IN BRIEF

HAL plans overseas logistics bases in Malaysia, Vietnam

State-run aerospace behemoth Hindustan Aeronautics (HAL) is looking at setting up logistics bases in Malaysia, Vietnam, Indonesia, and Sri Lanka as part of initiatives to woo the countries to buy India's light combat aircraft Tejas and military helicopters. HAL's Chairman and Managing Director R Madhavan said it was considering building logistics bases in the four countries as it used a number of Russian-origin military aircraft and choppers whose serviceability is "very poor". He said HAL was now seriously focusing on boosting exports in sync with the government's priority. PTI

BSNL, MTNL ask Trai to exempt telcos with mkt share up to 15%

State-owned BSNL and MTNL have told Trai that tariff fixation should be applicable only on telcos with more than 15 per cent subscriber base in a service area, while those with lower or negligible user base should be exempt from the purview of minimum floor price. It is pertinent to mention that BSNL has about 10.3 per cent market share in all India mobile subscriber base. PTI

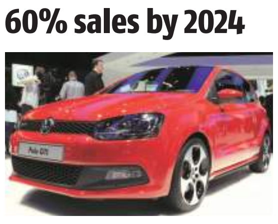
NCLAT dismisses DoT's plea in Aircel licence moratorium case

The National Company Law Appellate Tribunal (NCLAT) has dismissed the Department of Telecommunications' (DoT) plea citing delay in appeal against the NCLT order, which held that the spectrum and licence of debt-ridden Aircel cannot be taken away during the insolvency resolution period. PTI

DLF's proposal to raise ₹1,000 crore gets approval

Realty major DLF said a panel constituted by its board has approved a proposal to raise up to ₹1,000 crore through issue of non-convertible debentures. In a filing, DLF said the finance committee constituted by the board of directors has approved the issuance of listed, secured, redeemable, and NCDs. PTI

Volkswagen expects SUVs to account for 60% sales by 2024



Volkswagen expects at least 60 per cent of its sales in India to come from the SUV segment by 2024 amid the market globally moving away from sedans. Volkswagen is planning to roll out three more such vehicles in the next 12-18 months. PTI

HMSI plans local production of premium bikes

Honda Motorcycle and Scooter India (HMSI) plans to locally produce some of its imported premium bikes from the next fiscal to make such products more affordable and thereby garner volumes, an official said. PTI

Vogo eyes revenue run rate of $120 mn, bets big on EVs

Vogo, a bike and scooter sharing start-up, is working on increasing the number of vehicles on its platform to about one lakh as it aims to more than double its revenue run rate to $120 million in the next one year. The Ola-backed company, which operates in Bengaluru, Hyderabad and Mysore, is also betting on electric mobility and aims to have 20 per cent of its fleet as EVs. "In the last 12 months, we have scaled the number of vehicles on the platform from 200 to 20,000 and the plan is to increase this further to one lakh in the next 12 months," Vogo CEO Anand Ayyadurai said. He further said the company will deepen its presence in Bengaluru and Hyderabad, and is also exploring entering cities like Ahmedabad and Vijayawada. PTI

CORONAVIRUS SCARE

IT firms stare at delay in bagging large contracts

Restrictions on movement and delayed decision-making seen as key reasons

DEBASIS MOHAPATRA
Bengaluru, 8 March

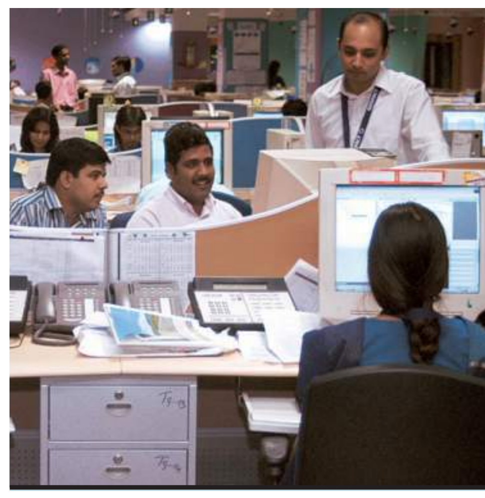
Winning of large deals and their execution by IT services firms are likely to face delay in the first half of this year due to the outbreak of coronavirus.

According to outsourcing advisory experts, severe restrictions on the mobility of human resources as well as the likely delay in decision making by the clients are seen as the key reasons.

"Larger transformation deals take a lot of time for execution and focus. Due to coronavirus, it is clear that the teams are going to be distracted for at least the next quarter. Hence, these big deals, which are increasingly becoming the backbone of (revenue) growth will be delayed," said Peter Bendor-Samuel, founder and chief executive officer of outsourcing advisory firm Everest Group.

All IT services companies have already widened their travel restrictions from China to many other nations, including Italy, France, Singapore, South Korea, and Japan. Several of them have even imposed a restriction on non-essential travel to the US, which accounts for 60 per cent revenues of Indian firms.

"We are seeing projects postponed in travel, leisure, and fashion (segments). We are also seeing clients in all industries cancelling meetings, restricting travel, and in some instances, closing their campuses. This disruption is going to have a negative impact on growth, with significant pause in new contracts in the next quarter," Bendor-Samuel said.



CLIENTS MAY TURN CAUTIOUS

- Delay in winning and executing large deals likely to impact IT firms' revenue growth
- Shadow over global growth is expected to turn clients cautious in their IT spends
- Currently, travel, leisure and automotive verticals have been severely impacted
- If summer contains the spread of virus, H2 of 2020 likely to see revival in growth

Large deals have become the mainstay of revenue growth of IT biggies in recent years. For instance, Infosys, which has guided for double-digit growth in its revenues in the current financial year, has bagged $7.3 billion worth large deals in the first nine months of this financial year. The Bengaluru-headquartered firm had bagged $6.28 billion worth of large contracts in the previous fiscal of FY19.

CORONAVIRUS OUTBREAK

Similarly, market leader Tata Consultancy Services (TCS) has bagged large deals worth $18 billion during April-December period of this financial year. Though Wipro didn't give specific numbers for large deals, it also had significant wins, including a $1.5-billion contract from Alight Solutions, in FY19.

Large contracts take months from the time of initial discussion to closures between the key executives from the client organisations and vendors. Once the deals are signed, transitioning of the works from clients to offshore locations also require significant employee movement. "When there is a shadow over the prospects of global growth, clients will be cautious in their spending. Apart from it, even restriction on movement of key resources to client site for executing a large contract can also pose some challenge for IT firms," said Pareekh Jain, a IT outsourcing advisor and founder of Pareekh Consulting.

According to Hansa Iyengar, senior analyst at global consulting firm Omdia, if further spread of the virus is contained, the business could come back to normal in the second half of 2020. "Provided the virus is contained and summer stops the spread of the contagion further, H2 (of 2020) will likely be business as usual," added Iyengar.

Price recovery has taken a hit: Tata Steel CEO

ISHITA AYAN DUTT
Kolkata, 8 March

The steel industry is hoping to reclaim peak prices by September on the back of a demand recovery. The only trouble could be the spiraling coronavirus outbreak.

T V Narendran, managing director and chief executive officer of Tata Steel, said prices were being pushed up every month and the rise would have continued if the virus scare was absent. "In March, too, we pushed up (the prices), but customers are pushing back," he said. However, if the outbreak is contained now, then prices should go back to earlier highs by September, he said on the sidelines of the Confederation of Indian Industry's annual regional meeting of the eastern region.

Steel prices that had touched a low of ₹32,250 per tonne in the first week of November have been on the rebound since, and are now at about ₹37,000 per tonne. That, however, is still a long way off from last year's peak levels of ₹46,000 a tonne.

The industry was concerned with the inventory build-up in China, he said, and whether it would be consumed in the home market or have to be exported. Hence, the Southeast Asian market had reacted the most and prices had dropped there. "But if you looked at Europe and India, steel prices hadn't dropped. It would have kept going up much faster. Southeast Asia was more of a short-term reaction and China also took a number of steps to kick-start its economy," he said.

"If you look at Europe and India, steel prices hadn't dropped. It would have kept going up much faster. Southeast Asia was more of a short-term reaction and China also took a number of steps to kick-start its economy"
V NARENDRAN,
MD & CEO, Tata Steel

"If you leave the virus out, we were seeing green shoots in the economy. Things were picking up in multiple areas," Narendran said.

The recovery was mostly in the construction sector, which typically accounts for 60-62 per cent of steel end-use mix. The commercial property segment had been strong, "but residential was the only area which was still shaky and auto wasn't showing any great signs of recovery." But there wasn't an inventory build-up like September-October last year. The recovery in the domestic market had prompted steel firms to cut exports. By September, with the launch of BS-VI cars, the demand in the auto segment would also be clear, he said.

De-risking supply chain

The outbreak could also be an opportunity for India, said Narendran, as it accelerated the de-risking of supply chains that originated in China. "It had started with the trade issues between the US and China and now with this virus there would be even more reason for people not to be overdependent on one country," he said. Tata Steel, which sources consumables from China, had undertaken a risk assessment exercise and alternative markets like Turkey and Brazil were tapped. "We did an assessment of the critical items and placed alternate orders. The cost impact is not significant. For a particular item, it may be 10 per cent, but overall it could be 1 or 2 per cent."

From the next financial year, Tata Steel would start pellet and cold rolling mill as part of Kalinganagar expansion plan. The focus will be on taking the capacity at Kalinganagar from three million tones (mt) to eight mt, said Narendran.

ArcelorMittal fears impact on profits, sales

PRESS TRUST OF INDIA
New Delhi, 8 March

Amid the deepening fear across the world, global steel giant ArcelorMittal has expressed apprehensions of its sales and profitability getting impacted in 2020, in case the virus spreads widely through Europe, particularly in Italy.

The Luxembourg-headquartered company is the world's largest steel producer with steel-making operations in 18 countries on four continents, including 46 integrated and mini-mill steel-making facilities.

"The recent increase in cases outside China is worrying and increases the risk of a global pandemic and a much larger negative impact on the global GDP. The Company is monitoring the situation closely and in particular in Italy, as, should the virus spread more through Europe, this will likely have a material impact on our sales and profitability in 2020," the steel behemoth said.

The company said the epidemic may affect ArcelorMittal's operations in certain regions and cited of how its projects were impacted in Liberia in 2014 and 2015 during the Ebola virus disease epidemic.

The firm said the epidemic may affect ArcelorMittal's operations in certain regions

"There can be no assurance that other epidemics, including the recent outbreak of the coronavirus in China, will not adversely affect ArcelorMittal's ongoing operations, production targets and expansion plans, if any, in other markets in which it operates," the company said.

ArcelorMittal said it expected Chinese steel demand to grow in 2020 within a "range of +0.0 per cent to +1.0 per cent (versus estimated growth of +3.2 per cent in 2019).

BIAL lines up over $2 billion for new projects

T E NARASIMHAN
Chennai, 8 March

Fairfax-backed Bangalore International Airport (BIAL) is planning to invest around $2.2 billion in new projects, which will help the country's third-largest airport handle about 90 million passengers by 2038. Indian-Canadian billionaire Prem Watsa-owned Fairfax India holds 54 per cent stake in the Airport.

In 2018, BIAL invested around $1.9 billion to expand its designed capacity of 20 million passengers to about 50 million in 2021. Plans have also been adopted for the second phase of the second terminal, and related infrastructure for an incremental investment of about $1.2 billion, to take the capacity to about 70 million passengers by 2028.

"Most recently, BIAL added a plan for a third terminal and related infrastructure for an incremental investment of approximately $1 billion, taking the capacity of the airport beyond 90 million passengers by 2038," said Fairfax.

Fairfax India has invested $653 million to acquire 54 per cent of BIAL, which implied equity value of approximately $1.2 billion for the whole company. The valuation (including foreign currency translation) of Fairfax India's interest in BIAL increased by $726 million in 2019 to $1.4 billion, implying an equity value of $2.7 billion.

BIAL's revenues for 2019 declined by nine per cent to $211 million, largely due to a 35 per cent drop in aero revenue and PAT declined 44 per cent to $54 million. However growth in non-aero revenue partially offset the loss.

Despite Jet Airways, BIAL's second largest customer, winding up operations in 2019, passenger traffic grew by around four per cent over the previous year to about 34 million passengers and cargo handled only dropped 1 per cent in the face of an economic slowdown that resulted in a 3 per cent drop in air cargo volume in India.

In 2018, BIAL had invested about $1.9 billion to expand its capacity in 2021 to about 50 million of passengers

Going forward, besides increasing aero revenue, BIAL is looking at increasing non-aero revenue, including cargo handling, ground handling, fuel sales, food and beverage sales and duty-free shops among others.

Last year, the drop in aero revenue was partially offset by a 24 per cent increase in non-aero revenue on the backdrop increase in passenger growth, availability of additional space, and the increasing propensity of passengers at the airport to make purchases.

BIAL will also monetise around 460 acres of land adjoining the airport that can be developed. The first development will be a 775-room 3 and 4-star combination business hotel. The project has been awarded to the Taj Group of hotels. A retail, dining and entertainment village will come up on around 23 acres of land. The third development will be business parks over approximately 130 acres of land that will be jointly developed in phases through a combination of land lease, joint development and own development models.

In addition to this, approximately 12 acres of land will be used for the development of an outlet mall and a 5-star hotel. A first of its kind large concert arena in the region, on approximately 6 acres of land, has been awarded to a consortium and is expected to be completed in 2021.

Bangalore's historical population areas are getting congested, so the city is expanding in the airport's direction. BIAL anticipates significant upside, over time, from monetisation of this real estate, said Fairfax.

Fairfax floated Anchorage Infrastructure Investments Holdings (AIIHL), in June 2019 as its flagship investment vehicle for airports and other infrastructure investments in India and plans to eventually transfer all of Fairfax's shares in BIAL to AIIHL.

In December 2019, Fairfax India signed a definitive agreements with an investor whereby it will transfer 43.6 per cent of BIAL out of the 54 per cent that it owns in BIAL to AIIHL.

Net office space leasing may fall 14%: JLL India

PRESS TRUST OF INDIA
New Delhi, 8 March

Net leasing of office space could decline by up to 14 per cent this year to over 40 million sq ft across seven major cities on estimated fall in supply, according to global property consultant JLL.

For 2020, JLL India pegged net office space leasing at over 40 million sq ft and new supply at 47.5 million sq ft. JLL tracks office leasing of seven major cities — Delhi-NCR, Mumbai, Bengaluru, Chennai, Hyderabad, Pune and Kolkata.

"Despite an expected decline of office space supply in 2020, net absorption is likely to clock a robust over 40 million sq feet mark backed by significant pre-booking or pre-leasing of space by occupiers," JLL India said. The net absorption for the year 2020 will be much higher than the annual average for the last five years which stood at 35 million sq ft, it added.

They said pre-leasing or pre-commitment of office space remained strong despite slowdown. "The strong pre-commitment activity is an indication of the strength of the Indian market. Moreover, it bears testimony to the rising importance of realty in the business plan of corporate occupiers," JLL India CEO & Country Head Ramesh Nair said.

'Technical and complex': Firms rush to file SBO details as deadline nears

The ministry examining loopholes in law, may extend date again

RUCHIKA CHITRAVANSHI
New Delhi, 8 March

More than 65,000 companies have made their filings for significant beneficial ownership (SBO) since the introduction of the law two years ago, government sources said.

To plug gaps, the ministry of corporate affairs (MCA) will soon issue clarifications to establish the ultimate owner in cases involving vehicles such as a discretionary trust.

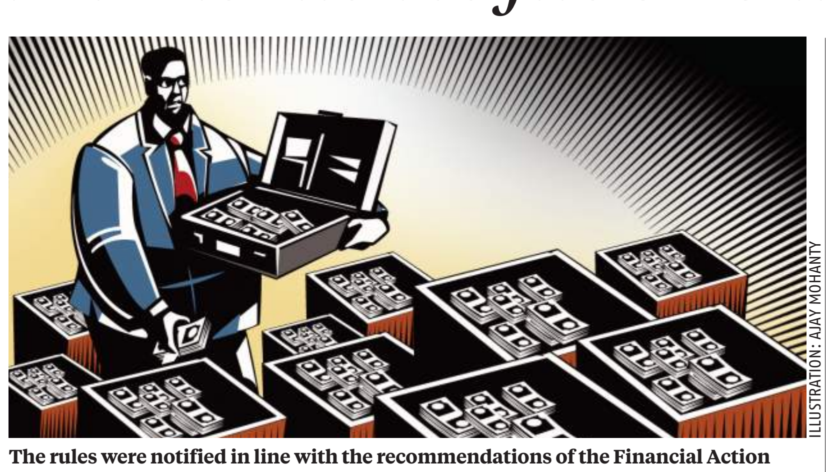
Notified by the MCA in 2018, the SBO rules went through major revisions in 2019. The deadline for making the filing has been extended four times since, with the latest being March 31.

"We have almost reached saturation. It is one of the most complicated laws introduced anywhere in the world. It is highly technical and complex but we have achieved a flawless system," a senior government official said.

The rules were notified in line with the recommendations of the Financial Action Task Force to combat money laundering and financing of terrorism.

Experts have pointed several challenges that the law faces such as foreign shareholders not willing to disclose details of ultimate shareholder on fear of action by Indian authorities, in case of non-compliances or other issues. The MCA is examining the loopholes in the law and will consider if the deadline needs to be pushed again beyond March 2020.

"Rules are complex and have left many issues unanswered. Frequent amendments, technical issues in the form, and date extension have added to the confusion," said Ankit Singhi, partner, Corporate Professionals.



The rules were notified in line with the recommendations of the Financial Action Task Force to combat money laundering and financing of terrorism

One of the areas the government is planning to address is that of discretionary trust and establishing the ultimate owner in terms of a natural person. There are instances where a promoter's families have transferred ownership of business to a discretionary trust, which makes it highly difficult to establish the SBO.

"If the managing trustee of such a trust is a corporate body, then we have to find the natural person...Bulk of issues have been resolved...We will clarify this one soon," the official added.

In a discretionary trust, the share of beneficiaries is not determined. Therefore, the rule says that all trustees will be SBO, which experts say is not right since they don't have ownership rights over trust property.

There is also a hesitation to make such disclosures as the details of SBO are available for public inspection, experts say.

According to the current rules, the ultimate owner needs to report every change in its shareholding after the initial disclosure. "What if shareholding is changed due to increase in capital without any act on part of SBO? Further, in a group web structure, undertaking disclosure on every change is almost impossible," Singhi said.

Company law experts have raised issues such as whether in case there are more than one SBO, the holding of such owner be aggregated or identified separately.

The SBO rules aim to strike at multilayers and offshoring of funds done by companies through a chain of corporate vehicles.

There are two ways to establish the SBO. One is a significant beneficial owner at 10 per cent shareholding at the reporting company level and majority holding through the ownership chain. But the more complex mechanism is the SBO who can exercise significant influence or control in any manner other than through direct holding alone.