TaMo loss narrows on better JLR performance

India business in red by ₹1,270 cr on poor sales

SHALLY SETH MOHILE
Mumbai, 25 October

Tata Motors reported better—than-expected earnings for the September quarter, with improvement in the operational performance at Jaguar Land Rover, its Britain-based luxury vehicle arm.

Loss at the India business deepened, however, with poor commercial vehicle (CV) and passenger vehicle (PV) sales.

The firm's American Depository Receipts rose 10 per cent on Friday at the time of going to press. The share price closed at ₹126.95 on the BSE exchange, down 4.9 per cent. The earnings were reported after markets closed for the day.

Net loss at the consolidated entity narrowed to ₹216.6 crore in the three months to September, from ₹1,048.8 crore in the same period a year before. Net revenue dropped nine per cent in the period to ₹65,432 crore. Driven by an improvement in JLR's operational metrics, earnings before interest, tax, depreciation and amortisation (Ebitda) in the quarter rose 250 basis points (bps) to 12.4 per cent, the highest in 16 quarters. "Healthier than expected numbers, driven by JLR results," went a research note from ICICI Direct.

"The real highlight of the quarter was excellent performance on the margin front at JLR and, consequently, at the consolidated level." Net revenue at JLR increased eight per cent year on year to £6,086 million, while Ebitda went up sharply by 480 bps to 13.8 per cent.

The latter improvement was led by a rise in China sales, better sales mix, favourable foreign exchange and cost saving measures, said P B Balaji, chief financial officer at Tata Motors.

"It was a quarter of well-rounded performance at JLR. We are confident of delivering the plans," he said, adding that ahead of the £2.5 billion by 2020 targeted under the cost saving programme called Project Charge, £2.2 billion had been delivered to date. Savings under the project is being targeted under three heads — investment, working capital, and costs and profit.

China is one of JLR's most important markets in terms of volume and profit. During the quarter, deliveries to customers there rose 24.2 per cent, year-on-year. The company expects volumes to pick up further as the broader passenger vehicle market recovers. JLR's overall sales (all markets) saw a marginal 0.7 per cent decline to 129,000 units over the same quarter a year before.

Meanwhile, the trouble deepened for the India business. The entity incurred a loss of ₹1,270 crore prior to tax for the quarter, against a profit before tax of ₹150 crore in the year-before period.

Poor demand for CVs and PVs forced the firm to take an inventory correction worth ₹3,400 crore. This in turn dragged down revenue for the standalone entity by 44 per cent, to ₹10,000 crore from ₹17,759 crore.

Consolidated revenue:	Loss before tax:	Ebitda margins
₹65,432, down 9%	₹216.6 crore	12.4%, up 250 basis points

Firm to raise ₹6,500-crore equity

SHALLY SETH MOHILE
Mumbai, 25 October

Tata Motors is to raise equity through a preferential allotment of shares to holding company Tata Sons. The board of directors has approved the raising of ₹6,500 crore through preferential allotment of ordinary shares and warrants to the promoter.

This will deleverage the balance sheet, paring debt of the standalone entity and allowing the business to focus on long-term strategy, besides rating support, said Tata Motors. At the end of September, net debt of the standalone entity was ₹20,000 crore.

The warrants will be convertible into ordinary shares after 18 months, with a fourth of the consideration to be brought in at the time of allotment. The issue price will be ₹150, a premium of 11 per cent to the average closing price of the past five days.

NCLAT asks ED, ministry to sort out Bhushan Power asset issue

The National Company Law Appellate Tribunal (NCLAT) on Friday asked the Ministry of Corporate Affairs (MCA) and the Directorate of Enforcement (ED) to sort out whether the assets of Bhushan Power and Steel, allegedly purchased from proceeds of crime, can be attached during its insolvency.

The MCA had, in an affidavit to the NCLAT, said the ED had no right to attach the properties of a corporate debtor and that doing so it would hamper the corporate insolvency resolution process of companies. Based on the submissions, the NCLAT had asked the ED to forthwith release to the custody of the resolution professional the attached assets of BPSL. The ED had taken a divergent view and said the NCLAT couldn't ask it to release the attached assets as the proceedings were going on under the Prevention of Money Laundering Act. AASHISH ARYAN

M&M arm to acquire Peugeot Motorcycles

SHALLY SETH MOHILE
Mumbai, 25 October

Mahindra Two Wheelers Europe, a Mahindra subsidiary, is set to seek full control of Peugeot Motorcycles (PMTC) for an undisclosed amount, the company said in a notification to the exchanges.

The move, it said, "reaffirms the commitment" of the group to future growth of the French company. The subsidiary currently holds 51 per cent in PMTC. It entered into the collaboration with PMTC, part of Groupe PSA in January 2015. Even after the buyout, the Peugeot brand will continue to be used under the trade licence agreement between PMTC and Peugeot. In addition, the Peugeot design teams will continue to assist in the design and development of PMTC products.

Mahindra's Europe subsidiary and the PMTC team have worked together on reorganising and building the 'Performance 2020' plan, which was unveiled in July 2018, the company said. It lays foundation to strengthen company's operations and drive growth in core European markets while expanding into new geographies, including select Asian markets.

Rajesh Jejurikar, president – farm equipment services and Two Wheelers at Mahindra, said the firm was seeing positive momentum at Peugeot Motocycles with Kisbee, the 50cc vehicle in Europe becoming the largest selling 50cc vehicle in Europe.

Q2 RESULTS CORNER

Airtel Africa's PBT up 24%

MEGHA MANCHANDA
New Delhi, 25 October

Total customer base of Airtel Africa grew by 10.4 per cent to 103.9 million from 94.1 million during the period under review

Bharti Airtel's arm Airtel Africa on Friday reported a 24 per cent jump in profit before tax (PBT) at $143 million in the quarter ended September 30, as against $115 million in the same period a year ago.

The company reported a 39 per cent increase in net profit at $90 million for the quarter, as against $64 million in the same period a year ago.

In constant currency terms, the African arm posted revenue of $844 million, mainly on account of increased data consumption. In the same period last year, the revenue was $769 million.

Profit growth of the company, which provides telecom services in 14 African countries, was 83.6 per cent during the period in constant currency terms.

"In the first six months of this financial year, we delivered revenue growth of 11.4 per cent in constant currency terms, with even higher underlying Ebitda growth, as we continued to improve our operating leverage and tight focus on costs," Airtel Africa Chief Executive Raghunath Mandava said.

Average revenue per user almost remained flat at $2.8 in the quarter. It, however, grew by 2.4 per cent on constant currency basis.

Total customer base of Airtel Africa grew by 10.4 per cent to 103.9 million from 94.1 million during the period under review. Data users on the company's network grew by 17.7 per cent to 31.9 million in July-September 2019 from 27.1 million a year ago. "This performance underlines our ability to consistently grow in double digits, powered by our growth engines of data and Airtel Money growing at 37 per cent and 46 per cent, respectively," Mandava said.

The net debt on the company almost halved to $3,191 million at the end of September 30, from $6,439 million a year ago.

"The reduction in net debt is a result of bond repayments of $2.2 billion and an increase in cash from the net IPO proceeds of $670 million. As a result, leverage reduced to 2.3 times as of September 2019, as compared to 5.1 times as of September 2018, basis last 12 months Ebitda," the company said.

The government has now allowed domestic companies an option to pay income tax at an effective tax rate of 25.17 per cent, instead of the earlier 34.94 per cent.

After the government reduced tax for companies, the effective MAT (minimum alternate tax) rate for the current quarter was 21 per cent, which in previous quarter was at 25 per cent.

Strides Pharma posts ₹140-cr profit before tax

Riding on strong growth from regulated markets, Strides Pharma Science posted profit before tax (PBT) of ₹140.43 crore for the July-September quarter. It had a loss of ₹10.80 crore in the corresponding period of the previous fiscal. The firm reported net profit of ₹141.91 crore for Q2. It had posted a loss of ₹8.70 crore for the corresponding period of FY19. "This quarter's financial results validate our reset strategy, with enhanced focus on growth and margin opportunities from regulated markets," Group CEO and MD Arun Kumar said. SAMREEN AHMAD