Uncertain times abroad may affect coal, ore importers

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Experts say there are high chances of supply to be disrupted and for prices to increase

India's metal and power producers could be up for uncertain times. Between now and 2019, the raw material sourcing teams for these companies will keep a close eye on the changing geopolitical picture of at least three countries — Indonesia, Australia and Mozambique. The first two prepare for elections and one is facing unrest.

According to export-import data, between April and June (first quarter of 2018-19), close to 3.5 per cent of steam coal import and 4.3 per cent of coking coal import was from Mozambique. "Companies like Rio Tinto and Coal India went to Mozambique looking for potential supply of coal. However, with the ongoing situation, these investments have not proven to be a great one," said Tim Buckley, director of energy finance studies at the US-based Institute for Energy Economics and Financial Analysis (IEEFA).

Australia and Indonesia ace general elections in 2019, s India does. It is certain there vould be an impact on India's aw material flow and adop- on in different countries of energy conservative tone is ely. It is unclear if this would favourable for India.

Export-import data sug- ts in the June quarter, 69 cent of coking coal import from Australia and 62 per of steam coal import from nesia. In the power sector, Energy and Tata Power mong those with exposure ported coal. The domestic industry sources its cok- al from Indonesia and, ome extent, from nbique. JSW Steel and Steel & Power are those importing cok-

market, players have also engaged in sourcing it from Australia during supply shortage or high price situations.

"Indian importers and consumers have to keep their ear to the ground but cannot do more unless there is clarity," said Anjani K Agrawal, partner at consultants Ernst & Young. The ongoing unrest in Mozambique is one event that importers would want to stay abreast with.

Some already see supply disruption and higher prices as possible outcomes. "We believe the unrest in Mozambique and elections in Indonesia and Australia could have a significant negative impact for Indian companies. There are high chances of supply to be disrupted and for prices to increase. Overall, these events are leading India to face major headwinds," says Anshuman Maheshwary, partner at consultants at Kearney.

Some say clean energy policies could make it to election manifestos but not see ground implementation. "Though Indonesia keeps talking about various new regulations which could hamper coal export from that country, one should not

condition of anonymity. "Time and again, regulations like insistence on using Indonesian vessels for coal trade or compulsory insuring with an Indonesian insurance provider ares discussed. However, the country depends on export revenue and even if there is a change in government, they cannot afford to implement such regulations."

Amid the uncertainty, state-owned companies are exploring government to government platforms. Hindustan Copper, National Aluminium Company and Mineral Exploration Corporation will be setting up a joint venture (JV) company in the next six months, which would look at exploring rare elements abroad such as palladium and platinum. Each of the three is likely to have about a third of the equity. The JV will provide a government to government platform. These rare metal elements have huge application in space research and defence equipment.

Also on the brighter side, Buckley from IEEFA says if there is pressure from the financial side on Indonesia to stop giving huge capital subsidies for new coal-based plants,

Global e-com firms look to buy domestic retailers

RAGHAVENDRA KAMATH
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Global players are looking at FDI norms to acquire or set up joint ventures in India

Global retailers are looking to enter into joint ventures or acquire stakes in domestic businesses to achieve bigger scale through multi-channel operations, say consultants.

US-based e-commerce giant Amazon is in talks to buy a stake in Aditya Birla Retail and Chinese online major Alibaba is discussing a joint venture with Reliance Retail (JV), according to reports on Monday.

"The retail players are realising that larger platforms and partnerships with large players are required to make a mark in this market given the complexities in logistics, demographics, seamless customer service and widespread distribution. We are also seeing the next round of consolidation in the retail space," says Rajat Wahi, a partner in Deloitte Consulting.

He says most retailers prefer inorganic route to building a retail network, which is very expensive and time consuming. They are looking at Foreign Direct Investment norms to acquire or set up JVs in India. Walmart has bought e-commerce firm Flipkart for $16 billion in a mega deal. Amazon has picked up a 5 per cent stake in Shoppers Stop and has a marketing tie-up with Future Group.

Raman Mangalorkar, chief executive at data analytics firm Atom Data, says most retailers have realised that only online or offline channel does not work. "The cost of running a single channel is very high. They need much more scale to justify the costs," he says.

"Big boys invested a lot in retail during the exuberance of 2006-07. But it is no longer there. They have realised the need for consolidation. Those surviving need funding," Mangalorkar says.

Aditya Birla Retail, Tata's Star Bazaar and others, who have forayed into retailing during 2006-07, are yet to make profits at the entity level.

Arvind Singhal, chairman at Technopak Advisors, says Alibaba has a lot of interest in larger consumer domain and links customers through technology. "Here, Reliance is the most perfect company to partner with," he says. Singhal says Reliance is building a platform through Jio to cater to customers' needs. "Reliance is the largest in terms of space and revenue. It won't be a surprise if some global companies tie up with it," he says.

Reliance has three million offline merchants and 7,500 stores. Taxation and inventory management solution JioGST would be using these to make its grocery service hyperlocal.

Manali Petro plans to expand market, revamp management

T E NARASIMHAN
Chennai, 20 August

Manali Petrochemicals, part of the SPIC Group, has readied a plan to accelerate its growth — a rise in revenue from outside India and a better balance between commodities and value-adds.

It is looking for acquisitions and has strengthened the management team, with global expertise, says Muthukrishnan Ravi, the firm's managing director. In late 2016, he recalled, they had acquired Notedome, a UK-based maker of neuthane polyurethane cast elastomers, for around ₹1.2 billion. This was to help the value-added contribution. Notedome caters to customers in 45-odd countries; the plan is to expand this in South Asia. The current value-added contribution is around 30 per cen (in value terms) and the aim is to raise this to 50 per cent in tw or three years. These products give better and sustained mar gins, while commodities are subject to fluctuation, said Ravi.