TODAY ON ETPrime.com

Time for M&M to Rethink Sales

The retail sales of M&M EVs are minuscule. While it may choose to drive volumes through sales to government and institutions, it ought to revisit its sales strategy for retail consumers.

Buybacks May Not Boost Stocks

The ₹9,000 crore share-buyback offer from L&T has been flagged down by Sebi. With this, company hoped to improve its RoE to 18% by 2021 from 14% at present. But buyback is one area where theory and practice have been in conflict.

How to Build Economic Moats

Fearing disruption 24x7, companies are scampering to find the key to longevity. In a three-part series, ET Prime analyses what it takes for companies across sectors to build what Warren Buffett calls "economic moats".

Birla Moves PMO for Relief on Voda Idea Spectrum Dues

Industry body COAI also seeks ₹35k-cr input tax credit due to telcos to be adjusted against fees

Anandita.Mankotia
@timesgroup.com

New Delhi: Vodafone Idea chairman Kumar Mangalam Birla has met officials in the Prime Minister's Office (PMO) to negotiate a deferral of payment of ₹9,500 crore to the government by way of spectrum charges this year, government officials told ET.

Officials, however, said any company-specific relief would be difficult, and pointed out that the telecom industry itself is divided over the need for any financial relief, with latest entrant Reliance Jio not being in sync with market leader Vodafone Idea and Bharti Airtel's call for relief.

"Birla met with senior officials at the PMO to discuss the possibility of some sort of respite for the company," a senior government official told ET. "Vodafone Idea has to pay about ₹3,500 crore in March and another ₹6,000 later as spectrum payments."

Vodafone Idea did not respond to ET's queries as of press time Monday. Nick Read, CEO of British telecom major Vodafone Group, which co-owns Vodafone Idea, also had met telecom department (DoT) secretary Aruna Sundararajan recently to seek relief in spectrum payments.

Industry body Cellular Operators Association of India (COAI) on Monday wrote to telecom minister Manoj Sinha, urging that the ₹35,000 crore input tax credit due to telcos from the government be adjusted against spectrum payments and levies as a measure to help carriers overcome financial distress. But, the letter added that Jio has a dissenting view on the matter and would make a separate representation.

"We can certainly consider taking some steps if the entire sector is in distress, but if other players do not agree with Vodafone's plea, then we can't just change rules for one company," said the government official.

Vodafone Idea is in the middle of a financial crisis due to falling revenues and huge losses. The company posted a consolidated loss of ₹4,973 crore for the quarter ended September, and is expected to report loss of some ₹4,500 crore in the October-December quarter. The company will announce its December quarter results on February 6.

COAI in its letter said the telecom industry is reeling under financial distress, highlighting that quarterly revenues of the sector slumped 32% in April-June 2018 compared with the same period in 2016.

"Since the industry revenues have declined substantially, the output GST on revenue is unable to absorb input GST credits available. Such a situation has led to blocking of approximately ₹35,000 crore of operators' capital in the form of excess GST credits," it said. "Utilise the excess GST credit as payment towards the telecom operator's liability towards spectrum auction and licence fee/SUC."

The industry body also urged the government to exempt all regulatory levies such as licence fee, and facilitate "spectrum repayment from payment of GST under reverse charge mechanism going forward as this would ensure that further accumulation of credit on this account would cease".

While the industry has made investments to the tune of ₹10.4 lakh crore over the years, industry financials have been adversely hurt by factors beyond the control of the operators, COAI said.

"The tariffs, which were already lowest in the world, have further dropped," said Rajan Mathews, director general of COAI. "Data and voice traffic have increased exponentially, necessitating huge capex investments as well as more opex on account of additional tower to be deployed. The matter of stress around spectrum payments, which went up due to survival auctions a few years ago, is all well-known," he said.

While the government had set up an inter-ministerial group last year to address the telecom industry's issues, the measures did not go far enough to bring any "meaningful respite to the beleaguered industry, especially on liquidity pressures," Mathews said.

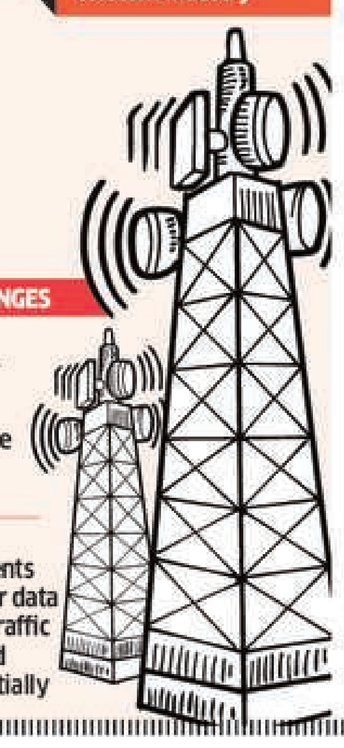
A Help Line

VODA IDEA'S SPECTRUM PAYMENT SPLIT

₹3,500 cr Payment in March | ₹6,000 cr Payment due later

Vodafone Group CEO Nick Read also met DoT secy Aruna Sundararajan recently

₹10.4 lakh cr Investments made by telecom industry



COAI in its letter said the telecom industry is reeling under financial distress

CHALLENGES

Tariffs are already lowest

Capex investments high after data & voice traffic increased exponentially

IN FULL SWING

Bajaj Auto Bike Sales Up 21%, But CVs Down In January

FILE PHOTO

MUMBAI Bajaj Auto reported a double-digit increase in motorcycle sales even as the company's commercial vehicle sales witnessed a double-digit decline during January. The Pune-based manufacturer sold 3.5 lakh motorcycles last month, a 21% increase over January 2018, riding on the success of the Platina 110, the CT 100, and the Pulsar range of motorcycles. Meanwhile, commercial vehicle sales were down to 56,700 units – a 12% decline. It reported 15% increase in total sales in January at 407,150 units as against 353,147 units. –Our Bureau

250 million

Duplicate accounts in Facebook over 3 years. In Q4, 2018, FB estimated duplicate ac/s may have been 11% of its monthly active users while the figure was 5% in 2015.

HC Allows Exporters Tax Exemption on Imported Material

Court move comes as a relief for many who notices from DRI for not following 'pre-import' condition

Sachin.Dave@timesgroup.com

Mumbai: In a likely respite for many exporters, the Gujarat High Court has allowed exporters to claim tax exemption on imported raw material even if the finished products have already been shipped out.

This was the practice that prevailed before the goods and services tax was rolled out in July 2017. However, under the GST framework, the imposition of a 'pre-import' condition to be followed by exporters holding advance authorisation licences started causing problems. Advance authorisation licences are issued to allow duty-free import of inputs, which are used to make finished products for export.

The court struck down the 'pre-import' condition on Monday, said Abhishek A Rastogi, a partner at Khaitan & Co., who represented the exporters in the case.

The Directorate of Revenue Intelligence, the primary anti-smuggling agency, had been issuing notices to exporters for wrongfully availing of exemptions in cases where exports preceded imports. ET had first reported on May 27 that the DRI asked exporters to pay IGST in cases where raw material was imported only after goods were partially or fully exported.

"The pre-import condition had become an unpopular term among exporters in the GST regime. The condition was brought in by the government with effect from 13 October 2017 to deny IGST exemption on imports made by exporters under valid advance authorisation licences who would genuinely find it difficult to comply with pre-import cycles," said Rastogi.

The DRI had been issuing notices to exporters for wrongfully availing of exemptions in cases where exports preceded imports

Under the GST framework, the government's stand was that exemptions in any part of the value chain would distort the system and hence shouldn't be allowed. The government had amended the foreign trade policy to this effect.

Tax experts pointed out that in many cases, exporters continued to do business as they were doing prior to GST and the amendment, resulting in the notices. "The Gujarat HC decision pronounced in the cases would put a permanent end to the ambiguity by striking down the pre-import condition altogether as arbitrary, ultra vires and violative of the constitution," said Rastogi.

Jubilant FoodWorks ₹Fined ₹41.4 cr for Not Passing on GST Relief

Customer complained that Domnio's hadn't reduced product prices even after GST rate was cut to 5% from 18%

Our Bureau

New Delhi: The National Anti-Profiteering Authority (NAA) has fined Jubilant FoodWorks, which operates the Domino's Pizza chain in India, ₹41.42 crore for not passing on the benefit of a reduction in the goods and services tax (GST) to consumers. The company has been asked to deposit the amount with the government.

The order was passed on an e-mail complaint filed by a customer that Domino's had not reduced the price of 'stuffed garlic bread' and 'medium veg pizza' even after the GST rate was cut to 5% from 18%.

The GST council had cut rates on restaurants to 5% without input tax credit (ITC) from 18% with such credit, with effect from November 15, 2017. The authority held that Jubilant did not pass on the benefit of this reduction to customers during the period from November 15, 2017 to May 31, 2018.

It also asked the company to reduce prices of its products by way of commensurate reduction in taxes.

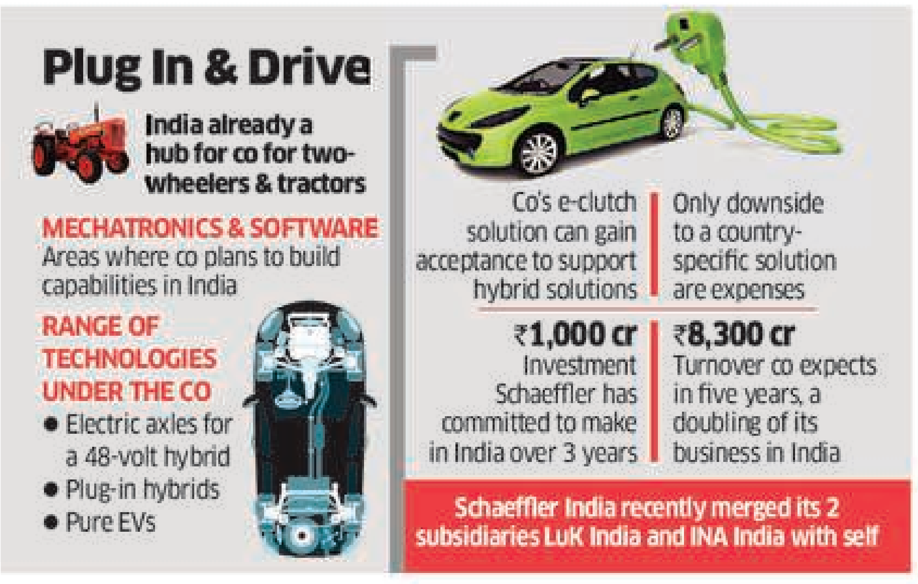
"The respondent (Jubilant FoodWorks) is directed to refund to the applicant an amount of ₹5.65 along with interest @18% from the date of charging the above amount from him till its refund. He is further directed to deposit the balance amount of ₹41,42,97,629.25 in the ratio of 50:50 in the central and the state consumer welfare funds along with interest @18% till the same is deposited, within a period of three months," the NAA said.

The NAA also asked the Directorate General of Anti-Profiteering, which investigated the case, to conduct a further investigation post May 31, 2018, to check if the benefit of tax reduction was passed on to customers. The authority has also issued a show-cause notice to Jubilant FoodWorks to explain why a penalty should not be imposed on the company.

E-MOBILITY PUSH

Schaeffler Plans Local Unit for EV Tech Solutions

Plug In & Drive



India already a hub for co for two-wheelers & tractors

MECHATRONICS & SOFTWARE

Areas where co plans to build capabilities in India

RANGE OF TECHNOLOGIES UNDER THE CO

- Electric axles for a 48-volt hybrid
- Plug-in hybrids
- Pure EVs

Co's e-clutch solution can gain acceptance to support hybrid solutions

Only downside to a country-specific solution are expenses

₹1,000 cr Investment Schaeffler has committed to make in India over 3 years

₹8,300 cr Turnover co expects in five years, a doubling of its business in India

Schaeffler India recently merged its 2 subsidiaries LuK India and INA India with self

Intends to build capabilities for mechatronics and software in India

Nehal Chaliawala & Ketan Thakkar

Mumbai: Hoping to ride India's push for cleaner e-mobility via electric vehicles, German auto component major Schaeffler Group is considering setting up a local engineering unit in India to cater to the growing need from the domestic players to localise technology.

The base will help Schaeffler tailor India-specific solutions, based on the global solutions developed by the company the world over. The group already uses India as a hub for cost-effective solutions for two-wheelers and tractors for the domestic market, which also serves some of its global needs.

Dharmesh Arora, president and CEO, Schaeffler India, told **ET** the group intends to build capabilities in the country for mechatronics and software areas which can also support many of e-mobility needs of the global Schaeffler.

"We are building up capabilities and investing in India because sometimes the customers in India may require slightly different solutions than what are available globally, or at times their needs (could be) in terms of (a quick) response time," Arora said.

Schaeffler has a range of technologies from offering electric axles for a 48-volt hybrid to plug-in hybrids to even pure EVs. Even the company's e-clutch solution could gain acceptance to support hybrid solutions for the market.

With the government increasing its focus towards e-mobility to curb air pollution and rising oil imports of India, and many original equipment manufacturers (OEMs) planning electric vehicles for the market in the coming two years, suppliers are ramping up technology development to cater to this nascent market. Earlier, Bosch had announced plans of using its engineering base in India to offer complete electric-vehicle solutions while Continental invested in research on EVs with IIT Madras.

As against extending sops to the end user of electric vehicles, the government of India has stated its intent on supporting localisation of such technology in order to bring down the cost and spread cleaner technology.

Developing such country-specific solutions can get prohibitively expensive, preventing many component makers from investing in research locally, but with the government's intent clear, component makers are now getting more confident in allocating resources for the domestic market.

Earlier, Schaeffler had committed to invest €120 million (₹1,000 crore) in its Indian operations over the next three years.

Godrej Prop Inks Pact to Develop 6 Pune Projects

Our Bureau

Mumbai: Godrej Properties, the real estate development arm of Godrej Group, has set up an equity investment platform in partnership with a Pune-based developer to develop six projects across the city.

This portfolio comprises various asset classes including group housing projects, plotted development, mixed-use development and township projects, the company said in a release. The total land to be developed under this partnership comprises over 300 acres located across west and east Pune.

"This single partnership will enhance our presence in Pune market, cementing our presence across growth areas within the city. We believe this sets us up well to establish a leadership position in Pune's residential market and fits perfectly with our strategy of growing our business across the country's leading real estate markets," said Pirojsha Godrej, executive chairman, Godrej Properties.

Future Retail to Raise ₹2k crore from Promoters to Cut Rental Costs

Our Bureau

Mumbai: Future Retail said it will raise ₹2,000 crore from promoters which will be used to lower rentals, one of the biggest costs of running retail operations.

"Promoters and management are highly motivated to contribute towards an integrated growth for Future Retail. To this extent, promoters are committing an equity infusion of ₹2,000 crore at a price of ₹505 per share," Future Retail said in a statement to the Bombay Stock Exchange on Monday. "The endeavour is to completely do away with lease rentals in the next eighteen months."

The promoter's commitment is at a 13% premium to its current price

The promoter's commitment is at a 13% premium to its current price. On Monday, Future Retail's shares closed at ₹444.6 a piece on the BSE.

Equity infusion, coupled with inflow of upside share of Bharti and Heritage Retail, will help reduce lease rentals payable to another group company Future Enterprise. During the quarter ended December, Future Retail's rent was ₹375 crore. **It posted a 13% jump in sales at ₹5,301 crore with net profit increase of 10% at ₹201 crore during the third quarter.**

The Kishore Biyani-promoted retail firm said the move will be hugely accretive to both margins and sales growth. In the past six years, Future Retail has acquired more than seven supermarket store chains to put together a total store count of 1,444 in 409 cities, a national presence that can only be matched by Reliance Retail. It also controls nearly a third of the country's organised food and grocery market through the Big Bazaar, EasyDay, Nilgiris supermarket chains and other outlets.

"Pledging of shares as percentage of promoter stake for Future Retail from 46.03% to 47.15% Q-o-Q is one of the key monitorables," said Abneesh Roy, senior vice-president, institutional equities at Edelweiss Securities.