Nestlé prepares ground as merger of HUL, GSK nears

Relaunch of health food drink Milo gets positive feedback; more variants likely

VIVEAT SUSAN PINTO & ARNAB DUTTA
Mumbai/New Delhi, 6 December

Consumer goods major Nestlé India is preparing to take on rival Hindustan Unilever (HUL) in health food drinks as the merger of GSK Consumer Healthcare into the latter nears. The relaunch of Milo, Nestlé's global malted beverage brand, in August, said industry sources, had received positive feedback and the company could launch more variants as HUL steps on the gas with Horlicks and Boost, brands it will acquire after the merger.

Last month, HUL had indicated in a stock market disclosure that it had received approval from the Mumbai Bench of the National Company Law Tribunal (NCLT) for the merger of GSK Consumer into it. It did add that it was awaiting approval from the Chandigarh Bench of the NCLT for the merger, which sources said could be completed by January-end.

According to executives, Milo had been repositioned as an energy drink, following the August relaunch, and is available in three products formats, including tins, Tetra Pak, and regular packs. While the tins and regular packs are aimed at in-home consumption, as the beverage is in powdered form, Tetra Pak is ready-to-drink and targeted at consumers on the go.

Milo Tetra Pak is available across the country in comparison to the tins and regular packs, which are being pushed in the west and southern markets. The strategy, said sources, was to quietly build a base for Milo in pockets where health food drink consumption was high. Tamil Nadu, for instance, is a key market where Milo is being given an aggressive distribution push. It is also a market where Horlicks is strong.

Globally, Nestlé counts Malaysia, Singapore, Thailand, and the Philippines among its important ones for Milo and has been looking at a larger India footprint for the brand, which it first revived in 2017. The Milo Tetra Pak was launched in 2017 (in India) and was spruced up during the relaunch in August to create excitement.

According to sources, HUL on the other hand is expected to look at all product formats as it seeks to maintain leadership in health food drinks. Both Horlicks and Boost together enjoy 65 per cent volume share in a ₹7,000-crore market, said industry experts. Volume-wise, health food drinks are growing at 12 per cent per annum, while value-wise, the category is growing at 9 per cent per annum.

Apart from Horlicks, Boost and Milo, brands such as Complan, bought by Zydus Wellness, Bournvita from Mondelez India and Pediasure and Protinex from Abbott and Danone, respectively, are some other key players in the market.

The Nestlé-HUL battle in health food drinks, said experts, would be interesting to watch owing to the strong nutrition push that the two companies are eyeing with their respective portfolios. HUL had pipped Nestlé to the post in the race to acquire Horlicks and Boost last year, offering to pay ₹32,000 crore for an all-stock merger of GSK Consumer into it.

HUL's Chairman and Managing Director Sanjiv Mehta had said the opportunity in health food drinks was significant for players, since nutrition needs were steadily growing in the country. Suresh Narayanan, chairman and managing director, Nestlé India, said the health food drinks market was an evolving one in the country and that Milo fits in with the company's broader taste-plus-health narrative.

HEALTHY PLAN

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- While the tins and regular packs are aimed at in-home consumption, Tetra Pak is ready-to-drink and targeted at consumers on the go
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Govt refuses to budge on FDI compliance by e-com firms

SUBHAYAN CHAKRABORTY
New Delhi, 6 December

Despite protests by e-marketplaces against the mandatory reporting norms, the government has reiterated that companies like Amazon and Flipkart will have to submit audited reports by September 30 every year. This is to confirm that these firms are in compliance with foreign direct investment (FDI) rules.

Until now, it was only a norm specified by the Centre. This has now been formalised and included in the amended Foreign Exchange Management (Non-Debt Instruments) Rules, 2019, issued on Thursday. However, the latest changes to the rules exempt companies from submitting audited report to the Reserve Bank of India (RBI), as had been mandated earlier.

According to the notification by the finance ministry, e-commerce companies have to obtain statutory auditor report by September-end for the preceding financial year. Section 15 of the Foreign Exchange Management Act (FEMA) deals with e-commerce entities.

In December 2018, the government had announced tighter FDI norms for e-commerce firms through an informal notification titled 'Press Note 2, 2018'. It asked all e-marketplaces to furnish a certificate, along with a report of the statutory auditor, to the RBI by September 30 of every year for the preceding financial year. However, since the Press Notes are broad guidelines, the decision has been formalised, an official said. Firms had resisted the move, citing that this would raise compliance costs for such companies. Companies had pointed out the absense of a clear format in which the report needs to be given.

Amazon and Flipkart, the two largest players in the space, were affected the most by the FDI norm change. However, both have now reworked their internal structure to comply with it, industry experts said.

E-marketplaces had earlier sought an extension to the September 30 deadline for the current year, arguing that it took time to streamline their business and get it further assessed after the latest FDI guidelines took effect in February.

Commerce department officials, however, had refused to budge. According to sources, e-commerce companies believe the government is using this exercise to take an unauthorised look into their financials, shareholding and operations.

Companies like Amazon and Flipkart will have to submit audited reports by September 30 every year

House panel summons WhatsApp on security

NEHA ALAWADHI
New Delhi, 6 December

The Parliamentary Standing Committee for information technology, headed by Congress MP Shashi Tharoor, has summoned WhatsApp executives for a hearing on December 11.

A communication from the Lok Sabha Secretariat says the WhatsApp executives will be asked to present their views on "the subject 'Citizens' data security and privacy". Business Standard learns that senior executives of the India team of WhatsApp have been asked to attend. Apart from WhatsApp, the committee has summoned cybersecurity experts, representatives of the ministry of communications (department of telecommunications), ministry of home affairs, and chief secretary of NCT of Delhi.

The committee would likely discuss the issue of citizens' snooping by exploiting vulnerability in WhatsApp through Israel-based company NSO Group's Pegasus software. The government has since questioned WhatsApp about the breach of citizens' privacy. The breach, discovered in May, impacted 1,400 people globally, of which 121 were Indians.

On November 20, the panel had met secretaries of the ministries of electronics and IT, home affairs and department of atomic energy.

The meeting — lasted for two and a half hours —took a political turn with while ruling alliance members opposing taking up the WhatsApp issue and opposition leaders favouring a discussion. The government representatives did not provide answers on whether NSO Group, which claims to sell only to government, had been contacted.

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'Snooping without authorisation is illegal' 4

Lenders face ₹3.7K-cr hit in offers for Jaypee Infra

PRESS TRUST OF INDIA
New Delhi, 6 December

Lenders to Jaypee Infratech will have to take a haircut of over ₹3,700 crore while 20,000 homebuyers will not get paid any penalty for delay in construction of their homes in the takeover proposals brought by Mumbai-based Suraksha Realty and state-owned NBCC for the debt-laden firm.

As against the admitted claims of secured financial creditors of ₹9,783 crore, Suraksha and NBCC are offering repayment of only 62 per cent of their outstanding dues despite the liquidation value of the company being around ₹13,000 crore, sources said.

The two suitors on December 3 submitted revised offers for the takeover of the debt-laden firm that just a few years back built the country's first expressway wide enough to allow fighter jets to land in emergency situations.

While bringing in very little cash, the two firms have offered land out of the land bank of Jaypee Infratech to settle some of the dues of the lenders.

Sources said neither is offering any penalty to homebuyers whose houses has been delayed.

Shibulal Jr wants to disrupt EV space with 'calculated risks'

BIBHU RANJAN MISHRA
Bengaluru, 6 December

Shreyas Shibulal believes in taking "calculated risks". This is something, this second-generation entrepreneur confesses that he has learnt from his father S D Shibulal, co-founder, former chief executive officer and managing director of IT services major Infosys.

And that's the reason, Shreyas is not going for an expansion overdrive with his start-up venture, Lightning Logistics, by scaling up rapidly without getting to learn firsthand the intricacy of running a business that is based on services model.

Micelio, the venture fund set up by him with a corpus of around $20 million (₹150 crore) is doing due diligence of four start-ups though the investments may happen sometime towards the end of this fiscal year. But Shreyas has his eyes on a larger goal of being a part of the electric vehicle (EV) journey that India is embarking upon, either as an investor, an entrepreneur, or even getting into manufacturing of EVs meant for business to business (B2B) usage.

"I think, by nature, I make decisions in a calculated manner. And probably, this is one thing I have learnt from my dad (S D Shibulal), though he always encourages me to start doing things instead of thinking too much," says the 27-year-old. He acknowledges that there's always a bit of pressure being the son of a successful entrepreneur but he doesn't want any thought about fear of failure to distract him anyways.

During his school days, Shreyas claims he was passionate about the automotive space. His belief to work in this space got strengthened when he was pursuing Masters in Embedded Systems in the University of Pennsylvania after a degree in Computer Science from Haverford College. This led him to do an internship at Elon Musk-run Tesla during his graduation.

After returning to India in 2016, Shreyas did not take a take a plunge into entrepreneurship immediately but instead preferred to work with a data analytics company called Flutura, which is run by former Mindtree top executive Derick Jose, for around a year. And he had a reason why he wanted to learn data science as well. "Data science actually goes very well with automotive. It was a great experience, I really enjoyed the work (at Flutura)," he says.

Lightning Logistics, the startup he launched almost eight months ago, rents out electric scooters along with the riders for last mile delivery the company. Present across three cities for now including Bengaluru, Hyderabad and Chennai, the company owns around 1,000 electric scooters to cater to the last mile delivery requirement of companies in ecommerce space including grocery, mom and pop stores, as well as courier. But in the process, claims Shreyas, the company gathers a lot of data from its scooters that are fitted with telematics units.

"We get a lot of interesting data points from these bikes as these are deployed with the client 24/7 which will help us in further refining the design of the fleet in the future." Even though the company procures these scooters from the OEMs, it does some amount of modification in terms of design, sometimes replacing the battery units to optimise their performance, and in order to be able to carry specific payloads for different clients. The telematics units and sensors fitted with the scooters constantly monitor the health of vehicles, including vibration, temperature, and the pollution level apart from tracking their movement.

In the next one year, Shreyas says the company is looking at expanding the fleet size to 2,000, apart from foraying into tier-II cities. "It will be interesting to see how do we collect data from smaller cities and understand the usage pattern," he adds.

In the next stage, Shreyas has set his sights on the EV manufacturing space also, by designing electric bikes that can be deployed for B2B use. Even though it's still in ideation stage, this second-generation entrepreneur thinks that there will be a huge demand for those as most EV manufacturers today are focused on consumer space.

Shreyas' Micelio Fund is evaluating at least four early stage companies in the EV space after shortlisting around 130 applications it received since January. By the end of this fiscal year, Micelio looks at deploying $1 million in a couple of these companies while it is also scouting for co-investing opportunities. As an enabler to the investment arm, Micelio has launched a discovery studio with an aim of enabling the start-ups in the EV space from the ideation to prototype to providing them the right technology and tools.

"I do what I love to do, and this (EV) certainly is the space where I want to be. I want to run a business which can create some bit of social impact," he says.

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TTK Prestige aims to double turnover in 5 yrs

Kitchen appliances maker TTK Prestige on Friday said it aims to double its turnover by 2024-25, according to a top company official.

The firm, whose growth rate has come down to single digit, is aiming to get back to its double-digit growth journey again across the segments, such as pressure cooker, cookware, gas stoves, rice cookers and induction cooktops. PTI