

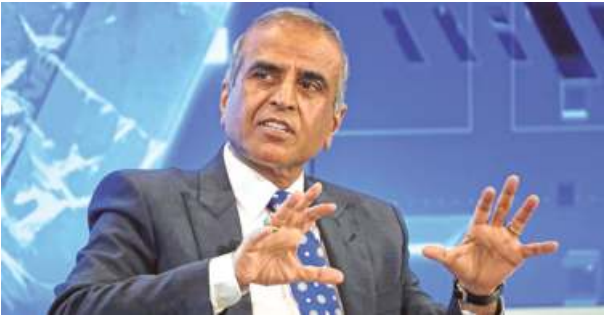
SC order: Mittal knocks on govt. doors

Telecom firms owe billions of dollars in statutory dues that they have not fully provisioned for

PRESS TRUST OF INDIA
NEW DELHI

Telecom tycoon Sunil Bharti Mittal on Monday came knocking on the doors of top government officials, including Telecom Minister Ravi Shankar Prasad, over billions of dollars in statutory dues such as spectrum and licence fee liability that his and other telcos had not fully provisioned for in their accounts.

Sources said Mr. Mittal first met Mr. Prasad and then Telecom Secretary Anshu Prakash, apparently over the liability arising from the Supreme Court upholding the government's view on how revenue should be calculated for sharing of statutory dues. Kumar Mangalam Birla, head of Vodafone-Idea Ltd.,



Ringed in trouble: Sunil Mittal-run Bharti Airtel faces a liability of about ₹42,000 crore. *REUTERS

which has also been severely hit by the ruling, was expected to come for the meeting but has now sought a different time slot, they said.

Delivering its verdict, the Supreme Court had, on October 24, upheld the government's contention that non-

core revenue in telecom groups should be included in adjusted gross revenue – the figure on which statutory levies are charged.

Sources said telecom operators are looking to the government for a possible relief, such as waiver of

penalties and interest though the Supreme Court had categorically stated that companies must pay many years' worth of charges, plus interest and penalties.

Ideally, companies are required to make provisions in their books for any potential liability that may arise from a legal dispute.

While e-mails sent to Bharti Airtel and Vodafone-Idea on the impact of the Supreme Court judgment and provisioning remained unanswered, industry sources said provisioning for the full amount has not been made. The companies also did not respond to a separate e-mail on their meeting with government representatives. Also, there is no sight of

promoters willing to infuse more equity into the companies to clear the liabilities.

According to the DoT's calculations, Bharti Airtel faces a liability of about ₹42,000 crore after including licence fee and spectrum usage charges while Vodafone-Idea may have to pay about ₹40,000 crore.

No money to pay

After the judgment, the telcos had stated that they didn't have the money to pay the government.

Government officials, however, feel both companies have enough capacity and capability to raise funds through means such as equity from promoters and monetising some of their assets.

'Ambiguity in policy to be blamed for SC order on AGR'

'The Supreme Court has only gone by the rule of law'

SANJAY VIJAYAKUMAR
CHENNAI

Polymakers are to be blamed for the Supreme Court's order on adjusted gross revenue (AGR) and they have to step in now to correct the situation, according to T.V. Ramachandran, president, Broadband India Forum.

Last week, the Supreme Court had upheld the government's broader definition of revenue on which it calculated levies on telecom operators, resulting in a ₹92,000-crore blow to the industry.

"[The] Supreme Court has gone by the rule of law.

In my opinion, it has looked at the contract, words of the contract and said 'okay'; strictly speaking, as per the definition of AGR given by Department of Telecommunications (DoT), they are right and operators are wrong," Mr. Ramachandran said.

"There is ambiguity in the policy which was written. Even government bodies like BSNL, MTNL are affected along with the private operators. [Reliance] Jio is not affected, since it happened prior to 2016. So, 100% of [the] industry is affected," he pointed out.

Mr. Ramachandran said

the government has to step in to correct the situation.

He also said that the verdict was one more challenge with regards to the implementation of 5G. However, Mr. Ramachandran said, the 5G trials must get going.

"I am not saying that we have to make massive investments right now. You must make suitable investment to facilitate the trials. Otherwise, we will lose further time," he said.

Mr. Ramachandran also urged the government to start work on 6G, into which countries such as China, Korea and Finland have already started research.

L&T bets on big defence orders to sustain growth

Engineering major keen to participate in submarine project

PIYUSH PANDEY
MUMBAI

Engineering and construction major Larsen and Toubro (L&T) is betting on big orders from the defence segment in the second half of this fiscal to boost its order book and sustain growth momentum.

L&T's MD and CEO S.N. Subrahmanyan told *The Hindu*, "In defence shipbuilding, after a long time, the government has come out with 9-10 requests for quotation (RFQs). If we are even lucky in getting one or two, our shipbuilding yard will be occupied. I am optimistic and it should happen in the next 3-4 months."

In June, the Defence Ministry issued four shipbuilding requests for proposal

(RFP) amounting to ₹15,000 crore for the acquisition of various ships and craft for the Navy and Coast Guard.

The government is considering a mega ₹60,000 crore 'Make in India' project named P751 for the construction of six conventional submarines with advanced abilities to stay underwater for extended periods. L&T is keen to participate in the project and has opposed the idea that submarine projects should be given to public sector shipbuilders on a nomination basis.

Mr. Subrahmanyan said, "Submarine is a strategic issue. The government is talking about Indian make of P74I; they [government] will have to decide the foreign partner first for the technol-

ogy and then it will be made in India with local partners."

'Policy inaction'

According to L&T, the sector continues to be plagued with policy inaction on allowing the private sector to participate in defence manufacturing and fabrication.

With a ₹573-crore in orders during Q2, L&T's order book in the defence arena stood at ₹10,603 crore as on September 30, 2019, with the international order book constituting 16% of the total.

"The execution of tracked artillery gun order continues to drive revenue growth and margins in the segment. The current policy continues to inhibit private sector participation," said L&T Group CFO R. Shankar Raman.

'Deep discounts by e-com firms hitting GST revenue'

They sell well below market price: CAIT

SPECIAL CORRESPONDENT
NEW DELHI

The Confederation of All India Traders (CAIT) has written to Finance Minister Nirmala Sitharaman alleging loss of GST revenue to the government due to deep discounting by e-commerce firms, particularly Amazon and Flipkart.

Seeking investigation into the business model of both the players, CAIT said e-commerce companies sell goods much below their market value, thereby denying the government the legitimate GST revenue.

"E-commerce portals, particularly Amazon and Flipkart, where deep discounts ranging from 10-80% are being given... is quite abnormal and generally not available in offline market ...[online] sales are made on

a much lower price than the market value of the product and as such the GST is charged by them on the sale price." CAIT secretary general Praveen Khandelwal said in the letter.

Actual value

Stating that under the GST Act, the government has the power to determine actual market value of the products if it appears to be under billed, CAIT said it had sent similar letters to Commerce Minister Piyush Goyal as well as the Finance Ministers of all the States.

"By lowering the price artificially in order to capture market, these e-commerce companies are causing huge loss of GST revenue to the government and violating the FDI policy of the government," it alleged.

Amazon India's e-com arm narrows loss to ₹5,685 crore

Rival Flipkart logs loss of ₹3,837 crore in 2018-19

PRESS TRUST OF INDIA
NEW DELHI

Amazon Seller Services, the online marketplace arm of the e-commerce giant in India, has narrowed its loss to ₹5,685 crore for 2018-19.

This is a 9.5% decrease from the last financial year, when the company had posted a loss of ₹6,287.9 crore, as per documents sourced by business intelligence platform Tofler.

Amazon Seller Services saw revenues growing 55% to ₹7,778 crore in 2018-19 over the previous fiscal, it added. Coupled with its other entities in India, Amazon's losses in India in FY2018-19 were over ₹7,000 crore.

Amazon Wholesale India, the B2B arm of the American e-commerce giant, reported its revenues for financial



year 2018-19 as ₹11,250 crore, an 8% fall since the last financial year.

The entity's loss, however, widened to about ₹141 crore during the same fiscal, from ₹131.4 crore in 2017-18.

Amazon Pay India, its payments arm, recorded a manifold rise in losses. Its loss widened to ₹1,160.8 crore in FY19 from ₹334.20 crore in FY18, as per Tofler.

Amazon Transportation

Services reported 31% rise in revenues at ₹2,079 crore, while its net loss was at ₹27.5 crore in 2018-19. Emails sent to Amazon India did not elicit a response.

Flipkart India, the B2B arm of Walmart-owned Flipkart, has registered a higher loss of ₹3,836.8 crore during 2018-19 as compared to the previous financial year, according to regulatory documents.

The unit had posted a loss of ₹2,063.8 crore for the financial year ended March 31, 2018, documents filed by Flipkart India with the Corporate Affairs Ministry showed. Flipkart India's revenue from operations, however, saw a 42.82% jump to ₹30,931 crore in 2018-19 from ₹21,657.7 crore in the previous financial year.

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