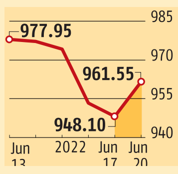
STOCKS IN THE NEWS

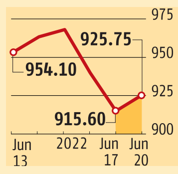
Hinduja Global Solutions



Plans to set up a new delivery centre in Mysuru, Karnataka

₹961.6 CLOSE ▲1.4% UP*

Cipla



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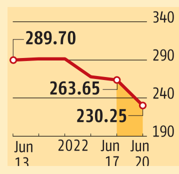

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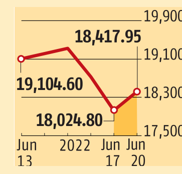

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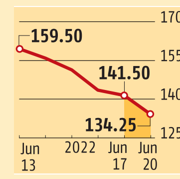

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300 aircraft for $40.5 bn: Air India preps for record deal

SIDDHARTH PHILIP & ANURAG KOTOKY

Air India is considering ordering as many as 300 narrowbody jets, according to people familiar with the matter, in what could be one of the largest orders in commercial aviation history as the formerly state-run airline looks to overhaul its fleet under new ownership.

The carrier may order Airbus SE's A320neo family jets or Boeing's 737 Max models, or a mix of both, the people said, asking not to be identified because the discussions are confidential. A deal for 300 737 Max-10 jets could be worth $40.5 billion at sticker prices, although discounts are common in such large purchases.

Winning a narrowbody order would be a coup for Boeing, as rival Airbus dominates the skies in India, the world's fastest-growing aviation market before the Covid-19 pandemic. IndiGo is the world's largest customer for the European manufacturer's best-selling narrowbodies, ordering more than 700, and others including Vistara, Go Airlines India and AirAsia India fly planes from the same family.

Production and delivery of 300 planes would likely take years or even more than a decade. Airbus builds about 50 narrowbody jets in a month, with plans to increase that to 65 by the middle of 2023, and 75 by 2025.

Representatives for Air India and Boeing declined to comment. An Airbus representative said the company is always in contact with existing and potential customers, but any discussions are confidential.

"This order presumably involves new methods of financing to play out in the right manner, including factoring in macroeconomic trends -- notably the fluctuating rupee and rising inflation," said Satyendra Pandey, managing partner of aviation advisory firm AT-TV.

"Some airlines have placed voluminous orders only to find that they are unable to line up financing at favorable terms. While it is not an outcome that one envisions and certainly not with a group such as the Tatas, nevertheless it has to be planned for."

Air India's owner Tata Group is also close to an order for Airbus A350 long-range jets that are capable of flying as far as the US west coast from New Delhi, Bloomberg News had reported earlier in the month.

Once known for its premium services and advertisements featuring Bollywood stars, the airline still has lucrative landing slots at most major airports, but it faces competition from foreign airlines with nonstop services to India, as well as carriers that fly via hubs in the Middle East. Tata bought the airline earlier this year in the most high-profile privatisation under prime minister Narendra Modi. It is expected to consolidate its aviation businesses, including four airline brands. An order for new planes, especially with favorable terms on long-term maintenance, would help it cut costs and compete better with rivals that offer very cheap fares. **BLOOMBERG**

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Sterlite's Thoothukudi copper unit put on sale

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SHINE JACOB
Chennai, 20 June

Putting an end to its efforts of reopening the Sterlite Copper unit in Thoothukudi, Tamil Nadu, Anil Agarwal-led Vedanta has decided to sell it and has invited expression of interest (EoI) from interested parties.

Through a newspaper advertisement published on Monday, the company has invited "financially competent" players to submit EoIs by July 4. The bid was invited in conjunction with Axis Capital.

"The Tuticorin plant is a national asset which has been catering to 40 per cent of our national demand for copper and has played an integral role towards India's self-sufficiency in copper. In the best interest of the country and the people of Tamil Nadu, we are exploring options to make sure that the plant and the assets are best utilised to meet growing demand of the nation," said a Vedanta spokesperson.

Sterlite Copper had stopped production at the smelter and refining complex in 2018, after protests broke out against the company's plan to expand its capacity from 400,000 tonnes to 800,000 tonnes led to police firing that killed around 13 people and left around 102 people injured.

Since the firing in May 2018 the unit remained closed following an order issued by the Tamil Nadu Pollution Control Board (TNPCB).

Local community

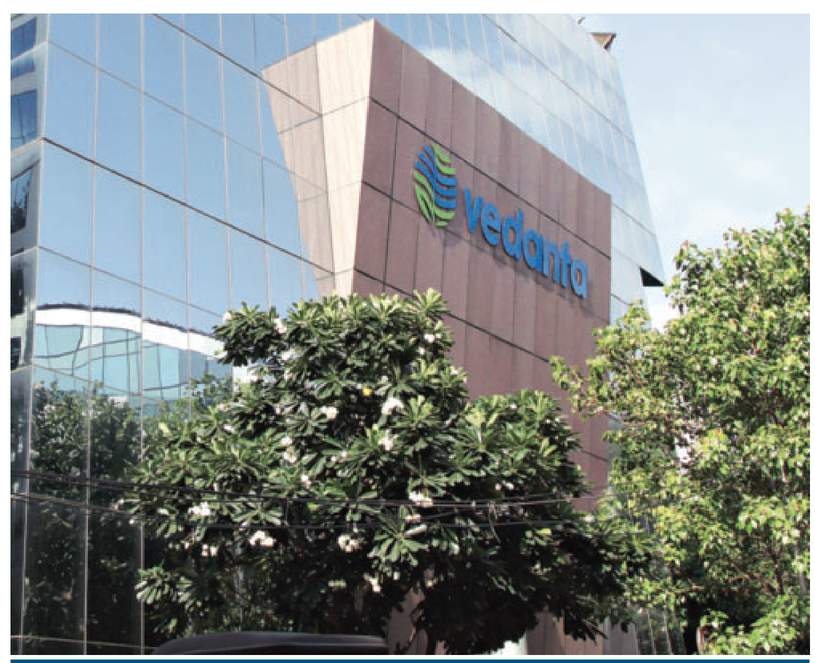
The local fishing community in Thoothukudi, however, has called for the shifting of the plant from the area, instead of selling it to someone else. "We see it as a ploy to bring in some other player and restart the operations in another form. We want complete replacement of the unit and not any sale," said Maria Rajabose Reegan, coordinator, Country Boat Fisherman Association, Thoothukudi.

The Vedanta group has faced similar protests elsewhere too. Its copper subsidiary Konkola Copper Mines (KCM) faced resistance in the Zambian copper belt, where locals protested against its mines and smelters. In 2013, tribal communities in Odisha had turned down a proposal from Vedanta Aluminium to mine the Niyamgiri hills for bauxite. In Goa, too, the company had faced public ire, leading to the stoppage of iron ore mining.

Economic impact

India, which used to be an exporter of copper before the Sterlite unit was shut down, has become a net importer now. The plant used to produce approximately 40 per cent of India's copper demand and contributed around ₹2,500 crore to the exchequer, 12 per cent of the Thoothukudi port's revenue, and 95 per cent market share of sulphuric acid in Tamil Nadu, the company's advertisement said on Monday. It used to directly employ around 5,000 people and another 25,000 indirectly.

India's copper exports fell from 419 KT (thousand tonnes) in financial year 2017-18 (FY18) to 87 KT in FY22 and imports rose from 215 KT in FY18 to 241 KT in FY22. The country incurred forex outflow of $1.2 billion in FY22 on account of copper imports. With a projected annual demand of around 1.1 million tonnes, India is looking at a further outflow of forex as copper's price on the London Metal Exchange (LME) breached $9,000 per MT last year.



TOUGH TIMES

July 1997: More than 90 people get hospitalised after an alleged sulphur dioxide gas leak in the unit

March 2013: J Jayalalithaa government orders closure of the unit

May 2013: The National Green Tribunal (NGT) overturns the order

February 2018: Protests resurface after Sterlite announced plans to double the plant's annual capacity to 800,000 tonnes

May 22, 2018: Police firing kills 13 people and leaves 102 injured during a protest

May 24, 2018: Two days after the firing, the Tamil Nadu Pollution Control Board (TNPCB) orders closure of the unit with immediate effect and disconnects its electricity supply.

June 20, 2022: Vedanta decides to sell the Sterlite unit

Favourable yen movement to drive Maruti's margins

SHALLY SETH MOHILE
Mumbai, 20 June

The recent currency volatility — rupee's depreciation against international currencies — may have given heartburns to automakers that rely on imports or pay royalty to parent companies abroad.

But for Maruti Suzuki India, favourable movement of the yen — the currency that matters the most — against the Indian rupee, has given it reasons to cheer.

The yen's sharp fall against the rupee and the rupee's depreciation against the US dollar, which in turn will bump up export realisations, are set to give a margin boost to the maker of Baleno and Brezza, said analysts.

The softening of commodity prices and slew of new SUV launches in the coming months will also aid margins, they said. Year-to-date, the yen has depreciated 11 per cent against the rupee, the sharpest among all international currencies. The local arm of the Japanese car maker imports parts and raw materials (directly and through suppliers) in yen.

Typically, the value of imports, which are in yen, is 7-8 per cent of the company's annual revenue.

In FY22, Maruti's net sales was ₹88,300 crore. The company also pays a small portion of the royalty in yen to the Japanese parent (major chunk of royalty is rupee denominated). It earns export revenue in dollars and euro. The currency mix is set to work in favour of the car market leader and may lead to further earning upgrades. "Quarter-on-quarter, we expect around 70-80 basis points (bps) positive impact on the company's margins due to the currency movement," said Mitul Shah, head of research, Reliance Securities.

Of this, 40 bps benefits will come on account of royalty payment in yen and import content from Japan, also in yen. The remaining 40 bps will come from exports as the dollar has strengthened against the rupee, he added.

Maruti's net sales for the current year are estimated to be ₹1.08 trillion (based on the average of five brokerages).

An 80-basis points benefit on forecasted net sales translates into a pre-tax benefit of ₹863 crore for the company.

Others analysts, too, are pricing in the favourable currency movement in their earnings estimates. "The recent decline in commodity prices and favourable yen-rupee movement can add ₹180 bps to margins," said Jinesh Gandhi, analyst at Motilal Oswal, in a recent research report.

Meanwhile, a steady increase in exports has given the company a natural hedge against imports. In 2021-22, Maruti exported a record 328,000 cars. The momentum has continued. In the first two months of the current year, it has shipped 45,604 units against 28,499 units in the corresponding period last year.

READY, STEADY, GO

As on Jun 17	Maruti Suzuki India Ltd	S&P BSE AUTO	Sensex
CMP /Close	7,688.20	24,694.90	51,360.40
Chg % 1M	1.6	-0.8	-5.5
Chg % MTD	-3.5	-6.6	-7.6
Chg % YTD	3.5	-0.5	-11.8

50% of Ford's Chennai employees agree to restart work: Official

SHINE JACOB
Chennai, 20 June

At least 50 per cent of the 2,000-odd employees at Ford's Chennai factory have agreed to restart work at the unit, a Ford India official said on Monday. The plant had to shut down due to a staff strike that started on May 30. The company also warned protesting workers of loss of pay, effective June 14, and urged them to get back to the shopfloor.

Ford said it would continue to hold talks with the unions. This comes after the company came out with a 'non-negotiable' severance package asking the workers to accept it or face legal action. According to a workers' union, only about 350 employees and not 50 per cent have accepted the company's offer to restart work. The union says it will continue with the strike until the management offers a better package, as demanded by the protesting workers.

"Pursuant to the employee cascade on June 9, 2022, the company received a positive response, with close to 50 per cent of employees consenting to support production, while requesting to further discuss the severance package on offer," the company executive said. "We look forward to having a constructive dialogue (with employees and union representatives) to explain the details and benefits of the severance package under the supervision of the labour department."

The information released on Monday added that for employees going on an 'illegal strike', a loss of pay will be applicable with effect from June 14.

"To ensure the safety and security of our employees, staff and property, we have sought police support to prevent the protesters from interfering with the ingress and egress of employees supporting operations at the plant, and with materials entering or leaving the factory," he added.

Govt extends telecom PLI scheme by one year

ANEESH PHADNIS
Mumbai, 20 June

The government has extended the productivity-linked incentive scheme for the telecom industry by another year and has expanded its scope to cover design-led manufacturing. The Centre will provide additional incentives of over ₹4,000 crore under the amended scheme.

The Department of Telecommunications said the decision to amend the scheme was taken following consultation with stakeholders who had complained of stiff incremental and production targets for the first year 2021-22.

The department had notified the PLI scheme last February with an allocation of ₹12,195 crore. Thirty-one companies were selected under the scheme last October.

The policy has also been amended with the aim of building a strong ecosystem for 5G. "The scheme is open to both MSME and non-MSME companies, including domestic and global companies. The applications from design-led manufacturers shall be prioritised over other manufacturers while shortlisting. Design led manufacturing is primarily aimed to support efforts for designing telecom products in India. It will recognise and encourage R&D-driven manufacturing to enhance its contribution to the global value chain," the government said in a press release.

A straw in the wind from UFlex set to benefit FMCGs

SURAJEET DAS GUPTA
New Delhi, 20 June

Packaging company UFlex is setting up a plant with technology from the Netherlands to manufacture six billion paper straws annually to cater to the demand of the entire domestic fast-moving consumer goods (FMCG) industry, which uses these for its aseptic packs (tetrapacks) for juice, milk, coffee, etc.

If all goes well, the paper straws will start rolling off the assembly line in September thanks to equipment supplied by Dutch company Tembo Paper.

The investment tag in the first phase will be over ₹100 crore.

This is good news for FMCG companies such as Parle Agro, Amul and Dabur who are short of imported paper straws due to huge demand globally to replace plastic with paper straws.

In India too, the government has banned the use of plastic straws from July 1. Despite the need for six billion straws annually, no Indian manufacturer makes them.

Aswani Kumar Sharma, president and CEO of the aseptic liquid packaging business at UFlex, said the company had anticipated the demand some years ago.

"We decided to go for the best technology available which is with Tembo Paper which will supply the machines and the technology support. The first phase of the plant should get rolling by September when we will start with 100 million paper straws a month," said Sharma.

Each machine can manufacture 50 million paper straws annually.

Sharma says demand peaks between February and June when juices, milk, and chaas sales are at their peak. In this period, the industry needs 3.5 to 4 million straws.

"We are confident of reaching that level of production by that time with more machines coming in and building production capacity to cater to the entire industry," said Sharma.

The two key ingredients in making paper straws are specialised paper which accounts for the bulk of the cost and high quality food grade adhesives. UFlex will import paper from Europe, Japan, Korea, and Indonesia initially but plans to manufacture the paper indigenously later or source it from Indian paper mills.

Talks are already on with paper mill companies on how to provide them with the necessary expertise to manufacture the special paper.

"We should finalise agreements with some mills by December. Our plan is that in February-June next year, we should get 40 per cent of our requirement from Indian paper mills. But that would depend on the quality of the paper they make as it is crucial for it to be food grade," said Sharma.

Paper straws cost five times more than plastic but the gap is expected to reduce once they are manufactured in India and even more when they are made with locally made paper.

In the second phase, UFlex will expand the capacity and leverage the export market.

After all, the bulk of paper straws is made in China, Europe and Indonesia and some say that Chinese straws are not rigorously tested for quality.

UFlex has some other advantages. While Tetrapack is the king of aseptic liquid packaging, the former already has a 30 per cent share of the market and provides aseptic packaging to most FMCG companies.

UFlex could clearly leverage this strength to offer integrated straws (paper straws attached to the aseptic pack) to its customers.

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SIP BY SIP

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- **In the UFlex project,** the investment in the first phase will be over ₹100 crore and the straws could start rolling out as early as September
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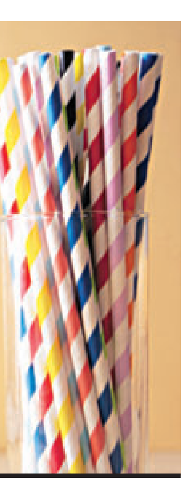

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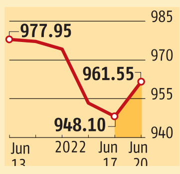

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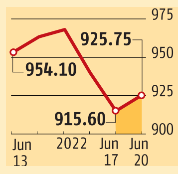

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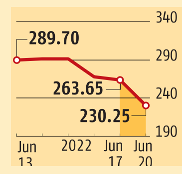

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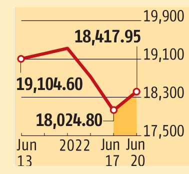

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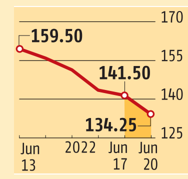

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Local community

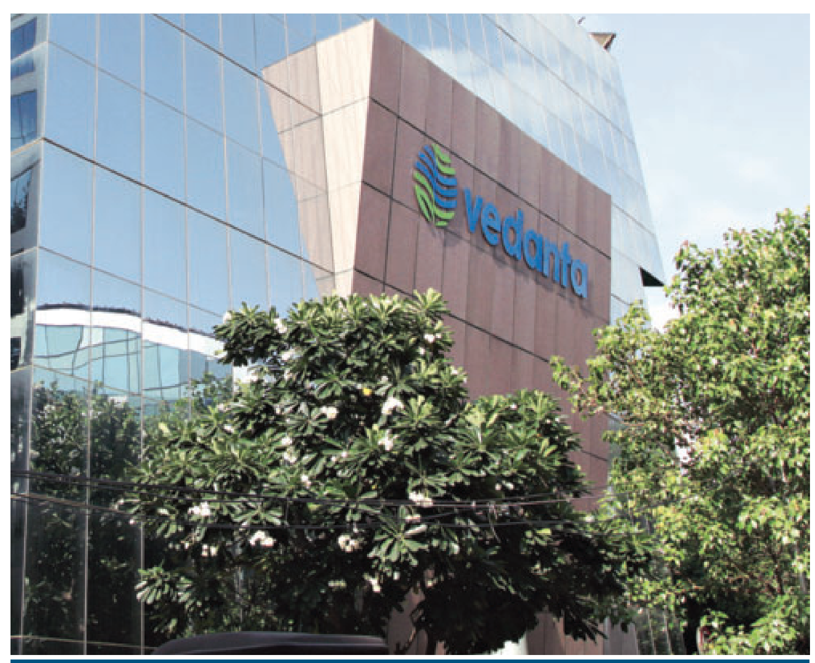
The local fishing community in Thoothukudi, however, has called for the shifting of the plant from the area, instead of selling it to someone else. "We see it as a ploy to bring in some other player and restart the operations in another form. We want complete replacement of the unit and not any sale," said Maria Rajabose Reegan, coordinator, Country Boat Fisherman Association, Thoothukudi.

The Vedanta group has faced similar protests elsewhere too. Its copper subsidiary Konkola Copper Mines (KCM) faced resistance in the Zambian copper belt, where locals protested against its mines and smelters. In 2013, tribal communities in Odisha had turned down a proposal from Vedanta Aluminium to mine the Niyamgiri hills for bauxite. In Goa, too, the company had faced public ire, leading to the stoppage of iron ore mining.

Economic impact

India, which used to be an exporter of copper before the Sterlite unit was shut down, has become a net importer now. The plant used to produce approximately 40 per cent of India's copper demand and contributed around ₹2,500 crore to the exchequer, 12 per cent of the Thoothukudi port's revenue, and 95 per cent market share of sulphuric acid in Tamil Nadu, the company's advertisement said on Monday. It used to directly employ around 5,000 people and another 25,000 indirectly.

India's copper exports fell from 419 KT (thousand tonnes) in financial year 2017-18 (FY18) to 87 KT in FY22 and imports rose from 215 KT in FY18 to 241 KT in FY22. The country incurred forex outflow of $1.2 billion in FY22 on account of copper imports. With a projected annual demand of around 1.1 million tonnes, India is looking at a further outflow of forex as copper's price on the London Metal Exchange (LME) breached $9,000 per MT last year.



TOUGH TIMES

July 1997: More than 90 people get hospitalised after an alleged sulphur dioxide gas leak in the unit

March 2013: J Jayalalithaa government orders closure of the unit

May 2013: The National Green Tribunal (NGT) overturns the order

February 2018: Protests resurface after Sterlite announced plans to double the plant's annual capacity to 800,000 tonnes

May 22, 2018: Police firing kills 13 people and leaves 102 injured during a protest

May 24, 2018: Two days after the firing, the Tamil Nadu Pollution Control Board (TNPCB) orders closure of the unit with immediate effect and disconnects its electricity supply.

June 20, 2022: Vedanta decides to sell the Sterlite unit

Favourable yen movement to drive Maruti's margins

SHALLY SETH MOHILE

Mumbai, 20 June

The recent currency volatility — rupee's depreciation against international currencies — may have given heartburns to automakers that rely on imports or pay royalty to parent companies abroad.

But for Maruti Suzuki India, favourable movement of the yen — the currency that matters the most — against the Indian rupee, has given it reasons to cheer.

The yen's sharp fall against the rupee and the rupee's depreciation against the US dollar, which in turn will bump up export realisations, are set to give a margin boost to the maker of Baleno and Brezza, said analysts.

The softening of commodity prices and slew of new SUV launches in the coming months will also aid margins, they said. Year-to-date, the yen has depreciated 11 per cent against the rupee, the sharpest among all international currencies. The local arm of the Japanese car maker imports parts and raw materials (directly and through suppliers) in yen.

Typically, the value of imports, which are in yen, is 7-8 per cent of the company's annual revenue.

In FY22, Maruti's net sales was ₹88,300 crore. The company also pays a small portion of the royalty in yen to the Japanese parent (major chunk of royalty is rupee denominated). It earns export revenue in dollars and euro. The currency mix is set to work in favour of the car market leader and may lead to further earning upgrades. "Quarter-on-quarter, we expect around 70-80 basis points (bps) positive impact on the company's margins due to the currency movement," said Mitul Shah, head of research, Reliance Securities.

Of this, 40 bps benefits will come on account of royalty payment in yen and import content from Japan, also in yen. The remaining 40 bps will come from exports as the dollar has strengthened against the rupee, he added.

Maruti's net sales for the current year are estimated to be ₹1.08 trillion (based on the average of five brokerages).

An 80-basis points benefit on forecasted net sales translates into a pre-tax benefit of ₹863 crore for the company.

Others analysts, too, are pricing in the favourable currency movement in their earnings estimates. "The recent decline in commodity prices and favourable yen-rupee movement can add ₹180 bps to margins," said Jinesh Gandhi, analyst at Motilal Oswal, in a recent research report.

Meanwhile, a steady increase in exports has given the company a natural hedge against imports. In 2021-22, Maruti exported a record 328,000 cars. The momentum has continued. In the first two months of the current year, it has shipped 45,604 units against 28,499 units in the corresponding period last year.

READY, STEADY, GO

As on Jun 17	Maruti Suzuki India Ltd	S&P BSE AUTO	Sensex
CMP /Close	**7,688.20**	**24,694.90**	**51,360.40**
Chg % 1M	1.6	-0.8	-5.5
Chg % MTD	-3.5	-6.6	-7.6
Chg % YTD	3.5	-0.5	-11.8

50% of Ford's Chennai employees agree to restart work: Official

SHINE JACOB

Chennai, 20 June

At least 50 per cent of the 2,000-odd employees at Ford's Chennai factory have agreed to restart work at the unit, a Ford India official said on Monday. The plant had to shut down due to a staff strike that started on May 30. The company also warned protesting workers of loss of pay, effective June 14, and urged them to get back to the shopfloor.

Ford said it would continue to hold talks with the unions. This comes after the company came out with a 'non-negotiable' severance package asking the workers to accept it or face legal action. According to a workers' union, only about 350 employees and not 50 per cent have accepted the company's offer to restart work. The union says it will continue with the strike until the management offers a better package, as demanded by the protesting workers.

"Pursuant to the employee cascade on June 9, 2022, the company received a positive response, with close to 50 per cent of employees consenting to support production, while requesting to further discuss the severance package on offer," the company executive said. "We look forward to having a constructive dialogue (with employees and union representatives) to explain the details and benefits of the severance package under the supervision of the labour department."

The information released on Monday added that for employees going on an 'illegal strike', a loss of pay will be applicable with effect from June 14.

"To ensure the safety and security of our employees, staff and property, we have sought police support to prevent the protesters from interfering with the ingress and egress of employees supporting operations at the plant, and with materials entering or leaving the factory," he added.

Govt extends telecom PLI scheme by one year

ANEESH PHADNIS

Mumbai, 20 June

The government has extended the productivity-linked incentive scheme for the telecom industry by another year and has expanded its scope to cover design-led manufacturing. The Centre will provide additional incentives of over ₹4,000 crore under the amended scheme.

The Department of Telecommunications said the decision to amend the scheme was taken following consultation with stakeholders who had complained of stiff incremental and production targets for the first year 2021-22.

The department had notified the PLI scheme last February with an allocation of ₹12,195 crore. Thirty-one companies were selected under the scheme last October.

The policy has also been amended with the aim of building a strong ecosystem for 5G. "The scheme is open to both MSME and non-MSME companies, including domestic and global companies. The applications from design-led manufacturers shall be prioritised over other manufacturers while shortlisting. Design led manufacturing is primarily aimed to support efforts for designing telecom products in India. It will recognise and encourage R&D-driven manufacturing to enhance its contribution to the global value chain," the government said in a press release.

A straw in the wind from UFlex set to benefit FMCGs

SURAJEET DAS GUPTA

New Delhi, 20 June

Packaging company UFlex is setting up a plant with technology from the Netherlands to manufacture six billion paper straws annually to cater to the demand of the entire domestic fast-moving consumer goods (FMCG) industry, which uses these for its aseptic packs (tetrapacks) for juice, milk, coffee, etc.

If all goes well, the paper straws will start rolling off the assembly line in September thanks to equipment supplied by Dutch company Tembo Paper.

The investment tag in the first phase will be over ₹100 crore.

This is good news for FMCG companies such as Parle Agro, Amul and Dabur who are short of imported paper straws due to huge demand globally to replace plastic with paper straws.

In India too, the government has banned the use of plastic straws from July 1. Despite the need for six billion straws annually, no Indian manufacturer makes them.

Aswani Kumar Sharma, president and CEO of the aseptic liquid packaging business at UFlex, said the company had anticipated the demand some years ago.

"We decided to go for the best technology available which is with Tembo Paper which will supply the machines and the technology support. The first phase of the plant should get rolling by September when we will start with 100 million paper straws a month," said Sharma.

Each machine can manufacture 50 million paper straws annually.

Sharma says demand peaks between February and June when juices, milk, and chaas sales are at their peak. In this period, the industry needs 3.5 to 4 million straws.

"We are confident of reaching that level of production by that time with more machines coming in and building production capacity to cater to the entire industry," said Sharma.

The two key ingredients in making paper straws are specialised paper which accounts for the bulk of the cost and high quality food grade adhesives. UFlex will import paper from Europe, Japan, Korea, and Indonesia initially but plans to manufacture the paper indigenously later or source it from Indian paper mills.

Talks are already on with paper mill companies on how to provide them with the necessary expertise to manufacture the special paper.

"We should finalise agreements with some mills by December. Our plan is that in February-June next year, we should get 40 per cent of our requirement from Indian paper mills. But that would depend on the quality of the paper they make as it is crucial for it to be food grade," said Sharma.

The two key ingredients in making paper straws are specialised paper, which accounts for the bulk of the cost, and high quality food grade adhesives

Paper straws cost five times more than plastic but the gap is expected to reduce once they are manufactured in India and even more when they are made with locally made paper.

In the second phase, UFlex will expand the capacity and leverage the export market.

After all, the bulk of paper straws is made in China, Korea and Indonesia and some say that Chinese straws are not rigorously tested for quality.

UFlex has some other advantages. While Tetrapack is the king of aseptic liquid packaging, the former already has a 30 per cent share of the market and provides aseptic packaging to most FMCG companies.

UFlex could clearly leverage this strength to offer integrated straws (paper straws attached to the aseptic pack) to its customers.

SIP BY SIP

- **Despite the need for six billion straws annually,** no Indian manufacturer makes them
- **In the UFlex project,** the investment in the first phase will be over ₹100 crore and the straws could start rolling out as early as September
- **It is good news for FMCG companies such as Parle Agro, Amul and Dabur, who are short of imported paper straws due to** huge demand globally for replacing plastic with paper straws
- **Demand peaks between February and June when juices,** milk, and *chaas* sales are at peak and the industry needs 3.5 to 4-mn straws
- **UFlex will import paper from Europe, Japan, South Korea, and Indonesia initially** but plans to manufacture the paper indigenously later