# SoftBank-backed Oyo plans to fire 1,200 in India in 4 months

BLOOMBERG
Bengaluru/Hong Kong, 10 January

Oyo Hotels is firing thousands of staff across China and India, people familiar with the matter said, adding to growing signs of trouble at one of the largest start-ups in SoftBank Group Corp's portfolio.

It has let go of 5 per cent of its 12,000 employees in China partly due to non-performance, while dismissing 12 per cent of its 10,000 staff in India, one of the people said. It plans to shed another 1,200 in India over the next three to four months, the person added.

Oyo is undergoing a restructuring, trimming redundancy in China and India, leading to thousands of dismissals, according to the people, who requested not to be named because they aren't authorised to talk to media. An Oyo representative had no immediate comment when contacted.

Oyo's downsizing is another setback for Masayoshi Son's SoftBank, whose portfolio has been buffeted by recent trouble at WeWork and slumping share prices at Slack Technologies and Uber Technologies. The billionaire has called for greater financial discipline among the founders in his portfolio, spurring job cuts at smaller outfits like Zume Pizza. Other SoftBank investees, including Getaround, Wag Labs, Fair and Brandless, have had to cut staff or change business models once it became apparent revenue and profits were not living up to their once-grand ambitions.

Adding to Oyo's challenges, hotel owners in China have been protesting in front of the firm's offices, accusing it of violating contractual agreements. The growing turmoil may complicate SoftBank's efforts to raise a successor to the Vision Fund, the world's largest pool of start-up investments. "Oyo is one of SoftBank's current crown jewels," said Michael Norris, research and strategy manager at AgencyChina. "Issues in China, Oyo's largest market, continues the Vision Fund's woes." It would make raising a similar-sized second Vision Fund a challenge, he added.

Son has been a keen supporter of Oyo founder Ritesh Agarwal, helping fund the hotel company's fast international expansion. Oyo had been growing at a rapid clip, but its reputation has suffered due to customer complaints about bad experiences along with grievances about poor or unfair treatment from several of the over 20,000 hotel owners in its chain.

SoftBank's Vision Fund has so far invested about $1.5 billion in Oyo, pushing its valuation to $10 billion. The company also counts Airbnb, Sequoia Capital, and Lightspeed Venture Partners as backers. It promoted its real estate business chief, Rohit Kapoor, to CEO for India and South Asia in December to shake up the business.

In its aggressive effort to acquire market share, Oyo offered hotel stays for as cheap as $4 a night, according to a person familiar with its practices. The firm stocked up on rented room inventory by signing exclusive deals and guaranteeing income to hotel owners. It's allegedly reneging on those guarantees, the cause of the protests outside its Chinese offices, one person said.

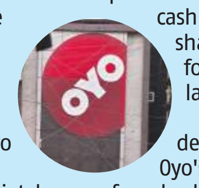

### LAY-OFF SHOCK FOR SOFTBANK

- Ritesh Agarwal-founded Oyo is undergoing a rejig, trimming redundancy in China and India
- It has let go of 5% of its 12,000 employees in China partly because of non-performance
- In India, the firm has already dismissed 12% of its 10,000 staff
- This is another setback for SoftBank, whose portfolio has been buffeted by troubles at WeWork and slumping share prices at Slack and Uber
- The growing turmoil may complicate SoftBank's efforts to raise a successor to the Vision Fund, the world's largest pool of start-up investments

## I-T searches Gurugram office

Oyo Hotels and Homes said on Friday income tax authorities had carried out a surprise search at one of its four offices in Gurugram. "There is a routine TDS survey in progress in one of our offices. We are cooperating with the authorities, and are committed to engaging with all relevant stakeholders," an Oyo spokeswoman said.

It was not immediately clear what prompted the search and Oyo did not elaborate. The director general of investigation at India's Income tax department could not be immediately reached for comment.




The news comes at a time when Oyo's major shareholder SoftBank faces renewed investor scrutiny after being forced to bail out one of its best known portfolio companies, the cash-burning, office-sharing firm WeWork, for about $10 billion last year.

The latest development adds to Oyo's challenges as it faces backlash from some hotel owners in India who say they have been blindsided by hidden fees.

In November, internal projections showed Oyo's India business will likely make losses until 2021.

REUTERS

## IN BRIEF

### HCC lenders initiate carve-out of ₹2K-cr debt to separate SPV

Hindustan Construction Company (HCC) on Friday said its lenders had initiated a carve-out of about ₹2,100 crore of debt along with arbitration claims and awards to a special purpose vehicle (SPV). The SPV is expected to have a new third party investor. "The debt, along with receivables comprising approximately an award cover of one time and claims under arbitration of 1.5 times, will move to an SPV controlled by a new investor," the statement said. HCC added: "The debt/asset carve-out, which will be in the nature of a slump sale, is subject to lenders' final approvals. Lenders aim to seek their internal approvals and target to close the transaction prior to March 31, 2020." The move is expected to deleverage the company. HCC said the tenure of the debt at the SPV will be up to 10 years and repayments from the proceeds of the Awards will yield an IRR higher than current yields offered by HCC. PTI

### GMR Infrastructure arm raises ₹2K cr through NCDs

GMR Infrastructure on Friday said its arm GISL had raised ₹2,000 crore through issuance of non-convertible debentures, mainly to retire some of its existing debt. "The funds...have been raised by one of the step down subsidiary of the company, GMR Infra Services (GISL). GISL has raised funds of ₹2,000 crore through issuance of non-convertible debentures (NCDs), in the normal course of its business, primarily to retire some of its existing debt," it said in a NSE filing. PTI

### NCLT okays demerger of Tata Chemicals' consumer business

Tata Chemicals on Friday said it had received the approval from the Mumbai Bench of the National Company Law Tribunal (NCLT) sanctioning the scheme of arrangement between the company and Tata Global Beverages for the demerger of the consumer products business. The business consists of food brands Tata Salt and Tata Sampann among other products. BS REPORTER

### Zomato raises $150 mn from Ant Financial

Online restaurant guide and food ordering platform Zomato on Friday said it had raised $150 million (over ₹1,065 crore) from existing investor Ant Financial as part of a larger funding round. According to a filing by Info Edge India, also an existing shareholder in Zomato, this transaction is at a pre-money valuation of $3 billion. PTI

### HC seeks Centre's reply on RIL plea to recall assets disclose orders

The Delhi High Court on Friday sought the Centre's reply on a plea by Reliance Industries seeking recall of orders asking it to file an affidavit on its assets. The HC issued the notice on RIL's application and listed the matter for hearing on February 6. The plea was filed in a pending petition of the government for execution of an arbitral award in its favour. PTI

### Shriram Transport Finance raises ₹3,556 cr via bond

Shriram Transport Finance on Friday said it had raised $500 million (around ₹3,556 crore) through dollar bond, making it the first international public social bond issuance from the country. PTI

### Merc maintains pole position for 5th straight year

Mercedes-Benz India on Friday said it remained the market leader in the domestic luxury car segment for the fifth straight year in 2019, selling 13,786 units. However, this was 12.7 per cent lower from 2018, when it had sold 15,538 units. In Q3, the firm clocked sales growth of 3.3 per cent. PTI

# Sachin Bansal eyes bigger role in global financial services mkt

T E NARASIMHAN & BIBHU RANJAN MISHRA
Chennai/Bengaluru, 10 January

Sachin Bansal-led Chaitanya India Fin Credit (CIFCPL) said on Friday the microfinance company had applied to the Reserve Bank of India for a universal banking licence, making it clear that it intends to play a bigger role in the broader financial services space in the country.

The application was made under the RBI's On-Tap Banking License Guidelines 2016.

In September, Bansal had invested around $104 million to acquire over 90 per cent ownership of Chaitanya, a 10-year-old Bengaluru-based firm that caters to low-income borrowers for vehicle finance, housing loans, small business loans and education loans, across five states.

This follows a disclosure earlier in the day by International Finance Corporation (IFC), the investment arm of the World Bank, that it would acquire around 4.5 per cent stake in Navi Technologies for $30 million.

Soon after his exit from Flipkart, Bansal, along with his IIT-Delhi batch mate Ankit Agarwal, set up Navi Technologies (earlier BAC Acquisitions) as a vehicle to invest in start-ups through a mix of equity and debt. Navi is in the process of acquiring 100 per cent ownership of Chaitanya from Bansal and other existing investors.

IFC in a statement said that its investment in Navi is to support the transformation of CIFCPL (Chaitanya) into a technology-led universal bank that would provide mass market banking solutions for individuals, micro, small and medium enterprises (MSMEs) and select corporate houses. The investment values Navi at around $670 million.

According to a press statement issued by Chaitanya, the proposed bank aims to bridge the credit gap for the retail and MSME sectors by developing industry leading technology and global best practices as a mainstay.

"Building a universal bank is a reflection of our commitment to provide financial services to those who need them most," said Bansal, who is also the chief executive officer at Navi.

"Our vision is to go beyond what hitherto has been broadly defined as financial inclusion and provide access to formal financial services using technology that people can use intuitively and easily."

The proposed bank seeks to leverage technology platforms and data analytics to simplify loan application processes and tailor loan terms to the needs of individuals and MSMEs. It aims to rapidly scale and achieve higher usage and deposit rates by delivering better terms, convenient and tailored product offerings, compared to incumbent financial institutions.

IFC expects the new bank's success will contribute to increasing competitiveness in the retail and MSME banking segments in India, by leading incumbents to invest in technology-driven products for customer engagement and financial service provision. Thus, it hopes to serve as a catalyst for bringing in new digital banking models in the country.

"We are looking beyond the traditional way of delivering banking services to people with a focus on ease of use and customised offerings. It is going to be an exciting journey," Ankit Agarwal, chief financial officer at Navi, said.

On Thursday, Navi Technologies had also announced that it was looking at acquiring the general insurance business from Wadhawan Global Capital, a step that is seen as part of its strategy for the financial services space. Reports suggest the firm may shell out around ₹100 crore to acquire the business.

### FLIPKART CO-FOUNDER'S CHAITANYA SEEKS LICENCE FROM RESERVE BANK

- The application was made under the RBI's On-Tap Banking License Guidelines
- In Sept, Bansal had, via Navi, invested $104 mn to acquire over 90% ownership of Chaitanya
- On Friday, IFC also said it will buy 4.5% stake in Navi Technologies for $30 million

"OUR VISION IS TO GO BEYOND WHAT HITHERTO HAS BEEN BROADLY DEFINED AS 'FINANCIAL INCLUSION' AND PROVIDE ACCESS TO FORMAL FINANCIAL SERVICES USING TECHNOLOGY THAT PEOPLE CAN USE INTUITIVELY AND EASILY"

SACHIN BANSAL, CEO, Navi Technologies

## ₹5.9-trn bond bill is looming over India Inc

BLOOMBERG
Mumbai, 10 January

It's the last thing India's stricken credit markets need: a record debt bill. Companies must repay an unprecedented ₹5.9 trillion of local notes this year, just as corporate defaults spike. Many firms are already struggling after economic growth slumped to its weakest since 2009.

That's putting India behind China, Indonesia and a few others in the region. Credit market scares have impeded Prime Minister Narendra Modi's efforts to revive growth. Chief among the problems is a lingering crisis at non-banking financial company that started in 2018, with a shocking default by then high-rated lender IL&FS. The woes mounted last year when major mortgage lender Dewan Housing Finance missed repayments. So it's concerning that shadow banks and other financial companies account for the biggest group of bond maturities this year, at ₹4.2 trillion. Such lenders extend credit to everyone from small shopkeepers to property tycoons.


Many companies are already struggling after growth slumped to its weakest since 2009. NBFCs and other financial firms account for the biggest group of bond maturities this year, at ₹4.2 trillion

While there are tentative signs of recovery in certain areas of the shadow bank sector, a funding squeeze has kept borrowing costs high. The financiers pass that on by charging their own customers more for money. The picture isn't all gloomy, though. Policy makers have taken steps to keep liquidity abundant. And more than half of the bonds due this year carry top-notch ratings, while another 17 per cent are notes that are graded between AA+ and AA-.

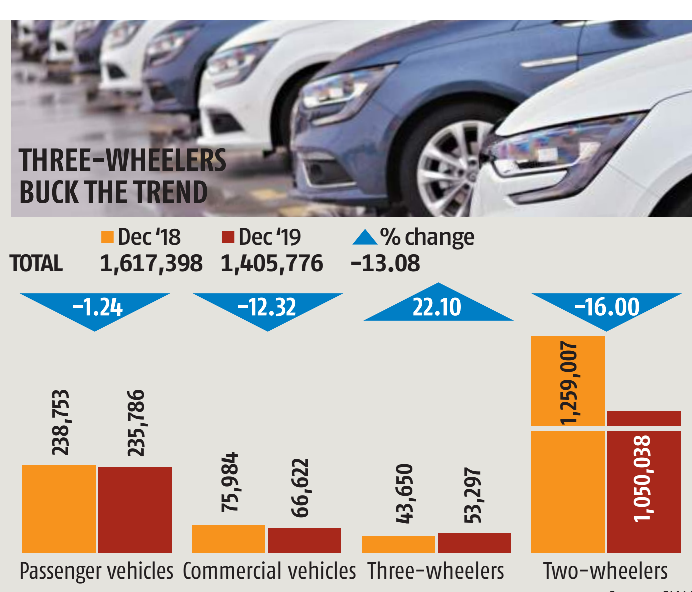
That suggests the risk of rampant failures should be lower. But as the stunning fall of formerly top-rated IL&FS illustrated, even that's no guarantee that there won't be bumps ahead.

## PASSENGER VEHICLE SALES DOWN 1.24% IN DEC ON PRODUCTION CUT

Passenger vehicle sales declined 1.24 per cent year-on-year (YoY) in December to 235,786 units, as manufacturers decided to cut production to match subdued retail demand and reduce inventory of BS-VI emission norms compliant vehicles. The fall was due to an 8.4 per cent decline in car sales to 142,126 units.

The industry said a change in the subdued consumer sentiment leading to an improvement in sales would happen only when overall economic mood improves.

According to the data released by Siam on Friday, factory dispatches of utility vehicles increased significantly by 30 per cent YoY to 85,252 units as a result of the new product launches by incumbents Hyundai Motor India, M&M, and Renault India and new entrants like MG Motor India and Kia Motors. ARINDAM MAJUMDER




## JLR global sales dip in 2019, but show signs of recovery

REUTERS
London, 10 January

Carmaker Jaguar Land Rover (JLR) posted a 6 per cent fall in full-year sales on Friday after a challenging year in which its performance was hit by the weakening Chinese autos market and falling demand for diesel vehicles in Europe.

Retail sales stood at 557,706 vehicles in 2019, hit by a 13.5 per cent slump in China, but in the past six months the firm reported double-digit growth in the country, with overall company sales up 1.3 per cent in December. "2019 was a year of two halves," said Chief Commercial Officer Felix Brautigam.

"Over the last six months we saw a marked improvement in China, where intensive work with our retailers, combined with significant process and product improvements are starting to gain traction."

In the past six months Tata Motors-owned firm reported double-digit growth in China

At the start of 2019, JLR announced plans to cut around 10 per cent of its workforce and it has been pursuing measures to reduce costs and improve cash flows by £2.5 billion.

The company, owned by Tata Motors, returned to the black in the three months to the end of September 2019, posting a £156-million ($204 million) profit. JLR, like much of the car industry, has also faced the challenge of stepping up investment in zero and low-emissions vehicles as regulations tighten while simultaneously dealing with a drop in demand for some conventionally-powered models.

# Broadcasters may not release pricing next week

## Plan to move court against Trai's amendments

SOHINI DAS & VIVEAT SUSAN PINTO
Mumbai, 10 January

As top broadcasters plan to move court against the Telecom Regulatory Authority of India (Trai), challenging the amendments to the new tariff order (NTO) of last February, they are unlikely to adhere to the regulator's deadline of January 15 to publish their new channel prices in line with the new rules.

Broadcasters would move court against Trai seeking stay on the amendments next week, both independently as well as under the aegis of the apex industry body Indian Broadcasters Federation (IBF).

"We are definitely evaluating legal options and plan to move court on the matter. In that case, there are no plans to come out with new channel prices in accordance with the amendments to the tariff order at this moment," said a top executive of a leading broadcaster.

TRAI came out with amendments to its earlier tariff order on January 1 and noted that while the changes were applicable from March 1, broadcasters had to publish their new channel pricing by January 15.

Broadcasters say that after the amendments, they have not had any detailed discussions with either Trai or the distribution platform operators (DPOs) after the amendments were released.

"We had already shared our points of view with the regulator during consultations that happened post the earlier NTO. Trai has chosen to ignore them mostly. We have not had any detailed discussions with the regulator after the January 1 amendments," said NP Singh, managing director (MD) & chief executive officer (CEO), Sony Pictures Networks India (SPN) and also president of the IBF.

In a rare show of solidarity the country's top broadcasters came together to address the media on Friday, expressing their displeasure about the amendments to the tariff order.

### AIRING DISSENT

"There have been two tariff exercises in less than a year. What was the need to have a second one so soon?"
UDAY SHANKAR, Chairman, Star and Disney in India

"We have not had any detailed discussions with the regulator after the January 1 amendments"
NP SINGH, MD & CEO, Sony Pictures Networks

"There have been two tariff exercises in less than a year. What was the need to have a second one so soon. It only means that the previous exercise was not thought through because it needed to be tweaked so soon," said Uday Shankar, chairman of Star and Disney in India.

In its January amendments, Trai has limited discounting of channel bouquets to 33 per cent besides bringing down the maximum retail price (MRP) of any channel to be included in the bouquet to ₹12 from ₹19 earlier.

Sudhanshu Vats, group CEO & MD, Viacom18 and vice-president IBF, claimed that since 2003 till date, the rate at which channel prices have grown is less than that of inflation in the country. This is at a time when cost of acquiring or creating content has only gone up.

He added, "The objective of NTO 1 was to give choice to consumers, bring transparency and reduce litigation. While only the first two have happened, it's too early to talk about the third. Statistically, overall 94 per cent of Indians are aware of the NTO and the choices they have are because of the efforts made by the broadcast industry collectively. The month-on-month churn in the industry shows that people are continuously fine-tuning their choices. The other objective of the NTO was transparency which it has brought in. The question therefore, is "what is the fundamental need to change again? In my opinion there was no need."

On the whole, broadcasters echoed that the industry, consumers and all stakeholders needed to settle down from the changes implemented in the February tariff order. The collective cost to the broadcasters was over ₹1,000 crore in just communicating changes to the consumers. Singh said: "Even with that, there was an overall loss of 12-15 million subscribers in the process."

In the current NTO, if a consumer is paying, say ₹275 per month as his bill, around 60 per cent goes to the distribution platforms, 15 per cent towards taxes, and about 25 per cent comes to pay broadcasters.