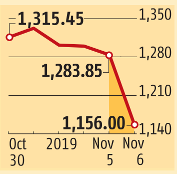
STOCKS IN THE NEWS

Titan Company

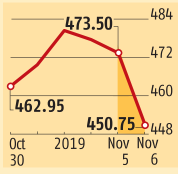


Revised jewellery sales guidance to 11–13% from 20% for H2FY20

₹1,156.00 CLOSE

▼ 9.96 DOWN*

Aurobindo Pharma

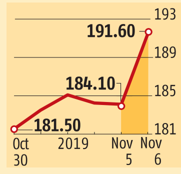


USFDA issues four observations for Hyderabad facilities

₹450.75 CLOSE

▼ 4.80% DOWN*

DLF

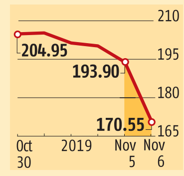


Finance minister hints at new measures for real estate sector

₹191.60 CLOSE

▲ 4.07% UP*

GE T&D India

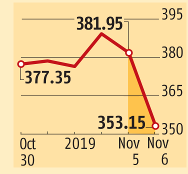


Q2 net loss at ₹81 crore against profit of ₹51 crore in the year-ago quarter

₹170.55 CLOSE

▼ 12.04% DOWN*

Bajaj Electricals



Q2 operational revenue falls 31.5% to ₹1,096 crore

₹353.15 CLOSE

▼ 7.54% DOWN*

* OVER PREVIOUS CLOSE

IN BRIEF

Cairn gets 10-year extension for Ravva block in Andhra

Anil Agarwal-led Cairn Oil and Gas, a vertical of Vedanta, has got a 10-year extension for its production sharing contract (PSC) for Ravva block in Andhra Pradesh from the Directorate General of Hydrocarbons. The extension will enable the joint venture partners to recover 13 million barrels of oil equivalent (mboe). With this extension, the PSC is now valid effective 28 October 2019, for the next 10 years. Ravva, the oldest producing asset in India for Cairn, becomes the first large field to get PSC Extension under the "policy for the grant of extension to the production sharing contracts signed by government awarding small, medium sized, and discovered fields to private joint ventures". Cairn and its partners will invest ₹550 crore ($78 million) to drill seven wells under Revised Field Development Plan (RFDP) targeting additional reserves of 11.7 million barrels of oil equivalent. BS REPORTER

Sterlite Power inks pact to sell Arcoverde project

Sterlite Power on Wednesday said it has signed the sale agreement for its first power transmission asset operating in Brazil — the Arcoverde Project. The project is responsible for expanding the flow of renewable energy in the countryside region of Pernambuco, the company said. PTI

Nokia partners Flipkart to launch smart TVs in India

After Motorola, Nokia has now partnered e-commerce major Flipkart for launching smart TVs in the Indian market, marking the smartphone maker's foray into consumer durables space. PTI

TVS Motor Chairman Venu Srinivasan bags Deming Prize

Venu Srinivasan, chairman of TVS Motor Company and Sundaram Clayton, was conferred with the Deming 'distinguished service award for dissemination and promotion overseas', at a ceremony in Tokyo on Wednesday. Srinivasan is the first Indian industrialist to get the award for his contributions in the field of Total Quality Management. BS REPORTER

PAYTM, OLAMONEY IN TOP 10 OF FINTECH 100 LIST

Eight Indian fintech firms were featured in the KPMG and H2 Ventures' 'Fintech100' list, with Paytm and OlaMoney making it to top 10. "In 2019, we have seen the emergence of India as a fintech force," the report said. The Fintech100 list comprises 27 payments and transaction firms, 19 wealth companies, 17 insurance companies, 15 lending companies, nine neo banks and 13 companies that operate across multiple fintech sectors. SUBRATA PANDA

INDIAN FINTECHS IN TOP 50		Rank
Paytm — Notable investors: Alibaba Group, Ant Financials, Berkshire Hathaway, SoftBank, SAIF Partners	Category: Payments	5
Ola Money — Notable investors: Softbank, Tencent, Hyundai Motors, Kia Motors, SailingCapital	Category: Payments	8
PolicyBazar — Notable investors: SoftBank Vision Fund, Info Edge, Temasek Holdings, Wellington Management, Tiger Global Management	Category: Insurance	21
Lendingkart — Notable investors: Fullerton Financial Holdings, Darrin Capital Management, Saama Capital, Bertelsmann India Investments	Category: Lending	23

AVIATION UNDER SPOTLIGHT

Boeing in talks with DGCA for return of 737 MAX

Regulator demanding simulator training centres for pilots

The aircraft, which has been grounded since March following two fatal crashes that killed 346 on board, is crucial to Indian low-cost airline SpiceJet's fortune, which has up to 205 aircraft on order PHOTO: REUTERS

ARINDAM MAJUMDER
New Delhi, 6 November

Boeing has started negotiations with the Directorate General of Civil Aviation (DGCA) for return of the grounded 737 MAX to service. Crucial among them is a demand that the US-based plane maker provides simulator training centre to pilots.

Additional but costly simulator training for pilots may dent the cost benefit of the aircraft as minimum hours of transition training (as low as one hour) for pilots was the main selling point among low-cost carriers across the world.

"One of the key observations from Indian aviation regulator is the pilots flying the 737 MAX will require additional simulator training. Ideally, airlines would want the simulator to be based out of India, but if not, SpiceJet will send its pilots to the Singapore-based simulator for training," said a person aware of the development.

The aircraft, which has been grounded since March following two fatal crashes which killed 346 on board, is crucial to Indian low-cost airline SpiceJet's fortune, which has up to 205 aircraft on order. With the grounding, the airline's capacity expansion plan is suffering.

The primary reason behind the crashes has been found to be faults with the anti-stall system called Maneuvering Characteristics Augmentation System (MCAS), which the company said it is trying to redesign. The aviation regulator has said pilots would need additional training on the new design. "Simulated training for pilots in the new MCAS is a must," said a person aware of the development.

A top Boeing executive said the company is in discussions with the DGCA about the necessary work required to press the plane into service. Boeing has tested over 800 test flights on this aircraft and the company is working on improving the training process, said Darren Hulst, director-product, forecast, and current market, Boeing Commercial Airplanes. "We are working closely with regulators around the world to bring the aircraft back to service," Hulst said, adding the eventual return to service will depend on regulators around the world.

"Boeing is providing regulators around the world, including the DGCA, with detailed information regarding the 737 MAX," said Salil Gupte, president at Boeing India.

Unlike normal circumstances, when regulators across the world follow the lead by the regulator of the country where the aircraft is manufactured (in this case US aviation regulator Federal Aviation Administration (FAA), since Boeing is based out of US), regulators around the world approve the grounded jet to fly at their own pace instead of following the American regulator.

DGCA officials had met Boeing and FAA executives during global aviation conferences at Kathmandu and Montreal where Boeing tried to impress upon DGCA about the safety of the aircraft. "We will take our own time. We want to be absolutely sure," said a senior DGCA official.

The return of the 737 MAX is intricately connected to Boeing's fight of market share with Airbus in India as its European rival has left it behind in the race for single-aisle aircraft market, while Boeing still maintains a grip over the wide-body market winning new customers like Vistara. The market tilted more in favour of Airbus. Recently, IndiGo placed a massive 300 aircraft order with Airbus.

SpiceJet boss Ajay Singh recently said that delay of return of the 737 MAX may force him to open negotiations with Airbus for an order. "Airbus has pushed us hard since the day we started flying Boeing aircraft, and of course with the current problems, they've pushed us harder," Singh recently said.

India will need 2,400 new aircraft in 20 years, says Boeing

India would need 2,400 aircraft in the next 20 years and around 85-90 per cent of them would be narrow-body, a senior executive of Boeing said on Wednesday. Indian airlines currently have around 600 aircraft in their fleet. While narrow-body planes are smaller and used for short-haul routes, wide-body aircraft are used to fly on medium and long-haul routes. "Based on economic growth, evolving business models and the dynamics in the marketplace, India will need around 2,400 new aircraft deliveries in the next 20 years," said Darren Hulst, deputy vice-president of commercial marketing, Boeing. PTI

Indian skies fall short on jumbo jets

SURAJEET DAS GUPTA
New Delhi, 6 November

The aviation industry is expanding but the number of wide-bodied aircraft has shrunk from 63 out of a total aircraft strength of 614 in 2018 to 43 — a development, which experts say, is out of sync with the global norm in which wide-bodied planes make up 20 per cent of an airline's fleet.

In India, the share of these planes is only 7 per cent, down from over 10 per cent in the beginning of this year. Without these planes, which have more space and can carry more fuel, airlines cannot offer a comfortable experience on medium- or long-haul flights or carry a larger number of passengers.

The collapse of Jet Airways has everything to do with the falling number of wide-bodied aircraft. "You cannot have a shrinking wide-bodied market in a country where aviation is growing. We see a large opportunity in this space where now we only have Air India operating," says Vikram Rai, country head, GE Aviation in India which has virtual monopoly in the wide-bodied engine market.

GE and CFM, which is a joint venture with Safran Aircraft Engines, has over 300 narrow-bodied and 40 wide-bodied engines in operation in India. It is a key player with current orders of 800 narrow-bodied and six wide-bodied engines.

Despite the overall slowdown, airlines are doing well with passenger growth in both the domestic and international market. The airlines have managed, within a few months, to add enough new capacity to more than fill the void left by Jet's extinction in April.

The industry needs to add 80 more wide-bodied aircraft to reach the global average. In India, in 2018-19, there were 344 million passengers, of which 68-70 million were outbound, which is 20 per cent, say estimates. Without a sufficient number of such planes for these medium- and long-haul flights, Indian carriers are being displaced by global carriers whose share of outbound international traffic on the medium and long-haul routes is going up. It is estimated the US and UK together constituted for over 7 per cent of outbound international traffic and if the whole of Europe is added, this share goes up to around 15 per cent.

The Centre for Asia Pacific Aviation in a report said in FY19, the total number of seats in Europe and India grew to 5.1 million, an increase of 13 per cent, primarily led by Jet. After its collapse, analysts say the bulk of the seats went to foreign carriers. GE's Rai says he is in talks with all major carriers to push them to buy wide-bodied aircraft. But it can take 24-36 months for delivery of an aircraft even if orders are given now. Most low-cost carriers prefer to use their narrow-bodied aircraft to fly overseas. Vistara has been the only firm which has ordered six wide-bodied aircraft powered by GE engines.

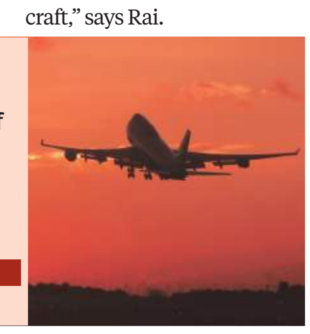
As Rai points out, the bigger planes need not be confined to medium- and long-haul flights, they can also be used for domestic flights. "We are explaining to airlines where airports suffer from a shortage of slots and where there is huge demand, it makes economic sense. Also, someone can have a low-cost carrier of wide-bodied aircraft," says Rai.

THE REQUIREMENT

Based on projection of 2,000 in 20 years. Global average of wide-bodied planes is 20%

Immediate need	80
In 5 years	100
In 10 years	200
In 20 years	400

GE Aviation estimates



Setback to Adani: HC doesn't block Bidvest-GVK stake sale

ANEESH PHADNIS
Mumbai, 6 November

In a setback for Adani Group, the Bombay High Court has refused to restrain South African company Bidvest from selling its 13.5 per cent stake in Mumbai International Airport (MIAL) to a third party, including the GVK Group.

Adani Group, had in September, moved court seeking execution of a share purchase agreement it signed with Bidvest and restrain it from selling stake in the airport to a third party. On Wednesday, Justice A K Menon declined interim relief to Adani Group. The order gives a fillip to GVK Group, which recently announced fundraising of ₹7,600 crore to block Adani Group from entering Mumbai airport.

GVK, which owns 50.5 per cent in the airport, had exercised its right of first refusal to acquire Bidvest shares earlier in the year, but failed to conclude the deal. The matter is now under arbitration and will be heard on November 24.

Separately, Bidvest entered into a share purchase pact with the Adanis to sell them 13.5 per cent stake for ₹1,248 crore. Adani Group, which won rights to develop five Airports Authority of India airports earlier this year, has been eyeing 23.5 per cent stake in Mumbai airport held by Bidvest and Airports Company South Africa.

On Tuesday, Adani Group had informed court it would deposit ₹1,248 crore required for stake purchase and sought a three-month extension to the long stop date (deadline) to conclude its deal with Bidvest. The deadline lapses on Thursday. However, the South African company opposed the plea.

Justice Menon also declined relief to Adani Group, which sought to restrain GVK from selling stake in its airport holding company.

In its plea, Adani Group had argued that stake sale in airports holding company level amounted to an indirect transfer of ownership in Mumbai airport and thus, Bidvest should be given the opportunity to acquire the stake.

On October 27, GVK announced it would raise ₹7,614 crore by selling 79.1 per cent stake in its airport business to three investors to pare debt and stave off Adani Group's proposed acquisition in Mumbai airport.

The group announced signing off a definitive agreement with Abu Dhabi Investment Authority, PSP Investments of Canada, and the National Investment and Infrastructure Fund for selling stake in its airport business holding company.

Change in brandname, quality upgrade spur Binani Cement turnaround

The last part of the series on the Insolvency and Bankruptcy Code takes a look at how UltraTech's acquisition of Binani helped it become North India's biggest cement firm by capacity

DEV CHATTERJEE
Mumbai, 6 November

The acquisition of Binani Cement by Aditya Birla group company UltraTech is one of the few success stories post the Insolvency and Bankruptcy Code (IBC) regime.

The acquisition helped UltraTech become North India's biggest cement company by capacity with a 26 per cent market share post-acquisition.

UltraTech expanded its cement capacity to 120 million tonnes by buying Century Textiles, Binani Cement and Jaiprakash (JP) Associates in the last two years. It plans to add another 34 million tonnes of capacity by March 2021.

The acquisition of Binani Cement in 2018 was not easy for the Birla group, which had to battle its rival bidder in the Supreme Court after making an offer of ₹7,950 crore to banks.

IBC
A NEW LEASE

Binani is one of the few cases where banks have not taken a haircut as compared to other IBC cases.

The Birla group was pitted against Ajay Piramal's stressed asset fund which had tied up with another formidable player Dalmia Bharat to bid for Binani.

A last minute higher bid by UltraTech, which tied up with former promoters of the company, Braj Binani, saw UltraTech winning the race. On November 18, 2018, the Supreme Court finally cleared the takeover after Dalmia, which made an offer of ₹6,932 crore, objected to the late bid by UltraTech.

Since then, the UltraTech management's top priority was to consolidate Binani's operations with itself. In December 2018, the Birla group changed Binani Cement's name to Nathdwara Cement and upgraded the quality.

WHAT ULTRATECH GAINED

	Net debt (₹ cr)	Net sales (₹ cr)	Interest (₹ cr)	Reported net profit (₹ cr)
FY14	2,143	21,652	361	2,206
FY15	4,980	24,340	587	2,098
FY16	3,275	25,153	566	2,478
FY17	Nil	25,375	640	2,715
FY18	13,849	30,979	1,238	2,222
FY19	19,233	37,379	1,549	2,435

Compiled by BS research Bureau Source: Capitaline

WHAT IT DID

- Changed brandname
- Upgraded cement quality
- Hiked capacity utilisation
- Reduced debt

CEMENTING TIES

- Binani Cement's **11.25 mtpa global cement capacity**
- Huge **limestone reserves**
- Significant **market share** of **26%** in **North India**
- All-India **market share** to go up to **25%** from 20%

"At JP, we took about 52 days (to change the brand) and in Binani, we took about 40-odd days for changing the brand because we have to produce cement of a particular quality and strength and test it. If I have to test for 28 days, then I have to wait for 28 days," a company official told investors recently. UltraTech also increased Binani's capacity utilisation to about 60 per cent, said insiders. With the change in brand name, the company also plans to increase the price of cement produced from the subsidiary.

"The fastest integration of these assets is one of the finest examples of UltraTech's capability of turning around and integrating the acquisition with UltraTech standards. Nathdwara Cement remained PAT (profit after tax) accretive in this otherwise weak quarter," said Atul Daga, whole-time director and chief financial officer at Ultratech, in an investor call.

"When a question was asked why we paid such a high price (for the acquisition), I said we have a longer-term plan. By disposing of non-core assets, we will realise cash, which will help reduce the overall cost of acquisition. And when North India is right for expansion, we will expand at Nathdwara," he said.

He added, "The cost of expansion will be ridiculously low. Liquidation of non-core assets and expansion by way of brownfield capacity growth would bring our overall acquisition cost down."

As the loans of Binani Cement was transferred to UltraTech, the interest cost also came down as UltraTech enjoys better credit rating, officials said.

Debt overhang?

With a series of acquisitions, the net debt of UltraTech, however, is showing signs of going up. As a result, in the first half of the current financial year, its finance cost was up 27 per cent and revenue grew 12 per cent compared to the same period last financial year.

Earnings, before depreciation, interest, depreciation, tax and amortisation (Ebitda) was up 55 per cent in the first half of the current financial year compared to the same period last financial year.

According to JP Morgan's analysts, net debt of the company increased to ₹20,600 crore as on September quarter. It was up by ₹2,000 crore mainly due to addition of ₹3,000 crore after Century Cement arm's acquisition.

"Adjusted for that, UltraTech seems to have generated ₹1,000 crore of free cash flows even in a seasonally weak quarter and Ebitda to cash generation has been healthy. According to the company, leverage ratios (net debt to Ebitda of two times) are near comfortable levels. It is set to divest non-core assets worth ₹1,000 crore," it said. As UltraTech adds capacity via acquisition, it will have to take care of the rising debt, said analysts.

Series concludes