

SHORT STORIES

NTC gets ₹5,987 crore via sale of surplus land

National Textiles Corporation (NTC) has generated ₹5,987 crore funds till date from the sale of 1,533 acres of surplus land, the parliament was informed. "NTC has sold 1,533.09 acres of land till date and has generated sale proceeds worth ₹5,987.41 crore," minister of state for textiles Panabaka Lakshmi said. Based on the recommendations of the Board for Industrial and Financial Reconstruction (BIFR), the company has closed down as many as 77 unviable units and launched revival for 24 mills. Under the Modified Voluntary Retirement Scheme (MVRs), NTC has paid ₹1,585.18 crore as compensation to 46,014 employees of the closed mills, Lakshmi said.

Glenmark moves court

Glenmark Pharma Share price on BSE in ₹
350
332
314
296
278
260
May 2, 11 Aug 8

Glenmark Pharmaceuticals Ltd has filed an arbitration claim against US-based Napo Pharmaceuticals Inc to prevent the latter from distributing anti-diarrhoeal drug Crofelemer in territories for which the Indian company has the rights, the former said on Monday. Glenmark had earlier inked an exclusive licence agreement with Napo to develop, commercialise and distribute Crofelemer in 140 countries. According to an official from Glenmark, Napo has been talking to some relief agencies in these countries to supply the drug. The company expects to launch Crofelemer for treatment of HIV-associated diarrhoea in 2013. The arbitration case against Napo is a pre-emptive action and there are no financial implications, the official said.

Shankar Raman is L&T CFO
R Shankar Raman, executive vice-president, finance & legal, Larsen & Toubro (L&T), will succeed incumbent Y M Deosthalee as chief financial officer on September 6, the company said on Monday. Raman will also be a whole-time director with effect from October 1. Deosthalee has been appointed chairman & managing director of L&T Finance Holdings.

JSW Steel to raise output

JSW Steel Share price on BSE in ₹
985
920
855
790
725
660
May 2, 11 Aug 8

JSW Steel said on Monday it plans to raise production at its plant in Karnataka after the Supreme Court partially lifted an iron ore mining ban imposed in a key region of the state. It now plans to operate its plants in south India at about 80% percent capacity. It had cut production at its Karnataka plant by 30-35% last week after the court had imposed an interim ban on mining in Bellary, from where it sources most of its ore requirement for the 10 million tonne plant. The steelmaker has a capacity of 11 million tonnes per annum, with plants in Karnataka and Tamil Nadu, and requires 18 mtpa of iron ore to operate them at full capacity, it said.

Shriram City fundraising

Non-banking finance company Shriram City Union Finance will raise up to ₹750 crore through a non convertible debenture issue this month. The issue, which would be open between August 11 and 27, will let investors choose between the three years and five years tenor options and carry a coupon rate of up to 12.10% per annum.

CIL wage hike provisions

Coal India Share price on BSE in ₹
420
406
392.30
392
378
364
350
May 2, 11 Aug 8

Coal India, the world's largest coal miner, will make a provision of ₹2,500 crore this fiscal year for a likely wage increase, a senior finance official at the company said on Monday. Wage negotiations are currently underway but the company will make a provision in the remaining three quarters of the year, the official said.

IFC invests in Shalivahana

The World Bank Group's IFC will invest about \$15 million in Hyderabad-based Shalivahana Green Energy Ltd. The investment is expected to support the company's expansion of about 200 mw of its existing biomass power projects in Chhattisgarh, Jharkhand, Madhya Pradesh, Orissa, and Tamil Nadu. IFC will also commit to purchase up to 1.5 million Certified Emission Reductions from energy projects developed by Shalivahana.

Godrej to parlay clients into irrigation gains

Sees itself among top 3 drip irrigation players in 5 years; to leverage its existing clientele of 6-7 lakh farmers; to sign JV with Israeli firm in 2 months

G Seetharaman • MUMBAI

Godrej Agrovet, a subsidiary of Godrej Industries, has ambitious plans for its newest venture. It's hopeful of becoming one of the three biggest players in the drip irrigation segment in five years, according to its managing director Balam Singh Yadav.

Central to that plan are the farmers Agrovet serves in its four business segments. "We sell animal feed to 1 lakh farmers and agri inputs to 5 lakh. We also work with 10,000 farmers in our oil palm business and 3,000 in poultry," Yadav told DNA Money.

Agrovet is giving finishing touches to a joint venture with an Israeli micro irrigation systems (MIS) company.

"They will provide the technology and we will hold the majority stake," Yadav said. He said that the JV will be inked in two months. While he did not disclose the company's name, he said it is

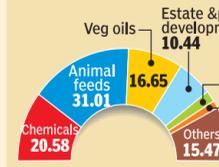
not Netafim, which also from Israel and is the world's biggest MIS company. "Netafim has big business here so why would they want to partner us?" Yadav said. Agrovet last year did a drip irrigation pilot with Silicon Valley-based Dripteck, which is now on its own. It's to be noted Israel is considered as having the best MIS technologies in the world.

MIS includes both drip and sprinkler irrigation. Drip irrigation, also known as trickle irrigation, helps save water and fertiliser by directing them in a trickle to the roots of plants. Sprinkler irrigation is used in spraying water to irrigate the soil surface over a particular area. The size of the MIS market in India is pegged at ₹2,700-3,000 crore, nearly three-fourth of which is for drip irrigation.

Jalgaon, Maharashtra-based Jain Irrigation Systems (JIS), with a 50-55% market share, is the market leader. Netafim comes second with 15-20%. While US-

Captive catchment

Godrej Industries business mix in Q1-FY12 (in %)



₹1,150 crore this fiscal to subsidise MIS. Even state governments have their own subsidies, with the result that the farmer pays only 10-20% of the cost of MIS in some states. The cost of micro irrigating a hectare of land costs ₹40,000 and the systems have to be replaced every 5-7 years.

Anil Jain, MD, JIS, said the entry of new players in the recent past, has not dented its market share. "It's a complex business and as new companies come in, we are looking at covering more regions. We are setting up a manufacturing facility in Rajasthan and we set up in Gujarat in February." He said that JIS's real competition is flood irrigation and not other companies.

Sageraj Bariya, an independent research analyst, concurred with him and said Godrej need not go after farmers who are clients of JIS or Netafim. "There is no threat to JIS in the immediate future. But the network that M&M and Agrovet have is a huge advantage

for them." Last week Godrej Agrovet ventured into seeds business.

Lalit Mishra, strategic business unit head, business development, Netafim India, was not available for comment. But he had earlier said that an established rural network does not necessarily mean a positive. "It (selling MIS) requires work in terms of collection of subsidies from the government," he said.

An analyst with a domestic brokerage said MIS is a regional and long-term play.

"Most companies tend to focus on a particular region like Jain Irrigation in western India, especially Maharashtra. Agrovet should do the same thing," he said, adding that some of the farmers that Agrovet works with might already be buying MIS from other companies. "It could be a clash of loyalties for the farmer and it'll be interesting to see how companies work past this."

MOIL to increase output to offset price decline

Sees tight market for the next two years, to raise production 5-6% each year

Promit Mukherjee • MUMBAI

MOIL Ltd, India's biggest manganese ore producer, sees a tight market for at least two to three years.

K J Singh, chairman and managing director, told DNA Money that while the price of manganese ore has fallen by almost 43%, eroding the company's sales and profitability numbers, there are chances that the price may even go down further by another 6-7% before bottoming out.

There is a global demand of 35 million tonne for the ore while the production has been close to 47 million tonne. This has led to an oversupply situation in the global markets and a sharp downward correction in the price," he said.

MOIL, which hit the capital markets with an IPO December last year, had seen a high of ₹591.05 on that day. But turbulent market conditions coupled with an outlook of a slower growth in the steel sector saw the company touching a new intraday low of ₹311.75 on Monday.

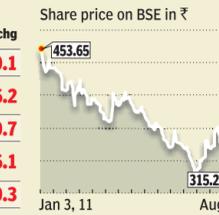
The steel sector is the biggest consumer of manganese ore and the growth of steel production and demand has a direct impact on the demand and prices of manganese ore. To produce a tonne of steel, 35 kilogramme of manganese ore is required.

Singh said last fiscal, steel production grew by 16% and 6%, globally and in India, respectively. In sharp contrast to this, manganese ore production grew by a whopping 33% world wide and 22% in India, causing a manganese ore glut with a serious impact on

Rope walk

MOIL financials
₹ crore

	Q1-FY12	Q1-FY11	% chg
Revenue	210.08	350.97	-40.1
Expenditure	90.35	107.87	-16.2
Operating profit	119.73	243.1	-50.7
Other income	43.39	29.69	46.1
Net profit	108.94	182.47	-40.3



prices. Besides, with only 2% import duty in India, several private players resorted to import of manganese ore at more or less the same price, and hence affecting MOIL's profitability, he said.

"Our answer to the drop in prices is to keep on increasing our production to offset the impact on profitability. We have a plan to increase our production to 1.2 million tonne this year and then 1.5 million tonne by 2015-16," Singh said, adding that the company is on track to reach the targeted production of 2.2 million tonne by 2020.

He said the company will maintain a production growth of 5-6% annually every year and will maintain its PAT ratio at 50% of the total turnover of the company. "We have undertaken several capacity expansion projects for this and we will make sure MOIL does not miss its targets," Singh said.

Analysts are of the opinion that for MOIL direct expenses are going to be stable for the next couple of years. This will make operating margins a direct function of realisations for the company. "With the international prices

under pressure, we expect Ebitda (earnings before interest, depreciation, taxes and amortisation) margins of the company to remain in the range of 60% in FY12 as against 67% in FY11," said Ankit Shah of brokerage SPA Financial Advisors, in a recently published report.

Singh said while tight market conditions will continue to dog the sector for at least two years, once the greenfield and brownfield steel projects start coming on-stream, the situation will improve once again. "By then, our greenfield projects with SAIL and RINL will also come on-stream and we will be adding a new business vertical to our portfolio, which will help the company post improved numbers," he said.

MOIL, as part of its forward integration plans, is setting up two ferro alloy plants with a total capacity of close to 1,60,000 tonne per annum. While for one plant the company has tied up with SAIL and setting it up in Bhilai, and for the other it has tied up with RINL for a plant in Vizag. Both these plants are expected to come on-stream by CY 2013.

Fino says banks' apathy to financial inclusion is affecting its business

Vishwanath Nair & Yogini Joglekar • MUMBAI

Financial Inclusion Network and Operations (Fino), the biggest third party financial services provider in the rural areas, said lack of interest from bankers to service micro credit consumers is heavily impacting its business.

While the regulatory push to the business correspondent model is encouraging, lenders are still wary of banking with micro credit consumers on account of the risk factor, says Fino chief executive officer Manish Khara.

FINO services more than 36 million customers across 386 districts, managing over 6 million transactions a

month. The company provides services under the business correspondent model in government payments, government insurance schemes, savings banks accounts, recurring deposits and loans, among others.

About 80% of the Fino's business comes from government payment schemes under the Mahatma Gandhi National Rural Employment Act, which makes banks an important contributor to Fino's business prospects.

"Consistency of business and regular payments to the correspondents are a concern. Banks are still looking at it as compliance, because they feel it is still a burden; more involvement is needed from them," Khara said,

adding that payments, at times, are delayed by six months which hampers the cash flow.

Khara says that reputation too is a major concern for banks. Unlike the corporate client, even if the bank employs regular methods to deal with defaulters among below poverty line customers it turns out to be a big thing. Currently, Fino is acquiring 1.5 million customers every month; however Khara said with proper support it is capable of acquiring 3 million customers.

"We are comfortable with the pace with which we are covering the rural market. At times it's difficult because we don't only have to give the customer his account number, but also

Strong sales lift M&M net profit 8%

Beats forecast; firm says outlook positive but watchful

Neha Singh • MUMBAI

Mahindra & Mahindra, India's largest utility vehicles maker, on Monday reported a better-than-expected 8% rise in quarterly net profit, driven by strong volume and demand growth. Mahindra, whose core business also includes tractors, said its business outlook for the year remained positive but watchful.

Carmakers in India are seeing a drop in demand amid surging interest rates and fuel prices in the world's second-fastest growing auto market after China. Mahindra's sales in July beat industry averages, rising an annual 41%.

"With headline inflation ranging above 9% for much of the past year, the RBI has tightened its policy stance aggressively in recent months leading to a sharp rise in loan rates with inevitable adverse impacts on domestic demand and industrial growth," Mahindra said in a statement. Indian car sales, which grew at a breakneck 30% in the fiscal year that ended in March, are now expected to grow by just 10-12% this fiscal year, down from an earlier forecast of 16-18%, the Society of Indian Automobile Manufacturers said last month.

Mahindra reported net profit of ₹605 crore (\$135 million) for its fiscal first quarter ended June, compared with ₹560 crore a year ago. Net sales rose 30% to ₹667 crore. Analysts, on average, expected net profit of ₹590 crore, according to a Reuters poll of brokerages. Reuters

GE Aviation trains guns on Indian defence sector

Sees majority orders coming from military

Priyanka Golikeri • BANGALORE

GE Aviation, the US-based \$17.6 billion aircraft engine manufacturer, is optimistic about getting more contracts for supplying to the Indian military.

Bansi Phansalkar, general manager, India Engineering Operations, GE Aviation, said the firm has technologies for the military sector.

"We have technologies like F 414, P8 which are suited for the Indian military. Unlike the US where we supply extensively to both military and commercial aircraft, in India though we have been supplying to the military aircraft, it's more on the commercial aircraft side where we have a large presence," said Phansalkar.

According to Nalin Jain, vice-president, GE Aviation, South Asia, currently majority of the firm's revenues from India come from the civil sector with good growth expected from the defence segment in future.

"The defence business is presently more at the orders stage, while the civil business is at the delivery stage. We expect this proportion to change as defence deliveries start kicking in."

According to an expert connected with the aircraft industry, in the coming years the firm's India business might see a shift in favour of the military segment. "More than half



the business comes from the commercial supplies at present and this might change in favour of the military supplies in future."

On the civil side, GE supplies to airlines like Air India, Jet Airways, GoAir and SpiceJet, with roughly 450-500 engines made by GE and CFM powering these airlines. CFM is an equal stake joint venture between GE and French aircraft engine manufacturer Snecma.

On the military side, the company currently has an agreement with Hindustan Aeronautics Ltd (HAL) for the supply of LM2500 gas turbines for India Navy's stealth frigates such as INS Shivalik, INS Satpura and INS Sahyadri.

It has also won contracts for supplying 99 F414 INS6 engines for the Mk II version of the Indian Air Force's light combat aircraft Tejas.

In the past it had supplied F 404 engines for the Mk I version of Tejas.

Starbucks may have expat head in India

Praveena Sharma • BANGALORE

Starbucks, US-based coffee retailer, has intensified its search for chief executive officer (CEO) for the yet-to-be-launched India operations and according to people involved closely with process of identifying the right candidate, the Seattle-headquartered company could well settle for an overseas executive to head its India business.

"They (Starbucks) are looking at many candidates, but have not yet taken a final decision on who would be the CEO. In all probability, it could be an overseas person," said a person who is aware of selection process of CEO on request of anonymity.

E Balaji, CEO of HR consulting firm Ma Foi, said the reason for the coffee retailer considering an overseas person could be to get someone with "international experience."

"They must be looking for someone with international experience who would be able to localise Starbucks' business for the Indian market. So, someone who has worked in Asian markets in Malaysia, Thailand, Middle East and other Asia would be apt for the India market," he said.

For some time, the name doing the rounds in the market was that of Santosh Unni, CEO of Costa Coffee, but the industry source denied that he was being "considered" for the post.

After capturing substantial market share in the Chinese market, the coffee retail chain is looking at entering the Indian market along with Tata Coffee, the largest coffee plantation and parent company of Eight O'Clock Coffee Co.

Its entry is expected to brew intense competition in the local market, which already has established players such as Cafe Coffee Day, Barista Lavazza, Java Green, Costa Coffee and Gloria Jean's Coffee that together operate over 2,000 outlets.

Arvind Jadhav may be shunted out as AI chief this month

But experts say a suitable replacement may be hard to come by at one of the toughest public sector undertaking jobs in India

Sindhu Bhattacharya • NEW DELHI

Arvind Jadhav's days as the chairman and managing director of Air India are numbered. If persistent political buzz is to be believed, the government is preparing to move him out of the top job later this month.

Though officials in the Ministry of Civil Aviation said they had not moved any official communication to the Cabinet Committee on Appointments

on the matter, it seems Jadhav's handling of the financial mess at Air India came in for severe criticism in a meeting of the Group of Ministers (GoM) earlier this month.

With several of his Cabinet colleagues openly criticising Jadhav, Union civil aviation Minister Vayalar Ravi is believed to have subsequently agreed to relieve Jadhav of his duties.

When contacted, Jadhav told DNA, "Haven't heard any such news myself so will not be able

to comment". Ravi did not respond to queries. Jadhav has already been empanelled as a secretary to the government and may eventually be appointed on this post but it is not clear till now who would succeed Jadhav in Air India.

In his two years at the helm, Jadhav has been seen by airline insiders as lacking people skills. Also, there has been continuous friction between him and the ministry of civil aviation since he has the backing of the Prime



Minister's Office. During Praful Patel's tenure as civil aviation minister, when well known public figures had been appointed to the AI board as independent directors, Jadhav is al-

leged to have overridden their suggestions on financial restructuring and other decisions of the board. This prompted the directors — Anand Mahindra of M&M and Ficci's Amit Mitra — to complain to the PMO and subsequently resign from the board.

More recently, the BJP has been seeking Jadhav's removal, citing irregularities in his appointment in 2009. But if Jadhav is asked to go, the government will need to find a suitable

replacement — which may not be an easy job. Air India is seen as one of the toughest public sector jobs in India, since it requires managing virtually six different companies — the airline, AI Express, Alliance Air, Hotel Corporation of India and allied functions of ground handling and MRO. The airline, which was created from merger of erstwhile Air India and Indian Airlines, is still grappling with merger issues and is facing losses of over ₹51,000 crore.