When K K Modi cast doubts on leadership after his death

SURAJEET DAS GUPTA
New Delhi, 1 March

In a conversation on his proposed memoir, the late K K Modi had pointed out he did not expect more than 60-70 per cent of the real value of the companies (in his group) to be realised in case his family went for an outright sale after his death.

The book could not be completed because of his sudden death late last year.

Modi said after him his family members would have three choices under the trust agreement — they could amicably choose a leader but there could not be two players running the show, divide the assets, or go for an outright sale and divide the money.

Talking about the challenges in the division, K K Modi said: "There is no solution to get to a single authority. Charu (his daughter) is willing to work under Bina (wife) and they can form a group and say let's divide the group. But will Lalit (elder son) and Samir (younger son) agree to work together? Lalit is very innovative but Samir is also coming up. My hope is that Lalit will agree to Samir running the business and he can become chairman or work with Bina. But that is difficult."

The family members are currently involved in a bitter battle on the future of the ₹10,000-crore empire. Pitted on one side is eldest son Lalit Modi, who wants the assets, which include Godfrey Phillips, Indofil Industries, and Modicare, to be sold. But the rest of the family has opposed the move. The two sides are in a legal wrangle, with Bina Modi moving the Delhi High Court last week, challenging Lalit Modi's move to conduct arbitration in Singapore on the trust agreement.

Bina has the support of Samir and Charu and they want arbitration to be in India. The matter has been reserved for March 2. Samir Modi, when contacted on the conversations of K K Modi for the proposed book, said: "The documents speak for themselves and the matter is subjudice, so I will not be able to comment."

K K Modi pointed out the two flagship companies in the group — Indofil and GPI — were "strategically good businesses". For instance, he said GPI's partner Phillip Morris had the Marlboro brand, which was just like "what Coke is in soft drinks".

But he was clear the businesses had to be run by professionals. He said: "To run these businesses you need authority and skill. We can't depend on ourselves to run it, but (they have) to be run by a professional manager who has to be found and given the freedom. But we must have the authority to remove a professional if he does not perform."

Talking about Lalit Modi's plans, K K Modi said: "He is working on the cancer hospital. He wants to do big projects only. Of course in such ventures there are always chances of failure." Lalit Modi was unavailable for comment on the issue.

WHAT HE SAID

"To run these business you need authority and skill. We can't depend on ourselves to run it, but it has to be run by professional manager who have to be found and given freedom. But we must have the authority to remove him if he does not perform"

IN BRIEF

BPCL's valuation is too high, evaluating bid: Anil Agarwal

Mining baron Anil Agarwal, who was among the first to evince interest in bidding for Bharat Petroleum Corp (BPCL), has said "valuation of the firm is too high" and his company Vedanta will "evaluate bidding for it when the final bid document is out". At the close of trading on Friday, BPCL had a market capitalisation of ₹92,464.40 crore. At this price, the government's ₹52.98 per cent stake that is being sold in the country's largest privatisation exercise is worth about ₹49,000 crore. The acquirer will also be required to make an open offer for another 26 per cent stake from minority shareholders which will cost another ₹24,000 crore. PTI

AirAsia India loss in Oct-Dec down to ₹123.35 crore

AirAsia India narrowed its loss to ₹123.35 crore in three months to December from ₹166.15 crore in Q4FY18 owing to higher fuel and staff costs coupled with increased user charges and other related expenses, as per a company presentation. Total revenue during December quarter jumped 65 per cent to ₹1,057.55 crore as compared to ₹641.17 crore in the same period of financial year 2018, the airline said. PTI

ICAR inks pact with Patanjali for farm research, training

Indian Council of Agricultural Research (ICAR) signed an agreement with Patanjali Bio Research Institute to undertake research work as well as training and education. The Memorandum of Understanding (MoU) was signed by ICAR Director General Trilochan Mohapatra and PBRI CEO Acharya Balkrishna in the presence of Agriculture Minister Narendra Singh Tomar, a statement said. PTI

Maxxis bets big on India, eyes top-5 slot in global list

Maxxis Group is betting big on India, where it plans to build up to five factories, as it expects the country to play a crucial role in its chase to become a top five global player by 2025, according to a senior company official. The company is currently the world's 9th largest tyre brand and sees India along with Indonesia to play significant part in meeting its 2025 target. PTI

Sterling & Wilson eyes ₹800 crore topline in FY21

Sterling & Wilson is betting big on data centre business and expects this segment to contribute significantly to the group's top line and close 2020-21 with a revenue of ₹800 crore, a senior company official said. From an order book of ₹170 crore in FY18, and a revenue of ₹160 crore, Sterling's data centre business is on course to close the FY21 with an order book of ₹900 crore, clocking a revenue of ₹400 crore. PTI

Capgemini looks to hire 30,000 in India this year

French technology major Capgemini, which employs close to 115,000 people in India, is looking to hire up to 30,000 employees in the country this year, as it seeks to derive more value from its presence here. The hiring will be evenly split between freshers and experienced professionals, or laterals, its country chief executive Ashwin Yardi said. The Indian workforce constitutes for over half of its global employees base. "India forms a very important part of our business and we will hire 25,000-30,000 people here this year on a gross basis," Yardi said. At present, it is focusing efforts on re-skilling employees for the technologies of the future, he said, adding that this has now become a continuous process. PTI

GSK merger sets stage for HUL, Nestlé face-off

VIVEAT SUSAN PINTO
Mumbai, 1 March

Two of Europe's biggest names — Nestlé and Unilever — will now compete head-on within foods in India. The trigger is the merger of GlaxoSmithKline (GSK) Consumer into Hindustan Unilever (HUL), approved last week by the Chandigarh Bench of the National Company Law Tribunal (NCLT).

The NCLT nod paves the way for the final leg of the merger process, including an announcement of the record date (of the merger) and share allotment. According to sources, it is only a matter of weeks before the entire process is concluded. GSK Consumer shareholders will get 4.39 shares of HUL for each of their shares held.

GSK, which will become the second-largest shareholder in HUL after the merger, may encash its 5.7 per cent shareholding in the company. However, no formal announcement has been made yet on the proposed divestment, which is likely to happen via block deals. GSK Consumer closed trade on Friday at ₹9,444.9 per share.

HUL and Nestlé India's closing price on BSE was ₹2,174.90 a share and ₹15,770.55 apiece, respectively.

The merger of GSK Consumer into HUL will also allow the latter to close the gap with Nestlé in terms of top line. HUL's combined food and beverage turnover after taking into account GSK Consumer's revenue will be over ₹12,000 crore, said analysts tracking the companies. This is according to their financial numbers for FY19. The two companies are yet to disclose their full-year FY20 results.

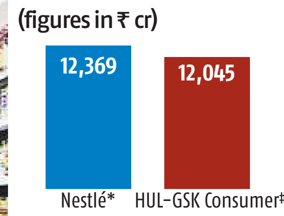
Nestlé's turnover for calendar year (CY) 2019 stood at ₹12,369 crore. The company follows a January to December accounting year.

More importantly, brands such as Horlicks and Boost will now be a part of HUL's portfolio, taking on Nestlé's Milo, which was relaunched in August last year in India. Analysts said this was in anticipation of the competition coming from HUL within health food drinks and Nestlé's need to prepare ground before the merger was completed. Officials at Nestlé India were not available for comment. However, persons in the know said that Tamil Nadu was a market where Milo is being pushed aggressively within stores and homes. Tamil Nadu is also a market where Horlicks is strong, given that health food drink consumption is high within the market. In addition, Nestlé is pushing the Tetra Pak version of Milo across the country to build a base of loyal users ahead of Horlicks's relaunch by HUL once the merger is through.

As things stand now, GSK Consumer has a value share of nearly 54 per cent in health food drinks. This includes brands Horlicks, Boost, Maltova and Viva. Mondelez's Bournvita has a value share of 15 per cent, while Abbott, maker of Pediasure and Ensure, has a value share of 9 per cent, according to data sourced from the industry. Nestlé does not figure in the top three yet. But, things could change in the future, as Nestlé steps up effort to improve share in the category, said experts.

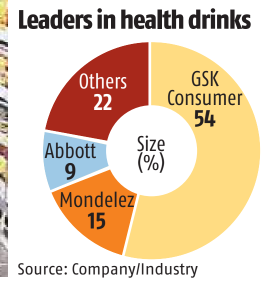
Abneesh Roy, executive vice-president, research (institutional equities), Edelweiss, said there were more categories where HUL and Nestlé will compete with each other besides health food drinks. This includes beverages, where Nestlé has Nescafé and HUL has Bru as well as packaged foods where HUL has Knorr and Kissan, while Nestlé has Maggi. The latter (Maggi) has already crossed 60 per cent share in instant noodles and is visible across condiments, spices, ketchups, soups and pasta. While HUL recently launched Hellmann's mayonnaise to beef up its presence in packaged foods, which includes soups (Knorr), ketchups and jams (Kissan).

NESTLÉ vs HUL: TOP LINE
(figures in ₹ cr)



*Net sales for calendar year 2019
Net sales for financial year 2018-19

Leaders in health drinks



Source: Company/Industry

Phoenix Mills' key properties shine; investors on a high

RAGHAVENDRA KAMATH
Mumbai, 1 March

Phoenix Mills seems to be firing on all cylinders. Besides the 30 per cent jump in its net profit to ₹91.85 crore in Q3FY20, the company is doing well on several business metrics.

While the company had a muted H1FY20 with consumption growth of just 3 per cent across its malls, it saw consumption grow 10 per cent (year-on year) YoY and rental income rise 8 per cent, last quarter. Investors are also cheering the performance of the company. On February 25, the stock of Phoenix Mills hit an all-time high of ₹980. The stock has jumped 29 per cent in FY20 so far.

Its crown jewels — High Street Phoenix and Palladium — clocked an average trading density of ₹3,620 per sq ft per month last quarter and both properties are among the highest trading density among retail properties in the country. Trading density means sales turnover achieved on rentable square feet of a mall or store.

Its newer properties are also fast catching up with High Street Phoenix. For instance, Phoenix Marketcity in Bengaluru posted trading density of ₹2,085 per sq ft per month, thus becoming the first Marketcity to cross the density of ₹2,000 per sq ft per month, company's Managing Director Shishir Shrivastava said in the Q3 earnings call with analysts.

The company has also done a turnaround of sorts for some of its key assets, which were laggards earlier.

Trading density at Phoenix Marketcity at Kurla in Mumbai grew 50 per cent in the past three years from ₹942 per sq ft per month in FY17 to ₹1,415 per sq ft per month in Q3FY20.

Shrivastava told *Business Standard* that the company had done many things at Kurla mall from upgrading the common area spaces to investing into art and festive decors at a scale not seen before in other malls in the country. It has created one of the largest indoor performance venues, which has played host to the best of Indian and International artists over the past three years, he said. The company claimed that its flagship hotel property St Regis continues to be the market leader in Mumbai and had an occupancy of 84 per cent. It had highest-ever average room rental of ₹13,857 in Q3, the company said.

Phoenix Mills is looking to double its retail portfolio and increase commercial properties by FY24 and add a million sq ft area in tier-I cities by 2024.

Phoenix has eight operational malls, with a retail area of six million sq ft in six cities. It has 5.8 million sq ft of under-construction and under-planning malls. The 0.9 million sq ft Palassio Lucknow mall is expected to start operations in March and is fully leased. It will begin to contribute to rental income from Q2FY21 onwards. The Indore mall, which is set for an early FY22 opening, is also 60 per cent pre-leased, ICICI Securities said.

Shrivastava said the company had a staggered launch calendar across Ahmedabad, Pune and Bengaluru, with at least one new mall opening each year up to 2023. "We remain positive on the mall landscape in India as demand for Grade A malls has increased in the past few years while supply remains constrained due to high upfront capex," said a report by Spark Capital. PML's expertise on acquiring, designing and developing land parcels and best in class mall management skills have given an edge to the company over other mall developers," the report by Spark said.

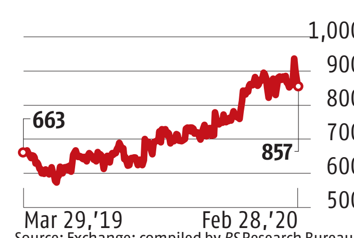
Phoenix Mills joint venture with Canadian pension fund manager CPPIB has also given it financial muscle to scale up the business, analysts said. CPPIB has put in ₹1,662 crore for 49 per cent stake in the subsidiary of Phoenix Mills.

According to ICICI Securities, the company's rental Ebitda to grow from ₹950 crore in FY19 to ₹1,330 crore by FY22, driven by renewal of 50-60 per cent space across malls over FY20-22. However, some analysts said the firm could see competition from the likes of Blackstone-backed Nexus Malls, Prestige Estates and VRSA, which are looking to double their portfolio. Nexus has a portfolio of six million sq ft and looking to double retail spaces.

THE LOWDOWN

- Net profit up 30% at ₹91.85 crore in Q3FY20
- Consumption growth touches 10% YoY; rental income at 8% in Q3
- Stock up 29% since the beginning of the current financial year
- High Street Phoenix and Palladium see highest trading density among retail properties in the country
- Phoenix Marketcity Bengaluru saw trading density of ₹2,085 per sq ft per month in Q3
- Trading density at Phoenix Marketcity at Kurla in Mumbai grew 50% in the past three years

ON THE RISE
BSE price in ₹



Source: Exchange; compiled by *BS* Research Bureau

HAL working on Apache-like helicopter

PRESS TRUST OF INDIA
New Delhi, 1 March

In an ambitious project with strategic significance, aerospace major Hindustan Aeronautics (HAL) has started ground work to produce a 10 to 12 tonne attack helicopter by 2027 which will be on par with some of the best medium-lift military choppers globally like the Boeing's Apache.

Chairman and Managing Director of HAL R Madhavan said the aim of the mega project is to stop import of more than ₹4 trillion worth of military helicopters for the three services in the coming years.

In an interview, Madhavan said the HAL has completed the preliminary design of the helicopter and that initial plan is to produce at least 500 units with the first prototype set to be ready by 2023 if the government gives the go ahead.

"One major project we are focusing on is to produce a helicopter in 10 to 12 tonnes category to replace the Mi-17 fleet. It will be an indigenous platform with the potential to manufacture around 500 helicopters. It will stop import of more than ₹4 trillion worth of platforms from foreign countries," he said.

He added that an amount of ₹9,600 crore will be required for design as well as to produce the prototype of the helicopter.

How the Dua brothers turned Relaxo into a footwear empire

The $3-billion company has grown from a small cycle parts enterprise to a footwear major with 400 outlets and 20,000 employees across the country

ARNAB DUTTA
New Delhi, 1 March

February 17 marked a milestone for Relaxo Footwears. Its shares traded at an all-time high — at ₹830.15 apiece on BSE — taking its market capitalisation beyond ₹20,600 crore.

The unprecedented feat not only pushed its market cap to over 1,100 times that of the value it had 25 years ago during its initial public offer but also boosted the fortunes of Relaxo promoters, the Dua family, taking the combined wealth of the firm to over ₹14,600 crore (around $2 billion).

The two key promoters, Ramesh Kumar Dua and his elder brother Mukand Lal Dua, emerged as the biggest beneficiaries of the milestone. The Dua brothers' 43.7 per cent stake in the firm was valued at well over a billion dollars (₹9,000 crore).

The stupendous rise of its stock in the BSE during 2019 has aided the Duas' fortunes. During last year, Relaxo's share price jumped 72 per cent to make it one of the top performing consumer stocks on the bourses.

As a result, despite a fall in the family's ownership from 74.2 per cent to 70.98 per cent, the promoters' combined wealth grew 125 per cent between end-2018 and 17 February this year.

In fact, its long-term return surpasses the broader index by an extraordinary margin — a 7,276 per cent return from Relaxo stock over 10 years, as compared to 133 per cent from the Sensex.

The superior performance by the firm in recent quarters has played a key role in attracting investors to the stock. While in the October-December quarter, Relaxo's operating income grew 40 per cent, during the nine months between April and December, its net sales surged 18.2 per cent — much faster than its peers in the consumer goods sector most of whom are struggling to cope up with a consumption slowdown.

Relaxo's managing director and the largest stakeholder Ramesh Kumar Dua is not exulting, however. Sitting in his office at the top floor of the firm's headquarters in the north-western suburb of Rohini in the capital, Dua humbly gave the credit to decades of simple, honest hard work.

The importance of honestly running a business was, he said, acquired by accident. Dua recalls the event vividly. It was during the tumultuous days of the Emergency in 1975 when Dua was roaming inside Sadar Bazaar, a wholesale hub in the capital.

While most traders were running for shelter from government officials conducting raids under the infamous Maintenance Internal Security Act, Dua noticed a strikingly calm atmosphere inside the Bata shop.

Compared with the tense mood outside, the manager looked almost relaxed. "When I approached him to inquire why he wasn't scared, what he said was a lesson to me," recalled Dua. "The man said 'Why should we be scared? We follow all the rules'. That is when I realised that if one conducts one's business honestly, then one need not to be scared of anything."

Coming from a family that set up a cycle parts manufacturing unit in Delhi in 1954 after migrating from Pakistan, Dua's exposure to business activities came early. But it was only in the late-1960s that a close look at the business's finances prompted the family to focus on the new shoe unit.

It was Dua, who takes pride in being good in mathematics, who realized that the cycle parts business was not making money.

While the plan was that he would continue his studies and build a career in medicines while his brother helped the business, a split in the family occurred which forced his father to seek his help.

The initial years were tough. Not only had the trio a huge loan to pay off, lack of technical know-how kept their hands tied.

Dua recalls annual turnover was ₹300,000 in early-1970s. By 1976, when they formalised the business under the brand Relaxo, it had quadrupled thanks to a rubber technology course that Dua took. The first major breakthrough, however, came two decades later. Anticipating future expansion, the family had acquired land in Bahadurgarh for a large factory. The capital became a major roadblock.

Following the liberalisation of the economy in 1992, the Duas took a 'limited risk' and decided to go public. The IPO in 1995 fetched them ₹4.5 crore, valuing the firm at ₹18 crore, and paved the way for Relaxo's journey towards becoming a pan-Indian company.

Today, the firm has over 400 branded outlets across the country and employs some 20,000 people, with annual turnover of ₹2,300 crore. Dua is not ready to rest on his laurels yet. In fact, he still likes to spring surprises. Six years ago, he took a leap into the unknown by bringing Salman Khan and Akshay Kumar on board for promotion.

It's been over a decade since Relaxo challenged Puma, Adidas and Nike. A failed supply contract with Nike in the mid-2000s led the Duas to launch the brand Sparks.

At 63, he is charged up with the idea of a tenth manufacturing plant and growing exports. It exports to over a dozen nations but the exports' share in the revenue remains small.

Ramesh Kumar Dua

BIG STEPS

Promoter family's wealth grew 125 per cent since end-2018 (as on Feb 17, 2020)

Promoter(s)	% of total shares held	Value (In ₹ cr)
Ramesh Kumar Dua (MD)	23.31	4,804
Mukand Lal Dua (executive director)	20.39	4,202
Other Dua family members	27.28	5,622
Dua family's total holding	70.98	14,628

M-cap grew at 60% CAGR

₹18 cr
During IPO in 1995

₹20,608 cr
On Feb 17, 2020

Source: BSE & company