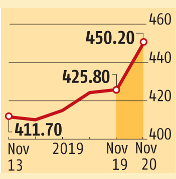
STOCKS IN THE NEWS

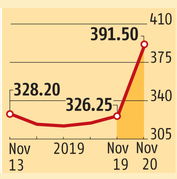
Sun Pharmaceutical Industries



Top gainer among the S&P BSE Sensex stocks

₹450.20 CLOSE ▲5.73% UP*

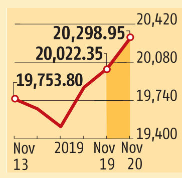
Dredging Corporation of India



Govt gives in-principle nod for strategic disinvestment

₹391.50 CLOSE ▲20.00% UP*

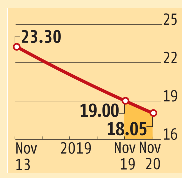
Shree Cement



Fixed floor price of ₹19,806 for ₹3,000-cr QIP issue

₹ 20,298.95 CLOSE ▲1.38% UP*

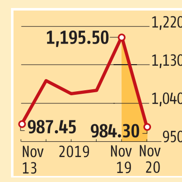
Reliance Capital



Locked in 5% lower circuit for the seventh day

₹18.05 CLOSE ▼5.00% DOWN*

Accelya Solutions India



Aurora UK Bidco announced open offer at ₹944.19 per share

₹984.30 CLOSE ▼17.67% DOWN*

* OVER PREVIOUS CLOSE

Airlines may go telcos' way: SpiceJet CEO

If Indian carriers do not follow pricing discipline, they will see similar financial strain: Ajay Singh

ARINDAM MAJUMDER
New Delhi, 20 November

The aviation sector could experience a bloodbath like the telecom industry, due to a low-fare regime triggered by competition, said Ajay Singh Head of the country's second largest carrier SpiceJet.

Welcoming the decision of the telecom companies to raise tariff, Singh said if Indian airlines don't follow pricing discipline, they will see a similar financial strain. "It is important that we learn lessons from the telecom sector. We need to take steps urgently and stop selling tickets at prices which don't even cover the operating cost," he pointed out.

Incumbents in the telecom industry have been saddled with record losses and piling debt due to fierce competition from a new player, adverse court orders, high taxes and expensive spectrum buy.

In a surprise development, Reliance Jio announced its intention on Tuesday to raise mobile phone tariffs, following a similar move by rivals Vodafone Idea and Bharti Airtel a day earlier.

While analysts expect this to bring down the pitch of the fierce battle between the old and new telcos, a pricing coordination is yet to emerge among the airlines. In fact, the peak festive season fare for airlines was cheaper by 20 to 25 per cent on metro routes.

Without taking names, Singh compared the disruptors in the aviation and telecom market--IndiGo and Reliance Jio, referring to them as "monopolistic players".

"There are similarities between the two sectors. Both have monopolistic players, both have a public sector company subsidised by the government, and both are struggling due to pricing indiscipline," Singh said.

SpiceJet Chairman and Managing Director Ajay Singh (*left*) and Gulf Air Chief Executive Officer Krešimir Kucko on Wednesday signed a Memorandum of Understanding to explore possibilities regarding interline and codeshare agreement, coordinated cargo services, engineering services and pilot training
PHOTO: SANJAY SHARMA

When *Business Standard* asked IndiGo CEO Ronojoy Dutta if the airline uses its 45 per cent market share to control pricing, he rubbished the claims. "If there is any notion that a high market share will lead to high price, it is wrong. The load factor requirement drives pricing. No one can price in isolation," Dutta had said, adding that in a country like India, airlines can't price beyond a level.

Singh argued if IndiGo wanted, it could raise prices and other airlines would follow. "With close to 50 per cent market share, you definitely can't follow other players. You have to raise the price. Others will follow," Singh said.

Earlier, Singh had raised the issue of monopoly with then Minister of State for Civil Aviation Jayant Sinha, who had proposed a cap on the number of slots an airline could hold in metro airports to curb monopoly. The proposal was never finalised.

When asked if the government should force a lower cap for ticket price, Singh said it wouldn't be a good idea.

"If you are asking the government to set a lower cap, someday they will also set a higher cap. The industry, and not the government should decide such things," he said.

IN BRIEF

Tata Motors raises $300 mn from overseas markets

Tata Motors on Wednesday said it has raised $300 million (around ₹2,154 crore) from overseas markets. "The company has raised $300 million by allotment of the notes in the international markets," Tata Motors said in a regulatory filing. Notes have been allotted on November 20, 2019 and will be listed on the Singapore Exchange Securities Trading, it added. The auto major said it also executed a subscription agreement with Merrill Lynch (Singapore) Pte Ltd and Australia and New Zealand Banking Group Ltd on November 13, 2019, and issued an offering circular in relation to the issuance of the notes. The company did not disclose the reasons for raising the capital. Shares of the company on Wednesday ended 0.3 per cent lower at ₹167.25 apiece on the BSE. PTI

NCLAT extends deadline to Dec 16 in Ruchi Soya bid

The National Company Law Appellate Tribunal (NCLAT) has extended till December 16 the deadline for completion of Patanjali Ayurved's ₹4,350 crore resolution plan to acquire debt-ridden edible oil firm Ruchi Soya. Earlier, the deadline for implementation of the resolution plan for Ruchi Soya was November 21. In September this year, Patanjali Ayurved had received approval of the National Company Law Tribunal (NCLT) to acquire Ruchi Soya, which went into an insolvency in December 2017. PTI

JLR to face tough times even next year: Moody's

Moody's on Wednesday said Jaguar Land Rover (JLR) would continue to face challenges for the remainder of the current financial year and in the next financial year as well due to weak market outlook. While acknowledging the company's comparatively better financial performance in the second quarter, Moody's Investors Service said the company will nevertheless face challenges for the remainder of FY20 and FY21 due to a weak market outlook and continued investments to support the transition to emission efficiency. PTI

BMW upgrades petrol model range to conform to BSVI

Luxury carmaker BMW India has announced that its entire petrol portfolio has been tuned to comply with BSVI emission standards mandated in the country from April 2020. The diesel portfolio would also be converted ahead of time, it said, adding that it planned to increase the price of BSVI models by up to 6 per cent beginning next year. The company claims to be the first in its segment to offer BSVI petrol variants of all its models. BS REPORTER

MediaMonks announces merger with WhiteBalance

Martin Sorrell led S4 Capital on Wednesday said MediaMonks, its global creative production arm, has agreed to a merger with Delhi-based content creation and production company WhiteBalance. After opening an office in Bengaluru in February this year and appointing Poran Malani as S4 Capital's Director for India, this further strengthens company's position in the region, S4 Capital said. PTI

Swiggy to expand cloud kitchens to 12 cities by Mar 2020

Food ordering platform Swiggy on Wednesday said it has set up over 1,000 cloud kitchens for its restaurant partners and plans to have more such facilities in 12 new cities by March next year. In a span of just two years, the company has invested in over a million square feet of real estate space across 14 cities to help large, medium and small restaurant partners expand to more locations both within their city and across new cities through cloud kitchens, Swiggy said in a statement. In a cloud kitchen concept, operators prepare, package and deliver food without providing any dine-in facility to end-consumers. PTI

NCLAT approves delisting of Alok Industries

The National Company Law Appellate Tribunal has allowed Reliance Industries to delist textile manufacturer Alok Industries, which it has acquired through insolvency process. A NCLAT Bench headed by Chairperson Justice S J Mukhopadhaya has modified the order passed by the National Company Law Tribunal (NCLT), Ahmedabad. While approving ₹5,052-crore bid of RIL for Alok Industries on March 8, 2019, the NCLT did not give its approval to RIL's plea for granting exemptions for delisting of Alok Industries' shares from the bourses. PTI

'Phase of creation over at Future, focus now on being a cost leader'

The consumption slowdown is forcing businesses to grow cautious and the **KISHORE BIYANI**-led Future Group is no exception. The founder and chief executive officer of the retail-to-manufacturing conglomerate, which last week signed a distribution deal with American food major Dole, tells **Viveat Susan Pinto** what his priorities are and how he sees the retail market evolving over the next few years. Edited excerpts:

Future Retail's tie-up with Amazon, which is going through regulatory approval process, is happening when there is a broader agitation against e-tailers by small traders. Your thoughts...

Online and offline retail, especially small stores, are different models altogether. The corner shop will not vanish because convenience and contingency buying will always be there. But it has limited inventory. If you want a range of products, only an e-commerce platform can help you. So, both have a role to play when it comes to the shopping needs of consumers. Having said that, for small retailers there are challenges when predatory pricing or exclusive launches with e-tailers are undertaken by companies. Some players, especially in consumer electronics, are taking the initiative to bring down the price disparity between the two channels.

How will you use the Amazon platform for your operations?

Amazon has a model of 2-hour delivery for their Prime customers. This 2-hour delivery can now be fulfiled through a Big Bazaar store in that city. A pilot is being run in 18 cities and will be taken to more places. We are also working on multiple other fronts with Amazon. We want to sell our merchandise to their customers, whether it is our fashion brands or home and food products. For us, the Amazon platform is another distribution arm.

Modern trade began with the Future Group in India but the market has changed. You have deep-pocketed players such as Reliance Retail at one end and cost-conscious retailers such as Avenue Supermarts at the other. Where would you bracket Future Group today?

The phase of creation is over at Future Group. The focus now is on operating efficiencies. We have to become a cost leader in whatever we do. And derive more from less. This could be getting more out of our physical spaces, our customers. The focus is there. We are not looking at acquisitions right now. We want to be leaner, sharper, and optimise what we have. So, investments from our end will be lower. To win in the long term, a retailer would have to be nimbler, offer great products at great prices, but at the lowest possible cost. We are building the platforms to achieve this.

Q&A

While private equity (PE) investors seem excited about Future Group, stock market investors are not. Morgan Stanley recently slashed Future Retail's target price. What could explain for this divergence?

Nothing is permanent. Stock market investors have their own collective wisdom. We would have to work harder to instill confidence in them. We are in a different environment at present, which requires a different narrative. Stock market investors want to see what you are doing. Action and outcomes are important for them. That is what will excite the market.

Blackstone's ₹1,750-crore investment in Future Lifestyle Fashion last week was a significant development. Yet the stock price of Future Lifestyle has barely moved since then. Are the debt overhang and promoter pledges of Future Group worrying stock market investors?

Pledge is not a taboo word. Yes, every promoter would like to reduce their pledges. And our initiative of working with Blackstone was a step in that direction. They have picked up a 6 per cent stake in Future Lifestyle. The money will be utilised to retire debt. There are similar exercises we are working on, which will help us get where we want to as far as debt goes. 2019 has seen a lot of PE and global investors come on board Future Group across retail, fashion, consumer and logistics. That signifies that we are embarking on a journey and we want partners.

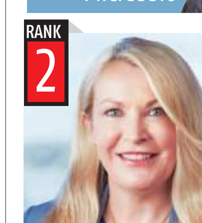
You are increasingly taking your private brands outside of Future Group stores. Why?

All of our brands have been conceptualised to sell everywhere. Almost 25-30 per cent of our business already comes from stores outside our system. We do not see a problem with this and our strategy is to make our brands more visible outside our stores. Dreamery is a joint venture with Fonterra. So, the plan to launch Dreamery in general trade was built in from the very start. Some of our other brands such as Kara, Tasty Treat and Desi Atta have a distribution strategy of their own and we see no issue with taking them into stores outside of the Future Group.

NADELLA TOPS *FORTUNE*'S BUSINESSPERSON OF THE YEAR LIST 2019

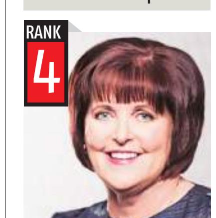
Microsoft's India-born Chief Executive Officer Satya Nadella has occupied the top spot in *Fortune*'s Businessperson of the Year 2019 list, an annual compilation that also includes Mastercard CEO Ajay Banga and Arista head Jayshree Ullal. *Fortune*'s annual Businessperson of the Year list features 20 business leaders "who tackled audacious goals, overcame impossible odds, found creative solutions."

RANK 1 Satya Nadella, CEO, Microsoft



RANK 2 Elizabeth Gaines, CEO, Fortescue Metals Group

RANK 3 Brian Niccol, CEO, Chipotle Mexican Grill



RANK 4 Margaret Keane, CEO, Synchrony Financial

RANK 5 Bjorn Gulden, CEO, Puma

RANK 8 Ajay Banga, CEO, Mastercard

RANK 18 Jayshree Ullal, CEO, Arista

Source: PTI, Fortune

For ShapoorjiPallonji Group, the sun stops shining

Another billionaire fails to escape the credit crunch, but minority shareholders in a three-month-old IPO fare worse

ANDY MUKHERJEE
20 November

NEWS ANALYSIS

Interest rates could surge, extreme rates may collapse, the sun might stop shining brightly.

Every conceivable danger an investor needs to be aware of in an initial public offering is discussed in the August prospectus of Sterling and Wilson Solar, among the world's biggest engineering contractors to solar farms. And yet, the risk that struck hapless shareholders was buried under related-party transactions on Page 37: that the Indian company's storied founders won't keep their promise.

The 42 per cent carnage in Sterling and Wilson shares over three trading sessions in Mumbai is the story of this broken pledge. Controlling shareholders had promised to return their investment in it and the business — but are now dragging their feet. That's shabby treatment of minority investors, and that, too, within just three months of the firm being floated to the public. It's also a cautionary tale about India's beleaguered real estate industry and its inability to raise cash.

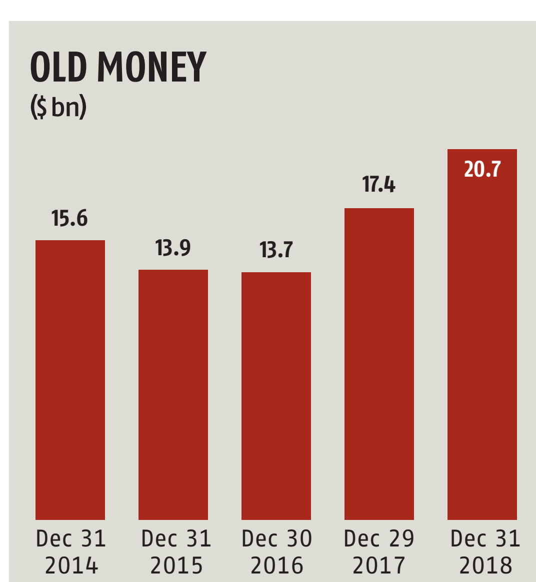
A debt-saddled India Inc has bungled its cash-flow forecasts, triggering a $200-billion-plus bad loan problem. The stress in the banking system has filtered into the balance sheets of shadow financiers who provide the lifeblood of financing to the property industry. Their own funding under strain, these lenders have started mistrusting borrowers that not long ago were ranked among the bluest of chips.

The 154-year-old ShapoorjiPallonji Group, which constructed the Reserve Bank of India's Mumbai headquarters as well as the Sultan of Oman's palace, had given its word to IPO investors. In 90 days after the listing of Sterling and Wilson Solar, the founders — ShapoorjiPallonji and Company Pvt and partner KhurshedDaruvala — would return the loan of ₹23 billion ($325 million) they had taken from the firm.

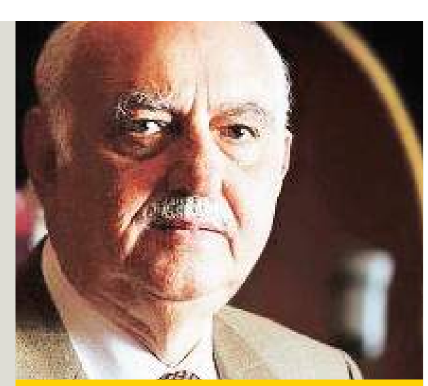
"What's $325 million to these rich backers?" investors must have thought, as they wrote their IPO subscription checks. Pallonji Mistry, the 90-year-old patriarch of the group, now run by son Shapoor, is worth more than $20 billion, according to *Bloomberg* data. The privately held construction unit garners $1.75 billion in annual operating income, according to a rating agency estimate.

The solar company's public issue went through, though it didn't pull in as much money for the founders as the Mistry family had hoped for. Still, the group's struggle to keep its IPO commitment became clear only late last week. Four days before the November 18 payment deadline, the founders wrote to the company's board, asking for a more lenient payment schedule and a reduction in the principal amount, citing "significant and rapid deterioration in the credit markets." Shares in Sterling and Wilson Solar, a profitable business with a global order book, tanked.

OLD MONEY



Source: Bloomberg



Shapoorji Pallonji group has a 154-year-old history in India's construction industry. Patriarch and former chairman PALLONJI MISTRY'S net worth was estimated at $20 bn at the end of last year

More crucially, the ShapoorjiPallonji Group's money problems gave Mumbai's already-jittery financial community another reason to feel nervous. Several of India's current and former billionaires are in trouble. But this isn't just any tycoon. The Mistry family owns an 18.4 per cent stake in India's salt-to-software conglomerate Tata Group. That shareholding is worth $14 billion. Or that's what Pallonji Mistry's younger son, Cyrus, claimed in a legal appeal after he was ousted as Tata Group chairman in a 2016 boardroom coup. It used to be child's play to raise money against those shares. But as the fight rolled on, Tata Group amended its charter and became a private limited firm. That has presumably limited the liquidity of the Mistry family's shareholding, even though rating firms don't acknowledge any such loss of flexibility.

Then came the sudden collapse in September 2018 of highly rated infrastructure financier IL&FS Group. Funding for shadow banks froze up, forcing them to raise borrowing costs - particularly for real-estate players who were juggling long-term assets by rolling over short-term loans. ICRA, an affiliate of Moody's Investors Service, said the ShapoorjiPallonji Group's flagship construction firm was "exposed to refinancing risk."

With the funding crunch in India's credit markets showing no sign of abating, and the economy slowing sharply, managing that risk is getting tougher.

Listing the solar business was part of the group's deleveraging plan. That it has gone so badly may affect the next attempt to slim down. A possible sale of Eureka Forbes, a water purifier business, could unravel if investors fear getting shortchanged again. If Eureka Forbes does seek outside money, bankers must highlight that risk, rather than speculate about a future in which the sun stops shining or water runs out. The present is dystopian enough.

BLOOMBERG