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Corporate Combat

The year gone by had its share of brawls in the boardroom, and some of them out of it.

By Krishna Gopalan

Simmering Rivalry

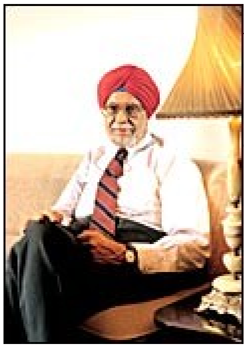
India's most hi-profile business split continued to simmer and bubble in 2006. Although the Ambani brothers, Mukesh and **Anil**, formally parted ways in June 2005 (the split came into effect the following January), they found many occasions to cross paths. The most important bone of contention, from Anil's perspective, was supply of gas from Mukesh's Reliance Industries to the former's proposed 7,400-mw power project in Dadri, up. Originally, Reliance Industries had agreed to supply gas at $2.34 per MMBTU (million metric British thermal unit), but when gas prices shot up globally, Reliance had second thoughts about the deal, since it would mean supplying at a loss. The Petroleum Ministry complicated the matters by stating that the deal price would affect its own gas royalties from Reliance. As the year drew to a close, Anil's Reliance Natural Resource was still fighting Reliance Industries in the Bombay High Court. Will 2007 bring a denouement to the brotherly drama? Your guess is as good as ours.

My Way or the Highway

Bombay dyeing may no longer be the force it once was, but its Chairman **Nusli Wadia** has lost none of his spunk-as his equal partner in Britannia, France's Groupe Danone, discovered. When the Paris-based Evian marketer struck a deal with Bangalore-based biotech firm Avesthagen to pick up a 5 per cent stake, Wadia cried foul. He cited a non-compete clause between the two partners that prevented Groupe Danone from investing in any other foods company. What does Avesthagen have to do with foods? Apparently, the Villoo Morawala Patell-company does work in the foods space as well. On appeal from Wadia, the Bombay High Court stopped transfer of shares. Interestingly enough, the real fight may be about Britannia, where Danone owns 25.5 per cent, which is a much more profitable company than Bombay Dyeing.

Hong Kong's Old Fox

If the Ruias of Essar thought they could push Li Ka-Shing against a wall, they just might be wrong. The two partners in Hutchison Essar Ltd. (HEL) began fighting when the Egyptian telecom company, Orascom, picked up a 19.3 per cent stake in Li's Hutchison Telecom International Ltd (HTIL), giving Orascom an indirect ownership of 10 per cent in HEL. The Ruias, led by brothers Shashi and Ravi, went on to buy Rajiv Chandrasekhar's BPL Communications, which offered cellular services in four circles, including Mumbai. Apparently, the deal was that Essar would buy BPL Communications and then sell it to HEL. But that was not to be, since the government objected to the sale. The Ruias, who were possibly counting on HEL going public, took HEL to court. But, when BT went to press, Li had sprung a surprise by deciding to sell HTIL, which owns 67 per cent of HEL. Among the suitors were Anil Ambani's Reliance Communications, UK's Vodafone, and Malaysia's Maxis.



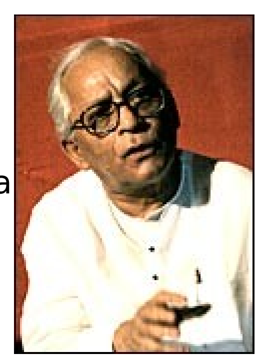
A Matter of Will

Business families fight and they make up. Like the Singhs of Ranbaxy. Soon after the group founder **Bhai Mohan Singh** died, a fight erupted in the extended family over the contents of Singh's will. At the centre of the dispute, played out in some 33 suits and complaints, were a clutch of family-owned properties in Delhi and some shares of Ranbaxy Laboratories, which Bhai Mohan founded, but his son Parvinder built. While Analjit Singh, another son of Bhai Mohan, managed to reach an agreement with his sister-in-law Nimmi and her sons Malvinder and Shivinder (representing his late brother Parvinder's interests), his other brother Manjit refused to be a party to the peace deal. But with Analjit and Malvinder joining hands to resolve the feud, Manjit's case may have got a lot weakened.

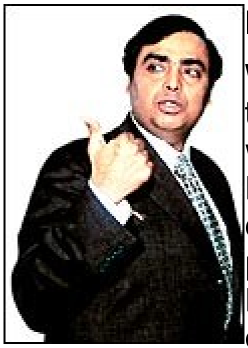
Twist in the Tale

It should have been just another case of succession planning in corporate India. Alas, it turned out to be anything but that. When liquor company Jagatjit Industries' L. P Jaiswal died in 2005, bequeathing the business to his two sons Jagatjit and Karamjit, a third claimant-also a son, but based in the UK-entered the fray. This gentleman, Anand, contested Jaiswal's will (he actually alleged that the will was fabricated), which gave promoter shares held as global depository receipts (GDRs) to Karamjit. This translated into 49 per cent stake in Jagatjit Industries, India's fourth-largest liquor company. Karamjit responded by filing a suit in Delhi High Court that questioned Anand's legal status in the family. According to reports, the suit alleges that Anand's mother Kamla married L.P. Jaiswal when she was already married. In that context, Anand, according to the suit, does not have the right to stake claim to the will. Simultaneously, there was a fight between Jagatjit and Karamjit, but the two managed to settle it without going to the courts or the media. Karamjit is firmly established as the man in charge, and is said to own more than 70 per cent of the company. The total promoter holding is believed to be in excess of 93 per cent.

Batting for the Tatas



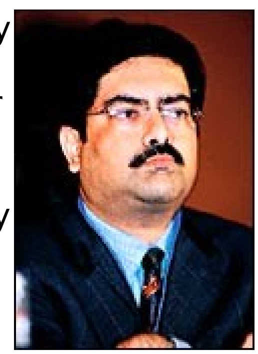
Tata Motors' attempts to acquire land in West Bengal for its Rs 1-lakh car plant may not have gone the way it expected, but it has no reason to complain. For, taking up the cudgels on behalf of the auto major was the state's Chief Minister, **Buddhadeb Bhattacharya**, himself. When his political rival and Trinamool Congress chief Mamta Banerjee went on a hunger strike to protest against the acquisition of 1000 acres of land from farmers for the Tata project, Bhattacharya refused to relent. (When BT went to press, Prime Minister Manmohan Singh was scheduled to pay a visit to Banerjee and persuade her to end her 19-day hunger strike.) The Chief Minister is so keen on the project that, apart from acquiring the land for it, he has promised power at cheaper rates and a host of other tax benefits. Obviously, he knows what his poor state needs.



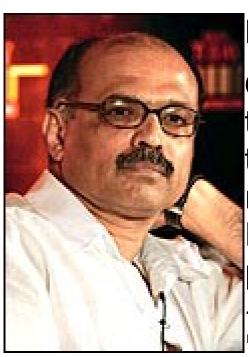
It Wasn't Just Anil

What we didn't tell you in sibling rivalries earlier in the section is that Anil Ambani's Dadri power project isn't the only one in dispute with Reliance Industries over supply of gas. Public sector giant, National Thermal Power Corporation (NTPC), is another. In 2004, RIL offered to sell gas to NTPC's Kawas and Gandhar projects at $2.97 per MMBTU for 17 years starting 2007. The two projects are vital to NTPC's expansion plans. Although RIL had won the bid against competition, it did not sign a firm contract. One of the reasons was differences of opinion between the two over a liability clause. When the **Mukesh Ambani**-led RIL baulked, NTPC took the company to court to enforce the agreement. But subsequently the Power ministry intervened to make peace, and around the middle of November, there were reports that NTPC and RIL had agreed to settle the dispute out of court. NTPC, however, denies any such agreement. By the end of December, the two parties were yet to announce any sort of settlement.

Blame it on Telecom



They are the two best-known names in Indian business. Indeed, they are business royalty. Therefore, corporate watchers were surprised when the **Aditya Birla** Group and the Tata Group locked horns over GSM mobile telephone company, Idea Cellular. The Kumar Mangalam Birla-led group wrote to the Department of Telecommunications (dot), accusing the Tatas of violating regulatory norms, since they also owned Tata Teleservices, a CDMA-based mobile telephony provider. Eventually, of course, both smoked the peace pipe, with the Birlas acquiring the Tatas' 48.14 per cent holding for Rs 4,406 crore. In an industry that's rife with partner battles, that must count as a surprisingly dignified settlement.

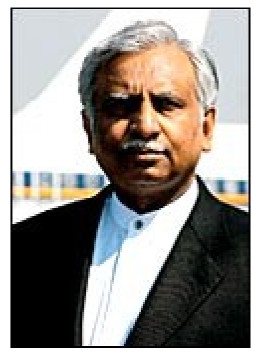


Low Cost vs Full Service

One is a pioneer of low-cost carriers in the country, and the other is the 'King of Good Times'. And, predictably, when their paths crossed this year at an altitude of 35,000 ft, there was bound to be a lot of rattle and shake. You can guess what Kingfisher Airlines boss Vijay Mallya's problem was with the no-frills carrier, Deccan Aviation, piloted by **G.R. Gopinath**: Fare prices. Mallya, who also runs India's #1 liquor group UB, thinks Air Deccan's pricing strategy is "indiscriminate" if not predatory. He thinks the low-cost carrier is selling tickets below its direct operating cost. The complaint may have been prompted by the fact that Kingfisher Airlines logged Rs 107 crore in losses between April and September, 2006. Mallya, it is believed, has written to the Directorate General of Civil Aviation (DGCA), stating that the low fares are not sustainable over the long term.

Gopinath, on his part, has maintained that costs will not be hiked, since that is Air Deccan's business model. For instance, his new aircraft do not have reclining seats. "Cost control is the most important thing for me," is his constant refrain. Ergo, Air Deccan flights do not serve any free refreshments on board or even allocate seats. That's in stark contrast to Mallya's airline, which even offers valet service and in-flight entertainment. With newer low-cost carriers such as SpiceJet, GoAir, and IndiGo to contend with, it won't be easy for Mallya (and his other full service rival, Naresh Goyal of Jet Airways) to make profits. Ironically, that will be a problem for Gopinath & Co. too.

I Do, err..., I Don't



First he said yes, and then no. In January 2006, jet airways' **Naresh Goyal** agreed to buy Subrata Roy Sahara's Air Sahara for $500 million, but less than six months later he had a change of heart. With the result, Air Sahara dragged Jet to the courts, and most recently to the London High Court, where it has filed a petition asking the court to direct Jet to complete the transaction. Neither party is in a mood to relent. Meanwhile, Air Sahara has also demanded Rs 1,931 crore in compensation from Jet, which in turn has asked for a refund of the Rs 500 crore it paid as deal advance.