CHANAKYA

NI POTHI

Vedanta arm is paying almost nothing for Videocon group, says NCLT

The National Company Law Tribunal (NCLT) has approved the resolution plan of Twin Star Technologies -- a promoter entity of the Vedanta Resources group -- for the Videocon group. But it has pointed out that the successful resolution applicant is "paying almost nothing" as the amount offered is only 4.15 per cent of total outstanding claim. It noted the hair cut for all the creditors is 95.85 per cent and suggested to both committee of creditors (CoC) and the successful applicant an increase in the payout.

The tribunal also asked the Insolvency and Bankruptcy Board of India (IBBI) to look into whether confidentiality was maintained during the corporate insolvency resolution process (CIRP), expressing surprise at the fact that Twin Star's bid was so close to the liquidation value, which was meant to be confidential.

"Out of total claim amount of Rs 71,433.75 crore, claims admitted were to the tune of Rs 64,838.63 core, and the resolution plan that has been approved is for an amount of only Rs 2,962.02 crore, which only 4.15 per cent of total outstanding claim amount and the total hair cut to all the creditors is 95.85 per cent. ".... adjudicating authority suggests, (and) requests both committee of creditors (CoC) and successful resolution applicant to increase the payout amount to these operational creditors, especially MSMEs, as this is the first group Consolidation resolution plan of 13 companies having a large number of MSMEs," the order said.

The tribunal approved the resolution plan in earlier in June but the order was uploaded now.

The Bench presided over by H P Chaturvedi and Ravikumar Duraisamy has also observed that by paying Rs 262 crore, or 8.84 per cent, of total amount to be given under the plan, the successful resolution applicant will get possession of all the 13 entities under the Videocon group. The cash balance available with the Videocon group is to the tune of Rs 200 crore.

"Since this is the commercial wisdom of the CoC and as per the various judgments of the Hon'ble Supreme Court and by following the judicial precedents, discipline, the adjudicating authority approves the resolution plan..." the bench said in its observation.

Videocon Industries, saddled with a debt of Rs 35,000 crore, was sent for debt resolution in December 2017 after it failed to repay bank loans. In November 2019, the NCLT ordered the consolidation of the insolvency resolution process of Videocon and 12 other group companies.

The Mumbai bench of NCLT, which adjudicated the matter, has expressed surprise that the registered valuers, who valued the assets of the group, spread over 13 companies with varied business interests, products, and segments, and the resolution applicant, who also valued the assets of the group, arrived at "almost the same value".

The fair value of the Videocon Group was Rs 4,069.95 crore, whereas the liquidation value was Rs 2,568.13 crores.

The Bench has remarked that the rules of the CIRP state that the liquidation value and fair market value is kept confidential and informed to the CoC members only after finalising the resolution plan. But, in this case, the NCLT order said, the resolution bids were opened in the 15th CoC meeting, held on September 2020, wherein liquidation value and fair market value was informed to the members of CoC.

"Therefore, even if the confidentiality clause is in existence, in view of the facts and circumstances as discussed above, a doubt arises upon the confidentiality clause being in real-time use; therefore, we request the IBBI to examine this issue in depth so as to ensure the confidentiality clause is followed unscrupulously, without any compromise in letter and spirit by all the concerned parties, entities connected in the CIRP", the NCLT order stated.

The promoters of Videocon Industries -- the Dhoot family -- had submitted an application to the CoC under Section 12A of the Insolvency and Bankruptcy Code (IBC) last year but failed to get the mandatory 90 per cent votes from the lenders. The lenders had cleared Twin Star's offer in December last year.

The Videocon group fell into a financial crisis after the Supreme Court cancelled its wireless telephony licence in 2012 and the group's flagship company Videocon Industries' investment in the telecom arm turned bad. At the same time, the loans taken by the telecom arm from Indian banks had also become non-performing assets (NPA).

According to the NCLT order, shares of Videocon Industries (VIL) and Value Industries will be delisted. In other words, equity shares will be worth nothing as seen in the case of Dewan Housing Finance Corporation (DHFL). The VIL shares, which have nearly doubled from a recent low of Rs 3.86 (on May 6) to Rs 7.43 on Monday, were locked in upper circuit for at least the past five consecutive days. The upper circuit opened on Tuesday, and the stock closed 2.4 per cent lower at Rs 7.25.

A notice put up on the NSE on Tuesday evening said that members of the exchange are hereby informed that the trading in equity shares of Videocon Industries "shall be suspended w.e.f June 16, 2021 pursuant to order dated June 08, 2021 passed by the NCLT".

A notice on the BSE said, "..the company has fixed Friday, 18th June 2021 as the Record Date for the purpose of delisting of equity shares from BSE and NSE."

Fitch Ratings affirms Adani Ports at 'BBB-'; outlook negative

Fitch Ratings has placed negative outlook on Gautam Adani-led Adani Ports and Special Economic Zone Limited's (APSEZ) affirming long-term foreign-currency Issuer Default Rating (IDR) at 'BBB-'.

APSEZ's underlying credit profile is assessed at 'bbb' while its rating is capped by India's Country Ceiling of 'BBB-', it said.

Shares of Adani Ports ended at 762 rupees per share today, down 1 percent from previous close on the BSE. Adani Group stocks have been on the radar after reports of National Securities Depository Ltd (NSDL) freezing 3 Foreign Portfolio Investment (FPI) accounts of Adani companies.

APSEZ's underlying credit profile reflects its status as the largest commercial port operator in the country, with best-in-class operational efficiency.

Historically, the company has experienced throughput resilience in economic cycles, including the current Covid-19-related downturn. Cargo throughput for APSEZ rose by nearly 2 percent (11 percent if including its Krishnapatnam Port Company Limited (KPCL) acquisition) in the financial year ended March 2021 (FY21), compared with the nearly five percent decrease for cargo throughput at all domestic ports.

About 56 percent of APSEZ's cargo is sticky, which includes contractual take-or-pay cargo, cargo that is unlikely to be diverted to other ports due to infrastructure restrictions, such as the lack of facilities to handle crude oil, and cargo from joint-venture (JV) partners.

Alongside, APSEZ has timing flexibility in its expansion projects. The management has budgeted about Rs 30 billion-40 billion for capex in FY22, but this could be cut down to Rs 8 billion for maintenance only, said the report.

"We believe APSEZ has adequate liquidity to weather near-term challenges. The company had a readily available cash balance of about Rs 53 billion at FY21, against operating expenses of Rs 33 billion and interest cost of about Rs 21 billion," said the report.

APSEZ has Rs 14 billion due in FY22 to be repaid or refinanced.

Fitch's rating case projects adjusted net debt/EBITDAR will average 3.6x in FY22-FY26. The ratio can also drop below 3.0x if management is able to maintain consolidated EBITDA margins of 65 percent, it said.

Truck rentals up 9-14% in first half of June on low base and unlocking

Truck rentals have risen sharply across key trunk routes in the past fortnight as states started unlocking in phases. Helped by an increase in the factory output of most bulk goods and last year's low base, freight rates--a proxy for economic activity--rose by an average 12 per cent, according to the Indian Foundation of Transport Research & Training (IFTRT), a New Delhi-based think tank.

After the IFTRT statement on Tuesday that truck rentals were up by 9 to 14 per cent, senior fellow and coordinator SP Singh said, "Though on a low base, this is the highest jump in the fortnightly rental we are seeing since March."

But analysts are cautious. Ajay Srinivasan, Director, CRISIL Research, said while the increase in the freight rates looked encouraging, the road to full recovery would be long. "While it does reflect the demand recovery to some extent, a lot of it is a natural pass-through due to the hike in diesel prices.

The demand and supply dynamics will define the future trajectory of freight rates," he said.

With more than a third of the trucks still idling, the recovery would not be complete till most of the current fleet is deployed, he added. Western and northern states are leading the demand momentum and an increase in offtake in the agri commodities and bulk goods has also helped.

Diesel prices have gone up by Rs 2.60 per litre, touching Rs 87.50 a litre (excluding Delhi-NCR) from Rs 85.01 a litre during the last fortnight. Truck tyre prices too have hardened in the market by 6-8 per cent. The two constitute 90 per cent of variable operating costs of medium and long haulage heavy multi-axle 18 tonne trucks , which are most used by fleet owners to ferry cargo of all loads and sizes, IFTRT pointed out.

Jasjit Sethi, CEO, TCI Supply Chain, said it could take up to a month for normalcy to be restored. "The spate of lock-downs has affected both industries and retail," he said. It has resulted in an imbalance leading to a 5-20 per cent hike in freight rates, according to Sethi. The steep fuel prices and driver shortage have added to the problems, he pointed out.

Following a relaxation of lockdown across the country, factory output of bulk goods, merchandise and witnessed a 25-30 per cent jump on a low base. Fruit, vegetable and other consumables have maintained a steady flow in the last 15 days, said the think-tank.

The jump in rentals has cushioned the impact of the diesel and tyre price hike, while the higher factory output has helped in improving the fleet utilisation. From 45-50 per cent last month, fleet utilisation has reached around 65 per cent.

"Close to 30-35 per cent trucks are still idling," said Balmalkit Singh, chairman, core committee, All India Motor Transport Congress. Though it's a marked improvement from last month, the pain for the transport sector will linger on till all the trucks are deployed and rates continue to firm up, according to Singh. Meanwhile, truckers fear rising defaults if no relief is granted.

Covid-19 crisis: Nearly 10,000 mobile retail stores shut in the past year

In the past year, thousands of handset retail stores – about 8 per cent of the total of 120,000 - have shut as a result of lockdowns and e-commerce giants enticing consumers with discounted phones.

The north India region, the largest market among all four zones of the country, has seen the worst, according to market analytics platform PredictiVu, with close to 10 per cent of outlets closing. North India typically contributes over 35 per cent of the total handset sales.

The western region, contributing nearly 30 per cent of sales, has seen 9 per cent of shops shut, followed by 6 per cent in the south and 3 per cent in the east, the smallest region in terms of sales.

PredictiVu analyses proprietary retail purchase data, digital trends, customer preferences and media spend at the micro-level on a real time basis. It sources data directly from retailers through its applications that are used by retailers in accounting and operations.

According to Arvinder Khurana, national president, All India Mobile Retailers' Association, the lockdowns have delivered a knockout punch to retailers already struggling to keep afloat.

"A large section of retailers had to shut their businesses as bearing operational expenses was not possible. We don't have the exact number of closures but surely a few thousand stores have shut down," he said.

The data suggests that retailers in smaller towns have suffered more heavily than those in the metros. While the rate of closure in towns with a population of over 2 million is 7 per cent, it is 10 per cent in smaller ones.

Khurana alleges that a nexus of handset manufacturers backed by e-commerce players have played a crucial role in the closures. For example, most leading brands such as Xiaomi are launching new flagship models

exclusively online. They never come anywhere near the shop shelves so customers stay away.

Moreover, e-commerce players offer deep discounts that smaller retailers cannot dream of matching.

"As soon as the lockdowns have been lifted, e-commerce players are offering excessive discounts on handsets, while offline retailers are working at a five per cent margin. We can never offer such discounts," said Khurana.As though to illustrate his point, Amazon has been offering over 10 per cent discounts on the iPhone 12 series since last week.The association has appealed to the union finance and commerce ministers, in addition to state departments, to create a mechanism to monitor 'unfair trade practices' by online retailers.It also seeks a moratorium for offline retailers and the waiving of various taxes and charges which might help bring down their operational expenses.

According to industry experts, the constant migration of consumers towards e-commerce channels has led to a steady fall in the share of transactions at handset stores since 2016.

The data suggests that from 10 per cent in 2016, the share of e-commerce channels rose steadily to 35 per cent by end-2019.

The pandemic has accelerated this trend, pushing their share up to over 55 per cent in early 2021.

It's possible that as more consumers start going out to shop after the second wave, handset stores will recover partially. PredictiVu estimates that they will be able to claw back some of the lost ground by seeing their share rise to 55 per cent by the end of 021-22.

That's for later though. For now, in the first few days after re-opening, stores have not been able to capitalise on a reasonable number of footfalls because of a lack of supply from manufacturers.

"Most of them are supplying a very limited number of new models to offline retailers and diverting them instead towards online channels," said Khurana.

Barred or not? Adani investors fret over three Mauritius-based funds

Confusion over three Mauritius-based funds that whipsawed shares of companies controlled by Indian billionaire Gautam Adani this week has underscored a deeper risk for investors in such stocks owned by opaque entities.

Shares of Adani's firms nosedived Monday after a local media report said accounts of these funds — owning about $6 billion of shares across the conglomerate — were frozen by India's national share depository. The Economic Times said the action was taken probably due to insufficient information on the owners, citing people it didn't identify. The stocks recouped losses after the conglomerate refuted it. A Tuesday filing stoked doubts again after Adani group said the three funds were facing some suspension due to a years-old regulatory order.

Adani Total Gas, Adani Power and Adani Transmission all fell by their 5 per cent daily limit in Mumbai on Tuesday. Adani Ports & Special Economic Zone and Adani Green Energy also slipped a little. Flagship Adani Enterprises fell initially before reversing the losses to close the day with 2.5 per cent gain.

"It is important for investors and the regulator to be aware of the ownership in listed companies, especially when they originate from tax havens like Mauritius," said Hemindra Hazari, an independent research analyst in Mumbai. "The names of the funds are not very well known in the capital market and they have high concentration into a select number of stocks, which in itself is unusual."

Opacity

Even as a massive share rally in the companies of the ports-to-power conglomerate has this year more than doubled the net worth of Adani -- a first-generation entrepreneur -- to $73 billion, this week's events have pointed to a deeper pain point: opacity around the group and its key non-founder shareholders. There's also scant analyst coverage for Adani companies, highlighting the information lacunae could be a chronic issue.

The Economic Times said Monday the National Securities Depository Ltd. froze the accounts of Albula Investment Fund, Cresta Fund and APMS Investment Fund.

The Adani group denied the report and called it "blatantly erroneous" in a statement Monday but clarified on Tuesday that three demat accounts of Cresta, Albula and APMS are "suspended for debit," adding to the confusion over the status of the offshore funds.

"It is extremely crucial for the Adani Group to disclose

continued on Pg no. 2

Whirlpool reports 41% jump in Q4 PAT to Rs 130 cr, revenue up 31%

Consumer appliances major Whirlpool of India today reported a 40.8 per cent jump in its net profit for the January-March quarter.

The firm's profit after tax rose to Rs 130 crore from Rs 92.3 crore in the corresponding quarter last year, it said.

Whirlpool's consolidated operating revenue grew 31.4 per cent year-on-year to Rs 1,779.4 crore from Rs 1,353.6 crore.

According to the company, its business was robust as all categories and geographies showed continued momentum. However, the resurgence of the Covid crisis and inflationary pressure were observed during the quarter.

For the full year 2020-21, Whirlpool's net profit fell sharply. During the year, its PAT plunged 30 per cent to Rs 333.3 crore from Rs 476.3 crore in the previous year.

While its operating revenue slid marginally to Rs 5,900 crore from Rs 5,993 crore. However, rising expenses impacted its margins heavily. In spite of lower sales, its cost of raw mererials and total expenses grew.

Jubilant FoodWorks consolidated net profit jumps three-fold in Q4

Jubilant FoodWorks, which runs fast-food chains Domino's Pizza and Dunkin' Donuts, on Tuesday reported over threefold jump in its consolidated net profit to

Rs 105.30 crore for the quarter ended March 31, 2021 (Q4FY21). Profit growth was led by a low base and momentum in delivery sales.

The company had posted a net profit of Rs 32.53 crore in the January-March quarter a year ago.

The firm's revenue from operations stood at Rs 1,037.85 crore in Q4, up 14.21 per cent from Rs 908.75 crore in the corresponding period a year ago.

"This was driven by Domino's like-for-like (LFL) sales growth (adjusted for temporary restaurant closures) of 15.1 per cent in the quarter under review," the company said.

Same-store growth (SSG) stood at 11.8 per cent in Q4.