

STOCKS IN THE NEWS

- BEML**: Govt clears strategic sale. **26% UP**. Previous close ₹993.35, Close ₹1,157.75. **16.55% UP***
- Dwarikesh Sugar Industries**: Major gainer among sugar stocks. **5.18% UP***. Previous close ₹362.65, Close ₹381.45.
- Granules India**: Telangana unit gets 11 observations. **9.84% DOWN***. Previous close ₹112.25, Close ₹101.20.
- Pokarna**: Subsidiary enters into pact with IKEA India. **18.59% UP***. Previous close ₹919.90, Close ₹1,090.95.
- Dr Reddy's Laboratories**: Top loser among the S&P BSE Sensex stocks. **3.00% DOWN***. Previous close ₹3,160.70, Close ₹3,066.00.

IN BRIEF

Jaguar Land Rover sells record 583,313 cars in 2016

Britain's biggest carmaker Jaguar Land Rover (JLR) sold a record 583,312 cars last year as the Indian-owned firm continues its rapid expansion with the aim of building one million vehicles a year at the turn of the decade. Sales were up 20 per cent from the previous year, although sales growth slowed to 12 per cent year-on-year in December, the carmaker said. The automobile maker, which spent years in the doldrums before being bought by India's Tata in 2008, has since invested heavily in new models and expanded production with plants in China and Brazil and construction of a new site in Slovakia under way. Sales of luxury Jaguar models rose 77 per cent to 148,730 units in 2016 due to strong demand for a range of new high-end products including the F-PACE, the brand's first off-roader which was launched last year. **REUTERS**

DoT to meet telcos for status check on call drops

The department of telecom will meet telecom operators once again this quarter for a status check on call drops, which it says, has improved but still not satisfactory. "The call drop situation has shown improvement with additional spectrum availability, and the private sector is making more investments in technology and towers... but it is not satisfactory because call drops are happening," Telecom Secretary JS Deepak told PTI. DoT had held discussions with telecom operators last year on the consumer-centric issue of call drops and quality of service. **PTI**

Gionee signs on Virat Kohli as brand ambassador

Mobile handset brand Gionee has roped in Indian test captain Virat Kohli as the brand ambassador. The poster boy for Indian cricket will be joining Bollywood actor Alia Bhatt, roped in a few months ago. The announcement of Kohli's appointment was made alongside the announcement of Gionee, clocking 12 million customers in India. Gionee has two manufacturing units in India and is continuously ramping up its brand and marketing initiatives with the aim to grow as much as 2.5 times in 2017. **BS REPORTER**

Microsoft sowing app sees 30% higher average yield in study

A pilot project that tested a new sowing application for farmers combined with a Personalised Village Advisory Dashboard in a small area in Andhra Pradesh (AP) has demonstrated a 30 per cent higher average yield per hectare. The International Crops Research Institute for Semi-Arid Tropics, global technology firm Microsoft and AP government have collaborated on these digital technology tools. **BS REPORTER**

Anuj Puri quits JLL; Ramesh Nair to replace him

Anuj Puri, chairman and country head of global real estate consultancy firm JLL India, has hung up his boots ending 10 years association with the company. Ramesh Nair, chief operating officer of JLL India will take over as the chief executive officer and country head. Puri had joined JLL in 2007 when his company Trammell Crow Meghraj merged with the Indian arm of global real estate firm JLL, which went on to become the largest real estate services firm in India. The US-based firm employs 9,000 people and generates revenues of about ₹3,000 crore. **BS REPORTER**

Court allows Naveen Jindal to travel abroad

Congress leader and industrialist Naveen Jindal, an accused in a coal block allocation scam case, has been allowed by a special court to travel abroad for business purposes. Special Central Bureau of Investigation judge Bharat Parashar allowed the plea by Jindal, seeking the court's nod to visit UK and Switzerland from January 16 to 23 and imposed certain conditions on him. Jindal has been asked to inform the investigating officer and the court about his arrival in India within seven days of his return mentioning the details of places visited by him. **PTI**

Uber announces winners of UberPITCH

Global ride-hailing firm Uber on Monday announced winners of an India-wide start-up contest, UberPITCH, and will invest \$50,000 in each of these. The winning firms are SeekSherpa, LeanAgri and Ambee in the areas of e-commerce, agriculture and health, respectively. **PTI**

BOUNCING BACK

Steel sector revival likely after April...

ISHITA AVAN DUTT & NAMRATA ACHARYA
Kolkata, 9 January

Iron ore prices are retreating, coking coal has come off its highs and international steel prices are elevated, the future looks bright for the steel industry, but the good times are likely only in the next financial year. Spot prices of premium hard coking coal, one of the key inputs for steel, have come off a high of \$310 in November to \$222 a tonne. But contract prices for the fourth quarter are still high at \$285 a tonne.

Experts tracking iron ore are forecasting a slide in 2017 to around \$52 a tonne. At present, global prices are \$80 a tonne, down by about nine per cent.

Together, coking coal and iron ore account for 75 per cent of the input cost for steel.

"It all depends on the spot versus contract mix of companies importing coking coal. But most of the impact of higher coking coal is likely to kick in during the fourth quarter. Companies with captive raw material will stand to benefit from higher steel prices on their entire output," explained Jayanta Roy, senior vice-president, ICRA.

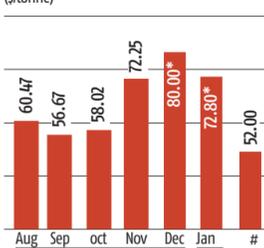
SAIL and Tata Steel are the major producers with captive raw material.

An ICRA report in



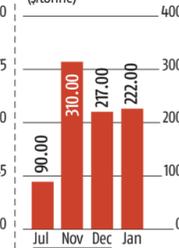
ELEVATION

IRON ORE PRICES (\$/tonne)



*Approximate industry projection for average price in 2017. Source: www.marketindia.com.au/iron-ore

COKING COAL PRICES (\$/tonne)



Industry estimates

December said due to doubling of contract coking coal prices, the cost of steel production for domestic blast furnace players would increase in the fourth quarter of 2016-17. Around 40 per cent of

India's 90 million tonne steel production uses the blast furnace technology. That includes all major players, Tata Steel, SAIL, JSW Steel, Bhushan Steel and Essar Steel.

Over December and January, however, companies have been able to pass on a total increase of ₹5,000 a tonne to customers.

The third quarter of 2016-17 is expected to be flat for producers while the fourth quarter could be worse for those on contract coking coal. But the industry is looking beyond the fourth quarter. The focus is on the consumption pattern.

Sunil Srivastava, deputy managing director, State Bank of India, said the overall reduction in raw material prices was favourable for the industry.

"As soon as the investment cycle starts, the demand for steel is going to go up and prices will climb," he said.

Globally, hot rolled coil prices have increased from \$475 a tonne to \$530-550 a tonne since October. Essar Steel's executive director of strategy and business development, Vikram Amin, said, "Prices in China are up and there is no propensity to export. There is a firmness in demand and the road ahead is clear."

But for the debt-stressed sector, this could still translate into little.

...Faces December chill on costly coal

ADITI DIVEKAR
Mumbai, 9 January

Steel producers will see their margins shrink sequentially in the December quarter as input costs move up. The companies will have deal with coking coal prices more than doubling from \$100 per tonne in early 2016.

"Steel companies have raised prices during the quarter and realisations will be higher, but this will be nullified by higher input costs," said Abhisar Jain, senior analyst with Centrum Brokerage.

Coking coal, a key raw material, is largely imported by steel companies like JSW Steel, Jindal Steel & Power and Bhushan Steel.

"For JSW Steel, we expect the steel business Ebitda/tonne of ₹6,315, down 18 per cent, quarter on quarter," said the Centrum report.

Analysts said the high coal cost would affect Tata Steel more in the March quarter

WHAT THE BOOKS SHOW

2015	October	November	December	Total
Production	7.78	7.44	7.62	22.84
Consumption	7.059	5.998	6.92	19.977
Imports	1.183	0.764	0.941	2.888
Exports	0.256	0.241	0.389	0.886

2016	October	November	December	Total
Production	8.249	7.603	8.416	24.268
Consumption	7.114	6.123	7.225	20.462
Imports	0.538	0.598	0.761	1.897
Exports	0.536	0.67	0.748	1.954

Figures in million tonne

Source: Joint Plant Committee

because of its quarterly contracts.

"Ebitda/tonne at domestic operations of Tata Steel is expected to be higher by seven per cent sequentially at ₹7,819, led by higher realisations," the Centrum report added.

Brokers were divided on the effect of demonetisation on steel sales.

"Steel companies could

take a volume hit of about five-seven per cent on account of demonetisation," said Giriraj Daga, portfolio manager at Visaria Securities.

"November is in the peak demand season, but this year retail sales have not been to expectations," Nitin Johari, director

(finance), Bhushan Steel had said. "Demonetisation could be a factor because

consumers and retailers usually deal in cash. Automobile companies are expected to go on a longer shutdown of 20 days due to demonetisation," he added.

Most steel players were organised and might not be affected by demonetisation, said an analyst with Motilal Oswal.

Earnings of steel companies during the December quarter are seen higher than in the corresponding period of the previous year when India was subject to dumping.

Though consumption has not picked up significantly, higher exports and a fall in imports were positives in the December quarter.

"Global steel prices have jumped to \$450 per tonne, placing steel companies in a better position to raise prices," said Jain.

"There will be further hikes in prices in coming months as the cost of coking coal has not been passed on entirely," Daga added.

'Ore prices made phenomenal progress in the past few months'

Iron ore prices have risen sharply in the past few months. But, miners are now cautiously optimistic as to how prices will play out this year, says Vedanta Resources Chief Executive Officer TOM ALBANESE in an interview with Kunal Bose. Edited excerpts:

Q&A

TOM ALBANESE
CEO, Vedanta Resources



Defying price forecasts by research agencies, iron ore prices have more than doubled since 2016 beginning. Metallurgical Mines Association of China says the average seaborne ore price in 2017 will rise 'moderately' from last year's average of \$60 a tonne. As a big producer-exporter in India, how do you look at the scene?

Whatever the forecasts, ore prices made phenomenal progress in the past few months. This might be due to a combination of knee-jerk reaction to the series of global economic and political developments and the market running a little ahead of itself. For over a year, the market entertained fears of lower world metal demand on the back of China entering a mature period in its materials consumption cycle.

But, this fear sentiment disappeared when Beijing introduced a stimulus programme in the second half of 2016. Liquidity flowed into infrastructure and real estate sectors. In the process, ore demand was reignited. Donald Trump winning the US Presidential election convinced commodity bulls of a rally in 2017.

But, will not the bulls have to contend with high inventories of iron ore and commissioning of new large mines?

True, ore inventories are rising and these are at this point well above historical average. Given this situation, a legitimate question is to what further extent can spot prices climb. Then, global concern over climate change will be an interesting factor to watch out for. Some softening of ore prices of late is ascribed to Beijing, asking steel mills to stay shut till the smog has cleared. The Chinese steel sector stuck with old technology has higher emission levels than its peers in many other countries.

Are we going to see Chinese industry making a mass transition to a new environment-friendly technology or will Beijing rest content introducing a stricter regime for steel mill operation? Answers to these questions as they unravel will decide the course of ore prices.

What could be the impact of price improvement on ore output?

That there is a trickle-down effect of higher prices on ore production is accepted. In the past couple of years, the focus of miners was to improve operational efficiency and cut costs to weather low prices. This might now change to more action on ore price improvement and demand supply outlook being less overcast. Brazilian Vale's \$14.3 billion Eliezer Batista S11D complex near Canaã dos Carajás stands as an example of how greenfield and brownfield activities in iron ore industry may kick off.

Miners in general are cautiously optimistic about how ore prices will play out this year. While some brokerages expect prices to average \$60 a tonne, there are others who dismiss the recent rally as a 'fluke'. They don't see a runaway rally happening in 2017.

Do you think liberalisation of minerals exploration policy and mines ownership coming through bidding at auctions will usher in a new era in Indian mining?

We are in an interesting period for India's natural resources sector. With the government going all out to boost mining activities through reforms, the regulatory environment is becoming increasingly encouraging. The amendment of Mines and Minerals (Development and Regulation) Act that allows transfer of captive mining leases not granted through auction will give a boost to the sector. Also, mergers and acquisitions will benefit from MMDR Act amendment. At the same time, there are some legacy issues such as land ownership pattern, quality of mineralisation studies and end-use restrictions that need addressing.

More on business-standard.com

Mistry lacked urgency to resolve legacy issues: Tatas

ABHINEET KUMAR
Mumbai, 9 January

Tata Sons has alleged in its petition at the National Company Law Tribunal that Cyrus Mistry, ousted chairman of the company, seemed focused only on the problems of the past and ascribed them to "legacy issues" without doing enough to find solutions.

In their petition at the tribunal, Mistry's investment firms have alleged mismanagement at Tata Sons and the oppression of its minority shareholders, and sought the removal of the current management of Tata Trusts and Tata Sons.

"Even after identifying these hot-spots, the execution and follow-through on these matters was slow and lacked a sense of urgency," said Tata Sons in its petition filed on Friday.

According to the Tata Sons petition, the board had been asking Mistry to address the continuing losses of Tata Teleservices Ltd (TSL) for more than three years because they were eating into the cash flows of other profitable com-

TATA PETITION SAYS

- Mistry's petition is based on alleged acts of commercial mismanagement which were never questioned
- Commercial judgment going wrong cannot be cited as proof of oppression or mismanagement
- Allegation of commercial mismanagement is time-barred and incorrect



panies in the group, with little hope of TSL turning profitable.

However, instead of being decisive and taking a write-down or reducing the debt, Mistry kept holding out for a merger that might save the business but that is yet to materialise.

The losses in the business, consequently, kept mounting. "This inability to be decisive to cut losses and resolve issues was a significant weakness in Cyrus Mistry's leadership," the petition says.

Talking about other "legacy issues", the petition says all business and commercial decisions

of Karl Slym, who was managing director and CEO of the firm.

During those two years, Tata Motors stepped up its investment in the Nano project and developed variants of the Nano such as the GenX Nano. Given this, the petition says, it cannot be said that the project is not closing down because Ratan Tata, who is Tata Sons chairman now, has an "emotional" attachment to it.

Regarding the Corus acquisition, the petition says the buy involved a competitive bidding process in which Tata Steel participated, along with Brazilian steel company Companhia Siderúrgica Nacional (CSN). Tata Steel's winning bid was 608 pence per share, while CSN's final bid was 603 pence.

"There is no basis to state that the acquisition of Corus was done at a substantial premium," says the petition. Admittedly, the final bid price was higher than the initial offer price quoted by Tata Steel to Corus. This was merely a function of value discovery through a competitive bidding process.

For decisions taken at Tata Motors, the petition puts the onus on Mistry, who led the executive management of the company for almost two years after the death

Tata Sons denies undue benefit for Mehli Mistry

SHRIMI CHOUDHARY
Mumbai, 9 January

Tata Sons has refuted allegations that Mehli Mistry and associates benefited from contracts allegedly awarded to him by Tata Power without competitive bidding.

The petition, filed by Tata Sons with the National Company Law Board (NCLB) in response to petitions by former chairman Cyrus Mistry and his family's companies, claimed Tata Sons had requested Tata Power to provide details of contracts awarded to Mehli Mistry and his companies. According to the petition, "requisite processes in awarding of the contracts, and necessary approval from the board/committee(s)/management was taken as required as per the schedule."

It also said the reference

to the growth in Mistry's companies' reserves between the 1994-95 and 2014-15 was unsubstantiated and lacked any evidence. "There are at least 1,400 listed companies that have clocked a higher percentage of turnover and profits than Mehli Mistry's companies during a comparative period," the petition said.

As far as competitive bidding was concerned, it said the Sea Freight by Trombay Contract in 2006 was granted through a competitive bidding process and requisite approvals were also obtained.

In the bidding process, five parties — Torvald Klaveness, NYK Bulkship, Daichi Chou Shipping, Noble Pacific, and M Pallonji Shipping and Mercator Lines — had taken part.

"It was clear that the petitioners have made false claims only in order to unfair-

ly prejudice this tribunal against Ratan Tata, when as a matter of fact the commercial dealings impugned above are beyond any reproach, either factually or legally," said the petition.

A dredging contract in 1993 had other vendors such as S K Dhondi, Sunder Underwater and M Pallonji and Company Private Limited.

The petition refuted the "endorsement" of Mistry by independent directors of certain listed Tata group companies, saying the fact that independent directors of some group companies were supporting Mistry in no way invalidated the collective decision of the board of directors of Tata Sons to remove him as the chairman of the group.

Investigations into ₹22 crore fraud in Air Asia, revealed after a forensic

audit by Deloitte, showed involvement of non-existent parties in India and Singapore. While admitting the findings, Tata Sons, clarified that alleged fraudulent transactions were entered into and executed at the instance of the former chief executive of AirAsia India. It further said that the boards of directors of Air Asia India were neither aware of nor authorised to enter into of the alleged fraudulent transactions.

On the allegations with respect to proceedings at the board meeting of Tata Global Beverages Limited, Tata Sons' petition said that Mistry's removal followed the process which was completely in accordance with the provisions of the Act read with the Articles of Association of the company.

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