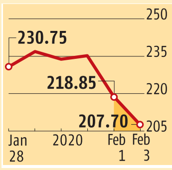
STOCKS IN THE NEWS

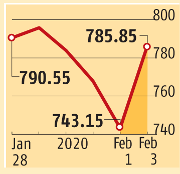
ITC



The government proposes to raise duty on cigarettes

₹207.70 CLOSE ▼5.09% DOWN*

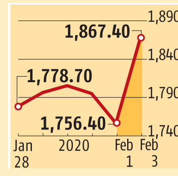
Amara Raja Batteries



Healthy volume growth in automotive and industrial batteries business in Q3

₹785.85 CLOSE ▲5.75% UP*

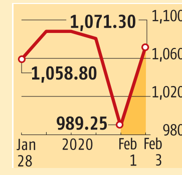
Asian Paints



Top gainer among Nifty 50 index stocks

₹1,867.40 CLOSE ▲6.32% UP*

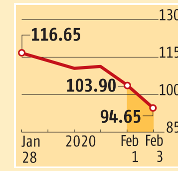
Godrej Properties



Q3 consolidated profit before tax up 145% at ₹88 crore; YoY

₹1,071.30 CLOSE ▲8.29% UP

Deepak Fertilisers & Petrochemicals



Fertiliser stocks continued to be under pressure on lower Budget allocation

₹94.65 CLOSE ▼8.90% DOWN*

* OVER PREVIOUS CLOSE

IN BRIEF

Ambani's sons quit RInfra board in just four months

Reliance Group Chairman Anil Ambani's (*pictured*) sons have resigned from Reliance Infrastructure's (RInfra) board. The resignation comes in less than six months from the appointment made in October last year. In a statement sent to the BSE on Saturday, RInfra said Jai Anmol Ambani and Jai Anshul Ambani have resigned from its board. The company mentioned the date of cessation on January 31, and did not share reasons for resignation. The firm did not share any details on the new role the brothers will assume. AMRITHA PILLAY

WeWork India adds 2 co-working spaces with 4,350 desks

Co-working major WeWork India has expanded its operations by adding two new centres in Mumbai and Bengaluru comprising 4,350 seating capacities to meet growing demand of flexible workspace. In Mumbai, the coworking centre is located at Nesco IT Park and will have 3,400 desks. The total area leased in these two centres is 1.15 lakh sq ft. PTI

US private placement market revives as ATL raises $310 mn

Adani Transmission raised $310 million in the US private placement market by placing 30-year paper last week. Indian firms, led by Indian Oil, Indian Railways, Tata Chemicals and Reliance raised funds from the US private placement market. But since then, the American investors were reluctant to invest in the Indian paper after their bad experience with Reliance Energy paper BS REPORTER

GMR signs pact to run Bidar airport in Karnataka

GMR Hyderabad International Airport (GHIAL) has signed a concession agreement to commission, operationalise and maintain the Civilian Enclave at Bidar Airport in North Karnataka. The agreement was signed under the centres Regional Connectivity UDAN (Ude Desh Ka Aam Nagrik) Scheme, a press release from GMR said on Monday. PTI

SpiceJet offers free tickets to voters flying to Delhi

SpiceJet said it is offering "hundreds" of "free" tickets, where the base fare will be waived but taxes and other surcharges have to be paid, to select people who want to fly to Delhi to vote in the upcoming assembly elections. PTI

SA firm seeks govt help to sell 10% stake in MIAL

DEV CHATTERJEE
Mumbai, 3 January

After the Bidvest Group, Airport Company of South Africa (ACSA) has sought help from the ministry of external affairs (MEA) and the ministry of civil aviation to sell its 10 per cent stake in Mumbai International Airport (MIAL).

The South African company warned that its board is concerned about making future investments in India, considering the legal and regulatory delays.

In a communication to the MEA, group executive (business development) of ACSA Charles Shillows said it is an investor in MIAL since 2006.

After successful completion of the project, the company decided to exit the investment in January 2019 when the Adani Group approached it to sell stake.

ACSA decided to sell its stake to the Adani Group as it wants to re-deploy funds in other markets such as Africa, South America and in Asia, including in greenfield airports in India.

But the GVK Group, which owns majority stake in MIAL, decided to move court against the sale, citing its right of first refusal.

The matter is currently pending in courts and this is leading to delay.

"However, our sale process has been frustrated due to numerous litigations, and regulatory approvals, leading to inordinate delay in such sale," Shillows said.

As a foreign long-term strategic investor in India, ACSA said it is keen to invest in upcoming opportunities such as Jewar airport, where it bid with a local partner.

"However, inordinate delays due to the legal process, and unfavourable regulatory approvals have led to concerns on future investments in India," he said.

He added that these are critical issues, which have raised concerns at the board level on future investments in India – one of the world's fastest growing aviation markets.

When contacted, a GVK spokesperson said, "We expect to close the transaction with Bidvest and ACSA when they stop litigation. They are trying to scuttle our right of first refusal, and instead must agree to conclude the transaction in line with the shareholder agreement."

In March last year, Bidvest announced sale of its 13.5 per cent stake to Adani Group for ₹1,250 crore. At the same time, it offered its stake to other shareholders of MIAL as per the right of first refusal agreement signed with MIAL shareholders.

GVK had agreed to buy back Bidvest's stake but failed to arrange for funds within the 30-day period in April 2019. The group then moved Delhi high court seeking a stay on the stake sale to Adani Group, but the high court rejected GVK's plea in July last year. A Division bench then sent the matter to an arbitration panel.

An arbitration tribunal in January this year ruled against Bidvest on airport stake sale. Both Bidvest and ACSA said GVK wants to buy the stake, but is neither giving them the money nor depositing it in an escrow account.

EXIT HURDLE

- ACSA had agreed ta sell MIAL stake to Adani in Jan 2019
- ACSA wants to re-deploy funds to Africa, South America and Asia
- GVK moves court against Bidvest, ACSA sale on Right of first refusal
- ACSA says its sale process delayed due to litigation, lack of regulatory approvals
- ACSA board concerned over future investments in India

ITC's investors fume on slower growth & taxes

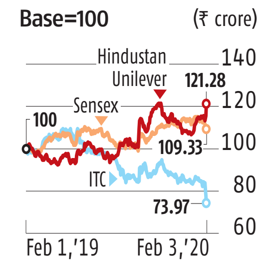
VISHAL CHHABRIA & ISHITA AYAN DUTT
Mumbai/Kolkata, 3 February

ITC, which is known to not only bounce back stronger from adverse situations but also take on the might of large multinationals, is once again being put to test. It is not only the slower growth for the December quarter (Q3) that indicates near-term pressure for the company; there are headwinds that cloud ITC's medium-term prospects as well.

Investor concerns are not without reason, considering the cigarette business accounted for 84.7 per cent of ITC's consolidated earnings before interest and tax (Ebit) in 2018-19.

In Q3, too, the company posted a mere 5.7 per cent increase in consolidated revenue, with the cigarette business growing just 5.3 per cent, over the year-ago period. Standalone revenue growth at 5 per cent is the lowest in seven quarters. Worse, operating profit (excluding other income) also grew by just 5.2 per cent on a consolidated basis; 3.6 per cent for standalone entity (the slowest increase in 12 quarters).

ON THE BSE
Base=100 (₹ crore)



After results, five analysts have downgraded the stock, while one has upped her rating. Of the 25 analysts polled by *Bloomberg*, 16 have a 'buy', 8 a 'hold' and one a 'reduce' rating of ITC, and their average target price is ₹279.28.

Even the promising FMCG (consumer products excluding cigarettes) business clocked a muted growth of 3.5 per cent year-on-year (YoY). In spite of the slowdown, investments in brand building and gestation costs of new categories also reflect in the financial results of the FMCG segment.

The company, however, has been able to push up margins in both cigarette and FMCG businesses, given their profit has grown ahead of the top line. Consolidated Ebit of the cigarette business, for instance, was up 6.5 per cent YoY in Q3, partly aided by price hikes, while the same for FMCG was up 36.5 per cent, helped by measures to improve profitability and a low base.

If slowdown in financial performance wasn't enough, the Union Budget has dealt a blow to the cigarette business by raising taxes in an unorthodox way.

Richard Liu and Vicky Punjabi of JM Financial, in a February 1 note, said, "In a rather shocking move, the government effectively hiked cigarette taxes by 13-14 per cent. A part ad-valorem GST tax structure necessitates that part of price hikes (to pass on the higher taxes) gets shared with the government, resulting in much higher effective increase in taxes versus what the FM announced."

The hike in taxes is expected to hurt ITC's earnings. Ashit Desai of Emkay Global Research said in a note on Sunday, "Based on our workings, the hike in cigarette duties is likely to result in a weighted average consumer price increase of 6-7 per cent for ITC, with price increases being higher at ₹8 per cent in 64 mm cigarettes."

The move comes at a time when cigarette demand is already under pressure. "A weak demand scenario, high base, and rising salience of illegal cigarettes at the premium end constrained cigarette volume growth to 2 per cent YoY (base of 7.5 per cent YoY), in line with our estimate," said Edelweiss' analysts led by Abneesh Roy.

Not surprising then, ITC's stock has been a significant underperformer vis-à-vis Hindustan Unilever as well as the BSE Sensex in nearly the last two years.

Apple supplier to assemble iPhone parts in S India unit

REUTERS
New Delhi, 3 February

Taiwan's Wistron plans to assemble printed circuit boards (PCBs) for iPhones at its plant in southern India, two sources said, highlighting Apple's push to expand manufacturing.

The local assembly of PCBs by Wistron's India unit will be a first for the contract manufacturer, which began making Apple's low-priced SE model in the southern tech hub of Bengaluru in 2017. It currently assembles the 6S and 7 iPhone models there as well.

A PCB is a bed for key components such as processors, memory and wireless chip sets that are the heart of an electronic device. Once assembled, or populated with components, PCBs account for about half the cost of a smartphone.

Wistron's second iPhone plant, some 40 miles from Bengaluru, is expected to become operational by April, the sources said, adding that it will make iPhone 7 and 8 models, some of which will be exported.

The facility will be capable of producing up to 8 million smartphones annually, they said. The plan is part of Wistron's ₹30 billion ($422.12 million) investment proposal submitted to the Karnataka state government in 2018. Wistron's rival Foxconn, which began making iPhone XR models in India last year, already assembles PCBs for those devices locally.

NTPC raises $750-mn loan in yen

This is the largest-ever syndicated loan raised by any Asian firm in the currency

SHREYA JAI
New Delhi, 3 February

NTPC, the country's largest power generator, has raised a syndicated Japanese yen loan (JPY) worth $750 million (₹5,300 crore).

This is the largest ever syndicated loan raised by any Asian company from the offshore 'samurai' loan market, said NTPC. Also, this is the highest ever single foreign currency loan it raised.

Raised under the automatic route of the Reserve Ban's regulations regarding external commercial borrowing, it has been fully underwritten by State Bank of India, Tokyo; Sumitomo Mitsui Banking Corporation, Singapore; and Bank of India, Tokyo.

The facility has door-to-door maturity of 11 years under two tranches, NTPC said.

This is the third bond offering by NTPC in the international markets in the current financial year. In 2019, it raised $450 mn under its $6 billion Medium Term Note Programme. The latter was set up in 2006 and this was the 10th, taking the cumulative amount raised under the Programme to $4.3 billion. In May 2019, it also raised ₹4,300 crore through bonds at an annual coupon of 7.32 per cent.

The company said proceeds from the latest JPY loan would be used to fund installation of flue gas desulphurisation (FGD) systems at its units. This is to be done at its coal-based power plants to reduce their emissionof sulplur oxides.

"It will also be installed in new hydro and thermal power projects, using ultra supercritical technology with low carbon emission," said NTPC. Having some of the country's oldest thermal power plants, it needs to install FGD and other emission control systems to meet new environmental norms.

In its investor meeting last year, NTPC said it had awarded FGD contracts for around 30,000 Mw of its units. The company's current capacity is 58,156 Mw, of which coal-based power is 42,900 Mw.

This is the third bond offering by NTPC in the international markets in the current financial year

AGR dues not accounted for in Budget

But receipts from telcos pegged at ₹1.33 trillion for the next fiscal yr

SOMESH JHA
New Delhi, 3 February

In the Union Budget, the government hasn't included the adjusted gross revenue (AGR) dues, which the Supreme Court has ordered telecom service providers to pay, in its revenues for 2019-20 and 2020-21.

While upholding the AGR definition of the Department of Telecommunications (DoT), SC had in October 2019 asked telcos to pay up past dues estimated at Rs 1.47 trillion within three months. The industry plea, seeking a modification of the order to get more time for paying up the dues, is yet to be heard in the top court.

"The AGR dues have not been factored in by the government in its Union Budget as the matter is sub-judice," said economic affairs secretary Atanu Chakraborty on the sidelines of the post-Budget-Ficci event on Monday. He said the AGR dues have not been accounted for either in the current financial year or the next. "We want to be on the conservative side while budgeting our revenues," he added.

In the latest Budget, the government has estimated a revenue of ₹1.33 trillion from telecom services in 2020-21. This is around ₹74,000 crore more than the ₹58,989 crore it expects to earn in the present financial year.

The government hasn't specified the avenues from which ₹1.33 trillion can be realised in the telecom sector.

It is either an ambitious target or the government would look for alternative resources, said analysts.

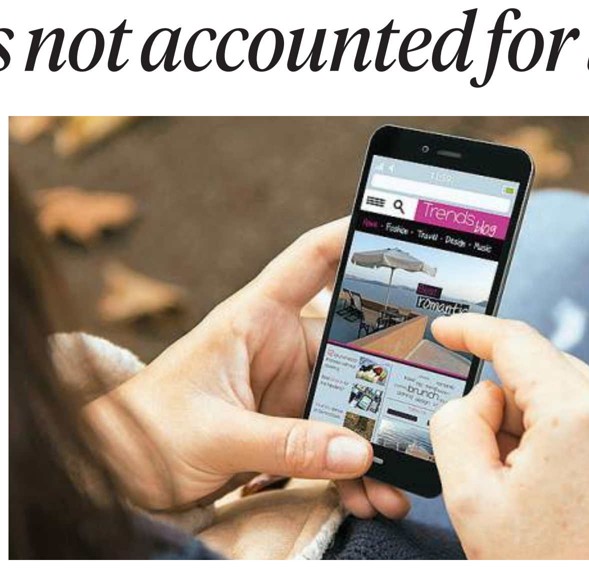
Besides AGR dues, spectrum auction across bands, scheduled for this year, would yield revenues. However, the financially stressed telecom companies are unlikely to bid aggressively in the auction.

Even after the SC deadline for paying up the AGR dues expired on January 23, the DoT did not take any coercive action against the defaulters as their appeals seeking relaxation in payment timelines is pending in the apex court.

The figure of ₹1.33 trillion under the telecom head in the Budget raised apprehensions among telecom operators that they may have to pay a substantial portion of the AGR dues — over 50 per cent of ₹1.47 trillion — in the next fiscal year.

According to Cellular Operators Association of India (COAI) estimates, telcos have to pay around ₹16,000 to ₹17,000 crore as licence fee and spectrum usage charge (SUC) this year.

Even after assuming that revenues will grow sharply due to increase in tariffs and redefinition of AGR, they say it cannot be more than ₹30,000 crore for FY21. But with a moratorium of two years on payment of deferred spectrum for FY21, which is ₹25,000 crore, this money will not be available. Also with negative response on 5G, COAI expects the government to get ₹25,000 crore upfront for fresh spectrum auction next year.



It is yet to be seen as to where the budgeted money would come from in the next financial year

AI buyer won't get free hand to cut excess staff: DIPAM secy

PRESS TRUST OF INDIA
New Delhi, 3 February

Buyers of Air India and Bharat Petroleum Corporation (BPCL) will not get a free hand to shed excess workforce as the government will build in certain protection to employees in the share sale agreement, DIPAM Secretary Tuhin Kanta Pandey said.

Public sector firms often have more people on rolls than their private sector counterparts and companies wanting to take them over would likely right-size them to remove inefficiencies. The Secretary of the Department of Investment and Public Asset Management (DIPAM) said the government would follow two-stage bidding process for selling its holding in Air India and BPCL.

First preliminary interest from potential bidders is invited, followed by them being given access of data room on the companies for due diligence. In the second stage, price bids are invited.

While in the case of Air India, the expression of interest (EoI) has been invited by March 17, an offer seeking the same for BPCL is likely to be floated in the next few days. Asked if the bidders will get a free hand to right-size the companies after the acquisition, Pandey said, "There will be certain protection to employees and there will be other conditionalities and this will be listed out in the share purchase agreement (SPA)." He did not give details of the conditionalities. An SPA will signed with the acquirer who offers the highest bid for buying out government stake.

The government is selling its entire 100 per cent stake in Air India but wants effective control to stay with Indian nationals. The airline, which started as a Tata Airlines in 1932 and was later acquired by the government, has not made profits since 2007. It has a total debt of ₹60,074 crore, of which bidder has to takeover ₹23,286.5 crore.

In the case of BPCL, the government is selling its entire 53.29 per cent stake in the company that will give buyers ready access to 14 per cent of the oil refining capacity and about one-fifth of the fuel market share in the world's fastest-growing energy market.

"There will be certain protection to employees and there will be other conditionalities, and this will be listed out in the share purchase agreement"

TUHIN KANTA PANDEY
DIPAM secretary

Trading in shares of Coffee Day suspended

DEBASIS MOHAPATRA
Bengaluru, 3 January

Market regulator Securities and Exchange Board of India (Sebi) has suspended trading in shares of Coffee Day Enterprises (CDEL) from Monday. Sources in the know said breach of listing obligations by not submitting audited financial statements in time could be the reason behind suspension of trading. The shares of the firm were last traded on Saturday (February 1) when the market was open for the Budget announcements.

Earlier, the market regulator had informed CDEL that delay in declaration of earnings beyond January 29, could lead to halting of trade in the company's shares due to breach of listing regulations. However, the Bengaluru-headquartered firm had sought more time for submission of audited results citing to non-completion of internal investigations.