IN BRIEF

RIL partnership with Aramco signals expansion: Bernstein

Reliance Industries' partnership with Saudi Aramco for its \$75-billion oil-to-chemicals business signals expansion rather than retreat, as growth opportunities are expected to boost the petrochemical and refining vertical, market analyst firm Bernstein said. Mukesh Ambani had in August last year announced initial agreements to sell a 20 per cent stake in the business to the Saudi Aramco. Also, a 49 per cent interest in fuel retailing business was sold to BP for ₹7,000 crore. "Reliance has pivoted away from energy to the new economy. But energy still accounts for 64 per cent of Ebitda. While RIL has divested stakes to BP and Aramco, we expect RIL to grow their petrochemical and refining business given the secular growth opportunities," it said. "Aramco's investment is to secure market access and growth. While refining is a cash cow for the business, we believe that there are significant opportunities for petrochemical expansion ahead given demand growth and synergies with refining." PTI

Eyeing leadership position in EV segment: TaMo

Tata Motors aims to establish itself as leader in the electric vehicle market in the country as it looks to roll out new products for both private and fleet segments, a senior company official said. The firm is now gearing up to cater to the personal segment with the introduction of the electric version of compact SUV Nexon which comes with a range of over 300 kms. PTI

Connected vehicles set to be common in India, says report

Connected cars are set to become a common phenomenon in the Indian market in the near future with rapid adoption of electric vehicles, according to a Deloitte report. According to the 2020 Global Automotive Consumer Study by Deloitte the Indian market is expected to witness enhanced interest and demand for battery electric and connected vehicles. PTI

Audi India head: High taxes hurting luxury car sales

High GST rates, import duties and registration taxes are limiting the growth of luxury car market in India and the government must consider reducing these in the upcoming Budget, according to German luxury car maker Audi. PTI

Force Motors plans ₹600-cr capex to develop 2 models

Force Motors has lined up ₹600 crore in fresh investment to develop two new models over the next two years. The proposed new models in the shared mobility space will come out from its soon-to-be-launched premium platform, code-named TIN. PTI

Small units to be bigger as TCS revisits 2011 strategy

Also plans to identify the next billion-dollar bets in the digital services space

DEBASIS MOHAPATRA
Bengaluru, 26 January

In a bid to boost its revenue growth, IT services major Tata Consultancy Services (TCS) is revisiting its strategy by raising the size of its business units, apart from identifying the next billion-dollar bets in the digital services space.

People aware of the development said the IT firm was planning to raise the size of the business units with own profit and loss (P&L) accounts to \$400-\$500 million from \$100-\$150 million at present.

These business units, which have end-to-end responsibilities with a lot of operational and financial autonomy, are being reorganised to weed out duplication. "With a \$21-billion revenue base, the company needs to consolidate a lot of its business units to match its scale. This is also required to find the big bets for driving its next phase of growth," said a person familiar with the development.

An e-mail sent to TCS remained unanswered at the time of going to press.

Carving of business units with own P&L responsibilities has long been considered one of the factors behind TCS's successful emergence as the market leader in the Indian IT industry. The Tata group company first adopted the strategy under the leadership of the then chief executive officer (CEO) of the IT firm N Chandrasekaran in 2010-11 when the firm was divided into 60 small units, each of which had around 3,000-5,000 people and revenue of \$100 million to \$150 million each. The company had a revenue base of around \$9 billion at that point of time.

"Many TCSs within TCS' as a strategy has for long been followed by the company. However, it required fine-tuning for attaining its next phase of growth," said Pareekh Jain, an IT outsourcing advisor and founder of Pareekh Consulting.

In an earlier interview, TCS's CEO Rajesh Gopinathan had said the IT firm is right-sizing its offering in digital services from current 800-900 to around 500 in order to avoid duplication.

"The company is also focusing on the next billion dollar opportunities in the digital services segment for faster growth," said another person familiar with the development. From third quarter onwards, the Mumbai-headquartered firm stopped giving separate revenues from digital services, saying that lines between traditional and digital revenues were blurred.

During the quarter ended December 2019, the company posted its slowest revenue growth in last eight quarters when its revenues in constant currency term grew 0.3 per cent sequentially to \$5.586 billion. Weakness in key verticals such as banking, financial services and insurance (BFSI) and retail were the major reasons for the subdued growth.

The company, which grew its revenues by 11.4 per cent in constant currency term in FY19, is unlikely to end this fiscal with double-digit growth figures. "Given the headwinds, TCS is constantly looking at ways to come back to its earlier growth path. So, cost control through consolidation is being pursued very actively by the IT firm," said another person familiar with the development.

ON THE CARDS

- **Minimum threshold revenue for a business unit** with own P&L to be raised to \$500 mn from \$150 mn
- **The firm is rightsizing its offering in digital services** from 800 to 500
- **The company plans to weed out duplication** by merging many sub-segments within a unit
- **After seeing weak revenue growth over the last two quarters,** TCS is fine-tuning strategy for faster growth

Chronic illness drugs capture more mkt share

SOHINI DAS
Mumbai, 26 January

Demand for medicines used in chronic illnesses is growing at a faster clip, compared to acute therapy drugs that are used usually for a shorter duration. Data shows that the share of chronic illness medicines in the Indian pharma market has grown from 31 per cent in FY13 to 36 per cent in FY19.

During this period, the domestic pharma market, too, has grown from ₹75,071 crore to ₹1.3 trillion. The market is broadly split into acute and chronic segments, depending on the duration of patient's use of medicines.

Anti-infectivess, a category of medicines used to treat infections (primarily antibiotics), pain and acidity, are in the acute segment. Long-term treatments like diabetes, high blood pressure and lipid-lowering drugs are classified into the chronic category.

The share of chronic illness medicines in the Indian pharma market has grown from 31% in FY13 to 36% in FY19

According to latest data from market research firm AIOCD AWACS, as on December 2019, drugs in the acute category are growing at 9.2 per cent, while the chronic segment is growing at 11.2 per cent. The anti-infectives category is the largest in the domestic drug market. It is growing at 9.2 per cent. In comparison, the anti-diabetes and cardiac categories are growing at 11.7 per cent and 12.6 per cent, respectively.

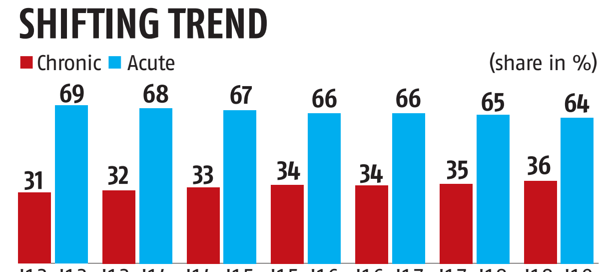
India Infoline (IIFL) analysts said that due to product introductions, improving diagnosis rates for lifestyle diseases and better compliance (where patients are continuing treatment), the chronic segment has been growing faster than acute since the early 2000s. "Chronic therapies have also been more profitable for established players, such as Sun Pharma and Torrent," it said. The firms in acute care have less room for indulge in aggressive promotion activity. "Most product launch activities in the past two decades have also focused on chronic care, as very few antibiotics or pain products have come to the fore," IIFL said.

R K Baheti, chief financial officer (CFO) and director (finance), Alembic Pharmaceuticals, told *Business Standard* the firm had not been launching many products in the anti-infectives space.

Alembic's major presence in the segment is in a category called macrolides (a first line treatment but with better efficacy and lower dosage frequency). The category as such is not growing very fast and new introductions have been low. Alembic said it has managed to grow better than the industry in this category. After the government's ban on certain fixed dose combination (FDC) drugs, growth in the acute category has slowed down.

"One has to channelise the marketing budget carefully. Following the footsteps of MNCs (multinational corporations), Indian firm, too, are rationalising their portfolio and not going for aggressive launches. New product launches eat up much of the marketing and promotional budget. Focus on chronic has thus increased. This means, once the physician starts writing prescriptions, there is a higher stickiness for the product," said the cardio-diabetic sales head of a mid-sized pharma firm in Mumbai.

SHIFTING TREND



Source: Industry data, IIFL Research

WORLD'S LARGEST TWIN-ENGINED JETLINER MAKES MAIDEN FLIGHT

Boeing successfully staged the first flight of the world's largest twin-engined jetliner on Saturday, in a respite from the crisis over its smallest model, the grounded 737 MAX. The 777X, a larger version of the 777 mini-jumbo, touched down at the Boeing Field outside Seattle at 2 pm (2200 GMT). The decision to take advantage of a gap in clouds to start the months of testing needed before the jet can carry passengers came after two attempts had to be postponed due to high winds. The aircraft is the larger of two versions planned by Boeing and will officially be called 777-9, but is better known under its development codename, 777X

PHOTO: AFP/PTI

Franklin Templeton MF side-pockets Voda debt

JASH KRIPLANI
Mumbai, 26 January

Franklin Templeton Mutual Fund (MF) has decided to create segregated portfolios (side pockets) to hold the debt paper of Vodafone Idea (VIL) separately, after the telecom company's debentures were marked down to below-investment grade.

"(Our) board of trustees has approved the creation of segregated portfolios in Franklin India Low Duration Fund, Franklin India Dynamic Accrual Fund, Franklin India Credit Risk Fund, Franklin India Short Term Income Plan, Franklin India Ultra Short Bond Fund and Franklin India Income Opportunities Fund," it said.

Effective from last Friday, when ratings agency CRISIL downgraded VIL's non-convertible debentures to BB, a rating below investment grade. The earlier rating was BBB-negative. CRISIL said it was maintaining a 'rating watch with negative implications'.

The agency said the revision reflected expectation of a significant deterioration in VIL's financial risk profile, due to the potential payout against the adjusted gross revenue (AGR) related liability, payable shortly.

However, it did also note that the actual liability could be lower than the ₹44,150 crore provided for by the company in its accounts. CRISIL has said VIL's liquidity of ₹15,390 crore as of end-September would not suffice if payout of licence fee liability continues to remain part of the overall dues.

Franklin Templeton MF had ₹2,073 crore of exposure to VIL at end-December in six of its schemes. On January 16, it had formally marked down its exposure to 'zero', as a 'prudent measure' to protect its unit holders. The markdown was the same day that the Supreme Court (SC) rejected VIL's review plea pertaining to the over ₹40,000 crore in AGR-related dues to the government.

'We've strong YouTube biz; not eyeing Netflix, Amazon universe'

Q&A The ₹635-crore Entertainment Network India (a part of the estimated ₹10,000-crore Times Group) owns Radio Mirchi, India's largest radio operator. In a month from now, it will drop the word 'radio' from its name. **Vanita Kohli-Khandekar** spoke to CEO **PRASHANT PANDAY** on the hows and whys. Edited excerpts:

What is new 'Mirchi' about?
Earlier, we were known as Radio Mirchi now we will be Mirchi. One of its products is radio, but one product is original video content, live events (like the Mirchi Music Awards, Mirchi Spell Bee and others) and solutions. We ask the marketer, tell us your problem and then create a solution that combines our properties, Radio Jockeys, on ground events in the best way possible. Today, 67 per cent of our revenue, over ₹425 crore, is from radio; 33 per cent (about ₹210 crore) is solutions, digital, events et al. We don't see ourselves as Radio Mirchi. Strategically, that means we are not limited to 5 per cent of the ad pie. We are already reaching 67-70 million people online and my radio reach is about 45 million. So, we are transforming from a radio-alone company to a video company as well. There is a whole new corporate identity exercise going on. It will be ready in a month. We are going for (a turnover of) ₹1,300 crore by 2024, of which radio will be about ₹700 crore. So, it will grow but will account for 55 per cent of top line. The compounded annual growth rate (CAGR) on solutions and digital is 26 per cent and is radio 11 per cent.

What has Mirchi done in online video so far?
We have a very strong YouTube business. We are among the top 10-20 independent channels on YouTube(over 8 million subscribers), along with TVF and Pocket Aces. We made and released six hours of original video content in Gujarati, Tamil, Marathi and other languages. This year, we have done 25 hours of content — 15 were sold to MX Player (a Times Group brand) and another 10 are under negotiation with Voot and Hotstar. Next year, we want to go to 100 hours.Our strategy is RRS — regional, reach and snacking. We will focus on regional content, use the radio reach to sell to clients and the content will be of the snacking variety. We make 10-minute episodes. We are not in the Netflix, Amazon universe and we have no illusions of being in that space. We believe this (snacking) is what drives the volumes in that space. And there are lots of clients who don't want to spend crores of rupees, they want to spend ₹10 lakh or ₹20 or ₹40 lakh.

"THERE'S FUNDAMENTAL THREAT TO THE MEDIUM AS DEFINED BY FM WAVES. BUT THERE IS NO THREAT TO THE PRODUCT THAT IS A MIX OF MUSIC, LOCAL CONTENT, FUNNIES AND EVEN PERSONALITIES. COMPANIES THAT ARE PURELY RADIO-DEPENDENT WILL SEE A SLOWDOWN"

The market is awash with content firms..
When we started in 2000, we had said ENIL would be India's largest city-centric media company. We had radio, out-of-home (OOH) and events — they were all city-centric. That is the pivot on which the business was made. ENIL is India's largest city-centric (instead of radio) music and entertainment company. That is what separates us from Star TV, Amazon or Netflix. My core strengths are these 63 offices and the 1,100 people in those offices, and I will leverage that.

All of this growth is coming from the same team. We have 350 creative people and 550 sales people, among others. The creative people already paid for by the radio business. So whatever content I make I have zero incremental cost. Our 550 sales people have access to 10,000 clients, others (such as Pocket Aces) won't have that.

Radio is under some threat because not all phones now offer an FM tuner..
Look at IRS (Indian Readership Study) data on radio over two years — radio listenership across devices has grown from 104 million (in 2017) to 105 million (in the latest 2019 IRS). Even (listenership on) number of mobile phones has grown 99 million to 113 million. The interesting thing is car listenership is rising. The number of male listeners and those who are above 35 years is increasing. Women have given way to men now, that is a big change in the past five to seven years.

Why is that?
Because devices have changed. Women would consume it largely on older phones. Now almost half the newer phones come without FM, so, where would they consume it. Also 10 years ago, afternoon programming wasn't there on television. So, for the women, television has become far more prominent over five to seven years. However, FM is available on the lower-end phones. So, you are not losing the high-end listeners but that listenership is shifting. At the lower end, the whole Jio phenomenon has given a new lease of life to radio because they hope to sell 500 million of their ₹1,500 phones, all of them FM enabled.

Is there a fundamental threat to the medium?
There is a fundamental threat to the medium as defined by FM waves. But there is no threat to the product that is a mix of music, local content, funnies and even personalities. Companies that are purely radio-dependent will see a slowdown.

AI doubles flights on Tel Aviv-New Delhi route

In view of the increase in passenger traffic on the Tel Aviv-New Delhi sector, India's official carrier Air India will double the number of flights on the route to six per week from April.

The national carrier created history by becoming the first commercial flight to fly to Israel over Saudi Arabia and Oman in March 2018, seen by many as a diplomatic breakthrough and often presented by Israeli Prime Minister Benjamin Netanyahu as a major achievement of his government, signalling improving ties with Gulf countries. The access to Saudi and Omani airspace shortens the flight path by almost two hours, which lowers the fuel cost, leading to reduction in fares.

The announcement was made by Indian Ambassador in Israel Sanjeev Singla during the Republic Day celebrations at the Indian Embassy on Sunday.

Air India started with 3 flights a week and within a span of two years has gradually increased it to six, starting from April 1 this year. PTI