

Business Standard



THE MARKETS ON TUESDAY

		Chg#
Sensex	36,153.6	▼ 241.4
Nifty	10,831.4	▼ 57.4
Nifty futures*	10,860.5	▲ 29.0
Dollar	₹70.7	₹71.2**
Euro	₹79.8	₹80.5**
Brent crude (\$/bbl)**	62.5**	61.5**
Gold (10 gm)**	₹32,870.0	₹60.0

*(Feb.) Premium on Nifty Spot; **Previous close; # Over previous close; # At 9 pm IST; ### Market rate exclusive of VAT; Source: IBSA



ECONOMY P4
TRAI GIVES VIEWERS TIME TILL MARCH 31 TO CHOOSE CHANNELS

BRAND WORLD P17
THE ENTERTAINER AND THE BRAND THAT IS RANVEER SINGH

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SUN PHARMA NET ZOOMS FOURFOLD TO ₹1,241 CRORE

Sun Pharmaceutical Industries, which is grappling with corporate governance issues, on Tuesday posted a nearly fourfold rise in net profit at ₹1,241.85 crore for the December quarter of 2018-19. The firm had posted a net profit of ₹321.57 crore in the year-ago period. It indicated higher research and development costs next year, owing to clinical trial expenses for new indications of the recently launched product, Ilumya, and others.

NCLT told to pass order in Essar Steel case by Feb 28

The National Company Law Appellate Tribunal on Tuesday directed the National Company Law Tribunal (NCLT) to pass its order in the insolvency resolution process of Essar Steel by February 28. The NCLT has time till February 19 to decide on the ₹42,000-crore resolution plan submitted by ArcelorMittal for Essar Steel.

COMPANIES P3

▶ JSW gets letter of intent for Bhushan Power & Steel

ECONOMY P4

Yield curve steepens on RBI rate cut

A rate cut by the RBI has brought down short-term rates, but longer tenure rates are refusing to come down as supply in that segment has satiated market appetite. This behaviour of the rates means that the yield curve has steepened with short-term rates falling faster than long-term rates.

ANUP ROY & JASH KRIPALANI write

ON WEDNESDAY

OPINION: The coming China shock

Its internal debts are mounting and domestic investment levels have passed the point of diminishing returns, write ARVIND SUBRAMANIAN & JOSH FELMAN

ISSUES AND INSIGHTS: Data in a narrative-driven debate

In part one of a series, PC MOHANAN & ALOKE KAR dispel misgivings about the methodology used by the NSSO in its Periodic Labour Force Survey

MONEY MANAGER: The second act of bankers

A slew of professionals have moved on from cushy foreign bank jobs to chart their entrepreneurial journeys in smaller organisations, reports RAGHU MOHAN

RESULTS RECKONER

Quarter ended Dec 31, 2018; common sample of 1,655 companies (results available of 1,972)

SALES	Dec 31, '17	12.9%	15.45 trillion
Dec 31, '18	18.7%	18.34 trillion	
NET PROFIT	Dec 31, '17	14.7%	1.17 trillion
Dec 31, '18	-36.1%	75,419 crore	

Companies that have reported zero sales are excluded
Data compiled by BS Research Bureau Source: Capitaline

DTC panel seeks to curb tax litigation

Voluntary settlement norms being considered; charitable trusts may face heat

SHRIMI CHOUDHARY
New Delhi, 12 February

India's direct taxes code (DTC) is likely to introduce a mechanism to reduce litigation in the country and bring it in line with the best practices internationally.

However, charitable trusts may face the heat because the task force developing the DTC is planning to tighten exemptions to them, following developments such as withdrawing tax exemptions from the Sir Dorabji Tata Trust.

A senior government official privy to the development said these were two key areas that would see overhaul but would not affect revenue collection.

The finance ministry had appointed a task force on the DTC after there were disagreements among members in an earlier panel. The task force is expected to submit its report to the finance ministry on February 28.

According to sources, the task force, which is re-writing direct tax laws, is planning to have a fast-track settlement, an alternative way to settle disputes in line with those in many developed countries. This provides the assessee the option to withdraw the appeal in the middle of the proceedings.

Sources said there were deliberations on the possibility of introducing a voluntary tax litigation settlement for cases pending at the Commissioner Income Tax (appeals) and appellate tribunals. It may specify the time to avail the facility and give leeway on penalty and prose-

DRAFT FRAMEWORK



TOUGH NORMS FOR CHARITABLE TRUSTS

▪ To tighten rules for cancelling the registration of trusts

▪ Withdrawal of exemption if fail to carry out objectives

▪ Due diligence of donors putting funds in such trusts

PROPOSED MEASURES TO REDUCE LITIGATION

- Provision of fast-track settlement, providing an option to withdraw appeal
- Tax arbitration platform to decide cases in six months
- One separate Bench to deal with international tax matters
- To weigh the possibility of voluntary tax litigation settlement
- Increase the monetary limit for filing appeals

tion.

Besides, they are considering the introduction of the provision to take tax disputes with Indian companies for tax arbitration, which is equivalent to other court judgments. The procedure of arbitration completes in just six months. Typically, a case pending at appeals and tribunals takes two-five years to conclude.

Meanwhile, the draft DTC may recommend assessing the feasibility of creating a separate Bench of the Income Tax Appellate Tribunal (ITAT) for international taxation issues. This Bench may be set up where international tax

rows are high.

"The committee has studied global trends and best practices adopted by developed nations to deal with disputed cases. It is observed that developed nations have much lower tax litigation than India," said another official familiar with the draft.

Hence, the mechanism should ensure most of the disagreement between the taxpayer and the tax department will end at the department level, especially those which are based on the factual aspect, he explained.

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Lenders demand more collateral from Reliance Group promoters

DEV CHATTERJEE & JASH KRIPALANI
Mumbai, 12 February

Lenders including private banks and mutual funds have asked Anil Ambani-controlled Reliance Group's promoter entities to put more collateral on the table to secure their ₹6,000-crore exposure. The margin calls first started in October last year when the Reliance Power stock began showing signs of weakness, according to a lender.

The Anil Ambani group alleged last week that two of the 11 lenders — L&T Finance Holdings and Edelweiss — invoked the pledge and sold the company's shares "illegally", triggering a domino effect. The maximum fall in the group's shares has been witnessed since early this month, after Reliance Communications declared it would move the National Company Law Tribunal (NCLT) for debt resolution.

"There was a meeting on February 6 between lenders and Reliance Group officials about additional cover. The group prom-



Reliance Group Chairman Anil Ambani leaves after appearing before the Supreme Court in connection with a contempt petition

ised additional cover and we are still awaiting a response from them," said an executive of one of the lenders on Tuesday.

Apart from L&T Finance and Edelweiss, STCI Finance also offloaded Reliance Group shares to recover part of their loans to the group.

An email sent to Reliance Group did not elicit any response. Calls made to the STCI Finance

IN TROUBLED WATERS

	Sep 28, 2018	Feb 12, 2019	% chg
Reliance Infra	299.3	112.3	-62.5
Reliance Capital	281.9	136.5	-51.6
Reliance Nippon Life	172.2	157.4	-8.6
Reliance Power	25.9	10.8	-58.5
Reliance Naval	12.1	8.6	-28.3
Reliance Comm	11.9	5.6	-52.8
Reliance Home Finance	49.4	24.3	-50.8

Compiled by BS Research Bureau Source: Exchange

office went unanswered.

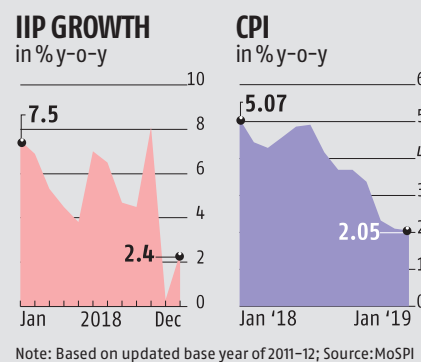
"The margin call notices have gone in accordance with the agreements signed by the company. We would certainly like to know where the money was invested by these group entities," said the executive.

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COMPANIES P3

▶ Ambani sweats it out in court, called again

IIP GROWTH RISES IN DEC, RETAIL INFLATION COOLS TO 2% IN JAN



Note: Based on updated base year of 2011-12; Source: MoSPI

The macro data released on Tuesday justified the monetary policy committee's (MPC's) stance to cut the repo rate in its latest policy review. Growth in the index of industrial production (IIP) rose to 2.4 per cent in December, from 0.3 per cent in November. It was the second month in a row that the factory output's expansion stood below 5 per cent. The consumer price index-based inflation rate, on the other hand, fell to 2.05 per cent in January from 2.11 per cent in the previous month. The policy struggle, now, will be to not let it fall below 2 per cent for any sustained period of time.

CCI probing Google for abusing Android

ADITYA KALRA & ADITI SHAH
New Delhi, 12 February

The antitrust commission is looking into accusations that Alphabet Inc's unit Google abuses its popular Android mobile operating system to block its rivals, four sources with direct knowledge of the matter told Reuters.

The Competition Commission of India (CCI) has for the past six months been reviewing a case similar to one Google faced in Europe that led to a fine of €4.34 billion (\$5 billion) by antitrust regulators last year, three of the sources said. Google has challenged that order.

The European Commission found Google had abused its market dominance since 2011 with practices such as forcing manufacturers to pre-install Google Search and its Chrome browser, together with its Google Play store on Android devices.

"It is on the lines of the EU case, but at a preliminary stage," said one of the sources, who is aware of the CCI investigation.

Google declined to comment. The CCI did not respond to Reuters' queries.

The watchdog's enquiry into allegations against Google over its Android platform has not previously been reported. Google executives have in recent months met Indian antitrust officials at least once to discuss the complaint, which was filed by a

group of individuals, one of the sources said.

The Indian watchdog could ask its investigations unit to further investigate the accusations against Google, or throw out the complaint if it lacks merit. The watchdog's investigations have historically taken years to complete.

Android, used by device makers for free, features on about 85 per cent of the world's smartphones. In India, about 98 per cent of the smartphones sold in 2018 used the platform, Counterpoint Research estimates.

In October, Google said it would charge smartphone makers a fee for using its popular Google Play app store and also allow them to use rival versions of Android to comply with the EU order.

REUTERS

TaMo's loss brings back focus on group's foreign buys

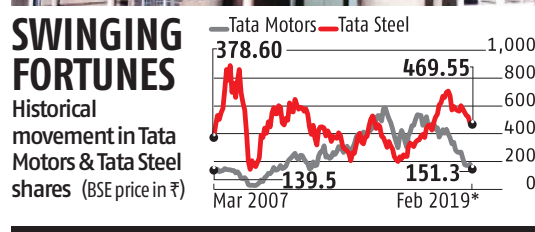
Tata Motors and Tata Steel have together invested ₹3.6 trn in their businesses since 2007, but added only ₹46,500 cr in m-cap

KRISHNA KANT
Mumbai, 12 February

In 2007, Tata Steel acquired Corus (renamed Tata Steel Europe) for around \$13 billion. The group followed it up by spending another \$2.3 billion to acquire luxury car maker Jaguar Land Rover (JLR) in 2008 under Tata Motors.

These top-dollar overseas acquisitions were a bold move by the Tata group to globalise its operations and reduce dependence on the Indian market. Other group companies such as Tata Global Beverages, Indian Hotels, Tata Communications, and Tata Chemicals also spent large sums acquiring assets abroad, but they were relatively small bets.

The acquisitions did transform the Tata group into a global conglomerate, but are yet to add to the group's financial heft. Both Tata Steel and Tata Motors have taken massive impairment hits for their two purchases.



Overseas operations accounted for nearly two-thirds of the group companies' combined revenues of ₹6.5 trillion in FY18. However, Tata Consultancy Services (TCS) remains the

cash cow for the group, accounting for 70 per cent of the group's market capitalisation and over 90 per cent of holding company Tata Sons' dividend income from all group companies.

Tata Motors' JLR unit reported a net loss of nearly ₹32,500 crore during the first nine months of FY19, while Tata Steel's overseas ventures, including its European business, lost ₹1,239 crore

RISE AND FALL OF TATA MOTORS

	Net worth	Total debt	Net sales	Opr profit	Net profit	M-cap
FY07	7,722	7,302	32,067	4,281	2,170	28,049
FY11	19,172	32,811	122,128	17,478	9,274	73,850
FY15	56,262	73,610	263,159	39,953	13,987	166,459
9MFY19*	95,089	92,923	213,514	-10,228	-29,944	47,827

TATA STEEL: A DOMESTIC STORY

	Net worth	Total debt	Net sales	Opr profit	Net profit	M-cap
FY07	14,475	24,926	25,118	7,958	4,098	26,098
FY11	35,581	60,577	118,753	20,473	8,983	59,519
FY15	31,349	80,701	139,504	9,403	-3,926	30,773
9M FY19*	64,017	115,029	120,838	23,036	6,803	52,900

Note: Tata Steel acquired Corus Group in April 2007 for \$13 bn; Tata Motors bought JLR in all-cash transaction of \$2.3 billion from Ford in June 2008; *Latest market capitalisation & share price as of Feb 6, 2019; net worth & debt as of September 30, 2018. All financials on consolidated basis

during the period. Tata Steel Europe has now reported losses in eight of the last 11 financial years.

In rupee terms, the two companies have taken ₹3.6 trillion in incremental investment or capex since 2007, but have added only ₹46,500 crore to the group companies' combined market capitalisation during the period. This has translated into significant value erosion for the shareholders of the two firms including Tata Sons.

Tata Motors and Tata Steel together now account for less than 10 per cent of the group companies' market capitalisation even as they accounted for nearly two-thirds of all the group's assets and revenues during the half-ended September 2018.

Analysts attribute the poor showing on a sharp rise in the two companies' indebtedness after their big-ticket acquisitions and less than commensurate rise in their profitability.

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ECONOMY & PUBLIC AFFAIRS P6

▶ Global giants caught in regulatory cross hairs as swadeshi raises its head