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CHANAKYA
NI POTHI

Tata's Air India gamble could reveal the path of group's aviation business

With the August 31 deadline for submitting a bid for Air India nearing, the buzz that the Tata group will make another attempt to acquire the company is growing stronger. The group has publicly stated that it is evaluating the proposal and will consider a bid "after due consideration".

If the group does go ahead and eventually wins the bid, it will mark the culmination of its aborted attempt 19 years ago to buy the airline which it once owned before it was nationalised in 1953. In 2001, when the Atal Bihari Vajpayee government wanted to divest 40 per cent in the state-owned airline, Tata teamed up with Singapore Airlines (SIA) to bid. The Hinduja group was the other bidder. But strong opposition from domestic carriers led by Jet Airways stalled the sale, with the Hindujas, then SIA and eventually Tata pulling out of the race.

The big question is whether it makes sense for the Tata group to buy this loss-making, overstaffed airline with all the embedded weaknesses of a public sector company. More so because the group already runs two airlines, Vistara (with SIA) and AirAsia India (with AirAsia Berhad), and neither can be described as successes yet.

This time, however, the equations are different from 2001. In 2001-02, the unmerged Indian Airlines-Air India (including the low-cost subsidiary Alliance Air) dominated the domestic skies with over 50 per cent market share, with only Jet and Sahara as private sector competition. Today, Air India has a mere 9.1 per cent of the domestic air market (based on July 2020 figures) and is number three in the pecking order. IndiGo is the leader with an over 60 per cent market share, followed by SpiceJet.

In the international market, too, Air India was the sole domestic player with a 29 per cent share in 2001-02. Here again, the story has changed for the worse. Air India, which merged with domestic carrier Indian Airlines in 2007, and its low-cost subsidiary Air India Express, now has just an 18.8 per cent share. Here too, IndiGo has overtaken Air India (excluding Air India Express) for the top spot.

So why do some analysts think buying this declining airline makes good sense for the Tata group? One reason is that it may bulk up the Tata aviation business's market share. Even after six years in the business, the group has grown painfully slowly. The two airlines have cobbled together a market share of only 10.2 per cent.

The group has also trimmed its expansion plans — last year then Air Asia India CEO Sanjay Kumar had announced that the airline would expand its fleet from 21 to 40 aircraft by April this year. Currently, it has only 30 planes and the Tata group is looking at buying out its Malaysian partner, which is struggling with financial challenges of its own in south-east Asia.

But the Tata airlines business is not in good financial shape either. Even before Covid-19 impacted air travel, AirAsia India made losses of ~334.6 crore in FY 20, more than double the previous year's losses, on revenues of ~928 crore. Vistara, too, suffered a doubling of losses to ~831 crore in FY19 (FY20 results have not been declared).

By acquiring Air India, the Tata group could boost its domestic market share to a reasonable 24 per cent in no time, closing its gap with IndiGo and moving far ahead of SpiceJet.

It will also be the only player in the full-service carrier market, now that Jet Airways has crashed. Plus, the three airlines will command a fleet that will expand from 72 aircraft to 244 in one stroke, within touching distance of IndiGo's 276 aircraft.

This may still leave the group with some catching up to do with IndiGo's dominance in the domestic market, but the bigger play for the Tata group will be the international skies, especially with scheduled international operations set to resume soon. Both Tata and SIA see this as their key area of growth, and an opportunity to fill the vacuum left by Jet Airways that had a reasonable market share in the key overseas routes of West Asia, the US and UK.

It is also well-timed because Vistara started plying the international skies only last year in August. On Tuesday, it announced that it meant serious business by launching its first long-haul flight between Delhi and London Heathrow from August 28 to September 30 as part of the bilateral "transport bubble" on a Dreamliner 787. It also wants to use its second Boeing 787-9 for special flights to Paris and Frankfurt.

The acquisition of Air India would give the Tata group's aviation business instant access to valuable flying slots, which usually take time to acquire, including lucrative markets such as New York and London and some West Asian markets where bilateral quotas have been exhausted. But most importantly, it will catapult the group into the largest domestic player in the international skies.

For SIA, the big challenge in its global battle against the well-financed West Asian carriers is that it does not have a share in the lucrative India-West Asian and African routes, which accounts for over 50 per cent of the total international passenger market. It is a key player on the India-Singapore route, but the route accounts just 8 per cent of international traffic. That is why its market share in December quarter 2019 was a mere 2.8 per cent of international traffic to and from India. A joint venture with Tata to buy Air India would give the island nation's state-owned airline not only a share of this growing market but also that of Indians travelling to the US and Europe. In many ways, therefore, August 31 will reveal the flight path of the Tata group's aviation business.

Netmeds' journey to a sweet deal as Reliance picks up a majority stake

When Pradeep Dadha first talked to Mukesh Ambani's son, Akash, and daughter, Isha, over Microsoft Teams, one can only guess whether he expected the virtual meeting to be this fruitful. But what is certain is that Dadha's early entry in the online pharmacy delivery space has worked well for him. Reliance Retail has picked up a majority stake for Rs 620 crore in his Chennai-based start-up.

Dadha's Netmeds, a collective that includes Vitalic Health and its subsidiaries, was founded in 2015 and is one of the earliest players in the online pharmacy delivery segment. Dadha himself comes from a family that has been in the pharmaceutical business for over a century.

A passionate entrepreneur who wishes he had founded — or at least invested in — WhatsApp, he says, "I cannot think of what I'd be if not an entrepreneur." His role models are Apple's Steve Jobs and Amazon's Jeff Bezos, interestingly the very tycoon Mukesh Ambani is against in a heated race for supremacy.

Forty-year-old Dadha's family ventured into the pharmaceutical business in 1914 and into drug manufacturing in 1972. The manufacturing unit, Tamilnadu Dadha Pharmaceuticals, merged with Sun Pharma in 1996. Today, the Group is a wholesale drugs supplier in Kerala and retails in Tamil Nadu.

Dadha leads the Pradeep Dadha group of companies and is the chairman of Notch Media, a media and entertainment business.

After graduating from Loyola College, Chennai, he joined his family business, Dadha Pharma, as a sales representative, moving later to the fulfilment and human resources departments. He eventually created a retail distribution chain of more than 1,500 outlets.

For some time, however, he moved away from the family occupation and joined Reliance Infocomm and Sun Communique in their contact centre divisions. Here, as part of the core management teams, he was involved with budget preparations, cost and return on investment analysis, client contract negotiations and human resources allocation, becoming competent at contact centre and BPO centre management. The experience prepared him well for his ensuing role as an early adopter of the global BPO trend.

He returned to the family business at a time when India was seeing an exponential growth in internet penetration. The environment for e-commerce and e-pharma was favourable. He grabbed the opportunity and launched Netmeds — an online medical store. That his family's pharma company was among the most trusted in South India made it a less formidable challenge. But there was a concern: Would consumers feel confident buying medicines online? Would they wonder about their safety?

Netmeds had to build transparency and trust in its operations and processes. So, it got pharmacists to do the due diligence as in a brick-and-mortar pharmacy. Dealing with large stock units and ensuring their availability across India was also a challenge.

In the five years since its launch, Netmeds has managed to scale the length and breadth of the country, providing quality and affordable medicines in even the most outlying areas — delivering prescription medications to over 20,000 pin codes, and servicing over 5.7 million customers in over 670 cities and towns. And that, says Dadha, has been its advantage over its competitors.

Value-added services — automated refill reminders, cost-effective generic substitution advice, expense analytics and access to doctors' consultations — have enhanced business.

Dadha knows how to keep pace with time. His firm is also employing artificial intelligence and machine learning to understand customers and predict health trends. He is determined to leverage technology as Netmeds diversifies into telemedicine, online doctor consultation, diagnostics and generic drugs.

Last year, Netmeds roped in as its brand ambassador a celebrity who would fit the image of reliability that it has consistently tried to present: Mahendra Singh Dhoni.

One of Dadha's dreams is to buy a vacation home in Italy. The pandemic has put that dream on the backburner for now. But Dadha, pleased as he is with the profitable handshake with Reliance, isn't complaining.

Sebi proposes to increase minimum free float for firms post-insolvency

The Securities and Exchange Board of India (Sebi) has proposed to increase the minimum free float for companies relisting after undergoing the corporate insolvency resolution process (CIRP). The capital markets regulator has also called for greater disclosures to ensure better price discovery and transparency.

The move is triggered by the extreme movement in the Ruchi Soya Industries' stock. The company's shares had surged more than 450 times after it got relisted following the acquisition by Pantanjali Ayurved under the CIRP. The sharp rise on the ultra-low free float of less than a per cent had sparked a debate whether Sebi and the stock exchanges should revisit rules to ensure fair price discovery.

In a discussion paper issued on Wednesday, Sebi sought the market's feedback on whether the threshold for minimum public shareholding (MPS) at the time of relisting should be set at 5 per cent or whether companies should be allowed to relist with any float on the condition that they will increase it to 10 per cent within six months.

At present, companies that get listed following their initial public offer (IPO) need to have at least 10 per cent public shareholding, and the same needs to be increased to 25 per cent within three years. However, companies listing after undergoing the insolvency resoulution process are not required to have any minimum free float. Ruchi Soya, for instance, had less than 1 per cent free float when trading resumed in the counter after relisting in January.

"Low public shareholding raises multiple concerns like failure of fair discovery of price of the scrip, need for increased surveillance measures, etc, and may therefore pose as a red flag for future cases. Low float also prohibits healthy participation in trading of such companies majorly due to issues related to demand and supply gap of shares," Sebi has said in the discussion paper.

Currently, Sebi provides up to 18 months for companies listing under the CIRP to hike their MPS to 10 per cent and another 18 months to take it to 25 per cent.Also, the regulations mandate one-year lock-in on incoming promoter shares. This rule prevents companies from increasing public float. Sebi, however, has proposed to relax this rule."Achieving MPS compliance through means involving off-loading of shares by the incoming investor or promoter within one year is not possible.

Single-agenda GST Council meeting on Aug 27 to discuss compensation

Expanding the scope of the compensation cess under the goods and services tax (GST) regime will be part of the deliberations at the much-anticipated 'single-agenda' GST Council meeting on August 27 to thrash out an alternative compensation mechanism for states in light of inadequate cess collections.

It will hold another meeting on September 19 to discuss other issues such as the e-way bill on gold and overarching tech changes in GST returns.

Increasing the cess period by another two to five years, widening the coverage of the compensation cess to include more goods and services, raising cess on existing items, and borrowing from the market to meet the shortfall will be discussed. The meeting is expected to be a stormy affair with divergent views likely to

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NTPC: Improved earnings visibility boosts sentiment for attractive stock

The NTPC stock has surged almost 9 per cent since its June quarter results were announced a few days back. While this was positive, it's the improving earnings visibility that is boosting sentiment for the attractively valued stock.

The company commercialised 660 megawatt (Mw) capacity during Q1FY21, taking its total standalone commercial capacity to 50.4 gigawatt (Gw).

For FY21, analysts at Emkay Research expect 4.8 Gw of capacity to achieve commercialisation, followed by another 5.4 Gw in FY22. NTPC had already commercialised 5.3 Gw capacity for FY20 — the highest in a single financial year.

Analysts at Motilal Oswal Institutional Equities say with the company guiding for 5–6 Gw per annum capitalisation for the next three to four years, they expect regulated equity to grow at 11 per cent per annum over FY20-23 and will boost return on equity (120 basis points accretion). The regulated equity had seen a 14.5 per cent year-on-year (YoY) growth during FY20. The rising regulated equity bodes well since the company earns a fixed return on the capital (equity) employed in the business, irrespective of demand and flow of power.

With capitalisation gaining pace, which should drive regulated equity, the concerns on fixed cost under recoveries are easing.

Improvement in coal supply and higher coal imports during FY20 had led to fixed cost under recovery at Rs 250 crore, against Rs 790 crore in FY19. Notably there was no fixed cost under recovery in Q1FY21, as plant availability factors (PAF) improved with much-better coal stocks at power plants.

It was the fixed cost recovery that drove the June quarter operating performance despite revenues declining because of weak electricity demand.

Despite 3 per cent YoY decline in revenues at the standalone level (excluding joint venture and others), the company's Ebitda surged 20 per cent YoY. The company's thermal-fired generations saw PAF improve to 95.76 per cent, from 91.06 per cent in the June 2019 quarter.

Notably, electricity demand has improved after easing of the lockdown; with PFC/REC to support state distribution companies, the collection of dues should further improve.

What's more, the company now plans on focusing more on renewable capacities, and after completing ongoing projects, there may not be many new thermal projects. The renewable capacities are expected to rise to 24 per cent of total by 2032, from less than 2 per cent currently. Thermal capacities have a long gestation period and any change in strategy will mean lower capex requirement.

Analysts, such as Rupesh Sankhe at Elara Capital, say in terms of valuation, NTPC is trading at a historically low valuation of 0.7 times FY22 price-to-book value, which looks attractive. Motilal Oswal Research expects 9 per cent annual growth in earnings over FY20–23. Dividend yield of 5-6 per cent is an added advantage, say analysts.

From telecom to retail, RIL splurges $3.1 bn in 3 years on acquisitions

With Reliance Industries picking up majority stake in online pharmacy Netmeds, the company has forked out over $3.1 billion in acquisitions in the last three years.

The nature and size of the deals — over 30 in three years — varies. In some, Reliance has acquired only a minority stake, letting the current management run the company. In others, it has picked up the majority or the entire stake to take over the operations itself. Hence, the deal sizes vary — from as low as $5 million (Genesis Colors) to $603 million, which was spent to buy the majority stake in Hathway.

The acquisitions were made in areas which are closely related to Reliance's key businesses — telecom, internet, retail, digital, media, education, digital, chemicals and energy.

In an analysis by Goldman Sachs, 80 per cent of the investment was made in the technology and media and entertainment space, while 13 per cent went to retail, and about 6 per cent to energy.

The biggest share of the investment — around $ 1.7 billion — was, of course, in the telecom and internet space. This includes buying Hathway, Den and GTPL's collectively for over $1 billion — a move aimed at getting access to millions of homes who might subscribe to fibre broadband services.

DYNAMIC INDUSTRIES LIMITED

CIN : L24110GJ1989PLC011989

Plot No. 5501/2, Phase III, Nr. Trikampura Cross Road, G.I.D.C., Vatva, Ahmedabad - 382 445

Tel : 25897221-22-23

Email : accounts@dynaind.com Website : www.dynaind.com

NOTICE

Pursuant to Regulation 47(1)(a) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Notice is hereby given that meeting of Board of Directors of the Company is scheduled on Tuesday,25th August, 2020 at 5:00 P.M. at the registered office of the Company, inter-alia to consider and approve the Unaudited Financial Statements for the Quarterended on 30th June, 2020. Further Details will be available at company's websitehttp://dynaind.com/investors_zone.html and on BSE's website http://www.bseindia.com/stock-share-price/dynamic-industries-td/dynamind/524818.

By Order of the Board
Sd/-

Date : 19th August, 2020
Place : Ahmedabad

Kunal Chauhan
Company Secretary & Compliance Officer

POLYLINK POLYMERS (INDIA) LIMITED

CIN :L17299GJ1993PLC032905

Regd. Office & Works : Block No. 229-230, Valthera, Tal - Dholka, Dist. Ahmedabad-387810

Phone No.079-26427800 FAX No.079-26421864

Email: polylink@polylinkpolymers.com; website: www.polylinkpolymers.com

Statement of Unaudited Financial Results for the Quarter Ended 30th June, 2019

(Rupees in Lakhs)

SR. NO.	PARTICULARS	Quarter Ended			Year Ended
		30.06.2020 (Unaudited)	31.03.2020 (Audited)	30.06.2019 (Unaudited)	31.03.2020 (Audited)
1	Total Revenue from operations	516.14	1,116.94	1,501.54	4,704.50
2	Other Income	12.25	28.87	11.76	76.30
3	Total Income (1+2)	528.39	1,145.81	1,513.30	4,780.80
4	Total Expenses	530.45	1,106.17	1,457.28	4,636.16
5	Profit from ordinary activities before exceptional items and tax (3-4)	(2.06)	39.64	56.02	144.64
6	Exceptional Item	-	-	-	-
7	Profit before tax (5+6)	(2.06)	39.64	56.02	144.64
8	Tax Expenses	(0.95)	7.89	16.25	37.96
9	Net Profit for the period (7-8)	(1.11)	31.75	39.77	106.68
10	Other Comprehensive Income (net of tax)	(0.16)	(0.85)	0.07	(0.66)
11	Total Comprehensive Income for the period (9+10)	(1.27)	30.90	39.84	106.02
12	Paid up Equity share capital	1105.58	1105.58	1105.58	1,105.58
13	Other Equity				1,231.75
14	Earnings per share (nominal value of Rs, 5 each) (for the quarters not annualised)				
	(a) Basic (Rs)	(0.005)	0.14	0.18	0.48
	(b) Diluted (Rs)	(0.005)	0.14	0.18	0.48

Notes :

1. The above Un-audited standalone financial results for the quarter ended 30th June, 2020 were reviewed by the Audit Committee and approved and taken on record by the Board of Directors at its meeting held on 19th August,2020 as required under Regulation 33 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
2. Previous quarter/period figures have been regrouped /rearranged and reclassified to conform to current period's classification wherever necessary.
3. The above is an extract of the detailed format of the unaudited financial results for the quarter ended 30th June, 2020, filed with the Stock Exchanges under Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The full format of the unaudited financial results along with review report of the Statutory Auditors is available under Investors section of our website at www.polylinkpolymers.com and under Financial Results at Corporate section of www.bseindia.com.

By order of the board
For, Polylink Polymers (India) Limited
Sd/-
RAVIPRAKASH GOYAL
WHOLE TIME DIRECTOR
DIN : 00040570

Date : 19th August, 2020
Place : Noida