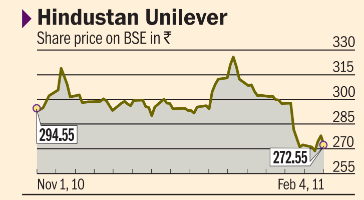
SHORT STORIES

Hind Unilever hints at further price hikes



Hindustan Unilever (HUL) on Friday said there could be further price hikes in its products as input costs continue to rise. "We have taken several price increases recently but if the commodity prices continue the way it is then I suspect there could be further price increase," HUL chief executive officer and managing director Nitin Paranjpe said. Asked how the margins would be affected, he said, "We cannot talk about the specifics...How the input cost will impact our business but all I can say is commodity prices are increasing whether its palm oil, crude, tea...Everything that impact our business is increasing."

GM to launch new engine for Chevrolet Beat

General Motors India will launch its 1.2-litre SMARTECH engine, which is set to power the Chevrolet Beat from next month, a top company executive said on Friday. General Motors India president and MD, Karl Slym said the diesel version of the vehicle will also be launched by the end of this year. On the expansion programme of the company, he said GM India plans to introduce light commercial vehicles by the end of this year or early next year. He said the 1.2 litre engine was created by the GM Technical Centre-India in Bangalore in co-operation with GM's new engine plant in Talegaon.

VIP Industries to open 100-110 stores in FY12

VIP Industries Ltd is looking to open 100-110 stores in India during 2011-12 (Apr-Mar), chairman Dilip G Piramal said. "The store openings would be similar to (in) FY11. We had plans of opening around 110 stores and till now, we have opened around 80 odd (stores) this financial year," he said. The company will open the remaining 30 stores by March.

Cox & Kings net profit up 19.4% in Q3

Cox & Kings on Friday said its consolidated net profit rose 19.39% to ₹23.02 crore for the third quarter ended December 31, 2010, over the same period previous fiscal. The company had a net profit of ₹19.28 crore for the same period last fiscal, Cox & Kings said in a filing to the BSE. The company's income from operations rose to ₹108.31 crore for the third quarter ended December 31, 2010, compared with ₹78.89 crore in the same period last fiscal. "We have witnessed growth in all the segments of business that we currently operate in and this is reflected in a 37% rise in our revenues this quarter. The travel industry has been growing quite significantly and we believe we are poised to capitalise on this growth," director Peter Kerkar said.

MSP aims to treble profit in two years

Steel player plans to secure coal and iron ore supplies, strengthen billets, pellets and power portfolios

Promit Mukherjee MUMBAI

MSP Steel and Power Ltd, Kolkata-based steel player, is aiming at doubling revenues and trebling profits by fiscal 2013 on the back of its huge backward integration plans.

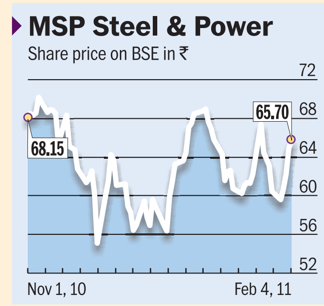
While the company is still relatively small according to its sales numbers, analysts say it is the company's strategy of backward and forward integration that will take it to the big league of steel players.

The company posted revenues of ₹395 crore and net profit of ₹32 crore for the last fiscal. This year it is expected to post a jump of at least 33% and 72% in sales and net profit, respectively, analysts tracking the company say.

Saket Agarwal, promoter-director, MSP, said, "We have a capex plan of ₹815 crore till fiscal 2013 which is mainly to strengthen our backward integration plans." This was to be invested in two phases, out of which the first phase is complete and the second phase has begun.

"In the first phase, we expanded our sponge iron capacity from 192,000 tonne per annum (tpa) to 307,000 tpa at an investment of close to ₹240 crore," he said.

Under the second phase, MSP will expand its power generation and pellet capacity and operationalise its coal and iron ore mines, which are expected to be complete by fiscal 2013. It is increasing its power capacity to 76 megawatts (mw) from 42 mw currently and pellet capacity to 900,000 tpa from the current 300,000 tpa at present, besides bringing its mines onstream.



The company had been awarded a 26 million tonne coal mine and a 35 million tonne iron ore mine in Chhattisgarh, which will start production from 2013.

"With the operationalisation of mines, the company will become a completely integrated steel player. The mines will add significantly to its margins and bring down production costs," said Rahul Sonthalia, vice-president, portfolio management services, MPA Finsecurities.

Agarwal said it is only on the back of backward integration that the company will see a major jump in its revenues and profits.

MSP currently sells four main products in the market — pellet, sponge iron, TMT bars and heavy structural steel products. It also has a fungible model wherein it can swap billet production by selling power on a merchant basis in the open market.

"Billet production is a very power intensive activity and it makes no sense to make billets if the power cost crosses ₹3.50 per unit. Therefore, whenever that happens we stop production of billets and start selling power," said Agarwal.

Besides, with the increase in its power capacity, the company will also have surplus power to sell on a merchant basis. Post expansion, its power requirement will not be more than 40 mw.

However, a Crisil Research report published after the company's last quarterly results said, "MSP's expansion plans are on track and, therefore, we expect it to register significant growth going ahead. However, concerns relating to high leverage (net debt : equity of 2.8x for FY11E) remain."

But it said that since MSP completed its first phase of expansion five months before schedule, it expects that the company will be able to complete the remaining capacity expansion on time.

Audi unveils all new A8 L sedan

Will cost ₹89 lakh onwards

Our Bureau NEW DELHI

German luxury car maker Audi on Friday unveiled the latest version of its flagship Audi A8 L sedan. The long wheel version comes equipped with a 4.2 FSI petrol engine and will cost ₹89,00,000 (ex showroom Delhi) onwards.

"The launch of the all new Audi A8 L is a milestone for us as it marks the entry of our new flagship in India. This super luxury sedan will allow us to further build upon the tremendous growth potential that the Indian market presents. With Audi witnessing record sales in 2010 to achieve exceptional growth, we believe the Audi A8 L will continue to spur demand in India," said Michael Perschke, head, Audi India.

In the new A8, the length and wheelbase have both been stretched by 13 centimetres versus the standard normal version wheelbase to measure 5.27 metres, offering increased comfort to rear seat passengers.

The body of this light car is made of aluminum Audi Space Frame (ASF), weighing about 40% less than a comparable steel structure. It also boasts of optional LED headlights. The new 4.2 litre engine offers 22% better fuel efficiency.

The car would be launched with the W12 engine and 3.0 TDI engine in a phased manner.

SC asks Trai to evolve new interconnectivity, revenue sharing norms

Has to bring the new Interconnect Regulation on mobile termination charges and carriage charges in 4 months

Rakesh Bhatnagar NEW DELHI

The Supreme Court has asked telecom regulator Telecom Regulatory Authority of India (Trai) to evolve a new set of revenue sharing norms and other regulations on interconnectivity among operators for carrying calls of one network through others.

Trai has also been asked to bring the new Interconnect Regulation on mobile termination charges and carriage charges within four months after consulting various stake holders.

A bench headed by Chief Justice S H Kapadia said Trai should evolve the new norms and regulations as per the directives of sectoral tribunal Telecom Disputes Settlement and Appellate Tribunal (TDSAT).

The court passed this direction on Friday on a petition by Trai challenging the TDSAT order, which had set aside on September 29 last year the Trai's Interconnection Usage Charges (Regulation), 2009, and asked it to bring out fresh interconnection norms and regulations in consultations with various stake holders.

The TDSAT had set aside the 2009 IUCR on several petitions filed by different mobile service providers objecting to the telecom regulator's order.

The tribunal had asked Trai to consult various telecom operators in a time bound manner and finish the entire exercise by January 1, 2011.

The Trai, however, failed to bring out the new regulation within the stipulated deadline.

In its 2009 IUC regulation, Trai had fixed a mobile termination charge (MTC) at 20 paise per minute for all local and national long distance charges.

It had also raised the MTC for incoming international calls to 40 paise per minute from 30 paise, while putting a ceiling on carriage fee of 65 paisa per minute for domestic long distance calls.

THE CASE

- SC passed the direction on a petition by Trai challenging a TDSAT order, which had set aside on September 29 last year the Trai's Interconnection Usage Charges (Regulation), 2009
- The tribunal had asked Trai to consult various telecom operators in a time bound manner and finish the entire exercise by January 1, 2011
- Trai, however, failed to bring out the new regulation within the stipulated deadline

Besides BSNL, certain private players — Bharti, Vodafone, Idea, Aircel, Etisalat DB and CDMA lobby group AUSPI — also objected to the policy.

BSNL wanted termination charges for the fixed wire line services to be fixed by the regulator on the data supplied by it on actual cost basis.

It also wanted the MTC for incoming ISD calls to be fixed through mutual negotiation between operators. Alternatively, it wanted an MTC in the range of Rs 3 to Rs 4 instead of 30 paise, which TRAI had fixed.

GSM operators including Airtel and Vodafone, on the other hand, wanted an MTC of 35 paise instead of 20 paisa and had requested the TDSAT to direct TRAI for a fresh consultation on this issue.

Coal India identifies CTL block

Press Trust of India KOLKATA

Coal India Ltd (CIL) has identified Deocha-Pachami block in Bankura district in West Bengal for its proposed coal-to-liquid (CTL) foray.

"We had pinpointed the block for CTL project," Coal India chairman Partha Bhattacharya said.

He said that the block has a very good overburden of high quality rocks, which were saleable and exportable, he told reporters at a seminar.

Bhattacharya said that the block had a huge reserve of 19 billion tonnes, which could be exploited for burning coal to form oil.

He said that the projected investment would be around ₹45,000 crore which might be funded through a joint venture.

IOC plans $5 billion refinery in Turkey

Company evaluating feasibility of 15 million tonne refinery, says minister

Evrim Ergin ISTANBUL

Indian Oil Corp (IOC) is interested in building a $5 billion refinery in Turkey and is currently carrying out feasibility work on the project, minister of state for trade Jyotiraditya Scindia said on Friday.

IOC and Oil and Natural Gas Corp (ONGC) are interested in exploring for oil and natural gas in Turkey, Scindia also told reporters.

IOC "is looking at setting up a 15 million tonne refinery company in Turkey," the minister said, referring to the volume of crude oil a facility could process in a year. "They are evaluating the feasibility of this."

The company had previously planned to build a refinery with Turkey's Calik Holding at the Mediterranean port of Ceyhan, where pipelines carrying Iraqi and Azeri crude terminate.

Plans for that plant were put on hold during the global financial crisis in 2008, and Scindia did not say whether IOC would partner again with Calik. India imports about 70% of its oil and gas and is interested in exploring for new sources, Scindia said.

Turkey has tiny amounts of gas and oil reserves, requiring it to import about 95% of the fuels. But the government has agreed in recent years with US-based Chevron and Brazilian state oil company Petrobras to look for gas off its Black Sea coast. Reuters

Banks chasing firms to foreign pastures

Providing finance and M&A advice is opportunity for banks to generate revenue

Anurag Kotoky & Swati Pandey
NEW DELHI/MUMBAI

As Indian companies farm out across the globe chasing business through a slew of M&As and joint ventures, stodgy Indian banks are spreading following suit.

Deal volume in India surged three-fold to $67.2 billion in 2010 from $21.3 billion in 2009, according to Thomson Reuters data, including Bharti Airtel's $9 billion buy of the African operations of Kuwait's Zain.

Overseas acquisitions accounted for nearly half of the Indian M&A volume in 2010, the biggest year for outbound deals from Asia's third-largest economy.

This year, Aditya Birla Group bought US-based Columbian Chemicals for $875 million, a state-run firm is bidding for a Mongolian coal mine, and Reliance Industries has notched up shale gas JVs with US firms.

"We have to service all our Indian clientele. And if we cannot offer them foreign currency funding, we are missing a huge opportunity of further engaging our customers," Melwyn Rego, executive director, IDBI Bank, said.

IDBI Bank started operating in Dubai in early 2010 and has applied to the Monetary Authority of Singapore to set up a business and has plans to start operations in London.

"Our broad strategy is that we should have one in the Far East, one in the Middle East and one in the West. Basically, we are following our customer base," Rego said.

Providing finance and M&A advice is opportunity for commercial banks to generate revenue and gain credit in deal-making league tables, another catalyst for banks.

India's huge remittance economy is another, as more and more expatriates prefer banks to money transfer firms. Indians remitted an estimated $49 billion in 2009, according to a World Bank Development Prospects Group study.

GOLDEN SHORES

- IDBI Bank started operating in Dubai in early 2010 and has applied to the Monetary Authority of Singapore to set up a business
- State Bank of India and ICICI Bank have plans to expand existing operations abroad
- Punjab National Bank Ltd acquired 63.64% in Kazakhstan's JSC Dana Bank in December

India's top two lenders, State Bank of India and ICICI Bank, have plans to expand existing operations abroad while state-owned Allahabad Bank and Punjab National Bank are expediting theirs to spread wider.

Punjab National Bank Ltd acquired 63.64% in Kazakhstan's JSC Dana Bank in December.

"We are already having licence in New Zealand. We might start New Zealand operations in 3 months," said B A Prabhakar, executive director, Bank of India.

"We are also applying to Uganda and Botswana, we have also made an application to Canada. In twelve months time Canada will be operational. Uganda might happen in 6-9 months time, I think."

In late 2008, when the collapse of Lehman Brothers inter-twined with the global financial crisis, raising money was a challenging task even through borrowings, said Puneet Gulati, an analyst with JM Financial.

Indian banks are looking for early strikes as economic environment improves globally, Gulati added.

Current rules allow each Indian company to raise up to $500 million per fiscal through foreign borrowings. A withholding tax of 20% is applicable on interest earned by investors in foreign borrowings of local companies.

The interbank cost of borrowing dollars, euros and sterling based on 3 month Libor has hit new lows as central banks and governments flood financial markets with liquidity, raising appetite for India-specific bonds.

The US, UK and the Middle East have a high concentration of non-resident Indians. Nearly all of them have ties in India and remit part of their earnings home.

In fact, banks' increasing involvement in money-transfer has forced many transfer companies like Western Union and MoneyGram International to look for newer services.

"There are a lot of advantages for banks to have their branch network abroad, specially in NRI-centric countries," J Moses Harding, head of international banking at IndusInd Bank, said.

"The selection criteria is to partner with one of the top three banks in respective countries, who do not have India presence and have good appetite for Indian business and India risk."

IndusInd has representative offices in Dubai and London and strategic relationships with banks in UAE and Qatar.

Harding said business opportunities emanate both ways — in bound into India and out bound from India. Reuters