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# SUMMACHAR

## BUSINESS NEWSLETTER

#15

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## HOW DID DHFL COMMIT THE ₹11K CRORES FRAUD?



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## CRYPTOCURRENCY: LEGAL, TAXATION, AND FINANCIAL ASPECTS IN INDIA



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## TCS' JOURNEY TO THE TOP OF THE IT WORLD



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## AMAZON DRAGS FUTURE GROUP TO COURT OVER RIL-FUTURE DEAL



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## 1 The ₹11k Crores Fraud by DHFL

**Securities and Exchange Board of India (SEBI)** recently issued an order for **Diwan Housing Finance Corporation Limited (DHFL)**, its promoters Kapil and Dheeraj Wadhawan, banning them from trading in the stock market. In 2019, Enforcement Directorate (ED) had raided DHFL and alleged cases of **money laundering** against it.

### The Curious Case of 'Bandra Book'

- DHFL, a **housing finance** company, set up a virtual branch called the **Bandra Branch Book**, which had been a part of the Company records for 10 years.
- It added this '**virtual**' branch in the ERP system and loans from it were approved by promoter Kapil.
- SEBI in its reports finds all accounts in the **Bandra branch** non-genuine as this dummy branch disbursed loans to dummy people.
- Hence, the fraud has also been termed as "Bandra Book Fraud".

Of the 91 companies that were given loans through the **Bandra Branch**, 50 companies' financial statements were verified by the auditor.

## SUMMARY

- These 50 companies amounted to 70% of the **₹11,755.8 crores** of the loan disbursement. And **34 out of those 50** invested a portion of the loan received in companies linked to the promoters of DHFL.
- The companies linked to the promoters were financially weak, and hence the loans were doubtful to be repaid. Moreover, these loans were unsecured and given without taking any **collateral**.
- The auditors also note that the interest charged on these loans was lower than others, resulting in a notional **loss of ₹3,384 crores**.

If the interest income from Bandra Branch loans were deducted from DHFL's total income from interest, the entity would have made loss from **FY 2008 to FY 2019** except in FY 2018.

**Did you know?** In January 2019, **Cobrapost**, an Indian investigative journalist group, published an exposé of DHFL for using various shell corporations to siphon more than **₹31,000 crores of public money** for the personal gains of the DHFL's primary stakeholders.

**INFOGRAPHIC STORY**

**DEEP DIVE STORY**

## 2 Cryptocurrency: Legal, Taxation, & Financial Aspects In India

SC had reversed RBI's ban on dealing in cryptocurrencies. Since then, many startups are working to introduce **decentralised finance** (Defi) to provide financial & banking services using cryptocurrencies.

### ANONYMITY



Personal identity i.e name, physical address and email address is not linked to bitcoin transactions



Public addresses are used for transactions



Due to **untraceability** of crypto transactions, governments are not allowing significant quantity of transaction to take place anonymously



Governments fear it could be misused for **funding illegal activities, terrorism**, etc

## Why Is The Attraction Towards Cryptocurrency Increasing?

- **Vibhor Jain**, founder of Chained Ventures says that traditional banking and finance are facing stability issues.
- Moreover, the rate of return from these traditional sources has also significantly reduced. Hence, many are putting their money on the blockchain and earning an interest of **9-12%** on **crypto-deposit**.

## Is Cryptocurrency Legal In India Then?

- Cryptocurrency is not illegal but it is also not considered a legal tender in India. There are no laws pertaining to cryptocurrency and currently, it is in a **grey area**.

## Is Income From Cryptocurrency Taxable?

- India's Income Tax Act does not have any provision on the taxability of cryptocurrencies. Taxation on cryptocurrency depends on the regularity of transactions and treatment in books of accounts.

**Did you know?** 'Pi' is the first digital currency that can be mined on our phones It has gained over **8 million users** in less than **2 years**.

**INFOGRAPHIC STORY**

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## 3 Journey Of TCS To The Top Of The IT World

With a market cap of **\$144.73 billion**, **Tata Consultancy Services (TCS)** on 8th October 2020 became the world's most valuable IT company, surpassing Accenture. However, Accenture later took over the title. TCS also became the 2nd company after Reliance to cross the ₹10 trillion market cap mark.

### What is TCS?

- It is an India-based IT service company. It has seen steady growth over the last 50 years.
- It operates in 149 locations, across 46 countries.
- Recently, it has announced a buyback of shares worth of ₹16,000 crores.
- Moreover, it booked a profit of ₹32,340 crores in 2019 – a rise of 3% on a year-on-year basis.

TCS has over 453,540 associates (including subsidiaries) and is one of world's largest employers of women with 36.4% women employees.

# MAJOR ACQUISITIONS BY TCS

**2003**

TCS acquired **Airline Financial Support Services Pvt Ltd** for \$5.1 mn

**2004**

TCS acquired **Aviation Software Development Consultancy India Ltd** for ₹140.2 mn

**2004**

TCS acquired **Phoenix Global Solutions India Pvt Ltd** for \$130 mn

**2008**

Acquired **Citigroup Global Services Ltd** for \$505 mn

**2013**

Acquired French IT services firm **ALTI SAover** for €75 million (₹530 crore)

**2014**

Increased stake to 66% in **TCS Japan Ltd** - its joint venture with **Mitsubishi Corporation** (MC) - with an investment \$32.6 million or buying 15% stake from Mitsubishi

**Did you know?** In April 2015, a class-action lawsuit against TCS was filed by an American ex-employee, claiming that South Asians comprise 95% of the company's 14,000-person U.S. workforce.

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## 4 Amazon-Future Group Feud

Recently Amazon sent a legal notice to Future Group and took the matter to Singapore International Arbitration centre for reported violation of its “contractual rights” in the deal made with Reliance.

### Why is Amazon Objecting?

- It all started with Amazon buying a 49% stake in Future Coupons Ltd, which contributes 7.3% stake in FG, in 2019. This translates to Amazon holding ~5% stake in Future Retail.
- As a part of the deal, Amazon got the right to buy (a call option) all or part of shareholding in Future Retail after a period between 3 and 10 years.
- The deal also included "a restricted list" of companies - mostly competitors with the name of Reliance explicitly mentioned - that Future was not supposed to sell the business to without making an offer to Amazon, keeping them out of the loop.
- However, with an outstanding debt of ~₹13,000 crores, Future Group (FG) was debt-laden. In August, it sold its Retail business for ₹24,713 crores

to Reliance Retail.

## What Future Group has to say?

- FG says it had reached out to Amazon while it was facing issues due to **lockdown**, but it kept delaying without any concrete commitments. One of Future's close associates said Amazon was kept in loop while the Reliance deal was in progress.
- It also says that it has not violated any agreement as the deal with Reliance does not involve any sale of 'stake' but involves only sale of FG's 'assets'.

## What do experts say?

- Experts also say that Amazon cannot challenge the deal as it involves only listed entities, whereas it has sent notice to and had agreement with **Future Coupons**, which is an unlisted firm. Moreover, as per Future-Amazon agreement, Amazon's rights to buy promoters' stake only comes into effect after **2022**.

**Did you know?** Currently, India does not allow **E-commerce** companies to own stake in entities that sell on their platforms - here FG sells products on Amazon.

**INFOGRAPHIC STORY**

**DEEP DIVE STORY**

Hope you enjoyed reading!

For feedback, suggestions, or just to have a quick chat, reach out to us at [communications@summachar.in](mailto:communications@summachar.in).