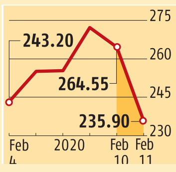
STOCKS IN THE NEWS

General Insurance Corporation

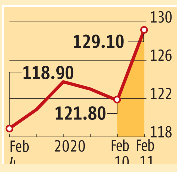


Q3 net loss at ₹1,035 cr, against profit of ₹377 cr in the year-ago period

₹235.90 CLOSE

▼10.83% DOWN*

GAIL

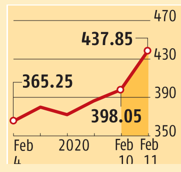


Q3 profit before tax up 65% at ₹2,816 cr QoQ

₹129.10 CLOSE

▲6% UP*

Shilpa Medicare

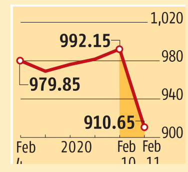


Q3 profit before tax at ₹65 cr, against ₹11 cr in the year-ago period

₹437.85 CLOSE

▲10% UP*

BASF India

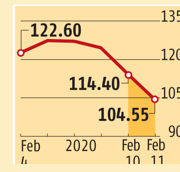


To divest construction chemicals business to Master Builders

₹910.65 CLOSE

▼8.21% DOWN*

Himatsingka Seide



Falls 17% in two days as Q3 profit down 95% at ₹2.78 cr YoY

₹104.55 CLOSE

▼8.61% UP*

*OVER PREVIOUS CLOSE

IN BRIEF

MakeMyTrip names co-founder Rajesh Magow group CEO

Online travel agency MakeMyTrip's founder Deep Kalra has stepped down as group chief executive officer (CEO) of the Gurugram-based company, and will be succeeded by co-founder and India CEO Rajesh Magow. Kalra "will devote his full time to pursuing strategic initiatives, including product innovation and expansion, geographic growth, business model innovation and corporate development, in his new role as group executive chairman," the company said in a filing to the US Securities and Exchange Commission. MakeMyTrip is listed on the Nasdaq. Magow will work closely with Kalra in his new role and focus on driving the next phase of growth for the MakeMyTrip Group through its three brands — MakeMyTrip, Goibibo and Redbus. **NEHA ALAWADHI**

Kesoram's pre-tax loss widens to ₹102.4 crore

Kesoram Industries' pre-tax loss widened to ₹102.42 crore during the quarter ended December 31, 2019 with a 12.58 per cent decline in the firm's net income at ₹640.76 crore. The pre-tax loss and net sales during the corresponding quarter of the last fiscal year stood at ₹52.78 crore and ₹732.99 crore. Kesoram demerged its tyres business under Birla Tyres. **BS REPORTER**

CRISIL says electric 2-3 wheeler sales to improve by 2024

Around 43-48 per cent of new three wheelers and up to 17 per cent of the new two wheelers sold in the country by 2024 could be electric vehicles (EVs), a report by Crisil Research said. In the four wheeler segment, however, the traction is expected to remain low with EV sales accounting for just 5 per cent of the new sales, it noted. **PTI**

Ikea founder's assistant named chief executive

Jon Abrahamsson Ring, a former assistant to furniture giant Ikea's founder Ingvar Kamprad, has been named new chief executive (CEO) of the Inter Ikea Group, the company said on Tuesday. Abrahamsson Ring, 45, will take over the reins on September 1, replacing Torbjorn Loof, 54, who resigned after seven years at the head of the group, it said in a statement. Under Loof's management, the Swedish flat-pack furniture company expanded into 15 new markets and is scheduled to open its first South American store in Chile next year. **PTI**

100-member Uber Money team debuts in Hyderabad

Uber on Tuesday said it has set up Uber Money, a team of more than 100 technology professionals responsible for global financial products and technology innovations, at its Hyderabad Tech Centre. The team will enable upcoming new global features and improvements, including real-time earnings, updated debit accounts, and debit cards for Uber drivers, along with Uber Wallet and refreshed Uber credit card for Uber riders. **PTI**

₹2-trn InvITs to hit market in five years: ICRA

Infrastructure investment trusts (InvITs) worth ₹2 trillion are expected to hit the market over the next five years, says rating agency ICRA. Of the total, about ₹80,000 crore of InvITs could be launched within a year, it said. The National Highway Authority of India InvIT, Tower Infrastructure of Reliance Jio, a second InvIT from IRB, and eight road assets by L&T and IndInfravit from Sadhbav are some of the issuers that are in advanced stages to raise money through this instrument. So far, about ₹22,000 crore has been raised through InvITs. ICRA said a favourable tax regime would be required to ensure healthy investor interest. **BS REPORTER**

Tea cafe chain Chaayos raises $21.5 million

Chaayos on Tuesday said it has raised $21.5 million in a mix of equity and debt funding to expand business. It said the company is looking at opening 300 cafes over the next 3-4 years. "Continued confidence of our guests has allowed us to expand our café network at a fast pace and we will end FY20 with nearly 100 cafes. We shall endeavour to get to 300 cafes over the next 3-4 years," Chaayos founder Nitin Saluja said. **PTI**

M&M lines up $425 mn to revive Ssangyong Motor

Automaker draws up three-year turnaround plan a decade after acquisition

SHALLY SETH MOHILE
11 February, Mumbai

For Ssangyong Motor, life has come full circle. Almost a decade after Mahindra and Mahindra (M&M) wrested control of the then ailing South Korean automaker, the Anand Mahindra-led firm has chalked out a three-year turnaround plan for Ssangyong amid dwindling sales in the domestic and overseas markets and mounting losses.

Mahindra acquired 70 per cent stake in Ssangyong (in March 2011), which had a troubled past and militant trade unions.

As part of the latest plan, Mahindra will pump in 450-500 billion Korean won ($380 million-$425 million) to revive the company that has been hit hard by a rapid shift in buyer preference from diesel to petrol, steep drop in exports volumes and a global economic slowdown.

While half of the fund will be raised via equity, the other half would come from a bank loan. The maker of Rexton SUV reported a loss of 340 billion Korean won for the year that ended in calendar year 2019, the steepest in its history. "We have made a three-year plan which has been approved by the board of Ssangyong. We want to be profitable by 2022," Pawan Goenka, managing director, M&M, told reporters on Tuesday.

Among other things, the plan includes shaving off the material costs in an aggressive way and save at least 80-90 billion Korean won per year. This will be a two-year project which will give the company around 3 per cent improvement in the operating profit margin, said Goenka.

Ssangyong working with Ford will be yet another pillar in the turnaround strategy, he added.

"It is our estimate that for full recovery, it will take 450 to 500 billion Korean won of funding support," said Goenka. Mahindra is in talks with lenders for funds. It has also engaged external consultants to vet the turnaround plan.

Also, as a result of the recent round of negotiations with the labour union, Ssangyong is hoping to pare personal cost significantly in 2020 and 2021. Meanwhile, the company is working on developing new markets, including Russia, China, and Vietnam, as part of a strategy to de-risk itself geographically.

"A combination of these three to four steps will give us the kind of improvement that we are looking at, said Goenka. Though the new model launches are expected to boost volumes, it is unlikely to be much different from last year when it sold a total of 120,000 units, he said.

The turnaround may not be easy to execute, said Mitul Shah, vice-president, research, at Reliance Securities. "Considering they couldn't get the desired performance even during the best of times — when sales were looking up globally, executing a turnaround now, amid disruption and a global slowdown, looks tough. The plan, therefore, doesn't give enough confidence to investors," said Shah.

M&M's December quarter profit fell 73 per cent year-on-year, on a one-time impairment provision of ₹380 crore. The financials include that of the commercial vehicles unit, Mahindra Vehicle Manufacturers.

Goenka guided for a slow first quarter for the auto business as disruption from implementation of the BS-VI norms take effect. While price of gasoline-powered models are expected to rise by ₹20,000, diesel will see a sharper increase of up to ₹1.25 lakh, said Goenka. None of the manufacturers, however, will be able to take the price increase in one shot, given the weak demand, he added.

Starting from the first quarter of fiscal year 2020-21, M&M plans to bring a litany of new models in the SUV, tractor and electric segments.

Shah expects Mahindra's margins to remain under pressure as the company may end up absorbing the additional demand. M&M's shares closed at ₹524.40 on Tuesday, down 0.69 per cent on the BSE. The Sensex closed at 41,216.24 points, up 0.58 per cent.

"WE HAVE MADE A THREE-YEAR PLAN WHICH HAS BEEN APPROVED BY THE BOARD OF SSANGYONG. WE WANT TO BE PROFITABLE BY 2022"

Pawan Goenka, Managing director, Mahindra & Mahindra

THE BALANCE SHEET

Figures ₹ cr	Revenue	Net profit
Dec 31,'18	6,728	-24
Mar 31,'19	5,844	-164
Jun 30,'19	5,576	-308
Sep 30,'19	4,930	-635
Dec 31,'19	5,570	-704

Figures for quarter ended Dec 2019 are estimated
Compiled by BS Research Bureau
Source: Bloomberg

Bikes, CVs may see a smooth drive from H2

T E NARASIMHAN
Chennai, 11 February

Commercial vehicles (CVs) and two-wheelers, after clocking growth in January 2018, have reported a decline of 14.04 per cent and 16.06 per cent, respectively, in the same month this year over the equivalent period in 2019.

CVs and two-wheelers reported 39 per cent and 33 per cent growth, respectively, in January 2018 over the same month in 2017.

The two segments continue to feel the pressure of slowdown in rural sales and changes in regulations, among other things.

Industry representatives, however, have said from the second half of the year, they hope to see revival because the rural economy is looking up and the projects the government has announced.

According to the wholesale numbers Society of Indian Automobile Manufacturers has given, CV sales were 61,305 units in January 2017, 85,660 units in January 2018, and 87,591 units in January last year. However, they dropped to 75,289 units in January this year.

Two-wheeler sales, which rose to 1.68 million in January 2018 from 1.26 million in January the previous year, started falling since January 2019 (1.59 million) to 1.34 million in January this year.

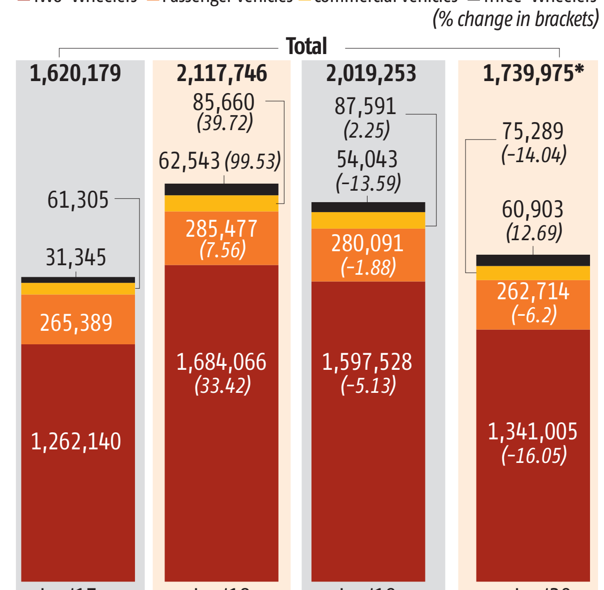
Factors that affected sales of CVs are: Slowdown in infrastructure spending, drops in freight rates, revised axle-load norms, goods and services tax rates, crisis in non-banking financial companies, and emission norms.

Ashok Leyland expects the M&HCV (medium and heavy commercial vehicle) industry would close 2019-20 with sales of around 200,000 units, a drop of nearly 46.23 per cent over last year. However, it hopes things should revive.

Vipin Sondhi, managing director and chief executive officer (CEO), Ashok Leyland, said the Union Budget's allocation of ₹2.83 trillion for agriculture, irrigation, and rural development would help CVs because it would lift the rural economy. The Budget's proposal to spend ₹100 trillion on infrastructure over five years would create demand for CVs.

Rajan Wadhera, president, Siam, and president, (automotive sector), Mahindra & Mahindra, said "sales of vehicles continue to be stressed due to rising costs of vehicle ownership and slower growth in GDP. We are hopeful that the recent announcements of the government on infrastructure and rural economy would support the growth of vehicle sales, especially in commercial vehicles and two-wheelers".

SALES OVER THE YEARS



Including quadricycle sales Source: Siam

CBI books Educomp, its directors for defrauding banks of ₹1,955 cr

PRESS TRUST OF INDIA
New Delhi, 11 February

The Central Bureau of Investigation (CBI) has booked Educomp Solutions (ESL), its subsidiary and directors for allegedly defrauding a State Bank of India (SBI)-led consortium of 13 banks to the tune of ₹1,955 crore, and carried out searches at eight locations on Tuesday, officials said.

The agency booked ESL, its managing director Shantanu Prakash, guarantor Jagdish Prakash; its subsidiary Edu Smart Services and directors Vijay Kumar Choudhary and Vinod Kumar Dandona for criminal conspiracy, cheating, forgery and under provisions of the Prevention of Corruption Act, they said.

After filing the FIR, the agency carried out searches at eight locations in Delhi, Dehradun and Gurugram on the premises of ESL, Edu Smart and its directors, the officials said.

The CBI action came on a complaint from seven of the 13 banks, including SBI, which have declared the account as fraud. The banks have alleged that ESL, incorporated in 1994, was in the business of creating digital educational content for schools and vocational courses under the brand names 'Smartclass' and 'Edureach', respectively, they said.

It used to enter tripartite agreements with its own subsidiary, Edu Smart, and schools for providing the content.

ESL used to sell hardware and digital content under its 'Smartclass' business to Edu Smart, which used to sell it to schools with realisation of sales spread over a contract period of five years on quarterly basis, the officials said.

It is alleged that Edu Smart had sought term loans from consortium members by keeping contracted future cash flows from schools as security, which was sanctioned.

The loans raised by Edu Smart were required to be passed on to its creditors that is ESL, the CBI has alleged.

Later, ESL discontinued its business of selling 'Smartclass' through Edu Smart and decided to directly sell to the schools, the officials said.

The banks restructured the Edu Smart debt, closing its term loan accounts and transferring liabilities to ESL, they said. Fresh term loans were disbursed to ESL by the banks, with future receivables of Edu Smart also transferred to it, the officials said.

Due to non-fulfilment of the terms and conditions of the loans, ESL loan accounts became non-performing asset in 2016, they added.

Shantanu Prakash, MD of ESL, has also been booked by the investigating agency

Godfrey Philips lights up amid gloom

Despite market burn, tobacco major posts 13.1% volume growth

AVISHEK RAKSHIT
Kolkata, 11 February

At a time when tobacco majors have been posting muted growth due to tepid consumer demand, Godfrey Philips posted 13.1 per cent volume growth during the first three quarters of the current financial year. This has led to a market share gain of 1 per cent.

In its earnings presentation after the third quarter results, the company's Chief Executive Officer Bhisham Wadhera said, "Godfrey Phillips delivered strong cigarette domestic volume growth of 13.1 per cent during the nine months along with a better product mix and improved realisations. Our domestic cigarette market share also increased from 11.9 per cent to 12.9 per cent."

However, Abneesh Roy, executive vice-president of institutional equities at Edelweiss Securities is of the view that market leader ITC's cigarette volume had registered 2.5-3 per cent growth during April-December 2019. In the highly polarised tobacco market in the country, ITC commands three-fourth market share.

Besides the product mix, the growth in Godfrey Phillips cigarette sales, according to sources, is also led by new launches and its flagship Marlboro brand entering new markets. "Marlboro has been growing faster than other brands. It has also been entering new markets," said Roy.

According to Wadhera, the company opted for geographic expansion into high potential markets of South India by developing local sales and distribution infrastructure to further its core cigarette business.

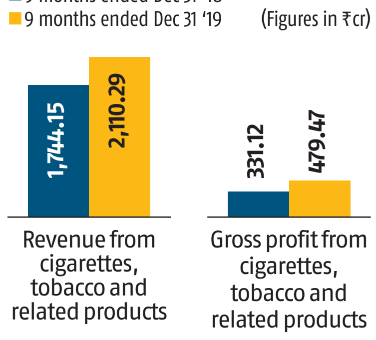
While this flagship company of the $2.8-billion strong Modi Enterprises has a manufacturing and distribution licence for Marlboro in India, it also owns brands like Four Square, Red and White, Cavanders, Tipper, North Pole and others.

In India, the kingsize (100 mm) Marlboro is available in various ranges like Red, Gold, Fuse Beyond, Fine Touch, Marlboro Clove Mix and others.

Four Square, the largest flagship brand franchise of Godfrey Phillips, on the other hand, has a national footprint, with presence in more than 19 states and comes in kingsize mini (69 mm).

During April-December 2019, in terms of revenue, it posted 20.99 per cent increase in its earnings from cigarettes and tobacco at ₹2,110.29 crore, while profitability surged 44.80 per cent at ₹479.47 crore. During this period, gross sales value of cigarettes, which include all taxes, increased by 19.6 per cent as well.

KEY METRICS



Source: Company

ITC hikes cigarette prices by 20% on calamity duty

AVISHEK RAKSHIT
Kolkata, 11 February

Following the hike in the national calamity contingent duty (NCCD) announced in the the Union Budget this year, market leader ITC steeply increased cigarette prices between 10 per cent and 20 per cent for some of its brands.

A rise in NCCD escalates taxes on cigarettes. Manufacturers have the option to either pass them on to consumers or absorb the same.

"Prices of a number of brands have been revised," said an ITC spokesperson.

This is the first hike in cigarettes after the Budget.

Sources said while the American Club Cool Fresh Taste saw a minimum hike of 10 per cent at ₹220 for a pack of 20, the price of Navy Cut Filter rose by around 16 per cent at ₹80 for a pack of 10 sticks. Prices of Flake Filter rose by around 14 per cent at ₹80, while prices of Flake Special Filter, Flake Blue Special Filter and Wave Cool Mint rose by 20 per cent.

Other brands which saw price rise were Gold Flake Super Star and Duke Special Filter.

Incidentally, it is one of the steepest price increases ITC took in the past two-three years. Last year, the company increased prices of Bristol, Capstan, and Flake Excel in the range of 7 per cent and 14 per cent, while in 2017, prices rose by 6-7 per cent across brands.

However, in 2016, the company took selective price increases across its cigarettes portfolio when prices rose by up to 13 per cent for Classic and Gold Flake Kings brands to pass on the excise increase; in the year ago, prices went up by 12-21 per cent. The hike this time exceeded the previously anticipated surge of 7-10 per cent, which sector analysts were expecting after NCCD was revised.

Analysts reasoned that on a blended basis, there is likely to be 11 per cent tax hike on average as the dominant 64 mm (kingsize mini) has seen sharper tax hike of 15 per cent, while others like the kingsize and regular have seen tax hike of 9-10 per cent.

According to Abneesh Roy, executive vice-president of institutional equities at Edelweiss Securities, a 7 per cent hike would have led to a 3-4 per cent decline in cigarette volumes.

The previous projection, however, is likely to be revised now. ITC, which commands leadership position in the tobacco space with three-fourth market share, has been raising concerns over the stress on its cigarettes business, prompted by taxation and illicit trade.