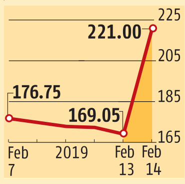
STOCKS IN THE NEWS

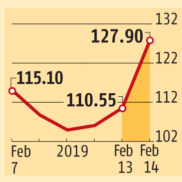
YES Bank



RBI finds no divergence in asset classification and provisioning

₹221.00 CLOSE ▲30.73% UP*

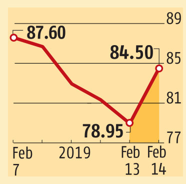
Dewan Housing Finance



Stock shrugs off CEO Harshil Mehta's resignations

₹127.90, CLOSE ▲15.69% UP*

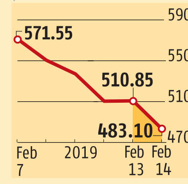
Ashok Leyland



Q3 net profit better than expected at ₹380 crore

₹84.50 CLOSE ▲7.03% UP*

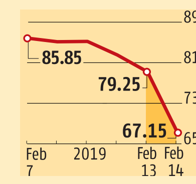
Kaveri Seed Company



Q3 net profit down 33% at ₹4 crore; CFO G Vijay Kumar resigns

₹483.10 CLOSE ▼5.43% DOWN*

Karur Vysya Bank



Gross NPAs stood at 8.49% against 5.94% in year-ago quarter

₹67.15 CLOSE ▼15.27% DOWN*

*OVER PREVIOUS CLOSE

IN BRIEF

Mahindra & Mahindra MD Pawan Goenka *(left)* with group Chairman Anand Mahindra at the launch of XUV300 in Mumbai on Thursday. The sub-4 meter sports utility vehicle will be available at a starting price of ₹7.9 lakh for petrol, and ₹8.49 lakh for diesel. The company is expecting the new SUV to clock higher volumes compared to that for the XUV500, launched in 2011, Mahindra said. PHOTO: KAMLESH PEDNEKAR

₹23.21-cr VRS pulls down Eveready's Q3 profit by 99%

A one-time payment of ₹23.21 crore over voluntary retirement scheme (VRS) for its Chennai plant resulted in Eveready Industries posting a 99 per cent fall in net profit at ₹20 lakh during the third quarter of the current fiscal year. The net profit during the third quarter (Q3) of the last fiscal year stood at ₹20.94 crore. The pre-tax profit, excluding the VRS payment fell by around 21 per cent at ₹21.21 crore as compared to ₹26.73 crore in the same period year ago. Despite the company reaping fiscal incentives from the Assam government over its recently commissioned plant in that state and battery sales increasing, its revenue from operations increased by 3 per cent to touch ₹379.18 as against ₹369.57 crore in the Q3 period of the 2017-18 fiscal year. BS REPORTER

Ashok Leyland net profit declines 21.5 per cent

Commercial vehicle major Ashok Leyland has posted a 21.5 per cent decline in net profit at ₹380.84 crore during the quarter ended December 2018, as compared to ₹484.86 crore during the same quarter of last year. The total income declined by 12.3 per cent to ₹6,346.04 crore during the quarter as compared to ₹7,232.39 crore during the corresponding quarter of previous year. BS REPORTER

JK Tyre December quarter net surges over twofold

JK Tyre & Industries on Thursday posted over twofold increase in its consolidated net profit to ₹26.89 crore for the third quarter ended December. It had reported a net profit of ₹11.32 crore for the October-December period of 2017-18. Revenue from operations rose to ₹2,730.77 crore as compared to ₹2,123.24 crore in the same period previous fiscal, JK Tyre & Industries said. Shares settled 2.15 per cent up at ₹88 a piece on the BSE. PTI

Glenmark to spin off innovation biz into new firm in US

Drug firm Glenmark Pharmaceuticals Thursday said its board has given an in-principle approval to spin off its innovation business into a new company in the US. Setting up of the new company, which will be the firm's wholly-owned subsidiary, will provide an enhanced focus to the innovation business and help accelerate the pipeline towards commercialisation, Glenmark Pharmaceuticals said in a filing to the BSE. PTI

Royal Enfield workers go on strike again

A section of workers in the manufacturing facility of two-wheeler major Royal Enfield in Oragadam near Chennai, have begun another strike. This comes almost three months after a section of workers held strike for almost 50 days, seeking probationary employees be taken back. The workers resorted to a sit-in strike on Wednesday, raising demands, including wage settlement and issuance of bonus to a section of employees, confirmation of trainees and revoking transfer order issued to three of the office bearers of the Union. GIREESH BABU

SC asks Amrapali to deposit ₹200 cr by March 31

The Supreme Court on Thursday asked Amrapali group to deposit back ₹200 crore, which was taken by the company as loans and advances, by March 31. A two-judge Bench headed by Justice U U Lalit also sought an affidavit from the company detailing how much it had invested in which project and as to who were the directors in which companies of the group starting from the inception. The top court will next hear the matter on February 28. BS REPORTER

Airbus axes A380 as sales slump; 3,500 jobs hit

BENJAMIN KATZ & BENEDIKT KAMMEL
London/Berlin, 14 February

Airbus SE decided to stop making the A380 double-decker after a dozen years in service, burying a prestige project that won the hearts of passengers and politicians but never the broad support of airlines that instead preferred smaller, more fuel-efficient aircraft.

Production of the jumbo jet will end by 2021, after the A380's biggest customer, Emirates, and a handful of remaining buyers received their last orders. The Gulf carrier will pare down its current A380 order to 14 from 53, Airbus said in a statement on Thursday. Emirates said separately it would purchase 70 smaller A330neo and A350 widebodies listed at $21.4 billion before customary discounts.

"Today's announcement is painful for us and the A380 communities worldwide" Airbus Chief Executive Officer Tom Enders said. Airbus said as many as 3,500 jobs are affected by the decision.

While the A380 has struggled for years to match its popular appeal with a robust order book, the radical move to cancel the plane outright marks a watershed moment for civil aviation. The A380 was always more than an aircraft, albeit a very large one. Rather, it was the manifestation of Europe's collaborative drive and the continent's industrial ambitions. For Airbus, the airliner sought to create a commanding counterweight to Boeing Co, promising unparalleled space and luxury for increasingly congested airports and the skies above.

Production of the jumbo jet will end by 2021, after the A380's biggest customer, Emirates, and a handful of remaining buyers receive their last orders

Early problems

But from early on, the plane had a hard time, both technically and commercially. Getting the A380 airborne for its maiden flight was severely delayed by wiring glitches that resulted from faulty communications between design teams. When the plane finally embarked on its first commercial flight in late 2007, the financial crisis that would cripple global travel was already on the horizon. Some customers had second thoughts about whether the giant aircraft was the right choice for meagre times, and cancellations started piling up.

Airbus had watched enviously as Boeing monopolised the market for very large aircraft with its 747 jumbo, which celebrates its 50th anniversary this month and sold more than 1,500 units. While Airbus was a major force in the single-aisle space with its A320 family, the prestigious long-distance and ultra-large aircraft segment remained the domain of its US rival. With passenger numbers rising every year and major new hubs opening in markets like Dubai, the A380 seemed the obvious choice to address the need for a large people carrier, while picking market share off Boeing.

Big customer

Dubai did in fact turn into the A380s major sponsor, with Emirates ordering a total of more than 160 units, far in excess of any other airline. But ironically it was also Emirates that contributed to the A380's decline and fall. With Airbus increasingly reliant on a single customer for its flagship product, Emirates could make or break the programme by ordering or cancelling more A380s. When the airline decided to rethink latest order for 20 units, Airbus saw no choice but to draw down production, given the lack of other buyers.

"As a result of this decision we have no substantial A380 backlog and hence no basis to sustain production, despite all our sales efforts with other airlines in recent years," Enders said.

From its inception, the A380 was a grand European project. The wings, like those of all Airbus aircraft, came from the UK, components were ferried across the continent from production sites in Germany and France. BLOOMBERG

Domestic companies see refining margins plunge

More hit expected in March quarter

AMRITHA PILLAY
Mumbai, 14 February

Indian refiners saw gross refining margins (GRMs) nosedive in the quarter ended December 2018, as inventory losses piled up. Benchmark GRMs also took a hit and are expected to remain weak for one more quarter.

For the quarter under review, GRMs for state-owned refiners more than halved from what they were a year ago.

For private refiners like Reliance Industries (RIL), the hit was lower at 24 per cent. Mangalore Refinery and Petrochemicals (MRPL) was the worst hit with a negative GRM of $0.64 per barrel.

The reason for the fall in GRMs for domestic refiners is a combination of inventory loss and weak Singapore benchmark GRMs. However, the reason for pressure on global GRM benchmarks is less obvious. "Reported GRMs include inventory losses, which vary based on which refiner was holding how much inventory and what time during the last quarter. The variation will also depend on what is the spread for that specific refiner," said an oil and gas analyst on the condition of anonymity.

The fall in crude oil prices seen in the December quarter led to those losses. The average Singapore refining benchmark for the quarter was at $4.3/bbl, against $6.4/bbl for the December 2017 ended quarter.

State-run Bharat Petroleum Corporation (BPCL) reported a GRM of $2.78/bbl for the December quarter against $7.89/bbl a year back. Others like Indian Oil Corporation saw a bigger hit at $1.15/bbl, against $12.32/bbl a year ago, while Hindustan Petroleum Corporation was at $3.72/bbl against $9.04/bbl a year back. RIL has an edge in terms of GRMs owing to higher refining efficiency and flexible trading activities to manage inventory losses.

Analysts expect more stress on GRMs going forward. "MRPL's reported GRM at negative $0.64/bbl was hit by huge inventory loss. The outlook on refining margin has deteriorated due to likely sharp rise in refining capacity addition in 2019 and weak gasoline crack," said analysts with SBI Caps Securities in a report. The analysts also cut their Singapore Dubai GRM assumption for the current and next financial year to $5.5/bbl from $6.8/bbl.

"Winter is generally a period where demand is higher, but that does not seem to be the case this time with global benchmarks, which is surprising. It is also difficult to put a finger to what is leading to it," said the analyst quoted earlier.

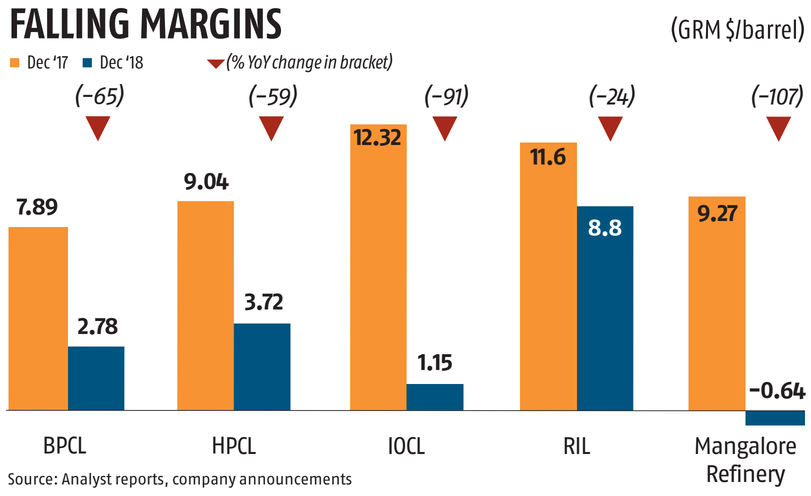
For the Singapore benchmark, weak demand has been a concern and is likely to continue this entire year.

"Singapore benchmarks are weak predominantly due to severe slowdown in demand in Asia. As significant refining capacity have been added in Asia in the last few years, such slowdown in demand has accentuated effect on GRMs. Margins are expected to remain under pressure throughout 2019," said Debasish Mishra, leader energy, resources and industrial products at Deloitte in India.

With the benchmark GRM continuing to remain under pressure, certain analysts expect the March quarter to turn out to be worse, compared to the December performance.

The long-term outlook for domestic refiners, however, remains positive. "The International Maritime Organization (IMO) has revised its bunker sulphur regulations, which will be implemented from January 2020. This will result in higher gasoil and liquid sulphur fuel oil demand, widening of the lower and higher distillate differential. This will, in turn, result in strong GRMs in FY20/21 for Indian refiners who have higher share of middle distillates in their production mix," analysts with HDFC Securities said in their note.

FALLING MARGINS (GRM $/barrel)



Source: Analyst reports, company announcements

E-com biggies continue sales

CAIT to move court if online firms carry on discounts flouting FDI rules

KARAN CHOUDHURY
New Delhi, 14 February

Seventy per cent discount on home appliances, 50 per cent cashback on a new mobile phone, countless offers on fashion and home decor — nothing much seems to have changed two weeks after the new foreign direct investment (FDI) rules in e-commerce were enforced.

Flipkart, its subsidiaries Jabong and Myntra, as well as Amazon India had said they restructured their business in India to become compliant to the new rules. According to the new norms these platforms cannot influence pricing to increase sales.

But companies such as Flipkart, Jabong, and Myntra are having week-long Valentines' Day sales, offering discounts of as much as 80 per cent. Amazon India is also offering discounts of almost 40 per cent.

"Online firms are still holding sales. We have to slash prices to compete with the bigger sellers. If the idea of the new rules in FDI in e-commerce was to finish predatory pricing, it has not worked at all," said a seller on Flipkart as well as Amazon India on the condition of anonymity.

No powers to book, DPIIT awaits e-com policy

The Department for Promotion of Industry and Internal Trade (DPIIT) has already set up a committee looking into various e-commerce portals. At the moment, the agency does not have any penal powers to book e-commerce portals for violations. DPIIT hopes that the much-awaited e-commerce policy will solve this problem.

"We have been monitoring these companies and have seen them flouting rules around predatory pricing. We believe that in the upcoming e-commerce policy we will have provisions to book and fine them for such violations," said a senior official at DPIIT.

20-40% discounts on **Amazon India** platform

20-70% discounts on **Flipkart**

50-70% flat discounts on **Myntra**

80% discounts on **Jabong** during Valentine's week

However, online players maintain that they are not the ones fuelling discounts.

"We are fully compliant with all regulations governing e-commerce marketplaces, including product pricing and discounts. At Flipkart, pricing and discounting is decided by sellers, with Flipkart serving as a platform for connecting lakhs of sellers and customers. We are committed to ensure that sellers continue to access the consumers across the country efficiently and in a cost-effective way," said a Flipkart group spokesperson.

Trader organisations such as Confederation of All India Traders (CAIT) said they were tracking the sales on these platforms. "Despite having a policy in place, they are continuing with sales. We will wait for another week and then approach the commerce ministry, if that does not work then we would go to the courts," said Praveen Khandelwal, secretary general, CAIT.

Samsung to flood mkt with devices to arrest slide

YUVRAJ MALIK
Bengaluru, 14 February

Korean electronics major Samsung is facing pressure at the top as well as the bottom end of the smartphone market.

In the last quarter of 2018, OnePlus displaced Samsung as the largest selling smartphone brand in the premium category (over ₹30,000 price segment), while Xiaomi continued to maintain a lead in terms of overall market share since Q4 2017, according to Counterpoint Research data. Reliance Jio's 4G feature phone did the same in the feature phone category.

While Samsung holds strong in the mid-range category, it is trying to regain ground lost to Chinese brands Xiaomi and OnePlus.

"We are planning new launches, at least one every month between March and June," said Ranjiv Singh, senior vice-president and chief marketing officer at Samsung India.

India is the one biggest and fastest-growing smartphone markets in the world, which has made the country an ideal battleground for global brands.

Xiaomi, a Chinese upstart, has all but taken over the budget segment with high-power smartphones starting as cheap as ₹6,000, de-seating even Indian brands like Karbonn and Micromax. On the other hand, a glut of choices to a price-conscious smartphone audience has made it the market extremely competitive in the country.

The new models will be launched under Samsung's A series — in continuation of A6, A7 and A9 range from 2018 — and will be targeted at a userbase of 18-24 year olds, the company said.

"There will be models priced from ₹10,000 all the way up to ₹50,000," said Singh. He declined to reveal the number of models in the pipeline or tech specifications, but said the company was projecting revenue of $4 billion (around ₹28,400 crore) from the A series line in the current year.

Samsung India's sales in 2017-18, which also includes revenue from consumer electronics and other product lines, were ₹61,065 crore. However, with pressure from competition in smartphones, its largest category, net profits dipped over 10 per cent to ₹3,712 crore. Overall market share in India also dropped four percentage points to 22 per cent through 2018.

"Samsung is not very popular among the young, and they probably want to change that. There is also a focus on getting more budget handsets in the market," said Harish Bhatia, a senior analyst for devices and ecosystem, at Counterpoint Research.

Last month, Samsung launched M10 and M20, two budget smartphones priced at ₹7,990 and ₹12,990, respectively. A new M30 model priced around ₹15,000 is also in the offing, according to recent reports. On the premium side, the successor to its flagship S9 may be launched in the next few months in three variants — S10, S10e and S10+.

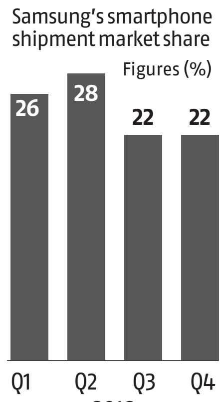
Singh said sales of the M series, launched online through a partnership with Amazon, surpassed expectations. Going forward, Samsung models will also be sold on Flipkart, along with Amazon and at retails and franchise stores.

Samsung operates a network of 2,000 branded stores and has presence at about 180,000 multi-brand retailers, according to the company.

The new models will be launched from March under Samsung's A series — in continuation of A6, A7 and A9 range from 2018 — and will be targeted at a user base of 18-24 year olds, the company said

FIGHT PLAN

Samsung's smartphone shipment market share



Source: Counterpoint

Nestlé India Q4 net up 9.6% to ₹341.76 crore

FMCG major Nestlé India on Thursday reported a 9.6 per cent increase in net profit at ₹341.76 crore for the fourth quarter ended December 2018. The company had posted a net profit of ₹311.83 crore in the corresponding period of the previous fiscal, the firm said in a regulatory filing. Total income in the fourth quarter stood at ₹2,972.5 crore as against ₹2,652.55 crore in the year-ago period, it added.

Total sales increased by 11.2 per cent while domestic sales grew 12 per cent in the December quarter supported by volumes, it said. For the full-year ended December 2018, Nestlé India said its net profit was at ₹1,606.93 crore as against ₹1,225.19 crore in the previous financial year. Total income for the year stood at ₹11,551.19 crore as compared to ₹10,369.1 crore in the year-ago period. The board recommended a final dividend of ₹25 per equity share amounting to ₹241.04 crore for the year 2018. The total dividend for 2018 aggregates to ₹115 per equity share. PTI