Inox's Jains extend olive branch to ADAG

Send Feelers To Anil's Camp For Meeting Over Fame Dispute

Kausik Datta
MUMBAI

THE Jains, promoters of Inox Leisure, which is locked in a takeover battle with Reliance Media Works (RMW) to acquire Fame India, have extended the olive branch to Anil Dhirubhai Ambani Group (ADAG), the owners of Reliance Media Works. But ADAG is yet to respond to the offer, and it is unclear at this stage whether the rival camps will sit across the table to sort out their differences.

A person close to the matter said the Jain family has sent feelers to the Anil Ambani camp, proposing a meeting to discuss the matter. The Jains and ADAG are in a bitter tussle to acquire Fame, a deal which would help the buyer establish supremacy in the multiplex business. It's learnt that a well-known Mumbai-based industrialist has been approached by the Jains to play peacemaker.

However, the ADAG group, which, in a letter to Sebi, has put a question mark on the transaction between the Jains and the Shroffs—the promoters of Fame who sold a large block of Fame shares to Inox—is keeping its cards close to its chest.

"It's too early to say anything... but a rapprochement formula could be the bidders jointly participating in the management of Fame," said the person on condition of anonymity. This is possible if Inox refrains from a bidding war and lets ADAG hike its holding in Fame. Inox has come out with an open offer at Rs 51, which was closely followed by ADAG's counter-offer at Rs 83.40 a share. Under the circumstances, if Inox does not match the ADAG bid, RMW may end up with at least 26% stake in Fame, and thus will be eligible to control the company jointly with Inox. RMW currently holds 14% in Fame.

PEACE PROCESS

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The spokespersons for ADAG and Inox declined to comment on a possible settlement.

Inox bought 43.2% equity in Fame, held by the Shroffs, for Rs 44 a share early last month and subsequently purchased another 7.2% for Rs 50.75 before launching the mandatory 20% open offer for the minority shareholders of Fame at Rs 51. Inox has so far spent Rs 79 crore for the acquisition, which has been funded by its promoters Gujarat Flurochemicals, promoted by the low-profile Jain family from Delhi.

Soon after the offer, RMW claimed that the Shroffs had overlooked a superior offer from it. Within a few days, RMW launched a counter open offer for 63% of Fame shares at Rs 83.40 a share. Both offers are awaiting Sebi's approval. RMW has also alleged that rival Inox made no open offer after it acquired 'veto' power on the promoter shareholding in Fame nearly two years ago, thus violating the Sebi takeover code. RMW has asked for annulment of the transaction.

According to an analyst tracking the entertainment industry, the tussle may go on for years and it makes sense to resolve the differences. "Otherwise, it may impact the performance of Fame," he said. Fame is important for both bidders. A successful acquisition of the firm will help Inox emerge as India's second-largest multiplex operator, overtaking PVR. Inox, the third-largest operator with 109 screens, will be within a striking distance of the market leader RMW once it takes over Fame's 95 screens. At present, RMW owns 246 screens while PVR has 108.

Vedanta's Orissa mining project under govt scanner

Report By Govt-Appointed Panel To Be Sent To Tribal Affairs Ministry For Inputs

M Rajsekhar & Rohini Singh
NEW DELHI

THE plan by London-based Vedanta Resources to mine bauxite in Orissa—a key part of a giant aluminium complex which the company is building in the mineral-rich eastern state—could be jeopardised if the environment ministry accepts the findings of a report by a government-appointed committee.

Environment minister Jairam Ramesh says the report will be sent to the ministry of tribal affairs for its inputs. Mr Ramesh says he is neither for nor against the project sought to be implemented by Vedanta, owned by tycoon Anil Agarwal, and would be guided entirely by the report and the facts on the ground.

But officials at the ministry of environment & forests (MoEF) told **ET** that the government is deeply concerned about some of its findings, which has among other things pointed out that Vedanta's mining activities in Niyamgiri in Orissa would have an adverse impact on the local Dongria Kondh tribe, which is classified as a primitive tribal group. The government, or at least the environment ministry, appears unconvinced by a strong letter of support sent to it by the Orissa government last Thursday supporting the project and asking for a final clearance.

Any final licence to mine—if there is to be one—will now hinge on three factors. One is Vedanta's response to a showcause notice issued to it by the environment ministry asking it to respond to allegations that it had started work on the mining project without receiving all clearances.

CIL objects to plant site in Bengal

KOLKATA: Coal India Limited (CIL) has raised objections to the choice of site for Vedanta Aluminium Limited's proposed plant at Bidhanbag near Asansol in West Bengal, saying that it was a coal-bearing region. "The project needs detailed discussion because of the location," CIL chairman Partho Bhattacharya said here. An official of Vedanta Aluminium familiar with the development said the company needed 1,000 acres of land in the area for its alumina smelter and power plant. The company was in possession of 270 acres, but the balance was to be acquired by the state government on behalf of Vedanta. CIL's objection stems from the fact that the area holds huge coal reserves and it wants the state to explore the possibility of allotting an alternative site. –PTI

More importantly, the response the environment ministry receives from the ministry of tribal affairs may decide the fate of the mining project. The tribal affairs ministry has been asked to figure out whether the Forest Rights Act, a law enacted by Parliament giving India's tribal communities certain rights over the forests where they traditionally reside, has been properly implemented in that part of Orissa. Thirdly, the impact of the project on the Dongria Kondhs will be closely studied.

One person familiar with the matter said the Vedanta issue has also become embroiled in politics with the Congress Party not seemingly in favour of the project. A top official in the environment ministry told ET on condition of anonymity that the government is alarmed about the complaints received against the mining company. "There cannot be smoke without fire. We are hearing about human rights abuses to a degree that is shocking," said the official.

Mr Ramesh's move to rope in the ministry in charge of tribal welfare is in line with the views of the forest advisory committee that compiled the report on Vedanta and is the nodal agency for all forest clearances. The report suggests that the issue of whether the implementation of the Forest Right's Act has been completed be referred to the tribal affairs ministry. Vedanta has denied any wrongdoing. In an emailed response to ET, a company spokesperson said that the views expressed in the fact finding report are "biased" and "should not be considered" because one of the committee members has had a past association with Amnesty, the NGO that has been opposing the company's project.

A three-member committee, comprising Usha Ramanathan, an independent law researcher, Vinod Rishi, additional director general (wildlife) at Dehradun's Wildlife Institute of India, and JK Tewari, chief conservator of forests, MoEF (Bhubaneshwar), had submitted their report to the FAC last Friday. This report contradicts the claims of the district collectors of the two affected districts, Kalahandi and Rayagada, that the implementation of the FRA (Forest Rights Act) has been completed. The report says: "Until these, and allied rights are recognised, recorded and settled under the FRA, it would be unconstitutional and in breach of the FRA, to disturb (the tribals') habitat."

The report has also highlighted the adverse impacts the project will have on the Dongria Kondhs saying that the community is not ready for an ecological shift, and that any "disruption of the habitat and the way of life of this PTG (Primitive Tribal Group) cannot be remediated nor compensated, and may lead to the destruction of the Dongria Kondh as a PTG." The report also finds merit in villagers' complaints about pollution from the plant.

ET had reported on Monday that Vedanta is planning to list its Orissa aluminium project. But the large part of the value for potential investors is the reduction in cost which would endangered if the company sourced bauxite from Niyamgiri in Orissa rather than outside, which is currently the case. Given the negative tone of the report, an early clearance looks extremely unlikely. The report has brought the project's possible impact on the local tribals to the centrestage. The rest of the report, on whether the company began construction in non-forest areas before it got a sister clearance for forest areas (under the Forest Conservation Act, construction can begin only once both clearances are given), and the project's impact on wildlife, is more non-committal.

Scrap double tax structure on foreign carriers: Telecom panel

Joji Thomas Philip
NEW DELHI

A DEPARTMENT of telecom committee has recommended that the communications ministry should scrap the double taxation structure on foreign carriers operating in India such as AT&T, BT, Verizon, Orange and Cable & Wireless among others

At present, these foreign carriers, which carry national and international long distance voice and data (NLD & ILD) largely use infrastructure of existing operators Bharti, BSNL and Reliance Communications as they don't have comprehensive pan-India network. Under current rules, they pay licence fees twice to the government— when they buy bandwidth from existing operators and when they resell it to customers. Doing away with this double taxation regime will enable foreign operators to compete with established players such as Bharti in the domestic market. Besides, it will also help them offer competitive rates to global clients who have branches or offices in India.

CALL-WAITING

Doing away with double taxation regime will enable foreign operators to compete with established players in the domestic market. Besides, it will also help them offer competitive rates to global clients

Last year, the DoT had deferred implementing this proposal and had asked an internal committee headed by the department's additional secretary to study the issue again. One of the primary reasons that led to this DoT move was repeated representations from the Association of Competitive Telecom Operators (ACTO), the industry body representing foreign carriers in India, asking the government for corrective action on double taxation.

The DoT committee in its report said that dual levy was against the general principles of law, especially at a time when the Centre is working on major tax reforms. It has also pointed out that foreign carriers cannot be subject to double levy since the Indian government was negotiating treaties with other countries to avoid double taxation. It also adds that the existing levy structure is against the principles of natural justice and should be corrected immediately. This committee's report will be implemented only after it has been approved by the telecom commission, the highest decision making body of the DoT.

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Telcos' licence fee till Jan at Rs 7,605.6 cr

PTI
NEW DELHI

THE telecom operators have paid Rs 7,605.61 crore in licence fees till January while they paid Rs 3,498 crore as spectrum charges for this fiscal, minister of state for communications and IT Gurudas Kamat told the Lok Sabha on Monday.

Telecom operators do not pay taxes to the Department of Telecommunications as no taxes are levied by the DoT, he added. However, the rate of percentage of revenue is paid as levies by the operators. Telecom operators paid Rs 1,957.28 crore in 2006-07, Rs 2,884.17 crore in 2007-08 and Rs 3,248.57 crore in 2008-09 as spectrum charges. They paid Rs 7,016.59 crore in 2006-07, Rs 8,826.45 crore in 2007-08 and Rs 9,759.81 crore in 2008-09 as licence fee.

Mr Kamat said the government is funding Rs 182 crore through sports ministry and state-run telecom operator MTNL is further negotiating to receive Rs 30 crore from the home ministry and Rs 73 crore from the Organising Committee of Commonwealth Games 2010. These funds would be utilised for providing communications facilities and services. It will set up a Games Data Network for running applications like ticketing, Internet and entertainment, hospitality etc, security data network for security agencies like the Delhi Police, and Broadcast Video Network.

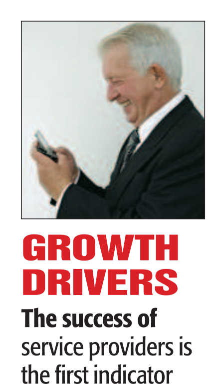
Indian telcos set to change global mobile apps model

Joji Thomas Philip
NEW DELHI

INDIAN telcom operators may well change the existing global model for mobile applications where the market is dominated by handset makers led by Apple. The success of service providers here, especially Bharti Airtel, which registered 2.5 million downloads of mobile apps, within 30 days of the launch of its app store, is perhaps the first indicator that operators and not handset makers will drive this space in emerging markets.

"We've seen 2.5 million downloads in a month and I don't think there is a parallel to this anywhere else in the world," said Atul Bindal, president (mobile services), Bharti Airtel.

He also added that the Indian market for mobile apps was different from the West in three key areas: First, in the West, this segment was device-led, while in India, it is singularly led by operators. "Telcos enjoy the proximity to the customers and can offer apps based on the requirements," Mr Bindal added. Second, globally, the growth of apps is led by large cities, but in India, the highest downloads are states such as Gujarat and Rajasthan, he said. "Third, while apps are primarily downloaded by smartphone users globally, here we find that a majority of the customers use a basic handset," he added.



GROWTH DRIVERS

The success of service providers is the first indicator that operators and not handset makers will drive this space in emerging mkts

Mobile apps have been a rave globally ever since Apple launched its App Store in 2008. Earlier this year, Apple said that its apps have seen over 3 billion downloads. Apple's success forced other handset makers such as Nokia, RIM (makers of BlackBerry) amongst others to tap this space. Apple's success in creating a billion dollars annually from applications developed by third parties has seen telecom operators around the world join the bandwagon attempting to get a share of the pie as analysts predict that revenues from app stores will grow from $4.2 billion in 2009 to $29.5 billion in 2013.

Despite a quiet launch of its app store in India in February-end, Vodafone executives say the company's apps have seen huge number of downloads.

Interestingly, both Vodafone and Bharti Airtel have similar results in the Indian market. Both telcos said that social networking, gaming and entertainment were the top three categories with regard to downloads.

While Bharti launched with about 1,200 apps and extended the list to about 1,500, Vodafone has seen its number of apps on offer for its customers here go up from 400 to about 1,000 within two weeks of the launch. About 20% of Voafone's apps can be downloaded for free while the corresponding figure for Airtel is 25%. Bharti executives also point out that its top five apps were all subscription based while adding that the telco was beating the global trends with regard to paid vis-a-vis free apps download.

"We have seen a very strong response to our mobile applications store and our customers are enjoying the various games, applications etc on it. I am also enthused about this, as it will encourage development of applications by Indian software experts," said Vodafone Essar chief marketing officer Kumar Ramanathan.

Bharti executives also add that as per their internal data, there has been one app download every second in the last 30 days.

They also add that the downloads pattern indicate that subscribers were essentially using applications to convert their feature handsets into smartphones. With Aircel's app store set to go live within the next couple of weeks, the domestic potential for these products and services are set to open up huge revenue opportunities for the country's large developer community, which until now was making applications primarily for the western markets.