

INDIA EXCLUDED

Oyo furloughs thousands in setback for SoftBank

The startup has more than \$1 bn of cash in the bank and is exploring options to remain viable over at least the next 36 months

SARITHA RAI
Bangalore, April 8

OYO HOTELS & Homes, the Indian budget lodgings service backed by SoftBank Group, is placing thousands of its employees globally on indefinite furlough as it tries to survive through the coronavirus pandemic, according to people familiar with the matter.

Oyo said in a statement it's furloughing employees in countries excluding India without specifying numbers, adding that it's not considering job cuts at this time. The startup, one of the largest in SoftBank's portfolio, has more than \$1 billion of cash in the bank and is exploring options to remain viable over at least the next 36 months, one of the people said. It hasn't yet determined the precise number of workers to be furloughed because it is sorting through local labour laws in various countries, said the person, who didn't want to be named disclosing internal discussions.

Oyo's move — tantamount to going into hibernation — is the latest setback for Masayoshi Son's SoftBank, whose portfolio has been buffeted by WeWork's infamous implosion and volatile share prices at once high-flying Slack Technologies and Uber Technologies. The billionaire has called for greater financial discipline among the



founders in his portfolio, spurring job cuts at outfits such as Zume Pizza and shutdowns of startups including Brandless.

Son has been a keen supporter of Oyo founder Ritesh Agarwal, helping fund the hotel company's fast international expansion. Oyo had been growing at a rapid clip but, as with other travel businesses, the outbreak of Covid-19 worldwide has side-swiped the company. Its reputation also has suffered due to customer complaints about bad experiences along with grievances about poor or unfair treatment from several of the more than 20,000 hotel owners in its chain.

Furloughing employees is just one of a series of actions to be taken by Oyo, which include management pay cuts and a freeze on marketing spending. Agarwal will forego his entire salary for 2020. In January, even before coronavirus reached pandemic proportions, Oyo had already fired thousands of employees and cut minimum guarantee agreements with hotel partners in an effort to stanch cash bleed.

Six-year-old Oyo increased revenue to \$951 million for fiscal year 2019, from \$211 million the previous year. Losses

climbed to \$335 million, or 35% of revenue, from \$53 million as the startup expanded into China and other new markets. India accounts for about 40% of revenue currently but there could be no correlation between pre- and post-Covid 19 sales figures, said the person, who was privy to discussions.

Oyo, founded by 26-year-old Agarwal, began in India as a way to reserve budget accommodations online with reliable quality. With the backing of SoftBank, the company expanded internationally and was aiming to become the biggest hotel chain in the world by room count before the coronavirus outbreak. Its aggressive expansion has proven controversial after another SoftBank portfolio company, WeWork, crashed after attempting to go public.

SoftBank's Vision Fund has so far invested about \$1.5 billion in Oyo. The company also counts Airbnb, Sequoia Capital and Lightspeed Venture Partners as backers. It promoted its real estate business chief, Rohit Kapoor, to CEO for India and South Asia in December to shake up the business. —BLOOMBERG

Grofers to hire 5,000 people over two weeks

PRESS TRUST OF INDIA
New Delhi, April 8

ONLINE GROCERY PLATFORM Grofers is looking at hiring 5,000 employees to ramp up its capacity to meet the spike in orders amid the nationwide lockdown.

The company has also partnered with resident welfare associations (RWAs) of over 100 societies across metros to make essentials available to a larger number of people amid the 21-day lockdown imposed to contain the spread of Covid-19.

Outlining the steps taken by the company over the last three weeks, its co-founder and CEO Albinder Dhindsa said the Grofers app is seeing over 1.5 million people trying to order daily.

"Everyday our app is seeing over 1.5 million people trying to order. Given the constraints on how many people we can cater to, we are only able to serve 1 out of 8 customers today... (we) are working on adding more capacity to make this work for more people," he said in the company blog dated April 7.

E-commerce companies have struggled to deliver orders after the 21-day lockdown was imposed on March 24.

Even though the government allowed delivery of essential goods including food, pharmaceuticals and medical equipment through e-commerce platforms, players faced hiccups initially.

The surge in orders also disrupted operations for these companies. Players have now started resuming operations across various cities, clearing pending orders before accepting new ones.

"...we have resumed operations in 24 cities and our warehouses are working at 70% strength... An additional 2,000 people were hired from industries which were deeply impacted by the current crisis such as textile, manufacturing, and services and



would have otherwise faced income losses," Dhindsa said.

He added that the company now plans to hire 5,000 more over the next two weeks. Grofers' rival, bigbasket had last week said it is looking at hiring 10,000 people for its warehouses and last-mile delivery.

Dhindsa said over the last three weeks, the company has delivered essential groceries to over one million households in 22 cities. He pointed out that organised grocery in India is really small.

"Kiran are (rightfully) king as they provide customised service at a very local level and constitute 95% of Indian grocery retail... Online grocery is only about 0.2% of the overall retail market. I think at the end of this crisis we will probably reach 0.5%, but that is still an insignificant share," he said.

In a separate announcement on Wednesday, Grofers said under its partnership with RWAs, society group orders will receive priority slots on its Grofers platform versus other areas of the city.

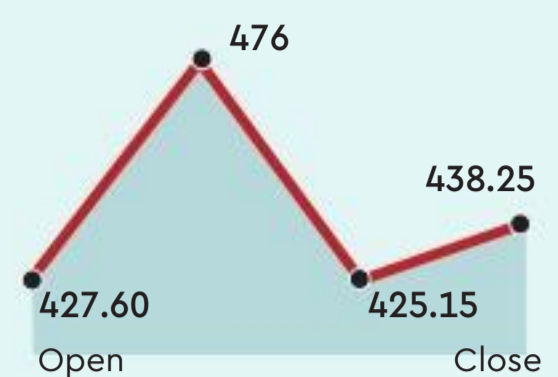
Once it receives the order, Grofers will bundle the order area wise and deliver within 2-3 days. The company is also abiding by the rules and ensuring the maintenance of proper hygiene and sanitation in its facilities and vehicles.

The company has also collaborated with MyGate, a security and community management solution, to ensure zero-touch deliveries via the latter's Leave At Gate feature.

Street Signs

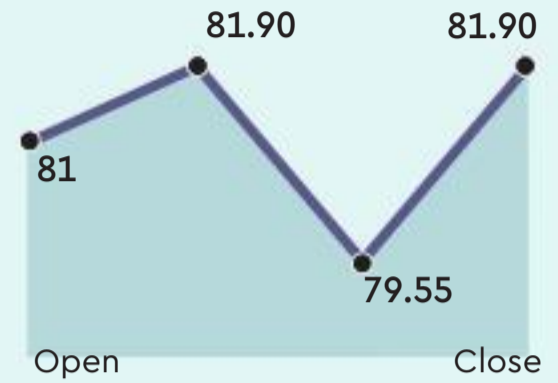
Aurobindo Pharma

Scrip slides after reports that the company faces class action suit in the US 1.63%



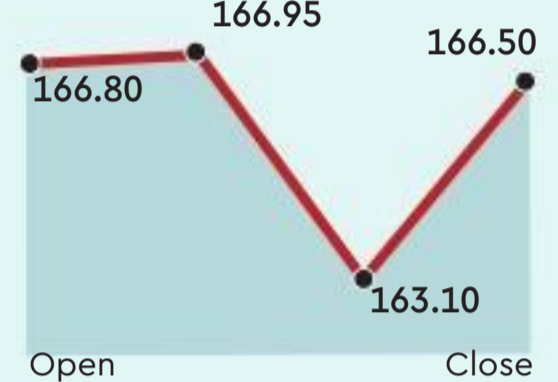
VA Tech Wabag

Stock hits upper circuit as the firm secures ₹90-crore Bahrain sewage plant deal 5.00%



Adani Green Energy

Stock gains on receiving ₹3,707 cr for forming JV with French firm TOTAL 18.45%



IndusInd Bank

Shares advance as UBS Principal Capital Asia buys 0.77% stake 3.83%



Quick View

Maruti cuts production by 32%

THE COUNTRY'S largest carmaker Maruti Suzuki India has decreased production by 32.05% in March, according to a regulatory filing by the company. The company produced a total of 92,540 units in March as against 1,36,201 units in the year-ago month, the auto major said. Passenger vehicle production last month stood at 91,602 units as against 1,35,236 units in March 2019, a dip of 32.26%, it added. Production of mini and compact segment cars, including Alto, S-Presso Wagon R, Celerio, Ignis, Swift, Baleno and Dzire stood at 67,708 units as against 98,602 units in March last year, down 31.33%. Production of utility vehicles such as Vitara Brezza, Ertiga and S-Cross, however, declined by 14.19% to 15,203 units as compared to 17,719 units a year ago.

Airtel may see 13% growth in consolidated revenue by FY22: CLSA

TELECOM OPERATOR Bharti Airtel is expected to witness a 13% annual growth in consolidated revenue, and 26% growth in EBITDA by financial year 2022, mainly driven by tariff hikes, according to CLSA. Bharti Airtel's mobile traffic has surged for its 283 million subscribers, even though with the majority of 4G subscribers on plans offering 1-3 GB data daily and unlimited calling, there will be limited upside, a CLSA note said. "However, we still forecast a 13/26% revenue/EBITDA (Earnings before Interest Tax Depreciation and Amortisation) CAGR for Bharti Airtel by FY22 led by tariff hikes and 4G upgrades," it said.

Hyundai integrates entire sales network with online sales platform

HYUNDAI MOTOR India (HMIL) on Wednesday said it has integrated its entire sales network over 500 dealerships across the country with its recently introduced online sales platform. The company's online sales platform — Click to Buy — offers an end-to-end retail experience to its customers. Hyundai had launched a pilot phase of the initiative with few dealers of Delhi-NCR in January 2020.

COAI asks PSUs to pay ₹20,000-crore dues to telecom vendors

KIRAN RATHEE
New Delhi, April 8

TELECOM INDUSTRY BODY COAI has sought earliest release of around ₹20,000 crore outstanding dues to vendors like Nokia, Sterlite, ZTE, Ericsson etc. as these companies are facing serious constraints in terms of cash flows due to slowing economic activities in the current situation.

The dues are owed by state-run companies, including BSNL and MTNL, and despite non-payment of their huge pending dues, the vendors have been supporting various public sector units (PSUs) in delivering uninterrupted services, the association said.

"The situation has become highly critical now with total outstanding dues from these PSUs amounting to approximately ₹20,000 crore which is pending since long. This is adding to critical financial woes to our member companies who are facing serious constraints in terms of cash flows," COAI director general Rajan Mathews said in a letter dated April 8 to telecom secretary Anshu Prakash.

COAI represents telecom and network equipment manufacturers, e-commerce, digital content and technology partners like Nokia, Huawei, Ericsson, ZTE, Sterlite, Indus, Cisco, Qualcomm, Apple, Facebook, Google, Amazon etc. as its members. The core members are telecom operators like Vodafone Idea, Bharti Airtel and Reliance Jio.

Andhra's MedTech zone making cheaper kits for testing Covid-19

FE BUREAU
Hyderabad, April 8

AS PART OF the Make in India programme, the Andhra Pradesh government has launched new Covid-19 testing kits manufactured in the Andhra Pradesh MedTech Zone (AMTZ), a medical equipment manufacturing zone in Visakhapatnam.

The Indian Council of Medical Research (ICMR) has approved the kits to be manufactured at AMTZ while the Drug Controller General of India (DCGI) granted exemption from all manufacturing norms for ventilators in view of the current crisis.

According to Mekapati Goutham Reddy, minister of industries, about 20 tests can be performed with each kit and it costs ₹1,200 for the government as opposed to the existing kit worth ₹4,500, and the result can be seen in 50 minutes.

The AMTZ has started making 2,000 testing kits per day and it will be supplying the kits to the entire country. The capacity will be increased to 25,000 per day.

Further, AMTZ will start producing 3,000 ventilators and gradually scale it up to 6,000 per month from May, 2020. Hindustan Lifecare (HLL) will assist in the assembly of ventilators.

The Centre has already placed an order for 3,500 ventilators and assembling of the units will start from April 15, 2020. For this, six companies have been selected in phase-1. Medical equipment manufacturing is a critical area that requires about 700 to 2,000 parts, most of which have to be imported from different international sources.

Covid-19 to hit CV industry hard, near-term outlook negative: Icr

FE BUREAU
Chennai, April 8

NEAR-TERM OUTLOOK for the commercial vehicle (CV) industry weighed down significantly by the coronavirus outbreak. The volumes likely to contract further between 8-10% in FY2021, said an Icr note on Wednesday.

With cash flows of fleet operators also under pressure, replacement demand for new trucks is likely to remain muted till any meaningful pick-up in the economy and infrastructure projects fructify. An improvement in economic environment and resolution of liquidity constraints remain critical for a sustained revival in the industry, the note pointed out.

Icr continues to maintain a negative outlook for the CV segment over the near-term, given the slowing economic growth, current overcapacity in the CV ecosystem and not so benign financing environment, with challenges further aggravated by the recent and rapid spread of novel coronavirus in India.

The demand headwinds are expected to continue over the near-term given the macroeconomic challenges in view of the recent pandemic outbreak coupled with weakening financial profile of fleet operators and significant price hikes because of transition to BS-VI emission norms. This would exert pressure on earnings and overall credit profile of CV OEMs, which have witnessed sharp earnings contraction over the past three-four quarters.

Shamsher Dewan, vice-president, Icr,



said: "In particular, the M&HCV (truck) segment has been significantly impacted over the past year, with volumes contracting by a sharp 42% in YTD FY2020. Excess capacity created in the system post revision of axle load norms in July 2018 and faster turnaround of vehicle post GST implementation, coupled with slowdown in the economy and infrastructure projects and the resultant lower freight availability continue to weigh on the demand prospects."

"Furthermore, the rapid spread of coronavirus and the lockdown imposed in the country has had a significant impact on goods movement and freight availability over recent weeks and may continue over the near-term. Accordingly, the outlook for the next fiscal, especially the first half, remains weak given the macroeconomic headwinds in view of recent pandemic outbreak coupled with significant price hikes because of transition to the new emission norms. Any recovery in the latter

half hinges on pick-up in construction activity. However, despite some channel inventory filling measures of OEMs, M&HCV (truck) sales are expected to close the upcoming fiscal with further decline of 12-14% during FY2021," he added.

As for the LCV (truck) segment, the same started facing headwinds from the macroeconomic and consumption slowdown since the beginning of FY2020. Coupled with subdued demand from rural and allied sectors and tight financing environment, besides inventory correction by OEMs, wholesale dispatches of LCV (trucks) contracted by 13% during YTD FY2020. Despite the rural demand sentiment witnessing an uptick in recent months, supported by expectations of a healthy rabi output, Icr expects the Covid-19 outbreak and the associated lockdown and restricted movement of goods to have a bearing on the segment over the near term.

Firms make a beeline for co-branded credit cards

SHRITAMA BOSE
Mumbai, April 8

THE GOING HAS never been this good for bargain hunters. There was a time when banks offered credit cards that gave a regular discount every time the consumer swiped the card at a petrol station or travelled by their favourite airline. But as consumers increase spends via electronic commerce platforms, there's a shift in how card issuers and payment gateways offer their benefits. Simply put, the more the consumer spends the more these intermediaries understand them and that helps tailor products and services.

What's also helping credit card usage in India is a significant increase in acceptance since demonetisation in November 2016. To serve the fickle millennial customer, cards issuers are rushing to partner with the platforms like Zomato, Flipkart and MakeMyTrip that offer even more than bells & whistles.

In the last couple of months, Zomato, Flipkart and IndiGo have launched co-branded cards with leading private banks like RBL Bank, Axis Bank and HDFC Bank offering a host of benefits, cashbacks and easy EMIs. Industry experts say that in the last few years, the companies have been approaching banks by floating requests-for-proposal (RFPs) to launch co-branded cards. Even Google has floated an RFP for a co-branded card and is in talks with prospective partners, FE has learnt.

This is in contrast to the older model where banks would have to line up to collaborate with premium brands such as Jet Airways or Vistara. Rajeev Kumar K, senior



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vice-president, market development, South Asia, Mastercard, says that the year 2018 alone saw 15 RFPs for co-branded cards being floated by companies. "There is huge potential for this market because brands are themselves quite keen to launch these cards now," he said, adding that such schemes help companies retain customers better.

For instance, the Flipkart credit card offered by Axis Bank offers 5% cash back on all transactions, no-cost EMIs, airport lounge access and upfront discounts to the card holder. Zomato's card offers cred-

its/points on online and offline purchases as also complimentary membership to the app's Gold service. Such offers are good draws for bargain hunters.

While co-branded cards today account for only between 5-10% of the overall credit card market in terms of both cards outstanding and spends, their share could go up to 15-20% over the next five years, says Sanjeev Moghe, EVP and head of cards and payments, Axis Bank. What's more, the 5.6 crore credit cards outstanding at the end of January are understood to be held by only between 3-3.5 crore individuals