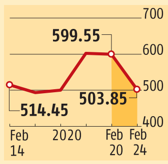
STOCKS IN THE NEWS

Aurobindo Pharma

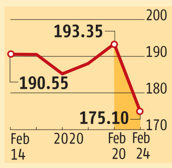


USFDA revokes voluntary action initiated status for unit IV

₹503.85 CLOSE

▼15.96% DOWN*

Jindal Steel & Power

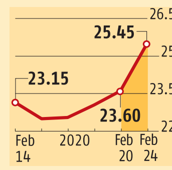


Top loser among Nifty Metal index stocks

₹175.10 CLOSE

▼9.44% DOWN*

GMR Infrastructure

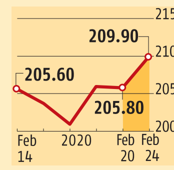


In strategic partnership with French airports operator Groupe ADP

₹25.45 CLOSE

▲7.84% UP*

Ambuja Cements

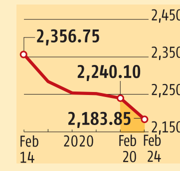


December quarter profit before tax up 43 per cent; YoY

₹209.90 CLOSE

▲2.00% UP*

Hero MotoCorp



Production loss, if any, due to Coronavirus issue will depend on China

₹2,183.85 CLOSE

▼2.51% DOWN*

*OVER PREVIOUS CLOSE

IN BRIEF

Facebook looks to ramp up investment in the country

Facebook is looking to ramp up its investment programme in India after its two fundings in Meesho and Unacademy, its Vice-President and Managing Director Ajit Mohan (*pictured*) said on Monday. "These two investments have given us the conviction that we are on to something good. Therefore, the idea will be to ramp up this programme and accelerate it over the next few weeks and months," said Mohan. Last year, Facebook invested in Meesho, which provides resellers, who largely comprise housewives and small businesses, with a platform to sell their products across social networks like WhatsApp and Facebook. **BS REPORTER**

Indian Hotels to open more than one hotel a month

Indian Hotels Company (IHCL), the Tata Group hospitality arm plans to open more than one hotel every month even as it will remain sharply focused on asset monetisation and exiting from the non-core segments, Puneet Chhatwal, managing director and chief executive, IHCL, said. **BS REPORTER**

Realme launches 1st 5G smartphone in India at ₹37,999

Realme launched first 5G smartphone models in India at a price starting ₹37,999 onwards. Industry analysts see it of no value for customers in India in the absence of the 5G network. **PTI**

Ola-backed scooter sharing start-up Vogo raises $19 mn

Vogo, a bike- and scooter-sharing start-up, has raised $19 million (around ₹136 crore) in a funding round led by LGT Lightstone, an investment fund managed by the Princely House of Liechtenstein **BS REPORTER**

Tech Mahindra to acquire Zen3 Infosolutions

IT company Tech Mahindra said on Monday it had signed an agreement to acquire 100 per cent stake in US-based Zen3 Infosolutions for $64 million (₹460 crore) in an all-cash deal. Headquartered in Seattle, Zen 3 has over 1,300 employees spread across a number of offices. **PTI**

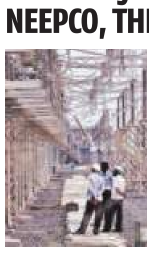
TVS Motor says Feb production affected due to COVID-19

TVS Motor Company said the coronavirus outbreak has impacted the supply of certain parts, affecting about 10 per cent of its planned production for February. "Some tier-II suppliers have been impacted adversely which will lead to 10 per cent drop in the planned production in February 2020," it said. **PTI**

USFDA inspection of Unichem Lab's Roha facility completed

Unichem Laboratories said the US health regulator had completed inspection of its Roha facility in Maharashtra without any observation. The United States Food and Drug Administration (USFDA) conducted inspection at the company's active pharmaceutical ingredients manufacturing unit at Roha from February 17 to 21, 2020, Unichem Laboratories said. **PTI**

CCI approves NTPC's stake buy in NEEPCO, THDC India



Fair trade regulator the Competition Commission of India (CCI) said it has given nod to acquisition of Centre's entire stake in THDC India and North Eastern Electric Power Corporation (NEEPCO) by state-owned NTPC. As part of transactions, NTPC will acquire 100 per cent of the issued and paid-up share capital of the NEEPCO and 74.5 per cent stake in THDC India, CCI noted in separate releases. **PTI**

RCom committee of creditors to meet again on March 2

With many of the bank representatives in the committee of creditors (CoC) informing that their respective boards had not met to consider the Reliance Communications (RCom) sale, the meeting was shifted to March 2. The decision was taken in a COC meeting on Monday. The representatives included State Bank of India, which, too, has not cleared the resolution plan, sources said. The resolution professional together with a law firm is working with banks to clarify pending points. The voting results on the various resolutions to sell RCom, Reliance Telecom and Reliance Infratel is expected to be declared on March 4. **BS REPORTER**

TALE OF TELCOS

Non-telecom PSUs may put up a joint legal front on AGR issue

GAIL lines up ₹1 trn capex for next five years

SHINE JACOB
New Delhi, 24 February

GAIL India is in talks with non-telecom public sector undertakings (PSUs) to take a common legal recourse in the controversial adjusted gross revenue (AGR) issue. Among the companies it is in discussions with are Oil India (OIL) and Power Grid Corporation (PGCIL).

Earlier this month, the Supreme Court had directed the transmission major to approach the appropriate forum regarding the issue.

The department of telecommunications (DoT) had raised a demand of ₹1.83 trillion from the company towards annual licensing fee, including interest and penalty of AGR. If the amount has to be paid, it will significantly affect the ₹1 trillion capital expenditure plan the company has lined up for the next five years.

"We are hoping that we will not have to pay the money," said Manoj Jain, chairman and managing director of GAIL.

The firms are yet to decide on the legal options, including approaching the Telecom Disputes Settlement and Appellate Tribunal (TDSAT).

Around 50 per cent of the capacity expansion that the firm has lined up will be on the transmission business. For this, the government is already working on a proposal to come up with a separate subsidiary.

"We have lined up investments to the tune of around ₹1 trillion for the next five years. Of this, around ₹50,000 crore will be for the transmission business, ₹10,000 crore will go towards petrochemicals and ₹40,000 crore for its joint venture infrastructure expansion," he said.

This includes an addition of 7,000 km of pipeline network to its existing capacity. GAIL is looking to double its revenue and increase profits by 1.5 times by 2025.

The investment plans are part of the overall $5 trillion lined up by the government and the strategy is to increase the share of gas to 15 per cent in the overall energy basket.

The company expects the transmission business to have a larger share in the next five years as the demand for natural gas is expected to increase by 6-8 per cent per year by then.

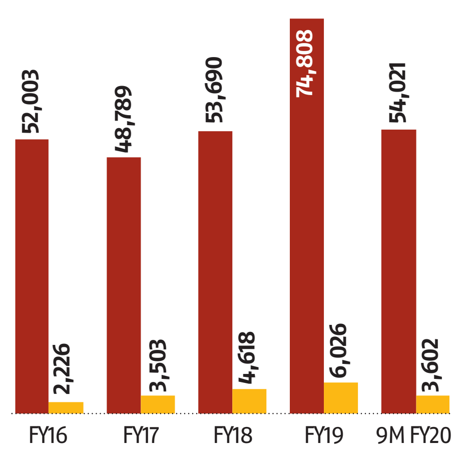
Jain said that the government is working on a proposal to have a 100 per cent subsidiary for transmission and the new entity will be in place within a year "once the Cabinet nod is in place."

GAIL, which owns and operates 5 mt LNG import facility in Dhabol, has already awarded contracts for construction of breakwater in Dhabol to Larsen & Toubro (L&T). "The terminal will start working to its full capacity in the next two-and-a-half years," he said.

The country has already lined up an additional LNG capacity of 18 mt from the current 39 mt in the next few years.

"WE ARE HOPING THAT WE WILL NOT HAVE TO PAY THE MONEY"
MANOJ JAIN, Chairman and managing director, GAIL

HEALTH CARD



₹ 36,882 crore
Reserves & surplus (2018-19)

Source: GAIL

DoT not pressing for fast payment of ₹1.83 trn

The Department of Telecommunications has sought ₹7,608 crore in dues from GAIL India for 2017-18 as the department appeared to be not pressing for immediate payment of ₹1.83 trillion in past dues it had previously assessed.

For GAIL, the DoT assessed an outstanding of ₹1,83,076 crore towards annual licence fee in respect of IP-II Licence. This included interests and penalty, sources said. The DoT sent a notice to GAIL soon after the February 14 hearing in the Supreme Court on dues owned by telecom companies such as Bharti Airtel, Vodafone Idea, sources privy to the development said.

The dues now being sought from GAIL include a penalty for late payment, they said.

The SC's original ruling in October last year led the DoT to demand ₹1.47 trillion in unpaid dues on licence fees and spectrum usage charges from telecom companies such as Airtel and Vodafone Idea. Its demand related to a 14-year-old dispute regarding the definition of adjusted gross revenue (AGR), which the SC agreed should include all kinds of income generated by the telcos. Alongside, the DoT also raised a demand of over ₹3 trillion from non-telecom PSUs such as GAIL, Oil India and PowerGrid for telecom licences these firms had primarily acquired for internal communication purposes. GAIL and other non-telcos felt the October 2019 ruling of the SC did not apply to them and filed petitions seeking clarification from the apex court. **PTI**

Bharti Infratel postpones merger with Indus Towers to April 24

PRESS TRUST OF INDIA
New Delhi, 24 February

Bharti Infratel on Monday extended the deadline for its merger with Indus Towers by two more months to April 24, but cautioned that final call on scheme implementation will be taken by the board based on assessment of the ongoing AGR-crisis and its impact on customers.

The delay in completion of the deal, would come as a blow to Vodafone Idea which has to cough up ₹53,000 crore in statutory dues to the government and was eyeing about ₹5,500 crore from stake sale in Indus Towers.

Vodafone Idea has so far paid ₹3,500 crore towards statutory dues, and any monetisation exercise would allow it to get closer to at least the principle AGR amount, it owes to the government.

"The final decision to implement the scheme will be taken by the board keeping in mind the best interest of the company and its stakeholders including the assessment of the current crisis facing the telecom industry and the extent of its impact on the company's major customers," Bharti Infratel said in a regulatory filing.

It said that although the foreign direct investment approval for the merger with Indus Towers had been received, the deadline had been extended as other actions and conditions precedent to be fulfilled for the scheme to become effective cannot be completed by the previously stated deadline of February 24.

Telcos to submit self-assessment papers on AGR maths

MEGHA MANCHANDA
New Delhi, 24 February

The Centre on Monday asked telecom companies to submit documents supporting their self-assessment claims of adjusted gross revenue (AGR) dues. The department of telecommunications (DoT) issued letters to Bharti Airtel, Vodafone Idea and Tata Teleservices for submitting supporting documents for their statutory dues calculation.

However, no deadline has been given to companies to submit the supporting documents.

Once substantiating documents are filed by the companies, the telecom department will initiate random 'test checks' on the AGR calculation in a time-bound manner.

The 'test checks' will be done for any one year (of telcos' dues) to examine the deviation between telecom companies' assessment and the government calculation of AGR liabilities.

Asked what prompted the department to seek supporting documents to verify the AGR maths done through self-assessment, a source equated the exercise to filing of income tax returns where the assessing authority examines the calculations or claims made.

Moreover, the DoT wants to ensure that the court-mandated criteria is followed by companies in computing their AGR dues, the source added.

While the three operators are first off the block, the DoT will also follow the same procedure for all other AGR-hit companies, including internet service providers.

"For those who are saying we are giving dues by self-assessment, we will seek supporting documents. If some companies say they are going by DoT's calculation, then we don't need to do it," the source added.

In all, 15 entities owe the government ₹1.47 trillion in unpaid statutory dues – ₹92,642 crore in unpaid licence fee and another ₹55,054 crore in outstanding spectrum usage charges.

Of the estimated dues, which include interest and penalty for late payments, Airtel and Vodafone Idea account for about 60 per cent.

These dues arose after the Supreme Court, in October last year, upheld the government's position on including revenue from non-core businesses in calculating the annual AGR of telecom companies.

The Supreme Court, earlier this month, rejected a plea by mobile companies such as Bharti Airtel and Vodafone Idea for extension of the payment schedule.

Vodafone Idea, which is confronted with ₹53,000 crore in statutory dues as per DoT's calculation, has so far paid only seven per cent of dues in two tranches. Airtel paid ₹10,000 crore of its DoT estimated liability of over ₹35,000 crore.

Airtel, on February 17, had said that the company "is in the process of completing the self-assessment exercise expeditiously and will make the balance payment upon completion, before the next date of hearing in the Supreme Court."

Tata Teleservices has paid ₹2,197 crore, the entire outstanding it believes to have arisen after the October ruling of the apex court for calculating dues.

DOT secretary Anshu Prakash on Monday met Ajit Pai, chairman of the US Federal Communications Commission (FCC) to discuss a slew of issues.

When asked about Huawei's participation for 5G in the US, Pai said, "I would refer you to the comments I made previously that the US government embraces risk-based framework domestically and that is part of the reason why FCC has prohibited the use of funding that we oversee from being used by telecom carriages in the US on equipment and services that have been deemed insecure."

The DoT has issued letters to Bharti Airtel, Vodafone Idea and Tata Teleservices for submitting supporting documents

ITC, Godfrey Phillips bet on flavours to burn illicit trade

AVISHEK RAKSHIT
Kolkata, 24 February

Coming up with new flavours was not exactly how cigarette firms thought they would be expanding their market share, but that is exactly what ITC and Godfrey Phillips India are doing.

The firms, hit by the increase in the National Calamity Contingent Duty in this year's Union Budget, had to raise prices of their offerings. This, analysts say, is helping illicit cigarette trade. ITC increased cigarette prices between 10 per cent and 20 per cent — the steepest hike by the firm in the past three years. Analysts say the hikes would result in a volume decline of 3-4 per cent for the company.

"It (price hikes) will affect the industry and give a fillip to illicit trade, but we are trying our best to see consumption is not affected," Bhisham Wadhera, CEO, Godfrey Phillips, told *Business Standard*.

An ITC spokesperson, too, said the company was relying on innovative products across different price points to maintain its market dominance.

In the recent past, ITC has introduced differentiated cigarettes like Gold Flake Indie Mint, Gold Flake Neo and Classic Rich & Smooth in the premium end. It also came up with flavoured cigarettes for the Flake brand in the mid-tier segment, and introduced Wave, another exclusive flavoured cigarette.

Godfrey, too, introduced flavoured variants like Four Square Clove Crush in the mid-tier segment and has seven variants of the Marlboro brand for India.

Distributors said while earlier these companies were more focussed on regular and light variants, the same has now shifted to furthering innovation after it was noticed that differentiated brands were doing well. Imported brands — such as Gudang Garam from Indonesia, which offers clove flavoured cigarettes, and black toned Baba Khalif — have been becoming popular.

Trade sources say that while habitual smokers have been loyal to their brands, which are mostly not flavoured, new smokers are more prone to using flavoured cigarettes — a new section of buyers the companies are eager to acquire.

Driven by new launches, Godfrey, in the recent past, has gained 13.1 per cent in terms of volume growth. Although, the market share gain was only 1 per cent. "The gain (in sales volume and market share) is more by our new launches that have gained from rivals," Wadhera said.

Interestingly, while budget cigarettes are priced ₹45-60 for a pack of 10, illicit cigarettes are also sold at a near similar price range. "High rates of tax on cigarettes provide attractive arbitrage opportunities for illicit trade, allowing sale of these cigarettes to consumers at prices much lower than those of duty-paid domestic cigarettes. The sharp increase in taxes on cigarettes announced in the Budget 2020 will exacerbate the situation," the ITC spokesperson said.

Industry officials said besides innovation, cigarette companies were focussing on increasing their market reach by collaborating with local law enforcement authorities to curb illicit cigarette trade.

Illegal trade of cigarette accounts for 11% of total market