

Legal costs hurt India's top 500 companies; touch Rs 9,468 crore in FY13

By [Maulik Vyas](#), ET Bureau | 16 Aug, 2013, 05.00AM IST

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MUMBAI: Even as [India Inc](#) battles a series challenges such as slowing demand, a weak [rupee](#) and surging costs, another cost overhead is taking a slice of its revenues, as legal expenses for India's top 500 companies collectively stood at Rs 9,468 crore in FY13, a rise of 13% compared to a year ago.

"Payment defaults in sectors such as infrastructure and [real estate](#), among others, are a major reason why banks and [finance](#) companies are witnessing a surge in their legal expenses," says Fereshte Sethna, founding partner at Dutt Menon Dunmorrsett, a law firm that held the legal brief for telecom giant Vodafone in India, among others.

During FY13, top five sectors in terms of spending were infotech (Rs 1,760 crore), pharmaceuticals (Rs 1,230 crore), oil & gas (Rs 1,128 crore), banking (Rs 1,040 crore) and [financial services](#) (Rs 604 crore). "Legal services costs are going up, because the demand for service increases," said a director-legal of an Indian pharmaceutical company, on condition of anonymity. "The nature of work has become more complex due to regulatory issues. Besides, companies will have to expand and continue to do business even to stay afloat."

According to ETIG data, billionaire Mukesh Ambani-controlled [Reliance Industries](#) (RIL) spent the highest amount at Rs 876 crore, an increase of 17% compared to the year ago. While Infosys and TCS spent Rs 506 crore and Rs 460.5 crore, respectively, during the year and ranked second and third in legal spends.

In the past, RIL had opened several legal flanks to get clarity on gas pricing. India's largest private sector firm by revenues has taken huge bets on the US shale gas business and is in the process of re-entering the telecom business through a slew of partnerships in a sector that's still in a legal maze.



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Mounting Bills

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Top 5 Companies		Legal Spend	
Company	Sector	FY-13	FY-12
Reliance Inds	Oil & Gas	876	749
Infosys	Infotech	506	483
TCS	Infotech	461	347
Ranbaxy Labs	Pharma	416	317
Dr Reddy's Lab	Pharma	300	239

Top 5 Sectors		Legal Spend	
Company		FY-13	FY-12
Infotech		1760	1495.4
Pharmaceutical		1230	921.6
Oil & Gas		1128	999.9
Banking Sector		1040	892.8
Finance Sector		604	492.8

Figures in crore. Source: ETIG

Overseas legal consulting is gaining ground due to many Indian cos expanding to foreign geographies. Capital goods (₹528.2 crore) and construction (₹404.4 crore) are among major spenders, along with FMCG (₹380.6 crore) and entertainment and media (₹280 crore)

Legal expenses of pharma companies also jumped significantly, with Ranbaxy spending Rs 416.5 crore, a rise of 31.21%, and Dr Reddy

Rs 300.5 crore, a 25% surge.

In recent years, many Indian pharma companies have taken a conscious call to take a swipe at their global peers by challenging them in highly regulated markets such as [North America](#) and Europe. Thus, challenges and counter challenges play a huge part in competitive markets.

"There is a degree of maturity in India Inc and they have understood that they need to play by the rules and good legal services don't come cheap, because the cost of not doing so is huge," says Nishith Desai, founder of Nishith Desai & Associates. "Secondly, there is more and more inter-nationalisation of business, cross-border litigation and the stakes are getting bigger. At the same time, the cost of setting up, maintaining a law firm, investing in technology and hiring lawyers has increased astronomically which is adding to it."