IN BRIEF

Ashoka Buildcon arm bags highway project worth ₹1K cr

Ashoka Buildcon on Saturday said its subsidiary Ashoka Concessions (ACL) has received a Letter of Award (LOA) from the NHAI for a highway project in Telangana worth ₹1,000 crore. "ACL has received a LOA from NHAI for the project viz Four laning of NH-161 from Kandi to Ramsanpalle in the State of Telangana under Bharatmala Pariyojna on Hybrid Annuity Mode. The accepted Bid Project Cost is ₹1,000 crore" it said in a BSE filing. Earlier this week, the company had said ACL had submitted its bid to the National Highways Authority of India (NHAI) for the said project, and had emerged as the lowest bidder at the financial bid opening meeting held on November 18, 2019. PTI

Sephora aims to have 50 stores in India by 2022

French beauty retailer Sephora aims to have 50 stores in India by 2022, as part of its efforts to acquire a major share in the premium beauty products market in India. Operating through its master franchisee Arvind Fashions since 2015, the LVMH Moet Hannessy Louis Vuitton brand has opened 23 Sephora stores in India so far. BS REPORTER

Wipro 3D gets Lloyd's first-ever Register Certification

Wipro 3D, the additive manufacturing arm of Wipro, has been awarded a Lloyd's Register certification for additive manufacturing (AM) quality. The firm has become the first Indian AM facility and sixth globally to be awarded Lloyd's Register's AM qualification. The Register assessment was made against needs that included design data development and control.
BS REPORTER

Malvinder, Godhwani sent to judicial custody in RFL case

A Delhi court on Saturday sent former Fortis Healthcare promoter Malvinder Singh (*pictured*) and former CMD of Religare Enterprises Sunil Godhwani to judicial custody in a money laundering case related to alleged misappropriation of funds at Religare Finvest Limited (RFL). Special Judge Sandeep Yadav sent them to custody till December 7 after they were produced before a court on expiry of their custodial interrogation by the Enforcement Directorate (ED). ED special public prosecutor Nitesh Rana sought further custodial interrogation, saying more information has emerged and they need to be quizzed. However, the court dismissed the application. PTI

Auto sector may spend ₹17K cr on capex till FY21

Projected capex will largely be towards BSVI transition, international expansion

T E NARASIMHAN
Mumbai, 23 November

Amid slowdown in the automobile sector, the combined capex of listed automakers and component manufacturers is expected to be about ₹17,000 crore in the current and the next financial years. Some of these companies brought down their initial capex estimates by 10-15 per cent.

The projected capex —based on Narnolia Research and investors call transcripts after major listed automakers and component manufacturers announced their Q2 results — will be largely towards BSVI transition, developing new products, and expansion in international markets.

India's largest carmaker Maruti Suzuki has announced that it will end up spending about ₹4,000 crore in FY20. "We will be in line with our plans. We have not changed any course in terms of our plans with respect to the medium-to-long term," said Ajay Seth, CFO at Maruti Suzuki India.

However, Tata Motors and Ashok Leyland will end up spending less than their initial plans. Tata Motors was initially planning to spend around ₹5,000 crore, but now it will end up investing only ₹4,500 crore.

P B Balaji, group CFO, Tata Motors during the recent investors call said: "Capex continues simply because we are in the midst of a BSVI investment phase... We need to be there and land this plane, so that (capex) continues. But we will be recalibrating our total capex this year close about ₹4,500 crore (part of it will be spent in FY21), compared to the ₹5,000 crore that we had originally planned."

Ashok Leyland, which had originally planned capex of ₹2,300 crore, is likely to end up spending around ₹1,800 crore, even as it is looking at reducing it further by around ₹200 crore. The company's capex — part of which is slated for FY21 — includes BSVI transition, modular programme and development of LCV products.

The CV industry has witnessed a 53 per cent decline in volumes in the second quarter of FY20. Ashok Leyland's management expects the demand to pick up on the back of good monsoon, improved freight rates and easing economic conditions. While passenger buses have seen stable demand, intermediate commercial vehicle (ICVs) witnessed a controlled decline. The tipper segment and LCVs are expected to see a revival in demand.

While the first quarter of 2021 is expected to see a slower uptick with the new technology (BSVI) coming in, FY21 is expected to be strong. The management said it is looking forward to a strong fourth quarter of FY20 as the last quarter is traditionally a strong quarter for commercial vehicle OEMs.

As far as two-wheelers are concerned, Royal Enfield has guided for a capex of ₹700 crore for 2019-2020 towards new product development, R&D centre and capacity. TVS Motor Company gave capex guidance of around ₹600 crore for FY 20, which is to be spent on BSVI transition, electric vehicles and new product development; it is planning to invest additional ₹100-120 crore. Recently, the Tamil Nadu government gave nod for the company's ₹300 crore brownfield expansion at Hosur.

"Q3FY20 is expected to remain challenging, while Q4FY20 is expected to show better growth led by improved demand sentiments," said the company.

Apollo Tyres capex guidance for FY20 eased from ₹2,700 crore to ₹2300-2400 crore. Gaurav Kumar, CFO, said for the next financial year, the company capex estimate is ₹1,700 crore but it may go down by ₹300 crore. In Europe, the company plans to invest about €40 million this year and €25 million next year.

CEAT's management said project capex planned for standalone business is in the range of ₹1,000-1,200 crore. Balkrishna Industries' management said capex planned for FY20 is around ₹600-700 crore, of which ₹430 crore has already been spent in 1HFY20. For FY21, capex is expected to be around ₹500-600 crore.

Component makers, which have been badly hit by the slowdown, have decided to invest in a hope that the industry would revive. Some of them said they would invest only in essential projects and in new products, including non-auto.

Motherson Sumi Systems has given a capex guidance of ₹2,000 crore. The company is planning to do brownfield expansion in Serbia and greenfield expansion in Ras al Khaimah, the UAE.

Ramkrishna Forgings' looking to put in ₹480 crore in new projects; SKF India' capex is around ₹ 80-130 crore for FY20. Bharat Forge Limited capex for FY20 includes ₹150-160 crore for India business.

Gabriel India Limited, Lumax Industries, and Subros have guided for a total of around ₹300 crore for new plants and products.

Titan plans to stay ahead of time in smartwatches

SAMREEN AHMAD
Bengaluru, 23 November

Until recently, Rolex was the world's biggest watch brand by revenue. But the sudden entry of smartphone makers in the watches space dethroned the Swiss brand. Apple has overtaken Rolex, becoming king in the space with a brand value of over $200 billion.

The smart wearables market has more than doubled in the third quarter of the current financial year, with India cementing its position as the world's third-largest market after the US and China, according to the International Data Corporation. This is what the watch to jewellery maker Titan has set its sight on and is making huge bet to garner market share by making further inroad into this space.

"We see smart wearables as the future of watches," says S Ravi Kant, chief executive officer of watches and accessories division at Titan.

The Bengaluru-headquartered company has now created a separate vertical to up its game in the smart watches category. The vertical called Wearables and Pad has a team of technology experts who are working to come up with smart watches, which would be ahead of competitors in terms of look, feel, and features. The vertical has a team of 15 experts housed at Titan's Bengaluru office who are working with the manufacturing team at its Hosur plant to develop smart watches.

The company is investing heavily on research and development, which will do things beyond a smart watch can do today such as switching off lights, locking, and unlocking doors and making payments. Titan is also working closely with start-ups, too, to develop such futuristic features.

"We will be rolling out four smart watches in a span of four months in the current financial year," said Kant. The company has just launched an affordable smart watch called Sonata Stride in the range of ₹3,000-3,500. The coming months will also witness the launch of an advanced version of Fastrack Reflex, Reflex Beat, which would track user's heart rate.

The Tata Group company is keen on acquisitions to bolster its strength in the smartwatches segment. "We are looking very actively and evaluating many options," said Kant.

The smart watches segment of the company is growing at 80 per cent year on year, backed by the launch of Titan WE and Fastrack Reflex WAV, the first gesture-controlled band in the world.

In the next financial year, Titan has firmed up plans to enter the mechanical watches segment. "Titan as a company revolutionised the watches industry from mechanical to Quartz. But now since mechanical has made a comeback in the premium end, we have developed our in-house mechanical movement," said Kant. The company will launch a series of watches in the range by the first quarter of the next financial year.

FOCUS ON PHARMA

Develop entire pharma value chain, says Dr Reddy's MD

DASARATH REDDY
Hyderabad, 23 November

Indian pharmaceutical companies need to undertake both backward and forward integration in the aftermath of US-China trade tensions, says G V Prasad (*pictured*), co-chairman and managing director of Dr Reddy's Laboratories.

"The US-China trade war is going to give us a window of opportunity to expand our industry"

Also chairman of the Confederation of Indian Industry's national committee on pharmaceuticals, he spoke on the issue here on Thursday.

Indian companies have been dependent on drug intermediates produced by Chinese firms, owing to the latter's cheaper prices. However, says Prasad, the situation has changed with the American government's tough stance on Chinese products; also, from the shutting down by China itself of low-value and highly polluting chemical and intermediate manufacturing units.

"It is true that the US-China trade war is going to give us a window of opportunity to expand our industry. Also, China on its own is exiting low value-added chemicals manufacturing. So, we have no alternative but to make those raw materials locally. Either way, backward and forward integration by Indian pharma companies has become a need of the hour," he explained.

The relevance of Indian pharma as a provider of affordable alternatives to the world is intact, he feels. America, for one, has saved $80 billion in health care costs on account of the affordable generic medicines produced and sold by Indian firms.

Even China presents a big market opportunity for Indian generics, since the government there has realised the significance of affordable medicines for its people. Beijing has started opening the doors for Indian generics, in the wake of the high cost cancer therapies in China, he said.

Prasad says the issue in India is not affordability but lack of robust health insurance and negligible focus on preventive and primary health care.

FDA scrutiny comes with bigger presence in US

B DASARATH REDDY
Hyderabad, 23 November

Higher exposure to the American market and their constant product filings are among reasons why the bigger Indian pharmaceutical companies are in constant regulatory focus compared to smaller peers, say analysts.

The shortfall or deviations noted by inspectors of the US sector regulator, the Food and Drugs Administration (FDA), at manufacturing facilities here have often caused a slowing of new drug filings or launches in that market.

Dr Reddy's Laboratories was the first Indian pharma player to secure FDA approval for a US factory, in the late 1980s, when it set out to export Active Pharmaceutical Ingredients (APIs) there. Yet, after all the decades of experience gained in dealing with regulatory compliance issues at its Indian facilities, Dr Reddy's remains in the news for being pulled up during routine FDA audits.

Aurobindo Pharma, another Hyderabad-based drug major, has faced similar regulatory issues at half a dozen of its facilities since early this year, including a warning letter for one at Srikakulam (Andhra) in June.

"Large companies would be categorised as the most important ones in terms of exposure to the US market and, accordingly, get more focus from the US drug regulator. Also, these large companies have moved up the value chain with products like injectables and derma products, in the place of only oral solids in the past. The scope for finding gaps in manufacturing practices is also high, owing to the complexities involved in the manufacturing processes of those products," a senior sector analyst told *Business Standard*, on condition of anonymity.

A common pattern in the issuance of Form 483s or Official Action Indicated (OAI) by the FDA during recent times, across big and small companies, is on the manufacturing of what are called sartans, involving alleged carcinogenic impurities in the product. Just as higher numbers of product filings would necessitate more frequent plant audits by the FDA, heightened manufacturing activity involving more products would also give scope for such issues, despite the best effort, according to a senior management official at Aurobindo Pharma.

"You can completely rule out the possibility of receiving a Form 483 only when you are not doing anything. In our case, we will be filing for so many product approvals and, when they come to review these filings, they might observe something that our people might not have noticed. How you respond to these observations is important from the regulatory perspective," the official said, asking not to be named.

The shortfall noted by the USFDA at manufacturing facilities here has often caused a slowing of new drug filings or launches in that market

Big entities such as Aurobindo and Dr Reddy's have been currently filing for new product approvals from multiple sites. The idea is that if any of these is the subject of critical conclusions during inspections, requiring remediation, the product's manufacturing and export could be done from another site that has no compliance issues.

"As long as there are no data integrity issues in making a product, it is fine. Any other observations that are usually issued by way of Form 483 are not a matter of big concern, as these are addressable and do not lead to import restrictions," said a senior official at Dr Reddy's. After it got a warning letter for three of its units in November 2015, Dr Reddy's management did a complete overhaul of quality standards and practices across all its plants, hiring consultants from elsewhere.

The Aurobindo official says his company has implemented electronic systems for documentation of all manufacturing processes across facilities, for better oversight on operations. "The team of FDA inspectors which recently visited Unit 5 had found these systems very helpful in completing the audit of our relatively big units in a short time," he said.

The secret sauce behind delivering medicines in less than 2 hours

MedLife has mobile apps for everyone, and a smartphone is where all the tasks happen

YUVRAJ MALIK
Bengaluru, 23 November

Nestled in a lane off Richmond Road, a busy business district in Bengaluru, is a 3,000-square foot stocking and fulfilment centre (FC) of MedLife Express, a division of e-health firm MedLife.

As is the case with any FC, the place is thronged by delivery executives and courier vans churning out consignments of retail medicines day in and day out. But what makes this centre unique is that it is the fastest in the country in terms of handling consignments.

Nine of every 10 orders from this facility are processed in less than five minutes.

The facility is part of the riches MedLife acquired when early this year it bought medicine delivery start-up Myra, the first player to offer express deliveries back in 2015.

At the time, the concept of ordering medicines online was only beginning to pick up.

Cut to 2019, MedLife Express continues to be the only player in the segment offering deliveries within two hours.

Now, with time its processes and technology systems have matured to enable something called Super Express — delivery under 30 minutes.

Achieving express delivery

Faizan Aziz, vice-president (products) at MedLife, says the centre is the model for the company's four other FCs in Bengaluru and one in Mumbai, as he takes this reporter on a tour of the facility, which processes more than 4,000 orders a day. Aziz and Anirudh Coontoor are Myra's co-founders who joined MedLife after its acquisition.

The FC did not have robots sorting parcels or state-of-the-art assembly lines. At first glance, it was rather humble, with carefully demarcated areas for various functions handled by a team of around 25 men.

All processes work on workflows, proprietary stocking apparatus and back-end technology systems perfected over time, explains Aziz. MedLife also has mobile applications for everyone, from the delivery agents to the warehouse staff, and a smartphone is where all the tasks happen.

The racks at the entrance, meant for delivery agents to pick up orders, was unique. Aziz termed those "pigeon holes", two-way racks curtain-covered in the front. The way it works is: A delivery agent picks orders from different pigeon holes in accordance with the instructions in his mobile app, and scans each parcel on the app to double-check. One order is retrieved from each pigeon hole, and multiple are emptied because there are usually

multiple orders delivered by one executive.

This innovation allows the company to change delivery orders, add more parcels, or take out the ones that are to be delivered far off. It is essentially a mix and match of delivery routes till seconds before the delivery executives come in.

"We are dynamically using the pigeon holes, so whenever we change the route, there is no need for sorting the parcels again. Only the pigeon holes, where the delivery person has to pick the order, change. We change routes every minute, what if an order has come in the last minute?" explains Aziz. This is in contrast to standard delivery — say, by an e-commerce firm — where people manually club different orders in a box which is handed out to the delivery agent, making it an arduous task to alter the final shipment in the last minute.

Through pigeon holes, and some refinement in routing algorithms, MedLife Express is able to club, on average, 4.8 orders per run, which Aziz claims is the highest in the industry. Typically, courier companies do somewhere around two orders per run.

Moving on to the inside, you find that the racks are not labelled alphabetically. They in fact have special serial numbers. Taking one of them out, you see in a rack various compartments that stack different medicines. The beauty here is that medicines stacked together are the ones that are also typically ordered together — for example, a medicine for common cold along with the cough syrup. The concept is called "Heterogeneous Stacking," says Aziz, adding that Amazon is the only other player known to follow this process.

Inside the FC, the executives toil, doing different tasks — stacking, retrieval, invoicing, and check-outs. All have smartphones apps, where they punch each and every step in their processes. All this real-time data flow into a software dashboard, managed by the FC manager, which records granular information like the time spent on each task and swiftness of each employee. A whole lot of automation is fed into the system. For instance, "if the load in the warehouse increases, more people will be automatically directed to racking. Likewise, if there is an influx in orders, everybody will be moved to checkouts", says Aziz.

Even, in-warding and inventory management are heavily reliant on technology. Here, MedLife Express uses data science and prediction algorithm, which crunches volumes of order data, with a focus on cluster-specific buying patterns. Using this, the company claims to be able to predict 94 per cent of the future inventory, which allows it to run on a mere 32-day inventory cycle, far lower than standard pharmacists do. The aim is to bring down the inventory to about 20 days as the algorithms get more astute.

Domino effect: Medicines in 30 minutes

MedLife, which is expected to raise a major funding round soon, has big plans for its Express Delivery vertical. "Medlife Express is one of the most innovative services in the industry today and we expect to scale up aggressively and serve both the acute and chronic needs of the customers," says Chief Executive Officer (CEO) Ananth Narayanan.

"We are also testing Super Express Delivery, basically delivery under 30 minutes. Five per cent people in Bengaluru are already getting this without even knowing it. Going forward, we will make it a premium feature and charge ₹19 for Super Express," says Aziz.

With the Myra acquisition, MedLife has attained a stronger foothold in the online medicine delivery segment. E-pharmacy, or online medicine delivery, is the biggest revenue generator and sub-segment in the larger health-tech space, with an estimated market-size of $9.3 billion in 2019, according to EY.

MedLife has other verticals like lab test booking and online doctor consultation, but the bulk of the revenue comes from drug sales.

In the e-pharmacy segment, MedLife faces competition from other well-established start-ups like 1MG, NetMeds and PharmEasy. All the four firms put together contributed 90 per cent of online drug sales last year, according to RedSeer. In the larger health-tech, a few other models have been validated and scaled stupendously. Practo, for example, has built a $500-million business by offering a platform to connect doctors and patients. On the other hand, Portea Medical, which offers clinical and paramedic support at home on request, has also grown multifold.