Indian companies with global ops brace for supply disruptions

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Mumbai, 17 March

Indian companies, which have substantial operations in Europe, are bracing for the impact of a complete lockdown in the region due to the coronavirus pandemic.

The outbreak has already disrupted supply chains as well as production and would lead to job losses, warn analysts.

The Tata group, the Aditya Birla group, the Essar group and the JSW group are among conglomerates which have production units in Europe.

These companies are under tremendous pressure because of their reliance on international supply chains and owing to the falling demand.

CORONAVIRUS PANDEMIC

Tata Steel Europe, which has substantial operations in Europe, had already announced plans to cut 1,250 jobs just before the corona pandemic hit the continent.

A company official said on Tuesday that its operations in Europe are normal and production has not been impacted.The media had reported earlier this month that an employee at its Netherlands plant tested positive for the virus.

"We will continue to carefully manage our production to ensure it is aligned with market demand. At the same time we are working with both customers and suppliers to reduce possible impacts from the Corona virus outbreak and restrictions," said a Tata Steel Europe spokesperson.

The disruption for the steel firm comes at a time when Henrik Adam, chief executive officer (CEO) of the company warned earlier this month that its financial situation is gloomy. He added that there's an urgent priority to improve the performance of business and its cash position, FT reported recently.

The Tata group-owned Jaguar Land Rover, maker of luxurious cars, has already warned of supply disruptions when the coronavirus pandemic broke out in China – its supplier of raw materials. With the virus not threatening its UK-based plants, the company will have to look for a Plan B. It has a plant in Slovakia where it makes Land Rover Discovery, a luxury sports utility vehicle (SUV). Earlier this year, the company announced that it would cut 500 jobs at its Halewood plant near Liverpool, Northern England. This will be part of the 4,500 job cuts announced last year.

"Automotive manufacturers are also highly exposed because of their reliance on international supply chains, many of which are being disrupted, as well as some direct exposure to China. We expect this to have a knock-on effect on automotive suppliers in many countries," said Benjamin Nelson, Moody's vice-president - senior credit officer.

Apart from the Tata group, Hindalco's Novelis has substantial operations in the continent with plants in Germany, Italy, Switzerland, the UK and France.

Analysts said with supply chain disruption and lockdown announced by the local governments, production of the plants will be impacted. Novelis is currently in the process of buying Aleris Corp, a US-based can maker and needs to sell its Belgium plant to get approval from the European Commission.

Ratings firm Moody's warned that credit quality around the world will continue to deteriorate, especially for companies in the most vulnerable sectors with prospectively reduced revenues, margins and disrupted supply chains.

At this time, the sectors most exposed to the shock are those that are most sensitive to consumer demand and sentiment.

These include global passenger airlines, lodging and cruise, autos, as well as those in the oil & gas sector (that has been affected by the oil price shock). Steel producers, metals and mining sectors are in moderate exposure to the corona pandemic. The JSW group operates a small steel plant in South Italy, which is not impacted due to the ongoing crisis. The Essar refinery units in the UK are running as per schedule, said a spokesperson.

(With inputs from Ishita Ayan Dutt)

MADE IN EUROPE

Tata Steel: Has steel production facilities in the Netherlands and the UK

Tata Motors: Makes luxury cars in the UK, Slovakia

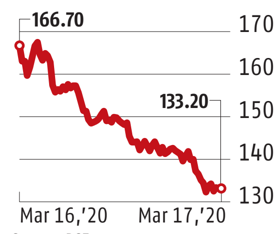
Hindalco: Subsidiary Novelis makes aluminium cans and car sheets

JSW Steel: Makes steel in south Italy with low capacity

Essar: Refinery and retail outlets in the UK

Zee Entertainment stock tumbles 20%

THE BIG FALL



Source: BSE

Shares of Zee Entertainment slipped 20 per cent in trade on Tuesday, a day after the Enforcement Directorate (ED) summoned Essel group promoter Subhash Chandra as part of its probe into YES Bank. Chandra is scheduled to meet ED officials on Wednesday, which was confirmed by Essel group on Monday.

Zee on Tuesday said it had no borrowings from YES Bank at all. "As communicated by Essel group, the credit facilities availed were for its infrastructure business and are fully secured," Zee said.

The stock of the media firm closed trade at ₹133.20 per share on the BSE, its lowest in over seven years. It has now declined for four straight trading sessions on the BSE. So far, in the calendar year 2020, Zee's stock price has fallen over 50 per cent from levels of ₹292 per share at the start of the year. This is against a 23 per cent fall in the benchmark Sensex for the same period.

VIVEAT SUSAN PINTO

Arcelor-Nippon inks $5-billion loan pact to refinance Essar buy

The Luxembourg-based parent firm of ArcelorMittal Nippon Steel India has tied up $5.146 billion (around ₹38,000 crore) with a consortium of lenders to refinance the debt taken by the Indian joint venture arm for acquiring Essar Group's steel plant at Hazira in Gujarat, ArcelorMittal said on Tuesday.

ArcelorMittal Nippon Steel India (formerly Essar Steel) is a 60:40 joint venture between L N Mittal-owned ArcelorMittal and Nippon Steel Corporation (Nippon Steel), which acquired the Hazira steel plant through an insolvency process last year.

The resolution plan, which was approved for AMNS India, was of ₹42,785 crore. The plan included a further ₹8,000 crore capital injection.

"AMNS Luxembourg Holding S A (AMNS), the parent company of the AMNS India joint venture between Nippon Steel Corporation (Nippon Steel) and ArcelorMittal, entered into a $5.146 billion 10-year term loan agreement with Japan Bank for International Cooperation, MUFG Bank, Sumitomo Mitsui Banking Corporation, Mizuho Bank Europe N V and Sumitomo Mitsui Trust Bank (London Branch)," ArcelorMittal said in a statement.

PTI

'We have a strong launch pipeline'

Q&A Sitting on a cash of ₹3,000 cr on its books, Godrej Properties is looking to buy land parcels in its key markets and launch projects. **MOHIT MALHOTRA**, MD, tells **Raghavendra Kamath** how the firm is going ahead with its plans. Edited excerpts:

What correction have you seen in land prices, compared to 2015?

In certain geographies under extreme distress, it has been strong. For example, in the NCR, we have seen 40-50 per cent correction. In Mumbai, 10-20 per cent. It is subjective in other markets, depends on the debt the land owner/JVP is under, market conditions and so on.

Your launch in 2020-21?

A very strong one. The aspiration is to show consistent growth over the coming launches. But, launches are governed by external circumstances; hence, we cannot really comment on the exact details and timelines. We want to do more than we have done this year.

There were some reports that you are raising ₹2,000 crore debt for land buys.

There is no plans to raise fresh debt in the near future. We have ₹3,000 crore cash on the balance sheet.

Will your JV and outright buys ratio change in the near future? How much it is now?

Our focus continues to be on our profit share model. For very strategic assets, we will explore outright purchase of land.

Which cities are you looking to buy land parcels?

Our four focus geographies are the NCR, Bangalore, Pune and the Mumbai Metropolitan Region.