Companies

SATURDAY, FEBRUARY 15, 2020

DIVESTMENT PACE

Tuhin Kanta Pandey, secretary, DIPAM

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Quick View

IRB Infra Q3 PAT slips 27% at ₹160 crore

IRB INFRASTRUCTURE Developers on Friday reported a 27% decline in consolidated profit after tax (PAT) at ₹159.73 crore for the quarter ended December 2019. The infrastructure company had clocked a consolidated PAT of ₹218.90 crore for the same period a year-ago, it said in a regulatory filing to the BSE. Total income for the quarter declined to ₹1,790.17 crore against ₹1,835.02 crore in the year-ago period.

GoAir appoints Vinay Dube as chief executive

WADIA GROUP-PROMOTED GoAir on Friday said it has appointed Vinay Dube as chief executive officer. Till now, Dube was serving as an advisor to the carrier, a role which he took up after quitting the defunct Jet Airways in May last year. GoAir's board has approved the appointment of Dube as the CEO and he would report to the chairman, MD and the board, it said.

Hero MotoCorp launches BS-VI version Splendor

HERO MOTOCORP on Friday launched BS-VI compliant version of its popular Splendor+ motorcycle with price starting at ₹59,600. The company also introduced BS-VI versions of its two scooter models – Destini 125 and Maestro Edge 125 with price starting at ₹64,310 and ₹67,950 (all prices ex-showroom Delhi) respectively, it said.

Pfizer Q3 net profit rises 5% to ₹139 crore

DRUG FIRM Pfizer on Friday reported a 5.39% rise in net profit to ₹139.06 crore for the quarter ended December 31. The company had posted a net profit of ₹131.94 crore for the corresponding period of the previous fiscal, Pfizer said in a filing to BSE. Revenue from operations stood at ₹538.18 crore for the quarter under consideration against ₹513.79 crore in the same period a year ago.

Esper raises $7.6 million led by Madrona Venture

IN A Series-A funding round led by US-based venture capital firm Madrona Venture Group, Esper has raised $7.6 million. Madrona Venture Group is well known as an investor in Amazon's Series-A round in 1995. The round also saw participation from their existing seed investors – Root Ventures, Ubiquity Ventures, Haystack Ventures, and Pathbreaker Ventures.

Oyo Workspaces forays into Chennai

OYO WORKSPACES has forayed into Chennai with the launch of its two brands – Innov8 and Workflo. Innov8 is a premium offering of ergonomically designed workspaces created for a better work-life balance, while Workflo is a budget-friendly, functional co-working solution, catering to the aspirations of a rising India. The first over 400-seater Innov8 centre is located at SKCL Techsquare, Guindy, while Workflo has opened its first more than 1,000-seater centre at Greeta Towers.

Temasek arm sells Godrej Agrovet shares

V-SCIENCES Investment, an investment arm of Temasek, on Friday offloaded nearly 38 lakh shares of Godrej Agrovet for a little over ₹204 crore through open market transactions. According to bulk deal data available with the BSE, a total of 37,84,738 shares of Godrej Agrovet were sold by V-Sciences Investment.

MINI Clubman Indian summer red edition

THE NEW MINI Clubman Indian Summer Red Edition was introduced in India and only 15 units will be available for booking on Amazon.in from February 15 onwards. Priced at ₹44.90 lakh, the new MINI Clubman is most unique and sophisticated one ever created with the legendary go-kart feeling.

OPERATING REVENUE GROWS

SpiceJet Q3 net profit rises 33% to ₹73.2 crore

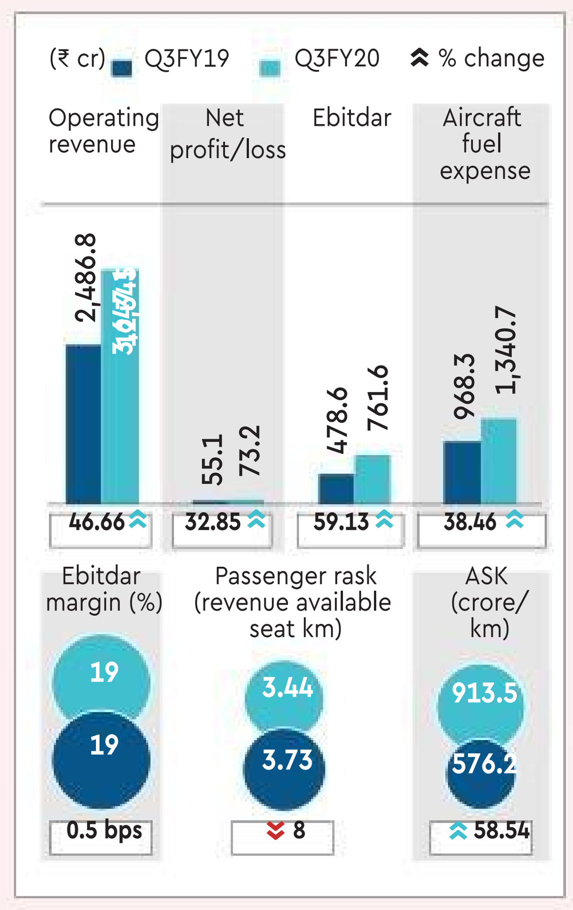
FE BUREAU
Mumbai, February 14

THE COUNTRY'S SECOND-LARGEST carrier, SpiceJet, beat street estimates and reported a 32.9% increase in net profit to ₹73.2 crore for the December quarter, boosted by a 46.7% growth in operating revenue. The airline's management said it has received an interim offer for compensation from American aircraft manufacturer Boeing, on account of the grounding of its 737 MAX aircraft worldwide.

SpiceJet, which has 13 grounded MAX aircraft, did not disclose the amount offered as compensation. The airline has factored in claims from Boeing aggregating to ₹537.8 crore so far in this financial year, which is covered entirely by the interim offer, management said.

Bloomberg consensus estimates had pegged the third quarter net profit at ₹57.63 crore. Revenue from operations of the airline also beat estimates and stood at ₹3,647.1 crore, against ₹2,486.8 crore in the comparable period last year. The airline's capacity (measured in available seat kilometres) grew 59% y-o-y in 2019 despite the grounding of the 737 MAX since March 2019. The average domestic load factor for the quarter stood at 91.6%.

For the third consecutive quarter, SpiceJet has factored in claims towards costs and losses on account of grounding of 13 737 MAX aircraft. During the December quarter, the company recorded claims worth ₹246.41 crore as a part of its other income, which consequently grew six-fold annually to ₹270.20 crore. "We were expecting the MAX to return to service by January 2020, but that hasn't happened. The continued grounding and the delay in its return to service has undoubtedly hit our growth plans adversely and resulted in inefficient operations and increased costs. That said, SpiceJet expects to grow profitably while maintaining a tight control over costs," said Ajay Singh, chairman and MD, SpiceJet.



A bad festive season put pressure on yields, said Kiran Koteshwar, chief financial officer, SpiceJet. Additionally, the airline's yields were under pressure during the quarter. Average fare only grew 4% to ₹4,452. "Yields were under pressure because October was bad, but December was good. If we had a good October-November, I think it would have been much better," Koteshwar said. The airline's earnings before interest, tax, depreciating, amortisation and rentals (Ebitdar) grew 59% to ₹761.6 crore. Meanwhile, Ebitdar margin remained flat y-o-y at 19% during the December quarter. Aviation turbine fuel expenses during the quarter rose 38% y-o-y to ₹1,340.7 crore. Fuel cost should not be a problem if it remains in the $60-67 per barrel range. Aircraft maintenance costs increased 63% y-o-y to ₹627.6 crore. However, lease rentals fell 70% to ₹102.5 crore, helped by a change in accounting method.

The results for the quarter were impacted by the company adopting the Ind AS 116 accounting. "In the statement of profit and loss, the nature of expenses in respect of leases has changed from lease rent in the earlier periods to depreciation cost on the ROU (right of use) asset and finance cost on lease liability as per Ind AS 116," the company said. The new accounting standards resulted in a ₹402.12-crore increase in depreciation expense and ₹111.75-crore increase in finance costs. Meanwhile, exchange gains saw a ₹75.93-crore impact and lease expenses were lower by ₹522.67 crore. Without a non-cash forex charge on account of Ind AS 116, the airline's profit would have been ₹190.1 crore, it said in a release.

During the quarter, SpiceJet added only six aircraft to its fleet. Koteshwar said the company does not have much visibility on capacity addition till the MAX aircraft return to service, and will be doing small additions. On the compensation for the grounded aircraft, Koteshwar said negotiations are ongoing. "It is an interim offer, which is under discussion... Whatever we have provided for, the ₹537-crore, we have provided for till now, that has been covered by the interim offer," he said.

Air India sale expected to finish in H1FY21: DIPAM secretary

PRESS TRUST OF INDIA
New Delhi, February 14

THE CENTRE EXPECTS to complete sale of national carrier Air India in the first half of the next fiscal, Department of Investment and Public Asset Management (DIPAM) secretary Tuhin Kanta Pandey said on Friday.

During an interaction with financial sector experts to discuss the Union Budget, Pandey said the disinvestment strategy has shifted from minority stake sale in public sector units to strategic sale, and a lot of privatisation would happen in the next fiscal.

In November, he said the government decided on big ticket disinvestments while referring to sale of stakes in BPCL, CONCOR, and Shipping Corporation of India.

"I think our movement has been very swift. Even the Expression of Interest (EoI) for Air India is in the public domain... We intend to complete these transactions in the first half of financial year 2020-21," he said. The next financial year starts from April 1.

Last month, the government issued a preliminary information memorandum for 100% stake sale in Air India. The airline's 100% shareholding in profit-making budget carrier Air India Express as well as 50% shareholding in equal joint venture Air India SATS Airport Services (AISATS) would also be sold. The deadline for submitting the EoI is March 17.

This is at least the third time that the government is attempting disinvestment of Air India, which has been in the red since merger with Air India Express in 2007. The first attempt for stake sale, when Air India and Indian Airlines were separate entities, was done in 2001-2002 period when the NDA government was in power. In 2018, the government proposed to offload 76% stake as well as transfer the management control but there were no bidders. Air India has more than ₹60,000-crore debt.

About proposed stake sale in LIC, Pandey said it was a "big thing" and a lot of value would be unlocked. According to him, disinvestment in the public sector insurance company would be done, keeping in mind the interest of all stakeholders.

The department of economic affairs (DEA) secretary, Atanu Chakraborty, who was also present at the session chaired by finance minister Nirmala Sitharaman, sought suggestions from the industry on direct listing of Indian companies on foreign bourses. He said the government was working on a scheme towards it as many companies want to get listed both in India and abroad at the same time. The discussions are at an advanced stage, he added.

Currently, Indian companies can list their shares through depository receipts abroad, while foreign companies need to go through the Indian Depository Receipt route for listing of equities.

A high-level panel has already recommended to markets regulator Sebi to allow direct listing of Indian companies on overseas bourses and of foreign firms on Indian exchanges.

Adani, AAI sign concession pact for three airports

FE BUREAU
Mumbai, February 14

THE ADANI GROUP on Friday signed concession agreements with the Airports Authority of India (AAI) for the management and development of airports in Ahmedabad, Lucknow and Mangaluru. The agreement was signed between AAI and wholly-owned subsidiaries set up by the group to run these airports. Under the agreement, the Adani Group subsidiaries will hold management control over the airports for 50 years.

Late last year, the Cabinet had approved these three airports to be leased out on a public-private-partnership basis. The company had earlier stated that it would invest a majority of the ₹26,000-crore capex investment planned over five years into airports.

Until now, GMR and GVK Group have been two key players in the private space. The Adani Group last year came in with aggressive bids and won the privatisation contracts for six airports. In February 2019, the Adani Group emerged as the highest bidder for six airports run by the AAI in cities including Jaipur, Guwahati and Thiruvananthapuram.

GVK Power & Infrastructure reports ₹96-crore loss in December quarter

FE BUREAU
Hyderabad, February 14

GVK POWER AND Infrastructure (GVKPIL) has registered a loss of ₹96.13 crore in December quarter against a loss of ₹101.04 crore for the corresponding quarter of last fiscal on a consolidated basis.

The company registered a total income of ₹1,156.15 crore against ₹1,109.28 crore for the corresponding quarter last year. For the nine months ended December 2019, the company posted a loss of ₹387.92 crore and income of ₹3,257.43 crore against a loss of ₹265.89 crore and income of ₹3,275.64 crore for the corresponding nine months of previous financial year.

"As of December 31, 2019, the group had accumulated losses during the current period and has also incurred losses during the preceding years. The group has delayed payment of loans and interest and certain loan accounts have been classified as non-performing by banks," the company disclosed in a filing to BSE.

It has provided guarantees and commitments and/or has undertaken to provide financial assistance on behalf of various entities, uncertainties are being faced by various projects such as delays in development of coal mines in an overseas project where the company has provided guarantees and commitments for the borrowings, losses incurred by gas-based plants in the absence of gas and litigations on rights to claim capacity charge, re-negotiation of terms of PPA of coal-based plant and delay on determination of tariff of hydro power project, arbitration on certain road projects and hydro-based plant.

For the nine months ended December, the company posted a loss of ₹387.92 crore and an income of ₹3,257.43 crore against a loss of ₹265.89 crore and income of ₹3,275.64 crore in the same period of 2018

The company said the prices of the coal have fallen ever since GVK Coal had acquired stake in the coal mines. GVK Coal has not been able to achieve financial closure resulting in delays in commencement of mine development activity when compared to scheduled date, delays in entering into definitive agreements for port and rail development and agreement for sale of coal.

Further, certain lenders of GVK Coal have classified the loan as non-performing and the lenders had an option to curtail the rights of the company on various dates either on October 2015 or every year thereafter. The lenders have not yet exercised this option. There are also uncertainties associated with fluctuating coal prices, the discussions GVK Coal is having with non-controlling shareholders of GVK Coal's subsidiaries to realign the option exercise rights, with lenders to reach to optimal solution and with potential investors for additional funding.

However, the management believes that the company would be able to ultimately establish profitable operations, meet its commitments, reduce debt by sale and the entities on whose behalf guarantees/commitments have been extended would be able to meet their obligations. The group's other projects, Mumbai International Airport and GVK Jaipur Expressway, are operating satisfactorily.

The group expects to execute the Navi Mumbai International Airport and has already achieved financial closure. The company subsidiary, GVK Airport Developers, has signed an agreement in September 2019 for dilution of its 79.1% stake in GVK Airport Holdings for ₹7,614 crore.

SAIL posts ₹343-cr loss in Q3 amid higher expenses

PRESS TRUST OF INDIA
New Delhi, February 14

STEEL AUTHORITY OF India on Friday reported ₹343.57 crore consolidated net loss for the third quarter ended December 31, mainly on account of increased expenses.

The company had a net profit of ₹638.79 crore during the same quarter a year ago, the state-run firm said in a BSE filing. During the October-December 2019, the company's total income was ₹16,714.87 crore against ₹15,906.68 crore in the year-ago quarter. Its total expenses were at ₹17,312.64 crore, higher from ₹14,937.13 crore in the October-December period of 2018.

Despite the reduction in prices, the company has been able to achieve higher revenue, SAIL said. The production was at 3.9 million tonne, while sales stood at 4.1 mt, up 3% and 26%, respectively, over the same period last year, it said. "Reduction in prices, which has hurt the financial performance of all major domestic steel producers during the quarter, impacted the profitability of SAIL as well with the company posting a (standalone) net loss of ₹429.62 crore in third quarter of FY20," the company said.

Generic drug cos may face supply shortages if coronavirus drags on

REUTERS
February 14

SHORTAGES AND POTENTIAL price increases of generic drugs from India loom if the coronavirus outbreak disrupts suppliers of pharmaceutical ingredients in China past April, according to industry experts.

An important supplier of generic drugs to the world, Indian companies procure almost 70% of the active pharmaceutical ingredients (APIs) for their medicines from China. India's generic drugmakers say they currently have enough API supplies from China to cover their operations for up to about three months.

"We are comfortably placed with eight to 10 weeks of key inventory in place," said Debabrata Chakravorty, head of global sourcing and supply chain for Lupin, adding that the company does have some local suppliers for ingredients.

Optimism that the worst of the outbreak centered in China's Hubei province and its capital Wuhan would be over by April took a major hit late on Wednesday. Chinese health officials, using a broader method of confirming coronavirus cases, said they shot up by nearly 15,000 in Hubei with total deaths in China nearing 1,400.

The outbreak and severe travel restrictions aimed at containing its spread has taken a toll on the world's second-largest economy and disrupted international businesses dependent on Chinese supplies.

Sun Pharmaceuticals Industries said it has sufficient inventory of API and raw materials for the short term and has not seen any major disruption in supplies at the moment. The Indian drugmaker, however, said supply has been impacted for a few API products and the company is closely monitoring the situation. It did not identify the products.

An extended outbreak that limits the volume of active ingredients and drugs available for export from China could lead to drug shortages and price increases, particularly in the United States – where prices are subject to market forces – according to rating agency Moody's.

India supplies nearly a third of medicines sold in the United States, the world's largest and most lucrative healthcare market. Daara Patel, secretary general of the Indian Drug Manufacturers Association, which represents over 900 drug producers, said he expects supplies to be disrupted from April.

Patel said vitamins and antibiotics are likely to be among the hardest hit as India is a major global producer of both.

With profitability in mind, Renault plans slew of initiatives in India

PRESS TRUST OF INDIA
Durban (South Africa), February 14

RENAULT IS PLANNING a slew of measures, including introduction of new models and expansion of sales network in rural areas, to ramp up operations in India and move towards a profitable business set up in the country.

The company, which is present in the country for over 8 years now with a market share of less than 3%, aims to bring in products in the fast selling segments to shore up volumes and enhance market share in the 3-million strong Indian passenger vehicle segment. "The major strategy to gain market share in the country is to strengthen sales in the rural areas. We are occupying good space there already," Renault India operations country CEO and MD Venkatram Mamillapalle said. Elaborating on steps being taken to enhance presence in smaller towns, Mamillapalle said the company is taking various initiatives, including taking care of service needs in such areas by having mobile workshops. "Last year alone, we have opened 215 workshop on wheels, a concept where a vehicle (Lodgy) goes to rural locations and serves customers. This year, we plan to take the number of such vehicles to 550," he added. This is in addition to the regular sales network expansion, which the company does on a regular basis.

Flipkart to offer customers 'touch and feel' experience

PRESS TRUST OF INDIA
Kolkata, February 14

E-COMMERCE MAJOR FLIPKART is contemplating to go for partnership with local stores offering its customers a "touch and feel" experience, at least for some products, as online commerce continues to be minuscule in the overall Indian retail industry.

The move comes close on the heels of Reliance planning grocery foray taking local kirana stores onboard. Walmart-owned Flipkart has already established a delivery model using local kirana stores and onboarded some 27,000 stores across 700 cities.

Now, Flipkart proposes to have authorised "buy zones" where a customer can walk in and check a product but he or she has to order it online, a company official said on Thursday.

"Our pilot project was successful in Hyderabad with mobiles where we partnered with local kirana stores for a touch and feel experience. But the order has to be taken online from a kiosk installed there," Flipkart chief corporate affairs officer Rajneesh Kumar said.

Now, the e-commerce major plans to expand this localised partnerships in other parts of the country, he said. Flipkart and Amazon now face the heat of the Competition Commission of India (CCI)'s probe against them for alleged malpractices including deep discounting and tie-up with preferred sellers.

Walmart-owned Flipkart has already established a delivery model using local kirana stores and onboarded some 27,000 stores across 700 cities

"Online market accounts for only 3% of the total retail market in the country," Kumar said.

In fashion, tie-ups with local tailors had offered huge benefit to e-commerce company in a sharp reduction in the number of returns.

In the mobile category, pure online brands had moved to offline brick-and-mortar stores to expand its base and protect their margins. On Thursday, Flipkart organised a workshop for MSMEs in Kolkata, part of a series of programmes to help the enterprises leverage e-commerce to grow their business. Kumar said the move will help deepen base of products on the marketplace platform.