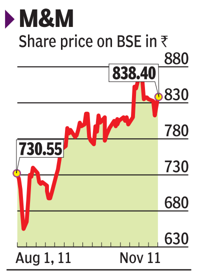
SHORT STORIES

Mahindra Ugine in steel JV with Sanyo, Mitsui



Mahindra Ugine Steel said on Friday its board has approved a slump sale of its steel division to its new unit and agreed to rope in Sanyo Special Steel and Mitsui & Co as joint venture partners for the new unit. Sanyo will invest ₹111 crore in the JV with a 29% stake, and Mitsui, ₹76 crore for a 20% stake and the rest will be held by Mahindra Ugine, it said in an exchange filing, but did not provide the value of its own stake.

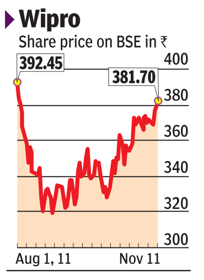
Pantaloon net drops 36%

Pantaloon Retail India Ltd has posted a 36.33% decline in its consolidated net profit for the first quarter ended September 30, 2011 at ₹15.05 crore as compared to ₹23.64 crore in the year-ago period. Pantaloon's net sales for the first quarter of the current fiscal rose 15.61% at ₹3,180.26 crore, as against ₹2,750.76 crore in the corresponding period last fiscal.

Varun Ind profit up 24%

Stainless steel maker Varun Industries has reported a 24% rise in its net profit at ₹15.40 crore for the quarter ended September 30, 2011 as against ₹12.40 crore posted in the same period of the previous fiscal. Net sales grew by 2% at ₹903.60 crore during the quarter as against ₹886 crore in July-September in the last fiscal, it said.

Wipro integrates units



Wipro Technologies, the global IT, consulting and outsourcing business of Wipro Ltd, Thursday announced the consolidation of its India and global IT infrastructure business to form a new business unit called Global Infrastructure and Services. "We see tremendous value in establishing global practices, integrated delivery, program governance and global career opportunities for our teams. A single entity across the globe will further accelerate our growth in the infrastructure business and build on our leadership position," T K Kurien, chief executive officer, IT business and executive director of Wipro said.

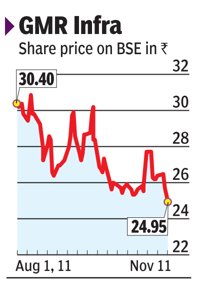
Shasun capex plan

Shasun Pharmaceuticals Ltd plans to expand its active pharmaceutical ingredients (API) manufacturing capacity by 2013-14, managing director S Abhaya Kumar said. It expects revenue growth of 35% over the next three years from its API business, Kumar told investors. Shasun plans to spend an additional ₹60 crore to expand its API manufacturing unit in Vishakhapatnam, he said. The company has already spent ₹40 crore on the unit and will soon start production here. "We have robust order book for the expanded capacity," Kumar said.

Mundra Port net up 29%

Adani Group firm Mundra Port and SEZ has reported a 29% growth in net profit to ₹273 crore for the quarter ended September 30, 2011, as against ₹212 crore posted in the same period of the previous fiscal on the back of increased revenues from operations. Net sales rose 44% during the reporting quarter at ₹588 crore as against ₹408 crore in the July-September period of fiscal 2011.

GMR solar projects



GMR Group plans to invest ₹1,750 crore over three years to take its renewable energy generation capacity, mainly solar, to 200 mw by 2014-15, a top company official said. The Bangalore-based infrastructure major GMR Group, said its 25 mw solar power project in Gujarat is expected to be commissioned next month. It is looking to raise the renewable energy capacity to 200 mw at an estimated investment of ₹1,750 crore in three years, GMR Energy CEO Raaj Kumar said.

Britannia net up 19%

An 18.17% year-on-year rise in its July-September net sales powered fast moving consumer goods manufacturer Britannia Industries to report a July-September net profit of ₹37.85 crore, up 18.76% on year. The company recorded net sales of ₹1,294 crore during July-September, which were a result of good demand for its products during the quarter. Britannia saw raw material costs, as a percentage of sales, dip to 56% from 60.14% a year ago.

JK Cement UAE unit

JK Cement Ltd plans to set up a 600,000-tn white cement unit at Fujairah in United Arab Emirates with an investment of $150 million, a notification on the stock exchange. The company's board on Friday approved the plan, the notification said. The unit will have the provision to change over to 1.01 million tonne per annum grey cement, it said. The company plans to fund the project through debt and equity at a 2:1 ratio.

Tata Chem sees pulses raking in ₹1,000 cr

Plans to scale up i-shakti sales to one lakh tonne in two years; analysts say net margins of 6% would translate ₹2-2.5 gain in EPS

Promit Mukherjee • MUMBAI

Tata Chemicals, the Tata group's chemical and fertiliser flagship, aims to rake in ₹1,000 crore revenues in two years from the brand of pulses it introduced last year.

The company is looking at scaling up its i-shakti brand of pulses to a sales volume of one lakh tonne per annum by fiscal 2014 from a few thousand tonne last year.

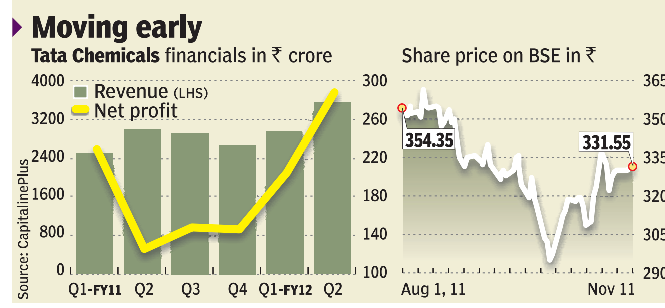
"We have a target to sell 15,000 tonne this year, around 35,000 tonne next year and the year after we will take it up to 1 lakh tonne," said R Mukundan, managing director, Tata Chemicals.

The company expects its top and bottomlines, too, to go up with volumes as it expects to clock around ₹150 crore revenues for every 15,000 tonne.

Tata Chemicals launched i-shakti in December 2010 to sell four different pulses in different geographies in the country. So far, i-shakti is present in 10 states and is using the wide network of Tata Chemicals as well as its crop protection subsidiary, Rallis India, to penetrate the market deeper.

"The advantage with the company is brand name, which not only helps it in sourcing the pulses from the farmers, but also in gaining acceptance with the consumers," said Sageraj Bariya, managing partner at Equitorials, a research firm.

Bariya said while pulses are still a non-branded dominant market in India, the shift will happen sooner or later and that will give Tata an edge.



"The company can start commanding premium as well on the brand, which will have a direct impact on bottomline," he said.

India currently produces 15 million tonne of pulses out of a demand of 18 million tonne, and the shortfall is largely met through imports from Canada and Myanmar.

Experts say the major reason for a shortfall is the low yield in India at just 622 kg per hectare as compared with 965 kg in Sri Lanka and 807 kg in Bangladesh. Egypt boasts of the highest yield in the world at 3,058 kg per hectare.

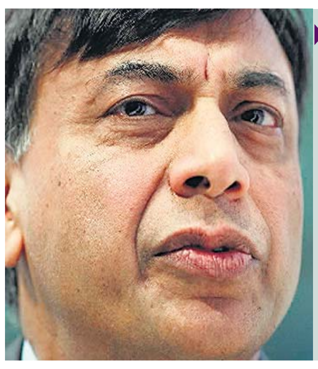
This means that the company also has an opportunity for increasing cultivation.

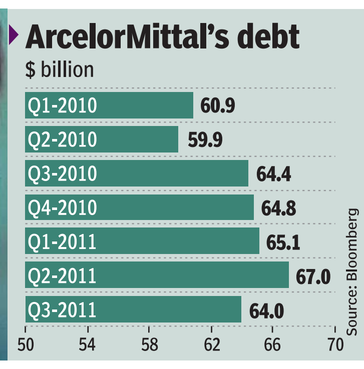
At the launch of i-shakti last year, Tata Chemiclas had said it was expecting to get 6.3 lakh acre of land under pulses cultivation and aiming to involve 2.3 lakh farmers in the next five years in the project.

"Instead of expanding into newer geographies, we plan to work more intensely with the farmers and take the volumes up from the present 10 states in the next two years. After that, new regions will be explored," said Mukundan on Friday.

Whichever way the volumes come, analysts are positive on the development.

"At ₹900-1,000 crore revenues, the company can clock net margins of 6%, which would translate into ₹2-2.5 higher earnings per share," said an analyst with a leading international brokerage.





Mittal loses $43 bn in 3 years as deals swell Arcelor debts

Stanley Reed & Thomas Biesheuvel • LONDON

In 2006, Lakshmi Mittal became the King of Steel, though it wasn't long before the crown grew heavy. Two years after he created the world's largest steelmaker with his $41 billion takeover of Arcelor SA, the recession hit, eroding demand for the metal.

Now, with operations focused on slow-growth Europe and the US, the future looks increasingly problematic.

The latest sign of trouble: At the end of October, ArcelorMittal pulled out of a venture to buy Australia's MacArthur Coal, leaving its partner in the takeover, Peabody Energy Corp, to pursue the $5.1 billion deal alone.

Three years of weakening steel demand have weighed on earnings at ArcelorMittal, which is indebted after years of dealmaking. The company also has to contend with a steel glut: Chinese mills have more than doubled production since 2005 to a projected 733 million tonne (mt) this year, according to UK steel consultant MEPS. ArcelorMittal has trimmed output about 20% from the 116 mt it produced in 2007. Its share of the global market dropped to 6.4% in 2010 from 9.5% in 2006, according to data compiled by Bloomberg.

The stock is down about 50% from its 52-week high in February, and Mittal's 40.9% stake in the company is now valued at about $12 billion, down from $55 billion in 2008.

"We're in a very dark market environment right now," said Rochus Brauneiser, a Frankfurt-based analyst at Kepler Capital Markets.

"There has been no surprise or disappointment in the merger," Mittal said in an interview. "It has been a very positive experience."

ArcelorMittal is forecast to report earnings of $3.7 billion this year, the highest in three years. Still, it posted $10.4 billion profit in 2007. Analysts wonder if that record can ever be reprised.

"Those days may be gone forever," said Tony Taccone, a co-founder of First River Consulting in Pittsburgh. "The only way we return is if the economies of all major countries and regions fire on all cylinders at the same time."

Just about everyone, including chief financial officer Aditya Mittal, agrees with that assessment. "Prices have moved down in the fourth quarter," Mittal's 35-year-old son said. "Customers are not keen to build inventories."

To keep steel prices from collapsing, Mittal is putting some of those plants on ice. Rather than cutting production across the board, the goal is to keep the best facilities such as those at Ghent, Belgium, and Dunkirk, France, running near full capacity and close less competitive mills, saving $1 billion in costs.

In the past two months, ArcelorMittal has announced it is idling plants in France, Germany, Luxembourg, Poland and Spain.

"What is happening now is not a surprise," said former Arcelor chief executive officer Guy Dolle. "Continental Europe plants have no future."

ArcelorMittal has also cut back production in the US, which accounts for 24% of overall output and a smaller share of sales.

Mittal can't count on demand from the so-called BRIC countries to offset weakness in Europe and North America. A planned $500 million plant expansion in Brazil has been put on hold, and progress on moving into India "has not been what we expected," Mittal said.

For now, the emphasis is on conserving cash and trimming debt. Mittal said he's even considering selling some $10 billion in non-core assets. Still, analysts see a shift in Mittal's take-no-prisoners style of dealmaking. "They've always been acquirers of assets, and they've always held on," said Anindya Mohinta, an analyst at Citigroup Inc. in London.

If the world economy does bounce back, Mittal will be better positioned than most to profit because he could quickly bring back idled capacity. Bloomberg

Cummins halves guidance second time this fiscal

As slowdown takes toll

Ashish K Tiwari • MUMBAI

Cummins India, manufacturer of engines for power generation, industrial and automotive segments, has halved its growth guidance for the second time this fiscal to 5-10% as a slowdown in economy reduced orders and affected business.

Anant J Talaulicar, chairman and managing director, Cummins India, said, "We had estimated 20% growth at the beginning of the year. The guidance was later brought down to 10-15%. I'd say now that we are probably looking at a 5-10% growth across the board (domestic and exports) on a year-on-year basis. As far as profitability (PBIT margin) is concerned, we see a further deterioration of 1% sequentially."

"The cost of money has gone up significantly and is causing some projects to get deferred. Secondly, some of the projects in the infrastructure sector are slowing down and the demand picture is not as bright as it was earlier. However, if the demand picture improves and inflation stabilises at today's levels, the profitability will start improving," he said.

Cummins said the most affected was its power generation business, followed by mining and construction, and added that the share of power generation in its total sales had come down to 30% from 40% earlier. The industrials business stayed flat at 12%, while auto's share doubled to close to 10% levels. The distribution business, the company said, is about 18-20%.

The raw material costs have also increased affecting profits. The company said it has passed on increased costs from time to time in the recent past, but doesn't see any scope for cut in prices now.

Cummins plans to spend ₹200-250 crore in capex this fiscal and ₹300-350 crore in the next.

TRF closes in on major Tata Steel, NTPC orders

Sumit Moitra • KOLKATA

TRF Ltd, a bulk material handler from the Tata group, which failed to bag any major order during the last quarter, may do so soon.

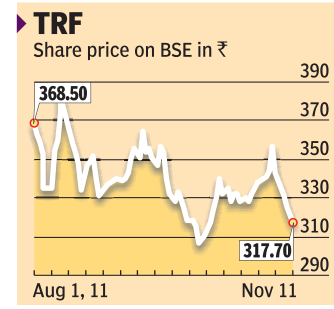
The company, in which Tata Steel holds 34.58%, expects to win orders worth ₹800 crore from clients including Tata Steel and NTPC.

It also sees additional orders from these two key clients by the year-end.

With a current order backlog of ₹1,275 crore, the Tata Steel subsidiary is working on over ₹1,200 crore of active enquiries, which may result in a consolidated turnover of ₹1,400 crore (a growth of 25% on last fiscal's ₹1,113 crore), the company management told analysts.

Also, TRF expects to maintain an EBIT (earnings before interest and tax) margin of 7%, company officials said on a conference call.

Of this ₹1,400 crore of turnover, ₹550 crore is expected to come from automobile sector and the balance from core material handling business, managing director Sudhir Deoras said.



"We are L1 (lowest bidder) on two projects for about ₹500 crore, but the orders are still not in hand. One is from NTPC worth ₹375 crore and the second is a NTPC and Tamil Nadu ports state body joint venture, where we have got orders worth `100 crore for ship unloading. We are hoping that these orders will come in some time," Deoras said.

The NTPC tender was opened during the quarter, but is yet to be awarded.

TRF is also banking on its parent, Tata Steel, for orders of about ₹300 crore from the construction of the steel major's upcoming Kalinganagar project in Orissa, work on which has just started.

"Kalinganagar's material handling projects orders have started flowing, which you will see in this month. We have finalised one order and we seem to be capturing good orders from Tata Steel also. So, in this quarter hopefully the order book will also start looking better. Kalinganagar requires seven or such stacker reclaimers from us and that order should be also coming in any time now," the company said.

TRF expects a pick-up in orders from NTPC fourth quarter onwards. "The good news is that the next series of 800-plus megawatt units will start in the last quarter of this fiscal," Deoras said.

TRF has recently won one out of four tenders of NTPC for capacities of either 2x650 mw or 3x650 mw, but hopes to become a vendor to those companies which own the rest, but do not have manufacturing capabilities.

With own robots, packager Mold-Tek builds an edge

Shailaja Sharma • MUMBAI

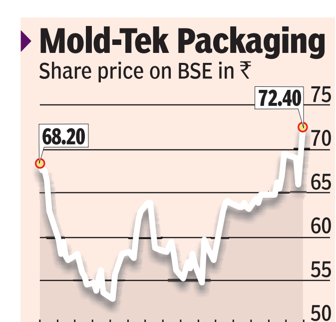
Hyderabad-based Mold-Tek Packaging Ltd is emerging as an important player in the fast moving consumer goods (FMCG) sector, making products such as paints, ice-creams and confectionery more attractive to consumers.

The packaging firm's ability to build robots and moulds in-house is keeping it 'heads and shoulders' above others in the industry, J Lakshmana Rao, chairman and managing director said. And with huge growth anticipated in the India's paints and foods sectors, Mold-Tek is looking to be a ₹1,000 crore company by fiscal 2017, he said.

"The way malted drinks, jams, ice-creams, butter, cheese and yogurt are packaged is going to change and we are going to be at the helm of that, right at the top," he said.

Mold-Tek is working with major paint makers and consumer goods majors, including Hindustan Unilever, Procter & Gamble and Kraft Foods, which, along with turning aggressive in India, are also giving more attention to packaging.

FMCG companies suggest 70% of a consumer's purchase decisions for a product are dependent on its packaging.



"Label quality and clarity is becoming very important for cosmetics, pharmaceuticals, and other consumer products. And the consumers are willing to pay more for products that are attractively packaged," Rao said.

Mold-Tek makes rigid packaging for companies such as Amul, Baskin Robbins, London Dairy, Vadilal, Berger Paints, Kansai Nerolac, Asian Paints, AkzoNobel, Castrol, IndianOil, BP, Exxon Mobil, Hindustan Petroleum, Reliance Industries, and Cadbury India.

Rao, 52, an IIM-Bangalore alumnus, who established the company in 1986, first imported three robots a year-and-a-half ago and then with the expertise of his deputy managing director, A Subrahmanyam, went on to build robots in-house at its plant in Hyderabad. So far, the company has developed 10 robots and needs to build more to cater to the growing capacities.

What do these robots do? They perform packaging and the newly introduced in-mould labelling (IML) process, an advanced technology of labelling in packaging that is being used widely in several European companies.

IML fuses the label with the package through robots in such a way that it becomes permanent and is capable of delivering higher photographic clarity. The process eliminates human intervention or contamination.

"Developing robots in-house brought our capital cost under control. Today, we are making a robot under ₹12 lakh with some imported parts from Siemens and others, but all the mechanical parts are made in our tool room," Rao said. "A similar robot from Europe will not cost less than ₹45 lakh. From Taiwan, it won't be less than ₹30-35 lakh. Our robot is even faster than the Taiwanese robots. I can say we are the only company in India or perhaps even in the world to produce moulds and labels of international quality and robots, all in-house," he said.

Retail chain seeks to make rural handicrafts contemporary

Industree encourages artisans to create usable products from traditional art to tap more urban buyers; aims to reach 20,000-30,000 rural artisans

Priyanka Golikeri • BANGALORE

At Mantri Square Mall in Malleswaram area of Bangalore, a 2,000 square feet shop grabs most of the eyeballs with its luxuriant riot of colours.

While amber and ochre door hangings crafted from palm leaves lure in shoppers, red and yellow roses made from bamboo cane dazzle the right corner.

Kondapalli dolls from Andhra Pradesh sit along with Madhubani paintings from Bihar adorning the left corner.

The centre is again a sparkle of colours where bright green, blue, red, yellow and orange hued Channapatna toys from Karnataka such as cars, tops, rattles, trains made from wood and vegetable dyes jostle for attention.

A rack holding pink and mustard coloured letter boxes, file holders, table mats and floor mats weaved and crafted from river grass, banana fibre and screw pine brings keep the rear end resplendent.

This bright fare is interspersed with perfumed candles, room fresheners, scented soaps and home accessories such as lamp shades and vases.

The shop is a Mother Earth retail store that sells handicrafts from all over India.

"The products have been crafted by artisans from remote areas in India," says Neelam Chhiber, managing director of Industree Crafts, a social enterprise in Bangalore, who started the firm in 1994 to provide market access to rural artisans, including micro-entrepreneurs and self-help groups.

Industree runs eight stores under the Mother Earth brand in Bangalore, Mumbai, Mysore, Kolkata and New Delhi, selling products categorised as Earth food, Earth fashion (clothing and accessories) and Earth home (souvenirs and furniture). Several products are made using natural fibres such as banana, screw pine, bamboo, river grass, jute, etc.

Chhiber says her company is aiming to achieve a turnover of ₹16 crore by this fiscal, with a target of touching ₹100 crore in sales by March 2015, by when it will add 12 more stores. Her venture has received funding from Future Venture and Grassroots Business Fund in the recent past.

"We currently reach 10,000 artisans and want to reach 20,000-30,000 by 2015," says Chhiber.

Estimates suggest India has approximately 40 million rural artisans. On the other hand, India's handicrafts market, which is worth about ₹20,000 crore, constitutes 2% of the global creative industry.

Chhiber said she realised that many artisans lead a hand-to-mouth existence due to their inability to market their goods to a large consumer base at a better price while studying at the National Institute of Design in Ahmedabad.

"The artisans also had no idea about what an urban consumer would buy."By selling to Industree, the artisans earn more than what they would have made by selling to buyers in their vicinity, says Chhiber.

In Virvannalur village in Tirunelveli district in Tamil Nadu, artisans engaged in weaving mats from river grass were selling to the transport corporation at ₹40 per piece for use by the bus conductors.

"The same mats with better designs can be sold to a more discerning buyer and command a better price. We trained them to add designs and colours and make it finer. The same mat now gets sold for ₹200 a piece," says Chhiber. Also, artisans are taught to create products from their traditional art. Chhiber says instead of selling just Kondapalli dolls as showpieces, a book or pen stand can be developed in sync with the doll and the product can command the doll's price.

"Likewise, instead of selling Madhubani art as a painting, it can be used to create lamp shades. We teach them such techniques."