

Formulations sales boost Aurobindo Q2 revenue, net

SPECIAL CORRESPONDENT
HYDERABAD

Drugmaker Aurobindo Pharma has posted a consolidated net profit of ₹639.53 crore for the quarter ended September, a 4.59% increase from the corresponding period in the previous fiscal.

Total revenue from operations increased 17.86% to ₹5,600.47 crore.

Boosting the performance was a robust growth in the formulations revenue in the U.S. and Europe, the two key markets for the Hyderabad-headquartered drugmaker.

U.S. formulations revenue at ₹2,835.5 crore was a 27.3% increase from the corresponding period of the previous fiscal.

The formulations revenue from Europe was 21.2% higher at ₹1,401.3 crore.

While the growth was 3.8% in the Growth Markets, the ARV (antiretroviral) formulations revenue declined 2.5% to ₹237.9 crore (₹244 crore)

Total formulations sale, which accounted for nearly 85.6% of the total revenue, increased 21.8% to ₹4,793.8 crore. Total API (active pharmaceutical ingredient) declined 1.3% to ₹805.8 crore.

'Good show continues'

"We had another quarter of healthy performance where we continued to grow in the U.S. and Europe, which are our focussed geographies," managing director N.Govindarajan said.

In a statement, he said the research and development (R&D) initiatives have been progressing well across the products basket and clinical trials for the company's first biosimilar product began in the current quarter (Q3FY20).

"We reiterate that we are committed to quality adherence and are in the process of resolving all pending regulatory issues," Mr. Govindarajan said.

The company has declared an interim dividend of 125% or ₹1.25 per equity share of ₹1 each.

On Monday, shares of the company closed 0.31% lower at ₹437.60.

SBI cuts FY20 GDP growth projection to 5%

Larger rate cuts by the RBI may not lead to material revival, the bank's research report says

SPECIAL CORRESPONDENT
MUMBAI

GDP growth in the current financial year could be just 5% according to a research report by State Bank of India (SBI).

This is a sharp cut from the earlier projection of 6.1% for fiscal 2019-20. The second quarter GDP number, scheduled to be announced at the end of this month, could fall to 4.2%, according to the report.

'IIP number alarming'

Commenting that IIP growth of -4.3% for September was 'alarming', the report said, "Our acceleration rate for 33 leading indicators at 85% in October 2018 is down to just 17% in September 2019, with such decline gaining traction from March 2019."

The report, authored by Soumya Kanti Ghosh, Group



Growth rate is likely to pick up pace in FY21, says Soumya Kanti Ghosh, group chief economic adviser, SBI. ■ REUTERS

Chief Economic Adviser, SBI, said the growth rate in FY20 should be looked through the prism of synchronised global slowdown, with countries witnessing 22-716 basis point decline between June 2018 and June 2019. India is not isolated.

"We expect growth rate to pick up pace in FY21 to 6.2%," Mr. Ghosh said.

Rate cut expectation

The further lowering on GDP growth has raised expectation of larger rate cuts by Reserve Bank of India in the

monetary policy committee.

RBI reduced the repo rate by 135 bps between February and October to support growth. The central bank also reduced its growth forecast for FY20 to 6.1% in the October policy from 6.9% projected in the August policy.

While commenting that larger rate cuts are expected from the RBI, the report also said such rate cuts were not likely to result in any meaningful revival of growth.

"We now expect larger rate cuts from RBI in the December policy."

"However, such a rate cut is unlikely to lead to any immediate material revival, rather it might result in potential financial instability as debt financed consumption against an increasing household leverage had not

worked in countries, and India cannot be an exception," the report said.

Mr. Ghosh said the reluctance to use fiscal policy among policymakers appeared to stem from the thinking that monetary policy space was still adequate.

"This, we believe, could be counterproductive. In essence, markets are not unduly worried about fiscal deficit and await clarity from the government on the extent of fiscal slippage in current fiscal. Such an announcement could in fact be good for the markets," the report added.

Referring to the recent cut in ratings outlook by Moody's the report said it will not have any significant impact as rating actions are always a laggard indicator and the markets this time have categorically given a thumbs down to such a move.

Sanaka Capital to invest ₹525 crore in Edelweiss

Talks on for ₹217 cr. more investment

SPECIAL CORRESPONDENT
MUMBAI

Private equity entity Sanaka Capital will invest ₹525 crore (\$75 million) in Edelweiss Global Investment Advisors (EGIA), the group's investment advisory business, which includes wealth & capital markets, asset management and asset reconstruction.

According to a release by the financial services company, Sanaka Growth SPV I Ltd. has committed to invest approximately \$44 million (₹308 crore) in EGIA, while talks are on for a further investment of approximately \$31 million (₹217 crore) in the business.

Incidentally, the proposed investments by Sanaka Capital follows that of the U.S.-based Kora Management and furthers the third

and final process for the investment advisory business.

The partnerships are in line with the overall strategic growth plan initiated in 2017 by Edelweiss Group, to separate its three businesses - Credit, Investment Advisory and Insurance - into distinct entities, based on synergistic business needs, aligned consumer segments and complementary platforms, stated the release.

Further, each business will have its own set of investors, a ring-fenced capital base, and an independent board. The Credit and Life Insurance businesses have already established long-term partnerships, with a strategic investment of \$250 million by Caisse de depot et placement du Quebec in the former and Tokio Marine's 49% holding in the latter.

Vodafone says its future in India could be in doubt

Govt. needs to ease off on payment demands: Nick Read

PRESS TRUST OF INDIA
NEW DELHI

British telecom giant Vodafone on Tuesday said its future in India could be in doubt if it was forced to pay thousands of crores in statutory dues following the Supreme Court ruling.

Having made no provision for dues that have been locked up in legal dispute for more than a decade, Vodafone chief executive Nick Read said the government needed to ease off on payment demands to ensure a future for the group's India joint venture, Vodafone-Idea Ltd.

"Financially there's been a heavy burden through unproductive regulation, excessive taxes and on top of that we got the negative Supreme Court decision," he said on a call with reporters after the first-half results.

India, he said, had been "a very challenging situation for a long time."

"It's a very critical situation," he said, when asked if it made sense for Vodafone to remain in India without any relief package. "The government has stated its de-



Unsupportive regulation, excessive taxes and the SC's decision are a heavy burden, the Vodafone CEO said. ■ REUTERS

sire not to end up with a monopoly." Vodafone's operating loss from India business jumped to €692 million in April-September from €133 million in the same period last year.

Vodafone wrote off the carrying value of its share in the loss-making joint venture. In the earnings statement, the group made no further commitment to equity in India business, which it said contributed zero value.

"In October, the Supreme Court in India ruled against the industry in a dispute over the calculation of licence

and other regulatory fees, and Vodafone Idea is now liable for very substantial demands made by the Department of Telecommunications in relation to these fees," the company said in its earnings statement. "We are actively engaging with the government to seek financial relief for Vodafone Idea."

The liability in telecom licence fee and spectrum usage charge, together with penalty and interest for late payment, may run up to ₹1.4 lakh crore for the industry. Vodafone-Idea may have to pay a third of it.

Natco Q2 net falls 35% to ₹117.7 crore

SPECIAL CORRESPONDENT
HYDERABAD

Natco Pharma has reported a 35.18% decline in its consolidated net profit to ₹117.7 crore for the quarter ended September.

The drugmaker attributed the decline from the year earlier period's ₹181.6 crore, as well as a fall in the consolidated total revenue to the anticipated drop in oseltamivir (generic Tamiflu) product sales in the U.S. and Hep C sales in India.

The consolidated total revenue was ₹518.9 crore, 11.07% lower compared to the ₹583.50 crore of the corresponding period of previous fiscal. On the segmental revenue split, the company said formulations accounted for ₹347 crore, which included exports of ₹225 crore.

Share of active pharmaceutical ingredients (API) in the revenue was ₹68 crore.

The company said the board of directors on Tuesday declared a second interim dividend of ₹1 per equity share of ₹2 each. Shares of the company closed 0.48% higher at ₹580.45 apiece.

Adani begins due diligence of Krishnapatnam Port

Promoter CVR Group's financial troubles cause uncertainty

N. ANAND
CHENNAI

Adani Group has commenced due diligence of the Krishnapatnam Port in Nellore district.

"At present, the port is in a mess. This will continue till the new management takes over," said a top KPCL official on condition of anonymity.

Hyderabad-based engineering major CVR Group owns a majority stake in Krishnapatnam Port Company Ltd. (KPCL).

Till recently, things were smooth for the CVR Group, which got into a deep financial trouble when the Andhra Pradesh Government cancelled the ₹3,200-crore Polavaram Hydel power project awarded to Navayuga Engineering, the flagship company of the group.

Cancellation of the Polavaram project and the economic slowdown have hit operations of the group and KPCL. Since then, the promoters were looking for a suitor to bail it out.

Incidentally, Adani Group had expressed interest in the port as part of its plan to ex-



In choppy waters: Visitors barred as the port does not have an authority to allow large groups to enter for now. ■ FILE PHOTO

pand its reach in the east coast. In 2016, Adani Group acquired the L&T Kattupalli Port, about 30 kms from Chennai Port, adjoining the Ennore Port. Besides, it also constructed a container terminal in Ennore Port.

A 'competitor' port

Krishnapatnam Port is located about 180 km from Chennai, in Nellore District. It is a deep draft port with modern facilities and had an edge over the century-old Chennai Port and Ennore Port by attracting dusty cargo such as coal and iron ore.

Last year, the port had handled over 54 million tonnes of cargo.

"Normally will return to the port once the due diligence is over. Until then, we are asking our customers and visitors to postpone their trip. Moreover, the port does not have a competent authority at the top to grant permission for large groups to enter the port at this point of time," said another official.

Despite all these developments, export and import activities are on at the berths as usual.

INTERVIEW | NEELESH SURANA

'Attractive opportunities in large, mid-caps'

'Investment should largely be skewed more towards blue chips, though mid-caps too offer them'

ASHISH RUKHAIYAR

Markets are likely to remain volatile but there will be a gradual recovery over the next few quarters, says Neelesh Surana, Chief Investment Officer, Mirae Asset Global Investments (India). Excerpts:

Equity market is witnessing a lot of volatility. What is your near term outlook for stocks?

rates to remain benign owing to negative output gap and benign inflation.

As per AMFI data, fresh flows in equity schemes have been largely subdued in the last few months. How do you see such fresh flows in the coming months? Given the volatility do you think retail investors should relook at their existing SIPs or wait before starting new ones?

■ SIP inflows have increased significantly from about ₹3,600 crore every month to more than ₹8,100 crore per month, an increase of 120% in brief span of three years. An important aspect of SIP flow is these are sticky and long-term. If we look at the trend, the reversal in domestic flow started in FY15 - over the last five years, domestic MF has witnessed inflows in excess of ₹3,20,000 crore. We believe that the current levels of SIP inflows should continue.

Large caps provide safer risk-adjusted returns with low drawdown

The long term potential for SIP bucket to increase materially is there as investor experience of return expectation (say double digit) is met.

Retail investors often look at mid-caps and small-caps for investment opportunities. Do you think this is a good time to look at that universe?

■ We have always believed that investment should be in ratio, say 70:30 skewed more towards large caps/blue chips. There are multiple reasons for high core allocation to large caps - (a) large caps are not mature given In-

dia is growing economy (b) many large companies have better operating matrix (c) they provide safer risk-adjusted returns with low drawdown. Midcaps do offer interesting and deep in value opportunities, which investors should take advantage of. However, this should be not at the expense of large cap. An important aspect in current market is the polarisation in valuation, across market capitalisation. We are witnessing significant divergence in valuation between 'richly valued quality business with predictable earnings' versus 'deep in value businesses where the earnings visibility is patchy'. We believe current polarisation in markets offers attractive opportunities across both large and mid-caps.

Debt has seen a lot of turbulence in the recent past due to defaults and downgrades. Would you recommend investors to stay away from debt and allocate more towards equity?

■ Equity is long-term asset class and cannot be compared with debt which has more linear returns. Within debt, the recommendation would vary depending on risk profile of investors. For conservative investors, we would rather recom-

mend accrual products. However, for sophisticated investors, credit return fund at this point is also recommended given the opportunity to take advantage of high credit spread.

Domestic institutional investors have been a big support in the current calendar year when FPIs have been mostly net sellers. Do you think the trend will continue?

■ From near term viewpoint, given stabilisation of global factors and low yields globally and risk-on, we can see inflows in emerging markets including India. FIIs recorded net inflows in both equities and debt market at \$1.8 billion and \$564 million, respectively in October. In the current calendar year, FIIs have invested over \$10 billion, which is sharp reversal to selling of \$4.5 billion in CY18. From long-term trend viewpoint, domestic investors have exhibited high maturity by committing investment for long term through the SIP route. Mutual fund inflows have been strong over last five years, and are likely to continue as return expectations are met. As a result, DII ownership of Indian equities has increased from 10.5% in March 2014 to 13.3% in September 2019, while FII ownership has inched down from 21.8% to 21.3% in the same period.

Debt trouble brewing for coffee planters

They want interest on loans waived

SPECIAL CORRESPONDENT
BENGALURU

The coffee plantation sector, which is facing severe financial, productivity and falling price issues consecutively for the last three years, has sought the intervention of the State governments concerned and the Centre.

The Karnataka Planters' Association, an apex body that represents coffee farmers across key coffee growing regions - Chikmagalur, Kodagu and Hassan, which account for 80% of the country's total coffee production, has urged the Union government to waive the interest on all outstanding coffee crop loans as on March 31, 2019.

The remaining amount may be restructured in nine annual instalments with repayment of principal with interest at 6% per annum.

The association also urged the government to increase the limit on crop loans and development loans from commercial and co-operative banks, with subsidised rate of interest.

"Over 90% of coffee farmers are small holders, they are in deep debt. Cost of farm labour, material and fertilizer is on a constant rise while coffee prices are only falling season after season. Drastic changes in weather patterns have adversely impacted the yield.



As a result, farmers are forced to sell below cost of production," M.B. Ganapathy, KPA president, said.

KPA has also requested for the deletion of Rule 7B of Income Tax, as under this rule, income derived from curing of coffee by the grower is deemed as business income and 25% of such income is taxable under the existing regime.

The coffee body also requested Commerce Ministry to expedite the release of subsidies.

Lowest production

As per KPA, the coffee production for the crop year 2019-2020 will be down by 30% in both Arabica and Robusta. Arabica picking has just started and farmers expect the lowest ever production this year, much lower than the Coffee Board's estimates for the year. Robusta picking will begin in December and similar decline is expected in this as well.

RSH Global aims to double turnover

SPECIAL CORRESPONDENT
KOLKATA

With a line-up of personal care brands, RSH Global, a Kolkata-based company, is aiming to double its turnover by 2022-23 from ₹490 crore in 2018-19, while continuing its strategy of offering products for the mass and mid-premium markets.

The company is also planning to enter new markets in India and overseas. Its brands 'Joy' and 'X-Men' are sold in North and West India. The firm exports its products to 25 countries under the Karis brand. With 250 products in its portfolio in the price range of ₹40-₹250, RSH Global, which had started its journey with a single-product (talcum) 31 years ago, will commission its third manufacturing unit in Baddi by 2021.

RSH is ranked the seventh largest skincare company by turnover in the ₹13,000 crore skincare market, as per Nielsen MAT data 2018-19.

"The turning point [after three loss-making years] was the entry into creams and moisturisers. By 2002, we had value-added products like pure aloe and fruit-based offerings, which are now the mainstay," said Sunil Agarwal, chairman, RSH Global.

Focus markets are tier II cities and the metro peripheries.

