IN BRIEF

Jan 23 deadline for non-telco PSUs? DoT says it will examine

The telecom department is examining the legal applicability of January 23 deadline for payment of over ₹2.4 trillion statutory dues in the case of non-telecom PSUs, which were not originally party to AGR matter in the Supreme Court, according to sources. Sources in the Department of Telecom (DoT) said while the PSUs too have been asked to make payments related to statutory liabilities (after the SC in October upheld government's position on calculation of non-core revenue for AGR dues), the larger question is whether the January 23 deadline is legally enforceable on state-owned companies that were not direct party to the dispute. The current view that is emerging in the DoT appears to be that the court-imposed timeline may not apply to PSUs, but the matter is being legally examined for clarity. PTI

Kia Motors eyes full capacity utilisation with new models

South Korean automaker Kia Motors plans to keep rolling out new models at regular intervals in India as it aims to fully utilise its current installed production capacity of 3 lakh units by March 2022, a senior company official said. The company, which has got to a flying start in the country with its first product Seltos, aims to bring in two more models this year. It will drive in luxury multi purpose vehicle Carnival at Auto Expo, followed by a compact SUV later during the year. PTI

Airtel rolls out ₹179 prepaid bundle with insurance cover

Airtel on Sunday announced ₹179 prepaid bundle that packs in a term life cover of ₹2 lakh from Bharti AXA Life Insurance. "Priced at... ₹179, Airtel's prepaid bundle offers unlimited calling to any network, 2 GB data, 300 SMS along with a term life cover of ₹2 lakh from Bharti AXA Life Insurance," the company said. The pack has a validity of 28 days and is targeted at entry-level smartphone users and feature phone users in semi-urban and rural markets. "It will give these customers a simple and highly convenient channel to secure themselves and their families financially every time they recharge their Airtel mobile numbers," the statement added. PTI

MS Dhoni will be retained by CSK, says N Srinivasan

Mahendra Singh Dhoni "will be retained" by Chennai Super Kings in the 2021 IPL auctions irrespective of whether he plays for India again or not, asserted former BCCI president N Srinivasan. The lack of a BCCI central contract for the two-time former World Cup winning captain has sparked fresh rumours of his retirement in the past few days but Srinivasan, who is the VP and MD of Indian Cements, owners of CSK, made it clear Dhoni will continue to play for CSK. PTI

HCL Tech expects strong demand in coming quarters

HCL Technologies is betting on strong demand across sectors, including manufacturing and retail, to continue its growth momentum. The firm, which posted 15.5 per cent rise in revenue in the December quarter, is also seeing strong growth in the European and US markets. "Our pipeline is very strong and we're also pretty confident of the conversion rates," HCL Tech President and CEO C Vijayakumar said. PTI

Blocking Huawei may cause $4.7-bn GDP loss: Study

Blocking Huawei from rolling out 5G technology may cause use loss of up to $63 billion in the GDP of top eight technology markets, and at least $4.7 billion in case of India, by 2035, a report of Oxford Economics commissioned by the Chinese telecom gear maker has claimed. The US and Australia have blocked Huawei from deploying 5G infrastructure alleging security concerns. PTI

Acquisition valuation of Emami Cement may not cross ₹6K cr

The valuation of Emami Cement, which is up for sale, may not exceed ₹6,000 crore in the wake of stress in the economy and rising cost of finance, sources said. The promoters of the Kolkata-headquarterd firm have been seeking to pare group-level debt and are targeting to raise between ₹7,000 and ₹8,000 crore, reports said. Emami Cement had earlier sought a valuation of ₹8,000–9,000 crore. PTI

NCLAT asks DLF to register share transfer to investor's legal heirs

The National Company Law Appellate Tribunal (NCLAT) has directed leading real estate player DLF to register transfer of 60,000 shares to the legal heirs of one of its deceased shareholders and has imposed a cost of ₹5 lakh for "harassing the poor investors". A three-member bench observed that DLF insisted again and again for affidavit and indemnity bond in spite of having a Letter of Administration for succession, and the action by the real estate firm deserved penal action. "We note that the appellant (DLF) is a listed company in real estate and is very well aware of legal formalities. By insisting affidavit and indemnity bond again and again, in spite of Letter of Administration issued clearly establish that the Appellants (DLF and Rajdhani Investments) are harassing the poor investors," said a three-member NCLAT Bench. PTI

Arcelor-Nippon eyes Hazira jetty control

VINAY UMARJI & ISHITA AYAN DUTT
Ahmedabad/Kolkata, 19 January

DOCK TURBULENCE

- GMB announces a new policy to allow existing captive jetty holders to handle third-party cargo in October
- EBTL, an SPV with majority held by Essar group companies and 26 per cent by AM/NS India, opts for the new policy; supplementary agreement is signed
- AM/NS India opposes this and applies for transfer of EBTL licence
- Gujarat govt puts supplementary agreement in abeyance while it examines the rival representations

AM/NS — the joint venture in India of ArcelorMittal and Nippon Steel — is trying to take control of the captive jetty at Hazira in Gujarat from the Ruias of the Essar group.

AM/NS declined to comment on the issue but sources in the state government confirmed it had applied for a transfer of licence from Essar Bulk Terminal (EBTL), the majority in which is held by Essar.

The move has been initiated by AM/NS on the reasoning that this was a captive licence for the steel plant and the captive jetty should remain with the plant. AM/NS India, formerly Essar Steel India (ESIL), was acquired by ArcelorMittal and Nippon Steel jointly last month, under the insolvency law, after a long tussle with the Ruias. However, ESIL's assets in that deal did not include some ancillary units like a slurry pipeline, power plants and port facilities.

State policy

At the heart of the recent development is a change in the Gujarat Maritime Board's (GMB's) policy. In October, it announced a new policy framework, aimed at "unlocking value", by allowing existing captive jetty holders to handle third-party cargo.

More than two decades earlier, GMB had granted private companies the permission to construct captive jetties on a nomination basis, to cater to their import-export requirement.

It is estimated Gujarat has from 80 to 150 million tonnes per annum (mtpa) of unutilised capacity across 38 captive jetties along its coast. The new policy is aimed at easing the method of doing business for all 38 captive jetties, as it eliminates the need for case-to-case approvals to handle commercial cargo. The policy grants existing captive jetty holders the option to either opt-in or opt-out of this. EBTL had opted-in, thereby requiring it to enter into a supplementary agreement with GMB. However, ArcelorMittal is opposing this.

Contentions

A spokesperson for AM/NS said, "For jetties to be able to handle commercial cargo, port operators must bid for licences in open auction, which was not the case for the Hazira jetty, an inextricable feature of the steel plant from conception more than two decades ago." Adding: "With EBTL's cargo volumes set to grow as AM/NS India increases production over the coming years, any attempt by EBTL's remaining shareholder to obtain commercial status would violate port regulations in the state. We, therefore, hope and expect that the existing long-term agreements governing EBTL continue and no changes to a jetty clearly designed for captive usage will be made without the explicit consent of AM/NS India."

AM/NS India has indicated it would increase the steel plant's annual capacity to 12-15 mt in the long term, from 7.5 mt now. As part of its application for complete licence transfer, AM/NS is also learnt to have raised doubts over its steel plant's captive requirement being met in the long run by EBTL.

However, on its part, EBTL has assured it would meet this. An Essar Ports spokesperson said, "There will be no impact on captive cargo. We will continue to handle captive cargo as per the steel mill's requirement and unutilised/surplus capacity of the terminal will be used for commercial cargo handling."

Adding: "While EBTL as an independent company entered into an agreement with GMB and invested ₹3,200 crore to develop the deep water port facility at Hazira, no material financial investment was made by the then Essar Steel in the development of this facility."

AM/NS is understood to have said the licence for initial jetty and first extension were granted to ESIL but that during the process of the second captive jetty extension, a Special Purpose Vehicle (SPV) was set up by the Essar group, called EBTL, with ESIL a 26 per cent shareholder.

Mukesh Kumar, vice-chairman and chief executive at GMB, told *Business Standard*: "Various representations from both the parties are under examination by the government." As of this moment, the supplementary agreement between EBTL and GMB has been put in abeyance. The Gujarat government's Chief Secretary Anil Mukim said: "We are examining the issue." The Essar Ports spokesperson says commercial cargo prior to the new policy was handled by the company by obtaining case-to-case approvals. Of the 50 mtpa capacity at Hazira, the steel plant's cargo requirement is currently 24 mtpa.

By opting-in under the new policy, EBTL intends to handle commercial cargo to make use of the surplus unutiliwed capacity, even as it is in the process of doubling the total capacity to 100 mtpa. "The Gujarat government's New Port Policy is applicable to all 38 licences of captive jetties in Gujarat and will unlock surplus jetty capacities, enable further investments in the marine sector and reduce logistics costs in the economy," the Essar spokesperson said.

RIL's earnings parity expected by FY22 in consumer, core biz

AMRITHA PILLAY
Mumbai, 19 January

Most of the earnings growth for Reliance Industries (RIL) in the quarter ended December 2019 was from its consumer businesses — retail and digital.

The major chunk still comes from its core business. This contributed a little less than 60 per cent of earnings before interest, taxation, depreciation and amortisation (Ebitda). This, nonetheless, could change rapidly. Some expect the core business share to fall to 50 per cent by the end of 2021-22. The contribution from core businesses — oil, petrochemicals, refining — was 71 per cent only a year before.

Chairman and Managing Director Mukesh Ambani's speech to shareholders and analyst estimates both suggest this is expected to fall drastically as the consumer business grows further.

"With the current pace of growth for both retail and telecom, it is a matter of one or two years, before there is equal contribution from the core and the consumer business. I expect the 50 per cent earning contribution to happen in FY21 or latest FY22," said an analyst, who did not wish to be identified.

At the annual general meeting in September 2016, Ambani had said: "I am confident our consumer businesses will, over several years, be of the same size and earnings as our petrochemicals and refining business." In 2015-16, the contribution from telecom and retailing to overall earnings was only 2 per cent. "The contribution share from consumer business is expected to continue to rise and would most likely achieve parity with the oil to chemicals (O2C) business possibly by FY22," said Nitin Tiwari, vice-president at Antique Stock Broking.

Ambani's timeline guidance has also shrunk since 2016. In his latest chairman's speech, in August 2019, he said: "The day is not far when their (two consumer businesses) share would be 50 per cent (to consolidated Ebitda)."

Analysts have also been changing their earnings estimates positively for the consumer business. In its older estimates, Jefferies pegged RIL's telecom Ebitda at ₹33,000 crore and retail one at ₹14,800 crore for FY22.

These estimates have been revised to ₹46,500 crore and ₹16,200 crore, respectively. In sum, the consumer business is expected to contribute at least 45 per cent to total earnings in FY22.

Analysts with BNP Paribas, in a results preview report titled 'Jio and Retail are now core businesses', said: "We estimate Jio and retail to contribute 35 per cent to the FY20 Ebitda and increase to 46 per cent by FY23. This growth, we believe, will be driven by higher average revenue per user and subscriber additions at Jio, and continued strength in consumer retail as RIL now begins to benefit from scale."

Tiwari from Antique said growth in the retail business has surprised the Street over several quarters. "While performance of the telecom business has started to look up from this quarter, retail continues to surprise with revenue and margin expansion for some time."

Reliance outpaces industry in petrol, diesel sales from its outlets

Reliance Industries (RIL) has outpaced industry in clocking double-digit sales growth in petrol and diesel from its nearly 1,400-odd petrol pumps in the third quarter ended December 31, 2019.

In an investor presentation post-announcing earnings for October-December 2019, Reliance, operator of the world's largest oil refining complex, said it registered an 11 per cent growth in diesel sales and 15 per cent growth rate in petrol sales from its 1,394 fuel retail outlets. This is compared to industry growth rate of 0.2 per cent for diesel and 7.1 per cent for petrol.

Its per outlet throughput at 342 kilolitres per month was also nearly double that of petrol pumps operated by public sector firms such as Indian Oil Corp (IOC) and Bharat Petroleum Corp (BPCL). "Superior product mix and high asset utilisation underpinned strong earnings," it said in the presentation adding India's oil demand grew 3.2 per cent in October-December with petrol demand rising 7.1 per cent and LPG surging by 15 per cent. "Preference for petrol cars, improving road infrastructure and rural connectivity is driving petrol demand," it said. A pick up in tourist movement after festive season provided support to ATF demand.

Reliance said there was a strong traction in retail and bulk fuel sales through its network.

"Growth driven by focus on large fleet customers (25 per cent year-on-year growth), fleet aggregators (114 per cent)," it said. PTI

64% of India's GenZ questions need to own a car: Deloitte

SHALLY SETH MOHILE
Mumbai, 19 January

About 64 per cent of India's Gen Z/GenY, who already have a vehicle, are now questioning the need to own a vehicle as opposed to 51 per cent in 2019, according to Deloitte's 2020 Global Automotive Consumer Study.

The respondents (all of them vehicleowners) cited an increase in the cost of owning a personal vehicle, emergence of Bharat Stage-VI emission standards, coupled with higher penetration of ride-hailing services, as the reason for the same.

According to the report, the number of people occasionally using ride-hailing services has also increased in the past few years, as riders (consumers) see multiple benefits. In percentage terms, it has gone up to 57 in 2019, from 38 in 2017. The firm sampled close to 35,000 respondents from 20 global markets. Of this, 3,000 were in India. The findings of the study come at a time when India's passenger vehicle market has been battling one of the worst slowdowns in two decades.

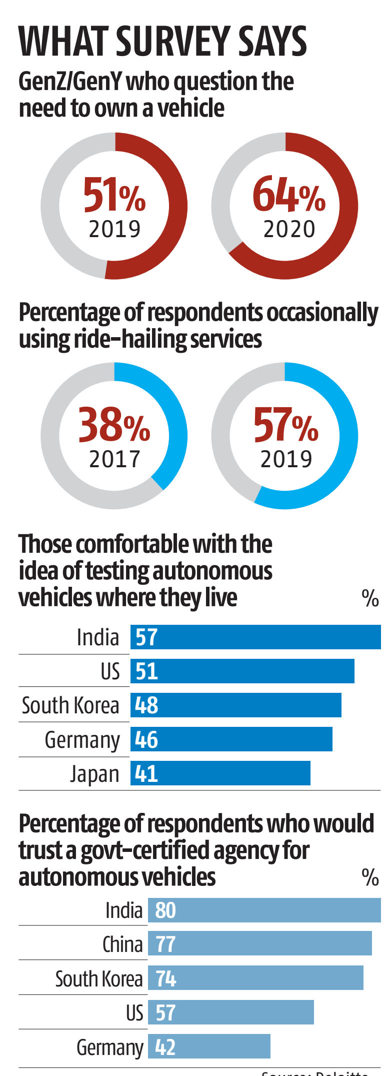
The study also dwells on consumer preference with regard to data privacy and the money Indian buyers are willing to spend on connected vehicles.

Close to 65 per cent of those surveyed in India very clearly articulated that they are willing to pay up to ₹60,000 for connected vehicles, a third of them also showed willingness to pay more — up to ₹1 lakh. Half of them said that they would rather pay for the features upfront instead of enrolling in a monthly subscription plan.

The results show that buyers are willing to pay for connected features, presenting an opportunity to vehiclemakers to monetise them," says Rajeev Singh, partner and automotive leader, Deloitte India.

Meanwhile, 40 per cent of the respondents in India agreed to the idea of sharing data related to the vehicles' performance with the manufacturers as long as it's not biometric data. The respondents expressed reservation regarding sharing any kind of data with financial services, insurance, telecom firms, and government agencies.

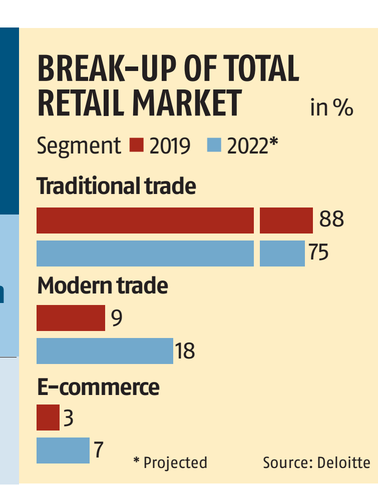
Consumers in India and across geographies continue to question the safety of autonomous vehicles (AVs) and the ability of traditional automakers to bring fully autonomous technology into the market. A strong majority of consumers — as high as 80 per cent India, 77 per cent in China, and 74 per cent in the Republic of Korea — said it would feel more comfortable to ride in an AV if it is government certified.



Amazon-Future handshake spans verticals and initiatives

Joint marketing calendar on the cards

VIVEAT SUSAN PINTO
Mumbai, 19 January



The tie-up between e-tailer Amazon and Kishore Biyani-led Future Retail will play out at multiple levels, top sources said.

This includes conducting cross-promotions of brands across the two companies, coming up with joint marketing and innovation programmes, and achieving a sales target of ₹1,000 crore in the next two years.

First up, as part of the agreement, will be the upcoming five-day Republic Day sales festival called 'Sabse Saste Din' at Big Bazaar. All deals that are part of the festival, starting from January 22-26, will be available on Amazon too, said persons in the know. This will, they said, reflect the online-offline partnership that Biyani, managing director of Future Retail and founder of Future Group, has been indicating for some time now.

Learnings from here are expected to be taken to all sales festivals that Big Bazaar will organise in the coming months, said persons in the know.

Additionally, all food and fast-moving consumer goods (FMCG) products from Future Consumer will be available on Amazon Pantry, while Future's fashion and lifestyle brands will be part of Amazon Fashion's catalogue.

The partnership will also see brand launches in food, FMCG, fashion, and lifestyle happen within Future Retail stores as well as the Amazon platform to improve visibility and reach.

Amazon is also pushing its Amazon Now app aggressively to its Prime members, for which it has enlisted Big Bazaar as its delivery partner. Two-hour deliveries are currently happening from 18 Big Bazaar stores in three cities, including Bengaluru, Mumbai, and Delhi.

As Amazon Now slowly but steadily integrates into the larger Amazon India app, more Big Bazaar stores will be pressed into service as delivery outlets for Prime members, said persons privy to the development. "The model will work in such a way that the moment a (Prime) subscriber has an order, the nearest Big Bazaar in that city will be alerted to provide delivery within two hours," said an executive. Biyani was not immediately for comment.

Big Bazaar has over 300 stores in multiple cities and is expected to get an additional source of revenue through this arrangement.

Future and Amazon are also considering a tie-up of their online payment platforms (Amazon Pay and Future Pay) to ensure greater integration of services. The move may come as rival e-wallets such as Google Pay, Paytm, and PhonePe get aggressive in India.

At Amazon's Smbhav event last week, Biyani had said that physical stores had their own advantages and digital or online platforms had their own set of benefits. "In another few years, the two will come together to become 'phygital'," he said, adding online-offline partnerships would gather pace in the future.

A recent Deloitte report says that e-commerce in India, currently at 3 per cent, will more than double to 7 per cent in terms of size in the next few years. Traditional trade, currently at 88 per cent, will reduce to about 75 per cent in terms of size, while modern trade will touch 18 per cent, from 9 per cent now.