FINANCIAL EXPRESS

INVENTORY PILE-UP

Carmakers extend offers on units made in 2018

Passenger vehicle demand witnessed its worst-ever festive season in 2018, hit by high insurance premiums, interest rates and tight liquidity

PRITISH RAJ New Delhi, January 4

CARMAKERS HAVE extended their discount offers on 2018 manufactured models during the current month also to clear their inventories which had piled up due to weak festive season sales last year.

Several dealers said unlike December 2017, when stocks got cleared within the month, or at least bookings happened, this year around 30% stocks are still available.

"We have been told to continue giving discounts on the 2018 models and encourage customers to buy them. There are some offers even on the 2019 models," a northern India Maruti dealer told FE.

Dealers of Hyundai, Honda Cars and Renault India also said the discounts have been extended on several models.

Passenger vehicle demand witnessed its worst-ever festive season in 2018, hit by high insurance premiums, interest rates and tight liquidity, leading to massive inventory pile up of over 6-7 weeks



across the country. This prompted the carmakers to offer 20-25% higher discounts than the previous years.

"There are chances that some of the 2018 stock will remain unsold till February as there is less demand. The customers who are willing to buy do not want the cars with an older manufacturing date," said a Mahindra dealer.

Wholesale volumes in December stayed by and large flat as growth of country's top five carmakers was only 2% y-o-y. Several of Maruti's models — Alto, WagonR and Swift — failed to attract buyers' attention in December. Mahindra & Mahindra also reported a 3% decline in PV sales.

As per analysts at Kotak Institutional Equities, demand is still subdued across most segments due to weak consumer sentiment, which would impact industry volumes over the next few months.

"We see downside risks to our FY2019E volume estimates for most companies, particularly for four-wheeler OEMs," analysts observed.

Car sales in the April-June quarter had clocked a 20% y-o-y growth, but the trend reversed since then. During July-September, volumes fell by over 3% y-o-y.

While October saw a marginal increase in sales pulled up by festive demand, November sales slumped by around 4%.

Volkswagen India slips into red after tepid sales, exports

PRITISH RAJ New Delhi, January 4

VOLKSWAGEN INDIA, A subsidiary of Europe's largest carmaker, has slipped into red with the company reporting a loss of ₹37.1 crore during the financial year ending March 2018, against a profit of ₹50.5 crore in FY17.

The figures include other comprehensive losses of the company, as per documents sourced from business intelligence platform Tofler.

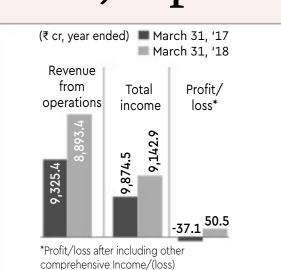
Revenue from operations during the period also declined around 5% to ₹8,893.4 crore against ₹9,325.4 crore in FY17, on the back of decline in domestic sales and overseas shipments.

"The operating profit decreased interalia due to a reduction in sales volume and increase in employee cost. However, due to further impact on account of exceptional items, viz other comprehensive loss, there is a net loss of ₹371.68 million for the year under review," the company said.

Since FY2016, when Volkswagen India reported a profit after tax of ₹107.6 crore, the trend reversed with the net profit falling multifold at ₹12.5 crore in FY17.

From around 9% rise in production in FY16, the company's production slipped into negative with a 5% de-growth in FY18. Not only did the production wane, the company's domestic sales also faced a major beating with around 10% decline in the April-March 2018 period. This was at a time when the passenger vehicle industry grew by around 8%.

With regard to exports, from a 17% increase in FY16, the shipments growth witnessed a decline of 4% during the last finan-



cial year, data from Society of Indian Automobile Manufacturers (SIAM) showed. Passenger vehicle exports out of India declined for the first time in over a decade in FY18.

According to people in the know, sluggish domestic sales and falling demand in Mexico, which accounts for over 70% of the Volkswagen India's shipments is one of the main reasons for the pressure in revenues and profit. The company ships its hatchback Polo and and compact sedan Vento that are made in India.

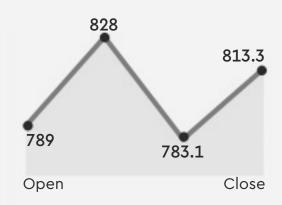
Volkswagen had originally set a target of 20% market share for the group in India but struggled to only capture 2% share in 2017-18. The group sold around 70,000 units across all its brands during the year when the size of Indian PV market was around 33 lakh units last fiscal.

Volkswagen has last year approved its India 2.0 project and assigned its sister brand Skoda to lead the growth on behalf of the group in the coming years. The first Skoda model based on the MQB-A0-IN platform will be introduced by 2020, and further vehicles from both Volkswagen and Skoda will follow.

Street Signs

HAL

Shares surge as the firm gets nod to produce weaponised LCA Tejas

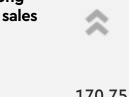


GM Breweries



Tata Motors

Scrip rises on strong growth in US JLR sales



2.74%

171.9 170.75 168.1 168.1 Close Open

Jet Airways

Stock slides on report that firm seeks ticket sales securitisation to cut debt



Quick $\bigvee_{i} \cap \bigvee_{j}$

LIC profit rises 29% in FY18 to ₹26,148 cr

INSURANCE BEHEMOTH LIC recorded a 29% jump in profit in the last fiscal, despite tough conditions. In a written reply, minister of state for finance, SP Shukla, told the Lok Sabha on Friday that LIC's profits rose from ₹20,269.47 crore in FY17 to ₹26,147.52 crore in FY18.LIC has been in focus in recent months for its decision to acquire a 51% stake in debt-laden IDBI Bank in a deal expected to be worth around ₹13,000 crore, which is expected to weigh on its profitability. The volatility in the stock market in 2018 also posed greater risks.

Probe against 110 firms for fraudulent activities

THE GOVERNMENT ORDERED

investigation against 110 companies in the last three years for their involvement in fraudulent activities, according to Union minister P P Chaudhary. Specific details about the investigation were not disclosed. The minister of state for corporate affairs told the Lok Sabha that investigation has been ordered against companies for their involvement in fraudulent activities during the last three years. As per data provided by him as part of a written reply, probe was ordered against 110 companies in the last three years.

'Angel investment going

and seed funding going down, cautioning that this trend would have a negative impact on the growth of the start-up ecosystem. Former President of NASSCOM R Chandrashekhar said that 2018 was a pretty good year for the start-up industry because investments were the highest ever. "But the bulk of investment went into large players rather than in seeding and starting small companies, which is very important

Govt revenue from telcos slips 22% in 2017-18

PRESS TRUST OF INDIA New Delhi, January 4

THE GOVERNMENT'S REVENUE mop-up from the telecom sector fell by about 22% in the 2017-18 fiscal owing to a decline in earnings of service providers from sale of services, Parliament was informed Friday.

The government collects license fee and spectrum usage charge (SUC) as a percentage of revenue earned by telecom service providers from sale of telecom services.

"Adjusted gross revenue (AGR) based SUC receipts have declined due to declining AGR," Union telecom minister Manoj Sinha said in a written reply to a question in the Rajya Sabha. In 2017-2018, the industry's AGR

declined by 18.62% to ₹1,30,844.9 crore from ₹1,60,787.9 crore in the previous fiscal, resulting in lower licence fees and SUC for the government.

The government's revenue from



licence fee declined 18.12% to ₹10,670.6 crore in 2017-18, from ₹13,032.9 crore in 2016-17.

The SUC, which is calculated based on quantum of radiowaves allocated to mobile operators, dipped by over 29% to ₹4,983.75 crore in 2017-18 from ₹7,048 crore in the preceding financial, according to data shared by the telecom minister.

Indian Oil to raise up to \$1.5 bn from overseas bond sale

PRESS TRUST OF INDIA Mumbai, January 4

THE NATIONS' LARGEST oil marketing and refining company Indian Oil Corporation (IOC) has hit the international bond market to raise up to \$1.5 billion.

The state-run company is looking to raise between \$750 million and \$1.5 billion through the US-dollar-denominated notes, i-banking sources said Friday.

The bonds have been rated Baa2 by Moody's and BBB- by Fitch Ratings. The tenor of the issue is not known immediately. Moody's has also affirmed the national

energy major's rating, expecting leverage levels to stay within the tolerance level despite negative free cash flow on account of high shareholder returns and capital spending, said Vikas Halan, a senior vice president at the agency.

He pointed out that last month IOC had

announced a ₹12,300-crore share buyback and also increased the net borrowings. "The ratings also remain constrained by the uncertainty around government policy for the oil & gas sector, especially with respect to fuel pricing and consolidation in the sector," Halan said noting the forced ₹1-a-litre fuel subsidy on state-run oil refiners announced by government last October when petrol price had crossed ₹94 a liter.

Additionally, IOC is also exposed to event risks as the government is looking to consolidate its assets in the oil & gas sector, the report said.

However, despite the risks, IOC's size and government support in case of any serious risks make the agency reaffirm the ratings, he said, adding the rating also draws from the sovereign rating.

Rival agency Fitch also said it looks at IOC's status, ownership and control by the sovereign as 'strong'.

the likelihood of state support, if needed, for IOC as 'strong'. The company has received tangible support from the state in the form of subsidies to meet underrecoveries," it said. Fitch said it expects IOC's capex to

"We view the support track record and

remain high to upgrade refineries to meet new emission standards (BS-VI) and to expand refining and petrochemical capacity, including the expansions underway. It forecasts an average capex of

₹25,000-30,000 crore per annum over the next five-six years, and noted that these investments will support improvement in margins over the medium term.

"We expect IOC's net debt levels to increase due to large capex plans in the medium-term. However, we believe its credit metrics will remain commensurate with its current standalone credit profile," Fitch said.

Rules for online Sebi issues directive to brokers, depository participants using AI tools / ML landscape in the financial markets to "It is imperative to ensure that any New Delhi January 4 advertised financial benefit

drug sales will be finalised by January 31: Centre to HC

PRESS TRUST OF INDIA Mumbai, January 4

THE UNION GOVERNMENT informed the Bombay High Court Friday that it was likely to finalise draft rules for regulation of online sale of medicines by January end.

Union government's lawyer D P Singh told a bench of chief justice Naresh Patil and justice N M Jamdar that in compliance with an order of the Madras High Court, the government has "already framed draft rules, and conducted a series of meetings with experts".

The Union government is in the process of finalising the draft rules under the Drugs and Cosmetics Act, and they will be notified soon, Singh added.

The bench was hearing a Public Interest Litigation filed by a college professor from the city in 2015, demanding that online sale of medicines, including 'schedule H' drugs which can not be sold without doctor's prescription, be regulated.

The bench noted the issue was "crucial" as it concerns public health, and asked the Centre and the Maharashtra government about the steps being taken to ensure that medicines are sold only through licensed chemist shops.

In 2017, another bench of the Bombay High Court had appointed an amicus curiae (an expert to assist the court) in the matter.

The bench asked the amicus, advocate Zal Andhyarujina, for suggestions.

Advocate Singh then informed the judges that the Madras High Court had directed the Union government in December 2018 to notify the rules regarding online sale of medicines by January 31.

The judges said they will wait for the Union government to take appropriate action, and adjourned the hearing to February 4.

PRESS TRUST OF INDIA

STOCK BROKERS AND depository participants using applications based on artificial intelligence (AI) will have to make quarterly disclosures on their compliance with cyber security framework, according to Sebi.

The directive comes after the regulator observed that AI/Machine Learning (ML) systems are black boxes and their behaviour cannot be easily quantified.

"It is imperative to ensure that any advertised financial benefit owing to these technologies for products offered by intermediaries should not constitute to misrepresentation," Sebi said in a circular Friday.

The market watchdog directed stock brokers and depository participants using applications based on artificial intelligence (AI) and machine learning (ML) to



inform about its system whether it adheres to regulator's cyber security framework or not, among others. Besides, they need to report in a pre-

scribed format about the implementation of AI or ML system, safeguards in place to prevent abnormal behaviour of the AI or ML application and whether the system

owing to these technologies for products offered by intermediaries should not constitute

misrepresentation," Sebi said in a circular

disseminates investment or trading advice or strategies and name of the application, among others, Sebi said in a circular.

"With effect from quarter ending March 2019, registered stock brokers/ depository participant using AI/ML based application or system... are required to fill in form and make submissions on quarterly basis within 15 calendar days of the expiry of the quarter," Sebi said.

Besides, the regulator is conducting a survey and creating an inventory of the AI

gain an in-depth understanding of the adoption of such technologies in the markets and to ensure preparedness for any AI / ML policies that may arise in the future, the circular added. In a separate circular, Sebi said to har-

monize the procedures for transmission of securities in dematerialized mode with that of transmission of securities in physical mode, transmission of securities would be dealt in line with LODR (Listing Obligations and Disclosure Requirements) Regulations. Accordingly, "succession certificate or

probate of will or will or letter of administration or court decree, as may be applicable in terms of Indian Succession Act, 1925 has been prescribed as documentary requirement for transmission of securities held in physical mode" under LODR norms, the circular added.

Economic growth and a swelling

middle class will help double the

number of global air passengers to

8.2 billion in 2037, the International

Air Transport Association projected.

More than half of those fliers will

come from the Asia-Pacific region,

propelled by demand from

These are the world's most punctual airlines and airports

Company

BLOOMBERG Singapore, January 4

PANAMA'S COPA AIRLINES has been crowned 2018's most punctual carrier in a global survey — but no major US airline made it into the top five.

Latvia's Air Baltic ranked second among airlines arriving or departing within 15 minutes of scheduled times, according to a report by data firm OAG Aviation Worldwide Ltd. Hong Kong Airlines, Hawaiian Airlines and Bangkok Airways rounded out the top five. But among major US carriers, Delta Air Lines was the only one to make it into the top 20.

However, among the world's major carriers, Latam Airlines was the most punctual, the report showed, with Delta, Alaska Airlines, Southwest Airlines, United Airlines and American Airlines featuring in the top 10 rankings.

Economic growth and a swelling middle class will help double the number of global air passengers to 8.2 billion in 2037, the International Air Transport Association projected. More than half of those fliers will come from the Asia-Pacific region, propelled by demand from countries such as China and India.

About 4.3 billion passengers traveled

Top ten airports for on-time flights Five U.S. airports are among

the world's 10 most punctual

Airport	Country P	unctuality (%)
Tokyo Haneda	Japan	85.6
Atlanta	US	82.2
Singapore	Singapore	80.7
Denver	US	80.7
Los Angeles	US	80
Madrid	Spain	79.2
Dallas/Fort Worth	US	78.2
Amsterdam	The Netherlar	nds 77.7
Bangkok	Thailand	77.2
Chicago	US	76.7

Source: Bloomberg, OAG Aviation Worldwide

to airlines with more than 30 million seats

Note: Rankings for airports catering

Top ten on-time airlines Only one U.S. carrier made the list in 2018

Country Punctuality

The Netherlands 84.5

(%) Copa Airlines 89.8 Panama Air Baltic Latvia 89.2 Hong Kong Airlines 88.1 Hawaiian Airlines 87.5 Bangkok Airways Thailand 87.2 87.2 Qantas Airways Australia Latam Airlines 85.6 Azul Brazil 85.2 Qatar Airways Qatar 85.2

countries such as China and India by air last year, 6.1 percent more than in 2017, according to a preliminary report by the United Nations' International Civil Aviation Organization. Airlines filled a record 81.9% of their seats in 2018, it said.

Among mega airports ranked by OAG those catering to more than 30 million airline seats — Tokyo's Haneda topped the list for the best on-time performance last year. The ranking is based on the proportion of flights at each airport that arrive and leave within 15 minutes of scheduled times.

Despite the poor rankings of its airlines, five US airports were among the top 10, with Atlanta ranking second. Los Angeles jumped to fifth place in the 2018 survey from 11th. Bangkok entered the top 10, while London's Heathrow and Frankfurt dropped out.

down is a concern' AN INFORMATION TECHNOLOGY industry expert has expressed concern over angel investment

to that ecosystem," he said and cautioned that the impact of anything negative would be felt in

Ahmedabad

the space over time.



Source: OAG Aviation Worldwide