

Companies

TUESDAY, MARCH 24, 2020



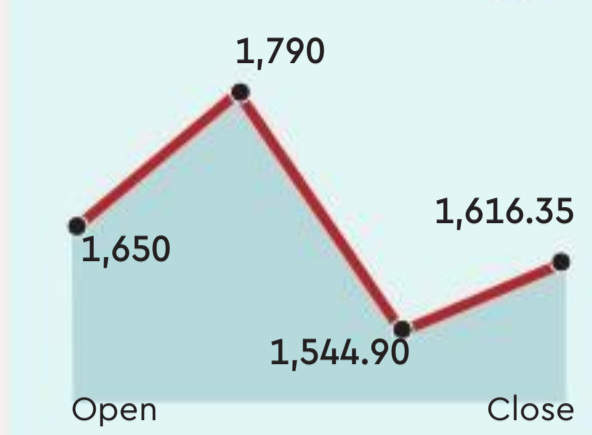
SOCIAL RESPONSIBILITY

Satya Nadella, CEO of Microsoft Corporation
@satyanadella
We're partnering with the CDC to make its Coronavirus Self-Checker available to all. In addition to helping users self-assess using CDC's protocols, it will free healthcare workers to provide critical care to those who need it most.

Street Signs

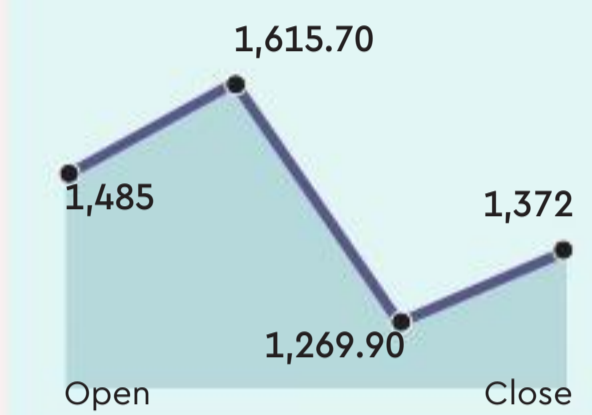
Hero MotoCorp

Stock plunges as firm halts global production through March 31 **11.07%**



Ipsca Laboratories

Scrip rises to record high in intra-day trade after USFDA exempts its APIs for corona treatment **0.01%**



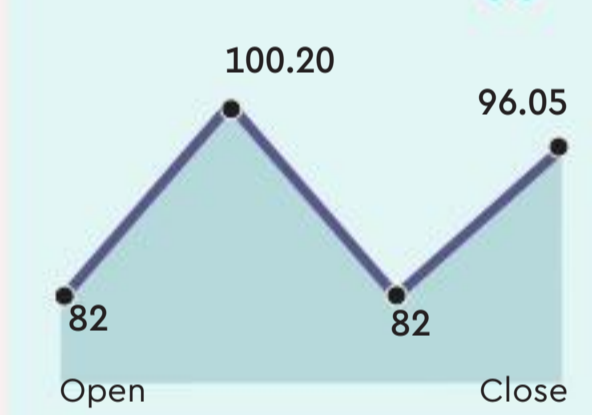
InterGlobe Aviation

Stock extends fall for the ninth day as it suspends most int'l flights, cuts domestic operations **2.51%**



Indiabulls Housing

Stock rebounds after losing over 65% in March **5.43%**



Quick View

Glenmark sells vaginal wash brand VWash to HUL

LEADING FMCG PLAYER Hindustan Unilever on Monday announced the acquisition of female intimate hygiene wash brand VWash from homegrown pharma major Glenmark Pharmaceuticals for an undisclosed sum. The deal would include an upfront cash payment and a deferred consideration over the next three years, Hindustan Unilever said in a statement, without disclosing the acquisition amount.

TCS IT global head Amit Jain dies of heart attack

INDIA'S LARGEST IT services company Tata Consultancy Services' global head of IT Amit Jain passed away last week after a massive heart attack. Jain, 53, was based out of Mumbai. He suffered a cardiac arrest while he was at work, and was rushed to a nearby hospital. He passed away on March 19. E-mails sent to TCS did not elicit a response.

Moody's negative outlook for Adani Transmission

MOODY'S INVESTORS SERVICE on Monday said it has a negative outlook on the dollar denominated bonds worth \$400 million issued by Adani Transmission. The agency has assigned Baa2 rating to the bonds which are scheduled to mature in March, 2050.

Cochin Shipyard to stop shipbuilding operations

COCHIN SHIPYARD on Monday said it has decided to stop shipbuilding and ship repair operations from March 23, 2020, till further orders, to ensure safety of its employees and to contain the spread of coronavirus. Only the security arrangements and essential services are maintained in all the facilities of the company, the firm said in a regulatory filing to the exchanges.

RIL JOINS THE FIGHT

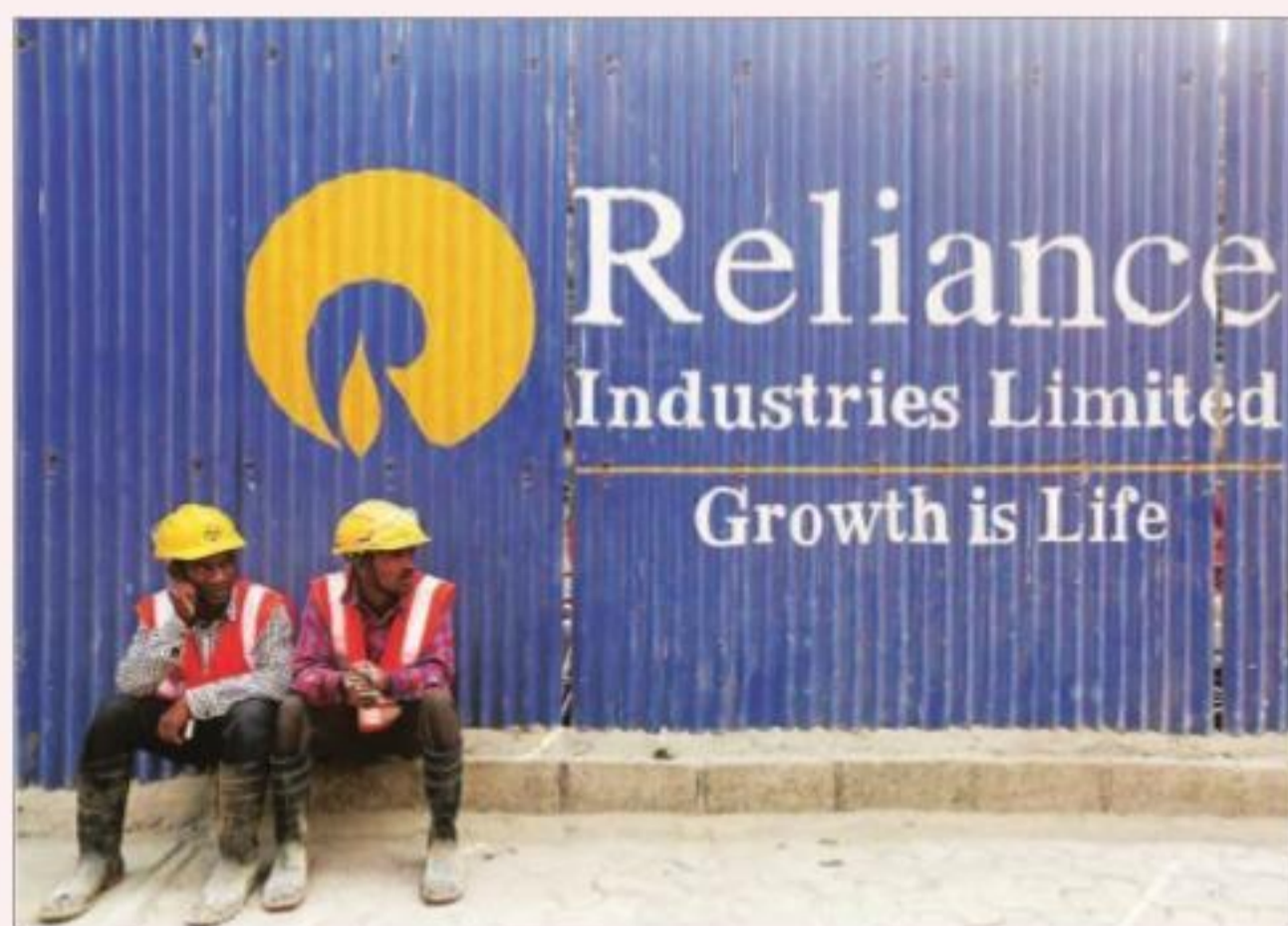
Sets up India's first dedicated Covid-19 hospital

Company boosts capacity to make 1L masks/day, says contract and temporary workers will get paid, even if work has halted

FE BUREAU/PTI
Mumbai, March 22:

RELIANCE INDUSTRIES (RIL) is ramping up its capacity to produce one lakh face-masks per day and a large number of personal protective equipment (PPEs), such as suits and garments, as part of its contribution towards efforts to fight Covid-19 outbreak. The company has set up India's first dedicated Covid-19 hospital in Mumbai. Besides, the firm said it would continue to pay contract and temporary workers, even if work has halted due to the crisis.

The oil-to-telecom conglomerate's Sir HN Reliance Foundation Hospital, in collaboration with the Brihanmumbai Municipal Corporation (BMC), has set up a dedicated 100-bed centre at SevenHills



Sir HN Reliance Foundation Hospital, in collaboration with the BMC, has set up a dedicated 100-bed centre at SevenHills Hospital in Mumbai for patients who test positive for Covid-19

Hospital, Mumbai, for patients who test positive for the disease. The fully funded

facility by Reliance Foundation includes a negative pressure room that helps in

Jio offers free broadband for new customers

RELIANCE JIO ON Monday said it would offer free broadband services to new customers and doubled data limit for all existing clients to support work from home. The firm has also doubled data limits for top-up voucher and bundle-free calling minutes to non-Jio networks in these vouchers. "To ensure that everyone stays connected while at home, Jio will provide Basic JioFiber broadband connectivity (10 Mbps), wherever it is geographically feasible, without any service charges, for this (coronavirus) period," Reliance Industries said in a statement. It has started offering double data across its 4G data add-on vouchers. — PTI

preventing cross contamination and helps control infection. All beds are

equipped with the required infrastructure, bio-medical equipment such as ventilators, pacemakers, dialysis machine and patient monitoring devices.

Sir HN Reliance Foundation Hospital in Mumbai has also offered to set up special medical facilities to quarantine travellers from notified countries and suspected cases identified through contact tracing. RIL has built a fully equipped isolation facility in Lodhivali, Maharashtra, and handed it over to the district authorities.

Reliance Life Sciences is importing additional test kits and consumables for effective testing. Doctors and researchers, who are a part of Reliance Life Sciences, are also working towards finding a cure for Covid-19.

In collaboration with non-government organisations, Reliance Foundation will also provide free meals to those whose livelihood has been affected by the crisis across various cities.

For its employees earning below ₹30,000 per month, salaries will be paid twice a month to protect their cashflow, the company said in a statement said.

Telcos seeks more time from DoT to provide bank guarantees

KIRAN RATHEE
New Delhi, March 23

THE TELECOM OPERATORS have written to the department of telecommunications (DoT) seeking extension to provide bank guarantees (BGs) as banks are working with limited resources these days due to the rapid spread of coronavirus. Sources said industry body Cellular Operators Association of India (COAI) has written to the DoT on March 20 seeking relaxation in providing BGs.

Operators have to renew their BGs, primarily for deferred spectrum payments, and since the government has announced a two-year moratorium for spectrum payments, the incremental amount of many BGs need to be changed, said people in the know.

The revised BGs were to be submitted by March 23 but due to curtailed operations of banks, operators have sought more time to do so. A query sent to telecom secretary Anshu Prakash on whether the extension has been granted remained unanswered.

Besides, the telcos have sought support for various other things due to the ongoing crisis. COAI has urged the DoT to issue direc-

COAI has urged the DoT to issue directions to state governments that telecom be treated as essential service

tions to state governments that telecom be treated as essential service so that employees can work and commute amid lockdowns. The industry body said all audits, including customer acquisition forms (CAF), EMF, licence and security to be cancelled till stabilisation of the situation. Also, timelines for minimum roll-out obligations be extended for at least six months, COAI said, adding states should be instructed to give expedite permission for putting up towers to strengthen network and not to seal towers for frivolous reasons.

COAI has also requested the DoT that no disconnection of points of interconnect by BSNL/MTNL should be allowed in the period. The telcos have some long-standing issues with the state-run firms and sometimes these firms resort to disconnection and invocation of BGs.

Volatile crude: After Q3 gains, OMCs to report big inventory losses in Q4

VIKAS SRIVASTAVA
Mumbai, March 18

INDIA'S OIL MARKETING companies (OMCs) — BPCL, HPCL & IOC — are likely to book heavy inventory losses in the March quarter of 2020, even as more than halving of crude prices since January 1 could positively impact their gross refining margins (GRMs). The OMCs are likely to see inventory loss of \$5.6-8/barrel in Q4FY20 given that they bought crude at an average price of \$65-\$67 in the December quarter, according to analysts.

The OMCs had reported big inventory gains for the third quarter of the current fiscal — ₹1,608 crore by IOC and ₹343 crore by HPCL. Industry experts estimated OMCs' GRMs in Q4FY20-to-date at \$1.0-3.9/bbl as Singapore refining margins improved around 5% sequentially. The refining margins were also aided by gains from refinery transfer price (RTP) being higher than spot price of \$5.1-5.6/bbl. However, these gains will be more than nullified by the inventory losses in the quarter.

Industry sources said BPCL and IOC have around 13 and 39 days of inventory, respectively. The OMCs aim to exhaust their inventories quickly and start reaping the benefits



The OMCs are likely to see inventory loss of \$5.6-8/barrel in Q4FY20

of lower crude prices as their fresh cargoes would start to arrive from April. Vidyadhar Ginde, oil and gas analyst at ICICI Securities, said IOC, in its Q3FY20 earnings call, indicated cost of its closing crude inventory was \$67/bbl while Dubai crude is currently at \$34/bbl.

"We estimate crude inventory loss for BPCL at \$5.6/bbl, HPCL at \$5.8/bbl and IOC at \$8/bbl in Q4FY20 based on Dubai price of \$34/bbl on 13-March 13."

He further said IOC's Q4 GRMs are also expected to be hit by Euro VI-related shutdown. "IOC's Mathura, Bongaigaon and Guwahati refineries took Euro VI related

shutdown in Q4FY20. This is likely to reduce its auto fuels yield and hit GRM to that extent," Ginde said.

If one assumes the average closing price of oil in Q3FY20 at \$67 per barrel and the low of \$34 then, given BPCL's purchase of stocks in Q3FY20 of ₹32,018 crore, the inventory losses for 13 days would be ₹2,277 crore. As for IOC, the inventory loss could be ₹7,297 crore given its inventory level. Sumit Pokharna, vice-president and oil & gas analyst at Kotak Securities, said the OMCs, however, would have the benefit of higher marketing margins despite the ₹3/litre excise duty due to falling crude prices, besides getting the benefit of lower operating cost in the March quarter.

Crisil Ratings, in a report, said, Covid-19 is further drying up demand from the road transport and airlines segments in India as well. Hence, consumption growth of petroleum products is expected to be below 2-3% in fiscal 2021. This, along with lower product prices, will have a direct impact on the revenue of OMCs.

"A sudden decline in crude prices will also lead to inventory losses for OMCs. Additionally, slowdown in global demand is putting pressure on product spreads, impacting gross refining margins, Crisil report said.

Automakers halt production activities

FE BUREAU
Chennai, March 23

GIVEN THE UNPRECEDENTED situation owing to the spread of Covid-19, a number of vehicle and component companies on Monday announced suspension of production at their factories across the country. Both SIAM and ACMA, the apex bodies of vehicle and parts manufacturers, have called their member companies to shut production at least for a few days to avoid any untoward incident.

In these turbulent times, this is the second time that the Indian automotive industry has been forced to absorb suspension of production in the 2020 fiscal.

Earlier, companies such as Maruti, Tata Motors, Mahindra & Mahindra, Hero, among others, announced suspension of production for a week.

While two-wheeler major TVS Motor declared two days production suspension across its plants and its offices effective on Monday citing the well-being of employees, city-based Royal Enfield declared suspension of all operations globally, starting Monday, March 23 till March 31.

TVS group companies such as Sundaram Clayton and Harita Seating Systems have announced two-day production cut across their plants, effective Monday.

Leading auto components maker Motherson Sumi Systems similarly has decided to

close its manufacturing facilities and offices.

Toyota Kirloskar Motor in a release said that the company has decided to temporarily halt production in its plant in Bidadi, Karnataka till further announcement.

Hyundai Motor India has said the company will suspend manufacturing operations at the Chennai facility from Monday, March 23 till further notice.

Suzuki Motorcycle India has also joined others by halting its Haryana plant operations. The company said that it has suspended production at its manufacturing plant at Kherki Dhaura, Gurgaon till further notice. Truck maker Volvo Eicher has decided to suspend the operations at various plants from March 23 to March 31.

COVID-19 IMPACT

Sales of discretionary products take a hit as people stay indoors

However, the sales of daily essentials have seen a spike as consumers hoard products

DEVIKA SINGH
New Delhi, March 23

THE COVID-19 CRISIS has hit India's retail sector significantly across channels. While there has been a spurt in demand for daily essentials and FMCG products, sales of discretionary products such as apparel, electronics, watches, cosmetics, etc. have gone down drastically.

According to a consultant, some apparel manufacturers have seen their sales go down by as much as 50% over the last week. "A client who used to see sales of ₹4.5-₹5 crore a day is only getting ₹2-₹2.5 crore now," added the consultant.

The downturn is particularly visible in metro and Tier I cities, where people have confined themselves indoors and are not venturing out unnecessarily. Cities like Chennai, Bengaluru and Mumbai have kept their malls closed as a mandatory move and this has impacted the offline

retail sales even more. Some retail chains have also brought down the shutters of their stores in areas which have a high number of Covid-19 cases, while others are keeping an eye on the footfalls and will shut stores if they go down further.

"Some of our Croma stores are shut in the light of current events, however, we can cater to demand through our website. Customers are opting for three-hour delivery on personal gadgets and next-day delivery on home appliances," says Ritesh Ghosal, CMO, Croma.

While the impact is limited in small towns of the country, retailers have reported a fall in footfalls there, too.

According to JP Shukla, CEO and co-founder, 1-India Family Mart, the announcement about precautionary measures being relayed while making phone calls, has increased awareness in the rural areas too, and people are staying away from crowded places. "We are seeing a severe drop in our footfall this week onward, over the last two days, it was down by almost 17%," he added.

Another value retail chain, V-Mart, has witnessed a drop in footfall in tourist towns such as Udaipur, Jaipur, etc.

In online channels, too, the situation is not much better for discretionary prod-



Cities like Chennai, Bengaluru and Mumbai have kept their malls closed and this has impacted the offline retail sales even more

ucts and, according to experts, sales have gone down by 15%. "The number could go to as high as 30% if the lockdown goes on for two-three more weeks," says an expert. The sales for essentials and FMCG products have gone up though, especially in online channels, as people are hoarding products anticipating a lockdown. Players operating in the e-grocery space such as

BigBasket, Grofers, MilkBasket, Amazon Pantry, and Flipkart Supermart have seen a surge in demand. BigBasket has doubled its growth in traffic and revenue, while its average value has also gone up by 15-20%. MilkBasket, according to CEO and co-founder Anant Goel, has seen a surge of 50-60% in orders.

The surge in demand, however, has also

led to supply issues as these players scramble to keep up with the sudden rise in demand. "We have limited the quantity of per stock keeping unit to three to avoid hoarding and many high volume SKUs are limited to one per household now," says Goel.

BigBasket, too, has taken measures to check the supply and delivery delays. "We will face some constraints for a few more days because it takes time to build capacity in terms of storage, delivery fleet and people. Our teams are working hard to streamline this and we will be back on track very soon," said a BigBasket spokesperson. Online players are ensuring contactless delivery and have introduced thermal scanning, masks and sanitising measures for their delivery staff.

Offline retail chains are also seeing a rise in demand for daily essentials products. Future Group, which runs hypermarkets BigBazaar and Easyday, has reported an upswing in certain geographies.

"We are making sure that we are managing our stocks and supply chain in a way that meets all our customer needs. We are also following and complying with various government/local body directives related to store operations," said a Future Group spokesperson.