# Air India Express mulls domestic operations

## It will add four aircraft by December 2017, including two this year

**The airline is evaluating whether to expand services to Southeast Asia, where it only connects Singapore and Kuala Lumpur at present Delhi-Teheran service is also under consideration** BS FILE PHOTO

ANEESH PHADNIS
Mumbai, 12 September

Air India Express (AIE), the no-frills brand of Air India, is exploring a foray into the domestic market.

AIE currently serves migrant labour and business traffic between India and West Asia. Its main bases are in Kerala and it is preparing for expansion. That could include flights on domestic routes.

While the immediate focus is on growing its business in established markets, it is hiring a consultant to prepare a network plan and evaluate all potential routes, domestic and international, which could be served profitably.

"The consultant's report is expected in three to six months," said chief executive officer K Shyamsundar.

Currently, AIE has 21 Boeing-737 planes. It will add four aircraft by December 2017, including two this year. Shyamsundar said the new aircraft would be used to expand services on the Gulf routes, especially Kozhikode-Saudi Arabia and Lucknow-Saudi Arabia. Also, by end-December, it will begin plying on the Kolkata-Singapore and Delhi-Dhaka routes. The airline is also evaluating whether to expand services to Southeast Asia, where it only connects Singapore and Kuala Lumpur at present. A Delhi-Teheran service is also under consideration. AIE expects its capacity and operating revenue to increase 25 per cent in 2016-17. The net profit was ₹362 crore in FY16, its first annual profit since launch of operations a decade earlier. In FY15, it made a loss of ₹61 crore.

Profit was aided by the decline in jet fuel cost and increase in revenue. "Our passenger revenue grew by ₹300 crore to ₹2,917 crore, the load factor was up one percentage point to 82.3 per cent and we increased our fleet utilisation," said Shyamsundar.

# UK air traffic entity interested in navigation services

ARINDAM MAJUMDER
New Delhi, 12 September

UK's National Air Traffic Services (NATS) is willing to be a stakeholder in India's Air Navigation Services ,which the government is planning to hive off as part of the aviation ministry's restructuring plan to set up a specialist entity for this.

Niall Greenwood, the Asia-Pacific managing director for NATS, said India was the world's fastest growing aviation market. "We'd like to be part of the operation. The strength will be in collaborating with an Indian business that will be interested in the service. We will be interested in some form of joint venture (with an Indian company, public or private sector), bringing in technology inputs, and training services," he told this newspaper. The British government has 49 per cent in NATS; airlines and private entities form the joint ownership. It was one of the first ANS services to privatise. "We handle around 60 flights per hour, a frequency of less than a minute. We have particular experience in high-impact operations, especially in Indian airspace," he said.

With 20 per cent annual growth, India has become the fastest growing aviation market in the world, with cheaper fuel leading to affordable ticket prices. Anticipating a surge in traffic, Indian airlines have given sizable aircraft orders, which when delivered will put more pressure on air traffic services. IndiGo and GoAir have 430 and 144 of the Airbus A-320 on order.

Air India plans to add 100 planes in the next three to four years. Jet Airways has ordered 75 planes and SpiceJet plans a sizable order. Among the new carriers, Vistara is going soon augment its fleet.

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# D Mart sets sight on ₹2,000-cr IPO

## Appoints former Sebi chief C B Bhave on board

RAGHAVENDRA KAMATH
Mumbai, 12 September


D Mart, the retail chain owned by prominent stock market investor R K Damani, is looking to raise up to ₹2,000 crore though an Initial Public Offer (IPO) of its equity shares.

It will be the first such in the sector after Vishal Retail hit the capital market in 2007.

D Mart's parent, Avenue Supermarts, the third largest in the sector after Reliance Retail and Kishore Biyani's Future Group, has moved a resolution to seek approval for the issue from its shareholders at the coming annual general meeting.

Avenue has also sought shareholders' approval to borrow up to ₹2,000 crore.

According to reports, the company has appointed four investment bankers for the IPO. Though the company has not given any time frame, reports indicate the IPO is likely to hit the market in the second half of the next calendar year.

The company said it had appointed C B Bhave, former head of the Securities and Exchange Board of India (Sebi), as an independent director on its board, with effect from May 17 for five years. Earlier with the Indian Administrative Service, he was chairman of Sebi between February 2008 and February 2011.

Bhave is also a director with Mahindra & Mahindra Financial Services and the Indian Institute for Human Settlements.

D Mart is one of the few profit making grocery retailers, known for low-priced products and a low-cost business model. It set up its first store at Powai here in 2002 and now operates in 110 locations across several states.

Rivals such as Spencer's Retail, Aditya Birla Retail, Shoppers Stop-owned Hypercity and Tata-owned Star Bazaar, which either started operations or expansion after 2006, are yet to break even at the entity level. In 2014-15, D Mart reported a profit of ₹211 crore and sales of ₹6,450 crore. It operates stores of 10,000 to 50,000 sq ft each and plans to soon launch e-commerce operations.

**GROWTH CHART**

- Set up first store in 2002 in Mumbai
- Runs 110 outlets overall
- Operations in Maharashtra, Gujarat, Andhra Pradesh, Madhya Pradesh, Karnataka, Telangana and Chhattisgarh.
- Made profit of ₹211 crore and clocked sales worth ₹6450 crore in FY2015
- Known for discounts and no frills stores

Source: company, reports

# Tata Steel's net loss widens tenfold

## ₹3,183-crore loss was because of sale of UK-based long product unit; internal restructuring, competitive pound helped improve consolidated operating profit by 21%

ADITI DIVEKAR
Mumbai, 12 September

Tata Steel's consolidated net loss widened about 10 times to ₹3,183 crore in the quarter ended June (Q1), against a ₹317-crore loss in the corresponding period last year, according to the new accounting standard Ind-AS. The loss was mainly on account of divestment of its long steel products division in the UK.

According to Bloomberg estimates, the country's largest steel producer was expected to garner a profit of ₹375 crore in the period under review and churn a top line of ₹28,468 crore in the quarter. The company's revenue stood at ₹26,406 crore in Q1, down 5.7 per cent from last year, as steel deliveries took a hit in some European markets even as the domestic market remained flat, despite planned shutdown during the quarter.

Though the top line and bottom line were dismal, Tata Steel saw improved earnings before interest, taxes, depreciation and amortisation (Ebitda) or operating profit, both at stand-alone and consolidated levels.

"The group's performance improved significantly across all geographies, which reflected in the Ebitda. Also, despite muted demand in the domestic market, our India business saw improved underlying Ebitda performance and it is heartening to mention that Kalinganagar start-up is progressing as per plan," Koushik Chatterjee, group executive director (finance and corporate), told reporters at the earnings conference held here on Monday. The domestic business reported an operating profit of ₹2,236 crore, up 17 per cent from a year ago, while consolidated operating profit jumped 21 per cent on a year-on-year (y-o-y) basis to ₹3,270 crore.

"Significantly competitive pound, better product mix and internal restructuring, which helped us in cost saving, led to improved Ebitda especially in Europe," Chatterjee said.

The company will need to carry out a painful internal restructuring to make operations sustainable in Europe, said the management. Tata Steel's net profit from continuing operations (excluding the long steel unit of UK) stood at ₹172 crore in Q1 against ₹22 crore a year ago. Further, the total comprehensive income, which also includes other comprehensive income of ₹350 crore, narrowed the loss to ₹2,833 crore in the quarter, but remained 29 per cent higher than a year ago.

Regarding the UK business, Tata Steel said it continues to explore options for a strategic collaboration through a potential joint venture. "We cannot make any definitive disclosures at present, but we are in talks with all stakeholders to find a sustainable solution for UK operations," said Chatterjee.

Meanwhile, the management also said competitiveness and sustainability of all its facilities in Europe would be of priority while it discusses with industry players. In the domestic market, Kalinganagar has set an export target of 0.5 million tonnes (mt) for the current financial year (FY17) and has plans to make the entire 3 mt capacity operational next year.

Revenue fell **5.7%** to **₹26,406 cr** against **₹28,025 cr** in the year-ago period


**(From left) T V Narendran, MD, Tata Steel, Koushik Chatterjee, Executive Director and group CFO, and Hans Fischer, MD & CEO, Tata Steel Europe at a press briefing to announce financial results in Mumbai, on Monday** PHOTO: SURYAKANT NIWATE

*More on business-standard.com*

# Reliance Power logs 12% rise in net profit

AMRITHA PILLAY
Mumbai, 12 September

Reliance Power Ltd reported a 12 per cent rise in its net profit for the April-June quarter on better operational performance and lower expenses. For the period, the company reported a consolidated net profit of ₹340.04 crore, 12 per cent higher from ₹302.64 crore of the corresponding quarter, a year ago. For the same period, net sales remained almost flat at ₹2,360.23 crore against ₹2,341.64 crore reported a year ago.

The company's financial performance for the June ended quarter was above the Street expectations. In a Bloomberg poll, seven analysts estimated consolidated revenue of ₹2,857.2 crore and six analysts estimated a net income of ₹328.6 crore.

The company's expenses for the June ended quarter fell three per cent to ₹1,683.4 crore from ₹1,729.35 crore reported in the same period a year ago. Tax expenses for the company was almost half at ₹78.52 crore from ₹132.54 crore spent a year ago. Earnings before interest, tax, depreciation and amortisation was at ₹1,142 crore. About its operations, the company said, plant load factor (PLF) for its Sasan Ultra Mega Power Project was at 92.6 per cent, Rosa and Butibori power plant at 103 per cent. This was higher than the all India PLF of 54 per cent for July 2016, according to data available with Central Electricity Authority (CEA). At present, Reliance Power operates a total power generation capacity of 5,945 megawatts in India. Reliance Power closed at ₹51.50 per share, 3.74 per cent down from its previous close of ₹53.50 per share.

# Century may merge textiles biz with Aditya Birla Fashion

DEV CHATTERJEE
Mumbai, 12 September

Century Textiles and Industries, once a star among Indian investors, is looking to demerge its textile business. It may merge it with Aditya Birla Fashion & Retail (ABFRL) to bring the entire textile and fashion business of the Aditya Birla Group under one roof.

In the past one year, ABFRL itself has undergone major restructuring under which the fashion business of Aditya Birla Nuvo — comprising Madura Garments — was merged with the company, making it the largest fashion retail player, with consolidated revenues of ₹12,000 crore.

Century earned about ₹1,817 crore, or 8.6 per cent of total revenues, from its fabrics and denim business and is a supplier to ABFRL. Analysts said, with a new management led by Birla Group chairman Kumar Mangalam Birla now taking charge, a restructuring of its businesses is now inevitable. After raising their stake through a preferential offer, the Birlas have consolidated their grip over the company by inducting Rajshree Birla on the board of Century Textiles in May last year. Kumar Mangalam Birla is vice-chairman of the company, even as present chairman B K Birla is unable to look after the day-to-day affairs of the group due to failing health.

When contacted, an Aditya Birla Group spokesperson denied any merger talks between ABFRL with Century's textile business.

Analysts said Century Textiles' financial metrics have declined, mainly due to its high debt, which shot up from ₹2,621 crore in FY11 to ₹5,320 crore in FY16. The interest costs have corroded its profit after tax, which fell from ₹237 crore in FY11 to a loss of ₹54.5 crore in FY16 (see table). Besides, due to falling demand and pressure on selling prices of cement, the financial performance of cement units has also suffered. "Going by the pressure on financial metrics, a restructuring or outright sale of some businesses is only a matter of time," said an analyst. In the textile business, Century has two revenue streams: cotton fabric and denim units that can be integrated with ABFRL's businesses. The company has a vertically integrated plant at Bharuch for manufacturing cotton fabrics. The cotton division of Century is one of the oldest players in India and manufactures a wide range of premium textiles and supplies to many international players, including Royale Linen, Ralph Lauren, DKNY, Belk and US Polo.

Century Textiles was also in the news last year when it reported the company would merge its cement division of 14 million tonnes per annum with Aditya Birla Group's UltraTech. But with UltraTech investing close to ₹20,000 crore to acquire Jaypee's cement capacity announced in March this year, the Century cement merger plan has been put on the back burner. Analysts said following the takeover of Jaypee units, any merger of Century's cement business with UltraTech could trigger sale of the new entity under anti-competition laws. Hence, the Birlas would like to keep both entities separate.

**STORY IN NUMBERS**

Century Textiles & Industries

In ₹ crore

| | FY15 | FY16 |
|---|---|---|
| **Revenue from operations** | | |
| Textile | 1,744.3 | 1,817.2 |
| Cement | 4,127.2 | 4,253.5 |
| Pulp and paper | 1,738.2 | 1,966.2 |
| Real estate | 20.4 | 35.8 |
| Others | 117.2 | 111.0 |
| **Profit/loss before interest & tax** | | |
| Textile | 108.2 | 136.3 |
| Cement | 273.5 | 166.8 |
| Pulp and paper | 78.0 | 191.8 |
| Real estate | 1.8 | 12.3 |
| Others | 11.7 | 9.7 |
| Interest exp | 484.6 | 567.7 |
| Other un-allocable Expenditure | -24.2 | -29.6 |
| Net profit/loss Before tax | -33.7 | -80.5 |
| Net profit/loss | 15.5 | -54.5 |

Source: Capitaline
Compiled by BS Research Bureau