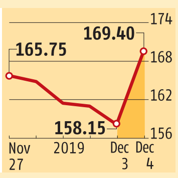
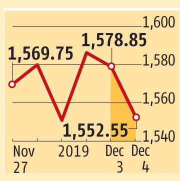
STOCKS IN THE NEWS

Tata Motors



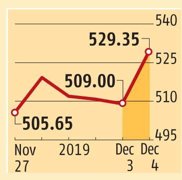
Jaguar Land Rover November US sales up 6.2 per cent at 12,472 units;YoY
₹169.40 CLOSE
▲7.11 UP*

Reliance Industries



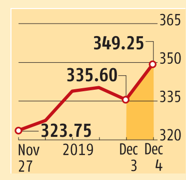
Top loser among the S&P BSE Sensex stocks
₹1,552.55 CLOSE
▼1.67% DOWN*

ICICI Bank



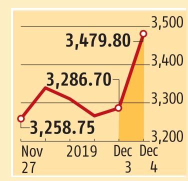
Transforming into a strong retail-cum-digital bank
₹529.35 CLOSE
▲4.00% UP*

Ujjivan Financial Services



Ujjivan Small Finance Bank IPO subscribed over 164 times
₹349.25 CLOSE
▲4.07% UP*

Dixon Technologies (India)



Top gainers among consumer electronics stocks
₹3,479.80 CLOSE
▲5.88% UP*

* OVER PREVIOUS CLOSE

In profit, Coca-Cola has the fizz over PepsiCo

ARNAB DUTTA
New Delhi, 4 December

BATTLE OF THE COLA GIANTS

■ Coca-Cola India* ■ PepsiCo India Holdings #

Both managed to grow their top line — Operating revenue, in ₹ cr

Year	Coca-Cola India*	PepsiCo India Holdings #
2014-15	1,755	8,130
2015-16	1,757	7,217
2016-17	2,135	6,626
2017-18	2,107	6,106
2018-19	2,311	6,253

PepsiCo's bottom line continues to lag — Net profit, in ₹ cr

Year	Coca-Cola India*	PepsiCo India Holdings #
2014-15	504	-177
2015-16	474	-538
2016-17	485	-148
2017-18	554	203**
2018-19	632	12.6

Profitability remains a concern for PepsiCo — Net profit margin, in %

Year	Coca-Cola India*	PepsiCo India Holdings #
2014-15	28.7	-2.2
2015-16	27.0	-7.5
2016-17	22.7	-2.2
2017-18	26.3	N.C.
2018-19	27.4	0.002

*Primarily reflects income from royalty on formulations #also includes manufacturing and marketing of products
**includes a one-time gain NC: Not comparable
Source: Registrar of Companies

The two cola giants — Coca-Cola and PepsiCo — managed to extend their top line in 2018-19 but their profitability continues to remain on divergent paths.

While Coca-Cola India improved its profit margin during the year, arch rival PepsiCo's margin was far lower. Data from the Registrar of Companies (RoC) shows that Coca-Cola India, which owns the formulations for Thums Up, Sprite, and Coke, managed to grow its net profit margin to 27.4 per cent from 26.3 per cent in 2017-18. The firm reported a net profit of ₹632 crore, with an operating profit of ₹2,311 crore at the consolidated level.

PepsiCo, which was in the red for years, turned profitable in 2017-18. It managed to stay in the green in 2018-19. But its net profit margin stood at only 0.2 per cent. The company posted ₹12.64 crore net profit out of an operating revenue of ₹ 6,253 crore.

Net profit margin is the ratio of a firm's net profit and revenue.

PepsiCo, the marketer of Mountain Dew, Mirinda, and Tropicana Slice, in fact, saw a spike in its margin in 2017-18, after years of losses since 2011-12. Its net profit jumped to ₹203 crore from a net loss of ₹148 crore in 2016-17. According to the company, in 2017-18, PepsiCo's bottom line reflected gain due to "a one-off land sale" at one of its old plants for producing Duke brand of beverages. Citing its standalone financial performance, a PepsiCo India spokesperson said, in 2018-19, its "normalised profit after tax actually grew 67 per cent over the previous year". On a standalone basis, PepsiCo posted ₹36 crore net profit in 2018-19, he said.

Over the years, PepsiCo's operating revenue has come down significantly, as it kept divesting bottling plants to its franchise partners. While its operating revenue grew 2.4 per cent year-on-year, it remained significantly lower than the ₹8,130 crore it had posted five years ago. Its top line numbers now show that majority of sales is coming from the snacking and nutrition business, represented by brands like Lay's, Doritos, and Quaker. According to a PepsiCo spokesperson, strong performance on core offerings resulted in the top line growth last year.

"Focus on distribution, expansion and gains via e-commerce and high capacity utilisation, mainly in the foods business, helped leverage cost lines. Strong productivity delivery is offsetting headwinds like inflation," he said.

Coca-Cola India, which does not manufacture or market any products, gets majority of its revenue from royalty incomes against ownership of formulations for key products. After a dip in 2017-18, its operating revenue grew by 9.7 per cent. "Our performance in 2018-19 was driven by a broader portfolio of beverages, better product mix and packs, especially in the juice segment together with better execution," said a Coca-Cola India spokesperson.

Coca-Cola's in-house bottling entity, Hindustan Coca-Cola Beverages, that manufactures nearly two-thirds of its beverages, managed to improve net profit margin in 2018-19 to 3.4 per cent. It reported a net profit of ₹321 crore from ₹9,427 crore net sales. In 2017-18, the firm had posted ₹118 crore net loss and ₹8,564 crore net sales.

Coke exits bottling ops in north India

Coca-Cola has moved out of bottling operations in north India. The company announced on Wednesday Hindustan Coca-Cola Beverages (HCCB), the groups' local bottling arm, would transfer its business operations in four territories in north India to the existing bottlers.

This means, Coca-Cola group will no longer bottle and market any of its beverages in the country. As a part of this transition, HCCB will divest three of its existing plants in the region — one each in Ghaziabad (UP), Varanasi (UP), and Jammu (J&K).

While the bottling company currently has 18 plants, after the transfer it will be left with 15 plants in the southern, western, and eastern parts of the country.

According to a Coca-Cola India spokesperson, the company is on course to build a stronger and more sustainable local business in India. "This move will deliver sustainable growth and will create shared value for bottlers, customers, consumers, and communities. This realignment optimizes existing capacities, supply chain, brings further investments, and improves distribution routes through contiguous territories."

The firm is not planning to divest anymore plants, the spokesperson said.

Coke's move follows PepsiCo's divestment of bottling assets to its key franchise partners like Varun Beverages in the past five years. Unlike Coke, PepsiCo does not bottle any of its beverages in India now. While both have refrained from relating any of these moves to their respective profitability, experts said, the exiting bottling operations were directly related to improving bottom lines. Being a low margin business, bottling and marketing of beverages usually put strain on firm's margins. **ARNAB DUTTA**

IN BRIEF

Tata Power-ICICI Bank JV buys Prayagraj power project

A joint venture of Tata Power and ICICI Bank on Wednesday acquired real estate baron Manoj Gaur's biggest power plant at Prayagraj in Uttar Pradesh by agreeing to takeover ₹6,000 crore of debt of the company. Renascent Power Ventures, the wholly-owned subsidiary of Resurgent Power Ventures, has acquired 75 per cent stake in Prayagraj Power Generation (PPGCL), which owns and operates 1,980 Mw coal-based electricity generation unit, Tata Power said in a regulatory filing. The remaining 25 per cent interest in the project is held by Jaiprakash Associates and banks. Resurgent Power is a joint venture of ICICI Bank and Tata Power, while PPGCL is a subsidiary of Gaur's Jaiprakash Power Ventures, which has been shedding assets to cut debt. Gaur will not get any money from the sale despite putting in ₹3,000 crore equity. **PTI**

Sembcorp increases stake in Indian venture Gayatri

Sembcorp Utilities (Sembcorp) entered into a non-binding term sheet with its local Indian partner, Gayatri Energy Ventures to acquire the remaining 5.95 per cent stake in Sembcorp Energy India. Following the completion of the proposed acquisition, Sembcorp will become the sole owner of SEIL. The purchase price for the shares is approximately ₹4,060 million in cash, and is based on discounted cash flows and relevant transaction multiples. The acquisition will be funded through a mix of internal funds and borrowings, the company said in a public statement. **BS REPORTER**

Up to 12 non-working days in December, says Ashok Leyland

Ashok Leyland plans to observe between 2 and 12 non-working days at some of its plants this month. The firm said this is part of its plan to align production with the market demand for its products. The firm has been cutting production drastically since July. **BS REPORTER**

Tata Motors to hike passenger vehicle prices from January

Tata Motors on Wednesday said it would increase prices of its passenger vehicles from January, primarily in order to offset impact of upgrading its portfolio to conform to BSVI emission norms. **PTI**

Greg Hyttenrauch named Cognizant EVP of digital tech

IT firm Cognizant has appointed Greg Hyttenrauch its executive vice-president and president of digital Systems & technology. Cognizant CEO Brian Humphries made the announcement. The former Vodafone executive will join the Executive Committee, and will report to Humphries. Hyttenrauch will be based in London, the email added. **PTI**

Hyundai appoints Tarun Garg director, sales & marketing

Hyundai Motor India has announced the appointment of Tarun Garg its director (sales, marketing & service), Hyundai Motor India. Garg brings 25 years of experience in marketing, sales, network development, used car business and has served as executive director at MarutiSuzuki. **BS REPORTER**

Hindalco's downstream products to lower India's logistics cost by 15%

Firm is entering the ₹1,000-crore truck-and-trailer market, replacing the usage with aluminium alloy

ADITI DIVEKAR
Mumbai, 4 December

For Hindalco, Aluminium trailers represent a business turnover estimated at ₹500-600 crore, with 50 per cent adaption

Hindalco Industries, the flagship company of Aditya Birla Group, is strengthening its presence in India's transportation segment to help lower logistics cost by 10-15 per cent.

"We are entering the ₹1,000-crore truck-and-trailer market in India, replacing the existing mild-steel usage with aluminium alloy," Managing Director Satish Pai said, adding, "This will bring down logistics cost in the segment by 10-15 per cent as the light-weight aluminium vehicle will carry more tonnage."

Aluminium trailers, along with the recently launched bulkers, are the two consumer-facing products the firm is looking to establish in the domestic market. These trailers and bulkers can facilitate transportation of cement, chemicals, foodgrains, among other bulk cargo.

The company's entry into the transportation segment of logistics sector is part of its plan to widen presence in downstream business, which insulates Hindalco from vagaries of commodity prices.

Now, logistics cost in India. This is much higher than Japan's 11 per cent and US' 9-10 per cent. Of this, transportation and warehousing make majority of the logistics cost.

For Hindalco, Aluminium trailers represent a business turnover estimated at ₹500-600 crore, with 50 per cent adaption. The annual Indian trailer production is estimated to be 20,000 units per annum. The trailer market in India, though cyclical, is expected to grow at a rate of 10-12 per cent annually.

Initially, the company will providing trailers for group company Ultratech Cement to help them reduce logistics cost. The trailer is being engineered with inputs from Automotive Research Association of India, Pai added.

To build these bulkers and trailers, Hindalco is working jointly with the fabricators across country, supplying aluminium chassis, imparting training and expertise, along with technology know-how to help smooth adaption of the products in the domestic market.

"The initial investment for the transporter is 40 per cent higher than the mild-steel trailer. However, the life cycle of aluminium trailer is nearly four times higher and payback will be less than two years," said Jay K Mulchandani, managing director of Core B Group, one of the fabricators working with Hindalco said.

Going ahead, the company also aims to look at building smaller electric vehicles for last mile delivery purpose, a crucial part of the logistics chain, which can improve operational efficiency in the system.

"The trailer product also has huge scrap value, which is 70 per cent higher than that of mild-steel trailer. This makes the product more attractive as it can be sold off to Hindalco itself which can recycle the unit," said Gagan Maheshwari, managing director at Kamal Exim. Maheshwari aims to replace his entire 45-vehicle fleet to aluminium trailers.

E-COM FMCG SALES TO TOUCH 5% BY 2022

Nielsen said on Wednesday the sale of FMCG products through e-commerce would touch 5 per cent by 2022 from 2 per cent now. This would take the e-commerce market for FMCG products in India from $1.2 billion to $4 billion, led by metro markets. Nielsen's President (South Asia) Prasun Basu said at 2 per cent, India is already equal to markets such as Canada, Germany, Spain, and Italy in terms of e-commerce penetration for FMCG products

COMPILED BY VIVEAT SUSAN PINTO

Share of e-commerce in total branded FMCG sales (%)

2016	2019	2022
0.5	2.0	5.0

Size of e-commerce market for FMCG products

Year	All India ($ billion)
2019	1.2
2022	4.0

Metro markets versus all-India e-commerce penetration (2019)

	Size ($ bn)	Share (%)
All India	1.2	2.0
Metros	1.0	6.0

Where the other channels will be (%)

	2016	2019	2022
E-commerce	0.5	2.0	5.0
Modern trade	8.0	10.0	11.0
Traditional trade	91.5	88.0	84.0

Source: Nielsen

'India would comprise 15% of total turnover in 5 years'

Although the name Lamborghini is associated with the iconic car, the successors of the brand-maker Ferruccio Lamborghini have quit that business and are focussing on lifestyle and other verticals instead. Tonino Lamborghini's CEO & vice-president **FERRUCIO LAMBORGHINI**, the namesake grandson of the founder, tells **Avishek Rakshit** he has his hopes set high for the Indian market. Edited excerpts:

Currently, there is a slowdown in India. Is it a good time to enter the country?
We think that with the right approach, we can achieve the results we are looking for. We want to enter and establish a long-term presence in India, which is a priority market for us.

You are entering India with a beverage line. What kind of presence are you looking at?
The distribution will be through HoReCa (Hotels, restaurants and cafes) channels. We are also thinking of a presence in some marts, particularly for the energy drink and coffee. Our strategy is to promote our brand as a luxury offering at an affordable price. For vodka, we know that the mart is not as easy as HoReCa, but we are not afraid. We are the only brand that can deliver both vodka and energy drinks under the same banner. So, using our marketing tool, we can build on this strength. We have not finalised the place of the initial launch but will target markets like Mumbai, Delhi, Kolkata, Bengaluru, and Pune. Hyderabad is also in the radar.

What's your India strategy for such niche luxury brands?
We are applying our global strategy in India. We want to create fans of the brand who will then reach out to our other products that are not as affordable as the coffee.

You aren't part of Automobili Lamborghini anymore. What are your plans for cars?
We are not involved with the Lamborghini car company; we are a separate entity and Lamborghini cars is now owned by the Volkswagen Group. In India, we have signed an agreement with Kinetic Group to set up a joint venture for making electric golf carts and, sometime in 2020, we will disclose the way forward. Within the first six months of 2020, we will be ready with the first range. For the golf carts business, I think India can be 10-15 per cent of our turnover from the first year of operations.

What other products are you planning to introduce here?
I can't disclose much, but watches are coming soon.

Do you intend to introduce your entire brand portfolio?
That's the aim. Our goal is that India will contribute 15 per cent to our total turnover in the next five years.

Q&A

'Downturn can sometimes come as a blessing for us'

After a stint of over two decades in the B2B segment, including 14 years in Ashok Leyland, **VINOD K DASARI** has moved to B2C by taking over as the CEO of Royal Enfield. Dasari speaks to **T E Narasimhan** about his strategy to drive Royal Enfield (RE) and build a global consumer brand from India. Edited excerpts:

How is the shift from commercial vehicles to motorcycles?
It's exciting. And it's not just about the product, it's the story around the product and the brand. It's a great learning experience for me. I am thoroughly enjoying it. The challenge of creating a global consumer brand from India — this is what excited me the most.

You took over at a time when the two-wheeler industry is facing challenges. How are you dealing with them?
At RE, we take a long-term view. Our vision is to be a global consumer brand. So, we are too not much worried about the short-term. Downturn sometimes comes as a blessing. If you want to change a few things, this is the right time.

What changes are you making and what are the areas you are focusing on?
RE has grown 25 per cent year-on-year for the past 10 years, and that has largely been from one country with one product. We are looking at how we can diversify into different countries and products. We are also focusing more on rural. We have opened 500 studio stores in the past six months and all are outside the cities. Every studio sells 12-13 bikes per month. Bullet sales nearly doubled after opening these studios. Today, over 90 per cent comes from products sold in India and that too from one or two models. In the long run, we want 20-25 per cent from aftermarket and 20-25 per cent from outside India.

RE's domestic sales dropped nearly 16 per cent. So, where is the pressure?
Majority of our sales are in the 350cc segment and pressure is on this segment only. When the sentiment is low, people will continue with old vehicles. Only when a person thinks my job is secure and economy is improving, he will invest. Most buyers are those upgrading from 125-200 cc bikes. People are just cautious. They are waiting for BSVI to come to see what vehicles are coming and at what price.

Will you look at manufacturing plants outside India?
Yes. But not big ones. May be completely-knocked-down (CKD) type of facilities, which would cost $1-2 million (first overseas CKD unit may come up in Thailand).

There are reports that RE is planning to withdraw Classic, Bullet and ThunderBird 500cc. Are they true?
We will continue to look at our product range and keep on upgrading. We are not getting away from the 350cc. We have 650cc and whether we will have 500cc or not we will see after BSVI.

Is RE ready for BSVI? How is the electric vehicle development happening?
We are fully ready for BSVI with better feel and experience. As far as EV is concerned, the UK team is working on it. It's in the early stages. We are not going to be the front runner, but we are also not going to ignore it.