IN BRIEF

SEVEN OF TOP 10 FIRMS LOSE OVER ₹1 TRILLION IN M-CAP

Seven of the 10 most-valued domestic companies suffered a combined erosion of ₹1 trillion in their market valuation last week with HDFC Bank taking the biggest hit by losing over ₹30,000 crore. During the week, Sensex plummeted 1,149.26 points or 2.96 per cent, while Nifty declined 337.65 points or 2.93 per cent. PTI

DROP	(₹ CR)
HDFC Bank	30,198
ICICI Bank	22,866
Kotak Mahindra Bank	15,624
HUL	14,287
HDFC	10,178
Bajaj Finance	9,437
RIL	824

INCREASE	(₹ CR)
TCS	8,236
ITC	5,344
Infosys	4,681

M-CAP	(₹ TRILLION)
RIL	8.2
TCS	7.7
HDFC Bank	6.5
HUL	4.2
HDFC	3.4
Infosys	3.4
ITC	3.1
Kotak Mahindra Bank	2.9
ICICI Bank	2.6
Bajaj Finance	2.2

Jio, Vodafone Idea paid ₹94 crore towards spectrum dues in Sept

Telecom operators Reliance Jio and Vodafone Idea have paid about ₹94 crore (combined) to the Department of Telecom (DoT) towards spectrum dues in September, an official source said. Vodafone Idea has made a payment of ₹54.52 crore, while the amount paid by Jio stood at about ₹39.1 crore, the source added. The payments, which are towards deferred spectrum dues from the companies, came on time. Email sent to Reliance Jio was unanswered, while Vodafone Idea spokesperson said that the company does not comment on matters that are business as usual. The government, in March last year, enhanced the number of annual instalments for spectrum payment from 10 to 16 years to provide relief to the debt-laden telecom sector. But with the sector reeling under acute financial stress, Vodafone Group Chairman Gerard Kleisterlee and CEO Nick Read recently met Telecom Secretary Anshu Prakash, as the company sought a two-year moratorium on deferred spectrum payments, and other relief measures. PTI

Snapdeal to launch three e-stores for festival essentials

Snapdeal will launch three special e-stores for festivals of Karva Chauth, Dhanteras, and Diwali, to cash in on the rising trend of online shopping. Each e-store will provide all festival essentials in one place — making shopping for traditional items simple and convenient, said a Snapdeal spokesperson. The first such e-store will be for Karva Chauth offering products like *pooja thalis*, *pooja* accessories, and other products used to perform the rituals. The second e-store will have a special selection for Dhanteras and will include offers on gold and silver coins, utensils, and fine jewellery. PTI

Payworld eyeing 500,000 retail touchpoints in 3 yrs

Fintech firm Payworld is planning to increase its retail touchpoints in rural and semi-urban areas to 500,000 from 200,000 now in the next three years to cash in on the increase in digital transactions. It offers services such as domestic money remittance, mobile and DTH recharges, transport reservation, besides utility bill collections, digital wallets, cash withdrawal points, and assisted e-commerce. PTI

Paras Healthcare enters Rajasthan with J K Hospital

Hospitals chain Paras Healthcare has said it has partnered Udaipur-based J K Hospital to offer secondary and tertiary care services to the large underserved population of the area as it enters Rajasthan. The healthcare provider plans to invest in upgrading the medical facilities and quality of clinical service in the hospital which will now be called Paras J K Hospital, Paras Healthcare said. PTI

NCLAT sets aside IBC proceedings against Romesh Power

The National Company Law Appellate Tribunal (NCLAT) has set aside insolvency proceedings against Romesh Power Products, observing that the plea was filed by one of the company's operational creditors with 'malicious intent'. The NCLAT said Rajdhani Trading Company, an operational creditor of Romesh Power Products, which had filed a plea before the NCLT claiming default for the goods supplied to South Bihar Power Distribution Company, was aware that it would be paid directly by the discom. PTI

Corporation tax cut: JSW eyes SPVs for expansion

ISHITA AYAN DUTT
Kolkata, 6 October

JSW Steel may consider setting up special purpose vehicles (SPVs) for expansion to take advantage of the government's corporation tax incentive.

JSW Steel's Joint Managing Director and Group Chief Financial Officer Seshagiri Rao said the company would consider this alternative model for any expansion beyond 13 million tonnes (mt) at Vijayanagar (Karnataka) and 1 mt each at Salem (Tamil Nadu) and 10 million tonnes at Dolvi (Maharashtra).

"As and when we take up these projects, we will explore setting up separate SPVs because of the great incentive which is available in the form of a sharper reduction in corporate tax where the effective rate is 17 per cent," Rao said.

JSW Steel has a long-term goal of achieving annual capacity of 40-45 mt through a mix of brownfield and greenfield projects. The greenfield plan involves setting up a 12 mt plant in Odisha.

Asked whether the company could take recourse to the tax incentive for the greenfield project, Rao said, "Odisha is there but over and above that, we have brownfield expansion that can be done in separate SPVs."

To revive investment, the government announced last month that manufacturing firms established after October 1 are eligible for a base corporate tax rate of 15 per cent (effective tax of around 17 per cent) if they make fresh investments by March 31, 2023 and are not claiming incentives.

JSW is in the process of organic expansion that involves spending of ₹48,700 crore over 2018-2022 financial years to expand annual capacity from 18 mt to 24 mt.

Joint MD Seshagiri Rao is hopeful the initiatives by the Centre and the ongoing festive season can improve sentiment

THE PLANS

- Future expansion is a mix of brownfield and greenfield options
- Long-term plan is to achieve annual capacity of 40–45 mt from current level of 18 mt
- Expansion beyond what is already announced could be under SPV model
- Greenfield plan involves setting up of a 12-mt plant in Odisha
- Brownfield plans include increasing capacity at Vijaynagar to 18 mt
- Capacity increase beyond 10 mt at Dolvi could be under alternative model

Its brownfield expansion plans include increasing capacity at Vijaynagar to 18 mt. An increase from 12 mt to 13 mt has already been announced.

Rao, however, said the expansion from 12 mt to 13 mt had been put on hold. "We have put it on hold right now as we have to lose production for 90 days during that time. Once Dolvi starts, we will take it up," he said.

Dolvi is in the process of expanding capacity from 5 mt to 10 mt, which is expected to be completed by March 2020.

The other expansion plans on the anvil could include taking capacity at Salem from 1.1 mt to 2 mt.

According to Rao, Salem beyond 1 mt and Dolvi beyond 10 mt could be considered under the new model.

"For these brownfield projects, we have the option of doing it under separate SPVs in the future," Rao said.

JSW has also bagged assets under the Insolvency and Bankruptcy Code (IBC). The resolution plan for Bhushan Power & Steel has already got an approval from the National Company Law Tribunal.

JSW Steel, however, has filed an appeal against the order for not being granted certain reliefs. It has also jointly with AION won Monnet Ispat & Energy.

Better days ahead, says Seshagiri

The post-Budget measures announced by the government and the ongoing festive season have renewed the hopes of alloy major JSW Steel of better days ahead, though it remains cautious on investing in new mines.

Since the past few quarters, the steel sector has been hit badly due to the slowdown in real estate, auto, and infrastructure sectors. The extended monsoon season also played a large role in dampening demand.

"Demand slump is quite evident from the numbers given by the joint plant committee for the first half of the financial year and it has been going down month after month. We are seeing demand slump not only from the auto industry but also from other key sectors like realty, infrastructure and general engineering," JSW Steel Joint Managing Director and Group Chief Financial Officer Seshagiri Rao said.

He is, however, hopeful that the series of initiatives announced by the government since the Budget that roiled the sentiment for almost every sector, and the ongoing festive season can improve the sentiment, and thus the second half should be better. PTI

Domestic IT firms step up rebadging

Absorbing staff of clients seen as margin-dilutive for these firms

DEBASIS MOHAPATRA
Bengaluru, 6 October

Continuing with their global approach, domestic IT services companies are increasingly absorbing employees of their clients in India in order to bag large outsourcing contracts.

Though rebadging has become the norm of the industry, absorbing employees in big numbers in India could have a negative impact on operating margin of these firms, said experts.

"Indian deals are generally margin-dilutive. That's the reason most domestic companies have never pursued Indian contracts aggressively," said Pareekh Jain, an IT outsourcing advisor and founder of Pareekh Consulting. "In case of some of the recent contracts, what is the kind of impact on margin. But, net revenue per full-time equivalent (FTE) will definitely see adverse effect."

Experts say the recent deals by TCS and Wipro will have impact on operating margin, but it will only reflect in the third quarter of this financial year

Revenue for FTE indicates how much revenue each regular employee generates for a company and is a critical measure of efficiency.

Last month, Tata Consultancy Services (TCS) said it would take over 1,300 people from General Motors (GM) India's engineering centre after it clinched a five-year engineering services contract from the US automobile giant. Though TCS didn't reveal the contract size, sources said it would be upward of $500 million.

Similarly, in September, Wipro bagged a seven-year contract worth $300 million from ICICI Bank after entering into a business-transfer agreement with Vara Infotech. According to the deal, Wipro would absorb about 3,800 employees of Vara.

"Any rebadging deal is margin-dilutive. So, the recent deals announced by TCS and Wipro will definitely have impact on operating margin. However, it will only reflect in the third quarter of this financial year," said a Mumbai-based analyst.

Globally, the contours of large deals have changed significantly, with most of these requiring service providers to do a lot of rebadging of employees, apart from investing upfront on those contracts.

For instance, Infosys last year had bagged a contract worth $700 million from US telecom giant Verizon, as part of which it had to rebadge around 2,500 employees of the telecom firm. Wipro has absorbed around 9,000 staff of US-based human resources and financial solutions firm Alight's India unit into its business process outsourcing division as part of a $1.6-billion outsourcing contract.

"With many of the rebadging of client employees happening in the legacy side of business, companies have to weigh risk factors before entering into such contracts. Any disruption in the revenue flow can add to the cost," said Jain.

Affordability big challenge: Toyota Kirloskar

PRESS TRUST OF INDIA
New Delhi, 6 October

Indian automobile industry is facing a big structural issue with affordability becoming one of the most serious challenges due to several factors, including headwinds created by government policies, according to Toyota Kirloskar Motor Vice-Chairman Vikram Kirloskar.

With the transition from BSIV emission norms to BSVI from April 2020, he said vehicle prices would go up further, thereby affecting affordability as percentage of EMIs of a consumer's salary will rise. "It is a big structural issue that we will have to go through... Affordability is the real problem," Kirloskar said when asked how recent steps taken by the government to boost the industry has helped.

"When demand in auto sector (is low), people are not buying cars how much can the government do?" Kirloskar said while the government has done a lot of things such as increasing and improving roads, "Some things they have done have created headwinds for auto sector."

VIKRAM KIRLOSKAR
Vice-chairman

"Economic growth is really what is determining the demand. What we have to do is control our cost structure, quality and our productivity, which is what we put all our efforts into"

He cited hike in road tax by many states which has increased the cost of buying. "It increases the cost (of vehicles), EMI goes up. EMIs as a percentage of a person's salary start increasing. It is an affordability issue," Kirloskar said.

Asked about the outlook for the next year, he said it was very difficult to predict under the circumstances.

"In 2020 we are going to have higher priced vehicles. Already this issue of EMI as percentage of salary, to my mind, is not going to change. It will get worse," he added.

However, he said, "The way I look at it is that in the past four-five years we have had such good years. It is okay, one year we will go through this. We will relearn."

Stating that as manufacturers, automobile companies cannot control demand, he said, "The economy, growth in the economy is really what is determining the demand. What we have to do is control our cost structure, quality and our productivity, which is what we put all our efforts into."

Auto industry has been going through a prolonged slump. Total vehicle sales witnessed the steepest fall in August since industry body Siam started recording wholesale vehicle sales data in 1997-98. Overall vehicle sales in the month stood at 1,821,490 units as against 23,82,436 units in August 2018, a fall of 23.55 per cent.

Firm initiates VRS for employees at Karnataka unit

Toyota Kirloskar Motor (TKM) has initiated a voluntary retirement scheme (VRS) for employees of its manufacturing facility in Bidadi, Karnataka. The firm has commenced the scheme for the unionised employees and supervisory category with a minimum of five years of service.

Nava-Jeevana Yojane, a voluntary depersonalisation scheme, commenced from September 22 and is scheduled to run till October 23.

TKM Vice-Chairman Shekar Viswanathan said the scheme was purely voluntary and has no relation to TKM's business situation. "The scheme is launched in order to support the employees to ensure career change with financial security and to achieve their aspirational goals or desired career by separating from the organisation," Viswanathan said.

Employees opting for the scheme will receive a compensation package in addition to normal retirement benefits, he added.

TKM employs around 6,500 people in the country. It has two plants at Bidadi with a total installed production capacity of 310,000 units per annum.

The company churns out models like Innova and Fortuner from the first plant that commenced operations from December 1999. The second facility rolls out Corolla Altis, Toyota Yaris, and the Etios range. PTI

Renault plans to double component export revenue by next year

French carmaker Renault is planning to double revenues from automobile component export from India to various global operations by next year, aiding its suppliers in India to stay afloat at a time when the domestic industry is going through a prolonged slowdown.

The company garnered revenue of around €190 million in 2018 from component exports from India to its various global operations.

The automaker is also looking at bolstering its presence in India with plans to launch three new models, including an electric vehicle, by 2022 in line with its mid-term plan to double its market share in the country by that year.

Renault India has a market share closed to 4 per cent in the domestic passenger vehicle segment. PTI

'Premiumisation trend to continue despite growth bumps'

Indian consumers are increasingly opting for premium brands in alcoholic beverages space. According to market leader United Spirits (USL), this premiumisation trend is likely to continue despite temporary growth bumps. USL's Managing Director and Chief Executive Officer **ANAND KRIPALU** tells **Debasis Mohapatra** that long-term growth opportunity for the industry remains intact despite a slowdown. Edited excerpts:

Q&A

Alcohol business is one of the most regulated in India and also a state subject. As the market leader, how is USL negotiating the regulatory landscape?

The beverage alcohol industry is one of the most regulated and complex sectors in India. Since Diageo took a controlling stake in USL, we have been leading the way in improving transparency and compliance for the industry. Our job as leader is to transform industry perception to one that is a responsible industry that believes in doing business the right way.

Will you give specifics of how you are trying to change the ways the industry operates, apart from changing perception?

Be it the US or the UK, alcohol is regulated and taxed heavily in many parts of the world, but not as minutely regulated as in India. Each state has an independent overview for our industry, so it is like managing 30 countries for us in India. Each state has its tax rates, own licensing regulations, and rules are different for different approvals. To shape pro-industry policies, there is a need for the right kind of engagement with state governments and regulators, one that uses business evidence and data-based dialogue, as is common in other industries. Regulators are more open to discussing process changes, licence, registration, and other matters, especially given how beverage alcohol impacts other industries such as hospitality and tourism. Some states are taking a leadership stance in simplifying rules and, if ease of doing business happens, ways of doing business will improve. In some states, we have made more progress.

What easing measures do you expect from states?

I don't complain about the tax, and the state will take what tax it wants to take. But, once tax is paid, can the rigidity around regulations be eased, so that people can do business — honestly and in the right way. I am not lobbying for reducing the rates, though India has among the highest tariff barriers for this sector. There are some cases like import duty on spirits into India. This is 150 per cent as compared to 5 per cent in China. Our hope is for a balanced and proportionate regulation that seeks to understand the needs of all stakeholders.

"There are some cases like import duty on spirits into India, which is 150% against 5% in China. Our hope is for a balanced regulation that seeks to understand the needs of stakeholders"

How do you see prohibition imposed by certain states? Also, what's the impact of new Motor Vehicles Act on overall consumption?

I want to believe that as an industry, some of the negative perceptions are changing and the noise around prohibition is becoming less. Consumers are more responsible and want to drink better not more. Enforcement plays a critical role in curbing alcohol misuse and illegal alcohol — fines and penalties can be an effective deterrent. As far as the Motor Vehicles Act is concerned, the stiff penalty on drinking and driving is a good thing.

So, you don't see any consumption slowdown due to these regulations.

These are not the things affecting consumption. The trend today is people who choose to drink want to drink less but better. India continues to be one of the most attractive opportunities and the fastest growing economies in the world. The beverage alcohol industry in India is witnessing significant changes, influenced by a global culture leading to a trend towards premiumisation. The largest segment, whisky is worth ₹75,000 crore and projected to grow at 8-10 per cent CAGR in value over the next five years.

Do you see lesser discretionary spend owing to current economic slowdown affecting the sales of the USL's premium brands?

There has been a shift in the beverage alcohol industry in the past five years. Increase in disposable incomes and transformation in lifestyles is juxtaposed with greater consumer openness around social drinking. But, recognise one thing that what you drink and what you serve is who you are. For the cheapest brand of whisky and the most expensive one, the amount of spirit is the same but the price difference could be substantial. Why do people pay those premiums? Because it is an image-driven, experience-driven category. Therefore, the premiumisation trend will continue. As an industry, we have faced growth bumps due to highway ban, GST implementation, and more, the real question is the long-term consumer opportunity intact? I think it is not only intact but also exciting. In the journey towards that pot of gold at the end of rainbow, there may be bends and speed breakers, but the destination is clear.