SHORT STORIES

MTNL slashes 3G tariffs

MTNL has slashed 3G tariffs by 70%. As per the revised rates, at ₹99, one can now avail of 300 MB of data per month, as compared to 130 MB earlier. For 1.1 GB to 4.4 B of data, tariffs range ₹250-750. In addition, MTNL has also launched 3 new data plans, ranging from 1 GB data usage for 7 days at ₹76, 1 GB data usage for 15 days at ₹126 to 3.3 GB of data for 30 days at ₹650. MTNL is also offering the True Unlimited Monthly Plan for ₹1,650, and ₹2,500 Unlimited 3G Usage valid for 60 days. Beyond the data limit, 3G data charges will be 2p/10KB. The MTNL move comes after Airtel, Reliance Communications and Idea Cellular slashed 3G tariffs by 60-70% last week.

Toyota financial services

Japanese auto major Toyota has launched its financial services in the Indian market with plans to invest ₹260 crore initially. Toyota Financial Services India (TFSI) will start operations in Delhi and NCR and gradually expand to other metros within this fiscal. It will focus only on Toyota customers in India and provide interest rates comparable with the market, it said. "We will start the retail business from June 5 through dealerships in Delhi, NCR and Bangalore. The initial investments for starting the financial services in ₹260 crore," TFSI managing director and CEO Kazuki Ogura said.

Essar Ports investment

Belgium-based Port of Antwerp International has invested close to ₹175 crore in Essar Ports Ltd through the Global Depository Receipts (GDR) route, Essar Ports announced on Wednesday. In a release, the company stated Port of Antwerp this investment would be made at a price of ₹100 per equity share of the company. Jan Adam, CFO- Port of Antwerp, has also been appointed as non-executive director on the Board of Essar Ports Ltd.

RCom mobile unit CEO

Reliance Communications (RCom) on Wednesday named Gurdeep Singh as the chief executive of its mobile services business. Singh previously worked as the chief operating officer of seventh-ranked carrier Aircel, which is majority owned by Malaysia's Maxis. RCom's former mobile business head Syed Safawi left the company in February after his contract ended.

₹ fall boosts India Inc earnings, says Citi

But overseas debt exposures may cause pain

Sachin P Mampatta • MUMBAI

While a falling rupee is causing concern for the economy, it, overall, bodes well for India Inc earnings as the sectors leveraged to the depreciating currency are outweighing losses faced by other sectors.

However, these gains are likely to be offset by the pain in balance sheets in form of overseas debt exposures, according to Citi analysts, who spoke at an investor conference in Mumbai on Wednesday.

The rupee closed at a record low of 56.23 against the dollar at the end of the day.

Aditya Narain, managing director at Citigroup Global Markets, said earnings and currencies have an inverse relationship.

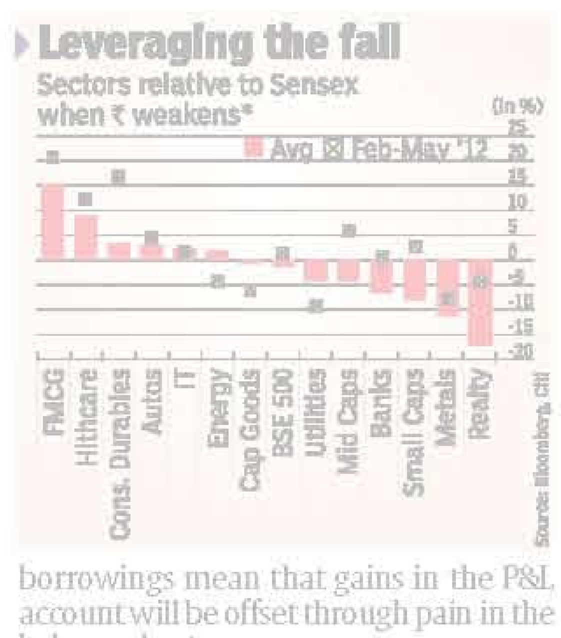
"The P&L (profit and loss a/c) will gain on aggregate if the rupee appreciates," he said.

In a Citigroup Global Markets' India Equity Strategy report he co-authored with Jitender Tolas, Narain said more sectors are leveraged to a weakening rupee.

The study was for companies covered by Citi.

"Those that gain and typically see earnings upsides are IT services, pharmaceuticals and metals; utilities usually see earnings downsides while energy and autos are more mixed. At aggregate though, there are earnings upsides," said the duo in their report dated May 27.

The report said that offshore borrowings mean that gains in the P&L account will be offset through pain in the balance sheet.



Businesses have exposure as they have taken advantage of cheaper funding from offshore markets and also made offshore acquisitions.

"There is a reasonable level of offshore funding on Indian balance-sheets; some of it hedged naturally (with exports), some of it hedged through market mechanisms, but a fair share of it possibly unhedged (with moderate transparency, at best). A lot of this will need to be marked to market–and will eventually come through the P&L," it said.

Citi argues that if the rupee continues to depreciate the potential risks and surprises on the balance sheet will outweigh the gains on the P&L.

Meanwhile, the impact on P&L and balance sheets is contributing towards a falling correlation between the currency movements and market performance. Other factors, including the currency's effective movement already being distant from its mean, may mean that a falling rupee might not hurt the underlying equity markets as much as previously.

Aditya Narain highlighted a currency factor in his portfolio picks as well.

"We are overweight financials, autos, and capital goods but keep a traditional currency hedge in the portfolio by being overweight pharmaceuticals and neutral IT services," he said.

Citi expects the rupee to be at 54.8 in March 2013. It has a December 2012 Sensex target of 18,400, with an earnings per share growth of 13% at ₹1,270.

The Sensex has lost 5.54% since January to close at 16312.15 even as foreign institutional investors have been net buyers by ₹42,496 crore.

Tata Chemicals to hike DAP prices

Promit Mukherjee • MUMBAI

Falling rupee, reduced subsidy and an increase in international prices might see companies raising the price of one of the major fertilisers in India.

The domestic price of di-ammonium phosphate, or DAP, which is the second-most used fertiliser in India after urea, has come under pressure due to rising international prices and reduction in subsidies in the country.

The effect has multiplied further for companies selling the product as a falling rupee against the dollar has started nibbling their margins.

"With almost 10% fall in rupee from March, DAP has come under pressure and as soon as the new stock hits the market, we will have to increase the price," said R Mukundan, managing director, Tata Chemicals.

Mukundan was talking to mediapersons during the announcement of the annual results of the company on Wednesday.

PK Ghose, chief financial officer of Tata Chemicals, said currently the domestic prices are hovering around $530-540 per tonne, but internationally prices have reached almost $570, which leaves a scope for a price revision.

DAP is currently the second-most preferred fertiliser in the country with a share of 20% out of the total 55 million tonne per annum fertiliser market. Urea is the most consumed fertiliser with a market size of close to 55%. Complex fertilisers, which employ various combinations of nitrogen, potassium and phosphorus, own a market size of 15%, while the remaining is under a potash-specific fertiliser.

While Mukundan refused to give details by how much the price could be revised and when the old stock end will, experts say the rise could be substantial.

"We are expecting that the prices of DAP could be revised by almost 30% in the next few months as price of both phosphorus and nitrogen has gone up to some extent," said Sageraj Bariya, managing partner of Equitorials, an independent research firm.

Sebi-hit realty funds pine for fat-cheque investors

Amritha Pillay • MUMBAI

The Securities and Exchange Board of India (Sebi), the capital markets regulator, issued a notification early last week stipulating ₹1 crore as minimum limit for alternative investments, including realty funds, up from ₹5 lakh earlier. The new limit is expected to aggravate pain of property developers who are already cash-strapped, debt-ridden and sales-starved.

Private equity (PE) firms are expected to be in demand consequently as the task of identifying individual investors who could invest ₹1 crore or more in realty funds may prove tricky and tough. For, there is no tested distribution network in place to tap such investors.

With banks ceasing to be a funding source, realty funds have sought to take refuge in PE. But with PE firms themselves expecting a slowdown in fund-raising, the cash crunch in realty funds may intensify. PE firms said realty may have to wait a bit longer for fresh funds.

Bikram Sen, director and CEO of ArthVeda Fund Management, a housing-centric fund, said realty funds are clueless. "The new guideline is a good step. However, this has led to confusion about target investors and how to tap them. It is a period of transition and there would be some delay in raising funds due to this," he said.

But the new rule will keep small investors from real estate investments, an important asset class, said Ramesh Jogani, MD and CEO, India Reit Fund.

Amit Bhagat, CEO and MD, ASK Property Investment Advisors, cautioned that total funds raised in the realty PE space would be lower than what might have been, had there not been any confusion over whom to tap for investments of ₹1 crore and above.

"As a business group, we have always been focused on deals worth more than ₹1 crore. Thus, we have a network in place. But for many in the industry, it is a problem though," said Bhagat.

An industry official feared that realty funds would be able to raise up to ₹1,000 crore less than normal this fiscal. "We raised about ₹2,000 crore in fiscal 2012. We should do ₹2,500 crore to ₹3,000 crore this year. But for the current confusion, this could have been higher by up to ₹1,000 crore."

Some industry insiders hoped that any revival in overseas markets could help Indian realty funds to tide over the current difficult transition. Jogani said given the current circumstances, real estate investment trusts (REITs) should be opened in India.

NCC to rope in ally

Continued from page 14

The boiler, turbine and generator, or BTG, contract has been given to a Chinese supplier, which has also been given ₹210 crore to commence the works.

"We are on course in terms of implementation schedule," said Murthy.

NCC has so far infused about ₹370 crore towards its equity commitment and it is expected to bring in a total of about ₹900 crore as equity towards its share of 55%, while the balance would be brought in by Gayatri.

"As per the agreement we have with the lenders, we need to bring in 35% of our equity commitment to draw 35% of the equity. So, till we draw the agreed debt, there is no need for us to infuse any fresh equity. We don't see any scope for equity infusion in 2013. Meanwhile, we are already talking to some potential partners and expect them to come into the project by way of equity dilution," he explained while refusing to set a time-frame for inducting a partner.

On coal linkage for the project, Murthy said it is in queue for allotment from Coal India. "We expect the allotment to be done by December 2012. About 70% of the coal requirement would come from the CIL while the balance would be imported," he said.

NCC plans to import the required coal from Indonesia and has already identified some coal assets in Indonesia for exploration through a partner. It has earmarked about $10 million for making arrangements to import coal, of which about $2 million has already been spent.

The company is working on a strategy to sell about 75% of the power produced through power purchase agreements (PPAs). "We are shortlisted for selling power through PPA in Andhra Pradesh. The agreement would be made at a price of about ₹3.70 per unit. We are also planning to participate in Case I bidding in Tamil Nadu and Karnataka," he said.

For the year ended March, NCC reported revenues of ₹6,655 crore and a net profit of about ₹57.9 crore.

Operating margin was at 11% and net margin at 0.8%. However, with the debt burden easing and the interest rates softening, it expects the margins to improve this fiscal.

The company has an order book of about ₹20,196 crore and expects fresh orders of about ₹8,500 crore to flow in during the year.

Scorecard

GMR Infra loss widens

Sharp rise in interest expenses, and a one-time exceptional loss widened GMR Infrastructure Ltd's consolidated net loss to ₹366 crore in January-March from ₹108 crore in October-December. At ₹2,099 crore, its January-March revenue was higher-than-expected but down from ₹2,155 crore a year ago and ₹2,185 crore in October-December. In Jan-Mar 2011, GMR Infrastructure had reported net loss due to a one-time exceptional loss on sale of stake in US-based InterGen N.V.

HDIL net up 70%

Housing Development and Infrastructure Ltd (HDIL) reported a 70% rise in its consolidated net profit for the fourth quarter at ₹315.51 crore as against ₹185.21 crore posted in the year-ago period. Revenues during the quarter rose 13% at ₹625.12 crore. The increase in Q4 net profit was on account of rise in other income to 24.67 crore from ₹6.04 crore in the year-ago period. The company also got a tax refund of ₹75.18 crore in the fourth quarter.

ABG Ship net rises 11%

ABG Shipyard has reported an 11% rise in net profit at ₹45.38 crore for the quarter ended March 31, 2012 as against ₹40.66 crore posted a year ago. Total income during the reporting quarter 24% rose to ₹663 crore from ₹532 crore in the year-ago period.

Havells Q4 net up 21%

Electrical equipment maker Havells India said its net profit rose by 21.33% to ₹91 crore for the fourth quarter as against ₹75 crore posted a year ago. Net sales during the reporting quarter rose 21% at ₹1,046 crore as against ₹863 crore in the same period of the previous fiscal. "We plan to invest ₹100 crore on capex in 2012-13 on all existing product categories," Havells (India) joint managing director Anil Gupta said.