IN BRIEF

Thomas Cook India's domestic leisure biz growing at 25% CAGR

Travel major Thomas Cook India has said that its domestic leisure business is growing at a CAGR (compound annual growth rate) of 25 per cent, exceeding the rate of growth of its outbound travel segment. The company does not foresee any major hurdle in maintaining the growth momentum as it expects that the financial collapse of the iconic British firm, Thomas Cook PLC will not have any impact on its operation, Thomas Cook India's Senior Vice-President (leisure) Romil Pant said. "Domestic leisure travel service is comparatively new and was started few years ago. It is growing at a CAGR (compound annual growth rate) of 25 per cent while our outbound travel business is expanding at 10-15 per cent," Pant said. In the leisure travel portfolio for Thomas Cook India, the share of domestic segment is currently at 20 per cent and the rest lies with outbound business. "We expect that share of domestic (travel business) should increase to 30-35 per cent in the next 2-3 years as travelling within the country is gaining traction," Pant said. PTI

Alliance Air to fly new routes in 2 months, says CEO

Alliance Air, a subsidiary of Air India, has chalked out aggressive expansion plans, which include launch of flights to newer destinations, Chief Executive C S Subbiah has said. Alliance Air recently launched its maiden overseas flight from Chennai to Jaffna. Subbiah said the airline would connect cities including Jagdalpur, Raipur, Gulbarga, and Hubli. "The flight from Gulbarga will connect to Bengaluru and later to Chennai," he said. Jagdalpur route will be connected from Hyderabad and later to Raipur and then to Bhopal. PTI

NCLT to give finality to a split verdict on Unimark Remedies

An umpire single-member Bench of the National Company Law Tribunal will now give finality to a split verdict by NCLT's two-member bench over the resolution plan for debt-ridden Unimark Remedies, said NCLAT. The National Company Law Appellate Tribunal (NCLAT) has directed to refer to a third member the split orders passed by a two-member Mumbai NCLT bench on the resolution plan. PTI

Expect CV industry to bounce back next FY: M&M

The commercial vehicles (CV) industry is bearing the biggest brunt of the slowdown but it is expected to grow next year despite increase in prices due to BSVI emission norms implementation, said Mahindra Truck and Bus Division Chief Executive Officer Vinod Sahay. The various stimulus steps taken by the government to spur the economy being "bit of medium-term measures", Sahay said the impact would be felt on the ground in the next six to seven months, thereby helping to lift the CV segment next financial year. "Overall, the CV industry is facing the biggest brunt of the (current) slowdown. When the economy doesn't do well there is not way CV industry can do well," Sahay said. PTI

Air Asia launches Agartala-Kolkata flight service

Low-cost carrier Air Asia on Sunday launched flight services to Kolkata, Delhi, Guwahati and Imphal from Agartala. Tripura Chief Minister Biplab Kumar Deb flagged off the first Air Asia flight to Kolkata from the Maharaja Bir Bikram Airport. Deb said air connectivity is very important for the northeastern state. PTI

SpiceJet plans to operate wide-body planes next year

SpiceJet plans to induct wide-body planes early next year and is looking at various options as the budget airline steers ahead with its ambitious expansion plans, according to a senior official. The carrier is looking at options from Boeing and Airbus. An industry source said that SpiceJet might bid for Air India's wide-body operations in case the government puts up domestic and international operations for sale separately. The airline official said that a final decision on wide-body aircraft is yet to be taken. PTI

Oberoi Realty's September quarter net profit drops

Oberoi Realty posted a 35.4 per cent dip in consolidated net profit at ₹138.07 crore for the quarter ended September 30. The company had reported a consolidated net profit of ₹213.83 crore in the year-ago period, Oberoi Realty said in a filing to the BSE. Total income declined to ₹505.09 crore, over ₹619.78 crore a year ago. PTI

HUL, Reliance Retail differ on rural story

FMCG firm says rural slowdown sharp; RIL arm claims growth continues

VIVEAT SUSAN PINTO
Mumbai, 20 October

India's largest retailer Reliance Retail and the country's largest consumer goods company Hindustan Unilever (HUL) have contrasting views on rural growth. While HUL has said the rural slowdown has been sharp in July-September (Q2), sliding to half the urban growth rate during the period, Reliance Retail has claimed it continues to grow across geographies and consumption baskets.

"Two-thirds of our stores are in Bharat and we continue to add outlets in tier-II, -III, and -IV markets. We continue to seize the large market opportunity in India by expanding presence," Reliance Industries' (RIL's) Chairman Mukesh Ambani said on Friday.

Reliance Retail crossed the ₹40,000-crore top line mark in Q2, ahead of players such as Future group, whose consolidated annual top line is ₹35,000 crore. Analysts expect Future group to clock a consolidated top line of around ₹9,000 crore in Q2, which is lower than a fourth of Reliance Retail's Q2 turnover.

Reliance Retail also reported a 67 per cent year-on-year (YoY) jump in earnings before interest tax depreciation, and amortisation (Ebitda), aided by operations in grocery, fashion, and consumer electronics.

HUL, on the other hand, reported a 16 per cent comparable YoY growth in Ebitda for Q2 and 7 per cent YoY growth in profit before tax even as top line for the period increased 6.7 per cent to ₹9,852 crore. Volume growth remained flat in Q2, coming in at 5 per cent, which was the same number reported in April-June quarter.

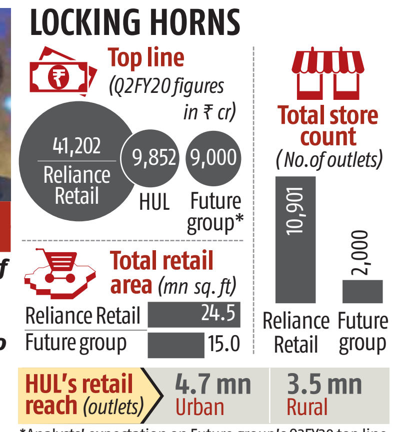
Sanjiv Mehta, chairman and managing director of HUL, said: "The past three months (Q2) has seen a sharp deceleration in the fast-moving consumer goods (FMCG) market growth rate, led by a slowdown in rural areas. Though the government has taken policy initiatives in the past few months to spur demand, income transfer to rural areas would be a key monitorable."

While 40 per cent of Reliance Retail's revenue contribution comes from petro retail and Jio sales points, top line contribution from core retail operations in food, apparels, and electronics has moved to 60 per cent (in Q2) from 55 per cent earlier, sector analysts said. Ebitda contribution from these businesses stands at 86 per cent, analysts said, a number that has been steadily growing over the past few quarters.

LOCKING HORNS

MUKESH AMBANI
Chairman, RIL

"Two-thirds of our stores are in Bharat and we continue to add outlets in tier-II, -III, and -IV markets"



*Analysts' expectation on Future group's Q2FY20 top line
Source: Company results/analysts

SANJEEV MEHTA
CMD, HUL

"Q2 has seen a sharp deceleration in the FMCG market growth rate, led by a slowdown in rural areas"

"Core retail margin performance has improved to 8.8 per cent in Q2 versus 7 per cent a year ago. Reliance Retail has not only focused on customer-centric initiatives, which aided top line and margins, but has also gained from scale and operational efficiencies in sourcing and supply chain," said Avishek Datta, research analyst at brokerage Prabhudas Lilladhar.

Reliance Retail added 337 stores in Q2, taking its total outlet count to 10,901 in 6,700 towns. This is five times the number that Future group operates, which is 2,000 stores in 400 cities, including the flagship 'Big Bazaar' outlets.

Abneesh Roy, executive vice-president of research (institutional equities) at Edelweiss, said sales growth in Q2 for Reliance Retail was led by existing as well as new stores. "Apart from an aggressive store expansion policy, Reliance Retail also has a strong catchment-focused assortment strategy. The company also has impactful consumer activations and a wide portfolio of store brands," he said.

Jio questions legality of Trai's IUC paper, invokes Article 14

SURAJEET DASGUPTA
New Delhi, 20 October

Reliance Jio has questioned the legality and credibility of the Telecom Regulatory Authority of India's (Trai's) consultation paper on deferment of inter-connect usage charges (IUC) regime, saying it is not only bad in law and against consumer interest but also violates Article 14 and 19 (1) (g) of the Constitution.

It has argued that the present consultation process violates the principles of regulatory predictability (as Trai had announced in 2017 that IUC regime will be over from January 1, 2019 and had defended it in courts) and Jio's legitimate expectation.

It says Trai is barred by the principles of promissory estoppel from embarking upon such an exercise. It also alleges that the move will impact the credibility of the regulator as well as investor confidence. The direct challenge against Trai is based on a letter sent by the company in its response to the consultation paper on October 18.

The letter blames the regulator for aiding and abetting sabotage of the prime minister's Digital India programme by protecting and perpetuating the vested interests of certain incumbents who want their large body of 2G customers (476 million) to forever remain digitally disempowered and deprived of the fruits of the digital revolution.

Jio has also raised questions about the regulator's pre-determined mind by saying that it has intentionally and erroneously avoided the need to discuss and determine the revised value of IUC and is seeking to limit the consultation paper on deferment of the IUC regime.

According to Jio, had they recalculated the termination charges it would be less than 1 paisa per minute at this stage, a very small residual value, fully justifying the end of the IUC regime. This is because 4G subscribers have grown rapidly and now constitute for more than 45 per cent of the total wireless subscriber base and in addition the total off net calls has increased to 55 per cent over the off-net minutes in Sept 2018, as a result value of IUC would be much lower than 6 paisa.

It also alleges that the consultation paper has been issued not to address traffic asymmetry but the financial stress of one or two operators at the cost of the interest of subscribers and the telecom sector. Rubbishing claims by incumbent operators that they have a pan-Indian 4G network, Jio in its submission has said that Airtel has only 18 per cent of its voice traffic on 4G while Vodafone Idea has only 5 per cent on IP.

Jio may need more 4G spectrum to cater to user growth: Analysts

ROMITA MAJUMDAR
Mumbai, 20 October

Reliance Jio may require more 4G spectrum to service its rapidly growing user base, analysts say, even as the telecom firm has indicated it has completed its capex cycle.

Jio's average revenue per user (ARPU) dip in July-September (Q2) was impacted by better subscriber mix and shift to long-term value packs, in line with recent trends, which in turn has boosted earnings before interest, tax, depreciation, and amortisation (Ebitda).

The firm indicated that gross debt is at ₹84,000 crore. High debt led to a more-than-expected 88 per cent increase in interest costs year-on-year (YoY) to ₹1,871 crore for the quarter. Capex for the quarter stood at ₹5,000 crore. "While the firm continues to focus on market share gains and moving towards a reduction-in-capex phase, it may still need incremental 4G spectrum in the near-to-medium term to accommodate subscriber addition and the growing data usage," noted Rajiv Sharma, head of research, SBICap Securities.

Ebitda was up 10 per cent quarter-on-quarter (QoQ), due to an increase in revenue as well as a steep reduction in access charges (down 23 per cent QoQ).

During the India Mobile Congress last week, Jio management pushed the government to ensure timely availability of spectrum, urging it to make airwaves available even during auctions at the price determined in the last sale.

While Ebitda for Q2 was up 44.6 per cent to ₹5,166 crore, Ebitda margins were up over 315 basis points over the year-ago quarter. Surprisingly, interconnect usage charge (IUC) came down 37 per cent YoY (23 per cent sequentially) to ₹654 crore.

Jio's revenues for the quarter were up nearly 33.7 per cent YoY growth to ₹12,354 crore. This was led by a 41 per cent growth in subscribers to 355 million. The pressure on customer realisation or ARPU, however, continued with the metric coming in at ₹120 as compared to ₹121 estimated by analysts.

A majority of subscribers are on three-month plans and the company is aggressively pushing JioPhone offers as well, which offer similar ARPU. Further, the cheaper JioPhone will likely drive more 2G users from rivals to the telco. Note that Jio's long-term plans are cheaper than monthly plans.

"The management clarified that the Jio mobile capex is largely behind as mobile footprint has reached 99 per cent population. The fibre-to-home (FTTH) capex will, however, continue as the firm expands its reach," wrote Avishek Dutta, analyst, Prabhudas Lilladher.

Capex at Jio is mainly last mile for broadband and data centres for its Microsoft partnership, and the capitalised portion of fiber rentals (capitalised till home broadband reaches an optimum utilisation), according to a Credit Suisse report.

ARPU VS USER GROWTH

	Subscriber (million)	ARPU (₹)
Q2FY18	156	139
Q3FY18	154	160
Q4FY18	137	187
Q1FY19	135	215
Q2FY19	132	152
Q3FY19	130	280
Q4FY19	126	307
Q1FY20	122	331
Q2FY20	120	355

Source: Company

P4 CONSUMER BUSINESS TO OFFSET REFINING WOES: RIL

Govt to Flipkart, Amazon: Give details of sellers

PRESS TRUST OF INDIA
New Delhi, 20 October

E-commerce giants Amazon and Flipkart have been asked to disclose names of top five sellers on their platforms, price list of goods of preferred vendors and the kind of support provided to sellers, according to sources.

The Department for Promotion of Industry and Internal Trade (DPIIT) in separate questionnaires to these companies has also asked them to share their capital structure, business model, and inventory management system.

These questions were sent to them after complaints were made to the department by the Confederation of All India Traders (CAIT) that e-commerce companies have been violating the foreign direct investment policy in garb of mega festive sales.

E-mail queries sent to Amazon and Flipkart on the matter did not elicit any response.

The CAIT has time and again alleged that these companies follow unethical practices by indulging in predatory pricing. The DPIIT has held several meetings separately with these companies and CAIT members.

Commerce and Industry Minister Piyush Goyal has stated that a probe is on with regard to allegations of predatory pricing against Walmart-owned Flipkart and Amazon.

The detailed questionnaire sent to these companies also includes queries regarding total number of sellers listed on their platforms; list and share of controlled and uncontrolled sellers; distributor and retailer price list for preferred/controlled vendors and proportion of total sales from top five sellers.

They have also been asked to share details about association with payment gateways, sources said.

According to the current FDI policy, the government permits 100 per cent FDI in the marketplace model of e-commerce but not in inventory based model.

The online firms are also not allowed to influence directly or indirectly prices of goods to be sold on their platforms.

Both Amazon and Flipkart have maintained that they follow the current FDI policy.

The companies also strongly deny having indulged in deep discounting, saying brands offer those discounts.

According to consulting firm RedSeer, e-commerce companies such as Flipkart and Amazon could generate up to $6 billion or ₹39,000 crore in sales this festive season.

CAIT demands govt enquiry into 'nexus' of e-com firms, banks

Traders' body CAIT on Sunday demanded a high-level enquiry by the Centre to probe the "unholy nexus" of e-commerce firms, companies owning brands and banks for causing price distortion in the country's e-commerce market. Praveen Khandelwal, Secretary General of the Confederation of All India Traders (CAIT) also urged Prime Minister Narendra Modi to constitute a Group of Ministers to look into the alleged distortions, both in the e-commerce and brick & mortar format of retail. PTI

Domestic box office collections grow 25% in Jan-Sep

Hollywood has also made merry in the good box office season, with some major releases crossing the ₹300-crore mark

SOHINI DAS
Mumbai, 20 October

The top Hindi and English films released between January and September this year have collected about ₹3,860 crore at the box office, according to industry data. This is 25 per cent more than box office collections in the same period last year.

The year began on a high note with Vicky Kaushal-starrer *Uri: The Surgical Strike*, which raked in ₹244 crore. Made on a budget of ₹25 crore, the RSVP Movies-produced film was a surprise hit, till it was pipped by Shahid Kapoor-starrer *Kabir Singh*, which earned ₹278 crore.

India's official entry into the 92nd Academy Awards (Oscars) Zoya Akhtar-directed *Gully Boy*, which tells the story of an aspiring rapper from Mumbai's Dharavi, collected about ₹140 crore, impressing audiences and critics alike. Made on a budget of ₹34 crore, *Gully Boy*, released in February, was a superhit.

Two small-budget films released in March — *Badla* of Red Chillies Entertainment and *Luka Chuppi* of Maddock Films — also scored well at the box office.

Badla's budget was about ₹10 crore. The crime thriller starred Amitabh Bachchan and Taapsee Pannu, and raked in ₹88 crore. Kartik Aryan-starrer comedy *Luka Chuppi* earned ₹94 crore in the domestic box office.

Hollywood has also made merry in the good box office season, with some major releases crossing the ₹300-crore mark. Films from Marvel Studios, which have a huge fan following, were released across 2,800 screens.

The good run of films was reflected in the strong revenue numbers posted by multiplex chains.

At the end of the July-September quarter, multiplex chain operator PVR clocked a 37.8 per cent occupancy rate, up 320 basis points over the same quarter last year. It earned ₹948 crore from the sale of movie tickets in the April to September period, up 25 per cent over the same period last year.

Kamal Gianchandani, chief executive officer of PVR Pictures, said there was a rise in collections in the first nine months of this calendar year over last year because more people have turned out to watch films.

"There has been an addition of screens as well, but the main reason for the higher box office is superior performance of films," he said, adding ticket prices have fallen because of cuts in the goods and services tax rate. Data shows that average ticket prices have fallen by 5 per cent in H1FY20, compared to the same period last year.

The good news for the movie industry is that the festive season is not yet over, and major releases such as *Housefull 4* are lined up for the Diwali weekend. Hrithik Roshan and Tiger Shroff starrer *War*, which released in October, is inching towards the ₹300 crore mark and has a free run at the box office until *Housefull 4* releases in Diwali. *War* has already beat Kabir Singh's domestic box office collection. Meanwhile, industry insiders say that advance bookings for Housefull 4 too are picking up fast.

The industry expects 2019 to easily beat 2018's domestic box office collection of ₹4,248 crore. Last year, the major hits were Ranvir Singh's *Simmba*, Ranbir Kapoor-starrer *Sanju*, and small-budget film *Stree*.

MOVIES THAT SENT THE CASH REGISTERS RINGING

(₹ cr)

2018		2019	
Sanju	341.22	*Avengers: Endgame*	365.50
Padmavat	300.26	*Kabir Singh*	278.24
Avengers: Infinity War	222.69	*Uri: The Surgical Strike*	244.06
Baaghi2	165	*Mission Mangal*	200.16
Stree	129.67	*Gully Boy*	139.38

Source: Industry

HOUSEFULL 4 is the big Diwali release

Major releases in Oct-Dec 2019

WAR
Yash Raj Studio*

THE SKY IS PINK
RSVP Movies

DABANGG 3
Salman Khan Films

JOKER
Warner Brothers

*Already grossed over ₹288 crore

Reducing competition won't affect cost of 5G deployment: Ericsson

Swedish telecom gearmaker Ericsson has junked the argument that the cost of 5G network rollout in India will increase if some companies are barred from doing business in the country.

Chinese telecom gear major Huawei and some third party industry reports have claimed that rolling out 5G technology will become expensive if the Chinese company is blocked from any country as the remaining firms will jack up prices.

"We have launched 5G in four continents in the last 12 months and we are first in those four continents. The four continents are America, Europe, Asia and Australia. In some of those continents we are alone… and it is working very well. So I mean, in practice it is not true right? We can make it work everywhere," Ericsson's Head South East Asia, Oceania and India, Nunzio Mirtillo told *PTI* in an interview.

He said the cost of data produced in 5G network will be around 10 times cheaper than in the 4G network.

The US has been lobbying to block Huawei from rolling out telecom networks in various countries and alleged it poses a cyber espionage threat.

The US, however, has not been able to establish the same with technical evidence. PTI