Mittal's funding fails to lift Uttam Galva fortunes

DEV CHATTERJEE
Mumbai, 9 September

Despite ArcelorMittal paying overdues of ₹4,922 crore of Uttam Galva Steels to Indian lenders, the financial metrics of the company had deteriorated in FY19 because of the rising finance cost and provisions made on doubtful advances paid by the firm to its vendors.

The company paid interest of ₹938 crore in the year ended March 2019, up from ₹654 crore reported in FY18. The firm also incurred a loss of ₹1,221 crore from operations as against loss of ₹881 crore in the previous year. Its loss widened after it made provisions of ₹904 crore for doubtful advances made to vendors and capital goods suppliers.

Apart from paying secured lenders, ArcelorMittal paid Uttam Galva Steels' overdue for foreign loans of $172 million. With this, these loans are now assigned to ArcelorMittal India and the remaining outstanding loans are continuing with the existing lenders as 'surviving debt'. The Bulk of Uttam Galva's loans are now assigned to ArcelorMittal India.

ArcelorMittal had paid the overdues of Uttam Galva in order to become eligible to bid for Essar Steel, which was auctioned by the banks after the company failed to repay its debt.

Mittal's payment to banks came after the Supreme Court asked the company to pay overdues of all the defaulting companies in which it held stake.

HOW THEY STACK UP

Consolidated figures in (₹ cr)

	FY18	FY19
Networth	-71	-2,198
Total debt #	6,813	7,482
Revenue (net)	3,418	757
Finance costs	654	938
PAT	-881	-1,241
Ajusted profit	-881	-2,146

Includes other financial liabilities
Source: Annual report
Compiled by *BS* Research Bureau

As ArcelorMittal held stake in Uttam Galva, which was a bank defaulter, it had to pay the dues of the company following the Supreme Court order.

The financial results show that the company's net worth is completely wiped off by ₹2,274 crore while its revenue was ₹556 crore in FY19.

For FY18, its revenue was ₹2,622 crore. The company said its turnover figures for FY19 were not comparable with the previous year mainly because as during the financial year, the company has carried out its operations on job-work basis due to lack of working capital and raw materials.

In its FY18 annual report, the company admitted that it was facing continued problem of working capital availability, which has resulted in operating the plant on job-work basis at sub-optimal capacity of 40 per cent.

The company warned that the cash flows from existing operations are not sufficient to cover the fixed overheads, let alone the principal and interest obligations of the firm. However, to ensure that the debt does not become a non-performing asset, the company has consistently cleared the dues before 90 days from the due date from the funds borrowed from ArcelorMittal India by way of inter-corporate deposits.

Thanks to ArcelorMittal's payment, State Bank of India, which had filed the insolvency petition against the company, withdrew the plea on November 1, 2018.

In the first quarter of FY20, the firm's loss was ₹65 crore and made a provision of ₹198 crore. Thus taking its total loss to ₹263 crore on revenue of ₹98 crore.

After PM push, hotels cut use of PET bottles

SHALLY SETH MOHILE
Mumbai, 9 September

Check into the J W Marriott hotel property at Delhi's Aerocity, you will no longer find a plastic bottle. On Monday, it banished the last of its polyethylene terephthalate (PET) bottles, replacing these with QR-coded glass ones from its Artificial Intelligence (AI)-based bottling unit.

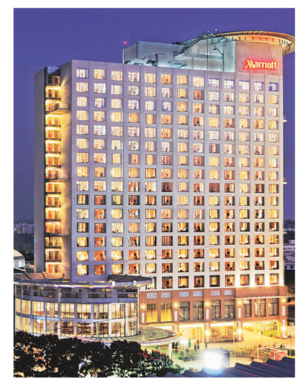
This 500-room property, says the management, consumes 5,479 bottles a day. The plan is to replicate this model, first at select hotels and to eventually do away with PET bottles at all its properties.

Marriott joins Indian Hotels Company (IHCL, the Taj group) in doing so — the latter recently set up bottling units at select hotels in Delhi, Bengaluru, Maldives and Colombo, seeking to replace plastic bottles with glass ones. And, a spokesperson at Accor Hotels says most of its properties now use glass in both rooms and at events. Also giving an option to banqueting guests to choose RO water stations in place of PET water bottles.

Large chains like the Marriott and Taj that are estimated to consume two million plastic bottles a year have taken a conscious decision to first eliminate and then reduce the use of single-use plastic, saying they are all for a sustainably environment-friendly tomorrow. In his address from the Red Fort on Independence Day, the prime minister had urged people and shopkeepers to eliminate the use of plastic bags. "Can we free India from single-use plastic? The time for implementing such an idea has come. Teams must be mobilised to work in this direction. A significant step must come out by October 2 (Mahatma Gandhi's birth anniversary," he'd said.

Marriott's elimination of plastic bottles coincides with Amitabh Kant's tweet, where the NITI Aayog head urged the travel industry to follow the Taj. "Taj informed me that they are establishing a bottling unit plant to eliminate all plastic bottles. They will take the lead in this regard. The entire travel industry should follow this practice," Kant wrote on the micro blogging site on Monday.

For Nitesh Gandhi, general manager at the Aerocity Marriott, who spearheaded the project of setting up a bottling plant, eliminating plastics was a "personal vendetta". An avid biker, the sight of mounds of plastic in and around the city whenever he would go biking, was disturbing. "We have to admit that hotels of our size consume more than two million bottles a year. The usage without compromising with our guests' experience," says Gandhi. Therefore, a year ago, his colleagues and he began the exercise of indentifying a firm that could help in setting up a (glass) bottling unit. After research which included visits to the bottling units of Pepsi, Coke, Mother Diary and Nestle, the unit became operational on Monday. The AI-based unit gives information about the quality of water and its content on a real-time basis, claims Gandhi. Marriott has invested ₹20 lakh in the project, half for water and glass bottles and the rest for buying ergonomically designed trolleys to port the water into rooms and restaurants.



Some of the five-star hotels have set up glass bottling units to replace PET bottles

The move on plastic bottles by hotels is a continuation of an exercise in eliminating other plastic items, starting a year before. IHCL, which owns the Taj-branded five-star hotel chains, has phased out single-use plastic in rooms. Many Taj hotels have reduced usage of plastic by replacing wrapped dry amenities in rooms such as toothbrushes, shaving kits, etc, with eco-friendly substitutes, said a spokesperson.

"Last year, we took a commitment to eliminate single-use plastic straws from our hotels and successfully eliminated two million of these across IHCL, including at TajSATS (in-flight catering)," said the spokesperson. Marriott and Accor, too, say they have replaced such plastics with biodegradable material.

Lending to group company a mistake: McLeod Russel head

AVISHEK RAKSHIT
Kolkata, 9 September

While reassuring shareholders of his commitment to stave off the present financial crisis at McLeod Russel, Aditya Khaitan, chairman, said lending to group entity McNally Bharat Engineering had been a "mistake".

Shareholders at the annual general meeting (AGM) repeatedly questioned Khaitan on the rationale for issuing inter-corporate deposits (ICDs) to McNally Bharat, whose repayment has since become uncertain.

To which, he admitted: "It was a mistake. The firm that was lent to was in serious trouble and the mistake we made was to see whether that company could turn around...It (McNally) was in the infrastructure space and we believed India would need infrastructure and we felt it (McNally) could be the next business and growth for the group (Williamson Magor). Unfortunately, the time it took for that company to revive and grow has taken a toll on this company (McLeod Russel) and the group." Shareholders said McNally's failure to repay the borrowings direly affected McLeod's financial position, leading to sale of assets and its share price dropping to an all-time low of ₹11-12. Promoters pledging had also increased and the lenders had started invoking these pledges. "Did we give our money to McNally? You transferred the cash to McNally. Is this how you reward trust?" an annoyed shareholder asked.

Khaitan told them group-level restructuring was on, involving debt recasting, sale of assets and bringing in strategic investors. McLeod's total debt is ₹1,700 crore; McNally's is estimated at ₹1,500 crore.

CPPIB to invest $115 million in Delhivery

Canada Pension Plan Investment Board (CPPIB) has said it is putting $115 million (₹8,250 crore) in Delhivery, one of India's leading third-party logistics providers.

Delhivery operates in over 2,000 cities and towns, offering a range of supply chain services. "The continued strong growth of e-commerce has generated significant opportunities in India's express logistics space for long-term investors such as CPPIB and we are pleased to partner with a market leader," said Deborah Orida, senior managing director and global head of active equities at CPPIB.

The investment was made through CPPIB's Fundamental Equities Asia Group. The latter's stated aim is fundamental research and investment in quality companies for the long term in this continent.

RANJU SARKAR

Ahead of festival, Flipkart partners 27K *kirana* stores

KARAN CHOUDHURY
Bengaluru, 9 September

On an overdrive to ensure a blockbuster festive season, Flipkart on Monday announced onboarding 27,000 *kiranas* across 700 cities to its pan-Indian supply chain.

The company believes that this would help it reach out to its 160 million users as well as new consumers during its upcoming 'The Big Billion Days' sale. At the moment, it is working with over 12,000 *kirana* stores across the country.

The company believes *kiranas* would help it massively improve last mile logistics and access to 100 per cent of the pin codes. "The nation-wide *kirana* onboarding started six months back, keeping in mind the massive scale of the upcoming festive season. This season witnesses heightened demand from customers from across the country and also grows the business of our *kirana* partners," the company said. Flipkart started with a customised training programme to onboard these *kirana* partners, with soft skills and the know-how to deal with customer queries or requests on the spot.

Flipkart already has a large supply chain network, currently delivering over a million shipments everyday across 100 per cent of the pin codes in the country.

"After digital payments, the next big revolution in *kirana* is going to be ushered in conjunction with e-commerce. It will reposition and reinvent *kirana* stores as convenience stores from an e-commerce perspective while offering them a new source of revenue, making it a win-win situation for all," said Kalyan Krishnamurthy, CEO of Flipkart Group said.

With the 27,000 additional kirana stores, Flipkart will be able to scale up its reach, especially in tier-II and tier-III cities. To seamlessly facilitate the onboarding process and their inclusion in the delivery model, Flipkart is leveraging its in-house tech solution called the 'Allocation Engine'.

This helps automate allocation of shipments to delivery agents and partners, including *kiranas*.

"This has become important as there is a huge spike in demand during the festive season and deploying tech becomes essential to provide high-speed deliveries to consumers," the company said. By evenly spreading the shipments across various delivery models, the Allocation Engine helps increase efficiency of deliveries, offering a better consumer experience.

Apple, Foxconn broke a Chinese labour law for iPhone production

MARK GURMAN
9 September

Apple and manufacturing partner Foxconn violated a Chinese labour rule by using too many temporary staff in the world's largest iPhone factory, the companies confirmed following a report that also alleged harsh working conditions.

The claims came from China Labour Watch, which issued the report ahead of an Apple event on Tuesday to announce new iPhones. The non-profit advocacy group investigates conditions in Chinese factories, and says it has uncovered other alleged labor rights violations by Apple partners in the past.

For its latest report, CLW said undercover investigators worked in Foxconn's Zhengzhou plant in China, including one who was employed there for four years. One of the main findings: Temporary staff, known as dispatch workers, made up about 50 per cent the workforce in August. Chinese labour law stipulates a maximum of 10 per cent, CLW noted. Apple said that, after conducting an investigation, it found the "percentage of dispatch workers exceeded our standards" and that it is "working closely with Foxconn to resolve this issue." It added that when it finds issues, it works with suppliers to "take immediate corrective action." Foxconn Technology Group also confirmed the dispatch worker violation following an operational review.

Apple's supply chain has faced criticism over poor labor standards for years, and the company has pushed manufacturing partners to improve factory conditions or risk losing business. However, suppliers and assemblers are always trying to churn out more handsets. Foxconn, officially known as Hon Hai Precision Industry, hires tens of thousands of temporary workers to ramp up production and meet iPhone demand during the key holiday season each year.

"Our recent findings on working conditions at Zhengzhou Foxconn highlights several issues which are in violation of Apple's own code of conduct," CLW wrote in its report. "Apple has the responsibility and capacity to make fundamental improvements to the working conditions along its supply chain, however, Apple is now transferring costs from the trade war through their suppliers to workers and profiting from the exploitation of Chinese workers."

While the report said 55 per cent of factory staff were dispatch workers in 2018, and about 50 per cent in August, this included student interns. Because many of these students returned to school at the end of August, that number is now closer to 30 per cent, which is still a violation, according to CLW. "We believe everyone in our supply chain should be treated with dignity and respect," Apple also said. "To make sure our high standards are being adhered to, we have robust management systems in place beginning with training on workplace rights, on-site worker interviews, anonymous grievance channels and ongoing audits."

BLOOMBERG

Anil Ambani ends talks with Hero FinCorp on insurer sale

BAIJU KALESH & P R SANJAI
9 September

Reliance Capital has called off a sale of its general insurance unit to Hero Fincorp, forcing embattled tycoon Anil Ambani to look for options as he seeks to reduce debt, people familiar with the matter said.

The talks for selling Reliance General Insurance which were at an advanced stage, ended after the shadow financier struggled to raise funds for the acquisition, said the people, asking not to be named as the information is not public.

Ambani's group is looking for alternatives for the insurance asset including reaching out to other potential buyers, the people said.

The sale of the fully-owned insurance unit is crucial for Ambani as he steps up efforts to cut his group's debt that has ballooned to about ₹939 billion ($13 billion) at four of its biggest units. "Reliance Group is committed to meeting all future debt obligations," Ambani said in a rare conference call in June, and becoming "capital light, with bare minimal debt."

A spokesman at Reliance Capital declined to comment, while a representative for Hero FinCorp didn't respond to an email and phone calls seeking comment.

Hero Fincorp was in advanced talks to buy the insurer at a valuation of about ₹60 billion ($860 million), *The Economic Times* reported in May, citing unnamed sources.

BLOOMBERG