Concor to take INSTC route for Russia to save on time & cash

SHINE JACOB
New Delhi, 26 February

In a move that will bring down the transit time between India and Russia from around 50 days to 25 days, Container Corporation of India (Concor) will start using the International North-South Transport Corridor (INSTC) this year. This is expected to cut transportation costs by around 30 per cent.

"The route will be operational for Concor within three months and importers and exporters from both countries will be able to make use of it. There are a lot of goods, including pharmaceuticals, vegetables like onion, spices and tea from India that have huge demand in Russia," said V Kalyana Rama, chairman and managing director (CMD) of Concor.

Concor and Russian Railways container transportation subsidiary RZD Logistics JSC on Tuesday signed a service agreement to transport cargo between the two countries using a single invoice. A memorandum of understanding in this regard was signed last year.

INSTC is a 7,200 km-long multi-mode network of ship, rail and road routes covering 13 countries — spanning India, Iran, Afghanistan, Armenia, Azerbaijan, Russia, and other Central Asian and European countries.

An official of RZD said the United States's sanctions on Iran would not be applicable for the route and the concerns of banks and insurers had been addressed by the countries involved.

"We have taken care of the concerns of our Indian clients and bankers. Transit time through INSTC will be half the traditional route," the RZD official added.

An Indian official, however, said the INSTC route through the Chabahar Port and Bandar Abbas still has some cost and transit issues. India is operating the Chabahar Port in Iran.

According to estimates, the cost of transportation right now is $4,900 per TEU (twenty-foot equivalent unit) and will become $3,400 per TEU with the new route.

The distance on the current route through the Suez Canal to St Petersburg is 10,000 nautical miles. India was also exploring a separate maritime route connecting the two countries from Vladivostok, which takes around 20 days.

A senior official from the ministry of external affairs told *Business Standard* that several plans are being worked out to bring down the trading time between two countries and possibility of using the Vladivostok route was discussed during Prime Minister Narendra Modi's visit to Russia in September.

THE LOWDOWN

30% reduction of transportation cost expected through INSTC

$4,900 per TEU: Current cost of transportation

$3,400 per TEU: Estimated cost on new routes

$8.2 billion: India-Russia trade in 2018-19

India Ports gets exemption from DPE guidelines

The Union Cabinet on Wednesday approved the exemption of the India Ports Global (IPGL) from the Department of Public Enterprises (DPE) guidelines, except for reservation and vigilance policies. The move will help in smooth execution of Chabahar project in Iran.

According to a government, there is an urgent need to allow IPGL to continue to function as a board-managed firm, duly following instructions of the ministry of shipping and ministry of external affairs, without making the guidelines of the DPE applicable to it for five years. The norms of a public sector enterprise were applicable to IPGL, as its parent firm Sagarmala Development Company is a CPSE. As a result, guidelines of the DPE are technically applicable on IPGL. The shipping ministry had requested exemptions to IPGL from the applicability of the DPE guidelines to speed up the pace of the Chabahar project, which is country's first overseas port project with strategic objectives. BS REPORTER

GMR gets ₹5,248 crore from Groupe ADP

PRESS TRUST OF INDIA
New Delhi, 26 February

GMR Infrastructure on Wednesday said it has received ₹5,248 crore from Groupe ADP as part of a deal wherein the French major is buying 49 per cent stake in the domestic group's airport business.

On February 21, it was announced that Groupe ADP would acquire 49 per cent stake in GMR Airports (GAL) for ₹10,780 crore.

In a filing to stock exchanges on Wednesday, GMR Infrastructure said the group has received ₹5,248 crore towards first tranche of payment from Groupe ADP.

"The end utilisation of monies has been mainly for corporate debt reduction. Further, GMR Group has provided exit to the existing private equity investors in GMR Airports," it added. The deal would help the group to reduce its debt burden.

According to an investor presentation, a copy of which was filed to the stock exchanges, the deal would help in "significant deleveraging at GMR Infrastructure using the equity raise" as well as result in "improved cash-flow and profitability" Aeroports de Paris SA (ADP) would buy 100 per cent stake in GMR Infra Services and then 49 per cent shareholding in GAL. GMR Infra Services is an operating and holding company. Its primary business is to hold shares in GAL.

Shares of GMR Infrastructure dropped 4.50 per cent to close at ₹24.40 on the BSE on Wednesday.

Competition Commission has given its nod for the deal under the green channel, which allows for an automatic system for speedy approval of combinations, subject to certain conditions.

On February 21, it was announced that Groupe ADP would acquire 49 per cent stake in GMR Airports for ₹10,780 crore

Parent company pumps in ₹427 cr into PhonePe

PEERZADA ABRAR
Bengaluru, 26 February

Walmart-owned digital payments firm PhonePe has received a fresh fund infusion of ₹427 crore from its Singapore-based holding company. PhonePe has allotted 1,007,670 equity shares of ₹10 each at securities premium of ₹4,230 per share to the holding firm, according to the regulatory documents filed by PhonePe, which were sourced from business signals platform Paper.vc.

The funding is expected to help the company to take on rivals such as Alibaba-backed Paytm, Google Pay and Amazon Pay. "PhonePe has received the lion's share of its funding since Walmart's acquisition of Flipkart in 2018. During 2018 and 2019, PhonePe received over $700 million in funding as the ever-expanding digital payments space heats up in India," said Nikhil Kanekal, analyst at Paper.vc.

The Bengaluru-based firm is investing about ₹800 crore this calendar year on marketing activities and take on the competition. A big chunk of it will go on television ads. An equally big portion of it will be spent on the ground across 300 cities, where it has over 9.5 million offline merchants, and also towards conducting events, branding and enhancing the visibility in smaller towns.

"We are going to focus on digital marketing in a significant way this year, considering the massive consumption of content online. We believe it will be a good way to target the next 100-200 million customers," said Sameer Nigam, founder and CEO, PhonePe.

According to Walmart International CEO Judith McKenna, PhonePe's ambition is to be India's largest transaction platform anchored in payments. The firm, which has 200 million registered users and 20 million daily users, witnesses 500 million monthly transactions.

Coffee Day receives first tranche of Global Tech Park sale proceeds

DEBASIS MOHAPATRA
Bengaluru, 26 February

Coffee Day Enterprises (CDEL) is learnt to have received the first tranche of payment from private equity major Blackstone and realty firm Salarpuria Sattva Group as part of its agreement to sell Global Village Tech Park, sources in the know said.

Proceeds of around ₹150 crore were received by the Bengaluru-based coffee chain, they added. The deal has valued the tech park at ₹2,700 crore. Despite announcing its decision to divest stake in the Global Village Tech Park in August last year, the deal was stuck due to lack of creditors' consent. Especially, a no-objection certificate from YES Bank was pending, which led to delay in concluding the deal. "After receiving all the approvals from creditors, the Global Village Tech Park transaction was completed," said a person. "The rest of the proceeds will be paid out in next few weeks," he said.

With this payout, the working capital situation is likely to improve for the Bengaluru-based coffee chain. A major chunk of the proceeds is likely to be utilised in reducing the overall debt of the company, interest outgo is expected to fall in the coming quarters.

By the end of July 2019, the group's aggregate debt stood at ₹4,970 crore, of which Tanglin Developments' liabilities were at ₹1,622 crore. CDEL's flagship coffee retailing arm Coffee Day Global's total debt was ₹1,097 crore. Sources said around ₹2,000 crore of proceeds from the Global Village Tech deal would be utilised to reduce debt.

After much delay, the deal got clearance from creditors

As part of its deleveraging initiatives, CDEL has divested its brokerage business 'Way2Wealth Securities' to Shriram Ownership Trust in January.

After the demise of CDEL's founder chairman V G Siddhartha last year, the conglomerate is facing liquidity crunch owing to higher interest outgo towards servicing debt. This deal of Global Village Tech Park is critical for the firm to reduce its debt and ease working capital situation.

Currently, trading in CDEL's shares remains suspended as the company was not able to submit its audited financial statements in time.

The company has sought more time from regulators for submission of audited results citing to non-completion of internal investigations.

In August last year, the company has assigned Ashok Kumar Malhotra, retired DIG of the Central Bureau of Investigation (CBI) to investigate into the purported letter written by V G Siddhartha. He was also assigned to scrutinise the books of accounts of the company with the help of an accounting firm.

HNIs flock to commercial properties amid residential market slowdown

RAGHAVENDRA KAMATH
Mumbai, 26 February

Last year, a Delhi-based high-net-worth individual (HNI) bought a 29,495 square feet commercial property in the Raheja Titanium complex in Goregaon East, Mumbai. The seller was based out of Kenya.

Similarly, a tech-based fund bought 48,000 sq ft and 7,721 sq ft at the L&T Seawoods in Navi Mumbai and The Capital in the Bandra Kurla Complex, respectively. These two instances are not isolated. For, with residential markets continuing to struggle, giving poor yields and capital appreciation for investors, strata sales in office properties are seeing a sharp spurt in top cities, say consultants and investors.

Strata sales are sales of commercial properties in a building or complex to an individual or retail investor.

About ₹2.5 trillion worth of Grade A office space is under construction in the top seven cities and will be completed over the next four years. Of this, 25 per cent (worth ₹63,000 crore) is up for strata sale, said a recent report by Anarock Property Consultants.

Strata sales in the top five cities last year were worth ₹6,000 crore, according to Nisus Finance, a Mumbai-based fund manager.

"There are close to 180,000 ultra HNIs in the country, growing at a rate of 10 per cent. As the residential markets have slowed down over the last few years, HNIs are looking at other asset classes such as commercial very actively," said Ramesh Nair, chief executive officer and country head at JLL, India's largest real estate services firm.

Nair said while residential properties are offering a yield of 2-2.5 per cent, and capital appreciation of 1-2 per cent per annum, commercial properties are providing a rental yield of 7-9 per cent and capital appreciation of 4-8 per cent per annum.

JLL brokered many such deals last year in the top 7 cities, he said. Even property companies and consultants are getting into strata sales in a big way.

Early in 2019, realty major Prestige Estates announced its plan to strata sell 25 per cent of its office assets to individual investors looking for plays in high-yield realty assets. "Except for a few companies in office properties, mostly all want to do strata sales," said Bappaditya Basu, chief business officer at Anarock Commercial, which was recently set up to focus on strata sales of commercial properties.

GoAir's Qatar service flies into turbulence

ANEESH PHADNIS
Mumbai, 26 February

GoAir's plan to roll out its maiden service to Qatar has hit an air pocket. Earlier this month, the airline announced its Mumbai-Doha service, beginning March 19, and offered an inaugural return fare of ₹14,000.

Customers lapped up tickets as it made travel between the two cities cheaper. But now, the airline is facing a hurdle and has quietly closed reservation for this flight. The reason for suspension of bookings is inability to secure traffic rights for Qatar in summer.

Governments exchange traffic rights between themselves and allocate them to their respective airlines to enable the launch of new flights.

Last November, GoAir secured 1,300 seats per week for Qatar, allowing it to start one daily service. But that was a temporary allocation for the winter schedule from Air India's unused entitlement. GoAir applied to the civil aviation ministry for an extension and then announced the Mumbai-Doha flight. But it has now been forced to put its flight on hold as Air India wants to use all its balance traffic rights and launch more services to Doha in the upcoming summer schedule.

In a statement, GoAir said, "The rights for Doha were given to GoAir in November 2019 for operations up to winter 2019 (end of March 2020) out of Air India's unutilised traffic rights. We are diligently completing requisite regulatory approvals for the new destination. GoAir was ready to operationalise the same in mid-March 2020. GoAir made an application to the government for extension of these rights for summer 2020. We understand that Air India has advised the government that it will be fully utilising its traffic rights to Qatar in summer 2020. In the meantime, GoAir has put the reservations/bookings on hold."

Air India and civil aviation ministry spokespersons did not respond to emails from *Business Standard*.

Aviation industry executives, however, are sceptical about Air India's plans, given its financial problems. Following the closure of Jet Airways last April, the government allocated its traffic rights to Air India and IndiGo. The preliminary information memorandum on Air India's disinvestment reveals that as of November, the national carrier had 10,395 weekly seats for Qatar. It was using 5,562 seats to Qatar and had a balance of 4,833 seats. Since then, it has added or announced new flights to Doha from Mumbai and Trichy. This includes a Boeing 787 service from Mumbai which it launched last week.

DESTINATION DOHA

- Qatar is the 4th-largest air travel market for India in West Asia after UAE, Saudi Arabia and Oman
- Traffic has been growing due to an increase in construction activity in Qatar ahead of the World Cup football in 2022
- Over two million passengers flew between India and Qatar in 2019