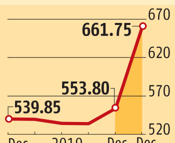
STOCKS IN THE NEWS

Federal-Mogul Goetze (India)



Supreme Court upheld the valuation of shares at ₹608.46 for open offer

₹661.75 CLOSE

▲19.49% UP*

NIIT Technologies

Board meeting on December 23 to consider share buy-back proposal

₹1,606.20 CLOSE

▲9.05% UP*

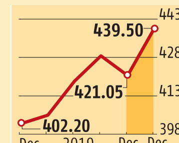
Avenue Supermarts

Top gainer among the S&P BSE100 index stocks

₹1,882.55 CLOSE

▲6.31% UP*

Tata Steel

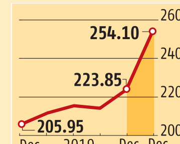


Citi upgraded ratings, citing likely increase in global steel prices

₹439.50 CLOSE

▲ 4.38% UP*

Kolte-Patil Developers



Sold 500 apartments with booking value of ₹205 crore in Pune

₹254.10 CLOSE

▲13.51% UP*

* OVER PREVIOUS CLOSE

IN BRIEF

Long-pending homecoming

ArcelorMittal Chairman L N Mittal (*centre*) being welcomed at Essar Steel's Hazira plant on Tuesday. The company closed the deal to buy Essar Steel along with Nippon Steel on Monday

L&T Finance raises ₹1,503 cr from public issue of bonds

L&T Finance on Tuesday announced early closure of its public issue of secured non-convertible debentures, garnering subscription of ₹1,503.35 crore. L&T Finance said tranche-I issue, which opened on December 16, has been oversubscribed and has received subscription amounting to ₹1,503.35 crore. PTI

Verdict on Mistry's removal from Tata Group today

The National Company Law Appellate Tribunal will pronounce judgement over the petition moved by former Tata group Chairman Cyrus P Mistry and the two investment firms challenging his removal from the group. A two-member NCLAT Bench headed by Chairperson Justice S J Mukhopadhaya will pronounce its judgment. PTI

Shareholders of CG Power vote to raise ₹5K-crore debt

CG Power and Industrial Solutions has got shareholders' nod to borrow up to ₹5,000 crore to meet working capital and other business needs. They also approved appointment of Sudhir Mathur as whole time executive director of the company. PTI

Zilingo acquires nCinga Innovations for $15.5 million

Zilingo, a commerce and technology platform, said on Tuesday it has acquired Sri Lanka-based software-as-a-service firm nCinga Innovations for $15.5 million in a cash and stock deal. This would help Zilingo scale up its global supply chain capabilities. BS REPORTER

Chocolate majors post healthy top line growth

ARNAB DUTTA
New Delhi, 17 December

Buoyed by the sweet tooth of Indian consumers, leading chocolate makers — Mondelez, Ferrero, Mars and Hershey — have registered healthy sales growth in 2018-19.

However, two of these companies — Mars International India and Hershey India — still remain in the red.

Mondelez India Foods — the marketer of Cadbury — continued to lead the pack with ₹6,746 crore revenue. According to filings at the Registrar of Companies, its top line grew 9 per cent year-on-year (YoY) from ₹6,189 crore.

The firm's net profit, during 2018-19, jumped 42 per cent to ₹462 crore from ₹325 crore.

Italian chocolate maker Ferrero, which markets Ferrero Rocher and spreads like Nutella, witnessed 13 per cent rise in its revenue at ₹1,473 crore. After incurring losses in 2017-18, the firm turned profitable last year with a net profit of ₹106 crore.

However, the other two major players — Mars International and Hershey's — continued to bleed with losses mounting further. While Mars posted ₹246 crore net loss, Hershey India's net loss widened to ₹109 crore in 2018-19.

In the previous financial year, the two firm's had reported ₹195 crore and ₹85 crore net loss, respectively.

In fact, Hershey's has been in loss at least since 2014-15, although its bottom line improved with yearly loss coming down from a peak of ₹365 crore five years ago.

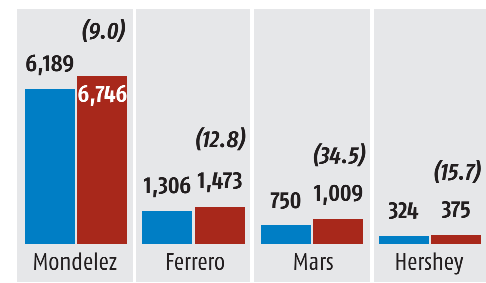
Mars, however, registered the biggest jump among the four, when it comes to increasing sales. The firm's revenue rose 34.5 per cent YoY to ₹1,009 crore from ₹750 crore. Its sales numbers, however, include non-confectionery products under pet care brands like Pedigree, Whiskas and Royal Canin.

In its regulatory filings, Mars said it witnessed "robust growth in the pet nutrition segment at 20 per cent".

The company added, "The fast-paced growth of the pet food category in e-commerce is contributing to the business growth story with our e-commerce business growing at over 60 per cent YoY."

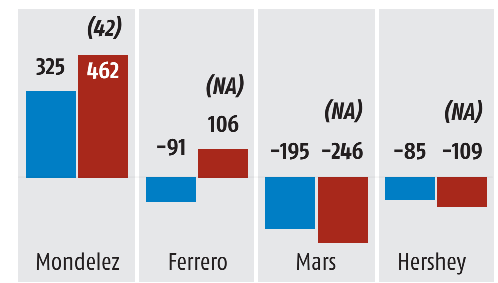
Mars' revenue jumped 35% in FY19

Revenue ■ 2017-18 ■ 2018-19 ₹ cr (*% change in brackets*)



Mondelez bottom line improved further

PAT ■ 2017-18 ■ 2018-19 ₹ cr (*% change in brackets*)



Source: Registrar of Companies

Relief for Voda, Airtel as IUC extended by a year

Trai initiates talks to prescribe floor price for call and data

PRESS TRUST OF INDIA
New Delhi, 17 December

In a big boost to Airtel and other old telcos, the Telecom Regulatory Authority of India (Trai) on Tuesday deferred by one year the scrapping of the charge paid by mobile phone users for calls made to rival networks. It also initiated talks to prescribe minimum or floor price for call and data, effectively ending free call regime.

Bharti Airtel and Vodafone Idea, which are staring at a liability of thousands of crore in unpaid past statutory dues following a Supreme Court ruling, had been, through their association, pitching for fixing of a floor rate for calls and data. Their association had also been lobbying for extending the 6 paise per minute interconnect usage charge (IUC).

On Tuesday, Trai announced that telecom operators will continue to pay 6 paise per minute for every outgoing call made to their competitors' network till December 31, 2020. These charges are proposed to become zero from January 1, 2021.

Telecom industry body Cellular Operators Association of India (COAI) sees it as a relief for the debt-ridden sector and asserts that continuing with six paise mobile call termination charge will not have any impact on consumers as operators have already absorbed this charge in their recently increased mobile call and data rates. "For wireless to wireless domestic calls, termination charge would continue to remain as ₹0.06 (paise six only) per minute up to December 31, 2020," Trai said.

Within hours of IUC announcement, Trai released a consultation paper to fix minimum or floor rates for mobile phone calls and data, a move that will effectively end the regime of free calling and dirt cheap data. The telecom call and data rates are at present under forbearance or not regulated. However, private telecom operators unanimously approached the Trai to fix minimum price for mobile internet rates.

The outcome is likely to lead to further hike in mobile call and data cost as industry wants average revenue per user to reach ₹300 per month from about ₹125 at present over period of two years — better revenue realisation per user will offer a much needed breather to stressed telecom industry where debt levels have soared to ₹7.8 trillion.

Trai in the 'Consultation Paper on Tariff Issues of Telecom Services' said that there have been minor adjustments in the tariffs by the telecom service providers to their tariff offerings since the initial announcement.

"It is to be seen whether further readjustments in tariffs will be done in view of the high level of competition in the market. In such a scenario, where the TSPs have recently announced a substantial hike in tariffs, it needs to be discussed whether there is still a need for any regulatory intervention," Trai said.

- The rate were reduced to **6 paise** with effect from October 1, 2017, from **14 paise** charged earlier and it was to become **nil** from January 1, 2020
- According to estimates, industry players lost **₹11,000 crore** when interconnect usage charge for mobile calls was reduced
- Removal of the mobile call termination charges from January 1, 2020 would have hit the sector by approximately **₹3,672 crore**

Netflix adds 5 million users in Asia-Pacific

YUVRAJ MALIK
Bengaluru, 17 December

Netflix, the world's biggest video streaming company, said its mobile and tablet-only subscription plan, launched exclusively in July in India, has performed well and surpassed the company's initial expectations.

"We've been very, very happy with the mobile plan. It's actually performing better than what we tested," said Netflix's Chief Product Officer Gregory K Peters over an earnings conference call on Monday.

"We'll look at testing that in other markets, too, because we think there are markets that have similar conditions," he said. Netflix did not break down the revenue earned from the said plan.

After its mobile-only subscription, which is priced at ₹199 a month, the streaming giant is also said to be testing multi-month subscription plans — a bundle for three-months, six-months, and nine-months — for Indian users. Currently, its packs are priced at ₹499 per month (one device), ₹649 per month (two devices), and ₹799 per month (four devices).

India has emerged one of the key markets for Netflix, which is present in 190 countries. For the firm, the Asia-Pacific (APAC) region, which includes India, recorded the highest growth in terms of revenue and memberships across markets, in the quarter ended September 30. It did not share India-specific numbers.

Netflix said it had 14.48 million subscribers in APAC as of September-end, up from 9.46 million users in the same period last year, an increase of 5.02 million users. Besides India, APAC includes Indonesia, Thailand, Philippines, Malaysia, Singapore, Vietnam, South Korea, Japan, New Zealand, and Australia. In comparison, the user base in Europe, West Asia, and Africa (EMEA) grew to 47.4 million subscribers from 33.8 million a year ago. In US and Canada, its core market, Netflix had 67.1 million users as of September-end. This is the first time the streaming company has broken down region-wise user numbers.

In terms of revenue, too, APAC growth was significant. The firm reported $1 billion in revenues from APAC in the first nine months of 2019, up from $700 million in the same period last year, and $400 million in the first nine months of 2017.

Interestingly, revenues at the India unit grew over 700 per cent in FY19 to ₹467 crore even as it managed to post meagre profits to the tune of ₹5 crore, according to filings of Netflix India. India numbers do not include content acquisition costs, and hence, may not be the best indicator of performance.

Moreover, revenue earned per user in APAC is lesser than it is in other markets. At $9.31 per user, average revenue per user (ARPU) in APAC is less than the $10.26 per user in the EMEA and $12.36 in the United States. The figures represent average ARPU over the January-September 2019 period.

ON THE RISE

- Asia-Pacific recorded highest growth in memberships
- Asia-Pacific users **14.5 million** as of Sept. vs **9.5 million** year-ago
- Crossed $1-billion revenue in Asia-Pacific in the first nine months of 2019
- Good response for mobile-only plan; bundled plans may be launched soon

Nod to NBCC's offer for Jaypee Infratech

Jaypee Infratech's financial creditors, including lenders and homebuyers, have approved the bid of state-owned NBCC to acquire the debt-laden realty firm under insolvency process, according to sources.

They said the NBCC's resolution plan has been approved by the committee of creditors (CoC) with 97.36 per cent voting. This is the third round of bidding process to find a buyer for Jaypee Infratech, which went into corporate insolvency resolution process (CIRP) in August 2017.

The successful resolution will provide a big relief to over 20,000 homebuyers across various housing projects launched by Jaypee Infratech in Noida and Greater Noida (Uttar Pradesh) for many years.

NBCC has proposed to complete these pending projects in the next three-and-a-half years.

The simultaneous voting to bids of both the contenders — NBCC and Mumbai-based Suraksha Realty — ended late Monday night. As many as 13 banks and over 23,000 homebuyers have voting rights in the CoC. Buyers have nearly 58 per cent votes and lenders 42 per cent. PTI

NBCC's resolution plan has been approved by the committee of creditors (CoC) with 97.36% voting

How the Thapars lost the plot

Once a $4-bn conglomerate, the Avantha Group is under severe financial stress

SUDIPTO DEY
New Delhi, 17 December

In the days after Partition, when Kolkata (then Calcutta) witnessed bloody riots, Karam Chand Thapar's daughter flew in from the US and landed at the Dum Dum airport. The story goes that the chairman of the Thapar Group had warned his daughter not to step out of the airport till he came to fetch her. A few hours later, he came to pick her up in a bus, along with a group of men armed with swords. Before leaving the airport, he is said to have told his daughter: "If anything happens, I will shoot you. Are you prepared for it?"

It was perhaps this indomitable spirit, this readiness to face any eventuality, no matter what the cost, that helped Thapar, who hailed from Ludhiana, to single-handedly build up the Thapar Group. Set up in 1919, by the 1960s, the group had become a business conglomerate with interests in coal, sugar, textiles, paper, insurance, and banking, among others.

Decades later, in an interview published in IndiaKnowledge@Wharton, Karam Chand Thapar's grandson, Gautam Thapar, echoed sentiments that the family patriarch may have had: "I see myself as an entrepreneur. I believe I have the vision to spot opportunities to create value and wealth, the risk-taking ability to commit to the opportunity, and the ability to put together a management team to execute."

That interview was published in 2009, when the Avantha Group, the Thapar family conglomerate's flagship, was at its pinnacle. Thapar was at the helm of a $4 billion empire, built through years of organic growth and a series of ambitious international acquisitions. At the time, the group had exposure to businesses as varied as consumer electrical, industrial machinery, paper, pulp, power, food processing, IT- enabled services, and had its footprint in several countries.

Between 2005 and 2012, the group's two flagship companies — Crompton Greaves, the industrial manufacturing and consumer electrical business, and Ballarpur Industries (BILT), its paper manufacturing business — made nearly a dozen overseas acquisitions. The internal target was to clock $10 billion in group revenues by 2013. Some insiders said at the time that Thapar would have made his grandfather proud.

Till the 1990s, the Thapars, who had settled in Delhi, featured among the Top 10 business groups in the country. However, post liberalisation, the group started to lose heft in the face of growing competition from new domestic and foreign players. Subsequently, its businesses were split among family members. Thapar, cornered the biggest chunk, with both Crompton Greaves and BILT, among others, in his kitty. Growing at a scorching pace, the group under Thapar, which generated revenues worth $1 billion in 2003, touched the $4 billion mark by 2009.

However a decade later, in 2019, the growth script seems to have gone awry. The two flagship businesses of the Avantha Group — Thapar re-christened the group in 2008 to downplay the family legacy — are under financial stress. Thapar, along with some senior executives, are fighting allegations of fund-siphoning by the promoter group in CG Power that houses the power and industrial solutions business. In August this year, Thapar was forced to resign as chairman of the board of CG Power. He now owns a minuscule stake in the company, as against 40 per cent in March 2014.

BILT, the group's oldest business, has run into losses and is going through a debt restructuring exercise, with lenders having taken control of the company in 2017. Thapar has around 25 per cent stake in the company, but has pledged most of his shares.

The power generation business that Thapar entered in 2008 has also come a cropper and added to his debt burden. Faced with financial stress, Thapar de-merged the consumer electrical business from Crompton Greaves and, subsequently, sold off his stake in that business for about ₹2,000 crore.

Industry players, analysts and ex-employees feel that the group could not recover from the rapid expansion and acquisition spree that Thapar had embarked on, which stretched management bandwidth and financial resources. The debt-funded expansion caused financial stress across group companies when the time came to repay the loans. The thermal power business also took a beating when the Supreme Court scrapped the licences of coal mines.

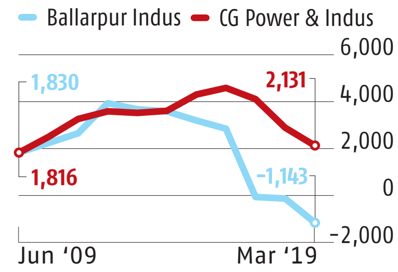
"Thapar became a poster boy for how a family business could become a global conglomerate in a short time span," notes an ex-director who worked in the group for several years. "Some of the international acquisitions did not play out as expected due to internal reasons and certain adverse global market conditions," adds a former senior executive.

Gautam Thapar once described his grandfather as an entrepreneur and builder, and one who loved to take risks. Clearly, he now needs to invoke his grandfather's fighting spirit to check the slide in the family fortunes and steer his businesses back to safety.

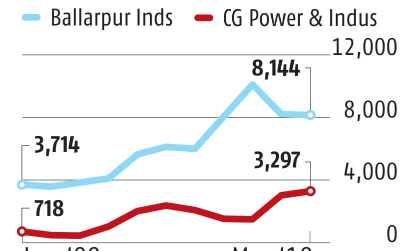
DOUBLE WHAMMY: HIT BY BUSINESS HEADWINDS, RISING DEBT

Consolidated figures in ₹ crore

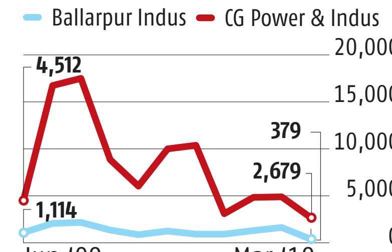
Net worth



Total debt



M-cap



Source: Capitaline; compiled by BS Research Bureau; PBIDT: Profit before interest, depreciation and tax; PAT: Profit after tax