Ahmedabad 27-08-2020

CHANAKYA

NI POTHI

Festive strategy: Digital shoppers in focus as firms eye sales turnaround

Customers of Tanishq, the Tata group-owned jewellery brand, in Mumbai, were greeted with special messages on their mobile phones over the weekend. They were invited to participate in online aartis of the city's Lalbaghcha Raja and Pune's Dagdusheth Ganpati — both popular Ganesh pandals in Maharashtra. The YouTube window that led to the aartis was prominently branded by the jewellery chain, and a message from the company emphasised it was with people at all times.

Tanishq is just one example of what firms are doing this festive season, marred by rising Covid-19 cases and people afraid to shop and eat out. Brands in consumer goods and retail are responding to the challenge by showing empathy, improving their safety, health and affordability quotient, and devising unique go-to-market strategies to woo people this festive season.

The three-month period from Ganesh Chaturthi to Onam, Navratri, Durga Puja, Dussehra, and Diwali is an important time for most consumer-facing businesses. But for some, including those in durables and retail, it remains the most critical period in their accounting calendar, constituting a third of their sales.

Stay-at-home consumers need to be nudged, admits Nilesh Gupta, managing director of electronics retail chain Vijay Sales, a point endorsed by Anand Agarwal, chief financial officer at V-Mart Retail, a fashion and lifestyle retailer.

Consumer engagements, Agarwal says, will be more direct and digital in nature this season compared to previous years, when marketing budgets were higher.

For instance, most fashion and footwear brands from Bata to Biba to V-Mart are pushing a combination of casual and semi-formal wear this festive season.

Casual clothes and shoes such as chappals and sandals are targeted for home wear and semi-formal clothing and footwear are meant for festive occasions. Wellness chain Kaya, in contrast, has come up with 'contactless facials', innovative skin peels and hair services for those prepping up for the festive season, even as safety concerns are addressed.

"The trend we saw during festivals such as Eid and Rakhi was that semi-formal suit sets and festive kurtas were in demand. This is even as casual kurtas were picked up earlier in the lockdown by consumers," says Siddharath Bindra, managing director, Biba Apparels.

Vijay Sales, on the other hand, has opted to use its social media channels to announce its offers for Ganesh Chaturthi, including tie-ups with Samsung, LG, IFB and Apple, among others. There will not be print and outdoor ads this year, says Gupta. South India-based electronics retail chain Pai International has come up with scratch cards to lure customers with a minimum of 2 per cent and a maximum of 100 per cent cashback.

The company has launched WhatsApp video calling to give demos of products to customers in the safety of their homes, along with free home delivery.

Media industry experts say most brands this festive season will have a greater bias towards the digital medium as online adoption rates for most activities increase sharply. A study by EY shows that time spent on smartphones has steadily grown in the last few months, touching 4.3 hours per day now from around three hours before the lockdown began.

S Subramanian, managing director, Preethi Kitchen Appliances, says a good 20 per cent of online shoppers for its products are those who've had their first-ever experience on an e-platform. In contrast, there is a shift in the way offline consumers shop from traditional outlets, he says. The purchase decision is made through a digital search and visits to stores are meant to close the loop.

Preethi, for instance, has rolled out an initiative called 'Close to You' to tap festive shoppers. The direct-to-consumer (D2C) initiative combines digital shopping and doorstep delivery in a bid to make the shopping experience as safe and convenient as possible.

Experts say the D2C programmes, which began as a response to distribution challenges in the lockdown months by consumer and retail firms, will get a leg-up in the festive period, as virus fears prevent people from venturing out too much.

"Yes, online is definitely doing much better and e-commerce is the way forward for us. We are using customer relationship management effectively to reach out to our loyalists and keep them informed.

Besides that, we are also using whatsapp video calls to show the range to our customers who are not comfortable coming to stores, but would like to see the collection," says Bindra.

Food companies, especially chocolate and bakery product makers, which use the festive season to sell gift packs, are playing up the health factor, pushing immunity as well as a dose of Indian culture. Cookie maker Unibic, for instance, will be replacing certain ingredients in its products, such as butter with desi ghee, even as it maintains their overall taste and goodness.

"There will be an element of having the appropriate ingredients which convey the meaning of health and nutrition, as today people are becoming conscious after the pandemic," says Sreenivasulu Vudayagiri, chief executive officer of Unibic.

Experts say more brands are expected to join the festive season fray this year as the Dussehra-Diwali period kicks in. The launch of the thirteenth edition of the Indian Premier League (IPL) in September may goad a few more brands, especially in the mobile handset space, to time their launches around that time, analysts say.

Future Retail averts default, pays Rs 100 cr of interest on foreign bonds

Future Retail, which is in talks with Reliance Industries (RIL) on sale, on Monday averted a default by paying Rs 100 crore of interest on its foreign bonds.

Any legal complication due to default at this stage would have delayed the deal with RIL, a source said.

The interest was paid on the last day of the 30-day grace period granted by the bondholders of the $500-million senior secured notes. For this, the company drew on its internal accruals and borrowed from banks. A Future executive confirmed the bondholders were paid their dues.

Future Retail shares on Monday closed 6.62 per cent down at Rs 114. This is because one of its lenders sold the firm's pledged shares because of default.

Soon after the "technical" default on July 22, Future had said it would be able to make the payment within the grace period through bank funding or any other means, including selling assets.

The group was planning to sell its stake in two insurance arms but was unable to do so within the deadline.

As the group's cash flow dried up and it started defaulting, the lenders, who have the entire promoter stake pledged with them, began negotiating the sale of Future's retail businesses to RIL.

According to the plan, which is in the works, three Future group companies -- Future Lifestyle, Future Supply Chain Solutions, and Future Retail -- will be merged into Future Enterprises. Once it is over, RIL may invest Rs 8,500 crore in the merged entity, taking a 50 per cent stake in the merged outfit.

A source on Monday said Future vendors had been asked by RIL to take a haircut of 20 per cent on their pending dues.

Lenders to Future Group are also being asked to take a haircut of up to 40 per cent.

Banks, however, are likely get Future Group's real estate, which will be hived off into a company.

Even as Future Group had high debt for long, both at the level of the promoters and listed entities, the pandemic made things worse. It disrupted the operations of group companies, leading to severe challenges in sourcing, manpower, supply chains, and distribution. Several stores, including franchisees/retail outlets, were closed on account of lockdown.

Apart from company debt, the promoters' debt rose from Rs 11,790 crore in March 2018 to Rs 11,970 crore in March 2019, despite monetisation.

The group further raised Rs 4,620 crore between April and December 2019 through a mix of debt, equity, and stake sales. Blackstone invested Rs 1,750 crore and Amazon Rs 1,430 crore.

Of the proceeds, Rs 1,440 crore was ploughed back into Future Retail, but it did not help matters.

Wings clipped, ad body looks at a 'co-regulating' role with govt

The Advertising Standards Council of India (ASCI) is planning to push the government for a 'co-regulating' role against false and misleading advertisements, following the dilution of its powers under the new Consumer Protection Act 2019.

The Consumer Protection Act which was notified last month expressly says that it is the new Central Consumer Protection Authority (CCPA) that will both regulate false and misleading advertising and also take action to punish offenders, whether through fines, discontinuance, alteration of the ad, or even jail.

To achieve the goal of 'co-regulation', ASCI is planning to take an appointment with Nidhi Khare, the newly elected chief commissioner of the CCPA. The ASCI used to perform precisely the functions that will now be performed by the CCPA. The difference was that, as a voluntary, self-regulatory body, it had no legal powers to enforce its actions. Its members come from advertising, civil society, the media, and public relations. Yet, despite this lack of statutory powers, the ASCI has managed to be reasonably successful in acting against erring parties.

A senior ASCI member pointed out that the council has an elaborate and fair system of scrutiny to establish if advertising is false or misleading. It also has a settlement of disputes panel, a system for fast-tracking cases, and an independent review process under a retired judge to handle cases where advertisers or complainants are not satisfied with the final decision. "It's a complex process and we have the technical expertise and the organisation to scr-utinise co-m-plaints and decide whe-ther action should be taken and report our decision to CCPA. After that, it is up to the CCPA to take it over as it has the legal powers to take whatever penal action it might choose fit. After all, even the CCPA is a new body and it will need technical assistance, so we can co-regulate," said the member.

ASCI takes up complaints in two ways: one is suo motu when the council itself monitors advertising and the other is through complaints from consumers or other parties.

After scrutiny by the ASCI secretariat, the matter is referred to the two Consumer Complaints Councils which take cases twice a month. Advertisers can also go to the dispute settlement mechanism to resolve the issue even before it goes to the Consumer Complaints Councils. Cases are heard and action is generally taken within 30 days. But the compliance is always voluntary. "ASCI's role will significantly diminish as it is a self-regulatory body with no powers to penalise, so they will not be approached by consu-mers anymore. ASCI will most likely work to spread awareness on the subject and provide assistance to the CCPA if and when it is sought," said Trisha Mandal of Fox Mandal & Associates.

Mandal said that while the Consumer Protection Act 2019 has a provision for the central government to designate, by notification, any statutory body to exercise the powers of the central authority, there is no indication that the ASCI will be designated as such.

Indiabulls Housing in talks with Oaktree to raise $200 million in debt

Indiabulls Housing Finance is in the final stages of negotiating a deal with Oaktree to raise $200 million (Rs 1,500 crore) in debt, said sources in the know, the second such deal between the two in the past three months.

Like in the previous deal, Indiabulls will pledge some developer loans with the global stressed assets investor, which will come in as a senior lender. Oaktree will have the first right on projects' cash flows, sources said.

Indiabulls had raised Rs 2,200 crore from Oaktree in June by refinancing part of its real estate deals with the US-based investor through non-convertible debentures. When contacted, Oaktree said: "No comment". An email sent to Indiabulls Housing Finance did not elicit any response.

Like other non-banking finance companies (NBFCs) and housing finance companies (HFCs), Indiabulls is refinancing its loans to raise liquidity and reduce the share of developer loans, considered riskier in today's market.

"It will help in generating liquidity and rebalance our book which is granular. In one year, we want retail loans to be 90 per cent of our loan book," Gagan Banga, vice-chairman and managing director, Indiabulls Housing Finance told Business standard recently.

"We are also working on two-three other deals," Banga had said. Indiabulls has a loan book of Rs 69,676 crore as of March 2020 and had around Rs 25,000 crore of developer loans.

Los Angeles-based Oaktree has assets of $122 billion as of June 2020. It deals with credit, real estate, private equity, etc. and has been buying developer loans from HFCs in the country in the last couple of years.

NBFCs and HFCs faced liquidity challenges after Infrastructure Leasing & Financial Services defaulted on its loans in August 2018, following which they started selling loans to generate liquidity.

Oaktree Capital bought loans worth Rs 1,375 crore from DHFL in January last year.

Industry scene

Several NBFCs and HFCsare in talks with special situation funds such as SSG Capital, Oaktree and others to sell or refinance their developer loans.Piramal Capital & Housing Finance is in the final stages of talks with Apollo Global Management to raise between $300 million and $500 million in a deal similar to the Indiabulls-Oaktree arrangement.

Delhi HC hears 37 anti-profiteering pleas; J&J, HUL among petitioners

The Delhi High Court (HC) on Monday heard 37 goods and services tax (GST) anti-profiteering writ petitions, including ones filed by Johnson & Johnson, Reckitt Benckiser, Hindustan Unilever, Patanjali Ayurved, Philips India, Jubilant Foodworks, and IFB via videoconferencing. It also served notice to the Attorney General of India over the constitutional validity of the profiteering provision.

The HC Bench directed the petitioners to jointly finalise questions on the constitutional validity of Section 171 of the Central GST (CGST) Act, which states any reduction in the rate of tax on the supply of goods or services or the benefit of input tax credit shall be passed on to the recipient by way of commensurate reduction in prices. Those will be served to the respondent — the central government.

A list of common questions around the anti-profiteering issue need to be filed by the petitioners.

The Bench orally indicated it would first decide the common question of law on the constitutional issues and on the interpretation of the anti-profiteering provisions by way of judgment. Thereafter, if the need arose, it would decide the factual issues in each case individually.

The matter has been adjourned to November 3.

These companies have challenged the constitutional validity of the anti-profiteering provision in the CGST Act and the anti-profiteering rules related to the methodology and procedure for determination whether reduction in the GST rate or the benefit of input tax credit has been passed on by the registered person to the recipient by way of commensurate reduction in prices. Companies have argued these are in violation of Articles 14, 19(1)(g) , 265, and 300A of the Constitution of India.

Harpreet Singh, partner, KPMG, said, "This is one of the most keenly observed

continued on Pg no. 2

Sunil Mittal hints at mobile services price hike, low rates not sustainable

Bharti Airtel chairman Sunil Bharti Mittal on Monday hinted at an increase in mobile services prices in the next six months, saying that data at low rates is not sustainable for the telecom industry.

He said that 16 GB data consumption a month for Rs 160 is a tragedy."You either consume 1.6 GB of capacity per month either at this price point or you may prepare to pay a lot more. We are not wanting USD 50-60 like the US or Europe but certainly USD 2 for 16 GB a month is not sustainable," Mittal said at an event.

Mittal also said that the average revenue per user (ARPU) is expected to cross Rs 200 in six months on digital content consumption. ARPU is the measure of revenue generated per user for a telco.

"We need a Rs 300 ARPU in which you will still have lower end at Rs 100 a month with decent amount of data. But if your consumption is largely around watching TV, movies, entertainment and depriving other vital special services networks, then you need to pay for that," Mittal said at the launch of a book written by Bharti Enterprises executive Akhil Gupta.

Airtel reported an increase in the ARPU to Rs 157 in the first quarter ended June 30, 2020. The rise in ARPU came after the tariff hike by Bharti Airtel in December 2019.

Mittal said that while telecom operators have served the nation during the difficult times, the industry needs to invest in 5G, more optical fibres, submarine cables etc.