Jio's IUC is likely to help telcos increase tariffs

ROMITA MAJUMDAR
Mumbai, 27 October

After announcing that subscribers will have to get additional top-up recharges to make off-net calls to compensate for interconnect usage charges (IUC) paid by the operator, Reliance Jio has launched plans that come bundled with IUC usage.

Analysts largely see this as a positive for the sector, saying it will allow Bharti Airtel and Vodafone Idea to increase their rates as well.

"We think all-in-one plans ease some of these concerns (on the older majors' operational issues), by bundling 1,000 IUC minutes. Also, the new plans provide relief to the price hike (brought by IUC fees) in one of Jio's most popular plan, the ₹399 (1.5GB/day, validity 84 days) one," wrote Varun Ahuja, research analyst at Credit Suisse.

The brokerage notes Jio's new plan (₹444 with 84 days validity) is almost 7 per cent lower than the potential rate after factoring in the IUC fee (₹479, with 84 days validity). The ₹399 + ₹80 for 1,000 IUC minutes (in line with the current rate pattern) is only a 11 per cent price hike (over the pre-IUC period) versus an estimated 20 per cent potential price hike without the all in-one plans.

However, for the 28 days validity plan, the new one (₹222) is 49 per cent more expensive than the current one of ₹149. It does not look like this plan is likely to see a lot of traction, as customers can get an additional 315 minutes of off-net calls (based on current traffic) by paying ₹25, without the need to pay an additional ₹73 for 1,000 off-net minutes.

Note that the new plans provide daily data allowance of 2 GB a day as compared to the current popular plans at 1.5 GB daily.

Under the new plan, Jio customers will not have to buy IUC top-up vouchers for making voice calls to other operators. The new ones come with 2 GB free daily data, along with free unlimited Jio-Jio voice calls and 1,000 minutes of voice calling to all non-Jio numbers.

From October 10 onward, Jio started charging customers six paise a minute for making calls to any non-Jio mobile number.

It comes after Jio had taken the bulk of market share. The additional charge was introduced soon after the Telecom Regulatory Authority of India (Trai) moved to reopen the deadline for ending charges for terminating calls on rival networks beyond the earlier deadline of January 2020.

"With this move, we see limited space for further price hikes and this also lowers IUC gains. Jio could instead have taken a clean price hike, as it has become the market leader. The move to charge for IUC with a sunset clause indicates its sustained focus on subscribers and that tariff (rate) increase is not a near-term focus. Indeed, this move encourages voice-only subscribers to move to Jio's network," says Piyush Nahar, research analyst, Jefferies.

Jio has alleged that Trai's review of the call connect charges "sabotages" the government's Digital India initiative. And, that it will hit not only the regulator's credibility but also investor confidence, as the move protects vested interests of the earlier operators. "Jio's plan to recover IUC from subscribers provides an opportunity for the (older) incumbent operators to differentiate their offerings and gain smartphone subscriber addition. This might prompt the others to take a price hike in the near future. That said, after charging for IUC, Jio might not immediately raise its tariff," says Pranav Kshatriya, research analyst at Edelweiss.

Barclay family puts Telegraph newspaper up for sale: Times

HEATHER BURKE & JIM SILVER
London, 27 October

The Barclay family has put the *Daily Telegraph* and *Sunday Telegraph* newspapers up for sale as part of a review of their British investments, *Times of London* reports, citing an unidentified senior executive close to the family.

Financial advisers are expected to be appointed to value the portfolio of businesses, including The Ritz hotel and online retailer Shop Direct, and seek buyers, the newspaper said.

The family hopes the review can be complete in 12 to 18 months, according to the *Times*. Potential buyers could include *Daily Mail* and *General Trust* and *Alexander Lebedev*, owner of the *Evening Standard* and *The Independent*, the Times said.

The Barclay family have owned the *Telegraph* newspapers since 2004.

The review was prompted by the realisation the family is no longer as united on strategy, in what an insider called a generational shift, the Times said. A Barclay family spokesman declined to comment to the Times.

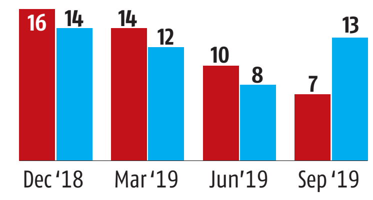
Shop Direct could also be sold, although it is understood Aidan and Howard Barclay want to stay investors, the newspaper said. The Times reported earlier this month that the Barclay family was considering a sale of the Ritz in London. BLOOMBERG

Consumers flock to modern trade during slowdown

Rate of growth nearly double that of traditional trade in July-Sept: Nielsen data

VIVEAT SUSAN PINTO
Mumbai, 27 October

MODERN TRADE OUTPACES TRADITIONAL TRADE
(figures in %) (rate of growth)



Source: Nielsen data from industry officials

CHANNEL CONTRIBUTION TO OVERALL FOOD AND GROCERY SALES
(figures in %)

Source: Industry

Footfalls at the neighbourhood supermarket are growing in contrast to the *kirana* or corner shop, considered the backbone of the fast-moving consumer goods (FMCG) market. Nielsen data sourced from the retail industry shows modern trade as a channel for carrying food and grocery products has grown at nearly double the rate of traditional trade in July-September (Q2), coming at a time when the overall market remains weak.

Specifically, the rate of growth of modern trade, says industry officials, in Q2 is 13 per cent versus traditional trade's 7 per cent. This is the first time in four quarters that the rate of growth of modern trade has outstripped that of traditional trade, they say, pointing to the initiatives that organised retailers are taking to buck the overall slowdown.

"Most modern traders, especially in food and grocery, offer an assortment of products today at competitive price. This increases convenience," says Arvind Singhal, chairman, Technopak. "They are also pushing more sale days and offers and matching discounts offered by e-tailers," he says.

When announcing the company's Q2 results this month, Neville Noronha, managing director and chief executive officer, Avenue Supermarts, which runs the DMart chain of stores in India, said the company's revenue mix was better this year from last year and that the retailer remained committed to opening more stores across the country to improve its reach. It has 189 stores currently.

DMart's revenue growth for Q2 stood at 22 per cent year-on-year, which analysts say is due to the chain's aggression on discounts. DMart is among the country's key value retailers in food and grocery and follows the 'everyday low price' (EDLP)model, based on sourcing and backend efficiencies. Noronha has said DMart's EDLP model will not change despite competitive intensity.

Future group, which runs the Big Bazaar brand of supermarkets and hypermarkets, on the other hand, has been pushing more sale days in Q2 to get footfalls into its stores, say analysts.

Kishore Biyani, founder and chief executive officer, Future group, say the retailer is focusing on understanding consumer trends and insights during offer periods to get the best out of it.

"While sale periods have become longer and their frequency has also grown across retail chains. The strategy for us is to have interesting tie-ups with companies, led by consumer insight. This way the strike rate in terms of sales is better," he says.

Big Bazaar also keeps its ears to the ground to understand shopper behaviour and change in habits accurately. For instance, when the price of essential commodities such as potatoes and onions began shooting up recently, Big Bazaar ran an offer saying it would sell these items at ₹10 per kg.

The chain runs a regular 'Wednesday Bazaar' offering food and grocery products at even greater discounts than on regular days and has special weekends offers for those planning their shopping trips on Saturdays and Sundays.

Louis Vuitton maker is looking to buy Tiffany

LVMH is exploring an acquisition of US jeweler Tiffany. in what would be the biggest purchase by the French owner of Louis Vuitton, according to sources. The luxury group has approached Tiffany with a takeover proposal earlier this month, said the people, who asked not to be identified because the discussions are private. BLOOMBERG

Pvt firms open to power supply franchise model

AMRITHA PILLAY
Mumbai, 27 October

The central government plan for a new franchise model to attract private companies into the power supply in various states will interest them, say sector officials and experts.

However, they add, more needs to be done for making this viable. The Union ministry of power has drafted a model plan, for multiple private franchisees as power suppliers in states. *Business Standard* reported on this earlier in the month.

It proposes a "light-handed approach" towards franchisees to incentivise, discount and set rates (within a stipulated range) for supply in an area. Industry officials say there is interest in the model but full privatisation in the supply segment would be a better step.

However, some say the benefits have not been encouraging and full privatisation might be better

"Adani Transmission would be open to pursuing any model of reforms in retail electricity distribution," said a spokesperson. Adding: "s long as it is supportive of the change management process in prudent and viable ways, whether it's through a franchise model or through PPP (public-private partnership)." A spokesperson for Tata Power said they'd like to pursue all opportunities in the power distribution business. These two entities are both distributing power in Mumbai.

An e-mail query to TorrentPower, power franchisee for Bhiwandi, close to Mumbai, was not answered. "It is a good move to open more distribution opportunities to private companies. However, the choice should be left to the discoms (state distributioin entities) and the companies that wish to participate. Both models should be explored," said an official from a private company, who did not wish to be identified.

The spokesperson for Adani Transmission says a privatisation model is better. "Full privatisation is more akin to supporting the transformation in management processes, due to a developer directly working under an independent regulator and there being flexibility of arranging capital expenditure and power supply in a competitive manner," the spokesperson said.

Under the existing franchise model, the private company steps in to collect electricity charges and help cut aggregate technical and commercial (AT&C) loss. But, does no investment in core infrastructure. In the full privatisation model, a private company collects charges, is free to source power from buyers of its choice, invests in infrastructure and files petitions to the regulator on what the supply rates should be.

Some officials from state discoms agree full privatisation is more viable. "In a franchise mode, my strength and my weakness become that of the franchise operators — there is less room for vast improvement," one said.

September quarter not cheery for most mid-size IT companies

Barring hi-tech, media and BFS, all other segments demonstrated strong growth for it

ROMITA MAJUMDAR
Mumbai, 27 October

AT A GLANCE

Companies	QoQ revenue growth (%)	Highlights
LTI	3.5	Broadbased growth and strong deal ramp-ups
Mindtree	4.4	Fewer deal renewals but BFSI performed well
Hexaware	13.2	Steep BFS impact due to a client but healthy deal wins
Zensar	0.6	Revenue took a hit due to impact from two large clients
Cyient	6.4	Core verticals took a hit but are expected to see a pick-up by Q4

Mid-cap information technology (IT) services companies have largely underperformed in the July-September quarter.

Except for L&T Infotech (LTI), they have been invariably unable to keep up on growth. Slower growth in the key banking and financial services (BFS) segment, and client-specific issues, are major reasons.

"We would strictly advise against investing in mid-caps in Indian IT at this point. We see greater revenue and margin volatility in a likely no-growth scenario for the industry in FY21," went a note from Girish Pai, head of research at equity research firm Nirmal Bang.

LTI did have client-specific issues but reported a strong quarter. Largely contributed by broad-based growth across verticals and steady deal ramp-ups. Barring hi-tech, media and BFS, all other segments demonstrated strong growth for it. The L&T group company also expects its BFS business to do well in coming quarters.

"We believe the receding of client-specific challenges, coupled with momentum in deal pipeline, is expected to lead to H2 (the second half of this financial year) being better as compared to the first half. Additionally, ramp-ups of recently won large deals provides the base for revenue growth acceleration in FY21," said Devang Bhatt, research analyst at ICICI Securities, in a note on the performance.

Even Mindtree, despite the uncertainty it faced in the past quarter due to a management shuffle, reported recovery in the BFSI (banking, financial services and insurance) segment.

The Bengaluru-based company reported stable pricing, though deal ramp-ups look slower. There was stronger operational efficiency, in terms of reduced staff cost, lower subcontractor cost and increased automation.

Another company that did well in BFSI was NIIT Technologies.

In the September quarter, it saw the insurance segment growing 15.3 per cent over the June one in constant currency (CC) terms, while banking and financial services grew 9.4 per cent. Strong sequential growth in verticals was also due to a $6-million revenue contribution from the acquisition of Wishworks.

On the other hand, performance of some other mid-sized companies such as Zensar, Hexaware and Cyient disappointed the market. Hexaware again reduced its forecast for this calendar year, to 17-18 per cent (from the earlier 19 per cent). Key factors include likely client furloughs in the next quarter, apart from anticipated reduction in revenue from top BFS clients and adverse foreign exchange impact.

"We had a few client-specific issues, which caused a two per cent drop in revenues in the quarter, and expect a further hit from this. Some pockets within BFS are growing normally but there is cautiousness around spending. Non-BFS verticals are doing exceedingly well," said R Srikrishna, chief executive at Hexaware. "Participation in deals across the board has continued to increase at a good pace."

Engineering services firm Cyient is also seen struggling with issues in its core aerospace and communication verticals.

Slower ramp-up of deals signed in previous quarters was another issue for the companies. Zensar reported lower than expected financial numbers. In CC terms, sequential revenue growth for the Pune-based entity was only 0.3 per cent, lower than analyst estimates, due to slower ramp-up of news deals.