IN BRIEF

Car sales in India to grow 9% in 2017: Moody's

NEW DELHI

Car sales in India are expected to grow by 9% this year riding on the back of the goods and services tax (GST) regime as well as new product roll-out, Moody's Investors Service said on Wednesday. "Indian car sales will remain robust, growing 9% this year and 7% in 2018, supported by the impact of GST as well as new model launches," Moody's said in a global report. PTI

Final hearing of India tax row in Aug. 2018: Cairn

NEW DELHI

British oil explorer Cairn Energy on Wednesday said the final hearing in the international arbitration it has initiated against a ₹10,247 crore retrospective tax demand raised by India had been pushed back by about six months to August 2018. Cairn initiated arbitration against the Centre — which used a new law to slap the demand — on a decade-old internal reorganisation of the company's India unit. PTI

No GST on firms ceding foodgrain brand claims

NEW DELHI

The government on Wednesday clarified that those firms that voluntarily gave up their rights and actionable claims over a brand of foodgrain would be exempt from the 5% Goods and Services Tax (GST) payable on branded foodgrain. The GST Council had earlier decided on a 5% tax on cereals, pulses, and flours put up in unit containers and bearing a registered brand name.

Tata Steel set for Europe venture with Thyssenkrupp

Non-cash transaction would create Europe's No. 2 steelmaker generating pro forma sales of about €15 billion a year with some 48,000 employees

VIDYA RAM
LONDON

Tata Steel is set to forge ahead with a long-awaited merger of its European assets with Germany's Thyssenkrupp AG after the firms signed a memorandum of understanding to create an equal joint venture.

The move — the path for which had been eased after Tata Steel reached agreement with U.K. authorities to reduce its U.K. pension scheme liabilities — ends months of uncertainty over the fate of a potential transaction and underlines the significance of the developments to the two companies as they chart the difficult waters of Europe's steel market, including overcapacity and cheap competition from abroad. The merger, if it goes through, would create Europe's largest steel company after top-ranked ArcelorMittal.

"Today's announcement marks the latest step in building a future for Tata Steel's activities in Europe which is sustainable in every sense," Tata Steel Europe Chairman Andrew Robb said on Wednesday, following the signing of the MoU for the 50:50 venture. To be named Thyssenkrupp Tata Steel, the merged entity would annually supply about 21 million tonnes of flat steel products worldwide.

Non-cash transaction

The company — created by the non-cash transaction — would generate pro forma sales of about €15 billion a year, with about 48,000 employees across 34 locations. The companies estimate the merger would generate up to €600 million in synergies a year through the integration of research and development, and commercial functions, and optimisation of procurement and logistics.

Forging ahead: The merged entity would supply about 21 million tonnes of flat steel products worldwide annually. ▪ AP

Tata Steel and Thyssenkrupp anticipate concluding the deal in 2018, and closing it by the end of that year, following a period where further detailed negotiations take place on the shape of the final agreement. The transaction would also be subject to shareholders' approval and the scrutiny of competition authorities.

Production at the joint venture would be subject to review in 2020, generating further synergies, which would be determined by a number of currently indeterminable factors such as Brexit and the regulatory environment at the time.

Job reductions

For now, up to 2,000 jobs in administration and 2,000 jobs in production are expected to be cut as a result of the deal — split equally between the two companies — though Thyssenkrupp insisted that the cuts would have been necessary even without the deal, and could have been worse.

"By combining our steel activities the burden for each partner are lower than they would have been on a standalone basis," said Heinrich Hiesinger, CEO of Thyssenkrupp, pointing to the pressures on the industry from "structural overcapacity in supply and constantly high import pressure."

He added that the companies had a complementary fit: with Thyssenkrupp's strength in working with original equipment manufacturers and Tata Steel's in its work with industrial customers, while restructuring carried out by both had created some of the most efficient facilities in Europe.

Cautious welcome

Britain's Unite, GMB and Community Unions cautiously welcomed the MoU. In a joint statement, they said the deal delivered "industrial logic... as always, the devil will be in the detail and we are seeking further assurances on jobs, investment and future production across the UK operations." The unions said they were seeking an urgent meeting with Tata Steel to ensure Thyssenkrupp's pension liabilities would be ring fenced.

European steel makers have been opting for consolidation to combat the persistent challenges facing the industry including overcapacity and pricing, particularly amid competition from China and beyond. Earlier this year, an Arcelor Mittal-led consortium bid for Ilva, a large Italian nationalised steel plant.

The development marks a turnaround from last March when Tata Steel announced it was looking for a buyer for its U.K. steel business. Months later the company confirmed it was in talks with Thyssenkrupp over the merger of assets. In August, Tata Steel U.K. got the go ahead to separate its £15 billion pension scheme from the business, in a deal that cost the company £550 million and a 33% equity stake.

Divi's unit gets remarks after recent FDA visit

Prior observations resolved, says firm

SPECIAL CORRESPONDENT
HYDERABAD

The U.S. Food and Drug Administration (USFDA) has made six observations after an inspection of Divi's Laboratories' Unit-2 in Visakhapatnam.

On completion of the inspection, which the U.S. regulator had conducted between September 11 and 19, the pharma company received a Form 483 citing six observations.

The observations are "procedural and the company will be responding to these within the stipulated time," Divi's Laboratories said in a filing to the stock exchanges on Wednesday.

This inspection was for "full cGMP and verification of all corrective actions proposed against the previous inspection observations. Divi's Laboratories announces that all previous observations have been confirmed as completed and resolved," the company said.

The USFDA had issued an import alert, under clauses 99-32 and 66-40, in March this year and a warning letter in May for the Visakhapatnam facility. In July, the company had said the regulator had informed it that the import alert, under clauses 99-32, would be lifted. Divi's shares rose 9.13% to ₹942.75 on Wednesday.

M&M to buy Turkey's Erkunt Traktor, foundry

Mahindra eyes farm mechanisation market in the European nation, where tractor sales total $1.7 bn

LALATENDU MISHRA
MUMBAI

Mahindra & Mahindra Ltd. (M&M) has signed a definitive agreement with Turkey's Armagan family for acquiring 100% of Erkunt Traktor Sanayii A.S., the fourth-largest tractor manufacturer in Turkey.

M&M, the global tractor industry's number one maker by volume and fifth-largest in terms of revenue, also agreed to acquire 80%-100% equity in Erkunt Sanayii A.S, a foundry unit belonging to the same Turkish group.

While the tractor firm has an enterprise value of $76 million (₹479 crore), the foundry unit's value has been estimated at $51 million (₹321 crore). The final transaction value would be estimated at the close of the deal, expected in about two and half months.

Spreading tentacles: Erkunt will export tractors to neighbouring markets of West Asia, CIS and Europe.

The Turkish companies have some debt which would continue and would be repaid by them, top M&M officials said. M&M would fund the acquisition through internal accruals, they added.

The deal, which follows the Hisarlar acquisition earlier this year in Turkey, would help M&M expand its farm equipment business in that country, a strategic market for farm equipment globally, the firm said.

'Eyes exports'

Erkunt would export tractors to the neighbouring markets of West Asia, CIS and Europe. The Ankara-based company, which currently has a 6% share of Turkey's $1.7 billion tractor market, is expected to gain business after the acquisition, M&M officials said.

"Our strategy is to globalise aggressively and also expand our portfolio to include various new categories of tractors and farm machinery," Pawan Goenka, MD, M&M, said while announcing the deal. This is the company's fifth acquisition in the farm equipment space. "Turkey is a very important market in our globalisation journey and we wish to participate in its entire agri mechanisation landscape," he said.

M&M will retain Erkunt's brand. The Turkish firm, which sold 4,700 tractors worth $88 million last year, has 353 employees. The foundry, a service provider from castings to machining, had revenue of $47 million.

Hindustan Coca-Cola testing 20 local products

₹450 crore facility in Sanand to open by end of year; juice industry seeing explosive growth, says CEO

SPECIAL CORRESPONDENT
BIDADI, BENGALURU

Hindustan Coca-Cola Beverages, the largest bottling partner of the Atlanta-based Coca-Cola Company, plans to open its ₹450-crore facility in Sanand in Gujarat by January as its tests more than 20 new products made locally in a bid to make India among its top three global markets, Christina Ruggiero, CEO, said on Wednesday.

"We will be kicking off shortly our next new greenfield facility in Sanand in Gujarat in the last week of December or first week of January," Ms. Ruggiero told correspondents in Bengaluru, where its corporate headquarters is situated. "The phase I of the project is estimated to cost about ₹450 crore. It will have lots of green initiatives, automation and robotics involved."

It will have multiple bottling lines for carbonated beverages such as Coca-Cola, Sprite, Fanta, Limca, Thumbs Up, juices and juice-based drinks like Minute Maid, Mazza, and, bottled water and Kinley soda.

Ideas abound: Christina Ruggiero has a 'fantasy list' of 220 products across all regions and flavours. ▪ K. MURALI KUMAR

According to Euromonitor International, increasing health awareness among consumers and their preference for health and wellness products are the likely reasons for strong growth expected in juices. Carbonates, both cola and non-cola carbonates, were likely to see sustained slowdowns in volume growth rates, according to an April report.

India's food industry is estimated at ₹14,500 crore. The non-alcoholic beverages market is worth about $5 billion, according to Indian Beverages Association. The health beverages market is $300 million and is the fastest growing. The fruit drinks market is ₹6,000 crore.

"Aerated and carbonates are actually growing," Ms. Ruggiero said. "It is an interesting thing because aerated and carbonated from an industry standpoint is growing. It has grown about 5% in India. It accounts for 60-65% of our business. Our aspiration is to have double-digit growth. Prior to my coming in July, we were having a single-digit growth. After July, we are seeing double digit growth."

'Local products work'

"In India, local works. Different consumers need different products. Hopefully, the next will be *mosambi* (sweet lime). Juice industry in India is seeing explosive growth as more Indians are switching from fresh to packaged juice. More Indians are entering the non-alcoholic, ready-to-drink segment,"she said. "We will be pushing the existing factories to see how to make new juices, carbonated drinks and new products."

"We currently have a pilot project running in Bengaluru called Perfect Fruit. It is just 25 machines and we are doing a test to see how it goes. Local fruits we buy to make our juices go in to a machine and is turned into frozen fruit. No sugars but just the fruit."

If it works, the company will introduce a combination of local fruits in other markets, she said. "I have a pipeline or 'fantasy list' of 220 products across all regions and flavours. Only a small percentage of it may work. Typically, 5% of these ideas may work," Ms. Ruggiero said.

"Out of these 220 products already 20 are in various stages...they are in different parts of India." Part of the reason why Coca-Cola did not succeed much in India was that it did not have the right product at the right price point, she said. "First half of the financial year we struggled," Ms. Ruggiero said without elaborating.

Olympia Group starts monetising excess assets

Expects to double rental revenue to ₹200 crore by 2022

N. ANAND
CHENNAI

Following a slump in real estate business, realty major Olympia Group has started monetising some of its excess assets in Chennai to develop ecosystems to promote occupancy of residential homes, a top executive said.

"We are building three schools, co-living apartments, luxury and high-end villas," said Ajit Kumar Chordia, managing director, Olympia Group. "Building schools in residential areas will attract new admissions, which, in turn, will increase our occupancy rate. We are trying to get some rental from these properties, which we were unable to sell." Admitting that there was no land bank or new project, he said: "We had acquired these lands some 10 years ago. Two new IT parks in Guindy (Tecknos and National Tower) will be ready by October 2017 and March 2018 respectively. The total constructed area is about 2 lakh sq.ft and the investment is about ₹82 crore."

Ajit Kumar Chordia

Luxury projects

Mr. Chordia, also the president of CREDAI Tamil Nadu, said the real estate market had been flat for 12 months. But there had been some moments in the luxury projects in the last six months, post demonetisation. "General buyers are coming back. Expensive houses are selling, while sale of premium apartments is static. There is a marginal increase in prices of raw materials due to implementation of GST. It might be a 6% increase for customers," he said. As per the proposed plan, Olympia Group will be investing close to ₹90 crore on co-living apartments, ₹50 crore for villas, ₹36 crore on industrial warehouse and ₹100 crore for three schools, including land. This calls for an investment of ₹350 crore, which will be met mainly through bank finance.

"Last year, we earned a rental revenue of ₹97 crore from Olympia Tech Park and this year, it should touch ₹100 crore. Our goal is to double it by March 2022. We expect the rentals from new segments such as schools, and co-living to be about ₹22 crore," he said.

ONGC discovers oil in Arabian sea

Find estimated at 20 million tonnes

PRESS TRUST OF INDIA
NEW DELHI

State-owned Oil and Natural Gas Corp. (ONGC) has made a significant oil discovery to the west of its prime Mumbai High fields in the Arabian sea, a senior official said on Wednesday.

The discovery in the well WO-24-3 is estimated to hold an in-place reserve of about 20 million tonnes, he said. Mumbai High, India's biggest oil field, currently produces 205,000 barrels of oil per day (just over 10 million tonnes per annum) and the new find would add to that production in less than two years time.

"In all, nine objects or zones were tested and all of them were found to be hydrocarbon bearing. The last object tested flowed 3,300 barrels of oil," he said.

Further appraisal

ONGC is carrying out a further appraisal of the discovery and has intimated upstream regulator Directorate General of Hydrocarbons.

"This is a mid-sized discovery but a significant one," the official said.

The new find, which comes almost 50 years after ONGC began production in Mumbai High, will help the company maintain production levels from the basin for a longer time than currently estimated.

Jan.-July tea export volumes rise 4.6%

Imports by competitors Sri Lanka and China increase; Darjeeling impact muted

INDRANI DUTTA
KOLKATA

Notwithstanding the loss of exports on account of the prolonged closure of the Darjeeling tea estates, India's tea exports have increased 4.6% by volume in the first seven months of 2017, statistics showed.

Interestingly, two countries where Indian teas made major inroads were China and Sri Lanka — among India's top rivals in the global tea arena. Exports increased 150% to the island nation and by 71% to China according to Tea Board statistics. "We hope to maintain the trend," S. Soundararajan, secretary at the Board told *The Hindu*.

Total exports stood at 121.1 million kg in January-July 2017, against 115.8 million kg a year earlier. India exported 227 million kg last year.

The more than 90-day closure of the Darjeeling tea industry by the Gorkha Janmukti Morcha, which is demanding a separate state, has harmed the interests of the premium and speciality teas but has not hampered India's overall tea exports, either by volume or by value.

Tasting success: Egypt, a traditional market for Indian teas has almost doubled its imports in the period.

Darjeeling produces about 8 million kg annually, of which about 6 million kg is exported. Production between January and June, in the 87 tea estates in Darjeeling halved from 4.1 million kg a year earlier to 2.1 million kg. No export figures are available, but exporters are facing order cancellations, enquiries revealed.

Three countries have played a prominent role in the current year's export scenario — China, Sri Lanka and Egypt. An erstwhile green-tea consumer and producer, China has, of late, taken to black tea production, of which there is increased demand from the youth segment. Sri Lanka has increased imports of Indian tea for blending, it was learnt.

Egypt's imports rise

Egypt, a traditional market for Indian teas has almost doubled its imports in the period. India has also seen a rise in exports to Ukraine and Kazakhstan. Taken with Russia, the CIS region is India's single-largest block for tea exports.

The Tea Board has facilitated several international expositions and delegations this year. While there was a delegation to Moscow this month, there were two delegations to the U.S. and to Chile in June.

'Peer-to-peer lending platforms are NBFCs'

RBI to regulate P2Ps henceforth

PRESS TRUST OF INDIA
NEW DELHI

Peer-to-peer lending (P2P) platforms will be treated as non-banking financial companies (NBFCs) and thus regulated by the RBI, the central bank said.

P2P lending is a form of crowd-funding used to raise loans which are paid back with interest. It can be defined as the use of an online platform that matches lenders with borrowers in order to provide unsecured loans.

"The Reserve Bank of India...specifies a non-banking institution that carries on 'the business of a peer to peer lending platform' to be an NBFC," the RBI said in a notification.

As per the RBI, the business of a P2P lending platform is defined as the service of loan facilitation, via online medium or otherwise, to "the participants who have entered into an arrangement with that platform to lend on it or to avail of loan facilitation services provided by it."

RBI had floated a consultation paper in 2016 on such lending platforms.

The RBI had floated a consultation paper in April 2016 on such lending platforms.