Companies

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RAY OF HOPE

Anand Mahindra, chairman, Mahindra Group
@anandmahindra

And when will investors shift from a sense of frenzy and panic to recognition that low oil and low bond yields may serve as a kind of global stimulus — which could make this a historic stock buying opportunity?

CORONAVIRUS IMPACT

Long road to recovery for tourism, airline cos

ANWESHA GANGULY
Mumbai, March 10

THE GLOBAL OUTBREAK of the novel coronavirus (COVID-19) has dealt a massive blow to the Indian travel and tourism industry, particularly airlines. Since the coronavirus has started spreading, many countries have issued travel advisories on the worst affected geographies, including China, South Korea, Iran and Italy.

Some analysts fear that the overall economic impact may exceed $1 trillion. International air fares have dropped 30-35% since the outbreak. With little visibility on when the virus will be contained, the estimated revenue loss on passenger business alone could be as high as $113 billion. Global air travel demand growth in January was the slowest monthly increase since April 2010.

In India, airlines and tourism sector representatives have rushed to the government seeking financial support.

Average one way fares to routes including Mumbai-Singapore, Bangalore-Dubai and Delhi-Dubai have fallen between 41-46% month-on-month in March, data collated by the travel platform Ixigo showed. India's largest airline, IndiGo's fare for Mumbai-Singapore flights dropped to Rs 9,051 in March, compared with Rs 13,720 in February and Rs 10,303 during March 2019. Meanwhile, IndiGo's Delhi-Dubai fares fell 47.4% year-on-year (y-o-y) to Rs 9,072 in March 2020. In February, the fare on the same route was Rs 15,125. Air India and Vistara have seen a 26% y-o-y drop in sales (on billing-and-settlement-plan basis) on international routes in February, a senior airline executive told FE. "Selectively just for bookings to South East Asia and West Asia the impact is more severe, over 50%," the source said.

West Asian airlines have taken a significant hit. Dubai-based Emirates also saw a 17.4% y-o-y fall in fares on the Delhi-Dubai route to Rs 10,606 in March. "Around 80% of Emirates' network is on hold...we expect a revenue loss of around $4 billion. Their operating cost would go up by around 18% y-o-y in the following year," said Mark Martin, aviation consultant. Global air travel demand growth (measured in total revenue passenger kilometers) slowed to 2.4% year-on-year (y-o-y) in January 2020, compared with 4.6% y-o-y growth last January, said International Air Transport Association (IATA).

Travel and tourism generates 10.4% of the global GDP, and supports 319 million jobs worldwide, according to World Travel & Tourism Council. Industry players still do not have full visibility on the extent of damage the outbreak will cause. "While a sluggish economy, coupled with the COVID-19 scenario, has seen a dampening of travel sentiment, it is early days to assess impact or duration. We continue to closely monitor the situation and are in constant touch with government health authorities, tourism boards and our local partners on the ground" said Rajeev Kale, president and country head, Thomas Cook (India). "Collectively, the impact is roughly being seen at around $1.2 trillion, which goes towards hotels, airport services, tourism, and even retail," Martin said.

Average drop in one-way fares in February-March

Route	March 2019	Feb 2020	March 2020	YoY %	MoM %
Delhi-Madrid	24,209	-	22,567	-6.78	
Mumbai-Singapore	26,000	16,000	8,727	-66.43	-45.46
Bengaluru-Dubai	10,932	12,212	7,666	-29.88	-37.23
Delhi-Dubai	16,897	13,325	7,783	-53.94	-41.59

(Fare in ₹) Source: Ixigo

Even if the virus is contained, sentiment has been severely impacted by travel advisories issued around the globe, said Jyoti Mayal, president, Travel Agents Association of India (TAAI). "The entire tourism industry structure has come to a standstill. Not only that, there is a lot of apprehension on what the future holds. To return to normalcy, it will take at least a couple of months. The outbreak will take some time to subdue even if it is contained. It will take some time for people to have the confidence to travel again," Mayal said. Such is the panic that even hotels have refused to check-in to tourists from the worst affected countries, the Indian Association of Tour Operators (IATO) said.

Holiday operators are looking to the government for a bailout in the form of tax relief, loan and overdraft relaxations. "The holiday season for Indians is between April to June is when people travel abroad. Our members have paid huge advances to foreign suppliers and service providers. Not everyone is issuing refunds. The airlines are also not refunding tickets in totality. The customers are holding the travel agents accountable. It has become a challenge," Mayal told *FE*.

Meanwhile, bookings to some destinations in the Indian sub-continent remain steady as of now. "Destinations that are witnessing high demand for Summer 2020 include Andaman, Goa, Himachal Pradesh, Kashmir, Kerala and the North Eastern states. This is coupled with other destinations in the Indian subcontinent such as Bhutan, Sri Lanka, Myanmar and Nepal," Kale said. Tourists are also still actively booking their vacations in Maldives, Vietnam and Thailand, said Aloke Bajpai, co-founder and CEO, Ixigo. IATA has already approached governments seeking financial relief for the aviation sector. "IATA met the Indian government seeking a reduction in air navigation charges and other relief measures. Ultimately the impact of Coronavirus, the resultant loss in traffic and grounding of fleet, it will be very difficult if only airlines have to bear it," the source said. The Indian aviation ministry in reportedly considering providing financial relief to airlines.

Even when the outbreak is under control, road to recovery will be a long one. "If we manage to contain the virus, it will take the aviation industry between 24-36 months to recover their losses. This would mean no more aircraft acquisition from Boeing and Airbus. We are looking at possibly reduction of fleet as well," Martin said. As the situation develops, some players hope that the outbreak to slow down during the summer months, but when things will take a turn for the better is still anyone's guess. "I do not see any respite in the immediate future," Mayal said.

Cyberattacks on enterprises drop in India; individuals new target

SRINATH SRINIVASAN
Bengaluru, March 10

CORONAVIRUS HAS NOT only impacted trade globally, it is also directly impacting the amount of cyberattacks happening in India. New findings from Subex, a global telecom services and security provider based in Bengaluru, reveal that within a month, the number of critical attacks on IoT and cyberdeployments in India have come down by 2,100 to 29,900 in February from 32,000 in January.

Prayukth KV, CMO, IoT, Subex, said, "Coronavirus has been changing the priorities of the hackers. Every year, the number of attacks only rise. Especially as we approach the middle of the year, the attacks peak. This year, there has been a dip. A first in the last 18 months."

Subex monitors these deployments through its vast honeypot network across 62 cities globally (15 of which are in India). This network, comprising of 4,000 physical and virtual devices and 400 device architectures, varied connectivity flavours, receives over 3 million attacks on an average everyday.

There has been a shift in the nature of the attacks, according to Prayukth.

"The hackers have shifted their attention to tactics like phishing, attacking individual employee accounts with emails and social media posts. In a panic stricken environment, this is easier to do compared to attacking large enterprises with malware," explained Prayukth.

As per the latest data provided by him, in India, there were 98 new malware detected in January. But in February, it came down to 23. These malware take various forms. In January, the number of variants stood at 730, but in February, it has come down to 217. To further substantiate this behavioural change of the hackers, Prayukth pointed out that except for manufacturing sector, all the other sectors monitored by Subex's Indian honeypot network have seen a drastic fall in cyber attack.

He said that people easily fall for messages related to coronavirus because there is a lot of confusion and panic around the topic today. "Remote working further adds to the larger gameplan of the hackers. Personal devices of employees with all kinds of data, including work data come under attack," added Prayukth.

This, he said, will become potential bots which can be controlled by hackers in the long run. "There will be no visible impact immediately. With time, hackers may even monitor every single operation that the employees do on their phones or other devices via the spyware/ malware running in the background," said Prayukth.

Interestingly, this trend has been fluctuating in Korea out of all the other countries monitored by the company. Currently, very little can be done to find the exact number of individual devices or accounts affected and to track all the malicious pieces of codes existing online.

INTERVIEW: UPASANA TAKU, co-founder & COO, Mobikwik

'Working with PSBs to serve their customers digitally'

*Mobikwik is identifying customers common to its own platform and some state-owned banks to plug a servicing gap, **Upasana Taku**, co-founder & COO, told **Shritama Bose**. The strategy will be to offer sachet-sized financial products, she added. Edited excerpts:*

You have been pivoting away from a pure-play payments business for some time now. What is the strategy for the year ahead?

The strategy is to continue to build the company in a sustainable and profitable fashion and make it ready for public retail investors eventually. It is not necessarily a pivot, but rather a smart shift, where we already had the users who continue to do payments on our platform and we realised that there is a huge gap in terms of the financial products that are available.

There are about 800 million people who bank with the government banks. There is nothing wrong with them, other than the fact that the investment that the public-sector banks (PSBs) have done in terms of technology, CRM (customer relationship management), etc are at best small investments. Therefore, they end up focusing on the upper middle class or the higher-income users within their user base. This large gap is one that nobody wants to plug, mainly because the cost of service and the way to make money is non-existent through a branch-based channel.

What products will you offer?

Since we are a digital player, our operating cost would be zero or close to zero. Therefore, we are happy to serve customers with a ₹2,000 or ₹20,000 or ₹2 lakh loan. Our payments business continues to grow 3-4x year-on-year on all metrics — revenues, users, merchants, number of transactions. With data analysis using several machine-learning models, we have created our own user profile, our own riskiness score for every user. Based on that data, we underwrite and provide small-ticket credit, which is our first product. This ranges between ₹2,000 and ₹2 lakh. Most of our loans are between ₹2,000 and ₹40,000. We have done about two million loans in the last 18 months. We hope to be able to cater to about 10-20 million of our users in the next few years in the credit piece. We have also launched insurance and wealth products. The strategy is to do sachet-sized products. In addition to regular insurance products, we also offer products like insurance for the contents of your home or shop or a cyber-fraud insurance.

So will you partner with PSBs or approach their customers yourselves?

It will be both. We have already identified some of these users on our platform. We have created three-four credit products. Separately, we have also started working with some of these PSBs where, as an example, one bank may have pre-approved 10 million users for loans. But, their typical messaging channel for the user is sending texts or calls. We figure out which users are common to the bank and our platform. Then we see what offers the bank has for them in terms of credit and we can enable that for them. Once the eligible user goes through the whole process and gets the loan, they will see that the loan was enabled by Mobikwik and, of course, we will earn a smart revenue from distribution.

What do you make of the zero-MDR regulation?

The stated aim of the move is to push digital payments, but it actually makes it harder to achieve that goal. If banks and fintechs are not able to make money from UPI or RuPay transactions, they will find other ways to recover the money. Somebody has to bear this cost because nobody will invest so much at scale for nothing. It is still not clear how to make money from this model and if there are multiple payment methods with differential charges, there will be more confusion.

How does it play out for wallets?

From a wallet's perspective, it is actually a positive. There are several ways of loading a wallet. On my cost side, I have to pay the bank or whoever is my processing partner. For a debit card transaction, that is capped, but on a credit card transaction I may have to pay as much as 2%. So when you load money into the wallet via UPI or a RuPay card, my cost is zero. Now when you pay a retailer with the wallet, they pay Mobikwik a wallet MDR. Since the wallet MDR is 1.5-1.8%, a credit card payment makes my cost more than my revenue. On the other hand, when you choose UPI or RuPay, my revenue becomes my net income.

Project tendering declines for 6th consecutive month in Feb

FE BUREAU
New Delhi, March 10

PROJECT TENDERING ACTIVITY in the country continued to worsen for the sixth consecutive month in a row during February this year. The tendering activity in terms of value fell 54% year-on-year (y-o-y) last month and 15% on a monthly basis. On year-to-date (YTD) basis, the FY20 tender value was down 42% y-o-y.

Key tenders released during February 2020 include the construction of tunnels, bridges, yards, formation, shaft, among others, in Uttarakhand; a water supply scheme in Uttar Pradesh (UP) and design and construction of 10 elevated stations in Mumbai.

"We note that except for August 2019 (up 4% y-o-y), the tendering activity has declined consistently since April 2019, which suggests award activity too will remain weak for at least the next two quarters," Emkay Global Financial Services said in a report.

During February 2020, sectors reporting a decline in tendering activity included roadways (down 66% y-o-y), irrigation (down 90%), community services (down 52%), real estate (down 56%), power distribution (down 84%), hospitals (down 35%) and water supply (down 13%). On the other hand, railways (up 98%) and water treatment (up 57%) were the only sectors which recorded growth.

Project awarding activity was a mixed bag during February. While awarding activity fell 14% y-o-y, it grew 22% on a month-on-month (m-o-m) basis.

Sectors which recorded a growth included irrigation (up 119% y-o-y), real estate (up 77%) and power equipment (up 1,000%), whereas the under performing sectors included roadways (down 45%), railways (down 62%), water supply (60%) and power distribution (down 67%).

The total value of tenders published in February declined 54% y-o-y and 15% m-o-m. Major declines were reported in roadways, irrigation, community services, real estate, power distribution and hospitals. Railways and water treatment were the only notable segments that reported growth.

Major orders finalised last month include a ₹1,600 crore contract won by PNC Infratech for rehabilitation and upgrade of a NH stretch for Unnao-Lalganj section in UP, a ₹1,600 crore contract won by Mantena Constructions in JV with Gaja Engineering for construction of pressurised pipe system in Sagar district of MP and a ₹1,300 crore contract won by Ahluwalia Contracts for construction of AIIMS Jammu.

Project tenders opened
(Value terms; ₹ cr)

Sector	February 2019	February 2020	Growth Y-o-Y (%)
Roadways	45,300	15,600	↓66
Irrigation	23,300	2,400	↓90
Railways	5,700	11,300	↑98
Community Services	13,000	6,300	↓52
Water Supply	8,200	7,100	↓13
Real Estate	8,800	3,900	↓56
Power Distribution	3,700	600	↓84
Hospitals	4,000	2,600	↓35
Water Treatment	700	1,100	↓57

Projects awarded
(Value terms; ₹ cr)

Sector	February 2019	February 2020	Growth Y-o-Y (%)
Roadways	5,600	3,100	↓45
Power Distribution	600	200	↓67
Power Equipment	100	1,100	↑1000
Railways	5,000	1,900	↓62
Real Estate	1,300	2,300	↑77
Process	200	400	↑100
Infrastructure	300	700	↑133
Water Supply	1,000	400	↓60
Irrigation	1,600	3,500	↑119

Source: Projects Today; Emkay Research

INTERVIEW: KOICHIRO HIRAO, managing director, Suzuki Motorcycle India

'Expect to end fiscal with decent growth in new products'

*Amidst overall slowdown in the Indian two-wheeler industry, Suzuki Motorcycle India was able to post and maintain decent growth over the months in the current fiscal, thanks to its products like Gixxer, Access which got upgraded with new features. The company not only expects to end the fiscal with a decent growth against the industry's expected degrowth but also looks to sustain the growth momentum with a slew of BS VI products line up. In an interview with **R Ravichandran** of FE, **Koichiro Hirao**, managing director, Suzuki Motorcycle India, said the company is confident that new products will propel its sales further and help post a double-digit growth next fiscal. Excerpts:*

How have been your performance so far this fiscal as against the industry?

Bucking the industry trend, Suzuki Motorcycle India has been probably one of few registering a decent growth in the current fiscal year amidst overall slowdown, particularly in the two-wheeler sector, with its well-balanced product portfolio customised to suit local demand. Cumulatively, Suzuki Motorcycle India sold 7,49,755 units for the period between April 2019-February 2020. Inching closer to the fiscal end, we are happy with our sustained growth momentum. February was an eventful month for us as we unveiled BS6 compliant product portfolio at the Auto Expo 2020 that received an encouraging response from customers.

What have been the reasons for you to register growth despite challenges?

The success of SMIPL's growth momentum is attributed to growing and expanding network, customised products and high engagement with the customer at the point of purchase. Go-to-market initiatives to create customer interest for our products along with marketing campaigns to fortify product relevance for our prospect customers. Last year, we entered the quarter-liter motorcycle segment with the launch of Gixxer 250 which has received overwhelming response from Indian consumers. Furthermore, we started 2020 with the launch of BS compliant Access125 and introduced BS6 compliant product ranges at the Auto Expo 2020. In February, we launched BS 6 complaint Burgman Street. We are confident that the new products launch will propel our sales growth in the Indian market further.

When do you see the actual demand pick up and the projection for next fiscal?

We have been doing well both in domestic and export markets. The new fiscal year holds newer challenges as the industry gets set to transition to BS-VI compliant products. We are focused on strengthening our motorcycle offering and continue to emphasise our growth strategy for the Indian market. Currently, the industry is going through a tough time due to various factors, let's be hopeful that demand for two-wheeler picks up gradually and the industry has a positive growth line by the year-end. While we cannot talk on the numbers at this point, however, we aim to close the fiscal with double digit growth.

Have you been impacted by the coronavirus?

Till now we have not been impacted by coronavirus and we are gearing up not to get impacted in future as well. However, it seems at large that the auto industry is getting hurt because a good number of auto components come from China.

Are you looking at expanding your capacities at your plants and investments, new products if any?

Our existing manufacturing plant at village Kherki Daula in Gurgaon, Haryana, has a production capacity of one million units per annum. Once we attain the maximum capacity, we will invest in ramping up the production. Currently, our focus is to fully utilise our existing capabilities. With regards to new product, we will be launching our BS6 product portfolio ahead of the regulation deadline.

ArcelorMittal keeps $6.5-bn greenfield project in K'taka 'under review'

SURYA SARATHI RAY
New Delhi, March 10

EVEN AS ARCELORMITTAL looks to enhance finished steel production capacity at AMNS India to more than double to 15 million tonne per annum (MTPA) through its joint venture partner Nippon Steel, it has kept its own $6.5-billion proposed greenfield steel and power project in Karanataka under review, indicating that the company would like to concentrate more on the Western market in the near-term than in the South.

The world's largest steelmaker had executed with the Karnataka government a lease-cum-sale agreement for 2,643 acre of land on December 26, 2018 for its proposed 6 MTPA steel plant with a captive 750 MW power plant, but its latest annual report said, "The project is currently under review". A mail sent to the company seeking clarification on the same elicited no answer. ArcelorMittal had in June 2020 entered into a MoU with the Karanataka government for the proposed investment.

ArcelorMittal, along with its partner Nippon Steel, completed the acquisition of the erstwhile Essar Steel (later changed its name to AMNS India) though the insolvency route in December, 2019 for ₹42,785 crore. ArcelorMittal holds 60% stake in the joint venture that acquired AMNS India while Nippon holds the remaining 40%. The resolution plan incudes ₹18,697 crore to be implemented in two stages over a period of six years.

"The first stage involves investments to increase the production of finished steel goods sustainability to 6.5 MTPA and includes completion of ongoing capital expenditure projects with respect to coke oven, second sinter plant, Paradeep pellet plant and Debuna beneficiation plant. The first stage also include investment in maintenance to restore current assets, the implementation of an environmental management plan and the implementation of ArcelorMittal's best practices on raw material sourcing," ArcelorMittal said in its annual report.

The second stage, it said, will involve investments to increase the production of finished steel goods from 6.5 MTPA to 8.5 MTPA by the end of 2024, including asset reconfiguration and the addition of coke oven, blast furnace and basic oven furnace. The company also aspires to increase AMNS India's finished steel production capacity to 12-15 MTPA through the addition of new iron and steel-making assets, aimed at benefitting from the anticipated growth of the Indian steel industry.