IN BRIEF

SAIL awaits Arcelor response to take JV plans forward

SAIL is awaiting a response from ArcelorMittal regarding setting up a joint high-end automotive steel plant in India for which its board had given a go-ahead about two years ago, a top company official of the state-run steel major said. SAIL chairman A K Chaudhary said this while replying to a question related to the progress in talks with ArcelorMittal for setting up a joint venture (JV). In December 2017, Steel Authority of India (SAIL) board had approved a proposal to enter into a JV with steel giant ArcelorMittal for manufacturing high-end automotive steel. The definitive deal, the firm had said, would be finalised in due course subject to financial viability. "We are still waiting for a response from ArcelorMittal. There is no communication," SAIL Chairman A K Chaudhary said, while replying to a question related to progress made in forming a JV with ArcelorMittal. PTI

Aurobindo Pharma aims to become debt-free in 3 years

Aurobindo Pharma expects to become a debt-free firm in the three next years, barring the amount it is spending on acquisition of Sandoz products, a senior official of the city-based firm has said. In September last year, the $3-billion drug maker said its US subsidiary entered into an agreement to acquire commercial operations and three manufacturing facilities in the US from Sandoz, a Novartis Division, for $900 million. "During the year, we will reduce between $150 million and $200 million debt, and we have already achieved that," Santhanam Subramanian, Aurobindo chief financial officer said. PTI

Lufthansa plans to 'strengthen' tie-ups with Indian airlines

With Jet Airways shutting down in April, the Lufthansa airline group is planning to 'strengthen' its partnership with Indian airlines like Vistara and Air India in 2020, the top Indian official of the largest European carrier said. Moreover, apart from launching a Munich-Bengaluru flight service in April, the airline does not plan to start any other flight service in 2020, George Ettiyil, Senior Director, South Asia, Lufthansa Group, said. Currently, Lufthansa airline has an interline deal with Vistara, which allows a passenger to check-in his luggage at the first airport itself for the whole journey consisting of flights of both airlines. PTI

USFDA red-flags Torrent Pharma's plant for violations

The US health regulator has pulled up Torrent Pharmaceuticals' US-based subsidiary for violations of good manufacturing practices, including lack of properly designed equipment and packing material. In a warning letter issued to Torrent Pharma Inc's CEO Sanjay Gupta, the US Food and Drug Administration (USFDA) said its inspectors found violations of current good manufacturing practice regulations for finished pharmaceuticals at the firm's Levittown based manufacturing facility. The USFDA inspected the plant from March 11 to April 9. PTI

Zolostays in talks with Credit Suisse for $100-mn funding

Nexus Venture Partners-backed co-living space provider Zolostays is in talks with Credit Suisse to raise $100 million (about ₹710 crore) to fund its expansion plans, a company official said. The Bengaluru-based firm is planning to increase its portfolio to 200,000 beds by the end of 2021, Zolostays co-founder and Chief Executive Nikhil Sikri said. "We are in talks with Credit Suisse to raise $100 million in Series C round to fund our expansion plans to increase the number of beds to 200,000," he said. PTI

Amar Ujala buys stake in Cygnus Medicare for ₹130 cr

Leading media firm Amar Ujala has acquired a majority stake in Cygnus Medicare, which operates a chain of super specialty hospitals, for ₹130 crore as part of its expansion plans in the healthcare segment. Cygnus Medicare currently has more than 1,000 beds across its 10 super speciality hospitals in Delhi and Haryana. PTI

OnePlus launches first Experience Store in Coimbatore

Premium smartphone maker OnePlus is aiming to open 100 experience stores across 50 cities in India by 2020, a company official has said. The brand currently has over 25 experience stores in the country, 70 service centres, and is present in 2,000-plus large format retail stores across India, OnePlus India Regional Marketing Head, Darshana Bala said in a press release on Sunday. PTI

RCom lenders reject Anil Ambani's resignation

SUBRATA PANDA
Mumbai, 24 November

The Committee of Creditors (CoC) of Reliance Communications (RCom) has rejected the resignations of the company's directors and asked them to continue in their job until the corporate insolvency resolution process (CIRP) is through.

"It is being duly communicated to the directors of RCOM that their resignations have not been accepted and they are advised to continue to perform their duties and responsibilities as the directors of RCom and provide all cooperation as Resolution Professional (RP) in the corporate insolvency resolution process," RCom said in an exchange filing on Sunday.

The resignations were conveyed to the CoC in its meeting on November 20 and were unanimously rejected.

Earlier this month, Anil Ambani, along with Chhaya Virani, Ryna Karani, Manjari Kacker, and Suresh Rangachar, resigned as director.

RCom is under the CIRP and Resolution Professional Anish Nanavaty is managing its businesses and assets. The NCLT recently extended the CIRP period, which has to be over by January 10

Manikantan V, who was chief financial officer and director, also resigned.

RCom is under the CIRP and Resolution Professional Anish Nanavaty is managing its businesses and assets. The National Company Law Tribunal (NCLT) recently extended the CIRP period, which has to be over by January 10 next year.

For the June-September quarter of FY20, RCom had a pre-tax loss of ₹2,733 crore and net loss of ₹30,147 crore after accounting for adjusted gross revenue (AGR) provisions following the Supreme Court's ruling on statutory dues.

It reported ₹305 crore in revenue, down from ₹866 crore in the first quarter.

The company reported losses of ₹338 crore in the previous quarter and a profit of ₹1,295 crore in the second quarter last financial year.

RCom has received claims of ₹84,268 crore. It has put on the market all its assets, including a spectrum holding of 122 MHz, estimated to be worth around ₹14,000 crore; the towers business at ₹7,000 crore; an optical fibre network of ₹3,000 crore; and data centres worth ₹4,000 crore.

In the annual general meeting held last month, the resolution professional said it would be better if a single investor took over the company.

Reliance may bid for RCom assets today

Bharti Airtel also likely to reconsider its decision and bid

SURAJEET DAS GUPTA
New Delhi, 24 November

Having asked for a 10-day extension from a Resolution Professional, Mukesh Ambani's Reliance group is expected to make a bid for his brother Anil Ambani's Reliance Communications (RCom) and its related companies on Monday.

The companies are up for grabs as going concerns from the Anil Ambani stable under the Insolvency and Bankruptcy Code (IBC) process. They include RCom, Reliance Telecom (which has the spectrum), and Reliance Telecom Infrastructure which houses the tower and fibre assets. Rcom also has subsidiaries which control its real estate and data centre businesses. The bids close on Monday and it is expected that the committee of creditors will open them on the same day for discussions.

The structure of how the bid will be made is not clear as, under the regulatory rules, a bid by Reliance Jio (which is not a listed entity) acquiring RCom (a listed entity) would require the former to merge the latter. Yet that is clearly not acceptable to the group which is looking at coming out with a separate IPO for Jio. An e-mail to Jio elicited no response.

It is also expected that Bharti Airtel, which had complained to the Resolution Professional that the extension given to Mukesh Ambani was unfair and had withdrawn its offer, might reconsider and also bid.

The others expected to put in bids include US-based PE fund Varde Partners, I Squared Capital (for Reliance Communication's data centres and optic fibre assets), and Delhi-based UV Asset Reconstruction Company. The latter had earlier won its sole bid for the Aircel group (which was also under the IBC) for ₹150 crore.

Bharti had already earlier announced that it would be making a conditional bid through Bharti Airtel and Bharti Infratel. A Bharti spokesperson had at that time confirmed that it had made a conditional bid primarily for the spectrum — a precious asset.

The bids close on Monday and it is expected that the committee of creditors will open them on the same day for discussions

The bid conditions included that the overall consideration will primarily be in the form of the deferred spectrum payable to the government being passed on to the bidder on terms and schedules applicable to such deferred payments. The firm has refused to comment. The Interim Resolution Professional had invited prospective companies to make a bid for Anil Ambani's companies as going concerns that had not just spectrum and a fibre network but also real estate and enterprise business as a way of recovering over ₹33,000 crore of debt of the secured creditors.

The Resolution Professional, Anish Nanavaty, who had earlier granted the 10 day extension to Mukesh Ambani, did not respond to a query on the likely bidders tomorrow or the committee of creditors meeting. Jio has been using the 58 Mhz of Reliance Communications spectrum in the 800 MHz band across 21 circles through a spectrum-sharing agreement signed earlier with his brother. This spectrum has been crucial for 4G services. The licence for the spectrum ends in 2021.

Last year, Jio had also signed an agreement to buy assets which included 43,000 telecom towers, 178,000 kilometres of fibre network across the country, and the valuable spectrum but the deal did not materialise because the Department of Telecommunications insisted that Jio or Reliance Communications' promoters must give an undertaking that they will be responsible for paying any past dues. Jio refused to give an undertaking. Even the creditors could not come to a consensus on whether to clear the asset sale. Consequently, Reliance Communications went to the National Company Law Tribunal.

The sale of Reliance Communications has become more complicated with the Supreme Court order on adjusted gross revenue demanding that the firm fork out over ₹16,456 crore. This does not include spectrum user charges. With its mobile business non-operational, the DoT, say analysts, could demand the prospective new buyer pay the past dues.

Some experts say a conditional offer by Bharti for the spectrum might make immense financial sense for the company. However, analysts say that as the bid is for the three companies as going concerns, it is unlikely that a conditional offer only for the spectrum would be accepted.

In the case of Jio, it has already spun off its tower business into an Infrastructure Investment Trust and given 51 per cent to a consortium led by PE fund Brookfield for ₹25,000 crore as part of its monetisation plan for its assets. It is also looking for a similar deal for its fibre assets.

Bharti: Even BSNL and MTNL acted the same way as us on licence fee

Telco says BSNL and MTNL, which are arms of DoT, also paid licence fee on the same basis

SURAJEET DAS GUPTA
New Delhi, 24 November

In its petition to the Supreme Court, Bharti Airtel has said it was not involved in any 'wilful default' of its licence fee dues. It was responding to the court's ruling last week ordering Bharti and four other telcos to pay ₹147,000 crores as dues with interest, penalty, and interest on penalty. The court order effectively upheld the Department of Telecommunications' (DoT) calculation of the licence fee and the demand that it be paid.

Last week, Bharti filed a review petition against the Supreme Court order and asked for a waiver of the interest, penalty, and the interest on penalty imposed on it.

Of the total of ₹147,000 crores, nearly 75 per cent comprises interest, penalty and interest on penalty. Along with the other operators, Bharti is asking for a waiver given the the financial hardship being faced by the industry because of mounting losses.

In its petition, seen by *Business Standard*, the company points out that even the two state-owned telecom companies, BSNL and MTNL, were making licence fee payments on the same basis.

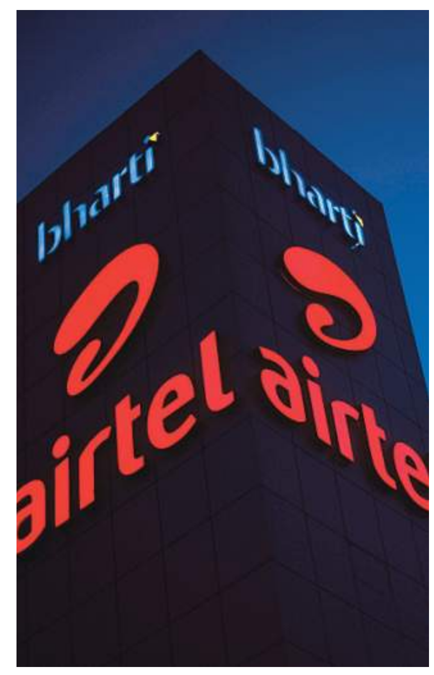
It reiterated that these PSUs were arms of the Department of Telecommunications (DoT), not private companies, and yet even they had followed and understood the earlier judicial orders, which were in favour of the telecom service providers, in the same spirit and manner as Bharti Airtel.

In its order, the Supreme Court has also asked BSNL and MTNL to pay ₹2,098 crore and ₹2537 crore, respectively, as licence fee dues.

Bharti has argued that, in the present case, there was no legal certainty inasmuch as the dispute was pending before various forums. This lack of certainty, it said, was not restricted to itself but extended to the, DOT, BSNL and MTNL. These government companies are also signatories to the United Access Service Licence Agreement (UASLA).

Bharti points out that its bona fide exercise of its legal rights under the TRAI Act cannot per se lead to wilful default; that there is a catena of unequivocal judgements that say that the imposition of a penalty, interest and interest on penalty can only be for wilful, deliberate, and conscious evasion and avoidance; and that this evasion' is the antithesis of launching a legal challenge.

The company says the interpretation of gross revenue has always been disputed in various expert bodies and courts since 2003 but since all the judgements that emerged from the debates were in favour of Bharti, it acted accordingly.



The plea adds that a party cannot be penalised for an act of court, when it has succeeded in all the earlier rounds of litigation. What this means is that Bharti should not be penalised for the delays that happened owing to the DoT deciding to go in for further litigation.

Had Bharti failed in the first round of legal action, the DoT would have been awarded no more than the principal amount, it says in the petition.

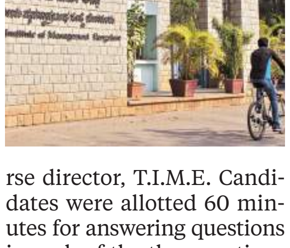
However, its very success in the courts ironically led to proactive litigation by the DoT as the losing party. Despite this, the latest Supreme Court order gives the DoT more than 300 per cent of the benefits that it would have originally received if it had won the first round of litigation.

Finally, Bharti's petition says the various judgements of the Telecom Disputes Settlement and Appellate Tribunal in its favour constitute 'force majeure' as defined under the UASL licence.

Therefore, all demands to the contrary stand quashed and ceased to exist. Further, the company pointed out that it continues to make payments towards the licence fee based on the judgements that various tribunals have given in its favour.

Easier CAT 2019 rings a welcome bell for aspirants

VINAY UMARJI
Ahmedabad, 24 November



Candidates, who took the Common Admission Test (CAT) 2019 on Sunday, welcomed an easier test paper, compared to last year.

Gateway to the 20 premier Indian Institutes of Management (IIMs) and over 110 non-IIM B-schools, the computerised entrance test was conducted in two sessions at 376 centres across 156 cities in the country. The results may be announced in the second week of January 2020, said Shubhasis Dey, faculty member at IIM Kozhikode and convener for CAT 2019.

As against the total registrations of 244,169 candidates, up by 3,000 over CAT 2018, 209,926 candidates wrote the paper this year, said Dey. Carrying a duration of 180 minutes, the test was divided into three sections, including verbal ability and reading comprehension (VARC), data interpretation and logical reasoning (DILR), and quantitative ability (QA).

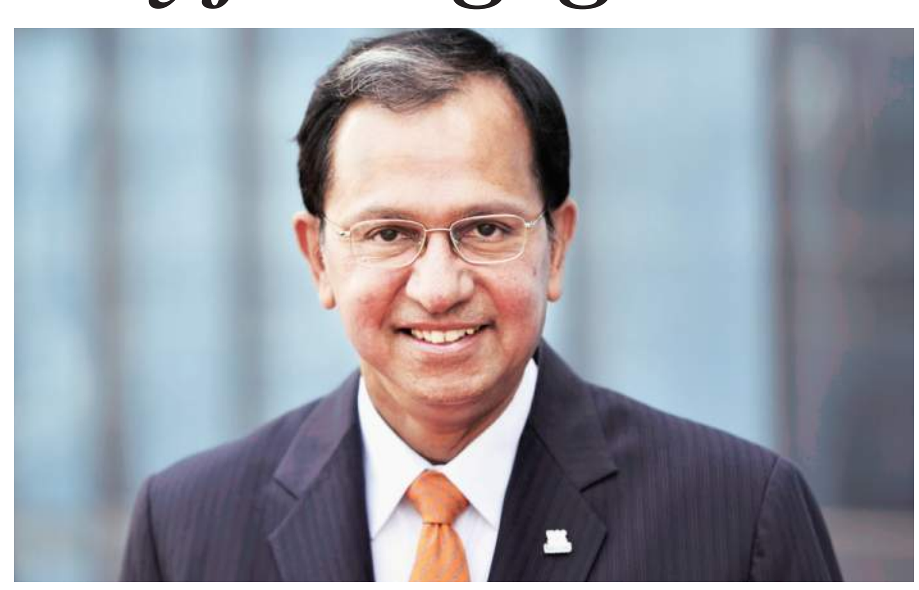
"Overall, CAT 2019 appears a little easier than CAT 2018, with two sections (DILR and QA) being on the easier side, and one section (VARC) being tougher," said Ramnath Kankadandi, National CAT Course director, T.I.M.E. Candidates were allotted 60 minutes for answering questions in each of the three sections without being able to switch from one section to another, while answering questions in a section.

According to CAT tutorial experts, the restriction in movement across sections during the test made by IIMs could prove a boon for non-engineering candidates as it provides a level-playing field for them.

As for the difficulty level, the only surprise sprung by CAT 2019 was a higher difficulty level in VARC as compared to easier levels, students and tutorial experts said. On the other hand, while QA came down a notch in difficulty level, DILR also became easier. The pattern of the test paper was also on expected lines, said Kankadandi.

'Slowdown an opportunity for engagement'

Packaged foods major Nestlé India emerged an outlier among consumer goods companies, reporting good numbers in the July-September period. Chairman and Managing Director (CMD) **SURESH NARAYANAN** tells **Viveat Susan Pinto** how the company achieved this and his plans for the future. Edited excerpts:



Q&A
SURESH NARAYANAN
CMD, Nestlé India

What explains for Nestlé's strong performance when the market remains weak? Will you continue with your pace of launches when peers such as Britannia are holding back on launches?

Our core brands continue to clip well. Maggi is back to value and volume growth that was visible before the 2015 crisis. We are seeing a similar trend across categories where we operate. At the root of this is our penetration-led volume growth strategy. We're getting more consumers into our portfolio, thanks to a better price-value equation, continued focus on innovation, and renovation as well as the pace at which we are launching products.

Prior to the 2015 Maggi crisis, we would roll out two products a year. It is now two products a month. This is giving us a good 4 per cent in terms of sales growth. We are also investing behind our brands, reaching consumers across media, and taking a cluster-based distribution approach.

All this is helping us clock good growth despite an overall slowdown. We don't see any reason why we need to change this for now.

But a category as basic as biscuits is barely growing, while processed foods from Nestlé's portfolio is doing well. How is this happening?

At a certain level, consumers have made up their minds regarding what they want within their consumption baskets. The staples are there within their portfolio. However, there is a cap on how much they want to take of staples. At the same time, consumers have not totally abandoned seeking better-quality products that elevate their life experiences. Nestlé's portfolio is in that realm. The consumer journey is changing and the strategy for us would be to participate in it and continue offering products that can help people improve their lifestyles. A consumption slowdown is an opportunity for engagement.

You are taking distribution into semi-urban and rural areas when other consumer goods companies are shifting their attention to urban areas because of the rural slowdown. Why are you doing this?

The proportion of sales we get from rural areas is about 20-25 per cent. This is lower than what some other companies derive from rural areas, which is closer to 35-40 per cent of their overall sales. Having said that, it is wrong to completely assume that there is no consumption at all in rural areas. Yes, there is rural distress and rural growth rates are below that of urban growth rates. Yet, tier-II, -III and even -IV markets have been clipping well for us.

The rural consumer may not have the purchasing power like his urban counterpart but he does have an aspiration for a better life. Products that can help him get there is something that he does seek. Even if he tries one of our products at some stage that could give us an idea about what he likes or dislikes and how can we can reach him regularly.

The choice of brands will determine the individual fortunes of companies. This is why we are expanding reach and improving distribution across India, including semi-urban and rural areas. This is giving us access, the opportunity to amplify our portfolio, and also helping us become accountable for our innovations.

Nestlé has been traditionally known for its pricing power than volume growth. With the emphasis now on volume growth, what happens to price-led growth?

There will be selective price hikes to mitigate input cost pressures. Commodity inflation has been high in milk and wheat and some of that has to be passed. There is no option there. However, between price-led growth and volume growth, we would privilege the latter. This is because you can't let the growth engine (via volumes) to go off the track. If that happens, the long-term business model of the company could get affected. We can't allow that. While selective price hikes will be there, some of the input cost pressures will also be mitigated through better procurement and improving efficiencies within the system.

Where do you see the consumer goods market headed? You mentioned that the choice of brands would determine the individual fortunes of companies. Isn't that a big shift in consumption?

It is. Slowdown or no slowdown, there will be certain brands and categories that will do well. Companies will have to understand where that sweet spot for them is and what strategies have to be implemented to stay relevant to the consume there. Adversity is a great way for redefinition. Companies will have to make their brands robust, continue to innovate, and bring differentiation at a reasonable price to the consumer.