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GCPL Q3 net profit up 5% to 527.60 cr; net sales up 8% to Rs 3,302.58 cr

FMCG major Godrej Consumer Products Ltd (GCPL) on Tuesday reported a 4.93 per cent increase in consolidated net profit at Rs 527.60 crore for the third quarter ended December 2021.

The Godrej group company had posted a net profit of Rs 502.80 crore in the October-December quarter of 2020.

Its total revenue from operations was up 8.08 per cent at Rs 3,302.58 crore during the quarter under review, as against Rs 3,055.42 crore in the corresponding period last fiscal, GCPL said in a regulatory filing.

GCPL's total expenses were at Rs 2,714.32 crore, up 11.46 per cent in Q3/FY 2021-22, as against Rs 2,435.11 crore in the corresponding quarter.

"We delivered a mixed performance in Q3FY2022. While overall sales grew by 8 per cent, and we remain on track to achieve double-digit sales growth for the full year, it was driven entirely by price-led growth," GCPL Managing Director and CEO Sudhir Sitapati said.

However, without exceptional items and one-offs, GCPL's net profit declined by 1 per cent year-on-year "While our overall EBITDA de-grew by 2 per cent and PAT declined by 1 per cent, the quality of profits has improved. We have witnessed a sequential expansion of consolidated gross margins of 70 bps and higher Advertisement & Publicity spends of 90 bps," he added.

In the exceptional item, GCPL had a reversal of Rs 15.38 crore towards impairment of investment in an associate company.

Coal shortage crisis in power generation, non-power sector escalates again

A complex coal demand-supply mismatch is emerging in the country with both power generation and the non-power sector (manufacturing units) claiming that the supply is below optimum levels. They also allege that national miner Coal India Ltd (CIL) is supplying bad quality coal.

At the national level, the current stock of coal at power generation units stands at an average of 9.8 days (38 per cent of the normative 24 days stock), according to data available on the National Power Portal. The critical stock threshold is 7 days or less.

The ministry of coal has, however, called this a seasonal phenomenon and has blamed the Indian Railways for the drop in supply.

The situation is far more precarious for power units situated away from the mines, but close to high consumption states in the north, west and south of the country. Industrial states such as Maharashtra, Gujarat, Andhra Pradesh and Karnataka are the worst-hit, for their state-owned units have an average of only 4 days' coal stock.

However, coal ministry officials have rubbished the charges of the supply of low-quality coal, claiming that this is a seasonal phenomenon. "Every year during these months the coal stock usually has higher overburden coal," said a senior official.

The ministry cited the domestic coal supply to the power sector till January 2022, which was 552.65 million tonne. "This is 26.56 per cent higher than last year and 18.7 per cent higher over the same period in 2019-20," the official said.

Meanwhile, independent power producers (IPPs) are crying foul over the low supply of coal. Sources said that in the weekly inter-ministerial meetings hosted by the ministry of coal for resolving coal demand-supply mismatch, the private units have been complaining since November that they are not getting enough coal.

Currently, the national average coal stock at NTPC units is 13 days and at IPPs, it is 9 days.

At the same time, both the state and the private power units are reporting major grade slippage in their coal stocks. Senior executives alleged that to meet the enhanced demand, coal is being mixed with "overburden dump" (boulders, stones and muck).

"Against the contracted capacity for the G11 grade (4000-4300 kcal caloric value), we are getting G-14 or G-15 (3000-4000 kcal). This has been happening for over a month now," said an executive at a private power unit.

Industry executives said that low-grade coal leads to losses for the power unit as they have to burn more coal. And this exacerbates the issue of rail rake shortage. There is already a deficit in rake allocation to the power units, especially the non-pithead mines that are located far from the mines.

"The deterioration in the calorific value of coal increases pressure on the Railways to supply more coal. The non-pithead plants are being allocated less rakes by the Railways as the turnaround time for the wagon is higher. That's why there is a wide gap in the stocks at pithead and non-pithead power units," said an executive.

On the other hand, CIL in a recent statement said coal dispatch has increased by 23 per cent during April-January period, over last year. It said company managed to liquidate its coal inventory by nearly 64 million tonne during the 10 months of FY'22. CIL began the fiscal year saddled with a stockpile of 99 million tonne of coal.

CIL had last year urged the power units to stock up on their coal. Later that year, over August-October, most power plants had reported a severe shortage of coal and critical stock levels.

Subsequently, the Centre issued a diktat, saying that coal supply to the power units should be prioritised. This led to limited or even no-supply to the non-regulated sectors (NRS), which are still claiming to be reeling under a shortage of coal.

The Aluminium Association of India, in its recent letter to the ministry of coal, said that since August 2021, the NRS are being supplied with only 40-50 per cent of their coal requirement.

Similarly, the Indian Paper Manufacturers Association has stated that operations at paper mills across the country have been severely hampered owing to the lower allocation of coal by CIL and the fact that there aren't enough railway rakes for its transportation.

Coal ministry officials, however, said that these complaints are without any merit. "CIL is not hoarding coal. It is actually profitable for CIL to sell coal to the NRS, but the priority is the power sector. We have been auctioning coal for five years. Why aren't these industries taking mines? Or buying coal in the marketplace (e-auction of coal). Supply to the NRS is higher than last year. But the enhanced coal mining and supply this year has gone to the power sector, which is why they are sore," said a senior official who did not wish to be named.

FPI selling nears $6 billion in 2022 as interest rate hikes loom

This is the worst start to a year when it comes to sell-off from foreign portfolio investors (FPIs).

After a brief respite at the year's start, FPIs have dumped shares worth more than $5.7 billion (Rs 42,596 crore), taking the cumulative net outflows since October to $10.5 billion (Rs 78,466 crore), and adding to the volatility on the bourses. The figure would have been a lot worse had it not been for net purchases to the tune of $5.7 billion in the primary market from October to date.

"FPIs seem to be gearing up for a number of eventualities," said U R Bhat, co-founder and director at Alphaniti Fintech. "Interest rates are set to rise in the backdrop of inflationary pressures in developed markets and elsewhere. Depending on how fast the US Fed raises rates, the impact on emerging market equities is likely to be negative."

The huge sell-off by FPIs is due to a switch from risky assets to bonds given the change in risk-reward dynamics, say analysts. With the US 10-year Treasury yield nearing 2 per cent, overseas funds are selling equities and buying bonds, they say. The move comes ahead of the widely anticipated rate hike by the US Federal Reserve next month.

The surge in crude oil prices and heightened geopolitical tensions between Russia and Ukraine have also added to the uncertainty. Global crude oil prices have risen more than 20 per cent this year to more than $90 per barrel, prompting Saudi Arabia to raise oil prices for customers in Asia, the US, and Europe.

"Given faster-than-expected tightening by the Fed, an overall de-rating for global equities, including India, cannot be ruled out," said Jitendra Gohil, analyst at Credit Suisse Wealth Management, India, in a January 20 note. "We expect selling pressure from FPIs to continue given faster tightening by the Fed and surging oil price environment. Nevertheless, we believe the equity market could largely remain supported and may find buying interests on corrections given marked improvement in India's macro fundamentals."

"Indian equities have had a good run for some time now and FPIs may see this as a good time to book profits," added Bhat.

India's benchmark indices have retreated 0.7 per cent in the year-to-date period, and have outperformed most other emerging markets. What has cushioned the blow is the sustained buying from domestic institutional investors (DIIs), especially mutual funds, and retail investors.

MFs shopped for equities worth about $9 billion between October and January.

DII holding in the Nifty500 firms climbed 20 basis points (bps) in Q3 even as FPI holding declined 60 bps during this period.

"There is enough liquidity in the market to absorb the selling by FPIs as mutual funds and retail investors have stepped up their purchases. This is also the reason why the impact cost on FPI sales would have been minimal. Had this quantum of selling happened before March 2020, the markets would have crashed," said Bhat.

Credit Suisse's Gohil does

Bharti Airtel profit drops 2.8% to Rs 830 crore in Q3; revenue up 12.6%

Telecom major Bharti Airtel's net profit dipped 2.8 per cent year on year to Rs 830 crore in the October-December quarter (Q3) of 2021-22. In the same period last year, the company had posted a net profit of Rs 854 crore. Its operational performance was better than Street estimates, but the net profit fell short of expectations, mainly because of higher tax outgo.

The company's revenue for the quarter grew 12.6 per cent to Rs 29,867 crore on a year-on-year (YoY) basis. The average revenue per user (Arpu) rose 6.5 per cent sequentially and 11.6 per cent YoY to Rs 163 due to an increase in mobile tariffs in late November. The full impact of the hike will be visible in the fourth quarter, the company said.

While the firm's finance cost increased by 8 per cent YoY, its tax expenses more than doubled (up 126 per cent to Rs 991 crore), dragging the profit down. At operating level, the company posted a 22 per cent increase in profit to Rs 14,905 crore while margin grew by 4 percentage points to 49.9 per cent from 45.9 per cent a year ago.

According to Bloomberg, analysts had pegged revenues at Rs 29,370 crore, Ebitda (earnings before interest, taxes, depreciation, and amortisation) at Rs 14,574 crore, and net profit at Rs 928 crore.

There was de-growth of around 600,000 in the mobile business customer base in India. The 4G customer base, however, saw growth, both on a sequential and annual basis. At the end of December quarter, Airtel had 323 million mobile subscribers, including 195.5 million 4G users, in India. Mobile data consumption per customer also saw 33.8 per cent YoY growth at 18.3 GB per month.

"We have delivered another quarter of sustained performance across all our business segments. Overall sequential revenue growth was at 5.4 per cent and Ebitda margins came in at 49.9 per cent," Airtel Managing Director and CEO Gopal Vittal said.

"Our enterprise, Homes and Africa business continue to deliver strongly, with steady increase in contribution to the overall mix of the portfolio. Our balance sheet is robust and we are now generating healthy free cash flows. This has enabled us to recently prepay some of our spectrum liabilities to the government thereby reducing the interest burden," he added.

The company generated free-cash flow of Rs 8,803 crore during the quarter, up from Rs 5,314 crore a year ago and Rs 7,046 crore in the previous quarter. Net debt was down from Rs 1.66 trillion in the September 2021 quarter to Rs 1.59 trillion. The net debt to Ebitda (annualised basis) at 2.67 times was the lowest in at least five quarters, and the interest coverage ratio at 4.34 times the best in at least five quarters.

According to UBS Global Research, Airtel showed much better performance versus competitors, as Jio lost 8.5 million subscribers and Vodafone Idea lost 5.8 million subscribers in Q3.

"Despite the subscriber loss, higher tariffs and improved customer mix (3 million 4G subscribers were added by Airtel) resulted in Arpu expanding 6.5 per cent QoQ from Rs 153 to Rs 163, in line with our estimates," it said.