

1

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Q&A: Samsung's Jung Soo Shin talks about demand concerns >4

POLICY: Planning Commission may reconsider poverty caps >2

MARKETS: Sebi wants to issue fresh order to MCX-SX >16

SIMPLY ECONOMICS: Goodbye to working class solidarity >14



SENSEX 16,453.76 ▼ 244.31

NIFTY 4,943.25 ▼ 72.20

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EURO ₹65.89 ▼ ₹0.75

GOLD ₹25,995 ▲ ₹310

OIL \$103.16 ▼ \$2.40

SHARE SUIT

Chatterjee's Haldia claim dismissed

Judgement may not have bearing on plans by The Chatterjee Group to buy out WBIDC stake in Haldia Petro

BY ROMITA DATTA
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KOLKATA

Capping a six-year-old dispute between US-based venture capitalist Purnendu Chatterjee and the West Bengal government over management and control of **Haldia Petrochemicals Ltd** (HPL)—a firm they jointly founded in 1994—the Supreme Court on Friday issued a judgement dismissing Chatterjee's claim to 155 million shares that were to be sold to him by the West Bengal Industrial Development Corporation (WBIDC).

The judgement, however, may not have any bearing on plans by The Chatterjee Group (TCG) to buy out WBIDC in HPL because the Trinamool Congress-led state government has lately taken a decision to sell its stake in the firm. It is appointing an investment bank to conduct a valuation of the firm. However, the timing of the state government's decision to cash out is surprising because HPL has been making losses for years.

TCG would have seized control of HPL had Chatterjee managed to buy the 155 million shares from WBIDC as was envisaged in a March 2002 agreement between the co-founders of the firm. Several failed agreements later, WBIDC said in July 2005 that it wouldn't sell its stake to TCG, alleging that Chatterjee couldn't fulfil his obligations under a composite agreement on the sale of the state government's stake and infusion of fresh equity in HPL.

Thereafter, HPL sold 150 million shares to **Indian Oil Corp. Ltd** (IOC) in a controversial deal that Chatterjee vehemently opposed. He had legally challenged the share sale to IOC as well.

TCG moved the Company Law Board (CLB), alleging mismanagement and oppression of minority shareholders under sections 397 and 398 of the Companies Act. The see-saw legal battle reached the apex court after TCG's rejoinders were quashed by the Calcutta high court. Nine months after hearings ended, the apex court

said in its judgement issued on Friday that there wasn't enough ground for filing a petition under section 397 of the Companies Act.

The decision is a vindication of the erstwhile Left Front government's stand on HPL, according to a key WBIDC official, who did not want to be identified. "Amid mutual mistrust, the state government stood by its commitment to sell its stake in HPL to Chatterjee, but insisted that he made payment for all shares at one go," he said.

But as the relationship between HPL's co-founders soured, the state government lined up a back-to-back deal with one of India's biggest petrochemical firms and made a "daring offer" to buy out Chatterjee's stake in HPL while the dispute was being heard by CLB, he added.

"The rights of TCG as a shareholder have in no way been compromised by the Supreme Court's order," said Aniruddha Lahiri, president of TCG. "What is of significance at this point is that the state government and TCG are working towards mutually resolving the differences, and HPL's interest will be best served by the promoters resolving their differences quickly."

The apex court's order wouldn't lead to a rift between HPL's co-founders, according to Partha Chatterjee, the state's commerce and industries minister. "The state government has decided to sell its stake in HPL in view of its current financial health," he said. "But before we sell our stake, we will conduct a valuation of the firm. We will closely scrutinize HPL's financial results in the last few years."

Asked if WBIDC would sell its stake in HPL at one go or retain some shares in the firm for being sold at a higher price after it had turned around, the minister said no decision had yet been taken.

The Trinamool Congress, which in May ended 34 years of the Left rule in West Bengal, has given TCG a free hand in running HPL, and has appointed Purnendu Chatterjee chairman. TCG now wants its management control to be expanded to majority ownership because, according to Purnendu Chatterjee, HPL is planning to expand its operations and banks want "clarity on the firm's ownership" before com-

THE GAP WIDENS

India's current account deficit widened to \$14.1 billion from \$12 billion in the year ago as the gap between imports and exports increased in the quarter ended June, the Reserve Bank of India (RBI) said on Friday. It remained almost unchanged as a percentage of gross domestic product (GDP) at 3.1%. The government wants to pull back the deficit to around 2.5% of GDP for the full year from 2.6% in the last fiscal. Economists, however, are sceptical as they expect the robust growth in exports to moderate in the second half of the fiscal as the US and European demand slows on account of global uncertainty.

Figures in \$ billion

	Q1 FY2011	Q1 FY2012
Exports	54.9	80.7
Imports	87.2	116.1
Trade deficit	32.3	35.4
Net invisible receipts	20.3	21.3
Current account deficit (CAD)	12	14.1
CAD as % of GDP	3.1	3.1

Source: Balance of payments data released by RBI

AHMED RAZA KHAN/MINT

Kingfisher is at the mercy of financial institutions

mint INTERVIEW

BY P.R. SANJAI
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MUMBAI

Neeraj Monga, executive vice-president and head of research at Toronto-based **Veritas Investment Research Corp.**, wrote in September that Vijay Mallya's **United Breweries Holdings Ltd** (UBHL) and **Kingfisher Airlines Ltd** are "teetering on the verge of bankruptcy".

Kingfisher Airlines executives rubbished the report, dismissing Veritas as a firm that nobody's heard of.

That's not quite true. Monga, reputed overseas for attacking companies following investor-unfriendly practices, achieved a certain renown in his country of origin after scathing commentary on **Reliance Industries Ltd** and **Reliance Communications Ltd**. Before that, he'd given similar treatment to **Research In Motion Ltd** and **Nortel Networks Corp.**, among others.

Monga, 40, an MBA from the Richard Ivey School of Busi-

TURN TO PAGE 3 ▶

QUICK EDIT

The ₹32 rage

It is unrealistic to expect any person to subsist on ₹32 per day in these times. That, however, was not the question the apex court asked of the Planning Commission. The commission's remit was much narrower and its now infamous affidavit on the poverty issue reflected this.

The issue at hand is that moral outrage and policymaking should not be clubbed together. Two prominent National Advisory Council members, Aruna Roy and Harsh Mander, have lashed out at Planning Commission deputy chairman Montek Singh Ahluwalia on this subject.

The government is, in any case, committed to helping the poor and politically there are no barriers to this goal. But misplaced rage at what are merely technical exercises is clearly out of place. Such estimates are not the last word in what needs to be done, but are important ingredients in the policymaking exercise.

FELINE FRACAS

The importance of being Charlotte

BY ANANDA BANERJEE
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SHIMLA

It's a muggy day for September in Shimla and somewhere in the woods ahead of Vidya Athreya and Sandeep Rattan is a leopard, its presence confirmed by the double-pulse beep signal on the handheld tracking device.

And not just any leopard (or leopardess, to be precise). This is Charlotte, an adult leopardess who was radio-collared and released last September. Her behaviour, it was thought at the time, would provide valuable information on human-animal conflict. Never before has a leopard, an animal that is increasingly being found in urban and suburban areas, been studied from this perspective in Himachal Pradesh.

Athreya, a conservation biologist, has been studying leopards in Maharashtra—a state where human-leopard conflicts are becoming increasingly common—and Rattan is a veterinary surgeon based in Shimla. They are looking for Charlotte's radio collar in a leech-infested neck of the woods outside Shimla. The collar, according to its makers, the Norwegian Institute for Nature Research (NINA), should have fallen off in 52 weeks. Once re-

Tracking behaviour: A file photo of Charlotte, an adult leopardess, being radio-collared by Vidya Athreya (left) and Sandeep Rattan in Shimla.

covered, it will be sent to NINA, where it will be decoded for detailed temperature and activity data. It is already clear from the tracking data that Charlotte has survived, coexisting with humans in a 25 sq. km area, across the local administrative blocks (or *panchayats*) of Dummi, Chedi and Bhont.

Charlotte's story is an important one—not just for her, but for all leopards. Between January and September, as many as 269 leopard deaths have been reported across the country, mainly as a result of the rising human-animal con-

flict, according to the Wildlife Protection Society of India.

Leopards are found all over India, on the fringes of villages and human habitations, preying off domestic livestock and dogs. This isn't a new phenomenon. The leopard is "often found on the outskirts of villages, carrying away village dogs and prefers scrubby jungles to dense forests", says a note in the *Nashik Gazetteer* dated 1883.

Athreya says that in Maharashtra, leopards and people share "croplands".

"Once I asked a farmer wa-

tering his crop, if he had seen a leopard nearby. I knew a collared male was sitting somewhere amid the sugar cane field not more than 20 metres away. The farmer nonchalantly replied someone had seen one around a few days ago. We went ahead without telling him, or the women plucking tomatoes in the adjoining field, of the presence of the spotted cat," she says.

Had they known about it, they may have wanted it captured, or worse, taken matters into their own hands and killed it. An increasing number of human-leopard conflicts (which usually end badly for the feline) have been reported from across India, especially in Orissa, Chhattisgarh, Uttarakhand, Maharashtra, Madhya Pradesh, north Bengal and Assam. On 23 March, a trapped leopard was burnt alive by an angry mob of 400 villagers in Dhamdhar village in Uttarakhand. On 19 July, television channels repeatedly aired footage of a cornered leopard pouncing on a forest guard on the outskirts of a village near Siliguri in West Bengal as efforts were made to drive the animal back into the forest. In the first week of September, CCTV footage showed a leopard

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TURN TO BACK PAGE ▶

TURN TO PAGE 3 ▶

The importance of being Charlotte

FROM PAGE 1

ard close to Girishikhar Co-operative Housing Society, barely 500m from the Sanjay Gandhi National Park in Mumbai. Yet, Athreya says, there is little data on leopard attacks. “We know little about conflict and why wild cats sometimes attack people,” she adds.

Most city dwellers presume leopards are only to be found in national parks and sanctuaries, but wild animals cannot understand borders.

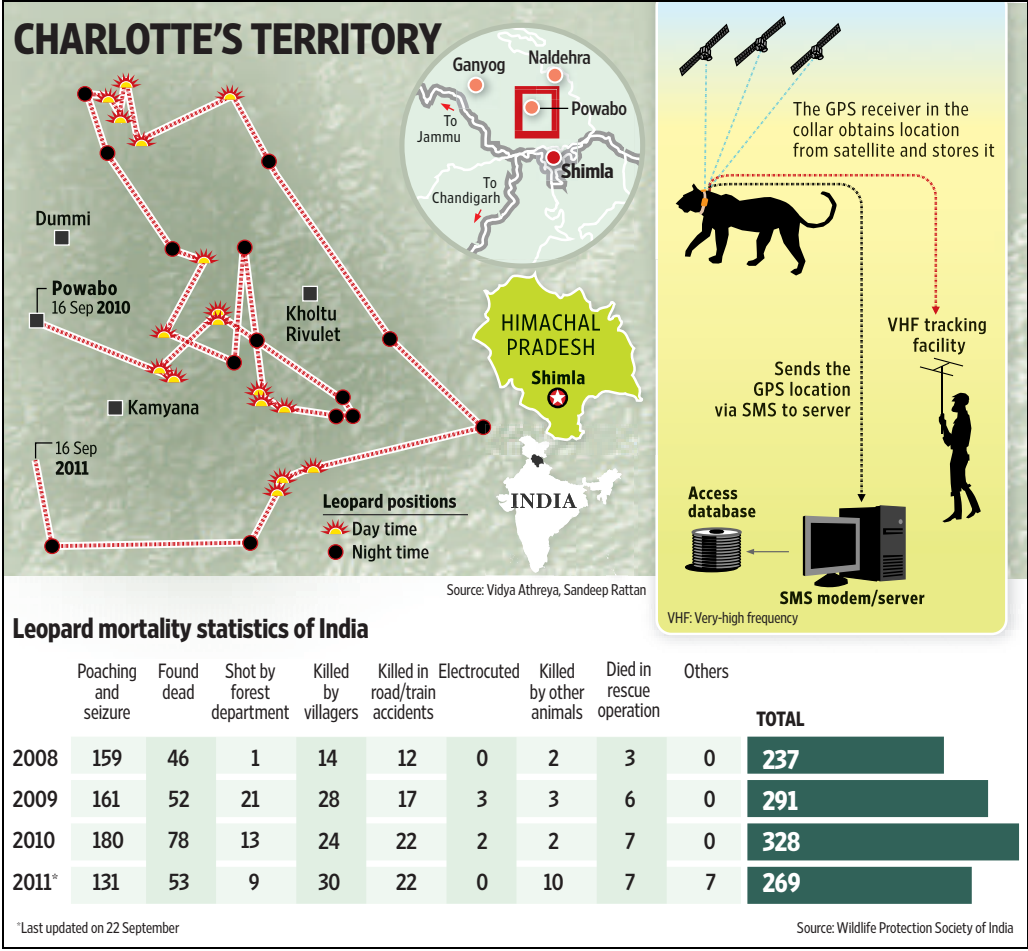
“In my study area, I have around five adult leopards and five adult hyaenas in 100 sq. km. Even with 10 large carnivores in 100 sq. km, human attacks are extremely rare. No deaths yet, just a couple of accidental attacks. In fact, in my area, each year more people are bitten by rabid dogs,” says Athreya.

Leopards have always been around people. In scrubland and woodlands, man and animal use the same paths, especially at night. And goats and pet dogs have always constituted part of the diet of leopards. “I would suggest that the presence of leopards near human habitation cannot be ruled out even during the day,” says Rattan. “This is only possible because of the stealthy nature of these elusive animals synergized by exclusive camouflaging abilities.”

Yet, he adds, there have been no deaths in and around Shimla from leopard attacks.

One reason for that could be human behaviour.

At Powabo, a hamlet where Charlotte was captured last year (the radio collar was then fitted on her, and she was re-



leased) after she went searching for a dog inside a house, most of the older generation appear comfortable with the idea of a leopard around their village. The young are different. Leopards and hyaenas, they believe, belong in zoos and national parks. There is talk of trap cages.

At a recent conference, Herbert Raffaele of the US Fish and Wildlife Service, noted that India has been able to conserve

most of its big fauna only because of a rich socio-cultural value system that emphasizes tolerance towards all species.

Large tracts of rural India are home to a substantial population of leopards, hyaenas, jackals, wolves, jungle cats, rusty-spotted cats and foxes, all living off domestic animals and rodents. In central and western India, forest dwellers worship a large cat deity known as Waghoba. The value

system itself, however, is under attack from urban values and sensitivities. By 2050, 55% of India's population will be living in urban areas, amounting to 900 million people, further squeezing the space for free-ranging carnivores.

The popular solution, when it comes to leopards, is relocation, but that doesn't work. Recent research on leopards in human-dominated landscapes shows that capture-and-trans-

location is an ineffective way of dealing with free-ranging large carnivores. Leopards exhibit amazing homing instincts and many animals will traverse through densely populated landscapes to reach home. As a result, translocation often results in merely shifting the conflict to unaffected areas. Worse, the space vacated by a translocated animal is likely to be soon taken up by another wild leopard.

“One leopard, named Ajoba, around five years old, walked 120km from the Malshej Ghats to Mumbai, crossing a railway line and the Mumbai-Agra highway and taking 25 days to make this long journey. He also went into the populated Vasai industrial estate—we knew this because of his GPS (global positioning system) collar—but no attacks were reported,” says Athreya.

Leopards pose a unique challenge: contemporary science tells us that carnivores do not consider humans food, but this does not mean the animals are welcome in villages, leave alone towns and cities.

Experts say the ideal solution is to maintain a respectful distance, keeping out of the animal's way. Most attacks, they say, occur in self-defence and panic when the animal is cornered. Leopards are as scared of humans as humans are of them, so the first thing a leopard does when it realizes that people are around is to hide and flee. The best way to deal with a chance encounter with a leopard is to allow the animal a little space and time. Experts also advocate that people traversing woodland and scrubland paths at night sing or talk, even if only to themselves. “Stray dogs are an open invitation to the leopard. Dogs, goats and other domestic stock must be driven into secure en-

closures well before nightfall. Ideally, enclosures must be some distance from homes, as leopards will venture close and will stop visiting only when they realize no food is available,” says Athreya.

A forest official in Himachal takes heart from Charlotte's story.

“The results of tracking over the last year show how leopards can live in proximity to humans without conflict. We would like to continue more such studies across other parts of Himachal Pradesh and educate the local people that they can live with leopards in a kind of symbiotic relationship,” says Ashwanii Gulaati, principal chief conservator of forests and chief wildlife warden of Himachal Pradesh.

Eventually, Charlotte's collar doesn't fall. Forget the collar, they haven't even seen Charlotte, but they know from the tracking device that she is alive (the beep changes when the animal dies) and that the collar is still on her (the beep changes once the collar falls off, too). Athreya and Rattan give up their concerted search and decide that the latter will conduct a weekly one instead.

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VIDEO

A first-of-its-kind study, the tracking of leopards in Himachal Pradesh, aims at reducing the human-animal conflict.

www.livemint.com/wildcats.htm

Kingfisher Airlines is at the mercy of financial institutions

FROM PAGE 1

ness and former strategy consultant at Bain and Co., wants to bring **Life Insurance Corp. of India** and the Employees' Provident Fund Organisation under his scrutiny apart from unearthing corporate malfeasance in India.

He said in an email interview that Kingfisher Airlines may find it difficult to raise the targeted ₹2,000 crore from its rights offer. According to him, the airline needs at least ₹4,000 crore to survive. “Airlines rarely earn their cost of capital over a business cycle. It's the most important business to grease the wheels of global commerce, but the worst business to be in as a shareholder,” he said. Edited excerpts:

Mallya said you didn't contact the airline while preparing the report and got the calculations on aircraft leasing wrong.

We are an independent organization and we take pride in our independence. To the extent lease calculation refers to the time associated with non-cancellable leases, we have quoted from the annual report for FY11. Its page 74 says, “Lease periods range up to 12 years and are usually non-cancellable”.

It is possible that some leases might have aged for a time, and hence, the remainder of the time period might be less than the contracted period at inception. For valuation purposes though, the time period argument is irrelevant, because we use Kingfisher Airlines' undiscounted non-cancellable disclosed obligation from its FY11 notes to the financial

statements, which is based on the weighted life of the existing lease agreements in place.

How do you react to Mallya's response to shareholders at Kingfisher annual general meeting (AGM) on Wednesday?

(The) management is making its best attempt to garner resources in a cash-starved business. I wish them the best of luck. It appears that the media has made our research personal to VM (Vijay Mallya). It is not and was never intended to be. We are just highlighting poor governance and aggressive accounting issues rampant in Indian disclosure. While the society at large is focused on corruption among the politicians and bureaucracy, recent events have shown that a segment of the Indian corporate sector is equally culpable.

Mallya clarified points of worry—being a going concern, accounting treatment of maintenance costs, subsidy and statutory dues.

Auditors raised the going-concern issue and have subsequently issued another opinion after our report, and a day prior to the AGM, outlining that it is not an adverse opinion. I think we can all read between the lines. On maintenance costs—the company's position is untenable. The auditor outlines and we quote in our report that “the accounting treatment is not in line with Indian accounting standards”. That's all that matters.

As of the day of the annual report, 25 August, the statutory dues were outstanding for more than six months. Our report was published on 12 September, and then chief financial officer (CFO) of UBHL gave an interview to the media



Blunt views: Neeraj Monga, head of research at Veritas.

on 15/16 (September) and said that the dues were paid. You should confirm from the Indian authorities. I have to accept management's disclosure at face value.

Mallya said he will personally step in to provide a third level of comfort to the lenders.

No comments.

How do you see Kingfisher Airlines' decision to exit the low-fare segment?

No comments.

What prompted you to pick Kingfisher, while market leader Jet Airways (India) Ltd also has a huge debt burden of ₹13,000 crore and has been posting losses?

We have not analysed Jet Airways. So I have no comment on that specific situation. Liquidity is paramount for running a business—Kingfisher Airlines is running out of cash, and now has to sell its office space to raise funds. What's next? Based on the CFO's comments to the media, it seems they have room for

three months. After that, it's anybody's guess.

All airlines are looking to raise money from equity, but can't because of market conditions.

We have not raised any questions regarding timing. We have looked at Kingfisher Airlines as of a specific date and found that the company is in duress and that it may not survive. That does not mean we are saying that others are better/worse off. To suggest otherwise is unfair and prejudicial to our research.

Do you doubt the promoters' ability to save the airline?

The airline is at the mercy of the financial institutions. The management of UB Holdings is trying its best. Whether that is sufficient remains to be seen.

What are the prospects of the rights issue getting fully subscribed?

The airline is approximately 60% owned by UBHL (including Mallya's ownership) and 23% by banks. Therefore, 83% of the funds have to come from the two groups. I do not believe that the other 17% shareholders will subscribe to the rights issue. A related party has agreed to convert ₹709 crore OCDS (optionally convertible debentures) into equity at the time of the rights offering. That just means that funds that have already been committed and used up in the operations will undergo a nomenclature change to equity. It would not amount to an injection of new funds from the related party.

UBHL does not consider OCDS as debt anyway and that implies that for all intents and purposes, there would be no reduction from the currently reported debt on the books of Kingfisher Airlines.

The banks have term loans outstanding of approximately ₹4,500 crore, backed up by an equivalent amount of securities owned by UBHL in **United Breweries Ltd, United Spirits**

Ltd, Mangalore Chemicals and Fertilizers Ltd, etc. Therefore, I assume unless the banks can get additional collateral, they would not lend more money. Will they subscribe to the rights? They will, if UBHL pumps cash funds in addition to OCDS.

To what extent do you think the forthcoming rights issue of ₹2,000 crore will provide relief?

If the rights issue is priced at the CMP (current market price) of ₹20 or thereabouts, it will result in the issuance of 1,000 million shares, in addition to the 498 million shares outstanding. A cash infusion of ₹2,000 crore would be good for the company. A non-cash conversion of unpaid dues to the banks and OCDS will do nothing for the company's financial well-being.

How much of an equity infusion does it need?

The company is planning to change its business model. So, only the management knows what the ultimate size of the organization needs to be to support a changed business plan. The company needs upwards of ₹4,000 crore to become viable. They need to have a cash cushion of at least ₹1,000 crore and need to repay debt of ₹3,000 crore.

What do you blame for the airline's plight—debt, management skills or corporate governance?

Debt and the current cash burn rate. Airlines rarely earn their cost of capital over a business cycle. It's the most important business to grease the wheels of global commerce, but the worst business to be in as a shareholder.

Many Indian companies have gone through a bad spell. Is this a temporary blip for Kingfisher Airlines, considering Indian aviation's growth potential?

Growth per se does not make for good business. Pricing power, competitive intensity and differentiation are all

the more important. Indian telecom has growth, but no pricing power. Growth is also associated with a requirement to undertake capital expenditure to meet that growth. If organizations don't have free cash flow to fund capital requirements, then the resultant equity dilution or debt increase is always detrimental to shareholder interest.

You are known for blunt reports on big Indian groups. Do you do that to attract attention?

My research is based on facts. It is also insightful, strategically and conceptually. No one has said that our facts are wrong. The intent is to be factually correct and be objective.

Veritas is in the process of developing an India-focused business, given that there is significant interest in emerging markets such as India. We specialize in governance and accounting-based research, in addition to the usual fundamentals-based analysis. In many instances, the Indian market is led by rhetoric rather than facts, and we are trying to dispel the myths surrounding Indian organizations, so that investors can make an informed decision.

What next?

I would have thought investors and the media would raise questions of the banking consortium, given that a sound financial system is the backbone of any economy. You can see what is happening in Europe and North America. Perhaps we have taken Gandhiji's monkeys to heart, and we do not want to see, talk or hear of evil, even when that evil is undermining our society at large. Endemic corruption in India is not limited to politicians and the babus. It has become the hallmark of our society and permeates all walks of life, including corporate India, which has never been scrutinized to the extent required. We will change that.