Airlines, PE funds, HNIs warm up to Air India divestment

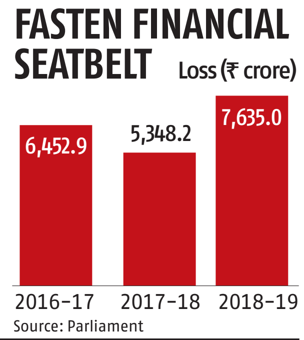
ARINDAM MAJUMDER
New Delhi, 1 December

Indian and foreign airlines, private equity funds, and high net worth individuals have evinced interest in acquiring Air India, thereby giving a fillip to the government's third attempt to successfully sell the carrier.

Sources aware of the development said India's largest airline IndiGo, Vistara and AirAsia India (owned by Tata Sons), major global airlines like International Airlines Group (which owns British Airways and Aer Lingus), and sovereign and private global funds such as Temasek, KKR, and Warburg Pincus have attended roadshows organised by EY — an advisor to the process. EY, along with the Department of Investment and Public Asset Management (DIPAM), has held five roadshows in Mumbai, Singapore, and London to drum up investor interest. "We are on track to continue with the disinvestment of Air India through a process governed by rules. We have got a positive suggestions and feedback on the sale process," DIPAM Secretary Tuhin Kanta Pandey said.

While refusing to disclose names of any prospective investor, Pandey said privatising the airline will turn the company stronger, benefiting India's aviation ecosystem. "Air India becoming stronger will help India's aviation. This is important in the country's quest to become a $5-trillion economy by 2024-25," said Pandey.

A ₹30,000-crore bailout by the previous UPA government had been unable to reverse the fortunes of the carrier. "There are multiple sectors and firms where the government has to invest its resources. A strong private player operating the airline is a positive," said Pandey.



Minister of State for Civil Aviation Hardeep Singh Puri had said there is a chance of the airline shutting down if it is not privatised. Queries from interested investors during the roadshows were primarily centred around India's aviation rules, Air India's debt repayment cycle, terms and conditions of leased and owned aircraft of the company, and financial opportunity from the government's regional connectivity scheme (UDAN). "The investors who attended the roadshows were genuinely interested people with deep knowledge. Some of their suggestions will help to make the sale process lucrative," the official said.

For instance, a government official confirmed the Centre was planning to hive off additional debt from Air India's books, besides the ₹29,500-crore already hived off into Air India Assets Holding — a subsidiary created to hive off debt and subsidiaries, and non-core assets of the company. Up to ₹15,000 crore of more debt is likely to be hived off.

The total debt of Air India as on March 31, 2019, is ₹58,282.92 crore. Debt amounting to ₹29,464 crore has been hived off into a special purpose vehicle, as decided in the meeting held on September 7, 2018, under the chairpersonship of then finance minister.

During the last attempt, potential bidders had expressed their inability to take over ₹33,992 crore of debt, which resulted in zero participation in the expression of interest (EoI).

"What is necessary is to give investors a fair chance to turn around the company. Air India over the years has accumulated a lot of short-term debt, which was raised for working capital and pay for past losses, turning its networth into negative. Naturally any investor will be cagey to take up debt which cannot be paid through normal cash flow of operations," an executive of a company, who attended the roadshow, said.

A private owner will not enjoy the comfort of sovereign guarantee with banks which the airline currently has due to government ownership, he pointed out. "Banks will be more cautious when allowing a private firm to carry that much of debt," the executive said, pointing out with Jet Airways belly up, there's a void in connecting the country with long-haul destinations. "Even an existing airline seeking to expand its global footprint can leapfrog the process with Air India," he said. The government will bring out the EoI for Air India, its subsidiary Air India Express by December, but will not rush to complete the process this financial year. While the Centre had earlier intended to publish the EoI by October, it is now bringing out a draft shareholders' deal, which has delayed the process.

"What is important is that the sale process should be successful. With the shareholder agreement being given at the first stage, it will give a lot of certainty to investors. Last year, we had no answers to a lot of investors' queries. This had put off a lot of prospective bids. This time, they will be clear about the investment," a senior official said.

IN BRIEF

Nissan, Renault, Mitsubishi to form new venture for R&D

The Nissan Motor, Renault and Mitsubishi Motors alliance has agreed to form a new company focused on research and development of advanced automotive technologies, Kyodo News said. The three firms will announce a concrete plan in January, Kyodo reported on Sunday, citing people familiar with the matter. The new venture also aims to strengthen the alliance, in which relationships have frayed since the arrest and ouster of former supremo Carlos Ghosn, according to the report. Renault, Nissan and Mitsubishi plan to appoint a general secretary to the helm of their partnership to boost cooperation and reboot joint operations. A new leadership team was installed at Nissan from Sunday, headed by 53-year-old Makoto Uchida, who ran the automaker's China business. Renault is also looking for a new chief executive, with the head of finance, Clotilde Delbos, in charge on an interim basis. Ghosn was arrested a year ago in Tokyo on charges of financial misconduct, which he denies. PTI

Ather Energy signs MoU with Tamil Nadu to set up EV facility

Ather Energy has signed a Memorandum of Understanding (MoU) with the Tamil Nadu government to set up an electric vehicle (EV) and lithium-ion battery manufacturing facility in Hosur. The facility will come up in an area of 400,000 sq ft. According to Ather Energy, they have already announced plans to expand to 30 cities in the next few years and this MoU will help scale up the production plan. The built-up factory will be supported by the government's recently released EV Policy. BS REPORTER

Amazon, Infosys respond to Tea Board's EoI

Amazon, Infosys and Yes Bank are among the 28 companies which have responded to an expression of interest (EoI), floated by Tea Board, for using blockchain and allied technologies to determine the traceability of tea, an official said. Tea Board Deputy Chairman Arun Ray said this exercise is required for long-term sustainability of the industry as costs are rising and prices of tea have been flat at auctions. "We are going to start an exercise for determining the traceability of tea, particularly of the orthodox variety, using blockchain technology", Ray said. PTI

SAIL likely to start making speciality rails in two years

State-run Steel Authority of India Limited (SAIL) is planning to commence manufacturing of special quality rails for high-speed train corridors and metro projects in the next two years, an official said. The steel maker could start making of the speciality rails at its Bhilai Steel Plant (BSP) in Chhattisgarh and IISCO Steel Plant at Burnpur in West Bengal, he said. "We expect to commence head (hardened) rail project in two years. However, it is now in the planning stage. The capacity and investments have not been firmed up," SAIL's Bhilai Steel Plant CEO Anirban Dasgupta said. With more strength than the normal rails, the speciality product is used in metro rail projects and high speed train corridors. PTI

NCLAT clean chit to BMW India over dominance charge

In a relief to luxury car-maker BMW India, the National Company Law Appellate Tribunal (NCLAT) has dismissed a plea filed by one of its former dealers, alleging abuse of dominant position. A two-member Bench headed by Chairperson Justice S J Mukhopadhaya has upheld the earlier order passed by Competition Commission of India (CCI), which had also rejected Parsoli Motors' plea on May 30, 2018. CCI has said as BMW has a negligible share in the passenger car segment in India, hence the question of abuse of dominant position did not arise. The NCLAT said it "find no ground to interfere with the well reasoned order impugned in this appeal" and dismissed it. PTI

Fried 'n' tested: Zomato takes the lead in drive for clean fuel

Food aggregator collecting used cooking oil from eateries to be processed into bio-diesel

SHINE JACOB
Bawal, Gurugram, 1 December

For Kala Ram, a 48-year-old truck driver from Rajasthan, food, water and diesel have been the three basic necessities of his life on the road for over two decades. But the diesel he uses has undergone quite a change in recent months.

"Mileage thoda kam hai, pick up jada hai....... Magar log bolte hai yeh sabse shuddh hai (the mileage is a tad lower, pick up is more... but people say this is the purest)," a candid Ram said, standing by a refilling dispenser of BioD Energy, a leading bio-diesel manufacturer, at Bawal in Haryana.

Ram's fleet owner began to run his trucks and tankers on bio-diesel from last August. However, Ram was unaware that the new fuel was derived from used cooking oil (UCO) collected by food-delivery aggregator Zomato from food outlets and kitchens in the Delhi and National Capital Region (NCR).

About 70 km from Bawal, in the main kitchen of Om Sweets, the air is heavy with the aroma of deep-fried sweets, snacks and namkeens. But you needn't worry if the oil is being reused again and again to fry the sweets and savouries. The UCO at Om Sweets goes to the BioD Energy plant in Bawal for processing. And it's Zomato that collects and carries it. When the Zomato pick-up van arrives, the staff take out the empty containers, load the van with barcoded containers already filled with UCO, and feed the data into their mobiles. Some 26 containers, of 30 kg each, are barcoded with details such as weight, quality, impurities, and loaded into the van.

"Earlier, we used to supply the UCO to local vendors. The advantage of the Zomato tie-up is its traceability," said Rajnish Puri, general manager (operations), Om Sweets, which entered into a tie-up with Zomato last October. Puri shows a customised mobile app that displays all

Workers loading and doing quality checks at Zomato's warehouse in Haryana

the details of every kilogram of the used oil (UCO is weighed in kilograms because of its density and impurity content) and tracks its journey up to the bio-diesel plant. For many eateries, this rules out the possibility of the used oil being put into cooking again. Reuse of cooking oil has health hazards that can lead to obesity, heart problems, cancer and diabetes.

On an average, Om Sweets uses120 litres of various types of cooking oil daily. This includes palm oil, desi ghee, sunflower, refined and soya oil. "Every two hours, we do a quality check and use fresh oil based on that. The UCO that we supply to Zomato comes to 450 kg a week," revealed Dinesh Yadav, manager of the kitchen.

The Zomato warehouse facility at Samalkha in Haryana is 30 minutes' drive away from the Om Sweets kitchen. Delivery associate Shivam Kumar only follows the routes specified in the mobile app and enters the data at the time of pick-up and unloading. "I collect oil from 15-17 places daily," Kumar said. One major constraint in their operations is the time restrictions on the entry of such vehicles in NCR. In its avatar as a used-oil aggregator, Zomato is covering over 1,000 eateries across Delhi-NCR. These include standalone restaurants, small hotels and eatery chains like Biryani By Kilo, Yum Yum Cha, Mithaas and Berco's. The company pays between ₹15 and ₹32 a kg for the used oil.

Zomato does some basic filtration of the UCO at its Samalkha warehouse. With a staff of just 10 people, it handles 130-150 tonne of UCO a month, which may be raised to 1000 tonne by March 2020. Ritesh Khera, vice-president (sustainability), Zomato, says that oil is one major reason behind the poor quality of food available in India and that the company is addressing this concern by becoming a UCO aggregator. There is some money to be made, too. Zomato sells the UCO to BioD at a small margin.

According to the Food Safety and Standards Authority of India (FSSAI), most of the UCO in major restaurants and kitchens are bought by small vendors and resold to street vendors. Hence, experts feel that the entry of an organised player like Zomato will infuse more efficiency and professionalism in kitchen waste management in the hospitality sector. "Our job is to ensure that every drop that we pick up lands in a bio-diesel plant. At the back-end, we know the dates and the pickup spots. The rest is all automated," Khera said. Zomato plans to take this part of its business pan-India.

It is said to be in talks with Bengaluru-based EcoGreen Fuels and Mumbai-based Unicorn. Zomato will also launch this service in five more places in North India.

At Samalkha, the staff check the barcode of every empty container before it is loaded. And they scan the barcodes on filled containers before the filtration process starts. The UCO goes through three layers of filtration to get rid of suspended particles, water and free fatty acids (FFA). "We monitor density, sediments, moisture and iodine value before moving the UCO to large raw-material storage tanks," said Indrapal Singh, who works at the laboratory at BioD Energy.

At Bio-D's ₹100-crore plant in Bawal, the UCO goes through a four-step process, including segregation of impurities like FFAs, splitting of by-products like glycerine and pitch and distillation. "Distilled biodiesel (B100) can be used as a 100 per cent replacement in any vehicle without any engine change," said Shiva Vig, director, BioD Energy. Unblended bio-fuel is sold in retail outlets in Rajasthan which gives the consumers a price advantage of ₹2-3 a litre.

Oil marketing companies procure non-distilled biodiesel at an assured rate of ₹51 a litre. Five per cent of the non-distilled bio-diesel is blended with conventional diesel in accordance with the government norms. For end-user companies, the distilled biodiesel (B100) gives a price advantage of over ₹10 a litre as the fuel attracts only 12 per cent GST.

Little wonder that BioD wants to diversify into retail by January 2020. On the cards are as many as 10 outlets, which will not only give customers a price advantage, but also the satisfaction of using a sustainable fuel.

Jaypee Infra: NBCC may cut deadline to finish flats in final bid

PRESS TRUST OF INDIA
New Delhi, 1 December

State-owned NBCC is likely to reduce timeline for completion of about 20,000 flats in its final bid to acquire bankrupt realty firm Jaypee Infratech, sources said.

For homebuyers, NBCC is looking to reduce the deadline for completing pending flats from four years timeline proposed in the bid submitted on November 17.

In the last meeting of the Committee of Creditors (CoC) held on November 28, lenders asked NBBC and Suraksha Realty to make a final offer by next Tuesday (December 3) after revising their earlier bids by removing impediments and making it more lucrative for homebuyers as well as banks. Lenders had asked the NBCC to provide more land with clear title in lieu of its current offer of over 600 acres that is under litigation and some unclaimed flats. Also, they wanted complete Yammu Expressway Project without any debt obligation.

To settle an outstanding claim of nearly ₹9,800 crore to bankers, NBCC, in its bid submitted last month, offered 1,426 acres worth ₹5,000 crore. That apart, it offered 75 per cent of 858 acres, which has been pledged by promoter Jaiprakash Associates Ltd and now claimed by Jaypee Infratech.

Moreover, NBCC offered to share 50 per cent of the sale proceeds of unclaimed flats after deducting receivables from earlier buyers and any expenses related to tax/duties/legal.

AAI recommends privatisation of 6 more airports

PRESS TRUST OF INDIA
New Delhi, 1 December

The Airports Authority of India (AAI) has recommended the Centre to privatise airports at Amritsar, Varanasi, Bhubaneswar, Indore, Raipur and Trichy, a senior government official said.

The recommendation came as the central government has already privatised airports at Lucknow, Ahmedabad, Jaipur, Mangaluru, Thiruvananthapuram, and Guwahati for operation, management and development through public-private partnership (PPP) model in February this year.

"As six airports have already been privatised in February this year, the AAI in its board meeting on September 5 decided to privatise six more airports: Amritsar, Varanasi, Bhubaneswar, Indore, Raipur and Trichy," a senior government official told PTI.

"Once the board took this decision, the recommendation was sent to the Ministry of Civil Aviation," the official added. The AAI, which works under the Ministry of Civil Aviation, owns and manages more than 100 airports across the country.

In February, in the first round of airport privatisation, the Adani Group bagged deal for all six airports by winning the bids with huge margins.

The AAI had chosen the winner on the basis of the "per-passenger fee" offered by the bidders. On July 3, the Union Cabinet had approved the leasing out of Ahmedabad, Lucknow and Mangaluru airports to Adani Group.

The Cabinet is yet to approve the leasing out of the other three.

Eureka Forbes shapes up for future with domestic operations

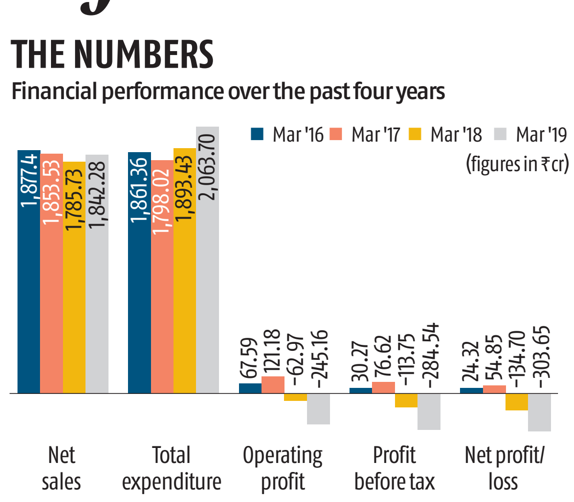
Data shows firm's net sales have remained stagnant in the past four years

VIVEAT SUSAN PINTO & ARNAB DUTTA
Mumbai/New Delhi, 1 December

Eureka Forbes, the country's largest player in water purifiers and vacuum cleaners, is reorganising itself and bringing its focus back on domestic operations as it seeks to unlock value.

Last week, Forbes & Company, part of the Shapoor Pallonji group, had said its board of directors had authorised its management to evaluate all options for Eureka Forbes, its subsidiary, including an equity dilution, stake sale or combination of both.

The announcement came amid debt concerns involving another group firm — Sterling & Wilson Solar — where promoters had written to the management seeking a revised schedule for repayment of its loans to the



tune of ₹2,314 crore.

According to industry sources, Eureka Forbes has begun talks with private equity players and other investors for a controlling stake in the company. The reorganisation acquires importance because the firm has been struggling to increase its top line even as operating expenditure has grown.

Data from the Registrar of Companies (RoC) and Capitaline shows that net sales have remained stagnant in the past four years (FY16 to FY19) at ₹1,800 crore, while total expenditure has grown from ₹1,800 crore to ₹2,000 crore in the same period (*see chart*).

As a result, net loss has widened in the past two years, touching nearly ₹304 crore in FY19 versus ₹135 crore in the previous year.

A Eureka Forbes spokesperson said the losses were due to impairments in the company's books, with regard to its international operations.

"The last couple of years have seen systematic write downs in our books pertaining to our international units. In 2018, the company wrote down ₹171 crore on account of Lux International (in Europe). In 2019, the write down was for ₹341 crore due to ASEAN operations of the firm," the spokesperson said.

According to experts, in a competitive market, it is increasingly becoming difficult for players such as Eureka Forbes to increase prices.

"The stagnancy in top line is partly because of the inability of the company to derive pricing power. Both vacuum cleaners and water purifiers as well as other durable categories where it operates have seen a spurt in the number of brands over the past few years," said G Chokkalingam, founder, Equinomics Research and Advisory.

"To protect market share, the company has had to keep prices very competitive even as operating expenses to run the business have grown," he said.

Eureka Forbes controls nearly 50 per cent of the organised water purifier market and 89 per cent of the vacuum cleaner segment in India.

While raw material, employee, and selling and distribution expenditure have been traditionally high for Eureka Forbes, as its business model hovers around selling products manufactured by it directly to consumers, in the last two years, the company's miscellaneous expenses have also grown.

From ₹186 crore in FY18, miscellaneous expenditure in FY19 touched nearly ₹348 crore, regulatory filings show. The company's spokesperson said this was on account of an increase in spending on research and development, information technology, and customer relationship management, required to stay ahead of the curve.

The company, the spokesperson said, was also tapping the e-commerce channel aggressively to reach more consumers across the country.