IN BRIEF

Maruti Suzuki showcased the 4th generation Japan model of off-road vehicle Jimny at the Auto Expo in Greater Noida. The vehicle, powered by a 1.5-litre petrol engine, has power of 75 kW/6,000 rpm and torque of 130 Nm/4,000 rpm PHOTO: TWITTER

Vivo to set up 250 stores this year to expand retail biz

Smartphone maker Vivo on Saturday said it is planning to add over 250 exclusive stores this year to its retail network in the country. The company has launched a new experiential flagship store in Thane, Maharashtra and plans to have 20 more such stores across metros and state capitals to offer a distinct customer experience in an offline retail space, Vivo said in a statement. PTI

DLF sales bookings up 21% to ₹2,156 cr from Apr-Dec 2019

Realty major DLF's net sales bookings rose 21 per cent to ₹2,156 crore during April–December, 2019–20 on better demand for its completed inventory. Its sales bookings stood at ₹1,788 crore in the year–ago period. According to its investor presentation, DLF's sales bookings stood at ₹731 crore in the third quarter of this fiscal as against ₹563 crore in the corresponding period of the previous year. PTI

Central Park to invest ₹1,000 cr in Gurugram

Real estate company Central Park on Saturday said that it plans to invest around ₹1,000 crore to develop a luxury housing project in Gurugram. The company will develop over 500 housing units in the 13–acre housing project 'Bellavista', which is part of nearly 50–acre township 'Central Park Resorts' in Gurugram. Central Park has already launched the first tower comprising 360 studios and one bedroom apartments starting at ₹1.76 crore. PTI

200% import duty hike to impact toy business: Industry

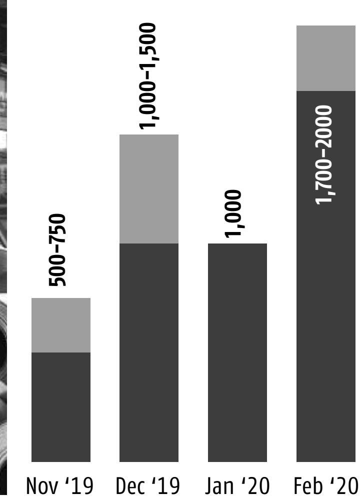
More than a 100,000 retailers across the country will be hit by 200 per cent import duty hike, said toy importers, who went on strike on Saturday. The Centre, in the Budget, has proposed raising the import duty on toys from 20 per cent to 60 per cent from the next fiscal, saying that the step would support the MSMEs and promote local manufacturing. The toy wholesalers went on strike contending that the import duty hike will result in the closure of businesses. PTI

Domestic steel prices head north

Sustainability of price hikes to be tested over next three months

ADITI DIVEKAR
Mumbai, 8 February

RATE HIKE
(₹ per tonne)



Domestic steel industry has been continuously raising product prices since November despite the absence of green shoots.

"There are no strong demand indicators or green shoots at all which can keep these price hikes sustainable. Demand from infrastructure is still to pick up and auto continues to be weak," Sushim Banerjee, director general at Institute of Steel Development & Growth (INSDAG) told *Business Standard*.

Domestic steel producers have raised product prices by about ₹2,000 per tonne for February.

"The February price hike is also in anticipation of a demand pick-up that stockiest have stocked their yards. There is no on-ground demand so far," Banerjee added.

Higher raw material costs, increased global steel prices and expectations of a demand pick-up have been the only reasons for domestic steel producers to raise prices every month since November so far.

Currently, hot-rolled prices are ruling at ₹40,000 per tonne in the domestic market, which is up from the 15-month low of ₹33,500 per tonne rate noted mid-2019. However, the current price point is far lower than ₹47,000 per tonne rate for hot-rolled noted in October 2018.

Tata Steel, Sajjan Jindal-led JSW Steel, Naveen Jindal-led Jindal Steel & Power and state-owned Steel Authority of India (SAIL) are among the top steel producers in the country.

"Raising prices is fine. The question is sustainability of the price hike. Where is the demand?" said a Mumbai-based trader on condition of anonymity.

Meanwhile, some industry officials were of the view that customs duty levied on consumer durables in the Union Budget for FY21, could bring in mild demand in the market for steel.

"The slight demand from consumer durables is not enough to revive demand in the domestic steel industry," said Banerjee of INSDAG.

Of the total domestic steel demand, majority comes from the infrastructure sector followed by the auto industry. A marginal of about 10-12 per cent of the total steel consumption goes towards consumer durables.

"In our view, the contemplated price hike (in February) may not be fully absorbed as Japan FOB (free on board) price may follow the dip in CFR Vietnam price. Also as China's price may slip when companies resume work on February 9. This may result in imported prices slipping to discount compared to domestic ones," said a note from Edelweiss Securities.

As per Joint Plant Committee data, during Apr-Nov India's domestic steel consumption stood at 66.5 million tonne, up 3.65 per cent from same period last year, while production was at 67.66 million tonne, up 2 per cent from last year.

Industry officials are of the view, that the next 2-3 months would be very crucial for the domestic steel industry to test if the risen prices are sustainable, as the strong consumption period will continue until May.

"Dealers are priced the highest among other segments to which steel companies are giving the products. Demand is extremely weak and producers are simply being opportunistic," said Mumbai-based dealer who is also a member of Bombay Iron Merchant's Association.

The July-September period is usually considered as a slack demand season for steel as industrial activity comes to a standstill across country due to monsoons.

Meanwhile, traders are expecting some upside in demand from the real estate sector after the Reserve Bank of India (RBI) today announced some relief measures to boost consumer loans for housing.

"So far the only positivity that can be seen in the industry is that the uncertainty in terms of consumption pattern has gone completely. During the fiscal, companies have had to cut capex due to demand slowdown. The industry has come out of that situation. That is the only real positive so far," informed Banerjee.

JSW Steel decided to "recalibrate" its capital expenditure for this year and brought it down by ₹4,700 crore. Tata Steel also revised the FY20 capex to ₹8,000 crore from ₹12,000 crore earlier.

Home market in focus amid surge in demand

ISHITA AYAN DUTT
Kolkata, 8 February

A pick-up in demand for steel and successive price hikes is prompting companies to bring back focus on the domestic market.

Steel companies have increased prices of flat steel by ₹1,700-₹2,000 a tonne in February, the fourth increase in a row. Prior to the latest hike, the price differential between domestic steel and imports was about $30 a tonne.

The factors that led to the price hike are an increase in international rates by $50-$100 a tonne in the past few months and an upward push in raw material prices. JSW Steel, director (commercial & marketing), Jayant Acharya, said, "There is an improvement in demand. Prices have bottomed out."

"There is an improvement in demand. Prices have bottomed out"

JAYANT ACHARYA
JSW Steel, director (commercial & marketing)

After a slump in September-October, prices started moving up since November. International prices of hot rolled coil (HRC) in April last year were at $530 a tonne. In September-October, it dropped to $430 a tonne and now it is around $505 a tonne.

It, too, holds for domestic prices, which have been moving up since November. In the past three months, the increase passed on to customers is about ₹3,000 a tonne. However, companies and analysts are watching developments around Coronavirus that has weakened demand for the metal from China and impacted prices. Industry sources said, for now, the prices increased in February have been absorbed by the market. Long product prices, too, have been increased by ₹1,500-2,000 a tonne.

Restocking is one of the major factors fuelling the increase. "Infrastructure and construction sector has seen some of the demand coming back and also in the auto sector," said an executive of another major steel producer.

As a result, there has been some correction in inventories across supply chains. JSW's inventory over the last quarter, for instance, has reduced by 245,000 tonne. Over the next few months, Acharya expects demand to pick up further. Companies expect the infra push by the government to spur steel demand. The government's commitment to investment in infrastructure was reiterated by the finance minister in her budget speech.

The improvement in demand is prompting steel companies to focus on the domestic market. Acharya said JSW's exports moderated from 31 per cent of total sales in the second quarter to 24 per cent in the third quarter. "Some moderation was expected in the fourth quarter as well," he said, while reminding that the fourth quarter was seasonally a strong quarter.

"The focus is clearly on the domestic market. Whenever there is an increase in prices, the focus is on the domestic market. Even if there is some differential in import and domestic prices, transportation time makes up for it. Exports to Europe take two-three weeks," said another producer.

With the increase in prices, there is a clear-cut case for companies to increase focus on the domestic market, said Jayanta Roy, senior vice-president, ICRA.

To bring down the inventory levels, steel companies had resorted to increase exports in the second quarter. However, month-on-month exports have been coming down.

ITC, Emami shift focus to rural markets

AVISHEK RAKSHIT
Kolkata, 8 February

INTO THE HINTERLAND

- 80% of ITC's new handler base came in from rural areas
- Emami expanded its footprint to more than 20,000 towns and rural locations
- HUL's distribution network directly covered about 50,000 villages
- HUL, ITC employing e-commerce platforms and digital route in rural areas
- Emami banking on online routes for urban centres only

Fast-moving consumer goods (FMCG) majors like ITC and Emami are scaling up their direct reach in rural areas to combat subdued consumer sentiment in these pockets. They hope such a move — backed by consumer connect initiatives — can help push sales.

In view of the ongoing slowdown, which has impacted demand in rural India, ITC doubled its rural stockist network in the current financial year, with significant increase in coverage across low population groups.

"We have actively increased our direct reach in rural India by adding more than 25 per cent new markets to the existing large serviced base," said an ITC spokesperson.

ITC's handler base currently stands at 6.2 million outlets and it continued to deploy resources to augment the outlet coverage aggressively, with nearly 80 per cent of new handlers added in the current year coming from a rural base.

In case of Emami, which has one of the highest exposures in rural areas among its peers, the company is banking on its Project Dhanush initiative, which it undertook three years ago.

In the past three years under this initiative, aimed at reaching the deepest and remotest of geographies, Emami expanded its footprint to more than 20,000 towns with a population of around 3,000.

"Van branding and visual merchandising at outlets through point-of-purchase visibility has proved to be an effective consumer influencer fuelling rural channel growth," said Mohan Goenka, director at Emami.

With more than 3,000 distributors and 600,000-plus square feet of trade assets, which incidentally is the largest in store merchandising in the country, Hindustan Unilever (HUL) also has prioritised increasing its direct distribution reach.

According to an open access journal, International Journal of Research — Granthaalayah, over the decades since its launch in 1997, HUL has appointed 6,000 sub-stockists, because of which its distribution network directly covered about 50,000 villages and is reaching 250 million consumers. This translates into reaching 37 per cent of rural consumers directly. The rural distributor has a set of stockists attached to it that drives distribution in villages using unconventional transport like tractors, bullock carts and others.

Nearly all FMCG companies like Marico, HUL, ITC and the rest have been indicating that the operating environment has been challenging, with drop in consumption, especially in rural areas, severe crunch in market liquidity conditions, and disruptions and floods in several parts of the country.

While ITC continued its rural consumer connect programmes in identified low population group markets with its brand communication focused on highlighting consumer value offers and build social and emotive brand connect, Emami strengthened its brand connect by associating popular brand endorsers who enjoy mass reach equally cutting across both urban and rural markets.

On the other hand, FMCG players are also leveraging e-commerce platforms and using digital technology to drive sales.

For example, both HUL as well as ITC is using Big Data analytics to attract consumers from small towns or rural India by offering suitable products, stock-keeping units, and communicating its portfolio. HUL has also come up with an online ordering app for its salespeople as well as opt for customised promotions.

Indiabulls arm gets CRISIL downgrade on fund access

ABHIJIT LELE
Mumbai, 8 February

Rating agency CRISIL has downgraded Indiabulls Housing Finance's (IBHFL) long-term rating from "AA+" to "AA" citing continued challenges on funding access diversity faced by the firm.

CRISIL also revised the outlook on the long-term ratings to 'Stable' from 'Negative'. The rating on the commercial paper (CP) issue and short-term non-convertible debenture programme has been reaffirmed at 'A1+'. While there has been some improvement in funds raised by IBHFL in Q3FY20, they have mostly come from the banking channel and continue to remain lower than the pre-September 2018 levels.

The incremental fund raising from the debt capital markets has remained very low in recent times.

Secondary market yields for IBHFL paper continue to remain elevated. High dependence on bank funding (largely working capital and securitisation lines) has reduced the diversity in resource profile, CRISIL added.

It also said the pace of bank sanctions has increased since Q3FY20, and that there had been an uptick in retail disbursements and continuing traction in the monetisation of the wholesale portfolio.

IBHFL received bank sanctions (including securitisation lines) of around ₹11,000 crore in Q3FY20, compared to ₹7,580 crore in Q2FY20.

Further, it received proposals of around ₹5,500 crore for sell-down/refinance of assets in its commercial credit book, which have been either executed or are in the process of being executed.

Home loan (HL) and loans against property (LAP) disbursements stood at ₹4,966 crore in Q3FY20, up almost 25 per cent from the previous quarter. There has been sell-down of wholesale exposures over the past few quarters.

As a consequence, the proportion of commercial credit exposures in total assets under management (AUM) reduced to 16 per cent as on December 31, 2019, from 21 per cent as on March 31, 2018.

The company is taking steps to reduce the commercial credit exposure further in the near term, and is in advanced talks with investors/financial institutions to refinance more such exposures.

Bengaluru's real estate emerges unscathed from slump

Besides traditional segments, demand for co-living, co-working, and senior living has kept sector buzzing

SAMREEN AHMAD
Bengaluru, 8 February

REALTY CHECK - III

Last year, the real estate sector reeled from new goods and services tax regulations, non-banking financial companies crisis, and liquidity crunch. Yet, Bengaluru managed to emerge unscathed as one of the most active markets in both the residential and commercial segments.

According to Anarock Property Consultants, Bengaluru has been the most active market in 2019 with the lowest inventory overhang of 15 months, despite reasonable supply addition. This was well below the 18 months threshold needed for consideration as a healthy realty market. Inventory overhang is the total unsold homes divided by the average monthly sales rate.

"The Bengaluru realty market has always been driven by end-users coupled with steady economic activity, which is powered by a high percentage of the white-collar migratory population. It is one of the primary reasons that keeps the city's realty market stable in comparison to other key cities," said Ashish R Puravankara, managing director, Puravankara, which has registered an increase in sales of almost 25 per cent year-on-year in FY20 so far.

Another striking feature is the reasonable pricing of luxury homes which begins from ₹75 lakh. "Among the NRIs too, Bengaluru continues to be the most favoured destination for luxury real estate investment in India, due to the presence of infrastructure and homes designed with the latest facilities that match their international lifestyle," explained Surendra Hiranandani, chairman and managing director, House of Hiranandani.

The city is also witnessing a shift in consumer behaviour that has prompted developers to modify their offers to accommodate the demand for smart homes, co-living, and co-working space.

Co-living spaces are becoming more popular with millennials looking for more dynamic options that provide more features and amenities than the usual rented space.

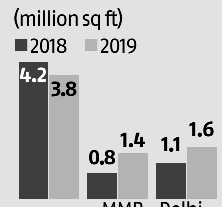
According to data, there will be a demand of 37 million co-living spaces by 2025 from millennials who form 42 per cent of the total workforce in India. Predictably, several builders such as Embassy, Puravankara, and Brigade are investing in this segment.

RISING REAL ESTATE DEMAND IN SILICON VALLEY OF INDIA

Region	Year	Stock opening	Launch new	Absorption total	Stock closing
Bengaluru	2018	108,183	45,553	44,704	109,032
Bengaluru	2019	109,032	40,946	45,039	104,939
Kolkata	2018	52,597	16,876	16,469	53,004
Kolkata	2019	53,004	14,323	17,366	49,961
MMR	2018	329,287	78,138	97,686	309,739
MMR	2019	309,739	61,136	91,199	279,676
NCR	2018	174,486	30,602	41,690	163,398
NCR	2019	163,398	35,892	38,556	160,734

Source: PropEquity

FLEXIBLE WORKSPACES
(million sq ft)



Source: PropEquity

BETTING BIG ON CO-LIVING
Market size

BENGALURU: Present in locations along Outer Ring Road, Whitefield, Electronic City catering to both working professionals and students

DELHI-NCR: Facilities prominent in Gurugram, driven by working professionals

MUMBAI: Due to high property prices, city has seen low penetration of co-living operations

Source: Cushman & Wakefield report

On the commercial front, with the rise of the gig economy and technology that allows the concept of a 'liquid workforce', co-working spaces are receiving more attention. Demand for co-working spaces in the city has been rising. Over a dozen brands are gaining momentum — CoWrks, WeWork and Innov8 Coworking to mention only a few. The space absorption in the co working vertical is also the highest here compared to all top cities. According to PropEquity, the city has about 25 msft under various stages of completion to be delivered in the next three years.

"Of the total office space leasing in India, 10 per cent is now going to flexible workspace," said Nirupa Shankar, executive director at the Brigade Group which has launched its own brand of co-working spaces called BuzzWorks.

WeWork India, owned by Embassy, is in talks to raise around ₹1,400 crore this year to expand the business.

Acting on the high demand in commercial realty, Puravankara is aiming to have 20-25 msft (million square feet) of commercial space operating in the next four to five years. As of now, it has sold approximately two msft of projects.

Prestige Estates which reported over a two-fold jump in consolidated net profit at ₹161.8 crore for the December quarter has also announced four new commercial projects in Bengaluru.

Senior living is another sector that is gaining attention. Research data shows that there will be around 300 million elderly Indians by 2050. With less than 1 per cent of the demand for senior living units available today, this segment is set to explode in the coming years. "The current hurdles facing this sector of consumers are social stigma, manpower, and affordability. The real estate industry has to put forth efforts to facilitate this surge of seniors who will need housing. We are now getting ready to launch projects in the space of senior living," said Reeza Sebastian, president, residential business, Embassy.

The Brigade Group has already launched Parkside (independent living for seniors) across three locations in the city. "Brigade is also experimenting with hybrid models where half the project is senior living and half is regular, based on feedback from senior citizens who want to feel connected to the wider community," said Pavitra Shankar, executive director of the Group.

Series concludes