

RIL, RCOM, Nortel and Yellow Media Inc subject to scathing remarks from Canada-based research analyst Neeraj Monga

MUMBAI: What's common between Reliance (RIL), Reliance Communications (RCOM), Toronto-based industrial grade silicon and magnesium maker Timminco, and Canadian publisher of printed and online directories Yellow Media Inc? All of them have been subject to scathing remarks from an India-born, Canada-based research analyst.

Although it may be too early to say whether his views on corporate governance and accounting at RIL and RCOM will turn out to be as prophetic as they did for some of the foreign companies he analysed, it's difficult to ignore the plain-spoken, hard-hitting reports of **Neeraj Monga**.

NEERAJ WHO?

Meet **Neeraj Monga**, executive vice-president and head of research at the Toronto-headquartered **Veritas Investment Research**, an analyst who doesn't pull his punches when it comes to big corporate guns. And it's not just of the Ambani companies - a few days ago he put out a report provocatively titled, Brother in Arms: Misappropriated a Fortune - that **Monga** has been bitterly critical.

In August 2008, **Monga** wrote that it will be a "miracle" if Timminco delivers on its promises; two years ago, he said Yellow Pages Income Fund (now known as Yellow Media Inc) was on a "slippery slope" and hence advised unit holders to 'sell' even as 11 other analysts recommended 'buy'.

Monga had the last laugh. Since his reports, the Timminco stock has nose-dived from \$16 to 35 cents while the shares of Yellow Media Inc have plunged to \$2.35 from \$18.

Last week **Monga** dished out more of the same when he along with another **Veritas** analyst **Varun Raj** wrote that Reliance Communications is the "poster child of everything that is wrong with Corporate India".

Monga also wrote that RIL had short-changed its shareholders to the tune of Rs. 25,000 crore by transferring its telecom business to RCOM in 2006.

"I am an objective and facts-based person. I don't mince words to express my views about a certain subject-- that may be misunderstood for aggression. In fact, I have mellowed down a lot with age," says **Monga**, 40, whose firm **Veritas**-- it means truth in Roman mythology--claims to be Canada's largest and most-followed equity research firm.

Not unpredictably, **Monga** doesn't receive too many bouquets from managements that have come under his lens. The Yellow Media top brass dubbed **Monga's** process of accounting as "loose extrapolation." And RCOM officials described **Veritas** as an "unknown" organisation that has "ulterior and dishonest" motives.

"Globally, we are more credible than both RIL and RCOM," counters **Monga**, who claims to have played a key role in building **Veritas'** reputation over the past decade.

He adds that **Veritas** has over 40 money managers in North America as clients and some regulators in Canada also subscribe to their research reports. **Veritas'** reports are not for short-term traders; they are for medium-to-long-term investors, who believe in fair corporate governance and accounting practices explains **Monga**.

Other companies that **Monga** has taken on include Blackberry maker Research in Motion (RIM) and Nortel. On RIM, **Monga** wrote in a report that the company's price-earnings multiple will contract. "(This was) when the whole world was saying it should expand-that was especially satisfying and one of the best reports I have written," says **Monga**.

Veritas had also been at the forefront of uncovering fraud at Nortel Inc., at one time the world's technology darling that was investigated by SEC and whose executives were sentenced. Royal Group Technologies was another company where **Veritas** raised red flags and in which executives were sentenced, points out **Monga**.

It is not as if **Monga** does not have his share of calls gone awry. Some months ago he upgraded the RIM stock to a buy on the belief that the upcoming PlayBook would revive RIM's fortunes. "The company has (since) faltered at every step of the way, right from product design to placement to promotion to its positioning," shrugs **Monga**. Since his upgrade, the stock is down 50%. "In hindsight it was a hasty decision based on hope and nothing else. That goes against the golden rule of investing: fundamentals and results come first, hope later. I have been both spectacularly right and wrong on the same stock within a year," he adds.

Clearly, **Monga** can be as brutally frank about his own shortcomings as he can be of the companies he analyses. Indian analysts are, however, not sure about his motives for attacking RIL five years after the company transferred its telecom business. "I think his views on RIL are subjective," says S P Tulsian, a Mumbai-based independent analyst. RCOM's financial practices too have been criticised by many analysts before **Monga** got into the act.

Another question that comes to mind is why did **Veritas** and **Monga** decide to, out of the blue, track two Indian companies? In fact, this is the first time that **Veritas** has trained the spotlight on businesses in developing economies.

Monga has his answers. **Veritas**, he says, chose to cover RIL and RCOM because a lot of North American investors put money in these companies. Other reasons, according to **Monga**, is the "western infatuation with BRICs (Brazil, Russia, India, China) without a proper understanding of the means employed by corrupt management to enrich themselves at the expense of public shareholders; and a poor understanding of sub par accounting and disclosures."

Monga may have just begun tracking Indian companies, but he's no stranger to the country. He graduated in Economics from Delhi University and worked for a year as a research analyst with The Economic Times in New Delhi before moving to Mumbai to work with ACC as part of the cement maker's strategy and planning team.

Like any other student of economics and finance, **Monga** was enamoured by the charms - as well as the subsequent fall -- of Harshad Mehta, the then raging bull on Dalal Street in the early 90s. His passion for accounting and corporate governance prompted him to pursue his MBA; he chose Canada's Richard Ivey School of Business. Before joining **Veritas**, **Monga** honed his analytical abilities as a strategy consultant with Bain & Company in Toronto.

Monga is sceptical about the global hype surrounding India's growth story as he thinks the benefits of economic growth are being showered on only a small segment of the population.

He believes global investors are cognizant of the problems that India faces but prefer to remain optimistic because of fewer opportunities elsewhere.

Monga also does not think much about the accounting and disclosure standards in India. "Just because results are audited doesn't mean anything. Audited Indian results mean even less. Some of the accounting and disclosure is a joke."

Monga misses India but does not regret missing out on the country's ongoing growth phase. "You have to be devious to succeed in India. I am not. I miss India every day; otherwise why would I have written about an Indian company," he says, breaking into chaste Hindi to describe Indians' fascination with the Queen's language at the expense of regional dialects.

For **Monga**, life in Canada is like living in India without being present in the country. His four-and-a-half year old daughter understands Hindi but can't speak in the language. He also has a four-and-a-half month old son.

Monga may have been courageous with his no-holds-barred analysis of India's most influential corporate groups, but somewhere he fears about its consequences; he declined to talk about his family in India.

Yet, it's unlikely that **Monga's** penchant to tell it like it is -perhaps, in future, on a few more Indian conglomerates -will diminish.