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Anand Mahindra, Uday Kotak lash out at proliferation of regulations

They said in the current environment, they are forced to follow the rules in letter and not in spirit

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Thursday came out against "proliferation" of regulations in business. They said in the current environment, they are forced to follow the rules in letter and not in spirit.

These comments come days after auto industry veteran Rahul Bajaj also expressed his displeasure on laws made by The Securities and Exchange Board of India (Sebi) and the corporate affairs ministry to check on fleeing defaulters.

"When one takes a view that let's the spirit follow, and the letter is not clear, you get a push back (saying) 'this is the rule; have you followed it or not'. You get a slap back. If you play for spirit, you run into problems. I have no ability to question spirit, (so) let me follow rules. We are going in a transition from principles to rules," Kotak, said.

He was speaking at a summit organised by a body promoted by former Sebi chief M Damodaran. Kotak, whose bank has had run-ins with the regulator over recognition of an instrument used by the bank to decrease promoter shareholding recently, gave a tennis analogy to describe his predicament.

"In the early days of my career, I was very comfortable to hit the ball on the line. I've now come to a view (to) make sure you hit the ball inside the line. If it hits the line, then it is the umpire who decides whether it is outside or inside... Make sure that come what may, work towards following the rules and hit the ball clearly inside the line," he commented.

He added if the ball is adjudged by the umpire as being outside, there is a huge reputation risk a company is exposed to because of the judgements of the 24x7 media. "If you look at reputational risk, you are first hung in the court of media before you go out to the real world," Kotak, who was also the chairman of a recent committee on corporate governance appointed by Sebi, said. Mahindra said the current environment reminds him of the days of the license raj, where the government's role to promote enterprises was found wanting.

"Your job is not to eliminate risk, but to eliminate unwarranted risk. Risk is a very integral element of the capitalist system," he said. When asked if he has taken less risk because of the focus on keeping the ball inside the line, Kotak said it is a "debatable question". Both the industry leaders, however, did not offer any specifics on any regulatory overreach.

Damodaran said there is a need for regulators to not have a disconnect with the regulated universe and be more responsible. They can do so by analysing the cost and benefits before writing a regulation, he said. There should not be a distrust of business, he said, adding we are in a mode of "distrust and crucify".