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Uday Kotak, Anand Mahindra lash out at proliferation of regulations, say they are forced to follow rules in letter and not in spirit

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Mumbai: Industry captains Anand Mahindra and Uday Kotak Thursday came out against "proliferation" of regulations in business, stating that in the current environment, they are forced to follow the rules in letter and not in spirit.

The comments come days after auto industry veteran Rahul Bajaj also expressed his displeasure on laws made by Sebi and corporate affairs ministry in the wake of fleeing defaulters.

"When one takes a view that let's follow spirit, 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've no ability to question spirit, (so) let me follow rules. We are living in this world where we are going in a transition from principles to rules," Uday Kotak, the vice-chairman and managing director of Kotak Mahindra Bank, said.

He was speaking at a summit on corporate governance organised by a body promoted by former Sebi chief M Damodaran.



Kotak, whose bank 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 but hit the ball clearly inside the line," he said.

He added that if the ball is adjudged by the umpire as being outside the line, there is a huge reputation risk which 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 well 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 role of the government in promoting enterprise was found wanting.

"Your job is not to eliminate risk, but to eliminate unwarranted risk. The risk is a very integral element of the capitalist system," he said and rued that there is a "proliferation" of regulation.

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 not to 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 that we are in a mode of "distrust and crucify".

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