

CORPORATE GOVERNANCE IN THE FINANCIAL SECTOR: MYTH Vs REALITY

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18th May 2022



What Is Corporate Governance

“Is the system of rules, practices and processes by which a firm is directed and controlled. It essentially involves balancing the interests of a company's many stakeholders, such as shareholders, management, customers, suppliers, financiers, government and the community” - *Investopedia*



FOCUS ON CG IN FINANCIAL SECTOR

- Manage public funds
- Highly leveraged
- Asset-liability mis-match
- In banks, deposits unsecured & liquid, loans illiquid
- Banks critical to the entire economy



RBL BANK

“[RBL Bank] is founded on strong governance standards and has robust controls... We have tightened our risk assessment criteria across the board and we continue to reduce exposures through timely intervention and proactive management.”

- Vishwavir Ahuja, CEO, RBL Bank FY2020 Annual Report



RBL BANK Timeline

- Vishwavir Ahuja, CEO abruptly goes on [leave](#) 26.12.21
- RBI appoints serving RBI executive as a director
- Rajeev Ahuja, ED appointed interim CEO
- On [Concall](#) no indication of issues with Rajeev Ahuja
- [Mint](#) on 15.2.2022 highlights high-risk Rs 1.4 bn loan given to Sintex-BAPL in June 2019
- Sintex-BAPL [admitted](#) to NCLT in December 2020



RBL Registers Charge Sintex-BAPL

Company CIN/FCRN/LLPIN/FLLPIN	U25199GJ2007PLC051364
Company / LLP Name	SINTEX-BAPL LIMITED

Charges Registered								
SNo	SRN	Charge Id	Charge Holder Name	Date of Creation	Date of Modification	Date of Satisfaction	Amount	Address
1	H66737461	100268566	RBL BANK LIMITED	11/06/2019	-	-	1400000000.0	SHAHUPURI,KOLHAPUR,KOLHAPURMa416001IN
2	H28982205	100216556	YES BANK LIMITED	20/10/2018	-	-	600000000.0	YES BANK Tower IFC ? 215th Floor Senapati Bapat Marg, Elphinstone (W),MumbaiMH400013IN
3	H27889773	100214873	RBL BANK LIMITED	31/08/2018	-	-	800000000.0	SHAHUPURI,KOLHAPUR,KOLHAPURMa416001IN

Source: Registrar of Companies

Sintex-BAPL Disclosures

Extract from Annexure A of Auditors Report of Sintex-BAPL's FY2019 Standalone Accounts

(viii) According to the records of the Company examined by us and information and explanations given to us, except for the loans, borrowings and dues mentioned in the below table, the Company has not defaulted in repayment of loans or borrowings to any financial institutions, banks or debenture holders. The Company does not have any loans or borrowings from government.

Name of Bank	Delay in days	Principal	Interest	Total
Deutsche Bank	0 - 60 days	27.59	0.29	27.88

Source: Sintex-BAPL Standalone FY2019 Financial Accounts

CARE Rating of Sintex-BAPL

Extract from CARE Rating of Sintex-BAPL

(Rs. Crore)

Brief Financials of Sintex-BAPL	FY19 (A)	FY20 (A)	FY19 (UA)	FY20 (A)
	Standalone		Consolidated	
Total operating income	1,711	853	3,958	902
PBILDT	300	(129)	563	(243)
PAT	(1)	(1,281)	91	(569)
Overall gearing (times)	38.04	NM	10.51	NM
PBILDT Interest coverage (times)	1.36	-ve	2.09	-ve

A: Audited; UA: Unaudited; NM: Not meaningful

Note: For FY19, CARE has derived the pro-forma consolidated financial results of Sintex-BAPL from the published consolidated results of SPTL after removing from it the published financials of Sintex Prefab and Infra Limited (rated: CARE D; Issuer not cooperating). Further, FY20 audited financial is available from company website.

Source: [CARE Rating Sintex-BAPL Press Release, May 18, 2021](#)

RBL Bank Risk and Credit Committee

Risk Committee



Prakash Chandra (Chairman, Risk)



Jairaj Purandare

Credit Committee



Jairaj Purandare (Chairman, Credit)



Ishan Raina

Members of Both Risk & Credit Committees



Palepu Sudhir Rao



Vishwavir Ahuja



Rajeev Ahuja

Source: RBL Annual Report

RBL Bank's then Board of Directors

	Name	Inducted into Board	Designation	Prior Employment/Profession
1	Prakash Chandra	25 January 2016	Independent Director, Chairman of the Board	Indian Revenue Service, Lawyer
2	Vishwavir Ahuja	30 June 2010	CEO & Managing Director	Bank of America
3	Rajeev Ahuja	21 February 2017	Executive Director	Citibank, Bank of America
4	Jairaj Purandare	16 September 2011	Independent Director	Chartered Accountancy
5	Palepu Sudhir Rao	January 2012	Independent Director	Chartered Accountancy
6	Sivanandhan Dhanushkodi	18 December 2012	Independent Director	Indian Police Service
7	Ishan Raina	30 April 2016	Independent Director	Advertising
8	Vijay Mahajan	27 April 2018	Non-executive Non-independent	Member IRDA, Micro lending

Source: RBL


HKH Research Note February 23, 2022

It is clear that Rajeev Ahuja is unsuitable as CEO of RBL Bank, or to belong to the senior management in any bank, as he was a member of the bank's Investment and Credit Committee, as well as the Risk Management Committee, which approved the Rs 1.4 bn loan to Sintex-BAPL on around June 11, 2019. It is highly unlikely that the then CEO, Vishwavir Ahuja, could have approved and disbursed the loan on his own.

It is unlikely, and at any rate undesirable, that a top banker who clears such a blatant transgression should be rewarded with the post of CEO. RBL Bank shareholders should therefore expect the Search Committee appointed by the bank's board of directors to shortlist external candidates. The regulator must also investigate any other poor quality loans disbursed by the bank. An external CEO may disrupt the continuity the stock market was expecting.



Media Reports 20-21 April 2022



CNBC-TV18 ✓
@CNBCTV18Live

Sources to [@latha_venkatesh](#): Rajeev Ahuja's name is not there in the MD & CEO names shortlisted by RBL Bank

8:30 PM · Apr 20, 2022 · Twitter Web App

Times of India

April 21, 2022

RBL Bank recommends candidates for MD & CEO

TIMES NEWS NETWORK

Mumbai: RBL Bank's board on Wednesday said that it has approved candidates for the MD & CEO post and would send the shortlisted names to the RBI for approval.

Sources said interim MD & CEO Rajeev Ahuja, whose term ends in June, is not among the candidates. In March, the central bank had granted a three-month extension for Ahuja.

‘Yes Men’ at Yes Bank & Elsewhere

Yes Bank Officials Charged by the Enforcement Directorate



ASHISH AGARWAL
Senior Group President



AMIT KUMAR
Group President



Pawan Kumar Agrawal



Vinod Bahety
Global Head,
Corporate Finance
Infrastructure Banking



Amit Mamtani



Harsh Gupta

Source: Yes Bank, LinkedIn and Azure Power

Background of Yes Bank Executives

	Executives	Age	Educational Qualifications	Employment Prior to Yes	Date of Joining Yes Bank	Present Employment
1	Ashish Agarwal	48	IIM Calcutta, IIT Kanpur	Lehman Bros, Rabobank, Citi	17 March 2009	Left Yes Bank December 2021
2	Vinod Bahety	45	CA, ICWA	ICICI Bank	25 September 2006	President - Adani Group
3	Amit Kumar	53	IIM (A), BITS Pillani	ANZ Capital	05 July 2004	Eunoia Financial Services
4	Pawan Kumar Agrawal	42	FMS Delhi, CFA, CA, CWA	CRISIL	01 January 2008	CFO - Azure Power
5	Amit Mamtani	42	MDI Gurgaon	ICICI Bank, CRISIL	03 September 2005	Yes Bank
6	Harsh Gupta	40	CA	ICICI Bank, RBS, HDFC Bank	01 April 2016	Yes Bank
	Source: Yes Bank and LinkedIn					

Remuneration of Yes Bank Executives

	Executives	Designation in Yes Bank	Remuneration (Including Bonus but Excluding ESOPs)				ESOP Value		
			FY2018	FY2019	FY2020	FY2021	FY2018	FY2019	FY2020
			Rs						
1	Ashish Agarwal	x CRO & Head Wholesale	7,19,30,002	5,98,03,032	5,33,55,023	3,36,14,163	4,51,92,800	9,11,45,000	-
2	Vinod Bahety	Gp. Pres. - Corp. Finance/IB	2,76,76,676	3,08,14,616	4,58,57,078	2,89,27,541	2,40,41,400	98,57,538	34,46,700
3	Amit Kumar	Gp Pres. - Corp. Banking	3,41,51,823	2,51,13,865	2,36,12,334	1,34,74,561	11,57,46,850	4,94,38,000	-
4	Pawan Kumar Agrawal	Sr Pres. - Deputy Hd CFIB	1,86,02,668	2,09,01,259	-	-	48,32,898	1,11,70,253	-
5	Amit Mamtani	President - Risk Management	81,84,755	86,70,526	1,07,01,532	Not Available	5,46,78,570	4,56,52,420	85,20,727
6	Harsh Gupta	President - Risk Management	Not Available		1,08,89,175	Not Available		-	-

Source: [Hindustan Times](#) and Yes Bank

Comparative Remuneration

Name	Last Designation	Date of Joining	Age Years	FY2018 Rs	FY2019 Rs	FY2020 Rs	FY2021 Rs
Ashish Agarwal	Wholesale Credit, Yes Bank	17 March 2009	48	7,19,30,002	5,98,03,032	5,33,55,023	3,36,14,163
Rana Kapoor	CEO, Yes Bank	01 February 2004	64	5,30,89,492	6,48,41,390	40,08,469	Not Applicable
Rajat Monga	Group Pres., Yes Bank	24 April 2004	48	9,67,94,013	6,83,55,621	9,20,54,279	Not Applicable
Parag Gorakshakar	Chief Credit Officer, Yes Bank	23 March 2011	51	2,62,86,716	2,38,12,801	2,21,33,692	1,71,05,514
Shikha Sharma	CEO Axis Bank	01 June 2009	62	5,18,79,337	Not Applicable		
Amitabh Chaudhry	CEO Axis Bank	19 November 2018	57	Not Applicable		6,73,28,762	7,00,55,897
Rajeev Anand	ED, Axis Bank	01 May 2013	55	2,61,88,412	3,39,19,188	4,39,80,472	3,23,19,872
Rajesh Kumar Dahiya	ED, Axis Bank	01 June 2010	54	1,94,32,306	2,96,56,378	3,96,49,766	2,93,47,691
Cyril Anand	CRO, Axis Bank	26 April 1995	55	1,24,44,083	1,25,35,265	1,29,27,471	Not Applicable
Aditya Puri	CEO, HDFC Bank	12 September 1994	70	9,64,99,621	13,67,04,726	18,92,17,065	13,82,97,499
Sashi Jagdishan	CEO, HDFC Bank	05 February 1996	56	2,19,84,506	2,53,68,474	2,91,77,556	4,77,81,909
Khaizad Bharucha	ED, HDFC Bank	04 October 1995	55	4,33,40,269	5,87,78,554	8,64,21,248	6,00,63,505
Jimmy Tata	CCO, HDFC Bank	15 December 1994	54	1,96,01,483	2,36,44,770	2,66,33,606	2,91,78,757

Note: Remuneration excludes value of ESOPs

Source: Banks

Comparative Risk Weighted Assets

Rs bn	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Yes Bank	643	907	1,150	1,624	2,232	2,680	2,037	1,959
Growth (%)		40.9	26.8	41.2	37.5	20.0	-24.0	-3.9
Axis Bank	2,453	2,981	3,459	4,065	4,462	4,767	5,333	5,648
Growth (%)		21.5	16.0	17.5	9.8	6.9	11.9	5.9
HDFC Bank	3,170	3,871	4,816	5,801	7,261	8,640	9,152	9,924
Growth (%)		22.1	24.4	20.4	25.2	19.0	5.9	8.4
ICICI Bank	4,774	5,155	5,740	5,678	5,708	6,298	6,910	6,992
Growth (%)		8.0	11.3	-1.1	0.5	10.3	9.7	1.2
Indusind	586	767	994	1,220	1,445	1,829	2,222	2,306
Growth (%)		30.9	29.5	22.8	18.4	26.6	21.4	3.8
Total	11,627	13,682	16,159	18,388	21,109	24,215	25,654	26,829
Growth (%)		17.7	18.1	13.8	14.8	14.7	5.9	4.6

Source: Banks

Yes Bank Executives Response to the Enforcement Directorate

During their interrogation by the ED, the Yes Bank officials put the onus of responsibility on Rana Kapoor, and stated that even though they had reservations about the loan, pressure from the then CEO compelled them to approve it. (This is known as the classic “[Nuremberg defence](#)” -- “we were just following orders”.)



Kotak Mahindra AMC

“The risks in Fund Management are managed by Investment Committee which is appointed by the Board and is responsible for monitoring the credit and interest rate risks...Your Company has robust risk management policy and practices in all the above related areas of functioning to check the adequacy of risk management systems.”

-Kotak Mahindra AMC FY2017 Annual Report



Kotak MF's Investments in Zee Cos.

Investments of Kotak AMC in ZCNCDs of Konti and Edison

FMP Series	Maturity date of schemes	AUM at Maturity (in Crores)	Investment in	Investment date	Exposure as on the date of maturity (in Crores)	% of Exposure in AUM as on the date of maturity
127	08/04/2019	451.18	Konti ZCNCDs	01/06/2016	46.29	10.26
			Edison ZCNCDs (Series II)	28/03/2016	33.69	7.47
183	10/04/2019	561.87	Konti ZCNCDs	01/06/2016	44.7	7.96
			Konti ZCNCDs	11/3/2016	17.2	3.06
			Edison ZCNCDs (Series II)	21/03/2016	44.58	7.93
187	15/04/2019	496.97	Konti ZCNCDs	11/03/2016	51.48	10.36
			Edison ZCNCDs (Series I)	21/03/2016	51.33	10.33
189	17/04/2019	123.08	Konti ZCNCDs	11/03/2016	49.29	9.92
193	02/05/2019	248.28	Konti ZCNCDs	01/06/2016	26.56	10.7
194	15/05/2019	211.17	Konti ZCNCDs	01/06/2016	23.94	11.34

Note: Rs 1 crore = Rs10 mn

Source: [SEBI Order](#) p. 31

Observations in SEBI's Order

- In a shocking revelation, thoroughly exposing Kotak MF's Investment Policy, the SEBI's August 27, 2021 order [notes](#) that the company's IC on March 7, and May 18, 2016 was

“not aware of the issuer entity even on the date of approving the proposal to invest in the ZCNCDs [zero coupon non-convertible debentures].” (para 40, p. 34)

- Such is the professionalism on Kotak MF's IC that they approved an investment in a corporate entity whose identity they did not know and consequently had no clue about its financials. They did so as documented in its approval note solely on the belief that,

“repayment of our exposures will, in all probability, be funded through a refinance. We take comfort from the reputation and track record of Essel Group in general and fundamentals, liquidity and performance of Zee shares.” (ibid)



Poor Financials of Cos.

Financials of Konti

	2011-12	2012-13	2013-14	2014-15
Revenue	6,87,12,954	2,76,10,886	3,47,42,329	3,50,38,070
Profit after Tax	-1,03,22,387	-15,71,940	-85,40,468	-23,71,11,700
Long Term Liabilities	51,83,283	51,83,283	4,71,456	2,50,04,71,456
Short Term Liabilities (Loans & Advances)	5,97,92,36,166	8,49,37,36,166	15,11,47,86,166	3,36,61,00,000

Amount in Rs

Source: SEBI Order p. 38

Financials of Edison

	2013-14	2014-15
Revenue	13,56,056	41,684
Profit after Tax	-30,90,67,725	-57,84,23,880
Long Term Liabilities (Borrowings)	9,05,66,05,000	9,55,01,05,000
Short Term Liabilities (Borrowings)	3,70,55,00,000	6,76,18,90,000

Amount in Rs

Source: SEBI Order p. 38

Kotak AMC's Debt Investment Committee (IC) in FY2017



Gaurang Shah



Nilesh Shah



Lakshmi Iyer

Source: Kotak AMC

National Stock Exchange (NSE)

“The Company is committed to maintain the highest standards of corporate governance and adhere to the corporate governance requirements consistent with such standards.”

- NSE FY2017 Annual Report p. 71



National Stock Exchange Board Meeting

- Attending a board meeting without a Notice and an Agenda is irregular and maybe even illegal; even shell companies take care to perform these formalities.
- For emergency board meetings a shorter notice must be given. Yet on September 16, 2016 the NSE had a board meeting in which neither a Notice nor Agenda was circulated.

Extract from NSE's Secretarial Audit FY 2017

At the Board Meeting held on 16th September 2016, at which neither Notice nor Agenda was circulated, seven out of eight Directors including four out of five Public Interest Directors were present.

Source: NSE Annual Report FY2017 p. 117



Suppressing Board Minutes

- Important discussion pertaining to the removal of Anand Subramanian (consultant & Group Operating Officer) at the October 21, 2016 board meeting was not included in the Minutes.
- Taking a decision to remove a senior executive with immediate effect is an extremely serious issue, which needs to be carefully documented for the record.

NSE Directors Who Attended NRC and NSE Board meeting on October 21, 2016

S. Number	Name	Category
1	Ashok Chawla	Chairman PID & NRC
2	Ravi Narain	Vice Chairman Shareholder director & NRC
3	Dinesh Kanabar	PID & Chairman, NRC
4	Naved Masood	PID
5	T V S Mohandas Pai	PID
6	Dharmishtha Rawal	PID
7	Abhay Havaladar	Shareholder Director
8	Anshula Kant	Shareholder Director
9	Prakash Parthasarathy	Shareholder Director

Source SEBI Final Order against Ms. Chitra Ramkrishna and others p. 134



Auditors of Select Private Sector Banks

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	
Axis	Viren Mehta, S R Batliboi	Nalin Shah, Deloitte	Z. F. Billimoria, Deloitte			Viren Mehta, S R Batliboi	Viren Mehta, S R Batliboi		Viren Mehta, S R Batliboi	Shailesh Haribhakti, Haribhakti	Purushottam Nyati, Haribhakti			
HDFC Bank	Shailesh Haribhakti, Haribhakti	Akeel Master, B S R	N Sampath Ganesh, B S R		Akeel Master, B S R	Zubin Shekary, Deloitte	P B Pardiwalla, Deloitte	P B Pardiwalla, Deloitte	P B Pardiwalla, Deloitte	Sudhir Soni, S R Batliboi	Swapnil Kale, MSKA			
ICICI	Akeel Master, B S R	Shrawan Jalan , S R Batliboi				V Vishwanath, B S R	V Vishwanath, B S R	V Vishwanath, B S R		Khusroo Panthaky, Walker Chandiok	Sudhir Pillai, Walker Chandiok			
Indusind	Ashutosh Pednekar, M P Chitale		N Sampath Ganesh, B S R			Akeel Master, B S R	Russell I Parera, PWC		Russell I Parera, PWC	Viren Mehta, S R Batliboi	Purushottam Nyati, Haribhakti			
Yes	Akeel Master, B S R		N Sampath Ganesh, B S R	Surekha Gracias, S R Batliboi		Viren Mehta, S R Batliboi	Viren Mehta, S R Batliboi	Manoj Kumar Vijai, B S R	Manoj Kumar Vijai, B S R	V Vishwanath, B S R		Ashutosh Pednekar M P Chitale		
Kotak Bank	Viren Mehta, S R Batliboi		Kalpesh Mehta, S B Billimoria				Viren Mehta, S R Batliboi				Sudhir Pillai, Walker Chandiok		Murad Daruwalla Walter Chandiok	
	Affiliate Firms: SR Batliboi - E&Y, B S R - KPMG, SB Bilimoria - Deloitte, MSKA - BDO, Walker Chandiok - Grant Thornton													
	Red Box = Misreported Accounts													

RBI Bans SR Batliboi for 1 Year

- On May 23, 2017 I [highlighted](#) how Viren Mehta, partner SR Batliboi & Co, affiliate firm of E&Y had audited Yes Bank and Axis Bank's FY2016 accounts which the RBI had found to be misleading.
- On June 3, 2019 RBI [banned](#) SR Batliboi from auditing banks from April 1, 2019 for 1 year.
- HDFC Bank, Indusind Bank & South Indian Bank [forced](#) to replace SR Batliboi as auditor following RBI's action.



Conclusion

- There is no lack of corporate governance structures or systems
- Corporate and especially the financial sector is highly incestuous - many inter-related business links amongst the parties
- Dissent within companies and the board of directors is rare
- No future for dissenters: whistleblowers or dissident directors
- Business media is even more compromised than mainstream media
- Requires more intrusive regulation and severe punishment for mis-governance



References

- [RBL Bank](#)
- [Yes Bank](#)
- [Kotak Mahindra Mutual Fund](#)
- [National Stock Exchange](#)
- [S.R. Batliboi and Co.](#)



Disclaimer

- *I, Hemindra Hazari, am a Securities and Exchange Board of India (SEBI) registered independent research analyst (Regd. No. INH000000594). I own equity shares in some of the companies mentioned in this report. Views expressed in this Insight accurately reflect my personal opinion about the referenced securities and issuers and/or other subject matter as appropriate. This Insight does not contain and is not based on any non-public, material information. To the best of my knowledge, the views expressed in this Insight comply with Indian law as well as applicable law in the country from which it is posted. I have not been commissioned to write this Insight or hold any specific opinion on the securities referenced therein. This Insight is for informational purposes only and is not intended to provide financial, investment or other professional advice. It should not be construed as an offer to sell, a solicitation of an offer to buy, or a recommendation for any security.*
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THANK YOU

