

‘Auto firms’
Q2 revenue
to decline by
₹20,000 crore’

SPECIAL CORRESPONDENT
MUMBAI

Automakers are likely to witness a revenue decline of ₹20,000 crore for the second quarter ended September this year, compared with a year ago, due to a demand crunch, Acuité Ratings & Research Ltd. said in a report.

It said the auto sector’s GDP contribution may also decline to 7% and total domestic sales may decline by 6-7% year on year (YoY) to approximately 25 million units in FY20. The sector’s revenue may also decline by 5-6% YoY, it added.

“The overall revenue of OEMs is expected to decline 23-25% year-on-year in Q2FY20. As a result, the sector’s contribution to Gross Value Addition (GVA) of the country will also drop, leading to an overall decline in its GDP contribution,” Acuité said.

“Consequently, any decline in revenue and sales of OEMs will directly impact the auto ancillary players and dealers as well. We expect that in FY20, revenue of the sector may also decline by 5-6% YoY to ₹3.2 trillion compared to the previous year’s ₹3.35 trillion. In Q2FY20, we are expecting the revenue to be in the vicinity of ₹0.6 trillion as compared to ₹0.8 trillion the previous year, recording a decline of 23-25% YoY,” it said.

It said though in September 2019, total wholesale domestic sales declined by 22.4% to 2 million units from 2.58 million units in the same month last year, total sales showed a growth of 10.1% from the previous month MoM in the same period indicating somewhat of a revival for the industry.

ICICI Bank net hit by higher deferred tax

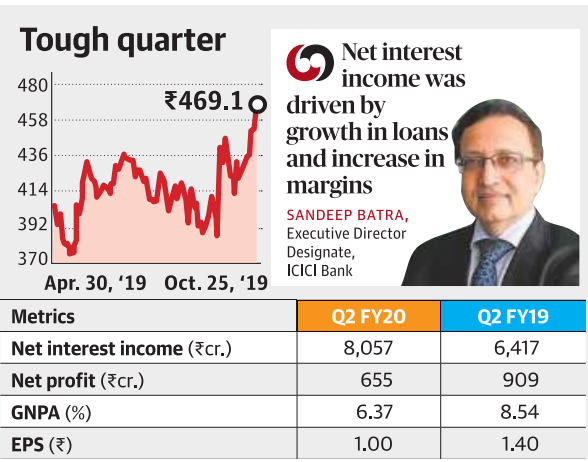
Profit falls 28% to ₹655 crore on one-time impact of adjustment; net interest income rises 26%

SPECIAL CORRESPONDENT
MUMBAI

Private sector lender ICICI Bank reported a 28% fall in net profit to ₹655 crore for the July-September period, due to a one-time impact of deferred tax assets adjustment arising out of the change in corporate tax rate.

The additional impact was ₹2,920 crore. Excluding the impact of one-time additional charge due to re-measurement of accumulated deferred tax, profit after tax would have been ₹3,575 crore, Sandeep Batra, executive director designate, ICICI Bank said in the post-earnings media interaction.

The net interest income (NII) increased by 26% year-on-year to ₹8,057 crore during the quarter, while net interest margin (NIM) was 3.64% in Q2 compared to 3.61% in Q1 and 3.33% in Q2



of the previous financial year.

“NII was driven by loan growth and increase in margins,” Mr. Batra said.

Core operating profit, that is, profit before provisions and tax, excluding treasury income, increased by 24%

year-on-year to ₹6,533 crore.

“Growth in core operating profit and reduction in credit costs resulted in an increase in profit before tax,” Mr. Batra said.

While non-interest income, excluding treasury income, was ₹3,854 crore as

Top BMW, Merc SUVs sell out ahead of Diwali

Non-luxury PVs too see higher sales around Dhanteras, but were discount-driven

LALATENDU MISHRA
MUMBAI

German luxury carmakers BMW and Mercedes-Benz have announced the complete sale of their top-of-the-line SUV models, X7 and GLE, respectively, following heavy festive demand. As a result, both companies have opened bookings for these models, the delivery for which will start from January 2020.

Though BMW did not reveal the sales numbers, Mercedes-Benz said it sold over 600 units of all models on Dhanteras, including 250 units in NCR Delhi alone.

“In a slowing automotive market, BMW has [sold] out its flagship Sports Activity Vehicles within less than three months of launch,” the



company said. Mercedes-Benz said the demand for its cars was more than seen last year. BMW, which has launched three new products in the last few months, said its new products were generating ‘tremendous’ demand, more than in the previous year, with new models driving sales.

Other passenger car companies have reported rising

sales of their models on Dhanteras as compared to sales on the auspicious day last year. But this rise in sales has come at great financial pain for the companies due to heavy discounts being offered to create demand and clear unsold inventory. Unlike in the luxury segment, discounts have been high in the general segment.

An executive from Maruti Suzuki, the largest carmaker said sales were marginally higher than the previous Dhanteras. Hyundai has reportedly sold in excess of 12,000 cars in one day, while new entrants like MG Motor and Kia have delivered 700 units and over 2,100 units respectively. “But we are not out of the woods yet,” said an executive.

Ashish Kale, president, Federation of Automobile Dealers Associations of India said, “Sales were very good in the case of cars and two wheelers, and better than that of last year,” he said without sharing numbers as it was too early to tabulate.

Rudratej Singh, president and CEO, BMW Group India, said, “For us, X7 is only the beginning. BMW India has the freshest portfolio in the luxury car market.”

In record deliveries on Dhanteras in Delhi NCR, Mercedes-Benz said its dealers handed over more than 250 cars to customers, including over 600 units across India. On Dussehra and Navratri, in Mumbai and Gujarat, Mercedes-Benz had delivered over 200 units.



Dip, dip, dip: Traders have seen a 60% decline in sales of mobile phones, trade industry body CAIT said. ■ REUTERS

‘Online discounts dent festive prospects of brick-and-mortar firms’

Cash crunch is another reason: CAIT

SPECIAL CORRESPONDENT
NEW DELHI

Brick-and-mortar retail traders have seen a drastic fall in festive season sales due to a variety of reasons, the primary among which are the deep discounts e-commerce platforms are offering, according to the Confederation of All India Traders (CAIT).

According to CAIT, the slowdown in sales is clear in the run up to Diwali, as well as on the auspicious festival of Dhanteras (October 25).

Dhanteras sales hit

“The slowdown in commercial markets of the country continues even on the day of Dhanteras, which is considered as the most auspicious day to buy gold or silver jewellery, utensils and kitchenware, and appliances and electronics,” CAIT said in a statement.

It added that if this trend continued, physical retail traders could see sales fall by as much as 50-60% by Diwali. The traders’ body, which represents seven crore traders across the country, said the main reasons for lower sales are the discounts run by e-commerce companies, a cash crunch in the markets, lower spending capacity of consumers, and piling up of unsold stock. However, the main culprit, it said, was the shift consumers were making to shopping online.

“The main reason for such a disappointing scenario is due to highly surging sales in e-commerce market which is offering huge discounts on various products and even indulging in predatory pricing and adopting unfair business practices, which have greatly attracted customers to online markets,” the statement said.

“Recently, in the festival sale put up by Amazon and Flipkart, both companies sold goods worth about ₹19,000 crore in just four days; it is clear that a large part of the business of brick and mortar shops have already shifted online.”

According to CAIT secretary general Praveen Khandelwal, retail traders have seen a 60% decline in sales of mobile phones, a 35% fall in FMCG and consumer durables, 35% in electronics, 25% in apparels, 20% in footwear, 30% each in kitchen equipment and toys.

‘Infosys should end internal bickerings in interest of clients’

‘Performance to be hit if firm goes on chief hunt every time’

MINI TEJASWI
BENGALURU

The recent whistle-blower incident has yet again made tech major Infosys a divided house, which will not bode well for its ongoing client engagements and project executions across customer markets, Peter Bendor-Samuel, CEO at Texas-based management consulting and research firm, Everest Group, has cautioned.

“Infosys’ business performance won’t be strongly impacted if the company is not forced into a restatement of earnings as a result of the investigation. However, the company must bring an end to internal divisions. Its long-term performance will be adversely affected if the company goes back into a

mode of looking for a new leader after every incident of infighting,” the Everest Group chief told *The Hindu*.

According to Mr. Bendor-Samuel, accounting for large deals is complex and there are several legitimate approaches. However, it is also quite possible that there may have been a premature recognition of revenue.

“If this is an indication that Infosys is descending back into the internal fighting, which undermined it during Vishal Sikka’s tenure, then investors have a reason for real concern,” he added.

Most clients are aware of the new development at Infosys. “Infosys has sent out emails to everyone stating that they are looking into the matter and that a third-party

auditor has been brought in to investigate,” said Hansa Iyengar, senior analyst, Advanced Digital Services, at London-based data research and consulting firm, Ovum.

According to Harit Shah, research analyst, Reliance Securities, the market has become extremely competitive for IT services in the last three years. An unfavourable macro situation has put a lot of delivery pressure on listed companies.

Ms. Iyengar said Oct.-Dec. had always been a slow quarter for vendors because of the holiday season in the U.S. and U.K. and other Western markets.

“So we should not be reading that as a negative effect of this particular incident,” she added.

Blockchain to help digitise tea marketing

INDRANI DUTTA
KOLKATA

The Tea Board of India is keen to harness latest technologies such as blockchain to help end-consumers track the supply chain of tea of Indian origin, by digitising Indian tea marketing channels.

The industry regulator has invited expressions of interest for designing, developing and commissioning of an end-to-end technology to ensure traceability through the integration of various online systems. Blockchain involves storing digital information (blocks) in a public database (the chain). The Board is now seeking inputs for amalgamation of individual systems for making judicious use of emerging technologies.

Agarbatti import curbs ‘singe’ industry

Domestic sellers import incense sticks from Vietnam, add perfume, and sell them

TCA SHARAD RAGHAVAN
NEW DELHI

Recent decisions taken by the Commerce Ministry on behalf of the Khadi and Village Industries Commission (KVIC) are hurting domestic industries, according to a Commerce Ministry official and industry players.

At the behest of the KVIC, the Commerce Ministry, on August 31, passed an order restricting the import of *agarbattis*, which has significantly impacted the domestic industry, the official said. Last week, again, on behalf of the KVIC, the Ministry banned the import of machine-made Indian flags, which could hurt a large number of resellers in the country, he said.

“The KVIC has been asking the Commerce Ministry to restrict the import of *agarbattis* since it said imported *agarbattis* were eating into



the market of the domestic sector,” the official told *The Hindu*. “The Ministry gave in, and a little while ago they restricted the import.”

The Ministry of Commerce had through a notification dated August 31 said that it was reclassifying the import of *agarbattis* and other odoriferous preparations which operate by burning from ‘free’ to ‘restricted’.

“A few days ago, representatives of the *agarbatti* industry came and said that this rule has ruined their li-

velihood,” the official added. “They said that the domestic industry was only of value addition, where they imported the pre-made *agarbattis* from Vietnam and added the perfume and sold it.”

“Sales of *agarbattis* double and triple during the festive season, and this order restricting imports came at the end of August, the start of the festive season,” a member of the All India Agarbatti Manufacturers’ Association said on the condition of anonymity. “The decision was very sudden and since the entire industry has been based on using imports since 2004, it severely impacted our ability to sell *agarbattis* at this time.”

“While some of the larger players can switch to manufacturing dhoop and other products, the smaller players have shut down operations because they were

solely dependent on imported *agarbattis*,” he added.

The domestic industry predominantly uses machines that can only process the higher quality *agarbattis* that come from Vietnam, the industry player explained.

Flag import ban

Similarly, the Commerce Ministry on October 16 banned the import of machine-made Indian national flags.

“Import of Indian national flag not adhering to the specifications prescribed under Part 1, Section 1.2 of the Flag Code of India 2002 is prohibited,” the Ministry said in a notification.

“This [the move to ban the import of machine-made flags] will affect a large number of domestic resellers who import the Indian flag from abroad and sell them in India,” the Commerce Ministry official said.