Performance

Sensex

compared with

Comparison with

Price\Earnings

coal

One year

Three year

Five year

# State digs a hole for CIL

The state-owned monopoly is bleeding but the government keeps pressuring it to declare generous dividends

SUBHOMOY BHATTACHARJEE New Delhi, 2 November

oal India Limited (CIL) is bleeding its cash reserves. As the first ever auctions for coal mines without any restrictions on sale of coal began on November 2, it is a sobering thought. The haemorrhaging also has implications for whether CIL will end up practically defunct like another public sector behemoth, BHEL, or whether it would manage to retain its dominance, like Life Insurance Corporation. Perhaps the government feels the former is more likely and so is in a hurry to gobble up dividends and sell more tranches of its shares.

Since September 2018, CIL's cash reserves have fallen over 17 per cent to ₹28,446.83 crore. Although the Covid-19 pandemic has hurt coal movement, it is not the primary reason for CIL's ill health. As of March this year, the company's cash flow from its operations had dried up by three-fourths.

What is hurting the company is its old nemesis, first highlighted by the World Bank in the mid-nineties: Declining efficiency. BSE data shows CIL's operating profit margin (operating profit to sales ratio) for the June quarter at 16.51 per cent, the lowest in five quarters. It was 26.51 per cent in June 2019. A third of its income from operations disappears in its staff cost. No surprise, CIL has the costliest output per man shift among major mining companies globally.

CIL's efficiency is slipping despite operating in a protected market (so far) with a straightforward line of business. CIL has to just dig for coal and dump those besides the rail lines running past the mines. India, faced with a perennial shortage of coal, has enough buyers ready to arrange the transportation and pay for the entire cost.

This operation is simple in theory but proves massively difficult in practice, because the company routinely supplies coal of inferior quality than the buyers have contracted for, which raises the cost for companies because they often have to import better quality coal.

When the company was listed in 2010, this problem of efficiency was expected to be



Company June (%) 2020 metrics **Net Sales** 24.938.99 18.486.77 **-25.87** -45.13 (₹ cr) 5,861.55 2,016.33 **-65.6** PBT (₹ cr) -60.23 **Operating** 6,612.4 3,051.68 **-53.86** profit -63.75 **Operating** profit to sales 16.51 ratio peer group (mining and minerals) (%) Earnings per 7.51 3.37 share Cash & cash **equivalents** 31,690.85 28,446.83

13.23

Turnover ratio Industry Source: CIL and BSE Mahanadi from Coalfields, the most efficient of CIL's seven subidiaries, costs ₹4,365 per when it reaches a power station in Tamil Nadu against the imported coal price of ₹3,779. Ironically, despite having the world's fifth largest report notes. coal reserves, India's coal The government, too, does imports have risen by a CAGR

(₹ cr)

Debtor

largest by value among In response, major coal customers such as public sector NTPC have created a backward linkage to develop their own coal mines. In the recent auctions, key power, aluminium and steel producers, such as Adani, Hindalco, Vedanta and JSW, have bid for mines that will substantially end their dependence on CIL.

of nearly 10 per cent in the five

years up to 2019-20, the third

In a decade since Nove-₹342.35 on listing, CIL has October 30. In a year of stellar

43.5 per cent. No wonder brokerages have no buy recommendations on the stock. It is the reason CIL will possibly not opt for a share buyback "owing to its financially weak position," a Business Standard

6.2

not seem to have a strong plan to reverse this decline. Instead, it is milking the stock dry for its cash reserves. The government owns 66.13 per cent and this has paid handsome returns. In the past three years, the company's average dividend yield is at 10.9 per cent — compare this with a minus 60.47 per cent return on its stock price. In other words, the stock is in value more for the dividend it pays than for its performance in the market.

In March this year, CIL paid mber 2010, when it reached a 120 per cent dividend on ing place now, even if those each share. Even that is less sorted out. Evidently it hasn't. erased almost 67 per cent of its than the 165 per cent it paid next few years. Copious quan-Meanwhile, CIL has effected price to reach ₹114.2 as of out in 2018. The government's tities of coal will continue to attitude makes worse the in the past five years in the upward movement in the mar- already adverse international afield as Richards Bay in South price of coal it mines to bolster ket, the CIL stock has under- environment against coal. The Africa. But the shortage could profits. As a result, a tonne of performed the BSE Sensex by result is foreign institutional get worse if CIL totters.

stock. As of September 20, the number of FIIs holding the stock fell by 13 per cent. This is quite a climb-down for a stock that had listed on a massive premium a decade ago. It had made CIL India's fourth largest company by market cap.

The other path the government has used to benefit from CIL is share sales. In 2010, the sale of a 10 per cent stake in CIL had garnered ₹15,200 crore for the government. In this financial year, there are plans to sell another 15 per cent. Given the low share price, the government will possibly get much less — certainly nowhere near the ₹12,000 crore predicted by some media reports. Still, it is the dividend that is keeping the markets interested and erasing its cash reserves.

Yet this approach is strange. India needs more coal for at least another couple of decades, even with the target of producing 450 Mw from renewable energy. The balancing power for renewables has to be either gas or coal. Given that coal is available domestically. there is good reason to keep CIL in shape. As Rahul Tongia in his Future of Coal points out, there is an even greater reason, "CIL's average coal tonne [or rate of extraction] has been declining perhaps by about as much as 1 per cent per annum over multiple years." This means that India needs more production just to keep the same number of downstream plants running.

This shortfall cannot be made up by the auctions takcoal mines come up within the be shipped to India from as far

### ON THE JOB

## Employment falls in October



MAHESH VYAS

y mid-October, fast-frequency indi- the levels seen till February 2020. cators had signalled stagnation or a that the three key labour market ratios —  $\,$  ered 5.04 percentage points. But, it has  $\,$  fall. The 156 basis points fall seen so far in labour force participation rate, unem- made negligible further ployment rate and employment rate — recovery in the last three had shown a slightly worsening trend until months. India, therefore, still the third week ending in October. All the suffers a loss of nearly two three ratios till then were a shade worse percentage points in labour

The fourth week that ended in October to pre-lockdown levels. turned out to be better. Labour participation rate increased smartly and although had shot up from 7.6 per cent the unemployment rate went up, it wasn't in 2019-20 to 23.5 per cent in high enough to stop the most important April 2020. This was a sharp overall results of the month too much.

Provisional estimates for the month the lockdown.

kharif-crop harvest month. It was also a the recovery has been negligible. The The writer is MD and CEO, CMIEPLtd

None of this could help improve the erthanit was in 2019-20. demand for labour.

worsening of the labour markets in dropped by 7.08 percentage points in Implicitly, during the first seven months of the month. We had reported on October 19 April. Between May and July, it recov-the year, it could have seen a 55 basis points

than their respective levels in September. participation rates compared

The unemployment rate

indicator, the employment rate, from regincrease of 15.9 percentage points. This 2020 is the first month, since the recovery istering a gain. The week ended November was reined in entirely during May, June began in May, that has recorded a fall in 1 continued on similar lines — elevated and July. As a result, the unemployment employment. The fall is relatively small at labour participation rate and unemploy- rate in September and October has been 0.55 million. Yet, what is significant is that ment rate but still, a healthier employment lower than it was in any month since April the process of recovery of jobs that was rate. These improvements in the two most 2019. The unemployment rate fell to 6.7 robust during May, June and July and recent weeks moderated the impact of the per cent in September 2020. However, it which slowed down in August and initially declining trend on October's rose to 7 per cent in October. This is in September now has reversed into a fall in labour data. But, they did not change the line with the general worsening of labour employment in October. Of the 121 milmarket indicators in the month.

of October released on November 1 con- ed in October. It fell from 38 per cent in August and September saw the addition of firm that the period of smart recovery of September to 37.8 per cent in October. only 5 million jobs. Now, October recorded May, June and July has run its course. This is an outcome of a combination of a the first fall since the recovery began. August, September and October do not stagnant labour participation rate and an show any significant further recovery. increase in the unemployment rate. The demand for employment was rising, And, the rebound so far falls short of employment rate had shed a massive 12.2 The count of the unemployed who were reclaiming levels that prevailed before percentage points in April. Much of this, willing to work increased by 12 million 10.4 percentage points, was recovered in October. October was a festival month and a during May, June and July. But, after that,

month of much electioneering in Bihar, employment rate in October 2020 at 37.8 Madhya Pradesh and also Uttar Pradesh. per cent was 1.56 percentage points low-

This fall of 1.56 percentage points is not Labour participation rate at 40.66 per entirely extraordinary as it is likely to cent in October 2020 was exactly what it reflect a trend of falling employment rates was in September 2020. It was much low-independent of the lockdown. The er than the 42.9 per cent it was a year ago employment rate has been falling every in October. For reference, the labour paryear since 2016-17. It fell by 1.13 percentage ticipation rate had never dropped below points in 2017-18, then by 1.46 percentage 42 per cent before the lockdown. So, the points in 2018-19 and by 0.46 percentage participation rate as of October 2020 conpoints in 2019-20. If this trend were to continues to remain significantly lower than tinue, 2020-21 would see another fall of about one percentage point in the employ-The labour participation rate had ment rate even if there was no lockdown.

**Fatigue in the recovery** 

is best reflected in

employment data.

October 2020 is the

recovery began in

first month, since the

May, that has recorded

a fall in employment

the aggregate

the year is a much bigger fall than can be explained, prima facie, by the falling trend. The momentum to bridge this large gap seems to have been exhausted.

Fatigue in the recovery is best reflected in the aggregate employment data. October

lion jobs lost in April, 110 million jobs came The employment rate also deterioratback during May, June and July. Then,

This fall in employment came when



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### NOTICE

Notice is hereby given that pursuant to Regulation 29 and 47 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a meeting of the Board of Directors will be held on Wednesday. 11th November 2020 to consider and approve the Un-audited financial results of the Company as per IndAS format for the second quarter ended 30th September 2020. A copy of the said notice and Un-audited Financial Results shall also be available on Company's website at www.igarashimotors.com and also on Stock Exchange's website at www.bseindia.com and www.nseindia.com

Place: Chennai Date: 02.11.2020 For Igarashi Motors India Limited

### ESSAR 1 **ESSAR SECURITIES LIMITED** Regd. Office: Essar House, 11, K. K. Marg.

Mahalaxmi, Mumbai- 400 034 CIN: L65990TN2005PLC071791 Tel.: +91 22 6660 1100 • Fax: +91 22 2354 4789 Email id: eslinvestors@essar.com • Web: www.essar.com

Notice is hereby given that pursuant to Regulation 29 read with Regulation 47 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the meeting of the Board of Directors of the Company will be held on Wednesday, November 11, 2020 at Essar House, 11 K. K. Marg, Mahalaxmi, Mumbai – 400 034, inter–alia to consider and approve the Jnaudited Financial Results of the Company for the quarter ended September 30, 2020 amongst other items mentioned in the agenda, if any. The aforesaid notice is also available on the Company's website at www.essar.com and on the website of the Stock Exchange at www.bseindia.com.

For Essar Securities Limited

Date: October 29, 2020 Place: Mumbai

Rachana H Trivedi **Company Secretary** 

## A confident Virgin Atlantic to double down on India

India, where Virgin Atlantic started operating in 2000, is the airline's third largest market, with decent load, revenue and brand recall. The airline, which had stopped flights from India because of the pandemic, has recently resumed operations and intends to return with more vigour than ever. In an interview with Anjuli Bhargava, Virgin Atlantic Country Manager-India ALEX MCEWAN speaks about the impact of the pandemic on global aviation and on Virgin Atlantic, and how he anticipates the future to shape up. Edited excerpts.

### Why has Virgin Atlantic remained so nicheforsomany years?

Two reasons. The short-haul European market is very competitive and price is a key factor. Many airlines with only short haul have gone out of business in Europe. Second, Heathrow is a very constrained airport and slots are expensive. So, the kind

of expansions you see here are simply not possible. This has put a cap on our own growth. As a result, we have partnerships and code shares with other airlines to offer our passengers a wider network within Europe without taking the risk of operating the flights directly. When Heathrow has a third runway

and more capacity, this may change. So far, we are a purely full service, longhaul airline that focuses on the quality of service while running a profitable business. We have very new and efficient airplanes. This has worked well as a strategy for us so far. We are not the largest airline in the world, but we fly to the most significant destinations across.

### How is Virgin Atlantic coping with

this crisis? We have come up with a £1.2 billion restructuring plan, which has various components. One of the biggest has been cost reduction and that has been done by cutting staff numbers in two phases, from almost 10,000 pre-pandemic to around 5,500 now. We have downsized in keeping

with our current operations. In addition, we are retiring some of our older, less efficient aircraft. Some aircraft orders are being delayed. The new planes will be more fuel efficient and help lower



**ALEX MCEWAN** Virgin Atlantic Country

costs. There's a loan component, too, in the restructuring plan that will help see us through this period. We don't

have new shareholders. The pandemic has forced us to think about sustainability more comprehensively.

Crisis in the past have changed the way people travel completely. We expect India to have a quicker V-shaped recovery. We also see far more demand for flexibility making changes in tickets and plans, free of charge, something we offer already. All airlines will focus on sustainability, and fourengine aircraft will be replaced by twoengine planes, which allow for lower fuel bills. Passengers may choose to avoid connections and prefer direct flights, particularly in the next 12 months.

#### Since all flights stopped, how has Virgin fared in India?

Before the pandemic, India was our third largest market, accounting for 5-10 per cent of our total revenue. We've also had pretty high load factors, typically over 85-90 per cent, especially after Jet shut down. But India load factors have always been higher

than average for our network. We've also seen a greater willingness and ability to pay from India in the last two years in particular, so fares have been robust. The propensity to travel amongst Indians is going up as is their willingness to pay.

Pre-pandemic, we had daily flights from Delhi and Mumbai to London, which, of course, stopped. But, like others during the pandemic, we restarted flights from Delhi and Mumbai to London under the air bubble in September, although load factors are much lower. We are now starting flights to Manchester. Global supply chains have been impacted severely so the average price charged for cargo has gone up. Prior to the pandemic, we barely carried any cargo: Our revenue was 90 per cent from passengers and just 10 per cent from cargo. But currently, almost 50 per cent of our revenue is from cargo.

What do you think of the increased competition that you and others will face from the Indian players? Many in India's aviation sector feel Vistara and Spice, Jet's move — adding London to their destination list in the midst of the pandemic — is suicidal.

Both Vistara and SpiceJet have talked about operating to London for some time now. This may have been a good time for them to get a foothold and access to London. A flight to London, although expensive, may form a small part of their overall costs, since these are large and growing airlines. It may be a risk worth taking.

Competition is part of Virgin's fabric: We came into existence to compete with British Airways! So, we are always happy with more of it. But as I see it, we have a few advantages: We have a vast network of further connectivity to our fliers from India, be it to Europe, the US or even Latin America. The new entrants don't have this as of now. We are also known in the Indian market since we have been here almost 20 years: so we have a committed clientele already.

### **WOCKHARDT LIMITED** Registered Office: D-4 MIDC, Chikalthana, Aurangabad - 431 006

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### EXTRACT OF UNAUDITED CONSOLIDATED FINANCIAL RESULTS FOR THE QUARTER AND SIX MONTHS ENDED SEPTEMBER 30, 2020

| SIX MUNTHS ENDED SEPTEMBER 30, 2020  |                                 |                                 |                                 |                                 |                                 |                             |  |  |  |  |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|-----------------------------|--|--|--|--|
| (Rs. in Crore except per sha   |                                 |                                 |                                 |                                 |                                 |                             |  |  |  |  |
| Particulars  | 3 MONTHS<br>ENDED<br>30/09/2020 | 3 MONTHS<br>ENDED<br>30/06/2020 | 3 MONTHS<br>ENDED<br>30/09/2019 | 6 MONTHS<br>ENDED<br>30/09/2020 | 6 MONTHS<br>ENDED<br>30/09/2019 | YEAR<br>ENDED<br>31/03/2020 |  |  |  |  |
|  | Unaudited                       | Unaudited                       | Unaudited                       | Unaudited                       | Unaudited                       | Audited                     |  |  |  |  |
| Total Income from Continuing Operations  | 730.29                          | 606.22                          | 682.69                          | 1,336.51                        | 1,416.35                        | 2,882.80                    |  |  |  |  |
| Loss before exceptional items and tax from Continuing Operations   | (85.11)                         | (193.76)                        | (104.51)                        | (278.87)                        | (222.29)                        | (342.04)                    |  |  |  |  |
| Net Profit / (Loss) after tax from continuing operations   | 3.29                            | (225.58)                        | (116.33)                        | (222.29)                        | (179.18)                        | (137.95)                    |  |  |  |  |
| Net Profit / (Loss) from discontinued operations after tax   | -                               | 985.33                          | 22.09                           | 985.33                          | 48.06                           | 94.56                       |  |  |  |  |
| Net Profit / (Loss) after tax  | 3.29                            | 759.75                          | (94.24)                         | 763.04                          | (131.12)                        | (43.39)                     |  |  |  |  |
| Total Comprehensive Income (Continuing and discontinued operations) (Comprising of Profit / (Loss) after tax and Other Comprehensive Income after tax) | (1.22)                          | 774.37                          | (107.41)                        | 773.15                          | (138.14)                        | 57.48                       |  |  |  |  |
| Paid-up Equity Share Capital (Face value of Rs.5/- each)   | 55.38                           | 55.37                           | 55.37                           | 55.38                           | 55.37                           | 55.37                       |  |  |  |  |
| Other Equity excluding Revaluation Reserves as shown in the Audited Balance Sheet  |                                 |                                 |                                 |                                 |                                 | 2,616.30                    |  |  |  |  |
| Earnings per share (Face value of Rs.5/- each) * Not annualised (Continuing and discontinued operations)   |                                 |                                 |                                 |                                 |                                 |                             |  |  |  |  |
| Basic Rs.  | 0.32*                           | 68.64*                          | (7.42)*                         | 68.96*                          | (11.49)*                        | (6.25)                      |  |  |  |  |
| Diluted Rs.  | 0.32*                           | 68.37*                          | (7.42)*                         | 68.67*                          | (11.49)*                        | (6.25)                      |  |  |  |  |

1. The results were reviewed by the Audit Committee and approved by the Board of Directors at their meetings held on November 2, 2020. The results have been subjected to limited review by the Statutory Auditors of the Company.

| 2. Information on Standalone Financial Results are as follows: |                                 |                                 |                                 |                                 |                                 |                             |  |  |  |  |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|-----------------------------|--|--|--|--|
| Particulars  | 3 MONTHS<br>ENDED<br>30/09/2020 | 3 MONTHS<br>ENDED<br>30/06/2020 | 3 MONTHS<br>ENDED<br>30/09/2019 | 6 MONTHS<br>ENDED<br>30/09/2020 | 6 MONTHS<br>ENDED<br>30/09/2019 | YEAR<br>ENDED<br>31/03/2020 |  |  |  |  |
|  | Unaudited                       | Unaudited                       | Unaudited                       | Unaudited                       | Unaudited                       | Audited                     |  |  |  |  |
| Total Income (continuing operation)                            | 309.92                          | 187.32                          | 307.00                          | 497.24                          | 530.29                          | 933.08                      |  |  |  |  |
| Loss before tax from continuing operation                      | (87.29)                         | (332.98)                        | (32.48)                         | (420.27)                        | (205.58)                        | (483.68)                    |  |  |  |  |
| Loss after tax from continuing operation                       | (57.38)                         | (218.94)                        | (22.02)                         | (276.32)                        | (130.92)                        | (325.68)                    |  |  |  |  |
| Profit before tax from discontinued operation                  | -                               | 1,484.19                        | 33.96                           | 1,484.19                        | 73.88                           | 145.36                      |  |  |  |  |
| Profit after tax from discontinued operation                   | -                               | 985.33                          | 22.09                           | 985.33                          | 48.06                           | 94.56                       |  |  |  |  |

3. The above is an extract of the detailed format of the Standalone and Consolidated Financial Results filed with the Stock Exchanges under Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The full format of the Standalone and Consolidated Financial Results are available on the websites of the Stock Exchanges (www.bseindia.com and www.nseindia.com) and on the Company's website (www.wockhardt.com)

For WOCKHARDT LIMITED

H F KHORAKIWALA CHAIRMAN

Place: Mumbai Date: November 2, 2020