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Kwid and Redi-GO on different growth tracks

The Kwid and Redi-GO, the two entry-segment cars from the Renault-Nissan alliance factory in Chennai, are like brothers.

They are made in the same plant, share a common platform and most component suppliers. And, the same three-cylinder, 800cc petrol-powered engine; both also enjoy 98 per cent local sourcing of components.

Yet the younger one, Redi-GO, also priced lower, does not seem to have had the same good fortune as the Kwid. Launched by Renault, the latter, styled a mini sports utility vehicle (SUV), has had a runaway success. Within five weeks of its launch in September 2015, the Kwid got bookings for 50,000 units. By now, it has a cumulative booking of a little over 125,000 units, with a waiting period of three to four months.

Nissan's Redi-GO, positioned as an urban crossover, has completed five weeks with bookings of 10,000 units. Both Renault and Nissan promise a lower maintenance cost compared to Maruti's Alto and a slightly better mileage, too.

The Redi-GO is even priced lower, at Rs 2.39 lakh compared to the Kwid's Rs 2.62 lakh and even Maruti Suzuki's Alto 800 (Rs 2.49 lakh). However, price is not the only attraction for buyers.

Renault has delivered about 65,000 Kwids so far and the French car maker was in sixth position in the Indian passenger vehicle market during the April-June quarter, against eighth in the corresponding period of 2015.

Another interesting difference is the marketing approach.

The Kwid crossed a cumulative booking of 100,000 vehicles in February this year, without spending on traditional advertising mediums.

It was only recently that Renault launched advertisements featuring its brand ambassador, actor Ranbir Kapoor. While, the Redi-GO started spending on advertisements from the outset. "We created enough excitement with regard to the Kwid much before the launch. We had prepared the dealerships well and staffed them," said Renault India's chief executive officer and managing director, Sumit Sawhney, in an interaction last month.

Without commenting on the volume comparison, Arun Malhotra, managing director for Nissan Motor India, said: "We are pleased with the initial response for the Redi-GO. We have over 10,000 bookings and have received close to 80,000 enquiries."

One possible factor driving Kwid sales is the overall shift in buyer preference from cars to SUVs. New SUVs like the Creta (Hyundai) and Brezza (Maruti Suzuki) have done exceptionally well.The growth in passenger vehicles (cars, utility vehicles and vans) is also being driven by the rising volume of SUVs.

Industry opposes move to control stent prices

The Indian medical devices industry has opposed the Centre's decision to bring coronary stents under the price control regime.

Medical device makers and their associations have said there could be confusion about the Centre's policy that this decision will likely give rise to. This is because, on June 22, the government withdrew the Drugs and Cosmetics Bill from the Parliament, as it felt there was a need for a separate law and guidelines to regulate the sector.

Himanshu Baid, chairman, CII Medical Technology Division, said the move to include stents in the National List of Essential Medicines (NLEM) runs contradictory to these recent efforts to create a separate legislation for medical devices.

As stents have been brought under NLEM, they would soon be made part of the Drug Pricing Control Order, 2016 (DPCO, 2016), which means their price can be controlled by the government's National Pharmaceutical Pricing Authority (NPPA). Even though coronary stents are a medical device, the government has classified them as a drug to make them a part of NLEM. "Given the clear distinction between medical devices and drug formulations, the methodology for price control of drug formulations cannot be applied to medical devices," Baid added. ADVAMED, the industry organisation of global device makers, echoed Baid's view. "Stents and medical technology generally do not meet the criteria for inclusion in NLEM. According to the World Health Organization, the methodology used for medicines cannot be replicated with medical devices. Moreover, coronary stents are a category and not products, just like antibiotics/ vaccines are also a categories of medicines," it said.

However, Rajiv Nath, forum coordinator of AIMED, industry body for domestic device manufacturers, said this was a "good move, given the circumstances and we support it even though we believe that there needs to be a different price control mechanism for medical devices as a long-term measure." Nath said domestic and foreign manufacturers were not the villains in this context as hospitals dictate and drive the printed maximum retail price of medical devices in their quest to cover costs. "Bringing stents under NLEM will stop this artificial inflation by hospitals," he said.

The Federation of Indian Chambers of Commerce & Industry too called for a differentiation between drugs and devices. "Pharmaceutical formulations and medical devices are two inherently different sectors and cannot be dealt with by the same formula," it said. "In no market around the world has access to high quality medical treatment improved without a combination of strong reimbursement mechanism and high quality medical technology adoption," it added.

"'Price control does not improve access."

ITC net rises 10% amid slow demand

Despite weak demand in the fast-moving consumer goods (FMCG) sector and the ongoing stress in the cigarette industry, cigarette-to-hotels major ITC posted an increase of 10.1 per cent in its standalone net profit at Rs 2,385 crore for the quarter ended June.

This profit was four per cent below Bloomberg consensus estimate of Rs 2,485 crore. Net profit during the same period in 2015-16 was Rs 2,166 crore.

The company's net standalone income during the quarter, improved by 8.3 per cent: Rs 13,157 crore, against Rs 12,150 crore in the corresponding quarter in the last financial year.

Profit from operations (before other income and finance cost) came in at Rs 3,526 crore versus Rs 3,252 crore in the year-ago period, an increase of 8.4 per cent.

Among business segments, the revenue share from the cigarette business declined by one per cent in the quarter to touch Rs 8,231 crore, up 6.4 per cent year-on-year, against Rs 7,733 crore in the corresponding quarter of the past financial year.

Though the environment in the cigarettes sector, too, has been challenging, analysts expected a growth in volumes.

ITC net rises 10% amid slow demand According to Abneesh Roy, research analyst, Edelweiss, ITC has reported positive volume growth for the first time in 12 quarters.

Also, despite seizures, closed factories and delayed pricing the margins in the cigarette business, the growth was positive. However, maintaining cigarette volumes down the line could be challenging for the firm.

"Overall the results are in line with expectations but going forward, it is worthwhile to see how the company maintains its cigarette volume. Although higher prices will help the company maintain or increase the earnings before interest, taxes, depreciation and amortisation (Ebitda), somewhere down the line, there will be a challenge if volume falls," Rahul Shah, an analyst with Motilal Oswal, said.

The company has been voicing concern on the newly introduced graphic health warnings (GHW) which covers 85 per cent of a tobacco product's packet with pictorial warnings against tobacco consumption for a while now.

"The proposed GHW is excessively large, extremely gruesome and unreasonable. There is no evidence to suggest that cigarette smoking would cause the diseases depicted in the pictures or that large GHW will lead to reduction in consumption," the company said.

In the past four years, the incidence of excise duty and value added tax on cigarettes, at a per unit level, has gone up cumulatively by 118 per cent and 142 per cent, respectively, which in turn, exerted severe pressure on the sector, it said.

Its fast-moving consumer goods segment grew by 9.5 per cent amidst weak demand and deflationary price, particularly in the personal care business, while its loss before interest and tax declined to Rs 4.5 crore against Rs 8 crore in the year ago period. The share of income from the agri business to its total revenue, too, rose by two per cent at Rs 2,794 crore, against Rs 2,325 crore in the first quarter of the last financial year.

The agri business, which contributed to 21 per cent of the firm's earnings during the quarter, continued to provide strategic sourcing support to its cigarette business, besides being able to leverage its rural linkages to source wheat, chip stock potato, spices and fruit pulp at competitive prices for the branded packaged food businesses.

Revenue from the hotel business declined marginally to Rs 287.4 from Rs 287.8 crore, earned during the first quarter of the 2015-16, because of weak demand and pricing scenario.

Excessive room inventory in key domestic markets and sluggish macroeconomic environment both in India and key source markets impacted revenue in the segment.

The paperboards, paper and packaging segment, which earned Rs 1,323 crore, also faced subdued demand conditions as it declined marginally as compared to the corresponding quarter.

Zero-duty imports under Free Trade Agreement with Asean countries and cheap imports from China along with capacity expansion/ramp-up by other industry players, continued to adversely impact the paper and paperboard sector

JSW Energy clocks Rs 367 cr in Q1

Sajjan Jindal led JSW Energy's net for quarter ended June 30 rose by 19% to Rs 367 crore against Rs 309 crore for the corresponding quarter last year. The company has missed the Bloomberg estimate of Rs 402 crore.

Its consolidated turnover was up 15% at Rs 2,492 crore against Rs 2,167 crore. It was primarily due to the addition of hydro units acquired during the second quarter of the previous year, partly offset by lower realisation during the quarter.

Meanwhile, JSW Energy said it has withdrawn from the acquisition process of Monnet Power. The lenders to the Monnet Power have rejected an offer to buy out majority stake.

The company had entered into an agreement with Monnet Ispat & Energy in July 2015 to acquire a majority stake in its subsidiary Monnet Power. However, two companies had not disclosed a deal size.

The net generation was up 48% at 6,648 million units (MUs) against 4,480 MUs due to generation from hydro power plants acquired during FY2016 and improved performance of Ratnagiri plant. However, the merchant sales were 2,397 MUs (37% of the volume) while the sales under long term power purchase agreement were 4,019 MUs (63% of volume). The company stock on BSE closed at Rs 79.75 down 4.55%.

The total income from operations was Rs 2,450 crore against Rs 2,095 crore and EBIDA was Rs 1,159 crore against Rs 887 crore. It was higher due to overall higher generation and decline in the fuel cost. The total comprehensive income increased by 76% at Rs 497 crore against Rs 283 crore. This was due to profit on fair valuation of investments routed through other comprehensive income.

The consolidated net worth was at Rs 10,232 crore and consolidated net debt at Rs 13,836 crore resulting in a net debt to equity ratio of 1.35 times.

The fuel cost increased to Rs 1,041 crore against Rs 983 crore, up 6% due to increase in thermal power generation, rise in the transfer price of lignite at Barmer and currently depreciation. It was partly offset by the decrease in the landed cost of imported coal principally due to a softening of the international prices.

Lanco makes last-ditch effort to avoid strategic debt restructuring

The management of Lanco Infratech is making last-ditch effort to raise additional equity and funds to avoid strategic debt restructuring (SDR), under which the lenders will take over the company and sell it off. The SDR kicks in when an entity fails to show recovery despite getting relief in loan repayment terms through corporate debt restructuring (CDR).

In 2014, the lenders had approved a CDR scheme of about Rs 4,400 crore to help the company reduce its debt. However, it reported a consolidated debt of about Rs 42,330 crore as on March 2016.

"All the efforts have been directed at making Lanco Infratech debt-free at the holding company level. For this, we need money which the management is trying to secure by pursuing all available options, including sale of assets and bringing strategic investor into the power vertical among other things," a company official said on condition of anonymity.

Reservoir levels jump 89% in 15 days

The strong uptick in the southwest monsoon since the start of July has boosted the sowing of kharif crops and given fresh life to reservoirs and major water bodies, which were on the brink.

According to the Central Water Commission (CWC), the total level in 91 major reservoirs across the country as on Thursday was 54.419 billion cubic metres (bcm), 34 per cent of their live storage capacity (157.8 bcm). This is up from 18 per cent of live storage around July 6 and 29 per cent last Friday.

So, over a fortnight, average water levels have risen 89 per cent, one of the fastest such in recent times. These reservoirs are important sources of drinking water, irrigation and power in many places. A good water level also augurs well for the rabi harvest.

The highest increase has been in the reservoirs of central and western India. In the north, where they irrigate large tracts in Punjab, Haryana and western Uttar Pradesh, the levels are still lower than last year's.

Research firm Nomura said on Thursday that as the July rains have the strongest correlation with kharif (summer crop) production, improved performance of the former could push up seasonal grain production by four per cent, as compared to a fall of 3.2 per cent in 2015

"This should push up agricultural Gross Value Added (GVA) growth to four per cent in FY17, from a weak base of 1.2 per cent in FY16, adding 45 basis points to headline GDP (gross domestic product) growth and offsetting any fall in non-agriculture GDP growth," the report said.

Reservoir levels jump 89% in 15 days Adding: "Although good monsoons are a positive for production, they do not guarantee low food price inflation. Much of the uptick in food inflation is driven by eggs, vegetables and sugar prices; of these, we expect only vegetable prices to ease, and only towards the fourth quarter of the 2016-17 financial year."

It said the impact in kharif production due to poor rain in parts of Gujarat, Bihar and the northeast would be offset by improved output in other areas.

The southwest monsoon might also become vigorous again over central and northwest India in the next 24 to 48 hours, after a lull of three to four days, as the rain trough moves towards the plains from the foothills, while the cyclonic circulation brewing over the Bay of Bengal penetrates deeper towards the mainland.

Officials this should cause good rain over both central and north India, slightly weaker in the past few days and leading to rise in temperatures.

"The rains which are at present passing through a slightly weak phase will again become active over south Chhattisgarh, Telangana and parts of Vidarbha over the next 24 to 48 hours because a cyclonic circulation around coastal Andhra will move inwards," said Mahesh Palawat, chief meteorologist at private weather forecasting firm Skymet

Mandatory Ulip fund investment proposal may be dropped

The insurance regulator's proposal to make it mandatory for life insurers to invest at least 25 per cent of unit-linked insurance plan (Ulip) funds in government securities (G-Secs) is likely to be dropped in the final norms.

This is after insurers raised concerns about this proposal impacting the returns for policy holders.

In its draft investment regulations, issued in July 2015, the Insurance Regulatory and Development Authority of India (Irdai) had said not less than 25 per cent of a unit-linked insurance fund will be in invested in central government securities. And, that the allocation to other investments should not be more than 25 per cent of the total in each such segregated fund.

"After discussions, this proposal is likely to be excluded from the final regulations, which will be brought out in the next few days," said a senior executive in the sector. However, the proposal to have separate fund managers for life funds, pension and group funds, and Ulip funds is likely to be retained, sources said.

Irdai said every fund — life fund, pension, annuity and group fund, and unit-linked segregated fund — must have identifiable fund managers. And, such a manager cannot be common between a life fund, pension and group fund, and a unit-linked fund. However, this will not be applicable till the assets under management (both shareholder and policy holder funds together) cross Rs 1,000 crore for the first time.

When this proposal was brought out, insurers sent a representation through the Life Insurance Council to the regulator. The regulator had also said equity investments only in the CNX 200 or BSE 200 can be considered as approved ones.

In September 2010, Irdai had capped the charges and commissions on Ulips. As a fallout, the average commission in Ulips as a percentage to premiums collected fell to four per cent in FY12 from 10 per cent in FY10. The minimum lock-in was also increased to five years, from three years earlier.

Govt mulls tolls on public-funded national highways

A proposal for monetisation of completed public-funded national highway projects is under consideration, Minister of State for Road Transport and Highways Pon Radhakrishnan told Lok Sabha on Thursday.

"A proposal for monetisation of completed public funded national highway projects through Toll-Operate Transfer mode based on the expected collection of user fee receivables, through private sector efficiency and expertise is under active consideration," he said.

Proceeds from such monetisation of completed projects will be utilised for construction, operation and maintenance of highways, he said.

Besides, he said Internal Extra Budgetary Resources of Rs 59,279 crore has been allotted to National Highways Authority of India (NHAI).

NHAI has already been authorised to raise Rs 25,000 crore (taxable) and Rs 5,000 crore for construction and maintenance of national highways

Succession plan in place: Aditya Puri

Aditya Puri, managing director of HDFC Bank, said a succession plan for the bank's chief was in place. "We have a very clearly defined succession plan ... even if something happens, there is a successor ... there are two-three levels below me, so nothing to worry," said Puri after the bank's annual general meeting on Thursday. Investors and markets had started to ask questions after Puri was hospitalised, earlier this year, and underwent a cardiac surgery.

He has been at the helm of the bank since its inception since 1994.