

Canadian firm Veritas targets Mukesh and Anil Ambani in a report on Reliance Communications

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Tags:

MUMBAI: A Toronto, Canada-based equity research firm has come out with a scathing report on the Ambanis when the groups led by the billionaire brothers are embroiled into a host of controversies.

Little-known **Veritas Investment Research**, which claims to be Canada's largest and most followed equity research firm, has published a report on Wednesday, alleging that Mukesh Ambani's Reliance Industries (RIL) had caused loss of 25,000 crore to its shareholders by demerging its communications business and subsequently transferring it through a series of transactions to younger brother Anil five years ago.

The report, posted on **Veritas'** website, has also alleged that [Reliance Communications](#) (RCOM), the telecom arm of junior Ambani, has inflated its profit and some key ratios such as EBIDTA, EPS and book equity by accounting maneuvers and poor governance during FY 07 to FY 10. RCOM is yet to publish its FY11 annual report.

In response to an ET query, a Reliance Communication spokesperson said **Veritas** has published a "malicious and motivated report containing baseless allegations, masquerading as research."

"The report is as much a condemnation of RIL and the (Ambani) family as it is about the poor governance and accounting at RCOM," said **Neeraj Monga**, one of the two writers. The 51-page research report, *Brothers in Arms, Misappropriating A Fortune - The Full Version*, has many unusual elements: it is simultaneously published in English, Hindi and Gujarati versions; it's full of adjectives and the financial numbers are given in rupees in crore.

Also, the timing of the report has raised eyebrows as both the brothers are suffering ignominy at the hands of government authorities. RIL, India's largest company, has been facing criticism from several arms of the government on the production and cost numbers of its trophy gas project. The authorities are dismissive of RIL's reported oil finds and silent on a tie-up approval the company badly needs.

RCOM, on the other hand, has been facing heat from various fronts. Three of its executives were sent to jail for alleged involvement into the 2G telecom scandal; it's sitting on a debt pile of 35,000 crore and it's effort to raise money to pay the lenders by selling its telecom tower business has so far failed. Reflecting the poor sentiment, the stock has been badly hammered. In fact, RCOM scrip is the worst performer among the BSE Sensex stocks this year. Its valuation has eroded by 39% this year to 18,700 crore. Sensex, during the same period, lost 10%.

Monga has denied that the report was funded by a corporate rival of the Ambanis. "**Veritas** does not work on studies commissioned/requested by others," he said, adding he and his colleague Varun Raj- both are telecommunications & technology analysts at **Veritas**- felt the urge to publish the report to highlight "significant accounting and governance issues and management duplicity."

The other issues that inspired them to write the report were "Indian media's infatuation with Indian billionaires and western infatuation with BRICs without a proper understanding of the means employed by corrupt management to enrich themselves," he added. According to the report, the

Ambani family split is a "charade to deflect attention from a well thought out plan to split family wealth via formation of similarly-named companies, emboldened through strategically-timed share allotments within those companies, confusing nomenclature and repeated name changes to enrich insiders at the expense of public shareholders."