IN BRIEF

Edelweiss Group to raise $1 bn for realty platform

The Edelweiss Group on Tuesday said it is looking to raise $1 billion from global institutional investors over the next one year for its financing platform in a bid to complete housing projects. The fund has been announced in a partnership between Edelweiss Alternative Asset Advisors (EAAA) and South Korean financial services conglomerate Meritz Financial Group and it has an initial outlay of $425 million. The platform will house funds that will buy out existing residential real estate loans and provide requisite completion financing to good quality, commercially viable projects, Edelweiss said in a release. The funds within the platform will be managed by Edelweiss' Alternative Asset Management business. PTI

Sebi order against RIL: SAT to hear appeal today

The Securities Appellate Tribunal on Wednesday is likely to hear an appeal by Reliance Industries against a Sebi order that had barred the company and 12 of its promoter group entities from dealing in equity derivatives. The watchdog had barred the company and the entities for alleged unfair trade practices related to the securities market. Through an order on March 24, 2017, Sebi had also directed RIL to disgorge ₹447 crore, along with interest. PTI

Govt to consider TCS, Infosys proposals to set up SEZ on Nov 15

The government will consider on Friday the proposals of TCS and Infosys to set up special economic zones in IT sector. The proposals will be taken up by the Board of Approval, the highest decision making body for SEZ, in its meeting on November 15. The inter ministerial body is chaired by the Commerce Secretary. Infosys has proposed to set up two SEZs — one each in Kancheepuram and Pune. PTI

Jaypee lenders to meet on Nov 18 over SC order

Lenders of Jaypee Infratech will meet on November 18 to take forward the process of insolvency resolution after the Supreme Court directed early this month to complete the process within 90 days. Jaypee group firm Jaypee Infratech went into insolvency in 2017 after the National Company Law Tribunal admitted an application by an IDBI Bank-led consortium seeking resolution of the firm. PTI

Ind-Ra revises JSW Steel rating outlook to -ve

India Ratings and Research (Ind-Ra) has affirmed JSW Steel long-term issuer rating to IND AA and revised the company's outlook to negative from stable. The rating on the company's ₹53.51 billion NCD was also revised. The outlook revision reflects Ind-Ra's view of a higher-than-expected fall in per tonne EBITDA (Earnings before interest, tax, depreciation and amortisation) and consequent deterioration in JSW Steel's credit profile in FY20. PTI

TCS expands partnership with Phoenix Group

IT services major Tata Consultancy Services (TCS) on Tuesday said its partnership with Phoenix Group, Europe's largest life and pensions consolidator, has been expanded to cover an additional 4.2 million policies. "This will expand the overall scope by a further 4.2 million policies, taking the total number of policies managed by Diligenta, TCS' regulated subsidiary in the UK, on behalf of Phoenix Group, to nearly 10 million," TCS said. BS REPORTER

'Tail fire-hit' AI plane to undergo engine replacement

The Air India A321 flight, which was diverted to Raipur mid-air due to 'tail fire' incident last week, will require engine replacement even as aircraft accident investigation body AAIB has taken over the probe into the incident, a source said on Tuesday. PTI

Amazon's 'Project Zero' in India to fight counterfeit items

E-commerce major Amazon on Tuesday said it had rolled out 'Project Zero' in India that will provide brands with additional tools to identify and remove counterfeits from its platform. The initiative was launched earlier this year in the US, Europe (UK, France, Italy, Spain, and Germany) and Japan. Globally, over 7,000 brands have already enrolled in Project Zero across US, Europe and Japan, he added. PTI

TaMo gross leverage ratio at 9-yr high on JLR woes

Net worth down 45% during the first half of FY20

KRISHNA KANT & SHALLY SETH MOHILE
November 12, Mumbai

A decline in profitability at Jaguar Land Rover (JLR) and its domestic automotive business has started to weigh on Tata Motors' consolidated balance sheet.

Tata Motors gross leverage ratio on a consolidated basis shot up to a nine-year high of 1.83x at the end of September this year as the company took a hit on its net worth or shareholders' equity due to losses at JLR and its domestic business in the last 18 months. The leverage ratio was at a comfortable level of 0.8x at the end of March 2018 *(see adjoining chart)*.

The company's net worth, on a consolidated basis, was down 45 per cent year-on-year (YoY) basis during the first half of FY20 while total borrowings were up 3 per cent YoY during the same period.

Tata Motors reported a net loss of ₹3,914 crore during the first half of FY20, following a net loss of around ₹26,000 crore during the six months ending March 2019 and a net loss of around ₹3,000 crore during six months ending September 2019. The company's domestic business also turned loss making with net losses of ₹1,379 crore during the first half of FY20.

These losses are eating into the company's accumulated profits, leading to a decline in its net worth and rise in the debt to equity ratio. Analysts said that the company's current debt to equity ratio is unsustainably high and could potentially jack up its borrowings costs and even trigger a rating downgrade.

"A debt to equity ratio higher than 1 is a red flag in a cyclical business such as automobile manufacturing. It will weigh on the company's valuation and its fundraising capacity if the leverage ratio stays above 1 for long," said an analyst on condition of anonymity.

Analysts said this could explain the latest move by Tata Sons, Tata Motor's promoter, to inject fresh equity worth ₹6,500 crore in the company. The automakers will, however, need additional capital to bring down its leverage ratio to a comfortable level.

Others agreed. Bharat Giani, analyst at Sharekhan, said, "While one can draw some comfort from the company's second quarter performance, continuing the same will be tough as the quarter was a strong one seasonally. Also, the high growth rate seen in China volumes is also not sustainable," he said. Giani added the high debt levels owing to a weak cash flow is a cause for concern. "The recent move to raise funds through preferential allotment of shares will hardly move the needle," he pointed out. Factors such as the uncertainty related to Brexit in the UK and disruption due to a transition to BSVI in the home market will weigh on the company's overall volumes, he added.

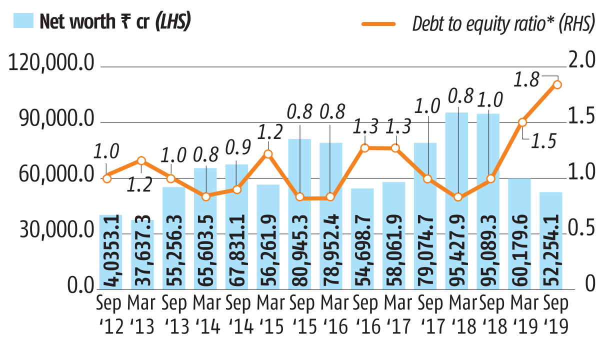
The company's lending arm, Tata Motors Finance, which accounted for around 30 per cent of the company's consolidated borrowings at the end of March 2019, has little role to play in the rise in gross leverage ratio. The deterioration in Tata Motor's debt to equity ratio is largely due to decline in net worth rather than any meaningful rise in borrowings. The company's gross debt was up by around ₹2,500 crore during H1FY20 over the same period a year ago.

Meanwhile, rating agencies have taken a note of the deteriorating financials. After S&P's downgrade in March, credit ratings agency Moody's said its outlook for Tata Motors is negative and further assigned Ba3 rating.

The negative outlook primarily reflects the challenges faced by Tata's operations (excluding JLR) from the Indian auto sector's slowing sales due to weak demand, over capacity and tightening liquidity.

EQUITY SHRINKS, LEVERAGE SHOOTS UP

TaMo consolidated net worth & leverage ratio on half-yearly basis



*On gross basis (excluding cash and equivalent on books) Source: Capitaline

Global wholesale figures drop 19%

Tata Motors on Tuesday reported 19 per cent decline in global wholesale figures, including that of Jaguar Land Rover, to 89,108 units in October. The auto major had sold 1,09,597 units in October last year. Global wholesale numbers of all Tata Motors' commercial vehicles and Tata Daewoo range last month stood at 28,478 units, down 36 per cent from 44,380 units a year ago, the company said. PTI

India ops face acute challenges: Moody's

PRESS TRUST OF INDIA
New Delhi, 12 November

Tata Sons infusing $914 million (around ₹6,542 crore) equity into Tata Motors is credit-positive for the company but it faces acute challenges in sluggish economic growth, weak liquidity, and tight financing norms, Moody's Investors Service said on Tuesday.

Moody's assigned a Ba3 rating to the proposed senior unsecured notes to be issued by Tata Motors. The rating outlook is negative, Moody's said.

"The Ba3 ratings reflect Tata Motors Ltd's (TML) leading market position in commercial vehicles (CVs) in India, 100 per cent ownership of the premium/luxury car manufacturer Jaguar Land Rover Automotive Plc, and ownership by Tata Sons, which results in a one-notch uplift, reflecting our expectation of continued parental support, when needed," says Kaustubh Chaubal, a Moody's Vice President and Senior Credit Officer.

JLR sales dip 5.5% in October to 41,866

PRESS TRUST OF INDIA
New Delhi, 12 November

Jaguar Land Rover (JLR), a part of Tata Motors, on Tuesday reported 5.5 per cent decline in total retail sales at 41,866 units in October as compared with the year-ago period.

Sales of Jaguar brand were at 10,606 units during the month, down 22.9 per cent from October 2018, Tata Motors said in a statement.

Land Rover sales were at 31,260 units, up 2.4 per cent from the same month last year, it added.

"The automotive trading environment remains challenging globally. Against this background, it is all the more encouraging to see our China turnaround strategy and work with the local retailer network generating positive results as sales have improved in China for the fourth consecutive month," JLR Chief Commercial Officer Felix Brautigam said.

JLR witnessed 16.2 per cent rise in sales last month as compared with the year-ago period.

'20% revenues would be from digital in 5 yrs'

The Telecom Regulatory Authority of India's (Trai's) new tariff order (NTO) has brought in more transparency and objectivity in the value chain. Subscription revenues have increased for broadcasters, even as subscriber numbers have gone down. Broadcasters are witnessing subscriber churn parallel to telecom, says **SUDHANSHU VATS**, group chief executive officer and managing director, Viacom18. In conversation with **Sohini Das**, he talks about the firm's digital strategy. Edited excerpts:

You are launching Voot Kids on Wednesday. How do you see children's entertainment market in India?

Video products for kids are available. Ours is the first product where we have multiple branches —videos, e-books, audiobooks, and developmental 'light' gaming. We have got content from Turner and BBC. The average spending per household on children's entertainment is ₹12,000-14,000 per annum. Voot Kids would be a subscription model. We are looking at three revenue streams. We will try to upsell to existing users, explore a direct-to-consumer route, and look at partnerships with telcos or original equipment manufacturers.

Voot has 80 million monthly active users; they swing between 50 million and 80 million. It is an advertisement-led model, but is subscription-free. Voot may go behind paywall early next year. Voot in its current avatar will remain — you will have the option of watching it free, but premium content will be behind paywall.

Q&A

With the advent of digital media, do you see television's (TV's) popularity getting hit?

There are 300 million households, of which around 197 million are TV homes. There are 100 million Indian households with no TV. The number of TV homes will grow in the next five-seven years — at least 70-80 million additions. The average TV consumption is the highest in the metros, the second highest in top tier towns, and lower in tier-II and -III towns. TV consumption will rise as more homes get electrified. As average incomes grow, more products and brands come into a home. This would improve advertising yields. India is one of the cheapest countries to advertise in — Bangladesh and some sub-Saharan markets may be cheaper.

What is the share of revenue from digital now? Where do you see that going?

Three years back, it was nothing. It is around 7 per cent of our total revenue now. In five years, we see that touching 20 per cent of our overall revenue.

How has Trai's NTO changed the dynamics? Would you like more tweaks to the NTO?

We do not need further changes. Any change in a country as vast as India takes six months to stabilise. We have just about stabilised. Ninety four per cent Indians are aware of NTO. Two-third of our subscribers (TV) have signed up for the distributor pack. One-third has either subscribed to the Colors pack or taking à la carte channels. This data shows one-third of Indians has made a choice. For 30 per cent to have made a choice is remarkable.

On pricing, there are two components — Trai has introduced a ₹130 connection. It is a base price for a connection even if you have free-to-air channels. This is going to inflate prices.

Because there are few large broadcasters, the popular belief is that they have gained. The distribution platform operators have gained, the government has gained with tax collections having gone up, and we have gained as well. Our subscription incomes have gone up as it has become a little more addressable. The number of subscribers has gone down, but subscription income has gone up. With the NTO, the value chain has become more objective and addressable. NTO has brought in more transparency and objectivity in the value chain.

Has there been any churn in subscribers after the NTO?

We are witnessing a churn parallel to telcos. After NTO, a 7-8 per cent churn is happening. That is now a constant. Some consumers will come in for *BigBoss*, some for IPL, some for *Indian Idol*. Content is potent.

"WE ARE WITNESSING A CHURN PARALLEL TO TELCOS. AFTER NTO, A 7-8% CHURN IS HAPPENING. THAT IS NOW A CONSTANT. SOME CONSUMERS WILL COME IN FOR *BIGBOSS*, SOME FOR IPL, SOME FOR *INDIAN IDOL*. CONTENT IS POTENT"

Huawei to give staff $286-mn bonus, doubles pay

REUTERS
Shenzen, 12 November

REWARDING THE EMPLOYEES

- **The cash is a mark of recognition for work** in the face of US pressure, says Huawei's HR dept
- **The company is doubling pay** for almost all its 190,000 workers
- **The cash rewards will likely go to research and development teams** and those working to shift the company's supply chains away from the US

Chinese telecom giant Huawei Technologies said on Tuesday it will hand out 2 billion yuan ($286 million) in cash rewards to staff working to help it weather a US trade blacklisting.

The world's largest telecom equipment provider has said it has been trying to find alternatives to US hardware after the United States all but banned it in May from doing business with American firms, disrupting its ability to source key parts.

The cash is a mark of recognition for work in the face of US pressure, Huawei's human resources department said in a notice to staff seen by *Reuters*. It will also double pay this month for almost all its 190,000 workers, a company spokesman said.

The cash rewards will likely go to research and development teams and those working to shift the company's supply chains away from the United States, the spokesman said.

Details of Huawei's plan were first reported by the *South China Morning Post* on Tuesday.

Many in the US government believe that Huawei's equipment, particularly its 5G networks, pose a security risk, because of the company's allegedly close ties to the Chinese government. Huawei has denied the Chinese government plays any role in its operations.

Uber accelerates India push with ₹1,767-crore investment

PEERZADA ABRAR
Bengaluru, 12 November

Ride-hailing major Uber has infused ₹1,767 crore in fresh capital into its Indian entity, Uber India Systems.

According to the company's regulatory filings sourced from business intelligence platform Paper.vc, Uber India has allotted 11.12 million equity shares, valuing ₹10 each at a premium of ₹1,578.20 to the Netherlands-based entities Uber International Holding BV and Uber International BV.

The board of directors of Uber India passed this resolution at a meeting held on October 29, 2019, the company filing says. This was around the time Uber Technologies' Chief Executive Officer Dara Khosrowshahi was on a visit to India.

The fund infusion is expected to bolster its presence in the country by funding its key businesses

Uber has already transferred its Indian ride sharing and Uber Eats business to Indian entity Uber India System from the Netherlands entity. The capital infusion is expected to bolster its presence in the country by funding its key businesses to take on Indian rival Ola.

"This is the single-largest foreign direct investment by Uber into its Indian operations and follows the transfer of its India business from a Dutch entity to an Indian entity," said Vivek Durai, founder of Paper.vc.

In its board meeting held on October 1, Uber India board had passed a resolution to allot close to 15.99 million shares to Uber BV with a face value of ₹10 and premium of ₹1578.20 each, to raise ₹2,539 crore, according to data sourced from business intelligence platform Tofler. "We estimate that a large part of this allocation would go towards to (Uber) Eats business, therefore posing a direct challenge to other food delivery companies such as Swiggy and Zomato," said Durai of Paper.vc.

Last month, Khosrowshahi was in Delhi to announce a partnership with Delhi Metro Rail Corporation (DMRC) under which the Uber app would get integrated with the city's Metro and public bus service to provide commuters a seamless experience while travelling from one point to another.

The company is planning to double the headcount of its Hyderabad and Bengaluru research and development (R&D) centres to 1,000.

Moody's downgrades rating on Macrotech

RAGHAVENDRA KAMATH
Mumbai, 12 November

Moody's Investors Service has downgraded the corporate family rating (CFR) of Macrotech Developers (earlier known as Lodha) to 'Caa1', from 'B3'. A rating of 'Caa1' is given to entities with high credit risk.

The earlier 'B3' rating was itself a downgrade, by Moody's this August, and indicating hightened credit risk. On Tuesday, Moody's also downgraded the backed senior unsecured rating of the dollar-denominated bonds issued by Lodha Developers International and guaranteed by Macrotech, to Caa1 from 'B3'.

"The downgrade to Caa1 reflects continued uncertainty with respect to the refinancing of Macrotech's upcoming debt maturities," says Sweta Patodia, a Moody's analyst. "While the company has made some progress in its refinancing efforts, its measures to date do not completely alleviate the significant refinancing risks." She is also Moody's lead analyst for Macrotech. MDL now has in place an executed loan agreement for $155 million, secured against the unsold inventory at Lincoln Square, one of its London projects. However, drawdowns under this facility remain subject to receiving the practical completion certificate for all units at the property, expected by next month. The management estimates that practical completion certificates have come for about 75 per cent of the units in the development, Moody's said.

Macrotech expects to secure another credit facility of around $195 million against the unsold inventory at Grosvenor Square, its second London project.

A Macrotech spokesperson said that Moody's has recognised the firm has made substantial progress in refinancing/repayment of its bond. "Given the recent negative view taken by the international rating agencies on the Indian economy and various corporates, it appears that Moody's has chosen to downgrade the rating. This downgrade has no connection or impact on our Indian business and we continue to remain confident on the future growth of our affordable housing, office and logistics businesses."

Lodha group arranges $325 mn to repay bonds maturing next year

Lodha Group has arranged $325 million (about ₹2,300 crore) to repay bonds maturing in March next year through infusion of funds from promoters, sale of commercial properties and refinancing against unsold inventories in London projects, its MD Abhishek Lodha said. The group has a debt of over ₹19,000 crore, of which ₹17,000 crore is from India business and the rest from London market, but Lodha exuded confidence that it would become net debt free in the next two years. "Our $325 million bond pertaining to London business is maturing in March next year. So, we have arranged funds in advance to meet our obligations when bonds mature. About $155 million has been arranged through financing against unsold inventories in a London project, while another $110 million will be infused by promoters through family offices," Lodha said. PTI