



SIPNA BUSINESS INSIGHT

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LIC IPO may come in 2nd half of FY21: Govt

- Manali Jain

Listing of insurance behemoth Life Insurance Corporation (LIC) may be done in the second half of the next financial year, Finance Secretary Rajiv Kumar said on Sunday.

Finance Minister Nirmala Sitharaman while presenting the Budget 2020-21 on Saturday announced a stake sale in LIC through an initial public offer in the next fiscal.

There are a number of processes that have to be followed for the listing and some legislative changes would also be required for the listing of LIC, Kumar said.

“We will follow the extant procedure for listing and for other things including the legislative changes it requires in consultation with the Ministry of Law and that process we already started... listing in the second half of FY21 seems logical,” he said.

Listing of LIC will bring in greater transparency, and public participation and also deepen the equity market, he told PTI in an interaction. Asked about the quantum of dilution, Kumar said, it could be 10 percent but no decision has been taken so far.

The government aims to garner Rs 90,000 crore from the listing of LIC and stake dilution in IDBI Bank in the next fiscal out of the total disinvestment target of Rs 2.10 lakh crore.

The government currently owns 100 percent of LIC, while it holds around a 46.5 percent stake in IDBI Bank.

“Listing of companies on stock exchanges disciplines a company and provides access to financial markets and unlocks its value. It also gives an opportunity for retail investors to participate in the wealth so created. The government now proposes to sell a part of its holding in LIC by way of Initial Public Offer (IPO),” the Finance Minister had said in her Budget speech.

Market participants are quite bullish about LIC and said it could be an "IPO of the decade akin to the Saudi Aramco listing.

The 60-year-old state-owned firm, LIC, is the country's largest insurer, controlling more than 70 percent of the market share. The insurer has a market share of 76.28 percent in a number of policies and 71 percent in first-year premiums.

LIC has many subsidiaries including IDBI Bank. It acquired a controlling stake in IDBI Bank last year.





Flipkart shuts down Jabong for Myntra push: - Pallavi Rajurkar

Over four years after acquiring Jabong for \$70 million, Walmart-owned Flipkart has formally closed its operations to shift focus completely on its premium fashion platform Myntra. As part of the move, Jabong's flagship portal and app are being redirected to Myntra's shopping window.

Experts said the move will help Flipkart consolidate operations and make its marketing budget efficient. "The way eCommerce market in India has developed, customers need to be reacquired consciously. Since the level of stickiness is low, it is better to bring consumers to one site than spread money across multiple sites," said Devangshu Dutta, founder of Third Eyesight, a strategy consulting firm, adding, "Given how Walmart's focus as a business is fairly cost and efficiency conscious, it makes sense to consolidate operations."

Myntra did not respond to ET's queries till press time. In July last year, Flipkart had said that it had begun to cut a bulk of its marketing expenditure on Jabong and redirect users towards Myntra by offering incentives. In an earning's call last November, Walmart reported a non-cash impairment charge of \$290 million on account of its investment in Jabong.

The Indian clothing market will be worth \$59.3 billion in 2022, making it the sixth-largest globally, comparable to the United Kingdom and Germany, according to data from McKinsey's FashionScope. However, online accounts for less than 10% of organized apparel retailing with Flipkart which acquired Myntra in 2014, and Jabong two years later, controlling about 70% of the market.

According to data sourced from Similar Web, which tracks web analytics for businesses, app downloads of Jabong in India had dropped by 12.71% in December 2019. Usage of the app had been steadily declining as well.

Daily active users on Jabong were down by 10.61% in the same period. Myntra app, on the other hand, saw a 41.18% rise in downloads, and the daily active user count was up by 31.87%.

DLF's sales bookings up 21 percent at Rs 2,156 cr in Apr-Dec 2019

- Yogesh Kukreja

Realty major DLF's net sales bookings rose 21 percent to Rs 2,156 crore during April-December, 2019-20 on better demand for its completed inventory. Its sales bookings stood at Rs 1,788 crore in the year-ago period.

According to its investor presentation, DLFS sales bookings stood at Rs 731 Crore in the third quarter of this fiscal as against Rs 563 crore in the corresponding period of the previous year.

The company said it is confident of achieving the sales target of Rs 2,700 crore For the entire 2019-20 financial year.

It said the company would continue to focus on faster monetization of unsold completed housing stocks worth Rs 9,415 crore. The demand for the luxury segment remained subdued.

"Entering into the new cycle of development for replenishment of completed inventory at select marquee locations. Planned new projects of around 21 million sq ft, the presentation said.

On debt, DLF said its net debt stood at Rs 4,866 crore at the end of the third quarter. "The company expects to exit the current year (fiscal) with around a similar level Of debt," it added.

Earlier this week, DLF reported a 24 percent increase in consolidated net profit at Rs 414.01 crore for the quarter ended December despite a fall in income. Its net profit stood at Rs 335.15 crore in the year-ago period.



India is driving Puma's global growth: CEO

- Mrunali More

India's growing young population and increasing interest in fitness and sports will set Puma up for success in the future, the sportswear brand's global chief executive Bjorn Gulden said. "It's great to see the brand record sustained growth in India. It is a strategic market for Puma. A combination of global strength and local execution has accelerated the brand's momentum in the country," Puma SE's chief Gulden said in a statement.

In an earnings statement released late last week, the German sportswear maker called out the Asia-Pacific region as its strongest market with 26% sales growth last year at €1,556.9 million, adding that growth in the region was primarily driven by China and India.

The lifestyle sportswear brand's India unit reported revenue of Rs 1,413 crore in the calendar year 2019, the latest regulatory filings show. Like-to-like store sales grew by 17%.

Puma India managing director Abhishek Ganguly said the fastest-growing segments were tier two and three markets and women's wear. He said online and offline channels grew equally. "There's a lot of traction on sportswear now with women, younger consumers, and sportswear becoming a lifestyle statement. Apart from the shift in consumer behavior, we have localized the product portfolio and do channel-specific pricing." Ganguly said.

Puma operates 365 owned stores in India, and over the past three years, has signed up cricketer Virat Kohli, boxer Mary Kom, footballer Sunil Chhetri and actress Sarah Ali Khan to endorse its products.

While Gulden said that globally 2019 was the best year in Puma's history with revenues of €5.5 billion, he warned of slower sales in the first quarter of the current calendar year.

RIL, Shell liability to the government may drop in the PMT case

- Ekta Lothiya

Reliance Industries (RIL) and partner Shell's liability to the government may fall in the Panna, Mukta, and Tapti (PMT) case after an English court passed an order favoring the two companies on some aspects of the ongoing arbitration proceedings, sources familiar with the development said.

The order is one step-but, not the final one-toward the conclusion of a decade-old dispute between the government and joint venture partners RIL and Shell (formerly BG Exploration) over the state's share of income from the PMT fields.

The arbitration tribunal is slated to hear some key issues next month in London. The matter has gone from the tribunal to the court and back several times now. The latest court order pertains to the so-called 'agreement case', where the tribunal had fixed certain development costs in its revised award, which both the government and the two companies challenged in the court.

In October 2016, the arbitration tribunal pronounced a final partial award that went largely in favor of the government, following which the oil ministry computed the three oil companies' liability and directed them in May 2017 to pay \$3.9 billion. The companies refused to pay, saying the award had been challenged in an English court and the liability not yet quantified by the tribunal.

The government, which went to the Delhi High Court to enforce the award, has also urged the court to restrain the sale of assets by RIL until the money needed to nav un its liability in the PMT case is secured.



Incentives would help raise exports from India: Xiaomi

- Suraj Ashtankar

China's Xiaomi, which became the largest handset brand in India in the last quarter of 2019, said it is evaluating expanding exports from the country but feels there is a need for higher government incentives and globally consistent standards to enable its move. In an interview to ET's Danish Khan, Xiaomi India managing director Manu Jain said the company has alternative supply lines from Southeast Asia, Taiwan, Europe, US and Japan. It will, however, get a clearer picture on the impact of the deadly coronavirus after the Chinese New Year break ends, depending on the extent of the lockdown in factories, he said. Edited excerpts:

How do you see Xiaomi's performance in the October-December 2019 Quarter?

For the Q4 and the entire year 2019, we had approximately 29% market share. We were 53% bigger than Vivo and 93% bigger than Samsung. And, for the first time, we became the largest phone brand. It means Xiaomi smartphones were more than feature phones and smartphones put together by Samsung.

We already have 44% market share in online. Anything which is beyond 40% is a very tough number to even maintain. So, for us the natural way to expand is offline, to further grow our market share or grow volumes. In 2020, we see even more significant progress in offline.

We have never had any exclusive product for online for the last two and a half years. Secondly, we offered discounts during Diwali in offline which were the same as in online. I understand the human psychology where people will have concerns about other channels, and our team has discussed with each of the associations and retail partners. But we haven't heard any concerns from their side.

Will offline become Xiaomi's dominant channel in 2020?

It will definitely be 50%. But, our online team is also very aggressive to ensure that they also keep delivering huge numbers across not just Flipkart and Amazon but also mi.com.

How is Xiaomi prepared to handle the situation arising out of China's lockdown due to coronavirus?

This is a very serious situation. Not just in China. More than business, the safety of our team members and partners and everybody else in China is probably a thousand times more important. From a business perspective, we are evaluating the situation. Once this lockdown opens, we will know. We don't have any impact as yet because we were prepared (with inventory) for the Chinese New Year. We do have a diversified supply chain... a large number of our components, we source locally, and some of them come from Southeast Asia, Taiwan, Europe, US, Japan and China.

India has raised import duty on certain components. What impact is it likely to have on Xiaomi?

By and large, if we look at the entire phone, a large number of components, including PCB (printed circuit board), camera modules and touchpad components, are either partially or fully locally sourced. We would want to ensure that we continue to bring all our suppliers to India or develop local suppliers.



Tata Cliq turns direct seller, too.

- Shivani Jatale

Tata's has started direct selling to consumers through Tata Cliq in the namesake e-commerce marketplace, converting it into an entity that will become a seller holding inventory and not just run a marketplace. The group has also invested over Rs 300 crore into this entity-its highest ever – to support this expansion of role, two industry executives said.

The executives said this could be termed as an almost last-ditch effort to spruce up the three-year-old e-commerce business since Tata Cliq has largely remained a fringe player in the Indian e-commerce landscape dominated by Walmart-owned Flipkart and Amazon. Earlier, retailers, brands, and other sellers would sell through TataCliq and the platform would earn revenue from it.

As per regulatory filings made by the company to the Registrar of Companies and sourced from Veratech Intelligence, Tata Cliq has raised around Rs 313 crore from its promoters-Tata Industries Ltd – this year till now. There has been fresh fund infusion in December and January.

The executives said the bulk of this money will help Tata Cliq expand into the & Attractive inventory model. Tata Cliq has already started trials of direct sales with interest Rates on television and home appliances of top brands like Xiaomi and Voltas and will expand into other high-value and fast-moving categories like smartphones to REAM gain volume.

In response to an email, Tata Industries executive director KRS Jamwal said the e-commerce business is experimenting with selectively acquiring head inventory, specifically for enhancing customer experiences, better delivery mechanisms, and enhanced margins. “This does not necessarily imply that we are implementing the inventory model,” he said.

Jamwal said the current infusion of capital is part of routine infusions of capital and will be ongoing. “Unlike a VC-funded company, capital is not raised in bulky rounds,” he said.

He said the group is innovating an alternate eCommerce model that will speak to audiences who prioritize trust, brands, and new launches as much as value.

An industry executive said Tata Cliq is approaching to sell exclusive models so that it can have a distinct space in the market as a seller and has a long-term target to generate a majority of the platform sales by itself. Veratech founder Mohit Yadav said the shift to an inventory model gives a unique advantage to Tata over Amazon and Flipkart as it is an Indian company and will not be tied down by the stringent foreign direct investment regulations in e-commerce. “It will help Tata leverage better use of data that can be used to achieve higher margins through decreased cost on logistics,” he said.

Retail analyst Devangshu Dutta, chief executive officer at consultancy firm ME Third Eyesight, said just because Tata Cliq is now holding inventory it may not mean that it can easily achieve the scale of Flipkart and Amazon. Flipkart and Amazon have become what they are after years and spending billions of dollars, he said.

“That way, the Tata group is fairly conservative in spending capital and is not oriented towards throwing money at a business just to gain scale. However, holding inventory makes the business more predictable than depending on partners. After all, you don't have to depend on the partner retailer for product availability, service level, and pricing,” said Dutta.

Tatas have been investing money into the e-commerce business. In 2018-19, Tata Industries had invested Rs 292 crore, Rs 224 crore in FY18, and Rs 172 crore in FY17. However, it's a fraction of the thousands of crores which Flipkart and Amazon are investing in their India business every year. As per RoC filings, Tata Unistore's net losses were Rs 246 crore in 2018-19 while its income was Rs 110 crore.



Economic Survey: GDP no longer in a pickle on CEA's special thali

- **Ishika Sahu**

If you always predict an economic rebound you will sometimes be right. After false predictions for five quarters, which saw GDP growth slide steadily down to 4.5%, the Economic Survey has predicted a big rebound to an annual 6.65% in 2020-21. Much will depend on the world economy, which slowed almost everywhere in 2019 and has been hit further by a virus outbreak in China that threatens to disrupt supply chains. If the world economy recovers, so will India's. If not, the remedies prescribed by the survey, many of which are commendable, may not do the trick.

Last year's survey emphasized the need for major reforms in the police-judicial system and education. The government did not act immediately on that good advice. It remains to be seen whether it will accept this survey's advice to reduce government intervention in grain markets, drug price controls, trade curbs under the Essential Commodities Act (ECA), and debt waivers. Political populism has long trumped economic sense on these issues.

As former European Union president Jean-Claude Juncker once said, "We all know what is to be done. What we don't know is how to get re-elected after doing it." Maybe the crash in economic growth might galvanize the government into radical action as opposed to the usual incrementalism.

Quoting the Thirukkural profusely, hoping this will better convince the Swadeshi Jagran Manch and Bharatiya Mazdoor Sangh than quoting Milton Friedman or Friedrich Hayek, the survey waxes lyrical about an economy focusing on wealth creation, driven by dashing new entrepreneurs in a pro-business atmosphere accompanied by a revival of the government-business trust that broke down earlier this millennium. It hails the invisible hand of the market that Sangh affiliates cannot see, perhaps because it is invisible. Competitive markets are needed to ensure a level playing field that aids the best entrepreneurs rather than the best-connected ones, the survey says, arguing a 10% rise in new firms in a district raises GDP by 1.8%.

The document also points to the data that the equity index of politically connected companies significantly outperformed the overall stock market by 7% a year before the CAG's report on the spectrum sale scam in 2011. After that, politically connected companies underperformed the overall market by 7.5% per year, suggesting a big decline in cronyism. Some old cronies are, in fact, now biting the dust. Transparency International's Corruption Perceptions Index shows India improving greatly on this front since 2011.

Reforms Push

On the survey's stress on reforms, it should be pointed out that the easiest reform today may be huge cuts in the food buffer stock. Stocking increases the grain price by 40% above procurement cost; so, high stocks are wasteful and costly while becoming politically irrelevant since grain accounts for a decreasing share of food spending.

The Essential Commodities Act distorts prices, discourages investment in warehouses, and foils a modern commodity market. The survey shows that ECA raids have no impact on prices and have a very low conviction rate. And also full debt waiver beneficiaries consume, save and invest less and are less productive than partial waiver beneficiaries. They disrupt the credit culture and so unwittingly reduce the credit flow to farmers.