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# Aakash distances itself from Byju's

IN NOVEMBER 2023, Pai bought out US private equity fund Davidson Kempner's interest in Aakash, thereby emerging as a white knight for the firm. Pai bought Davidson's debt instruments in a deal worth ₹1,400 crore, thus releasing the 27% stake held by the fund as collateral.

He is in talks to acquire stakes of Aakash's minority shareholders such as its founders, the Chaudhry family, and US private equity fund Blackstone. This will increase his stake to around 39%. Pai will get two seats on the board, including the right to appoint its chairman.

Byju's parent Think and Learn acquired Aakash for $950 million in 2021. This was the largest acquisition in this space. Aakash reported a 40% jump in revenue to ₹1,491 crore in FY22, along with a profit of around ₹80 crore. Results for FY23 have not been declared.

# No global, local divide on digital Bill

"BROAD-BASED LEGISLATION creating uniform categories and imposing uniform obligations may have unintended consequences like actually removing incentives to innovate, create more efficient products or user experiences," Oyo said in its submission to the committee, which drafted the Bill.

Zomato said that unlike the mature economies of the EU, the Indian economy is developing and needs "nimble regulation" adding that the existing competition framework in India appears to be sufficient and Competition Commission of India (CCI) has wide-ranging powers.

Similarly, Swiggy said "ex ante regulations may pose a risk of incorrect/misplaced regulation of smaller home-grown players which provide digital technology-enabled products and services". In case the framework is introduced, it said, the government should consider applying separate thresholds to each specified sector/service.

According to analysts, the reason for this intra-division within the domestic firms, is because of the nature of the market and the regulations proposed in the draft Competition Bill (DCB). Ex-ante regulations prevent anti-competitive conducts from occurring as against the current ex post framework of intervention wherein the CCI intervenes after the occurrence of an anti-competitive conduct.

To put in place ex ante provisions, the MCA-led committee has proposed a set of provisions which would flag anti-competitive behaviour and has fixed penalties. In short, the provisions would act against any platform, which has a dominant position in any segment it operates in and if its practices — commissions for example — is seen as anti-competitive by other platforms in the business.

Large digital enterprises and their unique business models have prompted a variety of anti-competitive concerns that have been brought forth before the CCI. These include unilateral and opaque policies on search rankings, and anti-competitive usage of aggregated data.

The DCB has proposed a new term — systematically significant digital enterprises (SSDE), which have been defined as enterprises that offer "core digital services" such as online search engines, social networking services, video-sharing platform services and so on.

An enterprise can be declared an SSDE if its offering core digital services if its India turnover is not less than ₹4,000 crore or its global turnover is not below $30 billion. A company can also be deemed an SSDE if its gross merchandise value (GMV) in India is not less than ₹16,000 crore or if its global market capitalisation is not below $75 billion.

An enterprise can also be treated as an SSDE if it has had 10 million Indian users of its digital service in the three immediately preceding financial years, or if it has at least 10,000 business users.

For such companies, the Bill proposes introducing additional obligations such as ensuring dealing with end-users in a fair and transparent way, not preferring own products over others, not restricting third-party applications and so on. CCI, which will have the same powers as a civil court, will be empowered to inquire into non-compliance by an SSDE. If CCI orders are violated, enterprises face a penalty, which may extend to ₹1 lakh for each day of non-compliance to a maximum of ₹10 crore.

If a person does not comply with the orders and also fails to pay the fine, the Bill proposes imprisonment for a term that may extend to three years or a fine of up to ₹25 crore or both.

In addition to laying down such quantitative thresholds, the Bill has also proposed laying down of qualitative criteria — subjective factors that are indicative of an entity's ability to influence the market. Metrics such as resources of the enterprise, volumes of data aggregated, direct and indirect network effects at play, and the entity's bargaining position vis-à-vis its business users and consumers, fall under this.

# Markets wilt in regulatory heat

INVESTOR WEALTH ERODED by ₹13.47 trillion on Wednesday. In the past three sessions, ₹20 trillion of investor wealth has been wiped out. Almost 500 stocks or 22% listed with the NSE hit the lower circuit.

On Monday, Securities and Exchange Board of India (Sebi) chairperson Madhabi Puri Buch had expressed concerns over the rise in valuations in certain pockets of mid and small-cap funds.

Fund houses have been mandated by Sebi to give a disclosure on March 15 containing details about the number of days the scheme will require to exit from their underlying portfolio in cases of a stress situation.

Shankar Sharma, founder, GQuant Investech, said, "In a raging bubble-like bull market, the market needs a reason, any reason to fall. And it got one in the action of the Enforcement Directorate on a certain group of investors and by the securities regulator. But the real reason was that when the market starts rewarding people who are absolutely clueless about companies, businesses or financial analysis, you know that the end is near."

Market experts believe that this fall could continue in the short term, as investors as well as fund managers adjust to new realities. With some fund houses already limiting inflows into their mid and small-cap schemes such as ICICI Prudential, Kotak Mahindra, Nippon, among others, there will be a cooling off period for many overvalued stocks.

"Investors have been dabbling in the mid and small-cap stocks very aggressively for over a year. The correction is reminiscent of 2018, when among other reasons, these stocks fell sharply due to reclassification of mid-cap and small-cap funds by Sebi, leading to realignment of funds according to the new norms," said a fund manager who did not wish to be named.

The small and medium enterprises' (SME) initial public offer (IPO) segment has also been under pressure in the past couple of days. The SME-IPO index fell 5.53%. In the last couple of days, it has fallen over 10%.

# GST probe wing told not to call CEOs, CFOs directly

OFTEN DURING GST investigation, directors/CEOs are asked to be present in person, and are unable to respond to these calls all the time due to their busy schedule. Though they would be conversant with the business, they may still not be able to clarify on the questions regarding the tax liabilities of the firms they lead or compliance issues being raised by the taxman, say independent tax analysts.

MNCs thus usually appoint someone from their staff or external advisers to attend to tax investigations. The top management gets involved only in rare cases wherever suitable explanations about the business are not being furnished, or the tax department stumbles on some serious violations, and confronts the company with proof.

There are several instances of GST authorities questioning top brass of the MNCs, sources said, and cited the recent case of secondment charges. Secondment or deputation of expatriates is subject to GST, if the expatriate employee is being reimbursed by the Indian arm of the foreign company for the services provided to the subsidiary. While this created a flutter among the MNC community, the CBIC in December had directed GST authorities to follow a more nuanced approach towards determining the tax liability of Indian subsidiaries of MNCs with regards to secondment charges.

Tanushree Roy , director, Nangia Andersen India, said the practice of DGGI officials directly questioning CEOs and CFOs had numerous negative effects on company operations, including disrupting work schedules, causing legal and compliance burdens, and impacting investor confidence.

In 2022, the CBIC had told field officers that issuance of summons to senior management officials/ promoters should be "avoided" unless there are clear indications that their involvement has resulted in "revenue loss". But this hasn't led to any significant change in the operational conduct of field officers, from the perception of company managements.

Sandeep Sehgal, partner, AKM Global, said: "The new guidelines will reduce the time and efforts of the company's top management as the authorised personnel (for tax matters) will be able to provide the targeted answers to the queries of the DGGI."

Experts further said that top officials of a company are often summoned by the authorities at short notice to a unit of the DGGI, which is not close to that of the assessee. This creates additional issues for the top brass. "Therefore, serious thought should be given to conducting investigations through the unit of DGGI that is proximate to the registered office of the assessee," said Sanjeev Sachdeva, partner, Luthra and Luthra.

"At a time when courts are encouraging hybrid working, DGGI should further consider recording statements, where possible through online mode. This would contribute to ease of doing business," he added.

# Tata Motors inks MoU for ₹9K-cr plant in Tamil Nadu

THIS NEW PLANT has pushed Tata Motors' total PV installed manufacturing capacity to 1.02 million units per annum. It is producing 52,000-55,000 PV units every month and is the second largest PV company in the domestic market after Maruti Suzuki. The manufacturing capacity available for CVs offers headroom for scalability. The existing CV facilities are yet to be fully utilised. Estimates suggest that Tata Motors' CV plants are operating at 50-60% levels presently. The company is the largest manufacturer of CVs in the country. Last year Tata group announced plans of setting up a battery manufacturing plant in Gujarat at the cost of ₹13,000 crore.