 per cent a year ago. Also, it is the second straight profitable quarter for SBI. The bank reported a net profit of ₹945 crore for the three months ended September from a loss of ₹4,876 crore in the preceding quarter. "More importantly, the pace of recovery could surprise if the resolution of some large accounts gets through successfully," says Shrivastawa.

NPA recovery and strong credit growth are undoubtedly helping SBI, but Kumar also wants to make sure that the organisation gets leaders who are fit to lead. Therefore, succession issues at senior management levels – important but often low-decibel – top Kumar's agenda. "Given the pace of retirements in the next five years, it is important to put in place a robust plan," he says. Incidentally, his tenure also ends in October 2020.

Other challenges may also crop up, mostly because of the bank's size, exposure and impact on the banking industry and the national economy. SBI accounts for more than 20 per cent of the total deposits and advances. And Edelweiss, in its recent report, has listed 'macroeconomic risk' as the biggest risk for SBI. "Deepening geographic penetration by newer private sector banks can lead to a faster-than-expected decline in market share," states the Edelweiss report. Kumar is not taking the competition lightly. "The bank will leverage its balance sheet strength and pricing power to optimise the risk-return matrix," he says. BT

@anandadhikari

IN BIG LEAGUE

0.98

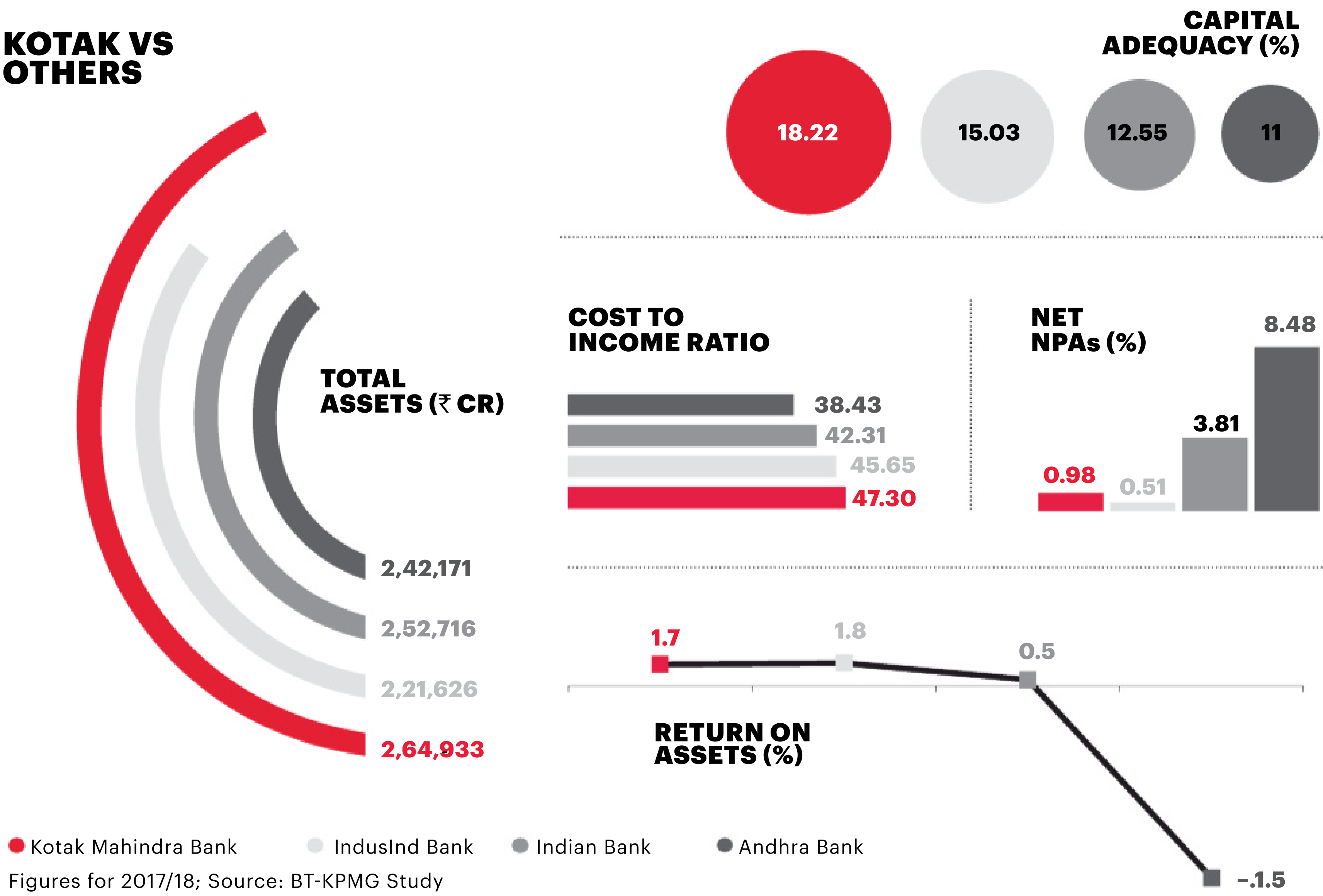
PER CENT
THE BANK'S NPAs, AMONG THE LOWEST IN THE INDUSTRY

KOTAK MAHINDRA BANK IS GRADUALLY SCALING UP ITS UNIVERSAL BANKING MODEL TO PLAY A BIGGER ROLE IN THE FINANCIAL SERVICES MARKET.

By B.S. SRINIVASALU REDDY
PHOTOGRAPH BY BANDEEP SINGH

F**or a bank that** says getting the fastest-growing tag has never been its number one priority, Kotak Mahindra Bank has done exceptionally well for itself. The focus on reducing risk, rather than growing at all costs, is perhaps why this new millennium bank has emerged from the bad loan crisis – which has singed almost all the country's banks – unscathed. "Aspiration-wise, we do not want to be the fastest-growing bank. We want to grow at a healthy trot. In that growth, you have to balance growth with risk," says Dipak Gupta, Joint Managing Director, Kotak Mahindra Bank. This shows in the bank's non-performing asset (NPA) ratio of 0.98 per cent, among the lowest in the sector. The bank, led by Uday Kotak,

UDAY KOTAK
MD & CEO, KOTAK
MAHINDRA BANK



has emerged a winner in the Mid-sized Category in the BT-KPMG Study. It is also the fastest-growing bank and has beaten peers such as IndusInd Bank, Indian Bank and Andhra Bank on several parameters for 2017/18.

"It was very easy to grow (the loan book) in the infrastructure space in the last five-seven years, but at that point of time we found it risky. So, we did not grow. That is one of the reasons we do not have so many NPLs (non-performing loans) like other banks," says Gupta. One of the key reasons for the bank's stellar performance in 2017/18 was low NPAs. "That time, there was a lot of competition from non-banking financial companies (NBFCs). NBFCs grew very fast. I think banks were taking a breather and worrying about resolving NPLs. But we did not have too many NPLs and that is why we could focus on lending."

The bank, meanwhile, went about chasing other opportunities. "Look at the business of managing stressed assets. It is risky, of course, but there were a lot of opportunities. We spent a lot of time in understanding those risks. Once you understand the risks, your capability to take risk improves. So, we have grown that business," he says. Today, the bank has an asset reconstruction subsidiary, but it buys stressed assets on its own, too.

Kotak Mahindra Bank is sticking to its initial plan of firing on all cylinders by adopting universal banking as a strategy.

Against the Odds

Following demonetisation of high-value currency notes in November 2016, the banking industry faced a problem of plenty as cash flooded the system. Banks had much more cash than what they could lend to companies as economic growth was slowing. "The only growth opportunity that time was largely in retail," says Gupta, while discussing the challenges the bank faced in 2017/18. For Kotak, surplus liquidity was a bigger issue than it was for other banks as it had promised to pay 6 per cent interest on some savings bank deposits as against the 4 per cent being paid by other banks. It had also just completed a merger with ING Vysya Bank involving the difficult task of integrating people, cultures and branches. The bank turned these challenges to its advantage by launching a digital product called "811" for online acquisition of customers. This was the time when, with push from the government, the regulators were easing the e-KYC process. The app enabled customers to open an account in just five minutes. "In 18 months – from

"FOR US, AS A BANK, IT WAS A GREAT OPPORTUNITY TO ACQUIRE STRESSED ASSETS, AS THAT IS A BUSINESS WE ARE VERY STRONG AT"

DIPAK GUPTA
Joint Managing Director, Kotak Mahindra Bank

April 2017 to September 2018 – we doubled our customer base, largely thanks to this product," says Gupta.

Another big development during the period was introduction of the Insolvency and Bankruptcy Code for resolution of stressed assets. "For us, as a bank, it was a great opportunity to acquire stressed assets, as that is a business we are very strong at. I think the consumer segment also grew quite a lot in that period and that is where the bulk of the growth came from," says Gupta.

That was the time when a lot of financial technology (fintech) companies were springing up and flourishing, some even giving competition to banks in payment systems, customer service and catering to the needs of the hitherto unbanked customers. However, in due course, they have become collaborators of banks than competitors, as both have realised that survival without the other will be difficult.

The bank faces some challenge on the regulation front. Its promoters had to reduce their holding from close to 30 per cent to 20 per cent by December 2018. A crucial high court hearing on Kotak's plea against the RBI's rejection of its plan to reduce promoter stake via perpetual preference shares in coming up on March 12.

Universal Bank

Kotak Mahindra Bank became a universal bank in the new millennium after getting a banking licence. Earlier, as an NBFC it was already into insurance, investment banking, stock broking and asset management, which enabled it to cater to various financial needs of customers.

"It is not just retail customers, it is also SME customers and corporate customers. In case of a corporate customer, you have to take care of his banking needs, his capital needs, whether it is debt or equity. You also have to take care of placements needs, asset management needs – all of these come broadly under universal banking," says Gupta. On how universal banking has worked out for the bank, he says: "We have been lucky to be at the right place at the right time. We got our banking licence at the right time as after that the economy grew."

50

PER CENT
BANKING WORK DONE THROUGH DIGITAL CHANNELS

While all this comes under banking and financial services, each of these business units was managed as a vertical with a person who operated like a CEO. "Each of these businesses operates in a different competitive environment. A bank has one type of competitor and customer. A securities broker has a different competitive environment. An investment banker has a third type. Asset management, a fourth type," says Gupta.

Gupta refused to spell out the order of importance of these businesses in the bank's strategy. "It is difficult to say second or third but insurance, especially life insurance, is becoming large. In capital markets, we were always very large. Asset management is large. All these are reasonably large areas."

Gupta says the three elements – retail, commercial and wholesale or corporate banking – are divided into three equal parts in the long run. Variation happens only when a particular segment is doing well at a specific time, he adds.

Looking Ahead

Gupta says inorganic growth remains an option. The bank has acquired ING Vysya Bank in the past. "If and when we find an opportunity, we will look at it seriously. There is no specific thing that I want this inorganic growth to be." About 50 per cent banking is done through digital. Hopeful that India will throw up several opportunities for banks as a developing economy, Gupta says: "Banking, at the end of the day, is core to the economy. So, as long as we are confident that the economy will keep growing, the bank will keep growing and opportunities will keep coming. We must keep our eyes and ears open and the head focussed, and not get carried away." BT

The author is a Mumbai-based freelance journalist

IN A SWEET

SPOT

RBL BANK IS FOLLOWING A PARTNERSHIP MODEL TO SCALE UP IN SMALLER GEOGRAPHIES.

By RASHMI PRATAP
PHOTOGRAPH BY RACHIT GOSWAMI

Starting its journey 400 km away from India's financial capital, Kolhapur-based RBL Bank is now giving established banks a run for their money. Its credit card portfolio is among the fastest-growing in the industry, having increased 2.6 times in the last one year with a 1.47 million cards now.

The bank has turned the turmoil in the NBFC space post the IL&FS fiasco to its advantage. RBL Bank now has one of the fastest-growing housing loan portfolios as well – its loan against property (LAP) portfolio was up 49 per cent in the December quarter, beating the industry average of 33 per cent during the period. The bank has a retail book of 29 per cent of its advances and the LAP portfolio comprises 39 per cent within retail. Alongside, its net interest income increased 40 per cent over the year-ago period.

But for RBL's Managing Director and CEO Vishwavir Ahuja, growth is the outcome, not the target. "These are just metrics. We bother about what goes as inputs. It starts with strong governance framework, risk management process, operations, and compliance that finally result in a better outcome for all stakeholders," he says.

While extending credit has been a challenge for many financial institutions in the last five to seven years, Ahuja, former head of Bank of America, says it is all about bringing back learning from failures to strengthen the system further. This reflects in the bank's stock price – its market capitalisation at ₹23,331 crore is bigger than some of the public sector banks.

46.58%

GROWTH IN RBL'S FEE INCOME. CARDS CONTRIBUTED 41 PER CENT TO THE BANK'S TOTAL FEE INCOME IN THE DECEMBER QUARTER.

Cruising with Cards

Being a late entrant on the retail banking scene has worked to RBL's advantage. It has learnt from others' mistakes. "We were clear that we needed a strong analytical base, technology and data because the cards business, once scaled up, can become great or very poor based on your capabilities. Our strategy was to work with partners who could bring a deeper relationship with their customers," he says. RBL forged partnerships with BookMyShow, Bajaj Finance and MoneyTap besides external partnerships like with credit bureau CIBIL, to gauge a customer's creditworthiness.

RBL's card business turned profitable more than a year back. The bank is now adding over 100,000 cards per month with gross NPA in the segment standing at a negligible 1 per cent. Ahuja believes that an unsecured business like credit cards, if done well and priced well, can deliver superior risk adjusted returns over the long term. "The return on assets is more. We are getting there progressively and over the next 2-3 years, as our base becomes larger, we will be able to absorb that growth without impacting the overall returns."

1,00,000

THE NUMBER OF CARDS THAT THE BANK IS ADDING TO ITS PORTFOLIO PER MONTH

36.93%

COMPOUNDED ANNUAL GROWTH RATE OF TOTAL DEPOSITS OVER THREE YEARS

RBL is among the top five in the industry in new cards acquisitions and cards spends. Cards contributed 41 per cent to the bank's total fee income in the December quarter. "Sustained traction in the cards business and focus on offering an exhaustive basket of products will boost fee income further," says Darpin Shah, AVP at HDFC Securities.

At the other end of the spectrum is the LAP portfolio. For RBL, this too has been stable since over a year, given its underwriting practices, cash flow-based lending and over 75 per cent of collateral being self-occupied. "The bank's purpose behind LAP is to provide a hedge to the overall retail portfolio as LAP is a secured loan. RBL's LAP is unlike the bulk of the LAP market, which may not give lucrative return on asset but would provide stability and a hedge during downturns," says Shivaji Thapliyal, a research analyst at Nirmal Bang.

Branching Out

While the bank is growing rapidly on most counts, it has not lost focus on branch expansion. At December-end, the bank had 288 branches – 112 in metros, 45 in urban, 76 in semi-urban and 55 in rural areas. "We took three to four years to get our business model right. We were clear that while an app can give some comfort and efficiency, branch centricity as trust is supreme," says Ahuja.

RBL plans to close this fiscal with about 320 mainstream branches. It also services rural areas through RBL Finserv, which has over 950 branches. Most of the new branches will come up in metro and urban locations. "By March 2020, we will be close to 400. At that point, the base becomes large enough to afford a more interesting expansion," Ahuja says.

Analysts agree with Ahuja's plans. "Branch expansion and strong growth in cards business led to 11 per cent quarterly growth in operating expenses for RBL. But continued branch expansion and differential pricing will drive CASA growth here on," says Shah of HDFC Securities.

Branch expansion is also crucial for RBL to achieve a national identity. The bank earlier primarily lent to local traders in Maharashtra and then moved to lending to small and medium enterprises, before getting listed in 2016.

RBL faces competition from new banking licences. "It does increase competitive intensity for us. Today, our size is larger than what it was 4-5 years back and we can absorb some of these pressures, which emanate from deposits mostly," says Ahuja. To grow the deposits base one requires expansion of branch network as well as time. "There has been some anxiety in the market as deposit growth has been lower than credit growth, which has been a challenge for all of us. But we could handle it as there were many avenues to manage ALM (asset liability management). We keep a very liquid balance sheet so that we don't have to pay excessive rates on deposits," he says.

New players like payments banks, small finance banks as well as full scale banks are targeting low-cost current and savings accounts (CASA) with higher interest rates. Currently, RBL does pay higher interest on deposits than bigger banks but does not believe in getting into a bidding war. BT

@RashmiPratap3

THE DEALMAKER

JP MORGAN IS AGGRESSIVELY USING TECHNOLOGY AND EXPANDING ITS CORPORATE CLIENT BASE IN INDIA.

By DEEPIKA ASTHANA
PHOTOGRAPH BY RACHIT GOSWAMI

In India, JP Morgan has managed to stay a step ahead of its global competitors. It was the lead financial adviser to Walmart for its Flipkart buy, the biggest deal in Indian retail so far, even as profits from its India business grew 10 per cent in FY18. It advised on M&A transactions worth over $40 billion, finishing 2018 at the No.1 spot on the Bloomberg India M&A league table.

The banking system in India is going through many technological changes, and for JP Morgan, technology has been a great ally. The bank currently has more than 1,000 clients in India – a mix of multinationals coming into India, big domestic companies, global as well as domestic investors and financial institutions. Apart from branches in Mumbai, New Delhi, Bengaluru and Chennai, it also has virtual branches. "We understood that we need one comprehensive team within the organisation where the front office bankers, the transaction banking salespeople, the trade sales teams, the product team, operations and technologists come together to weave a seamless experience for our clients while simultaneously working with the regulators to ensure that we eventually move to a paperless system,"

KALPANA MORPARIA
CEO, SOUTH AND SOUTH EAST ASIA, JP MORGAN INDIA

says Kalpana Morparia, CEO, South and South East Asia, JP Morgan.

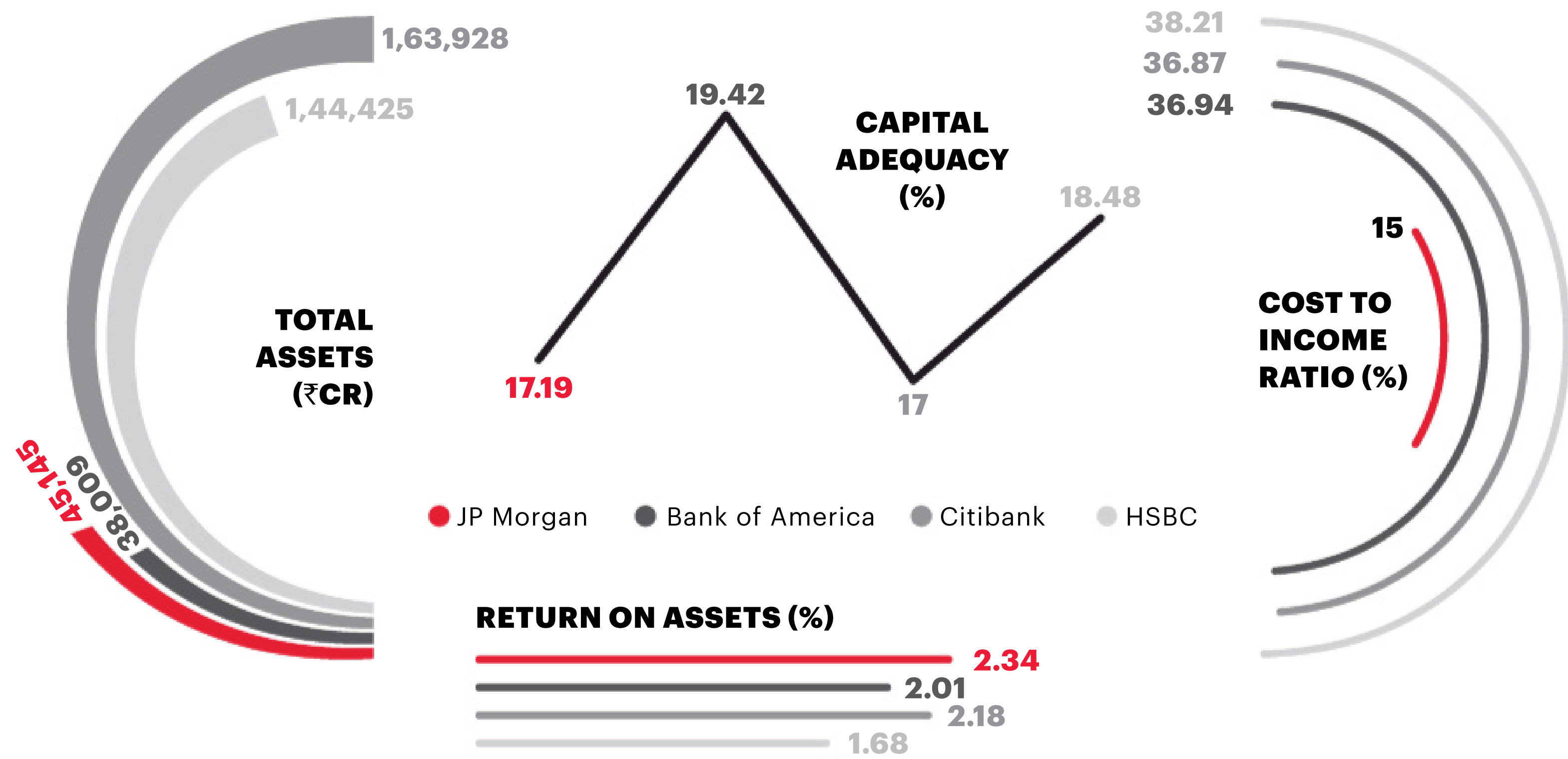
A Bigger Pie

The next phase of digital transformation will involve heavy use of predictive analysis as seamless movement of money, more efficient working capital cycles and risk management solutions to hedge currency and commodity related risks become hygiene factors. "Machine learning, artificial intelligence and Big Data are enabling us to do new things. We have all the data, and data analytics will enable us to put it in shape and create solutions for our clients. We are not merely the banker that is going to provide pipes; we are also partnering with clients to help manage currency and (provide) a risk management system that is integral to any corporate treasury," says Morparia. A global presence and analytics muscle means JP Morgan can capitalise upon the emerging opportunities offered by new technologies.

For JP Morgan, 2018 has been a record year in India for M&As. In 2017, the stellar performance had come from debt capital markets. "In 2017, the USD bond markets saw significant issuances from emerging markets. In In-

JP MORGAN INDIA WAS THE LEAD FINANCIAL ADVISER TO WALMART IN BUYING A MAJORITY STAKE IN FLIPKART IN 2018. THE DEAL CLOSED AT $16 BILLION

JP MORGAN VS THE REST



Figures for 2017/18, for Indian units of global banks
Source: BT-KPMG Study

dia, we had the largest market share in the DCM (debt capital market) fees pool. This year, we expect some volatility given the election calendar. However, I would still say that M&A would probably be the single highest revenue generator within the banking fees pool," adds Morparia.

India presents a big opportunity for integrated corporate and investment banks as regulatory thrust is towards greater access to debt capital markets. Additionally, India continues to attract capital and create opportunities for both 'inbound' and 'outbound' deals. Many companies are reinventing themselves and finding gaps in products, geography and services. "The domestic activity is purely a consolidation play. We have seen consolidation across steel and power, which should continue this year as well. The auto components business will be driven by a similar thought process. They have some core strengths and therefore there are some acquisitions that can fill their portfolio. The same will be true of the tech industry," shares Morparia. Thanks to its global presence and corporate relationships, JP Morgan is in a position to offer end-to-end solutions.

Technology Anchor

As part of its digital transformation roadmap, JP Morgan has explored and implemented new technologies such as blockchain, Big Data, artificial intelligence and robotics. "We believe a lot in what we call 'Insourcing of the Fintechs'; we will, in select cases, also outsource," says Morparia. To retain its edge, the bank has set up accelerators and incubators, invested in and acquired fintech start-ups, and formed strategic partnerships.

In India, JP Morgan's focus is largely on companies with international trade links and large firms, to whom it provides commercial banking services, including cash management, trade finance and foreign currency payments, and lending services. "Our client segment includes large MNCs operating in India, large Indian corporates with their increasing trade and investment linkages with the global economy, and financial institutions. We also have a very large base of MNC clients who are not the top Fortune 500 companies but mid-sized US companies that bank with us," says Morparia. Increased digitisation makes it easier for the bank to fashion credit structures even for small and medium MNCs — a segment that is likely to increasingly rely on banks for credit underwriting. The bank sees significant opportunities in high-growth sectors such as e-commerce, healthcare, financial services, urban consumption-related activities and private equity.

JP Morgan is about three years short of completing a century in India. Not many can claim to have stayed relevant in a rapidly changing environment for nearly a century. **BT**

The author is a Mumbai-based freelance writer.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AKHIL HANDA
HEAD, FINTECH
& NEW BUSINESS
INITIATIVES, BANK
OF BARODA

BANKING ON ALLIES

BANK OF BARODA IS USING THE PARTNERSHIP MODEL TO STAY AHEAD OF COMPETITION IN DIGITAL BANKING.

By DEEPIKA ASTHANA
PHOTOGRAPH BY RACHIT GOSWAMI

Be it online merchants on platforms like Flipkart and Amazon, Oyo-affiliated hotel owners or cab owners of taxi aggregators, the state-owned Bank of Baroda has taken a huge lead over others in reaching out to them, thanks to its partnerships with fintech firms. The bank's 'Fintech Alliance' comprises 35-plus partnerships in various segments, including SMEs, large companies, retail lending, wealth management, payments, and more.

"All our partnerships can be put into three main categories – lending, wealth and technology and payments. About 60 per cent of our business is lending, out of which 70-80 per cent is SME lending," says Akhil Handa, Head, Fintech and New Businesses

₹7.2

LAKH CRORE
THE BALANCE SHEET SIZE OF BANK OF BARODA

Initiatives, Bank of Baroda.

One of the bank's biggest successes has been the 'PSB loans in 59 minutes' initiative – an in-principle loan approval for SMEs within 59 minutes based on information submitted. "Everywhere, this is marketed up to ₹1 crore, whereas in our case, it is ₹2 crore. We are able to give a loan to even presumptive tax applicants. Almost 30 per cent of our business comes from presumptive tax numbers."

Bank of Baroda was one of the first few banks to jointly develop an SME underwriting programme using alternative sources of data to ascertain the creditworthiness of online merchants. "We built modules to underwrite new-to-credit customers, to underwrite new-to-city customers and we did this based on our partnership with internet scale platforms because they are able to give us data. Reams of data – sales, payments, returns, lookalikes, ratings, customer ratings, platform ratings – which never figure in the loan profile of traditional underwriting, were used," says Handa. In the process, it extended loans of more than ₹27 crore; 45 per cent beneficiaries were new to credit.

Uncharted Territories

The bank's partnership with Oyo is a perfect example of how it is moving ahead of the pack. The bank understood that Oyo is a fast growing company that plans to expand aggressively. At present, it has around 100,000 keys under management. If a three-star hotel wants to tie up with Oyo, it has to meet certain standards. This may mean upgrading the property, which requires capital. Bank of Baroda tied up with Oyo to glean data to assess loan seekers' creditworthiness. "Oyo is fundamentally able to give us, one, his (borrower's) audit report ... so we get a good estimate of his credit requirement and where it will be used. Two, it can be easily compared to similar properties in the area. So, we can categorise into grades and using that grade we are able to make a projection of the business. There is a lot of seasonality; we are able to get all this data from the partner, and take a credit decision based on that," explains Handa. Bank of Baroda was the first bank to partner with Oyo.

The bank has partnered with Deal4loans for retail lending, SwitchMe for housing loans, and with GyanDhan, EduLoans and WeMakeScholars for education loans. More than ₹35 crore in home loans and more than ₹25 crore in education loans have been given through fintech partners.

In payments, the bank has partnered with ToneTag, for contactless payments through sound, and with Truecaller, which allows the app's users to perform financial transactions instantly. "Our partnership with Truecaller has started to fructify. Over the past four months, we have seen more than 3.5 million customers coming in; 30,000-40,000 come in daily," says Handa. The bank has also garnered more than ₹70 crore as assets under management through its wealth management platform from around 18,000 subscribers within a few months.

Another feather in the bank's cap is the TReDS (Trade Receivables Discounting System), which is used to facilitate discounting of MSME sellers' invoices against large companies, government departments and PSUs. The platform has done business of more than ₹400 crore.

Apart from tie-ups with various fintech firms, Bank of Baroda has also set up an innovation centre in collaboration with IIT Bombay to create digital solutions. "The initiatives that we are currently taking can be categorised into scalable, to be scaled and experimental. Our focus in on moving the 'to be scaled' to 'scalable'," says Handa.

Banks that follow traditional practices are often at a loss when underwriting for new-age sectors. For instance, until recently, banks did not have the ability to underwrite the credit exposure of e-commerce companies. The bank has bridged this gap. "Today, our revenue from all these initiatives is ₹1,935 crore. We expect this to reach ₹2,200 crore by March 2019. We started this business in January last year. At this run rate, we will be in the range of ₹4,000-5,000 crore over a three-year period," says Handa.

Digital engagement beyond Tier-I locations is also increasing and rural areas are expected to follow suit soon. Handa says core systems and technology infrastructure are being deployed. "Over the next five years, it will be binary in nature — either you are seen as a digital bank or you are not." But more immediately, Handa's worry would be have a tech strategy to account for the three-way merger with Dena Bank and Vijaya Bank, which is underway. BT

The author is a Mumbai-based freelance writer

WHAT OTHER BANKS ARE DOING

ICICI Bank

Buy now, pay later:
Customers can shop and pay after two weeks as deferred payment using the bank's credit limit

Compare and shop:
Customers can compare and shop across multiple e-commerce channels through a single platform

Partnership with Fingpay:
Fingerprint-enabled POS solution for retailers

Axis Bank

Launched an artificial intelligence-powered conversational banking channel called Axis Aha!

Aha has assisted with transactions worth ₹2 crore, and developed over five million queries

The bank has 87 per cent efficiency in resolving queries


FOOD
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FoodTak.in
AN EXCLUSIVE
FOOD MOBILE CHANNEL
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/foodtakofficial

SUNIL MEHTA
MD & CEO
PNB

CHAMPION OF INCLUSION

THE FOURTH LARGEST BANK BY ASSETS IN THE COUNTRY HAS BEEN AGGRESSIVE IN PROVIDING BANKING SERVICES IN THE HINTERLAND.

By APRAJITA SHARMA
PHOTOGRAPH BY DANESH JASSAWALA

The state-owned Punjab National Bank (PNB) has taken the digital highway to reach out to the financially excluded – all thanks to the use of cost-effective e-KYC, Aadhaar-enabled payment system (AePS), online loan-tracking system and data analytics to predict defaults or frauds.

The use of e-KYC saw the number of accounts jump 13 per cent from 7.18 million in December 2017 to 8.11 million in December 2018. Online registration for social security schemes through banking correspondents (BCs) is also a hit, while its unified application – PNB One – is helping users transact on mobile. It is banking big time on AePS,

₹246.5
CRORE
THE NET PROFIT OF PNB IN Q3-FY19, AFTER THREE QUARTERS OF LOSSES

PNB's Financial Inclusion Bouquet

62 per cent Proportion of branches in rural and semi-urban areas*	**2,917** Number of financial literacy camps organised in 2017/18	**₹47,329 crore** Credit to weaker sections
8,044 Business correspondents	**₹6,837 crore** Mudra loans	**₹34,475 crore** Credit to micro enterprises

** Out of total 6,983 branches; Sources: PNB FY18 Annual Report, KPMG*

through locations peopled by BCs. The bank has upgraded to a more user-friendly "online loan application and tracking system". In line with the government's 59-minute loan initiative, it has opened a Web portal where MSMEs can apply for loans of ₹1 lakh to ₹1 crore and get approval in principle within 59 minutes. "The approval is translated into actual business by the branches within the shortest possible time," says Sunil Mehta, Managing Director and CEO, PNB. Rajesh Kumar, Senior Vice President, Elara Capital, who tracks PNB closely, says the bank has developed an algo-based decision-making system in collaboration with a fintech firm for MSME loans to predict delinquencies. This will help PNB reduce credit losses.

"During the last one year, the bank has focussed on an inclusive business model. We have expanded outreach by deploying more BCs. We are aggressively pushing mobile banking as most rural residents have a mobile. Providing services through QR code, opening accounts on tap, AePS, and PNB One among the rural population have been the key structural changes in our business model to promote financial inclusion," says Mehta. PNB was adjudged the top bank in Financial Inclusion in BT-KPMG Study.

Still, amid this full-throttle technology push, PNB has not lost sight of the core. Its financial inclusion drive involves opening branches and outlets in aspirational, even Naxal-affected, areas. PNB's huge network of rural and semi-urban branches and BCs had helped it open 18.9 million accounts under the Pradhan Mantri Jan Dhan Yojana (PMJDY) as of December 2018, and ensured that its team of over 8,000 BCs reaches the right segment and helps them avail of relevant products and schemes. The bank organised 2,917 financial literacy camps in 2017/18 for over 200,000 customers.

Easy Credit

One important aspect of "banking for the unbanked" is providing credit to those in need. Mehta says their system keeps track of PMJDY accounts to determine their eligibility for loan in the form of overdraft. PNB also collects leads through BCs to provide credit facilities via retail loans, Kisan Credit Card, Mudra Yojana, Kalyani Card, General Credit Card, and more.

According to its 2017/18 annual report, credit to the MSME sector stood at ₹86,899 crore in March 2018, with YoY growth of 6.50 per cent over March 2017. The advances to micro and small enterprises came in at ₹72,246 crore with YoY growth of 8.89 per cent. In 2017/18, PNB sanctioned ₹6,837 crore Mudra loans as against the budgeted ₹7,950 crore. According to the annual report, PNB has 414 MSME credit-growth initiative branches with a goal to reduce the turnaround time to two-four weeks and grow the MSME portfolio by 30 per cent on a YoY basis. The bank has identified 205 clusters to give focussed attention to the MSME sector.

Financial inclusion is not a viable business proposition for most banks, but PNB is well placed. It does incur some cost on opening and maintaining no-frill accounts with zero balance and issuing RuPay cards. Its standalone operations by BCs are also not profitable. But Mehta says one must look at financial inclusion holistically as it helps them grow deposits and customer base. "All the deposits in these accounts add to our CASA deposit growth and provide a wider customer base for cross-selling other products," says Mehta.

According to the FY18 annual report, PNB's CASA (₹2,63,247 crore) share was the highest among all public sector lenders at 43.85 per cent. Cost of deposits declined from 5.33 per cent in 2016/17 to 4.96 per cent in 2017/18. PNB reported a profit in the December quarter of FY19 after three quarters of losses. "PNB would have comfortable core capital by the end of FY20 with recent equity capital infusion by the government, sale of non-core assets and monetisation of real estate," says Kumar of Elara.

A.K. Prabhakar, Head of Research, IDBI Capital, says financial inclusion is positive for the economy in the long term and banks in particular, because it leads to opening of more accounts. "With PNB being the second-largest networked bank after SBI, it will enjoy an edge among other PSBs as it moves forward on its financial inclusion drive."

When asked how PNB would stay ahead in a market crowded by payments banks, small finance banks and microfinance institutions, Mehta said being a pan-India bank spanning the length and breadth of the nation allows PNB to achieve cost synergies, which most NBFCs, MFIs and fintech companies will find hard to match. BT

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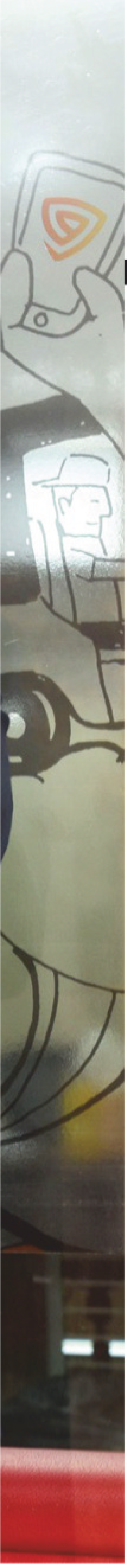

TRULY FRUGAL

EIGHT-YEAR-OLD EZETAP IS BUILDING A DIGITAL PAYMENTS ECOSYSTEM THROUGH LOW-COST INNOVATIVE SOLUTIONS.

By RUKMINI RAO
PHOTOGRAPH BY LANTERN CAMERA

BHAKTHA KESHAVACHAR (L), CO-FOUNDER AND CTO, AND BYAS NAMBISAN, CEO

A **product made in India** and deployed in India that could be offered to the rest of the world – this is the vision around which Bengaluru-based mPoS (mobile point of sale) solutions provider Ezetap was set up in 2011. For Co-founders Abhijit 'Bobby' Bose and Bhaktha Keshavachar, entering the nascent mobile payments territory at the time was a leap of faith. But the founders believed in its market potential across the fintech sector. Moreover, unlike the US where companies like PayPal and others ruled the digital payments space, India did not have legacy issues. So, Bose returned home after quitting a lucrative job in the San Francisco Bay Area and teamed up with Keshavachar to start Ezetap Mobile Solutions. He has recently moved out to become the first India head of Facebook-owned WhatsApp and Byas Nambisan has taken over as the CEO.

Beyond Transaction Processing

Ezetap comes with a wide range of offerings. There are mPoS devices enabling businesses to accept all credit/debit card payments, a software development kit to integrate its payments solutions with any mobile app and an application programme interface, a suite of protocols and tools, to sync it with web applications for secure payments via web interfaces. The company covers critical areas such as Unified Payments Interface (UPI) and also provides EMI solutions so that businesses can help customers convert sales into easy monthly instalments. It currently processes annual transactions worth $2 billion at a rate of five million-plus transactions a month.

While Ezetap's revenue and total transactions are flourishing, it is not exactly a money spinner. MCA filings show that the company clocked a revenue of ₹51.7 crore in FY2017/18 compared to ₹48 crore in the previous year, a 7.7 per cent jump, but losses went up 32 per cent, from ₹30.7 crore to ₹40.5 crore, during this period. One standard clarification is that it is investing in growth to gain scale and, consequently, profitability. The company has not disclosed revenue numbers for the current financial year but expects to break even in the second half of CY2019.

Most fintech firms in India are not sustainable yet due to razor-thin margins, but Ezetap stands out for other reasons. For instance, the majority of payment gateway players and several PoS companies run on a commission-per-transaction model, but Ezetap has decided to pursue a different course. "We have always said that the eventual goal of payments is not the transaction but the services we deliver," says Chief Technology Officer Bhaktha.

Around 90 per cent of its earnings come from monthly recurring revenues (where customers pay monthly fees) but the company also offers a host of services beyond transaction processing. These include payments reconciliation for large enterprises and generating analytics reports. It caters to 300-plus big and small enterprises, including industry leaders such as Airtel, TataSky, Bharat Petroleum, Reliance, Indian Oil Corporation, Amazon, BigBasket, Urban Ladder and Health & Glow.

Its initial efforts to integrate banks with payments solutions were not just a challenge but an inevitable evolutionary process. "When mPoS/PoS players entered the market, it had not dawned upon the banks that it was not just about payments but services being delivered with a payment component in it," says CEO Byas Nambisan. But that has changed now. Ezetap has tied up with most leading private-sector and public-sector banks and banks, in turn, are mulling how to provide extended and value-added solutions to merchants via payments services. According to Nambisan, this is the most significant change the company has seen over the last three-four years.

5
MILLION
NUMBER OF TRANSACTIONS PROCESSED EVERY MONTH

$2
BILLION
ANNUAL GROSS TRANSACTION VALUE

2.3
LAKH TERMINALS DEPLOYED GLOBALLY

$51
MILLION
FUNDING RAISED IN FOUR ROUNDS

The company has branched out to Dubai through its subsidiary and entered other Gulf Cooperation Council nations, but Nambisan thinks there is enough scope to grow in the domestic market. "With the current market largely comprising Tier I and Tier II cities, the rest of India remains untapped. And to leverage this opportunity, some unlearning may also be required. We have to do it differently."

Speed Bumps, Future Plans

Companies like Ezetap are often keen to build a vast customer base for monetisation, but the biggest challenge lies in scaling up the mPoS business. The concept works well in metros and non-metro urban areas. But lagging mobile signals/slow Internet connectivity is a big issue in high-rise residential blocks, thus hindering faster or seamless payments processing. Then again, small-town retailers prefer to deal in cash. Complex financial laws and regulatory changes are also affecting the mPoS market in India. For example, when the UPI payment mode was launched, mPoS players had to integrate the same on their platforms.

Ezetap is also competing with the likes of Mswipe, Pine Labs, Mosambee and Innoviti. "We are still years away from seeing a clear market leader emerge in this space. Challenges are still aplenty, especially on the regulation front," says Nambisan. "Changing policies in sectors like e-commerce affect our customers and have a ripple effect on us."

Finally, will it do a PayU and try to launch a consumer lending business by securing an NBFC (non-banking finance company) licence from the RBI? There is no such plan yet, but that could change. "Right now, we do not have a plan as there is a singular focus on building the platform further. Whether we want to become one of them (NBFCs) is a decision we will have to take in the future," concludes Keshavachar. BT

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THE SMALL BORROWERS' BANK

AHMEDABAD-BASED LENDINGKART DOESN'T HAVE A BRANCH, AND USES AN UNDERWRITING MODEL BASED ON MACHINE LEARNING ALGORITHM TO LEND TO MSMEs.

By ANAND ADHIKARI

PHOTOGRAPH BY NANDAN DAVE

Five-year-old LendingKart, a fintech start-up in the short-term SME working capital space, has a 'WISH' philosophy — without human intervention; instant disbursal; simple process; and hyper flexibility in repayment. "The WISH philosophy is based on the feedback from small business borrowers," says Harshvardhan Lunia, Co-founder and CEO, LendingKart, which mainly operates from Ahmedabad, Bengaluru and Mumbai.

In a short span of time, this fintech firm has disbursed over 45,000 loans to over 33,000 micro, small and medium enterprises. The company projects a turnover of ₹225 crore for 2018/19. The company also covers a wide geography with loans given out in about 1,300 cities. The total value of disbursal since inception is ₹2,600 crore.

"I was always intrigued by SMEs in India," says Lunia, who left a cushy banking job in 2010 after working with some big names. His next stop was an entrepreneurial venture as a debt

advisory platform, but that business didn't scale up. So, after three years, he was back figuring out his next move. His interest was piqued by global alternate lenders such as OnDeck Capital and LendingClub. They were giving established players a run for their money in under-served markets. Lunia decided to start LendingKart in April 2014, with the aim to tap small businesses with sub-₹10 lakh category of loans. Lunia's schoolmate Mukul Sachen also came in. Sachen, Co-founder and COO, had earlier worked as a scientist at ISRO.

The duo built their business using technology, catering to an under-served segment and making the process of applying for a loan easier. Today, all their customers come through online media like a mobile app or website. The loans are working capital loans with tenures of 2-3 years. "We give growth money to small businesses," says Lunia. Their target business owners are phone retailers, dairy owners, kirana store owners, tailors,

HARSHVARDHAN LUNIA, CO-FOUNDER & CEO, AND MUKUL SACHAN, CO-FOUNDER AND COO

Key Numbers

*LendingKart's underwriting process uses over **10,000 data points***

*Disbursed over **45,000 loans** to **over 33,000 MSMEs***

*Projected revenues of **₹225 crore in 2018/19***

Challenges Ahead

***MSME loans** are prone to default*

*Competition from **NBFCs and banks***

***Scaling up** is a challenge*

hair saloon owners, and others – segments that are not the focus area for banks and non-bank finance companies (NBFCs), for various reasons. First, lack of credit score. There is no or little taxation data, which would help determine the size of the loan. Moreover, the operational cost in processing these loans would be high for larger financing institutions. That's where Lunia's and Sachen's expertise works.

They use new technology to recieve, process and underwrite a loan. LendingKart looks at bank statements to analyse cash flows and a machine learning algorithm to assess creditworthiness. The key factors the company looks at include stability – the business has to be operational for at least six months – and a turnover of ₹3 lakh. "We rely mostly on banking data. Our system then evaluates the statement and decides the loan amount, rate of interest and also gives an idea of loan tenure," says Lunia. There are other analytical parameters as ewll. Lunia shares, for instance, that 70 per cent of their borrowers are graduates. The turnaround time of processing a loan, which is a day or two, is faster than banks. The company also works with platforms such as Flipkart, Snapdeal, and Paytm to give working capital to their suppliers.

Bigger Share

Many fintech companies work with banks and NBFCs in loan sourcing. In fact, many work as digital distributors. But LendingKart, so far, has been lending from its book. It has relationships with banks and several NBFCs for debt financing. Mutual funds, too, have shown interest. "Two of the largest mutual funds have given money to us," says Lunia. This is not common as mutual funds generally put money in well established companies with higher credit ratings.

Many fintech firms find it a challenge to scale up. Capital infusions gradually bring down promoters' equity, while high growth needs continuous infusion of funds. LendingKart has a two-pronged strategy – have its own lending book, and tie up with banks and other institutions to generate business for them, which will earn them a fee income.

Challenge also comes from existing players such as banks and NBFCs that are digitising operations and using technology to underwrite. LendingKart also faces competition from small finance banks and other players that are aggressively looking at smaller loans but with an advantage of availability of low-cost funds. The arrival of peer-to-peer (P2P) players will also disrupt the MSME space. Lunia and Sachen are aware of the risks and are betting on machine learning and new technological tools to help them stay away from high-risk lending. BT

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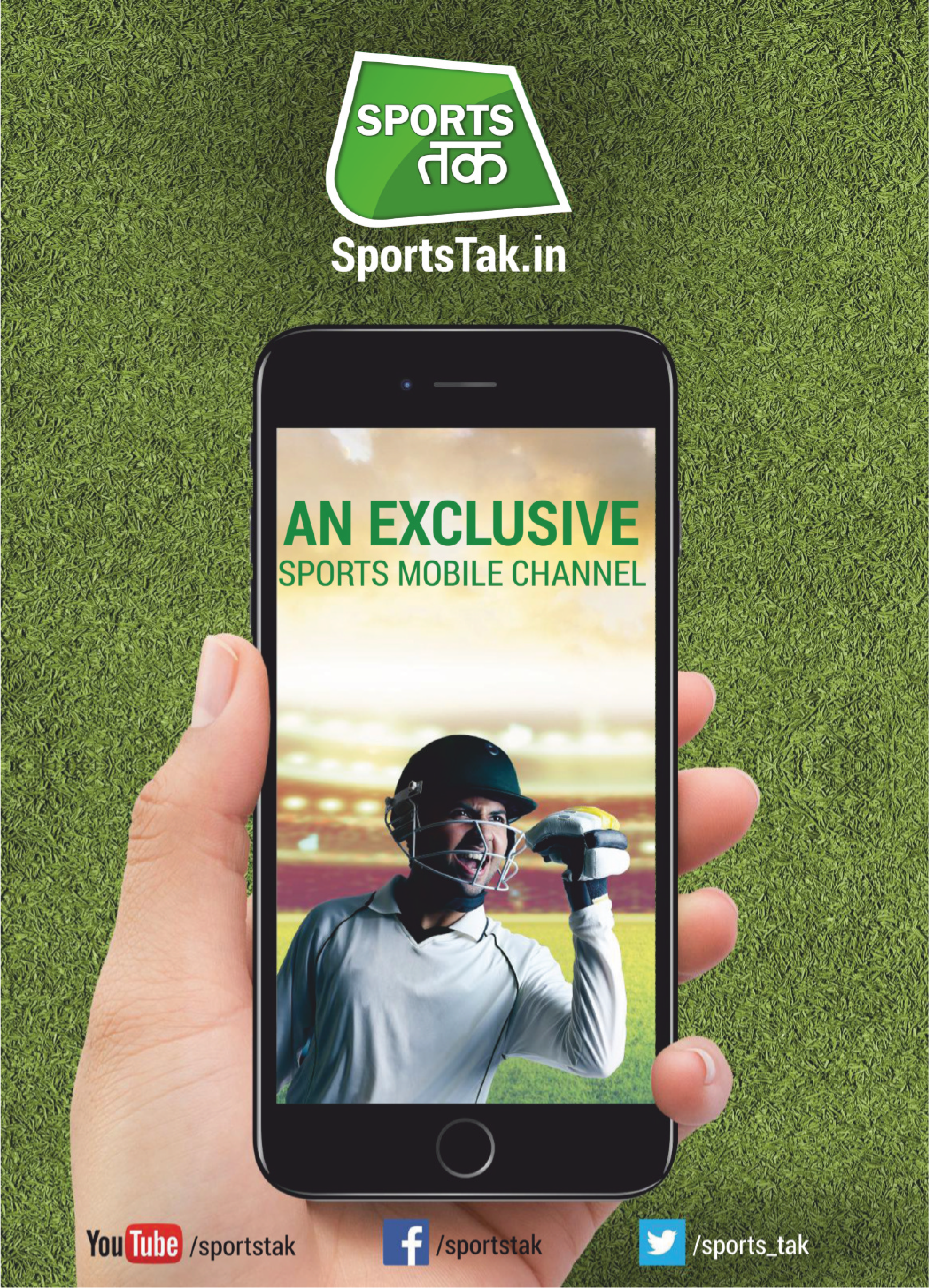
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GIVING CREDIT

CO-FOUNDERS (CLOCKWISE) RANJIT PUNJA, CEO; R. SUDARSHAN, COO; AND GOWRI MUKHERJEE, CMO

CREDITMANTRI IS CONTRIBUTING TOWARDS CREATING A HEALTHY CREDIT CULTURE IN THE FINANCIAL SYSTEM.

By ANAND ADHIKARI
PHOTOGRAPH BY R. VARUN PRASAD

Ranjit Punja, 49, Founder and CEO of Chennai-based CreditMantri, is unlike of many other Fintech entrepreneurs. He spent over two decades with Citibank before the entrepreneur bug bit him. Ditto for the two other co-founders – R. Sudarshan, the Chief Operating Offer, and Gowri Mukherjee, who is the Chief Marketing Officer. The trio began their entrepreneurial journey in 2012 by offering credit improvement services or help borrowers improve their credit scores so that they could access credit from banks and non-bank finance companies. "The intention was to help people who are credit challenged," says Punja.

The business model has evolved to cover all kinds of customers from the 'first time credit seekers' to 'credit challenged' and 'credit healthy'. Currently, this eight-year-old fintech firm is catering to over 10.5 million users with access to 3,000-plus data points. Over 55 lenders, including leading public, private and foreign banks and NBFCs, use its platform to source customers and participate in resolving past loans. Some of its big partners include HDFC Bank, ICICI Bank, Axis Bank, Bajaj Finance, Chola Mandalam, Mannapuram,

3,000+

DATA POINTS ARE USED TO ANALYSE CUSTOMERS AND THEIR CREDIT PROFILES

Tata Capital, and others. Credit assessment of retail borrowers has been a pain point for banks, and given the challenges, CreditMantri has found wide acceptance.

A decade ago, the expansion of credit bureaus like TransUnion, Equifax, Experian, and CRIF High Mark helped create a healthy credit culture, but also resulted in excluding many because of poor credit or defaults in earlier years. Punja wanted to help those who got excluded. "We offered the credit score free of cost," says Punja. The free service turned out to be a big success. "It was a big turning point in the company's journey," he says. The start-up got $2.5 million under series A funding in May 2015 from Elevar Equity, IDG Ventures and Accion Ventures.

Key Numbers

*CreditMantri caters to about **10.5 million users***

*Raised **$10.2 million** in two rounds of funding*

*Provides services to over **55 lenders** including public, private and foreign banks*

The Challenges

*Change in regulations regarding **customer data usage***

*Banks are **digitising their operations***

*Use of tech like artificial intelligence and machine learning **to create scoring models***

***Credit bureaus** offering more services*

Wider Reach

The business model evolved to make credit efficient for all. CreditMantri offers services to banks and NBFCs for real-time credit decisions. The company uses traditional as well as alternate data points. CreditMantri also offers loans and credit cards to 'new to credit bureau' and existing borrowers based on alternate data sources. The free credit bureau score is the starting point. "The reason a lot of customers come to us is for a free score," says Punja.

Banks and NBFCs look at a potential borrower's credit score to decide whether to lend to him or not. "We seek the customer's consent and permission to complete the borrower's profile," says Punja. The credit profile is then built based on institutional data and includes credit score and bank statements, and also the customer's social media presence. "These data points go into the 'ASCII' pillars of credit —ability, stability, contactability, intent and identity," he explains. The entire profiling is done in-house. After this, customers are placed into three broad categories: credit challenged, new credit and credit healthy.

"We want to facilitate credit for all," says Punja. If someone wants to improve his credit score, CreditMantri steps in to help. There is a credit improvement or resolution service where consumers with poor credit history or low scores get help online and can also connect with lenders to clear their dues. This helps the credit challenged receive help in improving their credit history, and once that happens, banks or financial institutions are ready to offer them loans.

3.69mn

NUMBER OF INDIVIDUAL CREDIT PROFILES CREATED OVER A SPAN OF EIGHT YEARS

CreditMantri tailors products along with lenders that are especially suited for the new-to-credit segment of potential borrowers. The product is also available on CreditMantri's portal. "If you qualify (the profiling exercise), we will show you only those lenders that are willing to offer their products, including gold loans, education loans, and loans against property," says Punja. But CreditMantri is not a product comparison site; more a facilitator of credit.

In addition to this, CreditMantri has a credit gateway or a B2B profiling service for entities such as insurance, brokerage, furniture rental companies and others that are interested in credit profiling data.

"In the past two years, we have tripled our revenues," says Punja, without disclosing numbers.

The business faces challenges in terms of government's stance on utilisation of data and the future regulatory framework. "We maintain a very higher standard, but we do think about how things (data use regulations) will play out," says Punja.

Experts say the company will face competition from banks that are digitising and using artificial intelligence and machine learning to create better scoring models. Similarly, credit bureaus are also innovating to offer specialised services. "When there are more players, everybody becomes more nimble. And the end customer benefits," says Punja. BT

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BANK OF THE FUTURE

BANKING TRANSFORMATION HAS TO FOLLOW A HOLISTIC APPROACH, RATHER THAN A FRAGMENTED USE-CASE BASED APPROACH.

By GAYATHRI PARTHASARATHY
ILLUSTRATIONS BY RAJ VERMA

The Indian banking landscape has been transforming over a decade, from changing customer expectations and evolving technology to innovation in products and services, fueled by a democratised digital infrastructure. Over the same period, India changed from a savings to a consumption-driven economy, with rising incomes and declining household savings. As per RBI data, the disposable income and consumption levels in India have also grown at a healthy rate of 9-12 per cent since 2012/13. Demand for credit, specifically retail credit, has been rising at 15.7 per cent every year over the past three years. This interplay of factors sets the tone for future evolution of banks to meet the need for better products, especially at the point of consumption. Three factors are expected to impact banks' efforts in building a 'bank of the future': changing customer expectations, evolving technologies and design of innovative banking products.

15.7%

INCREASE IN DEMAND FOR CREDIT EVERY YEAR

Customer Centricity

Banking customers, be it retail or corporate, are demanding customised products, incorporating decision points such as family circumstances, risk tolerance and life-stage. Traditionally relying on transaction volumes to segment customers, banks must transition to behavioral banking – assessing customer value based on financial behaviour derived from digital data.

In future, the demand for an integrated set of financial services such as payments, remittances, loans, and others, from a single institution is expected

to be commonplace.

Individuals today are channel agnostic. Hence, a truly omni-channel experience, with a connected enterprise focus is essential. It analyses channels from multiple lenses: products/services optimised real-time, responsive supply chains, synergy with third parties to overcome enterprise barriers, data analytics to optimise experiences and an experience-centric culture. True omni-channel connects capabilities of front, middle and back offices to keep customers at the centre.

Another rising demand is self-service functionality, especially on mediums such as apps or websites, helping customers do maximum tasks with minimal intervention. The modern banking customer is also sensitive to data privacy, and banks offering higher security levels are expected to see more profitable customers in the future.

Using data driven insights to drive personalisation of products and services is going to be the key differentiator for the future bank.

Banks have long been aware of a huge unbanked customer base in India, and the challenges and rewards of serving them. But surging internet penetration (about 550 million internet connections as of September 2018) and smartphone growth (about 829 million smartphones by 2022) present an opportunity to use technology to design products that have lower costs and turnaround times. Banks must tap into last-mile channels such as kirana stores, logistics companies, and postal networks to act as micro-branches. Low-cost devices with biometric authentication and fully digital transactions and onboarding can greatly reduce the effort to serve such customers. The national postal service is on its way to provide basic banking and third party financial products distribution in remote corners using its vast network. Moreover, the rise of multi-lingual and 'light' apps that run on lower data speeds provides an opportunity to offer services through them. Aadhaar and Jan Dhan Yojana have already set the stage by opening up millions of accounts for previously unbanked customers. Future banks must innovate to tap this segment, and ensure that such accounts act as revenue sources, and not lie dormant.

Evolving Technology

Technology-led disruption has become the status quo, and banking is no exception. Technologies such as artificial intelligence, machine learning, big data analytics, block-chain and hybrid clouds are becoming mainstream. A combination of technologies is essential to transforming banking.

Customer onboarding is an area undergoing a lot of technology-led developments, from digitalisation of documentation, to consent-based architectures. With digital identity being a top concern, developments in biometrics such as 3-D face and iris scanning must be applied to apps through an intuitive interface for an extra layer of security and convenience. One of the largest global banks launched FaceID-based login for customers to access applications, reducing log-in times to under a second and adding extra security. Going ahead, this technology has the potential to transform KYC and customer onboarding processes.

Retail banking has also seen transformation. High data speeds are expected to make technologies such as AR/VR mainstream in virtual retail branch experiences and personalised real-time deal or offer finder. High speeds and low latency can enable more secure server-based biometric authentication instead of device-based, which is prone to hacking.

Literacy and vernacular self-service options are critical in meeting inclusion goals. This, in combination with voice recognition, can bring in a larger base into the banking ecosystem.

With demand for integrated services, wealth management is expected to see technology-driven developments, either assisting advisers in better decision making, or through fully automated advisory.

Technologies such as AI and machine learning are changing corporate banking too. A large global bank is leveraging AI and machine learning to automate invoice and payments matching process and detecting irregularities. In corporate banking, evolution of Internet-of-Things and blockchain is also disrupting trade finance through secure smart contracts for goods such as perishables.

In transforming the banking business, care needs to be taken to follow a holistic approach, rather than a fragmented use-case based approach. When it comes to defining the right technology roadmap, both too much and too little is not right. What is right for one bank might not be for others.

Product and Services Innovation

Creating a niche through innovative products and services is both challenging and rewarding, and leveraging technology in the right way is critical.

Frictionless payments remain an area where banks must continue to innovate. Payment mechanisms such as biometric authentication must be explored. One of the largest e-commerce giants has piloted 'invisible' payments, allowing shoppers to pick items and walk out, with automated sensor-based payments.

Millennials today not only demand basic banking, but also help with managing expenditures through budgeting and investment tools. Hence, banks must design personal finance tools that leverage analytics and AI to offer expenditure management and investment advisory.

Designing a delightful experience is incomplete without transformation of the branch, which has been the prime channel for years. Futuristic branches might aim to be more space optimised, use biometric authentication for self-service and hold fewer staff doing high-value tasks requiring human judgement. Digital walls can provide personalised offerings and allow for instant account opening and loans.

ON A BROAD LEVEL, TWO MODELS ARE SET TO EMERGE – A UTILITY BANK, PROVIDING BASIC BANKING SERVICES; AND AN EVERYDAY BANK, PROVIDING SERVICES ACROSS ALL TOUCHPOINTS, IN ADDITION TO ITS CORE SERVICES

A large global bank is testing zero-staff branches called 'virtual centres', where customers can make ATM transactions and consult staff via video-conferencing.

Building Steps

On a broad level, two models are set to emerge – a utility bank, providing basic banking services and acting as a utility provider; and an everyday bank, providing services across all touchpoints, in addition to its core services. Fintech collaborations for integrated services is expected to be key to adding that extra bit of customer value. For instance, a large German bank tied up with a fintech company to help customers verify identity remotely via smartphone/computer to sign up on its app. Partnering with both online and offline merchants, banks need to leverage transaction data and behaviour to provide instant services at all possible touchpoints.

Moving towards a future-ready design comes with its own challenges, ranging from misaligned strategy to silo-ed technology, data and supply chains. Increasing concerns around data security, privacy and compliance have diverted attention from the real transformation agenda. Similar issues need to be addressed while dealing with third-party service providers, which are key to providing integrated services.

Designing a bank of the future is no easy task, given the dynamics of customer preferences and evolving technologies within the framework of regulations. Larger banks with investable capital must lead the way, starting with pilots. RBI's fintech sandbox has the potential to go a long way in helping banks and fintech companies experiment with solutions in a controlled environment, eventually helping roll out superior products and services. BT

Gayathri Parthasarathy is KPMG Partner and National Head, Financial Services

THE TOP LISTERS

ILLUSTRATIONS BY RAJ VERMA

BEST BANK OVERALL

Shortlist	Deposit Growth	Loan Growth	Net NPAs	Cost to Income Ratio	ROCE	Capital Adequacy
HDFC Bank	22.56%	18.71%	0.40%	41.02%	17.87%	14.82%
SBI	32.36%	23.16%	5.73%	50.18%	(-3.21%)	12.60%
IndusInd Bank	19.80%	28.19%	0.51%	45.65%	16.21%	15.03%

INNOVATION

Shortlist	Initiative	Scope	Adoption	Impact
SBI	YONO App, an omni channel digital platform	Covers banking, insurance, investment, shopping and lifestyle	12.5 million downloads, 2 million accounts opened	Cost reduction, 20-25x growth in digital lending, value of transaction at ₹5,835 crore
HDFC Bank	Smartup programme for supporting start-ups	Support in tier-I and tier-II cities, MoUs with state governments	More than 3,500 start-ups on-boarded	Contribution to revenues; helps in cross-selling
Yes Bank	mPower BOT for customers	Covers personal loans, business loans, auto loans, gold loans, etc.	Used by 61% of branch staff on an average	20,000-plus loan transactions per month. Branch channel contribution to overall business reached 17% in 2017/18

FINANCIAL INCLUSION

Shortlist	Initiative	Scope	Adoption	Impact
Punjab National Bank	Jan Dhan accounts, Atal Pension Yojana registration, Pradhan Mantri Mudra Yojana	Covering unbanked people, MSMEs, self-employed, etc	Very high presence in rural and semi-urban branches (62%), business correspondent connect (8,044)	Benefited 200,000-plus customers. Credit to MSMEs at ₹47,329 crore, to micro enterprises at ₹34,475 crore
Andhra Bank	Product innovation, ICT-based technology, banking correspondent channel	Covering rural and semi-urban population	63% new PMJDY accounts opened in rural and semi-urban areas	44.85% ATMs located in rural and semi-urban areas; 12% year-on-year growth in agriculture book
Vijaya Bank	Social banking activities	Unemployed youths, self-employment training, corporate social responsibility	Digitising complete banking activities in a village	1,54,643 RuPay cards issued, 1,99,218 Aadhaar account seeded

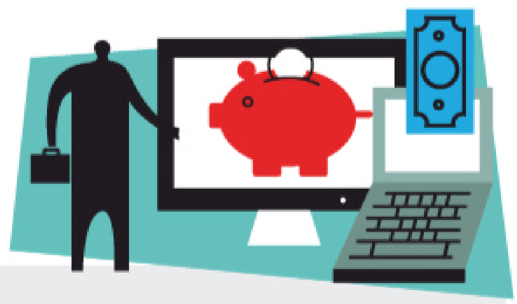
Excerpts from BT-KPMG qualitative docket. There are many more initiatives that the jury discussed. Data collected for 2017/18 period

BEST FINTECH ENGAGEMENT

Shortlist	Initiative	Scope	Adoption	Impact
Bank of Baroda	Fintech Alliance, 30+ partnerships	Linkage with CreditMantri, Deal4loans, GyanDhan, EduLoans etc	Platform banking, algo underwriting, retail loans, wealth management, payments, etc	₹400 crore+ business done through TReDS platforms; ₹70 crore+ loans to taxi aggregators
DCB Bank	Innovation Carnival, National Hackathon, Fintech collaboration	500+ participants in last 7 hackathons, 20+ partners	Robotics and process automation, block chain initiatives, API Sandbox	200+ start-up ideas shortlisted, 30+ ideas from hackathon
ICICI Bank	Buy Now Pay Later, Compare and shop, partnership with Fingpay	Credit card convenience, fingerprint enabled PoS solutions for retailers	Use of AI to determine credit worthiness , significant presence in Tier-II and -III cities	Increased customer engagement and stickiness, seamless payment

FINTECH AWARDS

$2 bn ANNUAL GROSS TRANSACTION VALUE OF PAYMENTS SOLUTION PLATFORM EZETAP



BEST FINTECH – PAYMENTS

Shortlist	Innovativeness	No. of Customers	Industry Association	Gross Transaction Value
Ezetap	Payments as a software service	230,000 terminals globally	Amex, Citibank, ICICI Bank, HDFC Bank, and others	Processing over 5 million transactions every month, GTV over $2 billion annually
Razorpay	Suite of payment solutions	170,000 small and large businesses	Online payments for Airtel, Goibibo, Yatra, Zomato, IRCTC, etc	Transactions worth ₹1.5-2 crore a month in 2018; GTV of multi billion dollars annualised
Eko	Created largest cash to digital network	50 million registered customers; 1 million+ being added a month	Banking, payments bank, bill payment service providers	GTV of ₹2,000 crore monthly

BEST FINTECH – LENDING

Shortlist	Differentiation	No. of Customers	Industry Association	AUM
LendingKart	Automated credit mechanism; 10,000 data points	28,000 MSMEs	Aditya Birla Financial Services, Kotak Mahindra Bank, Yes Bank	₹1,800 crore
Capital Float	First to target small store owners	200,000	Byju's, Phillips, Apollo Healthcare, Kaya Skin Clinic, etc	₹5,000 crore
Ayefinance	Cluster-based credit assessment	90,000 MSMEs	Blue Orchard, Triodas, banks like SBI, HDFC Bank, DCB, etc	₹1,100 crore-plus disbursed

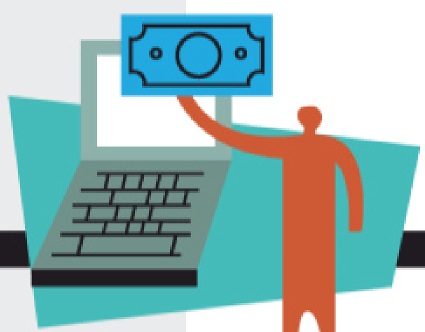
BEST FINTECH – VAS

Shortlist	Differentiation	No. of Customers	Industry Associations	Volume
CreditMantri	Access to over 2,000 credit relevant data points	10 million+	Tie-ups with more than 50 lenders	36,94,980+
CreditVidya	10,000+ digital footprints for credit assessment	10 million+	SBI, HDFC Bank, ICICI Bank, and others	Average 1.5 mn downloads a month (past 6 months)
Numberz	Automates and accelerates invoice to cash process	15,000 SMEs, 30 large companies	Yes Bank, RBL, Lendingkart, and others	250 mn invoices monthly

GROUP I ▸ LARGE INDIAN BANKS

With balance sheet size more than or equal to ₹3,00,000 crore

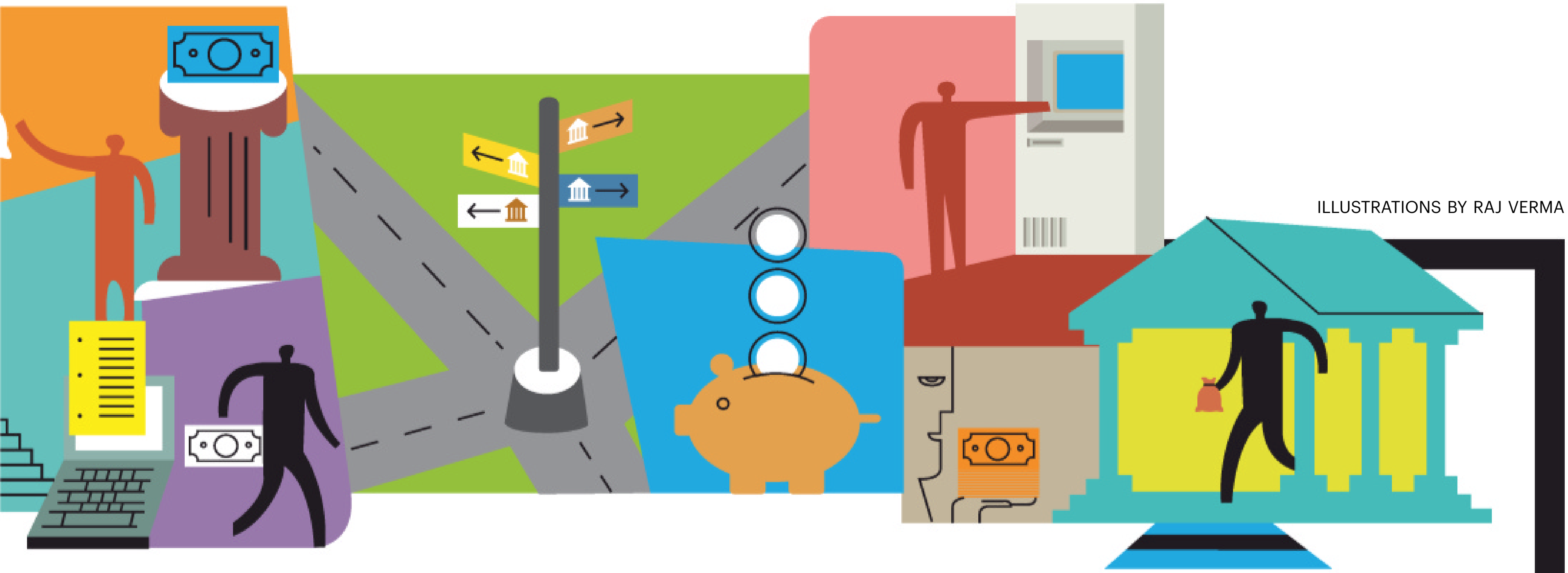
			GROWTH (%)										SIZE (₹ CR)				
RANK 2016/17	RANK 2017/18	Bank	Growth in Total Deposits	Growth in Loans and Advances	Growth in Fee Income	Growth in Operating Profit	Absolute Increase in Market Share of Deposits	Absolute Increase in Market Share of CASA	3-year CAGR of Total Deposits	3-year CAGR of Loans and Advances	3-year CAGR of Fee Income	3-year CAGR of Operating Profit	Deposits	Operating Profit	Balance Sheet Size	Total NPA Growth Ratio (%)	NPA Coverage (%)
1	**1**	**HDFC Bank**	22.55 **3**	18.71 **3**	28.76 **5**	26.78 **3**	0.62 **2**	-0.28 **11**	20.50 **2**	21.67 **2**	19.50 **4**	23.30 **2**	7,88,771 **2**	32,625 **2**	10,63,934 **2**	2.14 **1**	69.78 **1**
3	**2**	**ICICI Bank**	14.48 **4**	10.37 **8**	9.43 **10**	-6.59 **8**	0.14 **4**	0.12 **3**	15.77 **4**	9.76 **5**	8.11 **8**	7.86 **7**	5,60,975 **5**	24,742 **3**	8,79,189 **3**	5.86 **3**	47.74 **11**
2	**3**	**State Bank of India**	32.36 **2**	23.16 **2**	35.64 **3**	17.04 **4**	3.70 **1**	3.27 **1**	19.73 **3**	14.17 **4**	21.50 **2**	14.60 **3**	27,06,343 **1**	59,511 **1**	34,54,752 **1**	9.14 **9**	50.38 **7**
NA	**4**	**YES Bank***	40.50 **1**	53.89 **1**	33.99 **4**	32.73 **2**	0.36 **3**	0.29 **2**	30.09 **1**	39.15 **1**	31.47 **1**	33.59 **1**	2,00,738 **13**	7,748 **9**	3,12,446 **13**	4.89 **2**	50.02 **8**
5	**5**	**Axis Bank**	9.47 **5**	17.85 **4**	9.87 **9**	-11.32 **10**	-0.06 **5**	-0.04 **4**	12.05 **5**	16.08 **3**	7.85 **9**	5.22 **9**	4,53,623 **8**	15,594 **4**	6,91,330 **6**	8.22 **8**	50.68 **6**
4	**6**	**Bank of Baroda**	-1.72 **11**	11.53 **7**	20.85 **8**	9.39 **5**	-0.67 **12**	-0.24 **10**	-1.44 **12**	-0.05 **10**	15.96 **6**	6.58 **8**	5,91,315 **4**	12,006 **5**	7,20,000 **5**	5.96 **4**	58.42 **2**
8	**7**	**Canara Bank**	5.96 **7**	11.61 **6**	24.08 **7**	7.12 **6**	-0.22 **8**	-0.12 **6**	3.46 **9**	4.97 **6**	18.84 **5**	11.17 **5**	5,24,772 **6**	9,548 **7**	6,16,886 **7**	6.84 **5**	39.53 **13**
7	**8**	**Union Bank of India**	8.67 **6**	0.80 **11**	47.29 **2**	1.47 **7**	-0.08 **6**	-0.17 **8**	8.84 **6**	4.14 **8**	15.49 **7**	8.99 **6**	4,08,502 **9**	7,540 **10**	4,87,406 **9**	7.43 **7**	50.73 **5**
10	**9**	**Central Bank of India**	-0.62 **10**	12.30 **5**	64.67 **1**	-11.51 **11**	-0.30 **9**	-0.19 **9**	4.88 **8**	-6.00 **12**	21.01 **3**	-8.43 **13**	2,94,839 **10**	2,733 **13**	3,26,225 **11**	11.54 **12**	51.41 **3**
6	**10**	**Punjab National Bank**	3.30 **9**	3.39 **10**	-16.69 **13**	-29.32 **13**	-0.42 **10**	-0.78 **13**	8.60 **7**	4.46 **7**	5.36 **11**	-4.86 **12**	6,42,226 **3**	10,294 **6**	7,65,830 **4**	10.38 **10**	43.42 **12**
11	**11**	**IDBI Bank**	-7.67 **13**	-10.00 **13**	-5.55 **12**	71.14 **1**	-0.44 **11**	-0.11 **5**	-1.55 **13**	-6.24 **13**	3.83 **12**	11.33 **4**	2,47,932 **12**	7,905 **8**	3,50,314 **10**	21.16 **13**	48.43 **9**
NA	**12**	**Syndicate Bank***	4.69 **8**	5.52 **9**	9.42 **11**	-8.73 **9**	-0.15 **7**	-0.15 **7**	2.22 **10**	1.29 **9**	7.33 **10**	-1.21 **10**	2,72,776 **11**	3,864 **12**	3,23,977 **12**	6.97 **6**	47.91 **10**
9	**13**	**Bank of India**	-3.55 **12**	-6.85 **12**	25.07 **6**	-26.65 **12**	-0.68 **13**	-0.44 **12**	-0.70 **11**	-5.30 **11**	3.29 **13**	-1.58 **11**	5,20,854 **7**	7,139 **11**	6,09,575 **8**	11.04 **11**	51.14 **4**



₹34.5

LAKH CRORE

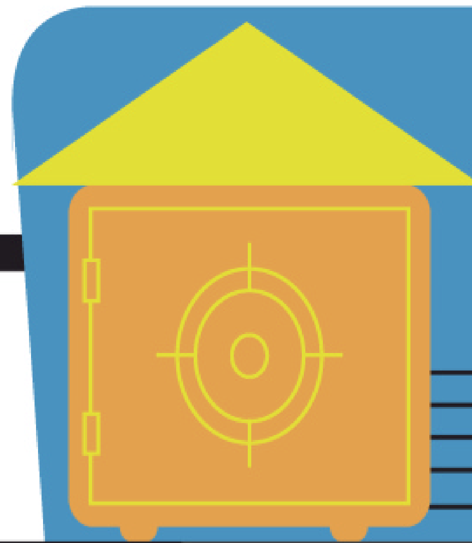
THE BALANCE SHEET OF THE LARGEST BANK, SBI, IS OVER THREE TIMES THAT OF THE SECOND-LARGEST BANK, HDFC BANK



ILLUSTRATIONS BY RAJ VERMA

QUALITY OF ASSETS					PRODUCTIVITY & EFFICIENCY				QUALITY OF EARNINGS					CAPITAL ADEQUACY & LIQUIDITY COVERAGE			
Net NPA / Net Advances (%)	Divergence in Gross NPAs (%)	Divergence in Provision for NPAs (%)	RA /Avg loans^ (%)	ORA/Outstanding Loans and Advances (%)	Cost / Income Ratio	Cost / Avg Asset Ratio (%)	Absolute Increase in Return on Assets @	Increase in (Operating Profit / Total Income) %	Return on Assets (%)	Fee Income / Total Income (%)	ROCE (%)	NIM (%)	Penalties (₹ crore)	CAR (%)	Tier I (%)	LCR (%)	TOTAL SCORE
0.40	28.79	5.45	0.29	0.24	0.41	2.35	0.00	8.38	1.81	13.13	17.87	4.41	0.00	14.82	13.25	104.50	1,082
1	9	1	5	2	4	13	1	3	1	3	1	1	1	4	2	9	
5.43	0.00	0.00	1.10	2.96	0.39	1.90	0.00	-4.94	0.82	12.25	6.61	3.17	62.72	18.42	15.92	103.17	896
4	1	1	11	6	2	8	3	8	3	4	3	4	13	1	1	10	
5.73	59.48	54.57	1.94	3.04	0.50	1.95	-0.01	-6.86	-0.21	11.09	-3.21	2.63	3.39	12.60	10.36	134.94	875
6	11	6	12	7	9	10	6	9	5	5	5	5	7	7	6	4	
0.64	241.43	500	0.01	0.13	0.40	1.98	0.00	7.16	1.60	17.57	17.67	3.23	6.01	18.40	13.20	94.33	871
2	13	13	1	1	3	11	2	4	2	1	2	2	10	2	3	12	
3.77	25.86	35.76	0.09	1.53	0.47	2.16	-0.01	-12.12	0.04	14.05	0.46	3.19	3.00	16.57	13.04	90.60	793
3	6	3	4	3	7	12	5	11	4	2	4	3	6	3	4	13	
5.49	21.93	47.54	2.38	6.03	0.46	1.44	-0.01	6.46	-0.34	7.29	-5.81	2.21	12.99	12.13	10.46	109.91	776
5	5	5	13	11	5	3	4	5	6	10	6	7	11	9	5	6	
7.48	27.88	136.85	0.84	3.50	0.50	1.59	-0.01	8.78	-0.70	9.20	-12.19	2.09	0.00	13.22	10.30	108.27	713
8	7	10	9	8	8	5	9	2	7	6	7	10	1	5	7	7	
8.42	21.52	92.37	0.66	4.88	0.47	1.44	-0.01	1.17	-1.12	7.52	-21.39	2.07	4.15	11.50	9.07	106.60	626
10	4	9	8	9	6	2	12	6	10	9	9	11	8	10	10	8	
11.10	15.82	43.85	0.05	5.26	0.70	1.94	-0.01	-8.60	-1.55	7.12	-28.41	2.17	0.91	9.04	7.01	253.30	517
11	3	4	3	10	13	9	8	10	11	11	11	8	5	13	13	1	
11.22	9.85	59.80	0.32	2.88	0.57	1.82	-0.02	-30.13	-1.65	8.22	-29.54	2.09	0.00	9.20	7.12	113.13	508
12	1	7	7	5	11	7	13	13	12	7	12	9	1	12	12	5	
16.69	37.26	86.54	0.01	11.92	0.38	1.33	-0.01	81.19	-2.31	7.93	-37.64	1.95	0.00	10.41	7.73	102.87	504
13	10	8	2	13	1	1	10	1	13	8	13	12	1	11	11	11	
6.28	28.71	170.64	0.32	2.78	0.59	1.76	-0.01	-1.75	-1.03	6.82	-22.13	2.22	5.00	12.24	9.41	196.11	500
7	8	11	6	4	12	6	11	7	9	12	10	6	9	8	9	2	
8.26	69.18	411.16	0.99	6.12	0.56	1.47	-0.01	-22.87	-0.98	6.46	-17.77	1.82	25.72	12.94	9.73	173.70	457
9	12	12	10	12	10	4	7	12	8	13	8	13	12	6	8	3	

Three-year growth is Compound Annual Growth Rate (CAGR); Values in each parameter are rounded off; NPA: Non-performing Assets; CASA: Current Account Savings Account; CAR: Capital Adequacy Ratio; ROCE: Return on Capital Employed; NIM: Net Interest Margin;^RA: Restructured assets/Total average loans and advances; ORA: Outstanding restructured assets; @Rankings are based on the next decimal place number; For explanation of parameters and how total score was arrived at, see *How We Did It*, page 86; Divergence in Gross NPAs & provision for NPAs parameters were added in the 2017 survey; Penalties and Liquidity Coverage Ratio (LCR) added in the 2018 survey; *Moved from mid-sized category to large size ; NA: not applicable



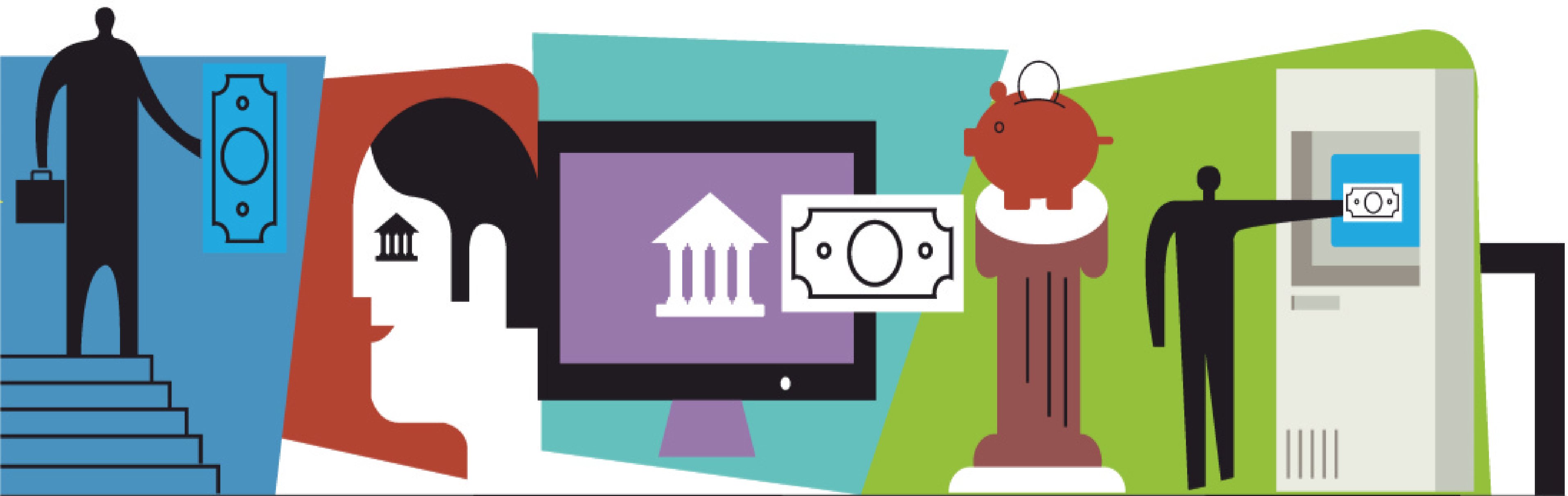
GROUP II ▸ MID-SIZED INDIAN BANKS

With balance sheet size of ₹1,00,000-3,00,000 crore

			GROWTH (%)										SIZE (₹ CR)				
RANK 2016/17	RANK 2017/18	Bank	Growth in Total Deposits	Growth in Loans and Advances	Growth in Fee Income	Growth in Operating Profit	Absolute Increase in Market Share of Deposits	Absolute Increase in Market Share of CASA	3-year CAGR of Total Deposits	3-year CAGR of Loans and Advances	3-year CAGR of Fee Income	3-year CAGR of Operating Profit	Deposits	Operating Profit	Balance Sheet Size	Total NPA Growth Ratio (%)	NPA Coverage (%)
1	**1**	**Kotak Mahindra Bank**	22.37 **1**	24.72 **3**	28.59 **3**	19.61 **6**	0.15 **1**	0.38 **1**	37.04 **1**	36.89 **1**	29.84 **1**	33.66 **2**	1,92,643 **6**	7,158 **1**	2,64,933 **1**	1.22 **1**	56.47 **1**
3	**2**	**IndusInd Bank**	19.80 **2**	28.19 **1**	16.33 **11**	22.11 **4**	0.09 **2**	0.28 **2**	26.94 **2**	28.21 **2**	26.48 **2**	29.03 **3**	1,51,639 **10**	6,656 **2**	2,21,626 **8**	2.58 **2**	56.26 **2**
5	**3**	**Indian Bank**	14.13 **6**	22.61 **5**	35.38 **2**	25.00 **2**	0.05 **5**	-0.02 **4**	7.17 **6**	7.55 **5**	18.22 **6**	18.39 **4**	2,08,294 **3**	5,001 **4**	2,52,716 **2**	3.55 **4**	45.86 **8**
9	**4**	**Andhra Bank**	6.46 **7**	8.93 **7**	22.60 **5**	22.18 **3**	-0.08 **7**	-0.03 **5**	10.31 **4**	5.78 **6**	23.14 **4**	17.57 **5**	2,08,070 **4**	5,361 **3**	2,42,171 **5**	9.70 **11**	54.96 **3**
6	**5**	**Vijaya Bank**	18.25 **4**	22.86 **4**	20.50 **6**	27.95 **1**	0.08 **3**	-0.07 **7**	7.58 **5**	10.25 **4**	23.93 **3**	35.00 **1**	1,57,288 **9**	3,098 **9**	1,77,632 **10**	4.17 **6**	32.46 **15**
4	**6**	**Federal Bank**	14.67 **5**	25.39 **2**	16.39 **10**	19.02 **7**	0.03 **6**	0.02 **3**	16.50 **3**	21.49 **3**	14.60 **8**	12.07 **7**	1,11,992 **13**	2,291 **10**	1,38,314 **13**	2.66 **3**	43.47 **11**
16	**7**	**Bank of Maharashtra**	-0.05 **11**	-10.17 **12**	19.31 **7**	19.94 **5**	-0.13 **10**	-0.12 **8**	4.41 **9**	-4.53 **11**	10.79 **9**	-2.37 **11**	1,38,981 **11**	2,191 **11**	1,56,329 **11**	6.33 **7**	46.99 **7**
11	**8**	**Allahabad Bank**	5.81 **8**	0.87 **8**	37.22 **1**	-11.08 **11**	-0.09 **8**	-0.15 **10**	3.36 **10**	0.48 **8**	14.74 **7**	-8.57 **13**	2,13,604 **2**	3,438 **8**	2,52,714 **3**	8.52 **9**	53.87 **4**
14	**9**	**Indian Overseas Bank**	2.60 **9**	-5.67 **10**	23.98 **4**	-0.58 **8**	-0.16 **11**	-0.18 **12**	-4.13 **14**	-8.29 **14**	19.15 **5**	2.99 **9**	2,16,832 **1**	3,629 **7**	2,47,968 **4**	12.33 **13**	45.40 **9**
NA	**10**	**Punjab and Sind Bank#**	18.92 **3**	14.12 **6**	4.28 **14**	-7.82 **9**	0.06 **4**	-0.07 **6**	5.47 **8**	1.39 **7**	4.32 **12**	13.86 **6**	1,01,726 **15**	1,145 **14**	1,13,759 **15**	4.15 **5**	40.43 **12**
10	**11**	**Oriental Bank of Commerce**	-5.47 **12**	-13.53 **14**	13.61 **12**	-11.20 **12**	-0.31 **13**	-0.24 **14**	0.54 **11**	-2.08 **9**	1.54 **14**	-2.10 **10**	2,07,346 **5**	3,703 **6**	2,33,344 **6**	8.45 **8**	44.97 **10**
15	**12**	**Dena Bank**	-6.86 **13**	-9.64 **11**	19.03 **8**	-15.76 **13**	-0.18 **12**	-0.16 **11**	-2.90 **13**	-5.99 **12**	10.63 **10**	-4.16 **12**	1,06,130 **14**	1,171 **13**	1,20,860 **14**	8.70 **10**	51.83 **5**
12	**13**	**UCO Bank**	-9.66 **14**	-10.24 **13**	10.37 **13**	-54.40 **15**	-0.36 **14**	-0.18 **13**	-5.33 **15**	-9.99 **15**	-1.85 **15**	-35.23 **15**	1,81,849 **8**	1,334 **12**	2,16,056 **9**	13.23 **14**	49.40 **6**
8	**14**	**Corporation Bank**	-16.89 **15**	-14.60 **15**	-6.25 **15**	-11.02 **10**	-0.53 **15**	-0.28 **15**	-2.76 **12**	-6.16 **13**	4.14 **13**	9.28 **8**	1,83,316 **7**	3,950 **5**	2,21,891 **7**	11.20 **12**	35.70 **14**
13	**15**	**United Bank of India**	1.88 **10**	-5.52 **9**	16.63 **9**	-34.05 **14**	-0.10 **9**	-0.14 **9**	5.92 **7**	-2.18 **10**	9.52 **11**	-25.01 **14**	1,29,326 **12**	1,024 **15**	1,44,749 **12**	13.38 **15**	37.47 **13**

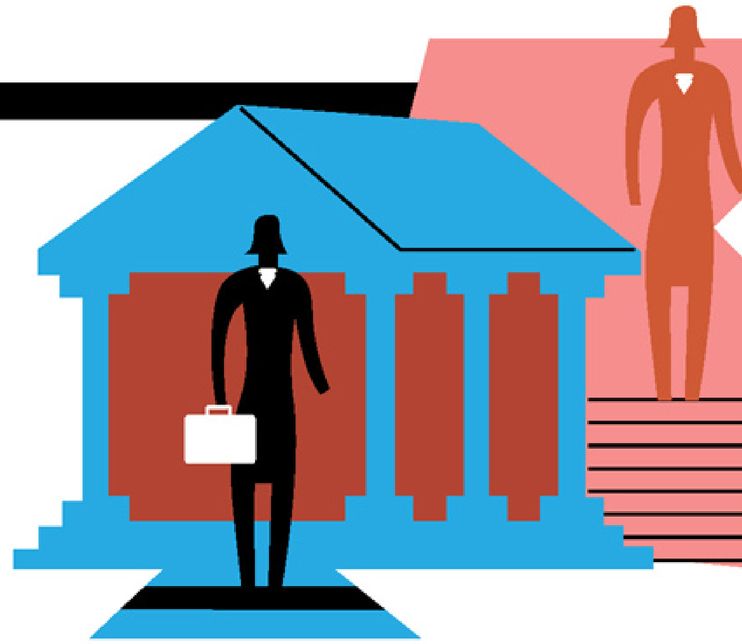
16.21%

INDUSIND BANK'S ROCE, THE HIGHEST AMONG MID-SIZED BANKS, WHICH IS REFLECTED IN ITS MARKET CAP



QUALITY OF ASSETS					PRODUCTIVITY & EFFICIENCY				QUALITY OF EARNINGS					CAPITAL ADEQUACY & LIQUIDITY COVERAGE			
Net NPA / Net Advances (%)	Divergence in Gross NPAs (%)	Divergence in Provision for NPAs (%)	RA /Avg loans^ (%)	ORA/Outstanding Loans and Advances (%)	Cost / Income Ratio	Cost / Avg Asset Ratio (%)	Absolute Increase in Return on Assets @	Increase in (Operating Profit / Total Income) %	Return on Assets (%)	Fee Income / Total Income (%)	ROCE (%)	NIM (%)	Penalties (₹ crore)	CAR (%)	Tier I (%)	LCR (%)	TOTAL SCORE
0.98	0.00	0.00	0.09	0.00	0.47	2.68	0.00	6.42	1.70	13.03	12.55	4.37	0.00	18.22	17.56	94.39	1,300
2	1	1	8	4	5	14	3	6	2	2	2	1	1	1	1	14	
0.51	94.47	12.17	0.01	0.00	0.46	2.79	0.00	2.97	1.80	15.69	16.21	4.06	3.00	15.03	14.58	100.46	1,135
1	15	1	2	3	4	15	2	8	1	1	1	2	15	2	2	12	
3.81	16.33	36.26	0.43	4.00	0.42	1.56	0.00	16.88	0.53	7.60	7.07	2.78	0.10	12.55	11.33	144.80	1,080
4	9	6	14	9	2	5	6	4	4	7	5	6	10	6	5	10	
8.48	7.36	184.30	0.26	1.00	0.38	1.44	-0.01	22.11	-1.47	8.59	-30.76	2.96	0.00	11.00	7.44	110.58	977
8	1	15	10	8	1	3	12	3	9	5	10	4	1	10	12	11	
4.32	25.50	45.06	0.03	0.00	0.48	1.69	0.00	26.51	0.44	7.06	7.74	2.82	0.94	13.90	11.71	172.03	961
5	13	9	3	2	6	8	4	2	5	10	4	5	13	4	4	6	
1.69	0.00	0.00	0.21	1.00	0.52	1.94	0.00	6.45	0.69	6.88	8.31	2.99	0.05	14.70	14.18	147.72	954
3	1	1	9	7	8	11	5	5	3	11	3	3	9	3	3	8	
11.24	2.56	9.09	0.05	5.00	0.55	1.71	0.00	29.15	-0.73	7.79	-13.23	2.29	0.22	11.01	9.01	216.93	828
10	1	1	5	10	10	9	1	1	7	6	7	8	11	9	8	4	
8.04	9.44	48.61	0.05	1.00	0.54	1.63	-0.02	-5.23	-1.91	9.90	-35.30	2.07	0.00	8.69	6.69	404.77	819
7	1	10	6	5	9	7	13	11	12	4	13	12	1	15	15	1	
15.40	19.07	11.97	3.48	12.00	0.61	2.26	-0.01	5.98	-2.54	12.46	-46.63	2.43	2.02	9.25	7.17	326.15	672
14	11	1	15	15	12	13	9	7	15	3	15	7	14	13	14	2	
6.92	18.71	108.16	0.38	1.00	0.59	1.59	-0.01	-5.44	-0.71	3.47	-12.07	2.27	0.00	11.25	9.85	92.67	662
6	10	12	12	6	11	6	7	12	6	15	6	9	1	7	7	15	
10.47	7.92	152.60	0.09	10.00	0.49	1.48	-0.02	-6.77	-2.41	7.20	-45.33	2.03	0.00	10.50	7.61	100.09	633
9	1	14	7	13	7	4	15	13	14	8	14	13	1	12	11	13	
11.95	5.88	41.66	0.00	0.00	0.68	1.97	-0.01	-4.60	-1.54	6.87	-22.78	2.18	0.00	11.09	8.81	152.96	621
12	1	8	1	1	13	12	8	10	10	12	9	11	1	8	10	7	
13.10	14.32	36.91	0.04	9.00	0.69	1.30	-0.01	-44.47	-1.98	4.66	-32.02	1.55	0.00	10.94	8.94	200.91	542
13	1	7	4	11	14	1	11	15	13	14	11	14	1	11	9	5	
11.74	66.82	115.36	0.42	9.00	0.45	1.36	-0.02	0.68	-1.73	7.07	-34.42	2.24	0.39	9.23	7.27	145.98	525
11	14	13	13	12	3	2	14	9	11	9	12	10	12	14	13	9	
16.51	22.72	108.06	0.34	11.00	0.72	1.88	-0.01	-27.44	-1.02	5.98	-17.72	1.22	0.00	12.62	9.87	259.21	490
15	12	11	11	14	15	10	10	14	8	13	8	15	1	5	6	3	

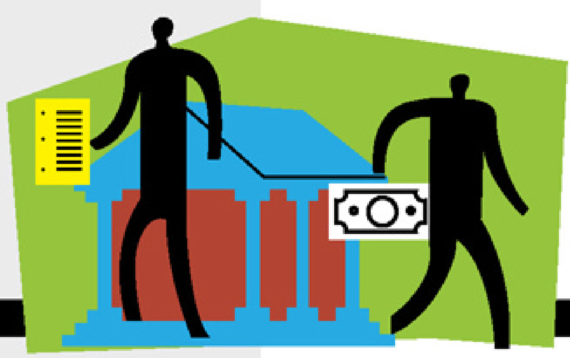
Three-year growth is Compound Annual Growth Rate (CAGR); Values in each parameter are rounded off; NPA: Non-performing Assets; CASA: Current Account Savings Account; CAR: Capital Adequacy Ratio; ROCE: Return on Capital Employed; NIM: Net Interest Margin;^RA: Restructured assets/Total average loans and advances; ORA: Outstanding restructured assets; @Rankings are based on the next decimal place number; For explanation of parameters and how total score was arrived at, see *How We Did It*, page 86; Divergence in Gross NPAs & provision for NPAs parameters were added in the 2017 survey; Penalties and Liquidity Coverage Ratio (LCR) added in the 2018 survey; *Moved from mid-sized category to large size ; NA: not applicable



GROUP-III ▸ SMALL INDIAN BANKS

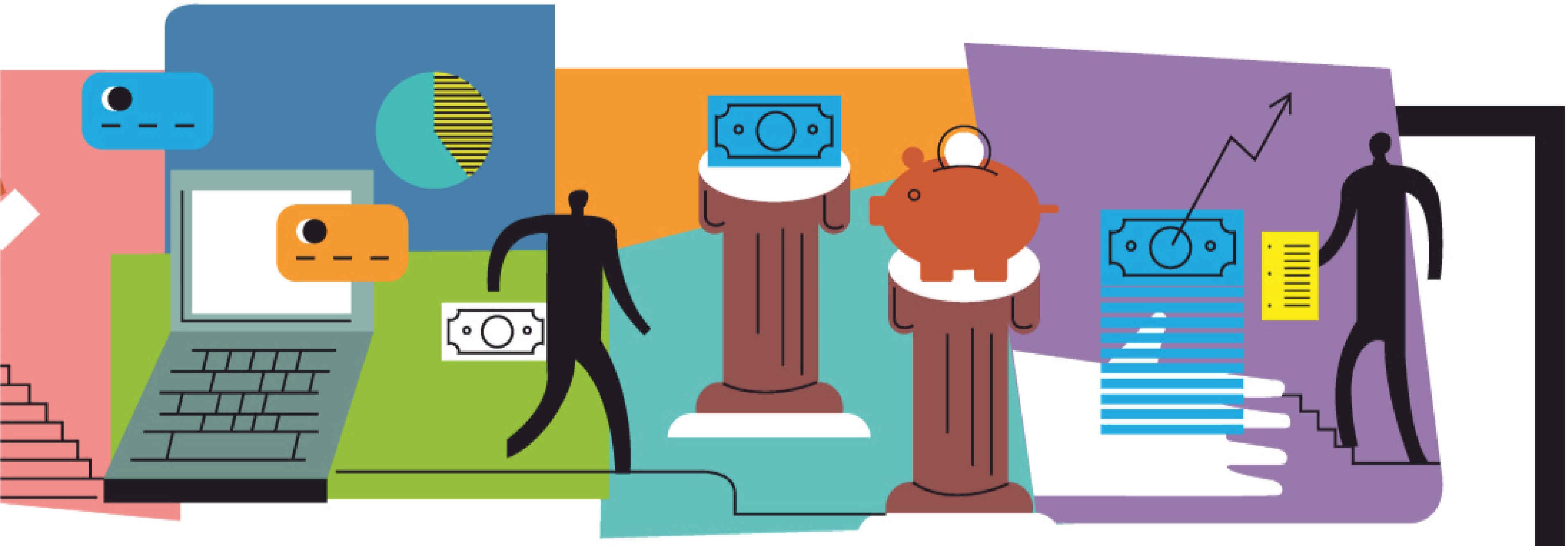
With balance sheet size less than or equal to ₹1,00,000 crore

			GROWTH (%)										SIZE (₹ CR)				
RANK 2016/17	RANK 2017/18	Bank	Growth in Total Deposits	Growth in Loans and Advances	Growth in Fee Income	Growth in Operating Profit	Absolute Increase in Market Share of Deposits	Absolute Increase in Market Share of CASA	3-year CAGR of Total Deposits	3-year CAGR of Loans and Advances	3-year CAGR of Fee Income	3-year CAGR of Operating Profit	Deposits	Operating Profit	Balance Sheet Size	Total NPA Growth Ratio (%)	NPA Coverage (%)
1	**1**	RBL Bank	26.93 **1**	36.74 **1**	46.58 **4**	44.62 **3**	0.05 **1**	0.04 **1**	36.93 **1**	40.72 **1**	40.30 **1**	54.61 **2**	43,902 **5**	1,331 **5**	61,851 **5**	1.63 **1**	44.85 **5**
2	**2**	DCB Bank	24.46 **2**	28.57 **2**	30.07 **8**	25.53 **4**	0.02 **2**	0.01 **2**	23.94 **2**	24.79 **2**	24.42 **4**	23.69 **4**	24,007 **8**	525 **7**	30,222 **8**	1.93 **2**	60.06 **1**
3	**3**	City Union Bank	9.09 **5**	16.87 **5**	30.79 **7**	21.54 **6**	-0.01 **5**	0.00 **4**	10.92 **6**	15.74 **4**	9.80 **8**	20.36 **6**	32,853 **7**	1,208 **6**	39,937 **7**	2.22 **3**	44.03 **6**
4	**4**	South Indian Bank	8.94 **7**	17.62 **4**	48.70 **2**	21.92 **5**	-0.01 **7**	-0.02 **8**	11.54 **4**	13.42 **6**	27.26 **2**	18.85 **7**	72,030 **2**	1,481 **2**	82,686 **2**	3.59 **5**	27.32 **10**
6	**5**	Karnataka Bank	10.82 **3**	28.00 **3**	49.82 **1**	47.94 **2**	0.00 **3**	-0.03 **9**	10.97 **5**	14.26 **5**	26.61 **3**	23.96 **3**	62,871 **3**	1,473 **3**	70,374 **3**	5.04 **7**	39.82 **8**
5	**6**	Karur Vysya Bank	5.94 **8**	9.52 **8**	40.14 **5**	13.14 **7**	-0.02 **10**	-0.01 **7**	8.38 **7**	7.45 **8**	17.46 **5**	23.51 **5**	56,890 **4**	1,777 **1**	66,929 **4**	4.88 **6**	36.17 **9**
9	**7**	Jammu & Kashmir Bank	10.41 **4**	14.25 **7**	32.18 **6**	6.76 **8**	-0.01 **4**	-0.05 **10**	6.76 **8**	8.48 **7**	-0.32 **10**	-9.03 **10**	80,006 **1**	1,382 **4**	89,688 **1**	5.82 **9**	51.81 **3**
8	**8**	Dhanlaxmi Bank	-3.31 **10**	-5.21 **10**	20.58 **9**	55.39 **1**	-0.01 **8**	-0.01 **6**	-4.10 **10**	-7.30 **10**	13.10 **7**	78.75 **1**	10,920 **10**	146 **9**	12,286 **10**	5.71 **8**	58.45 **2**
11	**9**	Catholic Syrian Bank	-1.48 **9**	15.01 **6**	47.40 **3**	-51.01 **10**	-0.02 **9**	-0.01 **5**	0.50 **9**	-0.47 **9**	14.47 **6**	14.06 **8**	14,691 **9**	74 **10**	15,870 **9**	3.22 **4**	45.10 **4**
7	**10**	Lakshmi Vilas Bank	9.02 **6**	8.59 **9**	18.16 **10**	-43.95 **9**	-0.01 **6**	0.01 **3**	14.89 **3**	16.37 **3**	7.39 **9**	-1.90 **9**	33,309 **6**	355 **8**	40,429 **6**	11.78 **10**	43.39 **7**



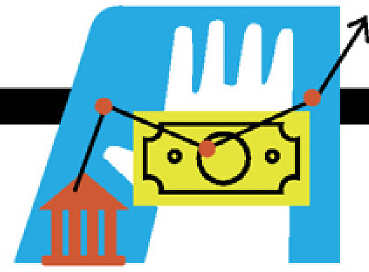
5.66%

LAKSHMI VILAS BANK'S NET NPAs, WHICH ARE IMPACTING ITS PROFITABILITY



QUALITY OF ASSETS					PRODUCTIVITY & EFFICIENCY				QUALITY OF EARNINGS					CAPITAL ADEQUACY & LIQUIDITY COVERAGE			
Net NPA / Net Advances (%)	Divergence in Gross NPAs (%)	Divergence in Provision for NPAs (%)	RA /Avg loans^ (%)	ORA/Outstanding Loans and Advances (%)	Cost / Income Ratio	Cost / Avg Asset Ratio (%)	Absolute Increase in Return on Assets @	Increase in (Operating Profit / Total Income) %	Return on Assets (%)	Fee Income / Total Income (%)	ROCE (%)	NIM (%)	Penalties (₹ crore)	CAR (%)	Tier I (%)	LCR Ratio (%)	TOTAL SCORE
0.78	0.00	0.00	0.00	0.07	0.53	2.72	0.00	15.90	1.15	13.46	11.53	3.31	0.04	15.33	13.61	96.90	780
2	1	1	1	2	5	9	2	3	2	1	2	5	8	3	3	10	
0.72	0.00	0.00	0.07	0.06	0.60	2.88	0.00	7.17	0.90	9.23	9.79	3.98	0.00	16.47	12.72	172.67	689
1	1	1	7	1	7	10	4	8	3	5	3	1	1	1	4	7	
1.70	0.00	0.00	0.04	0.55	0.38	2.01	0.00	12.99	1.57	9.25	15.31	3.89	0.00	16.22	15.79	133.48	679
3	1	1	5	4	1	3	3	5	1	4	1	2	4	2	1	8	
2.59	0.49	35.15	0.04	0.54	0.47	1.68	0.00	13.81	0.43	8.85	6.64	2.71	0.03	12.70	10.41	174.97	639
4	1	6	6	3	3	1	5	4	6	6	4	8	7	6	7	6	
2.96	82.70	104.48	0.57	2.21	0.48	1.99	0.00	39.05	0.48	11.42	6.17	2.95	0.00	12.04	11.29	120.81	610
5	10	9	10	8	4	2	6	2	5	3	5	7	1	7	5	9	
4.16	48.91	33.33	0.15	1.72	0.44	2.21	0.00	9.79	0.54	11.44	6.12	3.69	0.09	14.43	13.92	202.31	538
7	9	5	8	7	2	5	8	6	4	2	6	4	10	4	2	5	
4.90	27.73	7.42	0.00	10.78	0.59	2.31	0.02	7.69	0.24	6.27	3.42	3.72	0.06	11.42	9.24	221.04	509
9	7	1	3	10	6	6	1	7	7	10	7	3	9	8	9	4	
3.19	15.77	42.01	0.02	1.26	0.67	2.45	0.00	67.13	-0.20	7.75	-3.54	3.09	0.00	13.87	10.60	298.08	442
6	6	8	4	6	8	7	7	1	8	9	8	6	1	5	6	1	
4.46	9.24	585.40	0.00	0.79	0.85	2.72	-0.01	-44.28	-0.61	7.90	-10.32	2.67	0.00	9.91	9.45	243.50	369
8	1	10	1	5	10	8	9	9	9	7	9	9	5	9	8	3	
5.66	28.38	35.26	0.45	2.51	0.69	2.07	-0.02	-44.60	-1.55	7.88	-26.20	2.21	0.02	9.81	8.05	267.12	313
10	8	7	9	9	9	4	10	10	10	8	10	10	6	10	10	2	

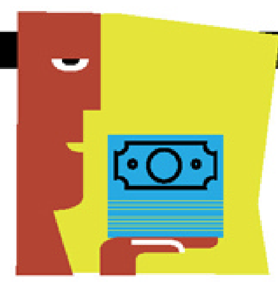
Three-year growth is Compound Annual Growth Rate (CAGR); Values in each parameter are rounded off; NPA: Non-performing Assets; CASA: Current Account Savings Account; CAR: Capital Adequacy Ratio; ROCE: Return on Capital Employed; NIM: Net Interest Margin;^RA: Restructured assets/Total average loans and advances; ORA: Outstanding restructured assets; @Rankings are based on the next decimal place number; For explanation of parameters and how total score was arrived at, see *How We Did It*, page 86; Divergence in Gross NPAs & provision for NPAs parameters were added in the 2017 survey; Penalties and Liquidity Coverage Ratio (LCR) added in the 2018 survey; *Moved from mid-sized category to large size ; NA: not applicable



GROUP-IV ▸ LARGE FOREIGN BANKS

With balance sheet size more than or equal to ₹25,000 crore

			GROWTH (%)										SIZE (₹ CR)				
RANK 2016/17	RANK 2017/18	Bank	Growth in Total Deposits	Growth in Loans and Advances	Growth in Fee Income	Growth in Operating Profit	Absolute Increase in Market Share of Deposits	Absolute Increase in Market Share of CASA	3-year CAGR of Total Deposits	3-year CAGR of Loans and Advances	3-year CAGR of Fee Income	3-year CAGR of Operating Profit	Deposits	Operating Profit	Balance Sheet Size	Total NPA Growth Ratio (%)	NPA Coverage (%)
3	**1**	JP Morgan Chase Bank N.A.	-6.62 **8**	55.22 **1**	13.64 **2**	6.35 **2**	-0.03 **6**	0.05 **1**	1.37 **8**	34.34 **1**	2.06 **4**	6.19 **4**	15,498 **8**	1,816 **5**	45,145 **6**	0.00 **1**	100 **1**
1	**2**	Bank of America N.A.	-0.44 **7**	12.42 **2**	2.05 **7**	-15.83 **5**	-0.02 **5**	-0.01 **7**	25.77 **1**	18.32 **2**	4.68 **3**	2.85 **6**	19,073 **7**	1,206 **6**	38,099 **8**	0.00 **1**	100 **1**
2	**3**	Citibank N.A.	9.30 **2**	1.56 **7**	11.86 **3**	0.65 **3**	-0.02 **4**	-0.08 **9**	8.54 **4**	-2.92 **8**	11.86 **2**	4.23 **5**	1,13,692 **1**	6,832 **1**	1,63,928 **1**	1.64 **7**	64.77 **9**
4	**4**	HSBC	5.91 **5**	11.20 **4**	0.53 **8**	0.35 **4**	-0.04 **8**	-0.05 **8**	2.63 **7**	3.34 **5**	-5.93 **7**	13.07 **1**	92,169 **2**	4,274 **2**	1,44,425 **2**	0.69 **5**	84.42 **6**
5	**5**	BNP Paribas	6.75 **4**	8.56 **5**	-13.60 **9**	8.30 **1**	-0.01 **3**	0.01 **4**	19.81 **2**	10.65 **3**	-16.37 **9**	9.35 **3**	24,637 **6**	736 **7**	44,247 **7**	0.00 **1**	100 **1**
7	**6**	Barclays Bank Plc	-20.38 **9**	5.64 **6**	40.40 **1**	-30.16 **8**	-0.03 **7**	0.00 **6**	-13.74 **9**	-4.53 **9**	1.67 **5**	-6.62 **7**	8,386 **9**	693 **8**	28,861 **9**	0.00 **1**	100 **1**
8	**7**	Deutsche Bank AG	21.83 **1**	11.84 **3**	3.11 **5**	-19.09 **7**	0.04 **1**	0.01 **3**	7.02 **5**	2.79 **6**	-7.66 **8**	-8.49 **8**	47,358 **4**	1,962 **4**	78,424 **4**	1.03 **6**	70.20 **8**
6	**8**	Standard Chartered Bank	4.36 **6**	-6.50 **8**	3.02 **6**	-16.02 **6**	-0.05 **9**	0.00 **5**	4.70 **6**	-2.11 **7**	28.43 **1**	12.27 **2**	83,607 **3**	4,118 **3**	1,39,264 **3**	6.24 **9**	95.57 **5**
9	**9**	DBS Bank	8.26 **3**	-18.18 **9**	6.68 **4**	-100.82 **9**	-0.01 **2**	0.02 **2**	18.88 **3**	4.12 **4**	-1.21 **6**	-121.53 **9**	29,222 **5**	(4) **9**	46,853 **5**	2.51 **8**	79.20 **7**



GROUP-V ▸ MID-SIZED FOREIGN BANKS

With balance sheet size of ₹5,000-25,000 crore

			GROWTH (%)										SIZE (₹ CR)				
RANK 2016/17	RANK 2017/18	Bank	Growth in Total Deposits	Growth in Loans and Advances	Growth in Fee Income	Growth in Operating Profit	Absolute Increase in Market Share of Deposits	Absolute Increase in Market Share of CASA	3-year CAGR of Total Deposits	3-year CAGR of Loans and Advances	3-year CAGR of Fee Income	3-year CAGR of Operating Profit	Deposits	Operating Profit	Balance Sheet Size	Total NPA Growth Ratio (%)	NPA Coverage (%)
4	**1**	Mizuho Bank	-14.59 **7**	15.66 **4**	-4.71 **4**	23.72 **3**	-0.01 **6**	0.01 **1**	21.88 **3**	9.80 **3**	5.20 **3**	-1.52 **4**	5,213 **3**	378 **2**	13,481 **2**	0.00 **1**	100 **1**
1	**2**	Credit Suisse AG	21.30 **4**	20.33 **3**	153.14 **2**	-52.22 **7**	0.00 **4**	0.01 **2**	-17.36 **7**	-1.10 **4**	32.66 **1**	-24.12 **6**	3,546 **4**	195 **3**	8,800 **4**	0.00 **1**	100 **1**
3	**3**	Shinhan Bank	37.99 **3**	45.63 **1**	-12.47 **5**	-9.77 **4**	0.01 **1**	0.00 **4**	44.72 **1**	32.86 **1**	10.62 **2**	1.46 **2**	5,854 **2**	116 **4**	8,306 **5**	0.00 **1**	100 **1**
5	**4**	ANZ	-3.85 **5**	0.76 **5**	13.18 **3**	33.75 **2**	0.00 **5**	0.00 **7**	7.03 **5**	-4.72 **6**	-20.72 **5**	-2.22 **5**	2,734 **5**	92 **6**	5,352 **7**	0.00 **1**	100 **1**
2	**5**	Bank of Tokyo-MUFJ Bank	-5.26 **6**	-5.54 **6**	-67.15 **7**	-17.26 **5**	-0.02 **7**	0.00 **3**	20.65 **4**	15.48 **2**	-2.22 **4**	-0.70 **3**	10,731 **1**	587 **1**	22,137 **1**	0.78 **5**	37.64 **6**
NA	**6**	Societe Generale^^	50.63 **1**	45.21 **2**	674.85 **1**	90.27 **1**	0.01 **2**	0.00 **6**	-3.53 **6**	-9.21 **7**	-226.84 **7**	5.33 **1**	2,695 **7**	97 **5**	5,356 **6**	3.05 **6**	25 **7**
7	**7**	Credit Agricole	46.00 **2**	-11.84 **7**	-45.59 **6**	-44.80 **6**	0.01 **3**	0.00 **5**	36.97 **2**	-2.73 **5**	-35.17 **6**	-28.43 **7**	2,702 **6**	77 **7**	9,119 **3**	5.00 **7**	85.14 **5**

Three-year growth is Compound Annual Growth Rate (CAGR); Values in each parameter are rounded off; NPA: Non-performing Assets; CASA: Current Account Savings Account; CAR: Capital Adequacy Ratio; ROCE: Return on Capital Employed; NIM: Net Interest Margin;^RA: Restructured assets/Total average loans and advances; ORA: Outstanding restructured assets; @Rankings are based on the next decimal place number; For explanation of parameters and how total score was arrived at, see *How We Did It*, page 86

QUALITY OF ASSETS					PRODUCTIVITY & EFFICIENCY				QUALITY OF EARNINGS					CAPITAL ADEQUACY & LIQUIDITY COVERAGE			
Net NPA / Net Advances (%)	Divergence in Gross NPAs (%)	Divergence in Provision for NPAs (%)	RA /Avg loans^ (%)	ORA/Outstanding Loans and Advances (%)	Cost / Income Ratio	Cost / Avg Asset Ratio (%)	Absolute Increase in Return on Assets @	Increase in (Operating Profit / Total Income) %	Return on Assets (%)	Fee Income / Total Income (%)	ROCE (%)	NIM (%)	Penalties (₹ crore)	CAR (%)	Tier I (%)	LCR (%)	TOTAL SCORE
0.00 **1**	0.00 **1**	0.00 **1**	0.00 **1**	0.00 **1**	0.15 **1**	0.72 **1**	0.00 **1**	8.63 **2**	2.34 **1**	6.89 **6**	12.10 **2**	3.73 **7**	0.01 **8**	17.19 **4**	16.86 **4**	163.75 **5**	**689**
0.00 **1**	0.00 **1**	0.00 **1**	0.00 **1**	0.00 **1**	0.36 **2**	1.86 **4**	0.00 **3**	-11.81 **7**	2.01 **3**	6.84 **7**	9.65 **4**	3.89 **5**	0.00 **1**	19.42 **1**	19.02 **1**	193.06 **2**	**648**
0.55 **6**	0.00 **1**	0.00 **1**	0.00 **1**	0.00 **1**	0.37 **3**	2.56 **9**	0.00 **7**	2.64 **4**	2.18 **2**	11.58 **3**	15.37 **1**	5.26 **1**	0.01 **7**	17.00 **5**	16.32 **5**	187.74 **3**	**594**
0.28 **5**	0.00 **1**	0.00 **1**	0.04 **9**	0.04 **8**	0.38 **4**	1.92 **5**	0.00 **5**	6.04 **3**	1.68 **4**	6.31 **8**	10.99 **3**	4.34 **3**	0.01 **9**	18.48 **2**	17.82 **2**	153.00 **6**	**575**
0.00 **1**	0.00 **1**	0.00 **1**	0.00 **1**	0.00 **1**	0.40 **6**	1.15 **2**	0.00 **2**	14.94 **1**	0.89 **8**	3.41 **9**	6.83 **7**	2.52 **8**	0.00 **1**	15.38 **8**	13.07 **8**	123.67 **8**	**575**
0.00 **1**	0.00 **1**	0.00 **1**	0.00 **1**	0.00 **1**	0.39 **5**	1.55 **3**	-0.01 **8**	-7.08 **5**	1.11 **7**	13.93 **2**	4.69 **8**	3.89 **6**	0.00 **1**	17.63 **3**	17.15 **3**	167.17 **4**	**524**
0.78 **8**	0.00 **1**	0.00 **1**	0.00 **1**	0.00 **1**	0.46 **8**	2.17 **7**	0.00 **4**	-13.33 **8**	1.18 **6**	9.12 **4**	7.73 **5**	4.07 **4**	0.00 **1**	15.22 **9**	14.63 **7**	266.86 **1**	**493**
0.58 **7**	45.07 **9**	37.52 **9**	0.00 **1**	0.00 **1**	0.45 **7**	2.34 **8**	0.00 **6**	-10.36 **6**	1.34 **5**	14.66 **1**	7.23 **6**	4.96 **2**	0.00 **6**	15.82 **7**	15.22 **6**	103.75 **9**	**441**
1.09 **9**	0.00 **1**	0.00 **1**	0.00 **1**	0.08 **9**	1.00 **9**	2.08 **6**	-0.01 **9**	-100.94 **9**	-1.17 **9**	7.35 **5**	-11.59 **9**	1.77 **9**	0.00 **1**	16.14 **6**	11.34 **9**	125.07 **7**	**366**

Three-year growth is Compound Annual Growth Rate (CAGR); Values in each parameter are rounded off; NPA: Non-performing Assets; CASA: Current Account Savings Account; CAR: Capital Adequacy Ratio; ROCE: Return on Capital Employed; NIM: Net Interest Margin;^RA: Restructured assets/Total average loans and advances; ORA: Outstanding restructured assets; @Rankings are based on the next decimal place number; For explanation of parameters and how total score was arrived at, see *How We Did It*, page 86. ^^Bank newly added as part of the survey.

QUALITY OF ASSETS					PRODUCTIVITY & EFFICIENCY				QUALITY OF EARNINGS					CAPITAL ADEQUACY & LIQUIDITY COVERAGE			
Net NPA / Net Advances (%)	Divergence in Gross NPAs (%)	Divergence in Provision for NPAs (%)	RA /Avg loans^ (%)	ORA/Outstanding Loans and Advances (%)	Cost / Income Ratio	Cost / Avg Asset Ratio (%)	Absolute Increase in Return on Assets @	Increase in (Operating Profit / Total Income) %	Return on Assets (%)	Fee Income / Total Income (%)	ROCE (%)	NIM (%)	Penalties (₹ crore)	CAR (%)	Tier I (%)	LCR (%)	TOTAL SCORE
0.00 **1**	0.00 **1**	0.00 **1**	0.00 **1**	0.00 **1**	0.40 **3**	1.88 **5**	0.18 **3**	16.70 **3**	1.49 **1**	7.28 **3**	4.38 **4**	3.66 **2**	0.00 **1**	28.80 **2**	28.39 **2**	200.66 **3**	**551**
0.00 **1**	0.00 **1**	0.00 **1**	0.00 **1**	0.00 **1**	0.28 **1**	0.96 **1**	-2.29 **7**	-6.63 **4**	1.38 **3**	6.03 **4**	4.53 **3**	4.00 **1**	0.00 **1**	36.81 **1**	36.50 **1**	164.50 **4**	**533**
0.00 **1**	0.00 **1**	0.00 **1**	0.00 **1**	0.00 **1**	0.45 **4**	1.32 **4**	-0.39 **4**	-23.90 **6**	0.88 **5**	2.68 **7**	5.53 **2**	2.38 **7**	0.00 **1**	27.90 **3**	27.34 **3**	299.64 **2**	**520**
0.00 **1**	0.00 **1**	0.00 **1**	0.00 **1**	0.00 **1**	0.61 **6**	2.43 **6**	0.51 **1**	30.34 **2**	0.99 **4**	9.34 **2**	4.33 **5**	3.39 **3**	0.00 **1**	25.48 **4**	25.20 **4**	686.50 **1**	**448**
0.61 **5**	0.00 **1**	0.00 **1**	0.00 **1**	0.06 **7**	0.30 **2**	1.21 **3**	-1.25 **5**	-11.81 **5**	1.49 **2**	4.57 **5**	6.70 **1**	2.64 **6**	0.00 **7**	23.82 **5**	23.53 **5**	133.61 **6**	**423**
1.93 **7**	0.00 **1**	0.00 **1**	0.00 **1**	0.00 **1**	0.55 **5**	2.53 **7**	0.31 **2**	102.46 **1**	0.37 **6**	21.74 **1**	1.67 **6**	3.30 **5**	0.00 **1**	18.49 **6**	12.83 **6**	156.91 **5**	**372**
1.47 **6**	0.00 **1**	0.00 **1**	0.00 **1**	0.00 **1**	0.63 **7**	1.20 **2**	-1.78 **6**	-36.49 **7**	-2.47 **7**	3.34 **6**	-16.00 **7**	3.38 **4**	0.00 **1**	14.80 **7**	11.47 **7**	126.55 **7**	**292**

THE JURY
(FROM LEFT): NIRAJ BAJAJ, DIRECTOR, BAJAJ GROUP; SIBY ANTONY, CHAIRMAN, EDELWEISS ARC; A.K. KHANDELWAL, FORMER CMD, BANK OF BARODA; CHAITANYA KAMAT, MANAGING DIRECTOR AND CEO, ORACLE FINANCIAL SERVICES SOFTWARE; RAJESH MOKASHI, MD & CEO, CARE RATINGS

PHOTOGRAPH BY MANDAR DEODHAR

HOW WE DID IT

The banking sector saw large-scale CEO exits in 2018/19 because of governance and performance issues. Asset quality continued to play havoc with banks' profitability, capital and net worth. Business Today–KPMG kicked off the annual exercise to select the country's best banks and fintech players some six months ago. The process started with knowledge partner KPMG analysing annual reports and reaching out to banks and fintech players for qualitative inputs. The qualitative awards are based on nominations and data provided by banks and fintech players.

The second step was putting the data and qualitative inputs before a jury. The choice of winners put before the jury was based on banks that nominated themselves. A few banks didn't participate.

The jury comprised professionals from the industry. A.K. Khandelwal, who headed Bank of Baroda and later went on to become a member of the Banks Board Bureau, brought banking insights. Industrialist Niraj Bajaj, Director, Bajaj Group, gave an outside view. Rajesh Mokashi, MD & CEO, CARE Ratings, contributed valuable inputs from the ratings perspective. At a time when banks are facing asset quality issues, Siby Antony, Chairman, Edelweiss ARC, came up with several insights. Chaitanya Kamat, Managing Director and CEO, Oracle Financial Services Software, gave inputs related to technology.

The jury was of the view that despite the dark clouds, banks, especially PSBs, have not given up and are fighting back by updating themselves digitally, driving recoveries and motivating employees. There was a lengthy discussion on the Best Overall Bank after which the jury decided to give a joint award to HDFC Bank and State Bank of India or SBI.

SBI was praised for smooth succession planning year after year, matching the industry in new technology and digitisation of processes and systems.

₹5,000

CRORE
MINIMUM BALANCE SHEET SIZE REQUIRED FOR INCLUSION IN THE SURVEY

The Qualitative Awards

There were six qualitative awards.

Innovation and Financial Inclusion

For the 2018 BT–KPMG Survey, two 'Qualitative Awards' categories were considered to recognise initiatives and strategies in two broad areas — innovation and financial inclusion.

The information was collated based on self-nomination. Information was also sourced from banks' annual reports, websites and secondary research. Critical parameters such as area of innovation, adoption level, uniqueness of

PHOTOGRAPH BY RACHIT GOSWAMI

THE KPMG TEAM
(SITTING, FROM LEFT) KPMG PARTNERS: MANISH JAIN, GAYATHRI PARTHASARATHY (INDIA HEAD – FINANCIAL SERVICES SECTOR), CHARTERED ACCOUNTANTS: MANOJ KUMAR VIJAI, SAMEER MOTA AND TEAM

innovation and overall impact of innovation were considered. Similarly, for financial inclusion, parameters such as customer outreach, adoption of new technology, customers on-boarded for various financial inclusion initiatives and impact on financial literacy were considered. Banks with a successful model for innovation and financial inclusion on these parameters were evaluated and ranked based on the evaluation score received.

Fintech Initiative
KPMG received responses from banks and analysed areas of fintech association, level of adoption, uniqueness and overall impact of fintech association. KPMG's long association with the fintech ecosystem and secondary research conducted by the team helped evaluate the performance of the banks on all parameters.

Lending, Payments, VAS
A total of 50 nominations were sourced across categories — payments, lending and value added services or VAS. The key parameters considered were financial health, funding maturity, differentiation-based business model, technology, focus on Tier II/III cities, level of adoption and business volumes.

Quantitative Awards

Methodology – BT KPMG Best Bank Survey 2018
For rankings based on pure financial performance, data was taken from published annual reports of banks for the period from 2014/15 to 2017/18.

The survey covered 63 scheduled commercial banks that had put annual reports in the public domain or provided their annual reports at the time of conducting the survey prior to October 31, 2018.

Scheduled commercial banks which had a balance sheet of less than ₹5,000 crore on March 31, 2018, were not considered. Further, scheduled commercial banks whose financial statements were not available to us or banks which had not completed four years of operations in India as on March 31, 2018, or which had merged with other banks, were not included in the survey.

The Ranking Process

Banks were divided between 'Indian Banks' (public and private sector banks) and 'Foreign Banks' (branches of foreign banks operating in India). The banks in each category were further classified on the basis of balance sheet size as on March 31, 2018.

Group I: Indian banks with balance sheet size of more than or equal to ₹300,000 crore;


ASTRO
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AstroTak.in
AN EXCLUSIVE
ASTROLOGY MOBILE
CHANNEL
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/astrotakofficial
/astro_tak

Group II: Indian banks with balance sheet size of more than ₹1,00,000 crore and less than ₹3,00,000 crore;
Group III: Indian banks with balance sheet size of less than or equal to ₹1,00,000 crore;
Group IV: Foreign banks with balance sheet size of more than or equal to ₹25,000 crore; and
Group V: Foreign banks with balance sheet size of less than ₹25,000 crore and more than ₹5,000 crore.

Ranking Parameters

The three broad ranking parameters – Growth, Size and Strength – had 32 sub-parameters:

FOR RANKINGS BASED ON DIVERGENCE IN GROSS NPAs AND DIVERGENCE IN PROVISIONING FOR NPAs, BANKS HAVING DIVERGENCE OF LESS THAN 15 PER CENT WERE ASSIGNED THE HIGHEST RANK IN THAT PARAMETER

A. Growth

There are five sub-parameters in this category, including growth over 2016/17 in deposits, alongside three-year Compounded Annual Growth Rate, or CAGR, of total deposits; growth over 2016/17 in loans and advances, alongside three-year CAGR in loans and advances; growth over 2016/17 in fee income (commission, exchange, brokerage plus miscellaneous income), alongside three-year CAGR in fee income; growth over 2016/17 in operating profit, alongside three-year CAGR in operating profit; and absolute increase in market share of deposits and current account savings account balances.

B. Size

There are three sub-parameters in this category – size of total deposits, size of operating profit and size of balance sheet for 2017/18.

C. Strength

There are four overarching sub-parameters in this category, each with further sub-divisions as set out below:

a. Quality of assets:

Total NPA growth ratio: Addition to NPAs during the year as percentage of average net advances; NPA coverage: provisioning for NPAs as percentage of gross NPA closing balance; net NPAs as ratio of net advances: gross NPAs net of provisioning expressed as percentage of net advances; divergence in gross NPAs (difference between gross NPAs as per the central bank and as reported by the bank as percentage of addition to NPAs during the year); divergence in provisioning for NPAs (difference in provisioning for NPAs as per the RBI and reported by the bank as percentage of net profit reported during the year); restructured assets as ratio of total average loans and advances; outstanding restructured assets as percentage of outstanding loans and advances.

For determining rankings based on the parameter of divergence in gross NPAs and divergence in provisioning for NPAs, banks having divergence of less than 15 per cent were assigned the highest rank in that parameter. Further, for determining the rankings based on the provision coverage ratio, banks having zero NPAs and banks having a provision coverage ratio of 100 per cent were assigned the highest rank in that parameter.

b. Productivity and efficiency:

Cost to income ratio: Operating expenditure as percentage of operating income; cost to average asset ratio: operating expenditure as percentage of average assets; absolute increase in return on assets: basis points increase in return on assets (net profit over total average assets) from 2016/17 to 2017/18; percentage increase in ratio of operating profit to total income from 2016/17 to 2017/18.

c. Quality of earnings:

Return on assets: Ratio of net profit to total assets for 2017/18; fee income as percentage of total income; return on capital employed: reported net profit divided by average net worth; net interest margin: total interest income minus total interest expenses as percentage of average interest earning assets; penalties imposed by the RBI during the year.

d. Capital adequacy and liquidity coverage:

Capital adequacy ratio: Capital-to-risk weighted assets ratio for 2017/18; Tier-I capital: total of equity capital and disclosed reserves; liquidity coverage ratio: ratio of high quality liquid assets to total net cash outflows over the following 30 calendar days.

Final Scoring / Rating

For a bank, a score is assigned for each of the 32 sub-parameters based on its rank on those parameters. The score under each parameter is then multiplied by the parameter's weight to arrive at the final score for a bank. The results are aggregated to arrive at the final rankings based on the total score.

Changes from Previous Year's Survey

Two new sub-parameters, that is, liquidity coverage ratio and penalties imposed by the RBI, have been added in the current year under the Strength parameter and, accordingly, the weights have been realigned within the same parameter.

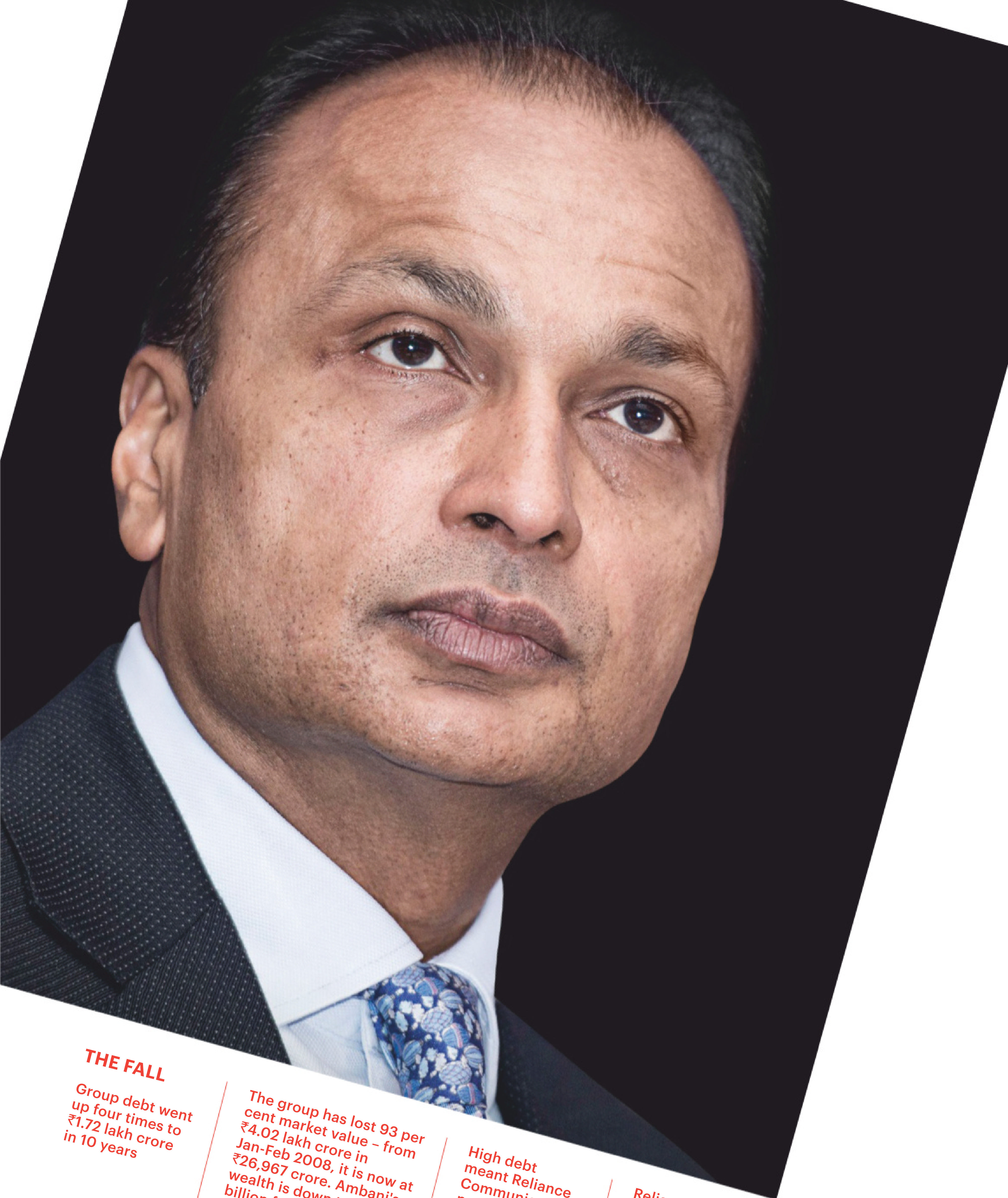
Banks Not Considered

In total, nine banks were not considered for the survey in 2017/18 for reasons mentioned below.

Rabobank International, Abu Dhabi Commercial Bank, First Rand Bank, Bank of Bahrain & Kuwait BSC, United Overseas Bank: Balance sheet size less than ₹5,000 crore.

Tamilnad Mercantile Bank, ICBC, State Bank of Mauritius and Bank of Nova Scotia: Non-availability of complete financials for 2017/18 in public domain. BT

THE HUB



THE FALL

Group debt went up four times to ₹1.72 lakh crore in 10 years

The group has lost 93 per cent market value – from ₹4.02 lakh crore in Jan-Feb 2008, it is now at ₹26,967 crore. Ambani's wealth is down to over $1 billion from $42 billion at its peak

High debt meant Reliance Communications posted a loss of ₹23,912 crore and filed for bankruptcy last year

Reliance Infrastructure had to sell cement and power assets worth ₹18,600 crore to pay off debt

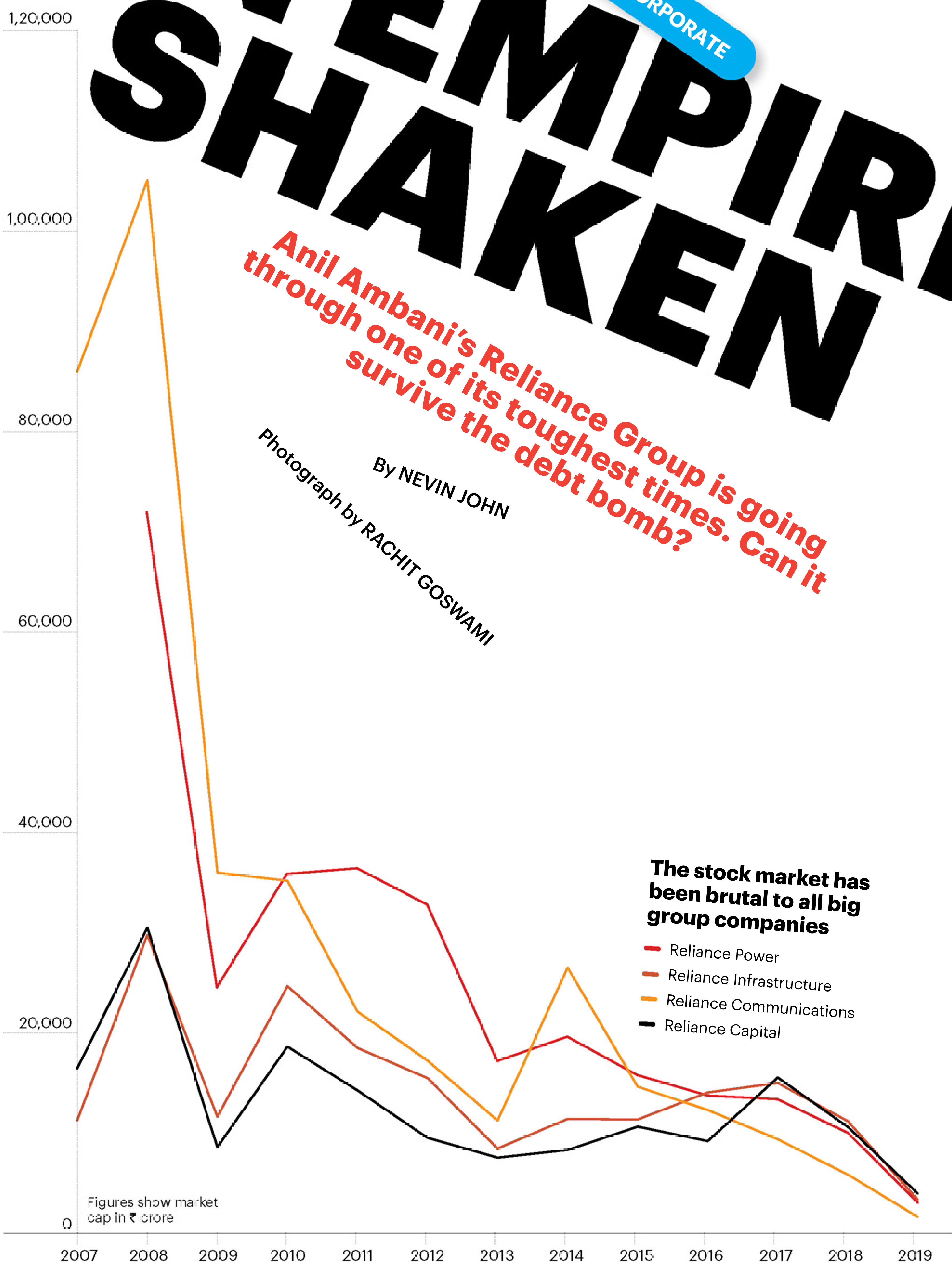
Reliance Power planned to build 28,200 MW generation capacity, but could build just 6,000 MW

AN EMPIRE SHAKEN

Anil Ambani's Reliance Group is going through one of its toughest times. Can it survive the debt bomb?

By NEVIN JOHN

Photograph by RACHIT GOSWAMI



The stock market has been brutal to all big group companies

Everyone in the business circles of Mumbai – and other metros as well – seems to have an opinion on Anil Ambani's current predicament and his fall from being one of the richest men in the world 10 years ago to one who is hanging on to his billionaire status by a mere thread. Most rivals say he was over ambitious. Only a few seem to speak up in his favour saying that at least some of his companies went down because the entire sectors were in trouble.

Reliance Communications (RCom), his telecom company, wants to go for voluntary bankruptcy to settle with debtors. The power business has a slew of unfinished projects and has had to sell some lucrative assets to reduce debt. The Supreme Court has pulled him up for not repaying the money RCom owes to operational creditor Ericsson, and has said he will have to spend time behind bars if he does not pay ₹550 crore by the third week of March. His defence company, Reliance Naval and Engineering, which he bought from Nikhil Gandhi, is reeling under debt, as is his infrastructure venture.

Only the financial company – Reliance Capital (RCap) – is doing well, though it, too, has lost opportunities while peers such as Bajaj Finance, Shriram Capital and Capital First (now merged with IDBI Bank) gained substantially in the past few years.

In 2008, a survey estimated him to be the 6th richest man in the world with a wealth in excess of $42 billion. Currently, his wealth as promoter of seven listed companies is valued around ₹13,742 crore – a shade under $2 billion at current exchange rates. But if the pledged shares are taken into account, his current net worth would be around ₹8,000 crore, even as the share prices of most of his companies are falling. He has dropped in the *Forbes* list to below number 50 in India, and below the top 100 in the world. Meanwhile, his group's aggregate debt has gone up to ₹1.72 lakh crore in March 2018, while the telecom businesses made heavy losses last year.

₹26,967 CRORE
Market cap of Reliance Group on February 22

₹13,742 CRORE
Promoter share value

₹7,974 CRORE
Promoter share wealth after pledge

Anil Ambani's detractors are happy to talk, but off the record. His Reliance group has filed 28 defamation cases against politicians, media and writers, and 16 of these claimed aggregate damages of ₹80,500 crore, news portal Scroll.in reported in November last year. He has also sued Edelweiss for selling his pledged shares which caused his companies' share values to plunge. And these are only the recent ones.

In the past, he has taken Mukesh Ambani to court over the division of their father's empire, and many others for myriad reasons. In 2008, he sued Mukesh Ambani for ₹10,000 crore separately for remarks made in an interview with *The New York Times* against him, but withdrew it after two years. Last year, Reliance Infra issued a ₹5,440 crore arbitration notice against Pipavav Defence founder promoters Nikhil Gandhi and Bhavesh Gandhi and their companies "for breach of warranties". In the Rafale corruption allegations, he has filed cases against politicians from opposition parties, media organisations and journalists.

Anil Ambani and his companies don't like talking to the press. Multiple efforts to get answers from his various companies have failed. Corporate communication managers in all his companies stonewall all enquiries or attempts at meetings with senior executives.

What went wrong in just a decade for a businessman who, even his detractors admit, is an astute financial brain and a great deal maker?

In hindsight, the problem had started with the messy battle for division of the Reliance empire after Dhiburbhai's demise. Before this, Anil Ambani was seen talking to investors to raise debt, and was also the main person the press interacted with. The textile business also reported to him. Mukesh Ambani was the quieter one, an engineer with a reputation for being a details man, and who handled operations and the petrochemical and refinery businesses. He also started the telecom business. The two brothers seemed to complement each other.

After the bitter fight, Dhirubhai's empire was finally divided in 2005, into two, almost even, halves. Mukesh Ambani retained pet-

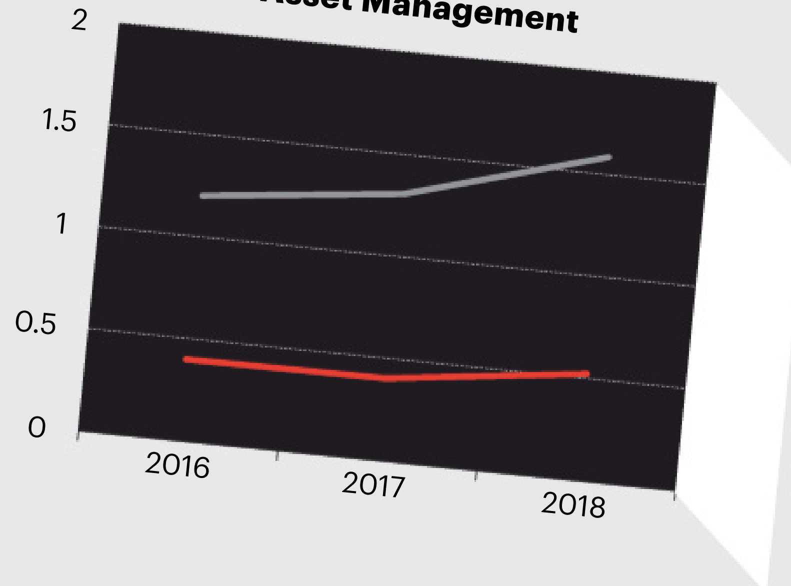
DEBT DISTRESS

Except for financial services, other businesses have been either static or declining. But debt has been shooting up sharply

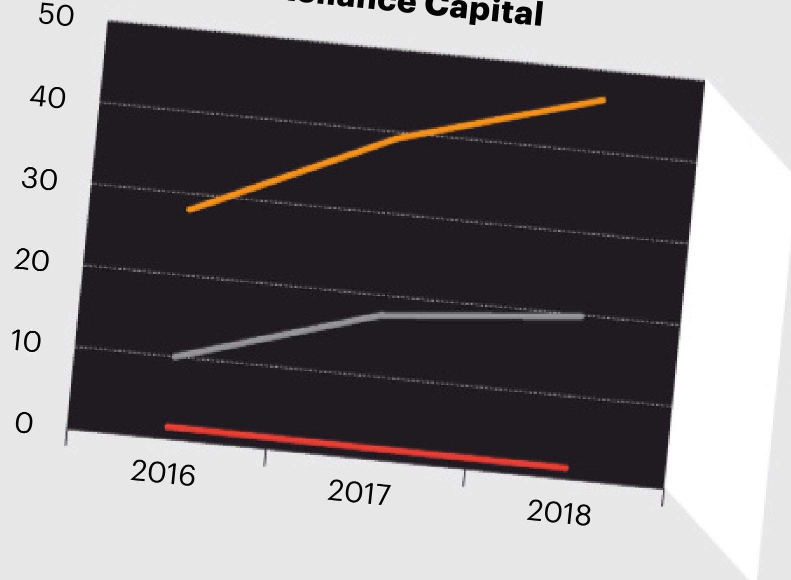
Gross sales
PAT
Total debt

in ₹ thousand crore ; consolidated data;
Source: Ace Equity

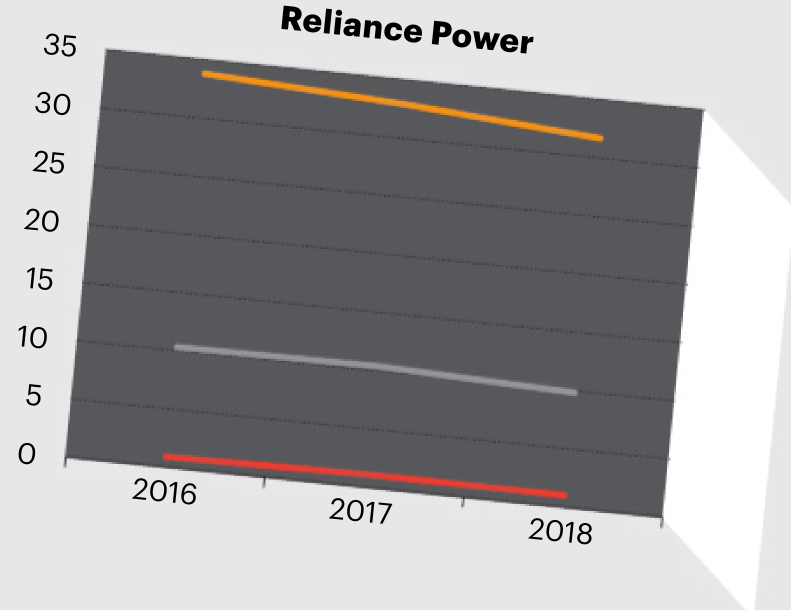
Reliance Nippon Life Asset Management



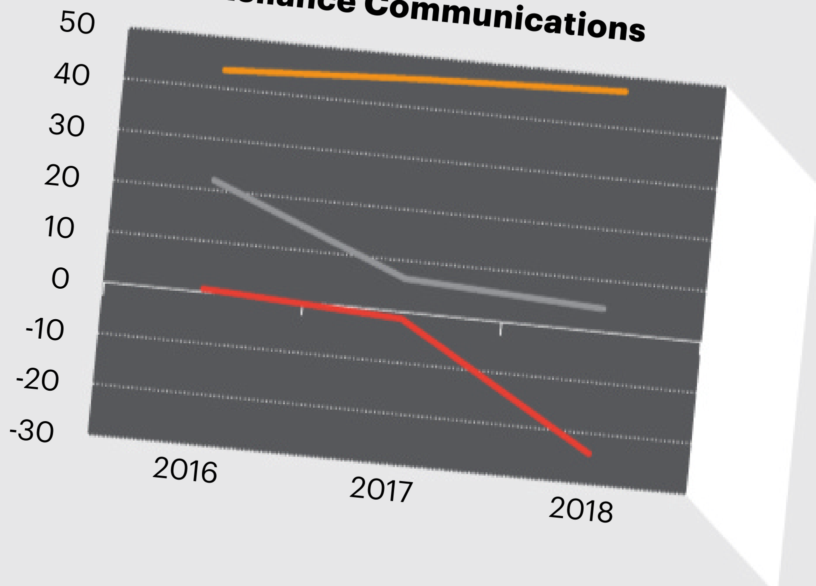
Reliance Capital



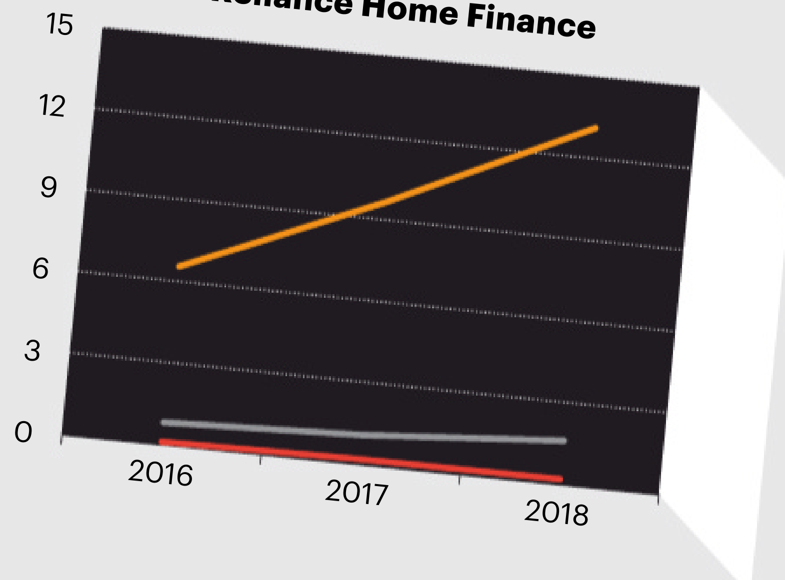
Reliance Power



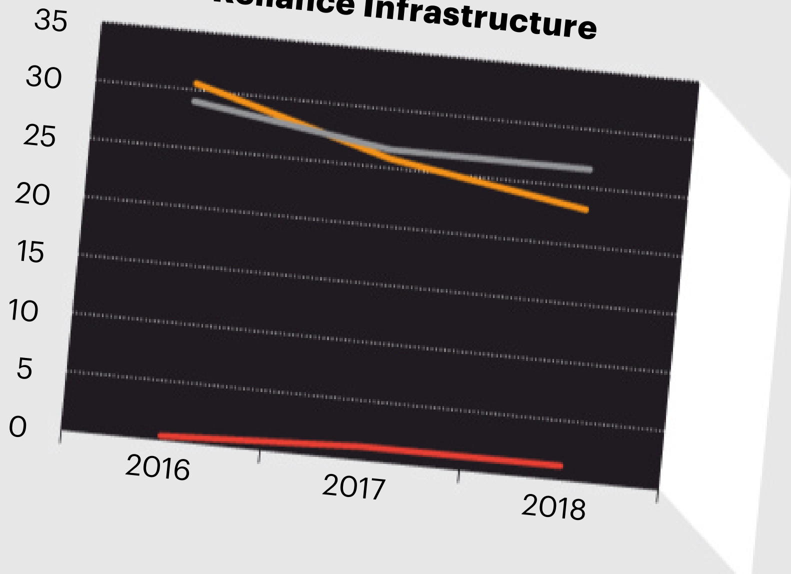
Reliance Communications



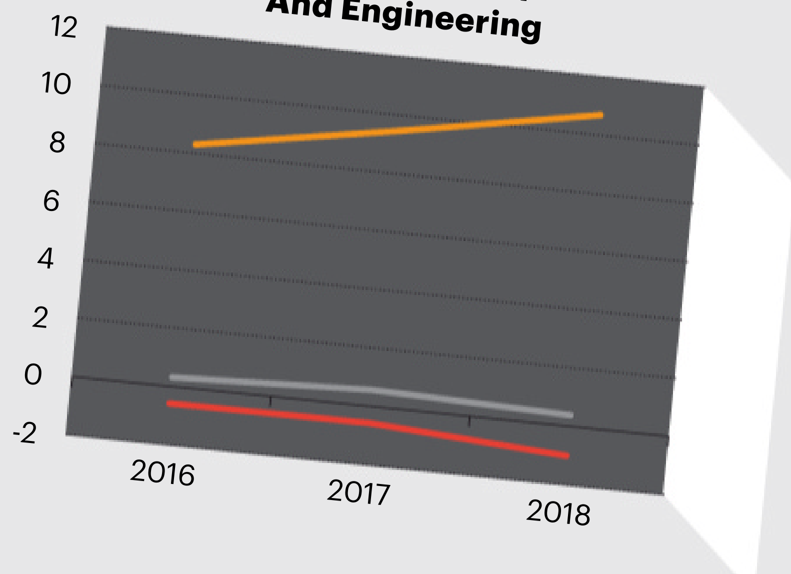
Reliance Home Finance



Reliance Infrastructure



Reliance Naval And Engineering



rochemical, textile and refinery and oil and gas businesses. Anil Ambani got the future growth businesses – telecom, power, infrastructure and finance. They also signed a no-compete pact.

Immediately after the division, both brothers went on an expansion mode. Mukesh Ambani got into the retail business. While these were not considered sunrise sectors in the 2000s, they showed profits and cash. By 2012, despite having taken heavy debt for expansion, Mukesh Ambani's empire was net debt-free. He was also burning money in Reliance Retail to win market share and drive rivals into losses.

Meanwhile, Anil Ambani was drawing up mega plans. He had ambitions to be the biggest player in telecom, power and infrastructure and even entertainment. "He was jumping from one business to another. There were shortcomings in execution. In many projects, the cost was more than anticipated and those fetched no return," says Amit Tandon, Founder and Managing Director, Institutional Investors Advisor Services (IIAS).

Power Cut

In 2008, Reliance Power raised a record ₹11,563 crore from an IPO with the stated intention of setting up 13 gas, coal and hydro power projects of 28,200 megawatt (MW). The biggest of these was supposed to be the Dadri gas fired power project of 7,480 MW, which would get gas at concessional rates from Mukesh Ambani's KG-D6 gas fields.

As it turned out, the gas did not come. Gas prices are regulated by the government of India, and Mukesh Ambani said that he could not sell gas at the price agreed to in the family settlement, $2.34 per million British thermal unit (mBtu) for 17 years, because government prices were at $4.2 per mBtu. A legal battle ensued, with the Supreme Court finally ruling that a family agreement could not take precedence over government policy and gas pricing. The Dadri project never took off.

Anil Ambani miscalculated in coal as well. In mid-last year, RPower sold the special purpose vehicle (SPV) formed to execute the Tilaiya ultra mega power project (UMPP), which it had won in 2009 at a record low tariff of ₹1.77 per unit, to Jharkhand Urja Vikas Nigam for ₹112 crore. It also wrote to the Andhra Pradesh government for pulling out from the Krishnapatnam UMPP citing it was unviable. Both were imported coal based projects. (In 2012, laws changed in Indonesia, making coal from there expensive.)

Another power project to meet the same fate was the 3,960 MW Chitrangi plant. The company had planned to source coal from captive mines allocated to the Sasan UMPP. Tata Power went to the court against plans for using the surplus coal. In 2014, the Supreme Court ordered that the coal from the mines attached to UMPPs cannot be diverted to other projects. Last year, Uttar Pradesh Power Corporation (UPPCL) cancelled the Chitrangi project and seized RPower's bank guarantee of ₹74 crore.

While these could be honest miscalculations, there were other problems, too. Many projects for which he had raised

PLEDGE PRESSURE

Anil Ambani's wealth as promoter of seven listed companies is valued around ₹13,700 crore, but if pledged shares are considered, it comes to around ₹8,000 crore

	RELIANCE CAPITAL	RCOM	RPOWER	RNAVAL	RHOME FINANCE	RELIANCE NIPPON	RELIANCE INFRA
Mcap	₹4,138 cr	₹1,808 cr	₹3,183 cr	₹732 cr	₹1,456 cr	₹12,145 cr	₹3,505 cr
Promoter Stake	52.24% (Reliance Inception: 38.85%; Reliance Infra Consulting: 11.12%)	53.08% (RCom Entrs: 26.21%; Reliance Ornatus Enterprise: 10.87%; Reliance Wind Turbine: 10.87%)	75% (RInfra: 43.22%; RProject: 19.16%; Reliance Wind Turbine: 12.39%)	Reliance Defence: 29.84%	74.99% (RCap: 48%; Reliance Inception: 20%)	RCap: 42.88% Nippon 42.88%	49.31% (Reliance Project Ventures: 41.16%)
Pledged	74.55%	30.02%	82.84%	100%	21.92%	Nil	83.59%
Value of promoter stake	₹2,162 cr	₹960 cr	₹2,387 cr	₹218 cr	₹1,092 cr	₹5,208 cr	₹1,715cr
Value after pledge	₹550 cr	₹672 cr	₹410 cr	Nil	₹853 cr	₹5,208 cr	₹281 cr

debt ran into cost and time overruns. According to a report by Exim Bank, the Sasan project cost had overrun by $1.45 billion, which was financed with additional equity and debt from other lenders.

RPower's website, however, says that the Krishnapatnam and Chitrangi projects are under implementation, and that two gas-based projects are under implementation, besides a slew of hydro projects.

Though many of its projects didn't take off, RPower's debt has risen to ₹31,700 crore from ₹500 crore 10 years ago. The company paid ₹2,925.97 crore as interest in the last financial year, the second biggest cost after the fuel cost of ₹3,985.2 crore. The consolidated profit of the company fell 6.28 per cent to ₹1,034.81 crore in the last financial year, while net sales dipped 5.34 per cent to ₹9,839.82 crore.

After 11 years of the mega IPO, the company's website says it has "close to 6,000 MW of operational power generation assets", including the 3,960 MW Sasan UMPP.

Telecom Tangle

On January 10, 2008, RCom sent out messages on mobile phones of customers and journalists to announce what it considered was one of its biggest achievements. The company's scrip, which listed at ₹307 on March 6, 2006, had touched ₹844.70 that day, taking its market capitalisation to an all-time high of ₹1,65,917 crore. Cut to February 2019: RCom's share price is ₹5-6 on most days, almost equal to the face value of the share (₹5).

$1.45 BILLION
Cost overrun of Sasan project

Over the past few years, Anil Ambani has been using all his deal-making skills to stave off the inevitable. But now even he wants the RCom mess to be sorted out through the National Company Law Tribunal (NCLT) going for voluntary bankruptcy.

RCom's troubles are not all of its own making. Mukesh Ambani, who had initially set up the company, had chosen CDMA technology against the GSM that all other users had gone for, and announced rock bottom rates to gain market share and subscribers. But unlike Jio, which is a subsidiary of the cash rich Reliance Industries, Reliance Infocom (earlier name of RCom) under Anil Ambani was a standalone company, with too much debt and poor quality customers.

"RCom took a royalty-ridden rich man's technology and made it a poor man's offering. Deployment of CDMA-based networks was costlier than GSM... It was doomed," says Jayath Kolla, Partner and Founder at tech research firm Convergence Catalyst. RCom's ARPU (average revenue per user) of ₹80 was always less than the industry average of ₹120. "So on every unit, the company made a loss and kept scaling up the loss as more subscribers were added," he says.

In 2008, when RCom received spectrum under the government's dual technology regime, it was too late. Its debt pile had already reached ₹25,000 crore and new licences to Uninor, Aircel and other operators had fuelled competition. "They (RCom) always tried to change the policies instead of focusing on growing the business," says B.K. Syngal, former CMD, VSNL (now Tata Communications). Syngal should know, because he was briefly Chairman of Reliance Telecom when Mukesh Ambani was starting the telecom business in 1998, but he resigned two years later.

His critics say one reason was that Anil Ambani did not give the kind of attention that telecom needed. Then, in 2008, new licences were handed out by the then telecom minister A. Raja, which led to hyper competition in the market. RCom spiralled downwards quickly. With falling call rates, its revenues declined and its debt grew to ₹45,000 crore by 2016.

When the telecom ministry came under scrutiny for irregularities in handing out licences, several licensees found themselves in trouble with the court.

At one time, rumours were that Mukesh Ambani would bail the companies out. Indeed, the non-compete clause was removed, but this proved detrimental for RCom. Mukesh Ambani launched Jio, and most of the weaker telecom operators went under. Even Airtel is now under pressure, as is the Vodafone-Idea combo. RCom didn't stand a chance. Anil Ambani tried to bulk up with a deal with Aircel but did not get regulatory approval in time.

On February 2, RCom informed the stock exchanges that it has decided to file for bankruptcy through the NCLT after failing to sell assets to pay up debt. It had tried to sell its tower business, and the land in Mumbai and Delhi. It had also announced a ₹23,000 crore deal with Reliance Jio in December 2017, but had completed the sale of media convergence nodes and fibre for ₹5,000 crore.

The spectrum sale got stuck after DoT sought bank guarantees. The Supreme Court had cleared the sale of spectrum on the condition that the seller furnish ₹1,400 crore as corporate guarantee to the government. Finally, the deal fell through. According to sources, Mukesh Ambani's firm refused to take responsibility of paying RCom's past liabilities, including the spectrum usage charges payable to the government.

Infrastructure Mishaps

Power and telecom are extremely challenging sectors. But Anil Ambani ventured into these and many others — cement, defence, infrastructure (airport, shipyard, roads and sea link, real estate and metro rail), media and entertainment. Aggressive bidding won him many projects; he even raised funds easily, but execution became an issue, and disputes erupted.

In 2015, there were reports that the Maharashtra government would initiate the process of taking back five airports – Latur, Osmanabad, Nanded, Yavatmal and Baramati –

awarded to Reliance Airport Development in August 2009, because of lack of progress. However, the projects are still showing up on the company's website.

Reliance Cement was floated in 2008 as a subsidiary of Reliance Infrastructure. It created an integrated cement capacity of 5.08 million tonnes at Maihar (Madhya Pradesh) and Kundanganj (Uttar Pradesh), and a grinding unit of 0.5 MTPA at Butiburi (Maharashtra). As per a 2008 news reports, the company made an outlay of about ₹10,000 crore for this investment. When debt mounting, Reliance Infra decided to sell the cement business. In 2016, Birla Corporation acquired it for an enterprise valuation of about ₹4,800 crore.

Similarly, Reliance Infra sold off the power plant at Dahanu in Maharashtra, power transmission networks in the state, and retail power distribution business in Mumbai suburbs to Adani Group's Adani Transmission (ATL) for around ₹18,800 crore. After the sell-offs, Reliance Infra's debt dropped 65 per cent to ₹7,000 crore. It went to sell the road projects to reduce debt further. The company's road portfolio has 11 projects of 968 km, built at an estimated cost of ₹11,430 crore. At present, there are buyers for the 180-km, six-lane road that connects Delhi with Agra on National Highway 2.

The group also backed out from the Airport Express metro project in Delhi, alleging that Delhi Metro Rail Corp. (DMRC) had failed to cure certain defects in the civil structure of the project, which "severely impaired the performance". Reliance Infra operates the only operational metro rail in Mumbai, which connects Versova-Andheri-Ghatkopar, and was built at an estimated cost of ₹4,321 crore. R Infra's engineering and construction business had an order book of ₹28,500 crore in September. It also has a power distribution business in Delhi.

Real Estate and Defence

Anil Ambani announced a 100-storey project in Hyderabad in 2007. Real estate was about to thrive across the country at that time. Industry experts thought that he would create a company like DLF or Jaypee, since he had experience in mobilising resources and lobbying with landowners. Ambani sought for more concession on land price, but the state government rejected his request in 2016, and the project never took off.

Defence was a completely unknown territory. In March 2015, Anil Ambani bought into Pipavav Defence – which had the licence to make small warships – when the shipyard was struggling to pay off its creditors a debt of ₹7,000 crore. The acquired entity failed to handle the debt. It owed over ₹10,700 crore to over two dozen banks, mostly state-run, led by the troubled IDBI Bank, which took the company to NCLT for bankruptcy proceedings in September last year. Another infrastructure lender, IFCI, filed a similar application in November 2017. None of the petitions are admitted yet, legal sources say.

The defence company, which has a market valuation of ₹732 crore, posted consolidated net sales of ₹378.5 crore in the March 2018 financial year and a loss of ₹1,011.97 crore.

The Rafale offset deal was one big hope for the group in the defence business. Reliance Infra, the holding company of the defence businesses, said in its 2016/17 annual report that "the JV company (with Dassault) will be a key player in the execution of offset obligation, including the entire life cycle performance based logistics for the 36 fighter aircraft; valued at about ₹30,000 crore. This is a part of the purchase agreement between the Indian and French Governments," the report said. The contoversy is raging now that Congress claims it was a sweetheart deal when the Prime Minister went for a government to government deal, replacing the old negotiations in which public sector HAL ws suppose to build most of the Rafales in India. Instead the new deal had an offset clause which saw Dassault, the makers of Rafale, tie up with Anil Ambani for part of the offset contract.

It is not clear now what Reliance will get from the deal or even whether the Rs 30,000 crore is correct. Meanwhile, the defence company remains mired in debt. The company didn't respond to queries from *Business Today*.

Entertainment - A Sad Tale

Another business Anil Ambani dabbled in and which was not successful is entertainment. The former CEO of one of the entertainment companies under Reliance Entertainment says Anil Ambani's vision was to create an end-to-end entertainment conglomerate, but was a "confused soul". He alleges that while Anil

TROUBLED TIMES

RCom wants to go for voluntary bankruptcy proceedings in order to settle with its debtors

The power business has a slew of unfinished projects and has had to sell some lucrative assets to reduce debt

RPower paid ₹2,926 crore as interest in the last fiscal; the second biggest cost head after fuel

Only the financial services business under Reliance Capital is doing well, though it too lost opportunities

THE FINANCIAL COMPANIES ARE THE ONLY ONES DOING WELL, BUT THEY CANNOT COUNTER THE SLIDE IN HIS OTHER BUSINESSES

Ambani hired top notch professionals, he did not give them a free hand, and instead often took all sorts of decisions himself. This former business head claims that Anil Ambani decided to pay ₹40 crore for a sequel of the Hindi film, *Karz*, from T-Series, because he had liked the original. without taking anyone's advice. The film earned a revenue of six-odd crore. Ambani's team refused to talk to *BT*.

The strategy in broadcast was also contradictory. He started the business with an aim of creating a film channel and also building a network of channels. Reliance Entertainment had applied for licences of 20 new channels, but none of them saw the light of the day. "The management was told that the promoter didn't have money and, hence, they would prefer a JV with a foreign partner and that's how the deals with CBS and RTL happened," claims the former member of the Reliance Entertainment team. The company did launch a couple of English entertainment channels with CBS and RTL, but these were eventually dissolved and the Reliance TV channels were converted into Bhojpuri general entertainment channels in which Zee Entertainment bought in 2016. Zee also picked up a 49 per cent stake in the company's only profitable business, Big FM.

Other entertainment bets – the DTH operation, Big TV, gaming company Zapak, Adlabs as well as Big Adda – were all written off. "They also invested in a film studio in Mumbai's Film City, which was a strategic misadventure," says independent film-maker and author, Ashish Kaul. But the studio business is finally showing signs of revival. The studio delivered hits with blockbusters such as *Golmaal Again* and *Simba*. "Here again, (Anil) Ambani never listened to his professional CEOs. Right from distribution to making music to owning the radio rights, Ambani wanted to own it all. He didn't believe in co-producing; he would acquire films at huge costs and never made money. Now the company has largely limited itself to financing films. They enter into agreements with film production houses, take a percentage of the IP (intellectual property) of the film, and finance it. This model has helped them break even," claims a former executive in the entertainment business.

The Sole Hope

Financial services is the one business that is doing well. Reliance Capital (RCap) had ₹4.8 lakh crore of asset under management (AUM) as in December 2018. Of this, the asset management joint venture, Reliance Nippon Life Asset Management (RNLAM), contributes the major share of ₹4.1 lakh crore. The commercial finance business has an AUM of ₹17,260 crore and Reliance Home Finance has an AUM of ₹18,290 crore. Besides, they have businesses in insurance, asset reconstruction, broking and commodities and wealth management. The commercial finance business and Reliance Home Finance have AUMs of ₹17,260 crore and ₹18,290 crore, respectively.

At a market value of ₹12,145 crore, RNLAM, which listed in 2017, is the largest in the group. Reliance Capital and Nippon hold 42.88 per cent stake each in the company. RHFL is another listed company with ₹1,456 crore valuation in the market.

Anil Ambani had plans to build a bank under RCap and wanted to list it by 2017. While addressing a shareholders' meet of RCap in 2013, he had said the bank would help lower RCap's debt to one-fourth and would be listed as a separate entity in three years. No announcements came after that. RCap is now valued at ₹4,138 crore on the BSE, lower than the peak of ₹70,240 crore in January 2008.

Though RCap is doing better than the other group companies, it failed in sensing the growth opportunities in financial services."It did not innovate and reduce financial liabilities, failed to suitably expand its portfolio and cross-sell products, and struggled to catch up with changing technology," says an analyst. Reliance Capital is operationally headed by his son Jai Anmol, who is an executive director. His second son, Jai Anshul, recently joined the group as management trainee.

Anil Ambani is known to be a fighter, but he will have to strike the best deals of his life if his businesses have to regain even half the size they had in the heydays.

With inputs from Ajita Shashidhar, Rashmi Pratap and P.B. Jayakumar. BT

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THE FINAL CALL

Jet Airways' lenders have worked out a survival plan. Will it work?

By MANU KAUSHIK

As a young professional working at his uncle's travel agency in Delhi, Naresh Goyal, the Chairman of Jet Airways, had exact schedule of almost every flight in the country on his fingertips. This perseverance and hands-on approach, added to his deal-making skills, came in handy as he went on to build full-service carrier Jet Airways from the scratch, an endeavour that destroyed Air India's monopoly in Indian and international skies. However, Goyal's once-formidable empire, shaky for the last five years, has started crumbling, thanks to his strategic mistakes, heavy management churn and changes in the exter-

NARESH GOYAL
Chairman,
Jet Airways

nal environment such as rise in aviation turbine fuel, or ATF, prices and rupee depreciation.

Jet's market share tanked from 16.6 per cent in January 2018 to 13.6 per cent in January this year. Market shares of almost all major private carriers either rose or remained steady during the period. The airline has been posting net losses for the past four quarters. This is in sharp contrast to rivals IndiGo, SpiceJet Vistara and GoAir, which suffered losses for a few quarters, but managed to survive the last year's downcycle.

However, Jet seems to have fallen victim to severe cash crunch and debt pile-up. It has delayed salaries to employees, including the crew, for months. Several of its planes are grounded because it doesn't have cash to pay lessors. In January, it defaulted on a debt payment, which was followed by a downgrade by ratings agency ICRA.

As per a Reserve Bank of India circular last year, companies that default on loans have to submit a resolution plan within 180 days or file for bankruptcy. After defaulting on the loan, Jet's lead banker, State Bank of India, or SBI, quickly formulated a rescue plan, a bank-led provisional resolution plan (BLPRP), to salvage the airline and take it from the promoter. Some reports say Goyal has resigned from the board, but there's no official confirmation from Jet.

The nature of Goyal's folly is not exactly comparable to that of Vijay Mallya, who owned Kingfisher Airlines, but the fact that Jet is in a bigger mess than Kingfisher is a good enough reason for bankers, and other investors, to act. For instance, Jet's gross debt stood at ₹8,411 crore (as on September 2018) as compared to Kingfisher's initial debt of ₹7,524 crore (Kingfisher's debt swelled later due to interest accrual). Kingfisher had 5,696 employees in 2012 vis-à-vis Jet's 16,000-odd employees. Lastly, Jet's size of operations – 119 aircraft, around 600 daily departures – is bigger than Kingfisher's 69 aircraft and 370 daily flights.

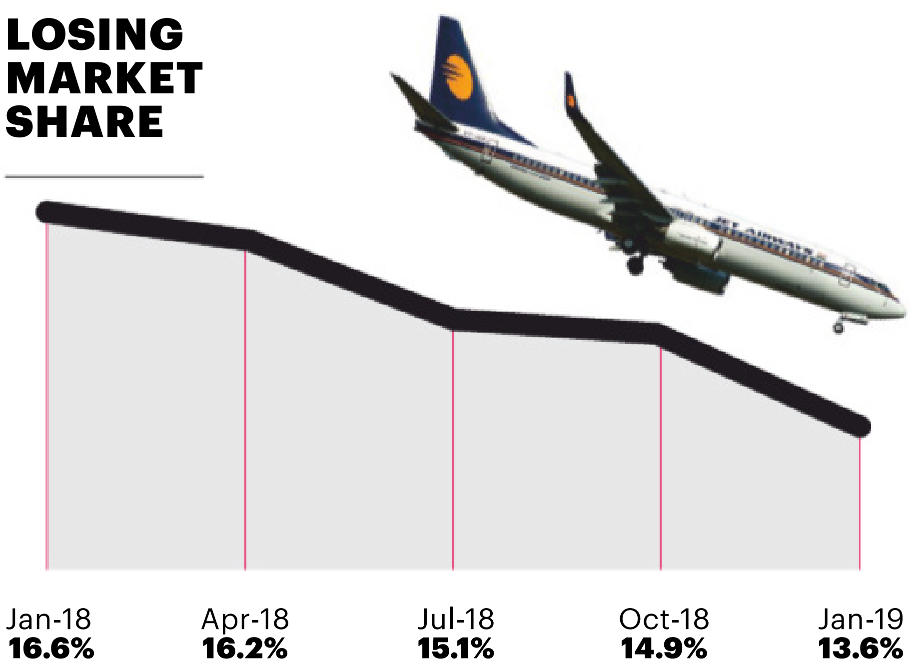
What Went Wrong

Goyal ran Jet as his personal fiefdom for years, says an industry veteran. He called the shots on key issues even as churn continued at the CEO level. In over five years, Jet has had seven CEOs, including three acting CEOs.

The problems with Jet are three-fold: the management style of Goyal, internal issues and the general difficulty of running an aviation business anywhere in the world. The troubles with Jet began soon after it acquired low-cost carrier, or LCC, Air Sahara in 2007. Goyal's idea to give competition to aggressive LCCs IndiGo and Kingfisher turned out to be a disaster. Having its feet in both full service carrier and LCC markets, Jet couldn't integrate Air Sahara operations with itself, which resulted in confusion among customers and drained management resources.

With mounting losses at Jet (₹3,667 crore in 2013/14), Goyal was desperately looking for a bailout, and that's when the

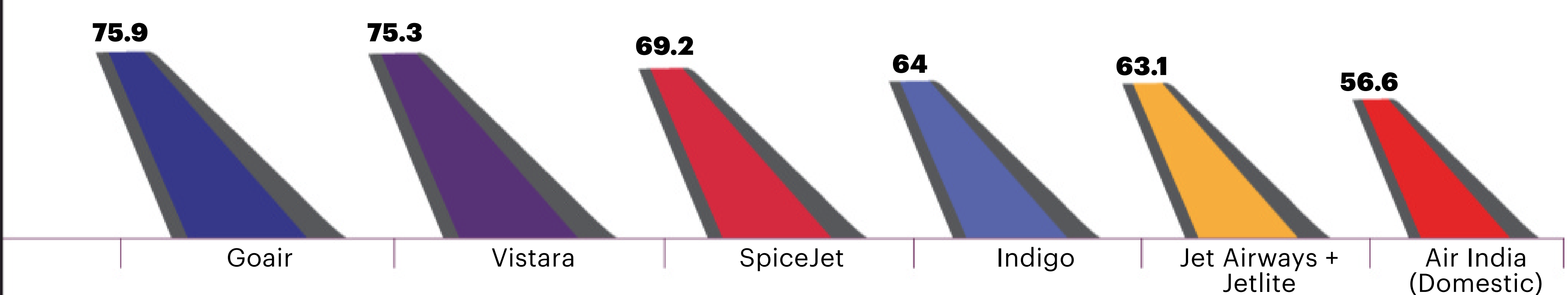
LOSING MARKET SHARE



For domestic operations; includes JetLite market share

ON-TIME PERFORMANCE - LOWEST AMONG PRIVATE CARRIERS

Figures in per cent for January 2019; Figures for four airports — Delhi, Mumbai, Bengaluru and Hyderabad; Source: DGCA



airline brought Etihad on board with 24 per cent equity. For Etihad, it was part of a larger plan to own airline assets in different parts of the world. Many industry insiders think Goyal miscalculated Etihad's intentions and let Etihad use Jet as a feeder airline for its international operations via Abu Dhabi. But since most of Etihad's global investments, including Alitalia and Airberlin, have turned sour, there's not much one can expect from it.

But things were not always like this. Jet, till 15 years after it was started in 1992, was an outstanding airline, but the competitive dynamics and the regulatory environment were different then. Even during the stratospheric rise of LCCs such as IndiGo, SpiceJet and GoAir from 2005, Jet gave a tough fight to LCCs. Till 2012, seven years after the launch of IndiGo, Jet was the market leader.

The scenario has changed now with more airlines vying for market share and influence of air carriers on policymaking reducing significantly. "There were conditions under which the current promoter could deliver but that's not the case now. The way he wants to run the airline now, it's not going to work," says Mark Martin, Founder, Martin Consulting.

Kapil Kaul, CEO (South Asia) at Centre for Asia Pacific Aviation (CAPA), says the current board cannot turn around Jet. Its August outlook said if Jet has to change, along with ownership, the composition of the board has to change too. "The board has not delivered. If the promoter has to resign from the board, the idea is to move from promoter-driven system to institutional system," he says.

Experts say SpiceJet's revival was easier because its operations were simpler compared to that of Jet Airways. SpiceJet operated two types of aircraft – Boeing 737 and Bombardier Q400 – with limited international operations, which made it easier for chairman Ajay Singh to turn it around. With some management rejig, and capital infusion of about ₹1,500 crore, SpiceJet was revived in about a year. Jet's operations are more complex — it flies four types of aircraft.

With change in ownership, leadership is also expected to be changed, with Goyal likely to be replaced. The company's statement elaborating BLPRP said: "Appointment of lenders' nominees to the board of directors of the company would be under the provisions of the RBI circular."

Under the resolution plan, the banks will get to convert debt into equity (114 million shares) at a cost of ₹1 per share. Goyal's stake is expected to fall from 51 per cent (as on December 2018) to about 20 per cent, while lenders, led by SBI, would become the largest shareholders. Lenders' shareholding is expected to rise after they take part in fresh equity infusion, which will likely be supported by National Investment and Infrastructure Fund, or NIIF, a fund created by the government for infrastructure financing. It's still not clear how much fresh money will be infused – between ₹2,200 crore and ₹3,400 crore is the speculation – but things are not going to move forward without it.

The resolution plan estimates a funding gap of ₹8,500 crore that will be bridged through equity infusion, debt restructuring, sale of aircraft, sale and lease-back, and refinancing of aircraft. This is possibly the last attempt to revive the airline, and the resolution plan is just a beginning in a long and tiring journey to make a comeback.

"The composition of the board and the quality of the board would determine everything. I don't think management is a problem, maybe some additions are required. I don't see lenders holding Jet for long. They would exit in less than two years. There are many buyers in India and overseas," says Kaul.

Even if banks hold the largest number of shares, it is unlikely that they will become promoters. Their job will be to appoint a new board, and the moment the airline stabilises, which could take 12-24 months depending on external (fuel prices, rupee rate) and internal factors, find a new investor.

Some, however, remain sceptical given the poor track record of banks in managing troubled assets. "Examples of revivals led by banks are far and few between," says an aviation consultant.

TROUBLED TIMES

Jet Airways' woes began early last year with rise in jet fuel prices and rupee depreciation

The airline posted a net loss of ₹1,036 crore in quarter ended March 2018, its first quarterly loss in 11 quarters

Last May, the aviation ministry rejected Jet's proposal to merge its low-cost arm, JetLite, with itself

Passengers on a Mumbai-to-Jaipur Jet Airways flight bled from their noses and ears after pilots forgot to switch on a crucial button

Two directors – Ranjan Mathai and Vikram Mehta – quit the board in November

Jet delays salaries of senior management employees

Tata Sons raises red flag on the possible acquisition of Jet citing issues with funding and liabilities

Jet Airways forced to ground several aircraft after failing to pay its lessors

House in Order

Some say it's a backdoor entry for the government as both SBI and NIIF, which are likely to participate in equity infusion, are government institutions. "Jet is not in the same kind of mess as Air India, and its problems can be fixed," says an aviation analyst. The two biggest assets for Jet include 16 owned planes, which are worth $400 million, and the Jet Privilege programme, whose value can be unlocked once the airline stabilises.

Jet has already taken steps to reduce costs, optimise fleet and increase revenues. It is aiming at cost savings of ₹2,000 crore over the next two years, and claims to have realised ₹500 crore savings already. "The airline has been exploring opportunities to enhance revenues by undertaking several steps to improve yields in the domestic market, fine-tune revenue management practices and use the advantages of connectivity over its hubs to improve volumes," a Jet spokesperson said in an email.

"There are layers of high costs which, through better negotiations and contracting, can be reduced significantly. It could be in the area of maintenance and leasing. Over the years, Jet has increased the productivity of narrow-body aircraft; they could do that with wide-body aircraft as well," says CAPA's Kaul.

Airline failures are common the world over and regulators around the globe have taken steps to put in checks to avoid these. In some countries, an airline needs six months of liquidity to renew the air operator permit. In India, except IndiGo, no airline has cash to run for six months without revenues. Rupee depreciation and fuel price hikes can have an immediate and considerable impact on health of airlines.

After Kingfisher Airlines and SpiceJet, Jet is the third biggest crisis to have rocked the aviation sector in the past six years. If Jet shuts down, everybody loses. It will have an impact on employees, bankers, shareholders, in fact the entire sector. BT

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THE HUB **INTERVIEW**

"SOME DATA ERRORS OCCUR BECAUSE OF NOTE BAN, GST SHOCKS"

Krishnamurthy Subramanian, the new Chief Economic Advisor (CEA) to the government, has assumed office just when the economy is facing multiple challenges – joblessness, disruption due to GST and demonetisation and rural distress. He talks to *Business Today*'s Rajeev Dubey, Joe C. Mathew and Dipak Mondal about the state of the economy and the road map for addressing these challenges. Edited excerpts:

PHOTOGRAPHS BY REUBEN SINGH

Your predecessor said CEA is a dream job. What has been your initial experience?

It is enjoyable. Possibly because I joined when Budget deliberations had just started.

Q: A series of US-trained professionals have had a tough time in India as they were seen as not knowing the Indian economic realities. Are you an exception?

A: The important difference is that I have been in India for the last 10 years. It is important to have the best education, be at the cutting edge of both wisdom and techniques involved in research. Good awareness of the realities here is a plus.

What do you see as the biggest challenges before the economy right now?

Let's start with what has been achieved where we can also talk about what needs to be done. We have achieved GDP growth of 7.3 per cent, the highest in any large economy today, and that too with low inflation. That is important because in 2014, inflation was 10 per cent-plus, while average inflation in the last five years has been about 4.5 per cent. If the earlier rate had continued, essential commodities would have been 30-35 per cent costlier than they are today. So, purchasing power has increased.

Related to that is the interest cost. When the rate of interest is 8 per cent and inflation is 10 per cent, the real rate of interest is negative. This means lesser purchasing power. Instead, inflation is 4 per cent and interest rate is 7 per cent, so the real rate of interest is 3 per cent. The change in the real rate from -2 to +3 means a 5 per cent difference which, calculated over a five-year period, will tell you about the increase in the real purchasing power. The third thing is GST. It has reduced taxes on products. So, a family that spends, say, ₹3,500 a month on household items is saving about ₹350 a month.

Is this the finding of a study?

A: It is based on the average reduction in tax rates. It has happened because of structural changes. Inflation did not fall by itself. We have a monetary policy framework that targets inflation. The other important reason was introduction of the Insolvency and Bankruptcy Code or IBC. The cost of capital, of which credit risk is a key component — which itself is driven by probability of default and recovery upon default — was very high before the IBC. Now, the fear of losing your company compels you to repay. The probability of default will come down. The fall in credit spread will reduce the cost of capital.

So, what do we need to do next?

One is agriculture. In the agricultural sector, the key issue is not production, it is market access. Our population is growing at less than 1 per cent while agriculture production is growing at 3 per cent. This will mean dampened prices. That is the issue. Also, our markets are segmented, and so local agents have disproportionate influence there. The emphasis has to be on marketing and this is where technology and e-NAM-like systems to integrate markets have to play a role.

Will the income transfer scheme make an impact?

It is very important. Before the Budget, some narratives focused on loan waivers. Recently, my paper examined the UPA debt waiver of 2008, and we found that a large extent of the benefits went to the non-deserving borrowers. Apparently, in 2008, yield was going up, production was going up and there wasn't that much distress. So, it passes that smell test. As a result, the benefit did not go to the deserving. Second, we found that when a borrower who does not deserve a waiver gets it, the loan performance deteriorates. Third, if there is a borrower in default, and a loan has been waived off, the loan officer on the ground is concerned about giving the person (fresh) credit. As a result, the farmer is adversely affected.

Also, minimum support prices, or MSPs, affect the cropping pattern. When we increased the MSP for rice and wheat significantly in 2014, rice and wheat production boomed, but production of pulses was very low. With income transfer, the farmer can choose to grow pulses or rice or wheat or cabbage.

IF THERE ARE JOBS, DO WE HAVE THE SKILLED PEOPLE FOR THOSE JOBS?

Is ₹6,000 a substantial amount?

There are people who say ₹6,000 a year is ₹20 a day. As of 2015/16, the average income from farming was ₹29,000, which means ₹10,000 per four months. We are giving ₹2,000, about 20 per cent of their income, which is not a trivial amount. But I will not as much emphasise the return the farmer is getting as much as the risk. In agriculture, the uncertainty, the risk the farmer faces, is humongous. ₹30,000 is the average figure. A farmer could get ₹2,000 in four months, ₹30,000 in the next four months and ₹58,000 in the next four months. The average hides this variability because of which there is a 59 per cent chance of him getting less than ₹2,000 in a four-month period. This variability comes from crop failure, scanty rainfall, pest attack or price crash due to surfeit. A lot of commentators have not looked at this aspect. This assured return reduces risk significantly. Also, when a banker sees assured cash flow, it can lend. The effect is multiplied several times.

But this is an additional support. Is the government planning to bring down MSP support?

If you compare with other countries, all our farmer support is not really supporting farming enough. Fundamentally, the risk-return trade-off is very adverse. It is important to continue removing supports that create distortions but it is also important to remember that it is a vulnerable section that creates enormous benefits.

Do you think we need a transformation in the way data is collected and analysed? There is also a question of the reliability of the data?

Let's take GDP data. We are trying to measures economic activity through proxies to capture this as best as possible. Two unanticipated shocks happened — demonetisation and GST. Suppose you had a barometer to measure pressure. But if something is changing drastically, the existing barometer is not going to work very well. As a result, there will be errors, one way or the other. GST and demonetisation facilitated formalisation of the economy. So, some errors or volatility that you are seeing in the data would not have been there if those shocks had not happened.

Does this also explain the jobs data?

On jobs, we are not focussing on two important sets of narratives. One is that a large proportion of the workforce is in the unorganised sector. So, it is more important to focus on meaningful employment than on unemployment (rate) as such. A few basis point change in the unemployment rate is not really an important economic question to focus on. Two, whenever we talk about employment data, we ask where the jobs are, which is a supply side question. But the question to ask is also that if there are jobs, do we have the skilled people for those jobs, which is a demand side question?

Skilling doesn't happen overnight. A large proportion of youth skills itself to be in race for a government job until the age of 28. And in the name of skilling all you are doing is memorise facts from competition books. Most of them don't win the lottery of a government job and after 28 they have to reskill themselves for private jobs. Therefore, it is the skilling issue that is most important. For example, there is a huge shortage of data scientists. Firms are ready to pay a large amount of money but we do not have enough people there.

Exports are an engine of growth. What's you view on the exports sector?

Our economic growth has happened primarily from the domestic (sector), which in some sense is good given the global trends. Globalisation and trade are going through tough times. As a result, the headwinds will remain. While we should focus on enhancing domestic productivity, we cannot ignore the headwinds that are there. BT

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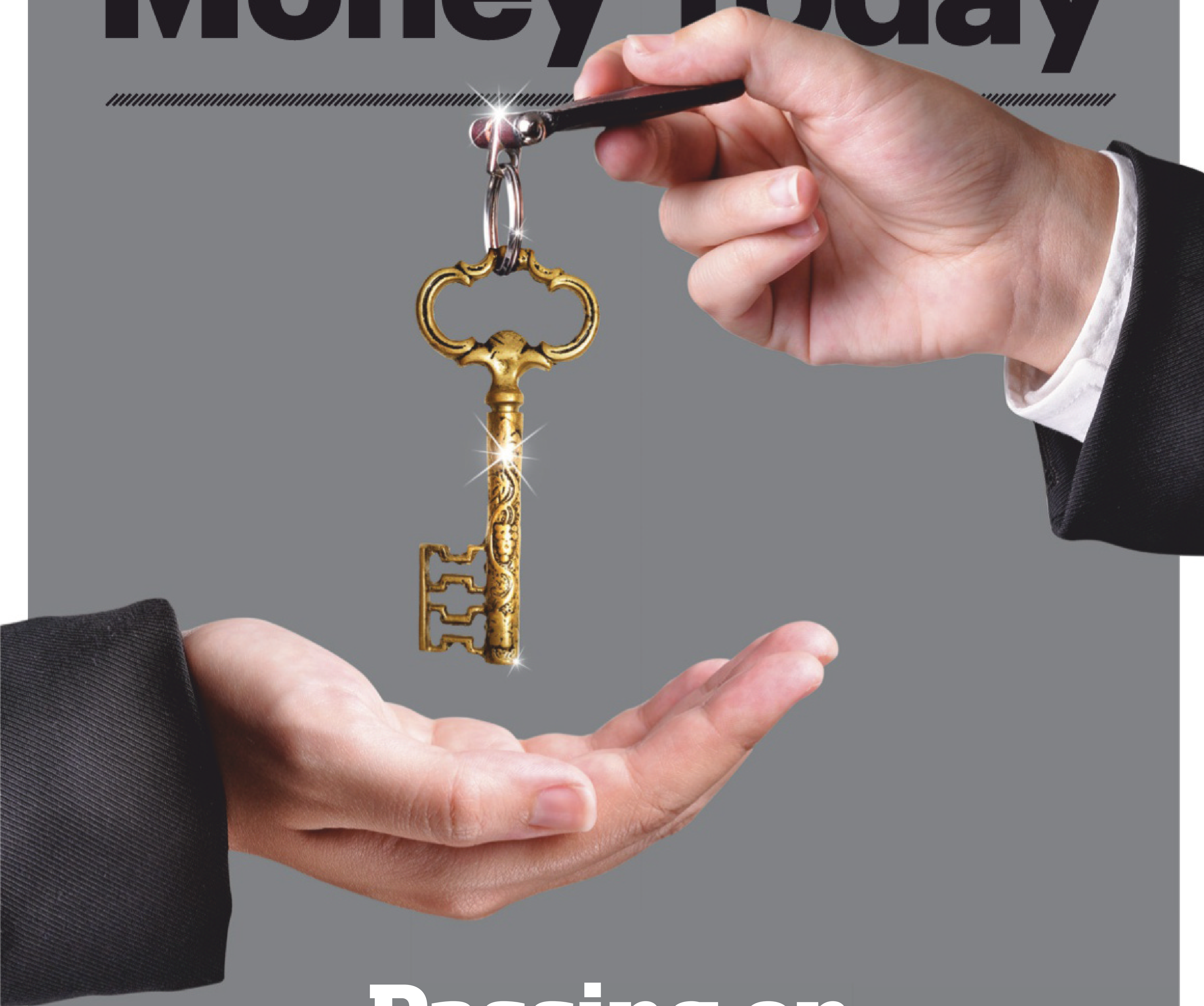
Money Today



Passing on Wealth

How to use a Private Trust to bequeath assets to the next generation

ILLUSTRATION BY AJAY THAKURI

BEQUEATH YOUR ASSETS WITHOUT HASSLES

Unlike a Will, a Private Trust works during one's lifetime and can be easily structured to meet specific requirements.

By JIGAR PATHAK
Illustration by Raj Verma

The world over there are two preferred modes for succession planning – writing a Will or creating a Private Trust. Both are used in India, but with increasing entrepreneurship and complicated asset holding patterns even within families, Trusts are gaining popularity.

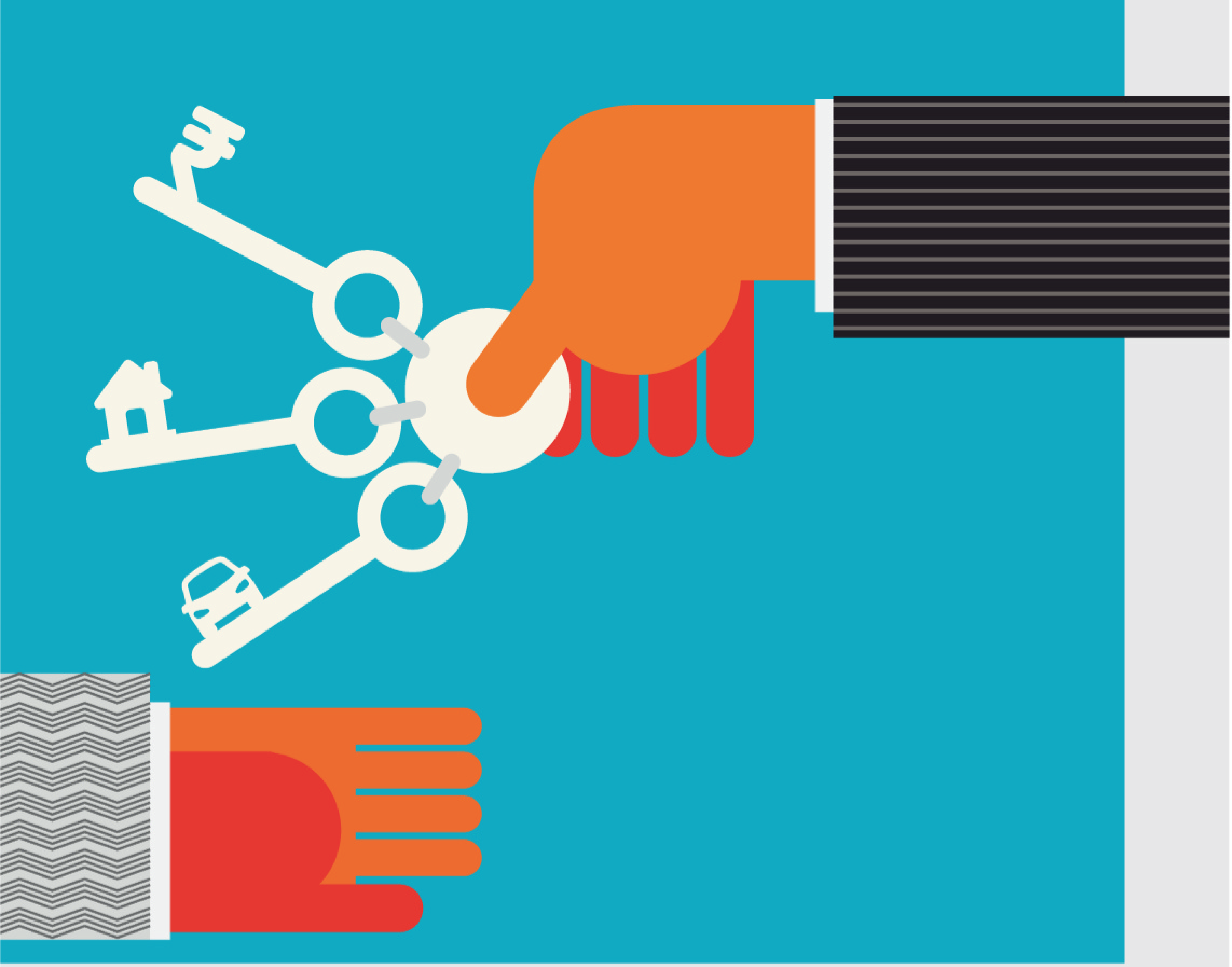
A Private Trust's ability to ring fence assets against third-party claims, especially with the Bankruptcy Law being active since 2016, further explains the heightened interest among wealthy Indians for setting up Private Trust.

Will Versus Trust

Private Trusts also have an edge in some areas over traditional modes of succession planning like a Will.

When asset-mix and family structure is straight forward, a Will can be a simple and effective tool for an individual to use. But, if there are many branches in a family tree and assets are spread out across geographies, it makes sense to set up a Private Trust. A Will needs a probate (a court certificate confirming that the Will is genuine) after the death of the Will maker. The process to get one may be tedious and expensive. A probate is a public document, which means it exposes the family to public glare should there be a dispute over the assets. In such a scenario, a Trust offers privacy.

A Will can be challenged in the Court by any heir who is unhappy with the asset distribution. Unfortunately, the Will drawer will not be there to clarify his choice. This can result in bitterness among family members and lead to protracted legal disputes. On the other hand, grounds on which a well executed Trust can be challenged are fewer. A Will becomes active only on a Will-drawer's death, but a Trust can be created when the person is alive.



Setting Up a Trust

A Trust is a special vehicle in which assets are transferred by the person setting the Trust (called settlor). Trustees manage the assets for the sole benefit of the beneficiaries. So, the ownership of the assets moves from settlor to the trustees.

Assets or benefits arising out of the property held by the Trust are then passed on to the beneficiaries as spelled out in the Trust deed.

A Trust deed is an agreement that unambiguously specifies the objective and purpose behind the Trust. It clearly states, without any mistakes, the name of the settlor, the trustees and the beneficiaries, as well as a list of all the assets the Trust would hold. Assets could include immovable property, cash, car, jewellery, art and antiques, shares, fixed deposits, among others.

The Indian Trusts Act, 1882, governs the formation of a Private Trust. To complete the legal formality, the Trust deed has to be signed by the settlor; at least two trustees and by at least two witnesses. The deed needs to be registered with an appropriate authority only if an immovable property is passed on to the Trust. It is highly advisable to take the services of a lawyer to ensure the legal validity of the Trust deed.

A Trust ceases to exist when its purpose is fulfilled or when it is revoked by the settlor.

A Trust can be formed to take care of the needs of family members in the event of untimely death or physical incapacity of the settlor. The objective may also include taking care of a special needs child after the settlor's death. The Trust deed can provide for milestone-based payments to cater to health, education, maintenance or support needs of beneficiaries.

The Trust can also have conditions – they have to be legal – that have to be met before the trustees can pass on the benefit. "Specific conditions when the beneficiary may, at the discretion of the trustee, be excluded as a beneficiary, can also be defined in the Trust deed," says Gautami Gavankar, Execu-

Structuring a Private Trust

A Private Trust is a tax neutral instrument. It ensures consolidation of assets in a single pool

It can ring fence assets, as long as they are not transferred fraudulently or with the intent to defraud creditors

Have clarity about its main purpose, assets it holds, and how the benefits are to be transferred

"TRUSTS DO NOT PROVIDE FOR ANY TAX EFFICIENCY AND THEY ARE MORE OF AN ALTERNATIVE TO WRITING A WILL FROM A SUCCESSION PLANNING PERSPECTIVE"

GAUTAMI GAVANKAR,
EXECUTIVE DIRECTOR, TRUSTEESHIP SERVICES, KOTAK MAHINDRA TRUSTEESHIP SERVICES

tive Director - Trusteeship Services, Kotak Mahindra Trusteeship Services. For instance, there may be a condition to cut off a family member who is a spendthrift or a substance abuser. The purpose of such conditions would be to avoid wastage of the settlor's wealth.

A Trust can also be formed to protect assets in cases such as paying alimony in a divorce or third-party claims, as long as the assets are not transferred fraudulently or with the intent to defraud the creditors.

"Many also create a Trust for their children to protect them from a failed marriage," says Amit Pathak, Managing Director, Warmond Trustees & Executors. "Some parents don't want their children to receive assets quite early in their lives, but when they attain maturity. There can be conditions to this effect," Pathak adds.

All this means that a trustee's role is very important in any Trust. The Trust deed has to make clear the duties, power, function, manner of replacement and disqualification of trustees. A trustee can be a family member, a friend or a third-party professional. Corporate trustees are also gaining popularity. To avoid disputes, it is critical to appoint a trustee who is unbiased and has no vested interest. "The dispute could be related to management of the Trust's property and exercise of discretion (by Trustees); beneficiaries could claim that the Trustees are not fulfilling their duties," says Varghese Thomas, Partner at law firm J. Sagar Associates.

Trustees have a fiduciary responsibility towards beneficiaries, and they have to act as per the Trust's objective.

Right Structure

For a Trust to fulfil its purpose, the structure has to be appropriate. There are various ways in which a Trust can be designed, and there is no one size fits all. "The dynamics of no two families are the same and therefore, the structures will have to be decided in discussion with the family members. Typically, Indian laws recognise the creation of revocable and irrevocable Trusts," explains Gavankar.

In a revocable Trust, the settlor can recall the assets parked in the Trust at any point in time. This means the settler doesn't lose control over the assets. In an irrevocable Trust, assets once transferred to the Trust cannot be called back by the settlor. Such a Trust is effective in preventing any third-party claims as the property now belongs to the Trust and not to the settlor.

A Trust can also be discretionary – trustees can decide the beneficiary's share. In a non-discretionary Trust, a beneficiary's interest is pre-determined by the Trust deed.

"An irrevocable and discretionary Trust can protect assets from creditors, current or potential, provided the assets have been transferred two years prior to the bankruptcy being declared," says Sandeep Nerlekar, Managing Director and Chief Executive Officer, Terentia, a Mumbai-based estate planning firm. He adds that such a structure can ring fence assets against genuine business risk, but not against fraud.

Looking at the Tax Angle

Currently, India does not have inheritance tax, and the income generated from the Trust is liable to taxation. Tax on the income earned from a Trust's property may be levied in the hands of the settlor or the Trustee or the beneficiary, depending upon the structure of the Trust used.

"Trusts do not provide for any tax efficiency and they are more of an alternative to writing a Will from a succession planning perspective. A Trust is only a vehicle to ensure consolidation of assets in a single pool and therefore, the tax rates that would be applicable in the hands of the individual would also apply to the Trust," says Gavankar. For instance, in the case of a non-discretionary irrevocable Trust, beneficiaries are liable to pay tax according to their tax bracket. In a revocable Trust, the settlor is liable to pay tax according to his tax bracket. In case of a discretionary Trust, it is the Trustees.

The primary benefit of setting up a Trust are that the settlor can himself be one of the beneficiaries, and be able to witness the seamless succession of wealth to the next generation and also iron out any disputes.

A well chalked out succession plan can help avoid family conflicts. Even worse is the possibility that the person of your choice is deprived of the assets that you wanted to bequeath. Anyone with a high net worth should consider setting up a Private Trust. People spend all their lives creating assets, so it's important that succession planning in done the right way. BT

Jigar Pathak is a freelance writer based in Mumbai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PHOTOGRAPH BY RACHIT GOSWAMI

"GENERATING ALPHA DEPENDS ON RIGHT SECTORS, RIGHT STOCKS"

Elections and market upheaval are almost always intertwined. Therefore, the outcome of the upcoming polls could impact markets but only for the short term, as it will not affect India's long-term structural reforms or growth agenda, **A. Balasubramanian**, CEO of Aditya Birla Sun Life AMC, says in a conversation with *Money Today's* Renu Yadav. Edited excerpts:

How will equity markets perform in CY2019?

It looks better than 2018 given the improving macro picture such as easing of oil prices and stable inflation. With oil prices slipping and the rupee firming up, the Indian economy stands to benefit by managing its twin deficits – budget deficit and current account deficit. The IMF also maintains its positive outlook on India on the back of stable macroeconomic policies and various structural reforms bearing fruits. Earnings will recover as well. One also expects the Goods and Services Tax (GST) to stabilise and a further reduction in tax rates. This will boost consumption and increase the overall tax base. There will be some volatility going ahead, but the broader macro picture and domestic growth prospects are strong, and that augurs well for equity markets.

SEBI has approved side-pocketing. How will it benefit investors?

It is a good move by SEBI. Mutual funds (MFs) are one of the largest players in the Indian bond and credit markets. They are currently managing close to ₹15 lakh crore and investing in a variety of fixed-income instruments. During times of stress, MF investments in bond markets may face the risk of credit default. When that happens, creating a segregated account for such assets is the right thing to do to keep the rest of the portfolio safe. Moving these stressed assets to a segregated account along with corresponding customer units should benefit people whose money gets locked in default situations. Investors with outstanding units at the time of default could get better redemptions in the long run as and when the recovery happens.

What about interest rates?

We expect interest rates to remain stable given the recent fall in oil prices and inflation. Food inflation numbers are down as agricultural commodity prices are falling, and this may induce policymakers in keeping rates stable to low. If oil prices remain low for some time and the growing sense of slowdown continues in the US, one can expect interest rates to remain steady to low in India.

What will be the impact of expense rationalisation on fund houses?

SEBI's new regulation will come into effect from April 1. As this is a new normal for the industry, all players will have to rewrite their business models and revenue models will be reset accordingly. Given the fact that the MF industry will move towards a full trail model of commission (instead of a one-time upfront commission), its impact on profitability is likely to be limited. At the same time, growth in fixed incomes and scale building in AUM should help improve absolute profit over time.

Will it require more efforts from fund managers to generate alpha after MF reclassification?

Recategorisation provides well-defined investing parameters along with clear mandates and standardised mechanism, which could help increase the accuracy level in forecasting and cap downside risks. Managing portfolios and generating alpha are not just based on market cap investing; they require stock differentiation and individual capability – the capability to select the right sectors and the right stocks. Recategorisation also helps understand the funds and their management better.

MANAGING PORTFOLIOS AND GENERATING ALPHA ARE NOT JUST BASED ON MARKET CAP INVESTING; THEY REQUIRE STOCK DIFFERENTIATION AND CAPABLE FUND MANAGERS

Equity and debt markets are likely to remain volatile due to general elections. What should investors do?

Yes, poll outcomes could play a crucial role but only for the short term. Previous market performance analyses suggest that returns for the six months (a combined period before and after elections) have been positive. Ultimately, it depends on fundamentals and strength of the economy. Irrespective of poll results, India's economic and growth agendas will not change. Also, long-term structural reforms such as GST, RERA and IBC will continue to deliver the desired output regardless of the political environment. So, one should continue to invest with a clear, long-term goal in mind and should not be worried about short-term fluctuations.

What are your takeaways from the recent NBFC crisis?

Risk management would be key to success. Recent fluctuations in the NBFC sector are part and parcel of the financial market; they do happen once in a while. Therefore, staying focussed on portfolio exposure and risks associated with such investments would remain at the forefront while managing money.

MF inflows have been good over the past two-three years. What do you expect in 2019?

The industry should continue to grow this year along with sustained inflows. As of now, the dominant share of flows into MFs are coming through SIPs. Moving ahead, asset allocation will be key to MF success and the industry will evolve around it. Also, there is a huge untapped potential. According to the RBI, nearly ₹69 lakh crore is lying in fixed deposits across banks. We have the scope to promote conservative fixed-income products to these investors as these generate not only reasonably better returns but also provide tax benefits. This could help increase the industry AUM and bring on board a significant number of new customers. BT

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MONEY MATTERS

Managing your money can be tricky. Send your queries, and personal finance experts will help you resolve any issue.

Health Insurance

Vipul Pandey: I have been working for my company for four years and I get a medical cover of ₹4 lakh. But I am about to change my job and the new company will provide a group medical insurance worth ₹3 lakh, which will cover the entire family. The policy also features maternity cover after a nine-month waiting period. Is my wife, a homemaker, eligible to get maternity benefit under this policy?

Yashish Dahiya, *Co-founder and CEO of Policybazaar.com, replies:*
We advise you to go through the terms and conditions of the group insurance policy very carefully to make sure that your spouse is covered under it. Typically, any group insurance will cover spouse and kids, and maternity benefit will be extended to the spouse from day one. But when the baby arrives, a cover of ₹3 lakh would not be sufficient for a family of three due to growing medical costs. Therefore, you should get an additional family floater plan to safeguard the entire family against all medical emergencies. You can also buy a super top-up plan, which is quite affordable compared to a regular health insurance policy.

Auto Insurance

Devender Rawat: I have a four-year-old car and need to renew the vehicle's insurance. The quotation I have got from the existing insurer is ₹13,000, but online insurance aggregators are putting it at ₹7,000. Why do we see such big gaps? Will I miss out on benefits if I buy insurance online?

Mahavir Chopra, *Director of Health, Life and Strategic Initiatives at Coverfox.com, replies:*
In the insurance space, different distribution channels work on different cost and commission models. Offline channels include dealers and agents who may incur bigger costs and get bigger commissions, which, in turn, get added to your premium. Also, insurers may give differential discounts to certain agents based on the nature of claims over the years. Online space is fiercely competitive and it is the place for discerning buyers. So, we see fewer fraudulent claims arising from online transactions, and hence, premiums are significantly low.

Home Loan

Ramesh Sahaay: My home loan has been sanctioned, but I have been asked to take a bundled insurance with it. Is it necessary to buy insurance with a home loan?

Harshil Mehta, *JMD and CEO, DHFL, replies:*
It is not mandatory to purchase bundled insurance products – neither the law nor regulatory bodies made it compulsory. Purchasing an insurance plan should be your sole discretion and no one can force you to go for it. However, some financial institutions request a borrower to keep the property insured at all times, thus safeguarding it from unforeseen circumstances. Opting for home insurance will shield the house, its contents and the family from financial setbacks. There will be protection against property damage, personal injuries (in case of unfortunate incidents), natural calamities, lawsuits, and man-made and antisocial activities. In brief, a home insurance policy will help you recover from losses without too many hassles and rebuild your dream home. BT

Please send your queries to moneytoday@intoday.com

SWIPE IT RIGHT

If you are in your first job and looking for your first credit card, take a moment to consider the pros and cons.

By C.S. SUDHEER

In her book Who me, Poor?, journalist Gayatri Jayaraman wrote about a young marketing executive who bought a car with her first salary, and between rent and loan payments, she was starving. If you have secured your first job and work for a reputed company, banks and credit card companies will be willing to offer you credit cards, thus giving you access to easy money. You could be earning well, but let us face it – the money is never enough! You can use credit cards for financial emergencies and also for regular spending. But is that a good idea?

You might have heard of a friend who has fallen into a debt trap and how he/she blames the credit card for the situation. This begs the question if you should get one in the first year of your work life. Go ahead if you are good at money management and feel confident about making timely repayments. You can even get a secured credit card, which will be secured against assets like a fixed deposit and will charge a low rate of interest. If you fail to pay your dues, the FD will be liquidated for payment. Here is a quick look at the pros and cons before you make up your mind and get your first credit card.

How You Benefit

Deal with emergencies: During the initial years of your career, money is in short supply. A credit card can be of great help when an emergency strikes.

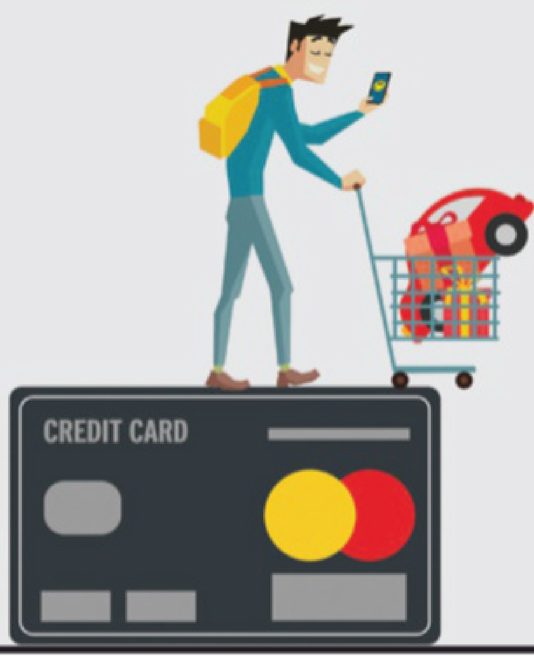
Buy expensive stuff: Many young people earn good salaries. It could mean a high credit limit on the card, depending on your income and usage. A high credit limit will help you buy some costly stuff which you may not be able to afford otherwise.

Grace period helps: When you are using a credit card, you get a grace period, also called interest-free period. No interest is charged if repayments are made within the grace period.

Benefit from reward points: Credit cards offer reward points which can be accumulated and redeemed at a later date for gifts and cashbacks.

Build credit history: You can easily get a secured credit card even if it is your first job. Making timely repayments builds a good credit history and your credit score goes up. It will help you raise large loans in the future such as a home loan.

Try add-on card: A supplementary credit card, also called an add-on card, is used to get additional credit against the existing card. If you are in your first job and feel that you cannot handle a credit card on your own, one of your parents can get you an add-on card provided he/she holds a primary credit card for which he/she is solely responsible. If the primary card has a credit limit of ₹3 lakh, the amount will be split between the primary and the additional cards. Your parent will also know how much you are spending and will make sure that you stay within the credit limits.



Avoid the Traps

High interest rates: If you cannot repay within the grace period, you will be charged an interest of 24-36 per cent per year. A youngster in the first job may fail to make repayments on time and land in a debt trap.

Hidden costs: Credit cards have hidden costs, including joining, renewal, processing and late payment fees. Also, repeated late payments will result in penalties and eventually, a poor credit score.

Minimum payment due: Instead of paying the entire amount, many youngsters pay the minimum amount due, which means they are paying a small percentage of the outstanding balance. It may sound like a good idea at the time, but it only helps you avoid late payment fees while the actual debt and interest pile up. Remember that high interest is charged on the outstanding balance and you need to stay away from the debt trap. BT

The writer is Founder and CEO, IndianMoney.com

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NITIN GADKARI

"The team is more important than technology and resources"

DAVID WOOD

"Thoughts to feelings to action to result"

MIKE WALSH

"A new world of algorithmic leaders"

Mr. Aroon Purie and Shri Nitin Gadkari unveiling Business Today's special issue India's Best CEOs at Mindrush 2019

Winners of the Best CEO Awards with Nitin Gadkari, Union Minister for Road Transport & Highways, Shipping & Water Resources, River Development & Ganga Rejuvenation and Aroon Purie, Chairman & Editor-in-Chief, India Today Group

THE BREAKOUT ZONE

P.124 AI-POWERED CAR COMPANIONS

P.127 STAY CARDIO SMART

TECH TRAUMA

WHEN AI SPEWS FAKE NEWS

A new algorithm can mass-produce fake news in the most convincing manner, compelling researchers to hold back the breakthrough.

THE CAPABILITIES demonstrated by artificial intelligence (AI) are just beginning to unfold one shock after another. That the technological evolution has the potential to affect human life and society before we are ready for it is already giving researchers and technologists sleepless nights. Among them is OpenAI, a San Francisco-based non-profit research organisation whose mission is to discover and enact the path to safe artificial general intelligence (AGI). The company focusses on long-term research so that it can redirect the impact that this technology will have very soon. OpenAI is funded and sponsored by several global tech leaders, including Elon Musk and Peter Thiel, among others.

Recently, the OpenAI group decided to hold back the research output and code related to an AI set-up that writes 'news' based on a single sentence prompt. If governments, including our own, are worried about fake news circulating on WhatsApp and other social network platforms, they will have something far more worrying to deal with if this all-new GPT-2 algorithm is to be made fully public (for now, the group has only released a smaller version instead of open-sourcing the code). In the hands of bad actors, it can generate well-written fake news stories and impact audiences who lack the critical thinking skill to analyse and differentiate such content.

So, how does GPT-2 work? An OpenAI blog post titled *Better Language Models and Their Implications*, says, "We've trained a large-scale unsupervised language model which generates coherent paragraphs of text, achieves state-of-the-art performance on many language-modeling benchmarks, and performs rudimentary reading comprehension, machine translation, question answering, and summarization – all without task-specific training."

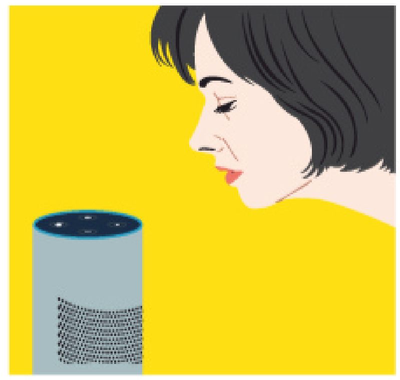
What the algorithm churns out is alarmingly convincing. Brought up on a diet of around eight million web pages, it is particularly good at creating political stories, which it can spew out after a starting sentence is fed to the system. *MIT Technology Review*, a magazine published by the Massachusetts Institute of Technology, features the following sentence that acts as a trigger. It reads: *Russia has declared war on the United States after Donald Trump accidentally fired a missile in the air.* Based on this sentence, GPT-2 develops a full-fledged news story, understanding quite well the context behind such a hypothetical event. It is so well done that no one will be able to guess that humans have not written this piece of news.

As we have mentioned before, OpenAI has released a simpler version of the algorithm for researchers to examine. Although not yet perfect with some kinds of stories, GPT-2 could well be developed and improved by people who can pick up on the methodology and attempt to replicate it for malicious purposes. **BT**

BROUGHT UP ON A DIET OF AROUND EIGHT MILLION WEB PAGES, THE ALGORITHM IS PARTICULARLY GOOD AT CREATING POLITICAL STORIES

TECH VISION

EMPATHY FROM SMART SPEAKERS



SMART SPEAKERS have all but cracked speech recognition and natural language processing. But tech giants are not going to leave them at that. The next frontier to be breached by Amazon's Alexa, Google Assistant and Apple's Home Pod is gesture recognition. In fact, their capabilities could extend to gauging users' facial expressions, moods and stress levels.

In 2018, Abhishek Singh created an app that enables Alexa to recognise gestures and respond to them. Alexa had to be given a computer screen to interface with users, but there are other smart speakers with displays of their own such as the Echo Spot and Echo Show from Amazon and several devices with Google Assistant-and-screen combinations. The idea: People with hearing impairments should be able to use smart speakers, which are, for now, voice-first devices. Mark Spates, Product Lead for Google smart homes, has also confirmed that voice will not be the only activation trigger for smart speakers. Gestures, proximity sensing and a host of other technologies will play crucial roles.

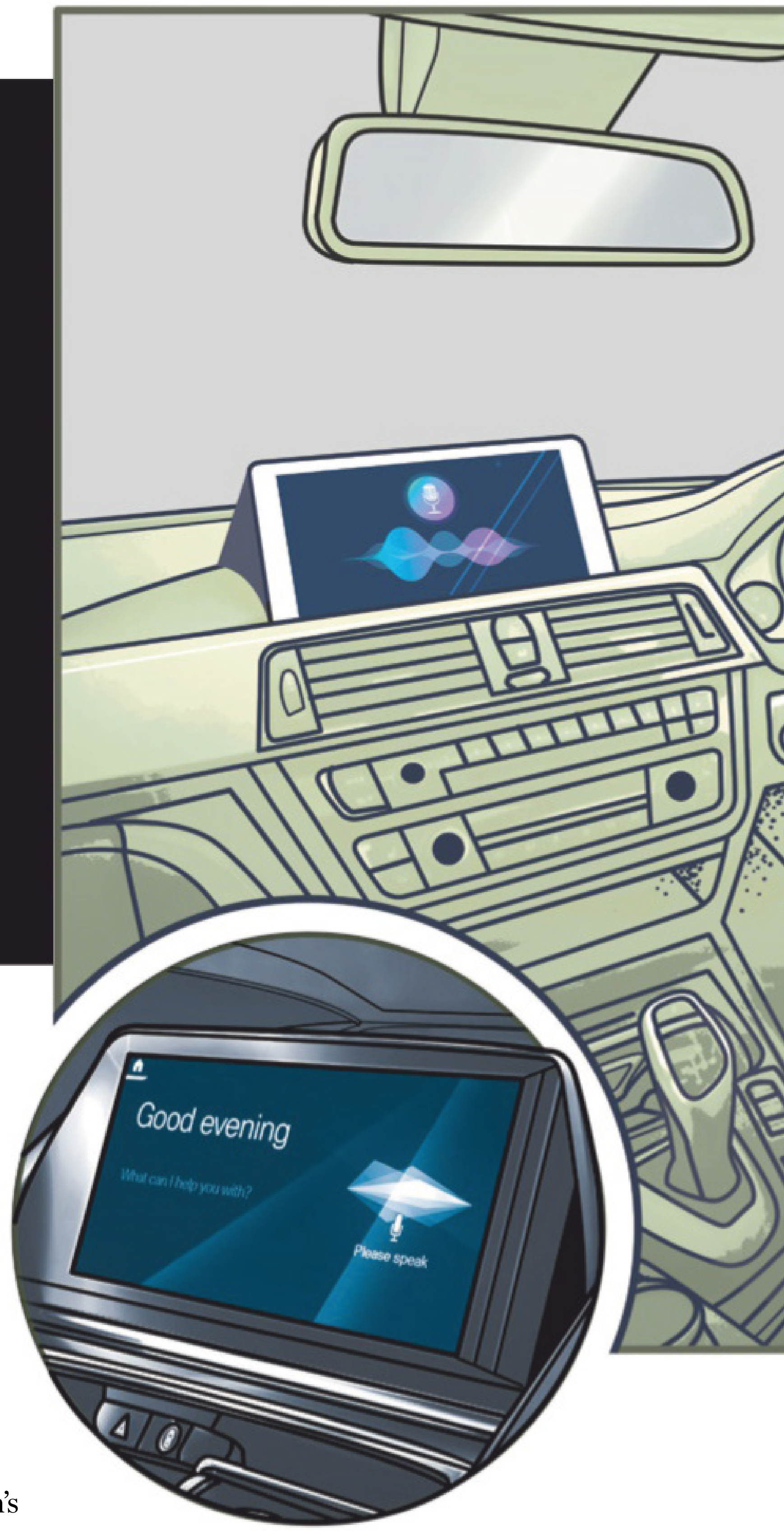
MacRumors.com has recently spotted a patent by Apple that hints at the possibility of a device recognising a user's gestures and given Apple's Face ID technology, its possible capability of reading expressions. All these, along with voice recognition, might help ascertain a person's emotional state with accuracy. Such features might also be used to ensure that smart speakers of the future emanate empathy and provide helpful responses.

PERSONAL TECH

CAR COMPANIONS

THIS NEW SPECIES OF AI-POWERED VOICE ASSISTANTS COULD BUILD DEEP EMOTIONAL CONNECTIVITY BETWEEN HUMANS AND MACHINES.

By Nidhi Singal
illustration By Ajay Thakuri



IMAGINE THIS. You spot a beautiful locality while driving your car, but instead of checking the location on your map or tagging the place, you simply ask your car's voice assistant what this place is and get accurate information in real time. Similarly, you simply look at one car window and ask the assistant to close it, and it will do so by tracking your movement. From closing the sunroof to adjusting cabin temperature, from identifying in-car warning signals to displaying relevant information in real time on a car's windshield – all these and more will be part of your experience when you have a car-compatible, voice-powered assistant riding with you. None of this is far-fetched sci-fi stuff. Innovators and car manufacturers are working overtime to usher in tomorrow's technology at the earliest.

Voice tech in cars has been around since 2004 when IBM and Honda Motor came up with an in-vehicle speech-recognition system. A decade-and-a-half later, the use of voice assistants in vehicles has simply skyrocketed as smartphone owners are mostly using Apple's Siri, Amazon's Alexa and Google Assistant. But there is more to it. From March this year, the BMW Intelligent Personal Assistant will be rolled out in select countries. The onboard voice assistant will explain and activate all sorts of car functions such as switching on high-beam assistance, providing information on current status (oil level and so on), giving fuel-saving driving tips and warning drivers if required.

Swedish luxury vehicle company Volvo Cars is also embedding Google Assistant, Google Maps and other Google services into its next-generation Sensus infotainment system. It will enable customers to use voice commands to control in-car functions such as adjusting air conditioning and heating, playing music, navigating and even send messages by speaking to the Google Assistant. The integration of Google Maps will keep the driver informed about traffic, estimated travel time, the best route to follow and alternative routes in case of a snafu. In the upcoming Polestar 2 EV sports saloon, the yet-to-debut Google HMI (human-machine interface) will assist drivers and execute tasks using the car's LTE connection, a 4G wireless communication standard.

Switzerland-based Luxoft, a global IT services provider, and Daimler AG have also come

in-car controls. Drivers will be able to converse with the assistant just like they would with a human for follow-up commands and queries. The assistant will also use artificial emotional intelligence and interior cameras to analyse facial expressions and voice tones so that it can understand the driver's and passengers' complex emotions and cognitive states such as drowsiness and distraction.

Initially, most of these features will only be available in luxury cars. But there are some aftermarket gadgets which can bring part of the smart functionality to your existing cars. For instance, Amazon Echo Auto (priced at $49, but not yet launched in India) is a compact device that sits on the dashboard, connects via the Alexa app on your smartphone and plays through the car speakers. Other than taking calls and setting reminders, it can be used to play music, check news, open the garage door or turn on air conditioning/heating/lights at home before you reach there. Echo Auto uses the Internet connectivity of the smartphone with which it has been paired to communicate with compatible smart devices.

You will also find third-party accessories such as VIVA, released by Roav, a sub-brand of the tech accessory maker Anker. This Alexa-enabled two-port USB car charger acts like Amazon Echo after it is set up, performs similar tasks and makes your car smart. It can be purchased for ₹10,999. One can also go for Logitech ZeroTouch, a hands-free car mount and voice assistant app with Alexa for Android phones. Priced at ₹4,000, it can be set up with the ZeroTouch app for accessing some of the features mentioned above. Google is also working with Anker for the Roav Bolt car charger that can be plugged into a car's socket so that your phone can be connected to the car's stereo via Bluetooth or aux. Users will be able to access Google Assistant hands-free, without having to unlock their phones. BT

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together to develop Mercedes-Benz User Experience or MBUX. This infotainment system is built around customised user experience and uses integrated artificial intelligence (AI) and augmented reality (AR) to create an emotional connection between a Merc and its driver and passengers. Besides new and upcoming models, this feature will be available in a few old cars when they undergo digital upgrades.

Aiming to reinvent the human-technology relationship, US-based Nuance Communication has developed its Dragon Drive platform for delivering an in-car AI experience. It offers a more humanised mobility assistant that uses fluent, conversational English. At the Consumer Electronics Show held in Las Vegas in January this year, Nuance showcased a number of innovations such as emotion-detection technology, enhanced multimodal and AR interactions and advanced conversational capabilities. Simply put, the company says that eye-movement tracking, combined with voice recognition, can be used for interaction with points of interest outside the car. The information, highlighted in AR (information overlaid on real-world environment), will be displayed on a smart windshield without compromising on visibility. Moreover, head-movement tracking, combined with voice recognition, will enable

HP SPECTRE FOLIO

TOP-GRADE CONVERTIBLE

By NIDHI SINGAL

IN SPITE of its hefty price tag, HP's Spectre Folio is bound to get mixed reactions as far as looks are concerned. Clad in cognac brown genuine leather, it could be a head-turner but only if you have a taste for the classic corporate combo of leather and metal. However, what matters most is what is under the hood and how well it performs.

As it is a convertible, there is multi-mode play, which means you can switch from laptop to tablet to a standing mode that the company calls 'forward'. It is a little unusual, but the hinge is at the centre of the display (attached to the leather), giving it a limberness and flexibility that would put any yoga guru to shame. A slight backward push and a sliding motion will release the display from the bottom frame so that tablet or forward mode can be activated.

Spectre Folio comes preloaded with Windows 10 Pro operating system, is powered by an Intel i7 processor, and comes with 16 GB of RAM and 512 GB of SSD. Although it is quite sleek (about 0.6-inch thick), this workhorse houses two Thunderbolt 3 ports on the right and a USB Type-C port and a headphone jack on the left for connectivity. The island-style keyboard is well-spaced and features big backlit keys. Plus, there is an impressive battery backup of close to 12 hours.

When switched to tablet or forward mode, the Folio automatically detects it and optimises the touch points. The 13.3-inch full HD display is vibrant with good touch response and great viewing angles. The accompanying stylus (charges using the hidden Type-C port) offers accurate pen strokes and proves to be an extremely useful accessory for hand-written notes, sketching or working on presentations.

A few improvements were required, though, to make the device flawless. With everyone moving towards a bezel-less, infinity display, the thick bezels at the top and the bottom of the Spectre Folio is a serious loss of screen estate. Again, instead of a hanging pen loop at the side, there should have been a better way to attach the Digital Pen with the Folio. HP could have adopted something similar to Apple's second-gen Pencil with magnets that easily gets attached to the iPad. **BT**

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EXECUTIVE HEALTH

STAY CARDIO SMART

TODAY'S TOXIC ENVIRONMENT AND POOR LIFESTYLE CHOICES REQUIRE CLOSE MONITORING OF CARDIAC HEALTH.

By E. Kumar Sharma

Illustration by Safia Zahid

WHAT CAUSES CARDIAC PROBLEMS? A number of factors, including stress, unhealthy lifestyle and family history. In this column, we have looked at several tools for monitoring blood pressure and blood sugar at home. For instance, those who have survived heart attacks can keep tabs on body weight and blood oxygen level with the help of an oximeter that costs around ₹2,000. This time, we take a look at some cardiac care tools.

"People who are victims of erratic lifestyles and go without adequate sleep, healthy food or proper exercise for long stretches of time (say, six months or more) should start monitoring vital heart signs to avoid risk factors which could lead to hypertension and diabetes," says Dr Deepak Padmanabhan, an electrophysiologist (he assesses heart rhythms to track anomalies) at Narayana Health in Bengaluru. Although heart rates can be tracked via smartphones or devices costing about ₹1,000, the doctor insists on continuous monitoring of cardiac rhythm, carried out in real time by ambulatory (small and portable) ECG monitoring devices. Depending on the product and its usage, costs could vary between ₹9,000 and ₹20,000.

> PEOPLE WHO ARE VICTIMS OF ERRATIC LIFESTYLES AND GO WITHOUT ADEQUATE SLEEP, HEALTHY FOOD OR PROPER EXERCISE FOR LONG STRETCHES OF TIME SHOULD START MONITORING VITAL HEART SIGNS

These devices have been around for almost a decade, but according to Dr Padmanabhan, their usage has picked up over the past five years or so due to greater awareness. A Holter monitor, for example, is a portable ECG machine for checking irregular heart rhythms. A loop recorder works like a Holter monitor but with memory and cloud connectivity to allow reviews on smartphones. You can also buy cuffless blood pressure monitors, which are non-invasive and easy to use.

A transtelephonic transmitter is used where a person is wearing a pacemaker or any other heart-related implant. It is an external companion to an implanted device. The data from the pacemaker is directly transmitted to a doctor. The device costs ₹80,000-1 lakh for a lifetime installation.

ADEQUATE SLEEP is crucial as your body repairs itself and gets energised when you are sleeping. So, it is not surprising that several products and solutions are hitting the market to make sure that you sleep soundly. For instance, Dozee is a contactless health monitor that can be kept under the mattress and activated using the Dozee app for tracking sleep pattern, heart rate, respiration and stress level. Plus, there are smart beds which sense sleep movements and automatically adjust the firmness and comfort of the mattress. Says Dr Padmanabhan, "We need a more holistic approach towards tracking our sleep, keeping close tabs on our daily physical activity and watching our diet along with heart rate and heart rhythm. Health issues take time to develop and they are not easily reversed. Therefore, constant monitoring can ensure early detection of a medical condition." **BT**

BT MINDRUSH

MINDRUSH 6.0

WITH THE 'REBRAIN OR ROT' THEME, THE SIXTH EDITION OF BT MINDRUSH BRAINSTORMED HOW ORGANISATIONS NEED TO CHANGE TO THRIVE IN THE FUTURE.

By TEAM BT

A packed hall testified to the interest that a theme like Rebrain or Rot generated. As the main topic of discussion at the sixth edition of India Today's leading flagship business event, Business Today MindRush 2019, it attracted diverse points of view from different domain experts. Held at the Taj Palace hotel in New Delhi, on February 14, 2019, to felicitate 13 captains of industry for excellence in their fields, the event was attended by participants from varied domains – from education to start-ups, from IT services to retail.

In his welcome address, Raj Chengappa, Group Editorial Director (Publishing), India Today Group, said leaders are expected to be lions in their own domains. But they also "step back and share credit with their team and promote others."

The first session of the day was on 'Dictionary for the Future: Top Ten Trends to Track'. Futurist Mike Walsh stressed on the fact that machines are doing many of the jobs that humans did, and the trend would only accelerate

Winners of the BT Best CEO Awards with Union Minister Nitin Gadkari, and Aroon Purie, Chairman and Editor-in-Chief, India Today Group

PHOTOGRAPHS BY SHEKHAR GHOSH

Union Minister Nitin Gadkari *delivering the keynote address at BT MindRush*

PHOTOGRAPH BY JERIN JACOB

Aroon Purie, *India Today Group's Chairman and Editor-in-Chief, speaking at BT MindRush*

Mukesh Ambani, *Chairman and MD, Reliance Inds: Champion of Champions, and the Best CEO-Super Large Companies*

PHOTOGRAPH BY BANDEEP SINGH & LANTERN CAMERA

Azim Premji, *Chairman, Wipro, won the Lifetime Achievement Award*

in the years ahead. Therefore, companies would need people with a fresh and different mindset, "people who can make good decisions in an ambiguous situation; those who are flexible enough to adapt as the world around them changes," he shared. An organisation's best people will have jobs that don't even exist today.

Brick Vs Click, the topic for the next discussion, took the Rebrain or Rot theme further. While views and experiences differed, the consensus was that a synergy is needed between online and offline platforms of various businesses. The panelists were Patu Keswani, Chairman and Managing Director, Lemon Tree Hotels; Peter Betzel, India CEO, Ikea; Rajesh Magow, Co-founder and CEO, MakeMyTrip; Devendra Chawla, MD, Spencers Retail; Ajith Mohan Karimpana, Founder and CEO, Furlenco; and Kovid Kapoor, CTO and Co-founder, Holidify.

David Wood, Coach and Trainer, took the discussion forward during a productivity masterclass by talking about how to enhance productivity. The interaction, which saw active participation by many from the audience, drew attention to achieving much more by moving out from comfort zones to uncomfortable zones. Wood, an internationally acclaimed coach and trainer of enhancing productivity, said, "Your brain is not designed to make you rich or happy. The brain is wired to keep you in a small box, to push you back into your comfort zone. If something does not challenge you, it won't change you." His mantra: One must convert 'thoughts' to 'feelings', and follow it up with actions, which will eventually lead to 'results'.

IN A MASTERCLASS, COACH DAVID WOOD STATED THAT **MOVING OUT OF COMFORT ZONES** HELPS US ACHIEVE MORE

While successful start-up entrepreneurs Sandeep Aggarwal, Founder and CEO, Droom; Sujeet Kumar, Co-founder, Udaan; and Neha Kant, Co-founder and Director, Clovia, shared their experiences on finding business ideas and working towards them, Janmejaya Sinha, Chairman (India), Boston Consulting Group, said that "all of what we assume and take for granted is under challenge." He pointed out the need for companies to prepare for the future as data and digitisation would change the old parameters: "The future is not far." C.P. Gurnani, Managing Director and CEO, Tech Mahindra, added that with parameters changing so fast, companies have to be decisive. "Companies

Leaders: *(R) Shashank Joshi, MD and Head, Global Corporate Banking, India, MUFG Bank, with Nitin Gadkari and Aroon Purie*

PHOTOGRAPH BY JERIN JACOB

Future of Education: *(L) Dr. Sandeep Sancheti, Raghav Gupta, Bani Paintal Dhawan, and Sharad Bansal*

can survive depending upon how agile they are. I urge organisations to be decisive. I believe that the future is in your hands, and you have to be willing to transform," he said.

A bridge is needed between industry and business, felt Lula Mohanty, Managing Partner, Global Business Services, IBM India-South Asia: "It is important that companies leverage the power of data and workforce." Rajeev Shorey, Principal Scientist, TCS Innovation Labs and Adjunct Faculty, IIT Delhi, said people have to evolve continuously.

A more fundamental discussion revolved around Classroom 2030: Future of Education. The panellists were: Dr. Sandeep Sancheti, Vice Chancellor, SRM Institute of Science and Technology; Raghav Gupta, Coursera's Director of India & APAC; Bani Paintal Dhawan, Head of Education, India and South Asia, Google Cloud India; and Sharad Bansal, Co-founder and CEO, SRNJA. They shared their views on the need for industry relevant training at educational institutions. "Education is undergoing radical change. Along with Industry 4.0, Education 4.0 is also running," said Sancheti.

Staying relevant for the many types of Indian consumers can be a challenge for companies, said Bhaskar Bhat, Managing Director, The Titan Company, in his keynote address on 'Future of Consumption in India'. The India consumption story is mostly about millennials, but according to Bhat, brands could not afford to ignore the 'silvers' or 45-plus consumers as "they are brand loyal, empty-nesters and hence, ready to spend on themselves."

FUTURIST MIKE WALSH SAID AN ORGANISATION'S **BEST PEOPLE WILL HAVE JOBS** THAT DON'T EVEN EXIST TODAY

An intense economic debate took place during the Fireside Chat at the event. Sanjeev Sanyal, the principal economic adviser to the Government of India, rued the narrative that seems to suggest the government is deliberately manipulating data. He defended the government on the recent controversies around data saying that as long as data suits the political narrative of the Opposition, they welcome it, but the moment it becomes unfavourable for them, they start criticizing it. Montek Singh Ahluwalia, the former deputy chairman of the Planning Commission under the previous UPA government, said there was a need for non-interference in the work of the statistics commission. Ajay Shah, Professor, National Institute of Public Finance and Policy, said that while the data on inflation and balance of payment are largely credible, it is the GDP, Index of Industrial Production and annual survey of companies that have problems. Rajat Kathuria, Director and Chief Executive at the Indian Council for Research on International Economic

David Wood, *coach and trainer, spoke on enhancing productivity. "If something does not challenge you, it won't change you"*

Futurist Mike Walsh stressed *on the fact that more and more machines will do jobs that humans did. "Companies would need people who can make good decisions in an ambiguous situation"*

Relations, said that jobs have been created but the government doesn't seem to have a handle on the measurement part.

While welcoming Union Minister Nitin Gadkari, India Today Group's Chairman and Editor-in-Chief Aroon Purie said over the last two decades companies have started giving more importance to the effects of their business on the planet and this year's CEO awards aptly captured that. "There are three Ps in business – profit, people and the planet. While profit and people were always important in India, in the last two decades, and increasingly over the last decade, planet has also become important and companies have realised their duty through CSR and sustainabilty measures," he said. "Alongside other intrinsic changes like AI, machine learning and blockchain that are widely talked about, this is another important facet of business."

The power keynote address was delivered by Nitin Gadkari, Union Minister for Road Transport & Highways, and Shipping; and Water Resources, River Development and Ganga Rejuvenation. He said team was more important than technology and resources, and companies that neglect this to chase revenues, always get into trouble. He exhorted industry leaders to look at innovative ways of doing business to stay relevant in future. "We are faced with stiff new challenges, particularly related to climate change, and need a fresh approach to answer them. Developing inland waterways that brings down the cost of logistics is one of them. Using biofuel both for road as well as aviation transport is another. We need industry to invest in all of this," he said.

The finale was the awards ceremony. There were eight sector-based awards, and four on size – small, medium, large and super large. Mukesh Ambani, Chairman and Managing Director, Reliance Industries, was awarded the Champion of Champions, and also the Best CEO-Super Large Companies. Azim Premji, an industry stalwart, won the Lifetime Achievement Award.

The sponsors were SRM Institute of Science and Technology (Deemed to be University), GE, MUFG, Brother, Diageo, Government of Bihar, Hidesign and PwC. BT

LUXURY

ESSENCE OF ELEGANCE

FROM FINE WINES AND GOURMET FOOD TO STYLISH EARBUDS, LUXE WATCH AND EXOTIC SKINCARE ITEMS, TAKE A LOOK AT THIS COVETED COLLECTION.

BY PRACHI BHUCHAR

Each set of wireless earphones will provide three-and-a-half hours of uninterrupted audio on a single charge

FINE WINE

Making Waves

SLOWLY BUT SURELY India is carving out a niche for itself on the global wine map. And the latest to join the growing list is a label called Early Dark, brought to you by veteran winemaker Abhay Kewadkar in collaboration with Rishad Minocher. The wines are produced in the award-winning *sud-ouest* (south-west) vineyards of France and combine state-of-the-art equipment with modern winemaking. The portfolio features a range of reserves and blends and is highly recommended. For instance, the Early Dark Cabernet-Merlot 2017 is a pure delight, offering black fruit and spicy flavours. Better still, the entire portfolio is available across Karnataka and Maharashtra.

ACCESSORIES

Haute **Earbuds**

SAY LOUIS VUITTON and one will be immediately transported to a world of super stylish clothes and fabulous accessories which will elevate any wardrobe. But this time, it is different. Given that technology is taking over our lives, it comes as no surprise that the French fashion house has recently entered the audio tech space and launched a collection of wireless earphones in black, white and red with blue-and-yellow LV stripes. Sleek and stylish, they provide three-and-a-half hours of uninterrupted audio on a single charge. One can also adjust the volume on one of the earphones. When they run out of juice, just put them in a matching monogram charging case and they will be ready to hum again.

TIMEPIECE

Glittering Display

FABERGÉ IS KNOWN for reinventing bespoke timepieces, and now the brand has unveiled Dalliance GemAddict. It features a one-carat gemstone in place of the traditional hour and minute hands. The hands have been put closer to the edge and the bezel is set with rubies. The stunning, bejewelled watch is powered by a mechanical movement unique to Fabergé and can be completely customised. GemAddict has been inspired by a century-old Fabergé clock and remains a highly coveted item among connoisseurs.

A one-carat gemstone has been put in place of hour and minute hands

DINING

CULINARY WIZARDRY

Baoshuan, at The Oberoi, Delhi, was launched a year ago when the newly minted property opened its doors after a brief hiatus. London-based Michelin star chef Andrew Wong of A Wong fame is the mentor chef here and he was recently in Delhi to celebrate the gourmet anniversary and pack the menu with more dishes. The reimagined menu now boasts an ample variety, including lotus root, sesame salad, compressed watermelon with sweet vinegar and awesome dim sums to provide more tastes and textures from other parts of China (such as the emperor's soup with morel, shimeji and goji berry). These make sure that diners will come back to sample the unique flavours and lightness of touch which only a Michelin chef can bring out.

SKINCARE

Get Your Glow On

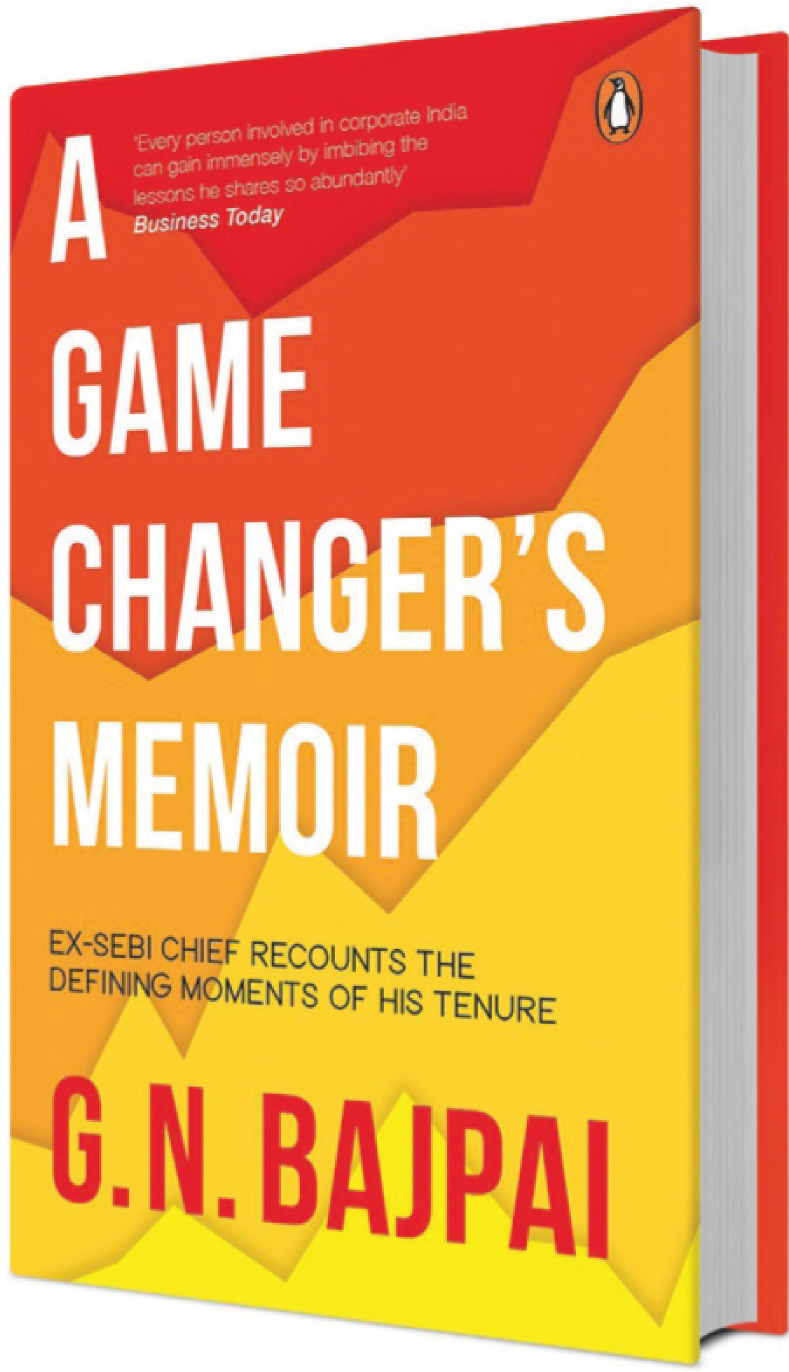
The Aman group stands for all things luxe. The top hotel brand has now decided to bring more value to its patrons with the launch of its bespoke skin-care collection. Unlike most beauty products, these contain exotic, rare and precious ingredients such as pearl dust, healing tree oils, amethyst, jade, frankincense, Amazon butter and rainforest mud. Many of these have been wild-harvested in destinations where the brand's hotels are located. From face creams, face masks and rejuvenating serums to oils and milk baths, the products are truly world class and you will find them in spas on Aman properties. One can also buy them online, wrapped in uber-cool packaging. BT

EX-LIBRIS

AN INSIDER'S TALE

AFTER A DECADE AND A HALF, THE FORMER SEBI HEAD HAS PENNED AN INTERESTING ACCOUNT OF HOW THE CAPITAL MARKET REGULATOR EVOLVED DURING TUMULTUOUS TIMES.

By Ajit Ranade



A Game Changer's Memoir: Ex-SEBI Chief Recounts the Defining Moments of His Tenure

By G.N. Bajpai

Publisher: **Penguin Portfolio**

Pages: **304**

Price: ₹**599**

ON THE MORNING of May 17, 2004 (infamously known as the Black Monday), the Sensex dropped 17 per cent, the biggest slump in its history. The circuit breaker was triggered twice that morning, halting all trading for three hours. It was the market's massive reaction to the surprising defeat of the National Democratic Alliance party in Lok Sabha elections. But where was the stock market regulator during the mayhem? In distant Jordan, attending a conference. Gyanendra Nath Bajpai was the man in the hot seat, and almost everyone – from the media to investors to government officials – was gunning for him to save the day. He was in an unenviable position and only had a nail-biting 30 minutes (before his hasty flight back to India took off) to decide whether to reopen trading for the rest of the day and risk a complete meltdown or to let the market function and find its level. Our readers must read the rest and discover what happened next.

A Game Changers' Memoir by Bajpai is a first-hand account of many such adrenaline-filled anecdotes when he was chairman of the Securities and Exchange Board of India (SEBI) during 2002-2005. Other hot-button incidents included dealing with STT (securities transaction tax) and DDT (dividend distribution tax), his firm stand against investment bankers during the ONGC disinvestment, the raid on *dabba* traders who carried out stock market transactions illegally, shortening the settlement time for stocks (the T+2 regime) and reducing the misuse of P-Notes. All these are told with enough drama and suspense, but with no dilution of the concepts or the underlying policy issues. The language is fairly non-technical and engaging, and chapters like The Black Monday and The Other Dabbawalahs make it a racy read. His objective is to educate the reader and convey the dilemmas and intellectual challenges faced by the regulator. The book features 24 chapters under five broad sections – initial days, market microstructure re-engineering, systemic risk management, improvement of governance and macro issues and road map creation.

Bajpai had headed SEBI more than a decade ago, but it was an important phase of stock market development. Initially, he was quite reluctant to take charge as he had been pursuing a highly successful career as the chairman of Life Insurance Corporation. His initial hesitation was not only due to some doubt about fitting in but also due to the timing. At the time, markets were still recovering from a stock manipulation scam, known as the Ketan Parekh scam, and the morale was low all around. Moreover, there were allegations of corruption within the ranks of SEBI (later found to be largely unfounded). Bajpai's priority was to rally the forces and align the organisation to its twin tasks of sticking to stringent, unbiased and modern regulation and paving the path for further development of the Indian capital market. That a regulatory body like SEBI should also nurture market development and innovation is somewhat unique as such objectives could clash with the regulation part.

SEBI has come a long way since and is now considered one of the best stock market regulators, a strong testimony to what has been achieved by the likes of Bajpai. When the author was at the helm, he had led it past some messy situations and made sure that it would not lag in terms of technological developments (algorithm trading, colocation and microsecond settlements were some of its achievements). An account of his time spent at SEBI and how the many bricks were put in place during that phase is bound to be appreciated by many – policymakers, investors at large, people keen on India's economic history and those managing similar organisations.

Bajpai says he has waited a long time before writing the book to ensure a dispassionate view of things. But there is an ostentatious touch although he never fails to engage and regale the reader with insider tales and anecdotes. Such accounts by regulators (we have had RBI Governor Duvvuri Subbarao's book *Who Moved My Interest Rate* and Y.V. Reddy's *Advice and Dissent*, to name a few) are invaluable and essential reading for the public at large. Told by people who were at the helm during tumultuous times, these narratives help demystify the working of institutions which impact the national economy. BT

The writer is Chief Economist, Aditya Birla Group

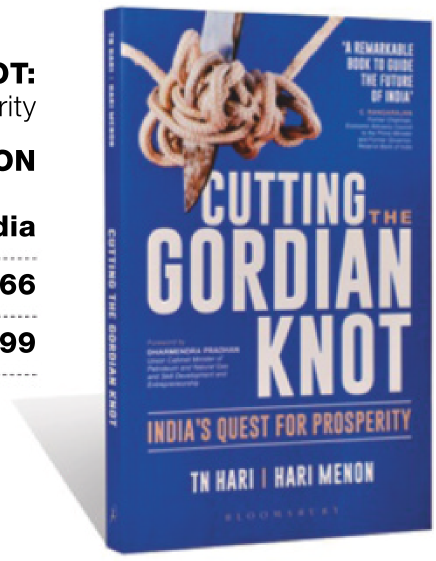
CUTTING THE GORDIAN KNOT:
India's Quest for Prosperity

BY T.N. HARI AND HARI MENON

Publisher: **Bloomsbury India**

Pages: **266**

Price: ₹**499**



UNDER SCANNER

THE JOBS MARKET IN INDIA IS FAR FROM BOOMING, BUT ANALYSES AND SOLUTIONS COULD LEAD TO DIALOGUE, AWARENESS AND EVENTUAL CHANGE.

By Joe C. Mathew

EVERY YEAR, 12 MILLION young people enter the workforce in India. And in the next three years, over 60 per cent of the country's population will be in the working age group. Is India creating enough jobs to make the best use of this demographic dividend? Do we, at least, have a robust plan in place? Put together by Hari Menon (Co-founder and CEO of India's largest online supermarket BigBasket) and his colleague T.N. Hari (Head of Human Resources), with contributions from several experts, *Cutting The Gordian Knot* explores and analyses various aspects of India's jobs problem, its complexity and possible solutions.

Pramath Raj Sinha, Founder Dean of Indian School of Business, talks about rethinking higher education and employability while Manish Sabharwal, Co-founder of Teamlease Services, discusses poverty alleviation by fixing the employability problem. Technology and the future of jobs have been handled by Santanu Paul, Founding Chief Executive of TalentSprint, a career accelerator. The chapter titled *Disrupting the Farm Sector* has been penned by Vipul Mittal, the national category head for fruits and vegetables at BigBasket. Overall, the book focusses on enabling livelihoods through skilling and the potential of mass entrepreneurship programmes. Plus, there is a chapter on the ongoing debates over employment data, female participation in work and questions over job statistics. Hari and Menon have managed to weave all independent contributions into one thematic fabric in the middle besides writing two introductory chapters and two concluding ones.

Most chapters read well, provide fresh insights and are capable of generating policy debates. One aspect that stands out throughout the book is the shared optimism that the current government is making all the right moves to turn around the country's sluggish jobs market. The authors seem to believe that all key policy initiatives of the Narendra Modi government – from Aadhaar push to demonetisation, GST and IBC implementation and enhancing the ease of doing business – are linked to jobs creation and large-scale entrepreneurship. It is difficult to subscribe to this view fully, and the writers themselves are well aware of it. The book begins with a disclaimer stating there could be some statements and views that may not pass the test of academic rigour. In fact, at times, there are sweeping statements and one-size-fits-all macro visions although ground realities could be entirely different. But the larger objective, as the authors say, is to spark dialogue, awareness and eventual change. And to that extent, the book is worth reading." BT

GUILLAUME GIRARD-REYDET, CEO AND MD, PERNOD RICARD INDIA
UNDER HIS LEADERSHIP, THE WORLD'S SECOND-LARGEST DISTILLER SAW ITS INDIA REVENUES JUMP BY 23 PER CENT IN 2018 WHILE PROFITS GREW BY 28 PER CENT.

Q. The biggest challenge you faced in your career

A. I was keen to come here as I love India and its people. I came here nearly four years ago and joined a company that has a very successful team with high human and moral values. My biggest challenge is what I can give back to my team, my company and this wonderful country. I am still wondering if I have given back enough.

Q. Your best teacher in business

A. I was fortunate to get a mentor during my formative years and he taught me the importance of effective questioning instead of delivering answers, assertions or strong speeches. I understood that questioning yourself and others should be key to building business and personal relationships.

Q. Three key management lessons for young people

A. Simplicity, humility and courage. Believe in the power of simplicity. It is one of the most difficult things to do in today's complex world. Stay grounded, stay humble, no matter how much you grow. That way, you will still have the best people with you. Finally, have the courage to make decisions and live your dreams.

Q. Two essential qualities a leader must have

A. Stand with your team. I don't believe in getting ahead of my team members unless they are facing a situation. This is how you can build trust. Also, empower your people. Good ideas and productivity come from great, empowered and dedicated teams. I am always learning things from them and I also believe in taking risks along with the team. Every challenge is an opportunity. How you respond and what you learn from it will define your path to progress. BT

"EVERY CHALLENGE IS AN OPPORTUNITY. HOW YOU RESPOND AND WHAT YOU LEARN FROM IT WILL DEFINE YOUR PATH TO PROGRESS."

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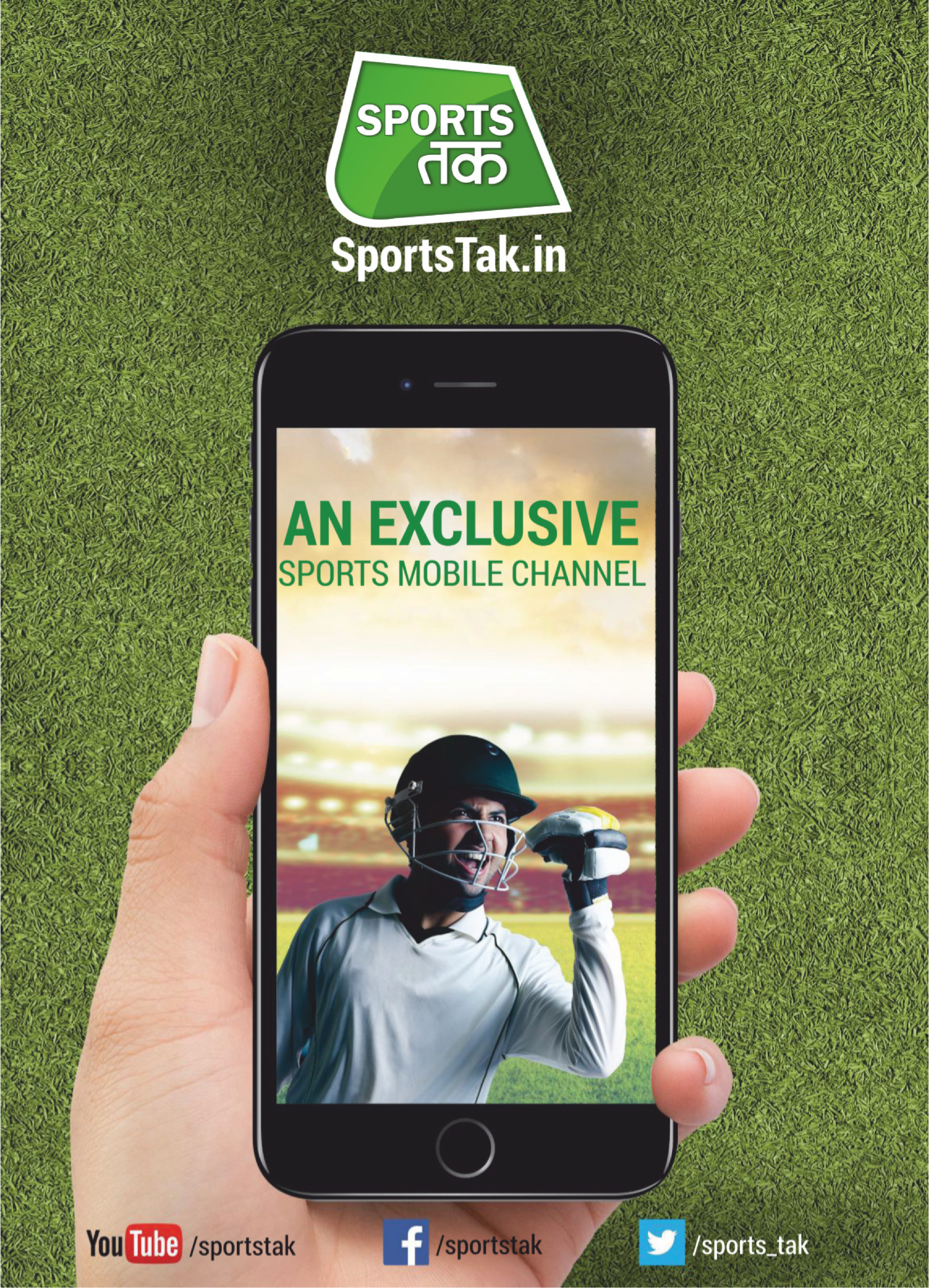
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