

WHO

Ravi Venkatesan bridging the gap at Infosys

On April 13, amid a bitter public row between the management and the founders, Infosys appointed independent director Ravi Venkatesan as co-chairman. The company's founders, led by N.R. Narayana Murthy, had questioned certain decisions taken by the board, including CEO Vishal Sikka's salary hike to \$11 million a year from \$7 million, severance package to former employees and other corporate governance issues.

Why him?

In a move to end the spat, the second largest IT company in India, for the first time in its history, appointed a co-chairman. Mr. Venkatesan was an obvious choice, because he had been on the Infosys board since April 2011 and had made valuable contributions, including charting a strategic path for the growth of the organisation. As a board member, he had also overseen the transformation of Infosys from a founder-led organisation to a professionally run entity.

Mr. Venkatesan was on the board of the company before Mr. Sikka was ap-

pointed the first non-founder CEO of Infosys in June 2014. He played a significant role in reducing the friction between the management and the founders. "This is an exciting time for the technology industry and I am delighted to have the opportunity to work more closely with Sesh [Infosys chairman R. Seshasayee] and Vishal and his leadership team in their transformational journey," Mr. Venkatesan had said earlier.

What is his role?

Though there is no specific role defined for a co-chairman in the Companies Act, Mr. Venkatesan is expected to work in a supporting role to Mr. Seshasayee. Mr. Venkatesan will also of-

fer his expertise and insights to help Mr. Sikka in executing the company's strategy. According to insiders, the co-chairman will help enhance board engagement in supporting the management. Since his appointment as CEO, Mr. Sikka has been trying to transform Infosys into a next-generation IT services major with a focus on new technologies, such as artificial intelligence and automation. Mr. Sikka has said his aim is to double Infosys' revenues to \$20 billion by 2020. At a recent press conference, Mr. Sikka admitted that "unanticipated execution challenges and distractions" are partly affecting the company's performance.

What has been the reaction?

The elevation of Mr. Ven-



katesan has not elicited any negative reaction from Mr. Murthy. This indicates the founders welcome the move. With Mr. Venkatesan getting a new role, industry-watchers and investors believe the tussle between the founders and the management will end.

How will he help Infosys?

With his experience in corporate leadership, innovation and a deep understanding of the economy, he is expected to bring in several strategic transformations within the organisation. Mr. Venkatesan, who helped global brands Cummins and Microsoft spread their wings in the country, is expected to contribute significantly to help Infosys' growth strategy.

His quick adaptability to the roles offered to him is well-known in the industry. As chairman of Cummins India, he led the transformation of the company into India's leading provider of engines and power solutions.

Soon after his stint in the manufacturing sector, he shifted to the IT industry. As the India chairman of Mi-

crosoft till 2011, he was instrumental in making Microsoft India the second-largest centre in the world.

His book, *Conquering the Chaos: Win in India, Win Everywhere*, published by Harvard Business Review, gives a ring-side view of how companies can do business in India.

Through personal experience and in-depth interviews with CEOs and senior leaders at dozens of companies, the book tells us how one can tackle political changes, policy uncertainty and corruption, and thrive in India. He spearheaded Microsoft India's Project Shiksha, a computer literacy programme which has so far trained over 40 million schoolchildren in India. Mr. Venkatesan also helped to set up the Cummins College of Engineering, India's first engineering college for women, in Pune.

With his varied experience, Mr. Venkatesan is expected to act as a bridge between the founders and the board going forward.

— PRADEESH CHANDRAN

WHAT

The lowdown on the directive to RBI on bad loans

WHAT IS IT The Central government has amended the Banking Regulation Act to give more powers to the Reserve Bank of India (RBI) to fast-track resolution of stressed assets in a time-bound manner. Section 35A of the Act was amended for the purpose, and two Sections were inserted: 35 AA authorises the RBI to issue directions to banks to initiate the insolvency process in case a party has defaulted under the provisions of the Insolvency and Bankruptcy Code, 2016, and 35 AB allows the RBI to issue directions to banks for resolution of stressed assets. The banking regulator has also been allowed to specify one or more authorities or committees to handle bad loans.

HOW DID IT COME ABOUT Stressed assets in the banking system, or non-performing assets (NPAs), have reached unacceptably high levels and need urgent attention, the government ordinance to amend the BR Act noted. According to industry estimates, bad loans in the banking sector could be as

high as ₹14 lakh crore. The NPAs in the banking system have gone up sharply in the last couple of years, particularly after the Asset Quality Review of the RBI in December 2015. Following the review, the RBI handed out a list of borrowers to the banks and asked them to classify which of the loans could be termed NPAs.

Many public sector banks like Bank of India and IDBI Bank, to name a few, suffered huge losses owing to the exercise.

According to RBI data, gross NPA as a percentage of gross advances went up to 9.1% in September 2016 from 5.1% in September 2015.

During the same period, stressed assets, which are gross NPA plus standard restructured advances and write-offs, moved up from 11.3% to 12.3% and some estimates suggested it had doubled since 2013. Public sector banks share a disproportionate burden of this stress. Stressed assets in some of the public sector banks have approached or exceeded 20%.

The RBI had announced several schemes in the last two years to resolve the bad loans crisis such as Strategic Debt Restructuring and Sustainable Structuring of Stressed Assets. However, owing to lack of consensus among bankers in the Joint Lenders' Forum (JLF), the schemes could not be implemented.

WHY DOES IT MATTER The lenders' committee or the JLF under a convener was set up to formulate a joint corrective action plan (CAP) for early resolution of the stress in accounts.

The banks have always been wary of the deep 'haircuts' they may have to take during restructuring of bad loans. When a bank takes a 'haircut,' it gives up a part of its claims on a borrower. Bankers were worried that in case a

deep haircut was taken, investigating agencies like the Central Bureau of Investigation would harass them, especially if the borrower could not repay the dues even after restructuring.

Now, the RBI and the government are expected to give banks some assurance that they will not be hounded by investigating agencies if something goes wrong, as business decisions do not always yield the desired results.

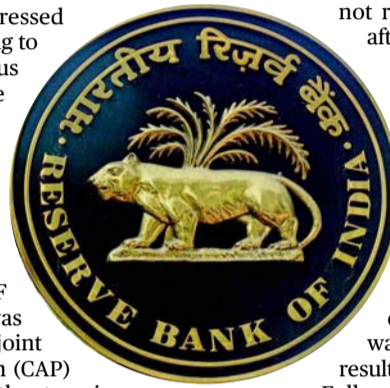
Following the amendment of the Banking Regulation Act, the RBI issued a notification asking the lenders (both in number and value) required in the JLF to approve a resolution proposal – to 60% from 75% of lenders by value, and to 50% from 60% of lenders by number.

The move was aimed at reaching consensus quickly.

WHAT NEXT The amendment to the Banking Regulation Act is expected to force banks to take a decision under a strict time frame. However, the devil will be in the detail as the RBI is expected to issue detailed guidelines under what circumstances a loan can be restructured.

It is highly unlikely – contrary to what is speculated – that the RBI will take a call on specific accounts on the amount of haircut a bank will take while recasting the debt. In all probability, the RBI will prepare a broad framework, which the banks have to follow. At the same time, it is expected provide some comfort to the banks that bona fide decisions will not be questioned and both the central bank and the government are on board for such a decision. But, at the end of the day, it will be the bankers who will take the final call.

— MANOJIT SAHA



WHY

Does the Indian Ocean rise and fall?

How is global warming affecting oceans?

There are two broad mechanisms at work. Heat trapped in the atmosphere due to rising sea levels makes water expand and separately, melting ice sheets begin to add water to the world's oceans. Were you to peruse NASA's satellite data on the average rise and fall in sea levels, it shows that the seas on average have risen 85 mm since 1993, adding about 3.5 mm annually.

Why is the Indian Ocean peculiar?

Since 2004, it has been known that the Indian Ocean has been rising particularly rapidly. However, it turned out that this was specific to a smaller stretch called the North Indian Ocean, which consists of the Bay of Bengal, the Arabian Sea and a large part of the Indian Ocean until the 5 degree S latitude. This is an imaginary line cutting through Indonesia, central Africa and Peru. More surprisingly, as a team of oceanographers observed in a report published in the March edition of the peer-reviewed



Climate Dynamics, the North Indian Ocean sea levels actually dipped between 1993 and 2004, at about 0.3 mm per year, but after 2004, the rise was 6 mm annually. Such a fluctuating trend hasn't been observed for the Pacific Ocean and the Atlantic Ocean.

lantic Ocean, the North Indian Ocean is hemmed in on all sides, except an outlet on the southern side. This influences the rate at which heat is absorbed and flushed out from within the system. According to their calculations, heat was moving out slower after 2004 than during the 1990s. Moreover, wind flows, which led to warm water welling up on the Indian Ocean surface, changed directions every decade and probably influenced sea level patterns.

What does this imply?

This means a rise in average global temperature doesn't mean a concurrent rise in sea levels everywhere. Every year in the last decade has broken temperature records that have held for over a century but researchers associated with this study are willing to wager that North Indian Ocean levels may see a fall over the next decade (like seen between 1993 and 2004). This points to a need for more research to understand the inherent variability of the Indian Ocean. This could help sharpen monsoon fore-

casts and predicting coastal erosion patterns. Better understanding of sea level undulations could also inform future reports by the Intergovernmental Panel on Climate Change.

Does this challenge conventional science?

It doesn't challenge it but certainly complicates it. Researchers use various models to extrapolate future trends on sea level rise and quantify the risk it poses to coastal populations. Several of these model, however, lack the resolution power to capture the vagaries of local climate and it is assumed that what is true for one sea will broadly apply to the others too. For this study the scientists relied on new data sources—from argo floats and satellite-based measurements – and it indicated numbers at variance from previous measurements, from tide gauges. More micro-level data with improved computing power would mean better local-level forecasts.

— JACOB KOSHY

WHEN

25 May 2017

A day in the life: Umbrellas are placed over the statues of the Beatles – Paul McCartney, George Harrison, Ringo Starr and John Lennon – on the waterfront as Liverpool prepares to celebrate the 50th anniversary of the local heroes' iconic album, Sgt Pepper's Lonely Hearts Club Band, voted No. 1 on all best-of lists. The Sgt Pepper at 50: Heading for Home festival is on from May 25 to June 16, with 13 events being planned around the album's 13 songs, including the eponymous Sgt Pepper's Lonely Hearts Club Band, A Day in the Life, Being for the Benefit of Mr Kite and Strawberry Fields Forever. The Beatles will reissue the groundbreaking album, which was released on June 1, 1967, on May 26 which will include previously unreleased takes of all the songs. On May 20, John Lennon's black and white drawing of the album cover will be auctioned by Julien's Auctions. The drawing was discovered by owners of the Weybridge house in England where Lennon lived from 1964 to 1968. *AP



WHERE

In a Bengal village, 50 years of a movement

Posters, leaflets, graffiti – Naxalbari, a nondescript village in north Bengal, is gearing up to celebrate 50 years of a movement, a peasants' uprising, that inspired other resistance movements in the country.

What happened

On May 25, 1967, the police opened fire on a farmers' rally at the tiny hamlet of Prasadujyot in Naxalbari, triggering an armed revolt. Eleven persons, including two children, were killed. Trouble had been brewing from a day earlier when the police entered the village to break a farmers' protest. In the commotion that followed, a farmer shot an arrow, killing a police officer. Then Home Minister Jyoti Basu ordered police action. The next day, under a giant banyan tree in Prasadujyot, not far from where BJP president Amit Shah recently shared a controversial meal with a tribal family, the police opened fire on a peaceful demonstration. As news of the police firing spread, the peasants, armed with bows and arrows, launched a spontan-

eous agitation culminating in a full-scale armed struggle.

What did the protest mean?

The peasants refused to hand over the majority of the farm produce to landowners; they not only seized the crop and distributed it but also acquired land by sticking red flags. The movement may have been put down by the administration, but it inspired other movements against wrongs and injustice and forced the government to improve the lot of the agricultural labourers and peasants. The Naxalbari movement split the Communist Party, with the Maoist factions teaming up to launch an armed struggle to overthrow landowners and the State. While the movement could not achieve what it intended to do – a democratic revolution – a process to democratise society was initiated.

How did it end?

Charu Majumdar was rigid in his view that only a military line would help the



peasants achieve their goals, refusing to adopt the politics of mass lines. This stand isolated the movement from the people in power, as also the masses who were not convinced about the sustainability of such an armed struggle against

the state. However, the movement that was begun by peasants, landless agricultural workers, Dalits, tribals and Nepalis – and attracted the Bengali upper class – was given a theoretical grounding by Charu Majumdar, who later launched the CPI-ML in 1969. On the ground, the movement was led by Jangal Santhal, Kanu Sanyal, Khokon Majumdar, Nimu Singh and Mujibur Rehman to name a few. Women leaders Galeswari Debi, Sabitri Das, Krishnamaya Surgen and Shanti Munda played a major role too.

The movement ended within a few years of the death of Charu Majumdar in police custody in 1972. But Naxalbari merged in spirit with the peasant struggles in Bihar and Telangana in the 1980s and 1990s. In districts in south Chhattisgarh, the military movement has survived till date much on Majumdar's lines. Security forces are told to be on high alert on May 25 every year.

What is the situation today?

Nothing much has changed in Naxalbari. It's still a one-road village. The

biggest recent story – Amit Shah launching the expansion of the BJP in West Bengal at Naxalbari – is on its walls. The rest of the walls are taken up by various Naxalite parties with slogans and graffiti to celebrate Naxalbari Day.

Party members are a busy lot. Gaur Baidya, a leader of the CPI Marxist-Leninist-Red Star, supervises what has to be written on the walls. Abhijit Majumdar, a top CPI-ML (Liberation) leader and son of Charu Majumdar, campaigns round the clock, asking people to join in the celebrations.

The offices of the various CPI-ML factions are abuzz with members distributing leaflets, setting up social media platforms, painting posters in an effort to re-engage the peasants and the working class with the anniversary celebration. Scholars, civil society groups and activists from across the country are expected to participate in the event, alongside the families of those who died in the uprising.

— SUVOJIT BAGCHI